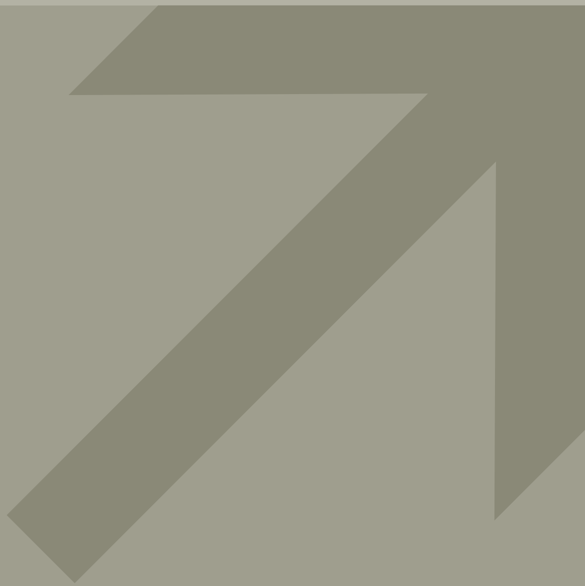

2009 REFERENCE DOCUMENT

Page

01 RESPONSIBILITY FOR THE REFERENCE DOCUMENT AND STATUTORY AUDITS 3
1.1 Person responsible for the reference document 4
1.2 Statutory Auditors 5
1.3 Financial information 6

02 SUMMARY OF SELECTED FINANCIAL INFORMATION 9

03 RISK FACTORS 13
3.1 Industrial and environmental risks 14
3.2 Risks related to operations 16
3.3 Legal risks 17
3.4 Financial risks 18

04 INFORMATION ABOUT THE GROUP 21
4.1 History and development 22
4.2 Investments 23
4.3 Organizational structure 24

05 THE GROUP'S BUSINESS 29
5.1 Legrand's business 30
5.2 Principal activities 39

06 SUSTAINABLE DEVELOPMENT 49
6.1 Commitment to sustainable development 50
6.2 Legrand's membership of the United Nations Global Compact 51
6.3 Governance 52
6.4 Environmental commitment: policies and results in 2009 53
6.5 Social commitments and community involvement: policies and results in 2009 61

07 MANAGEMENT REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2009 67
7.1 Preliminary disclaimer 68
7.2 Overview 68
7.3 Operating profits 69
7.4 Year-on-year comparisons 74
7.5 Cash and capital resources 82
7.6 Capital expenditure 85
7.7 Off balance sheet commitments 85
7.8 Contractual obligations 86
7.9 Variations in exchange rates 86
7.10 Quantitative and qualitative disclosures relating to financial risks 87
7.11 Summary of critical accounting policies 87
7.12 New IFRS pronouncements 88
7.13 Trends and prospects 88
7.14 Table of consolidated financial results over the last five years 89

Page

08 CORPORATE GOVERNANCE 91
8.1 Administration and management of the Company 92
8.2 Remuneration and benefits 95
8.3 Operation of administrative and management bodies 100
8.4 Report of the Chairman of the Board of Directors on corporate governance and internal controls 107

09 EMPLOYEES 119
9.1 Number and breakdown 120
9.2 Options for subscription to new shares or purchase of existing shares 120
9.3 Free share allotments 124
9.4 Profit sharing, employee share ownership/savings plans and company investment fund 125

10 SHAREHOLDERS 127
10.1 Principal shareholders 128
10.2 Shareholders' agreement and specific agreements 130
10.3 Related-party transactions 132

11 FINANCIAL INFORMATION CONCERNING THE ASSETS AND LIABILITIES, FINANCIAL POSITION AND PROFITS AND LOSSES OF THE GROUP 133
11.1 Consolidated financial statements in accordance with IFRS standards for the financial years ended December 31, 2009, December 31, 2008 and December 31, 2007 134
11.2 Statutory Auditors' report on the consolidated financial statements in accordance with IFRS for the year ended December 31, 2009 185
11.3 Fees paid to Statutory Auditors 187
11.4 Dividend policy 188
11.5 Legal proceedings and arbitration 189
11.6 Significant changes in financial and commercial situation 189

12 ADDITIONAL INFORMATION 191
12.1 Share capital 192
12.2 Articles of incorporation and by-laws 195

13 MATERIAL AGREEMENTS 201

CONCORDANCE TABLES 203
Concordance table – Annual financial report (article 222-3 of the general regulations of the french "*Autorité des marchés financiers*") 204
Concordance table – European commission regulation (EC) no. 809/2004 of April 29, 2004 204

APPENDIX 209
Appendix 1 - Annual accounts for the financial year ended December 31, 2009 (Company's accounts) 210
Appendix 2 - Management Report of the Board of Directors on February 10, 2010 to the Annual General Meeting on May 27, 2010 225
Appendix 3 - Report of the Statutory Auditors on Company's financial statements for the year ended December 31, 2009 241
Appendix 4 - Resolutions for the Combined General Meeting of shareholders on May 27, 2010 243
Appendix 5 - Statutory Auditors' special report on regulated agreements and commitments with third parties 253

01
02
03
04
05
06
07
08
09
10
11
12
13
TDC
A

2009 REFERENCE DOCUMENT

Pursuant to article 212-13 of its general regulations, this reference document was filed with the French market supervisor *Autorité des marchés financiers* (AMF) on April 15, 2010. This document may be used to support a financial operation only if it is completed by an offering circular approved by the Autorité des marchés financiers. This reference document has been prepared by the issuer under the responsibility of the signatories.

NOTE

References to the "Group" and "Legrand" are to the Company, its consolidated subsidiaries and its minority shareholdings. References to "Legrand France" are to Legrand France, the Company's subsidiary, previously named Legrand SA, and which company name was changed by the Shareholders' Meeting on February 14, 2006, and not to its subsidiaries. References to "Legrand SAS" are to Legrand SAS, dissolved without liquidation by a decision of the Board of Directors of the Company dated February 8, 2006, and previously an indirect subsidiary of the Company.

In this document, references to "KKR" are to all companies owned and controlled by investment funds advised by Kohlberg Kravis Roberts & Co. L.P.

In this 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 document for the years ended December 31, 2009, 2008 and 2007 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as endorsed by the European Union. Since the Group has not adopted the carve-out arrangements of IAS 39 proposed by the European Union, these consolidated financial statements were also prepared in accordance with IFRS principles as articulated by the International Accounting Standards Board ("IASB"). Therefore the use of the term "IFRS" within this document refers both to the international accounting standards as adopted in the European Union and as articulated 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 parent company financial statements are presented in accordance with French GAAP.

This document contains information about Legrand's markets and its competitive position therein, including market size and market share. Legrand is not aware of any authoritative industry or market reports that cover or address the market for electrical and digital infrastructure in buildings, and thus assembles information on its markets through its subsidiaries, which compile information on their local markets annually. They derive that information from formal and informal contacts with industry professionals (such as professional associations), trade data from distributors of electrical products, building statistics and macroeconomic data. Legrand estimates its position in its markets based on market data referred to above and on its actual sales in the relevant market for the same period.

Legrand believes that the market share information contained in this reference 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 or generate the same results. In addition, its competitors may define the Company's markets differently from Legrand. Because statements 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 statements.

This 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 document and contain data relating to the Group'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. The Company's actual financial condition, actual results and cash flows, and the development of the industry in which it operates, may differ materially from those made in or suggested by the forward-looking statements contained in this document. In addition, even if the Group's financial condition, results of operations and cash flows, and the development of the industry in which Legrand operates, are consistent with the forward-looking statements contained in this document, those results or developments may not be indicative of results or developments in subsequent periods. Factors that could cause those differences include, among other things, the risk factors described in chapter 3 of this reference document. Accordingly, all forward-looking statements should be evaluated with the understanding of their inherent uncertainty.

The forward-looking statements provided in this document are only made as of the date of this 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 is not able to anticipate all risks, uncertainties or other factors that may affect its activities, their potential impact on its activities or the extent to which the occurrence of a risk or combination of risks could have 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 REFERENCE DOCUMENT AND STATUTORY AUDITS

1.1 - PERSON RESPONSIBLE FOR THE REFERENCE DOCUMENT 4

1.1.1 - Name and position of the person responsible for the reference document 4
1.1.2 - Responsibility statement 4
1.1.3 - Incorporation by reference 4

1.2 - STATUTORY AUDITORS 5

1.2.1 - Principal Statutory Auditors 5
1.2.2 - Deputy Statutory Auditors 5

1.3 - FINANCIAL INFORMATION 6

1.3.1 - Person responsible for financial information 6
1.3.2 - Documents available to the public 6
1.3.3 - Indicative financial information schedule 7

1.1 - PERSON RESPONSIBLE FOR THE REFERENCE DOCUMENT

1.1.1 - Name and position of the person responsible for the reference document

Mr. Gilles Schnepp, Chairman and Chief Executive Officer of Legrand, a French *société anonyme* the registered address of which is 128, avenue du Maréchal de Lattre de Tassigny, 87000 Limoges and which is registered under the number 421 259,615 on the Limoges company register (*Registre des Commerces et des Sociétés* or RCS), hereinafter referred to as "the Company".

1.1.2 - Responsibility statement

"I hereby certify, having taken all reasonable care in this regard, that the information contained in this reference document is, to the best of my knowledge, accurate and that there are no omissions of a nature to materially affects its reliability.

I further certify that, to the best of my knowledge, the accounts have been drawn up in accordance with applicable accounting standards and fairly present the assets, the financial position and results of the Company and the businesses within the scope of consolidation and that Management Reports appearing on page 67 and in appendix 2 fairly present developments in the business, results and financial position of the Company and the businesses within the scope of consolidation together with a description of the risk and uncertainties to which they are exposed.

Consolidated financial statements for the year ended December 31, 2008 are included for reference in the present document and are the subject of an auditors' report that appears on page 188 of the 2008 reference document filed with the Autorité des Marchés Financiers under number R.09-025 and contains an observation.

Consolidated financial statements for the year ended December 31, 2009 presented in this document are the subject of an auditors' report that appears on page 185 and contains an observation.

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 accounts presented in this reference document and read the entire reference document."

Gilles Schnepp

Chairman and Chief Executive Officer

1.1.3 - Incorporation by reference

The following are hereby incorporated by reference in this reference document: the Company's consolidated financial statements for the financial year ended December 31, 2007, together with the related report of the Statutory Auditors as presented in pages 108 to 146 and 147-148 of the reference document filed with the AMF on April 23, 2008, under the number R.08-029, as well as the Company's consolidated financial statements for the financial year ended December 31, 2008, together with the related report of the Statutory Auditors as presented in pages 136 to 187 and 188-189 of the reference document filed with the AMF on April 22, 2009 under the number R.09.025.

01
02
03
04
05
06
07
08
09
10
11
12
13
TDC
A

1.2 - STATUTORY AUDITORS

1.2.1 - Principal Statutory Auditors

PricewaterhouseCoopers Audit

Member of the Regional Body of Statutory Auditors in Versailles
(*Compagnie régionale*
des commissaires aux comptes de Versailles)
Represented by Gérard Morin
Crystal Park
63, rue de Villiers
92208 Neuilly-sur-Seine

Appointed deputy statutory auditor at the General Shareholders' Meeting of June 6, 2003, became principal statutory auditor following the merger between Pricewaterhouse and Coopers & Lybrand Audit, and renewed as principal statutory auditor at the General Shareholders' Meeting of March 2, 2004 for a term of six financial years. This appointment expires at the end of the General Shareholders' Meeting convened to vote upon the financial statements for the year ended December 31, 2009. Shareholders will be asked to renew the appointment of PricewaterhouseCoopers Audit for a term of six years at the General Meeting on May 27, 2010.

Deloitte & Associés

Member of the Regional Body of Statutory Auditors in Versailles
(*Compagnie régionale*
des commissaires aux comptes de Versailles)
Represented by Dominique Descours
185, avenue Charles de Gaulle
BP 136 - 92524 Neuilly-sur-Seine Cedex

Appointed principal statutory auditor at the General Shareholders' Meeting of December 21, 2005 for a term of six financial years. This appointment expires at the end of the General Shareholders' Meeting convened to vote upon the financial statements for the year ending on December 31, 2010.

1.2.2 - Deputy Statutory Auditors

Mr. Yves Nicolas

Member of the Regional Body of Statutory Auditors in Versailles
(*Compagnie régionale*
des commissaires aux comptes de Versailles)
Crystal Park
63, rue de Villiers
92208 Neuilly-sur-Seine

Appointed deputy statutory auditor at the General Shareholders' Meeting of March 2, 2004 for a term of six financial years. This appointment expires at the end of the General Shareholders' Meeting convened to vote upon the financial statements for the year ending on December 31, 2009. Shareholders will be asked to renew the appointment Mr. Yves Nicolas for a term of six years at the General Meeting on May 27, 2010.

BEAS

Member of the Regional Body of Statutory Auditors in Versailles
(*Compagnie régionale*
des commissaires aux comptes de Versailles)
7-9, Villa Houssay
92524 Neuilly-sur-Seine Cedex

Appointed deputy statutory auditor at the General Shareholders' Meeting of December 21, 2005 for a term of six financial years. This appointment expires at the end of the General Shareholders' Meeting convened to vote upon the financial statements for the year ending on December 31, 2010.

1.3 - FINANCIAL INFORMATION

1.3.1 - Person responsible for financial information

Mr. Antoine Burel,
Chief Financial Officer

Address: 82, rue Robespierre, 93170 Bagnolet
Tel: + 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 the shareholders in accordance with the applicable regulations and its financial records may be consulted at the registered office of the Company.

Pursuant to article 222-7 of AMF general regulations (*règlement général de l'Autorité des marchés financiers*), the following list has been compiled of the information published or made public by Legrand in the course of the past twelve months.

List of press releases

The press releases are available on the Company's web site (www.legrandgroup.com).

Date	Title
April 2009	Composition of Board of Directors
May 2009	Legrand demonstrates healthy capacity to adapt in the first quarter Results in line with targets
	Description of share buyback program
	Total number of shares and voting rights – April 2009
June 2009	Total number of shares and voting rights – May 2009
July 2009	2009 first-half results: 2009 margin target confirmed, strong cost and capital management, new products launched and investment in innovation
	Total number of shares and voting rights – June 2009
	Six-month report on liquidity contract – June 2009
	Total number of shares and voting rights – July 2009
September 2009	Total number of shares and voting rights – August 2009
October 2009	Total number of shares and voting rights – September 2009
November 2009	2009 nine-month results: Full and continuing adaptation to market conditions, upward revision of 2009 margin target
	Total number of shares and voting rights – October 2009
December 2009	Total number of shares and voting rights – November 2009
January 2010	Total number of shares and voting rights – December 2009

01
02
03
04
05
06
07
08
09
10
11
12
13
TDC
A

Date	Title
February 2010	Total number of shares and voting rights – January 2010
	2009 full-year results: margins steady, net debt reduced by over €500 m, high level of investment in innovation
	Success for Legrand's first euro bond issue
March 2010	Total number of shares and voting rights – February 2010
April 2010	Total number of shares and voting rights – March 2010

List of BALO publications

Date	Nature of information
04/20/2009	Convening – Shareholders' and members' meeting
05/11/2009	Convening – Shareholders' and members' meeting
06/22/2009	Periodical publications – Commercial and industrial companies (annual accounts)

Documents filed with the clerk of the Commercial Court of Limoges (www.infogreffe.fr)

Date	Type of document
06/02/2009	Minutes of Meeting of the Board of Directors on May 5, 2009 Updated bylaws
03/01/2010	Minutes of Meeting of the Board of Directors on February 10, 2010

1.3.3 - Indicative financial information schedule

The financial information the Company discloses to the public will be available on the Company's web site (www.legrandgroup.com).

As an indication only, the Company's schedule for publication of financial information should be as follows up to December 31, 2010:

2010 first-quarter results: May 6, 2010

2010 first-half results: July 29, 2010

2010 nine-month results: November 4, 2010

At its meeting on March 4, 2010, the Company's Board of Directors called the Company's annual combined Ordinary and Extraordinary General Meeting for May 27, 2010.

02 SUMMARY OF SELECTED FINANCIAL INFORMATION

01
02
03
04
05
06
07
08
09
10
11
12
13
TDC
A

The Group has derived the following selected financial data as of and for the years ended December 31, 2009, 2008 and 2007 from its consolidated financial statements included in chapter 11 of this reference document. These consolidated financial statements were prepared in accordance with IFRS and audited by PricewaterhouseCoopers Audit and Deloitte & Associés.

Readers should read this summary selected financial data together with the information contained in chapter 7 of this reference document, the Group's consolidated financial statements, the related Notes thereto (included in chapter 11 of this reference document) and other financial information included elsewhere in this reference document.

(in € millions, except percentages)	2009	2008	2007
Net sales	**3,577.5**	**4,202.4**	**4,128.8**
Total sales growth	-14.9%	+1.8%	+10.5%
Sales growth at constant scope of consolidation and exchange rates	-13.9%	(0.1)%	+8.6%
EBITDA[(1)]	**745.0**	**859.9**	**877.4**
As a percentage of net sales	20.8%	20.5%	21.3%
Maintainable EBITDA[(2)]	**795.7**	**907.5**	**885.6**
As a percentage of net sales	22.2%	21.6%	21.4%
Adjusted operating income[(3)]	**578.8**	**697.9**	**724.0**
As a percentage of net sales	16.2%	16.6%	17.5%
Maintainable adjusted operating income[(2)]	**629.5**	**745.5**	**732.2**
As a percentage of net sales	17.6%	17.7%	17.7%
Net income[(4)]	**291.3**	**351.5**	**422.6**
Free cash flow[(5)]	**654.5**	**429.6**	**552.9**
As a percentage of net sales	18.3%	10.2%	13.4%
Net financial debt at December 31[(6)]	**1,339.8**	**1,861.8**	**1,797.8**

(1) EBITDA means operating income plus depreciation of tangible assets and amortization of intangible assets and impairment charges on goodwill. EBITDA is not a measurement of performance under IFRS and should not be considered as an alternative to (a) operating income or net income (as determined in accordance with IFRS) as a measure of the Group's operating performance, (b) net cash provided by operating activities, investing and financing activities (as determined in accordance with IFRS) as a measure of the Group's ability to meet cash needs or (c) any other measures of performance under IFRS. The Group believes that EBITDA is a measure commonly reported and widely used by investors and other interested parties as a measure of a company's operating performance and debt servicing ability because it assists in comparing performance on a consistent basis without regard to depreciation and amortization, which can vary significantly depending upon accounting methods (particularly when acquisitions are involved) or non-operating factors (such as historical cost). Accordingly, this information has been disclosed in this reference document to permit a more complete and comprehensive analysis of the Group's operating performance relative to other companies and the Group's debt servicing ability. Because all companies do not calculate EBITDA identically, the Group's presentation of EBITDA in this reference document may not be comparable to similarly titled measures of other companies.

(2) Maintainable EBITDA and maintainable adjusted operating income mean EBITDA or adjusted operating income, as the case may be, excluding the effect of restructuring charges (including capital gains or losses in connection with the sale of assets relating to restructuring).

(3) Adjusted operating income is defined as operating income adjusted for purchase accounting charges recorded in connection with the acquisition of Legrand France and impairment of goodwill.

(4) Net income corresponds to published net income (before minority interests).

(5) Free cash flow is defined as the sum of net cash provided by operating activities and net proceeds of sales fixed assets less capital expenditure and capitalized development costs. Free cash flow is not an indicator of performance defined by the IFRS standards, and should not be considered as an alternative to net cash provided by operating activities, used in investing activities or provided by financing activities (as calculated in accordance with IFRS standards) in order to assess Legrand's capacity to address its cash needs or to any other indicator of performance defined by IFRS standards. Legrand considers that free cash flow is an often displayed and commonly used indicator by investors and other interested parties in order to assess its capacity to service debt, to finance acquisitions and to pay dividends. Therefore, this information is provided in this reference document for the purpose of allowing a more exhaustive and global analysis of Legrand's capacity to face debt service, to finance acquisitions and to pay dividends. As not all companies calculate free cash flow following the same method, the free cash flow shown in this reference document may not be comparable to free cash flow information provided by other companies.

(6) Net financial debt is defined as the sum of long-term borrowings and short-term borrowings, less cash and cash equivalents and marketable securities and frozen current accounts.

01
02
03
04
05
06
07
08
09
10
11
12
13
TDC
A

The table below presents a reconciliation of EBITDA and maintainable EBITDA to net income and operating income:

(in € millions)	2009	2008	2007
Net income for the year	**291.3**	**351.5**	**422.6**
Income tax	131.3	143.4	175.0
Share of loss/(profit) of associates	(0.0)	(0.0)	(2.0)
Exchange (gain)/loss	13.4	25.3	(44.0)
Financial income	(11.9)	(29.1)	(42.5)
Financial costs	100.0	151.7	152.4
Operating income	**524.1**	**642.8**	**661.5**
Depreciation of tangible assets	126.5	136.1	131.5
Amortization of intangible assets	94.4	81.0	84.4
EBITDA	**745.0**	**859.9**	**877.4**
Restructuring charges	50.7	47.6	8.2
Maintainable EBITDA	**795.7**	**907.5**	**885.6**

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

(in € millions)	2009	2008	2007
Net income for the year	**291.3**	**351.5**	**422.6**
Income tax	131.3	143.4	175.0
Share of loss/(profit) of associates	(0.0)	(0.0)	(2.0)
Exchange (gain)/loss	13.4	25.3	(44.0)
Financial income	(11.9)	(29.1)	(42.5)
Financial costs	100.0	151.7	152.4
Operating income	**524.1**	**642.8**	**661.5**
Amortization in connection with the acquisition of Legrand France(1)	38.1	55.1	62.5
Goodwill impairment	16.6	0.0	0.0
Adjusted operating income	**578.8**	**697.9**	**724.0**
Restructuring charges	50.7	47.6	8.2
Maintainable adjusted operating income	**629.5**	**745.5**	**732.2**

(1) Amortization in connection with the acquisition of Legrand France relates to amortizable tangible and intangible assets to which part of the price of the acquisition of Legrand France in 2002 was assigned.

The table below presents a reconciliation of free cash flow and net cash provided by operating activities:

(in € millions)	2009	2008	2007
Net cash provided by operating activities	**726.3**	**577.5**	**685.5**
Net proceeds from sales of fixed and financial assets	43.8	12.5	38.8
Capital expenditure	(84.3)	(131.0)	(149.4)
Capitalized development costs	(31.3)	(29.4)	(22.0)
Free cash flow	**654.5**	**429.6**	**552.9**

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

(in € millions)	2009	2008	2007
Share capital	1,052.4	1,051.3	1,083.9
Retained earnings	1,568.4	1,378.3	1,238.4
Translation reserves	(231.6)	(249.4)	(194.0)
Share capital (Group share)	**2,389.2**	**2,180.2**	**2,128.3**

01
02
03
04
05
06
07
08
09
10
11
12
13
TDC
A

03 RISK FACTORS

3.1 - INDUSTRIAL AND ENVIRONMENTAL RISKS 14

3.2 - RISKS RELATED TO OPERATIONS 16

3.3 LEGAL RISKS 17

3.4 - FINANCIAL RISKS 18

At the date of this reference document, the risks described below are those identified by the Company that could have an adverse effect on the Group's situation. Additional risks, which are not currently known or which are not potentially deemed, as of the date of this reference document, to materially adversely affect the Group's business, financial condition or results of operations, may exist. The occurrence of one or more of these risks could also have an adverse effect on the Group's situation.

3.1 - INDUSTRIAL AND ENVIRONMENTAL RISKS

RISKS RELATED TO CHANGES IN THE 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 the Group's products is determined principally by the demand for such products from electrical professionals and building contractors, which in turn is primarily a function of the level of activity in the renovation and new construction sectors for residential, commercial and industrial buildings. For example, the French construction market as a whole shrank 7.1% in 2009 as opposed to only 2.4% in 2008 (source: Euroconstruct, November 2009). Over the same period, Legrand reported an 8.3% decline in sales in France in 2009 at constant scope and exchange rates, compared with 1.0% in 2008. To differing degrees, the level of activity in these sectors is sensitive to changes in general and local economic conditions, and 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 backlog of customer orders, which would help it 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 watch on trends in its business and on profitability by geographic zone, in close collaboration with its local managers (see section 5.1.6.2 of this reference 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 the Group's local competitors, mentioned in section 5.1.3 of this reference 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. The Group could lose market share if it is not able to offer 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 preserve its competitiveness, the Group regularly launches new products, and if they are not as successful as expected, this could have an adverse effect on its business.

Some smaller local 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.

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 counterfeited products, could lead to a decrease in the Group's market share, or a decrease in the average selling price of its products, or both.

Legrand is aware of these risks and therefore engages in ongoing research and development and marketing efforts to increase the value of its products, while maintaining a tight rein on costs and preserving its market share (see sections 5.1.6.1.2 and 5.1.6.2 of this reference document).

RISKS RELATED TO EXTERNAL GROWTH

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 its existing operations. The Group 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. The Group may also experience problems in integrating acquired businesses, including possible inconsistencies in systems, procedures (including accounting systems and controls), policies and business cultures, the diversion of management attention from day-to-day business, the departure of key employees and

the assumption of liabilities, such as 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 works closely with country managers to identify appropriate targets and coordinates the acquisition process with the various departments at headquarters (finance, legal, industrial, logistics, marketing, etc.) as described in section 5.1.4.6 of this reference document. The integration of acquired companies is supervised by a steering committee with participation by 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(G) to the 2009 consolidated Financial Statements in chapter 11 of this reference 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 position and results. The hypotheses used in tests calculating depreciation 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 explained in note 3 to the consolidated financial statements in chapter 11 of this reference document, Legrand recorded a €16.6 million loss relative to goodwill for the period ended December 31, 2009.

RISKS RELATED TO THE ENVIRONMENT

Legrand's activities, like those of similar companies, are subject to extensive and increasingly stringent environmental laws and regulations regarding a wide 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.

Legrand may be required to pay potentially significant fines or damages as a result of past, present or future violations of applicable environmental laws and regulations, even if these violations occurred prior to the acquisition of companies or operations 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, and, on the other hand, curtail operations or temporarily or permanently close facilities in connection with applicable environmental laws and regulations. The Group may also become subject to claims for violations of environmental law. For example, it currently has decontamination obligations concerning a site in Syracuse (United States) for which provisions have been made in a total amount of approximately $2.2 million. 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 made and will continue to make capital expenditures to comply with applicable environmental laws and applicable regulations as they continue to change. If Legrand is unable to recover these expenditures through higher prices, then its results and cash flows could be affected.

Moreover, regulatory authorities could suspend the Legrand's operations if it fails to comply with relevant regulations, and/or may not renew the permits or authorizations it requires to operate. They could also mandate upgrades or changes to its manufacturing facilities that could result in significant costs to Legrand.

Legrand has developed an environmental risk prevention and measurement policy implemented through environmental audits that are subsequently reviewed and analyzed by its environmental risk management department. The implementation of this policy, which aims to evaluate preventable risks and to implement the actions necessary to control them, is a part of Legrand's efforts to comply with applicable laws, particularly with respect to environmental protection and pollution control laws. Therefore, in the context of ISO 14001 certification, Legrand has defined an environmental risk identification policy (see chapter 6 of this reference 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.

3.2 - RISKS RELATED TO OPERATIONS

RISKS RELATED TO DEPENDENCE ON SUPPLIERS

In 2009, purchases from Legrand's top ten suppliers accounted for 12.3% of total consumption (raw materials and components), with no single supplier accounting for as much as 3%.

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

RISKS RELATED TO INDUSTRIAL SITE OR LOGISTICS SHUTDOWN

As a result of the industrial nature of Legrand's business, events of natural or other origin sometimes occur (such as fires, natural disasters, health risks due to, e.g., pandemics, machine breakdowns, etc.) that could disrupt or interrupt a site's activity.

However, by actively taking steps to prevent industrial risks and making ongoing investments in maintenance and modernization of production tools, Legrand is able to limit the likelihood that such a risk will occur. For example, Legrand conducts joint audits with experts from the Group's insurance companies to evaluate the level of fire prevention facilities and takes any actions deemed necessary.

In addition, all significant Group subsidiaries are committed to defining a business continuity plan, aimed at ensuring the presence or restoration of critical functions in the shortest possible time-frame after a disruption. Such plans were defined or updated, for example, in response to the threat to health posed by the A/H1N1 swine flu pandemic.

Finally, Legrand has taken out a global insurance policy to cover direct property damage and operating loss resulting from accidents (see section 5.2.8 of this reference document).

RISKS TO IT SYSTEMS

Legrand's operations and international profile require multiple IT systems linked to each other, with increasing volumes of data exchanged. Despite its efforts to protect its systems and networks, including the creation of a team dedicated to improving the quality and security of the IT systems, could be the target of viruses or other malicious attempts to intrude that could hamper the Company's operations and the quality of its customer service.

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 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. To meet this challenge, Legrand has implemented mechanisms to motivate them and encourage them to stay with the Company (see section 5.1.4.7 of this reference document). The Group has also taken action to develop human resources (see section 6.5.1 of this reference document). However, if Legrand is unable to retain its key personnel, this could have an adverse impact on its business, financial condition, results of operations or cash flows.

RISKS RELATING TO SHORTCOMINGS OF INTERNAL CONTROL 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 controls (see section 8.4.7 of this reference 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 step with changes in Legrand's business processes. The Company's fundamental principles also include ethics of behavior with requirements impressed upon all staff members.

3.3 LEGAL RISKS

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

The Group'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 Group's business could lead to lower sales or increased operating costs, and result in a decrease in Legrand's profitability and income.

In addition, the Group'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, the Group has established a compliance department that is in charge of managing related risks.

RISKS RELATED TO INTELLECTUAL PROPERTY RIGHTS

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. To minimize this risk, the Group pays particular attention to defending its intellectual property, and relies on a dedicated team in its corporate secretariat. This team monitors patents and trademarks, fights counterfeits and takes joint action with other significant market players in professional agencies (such as Gimelec, ASEC, etc.). The Group may expend significant resources monitoring, protecting and enforcing its rights. If the Group 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 or 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, it could be subject to claims for damages and could be prevented from using the contested intellectual property rights.

RISKS RELATED TO THE PRODUCTS SOLD

Despite product testing, the Group's products might not operate properly or might contain errors and 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. These 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. However, the Group's implementation of 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 in charge of the field of expertise. Between 2004 and 2009, the average annual rate of returns under warranty for the Group's products was less than 0.5% of products. The Group 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 within 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 or cash flows.

RISKS RELATED TO LITIGATION

Section 11.5 (Legal proceedings and Arbitration) of this reference document describes main legal proceedings in which Legrand is involved.

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02
03
04
05
06
07
08
09
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11
12
13
TDC
A

3.4 - 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 2009 Financial Statements in chapter 11 of this reference document). Legrand's sales to Sonepar and Rexel represented approximately 28% of its net sales in both 2009 and 2008. In addition, sales to its 10 most important customers (including Sonepar and Rexel) were equal to around 35% of the Group's net sales in 2009 and 2008.

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 Sonepar and Rexel that it might not be able to recover were either of them to become insolvent or bankrupt. Legrand manages its outstanding receivables carefully (see section 5.1.5.3 of this reference document), but 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 its business, financial condition, results and cash flows.

LIQUIDITY RISK

The banking and financial indebtedness of the Group is described in section 7.5.2 of this reference document as well as in notes 13 and 16 to the 2009 Financial Statements in chapter 11 of this reference document. Legrand benefits from an investment grade rating from the major rating agencies, and could be at a disadvantage compared to competitors that do not have the same level of indebtedness during the same period. In addition, the Group's capacity to comply with the covenants stipulated in certain borrowings (in particular the 2006 Credit Facility described in section 7.5.2.1 and the bank loan described in section 7.5.2.2 of this reference 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 (E) to the 2009 Financial Statements in chapter 11 of this reference 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, external growth or the payment of dividends.

Liquidity risk management is discussed in note 22 (E) to the consolidated financial statements in chapter 11 of this reference document.

In addition, readers should refer to section 19.9 of Appendix 2 (Management Report) 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 variations in interest rates (see note 22 (A) to the 2009 Financial Statements in chapter 11 of this reference document). The Group manages this risk by using a combination of fixed and variable rate debt and through interest rate hedging arrangements. 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 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 details regarding the interest rate risk are discussed in note 22 (A) to the 2009 Financial Statements in chapter 11 of this reference 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 and the Polish zloty. The preparation of the Group's consolidated financial statements, which are denominated in euros, requires the conversion of those assets, liabilities, revenues and costs into euros at the then applicable exchange rates. Consequently, variations in the exchange rate of 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 significant changes to the Group's results and cash flows from period to period.

01
02
03
04
05
06
07
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09
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11
12
13
TDC
A

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, affecting its profitability and cash flows. The details regarding the exchange rate risk are discussed in note 22 (B) to the 2009 Financial Statements in chapter 11 of this reference document.

Raw materials risk

Legrand is exposed to the risk generated by changes in the prices of raw materials.

The financial instruments used by Legrand to manage it exposure to raw materials risk are described in note 22 (C) to the consolidated financial statements in chapter 11 of this reference document.

Legrand may not be able to pass on, immediately or in the long term, increases in costs of raw materials and components to the Group's customers through price increases. Its costs could therefore increase without an equivalent increase in sales, which could in turn affect its profitability and cash flows.

Risks related to pension commitments

The Group's subsidiaries have obligations to their employees relating to retirement in the majority of the countries where the Group operates. These commitments may be funded by payments to insurance companies or retirement plans where funds are held in trust, as determined by periodic actuarial calculations. Within the Group there are defined contribution plans and defined benefit plans (see note 15 to the 2009 Financial Statements in chapter 11 of this reference 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. Rises or falls on stock markets can lead to variations in the value of assets invested in securities. In 2009, the actuarial trend in such assets was a €12.8 million increase.

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, the Group could be required to make significant payments with respect to such retirement benefits. Any such payments could have an adverse effect on the Group's business, financial condition, results or cash flows.

01
02
03
04
05
06
07
08
09
10
11
12
13
TDC
A

04

INFORMATION ABOUT THE GROUP

4.1 -	**HISTORY AND DEVELOPMENT**	**22**
4.1.1 -	Company name	22
4.1.2 -	Place of registration and registration number	22
4.1.3 -	Date and duration of incorporation	22
4.1.4 -	Registered office	22
4.1.5 -	Legal form and applicable law	22
4.1.6	Important events in the development of the business	23
4.2 -	**INVESTMENTS**	**23**
4.2.1 -	Industrial investments and capitalized development costs	23
4.2.2 -	Investments in shares: the Group's primary acquisitions	23
4.2.3 -	Main investments in progress	24
4.2.4 -	Main planned investments and external growth policy	24
4.3 -	**ORGANIZATIONAL STRUCTURE**	**24**
4.3.1 -	Organizational chart	25
4.3.2 -	Subsidiaries and shareholdings	26

4.1 - HISTORY AND DEVELOPMENT

4.1.1 - Company name

The Company's name is "Legrand".

4.1.2 - Place of registration and registration number

The Company is registered with the commercial registry of Limoges (*Registre du commerce et des sociétés de Limoges*) under number 421,259,615.

4.1.3 - Date and duration of incorporation

The Company was 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 a unanimous decision of the shareholders on November 4, 2002.

The Company's term has been extended until February 24, 2105, unless this term is extended or the Company is dissolved early.

4.1.4 - Registered office

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.

4.1.5 - 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.

4.1.6 Important events in the development of the business

In 2009, Legrand's research and development teams worked on numerous new developments, and contributed to the launch of new product lines and updating of others, including:

- the *Arteor* range of wiring devices, designed for residential and commercial construction on international markets, particularly in Asia, and *Soliroc*, a high-resistance/vandal-proof line;
- the *Plexo3* cabinet line, *Practibox* cabinets for residential markets, *Viking3* terminal blocks for industry, *DMX3* power circuit-breakers, low-noise latching relays, domestic and power contactors;
- the new *Swifts* metal cable trays; the new *Duo NQ50* trunking range; new *Legrand* halogen-free trunking; new *Legrand & Wiremold* floor boxes;
- a centrally-managed access control keypad, audio-video connecting devices for the *Mosaic* line;
- new *Wattstopper* detectors in the United States;
- new *MyHome* user interfaces and the new virtual configuration system for *MyHome* devices;
- the *LCS*[2] VDI range in France.

4.2 - INVESTMENTS

4.2.1 - Industrial investments and capitalized development costs

Investments and capitalized development costs amounted to €115.6 million in 2009 (€160.4 million in 2008 and €171.4 million in 2007), representing 3.2% of the Group's consolidated revenues (3.8% and 4.2% respectively for 2008 and 2007).

Of this amount, 59% was dedicated to new products (41% in 2008 and 33% in 2007).

4.2.2 - Investments in shares: the Group's primary acquisitions

Legrand made no acquisitions in 2009.

During 2008 (more precisely in the first half of the year), Legrand made acquisitions totaling €123.6 million (after deducting the acquired cash), including, in particular, the following four companies financed from cash flow. All four have very strong positions in their markets:

- PW Industries, a US firm specializing in ceiling cable-tray systems for commercial and industrial applications. PW Industries generated net sales of $32 million in 2007;
- Estap, number one in VDI cabinets and enclosures in Turkey. Based in Istanbul with a manufacturing site in Eskisehir, Estap generated net sales of more than €22 million in 2007;
- HDL, the leader for audio and video entry phones in Brazil. HDL generated net sales of approximately €20 million in 2007 and has two manufacturing sites in Manaus and Itu;
- Electrak, a UK leader for underfloor cable-management solutions for commercial segments. Electrak generated net sales of nearly €20 million in 2007.

During 2007, Legrand made acquisitions totaling €265.1 million (after deducting the acquired cash), including, in particular, the following six companies financed from cash flow. All of these companies generally have strong positions in their markets:

- HPM, the number two player in wiring devices in Australia and New Zealand. HPM generated net sales of approximately €100 million in 2006;
- UStec, an American expert in global solutions for the distribution of Voice-Data-Image networks in homes, based in the State of New York. UStec generated net sales of approximately $12 million in 2006;

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- Kontaktor, the Russian leader for air circuit breakers and molded case circuit breakers. Kontaktor generated net sales of approximately €35 million in 2006;
- Macse, the leader in metallic cable management in Mexico. Macse generated net sales of approximately €10 million in 2006;
- TCL Wuxi, a Chinese firm specializing in modular and high current circuit breakers for residential, commercial and industrial applications. TCL Wuxi generated net sales of approximately €20 million in 2006;
- Alpes Technologies, a French leader in systems designed to optimize and measure the quality of electricity for commercial and industrial applications. Alpes Technologies had net sales of approximately €10 million in 2006.

4.2.3 - Main investments in progress

In the Group's estimation, it was not involved in any material investments that call for detailed disclosure at the date this reference document was filed.

4.2.4 - Main planned investments and external growth 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 reference document (see in particular section 5.1.5 of this reference document).

4.3 - ORGANIZATIONAL STRUCTURE

The Group is made up of Legrand and the 138 subsidiaries that it controls at December 31, 2009. The Company is the parent company of the Legrand Group and its principal business is providing general management and financial services to manage the Group's operations.

Legrand France, the Company's wholly-owned principal operating subsidiary, directly or indirectly controls all of the Group's subsidiaries.

The payment of dividends by Legrand's principal subsidiaries is decided by their respective Shareholders' Meetings, and is subject to local laws and regulations applicable to them. At the date of this reference document, Legrand had not identified any restrictions that would significantly limit its access to its subsidiaries' cash flows or to the payment of dividends distributed by the same.

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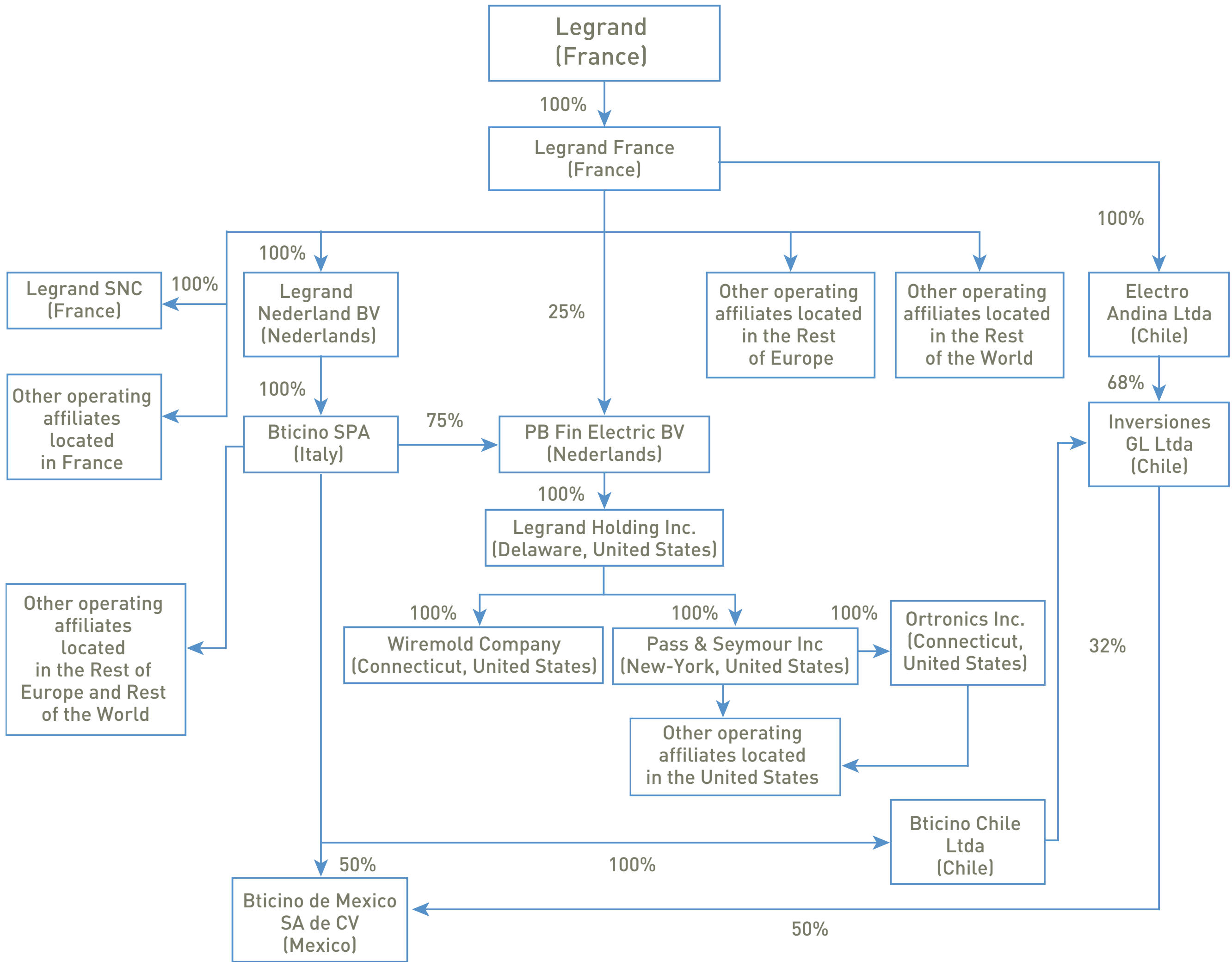
4.3.1 - Organizational chart



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TDC
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4.3.2 - Subsidiaries and shareholdings

The main subsidiaries holding equity investments in the Group are described below. For a description of related party transactions, see section 10.3 of this reference document. For a description of the consolidated Group and the holding relationships, see the section entitled "General Information" in section 11.1.2 of this reference document (Notes to the consolidated financial statements in chapter 11 of this reference document).

BTICINO CHILE LIMITADA (CHILE)

Bticino Chile Limitada is a limited liability company under Chilean law, whose registered office is located at Vicuna Mackenna #1292, Santiago de Chile. Bticino Chile Limitada's main business is manufacturing and marketing electrical products and systems. In addition, Bticino Chile Limitada exploits the *Bticino* brand in Chile. Created on June 1, 1968, Bticino Chile Limitada joined the Group on July 1, 1989. Bticino Chile Limitada is wholly owned by Bticino SpA.

BTICINO DE MEXICO SA DE CV (MEXICO)

Bticino de Mexico SA de CV is a variable capital stock company under Mexican law, whose registered office is located at Carretera 57, Qro a S.L.P. Km 22.7, Santa Rosa de Jauregui, 76220 Queretaro. Bticino de Mexico SA de CV's main business is designing, manufacturing and marketing electrical products and systems. Created on January 30, 1952, Bticino de Mexico SA de CV joined the Group on August 15, 1989. Bticino de Mexico SA de CV is 50% owned by Bticino SpA and 50% owned by Inversiones GL Limitada.

BTICINO SPA (ITALY)

Bticino SpA is an Italian corporation whose registered office is located at Via Messina 38, 20154 Milano. Bticino SpA's main business is the design, manufacturing and marketing of electrical products and systems. Bticino SpA joined the Group on July 1, 1989. Bticino SpA is wholly owned by Legrand Nederland BV.

ELECTRO ANDINA LIMITADA (CHILE)

Electro Andina Limitada is a limited liability company under Chilean law, whose registered office is located at Vicuna Mackenna #1292 Santiago de Chile. Electro Andina Limitada's main business is manufacturing and marketing electrical products and systems. In addition, Electro Andina Limitada exploits the *Legrand* brand in Chile. Electro Andina Limitada was created and joined the Group on November 5, 1985. Electro Andina Limitada is wholly owned by Legrand France.

INVERSIONES GL LIMITADA (CHILE)

Inversiones GL Limitada is a limited liability company under Chilean law, whose registered office is located at Santiago de Chile. Inversiones GL Limitada's main business is holding equity investments in other companies. Inversiones GL Limitada was created and joined the Group on December 26, 2001. Inversiones GL Limitada is 68% owned by Electro Andina Ltda and 32% owned by Bticino Chile Ltda.

LEGRAND FRANCE (FRANCE)

Formerly known as Legrand SA, Legrand France is the Group's main operational subsidiary in France. Legrand France is a French stock corporation, registered under number 758 501 001 RCS. Limoges. Its registered office is located at 128, avenue du Maréchal de Lattre de Tassigny, 87000 Limoges. Legrand France's main business is the design and manufacturing of products and systems for electrical installations and their components. Legrand France was created on July 11, 1953. Legrand France is wholly-owned by the Company. Legrand France holds equity investments in other operational subsidiaries of the Group located in France, in the Rest of Europe and in the Rest of the World. Gilles Schnepp is Chairman of the Board of Directors, CEO (*Directeur général*) and a Director of Legrand France. Olivier Bazil is Chief Operating Officer, Vice-Chairman of the Board of Directors and a Director of Legrand France. François Grappotte is Honorary Chairman of the Board of Directors and a Director of Legrand France.

LEGRAND HOLDING INC. (UNITED STATES)

Legrand Holding Inc. is a Delaware corporation, whose principal place of business is located at 60, Woodlawn Street, West Hartford, CT 06110. Legrand Holding Inc.'s main business is holding equity investments in other companies. Legrand Holding Inc. was created on July 18, 1984 and joined the Group on October 31, 1984. Legrand Holding Inc. is wholly owned by PB Fin Electric BV.

LEGRAND NEDERLAND BV (THE NETHERLANDS)

Legrand Nederland BV is a simplified joint stock company (*société par actions simplifiée*) under Dutch law. Its registered office is located at Van Salmstraat, 76, Boxtel 5281 RS. Legrand Nederland BV's main business is manufacturing and marketing metal cable management systems. Legrand Nederland BV joined the Group on December 27, 1972 and is wholly owned by Legrand France.

LEGRAND SNC (FRANCE)

Legrand SNC is a general partnership (*société en nom collectif*) under French law, registered under number 389 290 586 RCS Limoges. Its registered office is located at 128, avenue du Maréchal de Lattre de Tassigny, 87000 Limoges. Legrand SNC's main business is marketing and distributing products under the *Legrand* brand. Legrand SNC was created and joined the Group on December 8, 1992. Legrand SNC is wholly owned by Legrand France.

ORTRONICS INC. (UNITED STATES)

Ortronics Inc. is a Connecticut corporation, whose registered office is located at 125, Eugene O'Neill Drive, New London, CT 06320. Ortronics Inc.'s main business is designing and marketing VDI products. Ortronics Inc. joined the Group on January 2, 1998. Ortronics Inc. is wholly-owned by Pass & Seymour Inc. In addition, Ortronics Inc. holds equity investments in other Group operating companies in the United States.

PASS & SEYMOUR INC. (UNITED STATES)

Pass & Seymour Inc. is a New York corporation, whose registered office is located at 50, Boyd Avenue, Syracuse, NY 13221. Pass & Seymour's main business is designing, manufacturing and marketing electrical systems. Pass & Seymour was created on July 23, 1984 and joined the Group on October 31, 1984. Pass & Seymour is wholly owned by Legrand Holding Inc. In addition, Pass & Seymour holds equity investments in other Group operating companies in the United States.

PB FINELECTRIC BV (THE NETHERLANDS)

PB Finelectric BV is a simplified joint stock company (*société par actions simplifiée*) under Dutch law. Its registered office is located at Van Salmstraat 76, 5281 RS Boxtel. PB Finelectric BV's main business is making equity investments in other companies. PB Finelectric BV was created and joined the Group on December 19, 1991. PB Finelectric BV is 75% owned by Bticino SpA and 25% owned by Legrand France.

THE WIREMOLD COMPANY (UNITED STATES)

The Wiremold Company is a Connecticut corporation, whose registered office is at 60, Woodlawn Street, West Hartford, CT USA 06110. The Wiremold Company's main business is designing, manufacturing and marketing wire cable trays. The Wiremold Company joined the Group on January 8, 2000. It is wholly owned by Legrand Holding Inc.

05 THE GROUP'S BUSINESS

5.1 - LEGRAND'S BUSINESS 30

5.1.1 - Introduction 30
5.1.2 - Legrand's market and its market position 31
5.1.3 - Competitors 33
5.1.4 - Competitive strengths 33
5.1.5 - Strategy 35
5.1.6 - Operational structure 37

5.2 - PRINCIPAL ACTIVITIES 39

5.2.1 - Financial information by geographic zone 39
5.2.2 - Products 40
5.2.3 - Research and development 41
5.2.4 - Distribution, customers and marketing 42
5.2.5 - Suppliers and raw materials 44
5.2.6 - Intellectual property 44
5.2.7 - Property, plant and equipment 45
5.2.8 - Insurance 47

5.1 - LEGRAND'S BUSINESS

5.1.1 - Introduction

5.1.1.1 GENERAL OVERVIEW

The Legrand Group is the global specialist in electrical and digital building infrastructures. Legrand develops, manufactures and markets a complete range of control and command, cable management, energy distribution and Voice-Data-Image ("VDI") products and systems. Legrand markets its products under internationally recognized general brand names, including *Legrand* and *Bticino*, as well as well-known local and specialist brands. Legrand has commercial and industrial establishments in more than 70 countries and sells a wide range of products, comprising approximately 170,000 catalog items, in nearly 180 countries. In 2009, the Group's consolidated net sales amounted to €3,577.5 million (of which 74% were generated outside of France). In addition, it has significantly increased its presence in the Rest of the World and the Rest of Europe zones over the past few years.

5.1.1.2 HISTORY

Legrand France, formerly called Legrand SA, was founded in 1926 and incorporated as a French stock corporation (*société anonyme*) in 1953. In 1970, Legrand France carried out an initial public offering and was listed on the Paris stock exchange, now called Euronext Paris, until October 2, 2003, when it was delisted in connection with its acquisition by the Consortium (see below).

Legrand began to expand from France into other European and overseas markets during the 1960s and early 1970s, both by setting up its own commercial and production operations and by acquiring local manufacturers. In 1989, Legrand acquired Bticino, a major Italian manufacturer of low-voltage electrical fittings with established market positions in Italy, Mexico, Chile, Venezuela and Thailand. In 2000, Legrand acquired Wiremold, the United States specialist in cable management products, with market presence in Canada, the United Kingdom and Poland, as well as a number of medium-sized businesses located in Europe, the United States and Brazil. Finally, since January 2005, Legrand has made 19 acquisitions in Europe, the United States, China, Brazil, Mexico, Russia, Turkey and Australia. Since 1954, the Group has acquired 125 companies.

Schneider public exchange-offer

In August 2001, Schneider Electric SA ("Schneider") acquired approximately 98% of Legrand France's share capital by means of a public exchange offer. In October 2001, the European Commission announced that it would not approve the acquisition by Schneider on competition grounds, forcing Schneider to divest its shareholding in Legrand France.

Acquisition of Legrand France

On December 10, 2002, a consortium led by Wendel and KKR and including other institutional and private investors (including the founding families of Legrand France, the Verspieren and Decoster families and the group's managers) (collectively, the "Consortium") acquired approximately 98% of the share capital of Legrand France (named Legrand SA at the time of the acquisition) from Schneider (the "Acquisition").

On October 2, 2003, Legrand France was delisted from Euronext Paris following the completion of a buy-out offer to repurchase all outstanding shares in accordance with French procedures for the buy-out of minority shareholders.

Debt restructuring

On January 10, 2006, the Company entered into a credit agreement in the amount of €2.2 billion (the "2006 Credit Facility") in order to (i) refinance in full the €1.4 billion syndicated credit facility entered into in December 2004, (ii) refinance the total nominal amount of its high yield notes issued in February 2003 ($350 million bearing interest of 10.5% per annum and maturing in 2013 and €277.5 million bearing interest of 11.0% per annum and maturing in 2013), and (iii) partially repay the portion of the Subordinated Shareholder PIK Loan corresponding to the vendor financing granted by Schneider in connection with the acquisition of Legrand France and which came due upon the redemption of the high yield notes. In addition, the 2006 Credit Facility should also allow the Company to satisfy its general financing needs and, as the case may be, complete acquisitions.

In addition, when the high yield notes were issued, Legrand contractually agreed to comply with the reporting obligations applicable to companies registered with the US Securities and Exchange Commission (the "SEC") for so long as the high yield notes remained outstanding. On February 15, 2006, Legrand redeemed all of its high yield notes. Following the redemption, in February 2006, Legrand filed a Form 15 with the SEC to suspend its reporting obligations and is therefore no longer subject to those reporting obligations.

Initial public offering

In April 2006, Legrand (formerly named Legrand Holding and the parent company of Legrand France since the Acquisition) listed its share capital on the Eurolist market of Euronext Paris in an initial public offering. On this occasion, the Company effected a public offering in the amount of €862.9 million through the issuance of 43,689,298 shares. In addition, the Company gave Group employees the opportunity to participate in Legrand's initial public

offering on preferred terms through a capital increase reserved for its employees in the amount of €36.4 million (after taking into account discount fees in the amount of €9.1 million) through the issuance of 2,303,439 shares.

Changes in the capital structure

At the time of the initial public offering in April 2006, 20% of the Group's capital was held in free float. In November 2006, Goldman Sachs Capital Partners, Montagu Private Equity and WestLuxcon Holdings SA (a subsidiary of West LB AG), the historical shareholders of Legrand, sold a total of approximately 40 million Legrand shares on the public market.

In November 2009, KKR and Wendel announced their joint sale on the market of 30 million shares representing approximately 11% of the Company's share capital. Please see note 10 to the consolidated financial statements in chapter 11 of this reference document for updated information on the Company's share capital.

5.1.2 - Legrand's market and its market position

Legrand designs, manufactures and markets electrical and digital infrastructures for buildings, and its activities do not include energy production and transmission or production of lighting sources and electrical cables. Based on worldwide sales made by the Group and its competitors of products that are the same as, or interchangeable with, its products (referred to as Legrand's "accessible market"), Legrand estimates the accessible market at around €60 billion.

5.1.2.1 CAPACITY FOR RESISTANCE TO ECONOMIC CYCLES

Trends in the market for electrical and digital building infrastructures are naturally subject to the prevailing economic conditions. Because of its diversity, this market is resilient to the effects of economic cycles:

- the market includes the new construction sector and the renovation sector, the latter of which is less sensitive to economic cycles than the new building construction sector, as it requires lower investments and benefits from a recurring flow of activity arising from regular maintenance and modernization needs;
- the market is divided into the commercial, residential and industrial sectors, based on building types and end-user characteristics. Each of these sectors has its own growth dynamic;
- the market is principally characterized by a flow of activity fueled by numerous orders of relatively small value, unlike industries that are more dependent on large public or private projects. The market is therefore mostly widely dispersed and ongoing and is less sensitive to economic cycles than other markets, such as the medium- and high-voltage markets or infrastructure.

5.1.2.2 HIGH BARRIERS TO ENTRY

Legrand believes that access to the market by new competitors is made difficult by significant barriers to entry. For example, no new player of significant size has emerged on the market over the past 20 years. These barriers to entry include:

- the need to offer an extensive range of products and systems with multiple functionalities;
- differences in national electrical standards and local regulations, standards and aesthetic preferences, which require new entrants to make a high initial investment; and
- the need to establish privileged relationships with many market players, such as local electrical distributors, electrical professionals, specifiers and end-users.

5.1.2.3 LONG-TERM GROWTH POTENTIAL

Due to profound changes and an acceleration in fundamental needs, the market for electrical and digital building infrastructures offers attractive scope for long-term growth.

The technology revolution

Breakthroughs in electronic and digital technologies have led to sweeping changes in how appliances are used in daily life. Telephones, televisions, computers, lighting and sound systems—all these and more have been affected, becoming more interactive, intuitive, mobile and interlinked.

The result is enhanced quality of life, and with it unlimited scope for creating a personalized home environment—easy to configure, control and update to incorporate new options.

The electrical systems in today's homes supply power but also route data from one appliance to another. In offices, IT and telephony networks increasingly converge with building management systems to coordinate lighting, heating and security.

A common language enables such systems to send and receive messages at a distance, making electric control systems and commands now, more than ever, a factor contributing to more comfortable living.

In recent years, Legrand has made its mark with an impressive lineup of innovations, including the universal media socket, a wiring device range that includes a wifi wall outlet, circuit breakers with an automatic reset function, and, more recently, RJ45 high-performance, easy-to-install sockets.

The Company's priorities are intelligent building management, extended functionalities in electrical installations, ergonomic quality and user comfort. It holds close to 4,600 patents and invests the equivalent of 4 to 5% of sales in R&D each year. Thanks to an

innovation-driven approach that extends throughout the Group, 35% of sales are now generated by new products.

Today building components such as elevators, internet connections, air-conditioning units and video monitors all increasingly use IP-based solutions (internet protocol) for data transmission and reception.

This common architecture has the dual advantage of simplifying building operation and reducing costs.

Legrand is anticipating this trend by developing such solutions, and now has a competitive offering with ranges that all share the same technical standard.

New international balance

Emerging economies account for a steadily growing share of total world market, reflecting more vigorous growth than in mature countries. In emerging markets such as Brazil, India, China, Mexico and Russia, the long-term development of electrical and digital building infrastructures creates demand for both low- and high-end products. Finally, as nearly one-fourth of the world's population does not yet have access to electricity, Legrand believes that the market offers significant long-term growth potential as such access is provided. In 2009, net sales in emerging markets represented nearly 30% of the Group's total revenues.

Growing environmental awareness

Buildings account for 40% of total energy consumption in Europe and the United States. This is associated with growing demand on all Legrand's markets for products and systems reducing energy consumption, together with related environmental impact, and improving the quality of electricity.

Legrand has responded with a comprehensive range of solutions for home automation and the control of lighting, electric shutters, hot water supply, and equipment in standby mode. Legrand solutions also enable customers to optimize the quality of electric current through source inversion, compensation of reactive energy, energy-efficient transformation, and surge protection. To take an example, the installation of a lighting management system adapted to building size and activity optimizes energy consumption and reduces electricity consumption by around 50%.

Sales of energy-efficient solutions accounted for over 6% of Legrand's consolidated total in 2009, showing a year-on-year change 7 points higher than the Group as a whole at constant scope of consolidation and exchange rates.

Legrand sees real growth potential in energy efficiency because of new regulations and growing demand for eco-friendly products with low energy consumption. For example, in France, the Grenelle Agreements on the environment call for a renovation program incorporating positive-energy or passive buildings.

Use of renewable energy is on the rise, and Legrand plans to seize opportunities for growth in these burgeoning markets. As an example, the Company is developing a new offering that secures solar cell units in buildings.

Changing demographics

In 2030, over 25% of Europe's population will be over 65. Due to both economic factors and personal choice, this will mean a greater number of seniors staying in their own homes.

Legrand sees its role as helping people retain their independence longer by offering non-intrusive solutions for greater comfort that gradually serve as support for assisted living and home help.

More specifically, products and systems available from Legrand are designed to preempt potential problems and accidents by, for example:

- lighting potentially risky passages and pathways;
- making lighting controls easy to access at all times;
- limiting unnecessary movement.

Helping people remain independent longer also means studying and improving design to make products more user-friendly. Legrand is constantly at work, rethinking and simplifying the grip and handling of command devices (switches, dimmers, sockets, etc.) to give each individual solutions adapted to his or her needs and disability.

5.1.2.4 FRAGMENTED MARKET

The accessible market remains highly fragmented, as Legrand estimates that approximately 50% of worldwide net sales are made by often local, small- and medium-sized companies who typically enjoy only marginal worldwide market share. With an estimated accessible market share on the order of 6% in 2009, Legrand believes it is both a market leader and a benchmark. Market fragmentation is due in part to differences between countries' applicable technical standards and norms and also to the various customs of the end-users in each country. Historically, initiatives to harmonize standards in order to make products able to be used worldwide have failed, even within the European Union, notably due to the significant investment necessary to replace existing electrical networks for only limited added-value. Consequently, a significant portion of the market for products and systems for electrical and digital building infrastructures remains traditionally in the hands of local, small-sized manufacturers. The acquisition of these manufacturers may offer growth opportunities.

5.1.2.5 FAVORABLE PRICE TRENDS

The market is globally characterized by a relative lack of commoditization. Electrical professionals, specifiers and end-users pay special attention to products' technical characteristics, without necessarily considering price as the determining factor. Therefore, as an example, electrical professionals tend to favor products that can be efficiently used (quality, reliability, ease and speed of installation, compatibility with related products, long-term product availability, commercial and technical assistance, safety) and that offer characteristics demanded by end-users (functionality, aesthetics, ease of use).

Whereas certain industries can be characterized by falling prices for products, Legrand's accessible market shows a different overall trend. The production and distribution value chain for Legrand's products benefits from an established ability to increase sales prices regularly over the long term. Moreover, end-user sensitivity to product prices is mitigated by the fact that electrical installations generally represent around 5% of the total cost of an average new commercial or residential construction project.

Between 1991 and 2009, Legrand's selling prices increased by 2% per year on average overall in its markets.

5.1.3 - Competitors

Legrand has established market positions in France, Italy and numerous other European countries, as well as in North and South America and in Asia. Its principal direct competitors include:

- specialized companies which mainly operate at a national or regional level, such as 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, Panduit, Thomas & Betts, Hubbell and Cooper Industries in the United States and Canada; and
- divisions of large multinational companies that compete with Legrand in a number of national markets, although not with respect to the full range of its products, such as Schneider Electric, ABB, Siemens, General Electric, Panasonic, Eaton and Honeywell International.

5.1.4 - Competitive strengths

In addition to the attractive profile of its market, Legrand considers its principal competitive strengths to be the following:

5.1.4.1 A PURE PLAYER WITH WORLDWIDE COVERAGE

In contrast to its large multinational competitors, Legrand focuses on the development, manufacture and sale of a complete range of products and systems for electrical and digital building infrastructures. Legrand's specialization, without diversification, has allowed it to acquire technical and commercial expertise specific to its business.

This specialization is conducted through a network of subsidiaries, branches and representative offices in more than 70 countries that markets the Group's products into nearly 180 countries worldwide. Net sales realized outside the French market thus represent 74% of total sales in 2009. In particular, revenues earned in emerging markets represent nearly 30% of the Group total's business in 2009.

By leveraging off its strong local presence, Legrand has established longstanding and privileged commercial relationships with key local distributors, electrical professionals and specifiers who share their thorough knowledge of market trends and demands with Legrand.

5.1.4.2 A LEADER WITH FIRST-RATE MARKET SHARES

Legrand believes that it is the worldwide leader in wiring devices, with an estimated market share of nearly 19% in 2009. Legrand also believes that it is the world leader in cable management products, with an estimated market share of approximately 15% in 2009.

More generally, Legrand also holds leadership positions for one or more products in several key countries, including wiring devices in France, Italy, Russia, Brazil, Mexico and China; cable management in the United States, France and many other European countries; emergency lighting products in Spain, France and Australia; and modular power protection products in Poland, Brazil and India. Approximately 46% of the Group's net sales in 2009 comprised sales of products enjoying number one positions in their respective markets. The Group believes that its first-rate competitive position makes it the benchmark for its distributors, electrical professionals, specifiers and end-users and strengthens demand for its products while contributing to the stability of its margins.

