Reference document 2006

www.legrandelectric.com

legrand

Reference document 2006

AUTORITÉ DES MARCHÉS FINANCIERS
AMF

Pursuant to article 212-13 of its general regulations, the French Autorité des marchés financiers (AMF) registered this reference document on April 23, 2007 under Number R. 07-038. 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. This registration, made following examination of the relevance and consistency of the information provided on the company's standing, does not imply authentication of the accounting and financial data presented.

This document is an unofficial translation of the French language reference document of Legrand, which was registered with the French Autorité des Marchés Financiers on April 23, 2007 under N° R.07-038. It is drafted for information purposes only. In case of discrepancy with the document in French, the latter shall prevail.

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 shareholder's meeting dated 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, previously an indirect subsidiary of the Company.

In this document, references to "KKR" are to Financière Light Sàrl, Financière Light II Sàrl, Financière Light III Sàrl and Financière Light IV Sàrl, each of which is a company under Luxembourg law owned and controlled by one or more investment funds advised by Kohlberg Kravis Roberts & Co., L.P.

In this document, references to "Wendel" are, unless otherwise specified, to Wendel Investissement and/or its subsidiaries.

The Company's consolidated financial statements presented in this document for the years ended December 31, 2006, 2005 and 2004 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. In the past, the Company presented its financial statements in accordance with French generally accepted accounting principles ("French GAAP") and United States generally accepted accounting principles ("U.S. GAAP"). The Company has decided to present its financial statements in accordance with IFRS as it is required to do so by French law and will be reporting its results and preparing its financial statements in the future in accordance with IFRS. IFRS may differ in certain significant respects from French GAAP.

This document includes by reference the Company's consolidated financial statements for the years ended December 31, 2005 and 2004 and the auditors' report related thereto, as they are presented in the prospectus which received from the AMF the visa n°06.082 on March 22, 2006.

This document contains information about Legrand's markets and its competitive position therein, including market sizes and market share information. Legrand is not aware of any authoritative industry or market reports that cover or address the market for products and systems for low-voltage electrical installations and information networks in buildings. Therefore, Legrand assembles information on its markets through its subsidiairies, 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 electrical products distributors, building statistics and macroeconomic data (such as gross domestic product or consumption of electricity). 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 prospectus 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 than Legrand does. Because statements relating to market shares and market sizes are Company's estimates, they are not data extracted from the consolidated financial statements, and Legrand cautions investors 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, cash position and projections.

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. 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.

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1 RESPONSIBILITY FOR THE REFERENCE DOCUMENT

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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.

1.1.2 - Responsibility statement

"I hereby certify, having taken all reasonable steps to confirm it, that the information contained in this reference document reflects, to my knowledge, the reality and that no omissions have been made that are likely to have a bearing thereon.

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

1.2 - Statutory auditors

1.2.1 - Principal statutory auditors

PricewaterhouseCoopers Audit

Member of the Regional Body of Statutory Auditors in Versailles ("*Compagnie régionale de Versailles*")

Represented by Edouard Sattler

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 fiscal years. Its appointment shall expire at the end of the general shareholders' meeting convened to vote upon the financial statements for the year ending on December 31, 2009.

Deloitte & Associés

Member of the Regional Body of Statutory Auditors in Versailles ("*Compagnie régionale 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 fiscal years. Its appointment shall expire 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 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 fiscal years. Its appointment shall expire at the end of the general shareholders' meeting convened to vote upon the financial statements for the year ending on December 31, 2009..

BEAS

Member of the Regional Body of Statutory Auditors in Versailles ("*Compagnie régionale 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 fiscal years. Its appointment shall expire 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. **Patrice Soudan**

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 and financial documents pertaining to the Company and that must be made available to the shareholders in accordance with the applicable regulations may be consulted at the registered office of the Company.

1.3.2.1 - ANNUAL DOCUMENT DRAWN UP PURSUANT TO ARTICLE 221-1-1 OF THE AMF GENERAL RULES *(RÈGLEMENT GÉNÉRAL DE L'AUTORITÉ DES MARCHÉS FINANCIERS)*

Pursuant to article 221-1-1 of the AMF general rules (règlement général de l'Autorité des marchés minanciers), the following list includes the information published or made public by Legrand within the last twelve months.

List of press releases

The press releases are available on the AMF web site (www.amf-france.org) and/or on the Company's web site (www.legrandelectric.com).

Date	Title
March 2006	Success of the debt refinancing transaction
	Initial public offering → note d'opération
	Legrand launches its initial public offering
	Initial public offering → Summary of the note d'opération
April 2006	Success of Legrand initial public offering
	Full exercise of the over-allotment option
	Legrand returns to the «investment» category
	Legrand continues targeted acquisition-driven growth
July 2006	2006 first half results
September 2006	Acquisition of Vantage
October 2006	2006 first nine-month results
November 2006	Increase of free float to 35% of share capital
January 2007	Legrand continues expansion in the Asia-Pacific area with the acquisition of HPM
	Legrand reinforces presence in home automation with the acquisition of UStec
February 2007	Firm growth in 2006 results
March 2007	Legrand announces the launch of the share buyback program authorized by the General Meeting of Shareholders held February 24, 2006
	Description of share buyback program
April 2007	Table of monthly declaration of transactions carried out by the issuer on its own shares in March 2007

List of BALO publications

Date	Nature of information
03/01/2006	Other transactions – Consolidation of shares
03/29/2006	Issues and listings – French values – Shares
04/10/2006	Issues and listings – French values – Shares
04/24/2006	Various notices
05/05/2006	Convening - shareholders' and members' meetings
05/08/2006	Other transactions – Appointment of nominative securities accounts holder
05/12/2006	Periodical publications – Commercial and industrial companies (turnover)
05/12/2006	Issues and listings – French values – Shares
05/19/2006	Convening - shareholders' and members' meetings
08/04/2006	Periodical publications – Commercial and industrial companies (sales)
08/11/2006	Periodical publications – Commercial and industrial companies
08/18/2006	Periodical publications – Commercial and industrial companies (business reports and profit/loss statements)
11/08/2006	Periodical publications – Commercial and industrial companies (sales)
02/14/2007	Periodical publications – Commercial and industrial companies (sales)
04/06/2007	Convening - Shareholders' and member's meetings
04/23/2007	Periodical publications – Commercial and industrial companies (annual accounts)

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

Date	Type of document
03/17/2006	Minutes of Board of Directors
04/06/2006	Minutes of shareholders' meeting
04/06/2006	Minutes of Board of Directors
04/11/2006	Minutes of Board of Directors
05/02/2006	Statutory auditors' report
05/02/2006	Minutes of shareholders' meeting
05/02/2006	Updated by-laws
06/07/2006	Minutes of shareholders' meeting

1.3.2.2 - DECLARATIONS OF SECURITIES TRANSACTIONS CARRIED OUT BY THE MANAGERS (WWW.AMF-FRANCE.ORG)

N/A

1.3.2.3 - PROSPECTUS

The prospectus in view of the admission for trading of the Legrand shares on the Eurolist market of Euronext Paris, which received visa n°06.082 of the AMF on March 22, 2006, and which is made up of a note d'opération and of a document de base registered with the AMF on February 21, 2006 with number I.06-009, is available on the AMF web site (www.amf-france.org) and on the Company's web site (www.legrandelectric.com).

1.3.3 - Indicative financial information calendar

Financial information reported to the public by the Company will made available on the Company's web site (www.legrandelectric.com).

For indicative purposes only, the Company's financial information calendar up to December 31, 2007, should be as follows:

2007 first quarter results: May 3, 2007

2007 first half results: July 26, 2007

2007 first nine-month results: November 8, 2007

The Company's Board of Directors which met on February 7, 2007 convened on May 15, 2007 the Company's annual general meeting.

2 GENERAL INFORMATION ON THE GROUP

2.1 - Presentation of the Group

Legrand is one of the principal worldwide manufacturers of products and systems for low-voltage electrical installations and data networks used in residential, commercial and industrial buildings. The Group is a "pure-player", focused on developing, manufacturing and marketing a complete range of control and command, cable management, energy distribution and Voice, Data and Image ("VDI") products. Legrand markets its products under internationally recognized brand names, including Legrand, Bticino and Ortronics, as well as well-known local brands. Legrand has commercial and industrial establishments in more than 60 countries and sell a wide range of products, comprising more than 130,000 catalog items, in almost 180 countries. In 2006, the Group had consolidated net sales of €3,737 million (of which 75% were generated outside of France). In addition, in 2006, almost 22% of the Group's net sales were generated in emerging markets (Eastern Europe, Asia, excluding Korea, Latin America and Africa-Middle East).

2.2 - A market resilient to economic cycles with a steady growth potential

2.2.1 - Accessible market

The Group estimates its accessible market, which corresponds to worldwide sales made by the Group and its competitors of products that are identical to, or comparable with, its products, to be comprised between €50 and €60 billion.

2.2.2 - Resilient market

2.2.2.1 - CAPACITY FOR RESISTANCE TO ECONOMIC CYCLES

The Group's accessible market covers the new construction and renovation of residential, commercial and industrial buildings worldwide. The Group benefits from balanced exposure resulting from its presence on each of these market segments.

In addition, its accessible market is characterized by a flow of activity fueled by multiple orders, making it more diffuse and less sensitive to economic cycles than the medium- and high-voltage markets, where players are more dependent on large public or private projects.

2.2.2.2 - STRONG BARRIERS TO ENTRY

Access to the Group's market is made difficult by a number of barriers to entry. These barriers notably 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 esthetic preferences, which require new entrants to make a high initial investment; and
- the need to establish privileged relationships with many market players, such as electrical distributors, electrical professionals, specifiers and end-users.

Consequently, no new player of significant size has emerged on the market for the past twenty years.

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2.2.3 - Attractive market

2.2.3.1 - STEADY GROWTH POTENTIAL

The market is characterized by steady demand for new products and functions which arises from the global trend towards innovation. In addition, the market offers medium-term growth potential due to an ever increasing interest in added-value products (esthetically and functionally) and referred to as "up-selling". The Company's constant focus on technological innovation allows it to exploit effectively this growth potential.

In addition, in emerging markets such as Brazil, China, India and Russia, the constant development of electrical infrastructure and data networks generates demand for both low- and high-end products. Moreover, as nearly one-third of the world's population does not yet have access to electricity, the Group believes that the market offers significant long-term growth potential as such access is provided.

2.2.3.2 - FRAGMENTED MARKET PROVIDING ACQUISITION OPPORTUNITIES

The accessible market remains highly fragmented, as approximately 50% of worldwide net sales are made by typically local, small- and medium-sized companies who typically enjoy only marginal worldwide market share. Such 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. Consequently, a significant portion of the market for products and systems for low-voltage electrical installations and data networks traditionally remains in the hands of local, modestly sized manufacturers. The acquisition of these manufacturers offers potential growth opportunities.

2.2.3.3 - NON-DEFLATIONARY INDUSTRY

Whereas certain industries can be characterized by product price decreases, the Group's accessible market demonstrates a different overall trend. The production and distribution value chain for its products benefits from an established ability to increase its sales prices regularly over the long term. Moreover, end-user sensitivity to product prices is mitigated by the fact that electrical installations (excluding cables and cost of labor) generally only represent approximately less than 5% of the total cost of the average new residential or commercial construction project. In addition, the Group has a degree of control over its prices due to its strong market position and its ability to develop and offer innovative products.

2.3 - Legrand: unmatched competitive strengths

2.3.1 - Pure player with worldwide coverage

Legrand focuses on the development, manufacturing and marketing of a complete range of products and systems for low-voltage electrical installations and data networks. Its specialization, without diversification, has allowed the Group 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 60 countries that market the Group's products into almost 180 countries worldwide. 75% of the Group's net sales were generated outside France. In particular, net sales generated in emerging markets represented 22% of the Group's activity.

2.3.2 - First-rate positioning

2.3.2.1 - MARKET LEADING POSITIONS BOTH LOCALLY AND ON A GLOBAL BASIS

Legrand believes it is the worldwide leader in wiring devices, with an estimated 2006 market share of approximately 19%. The Group also believes that it is a global leader in cable management products, with an estimated 2006 market share of approximately 15%.

More globally, the Group holds leadership positions for one or more product ranges in several key countries. Approximately 47% of the Group's 2006 net sales comprised sales of products enjoying number one positions in their respective markets. In addition, approximately 87% of the Group's net sales were derived from sales into countries where at least one of the Group's products held the leading market position. The Group believes that its first-rate competitive position makes it a point of reference for its customers, electrical professionals, specifiers and end-users and strengthens demand for its products while contributing to the stability of its margins.

2.3.2.2 - TECHNOLOGICAL EXPERTISE

Legrand has a long and proven track record for new product development and the improvement of the functionality and reliability of its products. In addition, the Group has significant know-how in integrating innovative technologies into its product and solutions offerings. As such, the Group regularly expands its product offering to include high added-value products and solutions based on new technologies.

2.3.2.3 - QUALITY BRAND PORTFOLIO AND CONSISTENT "PUSH AND PULL" STRATEGY

Through its world renowned brands, such as Legrand, Bticino and Ortronics, and broad portfolio of local brands, the Group believes that it offers a product range that its customers, electrical professionals, specifiers and end-users associate with quality and to which they remain loyal. In particular, the Group 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. The Group's brand portfolio is continuously leveraged onto the market through its "push and pull" strategy, which markets its products to distributors while concurrently creating demand for its products from electrical professionals, specifiers and end-users.

2.3.2.4 - OVER 130,000 CATALOG ITEMS

The Group believes that its catalogs are among the most comprehensive on the market, offering a broad range of products that can be readily integrated into systems. The Group's catalogs currently feature more than 130,000 products in more than 80 product families.

2.3.3 - Acquisition experience

2.3.3.1 - ACQUISITION TRACK RECORD

Since 1954, Legrand has acquired and integrated almost 120 companies into its global network, as growth through targeted and self-financed acquisitions is a recurring part of the Group's business model. Between January 2006 and January 2007, the Group acquired six companies, each of which generated annual net sales of between €5 million and €100 million and which represented a total turnover of more than €170 million.

2.3.3.2 - ACQUISITION EXPERTISE

Due to the fragmented nature of its market, Legrand has a demonstrated ability to identify and complete acquisitions of small- and medium-sized companies that satisfy its criteria for complementary technology, location, markets or products. In addition, the Group has successfully exploited both commercial (complementary products and catalogs) and cost synergies. These synergies have allowed the Group to absorb over time the dilution of its margins caused by the acquisition of businesses that are initially less profitable than the Group.

2.3.3.3 - RIGOROUS TARGET SELECTION

The Group continues to review external growth opportunities through a rigorous process that allows it to ensure that an acquisition will increase its local market share, expand its product offering and technology portfolio or reinforce its presence in high growth markets.

In addition, the Group ensures that each acquisition is completed in accordance with its financial criteria (principally, that the acquisition price is in line with purchase price multiples applied to companies in the same sector and comparable in terms of market position and growth potential).

2.3.3.4 - SELF-FINANCING

The Group's ability to generate important cash-glow, representing more than 10% of the Group's net sales, allows Legrand to self-finance its acquisitions through a virtuous and recurring process of value creation.

2.3.4 - Experienced and motivated management

The majority of the members of the Legrand's senior management team have, on average, 20 years of experience in the industry for products and systems for low-voltage electrical installations and data networks. The combination of their experience, success and commitment to the Group has allowed to create and maintain a unique corporate culture that inspires and rewards talent and initiative. Under the tenure of its senior management team, the Group has experienced sustained organic growth and strong financial performance and have completed numerous targeted acquisitions.

In addition, Legrand's senior management team and principal managers (approximately 200 persons) directly or indirectly hold, or may exercise rights to hold, approximately 5% of the Company's share capital, and, as a result, are incentivized to create shareholder value.

2.3.5 - Efficient business model with profitable growth opportunities

Due to its competitive strengths, the Group has developed an efficient business model with profitable growth opportunities:

- *organic growth*. With an average annual organic growth rate in net sales of approximately 4.8% between 1989 and 2006 and a total annual sales growth rate of 9.3% over the same period, the Group's performance has been particularly satisfying;
- *external growth*. In addition to its organic growth, the Group has demonstrated its ability to expand regularly through targeted, self-financed and value-creative acquisitions. The Group estimates that approximately half of its growth between 1989 and 2006 was due to acquisitions and the Group intends to develop its business through external growth;
- *high profitability*. The Group has historically maintained operating margins that are among the highest in its sector. For example, between 1989 and 2006, its average adjusted operating income margin was 14.7%;
- *strong cash flow generation*. 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. Over the last three years, the Group generated, on average, annual free cash flows of €382 million, or 11.6% of the Group's net sales.
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2.4 - Strategy

The Group's strategy is to optimize its business model through initiatives focused on growth, costs and capital employed, accelerate its growth (in particular through targeted and self-financed acquisitions) and increase its cash flow generation while maintaining or increasing its current margins.

2.5 - Summary selected financial data

The Group has derived the summary selected financial data as of and for the years ended December 31, 2006, 2005 and 2004 from its consolidated financial statements included in Chapter 10 of this reference document. The Group's consolidated financial statements as of and for the years ended December 31, 2006, 2005 and 2004 have been prepared in accordance with IFRS and audited by PricewaterhouseCoopers Audit and Deloitte et Associés.

Readers should read this summary selected financial data together with the information contained in Chapter 6 of this reference document, the Group's consolidated financial statements, the related notes thereto (included in Chapter 10 of this reference document) and other financial information included elsewhere in this reference document.

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(in € millions, except percentages)	2006	2005	2004
Net sales	**3,736.8**	**3,247.9**	**2,926.3**
Sales growth	+15.1%	+11.0%	+6.0%
Sales growth at constant scope of consolidation and exchange rates	+7.8%	+6.6%	+8.8%
EBITDA(1)	**773.0**	**661.1**	**623.7**
As a percentage of net sales	20.7%	20.4%	21.3%
Maintainable EBITDA(2)	**796.6**	**698.9**	**646.1**
As a percentage of net sales	21.3%	21.5%	22.1%
Adjusted operating income(3)	**616.2**	**509.0**	**473.2**
As a percentage of net sales	16.5%	15.7%	16.2%
Maintainable adjusted operating income(2)	**639.8**	**546.8**	**495.6**
As a percentage of net sales	17.1%	16.8%	16.9%
Net income(4)	**255.2**	**103.8**	**28.0**
Free cash flow(5)	**456.1**	**327.9**	**362.0**
As a percentage of net sales	12.2%	10.1%	12.4%
Net financial debt(6)	1,676	2,017	1,839

(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 investors should not consider EBITDA 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) cash flows from ongoing operations, 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 and 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 historical net income (before minority interests).

(5) Free cash flow is defined as cash flow resulting from current operations, plus the net cash resulting from sales of assets, less investments and capitalized development expenses. Free cash flow is not an indicator of performance defined by the IFRS standards, and should not be considered as an alternative to cash flows resulting from current operations, generated by investments or resulting from the financial transactions (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 current credit facilities, non-current credit facilities and undated subordinated securities, less the cash-flow, investments in securities and blocked current accounts.

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

(in € millions)	2006	2005	2004
Net income for the year	**255.2**	**103.8**	**28.0**
Income tax	82.9	89.8	46.6
Share of loss/(profit) of associates	(0.8)	(1.3)	(2.6)
Loss on extinguishment of debt	109.0	0.0	50.7
Foreign exchange gain/(loss)	(40.4)	32.3	(5.8)
Interest income	(33.7)	(25.4)	(26.1)
Interest expense	157.4	206.5	257.5
Operating income	**529.6**	**405.7**	**348.3**
Amortization of tangible assets	142.0	144.0	141.8
Amortization of intangible assets	101.4	111.4	133.6
EBITDA	**773.0**	**661.1**	**623.7**
Restructuring charges	23.6	37.8	22.4
Maintainable EBITDA	**796.6**	**698.9**	**646.1**

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

(in € millions)	2006	2005	2004
Net income for the year	**255.2**	**103.8**	**28.0**
Income tax	82.9	89.8	46.6
Share of loss/(profit) of associates	(0.8)	(1.3)	(2.6)
Loss on extinguishment of debt	109.0	0.0	50.7
Foreign exchange gain/(loss)	(40.4)	32.3	(5.8)
Interest income	(33.7)	(25.4)	(26.1)
Interest expense	157.4	206.5	257.5
Operating income	**529.6**	**405.7**	**348.3**
Amortization in connection with the acquisition of Legrand France[1]	86.6	103.3	124.9
Goodwill *impairment*	0.0	0.0	0.0
Adjusted operating income	**616.2**	**509.0**	**473.2**
Restructuring charges	23.6	37.8	22.4
Maintainable adjusted operating income	**639.8**	**546.8**	**495.6**

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

The table below presents a reconciliation of free cash flow and cash flow resulting from current operations:

(in € millions)	2006	2005	2004
Cash flow resulting from current operations	**581.5**	**450.5**	**429.4**
Net cash resulting from sales of assets	27.5	10.9	45.4
Investments	(130.8)	(112.0)	(95.7)
Capitalized development expenses	(22.1)	(21.5)	(17.1)
Free cash flow	**456.1**	**327.9**	**362.0**

The table below presents the evolution of Legrand's share capital:

(in € millions)	2006	2005	2004
Share capital	1,078.8	759.4	759.4
Reserves	1,217.6	(157.1)	(259.5)
Translation reserves	(136.6)	(64.3)	(144.7)
Share capital (Group's share)	2,159.8	538.0	355.2

3 RISK FACTORS

Investors should consider carefully the following factors and other information in this reference document. At the date of this reference document, the risks described below are those identified by the Company which could impair 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 price of shares could decline due to any of these risks, and, as a result, investors may lose part or all of their investment.

Adverse economic conditions affecting the building sector might adversely affect Legrand.

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 new construction and renovation sectors for residential, commercial and industrial buildings. To differing degrees, the level of activity in these sectors is sensitive to changes in general and local economic conditions. The impact of these changes may vary in time and significance across the markets and geographic zones in which Legrand operates. The Group's profitability is sensitive to downturns in sales volumes due to its fixed cost base. As is customary for the Group's business, Legrand does not have a backlog of customer orders which would help it accurately predict future demand for the Group's products. Consequently, generalized or localized economic downturns in the countries in which Legrand market its products could have an adverse effect on its business, financial condition, results of operations or cash flows.

Unfavorable foreign currency exchange rate fluctuations and interest rate fluctuations could adversely affect Legrand.

Foreign exchange

The Group has foreign currency denominated assets, liabilities, revenues and costs. 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 resulted in the past and could in the future result in significant changes to the Group's results of operations from period to period.

In addition, to the extent that the Group incurs 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. Whenever the Group believes it appropriate, it seeks to achieve natural hedges by matching costs to operating revenues in each of the major currencies in which it operates. The Group believes that such hedging is facilitated by the selling of products in the country where they are manufactured. However, these measures may not be sufficient to systematically protect the Group against the consequences of a significant fluctuation in exchange rates on the Group's results of operations and cash flows.

The most significative currency used by the Group other than the euro is the US dollar. As of December 31, 2006, the group's non-current debt amounts to €418 million (see note 15 of the consolidated financial statements).

The Group estimates that, all other things being equal, a further 10% increase in the exchange rate of the euro against all other currencies in 2006 (see paragraph 6.10.2 of this reference document) would have resulted in a decrease in the Group's net sales of approximately €131 million and a decrease in the Group's operating income of approximately €15 million for the year ended December 31, 2006. This sensitivity analysis was conducted based on the flows during the year ended December 31, 2006.

Interest Rates

The Group is exposed to risks associated with the effect of variations in interest rates (see paragraph 10.3 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. At December 31, 2006, the Group's gross financial debt was comprised of approximately €293.8 million of fixed rate debt and €1,566.8 million of floating rate debt, of which €960 million was subject to hedges capping interest rates at 3.26%.

The use of derivative instruments includes the risk of default of counterparties with respect to their obligations and the termination hedging agreements by such counterparties. 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 pay costs, such as transaction fees or breakage costs, in the event the hedging arrangements are terminated.

The swap agreements entered into between Legrand France and credit institutions provide that the swap counterparty may demand that Legrand France posts 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.

Based on the Group's total debt outstanding as of December 31, 2006, the Group estimates that a 100bp increase in interest rates (with regards to the Group's floating rate debt) should not result in a decrease in annual net income (before taxes) of more than €7 million (see paragrapg 6.10.3 of this reference document).

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The table below presents the maturity of financial assets and financial debt of the Company.

(in € millions)	< 1 year	1 to 5 years	> 5 years
Gross debt	1,561.2	-	294.5
Cash and marketable securities	(179.3)	-	
Net debt	**1,381.9**	**-**	**294.5**
Off-balance sheet	969.5	-	265.7
Net position after hedging	412.4	-	28.8

Existing or future regulations and standards in the markets where the Group operates could adversely affect Legrand.

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 its profitability and income. For example, the application of new trade restrictions or tariffs or the modification of current regulations could lead to a decline in the Group's export sales and a resulting decrease in its net sales.

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. These quality and safety standards may change or may be applied more stringently, and could therefore require the Group to make capital expenditures or implement other measures to ensure compliance with any such new or more stringent standards.

The Group cannot reliably estimate the timing and amount of potential future expenditures related to complying with any of these regulations or standards, in particular because of the difficulty in anticipating future regulations in countries where Legrand currently has a significant presence and in assessing the impact of regulations in countries in which it presently does not yet have material operations. The Group cannot, however, assure investors 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 which is in charge of managing related risks.

The Group may not be able to protect its intellectual property against competitors, which could adversely affect the development and success of its products.

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. Third parties have infringed in the past and may infringe in the future the Group's intellectual property rights. The Group may expend significant resources monitoring, protecting and enforcing its rights. If the Group fails to adequately protect or enforce the Group's intellectual property rights, its competitive position could suffer, which could have an adverse effect on its business, financial condition, results of operations or cash flows.

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

The Group's products could contain defects or be the cause of harm to persons and property, which could have an adverse effect on Legrand.

Between 2004 and 2006, the average annual rate of recalls for the Group's products was less than 1% of products. However, regardless of 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. In particular, an action was filed against Pass & Seymour, one of the Group's United States subsidiaries, claiming that one of the Group's products, a quick release receptacle, is not fit for use and should be withdrawn from the market (see paragraph 10.1.2 of this reference document). 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. Any successful product liability claims or product recalls could have an adverse effect on its business, financial condition, results of operations or cash flows.

The Group may incur environmental liability and investment expenses in connection with the Group's past, present and future operations.

The Group's activities, like those of similar companies, are subject to extensive and increasingly stringent environmental laws and regulations regarding, for example, air emissions, asbestos, noise, health and safety, the use and handling of hazardous waste or materials, waste disposal and the remediation of environmental contamination. In particular, European Union Directive 2002/96/EC dated January 27, 2003 on Waste Electrical and Electronic Equipment (WEEE), which was transposed into French law by Decree No. 2005-829, dated

July 20, 2005, aims to organize and improve the management of electrical and electronic equipment waste and is likely to have an impact on the Group's operations (see paragraph 5.2.8 of this reference document).

The Group has developed an environmental risk prevention and measurement policy implemented through environmental audits which are subsequently reviewed and analyzed by the Group's 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 the Group'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, the Group has defined an environmental risk identification policy (see paragraph 5.2.8 of this reference document). The Group makes reserves on its accounts when environmental assessments are made or remedial efforts are probable and the costs can be reasonably estimated.

Notwithstanding the above, the Group 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 Pont-à-Mousson (France) and a site in Syracuse (United States) for which provisions have been made in a total amount of approximately €3 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, its profitability or cash flows could be affected.

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

The Group's competitors may have more significant financial and marketing resources and therefore may be able to launch new products and systems more quickly and at lower prices than Legrand. This could reduce the Group's market share.

The market for the Group's products is competitive in terms of pricing, product, service quality, development and timing of new product launches. The Group's competitors include specialized companies acting on a national level and divisions of large-scale multinational companies, such as Schneider Electric, ABB, Siemens, General Electric, Matsushita Group, Eaton and Honeywell International (see paragraph 5.1.3 of this reference document) which may, due to their size, have superior financial and marketing resources compared to Legrand. The Group's competitors could be able 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 be consequently affected. Furthermore, in order to preserve its competitiveness, the Group must regularly commit resources prior to the launch of a new or upgraded product line, which, if not as successful as expected, might not allow the Group to recoup the expenses incurred.

In particular, global competitors may be better positioned to develop superior product features and technological innovations. These competitors may also benefit from better financing conditions for their product development investments and the Group could be forced to obtain financing on less advantageous terms to fund the investments necessary to remain competitive. In addition, 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. Moreover, 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.

Any intensification of competition in the Group's markets, or any increase in the activities of its competitors could lead to a decline in its sales and/or an increase in its costs, which could have an adverse effect on its business, financial condition, results of operations or cash flows.

The loss of key personnel could have an adverse effect on Legrand.

Legrand's key personnel have been with the Group on average for over 20 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 would constitute a loss of industry and company 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 customers, to continue the development of its products or to implement its strategy. Legrand's success is dependent on the loyalty of its executive officers and other key employees and its ability to continue to attract, motivate and retain highly qualified personnel. Its inability to do so could have an adverse impact on its business, financial condition, results of operations or cash flows.

The Group seek to expand its business partly through acquisitions which, by their nature, involve numerous risks and could have an adverse effect on Legrand.

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 successfully identify appropriate targets, consummate transactions on satisfactory terms, successfully integrate acquired businesses, technologies or products, effectively manage newly acquired operations or realize anticipated cost savings. Furthermore, the Group may be unable to arrange financing for acquired businesses (including acquisition financing) on favorable terms and, as a result, elect to fund acquisitions with cash that could otherwise be allocated for other uses in the Group's existing operations. The Group also may 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. These risks could have a significant adverse impact on the Group's business, financial condition, results of operations and cash flows.

The Group's profitability and market share may be adversely impacted in markets where market demand is driven by product price as well as product quality.

The Group typically manufactures products close to or within the market in which they are sold or in immediate proximity to these markets. In 2006, Legrand realized approximately 78% of its net sales through subsidiaries located in Western European countries and in the United States and Canada. Production costs in those countries are generally higher, in particular labor costs, compared to production costs in other countries. Consequently, in markets where the end-user is more sensitive to price than product appeal or features, imports of lower-cost products manufactured in other countries and sold at lower prices, including counterfeited products, may lead to a decrease in the Group's market share, or a decrease in the average selling price of its products, or both.

To a lesser extent, the Group's profitability in countries where its products benefit from relatively higher gross margins could also be adversely affected by imports from neighboring countries where interchangeable products are sold at lower prices.

These factors may cause the Group's revenues to decline, which could have an adverse effect on its business, financial condition, results of operations or cash flows.

The Group may be adversely affected by its reliance on its two largest customers.

The Group derives a significant portion of its revenues from sales to its two largest distributor customers — Sonepar and Rexel. The Group's sales to Sonepar and Rexel represented approximately 25% of its net sales during the fiscal years 2006. In addition, sales to the Group's 10 most important clients (including Sonepar and Rexel) is less than 35% of the Group's net sales in 2006.

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

The Group's revenues may be adversely affected by increases in the cost of raw materials and components.

In 2006, the cost of raw materials and components amounted to approximately 60% of total cost of goods sold of €1,881.7 million. Raw materials mainly consist of plastics (more than 50 references) and metals (steels, brass, copper, etc.) which accounted for approximately 39% of all raw materials and components in 2006 (see paragraphs 5.2.5 and 6.10.4 of this reference document). Components include other materials, such as parts, semi-finished and finished products (which accounted for approximately 61% of all raw materials and components in 2006). 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.

As of December 31, 2006, the Group has concluded « collar » contrats, with limited amount (less than €8 million in nominal) and duration (less than 6 months), in order to hedge part of its risk related to an unfavorable evolution of copper prices.

The Group could have unfunded liabilities with respect to the pension plans and other comparable service benefit obligations of its subsidiaries.

The Group's subsidiaries have obligations to their employees relating to retirement and other end-of-contract indemnities in the majority of the countries where the Group operates. In France, retirement indemnities arise pursuant to collective bargaining agreements, internal conventions and legal requirements. Pursuant to the relevant provisions of French law, there is no legal requirement to maintain assets to fund these liabilities. As at December 31, 2006, the amount of retirement benefits to be paid amounted to approximately €64.0 million. As at the same date, these indemnities were funded at €20.3 million. Consequently, a provision was made in the Group's 2006 accounts for the unfunded portion of these liabilities (€43.5 million), after taking into account the cost of passed unrecognized services for €0.2 million. Although Legrand believes that it maintains sufficient and customary insurance coverage, there can be no assurance that the Group will continue to maintain this insurance coverage in the future or that it will be sufficient to cover the Group's future retirement and end of contract obligations and indemnities.

In the United States and the United Kingdom, liabilities arise pursuant to labor agreements, various pension schemes and plans, and other employee benefit plans. As at December 31, 2006, the amount of contributions due amounted to €153.6 million. As at December 31, 2006, such liabilities, including those related to post-retirement benefits (other than pensions) were under-funded by approximately €44.2 million. The amounts which were under-funded have been completely provisioned for in the Group's consolidated accounts as at December 31, 2006. Although the Group currently does not intend to terminate any of these pension plans or schemes,

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the liabilities associated therewith could, in the event of termination, be significantly higher. With respect to the pension plans or schemes which the Group is not required by applicable law to fund, the Group intends to satisfy such liabilities from its general assets and cash flows.

In Italy, pension plans and post-retirement benefit liabilities arise pursuant to national collective bargaining agreements. The Group does not fund its retirement and end-of-contract indemnities in Italy. As of December 31, 2006, these liabilities amounted to approximately €58.5 million. A provision was made in this amount in the Group's 2006 accounts.

In countries other than France, the United States, the United Kingdom and Italy, retirement and end-of-contract indemnities arise pursuant to applicable local law requirements and specific pension arrangements and were in the aggregate equal to €14.5 million as of December 31, 2006. As of December 31, 2006 these obligations were under-funded by an aggregate amount of €9.1 million. A provision was made in this amount in the Group's 2006 accounts.

If the amounts with respect to the Group's end-of-contract indemnities and post-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 end-of-contract indemnities and retirement benefits. Any such payments could have an adverse effect on the Group's business, financial condition, results of operations or cash flows.

The Group is subject to stringent labor laws in certain jurisdictions in which it operates.

Labor laws applicable in certain countries in which Legrand operates are relatively stringent and, in some cases, grant significant job protection to certain employees, including temporary employees, particularly with respect to termination of employment. In certain countries where it operates, the Group's employees are members of unions or, by virtue of applicable regulations, are represented by a works' council. The Group may be required to consult and seek the consent or advice of the representatives of these unions and/or respective works' councils. Labor laws and employee-representative consultation procedures could have an effect on the way the Group runs its operations and an impact on its activities.

Legrand could be exposed to a liquidity risk.

The banking and financial indebtedness of the Group is described in paragraphs 5.1.1.2 and 6.5 of this reference document as well as in Note 4.15 to the consolidated financial statements.

Legrand's strategy is to maintain a financial structure giving a leverage to its shareholders while benefiting from an *investment grade* rating from the major rating agencies. The Group could thus be at a disadvantage compared to competitors who would not have the same level of indebtedness during the same period. In addition, the Group's capacity to comply with the contractual obligations provided for in certain borrowings (in particular the 2006 Credit Facility, described in paragraph 5.1.1.2 of this reference document), to refinance or redeem its borrowings according to the provisions thereof, will depend on its future operational performance and could be affected by a number of factors outside of the Company's control (economic environment, conditions of the debt market, regulatory evolutions, etc.). As at December 31, 2006, the Company respected all financial covenants provided for in its different borrowings, as described in paragraph 6.5.2.1 of this reference document.

Legrand could therefore be led to affect a signficant part of its cash flow to the payment of the principal and interests of its debt, which could consequently reduce available funds to finance its operations, investments or external growth.

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4 INFORMATION ABOUT THE GROUP

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 company with limited liability (*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 company with limited liability (*société anonyme*) by a unanimous decision of the shareholders on November 4, 2002.

The Company's term is ninety-nine years from its registration with the commercial registry, thus expiring on December 22, 2097, except if the term is extended or if the company is subject to early dissolution.

The resolutions established by the Company's Board of directors on February 8, 2006, which were submitted for approval of the shareholders during the general meeting of February 24, 2006, have adopted the extension of the term of the Company by 99 years, thus up to February 24, 2105, except if the term is extended or if the company is subject to early dissolution.

4.1.4 - Registered office

The Company's registered office is at 128, avenue du Maréchal de Lattre de Tassigny, 87000 Limoges, France (+33 (0)5 55 06 87 87).

4.1.5 - Legal form and applicable law

Legrand is a company with limited liability with a Board of Directors. The Company is mainly governed by the provisions of Book II of the French Commercial Code and decree n° 67-236 of March 23, 1967, on commercial companies.

4.1.6 - Important events in the development of activities

To meet customer expectations and anticipate future needs in the markets where it is present, Legrand raised investment in research and development by 8.1% in 2006. Over the same period, the company launched more than 40 new product lines, among them:

■ for control and command: the wiring device ranges Cariva (Eastern Europe and Turkey), Valena (Poland), Vela (South America), Plexo (France) and Galea Life (Spain, Greece and Eastern Europe), the Arcor2 and Baas security device ranges (France), the InFusion home automation range, the new motion detector ranges from TWC and the Ultimate Music Solution sound diffusion device range (United States).

■ for energy distribution: the new DRX moulded case circuit-breakers (Asia and Latin America), the XS and XG circuit breaker range (Turkey), the CTX power contractors (Colombia, Chile and Turkey), the remote circuit-breaker management range in France and the Marina industrial enclosures (France, Italy);

■ cable management: the 400 Designer Series metallic trunking range (United States) and the high and low voltage connectors offering for commercial buildings (France); and

■ VDI: the 10 Giga SSTP offering (France), 10 Giga UTP offering (Europe, Middle East and the United States) and Wi-Jack Duo, the most compact WiFi access point outlet in the world.

In addition, during the first quarter of 2007, Legrand launched three new major wiring devices - Céliane, Mosaïc and Batibox – which already received a very favourable market response from the distributors, electrical professionals and specifiers.

4.2 - Investments

4.2.1 - Major investments made by the Group

During 2006, Legrand made several investments for a total amount of €85.9 million (after deducting the acquired cash) and in particular, Legrand made four self-financed acquisitions, with all four companies having strong positions in their markets:

■ Shidean, the leader in audio and video door entry systems in China (approximately €15 million in net sales in 2005). Based in Shenzen, Shidean employs over 900 persons. The company's strong research and development, manufacturing and marketing departments have made it the leader in residential access control in China. This acquisition complements Legrand's presence in China, where it is already number one in wiring devices and holds a very strong position in VDI;

■ Cemar, the leader in Brazil for consumer units and industrial enclosures (approximately €28 million in net sales in 2005). With the acquisition of Cemar, which is based in Caxias in southern Brazil and which employs approximately 400 persons, Legrand, which is already the leader in wiring devices and in modular circuit breakers in Brazil, has thus strengthened its position in this high potential market, by becoming the leader on yet another market segment and by expanding its product offering;

■ RM Kabelbaner, the leader in Denmark for metal cable management systems, with net sales of more than €5 million in 2005. RM Kabelbaner strengthens Legrand's global leadership position in cable management systems and expands its offering in Northern Europe;

■ Vantage, the number two player in the United States in high-end lighting control and specialist in home automation (approximately $20 million in net sales in 2005). Based in Orem, Utah, Vantage strengthens Legrand's position in this high-growth market.