01
02
03
04
05
06
07
08
09
10
11
12
13
TDC
A

5.1.4.3 A MULTI-POLE STRUCTURE AND BALANCED EXPOSURE RESILIENT TO ECONOMIC CYCLES

Legrand believes that its exposure to economic cycles is mitigated by three important factors:

- approximately 55% of the Group's net sales in 2009 and 60% in 2008 were generated by the renovation market (60% in mature economies in 2009), which is less sensitive to economic cycles than the new construction market, in which Legrand generated 45% of its net sales in 2009 and 40% in 2008;
- Legrand operates on three markets with different dynamics: the commercial market (50% of net sales in 2009, 47% in 2008), the residential market (40% of net sales in 2009 and 42% in 2008) and the industrial market (10% of net sales in 2009, 11% in 2008); and
- the diversity of Legrand's international presence limits its dependence on the economic performance of one or a few countries: Legrand has thus become a multi-pole group, with the emergence of development poles of significant size in countries such as Mexico, Brazil, India and Russia. More generally, Legrand has reinforced its positions in the Rest of Europe and Rest of the World zones, which accounted for 44% of sales in 2009 (46% in 2008), up from 33% in 2002.

5.1.4.4 RECOGNIZED TECHNOLOGICAL LEADERSHIP

Legrand has a long and proven track record for new product development, as well as the improvement of the functionality and reliability of its products. In addition, Legrand regularly expands its product offering to include higher added-value products (using in particular raw materials such as leather, wood and steel) and solutions based on new technologies. Examples include its universal multimedia socket, the first Wi-Fi outlet integrated into a range of wiring devices, a circuit breaker with an automatic reset function and its home automation offerings, *In One by Legrand*, *MyHome*, *Lubnet* and *Miro*, which simultaneously manage lighting, security, heating and sound distribution in a simple and ergonomic manner in residential buildings, Zigbee technology in a commercial offering, and Ethernet connectors operating at speeds up to 10 Gbps. The Group has also developed a special expertise in reducing energy consumption with systems developed by Watt Stopper (presence detectors, motion detectors, lighting management in the commercial sector).

Legrand has developed significant know-how in the integration of innovative technologies into its products and solutions offerings. This expertise presents an opportunity for sales growth as it allows end-users to constantly benefit from the widest possible choice in technologies.

5.1.4.5 QUALITY-BRAND PORTFOLIO WITH COMPLETE RANGE OF PRODUCTS AND SYSTEMS

With its world renowned general brands, such as *Legrand* and *Bticino*, as well as an expansive portfolio of 31 well-known local and specialist brands, Legrand believes that it offers a product range that its distributors, electrical professionals, specifiers and end-users associate with quality and to which they remain loyal. In particular, Legrand believes that electrical professionals and specifiers, which are the principal drivers of demand, have for many years trusted its brands, products and systems for their security, reliability and ease of installation and use.

Legrand believes that its catalogs, which feature around 170,000 references organized into some 98 product families, are among the most complete on the market. Moreover, Legrand believes that it is the only market player offering wiring devices that both comply with the majority of international electrical standards and respond to the needs of electrical professionals and end-users, particularly due to their ready integration into systems.

Legrand constantly leverages its brand portfolio onto the market with its permanent "push and pull" strategy, which aims to market its product offerings to electrical distributors and stimulate demand for its products from electrical professionals, specifiers and end-users.

5.1.4.6 RECOGNIZED GROWTH EXPERIENCE THROUGH TARGETED ACQUISITIONS

In the fragmented market context in which Legrand operates, the Group has a demonstrated ability to identify and complete acquisitions of small- and medium-sized companies that generally are well-known leaders in their local markets and which fulfill Legrand's criteria of complementary technology, location, markets or products. In addition, Legrand has successfully exploited both commercial (complementary products, catalogs and sales networks) and cost synergies. These synergies have allowed the Group to increase the profitability of the companies it acquires, which usually have initially lower operating margins than the Group.

Since 1954, Legrand has acquired 125 companies and integrated them into its global network. Growth by self-financed, targeted acquisitions has been a recurrent aspect of Legrand's growth model. Since January 2005, Legrand has acquired 19 companies which generated annual net sales of between €10 million and €100 million, representing total acquired sales of more than €600 million.

More generally, the pace of acquisitions reflects the economic environment and changes in valuation multiples. In this context, Legrand maintains a disciplined financial approach based on the analysis of several criteria. It uses an analytical model to ensure that every acquisition:

- increases its local market share;
- expands its product offering and portfolio of technologies;

01
02
03
04
05
06
07
08
09
10
11
12
13
TDC
A

- enhances its presence on markets with high growth potential; and
- conforms to its financial criteria (principally that the purchase price on average represents valuation multiples less than or equal to those applied to Legrand and other comparable companies during the same period in the same sector (with a similar market position and growth potential); furthermore, the Group generally only includes short-term synergies that relate to operating costs in its modeling, except in exceptional and justified circumstances).

The members of Legrand's management team, who have a thorough knowledge of local players, have developed close relationships with the market players and maintain regular contacts with companies identified as potential targets. A dedicated corporate development cell is responsible for monitoring the entire acquisition process and is particularly responsible for coordinating work among the Group's teams involved in an acquisition.

Legrand's ability to generate high cash flows of over 10% of Group sales over the past eight years has enabled it to fund its own acquisitions in a virtuous and recurring value creation process.

5.1.4.7 EXPERIENCED AND MOTIVATED MANAGEMENT

The majority of the members of Legrand's senior management team have, on average, 20 years of experience in the electrical and digital infrastructures for the building industry. In addition, nearly 1,000 people directly or indirectly hold approximately 5% of the Group's share capital at December 31, 2009, and, as a result, are incentivized to create shareholder value.

Their experience and commitment to the Group have allowed Legrand to create and maintain a unique corporate culture that inspires and rewards talent and initiative. Under the tenure of its senior management team, Legrand has experienced sustained organic growth and strong financial performance and has completed numerous targeted acquisitions.

The Group has also established stock-option and free-share plans to motivate managers and increase their loyalty to the Company (see sections 9.2 and 9.3 of this reference document).

5.1.5 - Strategy

Legrand's long-term strategy, excluding cyclical effects, is to continue to optimize its business model through initiatives on growth, costs and capital employed and thus to pursue its development (notably through innovation and self-financed targeted acquisitions), and to increase cash-flow generation while maintaining or increasing its margins.

5.1.5.1 PURSUE LONG-TERM GROWTH

In order to pursue and consolidate its growth, Legrand intends in the long term to:

- *Drive innovation to renew and enhance its product ranges*. In order to fuel demand for its products, Legrand intends to launch, on a regular basis, enhanced product lines with new functionalities and significant added value. To this end, Legrand invests from 4% to 5% of its net sales in research and development each year. Legrand concentrates its research and development efforts on technologically advanced products with higher added-value, such as home automation systems, commercial lighting control, VDI products and the development of solutions that can be integrated into systems. Moreover, Legrand favors the development of products that share a common platform, thereby streamlining component production and reducing production costs. In addition, Legrand anticipates the use of its products around the world from the very time of their development;
- *Expand market coverage and improve its commercial efficiency*. Legrand's relationships with its distributors, electrical professionals, specifiers and end-users are central to its strategy. Legrand has more than 70 showrooms and 15 training centers, including Innoval in Limoges, which has welcomed more than 60,000 visitors (43,000 of them customers, 12,000 of whom received training) since it was founded in 1999. At the same time, Legrand expands its commercial coverage with a particular focus on markets with long-term high growth potential, such as emerging markets, Voice-Data-Image products, home automation systems and energy-efficient products;
- *Focus on markets with high growth potential*. Legrand's sales and marketing initiatives are focused on market segments that offer the highest growth potential, in particular energy efficiency, high-end wiring devices and commercial and industrial applications such as power protection, lighting control, Voice-Data-Image networks and wire mesh cable management. In particular, a team known as IKAP (International Key Accounts and Projects) dedicated to large international projects in the commercial and industrial fields (hotels, hospitals, factories, airports, office buildings) helps customers define their needs and offers them turnkey solutions;
- *Expand geographic presence*. Legrand seeks over the long term to continue to expand its presence in countries with high growth potential and thereby pursue international development. Therefore, it has established more than 25 subsidiaries or branches since 2002, with a particular focus on emerging markets within Eastern Europe, the Middle East and Asia. Legrand's sales generated in emerging markets represented nearly 30% of the Group's total operations in 2009;
- *Pursue growth through targeted and recurring acquisitions, as market conditions permit*. Legrand intends to continue to pursue

01
02
03
04
05
06
07
08
09
10
11
12
13
TDC
A

targeted acquisitions over the long term in order to pursue growth. Given the fragmented nature of its market, the Group will continue to focus on small- and medium-sized businesses. In addition, the Group's senior management team, which has strong knowledge of local market participants, has cultivated close relationships with market players and is frequently in contact with companies it has identified as potential targets. External growth opportunities are analyzed as described in section 5.1.4.6;

- *Develop added-value customer services*. The Group also aims to optimally leverage its brands by expanding its added value customer service offerings. Consequently, Legrand has developed a number of added-value services, such as customer call centers for households, electrical distributors and electrical professionals in France. In addition, the Group offers training sessions to electrical professionals and distributors which are designed to introduce them to new product offerings (particularly those with a high technological component) expand their expertise and demonstrate installation methods. Legrand also provides practical and detailed technical guides for its products, including through Internet sites and specialized software.

5.1.5.2 OPTIMIZE COST STRUCTURE TO IMPROVE PRODUCTIVITY AND FLEXIBILITY AND ADJUST COSTS TO MARKET TRENDS

Legrand intends to continue to optimize its purchasing costs based on initiatives launched in 2003 to centralize, globalize and standardize its purchasing functions.

To improve its productivity and the flexibility of its cost structure, Legrand intends to capitalize on its operational initiatives implemented over the last few years. By relying on the organization of its production and product development activities into four industrial divisions in particular, Legrand is looking to accelerate the specialization of its production sites; the transfer of certain activities to lower-cost sites and countries, which also brings them closer to the markets where products are sold; the use of outsourcing; and the realization of economies of scale. This strategy has notably allowed an increase in the portion of the production headcount located in low-cost countries from 31% of total headcount in 2002 to over 56% in 2009. These initiatives also enabled the Group to improve the flexibility of its cost structure by increasing the variable portion of its operating costs.

In 2009, Legrand demonstrated its responsiveness and ability to quickly adapt its administrative, selling and production costs to changing trends in its markets. Thus, production costs and administrative and selling costs were reduced by 15.3% on a like-for-like basis.

5.1.5.3 INCREASE CASH FLOW AND OPTIMIZE CAPITAL EMPLOYED OVER THE LONG TERM

Legrand has structurally enhanced its ability to generate cash flows over the long term by continuing to grow its net sales, cutting costs, optimizing its investments and keeping a tight rein on its working capital requirement.

Through the systematic application of its "make or buy" approach to all investment projects, the transfer of certain production activities to countries with low capital costs and a reduction in capital expenditure in connection with the specialization of its production sites, Legrand has been able to reduce its ratio of capital expenditure (including capitalized development expenses) to net sales from approximately 9% between 1990 and 2001 to around 4% over 2002 to 2009. Legrand believes that, due to the development of its business model and its improved operational structure, the Group should be able to maintain capital expenditure ratios within a normalized range not exceeding 4% to 5% of consolidated sales.

In addition, after having reduced the ratio of the Group's working capital requirement to net sales from an average of 21% between 1990 and 2001 to an average of 12% between 2002 and 2009, Legrand intends to continue to carefully manage its working capital requirement.

The Group has historically been able to generate high and sustained cash flows, which have allowed it to benefit from significant financial and operational flexibility to support the development of its business, particularly through external growth. Between 2002 and 2009, free cash flow represented nearly 75% of adjusted operating income, and over 10% of net sales, as compared with 39% and 6%, respectively, between 1990 and 2001. This reflects the significant improvement in Legrand's ability to convert its adjusted operating income into cash and to generate a high recurring level of free cash flow.

01
02
03
04
05
06
07
08
09
10
11
12
13
TDC
A

5.1.6 - Operational structure

Legrand operates manufacturing and distribution subsidiaries and offices in more than 70 countries and sells its products in nearly 180 countries. At the end of 2001, Legrand launched a number of organizational and operational initiatives aimed at accelerating growth, improving margins, optimizing capital employed and increasing its ability to adapt and its responsiveness. As a result, the Group now organizes and operates its business on the basis of a separation between its sales and marketing activities (front office) and its production, purchasing, logistics and general administration activities (back office).

- Legrand's back office is organized on a centralized basis and comprises the Group's production, research and development, purchasing, logistics and general administration departments. The section of the back office responsible for manufacturing products and research and development is organized into four industrial divisions which seek to optimize industrial production, develop new products through an increase in research and development efforts, reduce back office costs and optimize capital employed at the Group level. The heads of each industrial division, as well as the head of each of the main operational departments, report directly to the Group's CEO. This operational structure has resulted in streamlining of the Group's production activities and, more generally, has allowed it to adapt back office costs to changing trends in sales, particularly during an economic downturn.
- Legrand's front office consolidates all Group sales operations relating to marketing strategy and interfacing with distributors, electrical professionals, specifiers and end-users. Such operations are organized on a decentralized basis and are run by the Group's country managers, who focus on developing sales, increasing commercial profitability and reducing working capital requirements on a country-by-country basis.

5.1.6.1 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 Group's back office organizes and manages production, research and development, purchasing, logistics and general administration operations.

5.1.6.1.1 Production

Due to the close relationship between production and technology employed, Legrand reorganized its production and product development activities in 2001 into five industrial divisions pooling production expertise specific to the industrial processes involved in manufacturing its products.

To take account of changes in its markets and growth opportunities in the commercial and industrial fields over the long term, Legrand decided in 2007 to align this organization on the structure of its markets. Its industrial organization now consists of four divisions:

- the Wiring Devices and Home Systems Division, to develop offerings combining comfort, security and communications, and to bring an added aesthetic dimension to our products;
- the Energy Distribution and Industrial Applications Division, to develop a broader portfolio of products and systems to better respond to the needs of commercial and industrial customers;
- the Building Management Division, to develop an offering for commercial buildings (lighting management, Voice-Data-Image, safety and energy efficiency);
- the Cable Management Division, to develop and manufacture all devices used in secure distribution of electricity and information in buildings.

On a stand alone basis, each industrial division is responsible for:

- developing new products;
- defining and implementing its industrial plan;
- increasing its industrial profitability; and
- reducing capital employed.

More specifically, the industrial divisions continuously aim to increase their industrial profitability and reduce capital employed by:

- optimizing and streamlining industrial sites;
- specializing plants by product line or technology to reach critical mass. These specialized plants allows Legrand to centralize know-how and act as a benchmark for the rest of the Group with respect to their specific industrial processes;
- systematically applying a "make or buy" approach for all new projects to determine when capital should be invested in new production assets as opposed to outsourcing production to subcontractors;
- creating lean manufacturing workshops on sites in order to optimize productivity and capital employed; and
- transferring production to other units within the Group which carry lower production costs. In 2009, over 56% of the Group's production employees are located in low-cost countries, as compared with 31% in 2002.

As a result of the continuous optimization policy of its industrial divisions, Legrand has closed or sold more than 35 plants since 2004 (notably in Austria, Brazil, South Korea, Spain, France, Italy, Morocco, Mexico, the Netherlands, Peru, Portugal, the United Kingdom and the United States).

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5.1.6.1.2 Research and development

On a recurring basis, Legrand's research and development expenses (before purchase accounting charges relating to the acquisition of Legrand France and including capitalized development expenses) as a percentage of net sales represented between 4% and 5% of net sales (see section 5.1.5 of this reference document).

5.1.6.1.3 Purchasing

As part of its industrial reorganization since 2003, Legrand implemented a centralized purchasing organization to optimize its purchasing and improve its purchasing profitability. This purchasing organization reports directly to the Head of purchasing and is characterized by:

- a purchasing structure that is adapted to the Group's suppliers' worldwide organization, which puts it in an equal bargaining position (locally or by geographic zone) with them so that the Group may benefit from economies of scale;
- purchasing management led by user/buyer teams which aim to maximize the value of the Group's purchasing by making pricing a criterion of supplies selection; and
- the involvement of buyers in developing new products to capture savings at the very beginning of product design and target future suppliers.

Through the channels of the Group's new purchasing organization, purchasing is optimized through the following means:

- consolidating purchasing for all divisions of the Group;
- purchasing of raw materials and components from lower cost countries. Since 2003, Legrand has opened an international purchasing office in each of Asia, Latin America and Eastern Europe, which allows it to purchase raw materials and components from lower-cost countries and to purchase certain raw materials and components for the entire Group at a global level;
- adapting the Group's consumption of raw materials and components to fit with those materials readily available on the market;
- continuously optimizing the Group's supply specifications for raw materials and components to meet the Group's actual needs;
- adapting industrial processes to optimize the Group's cost structure; and
- adapting its corporate habits, including those relating to transportation (personnel and materials), supplies, office management and information technology, to reduce costs while still conforming to the Group's needs.

5.1.6.1.4 Logistics and inventory management

Legrand's primary logistical concern is ensuring timely product delivery to its distributors by adapting the volume and nature of customer shipments to the lower storage, preparation and transport costs. Recent initiatives to streamline inventory management have helped the Group to decrease its ratio of inventory value to consolidated net sales from an historical level of 17% on average between 1990 and 2001 to less than 15% on average between 2002 and 2009. To this end, Legrand developed and refined its industrial management methods, such as Kanban, the Group's just-in-time production management system that manages parts required for product assembly, and Manufacturing Resources Planning 2, a production management system that enables the Group to optimize the use of all manufacturing resources.

In each market where it distributes its products, Legrand maintains logistics, inventory management and distribution systems adapted to local market conditions. The Group's operating subsidiaries take orders and ship products out of their own inventory. These inventories include both products manufactured locally and products manufactured in other jurisdictions. The Group has implemented automated and computerized systems for the majority of its warehouses. The Group's principal warehouses (located in France and Italy, and which supply most of the countries in which it operates, either directly or through regional hubs) are equipped with an advanced warehouse management system, Warehouse Management System (WMS), which allows Legrand to know exactly how much inventory it has and to prepare products for delivery on a real-time basis. This system has enabled Legrand to improve its quality of deliveries by ensuring reliability and timeliness.

Legrand's Distribution Resources Planning (DRP) tool records on a nightly basis the inventories, forecasts and local customer orders worldwide.

Legrand believes that its logistics organization must allow it to guarantee high-quality service to its customers, in terms of both availability and flexibility, speed and adaptability.

5.1.6.2 FRONT OFFICE

Legrand's front office interfaces with distributors, electrical professionals, specifiers and end-users. The front office in each country is run by a country manager who reports directly to the Group's general management and is responsible for:

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

In each country, the Group's subsidiaries are given significant latitude to manage their local business and personnel. Local managers are encouraged to manage local operations using an approach the Group sometimes refers to as "manage it as if it were your own company," which it believes allows Legrand to motivate its local managers and employees and increases its ability to respond to the needs of and changes in local markets.

Local operations are supported by the Group's marketing team, which is responsible for defining the Group's marketing strategy, the evolution of the Group's product offerings and specific measures for high growth potential markets, as well as developing the marketing programs for its products.

In 2006 the Group set up a pricing cell that is in continuous contact with local teams, in particular the 45 pricing managers worldwide charged with translating the benefits of Legrand's innovative products into prices. They also adjust sales prices by product family or reference to reflect trends in raw material prices, component prices, inflation and market conditions.

Legrand has created a Key Accounts unit, which is dedicated to covering its international customers that have global commercial projects. The Key Accounts unit markets the Group's entire product offering in all of its geographic markets.

5.2 - PRINCIPAL ACTIVITIES

5.2.1 - Financial information by geographic zone

The Group organizes its financial reporting along five geographic zones. Sales figures in this chapter refer to sales per country of destination. References to headcount are to average headcount.

Please see sections 7.3.2.9 and 7.3.2.10 of this reference document for more information on business development by geographic zone over the past three years.

5.2.1.1 FRANCE

Sales made in France represented 26% of the Group's 2009 consolidated net sales.

In France, the Group principally markets its products through its *Legrand, Ortronics, Planet Wattohm, Arnould, Bticino, Cofrel, Sarlam, Cablofil, Zucchini, URA* and *Alpes Technologies* brands.

In France, the Group operates approximately 15 principal sites and employed 7,036 people in 2009, approximately 15% in the front office and 85% in the back office (see sections 5.1.6. and 5.2.7. of this reference document).

5.2.1.2 ITALY

Italy represented 16% of the Group's 2009 consolidated net sales.

In Italy, the Group principally markets its products through its *Bticino, Legrand, Zucchini* and *Ortronics* brands.

In Italy, the Group operates approximately 10 principal sites and employed 3,195 people in 2009, approximately 17% in the front office and 83% in the back office (see sections 5.1.6 and 5.2.7 of this reference document).

5.2.1.3 REST OF EUROPE

The Rest of Europe zone is made up of Europe not including France and Italy. The majority of revenues come from Spain, the United Kingdom and Russia. Sales in the rest of Europe zone represented 20% of the Group's 2009 consolidated net sales.

In the Rest of the Europe zone, the Group principally markets its products through its *Legrand, Ortronics, Bticino, Quintela, Tegui, Van Geel, Kontaktor, Tenby, Baco, Electrak* and *Estap* brands.

The Group employed 5,715 people in this zone in 2009, approximately 24% in the front office and 76% in the back office (see sections 5.1.6 and 5.2.7 of this reference document).

5.2.1.4 THE UNITED STATES AND CANADA

The United States and Canada zone represented 14% of the Group's 2009 consolidated net sales.

In the United States and Canada zone, the Group markets its products through brands that are coupled with the *Legrand* brand, such as *Ortronics, Wiremold, Pass & Seymour, Watt Stopper, OnQ* and *Vantage*.

The Group operates approximately 10 principal sites in the United States and Canada zone and employed 2,102 people in 2009, with approximately 22% in the front office and 78% in the back office (see sections 5.1.6 and 5.2.7 of this reference document).

5.2.1.5 REST OF THE WORLD

The Rest of the World zone consists primarily of Brazil, Mexico, Chile, Costa Rica, Venezuela, Colombia, China, India, South Korea, Australia and Egypt. The zone represented 24% of the Group's 2009 consolidated net sales.

In the Rest of the World zone, the Group markets its products through the *Legrand, Bticino, Ortronics, Luminex Legrand, TCL Legrand, Shidean, Anam Legrand, Lorenzetti, Pial Legrand, Cemar, Tenby, HPM, Baco* and *HDL* brands.

The Group employed 11,581 people throughout the Rest of the World zone in 2009, approximately 22% in the front office and 78% in the back office (see sections 5.1.6 and 5.2.7 of this reference document).

5.2.2 - Products

The Group offers around 170,000 catalog items that can be divided into four principal product groups:

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

Each product group is marketed in all of Legrand's major geographic markets. The technical characteristics and design of Legrand's products differ depending on whether they are installed in commercial, residential or industrial buildings.

Legrand sells its products under two key worldwide global brands, *Legrand* and *Bticino*, international specialist brand such as Ortronics (VDI), Cablofil (metal wire trays), and several leading local brands.

Control and command products and systems, cable management, energy distribution, VDI and related products respectively represented around 43%, 20%, 24% and 13% of the Group's net sales in 2009 (42%, 21%, 25% and 12% of 2008 net sales, respectively).

5.2.2.1 CONTROL AND COMMAND

Control and command products and systems are the interface between end-users and their electrical installation, permitting them to access comfort, security and communication functions in the home or workplace, including:

- Comfort functions, such as lighting, climate control, sound diffusion or automated shutter closing. These products range from basic electrical "on-off" switches and wall sockets to thermostats, dimmers, switches activated by infrared presence detectors, electro-mechanical and electronic timer switches and other building automated products that enable end-users to control the flow of electricity and data.
- Security functions, such as emergency lighting, intruder alarms, fire alarms, and building access control. In the security sector, Legrand offers a number of products, including fire and intruder alarm systems, smoke, water, heat and motion detectors and emergency lighting equipment for homes, offices and other commercial properties. Legrand's systems are designed to permit rapid installation by electrical professionals and maximum flexibility, convenience and security for the end-user.

  Legrand also offers a wide range of communication products such as audio and video door entry phones and electric chimes for residential use.
- Communication functions, such as video, telephone or IT networks. With respect to communication functions, Legrand has developed significant know-how in "smart" house systems known as "home automation." All household appliances and electrical functions are connected to a central unit through these systems, therefore allowing the end-user to regulate security, comfort and energy consumption locally or remotely. These systems give Legrand the opportunity not only to sell the control unit, but also to provide the related cable management products and wiring devices in an integrated package.

Legrand has been producing controlling and connection products and systems for electrical installation since it began doing business and has unrivaled experience that sets it apart from its large competitors in this field, whose experience lies chiefly in the technical energy distribution market. The Group believes that it has a leading position in the worldwide market for the manufacture of control and command products. Legrand believes that it is the global market leader in wiring devices (mainly switches and sockets) with an estimated market share of approximately 19% based on the Group's net sales in 2009. The Group is one of the few manufacturers offering wiring device products adapted to the principal electrical standards in use around the world.

5.2.2.2 CABLE MANAGEMENT

Cable management products include trunking and ducting, mini column, cable routing systems, floor boxes, busbars, wire cable trays and other products that provide safe distribution of electricity and data in buildings. These items are designed to prevent potentially hazardous contact between electrical wires and cables and other electrical or mechanical equipment, or any exposure of such wires and cables that could pose a danger to end-users. Cable management products include various products designed specifically for the requirements of particular industries or businesses, such as the Group's range of specialized ducting products for use in hospitals.

Legrand believes that it is the world's leading manufacturer of cable management products, with an estimated market share of its accessible market of approximately 15%, based on the Group's 2009 net sales.

5.2.2.3 ENERGY DISTRIBUTION

Energy distribution products consist of circuit breakers, distribution boards, residential, commercial and industrial enclosures, earth leakage circuit breakers and other products that protect people, appliances and electrical systems from electrical faults and electrocution up to 4,000 amperes, and from power surges.

In the circuit breaker market, Legrand has steadily improved its product ranges and market position by offering circuit breakers with increased performance both in electrical (technical performance and electronic regulation) and installation (ease of use and ease of installation) terms. In accordance with the Group's strategy to cover multiple markets using one product platform, Legrand has extended the application of Lexic and Btdin from France and Italy to almost all the geographic segments in which the Group operates. In addition, in accordance with the Group's strategy to sell higher value-added products, these product lines have been complemented with products whose characteristics have constantly been improved, such as "air circuit breaker" technology, which protects circuits up to 4,000 amperes.

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

5.2.2.4 VDI

In the Voice-Data-Image sector, Legrand offers a broad range of complete pre-wiring systems for computer, telephone and video networks, such as a new high transmission rate *RJ45* multimedia socket for data communication applications, fiber optic jacks, fiber optic and copper patch panels, VDI cabinets and enclosures and cable management accessories, copper and fiber optic VDI cables, all of which facilitate the organization of telephone and data networks in buildings.

Legrand believes that it is one of the four principal manufacturers of a certain number of VDI applications (excluding cables).

5.2.2.5 REGULATION AND STANDARDS

Legrand's products are subject to quality and safety controls and regulations, and are governed by both national and international standards, such as European Union directives, and product norms and standards adopted by international organizations, including the European Committee for Electrotechnical Standardization and the International Electrotechnical Commission. Changes in standards and norms are gradual and result in higher standards of security and performance, and thus increase barriers to entry for new market entrants.

5.2.3 - Research and development

Legrand has a long track record of developing new products and upgrading products by adding improved functionalities. Each year, on average, the Group has spent and invested (before purchase accounting charges relating to the acquisition of Legrand France and including capitalized development expenses) 4% to 5% of its net sales on research and development. In 2009, over 35% of the Group's net sales were generated by products less than five years old, with net sales of those products representing approximately 32% of its net sales in Spain, 38% of its net sales in the United States, 41% of its net sales in Brazil and 48% of its net sales in France.

The following characteristics are a priority for Legrand's product development:

- quality, reliability and overall safety;
- simplicity, ease and speed of installation;
- integration of new technologies into its product offering;
- capacity of its product lines to work together in an integrated system;
- product functionality; and
- new designs.

Certain production facilities have dedicated research and development teams. However, a significant portion of Legrand's research and development is carried out in France, Italy, the United States and China. As of December 31, 2009, 1,833 employees in approximately 15 countries were involved in research and development, of which approximately 68% were based in France and Italy, 12% in China and 7% in the United States, with the remainder in other countries.

5.2.4 - Distribution, customers and marketing

Legrand manufactures products for end-users in commercial, residential and industrial markets:

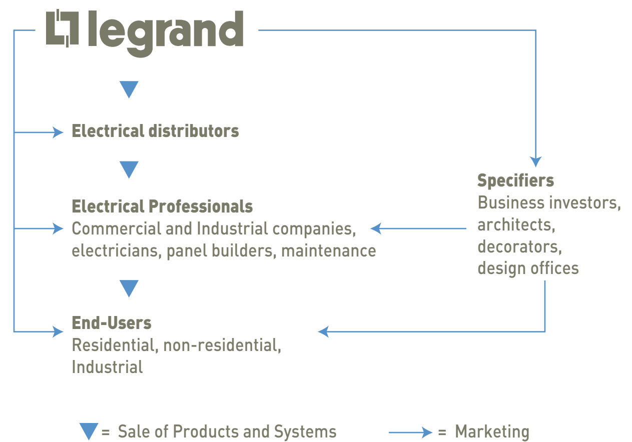
- The commercial market, which accounted for approximately 50% of the Group's consolidated net sales in 2009, consists of electrical products used in the construction and renovation of a variety of commercial buildings, such as hotels, offices and stores, and public buildings, such as schools and hospitals.
- The residential market, which accounted for approximately 40% of the Group's consolidated net sales in 2009, consists of electrical products used in the new construction and renovation of houses and apartments.
- The industrial market, which accounted for approximately 10% of the Group's consolidated net sales in 2009, consists of electrical products used in the new construction and renovation of factories, plants and other industrial sites.

In its business, Legrand distinguishes between "distributors", "electrical professionals", "specifiers" and "end-users":

- Legrand's "distributors" are electrical hardware and equipment distributors and accounted for more than 95% of the Group's consolidated net sales in 2009.
- "Electrical professionals" are the professionals or "do-it-yourselfers" who purchase, install and use Legrand's electrical products; this category of professionals includes electricians, contractors, panel builders and industrial and commercial companies with electrical products or systems installation operations.
- "Specifiers" are the architects, decorators and design offices which Legrand believes fuel demand for its products by recommending their use to end-users or by including them in certain building projects.
- "End-users" are the clients who use Legrand's products in the environment in which they are ultimately installed or used.

Legrand's relationships with its distributors are generally governed by the relevant standard terms and conditions for sales in each local market.

As described in the chart below, Legrand is part a of a distribution chain in which manufacturers, such as Legrand, mainly sell their products to electrical distributors, who in turn sell products to electrical professionals who then install the products in end-users' buildings. Specifiers play an active role in this chain by advising electrical professionals and end-users on product choice and applications.



Sales and marketing is handled by Legrand's front office, which represented 20% of the Group's worldwide employees in 2009 compared to 19% in 2008 and 18% in 2007 (see section 9.1 of this reference document). Since 2001, Legrand has opened more than 20 new sales offices or subsidiaries, principally in Eastern Europe, Asia and the Middle East, in order to increase its geographic coverage. Legrand's marketing efforts are directed at each level of the distribution chain (i.e., distributors, electrical professionals, specifiers and end-users) in what it describes as a "push and pull" strategy (see below) aimed at providing market players with information, training and other services relating to the Group's full range of products and systems. Legrand believes that in making it easier for its distributors, electrical professionals and end-users to access and use its products, it creates significant product and brand loyalty and builds demand for the Group's products and systems at each level of the distribution chain.

Selling the Group's products to electrical distributors ("push")

On the "push" side, Legrand maintains close relationships with its distributors by focusing on product availability and just-in-time delivery and by simplifying and accelerating ordering, stocking and dispatching of its products. This "push" side of Legrand's strategy also involves providing customers with a catalog of around 170,000 items, including innovative new products. Legrand has also made it easier to access and use its catalog by providing electronic catalogs, standardizing packaging sizes and appearance and introducing innovative features such as pre-sorted deliveries.

Examples of Legrand's "push" initiatives include:

- *Priority inventories*: In France, many of Legrand's distributors have agreed to maintain inventories of certain priority products at all times. In turn, Legrand maintains large quantities of non-priority products which, coupled with a computerized inventory control system, enables it to respond rapidly to its distributors orders. In emergencies, products that are not stocked by its distributors can be delivered within 48 hours to any location in France through "Dispo-Express," Legrand's own delivery service.
- *Inventory management*: In the United States, Pass & Seymour, one of the Group's US subsidiaries, receives inventory details from certain of its large distributors on a daily basis. When inventory levels drop below a pre-defined level, new inventories are prepared and shipped immediately.
- *Intelligent sorting*: Before Legrand ships its products to its distributors, it pre-sorts them by anticipating the steps distributors will have to take before they in turn can distribute the products to their agencies and clients. This value-added service reduces the preparation that Legrand's distributors must do on their own before shipping, minimizes shipping errors and decreases handling costs, giving Legrand a competitive edge which is appreciated by its customers.
- *Logistics platforms*: Legrand is increasing the number of logistics platforms from which it ships its products. By reducing the distance between its products and customers, Legrand is able to improve service and significantly reduce lead time. After installing logistics platforms in Asia and the Middle East, Legrand has deployed a similar platform in Eastern Europe.
- *Optimizing inventories*: Based on Legrand's internal statistical data and its knowledge of best practices in inventory management, it is currently implementing its experience-sharing program with its distributors to assist them in optimizing the management of their inventories to better respond to the needs of their own customers.

Legrand enjoys strong, long-standing commercial relationships with its distributors, particularly its two largest distributors, the electrical wholesale groups Sonepar and Rexel. In 2009, sales to Sonepar and Rexel accounted for approximately 28% of the Group's consolidated net sales, although this percentage varied from country to country (see chapter 2 of this reference document). Legrand believes that no other single distributor or group represented more than 5% of its worldwide consolidated net sales in 2009. Legrand's other main customers include FinDea, Graybar, Wesco, Home Depot, Anixter and Lowe's.

The pattern of distribution for electrical products and systems in most countries allows Legrand to channel products into its distributors' centralized distribution systems and thus leverage their market presence and sales network. It also limits the logistics costs and credit risk that Legrand would incur if it were required to deal with electrical professionals and end-users directly.

Stimulating demand among electrical professionals, specifiers and end-users ("pull")

On the "pull" side, Legrand believes that demand for its products is, for the large part, determined by the extent to which electrical professionals, specifiers and end-users request or "pull" its products from its distributors, and a major portion of the Group's marketing efforts is therefore directed towards developing and sustaining demand for its products by actively promoting them to electrical professionals, specifiers and end-users. Legrand focuses on providing training, technical guides and business software applications, as well as ensuring reliable and readily available product supplies.

Legrand offers training programs to electrical distributors and electrical professionals locally, including at its Innoval international training center in Limoges, France. These training programs are designed to expand installers' expertise and services (technical training: panel builders, etc.) to Legrand's latest electrical equipment (innovation training: energy efficiency, etc.) and new installation methods (pedagogical training). The Innoval training center offers approximately 50 separate hands-on programs in areas ranging from home automation and wiring of electrical cabinets and fiber-optic cabling to installing emergency lighting systems and regulations applicable to the electrical installation business. Since it was founded in 1999, the Innoval center welcomed more than 60,000 visitors, approximately 43,000 of whom were customers, 12,000 of whom received training.

In addition, Legrand offers training programs on a localized basis in many countries, including Italy, Brazil and the United Kingdom. Based on the Innoval model, Legrand opened Innovel in Chile in 2006 in order to present its product offerings and to train professionals in installing Legrand products; a training center was also opened in Dubai in February 2009.

In France, Legrand has established a series of websites for electrical professionals and specifiers, directed at separate categories of businesses, from architects to self-employed electricians. After keying in their password, users have quick, easy access to regularly updated material, including automatic section charts, catalogs, design software and order records. Legrand's other electronic catalogs include the E-catalog product database – also available on PDA – and SpecPartner, a service provided by Pass & Seymour in the United States. Legrand has established a group-wide software multimedia unit to coordinate its range of on-line guides and business software.

Legrand's business software applications include XL-Pro2 software for electrical cabinet wiring, and LabelMo software a quotation package for self-employed electricians.

In addition to pulling its products through marketing initiatives directed towards electrical professionals, Legrand also seeks to stimulate demand among end-users by actively promoting its products through specific marketing and advertising campaigns emphasizing the design and functional aspects of its products.

Legrand's call centers, which provide full information on new applications, also contribute to Legrand's product promotion. For example, in France, Legrand recently reorganized its customer-relations management by creating a three-level call center which, at the first level, provides general information about its products, at the second level, provides detailed information on standard products and, at the third level, provides information on customized solutions which draw from Legrand's product portfolio.

5.2.5 - Suppliers and raw materials

Legrand does not depend upon any single supplier for raw materials or components used in the manufacture of its products. Legrand believes that raw materials and components essential to its operations will remain available in all of its principal markets.

In 2009, plastics accounted for approximately 35% of the raw materials used in manufacturing its products and metals accounted for approximately 46%, with the balance principally consisting of packaging materials (approximately 19%). Legrand uses over 50 types of plastics of varying grades and colors in the manufacture of its different products, with specific plastics selected according to their physical properties and ability to meet requirements such as durability, heat and impact resistance and ease in molding and injection or bonding with other components.

In 2009 on average 51% of the metal purchased was steel used in mechanisms and structures, and 34% was brass and copper, used principally for their conductive properties. Legrand also purchases certain finished and semi-finished electro-mechanical and electronic components for integration into products such as video communications and sound diffusion products.

The table below sets forth the relative portion of the Group's purchases of raw materials and components as a percentage of Group sales for 2007, 2008 and 2009.

(% of consolidated sales)	2009	2008	2007
Raw materials	9.8%	11.5%	11.6%
Components	18.7%	18.9%	18.8%
TOTAL	**28.5%**	**30.4%**	**30.4%**

5.2.6 - Intellectual property

Legrand's brand and trademark portfolio includes more than 100 brands and trademarks of international renown (especially *Legrand* and *Bticino*), first rate local trademarks (including *Wiremold, Watt Stopper, Pass & Seymour, URA, Planet Wattohm, HPM, TCL Legrand*, *HDL* and *Arnould*) and trademarks that are specialized in certain products or systems sold worldwide (for example, *Ortronics, Cablofil* and *Zucchini*). Legrand's trademarks are protected on the majority of the markets in which it operates. In general, Legrand only exceptionally grants licenses to its trademarks to third parties. Moreover, with the notable exception of the TCL trademark, the Group generally does not license trademarks from third parties.

The protection of Legrand's brands is based on their registration or use. Legrand's brands are registered with national, European and international agencies for variable periods (generally for periods of 10 years), subject to laws stipulating continued use as a condition for maintaining protection.

Furthermore, Legrand holds nearly 4,600 patents in almost 80 countries, some of which relate to the filing of the same or similar patented technologies in multiple jurisdictions. Legrand's patent portfolio is diversified, with approximately 17.5% of patents held in France, 11% in the United States, 11% in Italy, 8% in Germany, 8% in Spain, 6% in the United Kingdom and the remaining 38.5% in other countries.

Legrand's patents cover approximately 1,700 different systems and technologies. In 2009, Legrand registered nearly 60 new patents. The average life-span of Legrand's utility patent portfolio is approximately eight years, which corresponds to the average life-span of patents held by the Group's competitors. Legrand rarely licenses the use of its products to third parties, nor does it license use of technologies from third parties.

Legrand does not believe that it is dependent on patents belonging to third parties to conduct its business.

5.2.7 - Property, plant and equipment

Legrand seeks to optimize its manufacturing processes, improve its efficiency and reduce its production costs by increasing the level of industrial specialization within each site according to particular technologies or product families, by optimizing its choice of production sites by relocating production to low labor-cost areas, by systematically implementing a "make or buy" analysis on a Group-wide basis (Legrand foresees increasing outsourcing of production if this can increase its responsiveness and thus better service customers, and achieve cost savings without compromising its intellectual property, know-how or product quality) and by implementing "lean manufacturing" initiatives aimed at optimizing productivity and capital employed.

The Group's manufacturing plants, together with its headquarters, represent its major properties. Legrand operates nearly 50 manufacturing sites and complexes (including acquisitions) in more than 20 countries and employs between 200 and 500 individuals per site.

The table below sets forth the location, size and uses of Legrand's major properties. All of them are held in fee simple, with the exception of:

- the Saint-Marcellin La Plaine and the Ospedaletto (Bticino) sites, which are leased; and
- the Sydney, Melbourne, Pyong Taek, Dongguan, Huizhou, Shenzhen, Wuxi, Eskisehir, Scarborough, Boxtel, Madrid (partial), Pantin, Mumbai, Aruda dos Vinhos and Milan sites, which are rented.

At the registration date of this reference document and to the Company's knowledge, there has been no significant change with respect to the properties described below.

Site or subsidiary	Approximate size *(thousands of m²)*	Principal use	Site location
France			
Legrand Limoges	200	Headquarters/ Manufacturing/Distribution/ Administrative services/Storage	Limoges region
Other French sites	263	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, Belhomert
Verneuil	84	Storage	Verneuil-en-Halatte
Italy			
Bticino Italie	235	Manufacturing/Distribution/ Administrative services/Storage	Milan, Varèse, Bodio, Erba, Naples, Bergame, Tradate, Ospedaletto, Alessandria
Portugal			
Legrand Electrica	31	Manufacturing/Distribution/ Administrative services/Storage	Carcavelos, Aruda dos Vinhos
United Kingdom			
Legrand Electric	26	Manufacturing/Distribution/ Administrative services/Storage	Scarborough, West Bromwich, Dunstable
Spain			
Legrand España	43	Manufacturing/Distribution/ Administrative services/Storage	Madrid, Barcelona, Pampelona
Poland			
Legrand Polska	44	Manufacturing/Distribution/ Administrative services/Storage	Zabkovice
Hungary			
Legrand Zrt	34	Manufacturing/Distribution/ Administrative services/Storage	Szentes
Germany			
Legrand-Bticino	19	Manufacturing/Distribution/ Administrative services/Storage	Soest

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Site or subsidiary	Approximate size (thousands of m^2)	Principal use	Site location
United States			
Wiremold North America	39	Manufacturing/Distribution/ Administrative services/Storage	West Hartford, Philadelphia, Williamstown, Carlisle
Pass & Seymour	81	Manufacturing/Distribution/ Administrative services/Storage	Concord, Syracuse
Mexico			
Bticino de Mexico	44	Manufacturing/Distribution/ Administrative services/Storage	Queretaro
Brazil			
Legrand Brasil, Cemar, HDL	51	Manufacturing/Distribution/ Administrative services/Storage	Campo Largo, Caxias do Sul, Manaus
Colombia			
Luminex	17	Manufacturing/ Administrative services/Storage	Bogota
China			
Rocom, Legrand Beijing, TCL, Legrand, Shidean	117	Manufacturing/Distribution/ Administrative services/Storage	Dongguan, Beijing, Huizhou, Shenzhen, Wuxi
Russia			
Kontaktor	85	Manufacturing/Distribution/ Administrative services/Storage	Ulyanovsk
Australia			
HPM	45	Manufacturing/Distribution/ Administrative services/Storage	Sydney, Melbourne
India			
Legrand India	13	Manufacturing/Distribution/ Administrative services/Storage	Jalgaon, Nashik, Sinnar, Mumbai
Netherlands			
Legrand Nederland	23	Manufacturing/ Administrative services/Storage	Boxtel
Egypt			
EMB Egypt	10	Manufacturing/Distribution/ Administrative Services	Sadat City
Turkey			
Legrand Elektrik, Estap	30	Manufacturing/ Administrative Services/Storage	Gebze, Eskisehir

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5.2.8 - 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 these insurance programs (which cover all of the Group's subsidiaries) provide adequate coverage for the principal 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 the context of a relatively stable insurance market, levels of coverage set up in 2009 remained unchanged in respect of 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

The property damage/operating loss insurance policy covers (subject to customary deductibles, exclusions and limits) direct property damage that could affect the various sites, which have all been previously appraised to determine their insured value, as well as the operating losses resulting from any event of a sudden and accidental origin (such as fire, storm, explosion, electrical damage, water damage, etc.). This insurance program also includes a master insurance policy set up in France 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 for certain acts of God or certain specific guarantees such as machine breakage and IT and electrical risks.

06 SUSTAINABLE DEVELOPMENT

6.1 - COMMITMENT TO SUSTAINABLE DEVELOPMENT 50

6.2 - LEGRAND'S MEMBERSHIP OF THE UNITED NATIONS GLOBAL COMPACT 51

6.2.1 - Confirmation of the Group's commitment to the Global Compact 51
6.2.2 - Global Compact principles and Corresponding Sections of this reference document 51

6.3 - GOVERNANCE 52

6.3.1 - Ethics 52
6.3.2 - Relationships with suppliers 52
6.3.3 - Non-financial communication and inclusion of Legrand shares in sustainable development market indexes 53

6.4 - ENVIRONMENTAL COMMITMENT: POLICIES AND RESULTS IN 2009 53

6.4.1 - Risk prevention and continuing improvement of environmental performance 53
6.4.2 - Operational environmental performance 54
6.4.3 - Factoring environmental concerns in products 55
6.4.4 - Product Environmental Profiles 56
6.4.5 - Product end of life 56
6.4.6 - Climate-change strategy: Legrand Climact 57
6.4.7 - Building Energy Efficiency: a significant project for Legrand 58
6.4.8 - Summary of indicators and targets 60

6.5 - SOCIAL COMMITMENTS AND COMMUNITY INVOLVEMENT: POLICIES AND RESULTS IN 2009 61

6.5.1 - Reinforcing competency management and favoring staff mobility 61
6.5.2 - Combating discrimination and favoring diversity 62
6.5.3 - Accident prevention and safety 63
6.5.4 - Partnership with *Electriciens Sans Frontières* *64*
6.5.5 - Solutions for independent living: comfort and safety at home for longer 64
6.5.6 - Summary of indicators and targets 65

6.1 - COMMITMENT TO SUSTAINABLE DEVELOPMENT

Legrand's sustainable development policy is founded on four values presented and defined in the Legrand Group's Charter of Fundamental Principles: ethics of behavior, customer awareness, resource enhancement and innovation. It is implemented by the Sustainable Development and Quality department, part of the Group Business Strategy and Development department drawing on the expertise and know-how of staff throughout the Group.

It includes guidelines in several areas:

- *Governance*. Legrand aims to ensure growth that is at once profitable, lasting and responsible, meeting the needs of distributors, electrical professionals, specifiers and end users as well as those of employees and shareholders as regards economic strategy. Legrand seeks to decline its commitment to ethical behavior in all business activities. The aim is to make suppliers and customers part of the Group's approach to sustainable development.
- *A social policy*. Counting nearly 30,000 employees around the world and with 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 a member of society at large. Legrand's human-resource and employee-relations policies are structured around the following priorities:
  - developing competencies and employee career paths; respect for human rights and a commitment to fight all forms of discrimination and promote an active policy of risk prevention, health and safety at work;
  - developing access to electricity, in particular through a partnership with *Electriciens Sans Frontières* (Electricians Without Borders);
  - offering customers solutions that promote the independence of seniors and others suffering from disabilities.
- *An environmental policy*. Legrand considers protection of the environment a fundamental concern for all its businesses, at every stage from product design, manufacturing and distribution to marketing, including responsible purchasing. Its prime levers for action in this area involve:
  - developing eco-friendly management policies for Group sites;
  - factoring environmental concerns into product design and product life cycles, and supplying Legrand's customers with all relevant product information;
  - offering products and systems enabling customers to design eco-friendly installations. Innovations in this area include new solutions to reduce energy consumption (lighting and heating management, shutter monitoring) and to provide protection against electrical risks.

These defining directions for sustainable development policies take concrete form in priorities and action for the Group's core businesses and structures. Monitoring of progress and assessment of action taken are consolidated in particular through the use of indicators, most of which are based on the recommendations of the Global Reporting Initiative, which provides a framework for business reporting in connection with sustainable development.

6.2 - LEGRAND'S MEMBERSHIP OF THE UNITED NATIONS GLOBAL COMPACT

6.2.1 - 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 continuing progress, we are thus including in this reference document a progress report on the Legrand Group's project."

Gilles Schnepp
Chairman and Chief Executive Officer, Legrand Group

6.2.2 - Global Compact principles and Corresponding Sections of this reference document

Global Compact principle	Commitment and progress
1. Businesses should support and respect the protection of internationally proclaimed human rights within their sphere of influence	6.3.2 Relationships with suppliers 6.5.2 Combating discrimination and favoring diversity 6.5.3 Accident prevention and safety
2. Make sure that they are not complicit in human rights abuses	6.3.1 Ethics 6.5.2 Combating discrimination and favoring diversity 6.5.3 Accident prevention and safety
3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining	6.3.1 Ethics
4. The elimination of all forms of forced or compulsory work	
5. The effective abolition of child labor	
6. The elimination of discrimination in respect of employment and occupation	6.5.2 Combating discrimination and favoring diversity
7. Businesses should support a precautionary approach to environmental challenges	6.4.1 Preventing environmental risks and promoting continuous improvement in performance
8. Undertake initiatives to promote greater environmental responsibility	6.4.2 Environmental management of industrial sites 6.4.6 Climate strategy: "Legrand Climact"
9. Encourage the development and diffusion of environmentally friendly technologies	6.4.3 Factoring environmental concerns into products 6.4.4 Information on environmental performance of product 6.4.5 End of product life cycle 6.4.7 Energy efficiency of buildings
10. Businesses should work against corruption in all its forms, including extortion and bribery	6.3.1 Ethics 6.3.2 Relations with suppliers

6.3 - GOVERNANCE

6.3.1 - Ethics

Continuing our common commitment to four core values – ethics of behavior, customer awareness, resource enhancement and innovation – all Legrand entities adhere to our Charter of Fundamental Principles setting out the rules of behavior and business conduct that everyone must abide by. This Charter can be downloaded at www.legrandgroup.com, and has been translated into a dozen languages.

Labor rights are clearly stated, with the strict prohibition of and fight against all forms of forced labor and child labor within the Group extended to all suppliers.

In 2009, the Group's internal ethics correspondents, of whom there are over 60, benefited from a webcast training program jointly organized by the Company Secretary and the Group Human Resource and Internal Communications department. This had three goals:

- To provide information on the 2009 update of the Charter of Fundamental Principles and the publication of a practical guide. The update of the Charter concerned in particular elucidations of commitments on human rights and the fight against discrimination in line with related international agreements and of points relating to the preservation of assets and confidentiality, as well as complements to the prevention charter and the environment charter;
- To give official expression to the reinforcement of Group alert procedures, including the launch of a dedicated e-mail address enabling ethics correspondents at local level to explain difficulties and put questions directly;
- To facilitate sharing of experience within the Group.

In addition to this session, training was also organized at local level and to address more specific issues relating to particular areas of business. Similar actions are planned in 2010.

The Group's internal audit department conducts reviews to verify compliance with Charter principles.

6.3.2 - Relationships with suppliers

Since 2007, suppliers have been required to meet Legrand's standards regarding the environment, health and security at work, and compliance with social and labor law, as stipulated in its purchasing specifications. Legrand also draws suppliers' attention to its commitment to the ten principles of the Global Compact and encourages them to join up. Currently, 20% of the Group's purchasing turnover is placed with suppliers sharing Global Compact principles, which accounts for 57% of turnover placed with strategic suppliers.

In 2009, initiatives to give greater weight to the sustainability performance of suppliers included:

- provision for the consideration of sustainability data in supplier approval procedures (purchasing processes under the ISO 9001 quality management system);
- a sustainability questionnaire sent to 60 suppliers pre-selected for new product developments;
- integration of sustainability criteria in the analysis of supplier risks.

To facilitate implementation:

- purchasing and quality staff members involved in these initiatives attended a training session to raise awareness and present tools and processes for the management of sustainability issues in relationships with suppliers;
- a Purchasing and Sustainability coordinator was appointed within the Group Purchasing department.

In 2009, the Group Purchasing department, through its membership of French purchasing managers' organization CDAF (*Compagnie des Dirigeants et Acheteurs de France*), took part in the drafting of a charter of Commitments for Responsible Purchasing to govern relationships between large order givers and small and medium-size businesses. Legrand signed this charter at the beginning of 2010.

6.3.3 - Non-financial communication and inclusion of Legrand shares in sustainable development market indexes

To promote transparency and openness, in particular towards investors and shareholders, Legrand regularly responds to requests relating to its ESG performance (Environment, Social, Governance).

In 2009 as in 2008, Legrand was a component stock of the FTSE4Good index. Developed by the London Stock Exchange and the Financial Times, and managed by the UK rating agency EIRIS (Ethical Investment Research Services), this index is made up of stocks representing listed companies considered ethical and responsible on the basis of social and environmental criteria.

In early 2009, Legrand shares were also included in the ASPI (Advanced Sustainable Performance Indices) Eurozone index, made up of the 120 components of the Dow Jones EURO-STOXX index with the best performances in terms of sustainability criteria.

After analyzing the Group's approach to sustainable development, Switzerland's SAM (Sustainable Asset Management Indexes GmbH) retained Legrand in its annual ranking of top-performing companies in the field, published in a report entitled "The Sustainability Yearbook 2010". Legrand is thus ranked among the six worldwide businesses in the "Electrical Components and Equipment" sector.

6.4 - ENVIRONMENTAL COMMITMENT: POLICIES AND RESULTS IN 2009

In both production and development, Legrand favors materials and processes that are compatible with the well-being of people and their environment. Through this approach, the Group reduces the impact of its operations on the ecosystem, while at the same time enhancing business performance and the appeal of its offerings.

Environmental managers are appointed at each production site and in R&D teams. Coordinated by the Environmental Expertise unit in the Group's Sustainable Development and Quality department, they are charged with carrying out environmental audits and then defining appropriate action plans.

Staff participation in this commitment to the environment is also backed by guidance for cross-functional projects such as:

- "Legrand Climact", aimed at the reduction of greenhouse gas emissions resulting from the Group's operations; or
- "E^2 — Energy Efficiency" aimed at accelerating Legrand's integration of and response to new challenges in electrical infrastructure.

Legrand's commitments as formulated in its Environment Charter— updated in 2009 — include:

- integrating environmental aspects into Group sites and ISO 14001 certifications;
- factoring in environmental aspects from the design of our products, systems and solutions;
- informing customers to enable them to choose the best solutions, in particular by providing statements on products' environmental performance;
- developing products and solutions that improve the energy efficiency of buildings.

6.4.1 - Risk prevention and continuing improvement of environmental performance

The prevention and control of environmental risks are priorities for Legrand, which regularly assesses environmental risks at each Group site, verifying compliance with applicable rules and mapping industrial risks for the environment. Where necessary, corrective action plans are adopted. The aim is to achieve ongoing improvement in environmental performance, in most cases entailing certification under ISO 14001. Each site can call on the support and advice of the Group's Environmental Expertise team in the pursuit of these objectives.

Environmental monitoring is the responsibility of the Environmental Expertise team and environmental correspondents at Group entities (92 correspondents in 2009).

The Group has progressed significantly for many years. In 2009, despite the testing economic environment, three new production plants were certified under ISO 14001, which means that 84% of all industrial and logistics facilities eligible for certification have now been approved, and 96% of those in Europe.

Employee awareness of environmental issues is favored in a number of ways:

- training: Group employees reviewed a total of over 17,260 hours of environmental training in 2009;
- dedicated events: in 2009, Legrand took part in the European Waste Reduction Week, aiming to raise awareness among as many employees as possible of the need to reduce waste. During the week, special programs targeting all subsidiaries covered subjects including regulations, the launch of a program to reduce use of paper, eco-friendly behavior and reminders of waste-recovery targets.

6.4.2 - Operational environmental performance

Since 2002, environmental performance and management indicators have been consolidated by the Environmental Expertise team at Group level as a guide for environmental action and development at production sites.

All told, the Legrand Group's energy consumption in 2009 [2] totaled:

- direct consumption, mainly gas: 180,868 MWh;
- indirect consumption - electricity: 267,957 MWh

6.4.2.1 CONTROLLING ENERGY CONSUMPTION

As measured at constant scope of consolidation, energy consumption at Group sites was reduced by 19% from 2006 to 2009, representing a saving of 105,068 MWh or nearly 39,000 t CO_2[1] eq. This partly reflects the Group's adaptation to the economic downturn, but is also attributable to ongoing efforts to reduce energy consumption and raise employee awareness.

The Group's lean manufacturing project led to several initiatives targeting energy consumption in 2009. On certain French sites, the combined effects of programmed switches, optimization of heating with heat recovery systems, crackdowns on wastage, and more efficient management of lighting and compressed air reduced consumption by 5,109 MWh or 1,890 t CO_2 eq[1] relative to the previous year, representing a saving of over €170,000.

In India, consumption was reduced by over 515 MWh and 190 t CO_2 eq from the previous year with action including the installation of solar-powered lighting, scheduling of power cuts, insulation of molding machines and adaptation of compressed air supply to varying requirements.

6.4.2.2 CONTROLLING WATER USE

In 2009, the Group used a total of 1,426,420 cubic meters of water, 3.5% less than in the previous year. This was partly attributable to action to limit leakage and the adoption of more economical processes such as closed-circuit cooling for the molding of plastic components.

6.4.2.3 WASTE MANAGEMENT

Legrand achieved good results for waste recovery in 2009:

- non hazardous waste: 40,000 metric tons, 82.4% recovered;
- hazardous waste: 3,000 metric tons, 72.2% recovered.

Out of the total 43,000 metric tons of waste produced, 82% was recovered through recycling, reuse or energy recovery.

Sorting and partnership with the waste-disposal service provider enabled UK sites to recover 87% of waste, not including metal waste, which was 100% recovered. In France, waste-management was enhanced by spelling out sorting instructions and installing new containers, leading to an increase of 220 metric tons in quantities recovered to represent 96% of the total.

(1) Data calculated using EIME software and its Global Warming indicator (version 7.0) designed on the basis of IPCC 2007 methodology. This represents greenhouse gas effects over 100 years expressed in grams of CO_2 equivalent (or multiples such as kilograms or metric tons). This method has been adopted by International Reference Life-Cycle Data System for life-cycle assessments, and complies with PAS 2050 specifications. Impacts of different energy sources are those for EIME version 11.0.

*(2) **Direct energy consumption:** greenhouse gas emissions resulting from the use and production of energy other than electricity for use in heating and production processes. This corresponds to Scope 1 as defined in the Greenhouse Gas Protocol, revised edition, published by the Greenhouse Gas Protocol Initiative (ghgprotocol.org). **Indirect energy consumption:** greenhouse gas emissions resulting from the use of electricity on production sites. This corresponds to Scope 2 as defined in the Greenhouse Gas Protocol, revised edition, published by the Greenhouse Gas Protocol Initiative (ghgprotocol.org).*

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6.4.2.4 CONTROLLING ATMOSPHERIC EMISSIONS

Action taken in 2009 brought a 37% reduction in emissions of Volatile Organic Compounds relative to 2006. This was essentially due to the substitution of alcohol-base with water-base substances for wave soldering lines.

In 2009, emissions of volatile organic compounds totaled 52 metric tons.

CO_2 emissions are discussed in section 6.4.6 of this reference document.

6.4.2.5 WATER DISCHARGE

Staged substitution of hexavalent chrome passivation with trivalent chrome passivation reduced release of this substance into adjoining waters to under 160 grams in 2009. Further substitution is under way for processes still requiring hexavalent chrome, in particular for industrial applications demanding extremely high resistance to corrosion.

6.4.3 - Factoring environmental concerns in products

6.4.3.1 SUBSTANCES

Legrand complies with all restrictions on the use of hazardous substances, in particular the EU's RoHS Directive, which has prohibited the use of lead and other substances for certain electric and electronic products since July 2006. Legrand had taken action before then, eliminating all the substances referred to in the Directive as of 2004, even in applications beyond its scope, setting as its goal the extension of Directive requirements to all products sold in Europe.

Since 2008, Legrand has been working on implementation of the EU Regulation REACH. Efforts have in particular concerned the transmission of information concerning products at all points along the 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. Management of Material Safety Data Sheets is being brought into line with REACH at all Legrand entities;
- a system open to all customer service units of Legrand's European entities that provides responses to customer queries on all Group brands via the Legrand intranet, ensuring that information is fully up to date;
- a full page dedicated to REACH posted for the use of all stakeholders on the Legrand website.

Beyond regulatory requirements, Legrand has undertaken to remove, in all future product development, substances included in the "REACH Candidate List" whenever a viable technical alternative is available.

6.4.3.2 ECO-DESIGN

Continuing the action initiated in 2001, the Legrand Group has steadily reinforced the place of eco-design in development units. By 2009, 70% of these units had benefited from training to factor environmental considerations into all stages in design and life-cycle assessments.

This approach has from the beginning been based on the life-cycle assessment (LCA) methods defined for ISO 14040/14044 and use of EIME (for Environmental Improvement Made Easy) software developed by the electrical equipment industry for its own use in association with LCA experts.

Backed by a database updated each year, EIME provides the information needed to enhance the environmental performance of products without substituting one form of pollution for another.

Eco-designed products in 2009 included, among others:

- metal LCS^2 19" enclosures: EIME life-cycle assessments showed an average gain of 23% for impact indicators[1] compared to the previous version. More particularly, there was an improvement of 44% for the Raw Material Depletion indicator and a 14% improvement for the Global Warming Potential indicator,
- the new RJ45 Prog *Mosaic LCS^2* socket: environmental impact is 10% lower than for its predecessor as measured by the average of 11 indicators[1], while it also makes for easier installation and higher quality cabling. The Ozone Depletion indicator was cut by 12% and the Hazardous Waste Production indicator by 20%.

(1) EIME indicators include: Raw Material Depletion, Energy Depletion, Global Warming Potential, Water Depletion, photochemical Ozone Creation, Ozone Depletion, Air Toxicity, Air Acidification and Hazardous Waste Production. All phases in the product life cycle are factored in: production (materials and processes), distribution (transport and packaging), use (maintenance and energy consumption) and end-of-life treatment (recovery/recycling).

The Group's Environmental Expertise team draws support from a worldwide network of 38 product and environment correspondents charged with deploying eco-design strategies and ensuring development teams' compliance with local regulatory requirements.

Additional indicators are discussed in section 6.4.8 below.

6.4.4 - Product Environmental Profiles

Legrand is committed to providing clear, accurate information on its products and this also extends to their environmental impact. It provides customers with Product Environmental Profiles (PEP) based on ISO 14025 specifications, setting out information generated by the life-cycle assessment function of EIME software. These "eco-declarations" cover materials and environmental impacts such as Raw Material Depletion, Energy Depletion and Global Warming Potential, as well as end-of-life potential for recycling and recovery for use as fuel, etc.

Development teams at local level use the Group's EIME tool together with its central database to draw up Product Environmental Profiles in accordance with universally recognized standards.

Within the framework of France's *Grenelle de l'Environnement* program and in tandem with the association of building material manufacturers, Legrand is party to a voluntary agreement for the systematic use of Product Environmental Profiles by 2012. The agreement was signed on March 25, 2009 alongside France's national agency for the environment and energy management ADEME (*Agence de l'Environnement et de la Maîtrise de l'Energie*); standards organization AFNOR; the science and technology center for the building industry (*Centre Scientifique et Technique du Bâtiment*); the Association for High Environmental Quality (*HQE, Haute qualité environnementale*); the Association Qualitel; and Minister Jean-Louis Borloo representing the Ministry for Ecology, Energy, Sustainable Development and the Sea. In the same spirit, Legrand has played a very active role within industry and stakeholder organizations, with a view to structuring Product Environmental Profiles for the electrical engineering sector. In 2010, Legrand will be among the founding members of PEP Ecopasseport, an association ensuring ISO 14025 compliance of Profiles and certifying the regularity and comparability of the information provided.

Information on other indicators is provided in section 6.4.8 below, including in particular turnover generated with products covered by a Product Environmental Profile.

6.4.5 - Product end of life

In the European countries where Legrand sells its products, offers to recover end-of-life household equipment are made to purchasers. For this, Legrand joins up with organizations operating collection systems in association with local authorities and DIY outlets, to recycle and process waste.

Turning to products sold to professionals, collection systems adapted to electrical products and the building sector were initiated in 2009 and will be moving into operation by stages from 2010 on. An example is the Professional Waste Electrical and Electronic Equipment project (*DEEE pro* in French) alongside eco-organization Recyclum, which will start up in July 2010.

Legrand products are designed to match current end-of-life management requirements such as the need to identify materials for plastic parts weighing more than 50 grams.

In France, Legrand also collects end-of-life security lighting units from customers for dismantling and recycling of components, in particular nickel-cadmium batteries. In 2009, 64 metric tons of these batteries were recycled after recovery from 227 metric tons of security lighting units that Legrand collected from customers in France.

Legrand provides customers with full information for end-of-life management in its Product Environmental Profiles. These include an end-of-life section with details of recycling potential for each material, potential for use as fuel, and the location of any hazardous materials, together with a list indicating quantities of any materials requiring special treatment pursuant to the EU Directive on Waste Electrical and Electronic Equipment (WEEE Directive) such as batteries, accumulators and electronic cards larger than 10 sq.cm.

6.4.6 - Climate-change strategy: Legrand Climact

Legrand Climact is a Group program aimed at limiting greenhouse gas emissions through action in three areas: control of energy use on industrial sites, eco-design and transport.

Legrand has confirmed its commitment by signing the Copenhagen Communiqué on Climate Change, which was launched by the Prince of Wales Foundation Corporate Leaders Group on Climate. In addition, Legrand has for the past four years contributed to the work of the Carbon Disclosure Project, aimed at providing quality information on initiatives to combat global warming.

6.4.6.1 BUILDINGS AND PROCESSES

In 2009, CO_2 emissions on Legrand sites totaled:

- Scope 1[(1)] (direct consumption, mainly gas): 66,921 t CO_2 eq;
- Scope 2[(1)] (indirect consumption - electricity): 99,144 t CO_2 eq.

As measured at constant scope of consolidation, emissions at Group sites were reduced by 19% from 2006 to 2009. This partly reflects the Group's adaptation to the economic downturn, but is also attributable to ongoing efforts to reduce CO_2 emissions.

For more information on the control of energy use and the scope of related measurements, see section 6.4.2.1 above.

6.4.6.2 TRANSPORT

The Group is continuing efforts to optimize logistic flows required for its operation, applying levers of different kinds.

These include the location of warehouses and production sites close to end markets wherever possible shortening transport routes for finished goods and components. Total cost analysis for the choice of manufacturing options thus systematically covers environmental criteria.

In addition to the continuation of the initiatives launched in 2008, which are in full keeping with its commitment to lean manufacturing, Legrand took new action in 2009, including:

- streamlining of logistic flows to reduce distances traveled;
- grouping of different stages in production on a single location, reducing transport between sites.

The choice of transport modes and organization of logistic flows also offer scope for improvement. In this area, action taken in 2009, along with the ongoing initiatives of 2008, included:

- preference for rail transport, particularly for courier consignment to some parts of southern France and for some containers carried from Paris to Marseille for forwarding to North Africa;
- use, as far as possible, of the same vehicles for reception and shipping at the International Distribution Center, reducing the number of empty journeys;
- halving of the number of trucks traveling between Brazilian stores through the replacement of 50 cubic meter trucks with 90 cubic meter trucks.

A major step forward was achieved in 2009 with the completion of detailed mapping of logistic flows within the Group. This has allowed the definition of an indicator to track Group-wide CO_2 emissions and trends in the environmental impact of the transport of finished goods and components. This indicator covers:

- transport between Group units,
- transport from Group units to end customers.

Progress to date enables Legrand to put precise figure on the environmental impact of 90% of transport for intra-group and customer deliveries, providing a basis for the identification of priorities for action and critical assessment of the savings achieved and targeted. At comparable turnover levels, Legrand reduced CO_2 emissions within the scope of this indicator by 5% from 2008 to 2009.

6.4.6.3 PRODUCTS

The marketing, design, purchasing, quality, production and other teams involved in product development add to the gains already described.

R&D units aim for solutions that meet quality requirements with the lowest possible environmental impact. Greenhouse effects measured in grams of CO_2 eq are among the key indicators assessed for each stage in the product life cycle.

To take an example, conception work on the *LCS*² 19" - Metal - 42 U enclosures allowed a saving of 12 kg of CO_2 eq with a reduction in the number of components and optimization of materials. This was combined with easier, more efficient cabling. The total savings takes into account both direct energy consumption at Group sites and indirect consumption (suppliers, materials, components, transport, etc.).

The systematic application of eco-design principles by Legrand's development units and careful selection of materials, components and processes mean that the new products coming out each year generate lower greenhouse emissions over their entire life cycle than their predecessors.

(1) **Direct energy consumption**: *greenhouse gas emissions resulting from the use and production of energy other than electricity for use in heating and production processes. This corresponds to Scope 1 as defined in the Greenhouse Gas Protocol, revised edition, published by the Greenhouse Gas Protocol Initiative (ghgprotocol.org).* **Indirect energy consumption**: *greenhouse gas emissions resulting from the use of electricity on production sites. This corresponds to Scope 2 as defined in the Greenhouse Gas Protocol, revised edition, published by the Greenhouse Gas Protocol Initiative (ghgprotocol.org).*

6.4.7 - Building Energy Efficiency: a significant project for Legrand

Buildings account for 40% of the world's energy consumption and a quarter of its CO_2 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.

To respond to changes taking place in the construction sector, which represent new challenges for electrical infrastructure, in 2009 the Group set up an ambitious project Energy Efficiency clearly demonstrating its determination to guide those involved in the electrical sector to this market full of significance and opportunities for the entire profession.

Through this project, Legrand has set itself the task of contributing to reliable, productive and responsible energy consumption, in particular through action in two areas:

- the development of energy efficient solutions extending from system operation to low-energy equipment;
- partnerships with electrical-sector stakeholders aimed at dissemination of good practices for electrical systems and applications.

6.4.7.1 OFFERING ENERGY EFFICIENCY SOLUTIONS

Legrand offers complete solutions to equip new and renovated small and medium-size buildings for residential and other uses.

Easy to install and adapt as well as to use, the Group's turnkey solutions cover all electrical system requirements and are within the technical reach of its usual partners in the sector.

Innovative transformers reducing power loss

Legrand offers, in particular under its Italian brand Zucchini, low-loss, low-pollution dry transformers that are more economical than traditional transformers. Resulting reductions in CO_2 emissions exceed 800 kg a year for an IT building with two 250 sq.m centres.

Quality of electricity

Acquired in 2008, Legrand subsidiary Alpes Technologies is a recognized leader for power and electricity quality. Alongside network analysis tools, it offers a full range of services and products contributing to the quality of electricity and the reduction of environmental impacts, in particular with reactive energy compensation and harmonics filtration technologies. In 2009, Alpes Technologies achieved a 16.3% rise in sales.

Measuring energy consumption

Electrical systems need to be analyzed, measured and monitored as a first essential step towards the reduction of consumption. Alptec analyzers from Alpes Technologies allow full analyses of circuits (failures, surges, etc.) in commercial and industrial buildings to identify and correct defects. In residential buildings, Legrand's *Arteor* offering allows centralized control of all electrical equipment and, by the same token, accurate tracking of total consumption. In 2009, US subsidiary *Wattstopper* launched its Energy Calculator, a free online tool enabling individuals to calculate potential energy savings.

Lighting management

Lighting controls and presence detectors, in particular those on offer from *Wattstopper*, number one on the US market, can cut electricity consumption for lighting in a commercial building by as much as 55%. These ranges are rounded out by products from Sarlam, a French subsidiary specializing in architectural lighting. Legrand thus draws on a range of expertise to offer lighting management solutions across all markets, using presence detectors and compatible with low-energy bulbs. Requiring limited installation work, they generate a significant return on investment with resulting savings.

Programming

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 timely cuts that can result in savings of up to 20% on consumption for equipment on appliance specific electricity consumption. This can add up, particularly for IT equipment, which represents the third largest item on energy bills for commercial buildings.

Heating management

Heating is the largest item on household energy bills, and more accurate, automated temperature control can cut it by 12%. 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, automation of heating, lighting, hot-water supplies and standby mode can save up to 10% on energy use.

6.4.7.2 PARTNERSHIPS WITH ELECTRICAL SECTOR STAKEHOLDERS

Legrand places special emphasis on customer involvement in action to promote more responsible electricity consumption, with communications centered on good practices related to electrical systems.

Its aim is to create value at each stage in its business projects through support for electricians, technology consultants, supervisory authorities, economists, contractors and others concerned. To this end, the Group sets up appropriate communications and other support tools including training to reinforce competencies and enable customers to integrate its Energy Efficient solutions. Other initiatives include, for example, dedicated websites providing information on key environmental and sustainability issues for the market, together with the Group's corresponding products and services.

Finally, Group training and information centers offer seminars dedicated to environmental and energy regulations and to green building techniques, making key notions readily accessible. Watt Stopper carries this a step further with free online training.

To help customers identify our Energy Efficient solutions, a special logo has been designed and is used by Legrand subsidiaries around the world in their communications. A campaign promoting low-energy products was also launched in 2008, highlighting initiatives that make an important contribution to worldwide reduction of carbon emissions, under the "1+1+1+1+1= less" banner label.

Legrand also provides customers with precise data on product benefits such as CO_2 reduction, financial savings, return on investment and payback periods. Calculations are based on regulatory or standard specifications, and evidence from recognized outside experts. Information is also backed up with concrete examples of installation presenting solutions in specific applications and building types.

In addition, Legrand draws up Product Environmental Profiles describing environmental features of each product. These have a decisive influence on the decisions of building professionals committed to environmental quality. Responding to growing demand for green building, Product Environmental Profiles reinforce the position of Legrand products on world markets. (For more details, see section 6.4.4 above).

In this regard, Legrand has been a member of the Green Building Council in the US since 2004 and in Dubai since 2007. The purpose of the Green Building Council is to design and promote efficient, environment-friendly and people-friendly buildings, leveraging its LEED (Leadership in Energy and Environmental Design) certification program and its international network. Legrand North America in particular has supported the Council's work, not only with cash contributions, but also with expert input and access to R&D resources with a view to exploring possibilities for industrial partnerships to develop products and solutions for more sustainable buildings attuned to the LEED certification process.

6.4.8 - Summary of indicators and targets

Environmental indicators - industrial sites

The table below sets out the main environmental indicators monitored by the Group. Data below are for the current scope of consolidation.

Indicators	2007	2008	2009	2010 target
ISO 14001 certified sites *(%)*	73%	81%	84%	Rate held above 70%
Waste produced *(metric tons)*	52	54	43%	Rate held above 80%
% of waste reclaimed	83%	84%	82%	Rate held above 80%
Energy consumption *(MWh)*	527,861	543,219	448,825	Legrand Climact: Reduce emissions by 10% from 2006 at constant scope (216 t eq)
Energy consumption measured by CO_2 emissions, *(metric tons of CO_2 equivalent)*	210	216	166	
Water consumption *(m³)*	1,677,063	1,477,814	1,426,420	
Environment training and awareness campaigns *(hours)*	17,516	22,547	17,267	
Emission of Volatile Organic Compounds *(metric tons)*	43	51	52	Reduce by 20% from 2006 (83 metric tons)

Environmental indicators - products

Indicators	2007	2008	2009	2010 target
R&D centers applying eco-design principles, % of Group total	57% Group 38% France, Italy and USA	63% Group 59% France, Italy and USA	70% Group 67% France, Italy and USA	60% Group and 100% for France, Italy and USA
Contribution of products covered by environmental profiles to sales in France, Italy and the United States	7.5% of sales in France, Italy and USA	9% of sales in France, Italy and USA	25% of sales in France, Italy and USA	50% in France, Italy and USA

Indicators - Legrand climact project

Reductions in CO_2 emissions are summarized in the table below.

In addition to specific programs, the economic downturn in 2009 had an impact on emission reductions at sites.

Area	Action	2009 results in metric tons of CO_2 equivalent *(t CO_2 eq)*
Transport of finished goods	Proximity of production to sales-area warehouses; optimization of transport and logistic flows	Savings of 3,700 t eq* or around 5% of total CO_2 emissions for Group transport operations in 2008 at comparable turnover levels
Eco-design policies	Eco-design of product ranges	Savings of 6,300 t CO_2 eq in 2009
	New packaging	Savings of 60 t CO_2 eq in 2009
Energy savings on sites**	Reduction of electricity consumption (excluding heating)	Savings of 17,000 t CO_2 eq i.e. a 20% reduction from 2006 to 2009
	Reduction of energy consumption for heating	Savings of 22,000 t CO_2 eq i.e. an 18% reduction from 2006 to 2009

* *The savings expressed in metric tons of CO_2 equivalent relating to transport of finished goods have been calculated in accordance with the Bilan Carbone method developed by French energy agency ADEME. The savings expressed in metric tons of CO_2 equivalent relating to eco-design and energy savings on sites have been calculated with EIME (Environmental Improvement Made Easy) software.*

** *From 2006 to 2009, the program thus led to savings, measured at constant scope of consolidation, totaling nearly 39,000 t CO_2 eq representing a reduction of 19% over the period.*

6.5 - SOCIAL COMMITMENTS AND COMMUNITY INVOLVEMENT: POLICIES AND RESULTS IN 2009

Counting nearly 30,000 employees around the world and with 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 a member of society at large, including in current testing times.

6.5.1 - Reinforcing competency management and favoring staff mobility

In an unprecedented economic situation that has brought a downturn with particularly severe consequences in the areas the Legrand Group operates in, the focus was on responsible preservation of industrial operations combined with efforts to achieve the best possible match between needs and resources as well as to build staff loyalty and commitment.

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

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

The processes described below are being deployed across the group by stages, making for increasing convergence of practices.

- **Individual periodic interviews**

Individual Periodic Interviews provide essential opportunities for fruitful dialog between supervisors and staff members. They are an important part of management action and represent a key tool for the management of HR performance, action plans, competency development and employee aspirations for new positions or work locations.

Individual Periodic Interviews are already established practice at a large number of Legrand entities. A process of convergence regarding the notions of objectives, performances, competencies and mobility is under way, with due allowance for cultural diversity. In 2009, subsidiaries in Brazil, China, Austria and the UK joined in this process with the support of the group Human Resource Department. Illustrating this, 72% of management staff benefited from an Individual Periodic Interview in 2009.

- **Organization and staff review process**

The Organization and Staff Review process identifies any organizational changes and allows the exchange of information regarding employee career paths, special situations (high potential, rare skills, etc.) and plans for succession in key positions and the development of competencies. This process, already applied in the 31 countries representing Legrand's main markets, will be extended to all in 2010. The aim is to achieve the best possible match between organizational requirements and resources as a basis for enhanced business performance.

- **Prospective employment and competencies management process**

This process has been deployed in France for several years. Combined with Employee Evaluation Interview procedures, it identifies any mismatches between competencies required for each position and those of the person holding the position. This makes an important contribution to identifying training priorities. A Prospective Employment and Competencies Management agreement was signed with all the trade unions represented in France on October 6, 2009. This agreement 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.

At international level, a manual presenting outlines of typical job functions has been drawn up in three languages. This allows for local adaptation to existing practice, as well as positioning of individuals consistent with related skills as defined in a common reference. The manual is thus an important tool for prospective analysis at group level. The process is being deployed by stages in tandem with Employee Evaluation Interview procedures.

In 2009, training per employee averaged 16 hours group-wide.

- **Management of staff mobility**

Mobility favors employability and offers leverage for developing competencies, thus contributing 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 dialeg, the Group intranet, which fuels momentum for professional and geographical mobility.

Legrand encourages staff members' plans for mobility with support including visits to host sites, training that can cover intercultural competencies in the case of a move to another country, and financial incentives.

01
02
03
04
05
06
07
08
09
10
11
12
13
TDC
A

- **Human resource information systems**

Legrand has made the Talentis HR application available to subsidiaries. Shared by HR teams and management in France, this won awards for its utility and efficacy from *Entreprises et Carrières*, Cegos and Echos.fr in 2008. Now deployed in 31 countries, it is primarily being used in support of the Organization and Staff Review process, but is being extended to different functionalities by stages as needs arise.

Other IT resources such as the e-resources portal help consolidate ties between managers, the main vectors for Legrand policies and employee commitment. Displaying in-house documents such as policy and strategy statements and first-hand reports as well as selected press items, the portal targets the Group's main executives, making up a group of approximately one thousand. It is intended to facilitate dissemination of group policies and sharing of good management practices, at the same time helping to ensure a sense of purpose and meaning in a context of rapid change.

6.5.2 - Combating discrimination and favoring diversity

6.5.2.1 THE GROUP'S COMMITMENT

The Legrand Group is determined to combating all forms of discrimination within its business entities and in its HR processes, and all Group entities participate in this, each in accordance with its specific positions.

In 2009, Legrand strengthened this commitment through two major initiatives:

- the Charter of Fundamental Principles was modified to include explicit reference to the fight against discrimination;
- the Group named a Diversity Manager in the Group HR department to facilitate coordination of initiatives.

To mark this move, a webcast was organized in September 2009 to review definitions and forms of discrimination with ethics representatives in each facility. This was then relayed through e-source, a special website for managers.

In March 2009, Legrand France signed the "*Charte de la diversité*" (Diversity Charter). An agreement setting out conditions for hiring and maintaining employment for seniors was also signed at the end of the year.

To accompany official recognition of diversity, awareness-raising programs have been launched including a "Managing inclusion" training course for US managers, diversity workshops in France, other management training programs, postings on intranet sites and articles in Company's in-house magazine, etc. Particular emphasis is placed on the professional equality of men and women.

6.5.2.2 INTEGRATION OF DISABLED PERSONS

Integration of people with disabilities is another essential part of the Legrand Group's commitment.

It is, for example, a core component of human resource policies in France, where the first agreement for the employment of the disabled was signed in Legrand's home region near Limoges in 1993, followed by a nationwide agreement in 2006. This was renewed in 2009, providing a basis for increased awareness at French sites and action that includes:

- recruitment of disabled workers backed by consultations with official national organizations and associations;
- partnerships with protected work sites (French ESAT program);
- preservation of employment for the disabled through work-place adaptation and accessibility, and through targeted training.

During France's National Disabilities Week in November 2009, Legrand published a brochure targeting each and every employee, and relayed a video featuring interviews with disabled co-workers and managers. These initiatives plus events with representatives from outside the business strengthened the Company's in-house communication on disabilities in general.

Legrand Group's continuing action reflects a long-term commitment, well illustrated by work conducted since 1987 by Italian subsidiary BTicino to favor employing young people with psycho-physiological disabilities. Under an agreement with the Province of Varese's training center, BTicino has set up a special workshop that has so far enabled nearly 300 young people to benefit from two-year apprenticeship programs. Each apprentice is assigned a specially adapted workplace and has the support of a personal tutor over the two years.

6.5.3 - Accident prevention and safety

Legrand's safety policies, set out in a Prevention Charter that was updated in 2009, are making continued progress with initiatives targeting three basic priorities: full compliance with all national rules and laws, integration of safety and environmental priorities in industrial planning, and harmonization of prevention strategies across the Group.

A major example is the Esculape project launched in 2005, which involves the deployment by stages throughout the Group of a safety management system based on the International Labor Organization's Guidelines on Occupational Health and Safety Management Systems (ILO-OSH 2001). This has already made for some significant progress:

- **Ensuring regulatory compliance**. Group resources also include SecuRisk software currently used to assess regulatory compliance in France and Italy, and set for Group-wide deployment over time. It is backed up by monitoring of new developments in regulations and case law, allowing regular updates of audit terms of reference.
- **Making safety an integral part of production processes**. As the Esculape project progresses, authority is delegated to provide a clear framework for the responsibilities of managers of each Group entity notably as regards occupational risk prevention. At all levels, job descriptions are designed to ensure that occupational health and safety are recognized as a responsibility for all employees, whatever their rank and position. The Group's Purchasing specifications have been amended to factor in Legrand's sustainability principles, in particular to prevent the introduction of additional substances classified as CMR (Carcinogenic, Mutagenic, Reprotoxic) into production processes.
- **Taking a harmonized approach to prevention strategies**. Our Human Resources information systems now include specifications that define the responsibilities associated with each position, easing the overall management of personal safety certification in related areas. Shared databases help consolidate information to promote best practices throughout the Group.

Progress in 2009 centered on three areas:

- **Health at work**. A new Group directive on health at work reinforces monitoring of employee health with a requirement, where this is not contrary to local law, for paramedical interviews on recruitment and then at regular intervals. This is tracked with a Group-wide indicator representing the percentage of the total workforce having attended a paramedical interview in the previous five years.
- **Health and safety committees**. Another Group directive provides for the establishment of health and safety committees in all countries including those that have no related legal requirement. This provides a clearly defined framework for active employee participation, setting requirements for members and commitment of resources (training, site visits, meetings with management, etc.).
- **Prevention of stress at work**. Group action to counter risks of workplace stress center on:
  - identification of appropriate indicators in cooperation with workplace health specialists;
  - training to raise awareness of issues among managers and helping them to identify individual problems within the scope of their responsibilities;
  - creation of *ad hoc* working groups in high-risk situations. These multi-disciplinary groups work with all concerned to identify problems and define agreed solutions.

In early 2010, a conference on quality of life at the workplace organized by the Group's prevention teams brought together a variety of stakeholders, including physicians specializing in labor issues, heads of HR, safety coordinators and external instructors. Opened by Gilles Schnepp, the day gave participants an opportunity to review progress and share theory and practice from one facility and function to another.

Cross-border examples included work done by units in Italy—represented at the event—that had deployed a program analyzing psycho-social risks at work. Another was a program rolled out in Colombia that starts with an assessment of risks and audit of quality by sector, followed by a search for solutions. In-house training built around emotional intelligence and preventing harassment was organized in 2009 and will continue in the months ahead.

In France, Legrand's initiatives to prevent psychosocial risks were brought to the attention of the French Ministry of Work, Labor Relations, the Family, Solidarity and Urban Affairs, and led to the Group being ranked "green" in the list published by the Ministry in February 2010.

- **Workplace equipment.** Machinery and other equipment at the workplace can be a source of accidents, and a group directive has been drawn up to avoid these. 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). Training sessions on site, as, for example, in Brazil during Safety Week, are an opportunity to stress the importance of proper use of equipment and good posture.

6.5.4 - Partnership with *Electriciens Sans Frontières*

Under a partnership agreement with French NGO *Electriciens Sans Frontières* (Electricians Without Borders), Legrand has provided support in the form of financing or contributions of equipment for nearly a dozen projects that promote access to electricity.

In 2009, one of these projects involved a tie-up with the ELEC Young Talents Trophy, organized by Legrand for students. Legrand and *Electriciens Sans Frontières* made a joint proposal to the award winner to take part in a humanitarian project in India, with Legrand India making an important contribution to its success through donations of equipment and logistics support. The initiative came in response to a request from a local association, Nyamdru.dro, for assistance in improving living conditions for under-privileged communities, providing access to electricity and connecting the facilities made available to trekkers in the Markha Valley.

At the beginning of 2010, *Electriciens Sans Frontières* worked alongside organizations including the Red Cross and Médecins sans Frontières (Doctors Without Borders) to provide emergency assistance following the earthquake in Haiti. *Electriciens Sans Frontières* undertakes a broad range of tasks in such conditions: installing lighting and security for emergency shelters and medical centers, water purification systems and pumps, and repair of the local radio stations that play an indispensable role in communications. Equipment donated by Legrand under the partnership agreement will be used for this. In 2008, four cyclones had already devastated many areas of Haiti and the association had stepped in with emergency assistance. At that time, a metric ton of equipment, some of it from Legrand, was sent to Port au Prince, including three generators together with lighting and electrical security systems.

6.5.5 - Solutions for assisted living: comfort and safety at home for longer

Life expectancy is on the rise, and with it the proportion of elderly people in the world population. The number of people aged over 65 is expected to rise from 500 million in 2008 to 1.3 billion over the next 30 years. In the countries where this trend is most marked, safety at home and the prevention of domestic accidents are major issues.

6.5.5.1 PROVIDING SOLUTIONS FOR EFFECTIVE ASSISTANCE

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. 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, reducing or doing away with the need for many daily tasks, and easing communications with the outside world. Some examples of solutions are given below.

- The creation of an automatic light path to guide people in their most frequent movements around their homes, lights to show doorways or stairs, and guided floor lighting are among the solutions Legrand offers to highlight obstacles, ease orientation and prevent falls. Security lighting systems ensure that in the event of a power failure there is still enough light inside to allow safe movement in all situations.
- Home automation solutions such as those in the *In One by Legrand* and *MyHome* ranges include centralized or remote commands, doing away with unnecessary movements that can be a source of danger. 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. These are often supplied with specially adapted fittings such as touch switches and easy-to-fit plugs. Céliane systems can also be coupled with remote control systems to offset specific motor or sensory deficiencies.

Other safety equipment on offer from Legrand includes gas, smoke and flood detectors. Combined with an IP Axiophone, these can also alert householders' family members or emergency services automatically.

6.5.5.2 MULTIPLE PARTNERSHIPS

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.

In this capacity, Legrand is thus a founding member of Autom'lab, a society-centered research organization based in the Limoges region of France that applies the model developed for Living Labs at European level. It is also a member of the Centre National de Référence for health and home living set up jointly by France's Ministry of Health and Ministry of Industry in 2009. Alongside its partners, Legrand is involved in a wide variety of research and development projects. These include Géropass, 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 development projects.

01
02
03
04
05
06
07
08
09
10
11
12
13
TDC
A

6.5.6 - Summary of indicators and targets

The tables below summarize main indicators for Group employees.

Employees by age

Women under 25:	7%
Men under 25:	6%
Women aged 26 to 35:	12%
Men aged 26 to 35:	17%
Women aged 36 to 45:	10%
Men aged 36 to 45:	20%
Women aged 46 to 55:	9%
Men aged 46 to 55:	13%
Women over 55:	3%
Men over 55:	4%

Employees by seniority

Women, up to 5 years:	17%
Men, up to 5 years:	20%
Women, 5 to 15 years:	12%
Men, 5 to 15 years:	20%
Women, 16 to 25 years:	5%
Men, 16 to 25 years:	12%
Women, 26 to 35 years:	4%
Men, 26 to 35 years:	5%
Women, more than 35 years:	2%
Men, more than 35 years:	2%

Average age: 38, 34 in emerging countries.

Employees by job profile

Managers: women	22%
Managers: men	78%
Non-managers: women	45%
Non-managers: men	55%

01 02 03 04 05 06 07 08 09 10 11 12 13 TDC A

Worldwide: % of employees with disabilities

- 2.2%.

NB – Disabilities must have been recognized by a certified local body.

France: % of employees with disabilities

- 5.8%.

2008 hiring

Women:	53%
Men:	47%

Training

- 16 hours per employee per year.

Employee individual periodic interview

72% of managers have had an individual periodic interview.

The table below presents main health and safety indicators for the Group:

	2007	2008	2009	2010 target
Risk assessment % of Group workforce within the scope of formal risk assessments	77%	88%	83%	Rate held above 80%
Risk control: % of Group workforce within the scope of consolidated risk indicators	91%	93%	93.5%	Rate over 95%
Health and Safety Committees: % of Group workforce represented by a Committee	86%	86%	85%	Rate held above 85%
Frequency of workplace accidents leading to absence: (Number of accidents x 1,000,000)/(Number of hours worked)	13.81	8.95	9.02	-
Severity of workplace accidents: (Number of days absence x 1,000)/(Number of hours worked)	0.22	0.24	0.20	-
Frequency of accidents suffered by sub-contractors: (Number of accidents suffered by sub-contractors on a Legrand site x 1,000)/ (Number of employees on the Legrand site concerned)	-	2.36	0.88	-
Workplace health: Employees having had a medical checkup or paramedical interviews over the past 5 years	-	80%	70%	-
Training: % of Group employees that have received training in health and safety	-	-	49%	-

07 MANAGEMENT REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2009

7.1 - PRELIMINARY DISCLAIMER 68

7.2 - OVERVIEW 68

7.3 - OPERATING PROFITS 69

7.3.1 - Introduction 69
7.3.2 - Factors that affect the results of operations 69

7.4 - YEAR-ON-YEAR COMPARISONS 74

7.4.1 - Comparison: 2009 and 2008 financial years 74
7.4.2 - Comparison: 2008 and 2007 financial years 78

7.5 - CASH AND CAPITAL RESOURCES 82

7.5.1 - Cash flows 82
7.5.2 - Debt 84

7.6 - CAPITAL EXPENDITURE 85

7.7 - OFF BALANCE SHEET COMMITMENTS 85

7.8 - CONTRACTUAL OBLIGATIONS 86

7.9 - VARIATIONS IN EXCHANGE RATES 86

7.10 - QUANTITATIVE AND QUALITATIVE DISCLOSURES RELATING TO FINANCIAL RISKS 87

7.11 - SUMMARY OF CRITICAL ACCOUNTING POLICIES 87

7.12 - NEW IFRS PRONOUNCEMENTS 88

7.13 - TRENDS AND PROSPECTS 88

7.14 - TABLE OF CONSOLIDATED FINANCIAL RESULTS OVER THE LAST FIVE YEARS 89

7.1 - PRELIMINARY DISCLAIMER

This summary of selected financial data of the Company should be read together with the consolidated financial statements and their related notes in chapter 11 of this reference document. Financial statements of the Company have been prepared in accordance with IFRS 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.

7.2 - OVERVIEW

Legrand is the global specialist in electrical and digital buildings infrastructure. The Group develops, manufactures and markets a complete range of control and command, cable management, energy distribution and Voice, Data and Image ("VDI") products. Legrand markets its products under internationally known brand names, in particular *Legrand* and *Bticino*, as well as well-known specialized and local brands. Legrand has commercial and industrial establishments in more than 70 countries and sells a wide range of products, comprising over 170,000 catalog items, in nearly 180 countries. In 2009, Legrand had consolidated net sales of €3,577.5 million and 74% of net sales were generated outside France. It has also considerably strengthened its presence in the Rest of the World and Rest of Europe zones in the past few years.

In 2009, Legrand R&D teams worked on a large number of projects, contributing to the launch of new product ranges and the renewal of others. These included:

- *Arteor* wiring devices for residential and commercial applications on international markets, particularly in Asia, and *Soliroc* high-resistance, vandal-proof wiring devices;
- *Plexo 3* cabinets and *Practibox* cabinets for residential applications;
- several new ranges in power distribution, including Viking 3 industrial terminal blocks and *DMX3* circuit breakers, as well as new low-noise latching relays, plus domestic and power contactors;
- in cable management, the new *Swifts* cable ladders, *Duo NQ50* trunking, *Legrand* halogen-free trunking and new *Legrand & Wiremold* floorboxes;
- centrally-managed access-control keypad and audio and video connectors for the *Mosaic* range of wiring devices;
- new *Wattstopper* detectors in the US;
- new user interfaces and a virtual configuration system for *MyHome* equipment;
- the *LCS*² voice-data-image offering in France.

01 02 03 04 05 06 07 08 09 10 11 12 13 TDC A

7.3 - OPERATING PROFITS

7.3.1 - Introduction

The Group reports its finances and results of operations on the basis of five geographic zones (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 2009, 2008 and 2007 in note 24 to consolidated financial statements shown in chapter 11 of this reference 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 Spain, Portugal, Greece, Turkey, the United Kingdom, Germany, Belgium, the Netherlands, Austria, Poland and Russia);
- United States and Canada; and
- Rest of the World (including principally Brazil, Mexico, Chile, Venezuela, Colombia, China, India, South Korea, Egypt and Australia).

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 the results of the various geographic zones. Consequently, with the exception of information and data relating to net sales, the discussion of results below focuses primarily on consolidated results, with reference to national markets where these have a material impact on consolidated accounts.

7.3.2 - Factors that affect the results of operations

7.3.2.1 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. The Company estimates that, for the periods under review, approximately 60% of consolidated net sales were generated from the renovation market, which the Company believes limits its exposure to the more cyclical new construction market, and which represented approximately 40% of consolidated net sales.

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”).

01
02
03
04
05
06
07
08
09
10
11
12
13
TDC
A

The table below presents a breakdown by geographic zone of the Company's consolidated net sales (by destination) for the years ended December 31, 2009, 2008 and 2007. Sales "by destination" means all sales by the Group to third parties on a given geographic market.

	Legrand Year ended December 31					
	2009		2008		2007	
(in € millions, except %)	€	%	€	%	€	%
Net sales by destination						
France	913.5	25.5	1,000.9	23.8	1,009.9	24.5
Italy	571.5	16.0	714.7	17.0	716.3	17.3
Rest of Europe	710.6	19.9	955.0	22.7	910.6	22.1
United States and Canada	512.6	14.3	574.3	13.7	624.0	15.1
Rest of the World	869.3	24.3	957.5	22.8	868.0	21.0
TOTAL	**3,577.5**	**100.0**	**4,202.4**	**100.0**	**4,128.8**	**100.0**

7.3.2.2 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 61% of consolidated cost of goods sold over the last three financial years. Likewise, approximately 64% of the cost of raw materials and components relates to components and semi-finished goods, and approximately 36% relates to raw materials, on average. The breakdown between raw materials 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, Legrand's policy is to increase the percentage of raw materials and components purchased at Group level in order to benefit from economies of scale. Moreover, the cost of raw materials and components may vary as a consequence of global economic changes, such as the worldwide increase in raw material prices from 2005 to 2008.

Salary costs and benefit charges for employees involved in manufacturing. In general, these costs change on an aggregate basis in proportion to fluctuations in sales and production volumes, and decline as a percentage of net sales as a result of productivity initiatives, reorganization and optimization of production sites, as well as economies of scale associated with higher production volumes. In addition, certain back-office salary costs and benefit charges may decrease due to increased use of subcontractors in connection with the systematic application of a "make or buy" approach to all projects. Salary costs and benefit charges accounted for approximately 22% of the average cost of goods sold over the last three financial years.

Other costs of goods sold include:

- depreciation of fixed assets;
- subcontracting costs, which may increase as a result of the transfer of certain production activities to subcontractors with lower production costs; and
- other general manufacturing expenses, such as expenses for 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 and reduce fixed production costs (in particular through deployment of lean manufacturing initiatives), ongoing rationalization of manufacturing capabilities through the specialization of production sites, automation of manufacturing processes, subcontracting and the transfer of certain production to low-cost countries, the systematic application of a "make or buy" approach, and the optimization of inventory management;
- the effectiveness of the new purchasing organization in implementing the cost-reduction policy through the centralization, internationalization and standardization of purchasing management;
- 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; and
- changes in the prices of raw materials, components and semi-finished goods due to local or global economic conditions.

7.3.2.3 ADMINISTRATIVE AND SELLING EXPENSE

Legrand's administrative and selling expense consists principally of the following:

- salary costs and benefit charges for sales personnel and administrative staff. These expenses accounted on average for approximately 49% of administrative and selling expense over the last three financial years.
- other administrative expense, including expense relating to logistics and information systems;
- advertising expense; and
- other selling expense, such as printing costs for catalogs and expense incurred in connection with travel and communications.

7.3.2.4 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. In particular, the carrying value of certain patents was increased and then amortized on a declining-balance basis. Year on year, the amortization of these purchase accounting adjustments is thus lower, which in turn reduces research and development expense;
- 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.

Over the last three financial years, excluding the amortization expense in connection with the acquisition of Legrand France but including capitalized development expense net of amortization expense, research & development expense and investments represented on average €176.8 million per year, or 4.5% of net sales.

7.3.2.5 OTHER OPERATING INCOME AND EXPENSE

Other operating income and expense includes employee profit sharing, restructuring expense and other expense and provisions. Over the last three financial years, the Company incurred on average €35.5 million in restructuring expense.

7.3.2.6 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).

7.3.2.7 FINANCE COSTS

Net interest expense principally corresponds to interest paid on amounts made available to the Company under its 2004 and 2006 credit facilities, Yankee bonds, and other bank borrowings (for a description of these arrangements, see paragraph 7.5 of this chapter), less income interest arising from the investment of cash and cash equivalents.

7.3.2.8 DISCUSSION AND ANALYSIS OF CHANGES IN NET SALES

In the discussion below, reference to net sales or changes in net sales is made 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 five adjustments, as applicable.

7.3.2.8.1 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.

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7.3.2.8.2 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.

7.3.2.8.3 Disposals during the current period

Where companies are disposed of during the current period, the net sales of the company sold are reflected in the consolidated statement of income for only the portion of the current period prior to the date of disposal and deconsolidation. The calculation of the change in consolidated net sales at constant scope (i.e., excluding the effect of disposals) does not take into account the sales of the divested company during the period of the previous year corresponding to the period of the current year after disposal.

7.3.2.8.4 Disposals during a prior period

Where companies were disposed of during the prior period, the net sales of the company sold are not reflected in the consolidated statement of income for the current period. The calculation of the change in consolidated net sales (i.e., excluding the effect of disposals) does not take into account sales of the divested company in the prior period.

7.3.2.8.5 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 current year reported net sales using prior period exchange rates) to compare year-to-year changes in net sales.

7.3.2.9 BREAKDOWN OF CHANGES IN NET SALES FROM 2008 TO 2009

The following table presents the breakdown of changes in net sales as reported by zone of **destination** (market where sales are recorded) between 2008 and 2009.

	Year ended 31 December					
Net sales *(in € millions except %)*	2008	2009	Total change	Change in the scope of consolidation	Organic growth	Impact of exchange rates
France	1,000.9	913.5	(8.7)%	(0.4)%	(8.3)%	0.0%
Italy	714.7	571.5	(20.0)%	0.0%	(20.0)%	0.0%
Rest of Europe	955.0	710.6	(25.6)%	0.7%	(20.9)%	(6.6)%
USA/Canada	574.3	512.6	(10.7)%	0.4%	(15.5)%	5.3%
Rest of the World	957.5	869.3	(9.2)%	1.3%	(7.1)%	(3.5)%
CONSOLIDATED TOTAL	**4,202.4**	**3,577.5**	**(14.9)%**	**0.4%**	**(13.9)%**	**(1.6)%**

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 2008 and 2009.

	Year ended 31 December					
Net sales *(in € millions except %)*	2008	2009	Total change	Change in the scope of consolidation	Organic growth	Impact of exchange rates
France	1,146.3	1,018.7	(11.1)%	(1.8)%	(9.5)%	0.0%
Italy	765.8	615.1	(19.7)%	(0.1)%	(19.6)%	0.0%
Rest of Europe	894.7	672.5	(24.8)%	2.0%	(20.6)%	(7.2)%
USA/Canada	581.5	519.6	(10.6)%	0.4%	(15.4)%	5.3%
Rest of the World	814.1	751.6	(7.7)%	2.3%	(6.0)%	(4.0)%
CONSOLIDATED TOTAL	**4,202.4**	**3,577.5**	**(14.9)%**	**0.4%**	**(13.9)%**	**(1.6)%**

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The negative impact of changes in the scope of consolidation on sales booked in France is essentially due to the sale in June 2008 of an activity of ICM Group that was outside the core business of Legrand.

7.3.2.10 BREAKDOWN OF CHANGES IN NET SALES FROM 2007 TO 2008

The following table presents the breakdown of changes in net sales as reported by zone of **destination** (market where sales are recorded) between 2007 and 2008.

	Year ended 31 December					
Net sales *(in € millions except %)*	2007	2008	Total change	Change in the scope of consolidation	Organic growth	Impact of exchange rates
France	1,009.9	1,000.9	(0.9)%	0.1%	(1.0)%	0.0%
Italy	716.3	714.7	(0.2)%	0.5%	(0.7)%	0.0%
Rest of Europe	910.6	955.0	4.9%	9.2%	(2.2)%	(1.8)%
USA/Canada	624.0	574.3	(8.0)%	3.8%	(5.1)%	(6.6)%
Rest of the World	868.0	957.5	10.3%	7.1%	7.3%	(4.0)%
CONSOLIDATED TOTAL	**4,128.8**	**4,202.4**	**1.8%**	**4.2%**	**(0.1)%**	**(2.3)%**

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 2007 and 2008.

	Year ended 31 December					
Net sales *(in € millions except %)*	2007	2008	Total change	Change in the scope of consolidation	Organic growth	Impact of exchange rates
France	1,203.2	1,146.3	(4.7)%	(3.6)%	(1.1)%	0.0%
Italy	769.0	765.8	(0.4)%	(0.3)%	(0.1)%	0.0%
Rest of Europe	829.8	894.7	7.8%	12.5%	(2.1)%	(2.1)%
USA/Canada	639.7	581.5	(9.1)%	2.7%	(5.2)%	(6.6)%
Rest of the World	687.1	814.1	18.5%	14.6%	8.2%	(4.4)%
CONSOLIDATED TOTAL	**4,128.8**	**4,202.4**	**1.8%**	**4.2%**	**(0.1)%**	**(2.3)%**

The negative impact of changes in the scope of consolidation on sales booked in France is essentially due to the establishment of a subsidiary in Dubai at the end of 2007. This now deals with billings to countries in the Middle East and East Africa.

7.3.2.11 OTHER FACTORS THAT AFFECT THE NET INCOME OF THE GROUP

The acquisition of Legrand France in 2002 and associated purchase accounting adjustments and transactions related thereto have affected net income. In particular:

- from 2002 through 2005, the Group had substantial indebtedness that was incurred to finance the acquisition of Legrand France, which caused interest expense over that period to be high. However, the refinancing transactions completed in February 2006 and the repayment of certain debt from the net proceeds of the Global Offering and from the increase of net cash provided by operating activities resulted in a reduction of interest expense as from the 2006 financial year; and
- 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 and patents that are being amortized on a declining-balance basis. As a consequence, these purchase accounting adjustments are expected to have a significant impact on operating income until 2011.

7.4 - YEAR-ON-YEAR COMPARISONS

7.4.1 - Comparison: 2009 and 2008 financial years

	Legrand Year ended December 31,	
(in € millions)	**2009**	**2008**
Net sales	**3,577.5**	**4,202.4**
Operating expense		
Cost of goods sold	(1,700.6)	(2,070.0)
Administrative and selling expense	(987.6)	(1,144.6)
Research and development expense	(189.5)	(208.3)
Other operating income (expense)	(175.7)	(136.7)
Operating income	**524.1**	**642.8**
Interest expense	(100.0)	(151.7)
Interest income	11.9	29.1
Foreign exchange gain/loss	(13.4)	(25.3)
Finance costs and other financial income and expense. net	**(101.5)**	**(147.9)**
Share in (loss)/profit of associates	0.0	0.0
Income before taxes	**422.6**	**494.9**
Income taxes	(131.3)	(143.4)
Net income for the year	**291.3**	**351.5**
Net income attributable to:		
- Legrand	**289.8**	**349.9**
- Minority interests	**1.5**	**1.6**

The table below presents the calculation of the adjusted operating income (defined as operating income adjusted for purchase accounting adjustments relating to the acquisition of Legrand France and impairment of goodwill) for the periods under review:

(in € millions)	**2009**	**2008**
Net income for the year	**291.3**	**351.5**
Income taxes	131.3	143.4
Share of loss/(profit) of associates	(0.0)	(0.0)
Foreign exchange gain/(loss)	13.4	25.3
Interest income	(11.9)	(29.1)
Interest expense	100.0	151.7
Operating income	**524.1**	**642.8**
Purchase accounting adjustments related to the acquisition of Legrand France	38.1	55.1
Impairment of goodwill	16.6	0.0
Adjusted operating income	**578.8**	**697.9**
Restructuring charges	50.7	47.6
Maintainable adjusted operating income	**629.5**	**745.5**

7.4.1.1 NET SALES

Consolidated net sales declined 14.9% from €4,202.4 million in 2008 to €3,577.5 million in 2009, reflecting:

- a 13.9% decline in net sales, excluding the effects of changes in the scope of consolidation and using constant exchange rates;
- a 0.4% increase in net sales due to changes in the scope of consolidation from 2008 to 2009, relating in particular to the consolidation of Estap, Electrak and HDL over twelve months instead of nine months as in 2008; and
- a 1.6% decrease in net sales due to unfavorable changes in exchange rates in 2009 compared to 2008.

The decline in net sales, excluding the effects of changes in the scope of consolidation and using constant exchange rates, reflects marked deterioration in market conditions in all zones.

Excluding the effects of changes in the scope of consolidation and using constant exchange rates, changes in net sales by zone of destination between 2008 and 2009 were as follows (sales by zone of destination means sales of Legrand to third parties in a given geographic zone):

France	- 8.3%
Italy	- 20.0%
Rest of Europe	- 20.9%
United States and Canada	-15.5%
Rest of the World	- 7.1%
TOTAL	**- 13.9%**

France. Net sales in France declined 8.7% from €1,000.9 million in 2008 to €913.5 million in 2009. This decline reflects an 8.3% decrease, excluding the effects of changes in the scope of consolidation, due to the weakness of the residential market and deterioration on the non-residential market.

Italy. Net sales in Italy fell 20.0% from €714.7 million in 2008 to €571.5 million in 2009 due to end demand (retail sellout) down 13% and the significant impact of cuts in distributor inventories. The decline in end demand is related to deteriorated business conditions throughout the year.

Rest of Europe. Net sales in the Rest of Europe zone fell 25.6% from €955.0 million in 2008 to €710.6 million in 2009. Business conditions remained generally difficult throughout the year in both eastern and western Europe, leading to a 20.9% decline in sales, excluding the effects of changes in the scope of consolidation and using constant exchange rates. The impact of exchange rates was a negative 6.6% and full-year consolidation of Estap and Electrak, consolidated over nine months in 2008, made a positive contribution of 0.7%.

United States and Canada. Net sales in the United States and Canada zone fell 10.7% from €574.3 million in 2008 to €512.6 million in 2009. This was essentially due to the 15.5% decline at constant scope of consolidation and exchange rates that resulted from the weakness of the residential market and deterioration on the commercial applications market. Exchange-rate variations had a positive impact of 5.3% and changes in the scope of consolidation added a modest 0.4% with full-year consolidation of PW Industries, consolidated over eleven months in 2008.

Rest of the World. Net sales in the Rest of the World zone declined 9.2% from €957.5 million in 2008 to €869.3 million in 2009. This reflects a 7.1% decline excluding the effects of changes in the scope of consolidation and using constant exchange rates combined with an unfavorable exchange rate impact of 3.5%, while consolidation of HDL over twelve months instead of nine as in the previous year made a positive contribution of 1.3%. After a difficult start to the year across the zone as a whole, the fourth quarter brought gradual improvement, particularly in Latin America and the Asia-Pacific area.

7.4.1.2 COST OF GOODS SOLD

Consolidated cost of goods sold declined 17.8% from €2,070.0 million in 2008 to €1,700.6 million in 2009, principally as a result of:

- lower purchases of raw materials and components associated with lower sales; and
- cost-cutting measures deployed throughout 2009 to counter market deterioration in most countries;
- ongoing initiatives to improve productivity and rationalize manufacturing capabilities, in particular through lean manufacturing action plans; and
- restructuring measures.

In addition, prices for raw materials and components, which had increased significantly in previous years, were on a less unfavorable track as a result of the global economic downturn.

As a percentage of sales, the cost of goods sold eased from 49.3% in 2008 to 47.5% in 2009.

7.4.1.3 ADMINISTRATIVE AND SELLING EXPENSE

Consolidated administrative and selling expense declined 13.7% from €1,144.6 million in 2008 to €987.6 million in 2009, principally as a result of:

- the full and continuing adaptation of expenses to sales trends, with action taken throughout the year targeting all types of expense in all parts of the Group;
- the impact of lower sales on certain types of expense such as transport and sales commissions.

The effect of adaptation measures is also reflected in a very limited increase in administrative and selling expense as percentage of sales, which stood at 27.6% in 2009 after 27.2% in 2008.

7.4.1.4 RESEARCH AND DEVELOPMENT EXPENSE

In 2009, Legrand R&D teams worked on a large number of projects, contributing to the launch of new product ranges and the renewal of others. These included:

- *Arteor* wiring devices for residential and commercial applications on international markets, particularly in Asia, and *Soliroc* high-resistance, vandal-proof wiring devices;
- *Plexo 3* cabinets and *Practibox* cabinets for residential applications;
- several new ranges in power distribution, including *Viking 3* industrial terminal blocks and *DMX3* circuit breakers, as well as new low-noise latching relays, plus domestic and power contactors;
- in cable management, the new *Swifts* cable ladders, *Duo NQ50* trunking, *Legrand* halogen-free trunking and new *Legrand & Wiremold* floorboxes;
- centrally-managed access-control keypad and audio and video connectors for the *Mosaic* range of wiring devices;
- new *Wattstopper* detectors in the US;
- new user interfaces and a virtual configuration system for *MyHome* equipment;
- the *LCS²* voice-data-image offering in France.

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, €31.3 million in development expense was capitalized in 2009 compared to €29.4 million in 2008. Amortization charges for capitalized development costs amounted to €20.5 million in 2009 compared to €9.2 million in 2008.

Consolidated research and development charges totaled €189.5 million in 2009 and €208.3 million in 2008, including in particular the amortization of intangible assets relating to the acquisition of Legrand France.

Excluding the impact of the capitalization of development costs and purchase accounting charges relating to the acquisition of Legrand France, research and development expense came to €171.6 million in 2009 (4.8% of net sales) compared to €182.9 million in 2008 (4.4% of net sales). The increase as a percentage of sales is due primarily to continued investment in innovation leading to the launch of new product ranges to expand and enrich the Group’s offering on all its markets.

In 2009, 1,833 employees in some 15 countries were involved in research and development, with 68.2% based in France and in Italy. In 2008, 1,849 employees were involved in research and development, with 68.9% based in France and in Italy.

	Calculation of research and development expense	
(in € millions)	2009	2008
Research and development expense	**(189.5)**	**(208.3)**
Purchase accounting amortization	28.7	45.6
Amortization of capitalized development costs	20.5	9.2
RESEARCH AND DEVELOPMENT EXPENSE, EXCLUDING AMORTIZATION AND PURCHASE ACCOUNTING ADJUSTMENTS RELATING TO THE ACQUISITION OF LEGRAND FRANCE	**(140.3)**	**(153.5)**
Capitalized development costs	(31.3)	(29.4)
RESEARCH AND DEVELOPMENT EXPENDITURE FOR THE YEAR	**(171.6)**	**(182.9)**

7.4.1.5 OTHER OPERATING INCOME AND EXPENSE

In 2009, other operating income and expense increased by 28.5% to €175.7 million, compared to €136.7 million in 2008. This is due to rises in some provisions and persistently high restructuring charges principally relating to savings plans designed to both preserve near-term profitability and optimize the Group’s business model for the long term. Restructuring charges concerned a large number of countries in 2009, particularly in the Rest of Europe and Rest of the World zones.

7.4.1.6 OPERATING INCOME

In what were highly unfavorable market conditions, consolidated operating income proved resilient, reaching 14.6% of sales to stand at €524.1 million in 2009, compared to €642.8 million or 15.3% of sales in 2008. The change resulted primarily from:

- a 14.9% decline in sales; and
- a 28.5% increase in other operating expense.

This was partially offset by:

- a 17.8% decline in the cost of sales, down to 47.5% of sales in 2009 compared to 49.3% in 2008;
- a 13.7% decline in administrative and selling expense; and
- a 9.0% decline in research and development charges, reflecting in particular a decline in amortization relating to the acquisition of Legrand France.

7.4.1.7 ADJUSTED OPERATING INCOME AND MAINTAINABLE ADJUSTED OPERATING INCOME

Operating income is defined as operating income adjusted for purchase accounting charges recorded in connection with the acquisition of Legrand France and impairment of goodwill. Adjusted operating income declined 17.1% from €697.9 million in 2008 to €578.8 million in 2009. This reflects:

- a decline of 20.0% in France from €240.2 million or 21.0% of sales in 2008 to €192.2 million or 18.9% of sales in 2009;
- a decline of 26.4% in Italy from €222.9 million or 29.1% of sales in 2008 to €164.0 million or 26.7% of sales in 2009; and
- significant declines in most countries in the Rest of Europe zone, in particular Spain, Portugal and Poland, due to a combination of sharp deterioration in economic conditions and high restructuring charges.

These factors were partly offset by:

- steadying in the United States and Canada zone, where adjusted operating income came to €57.0 million in 2009 compared to €56.7 million in 2008. The practically unchanged total reflects a rise from 9.8% of net sales in 2008 to 11.0% in 2009, demonstrating the Group's capacity to adapt in this zone, where market conditions remained testing in 2009;
- an increase in the Rest of the World zone rewarding efforts to adapt spending to business conditions and benefiting from improved business in some countries in the latter part of the year. Adjusted operating income rose in India, China and Australia, offsetting less favorable trends in Brazil, Mexico and Chile, mainly due to high restructuring charges.

All told, adjusted operating income showed a limited decline as a percentage of net sales, easing from 16.6% in 2008 to 16.2% in 2009. Throughout the year, Legrand worked to adapt costs to difficult business conditions, taking a wide variety of initiatives to cut spending. This led to a restructuring charge, which, as a percentage, weighed more heavily on adjusted operating income than in 2008.

Maintainable adjusted operating income (i.e., excluding restructuring charges) represented 17.6% of net sales in 2009, holding close to the 17.7% recorded in 2008.

7.4.1.8 FINANCE COSTS AND OTHER FINANCIAL INCOME AND EXPENSE

Consolidated net interest expense fell 28.1% from €122.6 million or 2.9% of net sales in 2008 to €88.1 million or 2.5% of net sales in 2009. The decline is due to lower levels of average indebtedness in 2009, as well as the decline in interest rates on average over the year.

7.4.1.9 FOREIGN EXCHANGE GAINS AND LOSSES

Foreign exchange losses amounted to €13.4 million in 2009 after €25.3 million in 2008. As in 2008, this result was essentially due to the impact of variations in the US dollar/euro exchange rate on the Group's net debt.

7.4.1.10 INCOME TAX

In 2009, Legrand's pre-tax income amounted to €422.6 million, showing a decline from 2008 when it was €494.9 million. This was mainly attributable to a decline in operating income partly offset by declines in net interest expense and foreign-exchange losses. Consolidated income tax amounted to €131.3 million in 2009, compared to €143.4 million in 2008. The lower charge for 2009 is essentially attributable to the decline in pre-tax income.

7.4.1.11 NET INCOME

Consolidated net income amounted to €291.3 million in 2009, compared to €351.5 million in 2008, mainly resulting from:

- a €118.7 million decline in operating income;

partially offset by:

- a €34.5 million decline in finance costs;
- an €11.9 million decrease in net foreign exchange losses, and
- a €12.1 million decline in income tax.

7.4.2 - Comparison: 2008 and 2007 financial years

(in € millions)	Legrand Year ended December 31, 2008	2007
Net sales	**4,202.4**	**4,128.8**
Operating expense		
Cost of goods sold	(2,070.0)	(2,060.5)
Administrative and selling expense	(1,144.6)	(1,081.8)
Research and development expense	(208.3)	(219.5)
Other operating income (expense)	(136.7)	(105.5)
Operating income	**642.8**	**661.5**
Interest expense	(151.7)	(152.4)
Interest income	29.1	42.5
Foreign exchange gain/loss	(25.3)	44.0
Loss on extinguishment of debt	0.0	0.0
Finance costs and other financial income and expense, net	**(147.9)**	**(65.9)**
Share in (loss)/profit of associates	0.0	2.0
Income before taxes	**494.9**	**597.6**
Income taxes	(143.4)	(175.0)
Net income for the year	**351.5**	**422.6**
Net income attributable to:		
- Legrand	**349.9**	**421.0**
- Minority interests	**1.6**	**1.6**

The table below presents the calculation of the adjusted operating income (defined as operating income adjusted for purchase accounting adjustments relating to the acquisition of Legrand France and impairment of goodwill) for the periods under review:

(in € millions)	2008	2007
Net income for the year	**351.5**	**422.6**
Income taxes	143.4	175.0
Share of loss/(profit) of associates	(0.0)	(2.0)
Loss on extinguishment of debt	0.0	0.0
Foreign exchange gain/(loss)	25.3	(44.4)
Interest income	(29.1)	(42.5)
Interest expense	151.7	152.4
Operating income	**642.8**	**661.5**
Purchase accounting adjustments related to the acquisition of Legrand France	55.1	62.5
Impairment of goodwill	0.0	0.0
Adjusted operating income	**697.9**	**724.0**
Restructuring charges	47.6	8.2
Maintainable adjusted operating income	**745.5**	**732.2**

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7.4.2.1 NET SALES

Consolidated net sales increased by 1.8% to €4,202.4 million in 2008, compared to €4,128.8 million in 2007, reflecting:

- an 0.1% decline in net sales, excluding the effects of changes in the scope of consolidation and using constant exchange rates;
- a 4.2% increase in net sales due to changes in the scope of consolidation from 2007 to 2008, relating in particular to the consolidation of Kontaktor, Macse, Alpes Technologies and TCL Wuxi over twelve months, of PW Industries over eleven months, and of Estap, HDL and Electrak over nine months; and
- a 2.3% decrease in net sales due to unfavorable changes in exchange rates in 2008 compared to 2007.

The decline in net sales, excluding the effects of changes in the scope of consolidation and using constant exchange rates, reflects marked deterioration in market conditions in all zones with the exception of the Rest of the World area, where sales growth for the full year came to 7.3%.

Excluding the effects of changes in the scope of consolidation and using constant exchange rates, changes in net sales by zone of destination between 2007 and 2008 were as follows (sales by zone of destination means sales of Legrand to third parties in a given geographic zone):

France	- 1.0%
Italy	- 0.7%
Rest of Europe	- 2.2%
United States and Canada	-5.1%
Rest of the World	+ 7.3%
TOTAL	**- 0.1%**

France. Net sales in France retreated 0.9% from €1,009.9 million in 2007 to €1,000.9 million in 2008. This modest decline reflects a 1.0% decrease excluding the effects of changes in the scope of consolidation related to a general slowdown in the market. Some sectors nonetheless made good progress, among them Voice-Data-Image solutions, cable management, the *Céliane* range of wiring devices, and power distribution.

Italy. Net sales in Italy edged down 0.2% from €716.3 million in 2007 to €714.7 million in 2008. An 0.7% decline in net sales excluding the effects of changes in the scope of consolidation reflects deterioration in the residential market and slackening trends in the commercial sector. Trends remained positive for wire-mesh cable management and transformers, as well as for top-end *Axolute* wiring devices and for My Home home automation solutions.

Rest of Europe. Net sales in the Rest of Europe zone increased by 4.9% to €955.0 million in 2008, compared to €910.6 million in 2007. This increase reflected the positive impact of the consolidation of Kontaktor over twelve months, and Estap and Electrak over nine months. In contrast, net sales, excluding the effects of changes in the scope of consolidation and using constant exchange rates, decreased by 2.2%, and the impact of exchange rates was a negative 1.8%. Sales growth on some western European markets including Belgium and the Netherlands, as well as Poland, Romania and Russia to the east, failed to offset declines in other countries, in particular Spain, Portugal and the United Kingdom.

United States and Canada. Net sales in the United States and Canada zone fell 8.0% to €574.3 million in 2008 compared to €624.0 million in 2007. This reflected a 5.1% decline at constant scope of consolidation and exchange rates due to steep downward slope on the residential market and a negative 6.6% impact of exchange-rate variations. Changes in the scope of consolidation had a positive 3.8% impact, with PW Industries consolidated over eleven months. Sales held on a strong track for Watt Stopper, market leader for energy-efficient lighting controls, and for cable management specialists PW Industries and Cablofil.

Rest of the World. Net sales in the Rest of the World zone increased by 10.3% to €957.5 million in 2008, compared to €868.0 million in 2006. This increase resulted from a 7.3% increase in net sales, excluding the effects of changes in the scope of consolidation and using constant exchange rates, combined with the effects of the consolidation of Macse and TCL Wuxi over twelve months, of HDL over nine months, and of HPM over twelve months in 2008 (eleven in 2007). The impact of exchange-rate variations was a negative 4.0%. Growth at constant scope of consolidation and exchange rates topped 10% on markets including Latin America, where Brazil and Chile stood out; in Africa and the Middle East, with particularly good showings in Egypt and in India. In the fourth quarter, these favorable trends partly offset declines in markets including China, Mexico and South Korea.

7.4.2.2 COST OF GOODS SOLD

Consolidated cost of goods sold increased by 0.5% to €2,070.0 million in 2008, compared to €2,060.5 million in 2007. Cost of goods sold as a percentage of net sales decreased to 49.3% in 2008 compared to 49.9% in 2007.

The increase in consolidated cost of goods sold resulted primarily from increases in:

- the volume of raw materials and components due to consolidation of acquisitions; and
- the price of raw materials and components.

It was partially offset by a decrease in manufacturing expense as a percentage of net sales. This decrease is related to both salary costs (with a 6.7% decrease, excluding the impact of changes in the scope of consolidation, in the Group's total production headcount affecting all zones, in particular France and the United States) and other general manufacturing expense as a result of:

- cost-cutting measures deployed from early 2008 to counter market deterioration in most countries;
- restructuring measures; and
- ongoing initiatives to improve productivity and rationalization of manufacturing capabilities in particular through lean manufacturing action plans.

In addition, the increase in sales prices helped offset increases in the cost of raw materials and components.

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7.4.2.3 ADMINISTRATIVE AND SELLING EXPENSE

Consolidated administrative and selling expense increased by 5.8% to €1,144.6 million in 2008 (27.2% of sales), compared to €1,081.8 million in 2007 (26.2% of sales).

This increase is attributable in particular to:

- the consolidation of recently acquired companies; and
- the impact at the start of the year of enhanced marketing initiatives to develop the Company's presence, primarily in emerging markets, including Eastern Europe, Latin America and Asia. This trend was reversed in the second half of the year as it became apparent that economic conditions were becoming less favorable on these markets. The weighted-average marketing and commercial headcount increased by 3.8% in 2008 compared to 2007 on a comparable basis, excluding the impact of changes in the scope of consolidation;

partially offset by:

- the implementation of vigorous action plans to adapt Group structures to new market conditions. At comparable scope and constant exchange rates, administrative and selling expense in the fourth quarter thus showed a decline of 3.3% from the previous year, whereas there was a year-on-year rise of 7.9% in the first half of 2008.

7.4.2.4 RESEARCH AND DEVELOPMENT EXPENSE

In 2008, research and development teams worked on numerous development projects for the launch of new product ranges. The Company launched over twenty new products or product ranges in 2008, including:

- the *Art* range of wiring devices, targeting prestige projects in France and other parts of the world, and the *Nepteo* range;
- audio and video entry phones for emerging markets in Latin America, the Middle East and Eastern Europe;
- Legrand audio and video entry phones for the Chinese market;
- *Light Saver* lighting solutions for low-energy consumption in the United States;
- new *Mosaic* trunking for the French market, the perfect addition to the *Mosaic* range for commercial applications:
- the new *Evolution* range of floor boxes in the United States;
- *Uralight* emergency lighting ; and
- the *Power Commander IQ PDU* VDI range for data centers 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, €29.4 million in development expense was capitalized in 2008 compared to €22.0 million in 2007. Amortization charges for capitalized development costs amounted to €9.2 million in 2008 compared to €8.2 million in 2007.

Consolidated research and development charges totaled €208.3 million in 2008 and €219.5 million in 2007, including in particular the amortization of intangible assets relating to the acquisition of Legrand France.

Excluding the impact of the capitalization of development costs and purchase accounting charges relating to the acquisition of Legrand France, research and development expense rose to €182.9 million in 2008 (4.4% of net sales) compared to €175.9 million in 2007 (4.2% of net sales). This increase is due primarily to higher spending on new product ranges to expand and enrich the Group's offering on all its markets.

In 2008, 1,849 employees in some 16 countries were involved in research and development, with 68.9% based in France and in Italy. In 2007, 1,794 employees in 16 countries were involved in research and development, with 71.0% based in France and in Italy.

(in € millions)	Calculation of research and development expense 2008	2007
Research and development expense	**(208.3)**	**(219.5)**
Purchase accounting amortization	45.6	57.4
Amortization of capitalized development costs	9.2	8.2
RESEARCH AND DEVELOPMENT EXPENSE, EXCLUDING AMORTIZATION AND PURCHASE ACCOUNTING ADJUSTMENTS RELATING TO THE ACQUISITION OF LEGRAND FRANCE	**(153.5)**	**(153.9)**
Capitalized development costs	(29.4)	(22.0)
RESEARCH AND DEVELOPMENT EXPENDITURE FOR THE YEAR	**(182.9)**	**(175.9)**

7.4.2.5 OTHER OPERATING INCOME AND EXPENSE

In 2008, other operating income and expense increased by 29.6% to €136.7 million, compared to €105.5 million in 2007. This is due to a €39.4 million rise in restructuring charges, in particular relating to the action taken to adapt Group structures to deteriorating market conditions. Restructuring charges concerned a large number of countries in 2008, in particular Australia, South Korea, Spain, the United States and Russia.

7.4.2.6 OPERATING INCOME

In an unfavorable economic environment, consolidated operating income proved resilient, reaching 15.3% of sales to stand at €642.8 million in 2008, compared to €661.5 million in 2007. The change resulted primarily from:

- an 0.5% increase in the cost of goods sold, although this was down from 49.9% of net sales in 2007 to 49.3% in 2008;
- a 5.8% increase in administrative and selling expense; and
- a 29.6% increase in other operating expense due to higher restructuring charges.

This was partially offset by:

- a 1.8% increase in net sales; and
- a 5.1% decline in research and development charges, reflecting a decline in amortization relating to the acquisition of Legrand France and an increase in capitalized development costs.