During 2005, Legrand made several investments for a total amount of €399.8 million (after deducting the acquired cash) and in particular, Legrand made five targeted acquisitions described below:

■ TCL International Electrical and TCL Building Technology. In December 2005, the Group acquired TCL International Electrical, the leader in China for wiring devices, and TCL Building Technology, the leading Chinese brand for VDI products and systems. In 2004, the two businesses enjoyed combined net sales of more than €60 million and had a workforce of approximately 3000 persons. The Group believes that these acquisitions will allow it to expand significantly the Group's presence in China and reinforce its global leadership position in wiring devices and its strong international presence in the VDI sector.

■ ICM Group. In November 2005, the Group acquired the ICM Group, a specialist in metal wire cable trays with well-known brands such as Cablofil©. Based in Montbard, France, the ICM Group generated net sales of approximately €100 million in 2004, 40% of which were made in France. The ICM Group employs approximately 500 people and has six plants in Europe and the United States. The Group believes this acquisition will allow Legrand to expand the Group's product offering in cable management and will reinforce its leadership position in this market.

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■ Van Geel. In March 2005, the Group acquired the Van Geel group (except for its German subsidiary). Van Geel is the market leader in metal cable management systems in The Netherlands and Austria and holds significant market share in a large number of other European markets, including Belgium, Portugal and Sweden. Based in Boxtel, The Netherlands, Van Geel has two manufacturing units in The Netherlands and a total work force of 300 persons. In 2004, Van Geel's net sales amounted to €60 million. The Group believes that this acquisition provides it with a leading market position in The Netherlands, enhances the Group's position in the European cable management market and reinforces its worldwide leadership in cable management.

■ OnQ. In February 2005, the Group acquired OnQ, the United States leader in structured cable management for residential applications. Based in Harrisburg, Pennsylvania, OnQ generated net sales in 2004 of approximately $22 million and has a workforce of approximately 100 persons. With nearly 1,000 catalog items, OnQ offers complete solutions for VDI cable management in residential buildings (including VDI networks, integrated lighting and sound management systems). The Group believes that this acquisition will increase the Group's presence in the residential automation business in the United States and reinforce its technological leadership in this field.

■ Zucchini. In the second quarter of 2005, the Group acquired control of Zucchini, the leader in Italy for prefabricated busbar systems. Based in Brescia, northern Italy, Zucchini reported net sales of approximately €50 million in 2004. The Zucchini busbar product lines expand Legrand's product offering in cable management. The Group believes that this acquisition will enhance its worldwide leadership in cable management.

Legrand has made no other significative investment during the fiscal year ended December 31, 2004.

4.2.2 - Main investments in progress

In January 2007, acquired the two companies described below:

■ HPM, the n°2 in electrical devices in Australia and New Zealand, which had sales of approximately €100 million in 2006, of which approximately 88% was generated in Australia. With sites in Sydney, Melbourne and Auckland, HPM, an expert in electrical devices, complements the Group's network in the Asia-Pacific area. For its pail, Legrand, by providing its portfolio of protection, wire cable trays, VDI and access control will efficiently complement the HPM product portfolio and widen its market coverage;

■ UStec, based in Rochester, NY, is an expert in global solutions for the distribution of Voice Data Image networks in residences and had approximately $12 million U.S. sales in 2006. With over 500 product references, UStec strengthens the Legrand's offering of residential automatic devices in the United States. UStec's product offering, which is dedicated to a high end market, will ideally complement the product offering of OnQ, which is a leader of structured cabling services. Created in 1992, UStec distributes its products through a network of 750 specialized retailers.

Acquisitions made in 2007 will be consolidated during the first quarter of 2007 and investors are invited to refer to information on profit & loss, balance sheet and cash flow which will be published by the Company on May 3, 2007 for information on the acquisitions made during 2007.

4.2.3 - Main planned investments and external growth policy

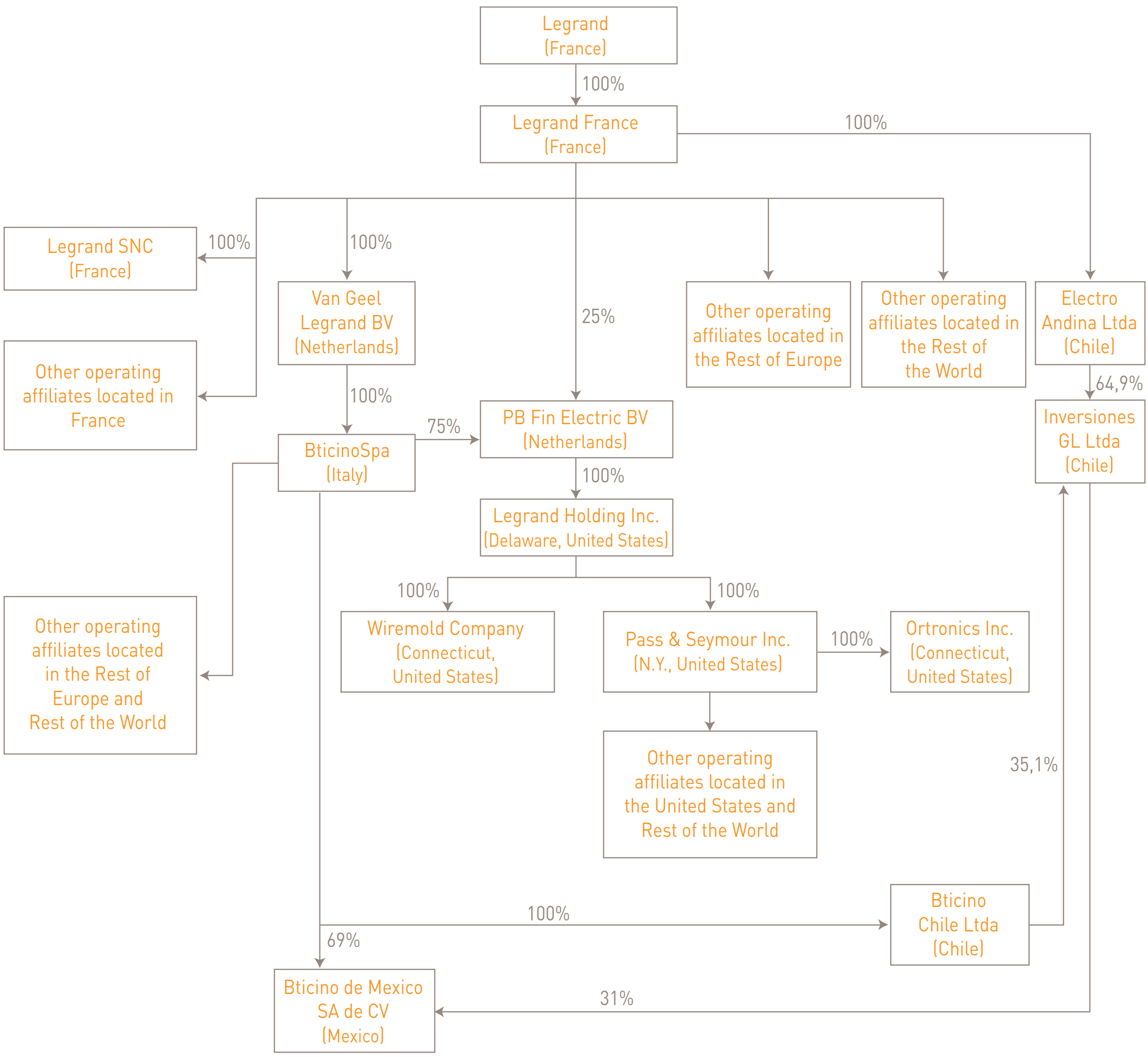
The Company intends to pursue its strategy of targeted acquisitions and investment particularly in research and development, in accordance with the strategy described in this reference document (see in particular paragraph 5.1.5 of this reference document). At the registration date of this reference document, there were no firm commitments to third parties concerning material financial investments.

4.3 - Organizational structure

The Group is comprised of Legrand and its 134 subsidiaries. The Company is the parent company of the Legrand Group and carries out general administrative services (human resources, IT, administration, communications, finance, legal, marketing and purchasing services) for certain of its subsidiaries.

Legrand France, the Company's wholly-owned principal operating subsidiary, owns all of the share capital of its operating subsidiaries.

4.3.1 - Organizational Chart



4.3.2 - Subsidiaries and Shareholdings

The main subsidiaries holding participations in the Group are described below. For a description of related party transactions, see paragraphe 9.3 of this reference document.

BTICINO CHILE LIMITADA (CHILE)

Bticino Chile Limitada is a limited share company under Chilean law, whose registered office is located at Vincuna Mackenna #1292, Santiago de Chili. Bticino Chile Limitada's main activity is the manufacturing and marketing of 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 limited liability company with variable share capital 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 activity is the design, manufacturing and marketing of 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 69% owned by Bticino SpA and 31% by Inversiones GL Limitada.

BTICINO SPA (ITALY)

Bticino SpA is a limited liability company under Italian law, whose registered office is located at Via Messina 38, 20154 Milano. Bticino SpA's main activity is the manufacturing and marketing of electrical products and systems. Bticino SpA joined the Group on January 1, 1989. Bticino SpA is wholly-owned by Van Geel Legrand. Gilles Schnepp is Director and Chairman of the Board of Directors of Bticino SpA. Olivier Bazil is a Director of Bticino SpA.

ELECTRO ANDINA LIMITADA (CHILI)

Electro Andina Limitada is a limited share company under Chilean law, whose registered office is located at Vicuna Mackenna #1292 Santiago del Chili. Electro Andina Limitada's main activity is the manufacturing and marketing of 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 wholly-owned by Legrand France.

INVERSIONES GL LIMITADA (CHILE)

Inversiones GL Limitada is a limited share company under Chilean law, whose registered office is located at Santiago del Chili. Inversiones GL Limitada's is to hold equity investments in other companies. Inversiones GL Limitada was created and joined the Group on December 26, 2001. Inversiones GL Limitada is 64.9% owned by par Electro Andina Ltda and 35.1% 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 limited liability company under French law, registered under number 758 501 001 R.C.S. Limoges. Its registered office is located at 128, avenue du Maréchal de Lattre de Tassigny, 87000 Limoges. Legrand France's main activity is the 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 investmenst 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, Managing Director (*Directeur général*) and Director of Legrand France. Olivier Bazil is a Delegate Managing Director, Vice-Chairman of the Board of Directors and Director of Legrand France. François Grappotte is Honorary Chariman of the Board of Directors and Director of Legrand France. Jacques Garaïalde, Edward Gilhuly and Jean-Bernard Lafonta are Directors of Legrand France.

LEGRAND HOLDING INC. (UNITED STATES)

Legrand Holding Inc. is a Delaware corporation, whose registered office is located at 60, Woodlawn Street, West Hartford, CT 06110. Legrand Holding Inc.'s main activity is to hold 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. Gilles Schnepp is Director and Chairman of Legrand Holding Inc. Olivier Bazil is a Director and Vice-Chairman of Legrand Holding Inc.

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 activity is the marketing and distribution of 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. Gilles Schnepp is the permanent representative of Legrand France, manager (*gérant*) of Legrand SNC.

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 activity is the design and marketing of Voice, Data and Image products. Ortronics Inc. joined the Group on January 2,1998. Ortronics Inc. is wholly-owned by Pass & Seymour Inc. In addition, Ortronics holds equity investments in other operational companies of the Group located in the United States and in the Rest of the World.

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 activity is the design, manufacturing and marketing of 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 operational companies of the Group located in the United States and in the Rest of the World. Gilles Schnepp and Monsieur Olivier Bazil are Directors of Pass & Seymour.

PB FINELECTRIC BV (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 activity is to make 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. Olivier Bazil is a Director and Managing Director (*Directeur général*) of PB Finelectric BV.

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 mainly designs, manufactures and markets wire cable trays. The Wiremold Company joined the Group on August 8, 2000. It is wholly-owned by Legrand Holding Inc. Gilles Schnepp and Olivier Bazil are members of the Board of Directors of The Wiremold Company.

VAN GEEL LEGRAND BV (NETHERLANDS)

Van Geel Legrand 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 RC. Legrand a acquis Van Geel en mars 2005. Van Geel Legrand BV's main activity is the manufacturing and marketing of metal cable management systems in The Netherlands and Austria. Van Geel Legrand BV is wholly-owned by Legrand France. Gilles Schnepp and Olivier Bazil are Directors of Van Geel Legrand BV.

5 THE GROUP'S BUSINESS

5.1 - Legrand's business

5.1.1 - Introduction

5.1.1.1 - GENERAL OVERVIEW

Legrand is one of the principal worldwide manufacturers of products and systems for low-voltage electrical installations and data networks used in residential, commercial and industrial buildings. Legrand is a "pure-player", focused on developing, manufacturing and marketing a complete range of control and command, cable management, energy distribution and Voice, Data and Image ("VDI") products. Legrand markets its products under internationally recognized brand names, including Legrand, Bticino and Ortronics, as well as well-known local brands. Legrand has commercial and industrial establishments in more than 60 countries and sells a wide range of products, comprising more than 130,000 catalog items, in more than 180 countries. In 2006, the Group's consolidated net sales amounted to €3,736.8 million, of which 75% were generated outside of France. In 2006, approximately 22% of the Group's net sales were generated in emerging markets (Eastern Europe, Asia, excluding Korea, Latin America and Africa-Middle East) compared to 19% in 2005 and 17% in 2004.

5.1.1.2 - HISTORY

Legrand France, formerly called Legrand SA, was founded in 1926 and incorporated as a French 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 de-listed 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, in 2005, 2006 and 2007, Legrand made a number of additional complementary acquisitions in Europe, the United States, China, Brazil and Australia. Since 1954, the Group has acquired nearly 120 companies.

Schneider 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 comprising KKR, Wendel and 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.

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 Agreement") 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 loan provided 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 Agreement should also allow the Company to satisfy its general financing needs and, as the case may be, complete acquisitions.

In addition, within the context of the issuance of the high yield notes, Legrand contractually agreed to respect the reporting obligations applicable to companies registered with the U.S. Securities and Exchange Commission (the "SEC") for so long as the high yield notes remained outstanding. On February 15, 2006, Legrand redeemed the totality 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 no longer has the related 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 under preferred conditions through a share capital increase reserved for its employees in the amount of €36.4 million (after taking into discount fees in the amount of €9.1 million) through the issuance of 2,303,439 shares.

Increase of free float

In November 2006, Goldman Sachs Capital Partners, Montagu Private Equity and WestLuxcon Holdings S.A. (a subsidiary of West LB AG), historical shareholders of Legrand, sold a total of approximately 40 million Legrand shares on the public market. Following this transaction, Legrand's free float represented 35% of the Group's share capital, compared to 20% upon the completion of the initial public offering.

5.1.2 - Legrand's market and its market position

Legrand designs, manufactures and markets products and systems for low-voltage electrical installations and data networks, without extending its activity to energy production and transmission, light bulbs 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 to be between €50 and €60 billion. Legrand further estimates that Europe represents approximately 34% of the accessible market, that the United States and Canada together represent approximately 28%, and that Asia and the remaining countries in the world represent approximately 28% and 10%, respectively, of the accessible market.

5.1.2.1 - CAPACITY FOR RESISTANCE TO ECONOMIC CYCLES

The evolution of the market for products and systems for low-voltage electrical installations and data networks used in the building sector naturally depends on economic conditions. Nevertheless, because of its diversity, this market is resilient to the effects of economic cycles:

- the market includes the new construction sector as well as the renovation sector, which is less sensitive to economic cycles than the new building construction sector, as it requires lower investments and benefits from a recurrent flow of activity arising from regular maintenance and modernization needs;
- the market is divided into the residential, commercial and industrial sectors, based on building types and end-user characteristics. Each of these sectors has its own growth dynamic;
- the market is 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 diffused and perennial and is less sensitive to economic cycles than other markets, such as the medium- and high-voltage markets.

5.1.2.2 - STRONG 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 notably 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 esthetic 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 - HIGH-GROWTH POTENTIAL

Due to several factors, the market for products and systems for low-voltage electrical installations and data networks offers appealing growth opportunities.

The market is characterized by a steady and growing demand for new products and functions. In particular, the market offers significant growth opportunities arising from an expanded market presence in the high-end of product ranges and a global trend towards innovation. Legrand's constant focus on technological innovation therefore allows the Group to effectively exploit this growth potential.

Legrand's market also offers medium-term natural growth potential linked to increasing interest in high added-value products, with a focus on both functionality (new features and ease of use) and esthetic features. For example, Legrand has benefited from the successful commercial release of its high-end product line *Axolute* in Italy, which combines wiring devices, access control and residential automation. In addition, Legrand sees strong growth potential in integrated systems and high added-value products (VDI, home automation systems, security) in the United States, where the combined revenues of *OnQ*, specialized in structured cables for housing, *The Watt Stopper*, specialized in motion detectors, and *Vantage*, market leader in high-end residential lighting control (not consolidated in the 2006 income statement), have increased by 22% in 2006 (constant exchange rates).

Moreover, in emerging markets such as Brazil, China, India and Russia, the constant development of electrical infrastructure and data networks creates demand for both low- and high-end products. Notably, in eastern China, the market for high-end products represents approximately 30% of the total market. Finally, as nearly one-third 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.

Net sales (using constant exchange rates) realized in the Rest of Europe and Rest of the World zones represented 39% of the Group's net sales in 2006, compared to 31% in 2000.

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 of approximately 6% in 2006, Legrand believes it is are a leader in, and a point of reference for, the market. 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 low-voltage electrical installations and data networks remains traditionally in the hands of local, modestly sized manufacturers. The acquisition of these manufacturers may offer growth opportunities.

5.1.2.5 - FAVORABLE PRICE EVOLUTION

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, esthetics, ease of use).

According to a survey conducted by Sonepar, a French electrical equipment distributor, in terms of end-users' priorities, price was ranked seventh behind quality, delivery time, availability, on-time response to requirements, documentation relating to the product and ease of installation.

Whereas certain industries can be characterized by product price decreases, 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 (excluding cables and cost of labor) generally represent less than 5% of the total cost of an average new residential or commercial construction project, respectively. Between 1991 and 2006, Legrand's sales prices have increased on average by 1.7% per year globally in its markets. Moreover, Legrand has a degree of control over its prices, due to its strong market position and its ability to develop and offer innovative products.

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 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, Rittal, Merten and 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, Matsushita Group, Eaton and Honeywell International.

5.1.4 - Strengths

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

5.1.4.1 - 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 low-voltage electrical installations and data networks. 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 60 countries that markets the Group's products into nearly 180 countries worldwide. Net sales realized outside the French market thus represent 75% of total sales. In particular, revenues earned in emerging markets represent nearly 22% of the Group total's business.

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

5.1.4.2 - LEADER BENEFITTING FROM FIRST RATE MARKET SHARES

Legrand believes that it is the worldwide leader in wiring devices, with an estimated 2006 market share of approximately 19%. Legrand also believes that it is the world leader in cable management products, with an estimated 2006 market share of approximately 15%.

More generally, Legrand also holds leadership positions for one or more products in several key countries, including cable management in the United States, wiring devices in Brazil, China and Russia, emergency lighting products in Spain and modular power protection products in India, Brazil and Poland. Approximately 47% of the Group's 2006 net sales comprised sales of products enjoying number one positions in their respective markets. In addition, approximately 87% of the Group's net sales were derived from sales into these countries where at least one of its products held the leading market position. The Group believes that its first-rate competitive position makes it a point of reference for its customers, electrical professionals, specifiers and end-users and strengthens demand for its products while contributing to the stability of its margins.

5.1.4.3 - BALANCED EXPOSURE

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

- approximately 60% of the Group's net sales in 2006 were generated by the renovation market, which is less sensitive to economic cycles than the new construction market, in which Legrand generated 40% of its net sales in 2006;
- Legrand operates on three markets with different dynamics: the residential market (42% of net sales in 2006), the commercial market (45% of net sales in 2006) and the industrial market (13% of net sales in 2006); and
- the breadth and diversity of Legrand's international presence, which limits its dependence on the economic performance of one or more countries. The Group has developed commercial activities in nearly 180 countries, which ensures the balanced repartition of its net sales. In 2006, the percentage of the Group's net sales (by zone of destination) generated in France and outside of France was approximately 25% and 75%, respectively.

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 and solutions based on new technologies, such as its universal media plug, the first wi-fi outlet integrated into a range of wiring devices and its home automation offerings, *In One by Legrand, My Home, Lubnet* and *Miro*, which simultaneously manage lighting, security, heating and sound distribution in a simple and ergonomic manner in residential buildings.

Legrand has developed significant know-how in the integration of innovative technologies into its product and solutions offerings, which 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 PRODUCT AND PRODUCT SYSTEMS OFFERINGS

With its world renowned brands, such as *Legrand*, *Bticino* and *Ortronics*, as well as an expansive portfolio of local brands, Legrand believes that it offers a product range that its customers, 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 more than 130,000 products organized into more than 80 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 installers 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 and catalogs) and cost synergies. These synergies have allowed the Group to absorb over time the dilution of its margins caused by the acquisition of businesses that are initially less profitable than the Group.

Since 1954, Legrand has acquired and integrated nearly 120 companies into its global network. Growth by auto-financed, targeted acquisitions has been a recurrent aspect of Legrand's growth model. From January 2006 to January 2007, Legrand acquired six companies which generated annual net sales of between €5 million and €100 million, representing total sales of more than €170 million. (See paragraphs 4.2.1 and 4.2.2 of this reference document).

Legrand expects to pursue a policy of external growth while maintaining a disciplined financial approach based on the analysis of several criteria. Legrand uses an analytical model that systematically compares and forecasts acquisition purchase price multiples with local market multiples. Acquisition multiples should be below or in line with sector multiples in mature markets but may sometimes be above sector multiples in high growth markets. The Group generally only includes short-term synergies that relate to operating costs in its modeling, except in exceptional circumstances.

Legrand's ability to generate high cash flows exceeding more than 10% of Group sales enables it to fund its own acquisitions in a strong, value creating 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 low-voltage electrical installations industry. In addition, Legrand's senior management team and principal managers (approximately 200 persons) directly or indirectly hold, or may exercise rights to hold, approximately 5% of the Group's share capital, and, as a result, are incentivized to create shareholder value.

Their experience and commitment to the Group has 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.

5.1.4.8 - EFFICIENT BUSINESS MODEL WITH PROFITABLE GROWTH OPPORTUNITIES

Due to its competitive strengths, Legrand has developed an efficient business model with profitable growth opportunities:

- *organic growth.* With an average annual organic growth rate in net sales of approximately 4.8% between 1989 and 2006 and a total annual sales growth rate of 9.3% over the same period, Legrand's performance has been particularly satisfying.
- *external growth.* In addition to its organic growth, Legrand has demonstrated its ability to continuously expand grow through targeted, auto-financed acquisitions that create value. Legrand estimates that approximately half of its growth between 1989 and 2006 was due to acquisitions.
- *high profitability.* Legrand has historically maintained operating margins that are among the highest in its sector. For example, between 1989 and 2006, Legrand's average adjusted operating income as a percentage of net sales was 14.7%.
- *strong cash flow generation.* Legrand 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. Over the last three years, on average, Legrand generated annual free cash flows of €382 million or 11.6% of its sales.

5.1.5 - Strategy

Legrand's strategy is to accelerate its growth, notably through auto-financed targeted acquisitions, and increase its cash flow generation while maintaining or increasing its current margins.

5.1.5.1 - ACCELERATE GROWTH

In order to accelerate growth, Legrand intends to:

- *expand market coverage and improve its commercial efficiency.* Legrand's relationships with its customers, electrical professionals, specifiers and end-users are central to its strategy. To this end, since 2001, Legrand has opened more than 30 show rooms and the Innovel training center in Chile. In parallel, Legrand expands its marketing footprint with a particular focus on markets with long-term high growth potential, such as emerging markets, VDI products and home automation systems. As a result, Legrand's sales and marketing headcount represented more than 17% of the Group's headcount at December 31, 2006, compared to nearly 12.5% at December 31, 2001;
- *focus on markets with high growth potential.* Legrand's sales and marketing initiatives are focused on markets that offer the highest growth potential, in particular in emerging markets;
- *expand geographic presence.* Legrand is seeking to accelerate its international growth by expanding its presence in countries with high growth potential. As such, it has established more than 20 subsidiaries and branches since 2001, with a particular focus on emerging markets within Eastern Europe, the Middle East and Asia. Legrand's sales generated in emerging markets, which represented more than 22% of the Group's operations in 2006 compared to 17% in 2004, improved by nearly 20% in 2006 (at a constant scope of consolidation and exchange rates). In emerging markets, commercial and marketing employees have more than doubled from 970 persons in 2004 to 2,140 in 2006;
- *drive innovation by increasing the number of research and development projects designed to renew and expand Legrand's product range.* 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 has established an increasing number of research and development projects, and investments in new products (including capitalized development expenses) now represents more than 50% of its capital expenditure. Legrand focuses its research and development efforts on technologically advanced products with higher added-value, such as home automation systems, VDI products for the residential market and the development of solutions that can be integrated into systems. Moreover, Legrand favors the development of products that share a common platform, which thereby permit the rationalization of components production and the reduction of production costs. In 2005 and 2006, the Group launched more than 70 new products ranges, including in 2006:
  - command and control: the *Cariva* (Eastern Europe and Turkey), *Valena* (Poland), *Vela* (South America), *Plexo* (France), *Galea Life* (Spain, Greece and Eastern Europe) ranges of wiring devices, as well as the *Arcor2* and *Baas* (France) security systems, the *InFusion* home automation system, *TWC* motion detector system and the *Ultimate Music Solution* sound diffusion system (United States),

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- energy distribution: the new *DRX* range of compact molded case circuit breakers (Asia and Latin America), *XS* and *XG* circuit brakers (Turkey), *CTX* power contactors (Colombia, Chile and Turkey), remote monitoring systems for *DPX*, *DMX* and *Lexic* (France) and the *Marina* range of industrial enclosures (France and Italy),

- cable management: Legrand notably launched the *4000 Designer Series* (United States) range of metal ducts and its offering of rapid high- and low- voltage connectors for commercial buildings (France),

- VDI: the *10 Giga SSTP* (France) and *10 Giga UTP* (Europe and the Middle East) offerings, and the *Wi-Jack Duo* range, the world's most compact WiFi access point (United States).

The Group's objective over the medium term is to increase the percentage of the Group's products launched within the previous five years to 50% of net sales;

- *accelerate growth through targeted and recurring acquisitions.* Legrand intends to continue to pursue targeted acquisitions in order to accelerate its 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.

Legrand will continue to review external growth opportunities through a stringent selection process in order to ensure that each acquisition:

- increases the Group's local market share,

- expands the Group's product offering and its portfolio of technologies, or

- strengthens the Group's presence on markets with high growth potential, and

- conforms to the Group's financial criteria (principally that the purchase price is in line with purchase price multiples applied to comparable companies in the same sector with a similar market position and growth potential);

- *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, 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. Finally, Legrand has created a sales force dedicated to covering large international customers who were previously covered at the local level.

5.1.5.2 - REDUCE COSTS TO IMPROVE PRODUCTIVITY

In order to improve its productivity, Legrand intends to capitalize on its operational initiatives implemented over the last few years. In particular, by relying on the new organization of its production activities into five industrial divisions, Legrand is looking to accelerate the specialization of its production sites, the transfer of certain activities to lower-cost sites and countries, 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 33% of total headcount in 2003 to 49% in 2006.

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

The implementation of these initiatives enabled production costs reductions expressed as a percentage of annual net sales from 22.4% in 2005 to 20.4% in 2006, thus contributing to 200 basis points of the improvement on operation margins.

5.1.5.3 - INCREASE CASH FLOW AND OPTIMIZE CAPITAL EMPLOYED

Legrand seeks to increase its cash flow by continuing strong growth in net sales, cost reductions, optimization of Legrand's investments and management of its working capital requirements.

Through the systematic application of its "make or buy" approach to all 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 6.2% in 2001 to 4.1% in 2006. 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 5% to 6% of consolidated sales.

In addition, after having reduced the ratio of the Group's working capital requirements to net sales from approximately 21.1% in 2001 to approximately 11.7% in 2006, Legrand intends to continue to carefully manage its working capital requirements in order to maintain it between 12% to 13% of sales.

5.1.6 - Operational structure

Legrand operates manufacturing and distribution subsidiaries and offices in more than 60 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 and optimizing capital employed. 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 five industrial divisions which seek to optimize industrial production, develop new products through an increase in research and development efforts, reduce 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 the rationalization of the Group's production activities and, more generally, has yielded back-office savings which Legrand has principally reinvested in its front office operations. Legrand intends to continue to invest a significant portion of its back office savings in its front office in order to fuel organic growth while maintaining a high level of profitability.
- Legrand's front office consolidates its operations relating to marketing strategy and interfacing with customers, electrical professionals, specifiers and end-users. The front office is organized on a decentralized basis and is 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 spearheads 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 organized its production activities at the end of 2001 into five industrial divisions which regroup production expertise specific to the industrial processes involved in manufacturing its products.

The Group's five industrial divisions are:

- Wiring Devices;
- Protection;
- Cable Management;
- Building and Electronic Systems; and
- Industry.

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 rationalizing 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 point of reference 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;
- setting "lean manufacturing" working sites in order to optimize productivity and capital employed; and
- transferring production to other units within the Group which carry lower production costs. As a result, 49% of the Group's production employees are located in low cost countries.

As a result of the continuous rationalization policy of its industrial divisions, Legrand has closed 20 plants over the last six years (notably in Austria, Brazil, France, Italy, Mexico, Poland, Singapore, the United Kingdom and the United States).

To date, the savings realized from Legrand's industrial rationalization policy have principally been reinvested in the strengthening of the Group's front office operations, particularly in the increase of its sales force, the design and launch of new products and acquisitions.

5.1.6.1.2 - Research and development

Legrand has continuously increased its research and development spending and investments (before purchase accounting relating to the acquisition of Legrand France and including capitalized development expenses) over the last three fiscal years at an average rate of 11.6% between 2004 and 2006. On a recurring basis, Legrand's research and development expenses (before purchase accounting relating to the acquisition of Legrand France and including capitalized development expenses) as a percentage of net sales represented approximately 5% of net sales on average over the last three years. On average, this increase in research and development expenses related mainly to an increase in research and development headcount of 22% between 2004 and 2006 as well as specific expenses in connection with the development of new products. Thus, Legrand launched more than 70 new product ranges in 2005 and 2006. (See paragraph 5.1.5 of this reference document)

5.1.6.1.3 - Purchase

As part of its industrial reorganization starting in 2003, Legrand implemented a more centralized purchasing organization to optimize its purchasing and improve its purchasing profitability. This purchasing organization now 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 geographical 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 the research and development process to capture savings at the very beginning of product development.

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, facilities, office management and information technology, to conform with best practices.

5.1.6.1.4 - Logistics and inventory management

Legrand's primary logistical concern is ensuring timely product delivery to its customers by adapting the volume and nature of customer orders to the lowest storage, distribution 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 18% on average before 2002 to 15% on average over the last three years. To this end, Legrand developed and refined its industrial management methods, such as Kanban, the Group's inventory just-in-time 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 logistic, inventory management and distribution systems adapted to local market conditions. The Group's operating subsidiaries take orders and ship products out of their own stock. These stocks include both products produced locally and products manufactured in other jurisdictions. The Group has implemented automated and computerized systems for the majority of its warehouses, as well as centralized inventory management. The Group's principal warehouses (located in France and Italy and which supply most of the European countries in which it operates) are equipped with an advanced warehouse management system, Warehouse Management System (WMS), which allows Legrand to manage inventory 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 manages inventories, forecasts, planning and supplies for 22 subsidiaries worldwide (located in Austria, Belgium, Chile, Colombia, the Czech Republic, Germany, Greece, Ireland, Italy, Mexico, The Netherlands, Poland, Portugal, Romania, Russia, Singapore, Slovakia, Spain, Switzerland, Hungaria, Turkey and the United Kingdom) for the Legrand brand name and for eleven subsidiaries worldwide (located in Austria, Belgium, Chile, Costa Rica, France, Germany, Mexico, Ukraine, Turkey, Romania and Spain) for the Bticino brand name. In the United States, Legrand manages its inventories with PKMS software.

Legrand believes that its logistics organization allows it to guarantee high-quality service to its customers.

5.1.6.2 - FRONT OFFICE

Legrand's front office interfaces with customers, 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 head office and is responsible for:

- increasing sales;
- 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.

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

Over the last three fiscal years, the Group has significantly strengthened its front office operations either through recruitment or acquisitions. During this period, the Group's front office headcount strongly increased to reach 5,445 employees, which represents more than 17% of its total weighted-average headcount in 2006 versus 15% in 2004. In particular, the Group has strengthened its teams in emerging markets due to the potential for significant growth in these markets.

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5.2 - Principal activities

5.2.1 - Financial information by geographic zone

The Group organizes its financial reporting along five geographic zones. References to headcount mean average headcount.

5.2.1.1 - FRANCE

Sales made in France represented 25% of the Group's 2006 consolidated net sales.

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

In France, the Group operates approximately 15 principal sites and employs 8,587 persons, approximately 13% of whom are employed in the front office and 87% of whom are employed in the back office. (See paragraphs 5.1.6. and 5.2.7. of this reference document).

5.2.1.2 - ITALY

Italy represented 18% of the Group's 2006 consolidated net sales.

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

In Italy, the Group operates approximately 10 principal sites and employs 3,620 persons, 16% of whom are employed in the front office and 84% of whom are employed in the back office. (See paragraphs 5.1.6 and 5.2.7. of this reference document).

5.2.1.3 - REST OF EUROPE

The Rest of Europe zone principally comprises Austria, Belgium, Greece, Poland, Portugal, Russia, Spain, The Netherlands, Germany, Hungaria, Turkey and the United Kingdom, and represented 22% of the Group's 2006 consolidated net sales.

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

The Group employs 4,653 persons throughout the Rest of Europe zone, approximately 29% of whom are employed in the front office and 71% of whom are employed in the back office. (See paragraphs 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 17% of the Group's 2006 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*, *Cablofil*, *Vantage*, *The Watt Stopper* and *OnQ*. Legrand's product offerings in this zone has recently been completed by the acquisition of Vantage in 2006, which strengthened Legrand's position in the high-end light controlling industry. (See paragraph 4.2.1. of this reference document)

The Group operates approximately 10 principal sites in the United States and Canada zone and employs 2,739 persons throughout the zone, of which approximately 18% are employed in the front office and 82% are employed in the back office. (See paragraph 5.1.6. and 5.2. of this reference document).

5.2.1.5 - REST OF THE WORLD

The Rest of the World zone comprises a number of countries, including Brazil, Chile, China, Colombia, Venezuela, Egypt, India, Australia, Mexico and South Korea. The zone represented 18% of the Group's 2006 consolidated net sales.

In the Rest of the World zone, the Group markets its products through the *Legrand*, *Bticino*, *Ortronics*, *Luminex Legrand*, *TCL Legrand*, *Anam Legrand*, *Lorenzetti*, *Shidean*, *Cemar*, *Pial Legrand*, *Tenby* and *Baco* brands. The Group recently enhanced its presence in the zone through the acquisition of Shidean in China and Cemar in Brazil in 2006.

The Group employs 12,105 persons throughout the Rest of the World zone, approximately 16% of whom are employed in the front office and 84% of whom are employed in the back office. (See paragraph 5.1.6 and 5.2.7. of this reference document).

5.2.2 - Products

The Group offers more than 130,000 catalog items, grouped into 80 product families. These product families can in turn be divided into four principal product groups:

- control and command;
- cable management;
- energy distribution; and
- Voice Data Image distribution and related products (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 residential, commercial or industrial buildings.

Legrand sells its products under two key worldwide global brands, *Legrand* and *Bticino*, one worldwide VDI specialist brand, *Ortronics*, and several leading local brands, such as *Wiremold*, the *Watt Stopper* and *Pass & Seymour* in the United States, *TCL-Legrand* and *Shidean* in China, *URA*, *Arnould* and *Cablofil* in France, as well as numerous other brands which benefit from strong recognition on several local markets. In certain markets, the Group has also adopted multi-brand strategies. For example, Legrand markets wiring devices under the *Legrand* and *Arnould* brands in France and the *Legrand* and *Bticino* brands in Italy, Belgium, Spain and the principal countries in Latin America.

Control and command products represented approximately 44% of the Group's net sales in 2006. Cable management products accounted for 22% of net sales and energy distribution and VDI products accounted for 23% and 11% of the Group's net sales in 2006, respectively. In addition, products and systems relating to energy distribution and VDI, as well as home automation systems, represented more than 35% of the Group's net sales and sales of these products grew (on a comparable basis) by 11% in 2006.

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 automation 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 security 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 closed-circuit communications products such as audio and video entry phones and electric chimes for residential use; and
- communication functions, such as television, telephone or IT connections. With respect to communication functions, Legrand has developed significant know-how in "smart" house systems known as "residential 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 provide 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.

In 2006, Legrand launched (among others) the *Cariva* (Eastern Europe and Turkey), *Valena* (Poland), *Vela* (South America), *Plexo* (France), *Galea Life* (Spain, Greece and Eastern Europe) ranges of wiring devices, as well as the *Arcor2* and *Baas* (France) security systems, the *InFusion* home automation system, *TWC* motion detector system and the *Ultimate Music Solution* sound diffusion system (United States). In 2005, Legrand notably launched the *Mylinc* (India), *Synergy* (British standard), *Arquea* (Mexico and Colombia), and *Axolute* (Italy) ranges of wiring devices and the *Miro* (US) and *My Home* (Europe and Latin America) ranges of home automation systems.

Legrand has been producing controlling and connection products and systems 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 2006. The Group is one of the few manufacturers that offers wiring devices 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, which may 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.

In 2006, Legrand notably launched the *4000 Designer Series* (United States) range of metal ducts and its offering of rapid high- and low- voltage connectors for commercial buildings (France). In 2005, Legrand launched a new decorative trunking line associated with its *Sagane* wiring devices offer (France), the *Interlink Office* line of floor boxes (Italy) and a new range of mini columns under the *Quintela* and *Planet Wattohm* brands (Spain and Italy). In 2005, Legrand also enlarged its product portfolio with two new product ranges:

- busbar systems, through the acquisition of Zucchini, the leader in busbar systems in Italy; and

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- wire cable trays, though the acquisition of the ICM Group, the world leader in wire cable trays, most notably with its *Cablofil* brand.

Legrand believes that it is the worldwide leading manufacturer of cable management products, with an estimated market share of its accessible market of approximately 15%, based on the Group's 2006 net sales.

5.2.2.3 - ENERGY DISTRIBUTION

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

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 geographical segments in which the Group operates. In addition, in accordance with the Group's strategy to "trade up" to higher value-added functions, 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, and a new compact four-pole ground-fault circuit breaker. The latter helps detect any electrical current leakage, especially in proximity to water, and its compact size helps contractors reduce the size of the electrical cabinets required to house the units.

In 2006, Legrand notably launched the new *DRX* range of compact molded case circuit breakers (Asia and Latin America), *XS* and *XG* circuit breakers (Turkey), *CTX* power contactors (Colombia, Chile and Turkey), remote monitoring systems for *DPX*, *DMX* and *Lexic* (France) and the *Marina* range of industrial enclosures (France and Italy). In 2005, Legrand launched a number of products, including *Easy Lexic* automatic connection circuit breakers (France), the *Starsys* range of residential circuit breakers (Colombia), the *Multiboard* residential consumer unit (Italy) and the *Ekinoxe* consumer unit range (UK). Legrand also continued the deployment of the XL3 cabinet product offering, which was launched in France in 2004, into Spain and Poland. This new range of cabinets is principally aimed at installers and is "ready-to-use," as it is equipped with pre-assembled wire guide rings, earth bars, rails and faceplates.