7.4.2.7 ADJUSTED OPERATING INCOME

Operating income is defined as operating income adjusted for purchase accounting charges recorded in connection with the acquisition of Legrand France and impairment of goodwill. Adjusted operating income also proved resilient, amounting to €697.9 million in 2008 (16.6% of sales) compared to €724.0 million in 2007 (17.5% of sales).

This change reflects:

- a decline of 28.4% to €56.7 million in the United States and Canada zone in 2008 compared to €79.2 million in 2007, which represented 9.8% of net sales in 2008 compared to 12.4% in 2007. This steep fall reflected the impact of the dollar's decline against the euro on the book value of adjusted operating income and heavy restructuring charges. Excluding restructuring charges, adjusted operating income represented 12.7% of net sales in 2008 compared to 12.8% in 2007, a steady performance that underscored the remarkable resilience of recurrent operating results in persistently difficult market conditions;
- a slight 3.3% decline to €222.9 million in Italy in 2008 compared to €230.4 million in 2007, which represented 29.1% of net sales in 2008 compared to 30.0% in 2007; and
- varying performances in the Rest of the World zone, with unfavorable trends in some countries, in particular South Korea, Australia, India, Thailand and Mexico, and improvements in others: Brazil, Colombia, Egypt and China.

These declines were partly offset by:

- a 3.6% increase to €240.2 million in France compared to €231.8 million in 2007 and representing 21.0% of net sales in 2008 compared to 19.3% in 2007; and
- an improvement in the Rest of Europe zone, with an increase in countries including the Netherlands, the United Kingdom, Turkey and Hungary offsetting unfavorable trends in Spain, Portugal and Russia, affected by the deterioration of market conditions or restructuring charges.

7.4.2.8 FINANCE COSTS AND OTHER FINANCIAL INCOME AND EXPENSE

Consolidated net interest expense increased by 11.6% to €122.6 million in 2008 compared to €109.9 million in 2007. Consolidated net interest amounted to 2.9% of 2008 net sales compared to 2.7% in 2007. The increase is due to higher levels of average indebtedness in 2008, as well as a rise in interest rates on average over the year.

7.4.2.9 FOREIGN EXCHANGE GAINS AND LOSSES

Foreign exchange losses amounted to €25.3 million in 2008, compared to gains of €44.0 million in 2007. As in 2007, this result was essentially due to the impact of variations in the US dollar/euro exchange rate on the Group's net debt.

7.4.2.10 INCOME TAX

In 2008, Legrand's pre-tax income amounted to €494.9 million, showing a decline from 2007 when it was €597.6 million. This was mainly attributable to a modest decline in operating income and the significantly less favorable impact of foreign exchange. Consolidated income tax amounted to €143.4 million in 2008, compared to €175.0 million in 2007. The lower charge for 2008 reflects the decline in pre-tax income.

7.4.2.11 NET INCOME

Consolidated net income amounted to €351.5 million in 2008, compared to €422.6 million in 2007, mainly resulting from:

- an €18.7 million decline in operating income;
- a €12.7 million increase in finance costs; and
- a €69.3 million decrease in net foreign exchange results;

partially offset by:

- a €31.6 million decline in income tax.

7.5 - CASH AND CAPITAL RESOURCES

For information concerning the share capital of the Company, investors should refer to notes 10 and 12 attached to the consolidated financial statements shown in chapter 11 of this reference document.

Legrand has implemented a share buyback program in an amount not to exceed €500.0 million, details of which were published on May 27, 2009.

As of December 31, 2009, the Company held 965,647 shares under the program, acquired at a total cost of €21,205,997. During 2009, a total of 3,664,946 shares were sold for a total of €53,076,161.

On May 29, 2007, Legrand appointed a financial institution to maintain a liquid market for its ordinary shares listed with Euronext Paris, this being in accordance with the Code of Conduct adopted by AMAFI, the association of French financial-market professionals, and approved by the market supervisor AMF on March 22, 2005.

In 2009, the balance of transactions within this framework represented the net sale of 1,571,000 shares, the net proceeds of which amounted to €22,735,951.

As of December 31, 2009, Legrand held 290,000 shares representing a total purchase cost of €5,160,835.

7.5.1 - Cash flows

7.5.1.1 CASH FLOWS OVER 3 YEARS

The table below summarizes cash flows of the Company for the years ended December 31, 2009, 2008 and 2007.

	Legrand Year ended December 31		
(in € millions)	**2009**	**2008**	**2007**
Net cash provided by operating activities	726.3	577.5	685.5
Net cash (used in) provided by investing activities	(77.1)	(280.5)	(403.2)
Net cash (used in) provided by financing activities	(723.0)	(256.3)	(234.2)
Increase (reduction) in cash and cash equivalents	(80.9)	33.3	42.2
Capital expenditure and capitalized development costs	(115.6)	(160.4)	(171.4)

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For a description of cash flows, investors should refer to the consolidated statement of cash flows provided in the consolidated financial statements of the Company shown in chapter 11 of this reference document.

7.5.1.2 NET CASH PROVIDED BY OPERATING ACTIVITIES

Net cash provided by operating activities rose from €577.5 million at December 31, 2008 to €726.3 million at December 31, 2009. This increase of €148.8 million in 2009 was mainly attributable to a €260.7 million decrease in the change in working capital requirements. Cash flow from operations (defined as net cash provided by operating activities, plus or minus variations in other operating assets or liabilities) declined 18.8% from €596.0 million at December 31, 2008 to €484.1 million at December 31, 2009. This decline in cash flow from operations reflects that in operating income for 2009.

Net cash provided by operating activities declined to €577.5 million at December 31, 2008, compared to €685.5 million at December 31, 2007. This decline of €108.0 million in 2008 was essentially attributable to a decline in cash flow from operations (defined as net cash provided by operating activities, plus or minus variations in other operating assets or liabilities) of 10.8%, amounting to €596.0 million at December 31, 2008 compared to €668.0 million at December 31, 2007, combined with a €36.0 increase in the change in working capital requirements.

7.5.1.3 NET CASH USED IN OR PROVIDED BY INVESTING ACTIVITIES

Net cash used in investing activities for the year ended December 31, 2009 amounted to €77.1 million, compared to net cash used in investing activities of €280.5 million for the year ended December 31, 2008. This decrease was primarily due to a sharp fall in investments in consolidated entities and in capital expenditure combined with a rise in the proceeds of sales of fixed assets, while capitalized development costs showed a modest increase.

Capital expenditure and capitalized development costs amounted to €115.6 million for the year ended December 31, 2009 (of which €31.3 million related to capitalized development costs), showing a decline of 28.0% from €160.4 million for the year ended December 31, 2008 (of which €29.4 million related to capitalized development costs).

Net cash used in investing activities for the year ended December 31, 2008 amounted to €280.5 million, compared to net cash used in investing activities of €403.2 million for the year ended December 31, 2007. This decline is primarily due to a decline in investments in consolidated entities and in capital expenditure, partly offset by an increase in capitalized development costs and a decline in the proceeds of sales of fixed assets.

Capital expenditure and capitalized development costs amounted to €160.4 million for the year ended December 31, 2008 (of which €29.4 million related to capitalized development costs), showing a decline of 6.4% from €171.4 million for the year ended December 31, 2007 (of which €22.0 million related to capitalized development costs).

7.5.1.4 NET CASH USED IN OR PROVIDED BY FINANCING ACTIVITIES

Net cash used in financing activities amounted to €723.0 million in 2009, compared to €256.3 million in net cash used in financing activities in 2008. This increase in net cash used in financing activities is primarily due to the lower drawings on credit lines partly offset by sales of investment securities (French Treasury Bonds acquired in 2008) and sales of own shares for an amount of €75.8 million.

Net cash used in financing activities amounted to €256.3 million in 2008, compared to €234.2 million net cash used in financing activities in 2007. This increase in net cash used in financing activities is primarily due to purchases of investment securities (French Treasury Bonds) and an increase in dividends paid, partly offset by a decline in share buybacks and increased drawings on credit lines.

7.5.2 - 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 €1,513.3 million at December 31, 2009, compared to €2,421.5 million at December 31, 2008 and €2,019.1 million at December 31, 2007. Cash and marketable securities amounted to €173.5 million at December 31, 2009, compared to €559.7 million at December 31, 2008 (including €304.9 million in French Treasury Bonds) and €221.3 million at December 31, 2007. Total net debt (defined as gross debt, less cash, marketable securities and restricted cash deposits) amounted to €1,339.8 million at December 31, 2009 compared to €1,861.8 million at December 31, 2008 and €1,797.8 million at December 31, 2007.

The ratio of consolidated net debt to consolidated shareholders' equity was 56% at December 31, 2009, compared to 85% at December 31, 2008 and 84% at December 31, 2007.

At December 31, 2009, gross debt of the Group consisted principally of the following:

- €462.8 million under the 2006 credit facility (see paragraph 7.5.2.1 of this chapter);
- €282.5 million in bank borrowing taken out in May 2007 and March 2009 (see paragraph 7.5.2.2 of this chapter);
- €269.9 million in Yankee Bonds (see paragraph 7.5.2.3 of this chapter); and
- other debt amounting to €498.1 million at December 31, 2009, consisting mainly of commercial paper and other borrowings.

The repayment schedule for the non-current portion of these borrowing appears in note 13 to the consolidated financial statements shown in chapter 11 of this reference document.

Cash and cash equivalents (€173.5 million at December 31, 2009 and €254.4 million at December 31, 2008) consist of short-term bank deposits (less than 3 months) placed with leading financial institutions.

A description of the financial covenants included in Group's bank loans and credit facility contracts is presented in note 22 (E) to the consolidated financial statements shown in chapter 11 of this reference document.

7.5.2.1 2006 CREDIT FACILITY

On January 10, 2006, the Company entered into a credit facility with five mandated arrangers.

When originally signed, the 2006 Credit Facility comprised in particular a multi-currency term loan in an amount of €700.0 million, amortized semi-annually in tranches of 10% of the principal starting January 10, 2007 until July 10, 2010, with a final payment of 20% on January 10, 2011 (tranche A) and a multi-currency revolving credit facility in an amount of €1.2 billion (tranche B). Tranches A and B each originally had a term of five years and two one-year extension options.

A first repayment amortization representing 10% of the nominal amount of tranche A took place in January 2007 and a second representing 7.78% in July 2007. In March 2007 and November 2007 the Group exercised the extension option (two times one year) for the credit facility, setting the final term for the 2006 Credit Facility at 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; to 7.12% of the original nominal amount on January 10, 2012; to 6.02% of the original nominal amount on July 10, 2012; and to 19.32% on January 10, 2013.

Interest on the 2006 Credit Facility is based on Euribor/Libor plus a margin adjusted every six months on the basis of the ratio of net debt to maintainable EBITDA (net debt and maintainable EBITDA adjusted as defined in the loan agreements). Resulting interest rates remain, however, within a range of 20 to 50 basis points above Euribor/Libor.

7.5.2.2 BANK BORROWINGS IN MAY 2007 AND MARCH 2009

On May 21, 2007, the Group took out a bank loan in the amount of €220 million with French financial institutions. This loan is for a period of six years and four months ending on September 21, 2013, and interest is payable at a floating-rate 45 basis points above the 3-month Euribor.

On March 12, 2009, the Group took out a bank loan in the amount of €62.5 million with French financial institutions. This loan is for a period of five years ending on March 12, 2014, and interest is payable at a floating-rate 210 basis points above the 3-month Euribor.

7.5.2.3 8.5% YANKEE BOND ISSUE

On February 14, 1995, Legrand France issued on the US market a $400.0 million principal amount of 8.5% fixed-interest debentures redeemable on February 15, 2025 (the "Yankee Bonds"). Interest on these bonds is payable in arrears on February 15 and August 15 of each year, with the first payment made on August 15, 1995.

The bonds are not subject to any amortization and cannot be redeemed before maturity unless there is a change in the law

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that requires other payments in addition to principal and interest. If Legrand France were legally unable to make these additional payments, early redemption would in general be required. If the law allowed payment of such additional amounts, Legrand France could, at its own initiative, redeem the entire issue, and only the entire issue. Individual bondholders may also, at their request, require Legrand France to redeem their bonds early in the event of a hostile change in the control of the Company.

At the same time as it issued these bonds, Legrand France signed an interest-rate swap contract, which ended in February 2008.

7.5.2.4 UNUSED CREDIT LINES

At December 31, 2009, Legrand had access to:

- drawdown capacity of €1,033.6 million on Tranche B (revolving facility) of the 2006 Credit Facility, considering the swingline facility intended to cover borrowings under the Group's commercial paper program (representing €105.0 million as of December 31, 2009);
- drawings on an additional credit facility amounting to €125.0 million through to September 30, 2012.

7.6 - 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 2009, capital expenditure and capitalized development expenses as a percentage of consolidated net sales amounted to 3.2% (compared with 3.8% in 2008 and 4.2% in 2007). This decrease in capital expenditure compared to historical levels is mainly the result of a structural change which in 2009 led to 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 2009, capital expenditure nonetheless reached an historical low point due to the combination of the structural changes just referred to, restructuring initiatives, and efforts to adapt to a generally unfavorable economic environment.

7.7 - 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 shown in chapter 11 of this reference document. There is no significant off balance sheet commitment related to acquisitions.

7.8 - 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, 2009.

As of December 31, 2009 *(in € millions)*	Payments due by period				
	Total	< 1 year	1 – 3 years	4 – 5 years	> 5 years
Borrowings	1,490.1	442.8	260.0	504.4	282.9
Capital lease obligations	23.2	2.7	4.9	2.9	12.7
TOTAL CONTRACTUAL OBLIGATIONS	**1,513.3**	**445.5**	**264.9**	**507.3**	**295.6**

7.9 - VARIATIONS IN EXCHANGE RATES

A significant number of the Group's foreign subsidiaries operate in countries outside the euro zone. In 2009, nearly 44% of the Group's net sales were denominated in currencies other than the euro (in particular the U.S. dollar). 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 2005 through 2009 expressed in euros per in 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[1]	High	Low
2005	0.84	0.80	0.86	0.74
2006	0.76	0.80	0.85	0.75
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

(1) The average 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.

Natural hedges are achieved, whenever management deems it appropriate, through the matching of financing costs to operating revenues in each of the principal currencies in which the Group operates.

The Group periodically enters into foreign currency contracts to hedge certain commitments, transactions and foreign income. In recent years, the hedging transactions the Group has entered into have principally involved certain intra-group sales between major foreign subsidiaries denominated in these subsidiaries' respective local currencies. The Group does not currently hedge the net cash assets of its subsidiaries.

7.10 - 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; and
- 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 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 shown in chapter 11 of this reference document.

7.11 - 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 shown in chapter 11 of this reference document.

01
02
03
04
05
06
07
08
09
10
11
12
13
TDC
A

7.12 - NEW IFRS PRONOUNCEMENTS

In 2009, standards and interpretations published by the IASB but not compulsory at December 31, 2009 were as follows:

- IFRIC 15 - Agreements for the Construction of Real Estate;
- IFRIC 17 - Distribution of Non-cash Assets to Owners;
- IFRIC 18 - Transfers of Assets from Customers;
- IAS 32, amended - Classification of Rights Issues;
- IFRIC 14, revised - Prepayments of a Minimum Funding Requirement;
- IFRIC 19 - Extinguishing Financial Liabilities with Equity Instruments;
- IFRS 9 - Financial Instruments; and
- IAS 24, revised – Related Party Disclosures.

Summaries of these publications and their possible consequences as regards the financial information provided by the Group are presented in note 1 to consolidated financial statements shown in chapter 11 of this reference document.

7.13 - TRENDS AND PROSPECTS

With 2009 sales down a steep 13.9% at constant scope of consolidation and exchange rates, our maintainable adjusted operating income fell 15.6% to €629.5 million, which corresponds to a near steady margin of 17.6% of sales, compared with 17.7% in 2008.

This sound performance results from:

- the full and continuing adaptation of Group expenditure to sales trends thanks to our teams' intense mobilization from 2008 on;
- effective price management in sales and purchasing, plus the impact of our product mix, which remained positive - two features of Legrand's business model.

Legrand has chosen to pursue innovation to meet rising demand for products addressing three fundamental needs in new and existing buildings to:

- reduce energy consumption and increase use of renewable energy sources;
- meet universal demand for communication and interconnectivity;
- address the inescapable aging of the world's population.

Together these trends have led to profound changes in both habits and needs, with major implications for electrical and digital infrastructure wherever people live and work. Legrand is able to meet their needs by offering innovative solutions for managing power, developing communication capacity in buildings, and adapting wiring systems in residential environments to favor assisted living for the elderly and allow them to stay in their own homes both safely and comfortably.

Legrand also plans to benefit from its strong position in emerging economies, which this year will account for nearly 30% of Group sales at profitability comparable to the Group average. Our company is a leader in these markets, with positions strengthened by its recent acquisitions in China, Brazil, Russia and Turkey.

Besides, Legrand strengthened in 2009 its financial structure with a €522 million reduction in net debt and has the resources to finance the continuation of its acquisition policy, an essential aspect of its business model.

For details on the bond issue made on February 24, 2010, readers are referred to paragraph 11.6 on page 189 of the present reference document.

In 2010, Legrand anticipates a further easing at the beginning of the year, with a return to sales growth in subsequent months, buoyed in particular by the recovery in emerging economies. Against this backdrop, the Group sees the adjusted operating margin recorded in 2009 as a new baseline and one noticeably higher than that observed in previous business cycles.

01
02
03
04
05
06
07
08
09
10
11
12
13
TDC
A

7.14 - TABLE OF CONSOLIDATED FINANCIAL RESULTS OVER THE LAST FIVE YEARS

(in € millions except number of shares, earnings per share and number of employees)	2005	2006	2007	2008	2009
END OF PERIOD SHARE CAPITAL					
Share capital	759.4	1,078.8	1,083.9	1,051.3	1,052.4
Number of shares[(1)]	759,350,900	269,693,376	270,975,739	262,815,128	263,096,679
EARNINGS					
Net sales	3,247.9	3,736.8	4,1286.8	4,202.4	3,577.5
Earnings before tax, depreciation and amortization	449.0	581.5	813.5	712.0	643.5
Income tax	(89.8)	(82.9)	(175.0)	(143.4)	(131.3)
Net earnings	103.8	255.2	422.6	351.5	291.3
Dividends paid		110.6	133.1	180.0	182.8
EARNINGS PER SHARE					
Earnings before tax, depreciation and amortization[(2)]	0.59	2.35	3.06	2.77	2.47
Net earnings[(2)]	0.14	1.03	1.59	1.37	1.12
Dividend per share		0.41	0.50	0.70	0.70
EMPLOYEES					
End of period number of employees	30,237	30,706	33,656	31,596	28,314
Personnel costs	920.3	1,007.4	1,066.9	1,082.0	965.7

(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. 759,350,900 shares in 2005, 247,218,622 shares in 2006, 265,729,265 shares in 2007, 256,389,092 in 2008, and 260,132,463 in 2009.

01
02
03
04
05
06
07
08
09
10
11
12
13
TDC
A

08 CORPORATE GOVERNANCE

8.1 - ADMINISTRATION AND MANAGEMENT OF THE COMPANY 92

8.1.1 - Board of Directors 92
8.1.2 - General Management of the Company 94
8.1.3 - Conflicts of interest 94
8.1.4 - Service contracts 94

8.2 - REMUNERATION AND BENEFITS 95

8.2.1 - Remuneration and benefits accruing to the Company's executive directors 95
8.2.2 - Remuneration of non-executive directors 99
8.2.3 - Shareholding by executive directors 100
8.2.4 - Other benefits granted to executive directors 100
8.2.5 - Provisions and charges recognized on the accounts of the Company or its subsidiaries in connection with payments of retirement benefits, pensions and other benefits 100

8.3 - OPERATION OF ADMINISTRATIVE AND MANAGEMENT BODIES 100

8.3.1 - Operation of administrative bodies 100
8.3.2 - Operations of management ("*Direction Générale*") 106
8.3.3 - Code of conduct with respect to trading and market activities 106

8.4 - REPORT OF THE CHAIRMAN OF THE BOARD OF DIRECTORS ON CORPORATE GOVERNANCE AND INTERNAL CONTROLS 107

8.4.1 - Composition of the Board of Directors 107
8.4.2 - Preparation and organization of Board work 108
8.4.3 - Limits on the powers of the Chief Executive Officer 112
8.4.4 - Principles and rules for determining the compensation and benefits of executive directors 112
8.4.5 - Participation of shareholders in the General Meeting 114
8.4.6 - Information pursuant to article L.225-100-3 of the French Commercial Code concerning factors likely to affect the outcome of a public offer 114
8.4.7 - Definition, purposes and organization of the Group's internal control procedures and risk management 114
8.4.8 - Financial ratings of the Company 117
8.4.9 - Report of the Statutory Auditors prepared as provided by article L.225-235 of the French Commercial Code 118

8.1 - ADMINISTRATION AND MANAGEMENT OF THE COMPANY

8.1.1 - Board of Directors

The Company is managed by a Board of Directors. The Board is currently composed of 11 members, and members' terms of office last six years. The Company has three specialized committees, the purpose of which is to assist the Board of Directors in preparing its deliberations. These committees are the Audit Committee, the Nominating and Compensation Committee and the Strategy Committee. Information on the work of the Board of Directors and its specialized committees in 2009 appears in section 8.4.2 below.

8.1.1.1 MEMBERS OF THE BOARD OF DIRECTORS

The table below sets forth information about the Company's Directors. A list of other positions held by each Director at the registration date of this reference document appears on page 235. Information on Directors' shareholdings in the Company is shown in paragraph 10.1.2.3 on page 130 of this reference document.

Gilles Schnepp Age 51 128, avenue du Maréchal de Lattre de Tassigny 87000 Limoges France	Gilles Schnepp has been a member of the Company's Board of Directors since 2002 and the Company's Chairman and Chief Executive Officer since 2006. He is also the Chairman 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 a Vice President. He then joined Legrand in 1989 as Deputy Chief Financial Officer. He became Company Secretary of Legrand France in 1993, Chief Financial Officer in 1996, and Chief Operating Officer in 2000.
Olivier Bazil Age 63 128, avenue du Maréchal de Lattre de Tassigny 87000 Limoges France	Olivier Bazil has been Director of Legrand France since 1988 and a Director of the Company since 2002. After finishing his studies at the *École des Hautes Études Commerciales* (HEC) and Harvard Business School, he joined the Company in 1973 as a Deputy to the Company Secretary, responsible for financial information and development of the Group's growth strategy. In 1979, he became Chief Financial Officer of Legrand France and became Deputy Chief Operating Officer in 1993 and Vice-Chairman and Chief Operating Officer in 2000.
Mattia Caprioli Age 35 Stirling Square 7 Carlton Gardens London SW1Y 5AD United Kingdom	Mattia Caprioli is a Director of Kohlberg Kravis Roberts & Co., based in London. He has been actively involved in the investments of Alliance Boots, AVR/ Van Gansewinkel, Legrand, Pages Jaunes Groupe, Selenia and Toys R Us. He is a member of the Board of Directors of Alliance Boots. He is responsible for developing KRR'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. He has been a Director of the Company since 2007.
Jacques Garaïalde Age 53 Stirling Square 7 Carlton Gardens London SW1Y 5AD United Kingdom	Jacques Garaïalde has been an Executive of KKR since 2003. Effective January 1, 2004, Jacques Garaïalde became a partner of the company that serves as the general partner of KKR. Prior to joining KKR, Jacques Garaïalde was a partner at Carlyle, in charge of Europe Venture Partners Fund. From 1982 to 2000, he worked at the Boston Consulting Group where he was the Managing Partner in charge of Belgium (1992-1995), then in charge of France and Belgium (1995-2000). Between 1979 and 1981, he held various positions at Esso France. Jacques Garaïalde also serves as a Director of Nexans, Pages Jaunes Groupe, Tarkett, Société d'Investissement Familiale (SIF), Médiannuaire Holding and EVCA (European Private Equity & Venture Capital Association). Jacques Garaïalde received his MBA from INSEAD (Fontainebleau) and is a graduate of *École Polytechnique*. He has been a Director of the Company since 2003.
Edward A. Gilhuly Age 50 245 Lytton Avenue Suite 250 Palo Alto, CA 94301 United States	Edward A. Gilhuly is a founding partner of Sageview Capital LP. He was an executive of KKR between 1986 and 2005 and a partner of the company that serves as the general partner of KKR between 1996 and 2005. Mr. Gilhuly is a Director of Cinedigm, Duke Management Company and the California Academy of the Sciences. He holds a BA from Duke University and an MBA from Stanford University. He has been a Director of the Company since 2002.
François Grappotte Age 73 128, avenue du Maréchal de Lattre de Tassigny 87000 Limoges France	After graduating from the *École Nationale d'Administration* (ENA), François Grappotte started his career at the Ministry of Industry and at the Treasury Division (Direction du Trésor) 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 Electro Mécanique where he served as Company Secretary, then CEO and Vice-Chairman/CEO. Mr. Grappotte joined Legrand in 1983 as Chief Executive Officer and became Chairman and Chief Executive Officer in 1988. Mr. Grappotte also serves as a Director of BNP Paribas (France) and a Member of the Supervisory Board of Établissements Michelin (France). He has been a Director of the Company since 2002.

Gérard Lamarche Age 48 22, rue du Docteur Lancereaux 75392 Paris Cedex France	Gérard Lamarche was appointed Executive Vice President of GDF SUEZ and Chief Financial Officer in July 2008. He is a member of the Management Committee and the Executive Board. He started his career in 1983 with Deloitte Haskins & Sells in Belgium, then became a consultant in mergers and acquisitions in the Netherlands in 1987. In 1988, Mr. Lamarche joined Société Générale in Belgium as Investment Manager, Controller from 1989 to 1991 and advisor on strategic operations from 1992 to 1995. He joined Compagnie Financière de Suez as *Chargé de mission* with the Chairman and Secretary of the Executive Committee (1995-1997), then participated in the merger between Compagnie de Suez and Lyonnaise des Eaux, which became Suez Lyonnaise des Eaux (1997), before being granted the position of Deputy Manager in charge of Planning, Control and Accounting and secretary to the Investment Committee (1997-2000). Gérard Lamarche continued his career in industry by joining NALCO (US subsidiary of the Suez group – world leader in industrial water treatment) in 2000 as Managing Director. In March 2004, he was appointed Senior Executive Vice President in charge of Finance of the Suez group with responsibility for Financial Operations, Cash Flow, Tax, Planning, Accounting and Control sections. Gérard Lamarche holds a degree in Economics of the university of Louvain-La-Neuve and of the Institut du Management of INSEAD (Advanced Management Program for Suez Executives). He was also trained by Wharton International (Forum-Global Leadership Series). He has been a Director of the Company since 2006.
Thierry de La Tour d'Artaise Age 55 Chemin du Petit Bois – BP 172 69134 Ecully Cedex France	Between 1979 and 1983, Thierry de La Tour d'Artaise was an Audit Manager with Coopers & Lybrand. In 1983, he was appointed Head of Internal Audit at Groupe Chargeurs SA. Thierry de La Tour d'Artaise then served as Chief Administrative and Financial Officer (1984-1986) and Chief Executive Officer (1986-1993) of Croisières Paquet and then joined the SEB Group 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 the SEB group in 1999 and Chairman and Chief Executive Officer of the SEB Group from 2000. Thierry de La Tour d'Artaise is a graduate of *École Supérieure de Commerce de Paris* and is a chartered accountant. He has been a Director of the Company since 2006.
Fréderic Lemoine Age 44 89, rue Taitbout 75009 Paris	Frédéric Lemoine is a graduate of HEC (1986), of the *Institut d'études Politiques de Paris* (1987), and of ENA *(École Nationale d'Administration*), with the status of *inspecteur des finances*. In 1992-1993, he ran the Heart Institute of Ho Chi Minh City, Vietnam, becoming General Secretary of the Alain Carpentier Foundation, which supports this hospital, in 2004. From 1995 to 1997, he was deputy chief of staff with the French Minister for Labor and Social Affairs (Jacques Barrot), in charge of coordinating social security reform and hospital reform. During the same period, he was also a project manager for the Secretary of State for Health and Social Security (Hervé Gaymard). From 1997 to 2002, Mr. Lemoine worked with Serge Kampf and the Management Board of Capgemini, first as an executive officer and then as Chief Financial Officer, before being named 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 a Senior Advisor with McKinsey, and served as Chairman of the Supervisory Board of Areva from March 2005 to April 2009. Since April 2009, he has been Chairman of the Management Board of Wendel. Mr. Lemoine has been a Director of Legrand since May 2009.
Ernest-Antoine Seillière Age 72 89, rue Taitbout 75009 Paris France	Ernest-Antoine Seillière is the Chairman of the Supervisory Board of Wendel. In 1969, Ernest-Antoine Seillière was a member of the cabinet of French Prime Minister Jacques Chaban-Delmas. He joined Wendel in 1976, and is a director and Honorary Chairman of the Board of Directors of Wendel-Participations, the company belonging to the members of the Wendel family, and a member of the Board of Bureau Veritas and of the Supervisory Boards of PSA and Hermès. Mr. Seillière served as Chairman of Medef, the French employers' association, from 1997 to 2005 and was Chairman of Business Europe from 2005 to 2009. Mr. Seillière is a graduate of *École Nationale d'Administration* (ENA), and lectured for a year at Harvard University's Center for International Affairs. He has been a Director of the Company since 2002.
Patrick Tanguy* Age 49 89, rue Taitbout 75009 Paris France	After graduating from business school HEC 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, becoming its Chairman in 1996. After a year as President of the Hays group's Courrier-Express transport division in France, he served as Chairman of the Technal group in Toulouse from 1999 to 2004. Before joining Wendel in 2007, he was successively Chairman of Monné-Decroix in Toulouse and Prezioso Technilor in Lyon. Since September 2007, he has been Managing Director of Wendel and a member of its investment and management committees. Mr. Tanguy was coopted as a Director of the Company on February 10, 2010.

* *Mr. Arnaud Fayet resigned as director at the Board meeting on February 10, 2010, and the Board coopted Mr. Patrick Tanguy to replace him. Shareholders will be asked to ratify Mr. Tanguy's appointment at the Combined Ordinary and Extraordinary General Meeting to be held on May 27, 2010.*

01
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03
04
05
06
07
08
09
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11
12
13
TDC
A

To the Company's knowledge, there are no family relationships between any of the Company's Directors.

In addition, to the Company's knowledge, no Director of the Company:

- has been convicted of fraud within the last five years;
- has been associated with any bankruptcy, receivership or liquidation within the last five years;
- has been the subject of any official public incrimination or sanctions by statutory or regulatory authorities (including designated professional organizations);
- has been disqualified by a court from serving as a member of an administrative, management or supervisory body of any issuer or from participating in the management or conduct of the business of any issuer within the last five years.

8.1.2 - General Management of the Company

Gilles Schnepp is responsible for the general management ("*Direction Générale*") of the Company. Mr. Schnepp is also the Chairman of the Company's Board of Directors and was appointed as such on March 17, 2006.

See section 8.1.1.1 of this reference document for more information about Gilles Schnepp.

8.1.3 - Conflicts of interest

To the Company's knowledge, neither Mr. Schnepp nor Mr. Bazil is in a position of conflict of interest with respect to the Company.

Ernest-Antoine Seillière, Chairman of the Supervisory Board of Wendel, and Frédéric Lemoine, Chairman of the Management Board of Wendel, are Directors of the Company and represent one of its principal shareholders. To the Company's knowledge, neither Mr. Seillère nor Mr. Lemoine is in a position of conflict of interest with respect to the performance of their duties.

Mattia Caprioli, Jacques Garaïalde and Edward Gilhuly, representing KKR; Patrick Tanguy, representing Wendel; and François Grappotte are Directors of the Company. To the knowledge of the Company, none of these persons is in a position of conflict of interest with respect to the performance of their duties.

Gérard Lamarche and Thierry de La Tour d'Artaise meet the independence criteria and are therefore not in a position of conflict of interest with respect to the performance of their duties as Director.

As of the registration date of this reference document and to the knowledge of the Company, there is no other situation which might give rise to a conflict of interest between the personal affairs of the Directors of the Company and the interests of the Company.

8.1.4 - Service contracts

At the registration date of this reference document and to the Company's knowledge, there are no service contracts providing for benefits and binding on members of the Company's administrative bodies or management to the Company or one of its subsidiaries.

01 02 03 04 05 06 07 08 09 10 11 12 13 TDC A

8.2 - REMUNERATION AND BENEFITS

8.2.1 - Remuneration and benefits accruing to the Company's executive directors

The tables below set out all the components of compensation due and paid to Mr. Gilles Schnepp, Chairman of the Board of Directors and Chief Executive Officer, and Mr. Olivier Bazil, Vice-Chairman and Chief Operating Officer, in respect of the 2009 and 2008 financial years.

The details of Company policies relating to the Afep/Medef code of corporate governance, in particular as regards the recommendations of October 2008 on compensation of executive directors are set out in section 8.4 of this reference document.

8.2.1.1 REMUNERATION AND BENEFITS IN FAVOR OF EXECUTIVE DIRECTORS

Table 1 - Summary of remuneration and stock options and shares allotted to each executive director

(in €)	2007	2008	2009
Gilles Schnepp, Chairman and Chief Executive Officer			
Remuneration **due in respect of** the financial year (detailed in Table 2 below)	1,115,600	962,500	962,500
Value of options **allocated in the course** of the year (detailed in Table 4 below)	367,927	377,432	140,553
Value of free shares **allocated in the course** of the year (detailed in Table 6 below)	326,375	455,573	142,002
Olivier Bazil, Vice Chairman and Chief Operating Officer			
Remuneration **due in respect of** the financial year (detailed in Table 2 below)	1,061,400	917,200	1,273,010
Value of options **allocated in the course** of the year (detailed in Table 4 below)	347,980	356,970	132,882
Value of free shares **allocated in the course** of the year (detailed in Table 6 below)	308,665	430,887	134,252

Table 2 - Breakdown of remuneration for each executive director

(in €)	2008		2009	
	Amount paid	Amount due	Amount paid	Amount due
Gilles Schnepp, Chairman and Chief Executive Officer				
Fixed compensation	550,000	550,000	550,000	550,000
Bonus	597,600	392,500	392,500	392,500
Exceptional bonus	-	-	-	-
Attendance fees[(1)]	20,000	20,000	20,000	20,000
Benefits in kind[(2)]	3,919	-	3 805	-
TOTAL	**1,171,519**	**962,500**	**966,305**	**962,500**
Olivier Bazil, Vice-Chairman and Chief Operating Officer				
Fixed compensation	520,000	520,000	520,000	520,000
Bonus	565,200	372,000	372,000	727,810
Exceptional bonus	-	-	-	-
Attendance fees[(3)]	25,200	25,200	25,200	25,200
Benefits in kind[(2)]	4,380	-	4,557	-
TOTAL	**1,114,780**	**917,200**	**921,757**	**1,273,010**

(1) Total attendance fees received from the Company. No compensation (attendance fees or other) is paid or due under mandates held in Group companies.
(2) Company car and cellphone.
(3) Total attendance fees received from the Company and its subsidiary Bticino in Italy. No compensation (attendance fees or other) is paid or due under mandates held in other Group companies.

The fixed compensation paid to Mr. Gilles Schnepp and Mr. Olivier Bazil in 2009 was identical to the fixed compensation paid in 2008.

Bonuses paid to Mr. Gilles Schnepp and Mr. Olivier Bazil were determined by quantitative criteria with objectives set at the beginning of 2009 (70%) and by qualitative criteria based on assessment of individual performance in 2009 (30%). Bonuses can vary from 50% to 150% of fixed compensation. Gilles Schnepp proposed that the fixed compensation due to him in respect of 2009 not exceed that received in respect of 2008 despite success in achieving the objectives set at the beginning of 2009.

In addition, travel expenses paid by the Company for Mr. Gilles Schnepp and Mr. Olivier Bazil amounted to €25,803 and €14,492, respectively, in 2009 and to €38,660 and €77,478, respectively, in 2008.

8.2.1.2 BREAKDOWN OF STOCK OPTIONS AND FREE SHARES GRANTED TO EXECUTIVE DIRECTORS

Company plans for the grant of options to purchase or subscribe to shares are described in section 9.2 of this reference document.

Grants of options and free shares in 2008 and 2009 were based on performance in the 2007 and 2008 financial years.

As regards 2009, at the beginning of that year the Board of Directors defined targets based on economic results. Mr. Gilles Schnepp and Mr. Olivier Bazil benefited from allocations of stock options and free shares defined at the meeting of the Board of Directors on March 4, 2010 and based on achievement of defined targets. Allocations were voluntarily limited to 134,351 options and 38,373 free shares for Mr. Gilles Schnepp, and to 83,295 options and 23,790 free shares for Mr. Olivier Bazil (see chapter 9 of this reference document).

No discount is applied and the Company has implemented no hedging instruments for options and free shares.

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02
03
04
05
06
07
08
09
10
11
12
13
TDC
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Table 4 - Options for the subscription or purchase of shares awarded by the Company and its subsidiaries to each executive director during the year

Executive director	No. and date of plan[(1)]	Nature of options (for purchase or subscription)	Valuation of options on the basis of methods used for consolidated accounts	Number of options awarded during the year	Exercise price	Exercise period
Gilles Schnepp	03/04/2009	Purchase or subscription	€140,553	48,300	€13.12	03/05/2013 – 03/05/2019
Olivier Bazil	03/04/2009	Purchase or subscription	€132,882	45,664	€13.12	03/05/2013 – 03/05/2019
TOTAL			**€273,435**	**93,964**		

(1) Plan for a duration of 10 years. Allocations are made for the same calendar year.

Table 5 - Options for the subscription or purchase of shares exercised by each executive director during the year

Executive director	Date of plan	Number of options exercised during the year	Exercise price
Gilles Schnepp	Date:	Nil	N/A
Olivier Bazil	Date:	Nil	N/A

Table 6 - Free shares awarded by the Company and its subsidiaries to each executive director during the year

Executive director	No. and date of plan	Number of shares allotted in the year	Valuation of shares on the basis of methods used for consolidated accounts	Vesting date	Exercisable from	Performance conditions
Gilles Schnepp	03/04/2009	12,075	€142,002	03/05/2011	03/06/2013	(1)
Olivier Bazil	03/04/2009	11,416	€134,252	03/05/2011	03/06/2013	(1)
TOTAL		**23,491**	**€276,254**			

(1) Award subject to the conditions of performance described in section 8.4.4.1 of this reference document.

01 02 03 04 05 06 07 08 09 10 11 12 13 TDC A

Table 7 - Free shares vested in the name of each executive director during the year

Executive director	Date of plan	Number of shares vested during the year	Vesting conditions[1]
Gilles Schnepp	Date: 05/15/2007	13,582	N/A
Olivier Bazil	Date: 05/15/2007	12,845	N/A

(1) *Executive directors have already each substantially invested in the Company's share capital, and are already subject to the requirement to hold at least 30% of all shares acquired (including stock options and free allotments) as long as they remain in office (see section 8.4.4.1 of this reference document).*

8.2.1.3 REMUNERATION AND BENEFITS DUE ON TERMINATION OF EXECUTIVE DIRECTORS' POSITIONS

Executive director	Contract of employment		Supplementary pension entitlement[1]		Indemnities or benefits due or which may become due as a result of termination or change of office[3]		Indemnities relating to non-competition clause[2]	
	Yes	No	Yes	No	Yes	No	Yes	No
Gilles Schnepp								
Chairman and CEO								
Commencement: 05/22/2008								
Expiration: 12/31/2013		x	x			x	x	
Olivier Bazil								
Vice-Chairman and COO								
Commencement: 05/22/2008								
Expiration: 12/31/2013	x		x			x	x	

(1) *In 2001, the Legrand Group entered into an agreement with an insurance company for the provision of services relating to pensions, retirement and services of a related nature to the members of the Group Executive Committee benefiting from the French pension system for salaried workers. At December 31, 2009, the Group's commitment in connection with this agreement amounted to approximately €12.8 million, of which approximately €11.2 million was financed, while the remaining €1.6 million is the object of a provision. The Executive Committee has nine members, including the two executive directors. 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 compensation received by the beneficiaries in their last three years with the Group. To benefit from the supplementary pension, employees must have been with the Group for at least ten years and have reached the age of 60 on retirement. In the event of the beneficiary's death, the Group will pay the surviving spouse 60% of the supplementary pension.*
In the case of Mr. Gilles Schnepp and Mr. Olivier Bazil, potential entitlements on retirement represent 1% of their compensation (including fixed compensation and bonus) per year of presence within the Group.

(2) *Mr. Gilles Schnepp is subject, in connection with his status as executive director and at the sole initiative of the Company, to a duty not to compete for a period of two years. In consideration of this, should the Company decide to impose the obligation, Mr. Gilles Schnepp would receive a monthly indemnity equal to 50% of his average monthly compensation, including fixed compensation and bonuses, in his last 12 months with the Company. Mr. Oliver Bazil is subject to the restrictions of the standard non-competition clause provided for in the collective labor agreement for French metal industries (Convention Collective de la Métallurgie). The decision to implement this clause is at the sole initiative of the Company. Should the Company decide to do so, this would entail the payment to Mr. Oliver Bazil of an indemnity equal to 50% of his reference compensation (fixed compensation and bonuses) over a period of at most two years.*

(3) *The collective labor agreement for French metal industries (Convention Collective de la Métallurgie) and company-level agreements applying within the Group also provide for the payment to all Group employees of an indemnity on retirement proportional to the length of their employment with the Group. These provisions would apply to Mr. Oliver Bazil if applicable conditions were satisfied on his retirement. As an example, an executive level employee (cadre) with 30 to 39 years of seniority would receive a retirement indemnity equal to four months' salary.*

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8.2.2 - Remuneration of non-executive directors

The table below details fees paid to directors during the 2008 and 2009 financial years in respect of their attendance at meetings in the previous financial 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, at meetings of Board committees.

Table 3 - Attendance fees and other payments to non-executive directors

Non-executive directors	Amounts paid in the 2008 financial year *(€)*	Amounts paid in the 2009 financial year *(€)*
Mattia Caprioli		
Attendance fees	15,000	15,580
Other payments	-	-
Arnaud Fayet		
Attendance fees	21,500	25,000
Other payments	-	-
Jacques Garaïalde		
Attendance fees	30,000	32,800
Other payments	-	-
Edward Gilhuly		
Attendance fees	20,500	15,750
Other payments	-	-
François Grappotte		
Attendance fees	19,000	20,000
Other payments	-	-
Jean-Bernard Lafonta(1)		
Attendance fees	26,500	34,000
Other payments	-	-
Gérard Lamarche		
Attendance fees	31,500	36,080
Other payments	-	-
Thierry de La Tour d'Artaise		
Attendance fees	19,000	17,000
Other payments	-	-
Ernest-Antoine Seillière		
Attendance fees	19,000	18,000
Other payments	-	
TOTAL	**202,000**	**214,210**

(1) Resigned on May 5, 2009.

At its meeting on February 10, 2010, the Board of Directors approved the payment of attendance fees totaling €279,000 in respect of the 2009 financial year (including €40,000 for the executive directors).

8.2.3 - Shareholding by executive directors

See section 10.1.2.3 of this reference document.

8.2.4 - Other benefits granted to executive directors

The Company has not granted any loan, advance or guarantee to any of its executive directors.

8.2.5 - Provisions and charges recognized on the accounts of the Company or its subsidiaries in connection with payments of retirement benefits, pensions and other benefits

In addition to provisions required by law, the Company has established a provision of €1.6 million in connection with the agreement between Legrand France and 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.

8.3 - OPERATION OF ADMINISTRATIVE AND MANAGEMENT BODIES

8.3.1 - Operation of administrative bodies

The Company endeavors to comply with the Afep/Medef code of corporate governance, except as such principles regard the number of independent Directors. Given the concentration of the shareholding of the Company, there must be two independent Directors on the Company's Board of Directors.

The Company's Board of Directors adopted internal regulations conforming to the Company's bylaws. The purpose of internal regulations is to supplement the Company's bylaws and to determine, within the context of legal, regulatory and statutory requirements, the composition, organization and functioning of the Board of Directors and its Committees, as well as the rights and obligations of the Company's Directors. The principal provisions of the internal regulations are described below.

8.3.1.1 BOARD OF DIRECTORS

8.3.1.1.1 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. The Board reviews all issues concerning the operation of the Company and acts on all matters over which it has authority.

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 decisions of the Company and the Group with respect to the Company's strategic, economic, labor, financial and technology guidelines and ensuring that the Company's management implements them;

- for the transactions listed below, the Board either submits proposals to the shareholders for transactions which require shareholder approval, or, in those cases where the transactions fall within the powers delegated to management, authorizes the Chief Executive Officer (*Directeur général*) or Chairman, as the case may be, to enter into and implement such transactions:
  - the granting of any power or authorization relating to the issuance or buy-back of shares or equity-based securities,
  - the entry into 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 an amount 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 an amount in excess of €100 million and the disposal of any shareholding or businesses in an amount in excess of €100 million,
  - the annual budget 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,
  - the creation or termination of any double voting rights mechanism, 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 regulations,
  - 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 Paris,
  - a declaration of bankruptcy, the appointment of an *ad hoc* authorized agent, liquidation, voluntary dissolution or amicable 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 bylaws,
  - 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 the 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 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 (*cooptation*) of Directors, as necessary, and proposals for the appointment and reelection of Directors at the Annual Shareholders' Meeting;
- determining, upon the recommendation of the Nominating and Compensation Committee, the compensation of the Company's Chairman, Chief Executive Officer and Chief Operating Officers (*Directeurs généraux délegués*), and the allocation of Directors' fees (*jetons de présence*);
- upon the recommendation of the Nominating and Compensation Committee, approvals of all proposed stock option plans and grants of free 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.

8.3.1.1.2 Composition of the Board of Directors

Number of Directors

The Company's Board of Directors may be composed of a maximum of 18 members, at least two of whom must be independent in accordance with the Company's internal regulations.

Without prejudice to the rights of other shareholders, the Company's Board of Directors is initially composed of 11 Directors, including the Company's Chairman and Chief Executive Officer, Vice-Chairman and Chief Operating Officer and the Honorary Chairman, six shareholder representatives (three of whom were nominated by each of Wendel and KKR) and two independent Directors.

Independent Directors

Membership of independent Directors

The Board of Directors ensures that at least two of the Directors are independent. At the registration date of this reference document, Gérard Lamarche and Thierry de La Tour d'Artaise are independent Directors.

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.

An independent Director may not:

- be, or have been within the last five years, an employee or 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, an officer of a company for which the Company, directly or indirectly, is a Director or for which a Company officer or employee is a Director;
- be a client, supplier, investment or corporate banker:
  - of significant importance to the Company or the Group,
  - or for which the Company or Group represents a significant portion of such person's business;
- have a close family relationship with a manager 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' fees, including participation in any stock option plan or other performance-based compensation.

Directors that represent 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, if a Director represents a shareholder that directly or indirectly holds more than 10% of the Company's share capital or voting rights, the Company's Board of Directors, upon a report from the Nominating and Compensation Committee, will investigate the independence of that Director while taking into account the composition of the Company's share ownership and potential conflicts 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 findings on Director independence to the Company's shareholders in the annual report.

8.3.1.1.3 Operations of the Board of Directors

Board meetings

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.

Notice of Board meetings may be given by letter, telex, telegram, fax, electronic mail or orally, and may be transmitted by the secretary of the Board.

If provided for in the meeting notice, Board meetings may be held by videoconference or by other electronic means of telecommunication or teletransmission, so long as such means satisfy technical characteristics which guarantee effective participation in the Board meeting and continuous transmission of the Board's deliberations. 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 of the Board is required to comply with a five day notice period between the notification of a Board meeting and the meeting itself, taking into account the schedules of the Board members to ensure the presence of as many Directors as possible at each Board meeting.

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.

Deliberations of the Board are evidenced by minutes established, signed and maintained in accordance with regulatory requirements.

The minutes of each Board meeting 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;
- 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.

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 document they deem useful to prepare for a Board meeting, provided such request is made within a reasonable period of time before the date of the Board meeting.

Information files are delivered at the Board meeting itself when confidentiality considerations so require, particularly with respect to sensitive financial information.

In addition, Directors receive all useful information relating to significant events or operations of the Company between Board meetings.

Remuneration

Attendance fees (*jetons de présence*) allocated by the General Shareholders' Meeting 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.

8.3.1.2 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 Strategy Committee.

The Board appoints and removes committee members upon the recommendation of the Nominating and Compensation Committee. The Nominating and Compensation Committee was created before the other Board committees so that the Nominating and Compensation Committee could make recommendations regarding the membership of the other Board committees. The Audit Committee Chairman is an independent Director appointed upon the recommendation of the Nominating and Compensation Committee. The Strategy Committee Chairman is appointed upon the recommendation of the Nominations 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.

Each Committee determines its annual meeting schedule, taking into account the schedules for Board meetings and General Shareholders' Meetings.

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.

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 create an Executive Committee and determine its composition and area of competence.

8.3.1.2.1 Audit Committee

The Committee assists the Board of Directors in finalizing parent company and consolidated financial statements, and in preparing the information made available to the Company's shareholders and the market. It monitors the effectiveness of systems in place for internal control and risk management, and is also charged with coordinating issues relating to the preparation and verification of accounting and financial information, as well as legal verification of financial statements.

The Audit Committee has been specifically required by the Board of Directors to:

- with respect to internal controls and risk management:
  - determine the quality and efficiency of the Group's internal control procedures so that the parent company and consolidated financial statements accurately and truly reflect the reality of the business and of the Group and conform to applicable accounting standards, and

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- ensure that Group risk management procedures are followed,
- ensure the relevance and quality of the Company's financial communications;
- with respect to the financial statements:
  - examine the draft annual and six-month parent company 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),
  - examine the methods and scope of consolidation used in the financial statements,
  - ensure the adequate treatment of significant transactions at the Group level, and
  - 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 annual and consolidated accounts 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 by 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 remunerations 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 portion such amounts represent in the net sales of the auditors and the group to which they belong, does not compromise the independence of Statutory Auditors.

The Audit Committee must be composed of at least three members, of which 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.

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. In the event of a tie, the vote of the Audit Committee Chairman will carry the 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-month financial statements.

8.3.1.2.2 Nominating and Compensation Committee

The Nominating and Compensation Committee is responsible for:

- reviewing and making proposals to the Board of Directors regarding candidates for Director, CEO, Chairman of the Board and the members and Chairman of the Audit Committee and the Strategy Committee. To this end, it must evaluate the abilities, knowledge and experience required for the position, describe the position's responsibilities and determine the time commitments for the position;
- 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 Directors' independence in the context of the criteria contained in the internal regulations.

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;
- examines and formulates proposals to the Board regarding the compensation of the Chairman of the Board, the CEO and the chief operating officers (*directeurs généraux délégués*), and in particular, the variable portion of compensation. To this end, the Committee establishes the rules regarding the manner in which variable compensation is determined and ensures that such rules are consistent with annual performance evaluations of managers and with the Group's medium-term strategy. The Committee also supervises the enforcement of these rules; and
- 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 (*jetons de présence*) pursuant to the internal regulations; and
- makes recommendations on any compensation granted to Directors entrusted with additional responsibilities.

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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 Annual Shareholders' Meetings;
- 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 and employees of the Company, its subsidiaries or the Group.

The Nominating and Compensation Committee is composed of four members.

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. In the event of a tie, the vote of the Nominating and Compensation Committee Chairman will carry the vote.

The Nominating and Compensation Committee meets at least twice a year. In any event, the Committee must meet before the agenda of the Annual Shareholders' Meeting is approved, to examine the draft resolutions that fall within its jurisdiction.

8.3.1.2.3 Strategy 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.

The Strategy Committee is composed of four members.

A meeting of the Strategy 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 Strategy Committee Chairman will carry the vote.

The Strategy Committee meets as many times as necessary, and in any event, at least two times per year.

8.3.1.3 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 bylaws, the internal regulations, the Directors' Charter described below and all other applicable documents or laws.

- Directors must be competent and play an active role.
- Directors must act at all times in the interest of the Company and are required to defend and promote the Company's values.
- Directors must dedicate the time and attention necessary to their positions and must be assiduous and participate, whenever possible, in all Board meetings and meetings of Committees of which they are a member.
- To enhance transparency, the annual report includes information on Directors' attendance at Board and committee meetings.
- Directors must attend the Shareholders' Meetings.
- 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:

  - inform the Board of all conflicts of interest, including potential conflicts, and abstain from participating in any consideration of or voting on issues relating to any such conflicts; and
  - abstain from personal commitments with competitors without informing the Board and obtaining its consent.
- Directors have a duty of confidentiality regarding all non-public information obtained in connection with the performance of their duties.
- Directors must ensure that they receive in a timely manner all documents and information necessary for discharging their responsibilities and are responsible for requesting from the Chairman all documents they deem necessary for such purposes.

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.
- Upon appointment or at any time during their term, Directors may receive training on the specifics of the Company, its operations and the industry in which it operates.
- Directors must comply with the Company's code of conduct with respect to insider trading and market activities.

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8.3.2 - Operations of management ("*Direction Générale*")

The Chief Executive Officer (*Directeur général*) is vested with the broadest powers to act on the Company's behalf under all circumstances. The Chief Executive Officer exercises his powers within the limits of the Company's corporate purpose and subject to the powers expressly attributed by law to the Board of Directors and General Shareholders' Meetings. The Chief Executive Officer represents the Company in its dealings with third parties (see section 12.2.2.2 of this reference document).

The internal regulations enumerate certain significant decisions that require the prior authorization of the Company's Board of Directors (see section 8.3.1.1 of this reference document).

8.3.3 - Code of conduct with respect to trading and market activities

Pursuant to the new legal and regulatory requirements relating to issuers, the Group adopted a Code of conduct in 2006.

This Code of conduct was adopted by the Board of Directors on June 2, 2006 and applies to all executive directors (*mandataires sociaux*), managers and senior executives (*personnes assimilées*). The Board appointed the Company Secretary of the Group as the person in charge of ethical duties, responsible for ensuring compliance with the code of conduct.

The main provisions of this Code of conduct aim at controlling transactions in the securities of the Company which may be carried out by persons with regular access to material insider information concerning the Company.

8.4 - REPORT OF 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 present Chairman's report was approved by the Board of Directors on March 4, 2010.

The Company makes formal reference to the principles of corporate governance for listed companies set out in the Afep/Medef Code of corporate governance dated December 2008 ("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.

The Afep/Medef Code of corporate governance may be consulted on Medef's website at www.medef.fr.

8.4.1 - Composition of the Board of Directors

At December 31, 2009, the Board was made up of 11 members, each appointed for a period of six years. Their profiles and directorships outside the Group are presented in the Company's reference document, which can be consulted on the website of the AMF (www.amf-france.org) and on that of the Company (www.legrandgroup.com). Directors are required to hold at least 500 Company shares each. The composition of the Board and of its specialized Committees, as well as the duration of mandates, reflect the two majority shareholders' efforts to seek a lasting balance among directors representing these shareholders, independent directors and management. With a view to complying with the Code of corporate governance regarding the duration of directors' mandates, the Combined Ordinary and Extraordinary General Meeting on May 27, 2010 will be asked to reduce the duration of directors' mandates to four years, with this reduction to apply to appointments and cooptation of directors after the Combined Ordinary and Extraordinary General Meeting on May 27, 2010.

Composition of the Board of Directors

Name	Duties	Date of first appointment	Term of office expires on[1]
Gilles Schnepp	Chairman and CEO	12/10/2002	12/31/2013
François Grappotte	Honorary Chairman	12/10/2002	12/31/2013
Olivier Bazil	Vice-Chairman – COO	12/10/2002	12/31/2013
Mattia Caprioli	Director	07/25/2007	12/31/2013
Arnaud Fayet[2]	Director	12/10/2002	12/31/2013
Jacques Garaialde	Director	06/06/2003	12/31/2013
Edward A. Gilhuly	Director	12/10/2002	12/31/2013
Gérard Lamarche[3]	Director	04/06/2006	12/31/2011
Thierry de La Tour d'Artaise[3]	Director	04/06/2006	12/31/2011
Frédéric Lemoine[4]	Director	05/05/2009	12/31/2013
Ernest-Antoine Seillière	Director	12/10/2002	12/31/2013

(1) As of the date of the General Meeting of Shareholders called to approve the financial statements for the financial year closed at this date.
(2) Arnaud Fayet resigned from the Board on February 10, 2010 and Patrick Tanguy was coopted to replace him. This cooptation will be submitted to the Combined Ordinary and Extraordinary General Meeting on May 27, 2010 for ratification.
(3) Independent director.
(4) Director co-opted to replace Jean-Bernard Lafonta. This cooptation was ratified at the Combined Ordinary and Extraordinary Meeting of shareholders on May 26, 2009.

Independent directors

The Board of Directors ensures that there are at least two independent directors serving on the Board at all times. Messrs. Gérard Lamarche and Thierry de La Tour d'Artaise are independent directors.

Meeting on March 4, 2010, the Board confirmed its judgment that Gérard Lamarche and Thierry de La Tour d'Artaise qualify as independent directors as defined by the Code of corporate governance. In compliance with the criteria for independence included in the internal rules of the Board, available on the Company's website, the definition of "independent" is considered each year by the Nominating and Compensation Committee, which submits a report on this subject to the Board.

The Company being controlled by two shareholders with a Board of Directors composed of a majority of members that they propose, and the Company having also expressed the wish that its management be represented on the Board, it does not comply fully with the provision of the Code of corporate governance calling for at least one-third of directors to be independent.

8.4.2 - Preparation and organization of Board work

Considering the information presented below, the Company's practices in the preparation and organization of the work of the Board and its Committees comply with the recommendations of the Code of corporate governance.

Internal rules and Code of conduct with respect to trading and market activities

The Board of Directors of the Company has adopted a set of internal rules (integrating a Directors' Charter) that can be consulted on the Company website at www.legrandgroup.com. The Board has also adopted a Code of conduct with respect to trading and market activities, also posted on the Company website. Under this code, managers and others with access to inside information are in particular prohibited from effecting, directly or indirectly, whether for their own account or on behalf of some other person, transactions in Legrand securities (i) as a minimum, during the two weeks preceding publication of annual, half-year and quarterly financial statements and the two 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.

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.

Information on directors

In the execution of his duties, the Chairman of the Board communicates, at least 48 hours before each meeting, all documents and information necessary to the consideration of points on the agenda.

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 2009, the Board met seven times.

Attendance of Directors at Board meetings was satisfactory, with the attendance rate 86% for the year. Participation in meetings of specialized Committees averaged 87%. Representatives of the Central Works Committee (*Comité central d'entreprise*) 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 provide that its deliberations are to be prepared in certain fields by specialized Committees: the Audit Committee, the Strategy Committee, and the Nominating and Compensation Committee. At Board meetings, these committees present detailed reports on their work.

On February 10, 2009, the Board met to consider the following agenda:

- presentation of the consolidated financial statements for the year ended December 31, 2008;
- Audit Committee report on its review of annual consolidated and parent-company financial statements and related management reports, the report of the statutory auditors, and key figures to be included in the press release and projections;
- adoption of consolidated financial statements for the year ended December 31, 2008;
- adoption of parent-company financial statements for the year ended December 31, 2008 and proposal for appropriation of earnings;
- consideration and adoption of the press release;
- report of the Strategy Committee on the 2009 budget;

- nominating and Compensation Committee report on fixed and variable portions of compensation for executive directors for the year 2008 and related information, determination of the total allotment of stock options and free shares in respect of 2008, amounts of stock-option and free-share allotments to executive directors in respect of 2008, and breakdown of directors' fees in respect of 2008.

On March 4, 2009, the Board met to consider the following agenda:

- self-evaluation of the performance of the Board of Directors and its committees (summary and proposals);
- report of the Nominating and Compensation Committee concerning stock option and free-share plans to be implemented in respect of 2008, principles and conditions of stock options and free-share plans in respect of 2009, compensation of executive directors in respect of 2009 (fixed salary, calculation of bonuses and target allotment for stock options and free shares), and approval of certain parts of the reference document relative to compensation of executive directors);
- measures taken to comply with the Afep/Medef recommendations on corporate governance;
- 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;
- convening of the annual Combined Ordinary and Extraordinary Meeting of shareholders (proposed agenda and resolutions);
- preparation of reports to be submitted to the General Meeting (report of the Chairman on corporate governance and internal control; special reports on allotment of stock options and free shares);
- communication of the list of agreements as defined in article L.225-39 of the French Commercial Code;
- presentation of forecast financial statements.

On April 17, 2009, the Board met to consider the following agenda:

- proposed appointment of a director.

On May 5, 2009, the Board met to consider the following agenda:

- resignation of a director;
- cooptation of a director;
- presentation of consolidated quarterly accounts at March 31, 2009;
- Audit Committee report on its review of quarterly accounts and key figures to appear in the press release;
- consideration and adoption of consolidated quarterly accounts at March 31, 2009;
- approval of the entering into new credit facility agreements;
- consideration and adoption of the press release;
- acknowledgement of the capital increase following exercise of options;
- presentation on an operational subject (organization of Group operations in Brazil) by the manager concerned.

On May 26, 2009, the Board met to consider the following agenda:

- implementation of the delegation approved under the sixth resolution of the Combined Ordinary and Extraordinary Meeting of shareholders held May 26, 2009 (share buyback program).

On July 28, 2009, the Board met to consider the following agenda:

- presentation of consolidated accounts for the six months ended June 30, 2009;
- audit Committee report on its review of half-year consolidated financial statements and related management report, of key figures to appear in the press release and of the half-year financial report, of the transposition of the 8th European directive and the updating of the internal rules of the Committee, and, correlatively, of the internal rules of the Board, and approval of the budget for auditors' fees in 2009 as well as a detailed review of the missions of the internal audit missions and organization of internal control;
- consideration and adoption of consolidated financial statements for the six months ended June 30, 2009 and drafting of the half-yearly financial report;
- consideration and approval of press release;
- presentation of Company's forecast financial statements.

On November 4, 2009, the Board met to consider the following agenda:

- Strategy Committee report on a review of acquisitions made between 2005 and 2008, and strategic guidelines for future acquisitions;
- Presentation of quarterly consolidated accounts for the quarter ended September 30, 2009;
- Audit Committee report on its review of quarterly financial statements and key figures to be included in the press release, review of risk mapping and implications for internal control, approval of non-audit assignments of external auditors, and procedure for the renewal of the terms of office of a Statutory Auditor and a Deputy Statutory Auditor;
- consideration and adoption of consolidated accounts for the quarter ended September 30, 2009;
- consideration and approval of press release;
- presentation of risk mapping for risks;
- presentation on public stimulus programs.

01
02
03
04
05
06
07
08
09
10
11
12
13
TDC
A

Audit Committee

The powers of the Audit Committee and its organization are specified in the internal rules of the Board of which an excerpt appears in section 8.3 of this chapter, page 100.

Membership and duties

The Audit Committee is made up of three members appointed by the Board of Directors, including one independent director. They are Jacques Garaïalde, Gérard Lamarche and Patrick Tanguy, whose personal profiles and education are presented in the Company's reference document. The Committee is chaired by Gérard Lamarche, independent director, who has expertise in finance and accounting. The Committee assists the Board of Directors in finalizing parent company and consolidated financial statements, and in preparing the information made available to the Company's shareholders and the market. It monitors the effectiveness of systems in place for internal control and risk management, and is also charged with coordinating issues relative to the preparation and control of accounting and financial information, as well as legal verification of financial statements. Its primary duties are to:

- 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, apprize itself of the Group's internal audit programs;
- analyze and monitor risks, and track 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 accounts by the Statutory Auditors, and their independence and objectivity;
- guide the process for selecting or renewing the terms of the Statutory Auditors; and
- 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.

The Audit Committee meets prior to the review of the annual, half-year and quarterly financial statements by the Board of Directors.

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 Chief Financial Officer of the Group 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.

2009 meetings

The Audit Committee met on four occasions during the 2009 financial year. Attendance for the year was 100%.

On February 5, 2009, the Audit Committee met to consider the following agenda:

- presentation of parent company and consolidated annual financial statements at December 31, 2008 (review of annual accounts, work of Statutory Auditors, impact of changes in the scope of consolidation and currency translation on 2008 activities);
- review of intangible assets and pension commitments;
- review of key figures in the press release and projects for 2009;
- review of the internal control section of the report of the Chairman of the Board.

On April 30, 2009, the Audit Committee met to consider the following agenda:

- presentation of consolidated quarterly financial statements at March 31, 2009;
- review of key figures in the press release;
- presentation of the 2008 reference document.

On July 24, 2009, the Audit Committee met to consider the following agenda:

- presentation of consolidated financial statements for the six months to June 30, 2009, together with the half-year financial report;
- review of key figures in the press release;
- assignments of statutory auditors and the 2009 budget;
- implementation of the 8th European Directive (update of internal rules);
- detailed review of internal audit assignments and organization of internal control (audit and control action taken in 2008 and assignments for 2009).

On November 3, 2009, the Audit Committee met to consider the following agenda:

- presentation of consolidated financial statements for the quarter ended September 30, 2009;
- review of key figures in the press release;
- risk mapping and implications for internal control;
- approval of non-audit assignments of statutory auditors;
- procedure for the renewal of the terms of office of a statutory auditor and a deputy statutory auditor.

The Audit Committee reports to the Board of Directors on the performance of its duties.

Nominating and Compensation Committee

The powers and organization of the Nominating and Compensation Committee are specified in the internal rules of the Board, of which an excerpt appears in section 8.3 of the present chapter, page 100.

Membership and duties

The Nominating and Compensation Committee is made up of four members appointed by the Board of Directors, including one independent director. They are Jacques Garaïalde, Edward A. Gilhuly, Gérard Lamarche and Frédéric Lemoine. The Committee is chaired by Frédéric Lemoine and its duties are to approve:

- all proposals of candidates for membership of the Board, general management, Chairman of the Board, members and Chair of the Audit Committee and the Strategy Committee;
- 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 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.

2009 meetings

The Nominating and Compensation Committee met on three occasions during the 2009 financial year. Attendance for the year was 67%, which is lower than that of other Committees due to the presence of a member resident in the United States.

On February 10, 2009, the Committee met to consider the following agenda:

- proposals concerning the recommendations of Afep/Medef concerning the compensation of executive directors;
- stock-option plans and free-share plans in respect of 2008 (total theoretical amount);
- compensation of executive directors in respect of 2008 (amount of compensation: fixed salary, bonus, performance-based, insurance, supplementary retirement benefits, non-compete covenant, benefits in kind, directors' fees from subsidiaries; allotments of stock options and free shares);
- principles for compensation in respect of 2009 (calculation of fixed salary following the study commissioned from an external consultant, principals for calculating bonuses, principles for allocation of stock options and free shares);
- directors' fees (breakdown in respect of 2008).

On March 4, 2009, the Committee met to consider the following agenda:

- implementation of stock-option and free-share plans allocated in 2009 in respect of 2008 (individual allotments of options and free shares to employees and to executive directors; exercise price; determination of number of shares to be held by executive directors; regulations for stock-option and free-share plans);
- stock-option and free-share plans allocated in 2010 in respect of 2009 (principles);
- procedure for the review of the status of independent directors;
- 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 reference document.

On May 5, 2009, the Nominating and Compensation Committee met to consider the following agenda:

- appointment of the Chairman of the Nominating and Compensation Committee.

The Nominating and Compensation Committee reports on its work to the Board of Directors.

Strategy Committee

The powers and organization of the Strategy Committee are specified in the internal rules of the Board, of which an excerpt appears in section 8.3 of the present chapter, page 100.

Membership and duties

The Strategy Committee is made up of four members appointed by the Board of Directors: Olivier Bazil, Jacques Garaïalde, Frédéric Lemoine and Gilles Schnepp. It is chaired by Jacques Garaïalde, and its responsibilities include:

- reviewing all of the main projects relating to the development and strategic position of the Group, in particular strategic partnership projects and main investment and divestment transactions;
- reviewing the draft annual budgets and development plans of the Company submitted to the Board of Directors. In this capacity, the Strategy Committee consults with the managers of the Company concerning the assumptions on which such plans and budgets are based or amended.

2009 meetings

The Strategy Committee met on three occasions during the 2009 financial year. Attendance for the year was 100%.

On January 8, 2009, the Strategy Committee met to consider the following agenda:

- presentation of 2008 estimates and proposed 2009 budget.

On February 10, 2009, the Strategy Committee met to consider the following agenda:

- approval of the 2009 budget.

On October 1, 2009, the Strategy Committee met to consider the following agenda:

- review of acquisitions made from 2005 to 2008;
- outlook for future acquisitions.

The Strategy Committee reports on its work to the Board of Directors.

01
02
03
04
05
06
07
08
09
10
11
12
13
TDC
A

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 procedure was formalized at the end of 2008. The summary in early 2009 showed general satisfaction among directors as to the work of the Board and its Committees.

In the course of 2009, the Board of Directors deployed the following improvements in response to requests made by directors during the self-evaluation:

- simultaneous interpretation services were organized for the benefit of English-speaking members at each meeting of the Board to facilitate understanding of proceedings for these Directors;
- the schedule for meetings of the Audit Committee was amended to allow Committee members more time to consider documents provided to them.

In addition, presentations of operational and cross-functional subjects were made to Directors by the operational managers concerned. These subjects included Group organization in Brazil, risk mapping, and the implications for the Group of economic recovery plans adopted by various governments.

In November 2009, a questionnaire was sent to the Company's Directors for the purpose of assessing the operation of the Board and its Committees in 2009 and allowing Directors to express any requests for training. An item concerning this questionnaire was placed on the agenda for a meeting of the Board of Directors at the beginning of 2010.

8.4.3 - Limits on the powers of the Chief Executive Officer

Meeting on March 17, 2006, the Board of Directors voted to combine the functions of Chairman and Chief Executive Officer, both to be assumed by Mr. Gilles Schnepp. 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.

With the exceptions of transactions and decisions requiring the prior approval of the Board of Directors pursuant to article 1 of the internal rules (which may be consulted at www.legrandgroup.com), the Board of Directors has set no limits on the powers of the Chairman and Chief Executive Officer.

8.4.4 - 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.

8.4.4.1 COMPENSATION AND BENEFITS OF EXECUTIVE DIRECTORS

Contract of employment of the Chairman and CEO

On March 4, 2009, the Board of Directors took due note of the decision of Mr. Gilles Schnepp to renounce his contract of employment. No compensation or benefit of any sort was paid to Mr. Schnepp in exchange for his resignation.

The Board of Directors nonetheless judged that it was in the interest of the Company to enter into a new non-competition agreement with Mr. Schnepp, this agreement being for a period of two years and enforceable at the sole initiative of the Company. Mr. Schnepp agreed to provide this new covenant.

These initiatives bring the Company into compliance with the recommendation of the Code of Corporate Governance concerning the termination of contracts of employment in the case of a status of executive director.

Termination benefits

With the exception of benefits due on retirement 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").

Mr. Gilles Schnepp is subject to restrictions under a covenant not to compete which would occasion the payment of an indemnity equal to a maximum of one year compensation (fixed and bonuses) and thus not exceeding the limit of two years' compensation provided for in the Code of corporate governance. This covenant can be enforced at the sole initiative of the Company. Similarly, Mr. Oliver Bazil is subject to the standard non-competition clause provided for in the collective labor agreement for metal industries, which provides for an indemnity equal to a maximum of one year compensation (fixed and bonuses) and thus not exceeding the limit of two years' compensation provided for in the same Code. This clause can be enforced at the sole initiative of the Company.

The Company thus complies with the Code's recommendation concerning this type of indemnity.

01
02
03
04
05
06
07
08
09
10
11
12
13
TDC
A

Pension entitlements

The executive directors benefit from a system of supplementary pension entitlements that meets the criteria defined in the Code, which concern the number of beneficiaries, seniority, the upper limit as a percentage of executive directors' compensation, and the reference period used for the calculation of entitlements (this information is noted in section 8.2.1.3 of this chapter).

Stock options and bonus shares

In March 2009, the Board of Directors decided to make allocations of stock options and bonus shares to around 1,000 employees in different countries, these allocations being dependent on achieving targets relating to economic income, which is to say adjusted operating income less the cost of capital. Allocations to executive directors represented 8% of the total.

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. Executive directors do not benefit from this system.

The Company complies with the rules for the allocation of stock options and free shares defined in the Code of corporate governance, with the exception of the following recommendations:

(i) allocation of free shares conditional on the purchase of a defined quantity of shares when the free shares vest.

The executive directors have already substantially invested in the Company's capital stock and are already subject to an obligation to hold at least 30% of all the shares acquired, including free shares and stock options, as long as they remain in office. Considering this, the Board of Directors, accepting the proposal of the Nominating and Remuneration Committee, has decided not to comply with this recommendation to the letter.

(ii) exercise of stock options and vesting of free shares.

Allocations of stock options and free shares are subject to conditions of performance defined each year on the basis of criteria applied in a constant manner. These rules for allocations apply to executive directors in the same way as they do to all other beneficiaries.

Criteria for allocations are aligned with the interest of the Company (depending as they do on operating income less cost of capital), and the fact that allocations are made directly following the performance recorded for the related financial year is considered a source of motivation. In addition, a certain consistency in allocations smoothes out the drawbacks of the volatility now observed. No additional conditions have thus been imposed on beneficiaries as regards exercise of options and vesting of free shares.

At the proposal of the Nominating and Compensation Committee, the Board of Directors has thus decided not to change the existing system.

Principles for determining compensation

The principles for determining the compensation of the Chairman and Chief Executive Officer and the Vice-Chairman, Chief Operating Officer include:

- a fixed annual salary, determined with regard to the level of responsibility and the experience of each person, as well as market practice with reference to a survey conducted by an outside consultant;
- a variable portion of which 70% is based on quantitative targets and 30% based on qualitative targets. The quantitative targets are pre-defined and linked to the financial performance of the Company, measured each year in terms of economic income (i.e., adjusted operating income less the cost of capital employed). Qualitative targets are mainly connected with the manager's implementation of the Group's strategy;
- 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;
- allocation of stock options and free shares.

8.4.4.2 ATTENDANCE FEES PAID TO DIRECTORS

The maximum amount to be paid in attendance fees was set at €330,000 by the General Meeting of shareholders on April 6, 2006. This resolution remains in effect until the adoption of a new resolution.

Subject to this limit set by the General Meeting and based on the report of the Nominating and Compensation Committee, the Board of Directors sets the amount of attendance fees to be paid to directors in respect of the previous year as follows:

- €20,000 a year to be paid to each member attending all meetings of the Board of Directors, this amount being reduced by €1,000 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 chairmen of the Strategy Committee and the Nominating and Compensation Committee, and to €20,000 for the chairman of the Audit Committee.

These rules for attendance fees comply with the Code of corporate governance.

8.4.5 - Participation of shareholders in the General Meeting

Conditions for the participation of shareholders in Company General Meetings are described in article 11 ("General Meetings") of Company articles, which can be accessed at www.legrandgroup.com.

8.4.6 - Information pursuant to article L.225-100-3 of the French Commercial Code concerning factors likely to affect the outcome of a public offer

Meeting on February 10, 2010, the Board approved the management report provided for under article L.225-100 of the Commercial Code, concerning in particular factors likely to influence a public offering (see page 230 of this reference document).

As provided by law, this management report will be filed with the registrar of the *Tribunal de Commerce* in Limoges at the same time as the present Chairman's report.

8.4.7 - Definition, purposes and organization of the Group's internal control procedures and risk management

8.4.7.1 DEFINITION AND PURPOSE OF THE GROUP'S INTERNAL CONTROL SYSTEM

The Group's internal control system involves the use of appropriate resources 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
- enables it to take appropriate account of significant operational, financial and compliance risks.

The purpose of the Group's internal control procedures relates to enforcement of principles that include:

- protection and safeguarding of assets through procedures such as regular physical inventory controls, and inspections of plant and equipment as well as 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.

While internal controls naturally cannot provide an absolute assurance that the Group's objectives will be met, it should be emphasized that the Group's unique business model makes it easier for all subsidiaries to understand and implement its principles regarding internal controls.

8.4.7.2 SCOPE OF INTERNAL CONTROL

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.

8.4.7.3 FRAMEWORK

To achieve these internal control objectives, the Group's management has set up a framework based on COSO guidance as adapted to Legrand's special circumstances and drawing inspiration from the practices recommended by the France's financial market authority AMF in its framework document published in January 2007 as regards:

- the Group's internal control environment;
- risk assessment and management;
- internal control operations;
- communications channels and information flows;
- supervision and continuous monitoring of internal control.

This reference framework is implemented by all Group subsidiaries where this is warranted. Considering its structural impact, it also contributes to the harmonization of internal control practices at new subsidiaries, facilitating their integration.

8.4.7.4 INTERNAL CONTROL FRAMEWORK AND RISK MANAGEMENT

Internal control environment

The principles underpinning the Group's internal control environment structure its philosophy in this area and determine the level of staff awareness of the need for controls. The organization set up by the Group is designed to assign clear responsibilities to operating units and operational functions. It is founded on a set of core messages and values that are widely disseminated throughout the Group and shared by all, beyond corporate management structures. This internal control environment is defined in particular by the Group Charter communicating its values and principles to all entities and their employees.

Assessment and management of risk

The assessment and management of risk are the foundations of the Group's internal control procedures. They involve mapping major risks and updating data regularly, which also means that major operating risks are included appropriately in the reference document (chapter 3).

Team

This process is headed by the risk management unit reporting to the Corporate Secretary and working closely with the Internal Control department. The unit ensures in particular that the list of risks identified is up to date and that risks are evaluated and dealt with effectively within the Group, monitoring deployment of related action plans.

This general approach is overseen and monitored by a risk committee that includes the Group's general management. The risk committee met twice in 2009. Cross-functional issues are also addressed regularly at meetings of Group management committees.

The Group Audit Committee is kept informed of all issues, in particular updates to risk mapping, which the Committee reviews annually. All Group directors attended a presentation on risk management at Legrand at the November 2009 Board meeting, which discussed the issues.

Risk assessment

Risks are identified on the basis of information and comments from the Group's principal managers. The results of internal and external audits also contribute to risk mapping.

Once identified, risks are assessed in accordance with pre-defined methods validated by the Risk Committee. The assessment process is based on tables using homogeneous criteria that integrate the probability of occurrence and impact of the risk factors concerned. Additional indicators for the use of the Risk Committee and the Board of Directors are currently being deployed, the aim being to measure the effectiveness of risk management as accurately as possible. These indicators will also help define the internal audit plan so as to ensure the best possible fit with the need to monitor identified risk.

Risk management

The most appropriate ways of dealing with risks are defined in close cooperation with the operational staff concerned. Relays have been named within Group departments, divisions and subsidiaries to favor effective progress for the working groups in place.

The methodology defines specific tools and consistent methods that help structure subsidiaries' responses; easy to use in their day-to-day operation, these identify and process risks. Examples include risk matrices to rate certain types of third-party risks in transactions, as well as relating to certain products made by the Group. Subsidiaries working through the internal control reporting system implement these tools and methods, with internal audits to check that they are being properly applied.

Internal control operations

The Group's internal control operations are defined in a manual of administrative and financial procedures and accounting, management and reporting rules. This manual, designed for to 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 flow (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.

Risk management procedures, compliance with principles of the control framework, and internal control operations are reviewed and tested each year. This review process has led to a large number of initiatives resulting in general improvements at subsidiaries. At the end of December 2009, over 90% of such initiatives had already been completed, contributing to a considerable improvement in the overall quality of internal controls. Others will be deployed in 2010.

8.4.7.5 STAFF INVOLVED IN INTERNAL CONTROL AT LEGRAND

The staff groups involved in internal control at Legrand make up an organization suited to the structure of the Group, ensuring the collection and dissemination within the business of reliable, relevant information. This overall organization is headed by the Internal Control unit.

These models and internal control flows are deployed through concerted action involving contributions from the following staff:

Financial managers at 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.

Group financial control

The Group's financial control section plays a key role in monitoring of subsidiaries' performance. It coordinates the preparation of annual budgets and regularly reviews achievements and estimates. In this, it applies specific reporting and budget preparation rules, which are included in the internal control procedures manual.

01
02
03
04
05
06
07
08
09
10
11
12
13
TDC
A

All subsidiaries issue a detailed consolidation report every month, including a balance sheet, an income statement and analyses, allowing detailed monitoring of their performance.

Corporate financial analysis

The corporate financial analysis section 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, following 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 consolidation reports reviewed annually by the local affiliated offices of the Group's Statutory 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 management of bank accounts is carried out in agreement with the Group's treasury management, ensuring a degree of overall consistency in relationships with banks.

Risk Management

Risk Management is charged with identifying and qualifying risks for the Group, with coordinating action taken to manage these risks, and with monitoring the effectiveness of this action. The aim of this approach is to adapt control points to areas of identified risk.

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, as well as protection and access conditions for systems and networks.

Legal affairs

The legal affairs unit ensures in particular that all significant contractual documents committing the Group are drawn up in strict compliance with laws and regulations, and in such a manner as to preserve the Group's interests. It also guarantees that models for internal delegation of powers are up to date. Finally, it contributes expertise when legal structures are to be changed or new structures created within the Group.

Management of Internal Control and ongoing supervision of the internal control framework

The Group's internal control section:

- coordinates the Group's internal control operations and ensures that reviews are conducted methodically;
- conducts internal audits at Group entities.

The assignment of these two tasks to a single section ensures consistent methodology and constant adaptation of audit procedures to the internal control risk areas.

For the Group's largest entities (France, Italy, the USA and China), the internal control section also relies on local internal control teams s that implement the internal control policy in their units. In smaller subsidiaries, internal control is the responsibility of the head of each operating unit. Regular audits by the Group's internal auditors and financial controllers ensure that the Group's procedures have been properly implemented and enforced. The tools, procedures and results of internal control reviews are made available to the Group's Statutory Auditors on a permanent basis, and there are regular consultations for the purpose of optimizing the internal control framework and cover of risk areas.

In the Group as a whole, a total of around 13 staff members will be fully dedicated to internal control in 2010.

8.4.8 - Financial ratings of the Company

At December 31, 2009, Legrand was rated as follows by financial ratings agencies:

- Standard & Poor's: BBB stable outlook;
- Moody's: Baa2 stable outlook;
- Fitch: BBB stable outlook.

This information is communicated in compliance with recommendations in the Code of Corporate Governance.

01
02
03
04
05
06
07
08
09
10
11
12
13
TDC
A

8.4.9 - 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 the French language and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and relevant professional auditing standards applicable in France.

For the Year ended December 31, 2009

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, 2009.

It is the Chairman's responsibility to prepare, and submit to the Board of Directors for approval, a report describing 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, in particular relating to corporate governance.

It is our responsibility:

- to report to you on the information set out in the Chairman's report on 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 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 of:

- 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 of the existing documentation;
- obtaining an understanding of the work performed to support the information given in the report and of the 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 given on 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 information

We 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 5, 2010
The Statutory Auditors

PricewaterhouseCoopers Audit
Gérard Morin
63, rue de Villiers
92208 Neuilly-sur-Seine Cedex

Deloitte & Associés
Dominique Descours
185, avenue Charles de Gaulle
92200 Neuilly-sur-Seine

01
02
03
04
05
06
07
08
09
10
11
12
13
TDC
A

09

EMPLOYEES

9.1 - NUMBER AND BREAKDOWN 120

9.2 - OPTIONS FOR SUBSCRIPTION TO NEW SHARES OR PURCHASE OF EXISTING SHARES 120

9.2.1 - 2004 and 2005 stock-option plans 120
9.2.2 - 2007, 2008 and 2009 stock-option plans 122
9.2.3 - Summary 123
9.2.4 - Implementation of stock-option plan for 2010 123

9.3 - FREE SHARE ALLOTMENTS 124

9.4 - PROFIT SHARING, EMPLOYEE SHARE OWNERSHIP/SAVINGS PLANS AND COMPANY INVESTMENT FUND 125

9.4.1 - Participation 125
9.4.2 - *Intéressement* *125*
9.4.3 - Group Share Ownership/Savings Plan (*Plan d'Épargne d'Entreprise*) 125
9.4.4 - Company investment fund (*Fonds Commun de Placement d'Entreprise – FCPE*) 126

01 02 03 04 05 06 07 08 09 10 11 12 13 TDC A

9.1 - NUMBER AND BREAKDOWN

The table below shows the weighted-average number of employees, including temporary employees, employed by the Group in 2009, 2008 and 2007 together with breakdowns by geographical locations and areas of employment.

	2007	2008	2009
Total number of employees (annual average)	32,355	34,830	29,628
By geographical location:			
France	26%	23%	24%
Italy	11%	10%	11%
Rest of Europe	15%	21%	19%
United States and Canada	8%	7%	7%
Rest of the world	40%	39%	39%
By area of employment:			
Back Office			
Manufacturing	61%	60%	58%
Administration, General Services and R&D	21%	21%	22%
Front Office			
Marketing and Sales	18%	19%	20%

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. When required by changes in business pace, the Group cuts staff, where possible on the basis of voluntary departures. In 2009, the total headcount thus declined by a weighted average of 14.9%.

9.2 - OPTIONS FOR SUBSCRIPTION TO NEW SHARES OR PURCHASE OF EXISTING SHARES

9.2.1 - 2004 and 2005 stock-option plans

At the General Meeting of June 6, 2003, shareholders authorized the Board of Directors to grant certain employees and officers of the Company or of its subsidiaries, on one or more occasions, stock options entitling holders to subscribe to new shares of the Company representing at most 1.6% of its share capital including the shares to be issued as a result of the exercise of options.

The table below summarizes the position regarding the Company's stock-option plans at December 31, 2009:

Information on stock options	2004 plan	2005 plan	Total
Date of Board of Directors Meeting	January 30, 2004	February 7, 2005	
Total number of shares that may be acquired on exercise of options	508,250	173,750	682,000
Of which number of shares that may be acquired by executive directors	0	0	0
Vesting/exercise conditions	■ 2/3 of the options vest 4 years after the grant date and must be exercised within 60 days of vesting ■ 1/3 of the options vest 5 years after the grant date and must be exercised within 60 days of vesting		
Starting date of the exercise period for the first 2/3 of the options	January 30, 2008	February 7, 2009	
Starting date of the exercise period for the remaining 1/3 of the options	January 30, 2009	February 7, 2010	
Exercise price	€4.00	€5.60	
Options exercised during 2008	(338,781)		(338,781)
Options forfeited during 2008	(1,667)		(1,667)
Options exercised during 2009	(165,717)	(115,834)	(281,551)
Options forfeited during 2009	(2,085)		(2,085)
Options outstanding at December 31, 2009	**0**	**57,916**	**57,916**

In 2009:

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

If all options remaining at December 31, 2009 under the various plans described above were to be exercised, the Company's capital would be diluted by less than 0.1% (this maximum dilution does not take into account the exercise price of these options).

9.2.2 - 2007, 2008 and 2009 stock-option plans

The table below summarizes authorizations for the issuance of options for the subscription to new shares or purchase of existing shares granted at the General Meeting of shareholders on May 15, 2007. Meeting on May 15, 2007, March 5, 2008 and March 4, 2009, the Company's Board of Directors approved the implementation of the stock option plans for subscription to new shares or purchase of existing shares referred to below.

Transaction concerned	Duration of authorization and expiration date	Maximum number of shares to which options may entitled	Duration of plans	Price	Beneficiaries
Issue in one or several stages of stock options or share purchase options	38 months July 15, 2010	5% of share capital of the Company at the grant date	10 years as from date of grant by the Board of Directors	Determined by the Board of Directors in accordance with applicable law and regulations	Certain employees and/or executive directors of the Company and of affiliated companies

Information on stock options	2007 plan	2008 plan	2009 plan	Total
Date of Board of Directors Meeting	May 15, 2007	March 5, 2008	March 4, 2009	
Total number of options	1,638,137	2,015,239	1,185,812	4,839,188
Of which to executive directors	79,281	141,231	93,964	314,476
Gilles Schnepp	*40,745*	*72,583*	*48,300*	*161,628*
Olivier Bazil	*38,536*	*68,648*	*45,664*	*152,848*
Vesting conditions	Options vest after a maximum of 4 years, except in the event of resignation or termination for willful misconduct.			
Starting date of the option exercise period	May 16, 2011	March 6, 2012	March 5, 2013	
End of the option exercise period	May 15, 2017	March 5, 2018	March 4, 2019	
Option exercise price	€25.20	€20.58	€13.12	
Options cancelled during 2007	(27,574)			(27,574)
Options cancelled during 2008	(27,468)	(20,439)		(47,907)
Options cancelled during 2009	(25,105)	(32,057)	(21,093)	(78,255)
Outstanding options as of December 31, 2009	**1,557,990**	**1,962,743**	**1,164,719**	**4,685,452**

If all these options were to be exercised, the Company's capital would be diluted by 1.8% (this maximum dilution does not take into account the exercise price of these options).

The fair value of share-based payment instruments is measured at the grant date, using the Black & Scholes option-pricing model or the binomial model, based on the following assumptions:

Assumptions	2007 plan	2008 plan	2009 plan
Risk-free rate	4.35%	3.40%	2.25%
Expected volatility	28.70%	30.00%	38.40%
Expected return	1.98%	3.47%	5.00%

01 02 03 04 05 06 07 08 09 10 11 12 13 TDC A

9.2.3 - Summary

The table below shows the options granted to and exercised by ten highest beneficiaries who are not executive directors of the Company during the financial year ended December 31, 2009:

Options for the subscription to new shares or the purchase of existing shares granted to the ten highest beneficiaries other than executive directors and options exercised by the same	Total number of options allocated/ of shares subscribed to or purchased	Average weighted exercise price	2004 plan	2005 plan	2007 plan	2008 plan	2009 plan
Options granted during the year by the issuer and companies within the scope of allotments to the 10 employees of the issuer and these companies to whom the highest number of options were granted (total).	150,412	€13.12					150,412
Options previously granted by the issuer and the companies referred to above and exercised in the course of the year by the 10 employees of the issuer and these companies having purchased or subscribed to the highest number of shares (total).	191,354	€4.93	80,520	110,834	-	-	-

Information on options granted and exercised by executive directors during the year ended December 31, 2009 is included in section 8.2.1.2 of this reference document.

9.2.4 - Implementation of stock-option plan for 2010

Meeting on March 4, 2010, the Board of Directors approved the implementation of a stock-option plan for subscription to new shares or purchase of existing shares for 3,254,726 options as indicated below:

Information on options for the subscription or purchase of shares	2010 plan
Date of Board of Directors' meeting	03/04/2010
Total number of shares that may be subscribed or purchased	3,254,726
Including number of shares that may be subscribed or purchased by executive directors	217,646
Vesting conditions	Options vest after a maximum of 4 years, except in the event of resignation or termination for willful misconduct.
Subscription or purchase price	€21.82

If all these options were to be exercised, the Company's capital would be diluted by 1.2% (this maximum dilution does not take into account the exercise price of these options).

9.3 - FREE SHARE ALLOTMENTS

The table below summarizes authorizations for the allotment of free shares granted by the Combined Ordinary and Extraordinary General Meeting of shareholders on May 15, 2007. Meeting on May 15, 2007, March 5, 2008 and March 4, 2009, the Board of Directors approved the implementation of the free share plans listed below.

Transaction concerned	Duration of authorization and expiration date	Maximum number of shares to which allotments may entitle beneficiaries	Beneficiaries
Allotment of free shares, on one or several occasions	38 months July 15, 2010	5% of share capital of the Company at the grant date	Certain employees and/or executive directors of the Company and of affiliated companies

Information on the free share plans	2007 plan	2008 plan	2009 plan	Total
Date of Board of Directors Meeting	May 15, 2007	March 5, 2008	March 4, 2009	
Total number of shares granted	533,494	654,058	288,963	1,476,515
Of which to executive directors	26,427	47,077	23,491	96,995
Gilles Schnepp	*13,582*	*24,194*	*12,075*	*49,851*
Olivier Bazil	*12,845*	*22,883*	*11,416*	*47,144*
Vesting conditions	After a maximum of 4 years, except in the event of resignation or termination for willful misconduct.			
Free shares cancelled during 2007	(8,695)			(8,695)
Free shares vested during 2008	(546)			(546)
Free shares cancelled during 2008	(8,298)	(6,145)		(14,443)
Free shares vested during 2009	(253,880)	(400)		(254,280)
Free shares cancelled during 2009	(6,428)	(9,905)	(6,281)	(22,614)
Total number of free shares outstanding at December 31, 2009	**255,647**	**637,608**	**282,682**	**1,175,937**

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

Meeting on March 4, 2010, the Board of Directors approved the implementation of a plan for the free allotment of 896,556 shares as described below:

Information on free share plan	2010 plan
Date of Board of Directors' meeting	03/04/2010
Total number of free shares allotted	896,556
Including number of shares allotted to Executive Directors	62,163
Terms of allotment	After a maximum of 4 years, except in the event of resignation or termination for willful misconduct.

If all these shares were to be definitively granted, the Company's capital would be diluted by 0.3%.

9.4 - PROFIT SHARING, EMPLOYEE SHARE OWNERSHIP/SAVINGS PLANS AND COMPANY INVESTMENT FUND

French companies with after-tax income exceeding a certain amount are required by law to share the benefits of their business development, a form of profit sharing referred to in French as *participation*.

In addition to this compulsory system, some French companies and their foreign subsidiaries share a portion of their profits with employees under separately negotiated arrangements. This form of profit sharing is referred to in French as *intéressement*.

The Group total for the two kinds of profit sharing was €32.5 million in 2007, €32.7 million in 2008 and €29.7 million in 2009.

In France, Legrand and its French subsidiaries entered into new profit-sharing agreements on June 28, 2006, and ICM Group became a party to the same agreements. Total charges for the two kinds of profit sharing amounted to €25.2 million in the 2009 financial year, equaling 9.92% of payroll for the year in France. The particular arrangements described below concern Legrand and its French subsidiaries, these being the most significant cases.

9.4.1 - Participation

All employees on the payroll of the Company or one of its French subsidiaries for more than three months are entitled to a share of the amount allocated to a *réserve spéciale de participation*, 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 legislation dated December 3, 2008, these amounts may be paid immediately or be frozen for a five-year period, the choice being left up to each employee. In 2009, a total of €11.9 million was paid in respect of the year ended December 31, 2008.

9.4.2 - *Intéressement*

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 salaries. This amount, which may be paid immediately, must not, however, exceed 20% of the employee's total annual compensation. In 2009, a total of €14.4 million was paid in respect of the year ended December 31, 2008.

9.4.3 - Group Share Ownership/Savings Plan (*Plan d'Épargne d'Entreprise*)

On January 30, 2004, the Company and its French subsidiaries set up a new employee share ownership/savings plan (*Plan d'Épargne d'Entreprise* Groupe Legrand). In accordance with the law, this allows all employees on Group payrolls in France for over three months to build savings through an investment fund (*Fonds Commun de Placement*) managed by an accredited institution. Employees are free to choose from a selection of funds. The sums paid into employees' accounts, which are by law frozen for a period of five years, may include mandatory profit-sharing (*participation légale*), company-based profit sharing (*intéressement*), and voluntary payments, which are however subject to legal limitations. Administrative costs are borne by the company.

This Group Plan is effective for a renewable term of one year.

In 2006, a special Group employee share ownership/savings plan was set up under the name Legrand *Actionnariat* to allow employees collectively to take advantage of the Company's initial public offering at a discount from the offering price.

01
02
03
04
05
06
07
08
09
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11
12
13
TDC
A

9.4.4 - Company investment fund (*Fonds Commun de Placement d'Entreprise – FCPE*)

As explained above, employees may invest the amounts credited to them but remaining frozen in various investment funds set up in accordance with 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 to invest their profit-sharing payments 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 2008, this return was set at 6.20%. At December 31, 2009, employee investments in this fund totaled €43.4 million.

On the occasion of the Company's initial public offering and the related capital increase reserved to employees, employees were allowed, as regards their participation in the savings/share-ownership 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 are frozen for five years from May 2, 2006, the settlement and delivery date for the capital increase reserved for employees.

10 SHAREHOLDERS

10.1 - PRINCIPAL SHAREHOLDERS 128

10.1.1 - Shareholding structure 128

10.1.2 - Control of the Company 129

10.2 - SHAREHOLDERS' AGREEMENT AND SPECIFIC AGREEMENTS 130

10.2.1 - Basic principles 130

10.2.2 - Corporate Governance 131

10.2.3 - Exit mechanisms 131

10.2.4 - Termination 131

10.3 - RELATED-PARTY TRANSACTIONS 132

10.1 - PRINCIPAL SHAREHOLDERS

Unless otherwise indicated, the information presented in this chapter is dated December 31, 2009.

10.1.1 - Shareholding structure

At December 31, 2009, ownership of Legrand was as follows:

Shareholder	Interest	Voting rights
Wendel	24.9%	32.4%
KKR(1)	24.9%	32.4%
Free float	44.5%	29.8%
Legrand management and employees (Plan d'Épargne Entreprise) (2)	5.2%	5.4%
Treasury stock	0.5%	-

(1) On March 25, 2010, KKR sold 11.5 million Legrand shares representing 4.4% of total share capital, reducing its interest in the Company to 20.6% of share capital and 27.5% of voting rights.

(2) The 5.2% interest held by Legrand's management and its employees results, with respect to the main managers of the Group, from the exchange, on the occasion of the initial public offering, of the Lumina Management shares they held as investors, for Legrand shares, and, with respect to employees, from the capital increase reserved to employees in connection with the Company's initial public offering.

The Company has been informed of the following breaches of disclosure thresholds:

- Massachusetts Financial Services Company and MFS Institutional Advisors Inc. declared that they together held, on behalf of third parties, 6.99% of the Company's capital and 3.27% of voting rights, having exceeded the threshold of 4% in Company articles on August 21, 2009;
- Morgan Stanley Investment Management Ltd. declared that it held, on behalf of third parties, 3.97% of the Company's capital, having broken below the threshold of 4% in Company articles on August 28, 2009;
- Massachusetts Financial Services Company and MFS Institutional Advisors Inc. declared that they together held, on behalf of third parties, 7.19% of the Company's capital and 3.32% of voting rights, having exceeded the threshold of 5% in Company articles on October 9, 2009;
- Massachusetts Financial Services Company and MFS Institutional Advisors Inc. declared that they together held, on behalf of third parties, 6.94% of the Company's capital and 3.19% of voting rights, following a reduction in excess of the threshold of 1% in Company articles on November 16, 2009;
- Morgan Stanley Investment Management Ltd declared that it held, on behalf of third parties, 2.96% of the Company's capital, having broken below the threshold of 3% in Company articles on November 17, 2009;
- on November 27, 2009, in connection with the sale of shares representing approximately 11% of the Company's capital by KKR and Wendel, as described in section 10.2.3.1 of this reference document:
  - Financière Light III Sarl, controlled by KKR, declared to the AMF (Financial Markets Authority) that it held 24.93% of the Company's capital and 32.37% of voting rights, having separately broken below the legal thresholds of one-third of voting rights and 25% of capital. It further declared to the Company that it had separately broken below all thresholds under Company articles (i) from 30% to 25%, inclusive, as regards capital, and (ii) from 36% to 33%, inclusive, as regards voting rights,
  - Legron BV, controlled by Wendel, declared to the AMF (Financial Markets Authority) that it held 24.93% of the Company's capital and 64.73% of voting rights, having separately broken below the legal thresholds of two-thirds of voting rights and 25% of capital, it further declared to the Company that it had separately broken below all thresholds under Company articles (i) from 30% to 25%, inclusive, as regards capital, and (ii) from 36% to 33%, inclusive, as regards voting rights,
  - acting in concert, Financière Light III Sarl, controlled by KKR, and Legron BV, controlled by Wendel, declared to the AMF (Financial Markets Authority) that they jointly held 49.86% of the Company's capital and 64.73% of voting rights, and having broken below the legal thresholds of two-thirds of voting rights and 50% of capital, they further declared to the Company that they had broken below all thresholds under Company articles (i) from 61% to 50%, inclusive, as regards capital, and (ii) from 73% to 65%, inclusive, as regards voting rights;

- Massachusetts Financial Services Company and MFS Institutional Advisors Inc. declared that they together held, on behalf of third parties, 7.02% of the Company's capital and 3.35% of voting rights, following a reduction in excess of the threshold of 1% in Company articles on December 16, 2009;
- Capital Research and Management declared to the AMF (Financial Markets Authority) that it held 5.09% of the Company's capital and 3.3% of voting rights, having exceeded the legal threshold of 5% on March 1, 2010;
- Morgan Stanley Investment Management Ltd declared that it held, on behalf of third parties, 3.02% of the Company's capital, having exceeded the threshold of 3% in Company articles on March 17, 2010.

On March 25, 2010, as part of the sale by KKR of shares representing 4.4% of the Company's capital:

- Financière Light III S.à.r.l, a company controlled by KKR, declared that it held 20.55% of the Company's capital and 27.45% of voting rights and had broken below, on an individual basis, all thresholds under Company articles (i) from 24% to 21%, inclusive, as regards capital, and (ii) from 32% to 28%, inclusive, as regards voting rights;
- Legron B.V., a company controlled by Wendel, held 24.92% of capital and 33.29% of voting rights of the Company and had exceeded, on an individual basis, the threshold under Company's articles of 33% as regards voting rights;
- Financière Light III and Legron, acting in concert, held 45.48% of the Company's capital and 60.75% of voting rirghts, breaking below all thresholds under Company articles (i) from 49% to 46%, inclusive, as regards capital and (ii) from 64% to 61%, inclusive, as regards voting rights.
- Capital Research and Management Company declared to the AMF (Financial Markets Authority) that it held 7.71% of the Company's capital and 5.004% of voting rights, having exceeded the legal threshold of 5% of voting rights on March 29, 2010.

To the best knowledge of the Company, no other shareholder holds more than 5% of its share capital at the date of this reference document.

At December 31, 2009, the Company held 1,255,647 own shares representing 0.5% of capital stock.

With the exception of double voting rights, as implemented on February 24, 2008, compulsory notice of thresholds breached, and operations noted above, there has been no significant change in the shareholder structure of the Company in the past three years.

10.1.2 - Control of the Company

10.1.2.1 CONTROL STRUCTURE

At December 31, 2009, the Company was controlled by Wendel and KKR, each holding 24.9%.

The Board of Directors ensures that its membership at all times includes at least two independent Directors with no interest in the Company as this is defined in the Board's internal regulations. At the registration date of this reference document, Gérard Lamarche and Thierry de La Tour d'Artaise serve as independent Directors.

A presentation of the independent Directors and the procedures for their selection appears in section 8.3.1.1.2 of this reference document.

10.1.2.2 MAIN DIRECT AND INDIRECT SHAREHOLDERS

Wendel

Wendel is one of Europe's leading listed investment firms. The Group invests in France and abroad, in companies that are leaders in their businesses: Bureau Veritas, Legrand, Saint-Gobain, Materis, Deutsch, Stallergenes, Oranje-Nassau and Stahl. Wendel plays an active role as industry shareholder. It implements long-term development strategies, which involve boosting growth and margins of companies so as to enhance their leading market positions. Wendel is 35% owned by Wendel-Participations, a company representing the interests of the 950 members of the Wendel family.

Wendel shares are traded on the Eurolist market of Euronext Paris.

KKR

Founded in 1976 and led by Henry Kravis and George Roberts, KKR is a leading global alternative asset manager with $52.2 billion in assets under management, over 600 people and 13 offices around the world as of December 31, 2009. KKR manages assets through a variety of investment funds and accounts covering multiple asset classes. KKR seeks to create value by bringing operational expertise to its portfolio companies and through active oversight and monitoring of its investments. KKR complements its investment expertise and strengthens interactions with investors through its client relationships and capital markets platforms. KKR is publicly traded through KKR & Co. (Guernsey) L.P. (Euronext Amsterdam: KKR). For additional information, please visit KKR's website at: www.kkr.com.

01
02
03
04
05
06
07
08
09
10
11
12
13
TDC
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10.1.2.3 SHARES HELD BY DIRECTORS

Each member of the Board of Directors is required to hold at least 500 Company shares.

Directors' direct interests in the capital of the Company at December 31, 2009 are shown in the table below:

Name	Position	Number of shares	% of capital
Gilles Schnepp	Chairman and Chief Executive Officer	1,929,582	0.7
Olivier Bazil	Vice-Chairman and Chief Operating Officer	1,928,845	0.7
Mattia Caprioli	Director	500	-
Arnaud Fayet	Director	500	-
Jacques Garaïalde	Director	500	-
Edward A. Gilhuly	Director	500	-
François Grappotte	Director	1,916,000	0.7
Gérard Lamarche	Director	500	-
Thierry de La Tour d'Artaise	Director	500	-
Frédéric Lemoine	Director	500	-
Ernest-Antoine Seillière	Director	500	-
TOTAL		**5,778,427**	**2.1**

10.2 - SHAREHOLDERS' AGREEMENT AND SPECIFIC AGREEMENTS

Wendel and KKR entered into a shareholders' agreement on March 21, 2006 (the "Shareholders' Agreement"), in the context of the initial public offering. The main provisions of the Shareholders' Agreement, as communicated to the Company, are described below.

10.2.1 - Basic principles

Considering the understanding between Wendel and KKR, each of them has agreed not to make any purchase of Company shares that would result in an obligation under French law to file a public tender offer for the shares of the Company unless it assumes the full consequences of such a tender offer alone. In the event that one of the parties succeeds with such an offer, the Shareholders' Agreement will be amended to (i) allow the other party (which party will have become a minority shareholder) veto rights on certain significant decisions regarding the Company for so long as this party holds at least 20% of the voting rights of the Company and (ii) grant tag-along rights in the event the party holding majority ownership of the Company sells its interest.

01
02
03
04
05
06
07
08
09
10
11
12
13
TDC
A

10.2.2 - Corporate Governance

The management of the Company is entrusted to a Board of Directors, the responsibilities and operation of which are described in chapters 8 and 12 of this reference document.

The Board of Directors is made up of three Directors proposed by Wendel, three Directors proposed by KKR, two independent Directors (currently Gérard Lamarche and Thierry de La Tour d'Artaise) and Gilles Schnepp, Olivier Bazil and François Grappotte. The Board of Directors has three committees, the missions and membership of which are described in section 8.3.1.2 of this reference document.

Without prejudice to the voting rights of the shareholders in general meetings, Wendel and KKR have agreed that, during a period of two years and three months from the date of the admission of the Company's shares to trading on the Eurolist market of Euronext Paris, i.e., until July 6, 2008, they will vote at Shareholders' Meetings in such a way that members proposed by Wendel and KKR remain in the majority on the Board of Directors. Throughout this period, the seats on the Board of Directors held by members proposed by Wendel and by KKR will represent each equally, regardless of their respective shareholdings in the Company.

At the end of this period of two years and three months, the distribution of seats on the Board held by Directors proposed by Wendel and KKR may be altered in the event that the interest of either in the Company changes.

Should the combined interests of Wendel and KKR in the Company become less than one third of the voting rights of the Company, the voting agreements between KKR and Wendel will be terminated, as explained in section 10.2.4 below.

10.2.3 - Exit mechanisms

10.2.3.1 RESTRICTED PERIOD

Since April 8, 2008, KKR and Wendel have no longer been bound by the terms of the Shareholders Agreement under which they agreed not to dispose of any shares of the Company, with the exception of disposals to related parties and sales of limited numbers of shares (in accordance with thresholds defined in order to limit the impact of such disposals on the share price), it being specified that such disposals require prior notice to the other party.

On November 23, 2009, KKR and Wendel jointly sold, on the market, 30 million shares representing approximately 11% of the Company's share capital. As part of this transaction, KKR and Wendel signed an undertaking to hold the Company's shares for six months, subject to certain exceptions.

10.2.3.2 POST RESTRICTED PERIOD

If at any time during the term of the Shareholders' Agreement, either KKR or Wendel wish to carry out a secondary offering of its shares in the Company in an amount greater than €150 million, or if either of them wishes to dispose of a block of Company shares in an amount greater than €100 million, the other party will be entitled to tag along on such secondary offering or disposal. This right does not apply with respect to any distribution of Company shares to shareholders of Wendel or KKR, or in the event of the issuance of securities convertible into or exchangeable for Company shares (convertible bonds, etc.) or in the event that the Company's securities are used as consideration in another, more comprehensive transaction.

KKR and Wendel will have the Company undertake to take certain action in the context of any secondary offerings such as to allow orderly placement of their shares on the market.

Any sale of shares by either Wendel or KKR to a an industrial group in an amount greater than €100 million will require the prior consent of the other party.

Wendel and KKR will each have a right of first refusal in the event that the other intends to sell Company shares. This right of first refusal will not apply to the distribution of Company shares to shareholders of Wendel or KKR, or to the issuance of securities convertible into or exchangeable for shares of the Company (such as convertible bonds).

10.2.4 - Termination

The Shareholders' Agreement will terminate on the earliest of (i) the date on which the combined shareholding in the Company of Wendel and KKR represents less than one-third of the voting rights of the Company, (ii) the date on which the shareholding of either Wendel or KKR represents less than 5% of the voting rights of the Company; or (iii) the fifth anniversary of the initial public offering of the Company's shares on Euronext Paris.

01
02
03
04
05
06
07
08
09
10
11
12
13
TDC
A

10.3 - RELATED-PARTY TRANSACTIONS

Significant transactions entered into by, or continued between, the Company and related parties (see note 23 appended to the consolidated financial statements included in chapter 11 of this reference document, as well as the special report of the Auditors in appendix 5) since January 1, 2003 and which remain in effect at the date of registration of this reference document, are, to the exclusion of those relating to inter-company debt, as follows:

- the factoring contract with BNP Paribas Factor considered as a related-party transaction due to the beneficiary, Legrand and a number of its subsidiaries, and the presence of a Director serving on the boards of both Legrand and BNP Paribas (see appendix 5: Statutory Auditors' special report on regulated agreements and commitments with third parties, in this reference document;
- a non-compete clause signed under the contract with Mr. Gilles Schnepp (see appendix 5: Statutory Auditors' special report on regulated agreements and commitments with third parties, in this reference document;
- the tax consolidation agreement, the scope of which includes, among others, Alpes Technologies, Arnould FAE, Baco, AE Chessy, Distrasa, Inovac, Legrand SNC, Pammelec, Planet Watthom, Sarlam, Sofrelec, Sute, URA, Arnould Planet Watthom and, Chateaudun Développement 3 (ICM Group);
- the supplementary pension plan for the members of the Group's Executive committee subject to the public pension régime 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 be at least 60 years of 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 which qualifies as an operation requiring disclosure given the identity of the beneficiaries, Legrand and a number of its subsidiaries, and the presence of a Director serving on the boards of both Legrand and BNP Paribas (see section 7.5.2.1 and the Statutory Auditor's report on regulated agreements and commitments, reproduced in appendix 5 of this reference document).

11 FINANCIAL INFORMATION CONCERNING THE ASSETS AND LIABILITIES, FINANCIAL POSITION AND PROFITS AND LOSSES OF THE GROUP

11.1 - CONSOLIDATED FINANCIAL STATEMENTS IN ACCORDANCE WITH IFRS STANDARDS FOR THE FINANCIAL YEARS ENDED DECEMBER 31, 2009, DECEMBER 31, 2008 AND DECEMBER 31, 2007 134

11.1.1 - Consolidated financial statements in accordance with IFRS standards for the financial years ended December 31, 2009, December 31, 2008 and December 31, 2007 134

11.1.2 - Notes to the consolidated financial statements 139

11.2 - STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS IN ACCORDANCE WITH IFRS FOR THE YEAR ENDED DECEMBER 31, 2009 185

11.3 - FEES PAID TO STATUTORY AUDITORS 187

11.4 - DIVIDEND POLICY 188

11.5 - LEGAL PROCEEDINGS AND ARBITRATION 189

11.6 - SIGNIFICANT CHANGES IN FINANCIAL AND COMMERCIAL SITUATION 189

11.1 - CONSOLIDATED FINANCIAL STATEMENTS IN ACCORDANCE WITH IFRS STANDARDS FOR THE FINANCIAL YEARS ENDED DECEMBER 31, 2009, DECEMBER 31, 2008 AND DECEMBER 31, 2007

11.1.1 - Consolidated financial statements in accordance with IFRS standards for the financial years ended December 31, 2009, December 31, 2008 and December 31, 2007

11.1.1.1 CONSOLIDATED STATEMENT OF INCOME IN ACCORDANCE WITH IFRS STANDARDS

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

Statement of comprehensive income

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

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

11.1.1.2 CONSOLIDATED BALANCE SHEET IN ACCORDANCE WITH IFRS STANDARDS

Assets

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

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

Equity and liabilities

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

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

01
02
03
04
05
06
07
08
09
10
11
12
13
TDC
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11.1.1.3 CONSOLIDATED STATEMENT OF CASH FLOWS IN ACCORDANCE WITH IFRS STANDARDS

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

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

11.1.1.4 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY IN ACCORDANCE WITH IFRS STANDARDS

	Equity attributable to equity holders of Legrand					
(in € millions)	Share capital	Retained earnings	Translation reserves	TOTAL	Minority interests	Total equity
As of December 31, 2006	**1,078.8**	**1,217.6**	**(136.6)**	**2,159.8**	**8.8**	**2,168.6**
Profit for the period		421.0		421.0	1.6	422.6
Income (expenses) recognized directly in equity, net		6.7	(57.4)	(50.7)		(50.7)
Total recognized income and expenses, net		*427.7*	*(57.4)*	*370.3*	*1.6*	*371.9*
Dividends paid		(133.1)		(133.1)	(3.0)	(136.1)
Issues of share capital (note 10)	5.1			5.1		5.1
Share buybacks and transactions under the liquidity contract (note 10)		(280.8)		(280.8)		(280.8)
Buyout of minority interests				0.0	(4.6)	(4.6)
Stock options (note 11 (B))		7.0		7.0		7.0
As of December 31, 2007	**1,083.9**	**1,238.4**	**(194.0)**	**2,128.3**	**2.8**	**2,131.1**
Profit for the period		349.9		349.9	1.6	351.5
Income (expenses) recognized directly in equity, net		(15.2)	(55.4)	(70.6)	1.3	(69.3)
Total recognized income and expenses, net		*334.7*	*(55.4)*	*279.3*	*2.9*	*282.2*
Dividends paid		(180.0)		(180.0)	(1.4)	(181.4)
Issues of share capital (note 10)	3.9			3.9		3.9
Cancellation of shares acquired under the share buyback program (note 10)	(36.5)	36.5		0.0		0.0
Share buybacks and transactions under the liquidity contract (note 10)		(85.5)		(85.5)		(85.5)
Change in scope of consolidation		0.0		0.0	1.3	1.3
Current taxes on share buybacks		16.7		16.7		16.7
Stock options (note 11 (B))		17.5		17.5		17.5
As of December 31, 2008	**1,051.3**	**1,378.3**	**(249.4)**	**2,180.2**	**5.6**	**2,185.8**
Profit for the period		289.8		289.8	1.5	291.3
Income (expenses) recognized directly in equity, net		(1.0)	17.8	16.8	0.2	17.0
Total recognized income and expenses, net		*288.8*	*17.8*	*306.6*	*1.7*	*308.3*
Dividends paid		(182.8)		(182.8)	(1.5)	(184.3)
Issues of share capital and premium (note 10)	1.1	0.2		1.3		1.3
Sales (buybacks) of shares and transactions under the liquidity contract (note 10)		75.8		75.8		75.8
Change in scope of consolidation				0.0	(0.6)	(0.6)
Current taxes on share buybacks		(0.9)		(0.9)		(0.9)
Stock options (note 11 (B))		9.0		9.0		9.0
As of December 31, 2009	**1,052.4**	**1,568.4**	**(231.6)**	**2,389.2**	**5.2**	**2,394.4**

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

11.1.2 - Notes to the consolidated financial statements

Detailed table of contents

NOTE 1 -	ACCOUNTING POLICIES	141
NOTE 2 -	INTANGIBLE ASSETS (NOTE 1 (F))	148
NOTE 3 -	GOODWILL (NOTE 1 (G))	150
NOTE 4 -	PROPERTY, PLANT AND EQUIPMENT (NOTE 1 (H))	153
NOTE 5 -	INVESTMENTS IN ASSOCIATES AND OTHER INVESTMENTS	156
NOTE 6 -	INVENTORIES (NOTE 1 (I))	157
NOTE 7 -	TRADE RECEIVABLES (NOTE 1 (E))	157
NOTE 8 -	OTHER CURRENT ASSETS	158
NOTE 9 -	CASH AND CASH EQUIVALENTS AND MARKETABLE SECURITIES (NOTE 1 (D))	158
NOTE 10 -	SHARE CAPITAL AND EARNINGS PER SHARE (NOTE 1 (S))	159
NOTE 11 -	STOCK OPTION PLANS, FREE SHARE PLANS AND EMPLOYEE PROFIT-SHARING (NOTE 1 (O))	160
NOTE 12 -	RETAINED EARNINGS AND TRANSLATION RESERVES	163
NOTE 13 -	LONG-TERM BORROWINGS	163
NOTE 14 -	PROVISIONS	166
NOTE 15 -	PENSION AND OTHER POST-EMPLOYMENT BENEFIT OBLIGATIONS (NOTE 1 (Q))	166
NOTE 16 -	SHORT-TERM BORROWINGS	169
NOTE 17 -	OTHER CURRENT LIABILITIES	169
NOTE 18 -	ANALYSIS OF CERTAIN EXPENSES	170
NOTE 19 -	FINANCE COSTS AND OTHER FINANCIAL INCOME AND EXPENSE, NET	170
NOTE 20 -	INCOME TAX EXPENSE (CURRENT AND DEFERRED) (NOTE 1 (J))	171
NOTE 21 -	CONTINGENCIES AND COMMITMENTS	173
NOTE 22 -	DERIVATIVE INSTRUMENTS AND MANAGEMENT OF FINANCIAL RISKS	173
NOTE 23 -	INFORMATION RELATING TO CORPORATE OFFICERS	177
NOTE 24 -	INFORMATION BY GEOGRAPHICAL SEGMENT (NOTE 1 (R))	179
NOTE 25 -	QUARTERLY DATA – NON-AUDITED	182
NOTE 26 -	SUBSEQUENT EVENTS	185

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 and the United States, which accounted for approximately 56% of annual revenue in 2009 (2008: 54%, 2007: 57%).

The Company is a *société anonyme* (public limited company) incorporated and domiciled in France. Its registered office is located at 128, avenue du Maréchal de Lattre de Tassigny, 87000 Limoges (France).

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

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

LIST OF CONSOLIDATED COMPANIES

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

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

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

Foreign subsidiaries:			
Bticino	Italy	Legrand Group Pty Ltd	Australia
Bticino de Mexico	Mexico	Legrand India	India
EMB Electrical Industries SAE	Egypt	Legrand Nederland BV	Netherlands
GL Eletro-Eletronicos Ltda	Brazil	Legrand Polska	Poland
Kontaktor	Russia	Legrand Zrt	Hungary
Legrand	Greece	Ortronics	United States
Legrand	Russia	Pass & Seymour	United States
Legrand Colombia	Colombia	Rocom	Hong Kong
Legrand Electric	United Kingdom	Shidean	China
Legrand Electrica	Portugal	TCL International Electrical	China
Legrand Electrical	China	TCL Wuxi	China
Legrand Electrique	Belgium	The Watt Stopper	United States
Legrand Elektrik	Turkey	The Wiremold Company	United States
Legrand España	Spain	Ticino de Venezuela CA	Venezuela

At December 31, 2009 Legrand wholly owned all of its subsidiaries except for (i) Alborz Electrical Industries Ltd (Iran), Kontaktor (Russia), Legrand Polska (Poland), Shidean (China) and Legrand Group Pty Ltd (Australia), which were all over 95%-owned; (ii) EMB Electrical Industries SAE (Egypt), which was 75%-owned; and (iii) Bticino (Thailand), in which the Company has a 51% interest.

The contributions to the consolidated balance sheets and income statements of companies acquired since January 1, 2007 were as follows:

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

2008	March 31	June 30	September 30	December 31
Kontaktor	3 months' profit	6 months' profit	9 months' profit	12 months' profit
Macse	3 months' profit	6 months' profit	9 months' profit	12 months' profit
Alpes Technologies	3 months' profit	6 months' profit	9 months' profit	12 months' profit
TCL Wuxi	3 months' profit	6 months' profit	9 months' profit	12 months' profit
PW Industries	2 months' profit	5 months' profit	8 months' profit	11 months' profit
Estap		3 months' profit	6 months' profit	9 months' profit
HDL		3 months' profit	6 months' profit	9 months' profit
Electrak		3 months' profit	6 months' profit	9 months' profit

2009	March 31	June 30	September 30	December 31
Estap	3 months' profit	6 months' profit	9 months' profit	12 months' profit
HDL	3 months' profit	6 months' profit	9 months' profit	12 months' profit
Electrak	3 months' profit	6 months' profit	9 months' profit	12 months' profit

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, 2009. They have been prepared in accordance with the International Financial Reporting Standards (IFRS) and International Financial Reporting Interpretation Committee (IFRIC) interpretations adopted by the European Union and applicable or authorized for early adoption at December 31, 2009.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 1 (U).

The consolidated financial statements have been prepared using the historical cost convention, except for certain classes of assets and liabilities that are measured in accordance with IFRS. The classes concerned are mentioned in the notes below.

A) NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS APPLIED BY THE GROUP FROM JANUARY 1, 2009

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

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

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

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

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

Standards, amendments and interpretations applied by the Group that have no impact on its financial statements

The following amendments and interpretations do not have any impact on the Group's consolidated financial statements:

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

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

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

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

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

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

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

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

Standards, amendments and interpretations early adopted by the Group

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

The Group also elected to early adopt IFRIC 16 – Hedges of a Net Investment in a Foreign Operation, which was adopted by the European Union on June 4, 2009 (note 12 (B)).

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

B) BASIS OF CONSOLIDATION

Subsidiaries controlled by the Group are fully consolidated. Control is defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Subsidiaries are consolidated from the date when effective control is transferred to the Group. They are deconsolidated from the date on which control ceases.

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

Associates are entities over which the Group has significant influence but not control. Significant influence is generally considered to be exercised when the Group holds 20 to 50% of the voting rights. Investments in associates are initially recognized at cost and are subsequently accounted for by the equity method.

C) FOREIGN CURRENCY TRANSLATION

Items included in the financial statements of each Group entity are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The consolidated financial statements are presented in euros, which is the Company's functional and presentation currency.

Foreign currency transactions are translated into the presentation currency using the exchange rate on the transaction date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies using the exchange rate at the balance sheet date are recognized in the income statement under the heading 'Exchange gains (losses)'.

Assets and liabilities of Group entities whose functional currency is different from the presentation currency are translated using the exchange rate at the balance sheet date. Statements of income are translated using the average exchange rate for the period. Gains or losses arising from the translation of the financial statements of foreign subsidiaries are recognized directly in equity, under 'Translation reserves', until the entities are sold or substantially liquidated.

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D) CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash, short-term deposits and all other financial assets with an original maturity not in excess of three months. Cash equivalents are short-term (defined as maturing in less than three months), highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Marketable securities are not considered as cash equivalents.

Bank overdrafts are considered to be a form of financing and are therefore included in short-term borrowings.

E) TRADE RECEIVABLES

Trade receivables are measured at fair value. A provision for impairment is recorded when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables.

F) INTANGIBLE ASSETS

In accordance with IAS 36 - Impairment of Assets, when events or changes in market environment indicate that an intangible asset or item of property, plant and equipment may be impaired, the item concerned is tested for impairment to determine whether its carrying amount is greater than its recoverable amount, defined as the higher of fair value less costs to sell and value in use.

Fair value less costs to sell is the best estimate of the amount obtainable from the sale of an asset or cash-generating unit in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Value in use is the present value of the future cash flows expected to be derived from the use and subsequent sale of the asset.

An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment losses on intangible assets may be reversed in subsequent periods if the impairment has decreased, provided that the increased carrying amount of the asset does not exceed the amount that would have been determined had no impairment loss been recognized.

Costs incurred for the Group's principal development projects (relating to the design and testing of new or improved products) are recognized as intangible assets when it is probable that the project will be a success, considering its technical, commercial and technological feasibility, and costs can be measured reliably. Capitalized development costs are amortized from the starting date of the sale of the product on a straight-line basis over the period in which the asset's future economic benefits are consumed, not to exceed 10 years.

Other development expenditures are recognized as an expense as incurred.

Developed technology is amortized on an accelerated basis, in a manner that reflects the pattern in which the assets' economic benefits are consumed.

Trademarks with finite useful lives are amortized:

- over 10 years when management plans to gradually replace them by other major trademarks owned by the Group;
- over 20 years when management plans to replace them by other major trademarks owned by the Group only over the long term or when, in the absence of such an intention, management considers that the trademarks may be threatened by a major competitor in the long term.

Amortization of developed technology is recognized in the income statement under 'Research and Development costs'.

Amortization of trademarks is recognized in the income statement under 'Administrative and selling expenses'.

Trademarks are classified as having an indefinite useful life when they have been in use for more than ten years and management believes they will contribute indefinitely to future consolidated cash flows because it plans to continue using them indefinitely. Useful lives are reviewed at regular intervals, leading in some cases to trademarks classified as having an indefinite useful life being reclassified as trademarks with a finite useful life.

As Legrand's trademarks that are classified as having an indefinite useful life are used internationally, they each contribute to all of the Group's cash-generating units.

Trademarks are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

G) GOODWILL

Goodwill is tested for impairment annually, in the fourth quarter of each year, and whenever events or changes in circumstance indicate that the carrying amount may not be recoverable.

For impairment testing purposes, goodwill is allocated to a cash-generating unit (CGU), corresponding to the lowest level at which goodwill is monitored. Within the Legrand Group, CGUs are defined as corresponding to individual countries.

The need to record an impairment loss is assessed by comparing the carrying amount of the CGU's assets and liabilities, including goodwill, and their recoverable amount, defined as the higher of fair value less costs to sell and value in use.

In accordance with IAS 36, value in use is estimated based on discounted cash flows for the next three to five years and a terminal value calculated by discounting data for the final year of the projection period. The cash flow data used for the calculation is generally taken from the most recent medium-term business plans approved by the Group. Cash flows beyond the projection period are estimated by applying a stable growth rate to subsequent years.

The discount rate applied corresponds to the weighed average cost of capital, adjusted to reflect the risks specific to each cash-generating unit.

Fair value less costs to sell is the best estimate of the amount obtainable from the sale of an asset or cash-generating unit in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

An impairment loss is recognized when the carrying amount is less than the recoverable amount. In accordance with IAS 36, impairment losses recognized on goodwill are irreversible.

H) PROPERTY, PLANT AND EQUIPMENT

Land, buildings, machinery and equipment, and other fixed assets are carried at cost less accumulated depreciation and any accumulated impairment losses. Impairment tests are performed annually and whenever events or changes in circumstances indicate that the assets' carrying amount may not be recoverable.

Assets acquired under lease agreements that transfer substantially all of the risks and rewards of ownership to the Group are capitalized on the basis of the present value of future minimum lease payments and are depreciated over the shorter of the lease period and the asset's useful life determined in accordance with Group policies (see below).

Depreciation is calculated on a straight-line basis over the estimated useful lives of the respective assets; the most commonly adopted useful lives are the following:

Light buildings	25 years
Standard buildings	40 years
Machinery and equipment	8 to 10 years
Tooling	5 years
Office furniture and equipment	5 to 10 years

The depreciable amount of assets is determined after deducting their residual value when the amounts involved are material.

Each part of an item of property, plant and equipment with a useful life that is significantly different to the useful lives of other parts is depreciated separately.

Assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

I) INVENTORIES

Inventories are measured at the lower of cost and net realizable value, with cost determined principally on a first-in, first-out (FIFO) basis. The cost of finished goods and work in progress comprises raw materials, direct labor, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

J) DEFERRED TAXES

In accordance with IAS 12, deferred taxes are recognized for temporary differences between the tax bases of assets and liabilities and their carrying amount in the consolidated balance sheet. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred tax assets and deferred tax liabilities are offset when the entity has a legally enforceable right of offset and they relate to income taxes levied by the same taxation authority.

Concerning foreign subsidiaries, IAS 12, paragraph 39, stipulates that the consolidating entity should not recognize a deferred tax liability on temporary differences associated with its investments when i) it is able to control the timing of the reversal of the temporary difference, and ii) it is probable that the temporary difference will not reverse in the foreseeable future. Accordingly, deferred taxes on the cumulative post-acquisition retained earnings of foreign subsidiaries are generally not recognized.

K) REVENUE RECOGNITION

Revenues from the sale of goods are recognized when all of the following conditions have been satisfied: (i) the significant risks and rewards of ownership of the goods have been transferred to the buyer; (ii) the seller retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold; (iii) the amount of revenue can be measured reliably; (iv) it is probable that the economic benefits associated with the transaction will flow to the seller; and (v) the costs incurred or to be incurred in respect of the transaction can be measured reliably. For the Group, this policy results in the recognition of revenue when title and the risk of loss are transferred to the buyer, which is generally upon shipment.

The Group offers certain sales incentives to customers, consisting primarily of volume rebates and cash discounts. Volume rebates are typically based on three, six, and twelve-month arrangements with customers, and rarely extend beyond one year. Based on the trade of the current period, such rebates are recognized on a monthly basis as a reduction in revenue from the underlying transactions that reflect progress by the customer towards earning the rebate, with a corresponding deduction from the customer's trade receivables balance.

L) FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amounts of cash, short-term deposits, accounts receivable, accounts payable, accrued expenses and short-term borrowings approximate their fair value because of these instruments' short maturities. For short-term investments, comprised of marketable securities, fair value corresponds to the

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securities' market price. The fair value of long-term borrowings is estimated on the basis of interest rates currently available for issuance of debt with similar terms and remaining maturities. The fair value of interest rate swap agreements is the estimated amount that the counterparty would receive or pay to terminate the agreements, and is calculated as the present value of the estimated future cash flows.

M) DERIVATIVE FINANCIAL AND COMMODITY INSTRUMENTS

Group policy consists of not entering into any transactions of a speculative nature involving financial instruments. All transactions in these instruments are entered into exclusively for the purpose of managing or hedging currency or interest rate risks, and changes in the prices of raw materials. For this purpose, the Group periodically enters into contracts such as swaps, caps, options, futures and forward contracts, according to the nature of its exposure.

Derivatives are initially recognized at fair value at the contract inception date and are subsequently remeasured at fair value at each reporting date. The method of recognizing the resulting gain or loss depends on whether the derivative qualifies for hedge accounting, and if so, the nature of the item being hedged.

Concerning hedges of a net investment in a foreign operation, the portion of the gain or loss on the hedging instrument that is deemed to be an effective hedge is recognized in equity, as required under paragraph 102 of IAS 39.

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

Although the Group's other derivative instruments are also used to hedge risks, it has opted not to apply the hedge accounting technique defined in IAS 39 but to measure all of these instruments at fair value through profit. The resulting gains and losses are recognized in 'Other financial income and expense' for interest rate hedges, in 'Exchange gains (losses)' for hedges of foreign currency transactions and in 'Operating profit' for commodity hedges.

The fair values of derivative instruments used for hedging purposes are disclosed in note 22.

N) ENVIRONMENTAL AND PRODUCT LIABILITIES

In accordance with IAS 37, the Group recognizes losses and accrues liabilities relating to environmental and product liability matters. A loss is recognized if available information indicates that it is probable and reasonably estimable. In the event that a loss is neither probable nor reasonably estimable but remains possible, the contingency is disclosed in the notes to the consolidated financial statements.

Losses arising from environmental liabilities are measured on a best-estimate basis, case by case, based on available information.

Losses arising from product liability issues are estimated on the basis of current facts and circumstances, past experience, the number of claims and the expected cost of administering, defending and, in some cases, settling such cases.

In accordance with IFRIC 6 - Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment, the Group manages waste equipment under the European Union Directive on waste electrical and electronic equipment by paying financial contributions to a recycling platform.

O) SHARE BASED PAYMENT TRANSACTIONS

The Group operates equity-settled, share-based compensation plans.

The cost of stock options is measured at the fair value of the award on the grant date, using the Black & Scholes option pricing model or the binomial model, and is recognized in the income statement under 'Employee benefits expense' on a straight-line basis over the vesting period with a corresponding adjustment to equity. Changes in the fair value of stock options after the grant date are not taken into account.

P) TRANSFERS AND USE OF FINANCIAL ASSETS

In accordance with IAS 39, financial assets are derecognized when the associated cash flows and substantially all the related risks and rewards have been transferred.

Q) PENSION AND OTHER POST-EMPLOYMENT BENEFIT OBLIGATIONS

(a) Pension obligations

Group companies operate various pension plans. The plans are funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations. The Group has both defined contribution and defined benefit plans.

Defined contribution plans

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. Contributions are recognized as an expense for the period of payment.

The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in current and prior periods.

Defined benefit plans

A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and end-of-career salary.

The liability recognized in the balance sheet for defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date, as adjusted for unrecognized past service costs, less the fair value of plan assets. Past service costs are recognized in the income statement on a straight-line basis over the average remaining vesting period.

The Group has elected to recognize all actuarial gains and losses outside profit or loss, in the statement of recognized income and expense, as allowed under IAS 19, paragraph 93A (amended).

Defined benefit obligations are calculated annually using the projected unit credit method. This method takes into account estimated years of service at retirement, final salaries, life expectancy and staff turnover, based on actuarial assumptions. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of investment grade corporate bonds that are denominated in the currency in which the benefits will be paid and have terms to maturity approximating the period to payment of the related pension liability.

(b) Other post-employment benefit obligations

Some Group companies provide post-employment healthcare benefits to their retirees. The entitlement to these benefits is usually conditional on the employee remaining with the company up to retirement age and completion of a minimum service period.

The benefits are treated as post-employment benefits under the defined benefit scheme.

R) SEGMENT INFORMATION

The Group is organized by country for management purposes and by geographical segment for internal reporting purposes. The geographical segments, determined according to the region of origin of invoicing, are France, Italy, Rest of Europe, United States and Canada, and Rest of the World.

S) BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share are calculated by dividing net profit attributable to equity holders of Legrand by the average number of ordinary shares outstanding during the period.

Diluted earnings per share are calculated by dividing net profit attributable to equity holders of Legrand by the average number of ordinary shares outstanding plus the number of dilutive potential ordinary shares at the balance sheet date.

The average number of ordinary shares outstanding used in these calculations has been adjusted for the share buybacks and sales carried out during the period.

T) BORROWING COSTS

In accordance with the revised version of IAS 23, borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are included in the cost of that asset. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale.

Other borrowing costs are recognized as an expense for the period in which they were incurred.

U) USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that are reflected in the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

Estimates and judgments are continually evaluated. They are based on historical experience and other factors, including expectations of future events, and are believed to be reasonable under the circumstances.

(a) Impairment of goodwill and intangible assets

Goodwill and intangible assets with indefinite useful lives are tested for impairment at least annually in accordance with the accounting policy described in notes 1 (F) and 1 (G). Intangible assets with finite useful lives are amortized over their estimated useful lives and are tested for impairment when there is any indication that their recoverable amount may be less than their carrying amount.

Judgments regarding the existence of indications of impairment are based on legal factors, market conditions and operational performance of the acquired businesses. Future events could cause the Group to conclude that an indication of impairment exists and that goodwill or other identifiable intangible assets associated with the acquired businesses are impaired. Any resulting impairment loss could have a material adverse effect on the consolidated financial condition and results of operations of the Group.

Recognition of goodwill and other intangible assets involves a number of critical management judgments, including:

- determining which intangible assets, if any, have indefinite useful lives and, accordingly, should not be amortized;
- identifying events or changes in circumstances that may indicate that an impairment has occurred;
- allocating goodwill to cash-generating units;
- determining the recoverable amount of cash-generating units for the purposes of impairment tests of goodwill;
- estimating the future discounted cash flows to be used for the purposes of periodic impairment tests of intangible assets with indefinite useful lives; and
- determining the recoverable amount of intangible assets with indefinite useful lives for impairment testing purposes.

The recoverable amount of an asset is based either on the asset's quoted market price in an active market, if available, or, in the absence of an active market, on discounted future cash flows from operations less investments. The determination of recoverable amount requires the use of certain assumptions and estimates that may be affected by changes in the Group's economic environment. Other estimates using different, but still reasonable, assumptions could produce different results.

(b) Accounting for income taxes

As part of the process of preparing the consolidated financial statements, the Group is required to estimate income taxes in each of the jurisdictions in which it operates. This involves estimating the actual current tax exposure and assessing temporary differences resulting from differing treatment of items such as deferred revenue or prepaid expenses for tax and accounting purposes. These differences result in deferred tax assets and liabilities, which are reported in the consolidated balance sheet.

The Group must then assess the probability that deferred tax assets will be recovered from future taxable profit. Deferred tax assets are recognized only when it is probable that taxable profit will be available against which the underlying deductible temporary difference can be utilized.

The Group has not recognized all of its deferred tax assets because it is not probable that some of them will be recovered before they expire. The amounts involved mainly concern operating losses carried forward and foreign income tax credits. The assessment is based on estimates of future taxable profit by jurisdiction in which the Group operates and the period over which the deferred tax assets are recoverable. If actual results differ from these estimates or the estimates are adjusted in future periods, the Group may need to record a valuation allowance against deferred tax assets carried in the balance sheet.

(c) Other assets and liabilities based on estimates

Other assets and liabilities based on estimates include provisions for pensions and other post-employment benefits, impairment of trade receivables, inventories and financial assets, stock options, provisions for product liabilities and capitalized development costs.

V) NEW IFRS PRONOUNCEMENTS

As of the date when the consolidated financial statements were prepared, the following standards and interpretations published by the IASB were not yet applicable:

(a) Standards, amendments and interpretations adopted by the European Union:

IFRIC 15 – Agreements for the construction of real estate

This interpretation – which was published by the IASB in July 2008 and adopted by the European Union on July 22, 2009 – applies to the accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors.

IFRIC 15 is applicable for annual periods beginning on or after January 1, 2010.

IFRIC 17 – Distributions of non-cash assets to owners

This interpretation – published by the IASB in November 2008 and adopted by the European Union on November 27, 2009 – applies to distributions of non-cash assets and distributions that give owners a choice of receiving either non-cash assets or a cash alternative. It provides guidance on the recognition and measurement of dividends payable and how entities should account for any difference between the carrying amount of the assets distributed and the carrying amount of the dividend payable.

IFRIC 17 is applicable for annual periods beginning on or after July 1, 2009.

IFRIC 18 – Transfers of assets from customers

This interpretation – published in January 2009 and adopted by the European Union on December 1, 2009 – applies to the accounting for transfers of items of property, plant and equipment by entities that receive such transfers from their customers.

IFRIC 18 is applicable for annual periods beginning on or after July 1, 2009.

Amendment to IAS 32 – Classification of rights Issues

In October 2009, the IASB published an amendment to IAS 32 on the classification of rights issues. Adopted by the European Union on December 24, 2009 this amendment concerns certain rights issues offered for a fixed amount of foreign currency which were previously accounted for as debt derivatives. According to the new amendment, under certain conditions these rights should be classified as equity regardless of the currency in which the exercise price is denominated.

Application of the amendment is compulsory for annual periods beginning on or after February 1, 2010.

b) Standards and interpretations not yet adopted by the European Union:

Amendment to IFRIC 14 – Prepayments of a minimum funding requirement

In November 2009, the IASB published an amendment to IFRIC 14 – Prepayments of a Minimum Funding Requirement. According to IFRIC 14 (unamended), in certain circumstances an entity may not recognize as an asset voluntary prepayments of minimum funding requirements. The purpose of the amendment is to correct the unintended consequences of this restriction.

Application of the amendment is compulsory for annual periods beginning on or after January 1, 2011. Earlier application is not permitted pending adoption by the European Union.

IFRIC 19 – Extinguishing financial liabilities with equity instruments.

In November 2009, the IASB published IFRIC 19 – Extinguishing Financial Liabilities with Equity Instruments. This interpretation provides guidance on how to account for the extinguishment of a financial liability by the issue of equity instruments.

Application of IFRIC 19 is compulsory for annual periods beginning on or after July 1, 2010. Earlier application is not permitted pending adoption by the European Union.

IFRS 9 – Financial instruments.

In November 2009, the IASB published IFRS 9 – Financial Instruments to replace IAS 39 – Financial Instruments: Recognition and Measurement. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortised cost or fair value, replacing the many different rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments (its business model) and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the many different impairment methods in IAS 39.

Application of this standard is compulsory for annual periods beginning on or after January 1, 2013. Earlier application is not permitted pending adoption by the European Union.

IAS 24 (revised) – Related party disclosures

In November 2009, the IASB published the revised version of IAS 24 – Related Party Disclosures. This version provides for a partial exemption from the disclosure requirements of IAS 24 for government-related entities and clarifies the definition of a related party.

Application of the revised standard is compulsory for annual periods beginning on or after January 1, 2011. Earlier application is not permitted pending adoption by the European Union.

The Group is currently reviewing these standards, amendments and interpretations to assess their possible effect on its financial information.

NOTE 2 - INTANGIBLE ASSETS (NOTE 1 (F))

Prior to December 10, 2002, Legrand (formerly Legrand Holding SA) had no significant operations of its own. On December 10, 2002, it acquired 98% of the outstanding share capital of Legrand France, followed by the remaining 2% on October 2, 2003, to create the Group.

The purchase price of the shares in Legrand France and the related fees and commissions – representing a total of €3,748.0 million – were allocated primarily to trademarks and developed technology.

Intangible assets are as follows:

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

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

Trademarks can be analyzed as follows:

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

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

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

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

Developed technology can be analyzed as follows:

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

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

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

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

Amortization expense for developed technology and trademarks for each of the next five years is expected to be as follows:

(in € millions)	Developed technology	Trademarks	Total
2010	17.2	14.0	31.2
2011	11.4	13.6	25.0
2012	0.0	13.3	13.3
2013	0.0	13.3	13.3
2014	0.0	13.3	13.3

Other intangible assets can be analyzed as follows:

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

NOTE 3 - GOODWILL (NOTE 1 (G))

Goodwill can be analyzed as follows:

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

The geographic allocation of goodwill is based on the acquired company's value, determined as of the date of the business combination, taking into account synergies with other Group companies.

In the 'Rest of Europe' and 'Rest of the World' regions, no final amount of goodwill allocated to a CGU (cash-generating unit) represents more than 10% of total goodwill.

Changes in goodwill can be analyzed as follows:

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

Adjustments correspond to the difference between provisional and final goodwill.

For impairment testing purposes, goodwill has been allocated to various country units (cash-generating units), which represent the lowest level at which goodwill is monitored.

These CGU are tested for impairment annually, and whenever events or changes in circumstances indicate that their value may be impaired, by comparing their carrying amount, including goodwill, to their value in use.

Value in use corresponds to the present value of the future cash flows expected to be derived from the subsidiaries included in the cash-generating unit. As required by IAS 36, it is calculated by applying pre-tax discount rates to pre-tax future cash flows.

The following impairment testing parameters were used in the period ended December 31, 2009:

	Recoverable amount	Carrying amount of goodwill	Value in use Discount rate (before tax)	Value in use Growth rate to perpetuity
France	Value in use	600.3	10.6%	2.5%
Italy		311.2	10.3%	2.5%
Rest of Europe		212.5	8 to 15%	2.5 to 5%
USA/Canada		301.0	9.8%	3.25%
Rest of the World		430.1	11 to 16%	2.5 to 5%
		1,855.1		

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

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

The following impairment testing parameters were used in the period ended December 31, 2008:

	Recoverable amount	Carrying amount of goodwill	Value in use Discount rate (before tax)	Value in use Growth rate to perpetuity
France	Value in use	600.3	12.9%	2.5%
Italy		307.6	12.3%	2.5%
Rest of Europe		213.1	12 to 16%	2.5 to 5%
USA/Canada		307.6	12.5%	2.5 to 5%
Rest of the World		425.7	12 to 23%	2.5 to 5%
		1,854.3		

No goodwill impairment losses were identified in the period ended December 31, 2008.

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

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

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

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

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

For business combinations carried out in the last 12 months, the fair values of the identifiable assets acquired and liabilities and contingent liabilities assumed are determined on a provisional basis as of December 31 of the acquisition year and goodwill recognized as of that date is therefore subject to adjustment the following year based on the final fair values.

Allocation of acquisition prices for the 12 months ended December 31, 2009, December 31, 2008 and December 31, 2007 has been as follows:

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

NOTE 4 - PROPERTY, PLANT AND EQUIPMENT (NOTE 1 (H))

A) PROPERTY, PLANT AND EQUIPMENT BY GEOGRAPHIC AREA

Property, plant and equipment, including finance leases, are as follows as of December 31, 2009:

	December 31, 2009					
(in € millions)	France	Italy	Rest of Europe	USA/Canada	Rest of the World	Total
Land	23.2	5.5	12.4	1.7	5.2	48.0
Buildings	111.6	77.4	34.7	13.5	19.7	256.9
Machinery and equipment	98.4	71.5	30.7	13.3	51.2	265.1
Assets under construction and other	22.3	11.8	14.0	14.1	13.9	76.1
	255.5	**166.2**	**91.8**	**42.6**	**90.0**	**646.1**

Total property, plant and equipment includes €17.0 million corresponding to assets held for sale, which are measured at the lower of their carrying amount and fair value less costs to sell.

Property, plant and equipment, including finance leases, were as follows as of December 31, 2008:

	December 31, 2008					
(in € millions)	France	Italy	Rest of Europe	USA/Canada	Rest of the World	Total
Land	24.2	5.5	14.2	2.2	6.1	52.2
Buildings	119.0	89.8	41.0	17.9	20.3	288.0
Machinery and equipment	116.2	82.0	32.7	15.9	45.0	291.8
Assets under construction and other	22.7	13.5	15.7	20.2	18.1	90.2
	282.1	**190.8**	**103.6**	**56.2**	**89.5**	**722.2**

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

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

B) ANALYSIS OF CHANGES IN PROPERTY, PLANT AND EQUIPMENT

Changes in property, plant and equipment in 2009 can be analyzed as follows:

	December 31, 2009					
(in € millions)	France	Italy	Rest of Europe	USA/Canada	Rest of the World	Total
Acquisitions	25.5	18.8	11.1	4.3	15.5	75.2
Disposals	(3.3)	(14.6)	(8.6)	(4.6)	(4.0)	(35.1)
Depreciation expense	(47.1)	(28.7)	(17.9)	(12.0)	(20.8)	(126.5)
Transfers and changes in scope of consolidation	(1.7)	(0.1)	3.1	(0.5)	0.8	1.6
Translation adjustments	0.0	0.0	0.5	(0.8)	9.0	8.7
	(26.6)	**(24.6)**	**(11.8)**	**(13.6)**	**0.5**	**(76.1)**

	December 31, 2009						
(in € millions)	Acquisitions	Transfers from "Assets under construction"	Disposals	Depreciation expense	Transfers and changes in scope of consolidation	Translation adjustments	Total
Land	0.2	0.5	(4.5)	(1.0)	(0.1)	0.7	(4.2)
Buildings	6.8	7.7	(22.4)	(26.3)	1.1	2.0	(31.1)
Machinery and equipment	35.3	19.4	(5.9)	(83.6)	2.9	5.2	(26.7)
Assets under construction and other	32.9	(27.6)	(2.3)	(15.6)	(2.3)	0.8	(14.1)
	75.2	**0.0**	**(35.1)**	**(126.5)**	**1.6**	**8.7**	**(76.1)**

Changes in property, plant and equipment in 2008 can be analyzed as follows:

	December 31, 2008					
(in € millions)	France	Italy	Rest of Europe	USA/Canada	Rest of the World	Total
Acquisitions	34.2	32.3	16.2	10.7	25.9	119.3
Disposals	(1.9)	(7.2)	(1.3)	(3.3)	(2.2)	(15.9)
Depreciation expense	(54.5)	(30.1)	(17.6)	(16.4)	(17.5)	(136.1)
Transfers and changes in scope of consolidation	(6.5)	(0.3)	12.5	0.2	8.9	14.8
Translation adjustments	0.0	0.0	(9.0)	2.2	(9.8)	(16.6)
	(28.7)	**(5.3)**	**0.8**	**(6.6)**	**5.3**	**(34.5)**

	December 31, 2008						
(in € millions)	Acquisitions	Transfers from "Assets under construction"	Disposals	Depreciation expense	Transfers and changes in scope of consolidation	Translation adjustments	Total
Land	0.0	1.2	(1.2)	(0.6)	(2.5)	(1.1)	(4.2)
Buildings	23.4	14.4	(10.1)	(29.6)	4.8	(4.4)	(1.5)
Machinery and equipment	46.8	24.9	(3.5)	(90.2)	14.5	(8.3)	(15.8)
Assets under construction and other	49.1	(40.5)	(1.1)	(15.7)	(2.0)	(2.8)	(13.0)
	119.3	**0.0**	**(15.9)**	**(136.1)**	**14.8**	**(16.6)**	**(34.5)**

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

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

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

C) PROPERTY, PLANT AND EQUIPMENT INCLUDE THE FOLLOWING ASSETS HELD UNDER FINANCE LEASES:

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

D) FINANCE LEASE LIABILITIES ARE PRESENTED IN THE BALANCE SHEETS AS FOLLOWS:

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

E) FUTURE MINIMUM LEASE PAYMENTS UNDER FINANCE LEASES ARE AS FOLLOWS

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

NOTE 5 - INVESTMENTS IN ASSOCIATES AND OTHER INVESTMENTS

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

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

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

NOTE 6 - INVENTORIES (NOTE 1 (I))

Inventories are as follows:

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

NOTE 7 - TRADE RECEIVABLES (NOTE 1 (E))

The Group derives over 95% of its revenue from sales to distributors of electrical equipment. The two largest distributors account for approximately 28% of consolidated net revenue and no other distributor accounts for more than 5% of consolidated net revenue.

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

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

Past-due trade receivables can be analyzed as follows:

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

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

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

NOTE 8 - OTHER CURRENT ASSETS

Other current assets are as follows:

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

These assets are valued at historical cost and there are no events or special circumstances indicating that they may be impaired.

NOTE 9 - CASH AND CASH EQUIVALENTS AND MARKETABLE SECURITIES (NOTE 1 (D))

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

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

NOTE 10 - SHARE CAPITAL AND EARNINGS PER SHARE (NOTE 1 (S))

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

Changes in share capital were as follows:

	Number of shares	Par value	Share capital (€)	Premiums (€)
As of December 31, 2007	270,975,739	4	1,083,902,956	1,257,726,503
Exercise of options under the 2004 plan	338,781	4	1,355,124	
Cancellation of shares	(9,138,395)	4	(36,553,580)	(188,280,771)
Exercise of options under the 2003 plan	639,003	4	2,556,012	
As of December 31, 2008	262,815,128	4	1,051,260,512	1,069,445,732
Exercise of options under the 2004 plan	165,717	4	662,868	
Exercise of options under the 2005 plan	115,834	4	463,336	185,334
As of December 31, 2009	263,096,679	4	1,052,386,716	1,069,631,066

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

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

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

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

A) SHARE BUYBACK PROGRAM AND TRANSACTIONS UNDER THE LIQUIDITY CONTRACT

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

Share buyback program

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

- for allocation upon exercise of free shares (908,884 shares purchased at a cost of €19,791,463);
- for allocation to employees who choose to re-invest their profit-shares in Legrand stock through a corporate mutual fund (56,763 shares purchased at a cost of €1,414,534).

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

Also during the period, 254,280 shares were allocated to employees under share grant plans as described in note 11 (B).

Liquidity contract

On May 29, 2007, the Group appointed a financial institution to maintain a liquid market for its ordinary shares on the Euronext™ Paris market under a liquidity contract complying with the Code of Conduct issued by the AMAFI (French Financial Markets Association) approved by the AMF on March 22, 2005.

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

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

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B) EARNINGS PER SHARE

Basic and diluted earnings per share, calculated on the basis of the average number of ordinary shares outstanding during the period, are as follows:

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

* *Options granted under the 2007 plan (1,557,990 options) and under the 2008 plan (1,962,743 options) have not been taken into account in the calculation of diluted earnings per share as the options were out of the money as of December 31, 2009.*

In 2009, 281,551 shares were issued upon exercise of stock options granted under the 2004 and 2005 plans, 254,280 shares were transferred under free share plans and a net 5,235,946 shares were sold. These movements were taken into account on an accruals basis in the computation of the average number of ordinary shares outstanding during 2009, in accordance with IAS 33. If the shares had been issued and bought back on January 1, 2009, basic earnings per share and diluted earnings per share would have amounted to €1.107 and €1.097 respectively for the 12 months ended December 31, 2009.

Also in accordance with IAS 33, the 977,784 shares issued in 2008 upon exercise of stock options granted under the 2003 and 2004 plans, the net 4,498,980 shares bought back during the period and the 9,138,395 shares cancelled during the period were all taken into account on a *pro rata temporis* basis for the purpose of calculating the average number of ordinary shares outstanding during the period. If those shares had been issued, bought back or cancelled on January 1, 2008, basic earnings per share and diluted earnings per share would have amounted to €1.366 and €1.358 respectively for the 12 months ended December 31, 2008.

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

■ NOTE 11 - STOCK OPTION PLANS, FREE SHARE PLANS AND EMPLOYEE PROFIT-SHARING (NOTE 1 (O))

A) 2004 AND 2005 LEGRAND STOCK OPTION PLANS

The Company has set up a stock option plan under which options may be granted to purchase a specified number of ordinary shares of the Company at an initial exercise price of €1.00 per share for options granted in 2004, and €1.40 per share for options granted in 2005. At the General Meeting of February 24, 2006, shareholders decided to carry out a 1-for-4 reverse stock-split, leading to an increase in the shares' par value from €1.00 to €4.00. To take into account the effects of this change, the option exercise price was increased to €4.00 for options granted in 2004 and to €5.60 for those granted in 2005.

In 2009:

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

Information on stock options	2004 plan	2005 plan	Total
Date of Board of Directors Meeting	January 30, 2004	February 7, 2005	
Total number of shares that may be acquired on exercise of options	508,250	173,750	682,000
Of which number of shares that may be acquired by corporate officers	*0*	*0*	*0*
Vesting/exercise conditions	■ 2/3 of the options vest 4 years after the grant date and must be exercised within 60 days of vesting ■ 1/3 of the options vest 5 years after the grant date and must be exercised within 60 days of vesting		
Starting date of the exercise period for the first 2/3 of the options	January 30, 2008	February 7, 2009	
Starting date of the exercise period for the remaining 1/3 of the options	January 30, 2009	February 7, 2010	
Exercise price	€4.00	€5.60	
Options exercised during 2008	(338,781)		(338,781)
Options forfeited during 2008	(1,667)		(1,667)
Options exercised during 2009	(165,717)	(115,834)	(281,551)
Options forfeited during 2009	(2,085)		(2,085)
Options outstanding as of December 31, 2009	**0**	**57,916**	**57,916**

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

B) 2007, 2008 AND 2009 LEGRAND FREE SHARE AND STOCK OPTION PLANS

Free share plans

On May 15, 2007, shareholders authorized the Board of Directors to grant free shares to certain employees or corporate officers of the Company and its subsidiaries, on one or several occasions. The total number of such shares is capped at 5% of the capital as of the grant date.

Information on the free share plans	2007 plan	2008 plan	2009 plan	Total
Date of Board of Directors Meeting	May 15, 2007	March 5, 2008	March 4, 2009	
Total number of shares granted	533,494	654,058	288,963	1,476,515
Of which to corporate officers	*26,427*	*47,077*	*23,491*	*96,995*
■ *Gilles Schnepp*	*13,582*	*24,194*	*12,075*	*49,851*
■ *Olivier Bazil*	*12,845*	*22,883*	*11,416*	*47,144*
Vesting conditions	After a maximum of 4 years, except in the event of resignation or termination for willful misconduct			
Free shares cancelled during 2007	(8,695)			(8,695)
Free shares vested during 2008	(546)			(546)
Free shares cancelled during 2008	(8,298)	(6,145)		(14,443)
Free shares vested during 2009	(253,880)	(400)		(254,280)
Free shares cancelled during 2009	(6,428)	(9,905)	(6,281)	(22,614)
Total number of free shares outstanding as of December 31, 2009	**255,647**	**637,608**	**282,682**	**1,175,937**

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

Stock option plans

On May 15, 2007, shareholders authorized the Board of Directors to grant stock options to certain employees or corporate officers of the Company and its subsidiaries, on one or several occasions, entitling them to subscribe new shares or purchase existing shares together representing no more than 5% of the capital as of the grant date.

Information on stock options	2007 plan	2008 plan	2009 plan	Total
Date of Board of Directors Meeting	May 15, 2007	March 5, 2008	March 4, 2009	
Total number of options	1,638,137	2,015,239	1,185,812	4,839,188
Of which to corporate officers	*79,281*	*141,231*	*93,964*	*314,476*
■ *Gilles Schnepp*	*40,745*	*72,583*	*48,300*	*161,628*
■ *Olivier Bazil*	*38,536*	*68,648*	*45,664*	*152,848*
Vesting/exercise conditions	Options vest after a maximum of 4 years, except in the event of resignation or termination for willful misconduct			
Starting date of the option exercise period	May 16, 2011	March 6, 2012	March 5, 2013	
End of the option exercise period	May 15, 2017	March 5, 2018	March 4, 2019	
Option exercise price	€25.20	€20.58	€13.12	
Options cancelled during 2007	(27,574)			(27,574)
Options cancelled during 2008	(27,468)	(20,439)		(47,907)
Options cancelled during 2009	(25,105)	(32,057)	(21,093)	(78,255)
Outstanding options as of December 31, 2009	**1,557,990**	**1,962,743**	**1,164,719**	**4,685,452**

If all these options were to be exercised, the Company's capital would be diluted by 1.8% (this maximum dilution does not take into account the exercise price of these options).

Valuation model applied to free share plans and stock option plans

The fair value of share-based payment instruments is measured at the grant date, using the Black & Scholes option-pricing model or the binomial model, based on the following assumptions:

Assumptions	2007 plan	2008 plan	2009 plan
Risk-free rate	4.35%	3.40%	2.25%
Expected volatility	28.70%	30.00%	38.40%
Expected return	1.98%	3.47%	5.00%

In accordance with IFRS 2, which requires the cost of stock options to be recognized in the financial statements, a charge of €9.0 million was recorded in 2009 (€17.5 million in 2008; €7.0 million in 2007) for all of these plans combined (notes 11 (A) and 11 (B)).

C) EMPLOYEE PROFIT-SHARING

Under French law, the French entities in the Group are required to pay profit shares to employees when their after-tax profit exceeds a certain level. Amounts accrued are generally payable to employees after a period of five years.

In addition to this obligation, a number of the Group's French entities and foreign subsidiaries have set up discretionary profit-sharing plans. Under these plans, employees receive a portion of the entity's profit calculated on the basis of predetermined formulas negotiated by each entity.

An accrual of €29.7 million was recorded in 2009 for statutory and discretionary profit-sharing plans (2008: €32.7 million; 2007: €32.5 million).

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NOTE 12 - RETAINED EARNINGS AND TRANSLATION RESERVES

A) RETAINED EARNINGS

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

As of the same date, the parent company – Legrand – had retained earnings of €1,805.4 million available for distribution.

B) TRANSLATION RESERVES

As explained in note 1 (C), the translation reserve reflects the effects of currency fluctuations on the financial statements of subsidiaries when they are translated into euros.

The translation reserve records the impact of fluctuations in the following currencies:

(in € millions)	December 31, 2009	December 31, 2008	December 31, 2007
US dollar	(158.3)	(143.0)	(165.0)
Other currencies	(73.3)	(106.4)	(29.0)
	(231.6)	**(249.4)**	**(194.0)**

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

NOTE 13 - LONG-TERM BORROWINGS

Long-term borrowings can be analyzed as follows:

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

Long-term borrowings are denominated in the following currencies:

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

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

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

Average interest rates on borrowings are as follows (the rates shown for the 8½% debentures 'Yankee bonds' take into account interest rate swap up to their expiry date of February 2008):

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

These borrowings are secured as follows:

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

A) CREDIT FACILITY

2006 Credit Facility

On January 10, 2006, the Group signed a credit facility with five mandated arrangers.

Initially, this 2006 Credit Facility comprised notably (i) a €700.0 million tranche A representing a multicurrency term loan repayable in semi-annual installments equal to 10% of the nominal amount between January 10, 2007 and July 10, 2010, with a final 20% installment due on January 10, 2011 and (ii) a €1.2 billion tranche B consisting of a revolving multicurrency facility utilizable through drawdowns. Tranche A and B were originally five-year loans that could be rolled over for two successive one-year periods.

An initial installment of tranche A equal to 10% of the nominal amount was paid in January 2007 and a second installment equal to 7.78% of the nominal amount was paid in July 2007. In March 2007 and November 2007, the Group exercised its option to extend the 2006 Credit Facility for two successive one-year periods, with the final installment becoming due in January 2013.

Consequently, the repayments in semi-annual installments of tranche A are equal to 6.22% of the original nominal amount from January 10, 2008 to July 10, 2011, 7.12% of the original nominal amount on January 10, 2012, 6.02% of the original nominal amount on July 10, 2012 and 19.32% on January 10, 2013.

Repayments due under the Facility Agreement can be analyzed as follows by maturity as of December 31, 2009, December 31, 2008 and December 31, 2007:

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

The Facility Agreement can be analyzed as follows:

(in € millions)	December 31, 2009	Maturity	Interest rate
Term Facility	401.4	2013	Euribor + 25 bps
Revolving Facility	61.4	2013	Euribor/Libor + 25 bps

(in € millions)	December 31, 2008	Maturity	Interest rate
Term Facility	488.5	2013	Euribor + 30 bps
Revolving Facility	864.4	2013	Euribor/Libor + 30 bps

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

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 + 50 bps and Euribor/ Libor + 20 bps.

In addition, the 2006 Credit Facility Agreement includes the covenant described in note 22.

B) 8½% DEBENTURES (YANKEE BONDS)

On February 14, 1995, Legrand France issued $400.0 million worth of 8½% debentures due February 15, 2025, through a public placement in the United States. Interest on the debentures is payable semi-annually in arrears on February 15 and August 15 of each year, beginning August 15, 1995.

The debentures are not subject to any sinking fund and are not redeemable prior to maturity, except upon the occurrence of certain changes in the law requiring the payment of amounts in addition to the principal and interest. Should Legrand France be prevented by law from paying any such additional amounts, early redemption would generally be mandatory or, if such amounts could be paid, Legrand France may, at its option, redeem all – but not part – of the debentures in advance. Each debenture holder may also require Legrand France to redeem its debentures in advance upon the occurrence of a hostile change of control.

In connection with the issuance of the debentures, Legrand France also entered into an interest rate swap agreement that expired in February 2008 (see note 22 (A)).

C) BANK BORROWINGS

As of December 31, 2009, bank borrowings comprised:

- a €220.0 million loan obtained on May 21, 2007 from a pool of French financial institutions. The loan is for a period of six years and four months, expiring September 21, 2013, and pays interest at the three-month Euribor plus 45 bps;
- a €62.5 million loan obtained on March 12, 2009 from a pool of French financial institutions. The loan is for a period of five years, expiring March 12, 2014, and pays interest at the three-month Euribor plus 210 bps.

Bank borrowing is subject to the covenant described in note 22.

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D) UNUSED CREDIT LINES

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

- drawdown capacity of €1,033.6 million on Tranche B (revolving facility) of the 2006 Credit Facility considering the swingline facility intended to cover borrowings under the Group's commercial paper program (representing €105.0 million as of December 31, 2009);
- one facility representing €125.0 million, expiring on September 30, 2012.

NOTE 14 - PROVISIONS

Changes in provisions are as follows:

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

NOTE 15 - PENSION AND OTHER POST-EMPLOYMENT BENEFIT OBLIGATIONS (NOTE 1 (Q))

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

* *These items represent the non-current portion of pension and other post-retirement benefits for a total of €128.9 million as of December 31, 2009 (December 31, 2008: €144.1 million; December 31, 2007: €125.1 million). The current portion in the amount of €7.1 million as of December 31, 2009 (December 31, 2008: €6.4 million; December 31, 2007: €7.4 million) is reported under 'Other Current liabilities'. The total amount of those liabilities is therefore €136.0 million as of December 31, 2009 (December 31, 2008: €150.5 million; December 31, 2007: €132.5 million) and is analyzed in note 15 (A), which shows total liabilities of €247.9 million as of December 31, 2009 (December 31, 2008: €240.5 million; December 31, 2007: €263.9 million) less total assets of €111.9 million as of December 31, 2009 (December 31, 2008: €89.9 million; December 31, 2007: €131.4 million).*

A) ANALYSIS OF PENSION AND OTHER POST-EMPLOYMENT BENEFIT OBLIGATIONS

The aggregate current and non-current obligation under the Group's pension and other post-employment benefit plans, consisting primarily of plans in France, Italy, the United States and the United Kingdom, is as follows:

(in € millions)	December 31, 2009	December 31, 2008	December 31, 2007	December 31, 2006	December 31, 2005
Defined benefit obligation					
Projected benefit obligation at beginning of period	240.5	263.9	290.6	282.8	249.7
Acquisitions	0.0	0.1	0.0	0.2	3.4
Goodwill allocation	0.0	0.0	0.0	0.0	0.0
Service cost	16.2	16.1	16.8	18.2	17.7
Interest cost	11.1	11.5	11.7	10.3	8.8
Benefits paid	(29.7)	(29.3)	(29.5)	(23.5)	(17.2)
Employee contributions	0.7	0.0	0.0	0.4	0.6
Plan amendments	0.0	0.0	0.0	0.0	0.0
Actuarial loss/(gain)	8.9	(7.5)	(11.0)	13.0	6.6
Curtailments, settlements, special termination benefits	(1.9)	0.2	(2.4)	(0.8)	0.0
Past service cost	(0.1)	0.0	(0.1)	0.2	0.0
Translation adjustments	2.2	(14.3)	(14.5)	(10.2)	13.2
Other	0.0	(0.2)	2.3	0.0	0.0
PROJECTED BENEFIT OBLIGATION AT END OF PERIOD (I)	**247.9**	**240.5**	**263.9**	**290.6**	**282.8**
UNRECOGNIZED PAST SERVICE COST (II)	**0.0**	**0.1**	**0.0**	**0.2**	**0.0**
Fair value of plan assets					
Fair value of plan assets at beginning of period	89.9	131.4	135.1	133.5	109.9
Acquisitions	0.0	0.0	0.0	0.0	0.5
Expected return on plan assets	6.6	8.2	9.1	10.2	13.5
Employer contributions	12.2	6.4	15.6	8.2	8.2
Employee contributions	0.7	0.5	0.3	0.3	0.3
Benefits paid	(12.3)	(13.3)	(16.3)	(13.9)	(11.3)
Actuarial (loss)/gain	12.8	(32.0)	(1.3)	0.7	0.0
Translation adjustments	2.0	(11.3)	(11.1)	(3.9)	12.4
FAIR VALUE OF PLAN ASSETS AT END OF PERIOD (III)	**111.9**	**89.9**	**131.4**	**135.1**	**133.5**
LIABILITY RECOGNIZED IN THE BALANCE SHEET (I) – (II) – (III)	**136.0**	**150.5**	**132.5**	**155.3**	**149.3**
Current liability	7.1	6.4	7.4	7.7	9.6
Non-current liability	128.9	144.1	125.1	147.6	139.7

Actuarial gains recognized in equity (total recognized income and expenses, net) as of December 31, 2009 amounted to €3.9 million (€2.4 million after tax).

The discount rates used are determined by reference to the yield on high quality bonds based on the following benchmark indices:

- Euro zone: iBoxx € Corporates AA 10+;
- United Kingdom: iBoxx £ Corporates AA 15+;
- United States: Citibank Pension Liability Index.

Sensitivity tests were performed on the discount rates applied and on the expected return on plan assets. According to the results of these tests, a 50-basis point decline in discount rates and in the expected return on plan assets would lead to the recognition of additional actuarial losses of around €12.0 million and would increase in proportion the value of the defined obligation at December 31, 2009.

The impact on profit is as follows:

(in € millions)	December 31, 2009	December 31, 2008	December 31, 2007
Service cost – rights acquired during the period	(16.2)	(16.1)	(16.8)
Service cost – cancellation of previous rights	0.0	0.0	0.0
Benefits paid (net of cancellation of liability recognized in prior periods)	0.0	0.0	0.0
Interest cost	(11.1)	(11.5)	(11.7)
Other	2.0	(0.2)	2.5
Expected return on plan assets	6.6	8.2	9.1
	(18.7)	**(19.6)**	**(16.9)**

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

(in %)	France	United States and United Kingdom	Weighted total
Equity instruments	0.0	57.4	49.3
Debt instruments	0.0	33.8	29.1
Insurance funds	100.0	8.8	21.6
	100.0	**100.0**	**100.0**

B) PROVISIONS FOR RETIREMENT BENEFITS AND SUPPLEMENTARY PENSION BENEFITS IN FRANCE

The provisions recorded in the consolidated balance sheet concern the unvested entitlements of active employees. The Group has no obligation with respect to the vested entitlements of former employees, as the benefits were settled at the time of their retirement, either directly or through payments to insurance companies in full discharge of the liability.

In France, provisions recorded in the consolidated balance sheet amount to €46.9 million as of December 31, 2009 (December 31, 2008: €50.4 million; December 31, 2007: €43.4 million), corresponding to the difference between the projected benefit obligation of €61.6 million as of December 31, 2009 (December 31, 2008: €61.4 million; December 31, 2007: €58.5 million) and the fair value of the related plan assets of €14.7 million as of December 31, 2009 (December 31, 2008: €10.9 million; December 31, 2007: €15.1 million).

The projected benefit obligation is computed on the basis of staff turnover and mortality assumptions, estimated rates of salary increases and an estimated discount rate. In France, the calculation was based on a salary increase rate of 3.0%, a discount rate of 5.0% (2008 and 2007: 2.5% and 5.6%, 3.0% and 5.2%, respectively) and an expected return on plan assets of 4.0% (2008 and 2007: 4.0%). The provisions recorded in the consolidated balance sheet correspond to the portion of the total obligation remaining payable by the Group; this amount is equal to the difference between the total obligation recalculated at each balance sheet date, based on the actuarial assumptions described above, and the net residual value of the plan assets at that date.

C) PROVISIONS FOR TERMINATION BENEFITS IN ITALY

The changes introduced in the Italian Act no. 296 dated December 27, 2006 came into effect on January 1, 2007.

From this date, Italian termination benefit plans (*Trattamento di fine rapporto*, TFR) are qualified as defined contribution plans under IFRS.

Termination benefit obligations arising prior to January 1, 2007 continue to be accounted for under IFRS as defined benefit plans, but based on revised actuarial estimates that exclude the effect of future salary increases. The difference compared with the previous actuarial estimate has been treated as a plan curtailment in accordance with IAS 19 paragraph 109 and has been recognized in the second-half 2007 income statement under 'Other operating income' for an amount of €2.1 million. Actuarial gains and losses previously recognized in the statement of recognized income and expense have been reclassified in retained earnings, in accordance with IAS 19 (revised), paragraph 93A s.

The resulting provisions for termination benefits amount to €44.8 million as of December 31, 2009 (December 31, 2008: €54.4 million; December 31, 2007: €56.5 million).

D) PROVISIONS FOR RETIREMENT BENEFITS AND OTHER POST-EMPLOYMENT BENEFITS IN THE UNITED STATES AND THE UNITED KINGDOM

In the United States and the United Kingdom, the Group provides pension benefits for employees and health care and life insurance for certain retired employees.

The related benefit obligations amounted to €123.4 million as of December 31, 2009 (December 31, 2008: €110.0 million; December 31, 2007: €133.7 million). This amount is covered by pension fund assets estimated at €90.2 million as of December 31, 2009 (December 31, 2008: €76.1 million; December 31, 2007: €111.1 million) and by provisions.

The projected benefit obligation is computed on the basis of staff turnover and mortality assumptions, estimated rates of salary increases and an estimated discount rate. In the United Sates, the calculation was based on a salary increase rate of 3.5%, a discount rate of 5.3% (3.5% and 6.3% in 2008, 3.3% and 6.1% in 2007) and an expected return on plan assets of 7.5% (7.5% in 2008 and 8.0% in 2007). In the United Kingdom, the calculation was based on a salary increase rate of 4.6%, a discount rate of 5.7% (3.8% and 6.4% in 2008, 4.4% and 5.8% in 2007), and an expected return on plan assets of 6.6% (6.7% in 2008 and 2007).

NOTE 16 - SHORT-TERM BORROWINGS

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

NOTE 17 - OTHER CURRENT LIABILITIES

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

NOTE 18 - ANALYSIS OF CERTAIN EXPENSES

A) ANALYSIS OF OPERATING EXPENSES

Operating expenses include the following categories of costs:

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

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

B) ANALYSIS OF OTHER OPERATING INCOME AND EXPENSE

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

NOTE 19 - FINANCE COSTS AND OTHER FINANCIAL INCOME AND EXPENSE, NET

A) EXCHANGE GAINS (LOSSES)

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

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

B) FINANCE COSTS, NET

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

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

NOTE 20 - INCOME TAX EXPENSE (CURRENT AND DEFERRED) (NOTE 1 (J))

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

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

Income tax expense consists of the following:

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

The reconciliation of total income tax expense for the period to income tax calculated at the standard tax rate in France is as follows:

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

01
02
03
04
05
06
07
08
09
10
11
12
13
TDC
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Deferred taxes recorded in the balance sheet result from temporary differences between the carrying amount of assets and liabilities and their tax base and can be analyzed as follows:

(in € millions)	December 31, 2009	December 31, 2008	December 31, 2007
Deferred taxes recorded by French companies	(336.6)	(360.3)	(377.9)
Deferred taxes recorded by foreign companies	(206.3)	(202.2)	(212.7)
	(542.9)	**(562.5)**	**(590.6)**
Origin of deferred taxes:			
■ depreciation of fixed assets	(71.4)	(79.6)	(57.8)
■ tax loss carryforwards	7.7	5.3	6.1
■ statutory profit-sharing	4.8	4.9	2.7
■ pensions and other post-employment benefits	16.7	21.0	15.2
■ developed technology	(9.6)	(19.3)	(34.6)
■ trademarks	(534.2)	(531.8)	(527.5)
■ impairment losses on inventories and receivables	27.2	22.1	19.7
■ fair value adjustments to derivative instruments	(5.0)	(5.3)	(6.9)
■ translation adjustments	2.1	0.1	0.7
■ non-deductible provisions	52.9	47.5	29.8
■ margin on inventories	13.2	16.4	13.6
■ other	(47.3)	(43.8)	(51.6)
	(542.9)	**(562.5)**	**(590.6)**
■ of which deferred tax assets	82.1	76.4	64.3
■ of which deferred tax liabilities	(625.0)	(638.9)	(654.9)

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

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

Tax losses carried forward broke down as follows:

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

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

NOTE 21 - CONTINGENCIES AND COMMITMENTS

The Group is involved in a number of claims and legal proceedings arising in the normal course of business. In the opinion of management, all such matters have been adequately provided for or are without merit, and are of such nature that, should the outcome nevertheless be unfavorable to the Group, they should not have a material adverse effect on the Group's consolidated financial position or results of operations.

OPERATING LEASES

The Group uses certain facilities under lease agreements and leases certain equipment. There are no special restrictions related to these operating leases. Future minimum rental commitments under leases are detailed below:

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

Operating leases, which until December 31, 2008 concerned only property rentals, include all kinds of rentals as of December 31, 2009.

COMMITMENTS TO PURCHASE PROPERTY, PLANT AND EQUIPMENT

Commitments to purchase property, plant and equipment amounted to €7.4 million as of December 31, 2009.

NOTE 22 - DERIVATIVE INSTRUMENTS AND MANAGEMENT OF FINANCIAL RISKS

The Group's cash management strategy is based on overall financial risk management principles and involves taking specific measures to manage the risks associated with interest rates, exchange rates, commodity prices and the investment of available cash. The Group does not conduct any trading in financial instruments, in line with its policy of not carrying out any speculative transactions. All transactions involving financial instruments are conducted with the sole purpose of managing interest rate, exchange rate and commodity risks and as such are limited in duration and value.

This strategy is centralized at Group level. Its implementation is deployed by the Financing and Treasury Department who recommends appropriate measures and implements them after they have been validated by the Corporate Finance Department and Group senior management. A detailed reporting system has been set up to permit permanent close tracking of the Group's positions and effective oversight of the management of the financial risks described in this note.

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03
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07
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09
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Curent financial assets and liabilities are measured based on observable market data and are as follows:

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

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

A) INTEREST RATE RISK

As part of an interest rate risk management policy aimed principally at managing the risk of a rate increase, the Group has structured its debt into a combination of fixed and variable rate financing.

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

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

The following table analyzes variable rate financial assets and liabilities based on the frequency of rate adjustments.

(in € millions)	Overnight and short-term	Medium-term (1 to 5 years)	Long-term (more than 5 years)
Gross debt (excluding debt issuance costs)	1,202.3	-	-
Cash and marketable securities	(173.5)	-	-
Net debt	1,028.8	-	-
Hedges	850.0	-	-
Position after hedging	178.8	-	-

Interest rate risk arises mainly from variable-rate financial assets and liabilities and is managed primarily through the use of hedging instruments.

Based on average debt in 2009 and the hedging instruments described below, the Group estimates that a 100-basis point increase in interest rates on variable-rate debt should not result in a decrease in annual profit before taxes of more than €4.9 million (2008: €11.0 million; 2007: €13.0 million).

Caps

Variable-rate debt is hedged by interest-rate instruments with maturities of no more than three years. These contracts are mainly caps, in line with the Group's policy of setting an upper limit on interest rates while retaining the opportunity to benefit from more favorable rate changes.

The portfolio of caps on euro-denominated debt breaks down as follows:

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

The caps do not fulfill the criteria for the application of hedge accounting under IAS 39 and have therefore been measured at fair value and recognized in "Other current financial assets", in an amount of €0.6 million at December 31, 2009 (December 31, 2008: €1.0 million; December 31, 2007: €6.5 million). The effect of changes in fair value on consolidated profit was a €1.6 million loss in 2009 (2008: €6.4 million loss; 2007: €3.0 million loss), recognized in "Finance costs and other financial income and expense, net" (note 19 (B)).

Interest rate swaps on the 8½% debentures (Yankee bonds) (note 13)

The Group also entered into an interest rate swap with selected major financial institutions to hedge interest rate risks on the 8½% debentures. The fair value of this swap was determined at each balance sheet date, based on rates implied in the yield curve at the reporting date; these implied rates could change, with an impact on cash flows.

The swap expired at the end of February 2008, in line with the April 2003 novation agreement under which the Group sold the tranche corresponding to the contract's 2008-2025 maturities. When the swap expired, refinancing of €86.0 million was arranged, corresponding to the Group's liability under the currency swap component.

Since February 2008, when the swap expired, the Group has once again been paying a fixed rate of 8½%.

Further interest rate swaps may be set up in the future, based on changes in market conditions.

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

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

B) CURRENCY RISK

The Group operates in international markets and is therefore exposed to risks through its use of several different currencies.

The table below presents financial assets (cash and marketable securities) and financial liabilities (short-term and long-term borrowings) by currency as of December 31, 2009:

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

Natural hedges are set up by matching allocation of net debt and operating profit in each of the Group's operating currencies.

If required, when acquisition of an asset is financed using a currency other than the functional currency of the country, the Group may enter into forward-contracts to hedge its exchange rate risk. As of December 31, 2009 the Group has set up forward contracts in Brazilian real and Australian dollar which have a fair value of an amount of €0.3 million.

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

(in € millions)	Net sales		Operating expenses (excluding purchase accounting adjustments relating to the acquisition and goodwill impairment)	
Euro	2,019.2	56%	1,676.4	56%
US dollar	519.6	15%	456.6	15%
Other currencies	1,038.7	29%	865.7	29%
	3,577.5	**100%**	**2,998.7**	**100%**

Natural hedges are set up by matching costs and operating income in each of the Group's operating currencies.

Residual amounts are hedged by options to limit the Group's exposure to fluctuations in the main currencies concerned, such as the US dollar, the Singapore dollar, the British pound and the Russian ruble. These hedges are for periods of less than 18 months. They do not fulfill the criteria for the application of hedge accounting under IAS 39 and have therefore been measured at fair value and recognized in "Other current financial assets", or a value of zero as of December 31, 2009 (December 31, 2008: €4.0 million; December 31, 2007: €0.7 million). Changes in these hedge's fair value are recognized in "Exchange gains (losses)" (note 19 (A)). It did not have any impact in 2009 (2008: €5.4 million gain; 2007: €0.8 million loss).

The Group estimates that, all other things being equal, a 10% increase in the exchange rate of the euro against all other currencies applied to 2009 figures would have resulted in a decrease in net revenue of approximately €142.0 million and a decrease in operating profit of approximately €19.0 million.

In the same way, such increase applied to 2008 and 2007 figures would have resulted in a decrease in net revenue of approximately €163.0 million in 2008 and 148.0 million in 2007 and a decrease in operating profit of approximately €20.0 million respectively in 2008 and 2007.

C) COMMODITY RISK

The Group is exposed to commodity risk arising from changes in the price of raw materials.

Raw materials purchases amounted to around €351.0 million in 2009 (2008: €483.0 million; 2007: €477.0 million).

A 10% increase in the price of all the raw materials used by the Group would theoretically feed through to around a €35.0 million increase in annual purchasing costs. The Group believes that it could, circumstances permitting, raise the prices of its products in the short term to offset the overall adverse impact of any such increases.

Additionally, the Group could set up specific derivative financial instruments (options) for limited amounts and periods to hedge part of the risk of an unfavorable change in copper and certain other raw material prices.

No such hedging contracts were set up in 2009.

D) CREDIT RISK

Credit risk covers both:

- risks related to outstanding customer receivables;
- counterparty risks with financial institutions.

As explained in note 7, a substantial portion of Group revenue is generated with two major distributors. Other revenue is essentially derived from distributors of electrical products but sales are diversified due to the large number of customers and their geographic dispersion. The Group actively manages its credit risk by establishing regularly reviewed individual credit limits for each customer, constantly monitoring collection of its outstanding receivables and systematically chasing up past due receivables. In addition, the situation is reviewed regularly with the Corporate Finance Department.

Financial instruments that may potentially expose the Group to counterparty risk are principally cash equivalents, short-term investments and hedging instruments. These assets are placed with leading financial institutions approved by the Group, which constantly monitors the amount of credit exposure with any one financial institution.

E) LIQUIDITY RISK

The Group considers that managing liquidity risk depends primarily on having access to diversified sources of financing as to their origin and maturity. This approach represents the basis of the Group's financing policy.

The total amount of net debt (€1,339.8 million as of December 31, 2009) is fully financed by financing facilities expiring at the earliest in 2013 and at the latest in 2025. In addition, the Group has financing capacity in undrawn lines of credit (note 13 (D)).

Under the provisions of the 2006 Credit Facility described in note 13 (A) and the loan agreement for the bank loan described in note 13 (C), consolidated adjusted net debt/adjusted maintainable EBITDA (net debt and maintainable EBITDA adjusted as defined in the loan agreements) must be less than or equal to 3.50 at the end of every six-month period. This ratio is tracked monthly; as of December 31, 2009 it stood at 1.68.

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

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

NOTE 23 - INFORMATION RELATING TO CORPORATE OFFICERS

A) SHORT-TERM BENEFITS

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

* *Compensation paid during the base year to executive officers and members of the Board of Directors who hold operating responsibilities within the Group.*

Compensation paid includes all variable compensation payable at the beginning of the year in relation to the achievement of targets for the previous year.

B) REMUNERATION AND BENEFITS DUE ON TERMINATION OF CORPORATE OFFICE'S POSITION

	Contract of employement		Supplementary pension entitlement (1)		Indemnities or benefits due or which may become due as a result of termination or change of office (3)		Indemnities relating to non-competition clause (2)	
Corporate officer	**Yes**	**No**	**Yes**	**No**	**Yes**	**No**	**Yes**	**No**
Gilles Schnepp								
Chairman and CEO								
Commencement: 05/22/2008								
Expiration: 12/31/2013		x	x			x	x	
Olivier Bazil								
Vice-Chairman and COO								
Commencement: 05/22/2008								
Expiration: 12/31/2013	x		x			x	x	

(1) In 2001, the Legrand Group entered into an agreement with an insurance company for the provision of services relating to pensions, retirement and services of a related nature to the members of the Group Executive Committee benefiting from the French pension system for salaried workers. At December 31, 2009, the Group's commitment in connection with this agreement amounted to approximately €12.8 million, of which approximately €11.2 million was financed, while the remaining €1.6 million is accrued in the accounts. The Executive Committee has nine members, including the two corporate officers. Supplementary pension entitlements are calculated to set total pensions, 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 compensation received by the beneficiaries in their last three years with the Group. To benefit from the supplementary pension, employees must have been with the Group for at least ten years and have reached the age of 60 on retirement. In the event of the beneficiary's death, the Group will pay the surviving spouse 60% of the supplementary pension.

In the case of M. Gilles Schnepp and M. Olivier Bazil, their potential entitlements at their retirement represent 1% of the remuneration (fixed salary and bonuses) per year of presence within the Group.

(2) M. Gilles Schnepp is subject, in connection with his status as a corporate officer and at the sole initiative of the Group, to a duty not to compete for a period of two years. In consideration of this, should the Group decide to impose the obligation, M. Gilles Schnepp would receive a monthly indemnity equal to 50% of his average monthly compensation, including salary and bonuses, in his last 12 months with the Group. Mr.Olivier Bazil is subject to the restrictions of the standard non-competition clause provided for in the collective labor agreement for French metal industries (Convention Collective de la Métallurgie). The decision to implement this clause is at the sole initiative of the Group. Should the Group so decide, this would entail the payment to M. Olivier Bazil of an indemnity equal to 50% of his reference compensation (fixed salary and bonuses) over a period of at most two years.

(3) The collective labor agreement for French metal industries (Convention Collective de la Métallurgie) and company-level agreements applying within the Group also provide for the payment to all Group employees of an indemnity on retirement proportional to the length of their employement with the Group. Theses provisions would apply to M. Olivier Bazil if applicable conditions were satisfied on his retirement. As an example, an executive level employee (cadre) with 30 to 39 years of seniority would receive a retirement indemnity equal to four month's salary.

C) END OF CONTRACT INDEMNITIES

Except amounts due as retirement indemnities or because of the non-compete covenant as mentioned above, the executive officers do not benefit from any other commitment linked to salary, indemnities or benefits due or likely to be due because of termination of their contract of employment (*contrat de travail*), modifications to them or subsequent to them.

D) SHARE-BASED PAYMENT

Under the 2009 free share and stock option plans, corporate officers were granted 23,491 free shares and 93,964 options.

Under the 2008 free share and stock option plans, corporate officers were granted 47,077 free shares and 141,231 options.

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

NOTE 24 - INFORMATION BY GEOGRAPHICAL SEGMENT (NOTE 1 (R))

Legrand is the global specialist in electrical and digital bulding infrastructures. The following information by geographical segment corresponds to the Group's consolidated reporting system.

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

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

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

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

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

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

NOTE 25 - QUARTERLY DATA – NON-AUDITED

A) QUARTERLY REVENUE BY GEOGRAPHICAL SEGMENT (BILLING REGION) – UNAUDITED

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

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

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

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

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B) QUARTERLY INCOME STATEMENTS – UNAUDITED

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

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

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

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

NOTE 26 - SUBSEQUENT EVENTS

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

11.2 - STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS IN ACCORDANCE WITH IFRS FOR THE YEAR ENDED DECEMBER 31, 2009

Statutory Auditors' report on the consolidated financial statements for the year ended December 31, 2009

To the Shareholders,

Legrand SA

128, avenue du Maréchal de Lattre de Tassigny

87000 Limoges

In compliance with the assignment entrusted to us by your Annual General Meetings, we hereby report to you for the year ended December 31, 2009 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, 2009 and of the results of its operations for the year then ended in accordance with IFRSs as adopted by the European Union.

Without qualifying our opinion above, we draw your attention to the note 1 (A)) to the consolidated financial statements presenting the effect of the application, since January 1, 2009, of the new standards and interpretations applicable from this date, as well as of the anticipated application of new standards.

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03
04
05
06
07
08
09
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11
12
13
TDC
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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 € 1,855.1 million and € 1,769.8 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 (F) and 1(G) 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 note 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 11, 2010

The Statutory Auditors

PricewaterhouseCoopers Audit
Gérard Morin
63, rue Villiers
92208 Neuilly-sur-Seine Cedex

Deloitte & Associés
Dominique Descours
185, avenue Charles-de-Gaulle
92524 Neuilly-sur-Seine Cedex

11.3 - FEES PAID TO STATUTORY AUDITORS

	PricewaterhouseCoopers Audit				Deloitte & Associés			
	In euros		%		In euros		%	
	2009	2008	2009	2008	2009	2008	2009	2008
Audit								
Independent audit, certification, review of parent company and consolidated financial statements	*1,470,579*	*1,685,240*	*68%*	*65%*	*1,557,715*	*1,922,470*	*94%*	*76%*
of which:								
■ Issuer	226,165	201,165	10%	8%	226,165	201,165	14%	8%
■ Fully consolidated subsidiaries	1,244,414	1,484,075	57%	57%	1,331,500	1,721,305	80%	68%
Services directly related to the assignment	*191,957*	*351,788*	*9%*	*14%*	*63,191*	*558,752*	*4%*	*22%*
of which:								
■ Issuer	154,024	199,585	7%	8%	1,835	142,446	0%	6%
■ Fully consolidated subsidiaries	37,933	152,203	2%	6%	61,356	416,306	4%	17%
SUB-TOTAL AUDIT	**1,662,536**	**2,037,028**	**76%**	**78%**	**1,620,906**	**2,481,223**	**98%**	**99%**
Other services provided by networks to fully consolidated subsidiaries								
Legal, tax, personnel-related	489,569	570,828	23%	22%	30,377	33,900	2%	1%
Other	22,520	0	1%	0%	0	0	0%	0%
SUB-TOTAL, OTHERS	**512,089**	**570,828**	**24%**	**22%**	**30,377**	**33,900**	**2%**	**1%**
TOTAL	**2,174,625**	**2,607,856**	**100%**	**100%**	**1,651,283**	**2,515,123**	**100%**	**100%**

11.4 - DIVIDEND POLICY

The Company may declare dividends upon the recommendation of its Board of Directors and the approval 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 upon, 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 bylaws (*statuts*) limit the Company's right to pay dividends in certain circumstances.

Dividends distributed for the 2006, 2007 and 2008 financial years were as follows:

Year	Number of shares on which dividends were paid	Net dividend
2006	266,241,719 shares, €4	€0.50
2007	256,059,171 shares, €4	€0.70
2008	261,157,772 shares, €4	€0.70

All dividends distributed in 2006, 2007 and 2008 were eligible the 40% tax credit (*abatement*) provided for in article 158-3-2e of the French Tax Code.

Subject to the approval of the Shareholders' General Meeting to be held on May 27, 2010, Legrand should pay on June 7, 2010 a dividend of €0.70 per share for 2009.

Dividends paid to holders of shares whose domicile for tax purposes or registered office is located outside of France will generally be subject to French withholding tax at a rate of 25%. Corporate holders of shares 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 Tax Code are met. In addition, holders who qualify for benefits under an applicable tax treaty 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.

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02
03
04
05
06
07
08
09
10
11
12
13
TDC
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11.5 - LEGAL PROCEEDINGS AND ARBITRATION

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. For example, Sute SAS, one of the Group's French subsidiaries based in Pont-à-Mousson, was a party to an action relating to the discovery of hydrocarbons and toxic substances on a site that the Group operated more than 35 years ago. The Meurthe et Moselle prefecture had required Legrand to take necessary actions to decontaminate the site. In 2009, this procedure lapsed and was ended. In addition, Pass & Seymour, one of the Group's United States subsidiaries, is currently a party to an action relating to the discovery of hydrocarbons on a site it operates. The Group believes that this action represents approximately €2 million. Provision for this amount has been made in the Group's accounts. The Group does not expect the outcome of any such proceedings, either individually or in aggregate, to have a material adverse effect on its operations, financial condition or cash flows. New information or future developments, such as changes in law (or interpretation), environmental conditions or its operations, could nonetheless result in increased environmental costs and liabilities that could have a material effect on the Group's 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 Group has knowledge) that might have or recently had a material impact on the financial position or profitability of the Company and/or the Group.

11.6 - SIGNIFICANT CHANGES IN FINANCIAL AND COMMERCIAL SITUATION

On February 24, 2010, Legrand completed its first euro-denominated bond issue representing a total nominal amount of €300 million over seven years. Bonds mature on February 24, 2017 and the annual coupon is 4.25%. The terms and conditions of this issue include a clause for change of control.

At the date of publication of this reference document, there is no significant change in the financial or commercial situation of the Group.

12 ADDITIONAL INFORMATION

12.1 - SHARE CAPITAL 192

12.1.1 - Subscribed share capital and authorized but unissued share capital 192
12.1.2 - Acquisition by the Company of its own shares 193
12.1.3 - Other securities providing access to equity 193
12.1.4 - Changes in share capital 193
12.1.5 - Pledges, guarantees and security interests 194
12.1.6 - Number of voting rights 194

12.2 - ARTICLES OF INCORPORATION AND BY-LAWS 195

12.2.1 - Corporate purpose 195
12.2.2 - Administration and management 195
12.2.3 - Rights, privileges and restrictions attached to the shares 197
12.2.4 - Amendment of rights attached to shares 197
12.2.5 - Shareholders' Meetings 198
12.2.6 - Provisions of a nature to delay, defer or prevent a change in the control of the Company 198
12.2.7 - Thresholds for ownership disclosures 199
12.2.8 - Changes to share capital 199

12.1 - SHARE CAPITAL

Unless otherwise indicated, the information presented in this chapter is dated December 31, 2009.

12.1.1 - Subscribed share capital and authorized but unissued share capital

At December 31, 2009, the Company's share capital amounted to €1,052,386,716, divided into 263,096,679 shares with a par value of €4 each.

Company shares are fully paid-up and all of the same class. The shares may be held in registered form or in bearer form, at the option of the shareholder. They may be registered on individual shareholder accounts in accordance with applicable legislation and regulations.