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

5.2.2.4 - VDI

In the VDI sector, Legrand offers a broad range of pre-wiring hardware for computer, telephone and video applications, 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, copper and fiber optic VDI cables, all of which facilitate the organization of telephone and data networks in buildings.

In 2006, Legrand launched a number of products, including *10 Giga SSTP* (France), *10 Giga UTP* (Europe and the Middle East) and the *Wi-Jack Duo* range, the world's most compact WiFi access point (United States). In 2005, Legrand launched a wi-fi wall outlet for inclusion in its *Sagane* and *Mosaïc* product lines, *Clarity 10 G* copper 10 Gbit STP and 10 Gbit UTP products and its *Power over Ethernet* offering which is integrated into *Clarity PoE* panels (United States).

Legrand believes that it is one of the four principal manufacturers of a certain number of VDI applications (excluding cables). The VDI product category, as it relates to communications and security products, also includes products for computer systems, telephones and video.

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 functions. As part of its recent operational initiatives, Leegrand has increased its investment in research and development. During the last three fiscal years, on average, the Group has spent and invested (before purchase accounting relating to the acquisition of Legrand France and including capitalized development expenses) 5% of the its net sales on research and development. In 2006, 37% of the Group's net sales were generated by products less than five years old, with net sales of those products representing approximately 37% of its net sales in Spain, 44% of its net sales in the United States, 31% of its net sales in Italy and 37% 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 Limoges, France, Varese, Italy and in the United States. As of December 31, 2006, 1,807 employees in approximately 16 countries were involved in research and development, of which approximately 71% were based in France and Italy, and the remainder in other countries.

Although Legrand believes that new product launches are a key driver of growth in the medium- to long-term, they can, in the short term, lead to increased costs associated with such factors as initial operational inefficiency, return of old products, obsolete inventory and increased promotional expenses.

5.2.4 - Distribution, customers and marketing

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

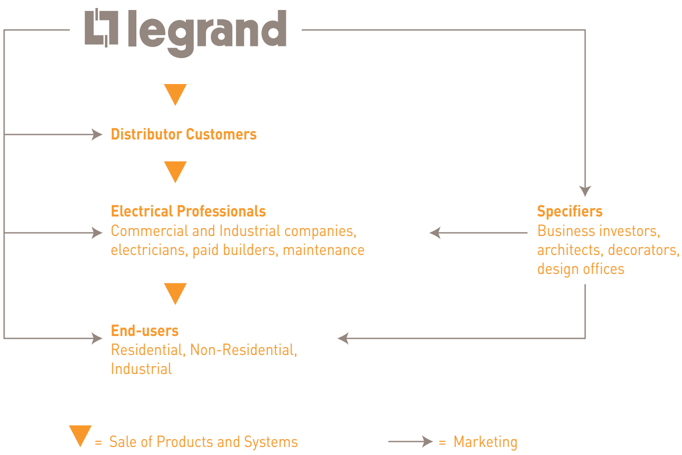
- The residential market, which accounted for approximately 42% of the Group's consolidated net sales in 2006, consists of electrical products used in the new construction and renovation of houses and apartments.
- The commercial market, which accounted for approximately 45% of the Group's consolidated net sales in 2006, consists of electrical products used in the new construction and renovation of a variety of commercial buildings, such as hotels, offices and stores, and community buildings, such as schools and hospitals.
- The industrial market, which accounted for approximately 13% of the Group's consolidated net sales in 2006, consists of electrical products used in the new construction and renovation of factories, plants and other industrial sites.

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

- Legrand's "customers" are electrical hardware and equipment distributors and accounted for approximately 95% of the Group's consolidated net sales in 2006.
- "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, paid 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 for use 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 customers 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.



MARKETING

Sales and marketing is handled by Legrand's front office, which represented more than 17% of the Group's worldwide employees at year-end 2006 compared to 15% in 2005 and 2004. (See paragraph 8.1 of this *document de reference*) 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., customers, electrical professionals, specifiers and end-users) in what it describes as a "push and pull" strategy 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 customers, 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 customers by focusing on product availability and just-in-time delivery and by simplifying and expediting ordering, stocking and dispatching of its products. This "push" side of Legrand's strategy also involves providing customers with a catalog of more than 130,000 products, including innovative new products. Legrand has also made it easier to access and use its catalog by providing electronic catalogs and reducing the number of catalog references, standardizing packaging sizes and appearance and introducing innovative features such as pre-sorted deliveries.

Examples of Legrand's "push" initiatives include:

- *priority stocks:* In France, many of Legrand's customers have agreed to maintain stocks 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 customers' orders. In emergencies, products that are not stocked by its customers can be delivered within 48 hours to any location in France through "Dispo-express," Legrand's own delivery servic;
- *inventory management:* In the United States, Pass & Seymour, one of the Group's U.S. subsidiaries, receives inventory details from certain of its large customers on a daily basis. When stock levels drop below a pre-defined level, new stocks are prepared and shipped immediately. Pass & Seymour has also instituted an action plan to provide for the delivery of key products to its customers in the event of a natural disaster;
- *intelligent sorting*: Before Legrand ships its products to its customers, it pre-sorts them by anticipating the steps customers will be required to take in order to distribute the products to their clients. This value-added service reduces the sorting that Legrand's customers 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. Upon completing the installation of a logistics platform in Asia, Legrand intends to implement one or more similar platforms in the Middle East;
- *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 customers to assist them in optimizing the management of their inventories to better respond to the needs of their clients.

Legrand benefits from strong, long-standing commercial relationships with its customers, particularly its two largest customers, the electrical wholesale groups Sonepar and Rexel. In 2006, sales to Sonepar and Rexel accounted for approximately 25% of the Group's consolidated net sales, although such 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 2006. Legrand's other main customers include Hagemeyer, FinDea, Graybar, Wesco, Home Depot and Anixter.

The pattern of distribution for electrical products and systems in most countries allows Legrand to channel products into its customers' centralized distribution systems and thus leverage off of their market presence and branch infrastructure. 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 customers, and a major portion of the Group's marketing efforts are 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 to include Legrand's latest electrical equipment and new installation methods. The Innoval training center offers approximately 30 separate hands-on programs in areas ranging from the wiring of electrical cabinets and fiber-optic cabling to installing emergency lighting systems and regulations applicable to the electrical installation business. Between 1999 and 2006, the Innoval center provided training programs to an average of approximately 1,400 individuals per year. In addition, Legrand offers training programs on a localized basis in many countries, including Brazil, Italy and the United Kingdom. Based on the the Innoval model, Legrand opened Innovel in Chili in 2006 in order to present its product offerings and to train installers in installing Legrand products.

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 selection charts, catalogs, design tools 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 labeling software for VDI networks, an "add up and sell" 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 2006, plastics accounted for approximately 36% of the raw materials used in manufacturing its products and metals accounted for approximately 47%, with the balance principally consisting of packaging materials (approximately 17%). 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 2006, on average, approximately 46% of the metal purchased was steel used in mechanisms and structures, and approximately 41% 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 closed-circuit 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 2004, 2005 and 2006.

(% of consolidated sales)	2006	2005	2004
Raw materials	12.2%	11.3%	10.8%
Components	17.8%	17.8%	16.8%
TOTAL	**30.0%**	**29.1%**	**27.6%**

5.2.6 - Intellectual property

Legrand's brand portfolio includes more than 100 trademarks of international renown (especially *Legrand* and *Bticino*), first rate local trademarks (including *Wiremold*, *The Watt Stopper*, *Pass & Seymour*, *URA*, *Zucchini*, *Planet Wattohm, Cablofil, TCL Legrand* and *Arnould*) and trademarks that are specialized in certain products or systems (for example, *Ortronics* in VDI products). Legrand's trademarks are protected on the majority of the markets in which it operate. 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 and use. Legrand's brands are registered with national, international and international agencies for variable periods (for example, 10 years in France and 20 years in the United States), subject to laws stipulating continued use as a condition to maintained protection.

Furthermore, Legrand holds more than 4,600 patents in close to 70 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 18% of patents held in France, 11% in Italy, 11% in the United States, 8% in Germany, 7% in Spain, 6% in the United Kingdom and the remaining 39% in other countries.

Legrand's patents cover approximately 1,580 different systems and technologies. In 2006, Legrand registered more than 80 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 in its accessible market. Legrand rarely licenses the use of its products to third parties, nor does it license use of technologies from third parties.

Given the Group's research and development efforts, Legrand does not believe that it is dependent on patents to conduct its business.

5.2.7 - Property, plants 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 where cost savings can be achieved without compromising its intellectual property, know-how or product quality) and by implementing "lean manufacturing" initiatives aimed at optimizing productivity and capital employed. Legrand constantly seeks solutions to increase its productivity.

The Group's manufacturing plants, together with its headquarters, represent its major properties. Legrand operates over 50 manufacturing sites and complexes in more than 20 countries and employs between 200 and 500 individuals per site. The Group's most significant manufacturing sites are located in France, Italy and the United States. Legrand also has manufacturing sites in the Rest of Europe zone, in Asia (in particular, in South Korea and China) and in South America (in particular, in Brazil).

Legrand is the sole-owner of the its most significant properties, plants and equipment, with the exception of the Saint-Marcellin site (Arnould) and one of the three Sillé le Guillaume (Inovac) sites, which are leased.

The table below sets forth the location, size and uses of Legrand's major properties.

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	210	Headquarters/ **Manufacturing / Distribution /** Administrative Services/Storage	Limoges region
Legrand Normandie	78	Manufacturing / Administrative Services	Malaunay
Inovac	43	Manufacturing / Administrative Services	Sillé le Guillaume, Senlis, Pont à Mousson
Arnould	59	Manufacturing / Administrative Services	Saint Marcellin
Legrand Antibes	16	Manufacturing / Administrative Services	Antibes
Legrand Strasbourg	15	Manufacturing	Strasbourg
Verneuil	72	Storage	Verneuil en Halatte
Bagnolet	10	Manufacturing / Administrative Services / Storage	Bagnolet
Italy			
Bticino Italie	190	Manufacturing / Distribution / Administrative Services / Storage	Varèse, Bodio, Erba,Naples, Bergame,Tradate, Ospedaletto
Legrand Italie	45	Manufacturing / Distribution / Administrative Services / Storage	Alessandria, Zibido
Portugal			
Legrand Portugal	25	Manufacturing / Distribution / Administrative Services / Storage	Carcavelos
United Kingdom			
Legrand UK	26	Manufacturing / Distribution / Administrative Services / Storage	Birmingham, Scarborough
Spain			
Legrand Espanola	40	Manufacturing / Distribution / Administrative Services / Storage	Madrid, Barcelona
Poland			
Fael Pologne	44	Manufacturing / Distribution / Administrative Services / Storage	Zabkovice

Site or Subsidiary	Approximate Size (thousands of m^2)	Principal Use	Site Location
Hungary			
Kontavill Hongrie	33	Manufacturing / Distribution / Administrative Services / Storage	Szentes
Germany			
Legrand Allemagne	19	Manufacturing / Distribution / Administrative Services / Storage	Soest
United States			
Wiremold North America	39	Manufacturing / Distribution / Administrative Services / Storage	West Hartford, Philadelphia, Rocky Hill, Williamstown
Pass & Seymour	81	Manufacturing / Distribution / Administrative Services / Storage	Concord, Greensboro, San Antonio
Mexico			
Mexico	44	Manufacturing / Distribution / Administrative Services / Storage	Queretaro
Brazil			
Pial Brasil, Lorenzetti, Cemar	74	Manufacturing / Distribution / Administrative Services / Storage	Campo Largo, Caxias do Sul Sao Paulo
China			
Rocom, Legrand Beijing, TCL Shidean	108	Manufacturing / Distribution / Administrative Services / Storage	Dongguan, Beijing Huizhou, Shenzhen
South Korea			
Anam Legrand	36	Manufacturing / Distribution / Administrative Services / Storage	Pyong Taek, Seoul

In France, Legrand maintains industrial sites in a number of regions and notably in the Limousin region, close to the Company's headquarters located in Limoges. These sites manufacture a broad range of products: electricity control and command products, cable management products, circuit breakers and other electricity distribution products, telephone and IT connectors and other VDI products.

In Italy, Legrand's main manufacturing site is located in the Varese region of northern Italy, where it manufactures a broad range of residential and commercial end-user power control fittings and cable management equipment. Other manufacturing sites in northern Italy are dedicated to residential fittings, intercoms, entry-phones, molded-case circuit breakers and electrical cabinets. Legrand presently operates a total of 10 production plants in Italy.

In the Rest of Europe zone, Legrand principally has manufacturing sites in Germany, Hungary, Poland, Portugal, Russia, Spain and Turkey.

In the United States and Canada, Legrand's main manufacturing sites are located in North Carolina, Connecticut and Pennsylvania, where the Group manufactures ranges of residential, commercial and industrial wiring devices, cable management products and VDI products.

In the Rest of the World zone, Legrand's manufacturing facilities are principally located in Australia, Brazil, Colombia, Costa Rica, Chile, China, Egypt, India, Iran, Mexico, South Korea, Thailand and Venezuela.

5.2.8 - Environment

Legrand, like other companies in similar industries, is subject to a broad range of environmental laws and regulations in each of the jurisdictions in which the Group operates. These laws and regulations impose increasingly stringent environmental obligations regarding, among other things, air emissions, asbestos, noise, wastewater and solid waste discharge, health and safety, the use and handling of hazardous waste or materials, waste disposal practices and the remediation of environmental contamination. The Group could therefore be exposed to costs and liabilities, including liabilities associated with divested assets and past activities under environmental laws. In most of the jurisdictions in which the Group operates, industrial activities are subject to obligations to obtain environmental permits, licenses and/or authorizations, or to provide prior notification to the appropriate authorities.

European Union Directive 2002/96/EC, dated January 27, 2003, on Waste Electrical and Electronic Equipment (WEEE), which was transposed into French law by Decree No. 2005-829, dated July 20, 2005, aims to organize and improve the management of electrical and electronic equipment waste and is likely to have an impact on the Group's operations. With respect to the Group, only a limited number of fittings are impacted by WEEE, including lighting equipment (category 5), such as lamps, portable lamps and BAES, and control and surveillance equipment (category 9), such as alarms, smoke detectors, door entry systems, chimes and thermostats. Legrand is required to organize and finance the elimination of waste arising from this equipment. In a number of European countries, such as Austria, Poland and Ireland, Legrand has contracted with a specialized entity to discharge these obligations. In France, Legrand has implemented an identical procedure for mass market products. The cost to the Group of the transfer of these obligations is limited. These entities are financed by a "visible fee", which is added to product prices. Visible fees are authorized until 2011. Since 2001, Legrand has actively promoted the implementation of this procedure for professional waste as a founding member of *Electricité Environnement* and a partner of the *Fédération Française du Bâtiment* study on "Electrical construction waste," which was achieved with the ADEME competition.

Legrand's objective is to comply in all material respects with applicable environmental and pollution control laws and all related permit requirements. Legrand believes that the principal environmental risks arising from its current operations relate to the consequences of fires, metal cutting and surface treatment activities and use of paints in manufacturing activities.

Asbestos Containing Materials, or ACM, were formerly used as building materials such as insulation or tiling in industrial buildings. The use of ACM was standard practice throughout the world until the late 1970s. Given the varying ages of its production facilities, Legrand has identified ACM as being present at certain of its facilities and certain of its employees may have been exposed to asbestos present in such buildings. (See chapter 3 of this reference document)

Legrand believes that it has established adequate reserves for environmental risks. These provisions are recorded when remedial efforts are probable and the costs can be reasonably estimated, but in no event later than the finalization of an action plan. However, given the fact that it is often difficult to quantify environmental liabilities, Legrand could be required to revise its current reserves to address all of its identifiable environmental liabilities.

5.2.9 - Sustainable development

SUSTAINABLE DEVELOPMENT POLICY

The Group maintains a sustainable development policy consisting of employee relations, environmental protection and economic development principles. The Group benefits from the expertise and know-how of its teams to implement a number of best practices and to ensure the profitable, sustained and responsible growth of its business. This strategy is embodied by the creation of a sustainable development department created to spear-head these three domains and consolidates the Group's actions to this end.

- *Employee relations.* Legrand has undertaken different measures in employee health and safety. Since June 2004, a worldwide prevention charter signed by the Group's Chief Executive Officer sets forth the Group's commitment in this area through the integration of security measures in its industrial processes. In addition, Group companies are engaged in a security management system which conforms to the main principles of the International Labour Organisation, based on the ILO-OSH 2001 reference. In France, Legrand reached an agreement on the integration of handicapped workers into its workforce, which surpasses legal requirements and the national average in this area. Finally, Legrand's charter integrates the standards and principles of reference into the internal and external practices of the Group, which charter was distributed in 2006.

- *Environmental Protection*. By controlling the environmental impact of its products, Legrand participates in the protection of the environment and the reduction of climate change. In a continuous effort to preserve the environment, for the past several years, Legrand has focused on decreasing the Group's impact on the environment by:

  - integrating, as soon as possible, environmental management in Legrand's manufacturing facilities, including the receipt of ISO 14001 certification (globally, 72% of Legrand's sites already hold ISO 14001 certification);

  - taking the environment into account during the product design process, including through the reduction of the product's impact on the environment and by supplying Legrand's customers all relevant product information; and

  - offering its customers solutions for designing "green" buildings. Legrand is currently involved in several green building projects (including *l'École Nicolas Hulot* and *Lycée Caudry* in France). Legrand offers innovative solutions to reduce energy consumption (lighting and heating management, entryway monitoring) and to protect against electrical risks.

- *Economic development:* Legrand intends to ensure the profitable, sustained and responsible growth of its activities and to better respond to its customers', electrical professionals', specifiers' and end-users' expectations in terms of providing product choices responsive to all price ranges.

2006 ASSESSMENT

Joining the Global Compact

In 2006, Legrand joined the Global Compact. The Global Compact, launched at the Davos World Economic Forum at the initiative of Kofi Annan, the UN Secretary General, aims at giving world markets responsible values and principles in order to allow all populations to benefit from the advantages of globalization. This Compact is summarized in 10 principles relating to the respect of Human Rights, the elimination of discrimination in respect of employment, the protection of the environment and the fight against corruption. Legrand's participation in the Global Compact reflects the Groups' desire to promote its standards of development within the Group and in relation to its shareholders, and to spread corporate, social and environmental values on a global scale.

Main achievements and improvement targets

- Identify and prevent main environmental hazards in all industrial sites of the Group
  - 90% of the sites of the Group will be ISO 14001-certified in Europe and 72% globally
- Extend the implementation of the RoHS directive to all products sold in Europe
  - All substances referred to have been eliminated from the products falling within the scope of the directive, and action is taken to remove them from other products.
- Formally assess occupational risks facing at least 55% of employees
  - In 2006, the assessment was carried out for almost 71% of the Group's employees.
- Consolidate occupational risks indicators for at least 80% of employees
  - In 2006, the consolidation was carried out for almost 91% of the Group's employees, including with respect to companies acquired in 2006.

Environmental assessment and targets

At both its industrial sites and in its products, Legrand gives priority to substances and processes which are harmless both to humans and the environment. The Group thereby reduces the impact of its activities while strengthening its economic performance and the attractiveness of its offering.

In 2006, five new industrial sites were certified in accordance with the ISO 14001 international standard. Therefore, 72% of Legrand sites on an international level are now certified.

Target: integrate as soon as possible environmental management into its industrial sites.

Since July 2006, the Restriction of the Use of Certain Hazardous Substances in electrical and electronic equipment EU directive (RoHS) prohibits the use of substances such as lead for certain electrical and electronic equipment. The Group had anticipated the elimination of all substances referred to in the directive as early as in 2004, including in equipment outside of the scope of application of the directive.

Target: extend the application of the EU directive to all products of the Group sold in Europe.

For all of its waste, Legrand prioritized recycling or energy recovery process, which resulted in a 78% recovery rate in 2006.

Target: maintain a waste recovery rate exceeding 75% for all of the sites worldwide.

Legrand is involved in collecting and recycling equipment at the end of its life cycle. In 2006, over 120 tons of security light packs have been recovered in the context of an exchange offer. In each EU country, the Group implements solutions which meet both customers' expectations and the requirements of the WEEE directive.

The Group reduces its energy consumption while contributing to the improvement of its industrial performance through profitable investments. Employee awareness measures, together with the implementation of lighting management solutions, allowing sites to save substantial energy. This is notably the case in Portugal, Colombia and Turkey, where energy savings are estimated to 450,000 kWh. Setting-up new boilers together with an automated management enabled BTicino in Italy to reduce its methane consumption by 800,000 m3 in 2006.

Target: reduce energy consumption in the entire Group.

In 2006 the Group offers solutions to help customers to reduce their energy consumption. The *In One by Legrand* programmed patterns, *The Watt Stopper* occupancy detectors and the *Mosaic project* light detectors reduce lightning expenses by up to 35% in residential and service-sector buildings.

Target: become a major player of tomorrow's "green building".

In order to take into account the environment right from the design stage of its products, Legrand uses the EIME (Environmental Impact and Management Explorer) software, based on the Life Cycle Assessment as described by the ISO14040 series of standards. The findings are published in the Product Environmental Profile, available on the www.legrand.fr web site or delivered to any customer who requests it. Environment is becoming a key criterion, at the same level as price or design, and adds value to the responsible innovation effort of Legrand.

The table below shows the environmental indicators of the Group for each of the 2004, 2005 and 2006 fiscal years:

Indicators*	2006	2005	2004
ISO 14001 certified sites (%)	72	65	59
Amount of waste produced (tons)	44,095	40,408	38,621
Portion of waste recovered (%)	78	77	77
Energy consumption (MWh)	543,436	544,056	530,063
Water consumption (m^3)	1,481,246	1,476,959	1,492,245
Environment training and awareness (hours)	16,322	17,871	12,760
Persons in charge of the environment (number)	62	53	60

* *Values rounded up or down to closest whole.*

Labor assessment and targets

Prevention

The Legrand safety policy, recognized for its exemplary nature, is continuously developed. Reviewed and integrated in the "Prevention Charter" in June 2004, it implements three principles: compliance with national legislation and regulations, integration of safety and environment into industrial policy, consistency of preventive strategies.

This policy gives rise to concrete technical, organizational and human measures:

- a continued improvement of risk control is applied to automatic or manual means of production, whether designed internally or purchased;
- a Group-level agreement in relation to the integration of disabled employees was signed in France in 2006, including detailed commitments of work position adjustment, employee training and partnership operations;
- 3,300 French employees were trained on safety procedures in 2006, through 19,100 hours of training.

The ILO-OSH 2001 guidelines, the roll-out of which was launched in 2005, has already allowed the establishment of a global database for the consolidation of the "health & safety" indicators and to share feedback. Moreover, the "SecuRisk" IT tool allowed auditing regulatory compliance of the sites.

Human resources

In 2006, over 435,000 hours of training were given in the Group. Moreover, thanks to the positions posted on Dialeg, the Group's intranet, to the mobility platforms which meet on a monthly basis, mobility, both geographic and professional, increased by 10% within one year.

In addition, as a result of the Organization and Staffing Review, which had been extended since 2006 to the main subsidiaries of the Group, and to the Management Center, a census of talented executives is made and the latter will take part in an international training with the goal of developing employees and building loyalty.

The elimination of employment-related discrimination, a long-standing Legrand HR policy, takes its full dimension with the signature of the Global Compact. In France, the agreement relating to male-female professional equality is signed by all Legrand's trade unions. In the USA, the diversity policy is being formalized at a fast pace, and all managers have been made aware of integration management issues. Feedback will enlighten global policy in this field.

Community involvement assessment

Whether in Europe, Africa, Latin America or Asia, Legrand supports social and cultural projects in the countries where it is present, and creates long-term ties that go beyond the economic considerations.

As an example:

- in October 2005, hurricane Stan killed 700 and left 1,400 missing in Guatemala, 10,000 houses and thousands of kilometers of road were destroyed. The BTicino subsidiary granted a $100,000 in aid to the "Amis de l'École" program, in order to re-build 6 schools in the disaster areas.
- in the spring 2006, the Vach'art cultural event took to the streets of Paris, following other main cities in Europe. Organized under the patronage of the French ministry of culture, this event of promotion of contemporary art also served a charitable purpose: the auction of 150 works of art to benefit Africa Alive, a charity organization which fights malnutrition and AIDS in Africa. Attracted both by the design and solidarity aspects, Legrand sponsored a cow percolating with energy, created by artist Ilan Weinmann.
- on September 8, 2006, the Chartres cathedral recovered its fully restored stained-glass windows. The Sarlam subsidiary, a regional manufacturer of beacon lighting products, participated in the restoration of one of the 3 windows: the Aaron window, which is over 12 meters height and 2 meters wide, and dates from the 13th century. €100,000 were invested in the ancestral know-how of the master glazier and in the splendor of this historical and cultural heritage.

5.2.10 - Insurance

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

Legrand believes that the coverage provided by these insurance programs (from which all of the Group's subsidiaries benefit) are adequate to cover the principal risks faced by the Group. These insurance programs are contracted from leading insurance companies without recourse to a captive reinsurance structure. These programs provide global coverage for the Group under umbrella policies that take into account the risks and activities related to the Group's operations, including damage and resulting operating losses, executive (directors and officers) and civil 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 2007 remained unchanged in respect of the previous fiscal year.

CIVIL LIABILITY AND ENVIRONMENT

The Group's main insurance plans relate to civil liability before and after product delivery, as well as environmental claims and cover (subject to customary deductibles, exclusions and limits) physical injuries, tangible and intangible damages, removal / reinstallation expenses, market withdrawal expenses, damage to entrusted goods and pollution fighting expenses.

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

DAMAGE / OPERATIONAL LOSSES INSURANCE

The damage / operational losses insurance policy covers (subject to customary deductibles, exclusions and limits) direct material damage which may affect the various sites which have all been previously assessed to determine their insured value, as well as the operational losses resulting from any event of a sudden and accidental origin (such as fire, storm, explosion, electrical damage, water damage, etc.). This insurance program is also made up of a master insurance policy set up in France and of local policies in the countries where the Group is present.

The plan offers a contractual global maximum indemnity per event (combining direct damage / operational losses) of 500% with additional limitations for certain acts of god or certain specific guarantees such as machine breaking and IT and electrical risks.

6 OPERATING AND FINANCIAL REVIEW AND PROSPECTS

6.1 - Preliminary disclaimer

This summary selected financial data of the Company should be read together with the consolidated financial statements and their related notes included in Chapter 10 of this reference document, as well as all financial information included in this reference document. Financial statements of the Company have been prepared in accordance with IFRS as adopted by European Union. The following information include forward-looking statements based on estimates relating to the future activity of Legrand and which may differ materially from actual results.

All percentages may be calculated on non-rounded figures and therefore may vary from percentages calculated on rounded figures.

6.2 - Overview

Legrand is one of the principal worldwide manufacturers of products and systems for low-voltage electrical installations and data networks used in residential, commercial and industrial buildings. Legrand is a "pure-player", focused on developing, manufacturing and marketing a complete range of control and command, cable management, energy distribution and Voice, Data and Image ("VDI") products. Legrand markets its products under internationally recognized brand names, including Legrand, Bticino and Ortronics, as well as well-known local brands. Legrand has commercial and industrial establishments in more than 60 countries and sell a wide range of products, comprising more than 130,000 catalog items, in almost 180 countries. In 2006, Legrand had consolidated net sales of €3,736.8 million, and 75% of net sales were generated outside of France. In addition, in 2006, approximately 22% of net sales were generated in emerging markets (Eastern Europe, Asia, excluding Korea, Latin America and Africa-Middle East).

For the purpose of the Initial Public Offering, a Document de base was registered by the AMF under number 1.06-009 on February 21, 2006 and a Note d'opération received visa No. 06.082 dated March 22, 2006 from the AMF. Legrand's shares started to be traded as from April 7, 2006 on the Eurolist by Euronext's market. The offer attracted keen investor interest during the subscription period, both with institutional investors and individual investors, with an oversubscription of approximately 30 times (see paragraphs 4.1.6 and 4.2.1 of this reference document for a description of these recent events).

6.3 - Operating profits

6.3.1 - Introduction

The Group reports its financial condition and results of operations on the basis of five geographic zones. Information concerning the results of operations and financial condition for each of these five geographic zones is presented for years 2006, 2005 and 2004 in Note 26 to consolidated financial statements included in Chapter 10 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, Germany, Portugal, Greece, Turkey, Germany, Belgium, the United Kingdom, The Netherlands, Austria, Poland and Russia);
- United States and Canada; and
- Rest of the World (including principally Brazil, Mexico, Chile, Costa Rica, Colombia, India, South Korea, Egypt and Australia).

Since local market characteristics are the determining factor in the Company's performance and net sales by zone, the consolidated financial information for multi-country zones does not always accurately reflect the financial performance of each of the national markets. 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 may alternatively 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 they have a material impact on consolidated accounts.

The impact of variations in exchange rates is described in paragraph 6.9 of this reference document.

6.3.2 - Factors that affect the results of operations

6.3.2.1 - NET SALES

The countries and regions in which Legrand operates have different demand trends, 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 nature of the new construction market, which represented approximately 40% of consolidated net sales.

Changes in consolidated net sales reflect the following principal 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;
- the "mix" of products sold;
- changes in product 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 which are intended to pass on changes in raw material prices);
- fluctuations in exchange rates between the euro and the currency in which the relevant subsidiary maintains its accounts, which affect the level of net sales from that subsidiary after conversion for consolidation purposes; and
- changes in the subsidiaries consolidated by Legrand, principally as a result of acquisitions or disposals (which are referred to as "changes in the scope of consolidation").

The table below presents a breakdown by geographic zone of the Company's consolidated net sales (by destination) for the years ended December 31, 2006, 2005 and 2004. Sales "by destination" means all sales by the Group to third parties on a given geographic market.

	Legrand Year ended December 31					
	2006		2005		2004	
(in € millions, except percentages)	€	%	€	%	€	%
Net sales by destination						
France	949.8	25.4	856.8	26.4	815.5	27.9
Italy	672.4	18.0	606.3	18.7	577.8	19.8
Rest of Europe	806.2	21.6	692.1	21.3	591.4	20.2
United States and Canada	643.2	17.2	617.7	19.0	533.6	18.2
Rest of the World	665.2	17.8	475.0	14.6	408.0	13.9
TOTAL	**3,736.8**	**100.0**	**3,247.9**	**100.0**	**2,926.3**	**100.0**

6.3.2.2 - COST OF GOODS SOLD

Cost of raw materials and components. On average, the cost of raw materials and components accounted for approximately 57% of consolidated cost of goods sold over the last three fiscal years. On average, approximately 63% of the cost of raw materials and components relates to components and semi-finished goods and approximately 37% relates to raw materials. The breakdown between raw materials and semi-finished products varies depending on the production mix, the evolutio of market prices and the choices in industrial organization, in particular with the systematic application of a "make or buy" approach to all projects.

Legrand purchases the majority of its raw materials and components locally, and, as a result, the prices of these materials are generally determined by local market conditions. However, Legrand maintains its policy to increase the percentage of raw materials and components purchased at the Group level in order to benefit from economies of scale. Moreover, the cost of raw materials and components may also vary as a consequence of global economic changes, such as the general worldwide increase in raw material prices in 2005 and 2006.

Salary costs and benefits charges for employees involved in manufacturing. In general, these costs increase on an aggregate basis in proportion to increases in sales and production volumes, and decline as a percentage of net sales as a result of economies of scale associated with higher production volumes. In addition, certain back office salary costs and benefits charges may decrease due to an increased use of subcontractors in connection with the systematic application of a "make or buy" approach to all projects. Salary costs and benefits charges accounted for approximately 26% of cost of goods sold on average over the last three fiscal 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 carrying 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:

- evolutions in net sales;
- production volumes, insofar as the Company achieves economies of scale through higher production volumes by 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, ongoing rationalization of manufacturing capabilities through the specialization of production sites, subcontracting and the transfer of certain production to low-cost countries, automation of manufacturing processes, reduction of fixed production costs, the systematic application of a "make or buy" approach, the implementation of "lean manufacturing" actions and the optimization of inventory management (see Chapter 5.1.6 of this reference document);
- the effectiveness of the new purchasing organization in the implementation of the policy aiming to reduce costs through the centralization, internationalization and standardization of purchasing management (see Chapter 5.1.6 of this reference document);
- 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.

6.3.2.3 - ADMINISTRATIVE AND SELLING EXPENSES

Legrand's administrative and selling expenses consist principally of the following:

- salary costs and benefits charges for sales personnel and administrative staff. These expenses accounted on average for approximately 57% of administrative and selling expenses over the last three fiscal years. As a consequence of the Company's strategy to increase its geographic presence and its sales force in high growth potential markets, such as emerging markets, expenses relating to its sales and marketing personnel may increase. These expenses may also increase or decrease due to changes in sales volume. Expenses relating to administrative staff are generally less influenced by changes in sales volumes;
- expenses related to the use and maintenance of administrative and commercial offices;
- other administrative expenses, including expenses relating to logistics and information systems;
- advertising expenses, which tend to increase as Legrand launches new products, particularly more expensive or higher added-value products which require increased marketing efforts; and
- other selling expenses, such as printing costs for catalogs and expenses incurred in connection with travel and communications.

6.3.2.4 - RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses consist principally of the following:

- salary costs and benefits 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 an accelerated basis. Year on year, the amortization of these purchase accounting adjustments is thus lower, which in turn reduces research and development expenses;

- other various expenses related to research and development, such as software, prototypes and patent registration costs;
- expenses related to the use and maintenance of administrative offices, as well as expenses related to information systems, in each case, relating to research and development activities; and
- amortization of capitalized development expenses. 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 expenses are 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 fiscal years, excluding the amortization expenses in connection with the acquisition of Legrand France but including capitalized research and development expenses net of amortization expenses, research and development expenses and investments represented on average €159.7 million per year, or 4.8% of net sales.

6.3.2.5 - OTHER OPERATING INCOME AND EXPENSES

Other operating income and expenses include profit sharing and interest plans, restructuring expenses and other expenses and provisions. Over the last three fiscal years, the Company has incurred on average €27.9 million in restructuring expenses relating in particular to plant closures, early retirement plans and specialization of production sites.

6.3.2.6 - OPERATING INCOME

Operating income consists of net sales, less cost of goods sold, administrative and selling expenses, research and development expenses and other operating expenses. Operating income does not include interest expense (described below).

6.3.2.7 - NET INTEREST EXPENSE

Net interest expense principally corresponds to interest income arising from the investment of cash and cash equivalents, less interest expense, including interest paid on amounts made available to the Company under its 2004 and 2006 credit facilities, subordinated perpetual notes, the Yankee Bonds and the High Yield Notes, as well as interest relating to the Subordinated Shareholder PIK Loan. (For a description of these arrangements, see paragraph 6.5 of this reference document).

6.3.2.8 - DISCUSSION AND ANALYSIS OF CHANGES IN NET SALES

In the discussion below, reference to net sales or changes in net sales is being 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 of 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, as the case may be, the following five adjustments.

6.3.2.8.1 - Companies acquired during the current period

Where companies are acquired during the current period, the net sales of the acquired company are reflected in the consolidated statement of income for only the portion of the current period from the date of first consolidation of such company. The calculation of consolidated net sales excluding the effects of the acquisition takes into account sales of the acquired company, based on sales information of the acquired company prepared in a manner consistent with internal accounting policies, for the portion of the prior period equal to the portion of the current period during which Legrand actually consolidated the entity.

6.3.2.8.2 - Companies acquired during a prior period

Where companies were acquired during the prior period, net sales of the acquired company are reflected in the consolidated statement of income for the entirety of the current period but only for the portion of the prior period from the date of first consolidation of such company. The calculation of consolidated net sales 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 during which the Company did not consolidate the entity.

6.3.2.8.3 - Disposals during the current period

Where companies are disposed of during the current period, the net sales of the disposed company 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 consolidated net sales excluding the effect of disposals does not take into account sales of the divested company for the portion of the prior period equal to the portion of the current period subsequent to its disposal.

6.3.2.8.4 - Disposals during a prior period

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

6.3.2.8.5 - 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.

6.3.2.9 - ANALYSIS OF CHANGES IN NET SALES BETWEEN 2005 AND 2006

The following table presents the analysis of changes in net sales as reported by zone of destination (market where sales are recorded) between 2005 and 2006.

	Year ended 31 December					
Net sales in euros except %	2005	2006	Total change	Change in the scope of consolidation	Organic growth	Impact of exchange rates
France	856.8	949.8	10.9%	5.9%	4.7%	0.0%
Italy	606.3	672.4	10.9%	3.2%	7.5%	0.0%
Rest of Europe	692.1	806.2	16.5%	6.6%	9.0%	0.3%
USA/Canada	617.7	643.2	4.1%	1.6%	3.4%	-0.9%
Rest of the World	475.0	665.2	40.0%	19.1%	16.2%	1.2%
TOTAL CONSOLIDATED	**3,247.9**	**3,736.8**	**15.1%**	**6.6%**	**7.8%**	**0.1%**

The following table presents the analysis of changes in net sales as reported by zone of origin (zone of origin of the products sold) between 2005 and 2006.

	Year ended 31 December					
Net sales in euros except %	2005	2006	Total change	Change in the scope of consolidation	Organic growth	Impact of exchange rates
France	980.5	1,108.7	13.1%	5.7%	7.0%	0.0%
Italy	633.2	713.8	12.7%	3.7%	8.7%	0.0%
Rest of Europe	653.5	748.6	14.6%	5.7%	8.0%	0.3%
USA/Canada	622.3	653.7	5.0%	1.9%	4.0%	-0.9%
Rest of the World	358.4	512.0	42.9%	24.4%	13.1%	1.6%
TOTAL CONSOLIDATED	**3,247.9**	**3,736.8**	**15.1%**	**6.6%**	**7.8%**	**0.1%**

6.3.2.10 - ANALYSIS OF CHANGES IN NET SALES BETWEEN 2004 AND 2005

The following table presents the analysis of changes in net sales as reported by zone of destination (market where sales are recorded) between 2004 and 2005.

	Year ended 31 December					
Net sales in euros except %	2004	2005	Total change	Change in the scope of consolidation	Organic growth	Impact of exchange rates
France	815.5	856.8	5.1%	0.1%	5.0%	0.0%
Italy	577.8	606.3	4.9%	1.2%	3.7%	0.0%
Rest of Europe	591.4	692.1	17.0%	10.1%	5.4%	0.8%
USA/Canada	533.6	617.7	15.8%	3.2%	12.3%	-0.1%
Rest of the World	408.0	475.0	16.4%	2.6%	8.5%	4.6%
TOTAL CONSOLIDATED	**2,926.3**	**3,247.9**	**11.0%**	**3.3%**	**6.6%**	**0.8%**

The following table presents the analysis of changes in net sales as reported by zone of origin (zone of origin of the products sold) between 2004 and 2005.

	Year ended 31 December					
Net sales in euros except %	2004	2005	Total change	Change in the scope of consolidation	Organic growth	Impact of exchange rates
France	935.4	980.5	4.8%	-0.2%	5.0%	0.0%
Italy	596.5	633.2	6.2%	1.9%	4.2%	0.0%
Rest of Europe	564.1	653.5	15.8%	9.0%	5.4%	0.8%
USA/Canada	539.3	622.3	15.4%	3.1%	12.0%	-0.1%
Rest of the World	291.0	358.4	23.2%	6.0%	9.3%	6.3%
TOTAL CONSOLIDATED	**2,926.3**	**3,247.9**	**11.0%**	**3.3%**	**6.6%**	**0.8%**

6.3.2.11 - 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 Group believes that the significant debt repayment made from free cash flows, the refinancing transactions completed in February 2006 and the repayment of certain debt from the net proceeds of the Global Offering should result in a reduction of interest expense as from 2006 financial year; and
- the significant intangible assets recorded in connection with the acquisition of Legrand France increased the amortization expenses of the Group. The purchase accounting adjustments relating to the acquisition of Legrand France principally relate to the revaluation of patents and trademarks that are being amortized using accelerated methods. As a consequence, these purchase accounting adjustments are expected to have a significant impact on operating income until 2009.

6.4 - Overview of comparative periods

6.4.1 - Comparing 2006 financial year with 2005 financial year

	Legrand Year ended December 31,	
(in € million)	2006	2005
Net sales	**3,736.8**	**3,247.9**
Operating expenses		
Cost of goods sold	(1,881.7)	(1,675.4)
Administrative and selling expenses	(977.7)	(835.6)
Research and development expenses	(237.9)	(238.6)
Other operating expenses	(109.9)	(92.6)
OPERATING INCOME	**529.6**	**405.7**
Interest expense	(157.4)	(206.5)
Interest income	33.7	25.4
Foreign exchange gain/loss	40.4	(32.3)
Loss on extinguishment of debt	(109.0)	0.0
FINANCE COST	**(192.3)**	**(213.4)**
Share of (loss)/profit of associates	0.8	1.3
INCOME BEFORE TAXES	**338.1**	**193.6**
Income taxes	(82.9)	(89.8)
NET INCOME FOR THE YEAR	**255.2**	**103.8**
Net income attributable to:		
– LEGRAND	**252.0**	**101.4**
– Minority interests	**3.2**	**2.4**

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 € million)	2006	2005
Net income for the year	**255.2**	**103.8**
Income taxes	82.9	89.8
Share of loss/(profit) of associates	(0.8)	(1.3)
Loss on extinguishment of debt	109.0	0.0
Foreign exchange gain/(loss)	(40.4)	32.3
Interest income	(33.7)	(25.4)
Interest expense	157.4	206.5
OPERATING INCOME	**529.6**	**405.7**
Purchase accounting	86.6	103.3
Impairment of goodwill	0.0	0.0
ADJUSTED OPERATING INCOME	**616.2**	**509.0**
Restructuring charges	23.6	37.8
RECURRENT ADJUSTED OPERATING INCOME	**639.8**	**546.8**

6.4.1.1 - NET SALES

Consolidated net sales increased by 15.1% to €3,736.8 million in 2006, compared to €3,247.9 million in 2005, reflecting:

- a 7.8% increase in net sales, excluding the effects of changes in the scope of consolidation and using constant exchange rates;
- a 6.6% increase in net sales relating primarily to changes in the scope of consolidation in 2006 compared to 2005 relating in particular to the consolidation of ICM Group, TCL International Electrical, TCL Building Technology, Shidean and for six months of Zucchini and Cemar;
- a slight 0.1% increase in net sales relating primarily to favorable fluctuations in exchange rates in 2006 compared to 2005.

The increase in net sales, excluding the effects of changes in the scope of consolidation and using constant exchange rates, reflects an increase in net sales in all zones and in particular the Rest of Europe, Rest of the World and Italy zones.

Excluding the effects of changes in the scope of consolidation and using constant exchange rates, the evolution of net sales by zone of destination between 2006 and 2005 was as follows (sales by zone of destination means sales of Legrand to third parties in a given geographic zone):

France	+4.7%
Italy	+7.5%
Rest of Europe	+9.0%
United States and Canada	+3.4%
Rest of the World	+16.2%
TOTAL	**+7.8%**

France. Net sales in France increased by 10.9% to €949.8 million in 2006, compared to €856.8 million in 2005. Excluding the effects of changes in the scope of consolidation, net sales increased by 4.7%, due to a market environment which was globally more favorable and the impact of the consolidation of ICM Group.

Italy. Net sales in Italy increased by 10.9% to €672.4 million in 2006, compared to €606.3 million in 2005. This increase resulted principally from a 7.5% increase in net sales, excluding the effects of changes in the scope of consolidation, from the launch of new product ranges, strong results in the residential and industrial markets and from the impact of the consolidation of Zucchini for an entire financial year while it was consolidated over six months in 2005.

Rest of Europe. Net sales in the Rest of Europe zone increased by 16.5% to €806.2 million in 2006, compared to €692.1 million in 2005. This increase resulted from a 9% increase in net sales excluding the effects of changes in the scope of consolidation and using constant exchange rates and from the effects of the consolidation of ICM Group and a slight 0.3% increase in net sales due to fluctuations in exchange rates. Excluding the effects of changes in the scope of consolidation and using constant exchange rates, net sales of the Group increased especially in Eastern Europe and in particular in Russia, Poland, Romania, Slovakia and Ukraine. Growth was also significant in Netherlands, Belgium, Spain, Greece and Turkey, compensating fluctuations not as favorable in Austria and the United Kingdom.

United States and Canada. Net sales in the United States and Canada zone increased by 4.1% to €643.2 million in 2006, compared to €617.7 million in 2005. This increase resulted primarily from a 3.4% increase in net sales, excluding the effects of changes in the scope of consolidation and using constant exchange rates, and from the consolidation of the American subsidiary of ICM Group, while the fluctuation of exchange rate was unfavorable by 0.9%. After a strong first semester, the activity in the residential market deteriorated during the third quarter which led to a decrease of net sales as from the month of September on most of the product ranges, except in the residential automation and lighting control businesses, which together recorded a growth rate above 20%.

Rest of the World. Net sales in the Rest of the World zone increased by 40.0% to €665.2 million in 2006, compared to €475.0 million in 2005. This increase resulted from a 16.2% increase in net sales, excluding the effects of changes in the scope of consolidation and using constant exchange rates (the most significant increase over the last ten years), from the impact of the consolidation of TCL International Electrical, TCL Building Technology and Shidean since January 1st, 2006 and Cemar since July 1st, 2006 as well as from a 1.2% increase in net sales due to favorable fluctuations in exchange rates.

More globally, net sales generated in emerging markets, which represent almost 22% of the net sales of the Group, increased by 20% in 2006 excluding the effects of changes in the scope of consolidation and using constant exchange rates. This strong growth more than compensates the downturn in the United States.

6.4.1.2 - COST OF GOODS SOLD

Consolidated cost of goods sold increased by 12.3% to €1.881.7 million in 2006, compared to €1,675.4 million in 2005. Cost of goods sold as a percentage of net sales decreased at 50.4% in 2006 compared to 51.6% in 2005.

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

- the volume of raw materials and components consumed due to higher consolidated net sales;
- the price of raw materials and components;
- production expenses related to subcontracting as a result of the transfer of certain manufacturing activities to low-cost manufacturers;

This increase also results from the consolidation of recently acquired companies.

This increase was partially offset by:

- a decrease in manufacturing expenses in percentage of net sales related to salary costs (with a 0.4% decrease, excluding the impact of changes in the scope of consolidation, in the Group's total production headcount particularly in France, the United Kingdom, Germany and the United States) and also to the other general manufacturing expenses as a result of:
- recent restructuring measures implemented in those countries;
- ongoing initiatives to improve productivity and rationalization of manufacturing capabilities through "lean manufacturing action" plans. In 2006, more than 240 "lean manufacturing action" plans were realized, mobilizing approximately 1.000 employees;

- a decrease in amortization charges resulting from the application of the "make or buy" approach and the localization of certain production activities in countries with lower capital expenditure needs.

Furthermore, the increase in sales prices compensated the increases in the cost of raw materials and components.

6.4.1.3 - ADMINISTRATIVE AND SELLING EXPENSES

Consolidated administrative and selling expenses increased by 17.0% to €977.7 million in 2006, compared to €835.6 million in 2005. This increase is attributable to:

- the ongoing marketing initiatives to develop the Company's market presence in emerging markets, such as Eastern Europe, Latin America or Asia but also in France. Weighted-average marketing and commercial headcount increased by 2.9% in 2006 compared to 2005 on a comparable basis and the impact of changes in the scope of consolidation. In addition, four subsidiaries and representative offices were opened in 2006;
- the consolidation of recently acquired companies; and
- higher commercial expenses as a result of higher net sales and advertisement expenses to support the launch of new product ranges.

In particular, selling expenses significantly increased in France, in the Rest of the Europe zone and particularly in Spain, the United Kingdom, Russia, Greece and Turkey, as well as in the Rest of the World zone, particularly in Brazil, Chile, India and China.

However, selling expenses have globally less increased than net sales, in particular with a moderate increase in France, Italy and in the United States and Canada zone.

As a percentage of net sales, consolidated administrative and selling expenses increased to 26.2% in 2006, compared to 25.7% in 2005.

6.4.1.4 - RESEARCH AND DEVELOPMENT EXPENSES

In 2006, research and development teams worked on numerous new developments projects for the launch of new product ranges. The Company launched approximately 40 new products or product ranges in 2006, including:

- for control and command: the wiring device ranges Cariva (Eastern Europe and Turkey), Valena (Poland), Vela (South America), Plexo (France) and Galea Life (Spain, Greece and Eastern Europe), the Arcor2 and Baas security device ranges (France), the InFusion home automation range, the new motion detector ranges from TWS and the Ultimate Music Solution sound diffusion device range (United States);
- for energy distribution: the new DRX moulded case circuit-breakers (Asia and Latin America), the XS and XG circuit breaker range (Turkey), the CTX power contractors (Colombia, Chile and Turkey), the remote circuit-breaker management range in France and the Marina industrial enclosures (France, Italy);
- cable management: the 400 Designer Series metallic trunking range (United States) and the high and low voltage connectors offering for commercial buildings (France);
- VDI: the 10 Giga SSTP offering (France), 10 Giga UTP offering (Europe, Middle East and the United States) and Wi-Jack Duo, the most compact WiFi access point outlet in the world.

In accordance with the application of IAS 38 "Intangible Assets", the Group implemented an internal measurement and accounting system for research and development expenses to be recognized as intangible assets. As a result, €22.1 million in development expenses were capitalized in 2006 compared to €21.5 million in 2005. Amortization charges for capitalized development expenses amounted to €3.4 million in 2006.

Consolidated research and development expenditures totaled €237.9 million in 2006 and €238.6 million in 2005, which principally consisted of the amortization of intangible assets relating to the acquisition of Legrand France.

Excluding the purchase accounting charge relating to the acquisition of Legrand France and including capitalized development expenses, cash research and development expenses increased by 8.1% to €175.6 million in 2006 (4.7% of net sales) compared to €162.4 million in 2005 (5% of net sales).

At December 31, 2006, 1,807 employees in approximately 16 countries were involved in research and development of which over 71% were based in France and in Italy. At December 31, 2005, 1,633 employees (excluding the impact of the acquisition of ICM Group and TCL) in approximately 16 countries were involved in research and development, of which over 78% were based in France and in Italy.

	Calculation of research anddevelopment expenses	
(in € millions)	2006	2005
Research and development expenses	**(237.9)**	**(238.6)**
Purchase accounting	81.0	97.3
Depreciation expense for capitalized development expenses	3.4	0.4
RESEARCH AND DEVELOPMENT EXPENSES, EXCLUDING AMORTIZATION AND PURCHASE ACCOUNTING ADJUSTMENTS RELATING TO THE ACQUISITION OF LEGRAND FRANCE	**(153.5)**	**(140.9)**
Capitalized development expenses	(22.1)	(21.5)
RESEARCH AND DEVELOPMENT EXPENDITURE FOR THE YEAR	**(175.6)**	**(162.4)**

6.4.1.5 - OTHER OPERATING EXPENSES

In 2006, other operating income and expenses increased by 18.7% to €109.9 million, compared to €92.6 million in 2005. This increase is primarily due to a non-recurring charge of approximately €9 million related to the IPO and to the implementation of the offering of Legrand shares to the Company's employees, as well as in increase in the employee benefit plans (*participation*) and certain provisions, which was partially offset by a decrease in restructuring costs. In 2006, restructuring costs related principally to Spain, the United Kingdom, Brazil and Korea.

6.4.1.6 - OPERATING INCOME

Consolidated operating income increased by 30.5% to €529.6 million in 2006, compared to €405.7 million in 2005. This increase resulted primarily from:

- a 15.1% increase in net sales;
- a 0.3% decrease in research and development expenses primarily due to the decrease in purchase accounting charges in connection with the acquisition of Legrand France, as well as an increase in capitalized research and development expenses in accordance with IAS 38,

partially offset by:

- a 12.3% increase in cost of goods sold which, expressed as a percentage of net sales, however decreased at 50.4% in 2006 compared to 51.6% in 2005;
- a 17.0% increase in administrative and selling expenses;
- a 18.7% increase in other operating expenses.

Overall, consolidated operating income as a percentage of net sales increased to 14.2% in 2006 compared with 12.5% in 2005.

6.4.1.7 - 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. The adjusted operating income increased by 21.1% to €616.2 million in 2006, compared to €509.0 million in 2005, resulting from:

- a 13.9% increase to €211.6 million in France in 2006 compared to €185.8 million in 2005, which represented 19.1% of net sales in 2006 compared to 18.9% in 2005;
- a 9.7% increase to €184.7 million in Italy in 2006 compared to €168.3 million in 2005, which represented 25.9% of net sales in 2006 compared to 26.6% in 2005; this decrease in percentage is due to the impact of the consolidation of Zucchini for the entire 2006 fiscal year versus six months in 2005;
- an increase in most countries of the Rest of Europe zone, including notably the Netherlands, Belgium, the United Kingdom, Germany, Portugal, Hungary, Poland and Russia, which more than compensated the unfavorable evolution in Spain (due to restructuring costs) and in Austria;
- an increase of 30.0% to €73.3 million in the United States and Canada zone in 2006 compared to €56.4 million in 2005, which represented 11.2% of net sales in 2006 compared to 9.1% in 2005 in spite of the strong slowdown in the residential business as from the month of September; and
- an increase in the vast majority of the countries in the Rest of the World zone, including notably Mexico, Chile, Colombia, Venezuela, China, Hong Kong, Singapore, Australia and India, which more than compensated the decrease in Korea and Brazil due to restructuring costs.

6.4.1.8 - NET INTEREST EXPENSE

Consolidated net interest expense decreased by 31.7% to €123.7 million in 2006 compared to €181.1 million in 2005. Consolidated net interest expense amounted to 3.3% of 2006 net sales compared to 5.6% in 2005. The decrease in net interest expense is due to lower levels of indebtedness, as well as more favorable financing conditions obtained following the debt refinancing operations which occurred during the first quarter of 2006, which was partially offset by an increase in market interest rates.

6.4.1.9 - FOREIGN EXCHANGE GAINS AND LOSSES

Foreign exchange gains amounted to €40.4 million in 2006, compared to a loss in the amount of €32.3 million in 2005. This €72.7 million variation in foreign exchange translation gains and losses is essentially due to U.S. dollar foreign exchange evolutions compared to the euro and to a non-recurring foreign exchange gain in the amount of €30.4 million recorded following the redemption of the high yield notes in February 2006.

6.4.1.10 - INCOME TAX

The consolidated income tax expenses, after the recognition of deferred taxes assets in France, amounted to €82.9 million in 2006, compared to €89.8 million in 2005. In 2006, Legrand recorded a €338.1 million gain before taxes, resulting primarily from increased operating income and lower financial expense, partially offset by a €109.0 million loss mainly on the extinguishment of debt arising from the early redemption of the High Yield notes. In 2005, Legrand recorded a €193.6 million gain before taxes, resulting primarily from increased operating income and lower financial expense (see Note 22 to consolidated financial statements included in Chapter 10 of this reference document).

6.4.1.11 - NET INCOME

The consolidated net income amounts to €255.2 million in 2006, compared to €103.8 million in 2005, mainly resulting from:

- a €123.9 million increase in operating income;
- a €57.4 million decrease in net interest expense;
- a €72.7 million increase in the foreign exchange result; and
- a €6.9 million decrease in income tax,

partially offset by:

- a €109.0 million loss due to the early redemption of the High Yield notes.

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6.4.2 - Comparing 2005 financial year with 2004 financial year

	Legrand Year ended December 31,	
(in € million)	2005	2004
Net sales	**3,247.9**	**2,926.3**
Operating expenses		
Cost of goods sold	(1,675.4)	(1,505.7)
Administrative and selling expenses	(835.6)	(760.9)
Research and development expenses	(238.6)	(233.9)
Other operating income (expense)	(92.6)	(77.5)
OPERATING INCOME	**405.7**	**348.3**
Interest expense	(206.5)	(257.5)
Interest income	25.4	26.1
Foreign exchange gain / loss	(32.3)	5.8
Loss on extinguishment of debt	0.0	(50.7)
NET FINANCE COSTS	**(213.4)**	**(276.3)**
Share of (loss)/profit of associates	1.3	2.6
Income before taxes	193.6	74.6
Income taxes	(89.8)	(46.6)
NET INCOME FOR THE YEAR	**103.8**	**28.0**
Net income attributable to:		
– LEGRAND	**101.4**	**26.8**
– Minority interests	**2.4**	**1.2**

The table below presents the calculation of 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 € million)	2005	2004
Net income for the year	**103.8**	**28.0**
Income taxes	89.8	46.6
Share of loss/(profit) of associates	(1.3)	(2.6)
Loss on extinguishment of debt	0.0	50.7
Foreign exchange gain/(loss)	32.3	(5.8)
Interest income	(25.4)	(26.1)
Interest expense	206.5	257.5
OPERATING INCOME	**405.7**	**348.3**
Purchase accounting	103.3	124.9
Impairment of goodwill	0.0	0.0
Revaluation of inventories in connection with the acquisition of Legrand France	0.0	0.0
ADJUSTED OPERATING INCOME	**509.0**	**473.2**
Restructuring charges	37.8	22.4
RECURRENT ADJUSTED OPERATING INCOME	**546.8**	**495.6**

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6.4.2.1 - NET SALES

Consolidated net sales increased by 11.0% to €3,247.9 million in 2005, compared to €2,926.3 million in 2004, reflecting:

- a 6.6% increase in net sales, excluding the effects of changes in the scope of consolidation and using constant exchange rates;
- a 0.8% increase in net sales relating primarily to favorable fluctuations in exchange rates in 2005 compared to 2004; and
- a 3.3% increase in net sales relating primarily to changes in the scope of consolidation in 2005 compared to 2004 relating in particular to the consolidation of OnQ, Zucchini and Van Geel.

The increase in net sales, excluding the effects of changes in the scope of consolidation and using constant exchange rates, reflects an increase in net sales in all zones and in particular the United States and Canada and the Rest of the World zones. On a consolidated basis, demand for the Company's products increased in the residential and commercial market in 2005, while recovery in the industrial market has yet to materialize.

Excluding the effects of changes in the scope of consolidation and using constant exchange rates, the evolution of net sales by zone of destination between 2005 and 2004 was as follows (sales by zone of destination means sales to third parties in a given geographic zone):

France	+5.0%
Italy	+3.7%
Rest of Europe	+5.4%
United States and Canada	+12.3%
Rest of the World	+8.5%
TOTAL	**+6.6%**

France. Net sales in France increased by 5.1% to €856.8 million in 2005, compared to €815.5 million in 2004. Excluding the effects of changes in the scope of consolidation, net sales increased by 5.0%, due to an increase in demand for the Company's products in France relating in particular to good performance in the markets for security and VDI products.

Italy. Net sales in Italy increased by 4.9% to €606.3 million in 2005, compared to €577.8 million in 2004, notwithstanding unfavorable market conditions. This increase resulted principally from a 3.7% increase in net sales, excluding the effects of changes in the scope of consolidation, and from the impact of the consolidation of Zucchini over six months. This increase compared to 2004 performance was mainly driven by good sales performance of VDI and controlling and installation products, including the positive impact of the launch of Axolute range of products and an increase in sales of security products.

Rest of Europe. Net sales in the Rest of Europe zone increased by 17.0% to €692.1 million in 2005, compared to €591.4 million in 2004. This increase resulted from a 5.4% increase in net sales excluding the effects of changes in the scope of consolidation and using constant exchange rates, from the effects of the consolidation of Zucchini and Van Geel and a 0.8% increase in net sales due to favorable fluctuations in exchange rates. Net sales particularly increased in Russia, Turkey, Greece and Belgium, where net sales registered double digit growth.

United States and Canada. Net sales in the United States and Canada zone increased by 15.8% to €617.7 million in 2005, compared to €533.6 million in 2004. This increase resulted primarily from a 12.3% increase in net sales, excluding the effects of changes in the scope of consolidation and using constant exchange rates, due to the ability of Legrand's sales and marketing teams to increase market share by taking advantage of generally favorable market conditions, as well as from the consolidation of OnQ. Strong growth was registered over the whole of Legrand's subsidiaries in the United States and Canada zone.

Rest of the World. Net sales in the Rest of the World zone increased by 16.4% to €475.0 million in 2005, compared to €408.0 million in 2004. This increase resulted from an 8.5% increase in net sales, excluding the effects of changes in the scope of consolidation and using constant exchange rates, due in particular to double digit sales growth in India, Thailand, China and Singapore, strong increases in a number of Latin American countries, as well as from a 4.6% increase in net sales due to favorable fluctuations in exchange rates.

6.4.2.2 - COST OF GOODS SOLD

Consolidated cost of goods sold increased by 11.3% to €1,675.4 million in 2005, compared to €1,505.7 million in 2004. Cost of goods sold as a percentage of net sales remained largely stable at 51.6% in 2005 compared to 51.5% in 2004.

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

- the volume of raw materials and components consumed due to higher consolidated net sales;
- the volume of components purchased resulting from the systematic application of "make or buy" approach;
- the price of raw materials and components; and
- production expenses related to subcontracting as a result of the transfer of certain manufacturing activities to low-cost manufacturers,

partially offset by:

- a decrease in general expenses resulting from restructuring initiatives; and
- a decrease in manufacturing expenses related to salary costs and benefits charges as a result of a 4.7% decrease, excluding the impact of changes in the scope of consolidation, in the Group's total production headcount between 2005 and 2004, particularly in France, the United Kingdom, Germany, Poland, the United States, Peru, Brazil and Mexico relating to:
  - recent restructuring measures implemented in those countries, and
  - the transfer of certain production activities to subcontractors or to low-cost units of the Group, such as those located in China and Turkey.

6.4.2.3 - ADMINISTRATIVE AND SELLING EXPENSES

Consolidated administrative and selling expenses increased by 9.8% to €835.6 million in 2005, compared to €760.9 million in 2004. This increase is attributable to:

- an increase in marketing initiatives to develop the market presence of the Group in emerging markets, such as India and Russia, in addition to Italy and Spain, and from recent acquisitions in the United States, The Netherlands and in

Austria. The weighted-average marketing and commercial headcount increased by 8.4% in 2005 compared to 2004 due to an increase in this headcount on a comparable basis and the impact of changes in the scope of consolidation. In addition, four subsidiaries and representative offices were opened in 2005; and

- higher commercial expenses as a result of higher net sales;

In particular, selling expenses increased in Italy; in the United States and Canada zone, principally resulting from the impact of the acquisition of OnQ; in the Rest of Europe zone, particularly in Spain, Russia and Turkey and due to acquisitions in Austria and The Netherlands; and in the Rest of the World zone, particularly in Brazil and Mexico.

As a percentage of net sales, consolidated administrative and selling expenses decreased to 25.7% in 2005, compared to 26.0% in 2004.

6.4.2.4 - RESEARCH AND DEVELOPMENT EXPENSES

In 2005, research and development teams worked on numerous new developments, including 20 major projects for the launch of new product ranges. Legrand launched approximately 30 new products or product ranges in 2005, including:

- the Axolute (Italy), Miro (United States), Mylinc (India) Arquea (Mexico) and Synergy (British standard) ranges of wiring devices;
- the XL3 (France and Spain), Multiboard (Italy) and Ekinoxe (United Kingdom) energy distribution offerings; and
- the Interlink Office (Italy) floor box offering.

In accordance with the application of IAS 38 "Intangible Assets", since January 1, 2004, the Group implemented an internal measurement and accounting system for research and development expenses to be recognized as intangible assets. As a result, €21.5 million in development expenses were capitalized in 2005 compared to €17.1 million in 2004. Amortization charges for capitalized development expenses amounted to €0.4 million in 2005.

Consolidated research and development expenditure totaled €238.6 million in 2005 and €233.9 million in 2004, which principally consisted of the amortization of intangible assets relating to the acquisition of Legrand France.

Excluding the purchase accounting charge relating to the acquisition of Legrand France and excluding capitalized development expenses, cash research and development expenses increased by 15.2% to €162.4 million in 2005 (5.0% of net sales) compared to €141.0 million in 2004 (4.8% of net sales).

At December 31, 2005, 1,633 employees (excluding the impact of the acquisition of TCL International Electric, TCL Building Technology and ICM Group), in approximately 16 countries were involved in research and development of which over 53% were based in France and 25% in Italy. At December 31, 2004, 1,482 employees in approximately 16 countries were involved in research and development, of which over 52% were based in France and 26% in Italy.

	Research and development expenditures	
	Year ended December 31,	
(in € million)	2005	2004
Research and development expenses	(238.6)	(233.9)
Purchase accounting	97.3	110.0
Depreciation expense for capitalized development expenses	0.4	0.0
RESEARCH AND DEVELOPMENT EXPENSES EXCLUDING AMORTIZATION AND PURCHASE ACCOUNTING ADJUSTMENTS RELATING TO THE ACQUISITION OF LEGRAND FRANCE	**(140.9)**	**(123.9)**
Capitalized research and development expenses	(21.5)	(17.1)
RESEARCH AND DEVELOPMENT EXPENDITURE FOR THE YEAR	**(162.4)**	**(141.0)**

6.4.2.5 - OTHER OPERATING EXPENSES

In 2005, other operating income and expenses increased by 19.5% to €92.6 million, compared to €77.5 million in 2004. This increase is principally due to higher restructuring costs in 2005. In 2005, restructuring costs related principally to a restructuring plan impacting certain sites in France, the United Kingdom, Germany, and Spain, as well as the closure of three plants in the United States.

6.4.2.6 - OPERATING INCOME

The consolidated operating income of the Group increased by 16.5% to €405.7 million in 2005, compared to €348.3 million in 2004. This increase resulted primarily from:

- an 11.0% increase in net sales;

partially offset by:

- an 11.3% increase in cost of goods sold;
- a 9.8% increase in administrative and selling expenses;
- a 2.0% increase in research and development expenses, despite the decrease in purchase accounting charges recorded in connection with the acquisition of Legrand France, as well as an increase in capitalized development expenses in accordance with IAS 38 in 2004; and
- a 19.5% increase in other operating expenses.

Overall, consolidated operating income as a percentage of net sales increased to 12.5% in 2005 from 11.9% in 2004.

6.4.2.7 - 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.

The adjusted operating income increased by 7.6% to €509.0 million in 2005, compared to €473.2 million in 2004, resulting from:

- a 10.5% increase to €185.8 million in France in 2005 compared to €168.2 million in 2004, which represented 18.9% of net sales in 2005 compared to 18.0% in 2004;
- a 6.9% increase to €168.3 million in Italy in 2005 compared to €157.5 million in 2004, which represented 26.6% of net sales in 2005 compared to 26.4% in 2004;
- an increase in certain countries in the Rest of Europe zone, including notably The Netherlands, Austria, Hungary, Portugal, Belgium and Switzerland, and a decrease in Spain, Germany and the United Kingdom;
- a strong increase of 18.0% to €56.4 million in the United States and Canada zone in 2005 compared to €47.8 million in 2004, which represented 9.1% of net sales in 2005 compared to 8.9% in 2004; and
- an increase in certain countries in the Rest of the World zone, including notably Chile, Costa Rica, Hong Kong, Egypt, India and Morocco, and a decrease in Brazil and Mexico due to unfavorable economic conditions.

6.4.2.8 - NET INTEREST EXPENSE

The consolidated net interest expense decreased to €181.1 million in 2005 (of which €150.7 million related to cash interest charges and €59.0 million related to non-cash interest charges on the Subordinated Shareholder PIK Loan) from €231.4 million in 2004 (of which €182.9 million related to cash interest charges and €59.2 million related to non-cash interest charges on the Subordinated Shareholder PIK Loan). The consolidated net interest expense decreased by 21.7% in 2005 compared to 2004. The net interest expense amounted to 5.6% of net sales in 2005 compared to 7.9% in 2004.

The decrease in net interest expense was due to lower levels of indebtedness, as well as more favorable financing conditions obtained in December 2004 through the establishment of the 2004 Credit Facility, which replaced an existing credit facility established in December 2002.

6.4.2.9 - FOREIGN EXCHANGE AND TRANSLATION

Foreign exchange and translation losses amounted to €32.3 million in 2005, compared to a gain in the amount of €5.8 million in 2004. This €38.1 million variation in foreign exchange translation gains and losses is essentially due to U.S. dollar foreign exchange evolutions.

6.4.2.10 - INCOME TAX

The consolidated income tax expenses amounted to €89.8 million in 2005, compared to €46.6 million in 2004. In 2005, Legrand recorded a €193.6 million gain before taxes, principally due to increased operating income and lower financial expense. In 2004, Legrand recorded a €74.6 million gain before taxes, resulting primarily from increased operating income and lower financial expense, partially offset by a €50.7 million loss on the extinguishment of debt arising from the refinancing of certain debt in 2004. (See Note 22 attached to the consolidated financial statements included in Chapter 10 of this reference document).

6.4.2.11 - NET INCOME

Consolidated net income amounted to €103.8 million in 2005, compared to €28.0 million in 2004, mainly resulting from:

- a €57.4 million increase in operating income; and
- a €62.9 million decrease in net interest expense,

partially offset by:

- a €43.2 million increase in income taxes.

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6.5 - Liquidity and capital resources

For a description of the share capital of the Company, investors are invited to refer to Notes 10 and 12 attached to the consolidated financial statements included in Chapter 10 of this reference document and to paragraph 11.1 of this reference document.

6.5.1 - Cash flows

6.5.1.1 - HISTORICAL CASH FLOWS

The table below summarizes cash flows of the Company for the years ended December 31, 2006, 2005 and 2004.

	Legrand Year ended December 31,		
(in € millions)	2006	2005	2004
Net cash provided by operating activities	581.5	450.5	429.4
Net cash (used in) provided by investing activities	(213.7)	(481.9)	52.4
Net cash (used in) provided by financing activities	(312.3)	87.8	(481.6)
Increase (reduction) of cash and cash equivalent	45.7	64.9	0.4
Capital expenditure and capitalized development expenses	(152.9)	(133.5)	(112.8)

For a description of cash flows, investors are invited to refer to the consolidated statement of cash flows provided in the consolidated financial statements of the Company.

6.5.1.2 - NET CASH PROVIDED BY OPERATING ACTIVITIES

Net cash provided by operating activities increased to €581.5 million at December 31, 2006, compared to €450.5 million at December 31, 2005. This increase of €131 million in 2006 was mainly attributable to an increase in cash flow from operations (defined as net cash provided by operating activities, plus or minus variations in other operating assets or liabilities) of 40.3%, amounting to €618.7 million at December 31, 2006 compared to €441.0 million at December 31, 2005, partially offset by an increase in working capital requirements of €46.7 million.

Net cash provided by operating activities increased to €450.5 million at December 31, 2005, compared to €429.4 million at December 31, 2004. This increase of €21.1 million in 2005 was due to an increase in cash flow from operations of 19.1%, amounting to €441.0 million at December 31, 2005 compared to €370.3 million at December 31, 2004, and to slightly favorable changes in working capital requirements.

6.5.1.3 - NET CASH USED IN OR PROVIDED BY INVESTING ACTIVITIES

Net cash used in investing activities for the year ended December 31, 2006 amounted to €213.7 million, compared to net cash provided by investing activities of €481.9 million for the year ended December 31, 2005. This decrease is primarily due to a decrease in investments in consolidated entities and to an increase in proceeds from sales of fixed assets, partially offset by an increase in capital expenditure and capitalized development costs.

Capital expenditure and capitalized development expenses amounted to €152.9 million for the year ended December 31, 2006 (of which €22.1 million related to capitalized development expenses), an increase of 14.5% from €133.5 million for the year ended December 31, 2005 (of which €21.5 million related to capitalized development expenses).

Net cash used in investing activities for the year ended December 31, 2005 amounted to €481.9 million, compared to net cash provided by investing activities of €52.4 million for the year ended December 31, 2004. This increase is essentially due to a €399.8 million increase in investments in consolidated entities, primarily relating to acquisitions made in 2005, an increase in capital expenditure and capitalized development expenses and a decrease in proceeds from sales of marketable securities and fixed assets.

Capital expenditure and capitalized development expenses amounted to €133.5 million for the year ended December 31, 2005 (of which €21.5 million related to capitalized development expenses), an increase of 18.4% from €112.8 million for the year ended December 31, 2004 (of which €17.1 million was related to capitalized development expenses).

6.5.1.4 - NET CASH USED BY OR USED IN FINANCING ACTIVITIES

Net cash provided by financing activities amounted to €312.3 million in 2006, compared to €87.8 million of net cash used in financing activities in 2005. This increase in net cash provided by financing activities is primarily due to the early reimbursement of the 2004 credit facility, the high yield notes and the loan between related parties as part of the refinancing operations implemented prior to the IPO of Legrand, as well as to the payment of a dividend, offset by a lower indebtedness due to the capital increase made during the IPO.

Net cash provided by financing activities amounted to €87.8 million in 2005, compared to €481.6 million of net cash used in financing activities in 2004. This increase mainly reflects an increase in debt used to finance acquisitions in 2005.

6.5.2 - Debt

Gross debt of the Group (defined as the sum of the Subordinated Shareholder PIK Loan, long-term and short-term borrowings, including the TSDIs, commercial paper programs and bank overdrafts) amounted to €1,855.7 million as of December 31, 2006, compared to €3,485.9 million as of December 31, 2005 and €3,222.7 million as of December 31, 2004. Cash and marketable securities amounted to €179.3 million as of December 31, 2006, compared to €133.8 million as of December 31, 2005 and €81.4 million as of December 31, 2004. No cash was restricted as of December 31, 2006 and December 31, 2005, compared to €27.0 million as of December 31, 2004. Total net debt (defined as gross debt, less cash, marketable securities and restricted cash) amounted to €1,676.4 million as of December 31, 2006 compared to €3,352.1 million as of December 31, 2005 and €3,114.3 million as of December 31, 2004.

The ratio of consolidated net debt to consolidated shareholders' equity was 77% as of December 31, 2006, compared to 613% as of December 31, 2005 and 859% as of December 31, 2004.

As of December 31, 2006, gross debt of the Group consisted principally of the following:

- €294.5 million under the Yankee Bonds (see paragraph 6.5.2.3 of this reference document);
- €807.5 million under the 2006 Credit Facility (see paragraph 6.5.2.1 of this reference document);
- €9.5 million under the TSDIs (see paragraph 6.5.2.2 of this reference document);
- other debt amounting to €744.2 million at December 31, 2006, consisting mainly of other borrowings, overdrafts and capital leases.

6.5.2.1 - 2006 CREDIT FACILITY

On January 10, 2006, the Company entered into a €2.2 billion credit facility with a syndicate of banks (the "2006 Credit Facility") in order to refinance the 2004 Credit Facility in the amount of €1.4 billion, redeem all of outstanding High Yield Notes at an aggregate redemption price of €574 million, to which should be added the cost of interests and the cost of the early redemption, as well as to partially repay for an amount of €178 million the portion of the Subordinated Shareholder PIK Loan corresponding to the vendor loan provided by Schneider in connection with the acquisition of Legrand France and which came due upon the redemption of the High Yield Notes. The remainder of the 2006 Credit Facility will be used for general corporate purposes and acquisitions, if any.

The 2006 Credit Facility comprises: (i) a multi-currency term loan in an amount of €700 million amortizing 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); (ii) a multi-currency revolving credit facility in an amount of €1.2 billion (Tranche B); and (iii) a bridge term loan facility in an amount of €300 million (Tranche C). Tranches A and B each have a term of five years and two one-year extension options and Tranche C has a term of 364 days with an extension option of 364 days. Tranche C was fully reimbursed on April 2006 after the IPO. The 2006 Credit Facility contains customary mandatory pre-payment and events of default provisions, as well as a financial covenant according to which the ratio of net debt to recurrent EBITDA must be less than or equal to 3.5.

As of December 31, 2006, an additional amount of €1,080.1 million could be borrowed under Tranche B of this credit facility.

6.5.2.2 - SURBORDINATED PERPETUAL NOTES (TDSIS)

In December 1990 and March 1992, Legrand France issued TSDIs through private placements in aggregate nominal value amounts of 3.0 billion French francs (€457 million) in 1990 and 2.0 billion French francs (€305 million) in 1992. The TSDIs were issued at par. They have no stated maturity date and the Company has no obligation to redeem them unless Legrand France carries out a voluntary dissolution, is subject to liquidation, or a final judgment is entered ordering the sale of the entire business ("cession totale de l'entreprise") of the Company. Upon any redemption, payment of the principal amount of the TSDIs is subordinated to the payment in full of all other creditors, other than any outstanding participating loans ("*prêts participatifs*") and non-amortized participating securities ("*titres participatifs non encore amortis*").

Legrand France is required to pay interest semi-annually on the TSDIs at a rate indexed to EURIBOR or at a fixed rate for two series of the TSDIs in an aggregate nominal value of 375 million French francs (€57 million) for the first 15 years following each issuance. At the time of each issuance, Legrand France entered into agreements with third parties pursuant to which such third parties agreed to purchase the TSDIs from their holders 15 years after issuance and to waive all rights to interest on the TSDIs once purchased from the holders. Accordingly, no further interest payments will be due to the holders of the TSDIs after the 15th anniversary of issuance.

Interest payment obligations relating to the TSDIs issued in December 1990 ceased in November 2005 and interest payment obligations relating to the TSDIs issued in March 1992 ceased in March 2007. In 2006, net financial expenses relating to the TSDIs amounted to €1.8 million. Since the interest payment obligations relating to the TSDIs issued in March 1992 ceased in March 2007, starting March 2007, the Company no longer has net interest expense related to the TSDIs.

In order to manage its exposure to fluctuations in interest rates, Legrand France hedged its obligation to pay interests on the TSDIs using interest rate swaps. After accounting for these swap agreements, the effective annual interest rates on the TSDIs amounted to 10.3% in 2004, 10.5 % in 2005 and 9.5% in 2006 of the average residual carrying value of the TSDIs.

The TSDIs are subject to specific tax rules, the application of which was specified in the amended 2005 tax law voted by the French parliament in the fall of 2005. The application of these tax rules has no impact on the consolidated financial statements, as described in Note 13 of the consolidated financial statements included in Chapter 10 of this reference document.

6.5.2.3 - $400 MILLION 8.5% YANKEE BONDS DUE FEBRUARY 15, 2005

On February 14, 1995, Legrand France issued $400 million principal amount of 8.5% debentures due February 15, 2025 (the "Yankee Bonds"). Interest on the Yankee Bonds is payable semi-annually in arrears on February 15 and August 15 of each year.