On May 26, 2009, the General Meeting of shareholders authorized the Company's Board of Directors to effect the capital increases summarized in the table below subject to the provision that the total nominal value of these increases may not exceed €500 million:

Authorization	Duration of authorization and expiration date	Maximum nominal amount *(in € millions)*
Issuances of shares or securities with preferential subscription rights	26 months July 26, 2011	500 (total nominal cap)
Issuances of shares or securities with preferential subscription rights waived	26 months July 26, 2011	350 (this maximum nominal amount to be deducted from the global nominal cap of 500)
Increase in issuance amounts in the event of excess demand, to be effected within 30 days from the close of the subscription period	26 months July 26, 2011	15% of initial offering (this nominal amount to be deducted from the nominal global cap of 500)
Determination of issue price in case of issuance with preferential subscription rights waived	26 months July 26, 2011	10% of the share capital of the Company (this nominal amount to be deducted from the global cap of 350)
Capital increase through incorporation of reserves, profits, premiums or other amounts	26 months July 26, 2011	100
Issuance to employees participating in a Company or Group share ownership/savings plan	26 months July 26, 2011	25 (this nominal amount to be deducted from the global cap of 500)
Issuance of shares or other securities in consideration of contributions in kind made to the Company	26 months July 26, 2011	10% of the share capital of the Company at the issuance date (this nominal amount to be deducted from the global cap of 350)

At the General Meeting on May 27, 2010, shareholders will be asked to renew: (i) all of these authorizations, which were approved by the Board of Directors on March 4, 2010, and the amounts of which remain unchanged, this being to comply with the recommendation of the *Autorité des Marchés Financiers* dated July 6, 2009 calling for companies to present two separate resolutions for the issue, by public offering and without preferential rights, of shares or other securities providing access to a company's equity or entitlement to debt securities; and the issue by private placement (article L. 411-2 of France's *Code monétaire et financier*) of shares or securities providing access to the Company's equity or entitlement to debt securities, with preferred subscription rights waived; (ii) authorizations for the allocation of options to subscribe or purchase shares and the allocation of free shares (see proposed resolutions in Appendix 4 of this reference document).

12.1.2 - Acquisition by the Company of its own shares

12.1.2.1 CURRENT BUYBACK PROGRAM

Use of the authorization granted at the Shareholders' Meeting on May 26, 2009

On May 27, 2009, the Company established a share buyback program pursuant to the authorization described below, granted to the Board of Directors at the General Meeting of shareholders on May 26, 2009:

Transaction	Term of authorization and expiration date	Maximum amount *(in € millions)*	Maximum number of shares
Share buyback program	18 months November 26, 2010	500	10% of share capital at May 26, 2009
Cancellation of shares purchased under the program above and related capital reduction	26 months July 26, 2011		10% of share capital at May 26, 2009, by 24-month period

The Company has purchased a certain number of its shares pursuant to the buyback program and as a result held 1,255,647 shares at December 31, 2009, representing a total book value of €26.4 million and total nominal value of €5 million, this being 0.5% of 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 web site (www.legrandgroup.com).

12.1.2.2 NEW BUYBACK PROGRAM TO BE SUBMITTED TO SHAREHOLDERS FOR APPROVAL

The draft resolutions adopted by the Company's Board of Directors on March 4, 2010 for submission to shareholders at their General Meeting on May 27, 2010 provide for the renewal of (i) the authorization to purchase own shares referred to in section 12.1.2.1 above with upper limits of 10% of share capital, €500 million on total buybacks and €35 on the purchase price per share, and (ii) the authorization to cancel shares as described in 12.1.2.1 above, subject the upper limit of 10% of share capital in any period of 24 months.

Draft resolutions are reproduced in Appendix 4.

12.1.3 - Other securities providing access to equity

At the date of registration of this reference document, there are no securities other than shares providing access to the Company's equity.

12.1.4 - Changes in share capital

At January 1, 2009, the share capital of the Company amounted to €1,051,260,512 represented by 262,815,128 shares with a par value of €4 each.

On May 5, 2009, 281,551 new shares representing a total nominal amount of €1,126,204 were issued in connection with a capital increase resulting from the exercise of stock options.

At December 31, 2009, the share capital of the Company amounted to €1,052,386,716 represented by 263,096,679 shares with a par value of €4, each, all fully paid and of the same class.

Changes in share capital since the Company's incorporation are summarized in the table below:

Transactions	Date	Number of shares issued/ cancelled	Nominal amount *(in €)*	Issue premium *(in €)*	Share capital *(in €)*	Number of shares	Nominal value *(in €)*
Incorporation	22 Dec. 1998	40,000	40,000	–	40,000	40,000	1
Capital increase	8 Dec. 2002	759,310,900	759,310,900	–	759,350,900	759,350,900	1
Reverse split, increase in nominal value and decrease in number of shares	24 Feb. 2006	569,513,175	–	–	759,350,900	189,837,725	4
Capital increase by way of public offering	April 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	April 11, 2006	33,862,914	135,451,656	533,340,895	1,069,559,748	267,389,937	4
Capital increase reserved to employees	May 2, 2006	2,303,439	9,213,756	36,279,164*	1,078,773,504	269,693,376	4
Capital increase relating to issuance arising from the exercise of stock options	Nov. 7, 2007	1,282,363	5,129,452	–	1,083,902,956	270,975,739	4
Cancellation of shares	March 5, 2008	9,138,395	36,553,580	(188,280,771)	1,047,349,376	261,837,344	4
Capital increase relating to issuance arising from the exercise of stock options	Nov. 5, 2008	977,784	3,911,136	-	1,051,260,512	262,815,128	4
Capital increase relating to issuance arising from the exercise of stock options	May 5, 2009	281,551	1,126,204	185,334	1,052,386,716	263,096,679	4

* *The amount of the discount, i.e., €9.1 million, was accounted for as Other operational expenses in the accounts presented in accordance with IFRS.*

12.1.5 - Pledges, guarantees and security interests

As at the date of registration of this reference document and to the best knowledge of the Company, no share of the Company has been pledged or made subject to a guarantee or a security interest.

12.1.6 - Number of voting rights

Attention is drawn to the fact that the provision for double voting rights described in section 12.2.3 of this reference document has applied since February 24, 2008.

At December 31, 2009, 405,224,821 voting rights were attached to the 263,096,679 shares making up the Company's share capital.

12.2 - ARTICLES OF INCORPORATION AND BY-LAWS

12.2.1 - Corporate purpose

The Company's corporate purpose, as defined in article 2, is, directly or indirectly, in all countries, as follows:

- the purchase, subscription, holding or contribution of shares or other securities in any companies;
- providing any services in connection with, *inter alia*, human resources, IT, management, communications, finance, legal affairs, marketing and purchases to its subsidiaries and companies in which it has direct or indirect interests;
- and, in general, all financial, commercial, industrial, civil, real estate or movable asset transactions directly or indirectly connected with the above objects or with any similar or connected objects, or which are likely to support directly or indirectly the purposes of the Company, its growth, its development or its corporate assets.

12.2.2 - Administration and management

12.2.2.1 BOARD OF DIRECTORS

Membership

The Company 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.

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 six-year terms, which expire at the end of the ordinary general Shareholders' Meeting that considers the accounts of the past financial year, and which is held during the year of expiry of each member's term of office. They may be reappointed for consecutive terms.

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. In accordance with the law, provisional appointments are subject to ratification at the closest Shareholders' Meeting.

No individual exceeding the age of 70 may be appointed as a member of 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 the total number of members of the board, the oldest member of the Board of Directors will be deemed to have resigned at the end of the general ordinary Shareholders' Meeting which considers the accounts of the past financial year, and which is held during the year in which the age limit is reached.

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 reaches such age limit, he/she is automatically deemed to have resigned at the end of the general ordinary Shareholders' Meeting which considers accounts of the past financial year, and which is held during the year in which the age limit is reached.

The Chairman may be reelected.

The Chairman of the Board of Directors organizes and leads the work of the board, on which he/she reports to the Shareholders' 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 compensation of the Chairman is determined by the Board of Directors.

The Board may appoint from 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 limits as the Chairman.

Convening of meetings of the Board of Directors

The Board of Directors may convene as often as required in the best interest of the Company.

Members of the Board of Directors are called to the meetings by the Chairman of the Board of Directors, or in case of unavailability, by the Vice-Chairman.

The Chief Executive Officer (*Directeur général*) may also call on the Chairman to convene the Board of Directors on a specific agenda.

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

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on the Chairman to convene the Board of Directors on a specific agenda.

The Chairman is bound by the requests made under the two paragraphs above.

Subject to the provisions of the three paragraphs above, the agenda is determined by the Chairman and may also be determined, as needed, at the time of the meeting.

Notices are given by any means, including orally, with meetings convened at the registered office or in any other location indicated on the notice, in France or abroad.

Meetings of the Board of Directors

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.

Subject to any contrary provision of the law, the Board of Directors may provide in its internal regulations that, for the purposes of the calculation of the quorum and majority, members be deemed present if they participate by videoconference or by other means of telecommunication, provided that the means used ensure such members' identification and effective participation in the Board meeting, in accordance with the applicable regulatory provisions.

The Board of Directors may appoint a secretary of the meeting, who need not be a shareholder or a member of the Board of Directors.

Powers of the Board of Directors

The Board of Directors determines the broad lines of the Group's business activities and ensures their implementation. Save for powers expressly reserved to the General Meeting of shareholders and within the limits resulting from the Company's corporate purpose, the Board considers all matters concerning the proper operation of the Company's businesses and settles the matters with which it is concerned by deliberative process.

The Board of Directors decides on the management structure of the Company.

The Board of Directors is competent to authorize the Chairman to grant particular security interests in connection with the issuance of bonds.

The Board of Directors may decide to establish committees to assist the Board in its work and in the preparation of its deliberations. It determines the composition and powers of the committees, which operate under its responsibility, without prejudice to the powers proper to the Board, which may in no case be delegated to such committees.

12.2.2.2 GENERAL MANAGEMENT *(DIRECTION GÉNÉRALE)*

Choice relating to exercise of executive powers

The Board of Directors decides, in accordance with the relevant provisions of Company articles, whether the general management (*Direction générale*) is to be conducted by the Chairman of the Board of Directors or by another person appointed by the Board of Directors and bearing the title of *Directeur général* (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 (*Direction générale*) can be changed at any time. The Board of Directors must consider this whenever the term of office of the Chairman or Chief Executive Officer expires.

The provisions concerning the Chief Executive Officer (*Directeur général*) set forth below also apply when general management is exercised by the Chairman of the Board of Directors.

Chief Executive Officer *(Directeur général)*

The Chief Executive Officer (*Directeur général*) may not be more than 65 years of age when appointed. The Chief Executive Officer is deemed to have resigned at the close of the General Meeting of shareholders held in the calendar year in which he/she reaches this age and called to consider accounts for the previous financial year.

The Chief Executive Officer is always eligible for reelection.

The Chief Executive Officer can be chosen from among the Directors or from outside their number. 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 prevented from exercising his/her duties, the Board of Directors may delegate the powers of Chief Executive Officer to a Director.

The Chief Executive Officer has the widest powers to act on behalf of the Company in all circumstances and regarding all matters, subject to such limitations as the Board of Directors may include in its internal regulations, which are without legal effect in relationships with third parties. These powers are to be exercised within the limits resulting from the Company's corporate purpose and the powers expressly reserved by law to Shareholders' Meetings and to the Board of Directors.

The Board of Directors determines the Chief Executive Officer's term of office and compensation. 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 *(Directeurs généraux délégués)*

At the proposal of Chief Executive Officer, the Board of Directors may appoint up to five (5) Chief Operating Officers (*Directeurs généraux délégués*), who must be individuals and may be chosen from among the Directors or from outside their number.

In agreement with the Chief Executive Officer, the Board of Directors determines the scope and duration of the Chief Operating Officer's powers. These powers and their duration may not exceed those of the Chief Executive Officer. The Board of Directors determines the compensation of each Chief Operating Officer.

If the Chief Executive Officer's office terminates, Chief Operating Officer remains in office unless the Board determines otherwise and continue to exercise his or her powers until the appointment of the new Chief Executive Officer.

Chief Operating Officers are eligible for reappointment, subject to the same age limit as the Chief Executive Officer.

12.2.2.3 COMMITTEES

The Board of Directors may decide to set up internal committees charged with considering the matters submitted to them by the Board of Directors or its Chairman. The Board of Directors determines the membership and scope of the committees, which exercise their duties under the Board's responsibility, without prejudice to the authority of the Board of Directors, which may in no case be delegated to such committees.

For a detailed description of the committees, readers should refer to section 8.3.1.2 of this reference document.

12.2.3 - Rights, privileges and restrictions attached to the shares

Shares may be traded without restriction and may be transferred from and to shareholders' accounts in accordance with applicable laws and regulations.

Subject to the applicable legal and regulatory provisions, each member of a Shareholders' Meeting is entitled to one vote per share owned or represented.

However, double voting rights are attached (in proportion to the fraction of capital held) to all shares held in registered form in the name of the same shareholder for at least two years following February 24, 2006.

In addition, in the event of a capital increase by the capitalization of reserves, profits or share premiums, those shares distributed in respect of shares with double voting rights will also benefit from double voting rights upon their issuance.

All shares held in registered form that are transferred or become held in bearer form lose double voting rights. However, transfers resulting from inheritance, the liquidation of joint property between spouses or the granting of an *inter vivos* gift for the benefit of a spouse or certain relatives do not affect the double voting rights attached to the shares and do not interrupt the vesting period for double voting rights.

The merger or breakup of the Company will not affect double voting rights, which may be exercised within the Company or companies benefiting resulting from the merger or breakup if the articles of such company or companies provide for double voting rights.

If any new shares are not fully paid up on issuance, the payment calls, at the dates determined by the Board of Directors, will be made by way of notices inserted, two weeks prior to the payment call, in one of the official gazettes (*journaux d'annonces légales*) of the location of the registered office, or sent by registered mail with acknowledgement of receipt. Each payment on a subscribed share will be recorded by an entry on the account opened under the name of the holder. All late payments will automatically bear interest in favor of the Company, starting from the date payment was due, without formal command or application to a court, at the legal interest rate, notwithstanding the personal proceeding the Company may initiate against the failing shareholder and forced execution measures provided for by the law.

Each share accords the right to an identical share of ownership in the corporate assets, in the distribution of profits and in the liquidation premium (*boni de liquidation*), subject to the creation of preferred shares (*actions de préférence*).

The shares are indivisible with regard to the Company, which recognizes one owner for each share. The co-owners of undivided shares must be represented to the Company by a single representative. In case of dismantling, voting rights attached to shares belong to the usufructuary at ordinary meetings and to the bare owner at extraordinary meetings.

The heirs, creditors, legal beneficiaries and other representatives of a shareholder may not place liens on the property or securities of the Company, nor request the division or public sale, nor interfere in the administration of the Company.

For the proper exercise of their rights, they are to refer to the corporate records and to the decisions of the Shareholders' Meeting.

Whenever more than one share is required to exercise a particular right, in the event of a share exchange, consolidation or allotment, or as a result of an increase or reduction in share capital, or in the event of a merger or other transaction involving the share capital, shareholders who own only one share or who do not own the minimum number required have no rights against the Company; each shareholder may then at their own initiative consolidate their shares for the purpose of exercising said right, or buy or sell the requisite number of shares.

The Company monitors ownership of its shares in accordance with applicable laws. In this respect, the Company may avail itself of all legal provisions, for the identification of the holders of shares conferring immediate or future voting rights at the Company's Shareholders' Meetings.

12.2.4 - Amendment of rights attached to shares

As Company articles and by-laws do not make any specific provisions, amendment of the rights attached to the shares is subject to the general provisions of law.

12.2.5 - Shareholders' Meetings

ATTENDANCE AT SHAREHOLDERS' MEETINGS

The rules set out below result from the articles and by-laws in force at the date of registration of this reference document.

Subject to legal and regulatory restrictions, all shareholders may attend Shareholders' Meetings and participate in deliberations, personally or through a proxy, independently of the number of shares held.

The right to participate personally or through a proxy is established by book entry of the shares in the name of the holder or the intermediary registered on the shareholder's behalf (in accordance with relevant provisions of the law) no later than at zero hour, Paris time, on the third business day preceding the General Meeting:

- in the case of registered shares on the registered accounts kept by the Company;
- in the case of bearer shares, on the bearer securities accounts kept by intermediaries empowered for this purpose in accordance with applicable regulations.

Any shareholder wishing to vote by mail or by proxy must deliver a mailing vote, proxy form, or similar single document, to the Company's registered office, or at any other address indicated on the notice convening the meeting (*avis de réunion et de convocation*), at least three days prior to the date of the meeting. The Board of Directors may, for any general meeting, set a later deadline by a decision in favor or all shareholders. Upon decision of the Board of Directors referred to in the notice (*avis de réunion et de convocation*), shareholders may, in accordance with the law, send their voting and proxy forms by any means including electronic communications. In such case, the 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 Code civil.

CONVENING OF SHAREHOLDERS' MEETINGS

Shareholders' Meetings are convened in accordance with general legal requirements. Meetings are held at the registered office or any other location, in France or abroad, indicated in the notice of meeting.

ORGANIZATION OF SHAREHOLDERS' MEETINGS

Shareholders' 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 appointed for this purpose by the Board of Directors; failing which, the meeting itself elects a Chairman.

Shareholders may, if the Board of Directors has allowed it in the notice of meeting (*avis de réunion et de convocation*), participate *via* videoconferencing or other means of telecommunications in accordance with applicable laws and regulations. Such shareholders are deemed present for the calculation of quorum and majority of Shareholders' Meetings.

An attendance sheet is kept for each meeting as required by law.

DECISIONS AND POWERS OF GENERAL MEETINGS

The Ordinary and Extraordinary General Meetings exercise the powers respectively assigned to them by law, and subject to legal requirements of quorum and majority requirements for each type of meetings.

12.2.6 - Provisions of a nature to delay, defer or prevent a change in the control of the Company

There are no stipulations in Company articles and by-laws of a nature to delay, defer or prevent a change of control.

12.2.7 - Thresholds for ownership disclosures

In addition to the general requirements of law, any individual or legal person, acting alone or in concert, coming into possession, directly or indirectly within the meaning of the law (and in particular, of article L.233-3 of the French *Code de commerce*), in any manner, of a number of shares representing two percent (2%) of the share capital or voting rights, is required to disclose to the Company the total number of shares and voting rights held (the percentage of voting rights being calculated relative to the total number of shares to which voting rights are attached, including those for which voting rights are suspended) in a notice sent by registered mail with acknowledgment of receipt to the registered office within 5 trading days from the date this threshold is exceeded, this being without regard to the date at which the shares may be registered on a shareholder account. This notice is to state the total number of shares and securities giving future access to equity and the number of related voting rights held, directly or indirectly, singly or in concert. The downward breach of this 2% threshold is to be disclosed in the same manner.

Above this 2% threshold, disclosure must be made in the same manner for any rise or fall representing a multiple of one percent (1%) of the share capital or voting rights.

Should required disclosure not be made, voting rights on the shares in excess of the threshold for disclosure will, at the request of one or more shareholders separately or together owning at least one percent (1%) of the share capital or voting rights, as duly recorded in the minutes of the General Meeting, be suspended and the shareholder or shareholders at fault may not exercise or delegate these at any general meetings until the expiration of a two-year period following the date notification is supplied for.

12.2.8 - Changes to share capital

The Company's share capital may be increased or reduced in accordance with the general provisions of law. The Extraordinary General Meeting of shareholders may also decide to carry out stock splits or reverse splits.

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13 MATERIAL AGREEMENTS

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TDC
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Taking into account its business, the Company has not entered into, at the date of registration of this reference document, any material agreements, other than the agreements entered into in the ordinary course of business, with the exception of the 2006 Credit Facility described in section 7.5.2.1 of this reference document.

CONCORDANCE TABLES

CONCORDANCE TABLE – ANNUAL FINANCIAL REPORT (ARTICLE 222-3 OF THE GENERAL REGULATIONS OF THE FRENCH "AUTORITÉ DES MARCHÉS FINANCIERS") 204

CONCORDANCE TABLE – EUROPEAN COMMISSION REGULATION (EC) NO. 809/2004 OF APRIL 29, 2004 204

01 02 03 04 05 06 07 08 09 10 11 12 13 TDC A

CONCORDANCE TABLE – ANNUAL FINANCIAL REPORT (ARTICLE 222-3 OF THE GENERAL REGULATIONS OF THE FRENCH *AUTORITÉ DES MARCHÉS FINANCIERS*)

General regulations of the French Autorité des marchés financiers (AMF) – Article 222-3		Annual financial report	
N°	Paragraph	Reference	Page(s)
I.1°	Annual accounts	Appendix 1	210
I.2°	Consolidated accounts prepared in accordance with Regulation (EC) 1606/2002 of July 19, 2002 on the application of international accounting standards	Chapter 11	133
I.3°	Management report containing at least the information referred to in articles L. 225-100, L. 255-100-3 and the second sub-paragraph of article L. 225-211 of the French Commercial Code	Appendix 2	225
	Management report containing information referred to in article L. 225-100-2 of the French Commercial Code	Chapter 7	67
I.4°	Statement made by the natural persons taking responsibility for the annual financial report	1.1	4
I.5°	Report of the statutory auditors on the annual accounts	Appendix 3	241
	Report of the statutory auditors on the consolidated accounts	11.2	185

CONCORDANCE TABLE – EUROPEAN COMMISSION REGULATION (EC) NO. 809/2004 OF APRIL 29, 2004

European Commission Regulation (EC) no. 809/2004 of April 29, 2004 – Annex I		Reference document	
N°	Paragraph	Reference	Page(s)
1	Persons responsible	1.1	4
1.1	Person responsible for the information given in the reference document	1.1.1	4
1.2	Declaration by the persons responsible for reference document	1.1.2	4
2	Statutory Auditors	1.2	5
2.1	Names and addresses of the issuer's auditors	1.2.1 and 1.2.2	5
2.2	Statutory auditors having resigned, been removed or not been re-appointed during the period covered by the historical financial information	N/A	-
3	Selected financial information	2	9 to 12
3.1	Selected historical financial information	2	9 to 12
3.2	Selected financial information for interim periods	N/A	-
4	Risk factors	Chapter 3	13 to 19
5	Information about the issuer	Chapter 4	21 to 27
5.1	History and Development of the Issuer	4.1	22
5.1.1	Legal and commercial name of the issuer	4.1.1	22
5.1.2	Place of registration of the issuer and its registration number	4.1.2	22
5.1.3	Date of incorporation and the length of life of the issuer	4.1.3	22

European Commission Regulation (EC) no. 809/2004 of April 29, 2004 – Annex I		Reference document	
N°	Paragraph	Reference	Page(s)
5.1.4	Domicile and legal form of the issuer, the legislation under which the issuer operates, its country of incorporation, and the address and telephone number of its registered office	4.1.4 and 4.1.5	22
5.1.5	Important events in the development of the issuer's business	5.1.1.2	30
5.2	Investments	4.2 and 7.6	23 and 85
5.2.1	Description of the issuer's principal investments for each financial year for the period covered by the historical financial information up to the date of the registration document	4.2.1, 4.2.2 and 7.6	23-24 and 85
5.2.2	Description of the issuer's principal investments that are in progress	4.2.3	24
5.2.3	Information concerning the issuer's principal future investments on which its management bodies have already made firm commitments	4.2.4 and 7.6	24 and 85
6	Business overview	Chapter 5	29 to 47
6.1	Principal activities	5.2	39 to 47
6.1.1	Nature of the issuer's operations and its principal activities	5.2	39 to 47
6.1.2	Significant new products and/or services that have been introduced	5.2.2	40 to 41
6.2	Principal markets	5.1.2, 5.2.1	31-33 and 39
6.3	Exceptional factors that have influenced information given to items 6.1 and 6.2	N/A	-
6.4	Summary information regarding the extent to which the issuer is dependent, on patents or licences, industrial, commercial or financial contracts or new manufacturing processes	5.1.2.1, 5.1.4.5 and 5.2.6	31, 34 and 44
6.5	Basis for any statements made by the issuer regarding its competitive position	5.1.4	33 to 35
7	Organizational structure	4.3	24
7.1	Description of the Group and the issuer's position within the Group	4.3, 4.3.1	24 to 25
7.2	List of the issuer's significant subsidiaries	4.3.2	26 to 27
8	Property, plants and equipment	5.2.7	45 to 46
8.1	Information regarding any existing or planned material tangible fixed assets	5.2.7	45
8.2	Description of any environmental issues that may affect the issuer's utilization of the tangible fixed assets	Chapter 3, 5.2.8 and Chapter 6	13, 47 and 49
9	Operating and financial review	Chapter 7	67
9.1	Financial condition	7.3 and 7.4	69 to 81
9.2	Operating results	7.3 and 7.4	69 to 81
9.2.1	Significant factors, including unusual or infrequent events or new developments, materially affecting the issuer's income from operations	7.3 and 7.4	69 to 81
9.2.2	Discussion of the reasons for material changes in net sales or revenues	7.3 and 7.4	69 to 81
9.2.3	Information regarding any governmental, economic, fiscal, monetary or political policies or factors that have materially affected, or could materially affect, directly or indirectly, the issuer's operations	Chapter 3, 5.1.5, 7.9 and 7.10	13, 35, 86 and 87
10	Capital resources	7.5	82 to 85
10.1	Information concerning the issuer's capital resources (both short and long term)	7.5	82 to 85
10.2	Explanation of the sources and amounts of and a narrative description of the issuer's cash flows	7.5.1, 11.1.1.3	82 and 137
10.3	Information on the borrowing requirements and funding structure of the issuer	7.5.2	84
10.4	Information regarding any restrictions on the use of capital resources that have materially affected, or could materially affect, directly or indirectly, the issuer's operations	7.5	82 to 85
10.5	Information regarding the anticipated sources of funds needed to fulfill commitments referred to in items 5.2.3. and 8.1.	N/A	-

European Commission Regulation (EC) no. 809/2004 of April 29, 2004 – Annex I		Reference document	
N°	Paragraph	Reference	Page(s)
11	Research and development, patents and licenses	5.1.6.1.2, 5.2.3, 7.3.2.4 and 7.4.1.4	38, 41, 71 and 76
12	Trend information	7.13	88
12.1	The most significant recent trends in production, sales and inventory, and costs and selling prices since the end of the last financial year to the date of the registration document	7.13	88
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 financial year	N/A	-
13	Profit forecasts or estimates	N/A	-
13.1	Statement setting out the principal assumptions upon which the issuer has based its forecast or estimate	N/A	-
13.2	Report prepared by independent accountants or 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 an explanation of why such forecast is no longer valid	N/A	-
14	Administrative, management, and supervisory bodies and senior management	Chapter 8	91
14.1	Names, business addresses and functions in the issuer of the following persons and an indication of the principal activities performed by them outside that issuer where these are significant with respect to that issuer: (a) members of the administrative, management or supervisory bodies; (b) partners with unlimited liability, in the case of a limited partnership with a share capital; (c) founders, if the issuer has been established for fewer than five years; and (d) any senior manager who is relevant to establishing that the issuer has the appropriate expertise and experience for the management of the issuer's business.	8.1.1	92 to 93
14.2	Administrative, Management, and Supervisory bodies and Senior Management conflicts of interests	8.1.3	94
15	Remuneration and benefits	8.2	95
15.1	The amount of remuneration paid (including any contingent or deferred compensation), and benefits in kind granted to persons referred to in item 14.1 by the issuer and its subsidiaries	8.2.1 to 8.2.5	95 to 100
15.2	The total amounts set aside or accrued by the issuer or its subsidiaries to provide pension, retirement or similar benefits	8.2.5	100
16	Board practices	8.3	100
16.1	Date of expiration of the current term of office, if applicable, and the period during which the person has served in that office	8.4.1 and appendix 3 to the management report	107 and 235 to 239
16.2	Information about members of the administrative, management or supervisory bodies' service contracts with the issuer or any of its subsidiaries providing for benefits upon termination of employment, or an appropriate negative statement	8.1.4	94
16.3	Information about the issuer's audit committee and remuneration committee	8.3.1.2.1, 8.3.1.2.2, 8.4.2	103 à 105 et 108 to 111
16.4	Statement as to whether or not the issuer complies with its country of incorporation's corporate governance regime	8.3.1	100
17	Employees	Chapter 9	119
17.1	The number of employees at the end of the period or the average for each financial year for the period covered by the historical financial information up to the date of the registration document	9.1	120
17.2	Shareholdings and stock options	8.2.1.2, 8.2.3 and 9.2	96, 100, 120 to 123
17.3	Description of any arrangements for involving the employees in the capital of the issuer	9.2 and 9.3	120 to 124

European Commission Regulation (EC) no. 809/2004 of April 29, 2004 – Annex I		Reference document	
N°	Paragraph	Reference	Page(s)
18	Major shareholders	Chapter 10	127 to 132
18.1	The name of any person other than a member of the administrative, management or supervisory bodies who, directly or indirectly, has an interest in the issuer's capital or voting rights	10.1.1	128
18.2	Whether the issuer's major shareholders have different voting rights, or an appropriate negative statement	12.2.3	197
18.3	State whether the issuer is directly or indirectly owned or controlled and by whom and describe the nature of such control and describe the measures in place to ensure that such control is not abused	10.1.2	129
18.4	Description of any arrangements, known to the issuer, the operation of which may at a subsequent date result in a change in control of the issuer	10.2	130
19	Related party transactions	10.3	132
20	Financial information concerning the issuer's assets and liabilities, financial position and profits and losses	Chapter 11	133 to 189
20.1	Historical financial information	11.1	134 to 185
20.2	Pro forma financial information	N/A	-
20.3	Financial statements	11.1	134 to 185
20.4	Auditing of historical annual financial information	11.2	185
20.4.1	Statement that the historical financial information has been audited	11.2	185
20.4.2	Indication of other information in the registration document which has been audited by the auditors	N/A	-
20.4.3	Where financial data in the registration document is not extracted from the issuer's audited financial statements state the source of the data and state that the data is unaudited	N/A	-
20.5	Age of latest financial information (financial statements for the year ended December 31, 2009)	11.1	134
20.6	Interim and other financial information	N/A	-
20.6.1	Quarterly or half yearly financial information published since the date of the issuer's last audited financial statements and the related audit or review report	N/A	-
20.6.2	Interim financial information, which may be unaudited, covering at least the first six months of the financial year if the registration document is dated more than nine months after the end of the last audited financial year	N/A	-
20.7	Dividend policy	11.4	188
20.7.1	Dividend per share	Chapter 11	160 and 188
20.8	Legal and arbitration proceedings	11.5	189
20.9	Significant change in the issuer's financial or trading position	11.6	189
21	Additional information	Chapter 12	191 to 199
21.1	Share Capital	12.1	192
21.1.1	The amount of issued capital, and for each class of share capital: (a) the number of shares authorized; (b) the number of shares issued and fully paid and issued but not fully paid;(c) the par value per share, or that the shares have no par value; and (d) a reconciliation of the number of shares outstanding at the beginning and end of the year. If more than 10% of capital has been paid for with assets other than cash within the period covered by the historical financial information, state that fact	12.1.1	192
21.1.2	Shares not representing capital	N/A	-
21.1.3	Number, book value and face value of shares in the issuer held by or on behalf of the issuer itself or by subsidiaries of the issuer	12.1.2	193
21.1.4	Amount of any convertible securities, exchangeable securities or securities with warrants	9.2 and 9.3	120 and 124

European Commission Regulation (EC) no. 809/2004 of April 29, 2004 – Annex I		Reference document	
N°	Paragraph	Reference	Page(s)
21.1.5	Information about and terms of any acquisition rights and or obligations over authorized but unissued capital or an undertaking to increase the capital	9.2	120
21.1.6	Information about any capital of any member of the Group which is under option or agreed conditionally or unconditionally to be put under option and details of such options including those persons to whom such options relate	N/A	-
21.1.7	A history of share capital, highlighting information about any changes, for the period covered by the historical financial information	12.1.4	193
21.2	Memorandum and Articles of Association	12.2	195 to 199
21.2.1	Description of the issuer's objects and purposes	12.2.1	195
21.2.2	Summary of any provisions of the issuer's articles of association, statutes, charter or bylaws with respect to the members of the administrative, management and supervisory bodies	12.2.2	195 to 197
21.2.3	Description of the rights, preferences and restrictions attaching to each class of the existing shares	12.2.3	197
21.2.4	Description of what action is necessary to change the rights of holders of the shares, indicating where the conditions are more significant than is required by law	12.2.4	197
21.2.5	Description of the conditions governing the manner in which annual general meetings and extraordinary general meetings of shareholders are called including the conditions of admission	12.2.5	198
21.2.6	Brief description of any provision of the issuer's articles of association, statutes, charter or bylaws that would have an effect of delaying, deferring or preventing a change in control of the issuer	12.2.6	198
21.2.7	Indication of the articles of association, statutes, charter or bylaw provisions, if any, governing the ownership threshold above which shareholder ownership must be disclosed.	12.2.7	199
21.2.8	Description of the conditions imposed by the memorandum and articles of association statutes, charter or bylaw governing changes in the capital, where such conditions are more stringent than is required by law	12.2.8	199
22	Material contracts	Chapter 13	201
23	Third party information and statement by experts and declarations of any interest	N/A	-
23.1	Information relating to the expert having drawn up a statement or report	N/A	-
23.2	Confirmation that information sourced from a third party has been accurately reproduced and that no facts have been omitted which would render the reproduced information inaccurate or misleading	N/A	-
24	Documents on display	1.3.2	6 to 7
25	Information on holdings	4.3.2	26 to 27

APPENDIX

APPENDIX 1 210

Annual accounts for the financial year ended December 31, 2009 (Company's accounts) 210

APPENDIX 2 225

Management Report of the Board of Directors on February 10, 2010 to the Annual General Meeting on May 27, 2010 225

APPENDIX 3 241

Report of the Statutory Auditors on Company's financial statements for the year ended December 31, 2009 241

APPENDIX 4 243

Resolutions for the Combined General Meeting of shareholders on May 27, 2010 243

APPENDIX 5 253

Statutory Auditors' special report on regulated agreements and commitments with third parties 253

APPENDIX 1

Annual accounts for the financial year ended December 31, 2009 (Company's accounts)

Statement of income

(in € thousands)	2009	2008
Operating income		
Revenue	17,872	20,305
Other operating income	871	942
	18,743	**21,247**
Operating expenses		
Change in goods inventory	0	0
Change in supplies inventory	0	0
Purchases and external charges	(5,891)	(7,422)
Taxes other than on income	(463)	(553)
Employee benefits expense	(10,900)	(10,757)
Amortization and provision expense	(1,273)	(1,284)
	(18,527)	(20,016)
Operating profit	**216**	**1,231**
Financial income		
Dividend income	129,868	233,352
Interest income from marketable securities and receivables, net	2	0
Net gains on disposal of non-current assets	0	0
Exchange gains	2	798
	129,872	**234,150**
Financial expense		
Amortization and provision expense	0	(42,699)
Exchange losses	(2)	(5)
Finance costs and other	(13,037)	(43,176)
	(13,039)	**(85,880)**
Financial income and expense, net	**116,833**	**148,270**
Recurring profit before tax	**117,049**	**149,501**
Non-recurring income and expense, net	**13,757**	**(5,882)**
Profit before tax and employee profit-sharing	**130,806**	**143,619**
Employee profit-sharing	(148)	(231)
Income tax benefit	4,010	33,582
PROFIT FOR THE PERIOD	**134,668**	**176,970**

Assets – Net

(in € thousands)	December 31, 2009	December 31, 2008
Non-current assets		
Intangible assets	0	0
Property and equipment	0	0
Investments	3,785,277	3,812,771
TOTAL NON-CURRENT ASSETS	**3,785,277**	**3,812,771**
Current assets		
Inventories	0	0
Receivables	21,956	13,628
Other current assets	0	0
Marketable securities	12,771	65,605
Cash	0	0
TOTAL CURRENT ASSETS	**34,727**	**79,233**
Accruals	**1,797**	**2,105**
TOTAL ASSETS	**3,821,801**	**3,894,109**

Equity and liabibilites – Before appropriation of profit

(in € thousands)	December 31, 2009	December 31, 2008
Equity		
Share capital	1,052,387	1,051,261
Additional paid-in capital, reserves and retained earnings	1,771,333	1,776,988
Profit for the period	134,668	176,970
Untaxed provisions and government grants	0	0
TOTAL EQUITY	**2,958,388**	**3,005,219**
Provisions	**7,768**	**6,153**
Debt		
Other debt	806,388	821,838
TOTAL DEBT	**806,388**	**821,838**
Other liabilities	**49,257**	**60,899**
Accruals	**0**	**0**
TOTAL EQUITY AND LIABILITIES	**3,821,801**	**3,894,109**

Cash flow statement (years ended December 31)

(in € thousands)	2009	2008
Cash and cash equivalents at beginning of period *(note 1.12)*	**(6)**	**(75)**
Cash flows from operating activities		
Profit for the period	134,668	176,970
Adjustments to reconcile profit for the period to net cash provided by operating activities:		
Amortization expense	(33,826)	44,815
Other	0	(1,911)
CASH FLOW	**100,842**	**219,874**
Cash flows from changes in operating assets and liabilities:		
Trade and other receivables (including group relief receivables)	(8,328)	33,864
Trade and other payables (including group relief liabilities)	(11,642)	52,229
Other operating assets and liabilities	(794)	0
NET CASH PROVIDED BY OPERATING ACTIVITIES	**80,078**	**305,967**
Cash flows from investing activities		
Proceeds from the sale of assets	0	0
Investments:		
Acquisitions of intangible assets	0	0
Acquisitions of investments, net	0	(555)
NET CASH USED IN INVESTING ACTIVITIES	**0**	**(555)**
Cash flows from financing activities		
Capital increases (reductions)	1,311	(220,924)
Share buybacks and transactions under the liquidity contract	116,871	144,050
Dividends paid	(182,810)	(179,241)
Net (decrease) increase in borrowings (including intra-group loans and borrowings)	(15,447)	(49,228)
NET CASH USED IN FINANCING ACTIVITIES	**(80,075)**	**(305,343)**
Net change in cash and cash equivalents *(note 1.12)*	**3**	**69**
Cash and cash equivalents at period-end *(note 1.12)*	**(3)**	**(6)**

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Significant events of the year

None.

Subsequent events

None.

1 – Summary of significant accounting policies

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 Investments 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 Liquidity contract and share buybacks

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.
- Legrand shares purchased in connection with the Company's 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 acquired by employees. In 2008, the initial provision was recorded under financial income and expense, net.

A provision is recorded for shares purchased for allocation on exercise of stock options or for performance shares, to cover the difference between the price of performance shares and stock options granted to employees and the shares' carrying amount. This provision – which is recorded for stock options only if it is probable that the options will be exercised – 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.

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 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.

The defined benefit obligation is partly funded by contributions to an insured plan. Under the plan terms, Legrand has no liability for the payment of benefits to employees covered by the plan. Legrand has not made any additional payments to the plan since 2002.

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.

1.10 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 in 2006 and applies for the calculation of the special statutory profit-sharing reserve for the years 2006 to 2010. The plan covers employees of Legrand and also those of Legrand France, Legrand SNC, Groupe Arnould, Cofrel, Sute, Sarlam, Ura, Planet-Wattohm, Distrasa and ICM Group.

A new 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.

1.11 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.

1.12 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, 2008	Additions/amortization for the period	Disposals	December 31, 2009
Software at cost	**479**	**0**	**0**	**479**
Amortization of software	**(479)**	**0**	**0**	**(479)**
INTANGIBLE ASSETS, NET	**0**	**0**	**0**	**0**

2.2 Investments

(in € thousands)	December 31, 2008	Additions	Disposals	December 31, 2009
Shares in subsidiaries and affiliates				
Legrand France S.A	3,773,659	0	0	3,773,659
	3,773,659	**0**	**0**	**3,773,659**
Other investments				
■ treasury shares held for cancellation	0	0	0	0
■ other treasury shares	26,058	0	(20,896)	5,162
■ other long-term receivables	13,711	0	(7,255)	6,456
	39,769	**0**	**(28,151)**	**11,618**
Provisions for impairment				
■ impairment of other treasury shares	(657)	0	657	0
	(657)	**0**	**657**	**0**
TOTAL INVESTMENTS	**3,812,771**	**0**	**(27,494)**	**3,785,277**

a) Shares in subsidiaries and affiliates

No impairment provision has been recorded on these shares.

b) Other investments

This item includes (i) shares purchased under the liquidity contract that was entered into between the Group and a financial institution on May 29, 2007 for the purpose of maintaining a liquid market for Legrand's ordinary shares on the Eurolist by EuronextTM Paris market and which complies with the AMAFI Code of Conduct approved by the AMF on March 22, 2005; and (ii) cash and short-term investments held in the liquidity account (see note 1.4).

As of December 31, 2009, Legrand held 290,000 treasury shares in connection with the liquidity contract, valued at €5,161 thousand. No provision was recorded for impairment in value of these shares in the 2009 financial statements. In 2008, they were written down by €657 thousand. Cash and short-term investments held in the liquidity account amounted to €6,457 thousand as of December 31, 2009, 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, 2009	Maturities	
		Within one year	Beyond one year
Current receivables:			
Trade accounts receivable	5,475	5,475	0
Recoverable value-added tax	531	531	0
Prepaid and recoverable taxes	14,336	14,336	0
Group relief receivables	1,613	1,613	0
Other receivables	1	1	0
TOTAL AS OF DECEMBER 31, 2009	**21,956**	**21,956**	**0**
TOTAL AS OF DECEMBER 31, 2008	**13,628**	**13,628**	**0**

2.4 Marketable securities

In 2009 and 2008 this item exclusively comprised Legrand shares purchased for allocation to employees.

(in € thousands)	December 31, 2009				December 31, 2008
	Cost	Impairment	Net	Provision	Net
Treasury shares held for allocation to employees					
2007 Plan	6,567	(3,139)	3,428	(2,136)	28,664
2008 Plan	13,225	(4,984)	8,241	(3,173)	35,849
2009 Plan	0	0	0	(1,267)	0
Corporate mutual fund	1,414	(312)	1,102	0	1,092
TOTAL CARRYING AMOUNT	**21,206**	**(8,435)**	**12,771**	**(6,576)**	**65,605**

Details of the objectives and terms of Legrand's current share buyback program – which represents a maximum of €500 million – are provided in the program description published on May 27, 2009.

As of December 31, 2009, a total of 965,647 shares had been bought back under the program, at a total cost of €21,206 thousand. 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 (56,763 shares purchased at a cost of €1,414 thousand);
- for allocation to performance share plans (908,884 shares purchased at a cost of €19,792 thousand). Out of this total, 261,720 shares have been allocated to the 2007 performance share plan and 647,164 to the 2008 plan. The average per-share purchase price for these shares was €25.09 for the 2007 plan and €20.44 for the 2008 plan.

A total of 3,664,946 shares were sold in 2009, including 3,641,709 that were previously earmarked for stock option plans. Consequently, all shares held in treasury at December 31, 2009 were intended for performance share plans.

During 2009, a total of 254,280 shares were transferred to employees under the performance share plans described in note 2.6 (D)).

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, 2008 through 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 a fair value of €19.42.

In accordance with the principle described in note 1.4, a provision has been recognized for treasury shares purchased for allocation under the 2007 and 2008 performance share plans. The amount of this provision – which is being recognized on a straight-line basis over the performance shares' vesting period – was calculated based on the carrying amount of treasury shares as defined above and came to €6,576 thousand on as of December 31, 2009 (€4,905 thousand as of December 31, 2008).

2.5 Accruals and other assets

(in € thousands)	December 31, 2009	December 31, 2008
Prepaid expenses	54	27
Deferred charges *(note 1.8)*	1,743	2,078
TOTAL	**1,797**	**2,105**

2.6 Equity

a) Share capital

The following table shows changes in share capital in 2009:

	Number of shares	Par value	Share capital (in euros)
As of December 31, 2008	262,815,128	4	1,051,260,512
Issuance of shares on exercise of options under the 2004 stock option plan	115,834	4	463,336
Issuance of shares on exercise of options under the 2005 stock option plan	165,717	4	662,868
As of December 31, 2009	263,096,679	4	1,052,386,716

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

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.

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

In 2009, 281,551 shares were issued upon exercise of stock options granted under the 2004 and 2005 plans (see note 2.6 (D)), resulting in a €1,126,204 capital increase. The aggregate premium amounted to €185,334.

b) Additional paid-in capital, reserves and retained earnings

(in € thousands)	December 31, 2009	December 31, 2008
Before appropriation of profit		
Additional paid-in capital	1,060,568	1,060,383
IPO costs charged to additional paid-in capital	(33,206)	(33,206)
Legal reserve	67,486	58,637
Other reserves and retained earnings	676,485	691,174
Profit for the period	134,668	176,970
	1,906,001	**1,953,958**

“Other reserves and retained earnings” includes €26,367 thousand in reserves that are not available for distribution as a result of share buybacks.

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c) Changes in equity

(in € thousands)	
Equity as of December 31, 2008	3,005,219
Movements for the year:	
■ share capital	1,126
■ additional paid-in capital	185
■ reserves and retained earnings	0
■ profit for the period	134,668
■ dividends paid	(182,810)
■ other	0
■ equity as of December 31, 2009	
Before appropriation of profit	**2,958,388**

On May 26, 2009, the Annual Shareholders' Meeting approved the payment of a total dividend of €182,810,440, representing €0.70 per share.

d) Stock option plans and performance share plans

2004 and 2005 stock option plans

The Company has set up a stock option plan under which stock options may be granted to purchase a specified number of newly-issued ordinary shares of the Company at an initial exercise price of €1.00 per share for options granted in 2004, and €1.40 per share for options granted in 2005. At the General Meeting of February 24, 2006, shareholders decided to carry out a 1-for-4 reverse stock-split, leading to an increase in the shares' par value from €1 to €4.

To take into account the effects of this change, the option exercise price was increased to €4 for options granted in 2004 and to €5.60 for those granted in 2005.

The exercise price of the options was set based on the Company's market value as determined by an independent valuer at the option grant date.

Stock option plans	2004 plan	2005 plan	Total
Grant date	January 30, 2004	February 7, 2005	
Total number of options granted	508,250	173,750	682,000
of which options granted to corporate officers	*0*	*0*	*0*
Exercise period	■ Two-thirds of the options in the 60 days following the fourth anniversary of the grant date. ■ One-third of the options in the 60 days following the fifth anniversary of the grant date.		
Start of exercise period for two-thirds of the options	January 30, 2008	February 7, 2009	
Start of exercise period for one-third of the options	January 30, 2009	February 7, 2010	
Exercise price	€4	€5.60	
Options exercised in 2008	(338,781)	0	(338,781)
Options forfeited in 2008	(1,667)	0	(1,667)
Stock options outstanding as of December 31, 2008	**167,802**	**173,750**	**341,552**
Options exercised in 2009	(165,717)	(115,834)	(281,551)
Options forfeited in 2009	(2,085)		(2,085)
Stock options outstanding as of December 31, 2009	**0**	**57,916**	**57,916**

A total of 57,916 options will become exercisable in 2010.

The 2004 plan expired on March 31, 2009.

2007, 2008 and 2009 performance share and stock option plans

Performance share plans

The Shareholders' Meeting of May 15, 2007 authorized the Company's Board of Directors to grant shares representing up to 5% of the Company's capital (including shares to be issued upon exercise of stock options) to certain employees or officers of the Company and its subsidiaries.

Performance share plans	2007 plan	2008 plan	2009 plan	Total
Grant date	May 15, 2007	March 5, 2008	March 4, 2009	
Total number of shares granted	533,494	654,058	288,963	1,476,515
Of which shares granted to corporate officers	*26,427*	*47,077*	*23,491*	*96,995*
Gilles Schnepp	*13,582*	*24,194*	*12,075*	*49,851*
Olivier Bazil	*12,845*	*22,883*	*11,416*	*47,144*
Vesting conditions	After a maximum of 4 years, except in the event of resignation or termination for willful misconduct			
Performance shares forfeited in 2007	(8,695)	0	0	(8,695)
Performance shares vested in 2008	(546)	0	0	(546)
Performance shares forfeited in 2008	(8,298)	(6,145)	0	(14,443)
Performance shares vested in 2009	(253,880)	(400)	0	(254,280)
Performance shares vested in 2009	(6,428)	(9,905)	(6,281)	(22,614)
Performance shares outstanding as of December 31, 2009	**255,647**	**637,608**	**282,682**	**1,175,937**

Stock option plans

The Shareholders' Meeting of May 15, 2007 authorized the Company's Board of Directors to grant stock options representing up to 5% of the Company's capital (including shares to be issued upon exercise of stock options) 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	2007 plan	2008 plan	2009 plan	Total
Grant date	May 15, 2007	March 5, 2008	March 4, 2009	
Total number of options granted	1,638,137	2,015,239	1,185,812	4,839,188
Of which options granted to corporate officers	*79,281*	*141,231*	*93,964*	*314,476*
Gilles Schnepp	*40,745*	*72,583*	*48,300*	*161,628*
Olivier Bazil	*38,536*	*68,648*	*45,664*	*152,848*
Exercise period	Options vest after a maximum of 4 years, except in the event of resignation or termination for willful misconduct			
Start of exercise period	May 16, 2011	March 6, 2012	March 5, 2013	
Expiry of exercise period	May 15, 2017	March 5, 2018	March 4, 2019	
Exercise price	€25.20	€20.58	€13.12	
Options forfeited in 2007	(27,574)	0	0	(27,574)
Options forfeited in 2008	(27,468)	(20,439)	0	(47,907)
Options forfeited in 2009	(25,105)	(32,057)	(21,093)	(78,255)
Stock options outstanding as of December 31, 2009	**1,557,990**	**1,962,743**	**1,164,719**	**4,685,452**

2.7 Provisions

(in € thousands)	Amount as of December 31, 2008	Charges	Reversals	Amount as of December 31, 2009
Provisions				
Provisions for pensions and other post-retirement benefit obligations	1,039	107	(66)	1,080
Other provisions	5,114	3,226	(1,652)	6,688
	6,153	**3,333**	**(1,718)**	**7,768**
Provisions for impairment				
On investments	657	0	(657)	0
On marketable securities *(note 2.4)*	44,321	0	(35,886)	8,435
	44,978	**0**	**(36,543)**	**8,435**
TOTAL	**51,131**	**3,333**	**(38,261)**	**16,203**
Charges to and reversals from provisions are recorded under the following income statement captions:				
■ operating income and expense		171	(104)	
■ financial income and expense		0	0	
■ non-recurring income and expense		3,162	(38,157)	
TOTAL		**3,333**	**(38,261)**	

"Other provisions" primarily includes the €6,576 thousand provision for treasury shares allocated to the 2007, 2008 and 2009 performance share plans as described in note 2.4

The €1,671 thousand net addition to this provision for the period has been classified under employee benefits expense by way of a non-recurring expense transfer account (see note 3).

2.8 Debt and other liabilities

(in € thousands)	Net as of December 31, 2009	Maturities		
		Due within one year	Due in one to five years	Due beyond five years
Debt				
Bank borrowings with:				
■ Original maturities of less than two years	3	3	0	0
■ Original maturities of more than two years	647,668	50,868	596,800	0
Other borrowings	158,717	110	158,607	0
TOTAL DEBT	**806,388**	**50,981**	**755,407**	**0**
Other liabilities				
Trade payables	2,599	2,599	0	0
Accrued taxes and employee benefits expense	4,613	4,613	0	0
Other	42,045	42,045	0	0
Deferred revenue	0	0	0	0
TOTAL OTHER LIABILITIES	**49,257**	**49,257**	**0**	**0**
TOTAL LIABILITIES AS OF DECEMBER 31, 2009	**855,645**	**100,238**	**755,407**	**0**
TOTAL LIABILITIES AS OF DECEMBER 31, 2008	**882,737**	**64,016**	**818,721**	**0**

a) 2006 Credit Facility

On January 10, 2006, the Company signed a new credit facility representing €2.2 billion – the 2006 Credit Facility – with five mandated arrangers.

The 2006 Credit Facility 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 and the repayment schedule has been revised accordingly. The maturities set out in the above table take into account this revised repayment schedule.

The outstanding portion of the Tranche A loan amounted to €365 million at December 31, 2009.

b) Bank borrowings

As of December 31, 2009, 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 6 years and 4 months, expiring September 21, 2013, and bears interest at the 3-month Euribor plus 45 bps;
- a new €62.500 thousand loan obtained on March 12, 2009 from a pool of French financial institutions. The loan is for a period of 5 years, expiring March 12, 2014, bearing interest at the 3-month Euribor plus 210 bps.

c) Undrawn credit facilities

In October 2008, Legrand obtained a €50 million credit facility from a French bank, expiring on March 31, 2012. No drawdowns were made on this facility in 2009 and the contract was canceled as from November 30, 2009.

d) Related party debt

The Company's debt includes a €158,717 thousand revolving line of credit with Legrand France. This five-year facility was originally obtained in 2004 and was renewed in 2009, bearing interest at Euribor plus 40 bps.

The facility is repayable at any time without penalty.

e) Other debt consists mainly of the €42,044 thousand 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)	2009	2008
Non-recurring income		
Revenue transactions	31	0
Capital transactions	2,802	1,215
Provision reversals and expense transfers *(note 2.7)*	50,485	3,805
	53,318	**5,020**
Non-recurring expenses		
Revenue transactions	(47)	0
Capital transactions	(36,352)	(6,964)
Amortization and provision expense *(note 2.7)*	(3,162)	(3,938)
	(39,561)	**(10,902)**
Non-recurring income and expense, net	**13,757**	**(5,882)**

Non-recurring income and expenses on capital transactions correspond to income and expenses generated on sales and purchases of treasury shares, such as the sale of 3,664,949 shares described in note 2.4, and on sales carried out in connection with the liquidity contract.

These sales gave rise to a net provision reversal of €36,543 thousand.

Changes in provisions for performance shares have been recorded under employee benefits expense in an amount of €1,671 thousand by way of a non-recurring expense transfer account. The basis for calculating such provisions is described in note 2.4 and changes to those provisions are presented in note 2.7.

The non-recurring expense transfer account also includes income 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. This income came to €9,579 thousand for the year. The account also includes the transfer to employee benefits expenses of the portion of these costs directly attributable to the Company for €1,077 thousand.

4 – Other information

4.1 Income tax

a) Unrecognized deferred tax asset and liabilities

	Base: income or (expense)				Unrecognized deferred tax benefit (charge)*		
		Movements for the period					
(in € thousands)	December 31, 2008	Increase	Decrease	December 31, 2009	December 31, 2008	Change	December 31, 2009
Timing differences between the recognition of income and expenses for financial reporting and tax purposes:							
Income taxed in current year not recognized in the income statement							
■ Unrealized exchange gains	0	0	0	0	0	0	0
Expenses recognized in the income statement deductible in future years							
■ Employee profit-sharing	(155)	0	(5)	(160)	53	2	55
■ Pension and other post-retirement benefit costs	(1,033)	0	(42)	(1,075)	356	14	370
■ Taxes and other	3,359	2,108	0	5,467	(1,157)	(726)	(1,882)
TOTAL	**2,171**	**2,108**	**(47)**	**4,232**	**(747)**	**(710)**	**(1,457)**

* *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.

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.

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4.2 Related party transactions

(in € thousands)	2009		2008	
	Related party transactions	Total in the financial statements	Related party transactions	Total in the financial statements
a) Investments	**3,773,659**	**3,785,277**	**3,773,659**	**3,812,771**
b) Inventories	**0**	**0**	**0**	**0**
c) Receivables				
Trade receivables	5,473	5,475	4,328	4,328
Other receivables	1,613	16,481	4,605	9,300
	7,086	**21,956**	**8,933**	**13,628**
d) Liabilities				
Debt	158,717	806,388	236,099	821,838
Trade payables	354	2,599	317	2,291
Other liabilities	42,044	46,658	53,788	58,608
	201,115	**855,645**	**290,204**	**882,737**
e) Financial expense	**2,154**	**13,039**	**13,728**	**85,880**
f) Financial income	**129,868**	**129,872**	**233,352**	**234,150**

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, 2009 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)	2009	2008
Commitments given		
Guarantees	63	0
Mortgages and liens	0	0
	63	**0**

In January 2006, Legrand was signatory of a refinancing agreement between its direct and indirect subsidiaries and its banks (see note 2.8 (A)).

Legrand has guaranteed the proper execution of the agreement.

4.5 Employees

	2009	2008
Average number of employees:		
Management	38	42
Administrative staff	8	8
Apprentices	1	1
TOTAL	**47**	**51**

4.6 Management compensation

Compensation paid to Executive Directors for 2009 amounted to €1.8 million, compared with €2.3 million in 2008.

4.7 Statutory auditors' fees

(Disclosure made pursuant to French Governmental Decree 208-1487 dated December 30, 2008.) Fees invoiced by the Company's Statutory Auditors for 2009 totaled €426,000 for the statutory audit of the Company's accounts and €80,552 for audit-related work.

4.8 Subsidiaries and affiliates

(in € thousands)	Share capital		Reserves and retained earnings	Percent interest	Carrying amount of the shares		Outstanding loans	Guarantees given	2009		Dividends paid by Legrand France in 2009	Dividends received by Legrand France in 2009
	Currency	Euros			Cost	Net			2009 revenue	Profit (loss)		
French companies												
Legrand France	EUR	54,913	320,396	100	3,773,659	3,773,659	0	62	805,646	218,977	129,868	204,393

APPENDIX 2

Management Report of the Board of Directors on February 10, 2010 to the Annual General Meeting on May 27, 2010

1 – BUSINESS IN THE YEAR ENDED DECEMBER 31, 2009

1.1 Highlights of the year

Nil.

1.2 Revenues and earnings in 2009

Revenues for 2009 amounted to €17.9 million, the bulk of which was made up of supply of services within the group. Other income represented transfers of charge relating to issuing expense for the bank loan taken out in 2009.

Operating expense amounted to €18.5 million in the year to December 31, 2009, compared with €20 million in the year to December 31, 2008.

Charges for staff compensation were steady. The total includes €2.7 million (compared with €1.5 million in 2008) relating to a provision for the future cost of the free share allotments approved in 2007, 2008 and 2009. This provision is calculated on the basis of the net book value at cost of Legrand shares acquired under buyback programs spread over the related vesting period for employees.

Other operating charges declined from 2008 to 2009, with external costs in particular 21% lower.

Net operating income for the year to December 31, 2009 thus came to €0.2 million compared to €1.2 million in the previous year.

Net interest and other financial items for 2009 represented income amounting to €116.8 million compared with €148.3 million in the year to December 31, 2008. This variation resulted from:

- a decline in the amount of dividends received from Legrand France SA from €233.4 million in 2008 to €129.9 million in 2009;
- a decline of €0.8 million in foreign-exchange gains;
- non-recurrence of the charge for impairment of own shares, which amounted to €42.7 million at December 31, 2008;
- a €30.2 million decline in loan charges.

Net exceptional items represented income amounting to €13.8 million in the year to December 31, 2009 compared with a charge of €5.9 million in 2008. The bulk of this resulted from transactions relating to allocations of stock options and free shares.

Employee profit-sharing amounted to €0.1 million.

Tax income booked in an amount of €4 million represents the surplus of tax paid by subsidiaries within the tax consolidation group.

Net income for the year to December 31, 2009 amounted to €134.7 million.

1.3 Debt

The Company's debt position is summarized in Appendix 1.

A new €62.5 million loan obtained on March 12, 2009 from a pool of French financial institutions. The loan is for a period of 5 years, expiring March 12, 2014, bearing interest at the 3-month Euribor plus 210 bps.

1.4 Management of financial risk

Financial risk management at Legrand mainly concerns the major areas of market risk, credit risk and liquidity risk.

The general aim of treasury policies is to identify, evaluate and cover financial risk. Legrand aims to minimize the adverse impact of financial risk on the profitability of underlying business and thus on the Company's financial performance.

Risks and the related policies of the Legrand group are described in note 22 to the consolidated financial statements.

At Company level (Legrand SA), credit contracts are at variable rates defined by a margin above the benchmark rate for the currency concerned. At December 31, 2009, the Company was not directly party to any specific cover arrangement. Appropriate cover is generally taken out through Legrand France.

1.5 Business of the Group

Sales

Published data set sales at €3,578 million for the year, down 14.9% from 2008, for a decline of 13.9% at constant scope of consolidation and exchange rates. Consolidation of acquisitions contributed +0.4% and variations in exchange rates reduced the total by 1.6%.

Sales growth at constant scope of consolidation and exchange rates broke down as follows by geographical region:

	2009-2008	Q4 2009 / Q4 2008
France	-8.3%	-3.6%
Italy	-20.0%	-11.8%
Rest of Europe	-20.9%	-14.2%
United States/Canada	-15.5%	-9.9%
Rest of the World	-7.1%	-3.8%
TOTAL	**-13.9%**	**-8.1%**

- **France**: Full-year sales fell 8.3%, hit by the weakness of the residential market and deterioration on the non-residential market. Thanks to the effective segmentation of ranges, the impact of our product mix remained positive throughout the year. The closing quarter was buoyed by one extra working day, as well as rising sales of wiring device ranges, in particular Céliane; the popularity of LCS2's Voice-Date-Image systems; and interest in Alpes Technologies' solutions for measuring energy and improving the quality of electrical current.
- **Italy**: Business shows no clear sign of improvement, particularly in non-residential markets. For the year as a whole, retailers' sell-out declined 13%, while our sales to distributors fell 20% as distribution outlets reduced their stocks significantly.
- **Rest of Europe**: Business conditions remained testing throughout the year in both Western and Eastern Europe, and led to a 20.9% decline in sales. In the fourth quarter, a more moderate decline in sales reflected a more favorable basis of comparison for countries such as Spain, but also a return to growth for others such as Turkey.
- **United States/Canada**: Sales fell back 15.5% full year, hit by weak residential markets and deterioration in the commercial segment. The slower fall observed in the fourth quarter reflects signs of improved conditions on the residential market, which now appears to have bottomed out, and growth in sales of our Voice-Data-Image systems.
- **Rest of the World**: After a poor start, the year ended with sales down only 7.1%. This gradual improvement in business was confirmed in the fourth quarter with growth in Asia-Pacific and a steadying in Latin America.

Limited decline in maintainable adjusted operation margin

Maintainable adjusted operating income declined 15.6% to €629.5 million or 17.6% of sales. This is nearly unchanged compared with 2008, and reflects the full and continuing adaptation of Group expenditure to trends in our sales. The cost base, defined as the total of production costs and administrative and sales expense, was cut 15.3% at constant scope of consolidation and exchange rates. Restructuring expense totaled €51 million in 2009.

Net income came to €290 million for the year, equal to 8.1% of sales.

Continued investment in innovation

In 2009 Legrand once again rolled out a steady stream of new products, with major investments in innovation reflected in both a rise in R&D as a percentage of sales — from 4.4% in 2008 to 4.8% — and a rise in industrial investment in new products.

Legrand thus launched a host of new ranges during the year, and plans further additions to its offering to:

- meet growing demand for energy savings and new energy performance standards, through a complete range of lighting-control devices in Western Europe, power measurement and improved current quality solutions from Alpes Technologies, and new ultra-efficient lighting-control detectors from WattStopper in the United States;
- accelerate use of renewable energy sources through a solar cell equipment protection device, as well as partnering with businesses in this field;
- accompany rising connection rates available to users and simplify installation of new types of network through the deployment of LCS2 offerings, fiber-optic connectors, new user interfaces from MyHome and a virtual configuration system for MyHome devices;
- strengthen its positions in emerging countries with the Arteor wiring device line, designed for residential and commercial markets in China, India and the Middle East in particular, and DMX3 circuit breakers.

Robust free cash flow generation and significant reduction in net borrowing

Free cash flow came to €655 million in 2009 or 18.3% of sales, an exceptional level attributable to:

- healthy margins;
- a steep reduction in working capital requirement (WCR), reflecting an exceptional inflow of around €135 million. Restated for this non-recurrent item, WCR is nearly 11% of sales, reflecting improved management of source and application of funds;
- good control of net industrial investment reflecting the proceeds of divestments that generated a particularly high €44 million in 2009.

2 – RESEARCH AND DEVELOPMENT

No research and development activities were carried out directly through Legrand SA during the year.

3 – ENVIRONMENTAL AND SOCIAL RESPONSIBILITY INFORMATION

Not applicable for Legrand SA.

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 2010 as in 2009.

6 – CHANGES IN THE PRESENTATION OF ANNUAL FINANCIAL STATEMENTS

Changes in provisions for impairment of own shares were included in financial items in 2008 and in exceptional items in 2009. The change was made to avoid an imbalance in exceptional items, since the charge relating to the recovery of provisions must be recognized under exceptional items. The allocation amounted to €42.7 million in 2008 (under financial items) and the recovery to €36.5 million in 2009 (under exceptional items).