On the date of the issuance of the Yankee Bonds, Legrand France entered into a 30-year interest rate swap agreement in a nominal amount of $400 million (the "Yankee Bond Swap"). As a result, interest payments relating to the Yankee Bonds are computed on the basis of the London inter-bank offered rate ("LIBOR"), plus a margin of 0.53% per annum (reset every 6 months, in arrears).

At the beginning of February 2003, Legrand entered into a cross currency swap with respect to the Yankee Bonds, pursuant to which the interest rate payable on $350 million of the principal amount was fixed at 4.6% per year until 2008. The remaining $50 million continue to bear a floating coupon (LIBOR + 0.53%).

In April 2003, the Company entered into a swap novation agreement whereby it sold the 2008-2025 maturity bracket of the Yankee Bond Swap for cash consideration of €56.8 million. As a result, from February 2008 onwards, the Yankee Bonds will resume paying a fixed 8.5% coupon. In the future, the Company may enter into additional interest rate swap arrangements with respect to the floating rate debt.

Pursuant to the interest rate swap arrangements entered into by Legrand in connection with the TSDIs and the Yankee Bonds, Legrand France must post cash collateral if the relevant swap counterparty's exposure to the credit risk of Legrand France exceeds the then posted amounts, calculated on a mark-to-market basis every two weeks. The swap counterparty may not require such a deposit unless its exposure exceeds a threshold tied to Legrand France's credit rating. Following the acquisition of Legrand France, Legrand France's credit rating resulted in the threshold being set at zero, and the counterparty's exposure led Legrand France to deposit €76 million in an account pledged for the benefit of Crédit Suisse First Boston, the swap counterparty. Any further requirement to post cash collateral should arise solely from fluctuations in interest rates and not from further changes in Legrand France's credit rating. In addition, Legrand France deposited €74 million in an account with the facility agent for the 2004 Credit Facility, which was available only for payments on the TSDIs and related hedging obligations or to provide cash collateral in relation to such hedging obligations. Upon the repayment and termination of the 2004 Credit Facility, the bank deposit has been released.

6.6 - Capital expenditure

From 1990 to 2003, Legrand spent an average of 8% of annual consolidated net sales per year on capital expenditure (this figure does not include capitalized development expenses, which were not recorded at that time). Historically, annual capital expenditures have fluctuated between 4% and 12% of consolidated net sales over the last 20 years with year-to-year variations resulting from the cyclical nature of the investment requirements. In 2006, capital expenditure and capitalized development expenses as a percentage of consolidated net sales amounted to 4.1% (compared with 4.1% in 2005 and 3.9% in 2004). This decrease in capital expenditure compared to historical levels is the result of a structural change which led in 2006 to continuing initiatives to optimize productivity and capital employed, including a systematic application of "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 partially offset by the capitalization of certain development expenses in accordance with IAS 38. In 2004, capital expenditure reached an historical low point due to the combination of the structural changes mentioned above, the cyclical nature of new product launches and the impact of restructuring initiatives. However, in accordance with the investments dedicated to the launch of new products which the Group believes are essential and which, excluding the impact of capitalized development expenses, increased by 16% in 2006, the level of capital expenditure could increase in the future without exceeding 5% to 6% of consolidated net sales.

6.7 - Off-Balance Sheet commitments

The Groupe does not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on its financial condition, change its financial condition, revenues, expenses, results, operating income, liquidity, capital expenditure or capital reserves that are material to investors.

See Note 23 to the consolidated financial statements included in Chapter 10 of this reference document. In addition, there is no signicant off-balance sheet commitment related to external growth.

6.8 - Contractual Obligations

The following table summarizes the Company's contractual obligations, commercial commitments and principal maturity dates on a consolidated basis as of December 31, 2006.

	Payments due by period				
As of December 31, 2005 *(en millions d'euros)*	**Total**	**< 1 year**	**1 – 3 years**	**4 – 5 years**	**> 5 years**
Borrowings	1,830.0	783.8	316.6	418.7	310.9
Capital lease obligations	16.2	6.9	4.7	2.6	2.0
TSDIs	9.5	9.5	–	–	–
TOTAL CONTRACTUAL OBLIGATIONS	**1,855.7**	**800.2**	**321.3**	**421.3**	**312.9**

6.9 - Variations in Exchange Rates

A significant number of the Group's foreign subsidiaries operate in countries outside of the euro zone. In 2006, approximately 38% 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 fluctuations 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 accounted for in other currencies into euro. Therefore, fluctuations 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, foreign exchange rate fluctuations could cause the Group's expenses to increase as a percentage of net sales, affecting its profitability and cash flows.

The Group's 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 sets forth, for the periods and dates indicated, certain noon-buying rate information for euro/U.S. dollar exchange rates from 2003 through 2006 expressed in U.S. dollars per euro. This exchange rate information is provided for indicative purpose 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
2003	0.80	0.88	0.97	0.80
2004	0.74	0.80	0.85	0.73
2005	0.84	0.80	0.86	0.74
2006	0.76	0.80	0.85	0.75

(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 or 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 such subsidiaries' respective local currencies. The Group does not currently hedge the net cash assets of its subsidiaries.

6.10 - Quantitative and Qualitative Disclosure About Market Risk

Legrand's financial risk management mainly focuses on the principal areas of credit risk, market risk and liquidity risk.

The overall objective of the treasury policy is to identify, evaluate and hedge financial risk. Legrand aims to minimize adverse effects caused by exposure to financial risks on the profitability of the underlying activity and thus on the Company's financial performance.

Legrand's treasury policy provides principles for generalized financial risk management and provides specific operating policies for areas such as interest rate risk, foreign exchange risk, commodity risk, use of derivative financial instruments and investing excess liquidity. The Group's policy is to abstain from transactions in financial instruments of a speculative nature. Consequently, all transactions in financial instruments are exclusively for the purposes of managing and hedging interest rate, foreign exchange and commodity risk.

6.10.1 - Market Risk

Market risk is the risk of loss arising from unfavorable changes in market rates and prices such as interest rates, foreign exchange rates and commodity prices.

6.10.2 - Foreign exchange risk

Legrand operates internationally and is therefore exposed to foreign exchange risk arising from various foreign currencies. Foreign currency denominated assets and liabilities, together with firm and identifiable term sales commitments, give rise to foreign exchange exposure. Natural hedges are achieved, whenever management believes it appropriate, through the matching of funding costs to operating revenues in each of the principal currencies in which the Group operates. The Company also uses forward foreign exchange contracts and currency swaps to manage exposures to foreign exchange risk.

Legrand estimates that, all other things being equal, a further 10% increase in the exchange rate of the euro against all other currencies in 2006 (see paragraph 6.9 of this reference document) would have resulted in a decrease in net sales of approximately €131 million and a decrease in operating income of approximately €15 million for the year ended December 31, 2006.

The table below sets forth the financial assets (cash and marketable securities) and liabilities (long-term borrowings) at December 31, 2006.

(in € millions)	Assets Cash and marketablesecurities	Liabilities Long-term borrowings
Euro	41.1	605.1
Dollar	103.4	418.0
Other currencies	34.8	37.2
TOTAL	**179.3**	**1,060.3**

The table below sets forth net sales and operating expenses by currency at December 31, 2006:

(in € millions)	Net sales		Operating expenses (excluding purchase accounting adjustments relating to the acquisition of Legrand France)	
Euro	2,331.4	62%	1,877.6	60%
Dollar	653.7	18%	580.6	19%
Other currencies	751.7	20%	662.4	21%
TOTAL	**3,736.8**	**100%**	**3,120.6**	**100%**

6.10.3 - Interest rate risk

Interest rate risk arises mainly through interest-bearing assets and liabilities paying floating rates. The Company's general policy with respect to floating interest-bearing liabilities is to purchase interest rate caps which limit the extent of its exposure to increases in floating interest rates while allowing to take advantage of favorable interest rate changes.

On the basis of its total debt outstanding at December 31, 2006, Legrand estimates that a 1% increase in interest rates with respect to its floating rate debt should not result in a decrease in its annual net income before taxes of more than €7 million.

In order to manage its exposure to fluctuations in interest rates, Legrand France hedged its obligation to pay interest on the TSDIs using interest rate swaps. After accounting for the swap agreements, the effective interest rates amounted to 10.3% per year in 2004, 10.5% per year in 2005 and 9.5% per year in 2006 of the average residual carrying value of the TSDIs.

The Company hedged its obligation to pay interest on the Yankee Bonds by entering into an interest rate swap over 30 years. The settlement dates for net amounts to be paid or received under the Yankee Bond Swap are the same as the interest payment dates on the Yankee Bonds. Taking into account the interest rate swap, the effective interest rate of the Yankee Bonds is LIBOR + 0.53% per annum.

At the beginning of February 2003, the Company entered into a cross currency interest rate swap with respect to the Yankee Bonds, pursuant to which the interest rate payable on $350 million principal amount was fixed at 4.6% per year until 2008. The remaining $50 million continue to bear a floating coupon (LIBOR + 0.53 %).

In April 2003, the Company entered into a swap novation agreement, pursuant to which it sold the 2008-2025 maturity bracket of the Yankee Bond Swap for cash consideration of €56.8 million. As a result, from February 2008 onwards, the Yankee Bonds will bear a new fixed 8.5% coupon.

In addition, Legrand entered into certain hedging arrangements for a nominal amount of €960 million related to the 2004 Credit Facility, which was refinanced by the 2006 Credit Facility. The Company may enter into additional interest rate swap arrangements with respect to its floating rate debt.

6.10.4 - Commodity risk

The Company is exposed to commodity risk arising from changes in the prices of raw materials. In 2006, the Group entered into "collar" contracts, with limited amount and duratio, in order to hedge against an unfavorable variatio of copper prices. The term of these contracts is June 2007. Approximately €454 million of the Group's purchases in 2006 related to raw materials, resulting in market risk. While a 10% increase in the price of all of the raw materials used by the Group would result in a theoretical increase of these costs by approximately €45 million on an annual basis, the Company believes that, circumstances permitting, it could increase the sales prices of its products in the short term so as to compensate for the impact of such increases.

6.10.5 - Credit risk

The Company holds interest rate swap agreements and exchange contracts with major financial institutions, allowing to mitigate counterparty risk.

Other financial instruments that could potentially expose the Group to a concentration of credit risk are principally cash and cash equivalents and short-term investments. These instruments are maintained with high quality credit financial institutions which have at minimum an A1 rating from Standard and Poor's. The Company closely monitors the amount of credit exposure with any one financial institution.

In addition, approximately 25% of the Group's sales are made to two major customers, Sonepar and Rexel. The majority of the balance of the Group's sales are also made to electrical distributors but are diversified, due to the large number of customers and their geographical dispersion. The Company mitigates its credit risk by running periodic evaluations of the credit balances of each of its customers and constantly monitoring the collection of outstanding receivables.

6.10.6 - Liquidity risk

Legrand believes that controlling potential net cash outflows, maintaining prudent levels of highly liquid assets and ensuring that access to funding is available from a diverse range of sources are the essential elements of liquidity risk management. These elements are underpinned by a monitoring process at the Group level.

6.11 - Summary of Critical Accounting Policies

The accounting policies described below are those the Company considers critical in preparing its consolidated financial statements.

- intangible assets;
- fair value of financial instruments;
- derivative and commodity instruments;
- 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 included in Chapter 10 of this reference document.

6.12 - New IFRS Pronouncements

6.12.1 - IFRS 7 –Financial Instruments: Disclosures

In August 2005, the IASB issued IFRS 7 – Financial Instruments: Disclosures. This standard requires companies to disclose information regarding the impact of financial instruments on their financial position and performance. It also requires them to disclose qualitative and quantitative information on their exposure to the risks arising from those financial instruments. The information must include minimum disclosures about credit risk, liquidity risk and market risk. IFRS 7 replaces IAS 30 and the disclosure requirements of IAS 32.

6.12.2 - IAS 1 – Capital disclosures

In January 2006, the IASB published amendments to IAS 1 concerning capital disclosures. The amendments require companies to disclose qualitative information about their objectives, policies and capital management, as well as summary quantitative data on what they manage as capital.

6.12.3 - IFRIC 7 – Applying the restatement approach under IAS 29

In May 2006, the International Financial Reporting Interpretations Committee (IFRIC) published IFRIC 7 – Applying the Restatement Approach under IAS 29: Financial Reporting in Hyperinflationary Economies. This interpretation is applicable when the economy in which a company operates is affected by hyperinflation over the period, following a period without hyperinflation. The interpretation explains how to apply the restatement approach under IAS 29.

6.12.4 - IFRIC 8 – Scope of IFRS 2

In May 2006, the IFRIC published IFRIC 8, which confirms that share-based payments whose fair value appears to be greater than the consideration received should be accounted for in accordance with IFRS 2.

6.12.5 - IFRIC 9 – Reassessment of embedded derivatives

In June 2006, IASB issued interpretation IFRIC 9. This interpretation clarifies that an embedded derivative should not be recognized and measured after the entry into the contract by the entity, unless such contract is amended, this resulting in material changes in the cash flows of said contract, of the embedded derivative or of both.

6.13 - Trend information

Legrand recorded excellent performance in 2006. Sales arose significantly, as a result of both organic and external growth. Operating margins imposed significantly after the consolidation of numerous acquisitions, net profits more than doubled and the creation of free cash flow is very high.

As a reminder, Legrand's medium term objectives described in the document de base published at the time of the IPO were as follows:

- sales to increase with an average organic growth rate of 4 to 5% per year – in 2006 the organic growth rate was of 7.8%;
- increase growth rate of 2006 adjusted operating income significantly above 2005 performance – the growth rate of adjusted operating income between 2005 and 2006 is of 21.1% compared to 7.6% in 2005;
- annual average growth of free cash flow creation of 10% - in 2006, the annual average growth of free cash flow creation was 39.1%;
- level of capital expenditure of 5% to 6% of consolidated net sales - in 2006, capital expenditure represented 4.1% of consolidated net sales.

In 2006, Legrand therefore exceeded the targets announced at its initial public offering and demonstrated the efficiency of its business model which combines organic and external, self-financed growth, high profitability and control of capital employed.

In particular, 2006 saw the acquisition of four companies with both strong market positions and growth potential, including Shidean, the leader in audio and video door entry systems in China, Cemar, the Brazilian leader for consumer units and industrial enclosures, and Vantage, number-two on the US market for high-end lighting controls and a home automation specialist.

Taking into account this positive performance and subject to the approval of the shareholders' meeting of May 15, 2007, Legrand expects to pay in 2007 a dividend of €0.50 per share for the 2006 fiscal year, representing a 22% increase.

6.14 - Prospects

For 2007, Legrand is confident in its capacity to have its total sales increase, excluding exchange rate impact, by 7 to 10%, including 4 to 5% organic growth, and to maintain, after consolidation of the recent acquisitions, a high adjusted operating income level, similar to 2006.

The foregoing objectives are not forecasts or projections but merely objectives that result from the Group's strategic orientation and action plan. As a result, Legrand is not making any estimate or forecast with respect to profits or income. These objectives are based on data, assumptions and estimates that Legrand believes are reasonable. These data, assumptions and estimates may change as a result of uncertainties related to the economic, financial, competitive or regulatory environment. In addition, the occurrence of certain of the risks described in Chapter 3 of this reference document would impact the Group's activities and its ability to achieve these objectives. Legrand can give no assurances and provide no guarantee that the foregoing objectives will be met.

7 ADMINISTRATION AND MANAGEMENT OF THE COMPANY

7.1 - Administration and management of the Company

7.1.1 - Board of Directors

The Company is managed by a Board of Directors. The Board is currently composed of 11 members. Members' terms last six years and may be renewed.

7.1.1.1 - MEMBERS OF THE BOARD OF DIRECTORS

The table below sets forth the identity of the directors and the observer of the Company at the registration date of this reference document.

Name, age	Position	Length of mandate[1]	Other positions within the Group	Other positions held outside the Group
Gilles Schnepp 128, avenue du Maréchal de Lattre de Tassigny 87000 Limoges 48 years old	Chairman and CEO	12/10/2002 12/31/2007	- Chairman and CEO, Legrand France - Chairman and CEO, SERD - Chairman, Leten - Chairman, TCL Legrand Building Technologies - Chairman, TCL Legrand International Electrical - Chairman, Anam - Chairman, Bticino Corporativo - Chairman, Bticino Operacional SA DE CV - Chairman, Bticino Philippines - Chairman, Bticino SpA - Chairman, Fidelec - Chairman, Invac SA DE CV - Chairman, Legrand China Holding - Chairman, Legrand Corporativo - Chairman, Legrand España SL - Chairman, Legrand de Mexico - Chairman, Legrand ZRT - Director and Chairman, Simapel - Director and Chairman, Tenby Electrical Access - Director and Chairman, Legrand (S) PTE Ltd. - Vice-Chairman and CEO, Legrand France - Director, Bticino de Mexico - Director, Legrand Elektrik Sanayi - Director, Desmag - Director, Eltas - Director, ICM Group - Director, Legrand Australia - Director, Kimbe - Director, Legrand (Beijing) Electrical Company - Director, Legrand Electrique Belgique - Director, Legrand Electrica - Director, Legrand Hellinki - Director, Legrand Holding Inc. - Director, Legrand Hong-Kong - Director, Legrand Ireland Ltd. - Director, Van Geel Legrand BV - Director, Legrand NZ - Director, Legrand Romania - Director, Legrand Shanghai Trading - Director, Legrand SpA	

Name, age	Position	Length of mandate[1]	Other positions within the Group	Other positions held outside the Group
			- Director, Luminex - Director, Pass & Seymour Inc. - Director, PT Supreme Electro Kontak - Director, The Wiremold Company - Member of the Supervisory Board, Legrand Polska - Member of the Management Board, Znut Fael - Manager (gérant), Pammelec - Manager (gérant), Pammelec Participations - Manager (gérant), Krupka Otto - Manager (gérant), Legrand Gmbh - Manager (gérant), Legrand Osterreich - Permanent representative of Legrand France, Chair of Arnould FAE - Permanent representative of Legrand France, Chair of Baco - Permanent representative of Legrand France, Chair of Cofrel - Permanent representative of Legrand France, Chair of Distrasa - Permanent representative of Legrand France, Chair of Inovac - Permanent representative of Legrand France, Chair of Sarlam - Permanent representative of Legrand France, Chair of Sute - Permanent representative of Legrand France, Chair of URA - Permanent representative of Legrand France, Manager (gérant) of Legrand SNC - Permanent representative of Arnould FAE, Chair of Arnould Planet Watthom - Director, Bticino España SLU - Director, Clarly Ltd - Director, Rocom Electric Company Ltd - Director, Shenzhen Shidean Legrand Electronic Products - Director, Van Geel Slovakia	

Name, age	Position	Length of mandate[1]	Other positions within the Group	Other positions held outside the Group
Olivier Bazil 128, avenue du Maréchal de Lattre de Tassigny 87000 Limoges 60 years old	Director, Vice-Chairman and COO	12/10/2002 12/31/2007	- Chairman and CEO, Desmag - COO and Vice Chairman, Legrand France - Chairman, TCL Legrand Electrical Technology - Director, Anam - Director, Bticino SpA - Director, Bticino Corporativo - Director, Bticino Operacional - Director, Legrand Elektrik Sanayi - Director, Eltas - Director, ICM Group - Director, Invac SA DE VC - Director, Legrand Corporativo - Director, Legrand Electrica - Director, Legrand (India) Private - Director, Legrand Holding Inc. - Director, Legrand de Mexico - Director, Luminex - Director, Pass & Seymour Inc. - Director, Van Geel Legrand BV - Director and CEO, PB Finelectric BV - Director, The Wiremold Company - Member of the Supervisory Board, Legrand Polska - Member of the Supervisory Board, Legrand ZRT - Manager (gérant), Rhein Vermogensverwaltung - Permanent representative of AE Chessy, Manager (gérant) of Planet Watthom - Permanent representative of Legrand France, Chair of AE Chessy - Permanent representative of AE Chessy, Director of SERD - Member of the Supervisory Board, Chateaudun Developpement 3 - Permanent representative of Legrand France, Chair of Pammelec - Director, Legrand España SL - Director, Parkfield Holdings Limited - Director, Shenzen Shidean Legrand Electronic Products - Director, TCL Legrand Building Technologies - Director, TCL Legrand International Electrical	

Name, age	Position	Length of mandate[1]	Other positions within the Group	Other positions held outside the Group
Arnaud Fayet 89, rue Taitbout 75009 Paris 65 years old	Director	12/10/2002 12/31/2007		- Director, BLR Lux (2002-2006) - Director, Stallergènes (1999-2008) - Director, Transgène (2003-2006) - Director, Société Française de MicroInformatique (2005-2006) - Director, Guala Closures SpA (2001-2007) - Director, Vaucrains Participations (1990-2010) - - Director, Biomérieux SA (1998-2004) - Director, BLR BV (2001-2003) - Director, Taitbout Antibes BV (1999-2005) - Director, Wheelabrator Allevard (1997-2005) - Member of Supervisory Board, Trader Classified Media (2000-2004) - Member of Supervisory Board, Valeo (1997-2003)
Jacques Garaïalde Stirling Square 7, Carlton Gardens Londres SW1Y 5AD United Kingdom 50 years old	Director	06/06/2003 12/31/2007	Director, Legrand France	- Chairman and CEO, Mediannuaire Holding - Chairman, Pages Jaunes Groupe - Member of Management Committee, Société d'Investissement familiale (SIF) - Director, Nexans (2001-2007) - Director, Tarkett

Name, age	Position	Length of mandate[1]	Other positions within the Group	Other positions held outside the Group
Edward A. Gilhuly 250 University Avenue Suite 300 Palo Alto CA 94301 United States 47 years old	Director	12/10/2002 12/31/2007	Director, Legrand France	- Director, MedCath Corporation (since 1998) - Director, Duke Management Company - Director, Rockwood Specialties, Inc. (2000-2005) - Director, California Academy of the Sciences - Director, Tenovis GmbH (2000-2004) - Director, LNG (2000-2003) - Director, MTU Aero Engines - Director, Vendex - Member of the Supervisory Board, Demag Holding Sarl (since 2002) - Member of the Supervisory Board, Wincor Nixdorf AG (1999-2006) - Member, Sageview Capital LLC (since 2005) - Member and Partner of KKR (1986-2005)
François Grappotte 128, avenue du Maréchal de Lattre de Tassigny 87000 Limoges 70 years old	Director and Honorary Chairman	12/10/2002 12/31/2007	- Director and Honorary Chairman, Legrand France (Chairman and CEO until early 2006) - Chair, Lumina Management (until early 2006) - Director, Bticino SpA (until early 2006) - Director, Legrand Elektrik Sanayi (until early 2006) - Director, Eltas Elektrik (until early 2006) - Director, Legrand España (until early 2006) - Director, Pass & Seymour Inc. (until early 2006) - Director, The Wiremold Company (until early 2006)	- Member of the Supervisory Board, Michelin - Director, BNP Paribas - Director, Valeo - Member of Consultation Council (Conseil Consultatif), Banque de France

Name, age	Position	Length of mandate[1]	Other positions within the Group	Other positions held outside the Group
Henry R. Kravis c/o KKR & Co. 9 West 57th Street New York NY 10019 United States 63 years old	Director	12/10/2002 12/31/2007		**Current mandates:** - Director, Accel - KKR - Director, US Natural Resources, Inc. - Director, KKR Guernsey GP Limited - Director, Tarkett - Director, BRW Acquisition (2002-2003) - Director, Borden Chemical, Inc. (2002-2003) - Director, The Boyds Collection (2002-2003) - Director, Kindercare Learning Centers, Inc. (2002-2003) - Director, KSL Recreation Corporation (2002-2003) - Director, Sotheby's Holdings Inc. (2002) - Director, United Fixtuers Company (2002) - Director, Willis Group Holdings Ltd (2002-2003) - Director, Primedia, Inc. (2002-2005)
Gérard Lamarche 16 rue de la Ville l'Évêque 75008 Paris 45 years old	Director	04/06/2006 12/31/2011		- Chairman, Cosutrel - Chairman, Genfina - Director, Aguas de Barcelona - Director, Distrigaz(s) - Director, Electrabel - Director, Leo Holding Company - Director, Suez Energie Services – SES - Director, Suez Environnement - Director, Suez-Tractebel
Jean-Bernard Lafonta 89, rue Taitbout 75009 Paris 45 years old	Director	12/10/2002 12/31/2007	Director, Legrand France (2002-2007)	- Chairman of the Management Board, Wendel Investissement (2005-2009) - Deputy Chief Executive Officer and Director, Wendel Investissement (2001-2005) - Chairman, Winvest International SA SICAR - Member of the Management Council (conseil de la gérance), Materis Parent SARL - Manager (gérant), JB Mac Nortance - Manager (gérant), Winvest Conseil - Director, Valeo (2001-2007) - Director, Cap Gemini (2002-2003) - Permanent Representative of SOFU on the Board of Directors of Bureau Veritas (2002-2005) - Chairman of the Supervisory Board, Bureau Veritas (2005-2011) - Chairman of the Supervisory Board, Editis Holding (2004-2008) - Member of the Supervisory Board, Oranje-Nassau Groep BV (2002-2009) - Manager (gérant), Granit SARL

Name, age	Position	Length of mandate[1]	Other positions within the Group	Other positions held outside the Group
Thierry de La Tour d'Artaise Chemin du Petit-Bois BP 172 69134 Ecully Cedex 52 years old	Director	04/06/2006 12/31/2011		**Current mandates:** - Chairman and CEO, SEB SA - Chairman, SEB Internationale - Member of the Supervisory Board, Rowenta Invest BV - Director, Tefal UK - Director, Groupe SEB Japan - Director, Groupe SEB Mexicana - Director, Siparex Associés - Director, Plastic Omnium - Director, Club Méditerranée - Permanent Representative of Sofinaction, Director of Lyonnaise de Banque **Mandates exercised over the past five years:** - Chairman, Groupe SEB Moulinex - Chairman of the Supervisory Board, Rowenta Werke - Member of the Supervisory Board, Groupe SEB Deutschland - Director, T-fal Corp - Director, T-fal de Mexico - Director, Rowenta Inc - Director, Groupe SEB Colombia - Director, SEB Benrubi - Director, Groupe Seb South Africa - Permanent Representative of Seb Internationale with Groupe Seb UK - Permanent Representative of Seb Internationale with Groupe Seb Iberica - Permanent Representative of SEB SA with Rowenta France - Permanent Representative of SEB SA with Calor - Permanent Representative of SEB SA with Tefal - Manager (gérant), Rowenta Deutschland Gmbh - Manager (gérant), Krups Gmbh

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Name, age	Position	Length of mandate[1]	Other positions within the Group	Other positions held outside the Group
Ernest-Antoine Seillière 89, rue Taitbout 75009 Paris 69 years old	Director	12/10/2002 12/31/2007		- Chairman and CEO, Société Lorraine de Participations Sidérurgiques (2003-2007) - Chairman, Wendel Participations - Chairman and CEO, Wendel Investissement (ex-CGIP) (1987-2005) - Vice-Chairman, Cap Gemini (2000-2006) - Director, SOFISAMC (2003-2006) - Director, Société Générale (1986-2002) - Director, Société Lorraine de Participations Sidérurgiques (1985-2003) - Chairman of the Supervisory Board, Wendel Investissement (ex-CGIP) (2005-2009) - Chairman of the Supervisory Board, Oranje-Nassau Groep BV (2001-2009) - Chairman of the Supervisory Board, Trader Classified Media (2000-2004) - Chairman of the Supervisory Board, Valeo (2001-2002) - Vice-Chairman of the Supervisory Board, bioMérieux Pierre Fabre (2001-2002) - Member of the Supervisory Board, Bureau Veritas (2005-2011) - Permanent Representative of ONG (ex- SOFISERVICE) on the Supervisory Board of Bureau Veritas (1995-2005) - Member of the Supervisory Board, Editis Holding (2004-2008) - Member of the Supervisory Board, Gras Savoye & Cie (2003-2007) - Member of the Supervisory Board, Hermès International (1997-2007) - Member of the Supervisory Board, Peugeot SA (1994-2012) - Member of the Supervisory Board, Valeo (1986-2001)

(1) Until the date of the general shareholders' meeting held to approve the accounts of the given year.

7.1.1.2 - BIOGRAPHIES OF THE MEMBERS OF THE BOARD OF DIRECTORS AND THE OBSERVER

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. Upon graduating from the *École des Hautes Etudes 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. In 1993 he became the Secretary and in 1996, the Chief Financial Officer. Mr. Schnepp serves as a director of several Group companies, including The Wiremold Company (United States), Anam Legrand (South Korea), Legrand Polska (Poland), Legrand (Belgium), Desmag (Luxembourg), Fidelec (Morocco), Kontavil (Hungary), Legrand (Philippines), Legrand (Sweden), Legrand Helliniki (Greece), Legrand Ireland Limited (Ireland), Van Geel Legrand BV (The Netherlands), Polam Suwalki (Poland), Simapel (Morocco), Shenzhen Shidean Legrand Electronic Products (China), as Chairman of Baco, Serd, Sute, Multicontactos Otesa (Mexico), TCL Legrand Building Technologies and TCL Legrand International Electrical (China), as member of the Supervisory Board of Chateaudun Developpement 3 and as Manager (*Gérant*) of Legrand GmbH (Austria).

Olivier Bazil has been a member of the board of directors of Legrand France since 1988 and a director of the Company since 2002. After finishing his studies at the *École des Hautes Etudes Commerciales* (HEC) and Harvard Business School, he joined the Company in 1973 as a Deputy to the Secretary, responsible for financial information and development of the group's growth strategy. In 1979, he became Financial Director of Legrand France and became Deputy Chief Operating Officer in 1993 and Vice-Chairman Chief Operating Officer in 2000. Mr. Bazil serves as a director of several Group companies, including Baco (France), Bticino (Italy), Kontavil (Hungary), MDS (India), The Wiremold Company (United States), Pass & Seymour Inc. (United States), Van Geel Legrand BV (The Netherlands), Legrand Holding (United States), Shenzhen Shidean Legrand Electronic Products, TCL Legrand Building Technologies and TCL Legrand International Electrical (China) and PB Finelectric (The Netherlands), as Manager (*Gérant*) of Rhein Vermögensverwaltung (Germany), as member of the Supervisory Board of Chateaudun Developpement 3 and as Chairman of Desmag (Luxembourg) and TCL Electrical Technology (China).

Arnaud Fayet has been a director of the Company since 2002. He joined the Wendel group in 1995 and was Director in charge of business development. He is a member of the board of directors of Stallergènes. Between 1991 to 1995, Arnaud Fayet served as Managing Director, then Executive Vice President and member of the board of directors of Carnaud Metalbox. Arnaud Fayet was Executive Director of DMC and *Société Générale de Fonderie* after spending five years at McKinsey. Arnaud Fayet holds a degree from *École Centrale* and an MSc from Stanford University.

Jacques Garaïalde has been a director of the Company since 2003 and an Executive of KKR since 2003. Effective January 1, 2004, Jacques Garaïalde became a 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 Chairman of Pages Jaunes Groupe and as a director of Nexans, Tarkett, *Société d'Investissement Familiale (SIF)*, and Médiannuaire Holding. Jacques Garaïalde received his MBA from INSEAD (Fontainebleau) and is a graduate of *École Polytechnique*.

Edward A. Gilhuly has been a director of the Company since 2002. Mr. Gilhuly 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. Since 2005, Mr. Gilhuly acts as the investment advisor to Sageview Capital LLC, of which he is a founding member. Mr. Gilhuly is a director of MedCath Corporation, Duke Management Company and the California Academy of the Sciences. Mr. Gilhuly holds a BA from Duke University and an MBA from Stanford University.

François Grappotte has been a director of the Company since 2002. After graduating from the *École Nationale d'Administration* (ENA), he started his career at the Ministry of Industry and at the Treasury Division (*Division 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 Secretary, Chief Operating Officer and Vice Chairman. Mr. Grappotte joined Legrand in 1983 as Chief Executive Officer and became Chairman and Chief Executive Officer in 1988. Mr. Grappotte serves as a Director of BNP Paribas (France), a Member of the Supervisory Board of Etablissements Michelin (France) and a Member of the Consultation Council (*Conseil Consultatif*) of Banque de France.

Henry R. Kravis has been a director of the Company since 2002 and is a founding partner of KKR & Co. Effective January 1, 1996, Mr. Kravis became a manager of the Company that serves as the general partner of KKR. Mr. Kravis is a member of the board of directors of Accel, KKR Guernsey GP Limited, Tarkett and US Natural Resources, Inc.

Jean-Bernard Lafonta has been a director of the Company since 2002 and has been chairman of the management board of Wendel since 2005. He joined Groupe Wendel in 2001. Jean-Bernard Lafonta has held various positions in the French administration, including in ministerial cabinets. He was a member of the mergers and acquisitions team at Lazard. In 1996, he became Strategic Director before becoming the Director of capital markets of BNP Paribas and then the Chairman and chief executive officer of *Banque Directe* and a member of the executive committee of BNP Paribas. Mr. Lafonta is also a member of the supervisory board of Bureau Veritas and a member of the board of directors of Legrand France. Jean-Bernard Lafonta is a graduate of *École Polytechnique*.

Gérard Lamarche has been a director of the Company since 2006. He was appointed Managing Director in charge of Finance of the Suez Group in March 2004. 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 with an industrial path by joining NALCO (U.S. subsidiary of the Suez group – world leader of industrial water treatment) in 2000 as Managing Director in charge of Finance. In February 2003, he was appointed as Senior Executive Vice-President in charge of Finance of the Suez group, and has been in charge of the Financial Operations, Cash-Flow, Tax, Planning, Accounting and Control sections. Gérard Lamarche is a graduate 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).

Thierry de La Tour d'Artaise has been a director of the Company since 2006. Between 1979 and 1983, Mr. de la Tour d'Artaise was an Audit Manager with Coopers & Lybrand. In 1983, he was appointed as Head of Internal Audit of Groupe Chargeurs SA. Thierry de La Tour d'Artaise has served as Chief Financial Officer (1984-1986) and Chief Executive Offcier (1996-1998) of Croisières Paquet and 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.

Ernest-Antoine Seillière has been a director of the Company since 2002 and is the chairman of the supervisory board of Wendel. In 1969, Ernest-Antoine Seillière served as a member of the cabinet of the French Prime Minister Jacques Chaban-Delmas. He then served as a member of the cabinets of Pierre Messmer, Maurice Schumann and Robert Galley. He joined Wendel in 1976. Ernest-Antoine Seillière is the chairman of SLPS (the company which regroups the members of the Wendel family), chairman of the board of directors of Oranje Nassau and a member of the Supervisory Board of Bureau Veritas. Ernest-Antoine Seillière was chairman of MEDEF (*Mouvement des Entreprises de France*) from 1997 to 2005. Mr. Seillière de Laborde is currently the chairman of Business Europe. Mr. Seillière de Laborde graduated from *École Nationale d'Administration* (ENA), and lectured for a year at Harvard University, Center for International Affairs.

To the Company's knowledge, none of the Company's corporate officers are related to one another.

In addition, to the Company's knowledge, no corporate officer 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, with the exception of Mr. Arnaud Fayet. Mr. Fayet was a director of TAT European Airlines and Air Liberté AOM and a member of the supervisory board of Air Liberté AOM and Air Liberté, against which judicial reorganization (*redressement judiciare*) proceedings were commenced on June 19, 2001. By judgment dated July 27, 2001, the Créteil Business Tribunal (*Tribunal de commerce de Créteil*) approved the disposal of Air Liberté AOM, Air Liberté and TAT European Airlines to Holco. In accordance with applicable law, this judgment terminated Mr. Arnaud Fayet's duties with respect to these companies;
- has been the subject of any official public incrimination or sanctions by statutory or regulatory authorities (including designated professional organizations); and
- has been disqualified by a court from acting 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.

7.1.2 - General management ("Direction Générale") of the Company

Mr. Gilles Schnepp is responsible for the general management ("*Direction Générale*") of the Company. Mr. Schnepp is also a director of the Company and was nominated as such on March 17, 2006.

7.1.3 - Committees

7.1.3.1 - ORGANIZATION AT THE REGISTRATION DATE OF THE REFERENCE DOCUMENT

At the registration date of this reference document, the Company has three specialized committees, the purpose of which is to assist the Board of Directors in the preparation of its deliberations. These committees are the Audit Committee, the Nominating and Compensation Committee and the Strategy Committee.

7.1.3.1.1 - Audit Committee

The missions and activities of the Audit Committee during 2006 are described in the Chairman's report on internal controls as reproduced in paragraph 7.4.1 of this reference document.

7.1.3.1.2 - Nominating and Compensation Committee

The missions and activities of the Nominating and Compensation Committee during 2006 are described in the Chairman's report on internal controls as reproduced in paragraph 7.4.1 of this reference document.

7.1.3.1.3 - Strategy Committee

The missions and activities of the Strategy Committee during 2006 are described in the Chairman's report on internal controls as reproduced in paragraph 7.4.1 of this reference document.

7.1.4 - Age limits

Any person exercising the functions of Chairman, Chief Executive Officer (*Directeur général*) or Chief Operating Officer (*Directeur général délégué*) may not be older than 65 years of age. The number of directors over the age of 70 may not constitute more than one third of the Board of Directors.

7.1.5 - Conflicts of interest

Mr. Schnepp and Mr. Bazil are employees of the Company. To the Company's knowledge, neither Mr. Schnepp nor Mr. Bazil are in a position of conflict of interest with respect to their employment agreements.

Mr. Ernest-Antoine Seillère and Mr. Jean-Bernard Lafonta are Directors of the Company and of Wendel, one of the principal shareholders of the Company. To the knowledge of the Company, neither Mr. Ernest-Antoine Seillère nor Mr. Jean-Bernard Lafonta is in a position of conflict of interest with respect to the exercise of their duties.

Mr. Henry Kravis, Mr. Jacques Garaïalde and Mr. Edward Gilhuly are Directors of the Company. To the knowledge of the Company, none of Mr. Henry Kravis, Mr. Jacques Garaïalde or Mr. Edward Gilhuly are in a position of conflict of interest with respect to the exercise of their duties.

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 private affairs of the Directors of the Company and the interests of the Company.

7.2 - Remuneration and benefits

7.2.1 - Remuneration and benefits of the Company's corporate officers and executives

In 2006, the remuneration paid by the Company and its subsidiaries to the Directors of the Company amounted to approximately €1.6 million. This amount includes the remuneration paid to the Directors in respect of all duties performed for the Company and its subsidiaries. Under his employment agreement, Mr. Gilles Schnepp received a total gross remuneration for 2006 in the amount of €649,200, comprised of fixed remuneration in the amount of €444,000 and a variable portion in the amount of €205,200. Under his employment agreement, Mr. Olivier Bazil received total gross remuneration for 2006 in the amount of €620,000, comprised of fixed annual remuneration in the amount of €420,000 and of a variable portion in the amount of €200,000.

The Board of Directors meeting held on March 17, 2006 acknowledged the resignation of François Grappotte from his duties of Chief Executive Officer of the Company and decided to appoint him Honorary Chairman of the Board of Directors. The Board also decided that the balance of the remuneration of Mr. Grappotte for 2006, which amounted to €300,000, be paid to him in full and that his company car be transferred to him for a symbolic consideration of 1 euro, equalling a benefit in kind of €17,789.

In 2006, Mr. Gilles Schnepp and Mr. Olivier Bazil received benefits in kind consisting of the use of a vehicle, equivalent to an amount of €1,909 for Mr. Gilles Schnepp and €3.723 for Mr. Olivier Bazil.

In 2006, travel expenses paid by the Company for Messers. François Grappotte, Gilles Schnepp and Olivier Bazil amounted to €1,835, €40,594 and €33,628 respectively.

In 2006, the Company did not pay any attendance fees (*jetons de présence*). Bticino SpA paid attendance fees to Mr. Olivier Bazil in the amount of €5,200.

Finally, in connection with Group profit sharing and interest plans, Messers Gilles Schnepp and Olivier Bazil each received a gross amount of €19,711 in 2006.

The Board of Directors' meeting held on February 7, 2007 approved payment of the following amounts to the Company's Directors in attendance fees for the 2006 fiscal year:

Name	Duties	Amount
Gilles Schnepp	Chairman and Chief Executive Officer	€20,000
Olivier Bazil	Vice-Chairman and Chief Operating Officer	€20,000
Arnaud Fayet	Director	€22,500
Jacques Garaïalde	Director	€30,000
Edward A. Gilhuly	Director	€19,500
François Grappotte	Director	€19,000
Henry R. Kravis	Director	€15,000
Jean-Bernard Lafonta	Director	€26,500
Gérard Lamarche	Director	€30,500
Thierry de La Tour d'Artaise	Director	€18,000
Ernest-Antoine Seillière	Director	€17,000
TOTAL		**€238,000**

In respect of the 2005 fiscal year, the following remuneration and benefits were granted to the corporate officers and managers of the Company:

- €220,000 was paid to Mr. François Grappotte as Chief Executive Officer of the Company;
- compensation paid by the Company and its subsidiaries to the Company's Directors amounted to approximately €1.1 million, including compensation paid to Directors for all of their duties with respect to the Company and its subsidiaries. In accordance with his employment contract, Mr. Gilles Schnepp earned an aggregate gross amount of €548,100 in 2005, comprised of a fixed salary of €385,000 and variable compensation amounting to €163,100. In accordance with his employment contract, Mr. Olivier Bazil earned an aggregate gross amount of €523,894 in 2005, comprised of an annual fixed salary in the amount of €366,000 and a bonus in the amount of €157,894;
- Mr. François Grappotte and Mr. Olivier Bazil received benefits in kind consisting of the use of a vehicle, equivalent to an amount of €5,000 per vehicle;
- travel expenses paid by the Company for Mr. François Grappotte, Mr. Gilles Schnepp and Mr. Olivier Bazil amounted to €7,814, €52,245 and €69,566, respectively;
- the Company did not pay any attendance fees *(jetons de présence)*. Bticino SpA paid attendance fees to Mr. Olivier Bazil in the amount of €5,200; and
- in connection with Group profit sharing and interest plans (*accords de participations et d'intéressement*), Mr. Gilles Schnepp and Mr. Olivier Bazil each received gross amounts of €19,096.

7.2.2 - Remuneration and benefits payable upon termination of functions as corporate officer of the Company

In 2001, Legrand France entered into an agreement with an insurance company for the provision of pension, retirement and similar benefits to the members of the Group Executive Committee benefiting from the retirement regime applicable to French employees responsible for day-to-day operations. At December 31, 2006, Legrand's obligations under such agreement amounted to approximately €7.6 million, of which approximately €3.1 million was funded. A provision was made in the accounts for the remaining €4.5 million. The Executive Committee is composed of 10 members, including two salaried Directors. This retirement supplement is calculated in a manner that allows the beneficiary to receive a retirement pension, comprised of the sum of the retirement supplement and legally prescribed retirement indemnities, in an amount equal to 50% of the average amount of the two highest annual salaries paid to such individual during the last three years of employment with the Group. To receive the retirement supplement, the individual must be at least 60 years of age and must have been employed by Legrand for at least ten years. If the beneficiary dies, the Company will pay 60% of the retirement supplement to such beneficiary's surviving spouse.

Mr. Gilles Schnepp and Mr. Olivier Bazil also benefit from a standard non-compete covenant corresponding to the provisions of the non-compete covenant defined in the Collective Bargaining Agreement for Steel Workers (*Convention Collective de la Métallurgie*). This covenant allows the Company to impose a non-compete obligation of one to two years starting from the date of departure of Mr. Bazil or Mr. Schnepp, as the case may be, from the Company, which will be compensated at 50% of their base salary. In addition, upon their retirement, Mr. Gilles Schnepp and Mr. Olivier Bazil are entitled to a standard retirement indemnity as set by the Collective Bargaining Agreement for Steel Workers.

Except as described above, no member of the Company's Board of Directors is entitled to departure benefits.

7.2.3 - Shareholding by corporate officers

See paragraph 9.1.2.3 of this reference document.

7.2.4 - Breakdown of purchase or subscription options granted to corporate officers

The table below sets forth the breakdown of purchase and subscription options issued by Legrand France to corporate officers of the Company at December 31, 2005. A description of the stock option purchase and subscription plans implemented by the Company and Legrand France is set forth in paragraph 8.2 of this reference document.

Name	Plan	Number of options granted	Number of shares for which options are exercisable
Gilles Schnepp	Legrand France 1999	2,789	2,789
	Legrand France 2001	19,757	19,757
Olivier Bazil	Legrand France 1999	4,837	4,837
	Legrand France 2001	21,943	21,943
François Grappotte	Legrand France 1999	4,837	4,837
	Legrand France 2001	21,943	21,943

The totality of options set forth in the table below were exercised by their holders over the course of 2006. As a result, at December 31, 2006, the total number of subscription and/or purchase options held by the Company's corporate officers pursuant to the 1999 and 2001 Legrand France stock option plans was nil.

The Company's corporate officers hold no other purchase or subscription options exercisable for shares of any Group company.

7.2.5 - Other benefits granted to the Company's corporate officers

The Company has not granted any loan, advance or guarantee to any of its corporate officers.

7.2.6 - Amounts established or provisioned for by the Company or its subsidiaries for the purposes of the payment of pensions, retirement commitments or other benefits

Excluding provisions recorded in accordance with applicable law, the Company recorded a provision in the amount of €4.5 million pursuant to an agreement entered into between Legrand France and an insurance company relating to the provision of pension, retirement and other services to the members of the Executive Committee benefiting from the retirement regime applicable to French employees.

7.3 - Operation of administrative and management bodies

7.3.1 - Operation of administrative bodies

The Company endeavors to conform to corporate governance principles as defined by applicable recommendations, except as such principles regard the number of independent directors. Notably, given the concentration of the shareholding of the Company, there must be at least two independent Directors on the Company's Board of Directors.

The Company's Board of Directors adopted internal regulations conforming with 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 Committee, as well as the rights and obligations of the Company's Directors. The principal provisions of the internal regulations are described below.

7.3.1.1 - BOARD OF DIRECTORS

7.3.1.1.1 - Missions and duties of the Board of Directors

The Board of Directors determines the broad lines of the Company's business activities and ensures their implementation. 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 ensures their implementation by the Company's management;
- 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 €50 million;
  - The creation of joint venture(s) or any acquisition of a business in an amount exceeding €50 million and the acquisition of any shareholding or business, or the entering into of any joint venture contract, where such transaction regards an amount in excess of €50 million;
  - The sale or transfer of asset(s) or business(es) in an amount in excess of €50 million and the disposal of any shareholding or businesses in an amount in excess of €50 million;
  - The annual budget and the approval of the Group's three year business plan as presented by the Company and its subsidiaries;
  - The appointment, replacement or revocation 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 the totality or quasi-totality of the Company's assets;
  - Any transaction leading to a capital increase or decrease of the Company, 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 free 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;
  - Modifications in corporate governance, including any modifications 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;
  - Proposal of nomination of new members to the Board of Directors;
  - The listing of the Company's securities on a regulated market other than the Eurolist market of Euronext Paris;
  - The declaration of bankruptcy, the designation of an ad hoc authorized agent, liquidation, voluntary dissolution or amicable liquidation of the Company, and any decision that would result in an insolvency procedure (*procedure collective*) or the nomination of an ad hoc authorized agent;
  - Any proposal of a decision relating to the modification of the Company's bylaws;
  - The entry into any agreement or settlement, or the acceptance of any compromise, concerning any litigation relating to sums in an amount in excess of €50 million; and
  - The granting of any surety on the Company's assets, where the guaranteed commitment or the asset granted as a surety regards an amount in excess of €50 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 proposal of Nominating and Compensation Committee, the presentation of the Directors to be included in the annual report of the Board of Directors, and in particular, the list of independent Directors and the criteria for appointing them;
- The appointment of temporary replacements (*cooptation*) of Directors, as necessary, and proposals for the appointment and renewal of Directors at the ordinary general shareholders' meeting;
- The determination, upon the recommendation of the Nominating and Compensation Committee, of the compensation of the Chairman, Chief Executive Officer, and Chief Operating Officers (*Directeurs généraux délegués*) of the Company, 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, on interest 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.

7.3.1.1.2 - 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 which 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 Executive Officer and the Honorary Chairman, six shareholder representatives (three of which were nominated by each of Wendel and KKR) and two independent Directors.

Independent Directors

Membership of independent Directors

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

Definition of independent Director

A Director is considered to be independent if such Director 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.

7.3.1.1.3 - Operations of the Board of Directors

The Company's Board of Directors may meet as often as required in the interest of the Company, and in any event, at least five times per year.

Notice of Board meetings may be given by letter, telex, telegram, fax, electronic mail or verbally, 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 that 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, as the case may be, of a disruptive technical problem arising during a videoconference or teleconference;
- The name of other persons assisting all or part of the Board meeting;
- The summary of the discussions and deliberations of the Board of Directors; and
- Questions raised and the reservations of participating Directors, as the case may be.

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.

A Director may request any document he deems useful to the preparation 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.

7.3.1.2 - COMMITTEES

The Board of Directors established specialized Committees to facilitate the Board in its work and the preparation of its deliberations. The Committees consider issues falling within the scope of their competence and submit opinions, proposals and recommendations to the Board.

The three permanent specialized Committees are:

- the Audit Committee;
- the Nominating and Compensation Committee; and
- the Strategy Committee.

The Board, upon the proposal of the Nominating and Compensation Committee, appoints committee members. Committee membership can be revoked by the Board 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 Chairman of the Audit Committee is an independent Director appointed upon the proposal of the Nominating and Compensation Committee. The Chairman of the Strategy Committee is designated upon the proposal of the Nominations and Compensation Committee. The Chairman of the Nominating and Compensation Committee is appointed among the members of such 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 mandate 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 is not convened as often as required, he may cause a Committee meeting to be convened. The Chairman may also convene a Committee meeting if he deems it necessary that the concerned Committee give an opinion or a recommendation to the Board on a specific topic.

The Chairman of each Committee establishes the Committee meeting agenda and provides 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 take place at the Company's registered office or at any other location.

In exercising its role, 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.

7.3.1.2.1 - Audit Committee

The Audit Committee assists the Board of Directors in ensuring the accuracy and truthfulness of the Company accounts and the consolidated financial statements, as well as the quality of internal controls and information made available to the Company's shareholders and the market.

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

- with respect to the accounts:
  - proceed with the initial examination of the draft annual and half-year Company accounts 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 accounts;
  - ensure the adequate treatment of significant transactions at the Group level; and
  - keep up to date on the Group's financial and cash situation, as well as its significant commitments.
- with respect to internal controls:
  - determine the quality and efficiency of the Group's internal control procedures in order to ensure that they allow the Company accounts and consolidated financial statements to accurately and truly reflect the reality of the business and of the Group and conform to applicable accounting standards; and
  - ensure the relevance and quality of the Company's financial communications;
- with respect to external controls, the Audit Committee has the essential role of guaranteeing the independence and objectivity of the statutory auditors by:
  - 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 may not serve on the Audit Committee. The members of the Audit Committee must possess the financial and/or accounting experience necessary for the exercise of their role on the Committee. In addition, 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 half year accounts.

7.3.1.2.2 - Nominating and Compensation Committee

The Nominating and Compensation Committee is responsible for:

- examining and formulating proposals to the Board of Directors regarding candidates for membership on the Board, Audit Committee, Strategy Committee or as Chief Executive Officer or Chairman of the Board. 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 related 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 deputy CEOs (*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 coherent with annual performance evaluations of managers and with the Group's medium-term strategy. The Committee also supervises the application of such rules; and

- ensures that the Company is in compliance 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 are clearly and completely communicated in the annual report.

With respect to Director compensation, the Committee:

- formulates proposals on the allocation of directors fees (*jetons de présence*) pursuant to the internal regulations; and
- formulates recommendations on compensation which may be provided to Directors entrusted with additional responsibilities.

With respect to stock subscription or purchase option plans and all other forms of compensation through shares or equity based compensation, the Committee is responsible for:

- reviewing the general policy on the benefits of such methods of compensation and submitting proposals as necessary to the Board of Directors;
- reviewing information provided on such compensation in the annual report and to the general 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 approval of the annual general shareholders' meeting agenda to examine the draft resolutions relating to its powers that will be submitted to the annual general shareholders' meeting.

7.3.1.2.3 - 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.

7.3.1.3 - DIRECTORS' CHARTER

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.
- The annual report includes information on the presence of Directors at Board and committee meetings for disclosure purposes.
- Directors make sure they attend general shareholders' meetings.
- Each Director must personally hold at least 500 shares of the Company during 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 during such Director's term.
- 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 his term, a Director may receive training on the specifics of the Company, its activities and the industry in which it operates. And
- Directors must respect the Company's code of conduct with respect to trading and market activities.

7.3.2 - 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 paragraph 11.2.2.2 of this reference document)

The internal regulations enumerate certain significant decisions that require the prior authorization of the Company's Board of Directors. (See paragraph 7.3.1.1 of this reference document).

7.3.3 - Internal control

The Company's internal controls are based on the observance of a number of principles, in particular, the protection and safeguarding of assets, fraud prevention and the detection, reliability and truthfulness of accounting information, as well as the observance of applicable law, objectives set by the Company, and its regulations and internal procedures. The Group's management has defined a number of principles in order to implement these objectives, particularly in the areas of internal control structures, risk evaluation, internal control procedures, reliable financial information and the steering of the Group's activities.

The organization of internal controls within the Group and notable events which occurred during 2006 are described in the Chairman's report on internal controls as reproduced in paragraph 7.4.1 of this reference document.

7.3.4 - Service contracts

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

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

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

This code of conduct was adopted by the Board of Directors on June 2, 2006 and applies to all corporate officers (*mandataires sociaux*), managers and senior executives (*personnes assimilées*). The Board appointed the Secretary as the person in charge of the 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.

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7.4 - Report of the chairman of the board of directors on internal controls

The report of the Chairman of the Board of Directors relating to internal controls is prepared 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.

7.4.1 - Corporate governance and conditions of preparation and organization of the work of the Board

The Board of directors

Legrand is a *société anonyme* with a Board of Directors.

As at December 31, 2006, the Board was made up of 11 members, appointed for a term of six years.

Composition of the Board of Directors:			
Name	Duties	Date of first appointment	Term of office expires on
Gilles Schnepp	Chairman and CEO	12/10/2002	12/31/2007
François Grappotte	Honorary Chairman	12/10/2002	12/31/2007
Olivier Bazil	Vice-Chairman – COO	12/10/2002	12/31/2007
Arnaud Fayet	Director	12/10/2002	12/31/2007
Jacques Garaialde	Director	06/06/2003	12/31/2007
Edward A. Gilhuly	Director	12/10/2002	12/31/2007
Henry Kravis	Director	12/10/2002	12/31/2007
Jean-Bernard Lafonta	Director	12/10/2002	12/31/2007
Gérard Lamarche	Director	04/06/2006	12/31/2011
Ernest-Antoine Seillière	Director	12/10/2002	12/31/2007
Thierry de La Tour d'Artaise	Director	04/06/2006	12/31/2011

* *As at the date of the shareholders meeting to approve the accounts of the past financial year.*

The Board of Directors meets on a regular basis and at least five times a year. In 2006, the Board met on nine occasions.

A specific training of the members of the Board of Directors in relation to the market ethics charter of the Group and issues related to the holding of insider information was carried out in 2006.

The Board approved the consolidated accounts of the Group for each quarter, following their presentation by the general management. Attendance of Directors at Board meetings was satisfactory, with a presence rate for the year of 70%.

These meetings were used by the general management to inform members of the Board of Directors in relation to the strategy, development and performance of the Group.

During the 2005 financial year, Deloitte & Associés was appointed as the Group's second statutory auditor and BEAS was appointed as alternate statutory auditor.

Members of the Central Works Committee (*Comité central dentreprise*) will be attending meetings of the Board of Directors starting the meeting of the Board to approve the 2006 accounts. This will improve the corporate governance of the Group.

In order to perform its duties under the best conditions, the internal regulations of the Board provide that its deliberations will be prepared in certain fields by specialized Committees: the Audit Committee, the Strategy Committee, and the Nominating and Remuneration Committee.

The Audit Committee

The powers of the Audit Committee and its organization are specified in the internal rules of the Board.

The Audit Committee is composed of 3 members appointed by the Board of Directors: Arnaud Fayet, Jacques Garaïalde and

Gérard Lamarche. It is chaired by Gérard Lamarche. Its duties are as follows:

- review the accounts of the Company and the Group;
- ensure that the accounting methods used for preparation of the consolidated or company accounts are consistent and accurate, and that material transactions at the Group level and major risks are adequately addressed;
- ensure that internal control procedures for the collection and control of information, which guarantee the reliability thereof, are determined, review the internal audit plan of the Group and the plan of intervention of the statutory auditors, become familiar with the internal audit programs of the Group;
- provide an opinion on the renewal or appointment of the statutory auditors; and
- review any financial or accounting issue which is 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 becomes aware.

The Audit Committee meets prior to the review of the annual, half-year and quarterly accounts by the Board of Directors.

Meetings of the Board of Directors 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 team, or receive the observations of the statutory auditors without the members of the general management being present.

The Audit Committee reports to the Board of Directors on the performance of its duties.

The Audit Committee met on four occasions during the 2006 fiscal year.

During these meetings, the findings of the 2005 fiscal year audit were presented and approved. The Audit Committee reviewed in detail the accuracy of the annual accounts and of the consolidated accounts for the fiscal year ended December 31, 2006, as well as the half-year financial statements. The statutory auditors presented their findings to the members of the Committee. The Committee also reviewed the work agenda and the findings of the internal and external audits. It reviewed, in particular, the progress made on the IFRS and internal control projects.

The chairman of the Audit Committee has reported on the Committee's work on a regular basis to the meetings of the Board of Directors.

The Nominating and Compensation Committee

The powers and organization of the Nominating and Compensation Committee are specified in the internal rules of the Board.

The Nominating and Compensation Committee is made up of four members appointed by the Board of Directors: Jacques Garaïalde, Edward A. Gilhuly, Jean-Bernard Lafonta and Gérard Lamarche. It is chaired by Jean-Bernard Lafonta. Its duties are to approve:

- all types of remuneration of managers, including benefits in kind received from any company of the Group or any affiliated company, as well as any provisions relating to their retirement;
- the establishment of share subscription option or share purchase option plans, and any other types of remuneration based on shares or indexed to or connected with shares to the benefit of the managers or of any employee or group of employees of the Company or of its subsidiaries.

The Nominating and Compensation Committee meets as often as necessary.

Meetings of the Nominating and Compensation Committee may take place by telephone or video conference; a quorum exists when at least half of the members are present.

The Nominating and Compensation Committee reports to the Board of Directors on the performance of its duties.

The Nominating and Compensation Committee met on two occasions to determine the remuneration of the managers of the Group as well as the terms and framework of the Legrand stock option plan and the free share allocation plan. It also determined the attendance fees to be allocated to the members of the Board of Directors based on their participation to the Boards and Committees.

The Strategy Committee

The Strategy Committee is made up of four members appointed by the Board of Directors: Olivier Bazil, Jacques Garaïalde, Jean-Bernard Lafonta and Gilles Schnepp. It is chaired by Jacques Garaïalde. Its responsibilities include:

- the review of 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;
- the review of the draft annual budgets and development plans of the Company submitted to the Board of Directors. As such, the Strategy Committee consults with the managers of the Company in relation to the assumptions on which such plans and budgets are based or amended.

The Strategy Committee met on three occasions during the 2006 fiscal year.

In its meetings, it reviewed, in particular, the budget of the Group, the main investments made and reviewed all of the acquisition projects.

7.4.2 - Determination and goals of the Groups' internal control procedures

In addition to the tasks carried out by the various control bodies of the Company – the Audit Committee, the Nominations and Compensation Committee and the Board of Directors – it should be noted that the assets of the Company are almost exclusively comprised of shares corresponding to its shareholding of the Group.

It must also be highlighted that the uniqueness of the Group's business model is a key aspect for understanding and assimilating the internal control principles of all of the subsidiaries of the Group.

The goals of internal control within the Group are based on compliance with a number of principles:

- protection and maintenance of assets through procedures such as stock monitoring through permanent inventories, tangible asset monitoring through regular inventories, or insurance policies adapted to the Group's needs;
- fraud prevention and detection, in particular as regards accounting and financial information;
- reliability and accuracy of accounting information in relation to existing transactions;
- compliance with management's goals;
- compliance with laws and regulations and internal procedures;
- contribution to the optimization of operations.

In order to implement these goals, the Group's management has established an internal control system of reference based on the COSO principles, adapted to the particularities of Legrand, which also covers the draft system of reference recently published by the AMF:

- control environment of the Group, the principles of which organize the internal control philosophy of the Group, and determine employees' awareness of the need for internal controls;
- risk assessment and management. At Legrand, the reduction in the number of hierarchical levels, and the existence of short decision-making processes with easy access to the general management allow the Company to identify and control the risks it must face;
- internal control procedures which guarantees compliance with the goals determined by the management. The fact that the Group has an activity focused on only one core business permits the definition of simple organization rules in each of the staff and line management units of the Group;
- reliable financial information giving rise to action plans in a timely manner, due to permanent follow-up of the performance of the subsidiaries by the reporting system of the Group;
- running of Group's activities through an adequate delegation of powers and supervision thereof.

The roll-out of this system of reference, initially launched in the context of the Sarbanes-Oxley Act, has continued, and it is now effective in all of the subsidiaries of the Group where needed.

This roll-out consisted in the launch of various improvement measures in all of the relevant subsidiaries. At the end of December 2006, over 80% of such measures had already been implemented and therefore slightly contributed to the improvement of the quality of internal control on all of the processes. Measures not yet implemented will be carried out in 2007.

Lastly, thanks to its organizational nature, this system of reference is also used to harmonize the internal control methods of the new subsidiaries of the Group and make their integration easier.

7.4.3 - Organization of Legrand's internal controls

The organization implemented by the Group mainly aims at allowing a clear definition of assignment of responsibilities to the various operational units and duties, while keeping an efficient level of control by complying with widespread internal control procedures and by setting up adequate control departments both at the corporate level and at subsidiary level.

Internal control procedures

This system of reference, in particular internal control procedures of the Group, is part of an administrative and financial procedures and accounting, management and reporting rules manual. This procedure manual has existed for over ten years and is adapted to the economic context and to the industrial activity of the Group. It clearly focuses on the follow-up of movement of products (reliability of stocks followed-up through permanent inventories, analysis and justification of stock discrepancy) and on sales transactions (compliance with product recognition rules, follow-up and authorization of discounts or rebates). These procedures are updated on a regular basis when necessary.

Internal control

The main duties of the internal control section of the Group are to lead the internal control policy of the Group and to carry out audit duties in the various entities of the Group.

Moreover, for the most substantial entities of the Group (France, Italy and USA), the internal control section of the Group relies on local internal controllers, dedicated to the implementation of the internal control policy in their respective units.

In 2006, the internal control system of the Group was strengthened as a result of the implementation of a system based on the COSO system of reference, as well as on the planned AMF reference framework. This internal control policy is now implemented at the very heart of the core businesses of the Group, which permits constant adaptation to the Group's specificities and an easier implementation for all players.

The internal control section reports to the Secretary of the Group, who reports to the Vice Chairman and Chief Operating Officer.

Operational audit

The Group's operational audit section plays a key role in the follow-up process of the performance of the subsidiaries. It coordinates the preparation of annual budgets and carries out an in-depth control of the achievements and estimations. This work follows specific rules for drawing-up reporting and budgets, which are included in the internal control procedures manual.

All subsidiaries deliver on a monthly basis a consolidation reports including a balance sheet, profit and loss account and analysis, allowing for a detailed follow-up of their performance.

Corporate financial analysis

The corporate financial analysis section aims at drawing up and analyzing the consolidated financial statements of the Group. It prepares and circulates, on a monthly basis, a trends chart showing the consolidated performance of the Group, as well as the difference between effective performance and targeted results.

The consolidation of the accounting data is carried out by a dedicated team based on the consolidation reports which are available *via* software accessible to all of the subsidiaries of the Group. Consolidated accounts are drawn up on a monthly basis, with the exception of August, following a consolidation agenda circulated in all of the subsidiaries, which allows them to organize accordingly and provide the financial information in due time.

Almost all of the consolidated entities have their consolidation reports reviewed by the local affiliated offices of the statutory auditors of the Group.

Subsidiaries' financial managers

The financial manager positions of the subsidiaries are defined as key positions in the financial management of the Group. Appointments to these duties are systematically reviewed by the financial managers of the Group, which allows a consistent and optimized level of skills for the successful candidates.

Moreover, internal control is the responsibility of the financial manager of each operational unit. Regular reviews are carried out by the internal audit section and by the operational audit section of the Group in order to verify the implementation of and compliance with the Groups' procedures.

Cash-flow management

Cash flow is monitored through specific Group procedures. In particular, placement, indebtedness or hedging transactions are centralized and controlled by the financial management of the Group.

This allows the monitoring of the Groups' indebtedness, the management of interest rates and exchange rates risks and to optimize the cash-flow management and the financing of the subsidiaries.

IT Department

In order to ensure the reliability of accounting and financial data processing, Legrand implemented a system of IT procedures and data back-up plans relating to the various IT systems used by the Group.

Moreover, the roll-out of internal controls strengthened and harmonized all provisions connected with the implementation and operation of IT systems, as well as the protection and access conditions for systems and networks.

7.4.4 - Principles and rules for determining remunerations and benefits granted to corporate officers and directors

The remuneration of the corporate officers and directors is determined by the Board of Directors of the Company and is approved by the Appointment and Remuneration Committee.

Remuneration and benefits granted to the Chairman and Chief Executive Officer and the Vice-Chairman, Chief Operating Officer

The terms for determining the remuneration of the Chairman and Chief Executive Officer and the Vice-Chairman, Chief Operating Officer include:

- a fixed annual remuneration, determined with regard to the level of responsibility and the experience of each person as well as the market practice;
- a variable portion based on the achievement of specific targets, both quantitative and qualitative. The quantitative targets are linked to the financial performance of the Company. Qualitative targets are mainly connected with the implementation of the Group's strategy;
- the benefit of the stock options or free shares allocation plans which will be implemented during 2007;
- the amount of the profit sharing bonus (*prime d'intéressement*) within the legal limitations;
- the benefit of a company car and of a cell phone as benefits in kind;
- a retirement supplement described in section 7.2.2 of this reference document.

Attendance fees paid to members of the Board of Directors

The rules for determining the amount of the attendance fees paid to the members of the Board of Directors are as follows:

- €20,000 per year to be paid to each member attending each meeting of the Board of Directors, this amount being decreased by €1,000 for each absence from a Board of Directors meeting;
- in addition, €2,500 per year to be paid to each member of the Board of Directors who is also a member of a Committee, this amount being increased to €5,000 per year if such member is also Chairman of the Strategy Committee or of the Appointment and Remuneration Committee, and to €10,000 for the Chairman of the Audit Committee.

7.4.5 - Statutory Auditors' report prepared in accordance with 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 (Code de commerce) on the report by the Chairman of the Board of Directors of Legrand S.A on internal control procedures relating to the preparation and processing of accounting and financial information

(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 professional auditing standards applicable in France.)

Fiscal year 2006

To the Shareholders,

In our capacity as the Statutory Auditors of Legrand (formerly Legrand Holding SA), and in accordance with the provisions of article L.225-235 of the French Commercial Code, we report to you on the report prepared by the Chairman of your Company in accordance with the provisions of article L.225-37 of the French Commercial Code, for the year ended December 31, 2006.

It is for the Chairman to give an account, in his report, notably of the conditions in which the duties of the Board of Directors are prepared and organized and the internal control procedures in place within the company.

It is our responsibility to report to you our observations on the information set out in the Chairman's report on the internal control procedures relating to the preparation and processing of financial and accounting information.

We performed our procedures in accordance with professional guidelines applicable in France. These require us to perform procedures to assess the fairness of the information set out in the Chairman's report on the internal control procedures relating to the preparation and processing of financial and accounting information. These procedures notably consisted of:

- obtaining an understanding of the objectives and general organization of internal control, as well as the internal control procedures relating to the preparation and processing of financial and accounting information, as set out in the Chairman's report;
- obtaining an understanding of the work performed to support the information given in the report.

On the basis of these procedures, we have no matters to report in connection with the information given on the internal control procedures relating to the preparation and processing of financial and accounting information, contained in the Chairman of the Board's report, prepared in accordance with article L.225-37 of the French Commercial Code.

Neuilly-sur-Seine, March 16, 2007

The Statutory auditors

PricewaterhouseCoopers Audit	Deloitte & Associés
Edouard Sattler	Dominique Descours

8 EMPLOYEES

8.1 - Number and distribution of employees

The following table sets forth the weighted-average number of employees, including temporary employees, employed by the Group in 2006, 2005 and 2004. The table divides employees by geographical area and main category of activity.

	2006	2005	2004
Total number of employees (weighted-average for period) (1)	31,705	27,032	25,291
By geographic area:			
France	27%	31%	34%
Italy	11%	13%	13%
Rest of Europe	15%	17%	17%
United States and Canada	9%	10%	11%
Rest of the world	38%	29%	25%
By category and activity			
Back Office			
Manufacturing	62%	63%	64%
Administration, General Services and R&D	21%	22%	21%
Front Office			
Marketing and Sales	17%	15%	15%

(1) Excluding Vantage.

The Group tries to employ an appropriate number of employees corresponding to the economic context, client relationships and the development of new products. The Group continues to give priority to its front office sales and marketing activities in order to increase the Group's market share. Thus, excluding the recent acquisition of Vantage, the Group increased its weighted-average marketing and sales headcount by 2.9%. In turn, the Group tightly monitors manufacturing, administration, general services and R&D headcount of the Back Office. In 2006, the latter slightly decreased on a weighted-average basis, still excluding the impact of the acquisition of Vantage, by 0.2%. Lastly, when required to, the Group reduces its workforce to the extent possible through voluntary leave plans.

8.2 - Stock options and share purchase options

8.2.1 - Stock options issued by the Company

On June 6, 2003, the general shareholders' meeting authorized the Board of Directors to grant to certain salaried employees and officers of the Company or of its affiliates, on one or more occasions, stock options giving rise to the right to subscribe to new shares of the Company in a maximum amount of 1.6% of its share capital (taking into account the exercise of options granted pursuant to the exercise of such stock options).

The table below sets forth an overview of the stock option plans established by the Company as at December 31, 2006:

Stock option or share subscription plan information	2003 Plan	2004 Plan	2005 Plan	Total
Date of Board of Directors' meeting	06/05/2003	01/30/2004	02/07/2005	
Total number of shares that may be subscribed or purchased	2,000,830	508,250	173,750	2,682,830
Including number of shares that may be subscribed or purchased by corporate officers (mandataires sociaux)	0	0	0	0
Terms of exercise	■ up to 66%, 4 years after allocation and option to be exercised within 60 days; ■ up to 33%, 5 years after allocation and option to be exercised within 60 days.			
Subscription or purchase price	4 euros	4 euros	5.6 euros	
Options cancelled during financial year	(76,300)			(76,300)
OPTIONS OUTSTANDING AS AT 12/31/2006	**1,924,530**	**508,250**	**173,750**	**2,606,530**

None of the allocated options were exercisable as at December 31, 2006. 1,283,019 options may be exercised in 2007, 980,343 options in 2008, 285,250 options in 2009 and 57,917 options in 2010.

If all of these options were to be exercised, this would result in a dilution of the share capital of the Company by 0.9%

No option of the Company was granted or exercised by the corporate officers (*mandataires sociaux*) or the 10 highest paid employees who are not corporate officers (*mandataires sociaux*) of the Company during the financial year ended December 31, 2006.

The table below describes the authorizations for the issuance of employee stock option or share purchase option plans granted by the Company's general shareholders' meeting held on February 24, 2006. The Company's Board of Directors held on February 7, 2007 approved the principle of renewing these authorizations which should be submitted for approval at the Company's general shareholders' meeting to be held on May 15, 2007. The existing authorization will then be cancelled up to the unused portion.

Relevant transaction	Duration of authorization and expiration date	Maximum number of shares to which granted options may entitle	Duration of plans	Price	Beneficiaries
Issue in one or several stages of stock options or share purchase options	38 months April 24, 2009	5% of share capital of the Company as at the date of allocation of the options	10 years as from date of allocation by the Board of Directors	Determined by the Board of Directors in accordance with the law and regulations	Certain employees and / or officers of the Company and of affiliate companies

8.2.2 - Legrand France Employee Stock Option and Share Purchase Option Plans

In May 1999, the shareholders authorized Legrand France to issue, until May 2004, up to 700,000 options to purchase or subscribe to common shares or preferred, non-voting shares. This option plan was open to all French salaried employees. On December 13, 1999, Legrand France established a plan for the purchase of common shares, open to all French employees meeting certain limited employment qualifications. The option exercise price is equal to the average opening market price of the shares on the Paris stock exchange, now called Euronext Paris, for twenty trading days prior to December 13, 1999. The options may not be exercised for a period of five years subsequent to the date of the grant and may be exercised for a period of two years subsequent to this five-year period. Options granted do not give rise to any rights during the five years subsequent to the grant date and are forfeited if the employee is dismissed for willful misconduct.

On November 21, 2000, Legrand France established a stock option plan open to all French salaried employees meeting certain limited employment qualifications. The options could be exercised at a price equal to the average opening market price of the shares on the Paris stock exchange for twenty trading days prior to November 21, 2000. The options may not be exercised for five years subsequent to the grant date and may be exercised for a period of two years subsequent to this five year period.

On November 13, 2001, Legrand France established a stock option plan open to all French salaried employees meeting certain limited employment qualifications, which options could be exercised at a price equal to the average opening market price of the shares on the Paris stock exchange for twenty trading days prior to November 13, 2001. The options may not be exercised for four years subsequent to the date of the grant and may be exercised for a period of three years subsequent to this four year period.

Holders of stock options granted by Legrand France (other than holders of stock options granted in 2001) have the right to exchange the common and preferred non-voting shares arising from the exercise of such stock options for Schneider shares, pursuant to an undertaking provided by Schneider to the holders of such stock options during its public tender offer for Legrand France.

On December 10, 2002, Legrand SAS (now the Company) and Schneider entered into an agreement pursuant to which Schneider agreed to sell to Legrand SAS (now the Company), if Legrand SAS so wishes, and Legrand SAS (now the Company) has agreed to purchase, if Schneider so wishes, all common and preferred non-voting shares of Legrand France held by Schneider as a result of the exercise of such option. The call option is exercisable by Legrand SAS (now the Company) for a period of six months from the date on which Schneider became the registered owner of the relevant Legrand France shares and the put option may be exercised by Schneider after six months and fifteen days from the date on which Schneider became the registered owner of the relevant Legrand France shares, and in no event later than twelve months after such date.

Options subject to Schneider's stock option undertaking have exercise periods that continue through and until November 2007.

The Board of Directors meetings held on November 2, 2005 and February 8, 2006 resolved to establish liquidity mechanisms for the benefit of holders of stock options granted under the 2001 stock option plan, which granted to such holders the right to transfer to the Company the shares resulting from the exercise of the options.

The general shareholders' meeting of Legrand France approved the distribution of reserves in an amount of €375 million on November 15, 2003 and €675 million on March 30, 2004. As a result, the value and the number of options have been adjusted.

For details relating to Legrand France employee stock option plans, please refer to Note 11 b) to the consolidated financial statements included in Chapter 10 of this reference document.

At December 31, 2006, the total number of outstanding options to purchase or to subscribe for ordinary shares of Legrand France held by the salaried employees of the Group, including executives and officers, represented 82,693 new ordinary shares of Legrand France, or approximately 0.3% of the fully-diluted outstanding share capital of Legrand France.

In 2006, purchase options granted pursuant to the 1999 plan described above were exercised in relation to 74,929 ordinary shares of Legrand France at an exercise price of €162.51 per share, options granted pursuant to the 2000 plan described above were exercised in relation to 64,247 ordinary shares of Legrand France at an exercise price of €140.19 per share, and options granted pursuant to the 2001 plan described above were exercised in relation to 244,704 ordinary shares of Legrand France at an exercise price of €104.68 per share.

The table below sets forth an overview of the stock option and share subscription option plans established by Legrand France:

Nature of Plans		Subscription	Purchase
Date of allocation of options	**2000**	**2001**	**1999**
Type of shares	**Ordinary**	**Ordinary**	**Ordinary**
Number of beneficiaries	8,999	9,122	8,814
Options exercisable starting	November 2005	November 2005	December 2004
Expiration date for exercise	November 2007	November 2008	December 2006
Exercise price of options *(in euros)* before distribution of reserves	191.50	143.00	222.00
Exercise price of options *(in euros)* after distribution of reserves	140.19	104.68	162.51
Number of options allocated	**124,240**	**178,766**	**85,708**
Options cancelled	(18)	—	(4,508)
Balance at December 31, 2002	124,222	178,766	81,200
Options issued in connection with the distribution of reserves on November 15, 2003	16,218	21,353	11,998
Options exercised	—	—	—
Options cancelled	(372)	(372)	(376)
Balance at December 31, 2003	140,068	199,747	92,822
Options issued in connection with the distribution of reserves on March 20, 2004	38,002	52,996	28,963
Options exercised	—	—	—
Options cancelled	(9)	—	(7)
Balance at December 31, 2004	178,061	252,743	121,778
Options exercised	(38,265)	—	(30,779)
Options cancelled	(95)	(95)	(66)
Balance at December 31, 2005	139,701	252,648	90,933
Options exercised	(64,247)	(244,704)	(74,929)
Options cancelled	(240)	(465)	(16,004)
BALANCE AT DECEMBER 31, 2006	**75,214**	**7,479**	**0**

The table below shows the options granted to and exercised by the officers and the 10 highest paid employees who are not officers of the Company during the financial year ended December 31, 2006:

	Number of options			Price of options (in euros)			Expiration date of options		
	1999	2000	2001	1999	2000	2001	1999	2000	2001
Options granted to corporate officers									
Olivier Bazil	–	–	–	–	–	–	–	–	–
François Grappotte	–	–	–	–	–	–	–	–	–
Gilles Schnepp	–	–	–	–	–	–	–	–	–
Options exercised by the corporate officers									
Olivier Bazil	4,837	–	21,943	162.51	140.19	104.68	12/2006	11/2007	11/2008
François Grappotte	4,837	–	21,943	162.51	140.19	104.68	12/2006	11/2007	11/2008
Gilles Schnepp	2,789	–	19,757	162.51	140.19	104.68	12/2006	11/2007	11/2008
Options granted to 10 highest paid employees	–	–	–	–	–	–	–	–	
Options exercised by 10 highest paid employees	4,550	6,240	13,067	162.51	140.19	104.68	12/2006	11/2007	11/2008

8.3 - Profit sharing, interest, company savings plans and company mutual fund

To the extent that a French company's after tax income exceeds a certain amount, the legislation in force requires such company to provide its salaried employees an interest in its profits. Amounts distributed in accordance with these requirements are generally blocked for a five year period.