7 – APPROPRIATION OF EARNINGS

We propose that earnings in an amount of €134,668,012.49 be appropriated as follows:

■ appropriation to legal reserve	€6,733,400.62
■ dividend distribution (€0.70 per share)	€183,288,722.40*
■ deduction of the difference	€55,354,110.53 to retained earnings, amounting to €621,130,809.04

* *Calculated on the basis of the number of own shares held on December 31, 2009, this amount being subject to adjustment according to the number of own shares held at the date of payment.*

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 to the shareholders concerned.

We remind shareholders that the Company is legally required to hold an inappropriable reserve in an amount equal to that of shares bought back, this being €26.4 million.

8 – EARNINGS OVER THE PAST FIVE YEARS

We inform you of our company's earnings over the past five years as required under article 148 of the Ministerial Decree dated March 23, 1967.

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 2006, 2007 and 2008 financial years were as follows.

Year	Number of shares	Net dividend
2006	266,241,719 shares, €4	€0.50
2007	256,059,171 shares, €4	€0.70
2008	261,157,772 shares, €4	€0.70

The dividends distributed were eligible for the 40% income-tax exemption under 158-3-2e of the French Code Général des Impôts.

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10 – MANDATES AND OTHER FUNCTIONS OF EXECUTIVE DIRECTORS

As provided in the French Commercial Code, 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 Schnepp held the positions of Chairman and Chief Executive Officer at December 31, 2009.

12 – SUBSIDIARIES AND ACQUISITIONS OF EQUITY INTERESTS

There were no significant acquisitions of equity interests or control.

13 – SHAREHOLDERS

a) At December 31, 2009, ownership of Legrand shares broke down as follows:

	% of capital	% of voting rights
Wendel group	24.9%	32.4%
KKR group	24.9%	32.4%
Legrand management and employees	5.2%	5.4%
Treasury shares	0.5%	-
Free float	44.5%	29.8%

Article 11.4 of Company articles provides that from February 24, 2006 on, voting rights double those of other shares in proportion to the portion of capital represented are attributed to all fully-paid shares registered in the name of the same owner for a period of at least two years.

b) Employee share ownership

In connection with the admission of Legrand shares to trading on Euronext Paris, the Company offered its employees and those of its 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. This offer, available only in France, was open to all participants in the Plan d'Epargne 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 included the par value of €4 each plus an issuing premium of €11.80.

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.

At December 31, 2009, shares held by employees in this way totaled 2,121,196.

14 – COMPENSATION OF EXECUTIVE DIRECTORS

Information concerning compensation of executive directors is provided in compliance with the French Commercial Code in Appendix 4.

15 – STOCK OPTIONS AND FREE SHARE ALLOTMENTS

Stock options subscriptions to new shares or purchases of existing shares

On June 6, 2003, the Company adopted a stock-option plan, under which options may be granted for subscription to a defined number of ordinary shares at a price initially set at €1 per share for options granted in 2004, and at €1.40 for those granted in 2005. At their General Meeting on February 24, 2006, shareholders voted to combine shares, with one new share replacing four existing shares, simultaneously raising the nominal value per share from €1 to €4. As a result, exercise prices for options were raised to €4 per share in the case of those granted in 2004, and to €5.60 for those granted in 2005.

In 2009, 281,551 options were exercised, these having been allocated in the course of the 2004 and 2005 financial years.

The 57,916 remaining options may be exercised in 2010.

On May 15, 2007, the Company adopted a stock option plan for subscription to new shares or purchase of existing shares. The exercise price for a new or existing share was set at €25.20. A total of 1,638,137 options were allotted.

On March 5, 2008, the Company set up a stock option plan for subscription to new shares or purchase of existing shares benefiting staff members and/or certain executive directors. The exercise price for a new or existing share was set at €20.58. A total of 2,015,239 options were allotted.

On March 4, 2009, the Company set up a new stock option plan for subscription to new shares or purchase of existing shares benefiting staff members and/or certain executive directors. The exercise price for a new or existing share was set at €13.12. A total of 1,185,812 options were allotted.

The executive directors concerned are required to hold at least 30% of the shares resulting from the exercise of options in registered form until the expiration of their term of office.

As provided under article L. 225-184 of the French Commercial Code, a special report on this subject will be presented to the General Meeting of Shareholders on May 27, 2010.

Free share allotments

On May 15, 2007, the Company adopted a free-share plan. The total number of free shares allotted was 533,494.

On March 5, 2008 a free-share plan was initiated for the benefit of certain employees and/or executive directors. The total number of free shares allotted was 654,058.

On March 4, 2009 a new free-share plan was initiated for the benefit of certain employees and/or executive directors. The total number of free shares allotted was 288,963.

The executive directors concerned are required to hold at least 30% of the shares allotted to them in registered form until the expiration of their term of office.

As provided under article L225-197-4 of the French Commercial Code, a special report on this subject will be presented to the General Meeting of Shareholders on May 27, 2010.

Options granted and free shares allotted, and shares subscribed to and canceled in connection with the various plans adopted are detailed in note 2.6 (D) to the Company's separate financial statements.

16 – DELEGATION OF POWERS IN CONNECTION WITH CAPITAL INCREASES

Information concerning delegation of powers in connections with capital increases is provided in compliance with articles L. 225-129-1 and L. 225-129-2 of the French Commercial Code in Appendix 5.

17 – SHARE BUYBACKS

In the course of the 2009 financial year, the Company purchased a total of 849,530 own shares at a total cost of €13,968,766 and sold 2,420,530 for a total of €36,704,717 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 French Association of Investment Firms and approved by financial market supervisor AMF in its decision dated March 22, 2005. The Company also sold 3,641,709 shares for a total of €52,864,683 as part of the reappropriation of shares to cover requirements arising from 2007 and 2008 stock-option plans on the basis of 2006 and 2007 activity.

The average price for purchases was €16.44 per share and the average price for sales was €14.77 per share.

Related trading costs totaled €51,374.

At December 31, 2009, the Company held 1,255,647 own shares with a nominal value of €4 each, representing a nominal total of €5,022,588 or 0.5% of capital stock. Valued at cost, they represented a total amount of €26,366,831.

Outside the scope of the liquidity contract, the Company held 965,647 own shares at December 31, 2009, representing a total value at cost of €21,205,997. These shares were appropriated as follows:

- 908,884 shares valued at €19,791,463 were appropriated for the implementation of such stock-option plans as necessary, representing 0.3% of the capital of the Company and a nominal value of €3,635,536;
- 56,763 shares valued at €1,414,534 were appropriated to the Company investment fund (FCPE) in connection with employee profits sharing, representing 0.02% of the capital of the Company and a nominal value of €227,052.

In the first half of 2009, 3,641,709 appropriated to the 2007 and 2008 option plans were sold.

The balance on the liquidity contract stood at 290,000 shares at December 31, 2009.

18 – MANAGERS' TRANSACTIONS IN COMPANY SHARES (ARTICLE L.621-18-2 OF THE MONETARY AND FINANCIAL CODE)

Transactions reported to market supervisor AMF during 2009 were as follows:

Declarer	Date 2009	Transaction	Nature of Securities	Price *(in euros)*	Amount *(in euros)*
Antoine Burel	June 22	Sale	Shares	14.52	87,141
Frédéric Lemoine	August 3	Purchase	Shares	17.26	8,630
Eric Seurin	Nov. 10	Purchase of conditional put options	Put options	0.545 premium per option	24,525
	Nov. 10	Sale of call options	Call options	0.545 premium per option	24,525
Paolo Perino	Nov. 23	Purchase of conditional put options	Put options	0.33 premium per option	9,900
	Nov. 23	Sale of call options	Call options	0.33 premium per option	9,900
	Nov. 23	Purchase of conditional put options	Put options	0.45 premium per option	13,500
	Nov. 23	Sale of call options	Call options	0.45 premium per option	13,500
John Selldorff	Dec. 15	Sale	Shares	19.37	96,639
	Dec. 16	Sale	Shares	19.65	98,279
	Dec. 22	Sale	Shares	19.80	99,025

19 – FACTORS THAT MAY BE RELEVANT IN THE EVENT OF A TENDER OFFER

1. Ownership of capital

The ownership of Legrand shares is mentioned in paragraph 13 above.

2. Restrictions on the exercise on 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 in principle 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 ownerships results from succession, the dissolution of the joint property of spouses, or 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.

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 2009 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 of Company investment funds "Actions Legrand" and "Legrand Cap 2011", the voting rights attached to Company shares are exercised by the Supervisory Board of these 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 (the "Shareholders' Agreement") in the context of the initial public offering. The main provisions of the Shareholders' Agreement are described below.

Principles

Given the existing concert between Wendel and KKR, each of them has agreed not to acquire any shares of the Company which, under French law, would result in the obligation to register a public tender offer for the shares of the Company, except where the acquiring party solely bears the consequences of such a tender offer. In the event that one of the parties pursues such an offering, the Shareholders' Agreement will be amended to (i) allow the non-offering party (which party will have become a minority shareholder) veto rights on certain material decisions regarding the Company for so long as such party holds at least 20% of the voting rights of the Company; and (ii) grant tag-along rights in the event the party holding majority ownership of the Company sells its shareholding in the Company.

Exercise of voting rights

Without prejudice to the voting rights of the shareholders in general shareholders' meetings, Wendel and KKR agreed that, during a period of two years and three months as from the date of the admission for trading of the shares of the Company on the Eurolist market of Euronext Paris, i.e., until July 6, 2008, they will, by means of their votes at shareholders' meetings and those of the Directors they have nominated, ensure that the Board of Directors continues to be composed of a majority of members proposed by Wendel and KKR. Throughout this period, the seats of the Board of Directors will be shared on an equal basis between members proposed by Wendel and by KKR, without considering their respective shareholdings in the Company.

Since July 6, 2008 it has been possible to adjust the allocation of seats on the Board occupied by Directors proposed by each of Wendel and KKR in the event of a change in the respective shareholding in the Company of Wendel or KKR.

Should the combined shareholding of Wendel and KKR in the Company become less than one-third of the voting rights of the Company, the voting agreements between KKR and Wendel would be terminated (see below).

Exit mechanisms

Restricted period

Since April 8, 2008, Wendel and KKR have no longer been subject to the obligation under the Shareholders' Agreement not to dispose of any shares of the Company, with the exception of disposals to related parties and sales of limited numbers of shares (in accordance with thresholds defined in order to limit the impact of such disposals on the stock price), it being specified that such disposals required prior notification of the other party.

On November 23, 2009, KKR and Wendel jointly put a total of 30 million shares representing approximately 11% of capital on the market. In connection with this transaction, KKR and Wendel gave mutual undertakings to hold Company shares for six months, subject to some exceptions.

Post-restricted period

If at any time during the term of the Shareholders' Agreement either KKR or Wendel wishes to carry out a secondary offering of its shares in the Company in an amount greater than €150 million, or if either of them wishes to dispose of a block of shares of the Company in an amount greater than €100 million, the other party will be entitled to tag along on such secondary offering or disposal. This right does not apply with respect to distributions of shares of the Company to shareholders of Wendel or KKR, or in the event of the issuance of securities convertible or exchangeable for shares of the Company (convertible bonds, etc.) or in the event of securities of the Company being used as consideration in another, more extended transaction.

KKR and Wendel will have the Company undertake to carry out certain actions in the context of any secondary offerings, in order to allow for an orderly placement with the public of the shares they hold.

Any share sale by either Wendel or KKR to a trade buyer in an amount greater than €100 million requires the prior consent of the other party.

In the event of a proposed sale by Wendel or KKR of a portion of their shares in the Company, the non-selling party will have a right of first offer to purchase the shares proposed for sale. This right of first offer will not apply to the distribution of shares of the Company to shareholders of Wendel or KKR, or to the issuance of securities convertible or exchangeable for shares of the Company (such as convertible bonds).

Termination

The Shareholders' Agreement will terminate on the earliest of (i) the date on which the combined shareholding in the Company of Wendel and KKR represents less than one-third of the voting rights of the Company; (ii) the date on which the shareholding of either Wendel or KKR represents less than 5% of the voting rights of the Company; and (iii) the fifth anniversary of the initial public offering of the Company's shares on the Eurolist market of Euronext Paris.

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

As indicated in section 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**) above, the Shareholders' Agreement between Wendel and KKR includes provisions pertaining to the appointment and replacement of members of the Board of Directors (under the heading **"Exercise of voting rights"**).

Otherwise, the Company's constitutional documents 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 regulations of the Board of Directors 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 six-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 by-laws

Since the Company's constitution documents make no specific provisions, such amendments are subject to the general provisions of law.

8. Powers of the Board of Directors — share issuance and buybacks

Information on this subject is provided in Appendix 5. It should be noted that the resolutions of the general meeting authorizing the share buyback program do not provide for continued purchases of the Company's own shares in the event of a tender offer for Company's shares.

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 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.

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 as regards executive directors and members of the Board of Directors.

20 – DUE PAYABLES

Disclosure made pursuant to article L.441-6-1 of the French Law called Loi de Modernisation de l'Economie (LME).

Due payables are less than one year as of 31 December 2009 and totaled €64,000 out of an outstanding debt of €760,000.

February 10, 2010

The Board of Directors

Appendix 1 to the Management Report

LEGRAND SA		
Debt position *(in € millions)*	**12/31/2009**	**12/31/2008**
Bank borrowings		
Amount		
Bank loan (EUR)	282.5	220.0
Credit facility (USD)	-	-
Credit facility (EUR)	365.0	365.0
TOTAL BANK BORROWINGS	**647.5**	**585.0**
Accrued interest	**0.2**	**0.7**
Interest expense		
Bank loan (EUR)	6.1	11.8
Credit facility	4.8	17.7
TOTAL INTEREST ON BANK BORROWINGS	**10.9**	**29.5**
%	1.7%	5.0%
Debts to affiliated companies		
Amount		
Legrand France loan	158.6	233.7
Accrued interest		
Legrand France loan	0.1	2.4
Interest expense (loan outstanding at Dec. 31)		
Legrand France loan	2.2	13.7
%	1.4%	5.9%
Total debt	**806.4**	**821.8**
Total shareholders' equity	2,958.4	3,005.2
% Debt/shareholders' equity	**27%**	**27%**

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Appendix 2 to the Management Report

LEGRAND SA Financial results over the last 5 years	12/31/2005	12/31/2006	12/31/2007	12/31/2008	12/31/2009
(in € thousands)	12 months	12 months***	12 months	12 months	12 months
Capital stock at year end					
Share capital	759,351	1,078,774	1,083,903	1,051,261	1,052,387
Ordinary shares outstanding	759,350,900	269,693,376	270,975,739	262,815,128	263,096,679
Total shares issued	759,350,900	269,693,376	270,975,739	262,815,128	263,096,679
of which, number held by the Company*	-	-	11,385,834	6,745,873	1,255,647
Result of operations					
Net sales		14,778	17,335	20,305	17,872
Profit before tax, amortization, depreciation and provisions**	4,067	520,888	359,080	188,203	96,831
Tax on profit	42,011	68,050	97,539	33,582	4,010
Employee profit sharing		(85)	(121)	(231)	(148)
Profit after tax, amortization, depreciation and provisions	46,092	594,238	449,128	176,970	134,668
Distributed earnings		110,574	133,121	179,241	182,810
Result of operations per share (divided by total number)					
Profit before tax, amortization, depreciation and provisions	0.01	1.93	1.33	0.72	0.37
Profit after tax, amortization, depreciation and provisions	0.06	2.20	1.66	0.67	0.51
Dividend paid on each ordinary share	0.00	0.41	0.50	0.70	0.70
Workforce					
Number of employees at year end	1	43	50	51	43
Total salaries and wages	220	4,005	5,058	6,009	5,506
Payments relating to employee benefits (social security, other benefits, etc.)	76	1,769	2,137	3,221	2,399

* *No dividend entitlement or voting rights can be attached to own shares held by the Company.*

** *In 2006 includes gain of €380,820,955 on dissolution of Legrand SAS and pooling of assets and liabilities.*

*** *The financial year was over 12 months but as a result of the merger of Legrand SAS into the Company in March 2006, payroll and employee benefit expenses were over 10 months.*

Appendix 3 to the Management Report

Name	List of positions held in French and foreign companies
Gilles Schnepp Age 51 128, avenue du Maréchal de Lattre de Tassigny 87000 Limoges Director of the Company since 2002 and Chairman of the Board and Chief Executive Officer since 2006	***Current positions (no directors' fees or other form of compensation are paid or due in respect of positions with companies belonging to the Legrand group):*** Chairman and CEO of Legrand France Chairman of the Board of Directors of Leten Chairman of the Board of Directors of TCL Legrand International Electrical Chairman of the Board of TCL Wuxi Director and Chairman of the Board of Directors of Anam Director and Chairman of the Board of Directors of Bticino Corporativo Director and Chairman of the Board of Directors of Bticino Industrial Director and Chairman of the Board of Directors of Bticino Operacional SA DE CV Director and Chairman of the Board of Directors of Bticino Philippines Director and Chairman of the Board of Directors of Bticino Servicios Director and Chairman of the Board of Directors of Bticino SpA Director and Chairman of the Board of Directors of Fidelec Chairman of the Board of Directors of Firelec Director of Legrand Australia Director and Chairman of the Board of Directors of Legrand China Holding Director and Chairman of the Board of Directors of Legrand Holding Inc. Director and Chairman of the Board of Directors of Legrand ZRT Director and Chairman of the Board of Directors of Simapel Director and Chairman of the Board of Directors of Tenby Electrical Accessories Director and Chairman of the Board of Directors of Legrand (S) PTE Ltd. Chairman of the Board of Directors of Legrand Electrica Director and Chairman of the Board of Directors of Legrand Group España SL Director of Bticino de Mexico Director of Legrand Elektrik Sanayi Director of Desmag Director of Eltas Director of Estap Elektrik Director of Estap Dis Ticaret Director of Legrand Group Pty Ltd Director of Kimbe Director of Legrand (Beijing) Electrical Company Director of Legrand Colombia Director of Legrand Electrique Belgique Director of Legrand Helliniki Director of Legrand Hong Kong Director of Legrand Ireland Ltd. Director of Legrand Kazakhstan Director of Legrand Nederland BV Director of Legrand NZ Director of Legrand Romania Director of Legrand Shanghai Trading Director of O.A.O. Kontaktor Director of Pass & Seymour Inc. Director of PT Supreme Electro Kontak Director of The Wiremold Company Member of the Supervisory Board of Legrand Polska Director of Legrand Skandinaviska Director and manager of Legrand SLV d.o.o. Manager of Legrand Austria Chairman of the Supervisory Board of Chateaudun Développement 3 Permanent representative of Legrand France, Chairman of Cofrel Permanent representative of Legrand France, Chairman of Distrasa Permanent representative of Legrand France, Chairman of Groupe Arnould Permanent representative of Legrand France, Chairman of ICM Group Permanent representative of Legrand France, Chairman of Sarlam Permanent representative of Legrand France, Chairman of Sute Permanent representative of Legrand France, Chairman of URA Permanent representative of Legrand France, manager of Legrand SNC Director of Clarly Ltd Director of Rocom Electric Company Ltd Director of Shenzhen Shidean Legrand Electronic Products Director of Van Geel Slovakia Director of PT Legrand Indonesia Director of HPM Legrand New Zealand

* *Listed company*

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<table>
<tr><th>Name</th><th>List of positions held in French and foreign companies</th></tr>
<tr><td></td><td>Current positions outside the Legrand Group
Director of Saint-Gobain*
Positions held during the past five years and now discontinued
Mandates in various Group subsidiaries.</td></tr>
<tr><td>Olivier Bazil
Age 63
128, avenue du Maréchal
de Lattre de Tassigny
87000 Limoges

Director of the Company since 2002 et Vice-Chairman and Chief Operating Officer since 2006</td><td>Current positions (no directors' fees or other form of compensation are paid or due in respect of positions with companies belonging to the Legrand Group except for directors' fees paid by Bticino SpA):
Chairman and CEO of Desmag
Chief Operating Officer, Vice-Chairman of the Board of Directors and Director of Legrand France
Chairman of the Board of Directors of TCL Legrand Electrical Technology
Director of Anam
Director of Bticino SpA
Director of Bticino Corporativo
Director of Bticino Industrial
Director of Bticino Operacional
Director of Bticino Servicios
Director of Dipareena Electricals
Director of Legrand Australia
Director of Legrand Colombia
Director of Legrand Elektrik Sanayi
Director of Legrand Group España SL
Director of Eltas
Director of Estap Dis Ticaret
Director of Estap Elektrik
Director of Estap Middle East Fzc
Director of Legrand Electrica
Director of Legrand (India) Private
Director of Legrand (HK) Ltd.
Director and Vice-Chairman of Legrand Holding Inc.
Director of Parkfield Holdings Limited
Director of Pass & Seymour Inc.
Director of Legrand Nederland BV
Chairman of the Board of Directors of Vantage Emea
Director of Vetron
Director and CEO of PB Finelectric BV
Director of The Wiremold Company
Member of the Supervisory Board of Legrand Polska
Director of Legrand SNC FZE Dubai
Member of the Supervisory Board of Legrand ZRT
Chairman of O.A.O. Kontaktor
Manager of Rhein Vermogensverwaltung
Permanent representative of AE Chessy, Manager of Planet Watthom
Permanent representative of Legrand France, Chairman of Alpes Technologies
Permanent representative of Legrand France, Chairman of AE Chessy
Member of the Supervisory Board of Châteaudun Développement 3
Permanent representative of Legrand France, Chairman of Pammelec
Permanent representative of Legrand France, Chairman of Préfatech
Director and Chairman of the Board of Directors of Shenzen Shidean Legrand Electronic Products
Director of TCL Communication (HK) Ltd.
Director of TCL Legrand International Electrical (Huizhou) Co. Ltd.
Chairman of the Board of Directors of TCL Legrand International Electrical (Hu He Hao Te) Co. Ltd.
Director of TCL Wuxi
Chairman of the Supervisory Board of PT Legrand Indonesia
Director of Shanghai Legrand Electrical Talent
Current positions outside the Legrand Group
Director of Firmenich International SA
Member of the Supervisory Board of Château Palmer sc
Chairman of Fritz SAS
Positions held during the past five years and now discontinued
Mandates in various Group subsidiaries.</td></tr>
</table>

* *Listed company*

Name	List of positions held in French and foreign companies
Mattia Caprioli Age 35 Stirling Square 7 Carlton Gardens London SW1Y 5AD United Kingdom Director of the Company since 2007	***Current positions:*** Director of Alliance Boots (since 2007) ***Positions held during the past five years and now discontinued:*** Director of FL Selenia SpA (2005-2007) Director of AVR Bedrijven BV (2006-2007) Director of Pages Jaunes Groupe SA* (2006-2007)
Arnaud Fayet Age 68 89, rue Taitbout 75009 Paris Director of the Company since 2002	***Current positions:*** Director of Stallergènes* (since 1999) Director of Transgène* (since 2003) Director of Vaucrains Participations (since 1990) ***Positions held during the past five years and now discontinued:*** Director of Guala Closures SpA (2001-2008) Director of BLR Lux (2002-2006) Chairman of the Supervisory Board of SFMI-Micromania (2005-2008) Director of Biomérieux SA (1997-2004) Director of Taitbout Antibes BV (1999-2005) Director of Wheelabrator Allevard (1997-2005) Member of the Supervisory Board of Trader Classified Media (2000-2004)
Jacques Garaïalde Age 53 Stirling Square 7 Carlton Gardens Londres SW1Y 5AD United Kingdom Director of the Company since 2003	***Current positions:*** Managing Director of Kolberg Kravis Roberts & Co. Ltd Chairman and CEO of Médiannuaire Holding (since 2006) Chairman of the Board of Directors of Pages Jaunes Groupe* (since 2006) Member of the Executive Committee of Société d'Investissement Familiale (SIF) (since 2007) Director of Nexans* (since 2001) Director of Tarkett (since 2007) Director of ECVA - European Private Equity & Venture Capital Association (since 2009) ***Positions held during the past five years and now discontinued:*** Director of Legrand France (2001-2006)
Edward A. Gilhuly Age 50 245 Lytton Avenue Suite 250 Palo Alto, CA 94301 United States Director of the Company since 2002	***Current positions:*** Director of Duke Management Company (since 2005) Director of California Academy of the Sciences (since 2005) Member of Sageview Capital LP (since 2005) Member of Cinedigm (since 2009) Director of MTU Aero Engines Director of Vendex Member of the Supervisory Board of Demag Holding Sarl (since 2002) ***Positions held during the past five years and now discontinued:*** Director of Legrand France (2001-2006) Member and partner of KKR (1986-2005) Director of MedCath Corporation (1998-2008) Director of Rockwood Specialties, Inc. (2000-2005) Director of Tenovis GmbH (2000-2004) Director of LNG (2000-2003) Member of the Supervisory Board of Wincor Nixdorf AG (1999-2006)
François Grappotte Age 73 128, avenue du Maréchal de Lattre de Tassigny 87000 Limoges Director of the Company since 2002	***Current positions:*** Director and Honorary Chairman of the Board of Directors of Legrand France (Chairman of the Board of Directors and CEO until early 2006) Member of the Supervisory Board of Michelin Director of BNP Paribas* (since 1999) ***Positions held during the past five years and now discontinued:*** Member of the Advisory Council of Banque de France Director of Valeo (2003-2007) Member of the Supervisory Board of Galeries Lafayette (2004-2005) President of Lumina Management (until early 2006) Director of Bticino SpA (until early 2006) Director of Legrand Elektrik Sanayi (until early 2006) Director of Eltas Elektrik (until early 2006) Director of Legrand España (until early 2006) Director of Pass & Seymour Inc. (until early 2006) Director of The Wiremold Company (until early 2006)

* *Listed company*

Name	List of positions held in French and foreign companies
Gérard Lamarche Age 48 22 rue du Docteur Lancereaux 75008 Paris Director of the Company since 2006	***Current positions:*** Director of Aguas de Barcelona (Spain) Director of Electrabel (Belgium) Director of GDF Suez Energie Services Director of Suez Environnement Company Director of BNP Paribas Fortis (Belgium) Director of Europalia International (Belgium) ***Positions held during the past five years and now discontinued:*** 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) Director of Leo Holding Company (USA) Director of KKR Guernsey GP Limited (USA)
Thierry de La Tour d'Artaise Age 55 Chemin du Petit-Bois – BP 172 69134 Ecully Cedex Director of the Company since 2006	***Current positions:*** Chairman of the Board of Directors and CEO of SEB SA* President of SEB Internationale (SAS) Director of Plastic Omnium* Director of Club Méditerranée* Permanent representative of Sofinaction, Director of la Lyonnaise de Banque Director of Zheiiang SUPOR (China) ***Positions held during the past five years: and now discontinued:*** Director of Groupe SEB Japan Director of Groupe SEB Mexicana Director of Siparex Associés Member of the Supervisory Board of Rowenta Invest BV Chairman of the SEB Moulinex Group Permanent representative of Seb Internationale at Seb UK Group Manager of Rowenta Deutschland Gmbh Manager of Krups Gmbh
Frédéric Lemoine Age 44 89, rue Taitbout 75009 Paris Director of the Company since May 2009	***Current positions:*** Chairman of the Management Board of Wendel* (since April 2009) Director of Groupama SA (since 2005) Director of Flamel Technologies (since 2005) Director of Saint-Gobain* (since 2009) Director of Bureau Veritas (since 2009) ***Positions held during the past five years and now discontinued:*** Member of the Supervisory Board of Directors of Wendel* (2008-2009) Chairman of the Supervisory Board of Areva* (2005-2009) *Censeur* on the Supervisory Board of Générale de Santé* (2006-2009)
Ernest-Antoine Seillière Age 72 89, rue Taitbout 75009 Paris Director of the Company since 2002	***Current positions:*** Chairman of the Supervisory Board of Wendel* (since 2005) Director of SOFISAMC (since 2003) Member of the Supervisory Board of Bureau Veritas* (since 2005) Member of the Supervisory Board of Gras Savoye & Cie (since 2003) Member of the Supervisory Board of Hermès International* (since 1997) Member of the Supervisory Board of Peugeot SA* (since 1994) ***Positions held during the past five years and now discontinued:*** Chairman of the Board of Directors and CEO of Wendel Investissement (formerly CGIP) (1987-2005) Chairman of the Board of Directors of Société Lorraine de Participations Sidérurgiques (Wendel Participations) (2006-2008) Member of the Supervisory Board of Editis Holding (2004-2008) Chairman of the Board of Directors of Lumina Parent (2003-2006) Vice-Chairman of the Board of Directors of Cap Gemini (2000-2006)

* *Listed company*

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Appendix 4 to the Management Report

(in euros)	Fixed salary 2009	Bonus 2009	Total compensation 2009	Benefits in kind Note A	Director's fees Note B	Total 2009	Traveling expenses
Mr. Gilles Schnepp	550,000	392,500	942,500	3,805	20,000	966,305	25,803
Mr. Olivier Bazil	520,000	372,500	892,000	4,557	25,200	921,757	14,492

Note A: *includes benefits in kind relating to car, telephone and other items.*

Note B: *fees received from Italy and Legrand.*

Gilles Schnepp and Olivier Bazil also benefit from a supplementary pension contract.

Reserved to certain members of the Legrand Executive Committee, this entitles beneficiaries who have been employed by the Company for at least ten years and have reached an age of at least 60 on retirement to a supplementary pension calculated in such a way that, when added to their pension provided for under compulsory contributions, it ensures that the total pension they receive is equal to 50% of the average total compensation (including bonuses and benefits) received in the two of the three years preceding their retirement in which this total was the highest. In the event of their decease, their surviving spouses will be entitled to 60% of this pension.

Readers are invited to consult paragraph 8.2 of the present reference document for full details on Executive Directors' compensation and benefits.

Appendix 5 to the Management Report

The table below lists the Board of Directors' use of authorizations granted by the General Meeting of Shareholders during the year.

Authorizations granted by the General Meeting of shareholders	Date of the General Meeting	Duration and expiration of authorization	Conditions of the authorization	Use of the authorization during the 2009 financial year
Purchase of shares representing no more than 10% of share capital	May 26, 2009	18 months November 26, 2010	Limited to 10% of share capital at May 26, 2009. Maximum amount: €500 million. Maximum price per share: €30	0.1%. Amount: €9 million
	May 22, 2008	18 months November 22, 2009	Limited to 10% of share capital at the date of the General Meeting's decision. Maximum amount: €650 million. Maximum price per share: €36	0.1%. Amount: €4 million
Cancellation of shares so purchased and capital reduction	May 22, 2009	26 months July 26, 2011	10% of share capital at May 26, 2009.	Nil
	May 22, 2008	26 months July 22, 2010	10% of share capital at the date of the cancellation decision.	Nil
Allotment of stock options in favor of certain employees or executive directors	May 15, 2007	38 months July 15, 2010	Duration of the plan: 10 years. Limited to 5% of share capital at the date of the allotment decision. Exercise price set by the Board of Directors: €13.12	0.4% of share capital at the date of the allotment decision, i.e., March 4, 2009
Free allotment of existing shares or shares to be issued	May 15, 2007	38 months July 15, 2010	5% of share capital at the date of the allotment decision	0.1% of share capital at the date of the allotment decision, i.e., March 4, 2009
Issues with preferred subscription rights (Issue of securities of all kinds)	May 26, 2009	26 months July 26, 2011	€500 million (overall maximum amount)	Nil
Issues without preferred subscription rights (Issue of securities of all kinds)	May 26, 2009	26 months July 26, 2011	€350 million (this maximum nominal amount being ascribed to the overall maximum of €500 million)	Nil
Increase of issue amounts in the event of excess demand within 30 days of the subscription closing date	May 26, 2009	26 months July 26, 2011	Up to 15% of the initial issue (this nominal amount being ascribed to the overall maximum of €500 million)	Nil
Determination of prices for Issues without preferred subscription rights	May 26, 2009	26 months July 26, 2011	10% o f share capital (this maximum nominal amount being ascribed to the overall maximum of €350 million	Nil
Capital increase by incorporation of reserves, profit, premiums, or other amounts	May 26, 2009	26 months July 26, 2011	€100 million	Nil
Issues reserved to employees participating in a group or Company share ownership/savings plan	May 26, 2009	26 months July 26, 2011	€25 million (this maximum nominal amount being ascribed to the overall maximum of €500 million)	Nil
Issue of shares and other securities as consideration for contributions in kind	May 26, 2009	26 months July 26, 2011	10% of share capital at the issue date (this maximum nominal amount being ascribed to the overall maximum of €350 million)	Nil

APPENDIX 3

Statutory Auditors' Report on the Financial Statements for the Year ended December 31, 2009

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's financial statements and includes an explanatory paragraph discussing the statutory 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 with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Shareholders,
Legrand
Société anonyme
128, avenue du Maréchal de Lattre de Tassigny
87000 Limoges

In compliance with the assignment entrusted to us by your Annual General Meetings, we hereby report to you for the year ended December 31, 2009 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, 2009 and the results of its operations for the year 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.

The assessments were made in the context of our audit of the financial statements, taken as a whole, and therefore contributed to the formation of the opinion expressed in the first part of this report.

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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 the 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 favour, 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 to the percentage interests and votes held by shareholders

Neuilly-sur-Seine, March 5, 2010
The Statutory Auditors

PricewaterhouseCoopers Audit
Gérard Morin
63, rue de Villiers
92208 Neuilly-sur-Seine Cedex

Deloitte & Associés
Dominique Descours
185, avenue Charles de Gaulle
92200 Neuilly-sur-Seine

APPENDIX 4

Resolutions for the Combined General Meeting of shareholders on May 27, 2010

RESOLUTIONS FOR THE ORDINARY GENERAL MEETING

First Resolution
(Approval of the Company's financial statements at December 31, 2009)

Meeting in accordance with the conditions as to quorum and requisite majority for ordinary general meetings, and being apprized of the Board of Directors' management report on the activity and general situation of the Company in the 2009 financial year together with the Chairman of the Board's report, of the auditor's report on the annual financial statements, and of the auditor's report on the Chairman's report, shareholders approve the Company's financial statements at December 31, 2009 as presented, which show a net profit of €134,668,012.49, 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, 2009)

Meeting in accordance with the conditions as to quorum and requisite majority for ordinary general meetings, and being apprized of the Board of Directors' management report on the activity and general situation of the Company and group in the 2009 financial year together with the auditors' report on the consolidated financial statements, shareholders approve the Company's consolidated financial statements at December 31, 2009 as presented, which show a net profit of €289,8 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)

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 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, 2009 amounts to €134,668,012.49;
2. decide to appropriate €6,733,400.62 of this net profit to the legal reserve;
3. observe that, after this appropriation of €6,733,400.62 to the legal reserve and considering retained earnings from previous years amounting to €676,484,919.57, the amount available for distribution in respect of the 2009 financial year is €804,419,531.44;
4. decide to distribute a dividend to shareholders amounting to €0.70 euro per share, making a total amount of €183,288,722.40 on the basis of the number of shares making up capital stock at December 31, 2009 and after deduction of own shares held at this date (this total being subject to adjustment for dividends that may be due on shares issued after December 31, 2009); and
5. decide to appropriate the distributable income remaining to retained earnings.

The dividend of €0.70 euro per share referred to in paragraph 4 above will be made payable from June 7, 2010.

No dividends will be due on any shares that may be held by the Company itself or have been cancelled at the payment date.

Shareholders confer on the Board of Directors all necessary powers to determine, considering in particular the number of own shares held by the Company at the payment date and the number of shares canceled 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 2006, 2007 and 2008 financial years were as follows:

Financial year	Shares with dividend entitlement	Net dividend per share
2006	266,241,719 shares with a par value of €4	€0.50
2007	256,059,171 shares with a par value of €4	€0.70
2008	261,157,772 shares with a par value of €4	€0.70

All dividends distributed in respect of the 2006, 2007 and 2008 financial years were eligible for the 40% income-tax exemption under 158-3-2 of the French *Code Général des Impôts*.

Fourth Resolution
(Agreements within the scope of article L. 225-38 of the French Commercial Code)

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, shareholders take due note of the conclusions of this report and approve the agreements it refers to.

Fifth Resolution (Renewal of the mandate of one of the statutory auditors)

Meeting in accordance with the conditions as to quorum and requisite majority for ordinary general meetings, shareholders note that the mandate of PricewaterhouseCoopers Audit as statutory auditor expires this day.

Shareholders decide to renew the mandate of PricewaterhouseCoopers Audit, the registered address of which is 63 rue de Villiers, 92208 Neuilly-sur-Seine, as statutory auditor for a period of six years from this day, ending at the date of the ordinary general meeting of shareholders called to consider financial statements for the financial year ending December 31, 2015.

Sixth Resolution (Renewal of the mandate of one of the deputy statutory auditors)

Meeting in accordance with the conditions as to quorum and requisite majority for ordinary general meetings, shareholders note that the mandate of Mr. Yves Nicolas as a deputy statutory auditor expires this day.

Shareholders decide to renew the mandate of Mr. Yves Nicolas, whose address is 63 rue de Villiers, 92208 Neuilly-sur-Seine, as a deputy statutory auditor for a period of six years from this day, ending at the date of the ordinary general meeting of shareholders called to consider financial statements for the financial year ending December 31, 2015.

Seventh Resolution (Approval of a share buyback program)

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, in accordance with article L. 225-209 of the French Code of Commerce, 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 herein 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 sold during the validity 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,
  - implementing any and all Company stock-option plans in accordance with articles L. 225-177 and following of the French Code of Commerce, any and all free share allotments or share sales pursuant to a Company or group employee share-ownership program 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 Code of Commerce, and any and all share allotments for the purpose of 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 action,
  - holding and subsequently transferring shares by way of exchange or payment relating to business acquisitions,
  - delivering shares on the exercise of rights attached to securities providing immediate or future access to the equity of the Company,
  - canceling all or some of the shares so purchased,
  - 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 regulation.

The purchase, sale or transfer of shares may be effected, on one or several occasions, by any means, except at such times as Company shares may be the object of a tender offer, whether on the market or through a private transaction, including in particular trading in blocks of shares or public tender offers, the use of option-based mechanisms, the use of derivatives, and the purchase of options or other securities.

The price paid for purchases may not exceed €35 per share, it being noted that this maximum 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 the 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 entitlement to the payment of a dividend.

This authorization is valid for eighteen months from the date of this general meeting of shareholders and deprives previous authorizations for the same purpose of their effect to the extent not used.

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 decide on the use of this authorization, to place orders on the stock exchange, to enter into any agreements, make any declarations to the Financial Markets Authority or any other body, to effect any formalities, and in a general way to do all that may be necessary.

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Eighth Resolution (Appointment of a Director)

Meeting in accordance with the conditions as to quorum and requisite majority for ordinary general meetings, shareholders ratify the provisional appointment made by the Board of Directors at its meeting on February 10, 2010 of Mr. Patrick Tanguy to replace Mr. Arnaud Fayet as a Director for the remainder of the latter's term of office, which is to say until the conclusion of the annual general meeting to be called in 2014 for the consideration of financial statements for the financial year ending December 31, 2013.

RESOLUTIONS FOR THE EXTRAORDINARY GENERAL MEETING

Ninth Resolution (Authorization to cancel shares purchased pursuant to the share buyback program)

Meeting in accordance with the conditions as to quorum and requisite majority for extraordinary general meetings and being apprized of the Board of Directors' report and the auditor's special report, the shareholders, having noted the adoption of the seventh resolution put to this meeting, authorize the Board of Directors, in accordance with article L. 225-209 of the French Code of Commerce, to cancel, at its sole initiative and on one or several occasions, all or some of the Company shares purchased pursuant to the seventh resolution of this general meeting or to previous or subsequent share buyback programs 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 24 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 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 articles, to make all necessary declarations to the Financial Markets Authority, to effect all other formalities and in a general way 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 deprives previous authorizations for the same purpose of their effect to the extent not used.

Tenth Resolution (Delegation of powers to the Board of Directors for the purpose of issuing shares or securities providing access to the Company's equity 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 apprized of the Board of Directors' report and the auditor's special report, shareholders, in accordance with the provisions of the French Code of Commerce and in particular articles L. 225-129 and following (in particular article L. 255-129-2) and article L. 228-91 and following:

1. delegate to the Board of Directors 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;

   decide 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, of contractual stipulations providing for other adjustments to preserve the rights of holders of securities that give rights to shares of the Company;

3. determine that the total nominal amount of bonds and other debt securities issued pursuant to this delegation of powers may not exceed €2 billion (or the equivalent of this amount if issues are made in a foreign currency or units of account);

4. determine that shareholders may exercise their subscription rights to the full with no reduction in allotments. The Board of Directors may also confer on shareholders, in proportion to their subscription rights and within the limits of their applications, additional rights to subscribe to a larger number of securities than that resulting from their irreducible rights but with allotments subject to reduction;

   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 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 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, and 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, 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, of shareholders' preferred rights to subscribe to the new shares to which these securities carry entitlement;

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 terms 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 dates from which new securities carry rights, even with retrospective effect, and conditions for redemption where applicable, to suspend, in accordance with applicable regulation, the rights to Company's shares attached to securities, to make such adjustments as may be required as a result of changes in capital stock, in particular changes in the par value of shares, capital increases by incorporation of reserves, free share allotments, share splits or reverse splits, distribution of reserves or other assets or capital amortization, 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, in particular for issuance expense, to issuing premiums and, in a general way to take such action and enter into such agreements as may be conducive to the satisfactory performance of issuance.

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 the 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.

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 supersedes that provided for in the eighth resolution adopted in accordance with the conditions as to quorum and requisite majority for extraordinary general meetings at the Combined Ordinary and Extraordinary General Meeting of May 26, 2009 insofar as this has not already been used.

Eleventh 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 equity 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 apprized of the Board of Directors' report and the auditor's special report, shareholders, in accordance with the provisions of the French Code of Commerce and in particular articles L. 225-129 to L. 225-129-6, L. 225-134, L. 225-135, L. 225-136, L. 225-148, L. 228-91, L. 228-92 and L. 228-93;

1. delegate to the Board of Directors the power 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;

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 €350 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, of contractual stipulations providing for other adjustments to preserve the rights of holders of securities that give rights to shares of the Company;

3. determine that the total nominal amount of bonds and other debt securities issued pursuant to this delegation of powers may not exceed €1.6 billion (or the equivalent of this amount at the issue date if issues are made in a foreign currency);

4. determine 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 France's Code monétaire et financier and effected pursuant to the Twelfth Resolution put to this meeting;

   consequently decide 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 regulation, to all or part of the issue in accordance with article L.225-135, paragraph 2, of the French Code of Commerce, such priority right not giving rise to negotiable rights;

5. observe that if subscribers do not take up an issue of shares or other securities in full, the Board of Directors may 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;

6. recognize and determine, 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, of shareholders' preferred rights to subscribe to the new shares to which these securities carry entitlement;

7. determine 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 (this minimum being now the weighted average market price of Company shares over the three trading days preceding the date the price is set, subject as appropriate to the discount of at most 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;

8. provide that the Board of Directors may, within the limits defined in paragraphs 2 and 3 above, issue shares or securities providing access to the Company's equity 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 Code of Commerce, 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;
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 (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, as this results from the number of shares tendered in response to a public offer initiated by the Company), the dates from which new securities carry rights, even with retrospective effect, conditions for redemption where applicable, to suspend as appropriate the exercise of rights to the Company's shares attached to the securities in accordance with applicable regulation, to make such adjustments as may be required as a result of changes in capital stock, in particular changes in the par value of shares, capital increases by incorporation of reserves, free share allotments, share splits or reverse splits, distribution of reserves or other assets or capital amortization 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, in particular for issuance expense, to issuing premiums and, in a general way to take such action and enter into such agreements as may be conducive to the satisfactory performance of issuance.

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.

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 supersedes that provided for in the ninth resolution adopted in accordance with the conditions as to quorum and requisite majority for extraordinary general meetings at the Combined Ordinary and Extraordinary General Meeting of May 26, 2009 insofar as this has not already been used.

Twelfth 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 of France's Code monétaire et financier (private placement), shares or securities providing access to the Company's equity 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 apprized of the Board of Directors' report and the auditor's special report, shareholders, in accordance with the provisions of the French Code of Commerce and in particular articles L. 225-129 to L. 225-129-6, L. 225-134, L. 225-135, L. 225-136, L. 228-91, L. 228-92 and L. 228-93:

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 France's Code monétaire et financier, 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;
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 (a) €350 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, of 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 (this being currently 20% of 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 in the total subject to the overall nominal limit of €350 million provided for in the eleventh resolution put to this meeting;
3. determine that the total nominal amount of bonds and other debt securities issued pursuant to this delegation of powers may not exceed €1.6 billion (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 in the total subject to the overall limit of €1.6 billion provided for in the eleventh resolution put to this meeting;
4. determine 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 France's Code monétaire et financier, it being further provided that these issues may be effected in association with one or several public offers pursuant to the Eleventh Resolution put to this meeting;

Consequently decide to waive shareholders' preferred rights to subscribe to the shares and other securities to be issued;

5. observe that if subscribers do not take up an issue of shares or other securities in full, the Board of Directors may 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;

6. recognize and determine, 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, of shareholders' preferred rights to subscribe to the new shares to which these securities carry entitlement;

7. determine 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 (this minimum being now the weighted average market price of Company shares over the three trading days preceding the date the price is set, subject as appropriate to the discount of at most 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;

8. 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 dates from which new securities carry rights, even with retrospective effect, conditions for redemption where applicable, to suspend as appropriate the exercise of rights to the Company's shares attached to the securities in accordance with applicable regulation, to make such adjustments as may be required as a result of changes in capital stock, in particular changes in the par value of shares, capital increases by incorporation of reserves, free share allotments, share splits or reverse splits, distribution of reserves or other assets or capital amortization, 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, in particular for issuance expense, to issuing premiums and, in a general way to take such action and enter into such agreements as may be conducive to the satisfactory performance of issuance.

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.

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.

Thirteenth Resolution (Power to increase issue amounts in the event of excess demand)

Meeting in accordance with the conditions as to quorum and requisite majority for extraordinary general meetings and being apprized 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 Code of Commerce, empower the Board of Directors, 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, not exceeding 15% of the initial issue and offered at the same price), to increase the amount of any issue made pursuant to the tenth, eleventh and/or twelfth resolution put to this meeting, provided that this does not result in the breach of the limit defined in the resolution under which the issue is made.

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 supersedes that provided for in the tenth resolution adopted in accordance with the conditions as to quorum and requisite majority for extraordinary general meetings at the Combined Ordinary and Extraordinary General Meeting of May 26, 2009 insofar as this has not already been used.

Fourteenth 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 apprized 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 Code of Commerce:

1. authorize the Board of Directors, in respect of each issue pursuant to the eleventh and/or twelfth resolution put to this meeting 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 eleventh and twelfth resolutions and set the issue price for shares and/or other securities providing access to the Company's share capital 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 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;

Shareholders confer all necessary powers on the Board of Directors, which may in turn delegate these powers as provided in the eleventh and twelfth resolutions put to this meeting, for the purposes of exercising this authorization.

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.

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 supersedes that provided for in the eleventh resolution adopted in accordance with the conditions as to quorum and requisite majority for extraordinary general meetings at the Combined Ordinary and Extraordinary General Meeting of May 26, 2009 insofar as this has not already been used.

Fifteenth Resolution
(Delegation of powers to the Board of Directors for the purpose of capital increases through incorporation of reserves, profit, premiums or other items for which this is allowable)

Meeting in accordance with the conditions as to quorum and requisite majority for extraordinary general meetings and being apprized 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 Code of Commerce:

1. delegate to the Board of Directors 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 for which this is allowable 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. determine 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, of contractual stipulations providing for other adjustments to preserve the rights of holders of securities that give rights to Company shares; this limit is independent from any of the other limits on issuance of shares and other securities pursuant to delegations of powers or authorizations conferred at this meeting;

3. decide that the Board of Directors will have all necessary powers, which it may in turn delegate in accordance with the provisions of law, 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, to determine the date from which new shares carry rights, even retrospectively, or the date on which an increase in nominal value takes effect and, where applicable, to make all appropriate charges, in particular for issuance expense, to issuing premiums;
   - decide that rights not representing a whole number of shares may not be traded and that the shares concerned are to be sold;
   - take all appropriate action and enter into all agreements conducive to the successful conclusion of transactions and, in a general way, 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 related amendments to Company articles.

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 supersedes that provided for in the twelfth resolution adopted in accordance with the conditions as to quorum and requisite majority for extraordinary general meetings at the Combined Ordinary and Extraordinary General Meeting of May 26, 2009 insofar as this has not already been used.

Sixteenth 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 apprized 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. 225-138-1, L. 228-91 and L. 228-92 of the French Code of Commerce:

1. delegate to the Board of Directors the power to issue, on one or several occasions, shares and/or securities giving access to the Company's share capital in favor of the 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 participate in employee share-ownership programs of the Company or of the group, or in any other plan within the scope of articles L. 3332-1 and following of the Labor Code or any analogous law or regulation allowing a reserved 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. determine 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, of contractual stipulations providing for other adjustments to preserve the rights of holders of securities that give rights to shares of the Company;

4. decide that the issue price of the new shares will be equal to the average opening price for Company shares over the 20 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 plans, 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 on the Board of Directors all powers, which it may in turn delegate in accordance with the provisions of law, that may in particular be necessary to:
   - determine which participants in employee share-ownership plans 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 enterprise") or cross-company employee share-ownership program ("plan partenariat d'épargne salariale volontaire"), and establish or amend the regulations of such plans,
   - 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,
   - effect all necessary acts and formalities, either directly or through an agent,
   - make required amendments to Company articles and, in a general way, do everything that may be useful and necessary in respect of applicable laws and regulations.

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 supersedes that provided for in the thirteenth resolution adopted in accordance with the conditions as to quorum and requisite majority for extraordinary general meetings at the Combined Ordinary and Extraordinary General Meeting of May 26, 2009 insofar as this has not already been used.

Seventeenth 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 apprized of the Board of Directors' management report and the auditor's special report, pursuant to article L. 225-147 paragraph 6 of the French Code of Commerce, shareholders delegate to the Board of Directors 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 contributions to the Company in the form of shares or other equity securities when the provisions of article L. 225-148 of the French Code of Commerce are not applicable.

The total nominal amount of the capital increases which may be effected pursuant to this delegation of powers is to be included in the total subject to the limit of €350 million provided for in the eleventh resolution put to this meeting.

The total nominal amount of debt securities issued pursuant to this delegation may not exceed €1.6 billion (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 the total subject to the limit of €1.6 billion provided for in the eleventh resolution put to this meeting.

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 Code of Commerce.

Shareholders confer on the Board of Directors all powers, which it may in turn delegate in accordance with the provisions of law, necessary to put this delegation into effect, in particular to approve valuations of contributions and relating to such contributions, recognize their effects, charge all expense costs and fees to premiums, and make related amendments to Company articles.

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 supersedes that provided for in the fourteenth resolution adopted in accordance with the conditions as to quorum and requisite majority for extraordinary general meetings at the Combined Ordinary and Extraordinary General Meeting of May 26, 2009 insofar as this has not already been used.

Eighteenth Resolution
(Total limit on delegations of power under the tenth, eleventh, twelfth, thirteenth, fourteenth, sixteenth and seventeenth resolutions)

Meeting in accordance with the conditions as to quorum and requisite majority for extraordinary general meetings and being apprized of the Board of Directors' report, shareholders define as follows the total limits on issues that may be made pursuant to the delegation of powers to the Board of Directors under the tenth,

eleventh, twelfth, thirteenth, fourteenth, sixteenth and seventeenth 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, 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 debt securities, including bonds, issued may not exceed €2 billion or the equivalent of this if an issue is made in a foreign currency or units of account.

Nineteenth Resolution (Authorization granted to the Board for the purpose of making one or several allotments of options for the purchase of or subscription to shares)

Meeting in accordance with the conditions as to quorum and requisite majority for extraordinary general meetings and being apprized of the Board of Directors' report and the auditor's special report, shareholders authorize the Board of Directors to grant employees and executive directors of the Company and associated companies, within the meaning of article L. 225-180 of the French Commercial Code, or certain of these employees or executive directors, options for the subscription to new shares issued by way of a capital increase or for the purchase of existing shares in compliance with the provisions of articles L. 225-177 to L. 225-186-1 of the French Commercial Code.

The options for subscription to or purchase of shares are to be granted subject to the following conditions:

- the duration of the authorization granted to the Board of Directors is set at twenty-six months from the day of this general meeting and the Board of Directors may use this authorization on one or several occasions;
- option plans are to have a maximum duration of 10 years from the date of grant by the Board of Directors, it being however provided that in the event that the executive directors remain in office beyond this period of ten years, the plans will be extended to expire three months after they cease to hold office as regards the portion granted to the same directors and for which the Board of Directors has determined, in accordance with the provisions of article L. 225-185 paragraph 4 of the French Commercial Code, that they may not be exercised as long as the grantees remain in office;
- the total number of options granted pursuant to this resolution may not carry entitlements to the subscription to or purchase of shares representing more than 3% of the share capital of the Company on the day the options are granted, subject to applicable regulatory adjustments necessary to preserve the rights of the grantees, it being provided that this limit is distinct and independent from any other limit on the issue of shares and other securities for which authorizations or delegations have been granted at this meeting;
- the number of options granted to the Company's executive directors may not make up more than 10% of the total granted by the Board of Directors over the period of twenty-six months;
- the subscription and purchase price per Company share under any of the option plans may not be lower than the average price for Legrand shares on the NYSE Euronext Paris market in the twenty trading days preceding the day on which options are granted; prices for purchase options must also comply with the provisions of article L. 225-179 paragraph 2 of the Commercial Code;

Shareholders confer on the Board of Directors all powers, which it may in turn delegate in accordance with the provisions of law, to determine other terms and conditions relating to the options, and in particular conditions of grant, the list of grantees, the number of shares each grantee may subscribe to or purchase and the periods and dates for the exercise of options and the sale of resulting shares, as well as to suspend, for a period not exceeding the maximum defined by applicable law and regulation, the exercise of options in the event of corporate actions or financial transactions entailing the exercise of rights attached to shares.

Shareholders confer on the Board of Directors all powers, and the right to delegate those powers in accordance with applicable provisions of the law, to recognize capital increases that result from actual subscription to shares by exercise of subscription options, to effect the related amendment of Company articles and, at its sole discretion and as it sees fit, to charge expenses relating to capital increases to the premiums on these transactions and to draw from the same amounts the sums required for appropriation to the legal reserve, to effect all formalities necessary for the admission to trading of the shares so issued, make all necessary declarations to such bodies as may be concerned, and in a general way to do all that may be necessary.

Shareholders expressly recognize and determine that this delegation entails the waiver, in favor of the option grantees, of shareholders' preferred rights to subscribe to the new shares issued as options are exercised.

This authorization deprives previous authorizations for the same purpose of their effect to the extent not used.

Twentieth Resolution (Authorization granted to the Board of Directors for the purpose of making free share allotments)

Meeting in accordance with the conditions as to quorum and requisite majority for extraordinary general meetings and being apprized of the Board of Directors' report and the auditor's special report, shareholders, in accordance with the provisions of articles L. 225-197-1 and following of the French Commercial Code, in particular article L. 225-197-6:

1. authorize the Board of Directors to make free allotments, on one or several occasions, of existing Company shares or shares to be issued by the Company;
2. determine that the beneficiaries of such allotments must be employees or executive directors of the Company or associated companies in accordance with the provisions of L. 225-197-2 of the French Commercial Code;
3. decide that the Board of Directors will determine the identity of the beneficiaries of the allotments, the conditions for allotments and, as the case may be, requirements for allotments of shares which may include in particular but not necessarily be confined

to the requirement of continued employment or office, and any other criteria;

4. determine that the number of shares issued or to be issued and available for free allotment pursuant to this resolution may not exceed 1% of the share capital of the Company at the date of the decision to make the allotment;
5. decide that the number of free shares allotted to executive directors may not exceed 10% of the total of free allotments made by the Board of Directors over the period of twenty-six months from the date of this meeting;
6. decide that grantees will acquire unconditional ownership of shares at the close of a vesting period of between two and four years, inclusive, depending on the grantees concerned;
7. decide that the grantees are to be required to hold shares for a period of at least two years after shares have vested if the vesting period applicable is less than 4 years, the Board being empowered to reduce this required holding period or waive it where the vesting period referred to in point 6 above is equal to 4 years;
8. decide that, as an exception to the above, should a grantee be the victim of a disability in the second or the third category referred to in article L. 341-4 of the French Code de la Sécurité Sociale or amounting to complete disability under the applicable national law, the Board of Directors may provide that the shares vest before the expiry of the vesting period;
9. authorize the Board of Directors to effect as appropriate during the vesting period, adjustments to the number of free shares allotted to allow for changes in the Company's share capital and thereby preserve the rights of grantees;
10. decide further that the Board of Directors is to determine the duration of the vesting and required holding periods within the limits set by this meeting together with requirements and conditions for the holding of shares during the required period, and is to draw on the reserves, profits or premiums the Company is free to dispose of for the purpose of paying up the shares to be provided to grantees;
11. observe that in cases of free allotments of shares yet to be issued, this authorization will entail, at the end of the vesting period, a capital increase by way of incorporation of reserves, profits or share premiums in favor of the grantees of these shares and thus further entails the waiver in favor of the same grantees of shareholders' preferred rights to subscription and to the portion of the reserves, profit or premiums so incorporated, the capital increase taking full effect, without further process, on vesting of shares.

This authorization is granted for a period of twenty-six months form the date of this meeting and deprives all previous authorizations for the same purpose of their effect to the extent not used.

Shareholders confer all necessary powers on the Board of Directors, which may in turn delegate these powers as provided by law, to put this delegation into effect, and in particular to determine the dates and conditions of allotments, and, in a general way to take such action and enter into such agreements as may be conducive to the satisfactory performance of allotments, recognize any and all capital increases resulting from allotments pursuant to this resolution, and make related amendments to Company articles.

Twenty-first Resolution (Amendment of article 9.1 of Company articles)

Meeting in accordance with the conditions as to quorum and requisite majority for extraordinary general meetings, shareholders decide to amend the third paragraph of article 9.1 of Company articles so that it henceforth reads as follows:

"Directors are appointed for periods of four (4) years ending at the close of the Ordinary General Meeting of Shareholders called to consider financial statements for the previous financial year and held in the year in which the director's term of office expires."

Shareholders decide that the terms of office now current, including that of Mr. Patrick Tanguy, whose appointment has been ratified at this meeting, will continue through to the date of expiry originally provided for.

The first, second, fourth and fifth paragraphs of article 9.1 of Company articles remain unchanged.

RESOLUTION FOR THE ORDINARY GENERAL MEETING

Twenty-second Resolution (Powers to effect formalities)

Meeting in accordance with the conditions as to quorum and requisite majority for ordinary general meetings, shareholders confer on holders of an original, an official extract or a copy of the minutes of the present meeting all powers necessary to effect all legally required filing, formalities and publications.

APPENDIX 5

Statutory Auditors' special report on regulated agreements and commitments with third parties

For the Year ended December 31, 2009

This is a free translation into English of the Statutory Auditors' special report on regulated agreements and commitments with third parties that is issued in the French language and is provided solely for the convenience of English speaking readers. This report on regulated agreements and commitments should be read in conjunction with, 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.

To the Shareholders,

Legrand
Société anonyme
128, avenue du Maréchal de Lattre de Tassigny
87000 Limoges

In our capacity as statutory auditors of your Company, we hereby report to you on regulated agreements and commitments with third parties.

Agreements and commitments authorized during fiscal 2009

Pursuant to Article L. 225-40 of the French Commercial Code (Code de commerce), agreements and commitments previously authorized by the Board of Directors have been brought to our attention.

Our responsibility does not include identifying any undisclosed agreements and commitments. We are required to report to shareholders, based on the information provided, about the main terms and conditions of the agreements and commitments that have been disclosed to us, without commenting on their relevance or substance. Under the provisions of article R. 225-31 of the French Commercial Code, it is the responsibility of shareholders to determine whether the agreements and commitments are appropriate and should be approved.

We conducted our procedures in accordance with the professional guidelines of the French National Institute of Statutory Auditors (Compagnie Nationale des Commissaires aux Comptes) relating to this engagement. Those procedures consisted in verifying the information provided to us with the relevant source documents.

Factoring agreement with BNP Paribas Factor

At its meeting on May 5, 2009, your Board of Directors gave its preliminary authorization regarding the conclusion of a factoring agreement by Legrand SNC, an indirect subsidiary of your Company. The agreement involves the periodic transfer of unrecoverable trade receivables to the financial institution BNP Paribas Factor.

The fees and commissions relating to this agreement concluded on June 19, 2009 amounted to €0.3 million for Legrand SNC with respect to fiscal year 2009, and the balance of receivables transferred as at December 31, 2009 stood at €16.8 million.

Director concerned: Mr. François Grappotte, Director of BNP Paribas and Legrand, parent companies of BNP Paribas Factor and Legrand SNC respectively.

Commitment undertaken with Mr. Gilles Schnepp, Director of the Company

The Board of Directors' meeting of March 4, 2009 duly noted the decision of Mr. Gilles Schnepp to resign from his employment contract. This resignation led to the loss of his retirement termination benefits and severance pay in addition to the compensation payable under the non-competition clause corresponding to the terms and conditions defined in the Collective Bargaining Agreement for the Metallurgy industry that was incorporated into his employment contract at the end of 2003. Mr. Gilles Schnepp did not receive any compensation or benefits whatsoever in respect of his resignation.

However, the Board of Directors considered that it was in the interest of the Company to sign a new two-year non-competition agreement with Mr. Gilles Schnepp that could only be applied on the Company's sole initiative. In consideration of this obligation, should the Company decide to apply it, Mr. Gilles Schnepp would receive a monthly compensation amounting to 50% of his monthly average fixed and variable remuneration collected over his last twelve months of service in the Company.

This commitment was approved by the Shareholders' meeting of May 26, 2009.

Director concerned: Mr. Gilles Schnepp

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Agreements and commitments authorized during previous years and having continuing effect during the year

Pursuant to the French Commercial Code, we were informed that the following agreements and commitments approved in prior years remained in force during the year.

Tax Consolidation Agreement

The consolidated tax group headed by the Company was amended to retroactively incorporate as from January 1, 2003 Legrand France and the companies in 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, Groupe Arnould, Legrand SNC, Pammelec, Planet Wattohm, Sarlam, Sute and Ura. 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

The Facility Agreement was entered into between BNP Paribas, Crédit Mutuel – CIC, Natexis Banque Populaire, the Royal Bank of Scotland Plc, and Société Générale acting as lenders and Legrand France, Van Geel Legrand B.V. and Legrand acting as borrowers. BNP Paribas acted as Facility Agent and Swingline Agent and the Company was party to the agreement in the capacity of Guarantor.

Under this agreement, the lenders provided Legrand France, Van Geel Legrand BV and Legrand with a maximum borrowing facility of €2,200,000,000.

Issuance costs paid by the Company during 2006 are deferred over the contractual term of the loan; the amortization of these costs was charged to income for an amount of €0.9 million in 2009. Moreover, interest costs recorded by Legrand during 2009 in connection with this Facility Agreement totaled €4.8 million.

Amendment to the employment contract of Mr. Olivier Bazil, Director of the Company

The lump-sum severance and non-competition payments provided for in the employment contract of Olivier Bazil in accordance with a decision made by the Board of Directors on November 13, 2001 have been withdrawn.

However, the standard non-competition clause as worded in the Collective Bargaining Agreement for the Metallurgy industry that was incorporated at the end of 2003 into the employment contract of Olivier Bazil, as well as those of the Executive Committee's other members, has been maintained. Under this clause the Company may prohibit the employee concerned from working for a competitor for a period of one to two years after he or she leaves the Company, in return for a payment representing fifty per cent of the employee's reference salary; this clause was not applied to Mr Olivier Bazil during fiscal year 2009.

Agreement with Mr. Gilles Schnepp and Olivier Bazil, Directors of the Company

This agreement, which was not applied during fiscal year 2009, sets the methods for calculating supplementary pension benefits payable to Gilles Schnepp and 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.

Credit line agreement concluded with BNP Paribas

This agreement was concluded on October 7, 2008 by Legrand France, a subsidiary of your Company, for a credit line in the amount of €125 million, which can be drawn down on a renewable basis for a maximum period of 24 months. Following the preliminary authorization of your Board of Directors on May 5, 2009, the agreement was extended to September 30, 2012 by an amendment signed on June 30, 2009.

The credit line was not drawn down by Legrand France over fiscal year 2009.

Neuilly-sur-Seine, March 5, 2010
The Statutory Auditors

PricewaterhouseCoopers Audit
Gérard Morin
63, rue de Villiers
92208 Neuilly-sur-Seine Cedex

Deloitte & Associés
Dominique Descours
185, avenue Charles de Gaulle
92200 Neuilly-sur-Seine

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Registered at
128, avenue de Lattre de Tassigny
87045 Limoges Cedex
France
Tél. : + 33 (0) 5 55 06 87 87
Fax. : + 33 (0) 5 55 06 88 88

www.legrandgroup.com

Labrador +33 (0)1 53 06 30 80