On June 28, 2006, new profit sharing and interest agreements have been entered into by Legrand and its French subsidiaries. These new agreements allowed the amounts paid under the profit sharing and interest plans to vary in a favorable way: they increased from 27.2 million euros in 2005 and 27.7 million euros in 2004, to 31.7 million euros in 2006, i.e. a 16.5% increase compared to 2005.

The profit sharing and interest plan expenses for the financial year ended December 31, 2007 amount to 9.6% of the total payroll paid in France in 2006.

Independently of this obligation, a number of the Group's French companies and foreign subsidiaries retain a portion of their income for their salaried employees, calculated on the basis of profit-sharing formulas negotiated at the level of each entity.

8.3.1 - Profit-sharing

All salaried employees having more than three months of employment within the Company or one of the French subsidiaries have the right to a fraction (based on their respective gross salaries and length of employment over the covered financial year) of a special reserve, calculated pursuant to a statutory formula based on the Group's net sales to third-parties (i.e., excluding intra-group sales). The rights vested in each salaried employee are blocked for five years. The plan remains in effect until 2007. At December 31, 2006, a total of €13.4 million was reserved for this statutory profit sharing plan.

Following a regulatory decision authorizing the immediate payment of profit sharing amounts due under this plan for 2004 and 2005 (subject to the exclusion of the tax regime associated with funds blocked for five years), the plan was amended on September 29, 2004 and September 30, 2005 to permit anticipated payment to salaried employees wishing to exercise this option.

8.3.2 - Interest

All salaried employees of the Company and of its French subsidiaries having three months of employment will receive, in proportion to their respective gross salary, a portion of the Group's profits. This plan, which may be paid out immediately, may not exceed 20% of the aggregate annual remuneration of such employees. In 2006, an aggregate amount of €13.5 million was paid for the year ended December 31, 2004.

This plan remains in effect until the end of 2008. A new plan for future years with similar conditions is currently being negotiated.

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8.3.3 - Group Employee Savings Plan (*Plan d'Epargne d'Entreprise*)

On January 30, 2004, the Company and its French subsidiaries set up a new "Legrand Group Employee Savings Plan". In accordance with the law, this savings plan allows all employees of the Group in France with three months of employment, to set up a savings account invested, at the discretion of the employee, in various mutual funds (*Fonds Communs de Placement*) managed by accredited entities during the legal 5-year period prior to vesting. Each employee's savings account may be credited with amounts from mandatory profit-sharing (*participation légale*), interest, or voluntary payments made by the employees within the legal limitations. Administration costs are borne by the company.

This group Employee Savings Plan is effective for a renewable term of one year.

In 2006, a specific Group savings plan known as "Legrand Actionnariat" was set up in order to allow employees to participate, collectively, in the initial public offering of the Company while benefiting from a discount from the offering price.

8.3.4 - Company mutual fund (*Fonds Commun de Placement d'Entreprise*) («FCPE»)

As indicated above, employees may invest, at their own discretion, their blocked credited amounts into various FCPEs created in accordance with the law.

Moreover, in 2003, in addition to these various existing FCPEs, Legrand set up a specific mutual fund named «Legrand Obligations Privées» allowing employees to invest their profit-sharing payments during the blocked period into this Fund, which pays a financial rate similar to the rate applicable to the former blocked current accounts, *i.e.*, in 2006, 5.6%. The amounts invested by employees into this Fund totaled €18.7 million as at December 31, 2006.

Also, during the initial public offering and the implementation of the share capital increase reserved for employees, the employees were allowed to opt, in connection with their adhering to the company mutual fund (*Plan d'Epargne d'Entreprise*), to invest their assets in one of the FCPEs known as "Legrand Cap 2011" which was created for the IPO ("Legrand Prudence" compartment and "Legrand Performance" compartment). Shares in these funds will not vest until the fifth anniversary of May 2, 2006, which was the date of settlement and delivery of the share capital increase reserved for employees.

9 SHAREHOLDERS

9.1 - Principal shareholders

9.1.1 - Shareholding structure

As at December 31, 2006, the shareholding of Legrand is as follows:

Actionnaire	Participation
Legron BV (Wendel)	30%
Financière Light III Sarl (KKR)	30%
Free Float	35%
Legrand Management and employees (Plan d'Epargne Entreprise)	5%

The 5% interest held by Legrand's management and its employees results, with respect to the main managers of the Group, from the exchange, upon the initial public offering, of the Lumina Management shares held by them as investors for Legrand shares, and, with respect to employees, from the share capital increased reserved for them in connection with the initial public offering of the Company.

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 the date of this reference document, the same number of voting rights is granted to all shares of the Company.

It is reminded that further to the purchase of the Company by the Consortium in December 2002, the share capital of the Company was fully held (except for the shares held by members of the Board of Directors) by Lumina Participation. In April 2006, Legrand, formerly Legrand Holding and parent company of Legrand France since the acquisition by the Consortium, carried out the initial public offering of its shares on the Eurolist market of Euronext Paris. In this context, the Company carried out a share capital increase by public offering of an amount of 862.9 million euros by the issue of 43,689,298 shares. Moreover, the Company enabled the employees of the Group to participate in the public offering of Legrand by subscribing, under preferential terms, to a share capital increase reserved for the employees for an amount of 36.4 million euros (taking into account a 9.1 million euros discount) by issue of 2,303,439 shares. Lastly, in November 2006, Goldman Sachs Capital Partners, Montagu Private Equity and WestLuxcon Holdings S.A. (a subsidiary of West LB AG), historical shareholders of Legrand, sold on the market a total of approximately 40 million Legrand shares. Following this transaction, the free float represented 35% of the share capital of the Group, compared to 20% after the initial public offering.

9.1.2 - Control of the Company

9.1.2.1 - DESCRIPTION OF CONTROL STRUCTURE

The Company is now controlled directly by Wendel and KKR at 30% each.

The Board of Directors ensures that the presence of at least two independent directors be respected on the Board of Directors, these directors being appointed from among independent persons who have no interest in the Company within the meaning of the 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 of their qualification process is set out in section 7.3.1.1.2 of this reference document.

9.1.2.2 - MAIN DIRECT AND INDIRECT SHAREHOLDERS

Wendel

Wendel is an investment firm based in Paris that invests on a long-term basis in industrial and services companies with a view to accelerating their development and making them leaders of their industry. Wendel supports committed management teams, helps define and implement strategies for the companies in which it has made investments and provides the financing needed to ensure their success. Wendel makes investments of more than €100 million. In addition to its investment in Legrand in 2002, Wendel's significant recent operations include the acquisition of Editis and of shareholdings held by minority shareholders of Bureau Veritas in 2004, and the purchase of Materis in 2006. Wendel reached a new stage in 2006 by widening its investment strategy to an international scale, with the purchase of Deutsch in the United States and of Stahl in The Netherlands. The shares of Wendel are listed on the Eurolist market of Euronext Paris. The annual report of Wendel may be viewed on the web site of the French financial markets authority (AMF) (www.amf.org) and downloaded from the Wendel web site (www.wendel-investissement.com).

KKR

KKR is a leading international investment firm with significant industrial experience, particularly in electrical equipment activities. Over the last 30 years, KKR has completed more than 115 transactions valued in excess of €120 billion, including €18 billion of equity. KKR has invested in more than 25 different sectors. Since 1996, KKR has invested €4 billion of equity capital in European companies and has completed a wide range of transactions. Today, KKR has a portfolio in more than 30 companies based in the United States, Canada, Germany, Austria, Luxembourg, the United Kingdom, The Netherlands, Switzerland and France, including Alliance Imaging, Amphenol, Demag, Rockwood & Dynamit Nobel, Vendex, Shoppers Drug Mart, Tenovis, Willis Group, Wincor Nixdorf and Zumtobel.

9.1.2.3 - SHARES HELD BY OFFICERS IN THE SHARE CAPITAL OF THE COMPANY

Each member of the Board of Directors holds personally a minimum of 500 shares in the Company.

The direct shareholding of the officers in the capital of the Company as at the date of registration of this reference document is set out in the table below:

Name	Duties	Number of shares	% of capital and voting rights
Gilles Schnepp	Chairman and Chief Executive Officer	1,916,000	0.7
Olivier Bazil	Vice-Chairman and Chief Operating Officer	1,916,000	0.7
Arnaud Fayet	Director	500	–
Jacques Garaïalde	Director	500	–
Edward A. Gilhuly	Director	500	–
François Grappotte	Director	1,916,000	0.7
Henry R. Kravis	Director	500	–
Jean-Bernard Lafonta	Director	500	–
Gérard Lamarche	Director	500	–
Thierry de La Tour d'Artaise	Director	500	–
Ernest-Antoine Seillière de Laborde	Director	500	–
TOTAL		**5,752,000**	**2.1**

The exchange agreement relating to the delivery to the main managers of Legrand of shares of the Company in exchange for the Lumina Management shares held by them prior to the date of initial public offering provides that the main managers of the Group in office at the time of the initial public offering, be collectively required to hold such Legrand shares for a minimum term of fourteen months. This lock-up period applies to 9,270,605 shares as at December 31, 2006 and at the date of this reference document, and expires on June 1, 2007. Certain officers or managers may then need to sell part of their shares to finance the taxes due in 2007 based on the capital gains made in 2006 resulting from the exchange transaction referred to above.

9.2 - 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 are described below.

9.2.1 - Key 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.

9.2.2 - Corporate Governance

The management of the Company is entrusted to a Board of Directors, the responsibilities and operation of which are described in Chapters 7 and 11 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 (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 7.3.1.2 of this reference document.

Without prejudice to the voting rights of the shareholders in general shareholders' meetings, Wendel and KKR have 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 vote their respective shares at the relevant shareholders' meetings so 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, independent of their respective shareholding in the Company.

At the end of this period, the allocation of seats on the Board occupied by Directors proposed by each of Wendel and KKR may be adjusted 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, as stated in section 9.2.4 below.

9.2.3 - Exit Mechanisms

9.2.3.1 - RESTRICTED PERIOD

Until April 8, 2008, Wendel and KKR have agreed that they will not 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 to be defined in order to limit the impact of such disposals on the stock price), it being specified that such disposals will require prior information of the other party, as the case may be. This lock-up period will be terminated by anticipation in case of an agreed sale of shares between Wendel and KKR prior to April 8, 2008.

9.2.3.2 - 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 any 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 shall 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 case of securities of the Company being used as consideration in another, more global transaction.

KKR and Wendel will have the Company undertake to carry out certain actions in the context of potential secondary offerings, in order to allow for an orderly placement with the public by the latter of the shares held by them.

All share sales by Wendel or KKR to a trade buyer in an amount greater than €100 million will require 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 to be sold. 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).

9.2.4 - 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; and (iii) the fifth anniversary of the initial public offering of the Company's shares on the Eurolist market of Euronext Paris.

9.3 - Related party transactions

The following are the material transactions entered into by or continued between the Company and related parties (see Notes 14 and 25 to the consolidated financial statements included in Chapter 10 of this reference document) since January 1, 2003 and which are effective as of the date of registration of this reference document, but excluding those relating to inter-company debt:

- the tax consolidation agreement, the perimeter of which includes Arnould FAE, Baco, Chessy, Distrasa, Inovac, Legrand SNC, Pammelec, Planet Watthom, Sarlam, Sofrelec, Sute, URA, Arnould Planet Watthom and, Chateaudun Developpement 3 (ICM Group) among others;
- retirement supplement for the members of the Group's Executive committee benefiting from the retirement regime applicable to French employees. The retirement supplement is calculated to ensure that the beneficiaries receive a total retirement pension equal to 50% of the average of the two highest annual remunerations amounts received by the member during the last three years of employment with Legrand. To receive the retirement supplement, the individual 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, Legrand will pay 60% of the retirement premium to the beneficiary's surviving spouse;
- the 2006 Facility Agreement (See section 6.5.2.2 of this reference document).

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10 FINANCIAL INFORMATION CONCERNING THE ASSETS AND LIABILITIES, FINANCIAL POSITION AND PROFITS AND LOSSES OF THE COMPANY

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10.1 - Consolidated financial statements for the years ended December 31, 2006, December 31, 2005 and December 31, 2004

10.1.1 - Consolidated financial statements for the years ended December 31, 2006 and December 31, 2005

10.1.1.1 - CONSOLIDATED STATEMENT OF INCOME

	Legrand 12 months ended December 31		
(in € millions)	2006	2005	2004
Revenue (note 1 (k))	**3,736.8**	**3,247.9**	**2,926.3**
Operating expenses			
Cost of sales	(1,881.7)	(1,675.4)	(1,505.7)
Administrative and selling expenses	(977.7)	(835.6)	(760.9)
Research and development costs	(237.9)	(238.6)	(233.9)
Other operating income (expense) (note 20 (b))	(109.9)	(92.6)	(77.5)
Operating profit (note 20)	**529.6**	**405.7**	**348.3**
Finance costs (note 21 (b))	(157.4)	(206.5)	(257.5)
Financial income (note 21 (b))	33.7	25.4	26.1
Exchange gains and losses (note 21 (a))	40.4	(32.3)	5.8
Loss on extinguishment of debt (note 15 (a))	(109.0)	0.0	(50.7)
Finance costs and other financial income and expense, net	(192.3)	(213.4)	(276.3)
Share of profit of associates	0.8	1.3	2.6
Profit before tax	**338.1**	**193.6**	**74.6**
Income tax expense (note 22)	(82.9)	(89.8)	(46,6)
Profit for the period	255.2	103.8	28.0
Attributable to:			
- Equity holders of Legrand	**252.0**	**101.4**	**26.8**
- Minority interests	**3.2**	**2.4**	**1.2**
Basic earnings per share (euros) (notes 10 and 1 (s))*	1.019	0.534	0.141
Diluted earnings per share (euros) (notes 10 and 1 (s))*	1.009	0.527	0.139

** On February 24, 2006, the number of shares was divided by 4. As a result, the net profit per share and the net diluted profit per share have been recalculated as at the end of December 2005 and as at the end of December 2004.*

The net profit per share and the net diluted profit per share published on December 31, 2005, prior to the division, were respectively of €0.134 and €0.132.

The net profit per share and the net diluted profit per share published on December 31, 2004, prior to the division, were respectively of €0.035 and €0.035.

The accompanying notes are an integral part of these consolidated financial statements.

10.1.1.2 - CONSOLIDATED BALANCE SHEET

Assets

	Legrand December 31,		
(in € millions)	2006	2005	2004
Current assets			
Cash and cash equivalents (note 1 (d))	178.9	133.2	68.3
Marketable securities (note 9)	0.4	0.6	13.1
Restricted cash	0.0	0.0	27.0
Income tax receivables	14.2	6.1	1.9
Trade receivables (notes 1 (e) and 7)	620.8	563.2	495.7
Other current assets (note 8)	132.2	127.5	130.3
Inventories (notes 1 (i) and 6)	560.1	474.5	422.0
Other current financial assets (note 24)	22.2	33.4	66.2
TOTAL CURRENT ASSETS	**1,528.8**	**1,338.5**	**1,224.5**
Non-current assets			
Intangible assets (notes 1 (f) and 2)	1,840.0	1,861.3	1,903.3
Goodwill (notes 1 (g) and 3)	1,633.2	1,780.0	1,335.1
Property, plant and equipment (notes 1 (h) and 4)	789.2	833.6	816.0
Investments in associates (note 5)	10.5	9.5	12.5
Other investments (note 5)	5.0	4.1	5.9
Deferred tax assets (notes 1 (j) and 22)	124.6	61.5	62.9
Other non-current assets	4.8	4.6	4.3
TOTAL NON-CURRENT ASSETS	**4,407.3**	**4,554.6**	**4,140.0**
TOTAL ASSETS	**5,936.1**	**5,893.1**	**5,364.5**

The accompanying notes are an integral part of these consolidated financial statements.

Liabilities and equity

	Legrand December 31,		
(en millions d'euros)	2006	2005	2004
Current liabilities			
Short-term borrowings (note 18)	790.7	319.3	203.6
Income tax payable	32.7	22.3	17.7
Trade payables	454.4	377.0	311.3
Short-term provisions and other current liabilities (note 19)	436.8	406.9	362.8
Other financial liabilities (note 24)	66.6	59.9	159.1
TOTAL CURRENT LIABILITIES	**1,781.2**	**1,185.4**	**1,054.5**
Non-current liabilities			
Deferred tax liabilities (notes 1 (j) and 22)	663.9	720.3	697.4
Long-term provisions and other non-current liabilities (note 16)	109.8	134.0	99.8
Provisions for pensions and other post-employment benefits (notes 1 (q) and 17)	147.6	139.7	131.0
Long-term borrowings (note 15)	1,055.5	1,803.3	1,674.4
Subordinated perpetual notes (note 13)	9.5	28.5	68.9
Related party borrowings (note 14)	0.0	1,334.8	1,275.8
TOTAL NON-CURRENT LIABILITIES	**1,986.3**	**4,160.6**	**3,947.3**
Equity			
Share capital (note 10)	1,078.8	759.4	759.4
Retained earnings (note 12 (a))	1,217.6	(157.1)	(259.5)
Translation reserves (note 12 (b))	(136.6)	(64.3)	(144.7)
Equity attributable to equity holders of Legrand	2,159.8	538.0	355.2
Minority interests	8.8	9.1	7.5
TOTAL EQUITY	**2,168.6**	**547.1**	**362.7**
TOTAL LIABILITIES AND EQUITY	**5,936.1**	**5,893.1**	**5,364.5**

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

10.1.1.3 - CONSOLIDATED STATEMENT OF CASH FLOWS

	Legrand 12 months ended December 31		
(in € millions)	2006	2005	2004
Profit for the period	**255.2**	**103.8**	**28.0**
Reconciliation of profit for the period to net cash provided by operating activities:			
– Depreciation expense (note 20 (a))	142.0	144.0	141.8
– Amortization expense (note 20 (a))	98.0	111.0	133.6
– Amortization of development costs (note 20 (a))	3.4	0.4	0.0
– Amortization of finance costs	2.1	3.2	0.6
– Loss on extinguishment of debt	109.0	0.0	50.7
– Changes in deferred taxes	(14.5)	12.9	(24.4)
– Changes in other non-current assets and liabilities	0.2	16.4	2.5
– Share of profit of associates	(0.8)	(1.3)	(2.6)
– Exchange (gain)/loss, net	(0.9)	18.1	(1.8)
– Other adjustments	26.1	25.3	47.2
(Gains)/losses on sales of assets, net	(1.1)	7.1	(5.6)
(Gains)/losses on sales of securities, net	0.0	0.1	0.3
Changes in operating assets and liabilities:			
Inventories	(74.5)	(6.6)	(40.8)
Trade receivables	(38.4)	(5.2)	9.8
Trade payables	62.4	33.9	60.9
Other operating assets and liabilities	13.3	(12.6)	29.2
Net cash provided by operating activities	**581.5**	**450.5**	**429.4**
Net proceeds from sales of fixed assets	27.5	10.9	45.4
Capital expenditure	(130.8)	(112.0)	(95.7)
Development costs capitalized during the period	(22.1)	(21.5)	(17.1)
Changes in non-current financial assets and liabilities	(0.5)	0.0	0.0
Proceeds from sales of marketable securities	0.1	0.3	138.4
Purchases of marketable securities	0.0	40.2	(18.5)
Acquisitions of subsidiaries, net of the cash acquired (note 3)	(85.9)	(399.8)	0.0
Investments in non-consolidated entities	(2.0)	0.0	(0.1)
Net cash (used in) provided by investing activities	**(213.7)**	**(481.9)**	**52.4**
– Proceeds from issues of share capital (note 10)	866.2	0.0	0.0
– Dividends paid to equity holders of Legrand	(110.6)	0.0	0.0
– Dividends paid by Legrand subsidiaries	(3.2)	(1.2)	(0.8)
– Reduction of subordinated perpetual notes	(19.0)	(40.5)	(39.9)
– Proceeds from new borrowings and drawdowns	2,255.8	179.2	929.7
– Repayment of borrowings	(3,444.9)	0.0	(1,324.1)
– Debt issuance costs	(6.1)	0.0	(6.3)
– Loss on extinguishment of debt	(109.0)	0.0	0.0
– Increase (reduction) in bank overdrafts	258.5	(49.7)	(40.2)
Net cash provided by (used in) financing activities	**(312.3)**	**87.8**	**(481.6)**
Effect of exchange rate changes on cash and cash equivalents	(9.8)	8.5	0.2
Increase in cash and cash equivalents	**45.7**	**64.9**	**0.4**
Cash and cash equivalents at the beginning of the period	133.2	68.3	67.9
Cash and cash equivalents at the end of the period	**178.9**	**133.2**	**68.3**
Items included in cash flows from operating activities			
– Interest paid during the period	122.1	150.7	182.9
– Income taxes paid during the period	86.3	57.8	45.5

The accompanying notes are an integral part of these consolidated financial statements.

10.1.1.4 - CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Equity attributable to equity holders of Legrand					
(in € millions)	Share capital	Retained earnings	Translation reserves	Total	Minority interests	Total equity
As of December 31, 2004	**759.4**	**(259.5)**	**(144.7)**	**355.2**	**7.5**	**362.7**
Profit for the period		101.4		101.4	2.4	103.8
Dividends paid				0.0	(1.2)	(1.2)
Issue of share capital				0.0		0.0
Stock options		1.0		1.0		1.0
Net income (expense) recognized directly in equity			80.4	80.4	0.4	80.8
As of December 31, 2005	**759.4**	**(157.1)**	**(64.3)**	**538.0**	**9.1**	**547.1**
Profit for the period		252.0		252.0	3.2	255.2
Dividends paid		(110.6)		(110.6)	(3.2)	(113.8)
Issue of share capital (note 10)	319.4	1,257.7		1,577.1		1,577.1
IPO costs		(21.8)		(21.8)		(21.8)
Stock options		5.0		5.0		5.0
Net income (expense) recognized directly in equity		(7.6)	(72.3)	(79.9)	(0.3)	(80.2)
As of December 31, 2006	**1,078.8**	**1,217.6**	**(136.6)**	**2,159.8**	**8.8**	**2,168.6**

Net income (expense) recognized directly in equity

(in € millions)	December 31, 2006	December 31, 2005	December 31, 2004
Actuarial gains and losses (notes 1 and 1 (q))	(12.3)	-	-
Deferred taxes on actuarial gains and losses	4.7	-	-
Translation reserves (note 12 (b))	(72.6)	80.8	(43.1)
TOTAL	**(80.2)**	**80.8**	**(43.1)**

The accompanying notes are an integral part of these consolidated financial statements.

10.1.2 - Notes to the consolidated financial statements

Notes' index

GENERAL INFORMATION

Legrand (formerly Legrand Holding SA) ("the Company") and its subsidiaries (together "Legrand" or "the Group") represent one of the world's leading international manufacturers of products and systems for low-voltage electrical installations and data networks used in residential, commercial and industrial buildings.

The Group has manufacturing and/or distribution subsidiaries and offices in more than 60 countries, and sells its products in more than 160 national markets. Its key markets are France, Italy and the United States, which accounted for approximately 61% of revenue (by customer location) in 2006 (2005: 64%; 2004: 66%).

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 base prospectus (document de base) prepared in connection with the Company's stock market flotation was registered with the French securities regulator (Autorité des Marchés Financiers – "AMF") on February 21, 2006 under no. I.06-009 and the offering circular (*note d'opération*) was approved by the AMF on March 22, 2006 under visa no. 06.082. Trading in Legrand shares on Eurolist by Euronext™ Paris began on April 7, 2006.

The consolidated financial statements were approved by the Board of Directors on February 7, 2007.

LIST OF CONSOLIDATED COMPANIES

The consolidated financial statements comprise the financial statements of Legrand and its 134 subsidiaries.

The largest operating subsidiary, Legrand France, is wholly owned by Legrand. All of Legrand France's operating subsidiaries are also wholly owned. All Legrand Group subsidiaries are fully consolidated, except for Alborz Electrical Industries in Iran which is accounted for by the equity method.

The main fully consolidated subsidiaries as of December 31, 2006, all of which are over 99%-owned, are as follows:

French subsidiaries	
Arnould-FAE	
Baco	
Groupe Arnould	
ICM Group	
Inovac	
Legrand France	
Legrand SNC	
Planet-Wattohm	
Ura	
Foreign subsidiaries	
Anam Legrand	South Korea
Bticino	Italy
Bticino de Mexico	Mexico
Bticino Quintela	Spain
Bufer Elektrik	Turkey
Electro Andina	Chile
GL Eletro-Eletronicos Ltda	Brazil
Legrand Polska	Poland
Legrand	Germany
Legrand	Italy
Legrand	Greece
Legrand Electric	United Kingdom
Legrand Electrica	Portugal
Legrand Electrique	Belgium
Legrand Espanola	Spain
Legrand India	India
Legrand	Russia
Legrand	Australia
Luminex	Colombia
Ortronics	United States
Pass & Seymour	United States
Rocom	Hong Kong
TCL International Electrical	China
TCL Building Technology	China
The Watt Stopper	United States
The Wiremold Company	United States
Van Geel Legrand	Netherlands
Zucchini	Italy

The subsidiaries excluded from the scope of consolidation are all companies that were acquired or created only recently. In 2006, these companies represented combined non-current assets of less than €2 million and combined revenue of less than €11 million.

The main changes in the scope of consolidation 2006 compared with the previous year were the addition of Zucchini, the ICM Group, TCL International Electrical, TCL Building Technology, Cemar, Shidean and Vantage.

These acquisitions are described below:

Vantage

Vantage, the USA's second largest manufacturer of high-end lighting control and home automation equipment, was acquired in September 2006. Based in Orem, Utah, the company reported 2005 revenue of some $20 million. Vantage was consolidated as of December 31, 2006 based on estimated data. It had no impact on the 2006 consolidated income statement.

Cemar

In April 2006, Legrand acquired Cemar, Brazil's leading manufacturer of consumer units and industrial enclosures. Based in Caxias, in southern Brazil, Cemar had 2005 revenue of some €28 million with 400 employees. It was consolidated for the first time as of June 30, 2006 and contributed to consolidated income in the second half of the year.

Shidean

In January 2006, Legrand acquired 51% of the capital of Shidean, China's leading manufacturer of audio and video door entry systems. Based in Shenzen, the company reported 2005 revenue of some €15 million with over 900 employees. Shidean was consolidated as of December 31, 2006 and contributed to consolidated income over the full year.

TCL International Electrical and TCL Building Technology

TCL International Electrical, China's leading wiring devices manufacturer, and TCL Building Technology, specialist of VDI (Voice-Data-Image) products and systems, were acquired in December 2005. The two companies, which are based in Huizhou, southeast China, had revenue of over €60 million in 2005, with more than 3,000 employees. They were consolidated as of December 31, 2005 and contributed to consolidated income as from 2006.

ICM Group

In November 2005, Legrand acquired ICM Group, the leading manufacturer of wire cable trays with several well-known brands including *Cablofil*©. Based in Montbard in France, ICM Group reported 2005 revenue of over €100 million, including 40% in France and 60% in international markets. It has around 500 employees and six plants, located in Europe and the United States. ICM Group was consolidated as of December 31, 2005 and contributed to consolidated income as from 2006.

Zucchini

In the second quarter of 2005, Legrand acquired a controlling interest in Zucchini, Italy's leading manufacturer of prefabricated busbar systems. Based in Brescia, northern Italy, Zucchini reported 2005 revenue of over €50 million. It was consolidated as of December 31, 2005 and contributed to consolidated income in second-half 2005 and the whole of 2006.

NOTE 1 - ACCOUNTING POLICIES

As a company incorporated in France, Legrand is governed by French company law, including the provisions of the Commercial Code.

These consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRSs) and International Accounting Standards (IASs) and the related IFRIC interpretations, as adopted by the European Union without modification.

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 1u.

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.

Until December 31, 2005, actuarial gains and losses on pension and other post-employment benefit obligations arising from experience adjustments and changes in actuarial assumptions were fully charged or credited to the income statement. Effective from January 1, 2006, the Group elected to recognize all actuarial gains and losses directly in equity, as allowed under IAS 19, paragraph 93A s (amended). This effect is not considered material and the comparative 2005 financial information presented with the 2006 consolidated financial statements has therefore not been adjusted to reflect the new method.

a) Basis of presentation and acquisition of Legrand France

Prior to December 10, 2002, Legrand had no significant operations of its own. On December 10, 2002, the Group acquired 98% of the outstanding share capital of Legrand France, followed by the remaining 2% on October 2, 2003.

The acquisition price and related fees and commissions, representing a total of €3,748 million, were allocated primarily to trademarks and developed technology.

b) Consolidation

Subsidiaries controlled by the Group are fully consolidated. Control is defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Subsidiaries are consolidated from the date when effective control is transferred to the Group. They are deconsolidated from the date on which control ceases.

Associates are entities over which the Group has significant influence but not control. Significant influence is generally considered to be exercised when the Group holds 20 to 50% of the voting rights. Investments in associates are initially recognized at cost and are subsequently accounted for by the equity method.

All subsidiaries that are controlled by the Group directly or indirectly are consolidated. All intragroup transactions are eliminated.

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 (the Company's functional currency" and the "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 at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement under the heading "Exchange gains and losses".

Assets and liabilities of Group companies whose functional currency is different from the presentation currency are translated using the exchange rate at the balance sheet date. Statements of income are translated using the average exchange rate for the period. Gains or losses arising from the translation of the financial statements of foreign subsidiaries are recognized directly in equity, under "Translation reserves", until the entities are sold or substantially liquidated.

d) Cash and cash equivalents

Cash and cash equivalents consist of cash, short-term deposits and all other financial assets with an original maturity not in excess of three months. Cash equivalents are short-term, 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.

Similarly, bank overdrafts are not considered as cash equivalents and are included in short-term borrowings.

e) Trade receivables

Trade receivables are recognized 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. 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 with finite useful lives may be reversed in subsequent periods if there is objective evidence that the impairment no longer exists or has decreased, provided that the increased carrying amount of the asset attributable to the reversal of the impairment loss does not exceed the carrying amount that would have been determined (net of amortization) had no impairment loss been recognized for the asset in prior years.

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 20 years on a straight-line basis when management considers that the trademarks may be threatened by a major competitor in the long term but does not intend to replace them in the near future and is confident that they will contribute to consolidated cash flows for at least 20 years.
- over 10 years on an accelerated basis when management plans to gradually replace them by other major trademarks owned by the Group.

Trademarks that have an indefinite useful life are not amortized but are tested for impairment annually and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

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.

Amortizable assets 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

Since the transition to IFRS, goodwill is no longer amortized but 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 smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. 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.

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. The cash flow data used for the calculation is generally taken from the most recent budgets approved by the Group. Cash flows beyond the projection period are estimated by applying a stable growth rate to subsequent years. A separate discount rate is applied for each country.

Fair value less costs to sell is management's 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 recoverable amount is less than the carrying amount. In accordance with IAS 36, impairment losses recognized on goodwill are irreversible.

h) Property, plant and equipment

Land, buildings, machinery and equipment 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 or 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.

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. To the extent that the volume of a customer's future purchases can be reasonably estimated based on historical evidence, the Group recognizes the rebates on a monthly basis as a reduction in revenue from the underlying transactions that reflect progress by the customer towards earning the rebate, with a corresponding deduction from the customer's trade receivables balance.

l) Fair value of financial instruments

The carrying amounts of cash, short-term deposits, accounts receivable, accounts payable, accrued expenses and short-term borrowings approximate their fair value because of these instruments' short maturities. For short-term investments, comprised of marketable securities, fair value corresponds to the securities' market price. The fair value of long-term borrowings is estimated on the basis of interest rates currently available for issuance of debt with similar terms and remaining maturities. The fair value of interest rate swap agreements is the estimated amount that the counterparty would receive or pay to terminate the agreements, and is calculated as the present value of the estimated future cash flows.

m) Derivative financial and commodity instruments

Group policy consists of not entering into any transactions of a speculative nature involving financial instruments. All transactions in these instruments are entered into exclusively for the purpose of managing or hedging currency or interest rate risks, and changes in the prices of raw materials. For this purpose, the Group periodically enters into contracts such as swaps, caps, options, futures and forward contracts, according to the nature of its exposure.

Derivatives are initially recognized at fair value at the contract inception date and are subsequently remeasured at fair value at each reporting date. The method of recognizing the resulting gain or loss depends on whether the derivative qualifies for hedge accounting, and if so, the nature of the item being hedged.

Although derivative instruments are used to hedge risks, the Group has opted not to apply the hedge accounting technique defined in IAS 39 but to measure all of these instruments at fair value in the balance sheet, with changes in fair value recognized in the income statement. The resulting gains and losses are recognized in "Other financial income and expense" for interest rate hedges, in "Exchange gains and losses" for hedges of foreign currency transactions and in "Other operating income and expense" for commodity hedges.

The fair values of derivative instruments used for hedging purposes are disclosed in Note 24.

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.

As to the application of interpretation IFRIC 6 – Liabilities arising from Participating in a Specific Market: Waste Electrical and Electronic Equipment, the Group complies with the European Union Directive on waste electrical and electronic equipment either by paying financial contributions to a recycling platform or by making end-users responsible for returning equipment for recycling. The related costs are recognized when the underlying services are rendered.

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, and is recognized in the income statement 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.

In accordance with IFRS 2, only the cost of options granted after November 7, 2002 that had not yet vested at January 1, 2005 is measured and recognized in profit.

p) Transfers 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 plan

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 plan

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 cost is recognized in the income statement on a straight-line basis over the average remaining service lives of employees.

Until December 31, 2005, actuarial gains and losses on pension and other post-employment benefit obligations arising from experience adjustments and changes in actuarial assumptions were fully charged or credited to the income statement.

Effective from January 1, 2006, the Group elected to recognize all actuarial gains and losses outside profit or loss, in the net income (expense) recognized directly in equity , as allowed under IAS 19, paragraph 93A s (amended). If this accounting option had been applied in 2005, it would have had the effect of increasing operating profit by €6.6 million and net profit by €4.7 million. This effect is not considered material and the comparative 2005 financial information presented with the 2006 consolidated financial statements has therefore not been adjusted to reflect the new policy.

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 related cost is determined on an actuarial basis and recognized in the income statement over employees' remaining service lives.

(c) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan from which it cannot withdraw, or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the balance sheet date are discounted to present value.

r) Segment information

The Group is organized by country grouped together in geographical segment for internal consolidated reporting purposes. Each geographical segment is determined according to the region of production and not where the products are sold. The five geographical segments 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 computed by dividing profit attributable to equity holders of Legrand by the average number of ordinary shares outstanding plus the number of dilutive potential ordinary shares.

t) Borrowings costs

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, that 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 in connection with annual 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 the purposes of annual impairment tests.

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. Other estimates using different, but still reasonable, assumptions could produce different results.

As of December 31, 2006, the Group applied the impairment test required under IAS 36 for all non-amortizable intangible assets using the assumptions and parameters described in Note 3.

(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 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 probable that some of them will not 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 adjust the value of 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 warranty costs and capitalized development costs.

v) New IFRS Pronouncements

As of the date of approval of the consolidated financial statements, the following standards and interpretations published by the IASB and adopted by the European Union were not yet applicable:

IFRS 7 – Financial Instruments: Disclosures

In August 2005, the IASB issued IFRS 7 – Financial Instruments: Disclosures. This standard requires companies to disclose information regarding the impact of financial instruments on their financial position and performance. It also requires them to disclose qualitative and quantitative information on their exposure to the risks arising from those financial instruments. The information must include minimum disclosures about credit risk, liquidity risk and market risk. IFRS 7 replaces IAS 30 and the disclosure requirements of IAS 32.

IAS 1 – Capital disclosures

In January 2006, the IASB published amendments to IAS 1 concerning capital disclosures. The amendments require companies to disclose qualitative information about their objectives, policies and capital management, as well as summary quantitative data on what they manage as capital.

IFRIC 7 – Applying the restatement approach under IAS 29

In May 2006, the International Financial Reporting Interpretations Committee (IFRIC) published IFRIC 7 – Applying the Restatement Approach under IAS 29: Financial Reporting in Hyperinflationary Economies. This interpretation is applicable when the economy in which a company operates is affected by hyperinflation over the period, following a period without hyperinflation. The interpretation explains how to apply the restatement approach under IAS 29.

IFRIC 8 – Scope of IFRS 2

In May 2006, the IFRIC published IFRIC 8, which confirms that share-based payments whose fair value appears to be greater than the consideration received should be accounted for in accordance with IFRS 2.

IFRIC 9 – Reassessment of embedded derivatives

In June 2006, the IFRIC published IFRIC 9 which stipulates that reassessment of embedded derivatives following the occurrence of certain events is prohibited unless there is a change in the terms of the contract that significantly modifies the cash flows that otherwise would be required under the contract, in which case reassessment is required.

These standards, amendments and interpretations come into effect as from January 1, 2007. The Group is currently reviewing them to assess the changes that may be necessary to its disclosures.

NOTE 2 - INTANGIBLE ASSETS (NOTE 1 (F))

Intangible assets are as follows:

(in € millions)	December 31, 2006	December 31, 2005	December 31, 2004
Trademarks with indefinite useful lives	1,523.1	1,502.6	1,477.4
Trademarks with finite useful lives	49.7	48.8	48.9
Developed technology	161.4	244.6	337.7
Other intangible assets	105.8	65.3	39.3
	1,840.0	**1,861.3**	**1,903.3**

Trademarks can be analyzed as follows:

(in € millions)	December 31, 2006	December 31, 2005	December 31, 2004
At the beginning of the period	1,567.1	1,536.6	1,549.1
– Acquisitions	41.8	12.1	0.0
– Disposals	0.0	0.0	0.0
– Translation adjustment	(15.9)	18.4	(12.5)
	1,593.0	1,567.1	1,536.6
Less accumulated amortization	(20.2)	(15.7)	(10.3)
	1,572.8	**1,551.4**	**1,526.3**

Developed technology can be analyzed as follows:

(in € millions)	December 31, 2006	December 31, 2005	December 31, 2004
At the beginning of the period	582.2	574.4	578.3
– Acquisitions	0.0	0.0	0.0
– Disposals	0.0	0.0	0.0
– Changes in scope of consolidation	0.0	0.0	0.0
– Translation adjustment	(6.2)	7.8	(3.9)
	576.0	582.2	574.4
Less accumulated amortization	(414.6)	(337.6)	(236.7)
	161.4	**244.6**	**337.7**

Amortization expense related to intangible assets (including capitalized development costs) for 2006 amounted to €101.4 million (2005: €111.4 million, 2004: €133.6 million). Amortization of trademarks and developed technology in 2006 breaks down as follows:

(in € millions)	Developed technology	Trademarks	Total
France	43.2	1.9	45.1
Italy	21.6	0.0	21.6
Rest of Europe	5.8	0.5	6.3
USA/Canada	7.9	1.5	9.4
Rest of the world	2.5	1.5	4.0
	81.0	**5.4**	**86.4**

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
2007	57.7	5.0	62.7
2008	46.1	4.8	50.9
2009	28.8	4.5	33.3
2010	17.3	4.0	21.3
2011	11.5	3.6	15.1

Other intangible assets can be analyzed as follows:

(in € millions)	December 31, 2006	December 31, 2005	December 31, 2004
Capitalized development costs	56.9	38.2	17.1
Software	14.0	11.6	11.5
Other	34.9	15.5	10.7
	105.8	**65.3**	**39.3**

NOTE 3 - GOODWILL (NOTE 1 (G))

Goodwill can be analyzed as follows:

(in € millions)	December 31, 2006	December 31, 2005	December 31, 2004
TOTAL	**1,633.2**	**1,780.0**	**1,335.1**
of which:			
– France	589.1	613.2	475.7
– Italy	307.6	378.9	350.4
– Rest of Europe	137.7	137.6	111.7
– USA/Canada	311.2	308.8	243.1
– Rest of the world	287.6	341.5	154.2
	1,633.2	**1,780.0**	**1,335.1**

The geographic allocation of goodwill is based on the acquired company's value, determined as of the date of the business combination and on the synergies with existing one's.

In the «Rest of Europe» and «Rest of the World» segments, no goodwill allocated to a cash-generating unit exceeds 10% of the total.

Changes in goodwill can be analyzed as follows:

(in € millions)	December 31, 2006	December 31, 2005	December 31, 2004
At the beginning of the period	1,780.0	1,335.1	1,378.6
– Acquisitions	58.1	392.0	0.0
– Adjustments	(156.3)	0.0	0.0
– Translation adjustment	(48.6)	52.9	(43.5)
AT THE END OF THE PERIOD	**1,633.2**	**1,780.0**	**1,335.1**

Adjustments on goodwill include reversal of a deferred tax liability which was recognized through the goodwill in the balance sheet of an Italian entity at the Acquisition of Legrand in 2002.

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 cash-generating units are tested for impairment annually, and whenever events or changes in circumstances indicate that their value may be impaired, by comparing the unit's carrying amount, including goodwill, to its recoverable amount, defined as the higher of fair value less costs to sell and 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.

Goodwill impairment tests were performed using the following assumptions and parameters:

- weighted average cost of capital by country ranging from 9.0% to 14.0% in 2006 (2005: 8.0% to 12.0%; 2004: 8.5% to 12.0%);
- a growth rate beyond the specific projection period by country ranging from 2.0% to 5.0% per year in 2006 (2005: 2.0% to 5.0%; 2004: 2.5% to 3.0%).

The following impairment testing parameters are used for December 31, 2006:

	Methodology for recoverable amount determination	Carrying amount of *goodwill*	Carrying amount of trademarks with an indefinite useful life	Value in use	
				Discount rate	Growth rate to perpetuity
France	Value in use	589.1	849.3	9%	2 to 3%
Italy		307.6	414.3	9%	2 to 3%
Rest of Europe		137.7	137.3	9 to 11%	2 to 3%
USA/Canada		311.2	115.1	10%	2 to 3%
Rest of the World		287.6	7.1	9 to 14%	3 to 5%
		1,633.2	**1,523.1**		

No impairment loss was recognized in the period ended December 31, 2006.

Acquisitions of subsidiaries (net of cash acquired) came to €85.9 million for the period (2005: €399.8 million).

Purchase price allocation:

(in € millions)	December 31, 2006	December 31, 2005	December 31, 2004
Trademarks	41,8	12,1	-
Deferred taxes on trademarks	(14,2)	(4,2)	-
Other intangible assets	22,5	-	-
Deferred taxes on other intangible assets	(7,4)	-	-
Goodwill	58,1	392,0	-

The final fair values of the identifiable assets acquired and liabilities and contingent liabilities assumed have possibly not been determined for acquisition carried out the last twelve months. Therefore goodwill on these acquisitions could have been calculated on a provisional basis at year-end of acquisition and would be adjusted the following year based on final fair values.

NOTE 4 - PROPERTY, PLANT AND EQUIPMENT (NOTE 1 (H))

a) Property, plant and equipment by geographical segment

Property, plant and equipment, including finance leases, were as follows as of December 31, 2006:

	December 31, 2006					
(in € millions)	France	Italy	Rest of Europe	USA/ Canada	Rest of the world	Total
Land	24.1	5.5	17.5	2.7	20.9	70.7
Buildings	131.5	86.1	44.0	21.0	26.2	308.8
Machinery and equipment	135.0	80.2	36.2	26.3	42.0	319.7
Assets under construction and other	33.7	8.3	13.5	21.8	12.7	90.0
	324.3	**180.1**	**111.2**	**71.8**	**101.8**	**789.2**

Total property, plant and equipment includes €20.3 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, 2005:

	December 31, 2005					
(in € millions)	France	Italy	Rest of Europe	USA/Canada	Rest of the world	Total
Land	24.0	5.5	20.0	3.0	19.4	71.9
Buildings	134.9	89.5	64.0	24.6	25.1	338.1
Machinery and equipment	137.1	84.0	37.7	30.6	36.1	325.5
Assets under construction and other	34.7	6.3	16.6	29.0	11.5	98.1
	330.7	**185.3**	**138.3**	**87.2**	**92.1**	**833.6**

Property, plant and equipment, including finance leases, were as follows as of December 31, 2004:

	December 31, 2004					
(in € millions)	France	Italy	Rest of Europe	USA/Canada	Rest of the world	Total
Land	23.6	5.4	20.5	3.3	16.9	69.7
Buildings	144.7	68.8	60.0	24.7	19.1	317.3
Machinery and equipment	157.7	85.1	43.9	36.1	26.3	349.1
Assets under construction and other	27.9	3.5	17.6	21.9	9.0	79.9
	353.9	**162.8**	**142.0**	**86.0**	**71.3**	**816.0**

b) Analysis of changes in property, plant and equipment

Changes in property, plant and equipment can be analyzed as follows for 2006:

	December 31, 2006					
(in € millions)	France	Italy	Rest of Europe	USA/Canada	Rest of the world	Total
Capital expenditures	48.6	22.8	15.3	14.3	17.7	118.7
Disposals (carrying amount)	(4.2)	(0.3)	(24.8)	(1.0)	(1.3)	(31.6)
Depreciation expense	(57.8)	(27.7)	(19.2)	(20.3)	(17.0)	(142.0)
Transfers and changes in scope of consolidation	7.0	0.0	1.4	0.5	17.2	26.1
Translation adjustment	0.0	0.0	0.2	(8.9)	(6.9)	(15.6)
	(6.4)	**(5.2)**	**(27.1)**	**(15.4)**	**9.7**	**(44.4)**

	December 31, 2006						
(in € millions)	Capital expenditures	Transfers from “Assets under construction”	Disposals (carrying amount)	Depreciation expense	Transfers and changes in scope of consolidation	Translation adjustment	Total
Land	0.1	0.0	(2.6)	(1.1)	3.7	(1.3)	(1.2)
Buildings	4.5	12.5	(17.8)	(28.6)	4.6	(4.5)	(29.3)
Machinery and equipment	45.0	43.4	(9.9)	(95.1)	16.5	(5.7)	(5.8)
Assets under construction and other	69.1	(55.9)	(1.3)	(17.2)	1.3	(4.1)	(8.1)
	118.7	**0.0**	**(31.6)**	**(142.0)**	**26.1**	**(15.6)**	**(44.4)**

Changes in property, plant and equipment in 2005 can be analyzed as follows:

	December 31, 2005					
(in € millions)	France	Italy	Rest of Europe	USA/Canada	Rest of the world	Total
Capital expenditures	38.2	21.5	15.1	15.4	13.0	103.2
Disposals (carrying amount)	(2.3)	(0.9)	(6.5)	(7.0)	(1.0)	(17.7)
Depreciation for the period	(58.1)	(31.2)	(22.1)	(19.6)	(13.0)	(144.0)
Transfers and changes in scope of consolidation	(1.0)	33.1	8.6	0.4	7.3	48.4
Translation adjustment	0.0	0.0	1.2	12.0	14.5	27.7
	(23.2)	**22.5**	**(3.7)**	**1.2**	**20.8**	**17.6**

	December 31, 2005						
(in € millions)	Capital expenditures	Transfers from "Assets under construction"	Disposals (carrying amount)	Depreciation for the period	Transfers and changes in scope of consolidation	Translation adjustment	Total
Land	0.0	0.1	(1.9)	(0.5)	1.3	3.2	2.2
Buildings	4.1	4.4	(6.1)	(23.0)	33.1	8.3	20.8
Machinery and equipment	43.2	24.9	(7.3)	(101.8)	6.9	10.5	(23.6)
Assets under construction and other	55.9	(29.4)	(2.4)	(18.7)	7.1	5.7	18.2
	103.2	**0.0**	**(17.7)**	**(144.0)**	**48.4**	**27.7**	**17.6**

Changes in property, plant and equipment in 2004 can be analyzed as follows:

	December 31, 2004					
(in € millions)	France	Italy	Rest of Europe	USA/Canada	Rest of the world	Total
Capital expenditures	31.0	20.0	14.7	10.8	10.5	87.0
Disposals (carrying amount)	(18.4)	(0.2)	(20,8)	(1.3)	(4.4)	(45.1)
Depreciation for the period	(62.3)	(25.9)	(21.2)	(22.0)	(10.4)	(141.8)
Transfers and changes in scope of consolidation	1.9	(0.1)	2.3	0.0	(0.2)	3.9
Translation adjustment	0.0	0.0	3.1	(5.8)	(0.2)	(2.9)
	(47.8)	**(6.2)**	**(21.9)**	**(18.3)**	**(4.7)**	**(98.9)**

	December 31, 2004						
(in € millions)	Capital expenditures	Transfers from «Assets under construction»	Disposals (carrying amount)	Depreciation for the period	Transfers and changes in scope of consolidation	Translation adjustment	Total
Land	0.0	0.0	(2.3)	0.0	0.0	0.5	(1.8)
Buildings	4.6	11.6	(22.0)	(21.8)	0.1	(0.6)	(28.1)
Machinery and equipment	43.7	22.9	(15.4)	(101.4)	(1.6)	(1.8)	(53.6)
Assets under construction and other	38.7	(34.5)	(5.4)	(18.6)	5.4	(1.0)	(15.4)
	87.0	**0.0**	**(45.1)**	**(141.8)**	**3.9**	**(2.9)**	**(98.9)**

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

(in € millions)	December 31, 2006	December 31, 2005	December 31, 2004
Land	3.8	3.9	3.9
Buildings	35.9	32.6	36.7
Machinery and equipment	38.7	38.1	35.4
	78.4	74.6	76.0
Less accumulated depreciation	(44.3)	(41.2)	(37.2)
	34.1	**33.4**	**38.8**

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

(in € millions)	December 31, 2006	December 31, 2005	December 31, 2004
Long-term borrowings	9.3	16.1	18.5
Short-term borrowings	6.9	8.9	7.3
	16.2	**25.0**	**25.8**

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

(in € millions)	December 31, 2006	December 31, 2005	December 31, 2004
Due within one year	6.6	7.8	7.3
Due in one to two years	4.5	8.2	8.1
Due in two to three years	1.7	4.3	7.1
Due in three to four years	1.5	1.5	3.2
Due in four to five years	1.3	1.4	0.9
Due beyond five years	1.8	3.4	1.8
	17.4	26.6	28.4
Of which accrued interest	(1.2)	(1.6)	(2.6)
Present value of future minimum lease payments	**16.2**	**25.0**	**25.8**

NOTE 5 - INVESTMENTS IN ASSOCIATES AND OTHER INVESTMENTS

(in € millions)	December 31, 2006	December 31, 2005	December 31, 2004
Investments in associates (accounted for by the equity method)	10.5	9.5	12.5

(in € millions)	December 31, 2006	December 31, 2005	December 31, 2004
Other investments	5.0	4.1	5.9

NOTE 6 - INVENTORIES (NOTE 1 (I))

Inventories are as follows:

(in € millions)	December 31, 2006	December 31, 2005	December 31, 2004
Purchased raw materials and components	199.3	171.7	143.6
Sub-assemblies, work in progress	110.5	93.4	93.2
Finished products	322.5	276.7	246.9
	632.3	541.8	483.7
Less impairment	(72.2)	(67.3)	(61.7)
	560.1	**474.5**	**422.0**

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 approximately 25% of consolidated net revenue.

(in € millions)	December 31, 2006	December 31, 2005	December 31, 2004
Trade accounts receivable	559.7	513.4	433.4
Notes receivable	90.4	79.4	94.8
	650.1	592.8	528.2
Less impairment	(29.3)	(29.6)	(32.5)
	620.8	**563.2**	**495.7**

NOTE 8 - OTHER CURRENT ASSETS

Other current assets are as follows:

(in € millions)	December 31, 2006	December 31, 2005	December 31, 2004
Employee advances	4.1	4.8	4.2
Other receivables	33.0	36.4	42.6
Prepayments	18.1	18.8	11.9
Prepaid and recoverable taxes other than on income	77.0	67.5	71.6
	132.2	**127.5**	**130.3**

NOTE 9 - MARKETABLE SECURITIES

Marketable securities are measured at fair market value. The carrying amount of marketable securities is close to their fair value.

NOTE 10 - SHARE CAPITAL AND EARNINGS PER SHARE

Changes in share capital in 2006:

		Number of shares	Par value	Share capital (euros)	Premiums (euros)
As of December 31, 2005		759,350,900	1	759,350,900	
February 24, 2006	Reverse stock-split	189,837,725	4	759,350,900	
April 11, 2006	Public placement of new shares	43,689,298	4	174,757,192	688,106,444
April 11, 2006	Share issue underwritten by GP Financière New Sub 1 SCS, paid up by capitalizing related party borrowings	33,862,914	4	135,451,656	533,340,895
May 2, 2006	Employee share issue	2,303,439	4	9,213,756	36,279,164
As of December 31, 2006		269,693,376	4	1,078,773,504	1,257,726,503

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

On April 7, 2006, the Group was floated on the Eurolist by Euronext™ Paris market, at an offering price of €19.75 per share for both the institutional and retail tranches. Proceeds from the related share issue amounted to €862.9 million.

Proceeds from the employee share issue carried out in conjunction with the IPO amounted to €36.4 million. The shares were issued at a 20% discount to the IPO price. The total €9.1 million discount was recognized in other operating expenses.

The aggregate proceeds from the share issues, net of transaction costs of €33.1 million, came to €866.2 million.

Following the share issues, the Company's two main shareholders, KKR and Wendel Investissement, each held around 30% of share capital.

At the time of the IPO, certain shareholders gave an undertaking to keep their shares for periods ranging from 6 to 18 months (see description of the lock-up agreement in the offering circular (*note d'opération*) filed under no. 06.082 with the French securities regulator (AMF) on March 22, 2006).

Earnings per share, calculated on the basis of the average number of shares outstanding during the year, are as follows:

	December 31, 2006	December 31, 2005	December 31, 2004
Profit attributable to equity holders of Legrand *(in € millions)*	252.0	101.4	26.8
Number of ordinary shares outstanding at the period-end	269,693,376	189,837,725	189,837,725
Average number of ordinary shares outstanding during the period	247,218,622	189,837,725	189,837,725
Number of options outstanding at the period-end	2,606,529	2,682,829	2,663,629
Basic earnings per share (euros) *(note 1* (s))*	1.019	0.534	0.141
Diluted earnings per share (euros) *(note 1* (s))*	1.009	0.527	0.139
Dividend per share *(euros)*	0.410	0.000	0.000

* *Basic and diluted earnings per share for 2005 and 2004 have been adjusted to reflect the impact of the 1-for-4 reverse stock-split carried out on February 24, 2006.*

Reported basic and diluted earnings per share, before the reverse stock-split, amounted to €0.134 and €0.132 respectively in 2005 and €0.035 and €0.035 respectively in 2004.

In accordance with IAS 33, the 79,855 thousand shares issued in conjunction with the IPO during the second quarter of 2006 were taken into account on a pro rata temporis basis in the computation of the average number of ordinary shares outstanding during the period. If those shares had been issued January 1st, 2006 basic earnings per share and diluted earnings per share would have amounted respectively to €0.934 and €0.925.

NOTE 11 - STOCK OPTIONS AND EMPLOYEE PROFIT-SHARING

a) Legrand 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 ordinary shares of the Company at an initial exercise price of €1.00 per share for options granted in 2003 and 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 2003 and 2004 and to €5.60 for those granted in 2005. Following the IPO, outstanding options may be exercised in the coming years during the exercise periods set in the initial plan. The plan has now been closed and the 423,263 options not granted prior to the IPO will not now be granted.

In accordance with IFRS 2, which requires the cost of stock options to be recognized in the financial statements, a charge of €5 million was recorded in 2006.

Stock options granted, exercised and canceled over the past three years can be analyzed as follows:

Stock subscription plan	
Balance at December 31, 2002	**0**
Options granted	9,555,516
Options exercised	0
Options forfeited	(597,000)
Balance at December 31, 2003	**8,958,516**
Options granted	2,298,200
Options exercised	0
Options forfeited	(602,200)
Balance at December 31, 2004	**10,654,516**
Options granted	810,000
Options exercised	0
Options forfeited	(733,200)
Balance at December 31, 2005	**10,731,316**
Options granted	0
Options exercised	0
Options forfeited	(77,200)
Balance at February 24, 2006	**10,654,116**
Options canceled following the reverse stock-split decided at the Shareholders' Meeting of February 24, 2006	(7,990,587)
Canceled options adjusted for the effects of the stock-split	(57,000)
BALANCE AT DECEMBER 31, 2006	**2,606,529**

None of the outstanding options were exercisable as of December 31, 2006. A total of 1,283,019 options will be exercisable in 2007, 980,343 in 2008, 285,250 in 2009 and 57,917 in 2010.

b) Legrand France stock-option plans

In May 1999, the shareholders gave the Company a five-year authorization expiring in May 2004 to issue up to 700,000 options to purchase or subscribe to ordinary shares or preferred, non-voting shares. This option plan was open to all Group employees in France.

On December 13, 1999, the Company established a new plan for the purchase of ordinary shares, open to all employees in France who had completed the required period of service. The exercise price was equal to the average of the opening market prices quoted for the shares on the Paris stock exchange over the twenty trading days preceding the grant date. The options had a five-year vesting period and were exercisable between the fifth and seventh anniversaries of the grant date. Options were forfeited if the employee was dismissed for willful misconduct.

On November 21, 2000, the Company established a stock subscription plan open to all employees in France who had completed the required period of service. The exercise price is based on the opening market prices quoted for the shares on the Paris stock exchange over the twenty trading days preceding the grant date. The options had a five-year vesting period and are exercisable between the fifth and seventh anniversaries of the grant date.

On November 13, 2001, the Company established a stock subscription plan open to all French employees who had completed the required period of service. The exercise price is based on the opening market prices quoted for the shares on the Paris stock exchange over the twenty trading days preceding the grant date. The options had a four-year vesting period and are exercisable between the fourth and seventh anniversaries of the grant date.

Holders of Legrand France stock options (other than options granted under the 2001 plan) are entitled to exchange the ordinary shares acquired upon exercise of the options for Schneider Electric shares pursuant to an undertaking provided by Schneider Electric to the option holders at the time of its public tender offer for Legrand France.

On December 10, 2002, Legrand and Schneider Electric entered into a call and put option agreement whereby Schneider Electric agreed that it would sell to Legrand, if Legrand so wished, and Legrand agreed to purchase, if Schneider Electric so wished, all Legrand ordinary shares held by Schneider Electric as a result of the exercise of such options. The call option is exercisable by Legrand for a period of six months from the date on which Schneider Electric becomes the owner of record of the relevant Legrand France shares and the put option may be exercised by Schneider Electric six months and fifteen days after the date on which Schneider Electric becomes the owner of record of the relevant Legrand France shares and in no event later than twelve months after such date. Options for which the Legrand France shares are exchangeable for Schneider Electric shares have exercise periods that continue through and until November 2007.

The value and number of stock options were adjusted for the effects of the shareholder-approved distributions of retained earnings by Legrand France for €375 million in 2003 and for €675 million at the beginning of 2004.

At its meeting on November 2, 2005, the Board of Directors decided to offer a liquidity guarantee to holders of the 2001 stock options in the event that the Company was floated on the stock exchange. Following Legrand's flotation, the liquidity guarantee came into effect in the second quarter of 2006.

Type of plan	Subscription		Purchase
Date of grant	**2000**	**2001**	**1999**
Type of shares under option	**Ordinary**	**Ordinary**	**Ordinary**
Number of grantees	8,999	9,122	8,814
Starting date of exercise period	11-2005	11-2005	12-2004
Expiry date of exercise period	11-2007	11-2008	12-2006
Option price *(in euros)* before distribution of retained earnings	191.50	143.00	222.00
Option price *(in euros)* after distribution of retained earnings	140.19	104.68	162.51
NUMBER OF OPTIONS GRANTED	**124,240**	**178,766**	**85,708**
Options forfeited	(18)		(4,508)
Balance as of December 31, 2002	**124,222**	**178,766**	**81,200**
New options issued on Nov. 15, 2003 through distribution of retained earnings	16,218	21,353	11,998
Options exercised			
Options forfeited	(372)	(372)	(376)
Balance as of December 31, 2003	**140,068**	**199,747**	**92,822**
New options issued on March 30, 2004 through distribution of retained earnings	38,002	52,996	28,963
Options exercised			
Options forfeited	(9)		(7)
Balance as of December 31, 2004	**178,061**	**252,743**	**121,778**
Options exercised	(38,265)		(30,779)
Options forfeited	(95)	(95)	(66)
Balance as of December 31, 2005	**139,701**	**252,648**	**90,933**
Options exercised	(64,247)	(244,704)	(74,929)
Options forfeited	(240)	(465)	(16,004)
BALANCE AS OF DECEMBER 31, 2006	**75,214**	**7,479**	**0**

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 and bear interest at negotiated rates ranging from 5% to 6%.

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 €31.7 million was recorded in 2006 for statutory and discretionary profit-sharing plans (2005: €27.2 million; 2004: €27.7 million).

NOTE 12 - RETAINED EARNINGS AND TRANSLATION RESERVES

a) Retained earnings

Retained earnings of Legrand and its consolidated subsidiaries can be analyzed as follows:

(in € millions)	December 31, 2006	December 31, 2005	December 31, 2004
Distributable reserves	576.9	122.9	79.1
Other reserves	640.7	(280.0)	(338.6)
Share of post-acquisition earnings of consolidated companies	0.0	0.0	0.0
	1,217.6	**(157.1)**	**(259.5)**

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, 2006	December 31, 2005	December 31, 2004
US dollar	(132.0)	(79.5)	(134.5)
Other currencies	(4.6)	15.2	(10.2)
	(136.6)	**(64.3)**	**(144.7)**

The line «Other currencies» mainly concerns currencies of countries located in the «Rest of the World» and «Rest of Europe» segments as of December 31, 2006, the «Rest of Europe» segment as of December 31, 2005 and the «Rest of World» segment as of December 31, 2004.

NOTE 13 - SUBORDINATED PERPETUAL NOTES (TSDIS)

In December 1990 and March 1992, Legrand France issued, at par, subordinated perpetual notes for a total of €457 million and €305 million, respectively.

Amortization of the residual carrying amount of the perpetual notes in the balance sheet is as follows:

(in € millions)	December 31, 2006	December 31, 2005	December 31, 2004
Due within one year	9.5	19.0	40.5
Due in one to two years	0.0	9.5	19.0
Due in two to three years	0.0	0.0	9.4
Due beyond three years	0.0	0.0	0.0
	9.5	**28.5**	**68.9**

The subordinated perpetual notes are subject to specific tax rules, the application of which was specified in the amended 2005 Finance Act voted by the French parliament in the fall of 2005. Under these rules, the total amount of interest provided for in the loan debenture is deductible only up to the amount of interest paid in the first twelve years on the principal issued by the Group.

Application of these rules led to a €110 million reduction in the Group's tax loss carryforwards in 2005 and will lead to a further €62.5 million reduction in 2007. This has no impact on the income statement as no deferred tax asset was recognized for these tax loss carry forwards.

NOTE 14 - RELATED PARTY BORROWINGS

In February 2003, a subsidiary of the Group's ultimate parent obtained a €1,156.0 million subordinated shareholder loan. As of December 31, 2005, the outstanding principal and interest amounted to €1,334.8 million.

On February 15, 2006, the Group repaid an amount of €177.9 million, using funds obtained under the 2006 Credit Facility.

A further €504.4 million was repaid using the proceeds from the IPO and related employee share issue and the remaining €668.8 million was repaid in newly issued shares on April 11, 2006.

NOTE 15 - LONG-TERM BORROWINGS

Long-term borrowings can be analyzed as follows:

(in € millions)	December 31, 2006	December 31, 2005	December 31, 2004
Facility Agreement	668.7	731.7	847.5
High-Yield Notes	0.0	574.3	535.7
8 ½% *debentures*	294.5	329.6	285.2
Other borrowings	97.1	178.2	18.4
	1,060.3	**1,813.8**	**1,686.8**
Debt issuance costs	(4.8)	(10.5)	(12.4)
	1,055.5	**1,803.3**	**1,674.4**

Long-term borrowings are denominated in the following currencies:

(in € millions)	December 31, 2006	December 31, 2005	December 31, 2004
Euro	605.1	1,457.4	1,390.7
US dollar	418.0	355.0	295.2
Other currencies	37.2	1.4	0.9
	1,060.3	**1,813.8**	**1,686.8**

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

(in € millions)	December 31, 2006	December 31, 2005	December 31, 2004
Due in one to two years	174.9	292.5	162.7
Due in two to three years	151.2	173.7	161.4
Due in three to four years	149.6	426.9	158.1
Due in four to five years	271.7	4.5	381.7
Due beyond five years	312.9	916.2	822.9
	1,060.3	**1,813.8**	**1,686.8**

Interest rates on long-term borrowings are as follows:

Average interest rate after swaps	December 31, 2006	December 31, 2005	December 31, 2004
Facility Agreement	3.86%	2.69%	2.80%
High-Yield Notes	-	10.51%	10.45%
8.5% debentures	4.68%	4.52%	4.24%
Other borrowings	3.15%	2.48%	2.50%

The figures above correspond to average interest rates. The rates shown for the 8.5% debentures (Yankee bonds) take into account interest rate swaps. With the exception of the 8.5% debentures, management considers that the carrying amount of borrowings is close to their fair value.

These borrowings are secured as follows:

(in € millions)	December 31, 2006	December 31, 2005	December 31, 2004
Assets mortgaged or pledged as collateral	23.1	23.1	3.5
Guarantees given to banks	63.0	63.6	52.2
Legrand France shares pledged under Facility Agreement	0.0	887.3	925.2
	86.1	**974.0**	**980.9**

a) Credit Facility

2004 Credit Facility

As of December 31, 2005, the Group owed €887.3 million on the €1.4 billion syndicated facility contracted in December 2004 («the 2004 Credit Facility»). In January 2006, the 2004 Credit Facility was refinanced through a new €2.2 billion syndicated facility.

Upon repayment of the 2004 Credit Facility, the €10.5 million unamortized balance of related debt issuance costs was written off. This amount is reported under «Loss on extinguishment of debt» in the consolidated income statement.

2006 Credit Facility

On January 10, 2006, the Group signed a new €2.2 billion credit facility –the 2006 Credit Facility– with five mandated arrangers. Its purpose is (i) to refinance the €1.4 billion 2004 Credit Facility in its entirety, (ii) to retire the €574.2 million High Yield Notes issue, plus accrued interest on the notes and the €98.5 million early-repayment premium (recognized under "Loss on extinguishment of debt"), and (iii) to repay the €177.9 million portion of the subordinated shareholder loan corresponding to the vendor financing granted by Schneider at the time of acquisition of Legrand France, as required under the terms of the loan debenture in the event that the High Yield Notes are retired.

The 2006 Credit Facility comprises 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 due on January 10, 2011. It also includes a €1.2 billion Tranche B consisting of a revolving multicurrency facility utilizable through drawdowns and a €300 million Tranche C multicurrency facility repayable upon the Group's flotation on the stock market. Tranches A and B are five-year loans that can be rolled over for two successive one-year periods. Tranche C was a 364-day loan; it was repaid in full in April 2006 following the IPO.

Repayments due under the Facility Agreement can be analyzed as follows by maturity as of December 31, 2006, December 31, 2005 and December 31, 2004:

(in € millions)	December 31, 2006	December 31, 2005	December 31, 2004
Due within one year (short-term borrowings)	138.8	155.6	77.7
Due in one to two years	137.6	155.6	155.6
Due in two to three years	137.6	155.6	155.6
Due in three to four years	138.3	420.5	155.6
Due beyond four years	255.2	0.0	380.7
	807.5	**887.3**	**925.2**

The successive Facility Agreements break down as follows:

(in € millions)	December 31, 2006	Maturity	Interest rate
Term Facility	687.6	2011	Euribor + 0.35
Revolving Facility	119.9	2011	Euribor + 0.35

(in € millions)	December 31, 2005	Maturity	Interest rate
Term Facility	622.3	2009	Euribor + 0.55
Revolving Facility	265.0	2009	Euribor + 0.55

(in € millions)	December 31, 2004	Maturity	Interest rate
Term Facility	700.0	2009	Euribor + 0.60
Revolving Facility	225.2	2009	Euribor + 0.60

b) High Yield Notes

In February 2003, the Group issued $350 million worth of 10.5% Senior Notes due 2013 and €277.5 million worth of 11.0% Senior Notes due February 15, 2013 (the "High Yield Notes"). The Group redeemed all the High Yield Notes on February 15, 2006 for a total amount of €672.7 million, including an early-redemption premium of €98.5 million which is reported under "Loss on extinguishment of debt" in the income statement.

c) 8.5% Debentures (Yankee bonds)

On February 14, 1995, Legrand France issued $400 million of 8.5% 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 (see Note 24a).

d) Further borrowing capacity

As of December 31, 2006, a further €1,080.1 million was available for borrowing under the Facility Agreement (Revolving Facility).

NOTE 16 - LONG-TERM PROVISIONS AND OTHER NON-CURRENT LIABILITIES

Long-term provisions and other non-current liabilities are as follows:

(in € millions)	December 31, 2006
At beginning of period	134.0
Changes in scope of consolidation	1.1
Increases	28.3
Reversals	(30.8)
Transfers to current liabilities	(5.2)
Reclassifications	(14.0)
Translation adjustment	(3.6)
	109.8

As of December 31, 2006, long-term provisions and other non-current liabilities comprise in particular provisions for claims and litigation (€9.8 million), provisions for restructuring (€13.1 million), statutory and discretionary profit-sharing reserves (€17.4 million) and provisions for taxes (€23.6 million).

NOTE 17 -PENSION AND OTHER POST-EMPLOYMENT BENEFIT OBLIGATIONS (NOTE 1(Q))

(in € millions)	December 31, 2006	December 31, 2005	December 31, 2004
Retirement benefits in France*	36.5	26.0	22.1
Termination benefits in Italy*	53.5	53.3	47.4
Other post-employment benefits*	57.6	60.4	61.5
	147.6	**139.7**	**131.0**

* *These items represent the non-current portion of pension and other post-retirement benefits for a total of €147.6 million (2005: €139.7 million; 2004: €131.0 million). The current portion of €7.7 million (2005: €9.6 million; 2004: €8.8 million) is reported under «Other current liabilities». The total net liability recognized in the balance sheet is therefore €155.3 million (2005: €149.3 million; 2004: €139.8 million) and is analyzed in note 17 (a), which shows total liabilities of €290.6 million (2005: €282.8 million; 2004: €249.7 million) less total assets of €135.1 million (2005: €133.5 million; 2004: €109.9 million) and unrecognized past service costs of €0.2 million.*

a) 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, 2006	December 31, 2005	December 31, 2004	December 31, 2003
Defined benefit obligation				
Projected benefit obligation at beginning of period	282.8	249.7	237.0	220.0
Acquisitions	0.2	3.4	0.0	0.0
Goodwill *allocation*	0.0	0.0	0.0	21.0
Service cost	18.2	17.7	17.5	22.4
Interest cost	10.3	8.8	10.4	8.3
Benefits paid	(23.5)	(17.2)	(25.2)	(22.6)
Employee contributions	0.4	0.6	0.4	0.0
Plan amendments	0.0	0.0	0.3	0.0
Actuarial loss/(gain)	13.0	6.6	6.9	4.8
Curtailments, settlements, special termination benefits	(0.8)	0.0	1.7	0.0
Past service cost	0.2	0.0	0.0	0.0
Translation adjustment	(10.2)	13.2	(5.3)	(16.9)
Other	0.0	0.0	6.0	0.0
Projected benefit obligation at end of period (I)	**290.6**	**282.8**	**249.7**	**237.0**
Unrecognized past service cost (II)	**0.2**	**0.0**	**0.0**	**0.0**
Fair value of plan assets				
Fair value of plan assets at beginning of period	133.5	109.9	110.8	108.0
Acquisitions	0.0	0.5	0.0	0.0
Actual return on plan assets	10.2	13.5	7.8	18.5
Employer contributions	8.2	8.2	9.7	5.6
Employee contributions	0.3	0.3	0.4	0.0
Benefits paid	(13.9)	(11.3)	(15.4)	(9.5)
Actuarial (loss) gain	0.7	0.0	0.0	0.0
Translation adjustment	(3.9)	12.4	(3.4)	(11.8)
Fair value of plan assets at end of period (III)	**135.1**	**133.5**	**109.9**	**110.8**
Pension liability recognized in balance sheet (I) – (II) – (III)	**155.3**	**149.3**	**139.8**	**126.2**
Current liability	7.7	9.6	8.8	3.8
Non-current liability	147.6	139.7	131.0	122.4

Until year-end 2005, actuarial gains and losses arising from changes in actuarial assumptions were recognized in profit.

Effective from January 1, 2006, the Group elected to recognize all actuarial gains and losses outside profit or loss, in the net income (expense) recognized directly in equity, as allowed under IAS 19, paragraph 93A s (amended). The effect of this change in accounting policy is not considered material and the comparative 2005 financial information presented with the 2006 consolidated financial statements has therefore not been adjusted to reflect the new policy.

Actuarial gains recognized in the statement of recognized income and expense as of December 31, 2006 amounted to €12.3 million (€7.6 million after tax).

The impact on consolidated operating profit is as follows:

(in € millions)	Twelve months ended December 31, 2006	Twelve months ended December 31, 2005	Twelve months ended December 31, 2004
Service cost – rights acquired during the period	(18.2)	(17.7)	(17.5)
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	(10.3)	(15.4)	(17.3)
Other	0.2	(0.6)	(2.4)
Expected return on plan assets	10.2	13.5	7.8
	(18.1)	**(20.2)**	**(29.4)**

The weighted-average allocation of pension plan assets was as follows as of December 31, 2006:

(%)	France	United States and United Kingdom	Weighted total
Equity instruments	0.0	57.8	48.7
Debt instruments	2.2	33.0	28.3
Insurance funds	97.8	9.2	23.0
	100.0	**100.0**	**100.0**

Based on company-level and collective bargaining agreements, the employees of the Group may be entitled to retirement benefits and supplementary pension benefits in addition to those received in compliance with legal obligations in force in each country.

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 €43.5 million (2005: €34.7 million; 2004: €34.0 million), corresponding to the difference between (a) the projected benefit obligation of €64.0 million (2005: €57.3 million; 2004: €59.0 million), and (b) the fair value of the related plan assets of €20.3 million (2005: €22.6 million; 2004: €25.0 million) and unrecognized past service costs of €0.2 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% and a discount rate of 4.5% in 2006 (2005 and 2004: 3.0% and 4.5%, respectively). 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

In accordance with employment legislation in force in Italy, provisions for termination benefits payable to employees when they leave the Group have been established in the accounts of the Italian companies in an amount of €58.5 million as of December 31, 2006 (2005: €58.4 million; 2004: €52.0 million). The cumulative benefit is fixed by law and represents approximately one month's salary per year of service. Amounts attributed to each employee are revalued each year in accordance with a specific index published by the government. They are fully vested and are paid when an employee leaves the Group. The companies have no further liability toward the employee once the payment is made.

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 Italy, the calculation was based on a salary increase rate of 3.0% and a discount rate of 4.3% in 2006 (2005: 2.5% and 4.1%; 2004: 2.5% and 4.4%).

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 €153.6 million as of December 31, 2006 (2005: €154.6 million; 2004: €136.0 million). This amount is covered by pension fund assets estimated at €109.4 million as of December 31, 2006 (2005: €106.1 million; 2004: €86.0 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 4.3%, a discount rate of 5.8% and an expected return on plan assets of 7.0%. In the United Kingdom, the calculation was based on a salary increase rate of 4.1% and a discount rate of 5.1%.

NOTE 18 - SHORT-TERM BORROWINGS

(in € millions)	December 31, 2006	December 31, 2005	December 31, 2004
Facility Agreement	138.8	155.6	77.8
8.5% debentures	0.0	0.0	0.0
Commercial paper	226.9	0.0	0.0
Other short-term borrowings	425.0	163.7	125.8
	790.7	**319.3**	**203.6**

NOTE 19 - SHORT-TERM PROVISIONS AND OTHER CURRENT LIABILITIES

(in € millions)	December 31, 2006	December 31, 2005	December 31, 2004
Tax liabilities	81.5	80.8	80.2
Accrued employee benefits expense	151.5	133.4	139.9
Current portion of statutory profit-sharing	10.9	8.1	3.0
Payables related to fixed asset purchases	13.3	9.6	16.0
Accrued expenses	37.2	29.6	18.9
Accrued interest	33.8	48.5	39.2
Deferred revenue	4.9	1.7	1.8
Current portion of pension and other post-employment benefit obligations	7.7	9.6	8.8
Other	96.0	85.6	55.0
	436.8	**406.9**	**362.8**

NOTE 20 - ANALYSIS OF CERTAIN EXPENSES

a) Analysis of operating expenses

Operating expenses include the following categories of costs:

(in € millions)	Twelve months ended December 31, 2006	Twelve months ended December 31, 2005	Twelve months ended December 31, 2004
Raw materials and component costs	(1,120.3)	(946.7)	(807.0)
Salaries and payroll taxes	(975.7)	(893.1)	(832.9)
Employees profit-sharing	(31.7)	(27.2)	(27.7)
Total personnel costs	**(1,007.4)**	**(920.3)**	**(860.6)**
Depreciation expense	(142.0)	(144.0)	(141.8)
Amortization expense	(101.4)	(111.4)	(133.6)

As of December 31, 2006 the Group had 30,706 employees (2005: 30,237; 2004: 24,775).

b) Analysis of other operating income and expense

(in € millions)	Twelve months ended December 31, 2006	Twelve months ended December 31, 2005	Twelve months ended December 31, 2004
Employee profit-sharing	(31.7)	(27.2)	(27.7)
Restructuring costs	(23.6)	(37.8)	(22.4)
IPO costs	(9.1)	0.0	0.0
Other	(45.5)	(27.6)	(27.4)
	(109.9)	**(92.6)**	**(77.5)**

NOTE 21 - FINANCE COSTS AND OTHER FINANCIAL INCOME AND EXPENSE, NET

a) Exchange gains and losses

(in € millions)	Twelve months ended December 31, 2006	Twelve months ended December 31, 2005	Twelve months ended December 31, 2004
Exchange gains and losses	**40.4**	**(32.3)**	**5.8**

Exchange gains and losses mainly concern long-term borrowings. The net gain for 2006 includes an exceptional €30.4 million exchange gain recognized at the time of the redemption, of the High-Yield Notes, in February.

b) Finance costs, net

(in € millions)	Twelve months ended December 31, 2006	Twelve months ended December 31, 2005	Twelve months ended December 31, 2004
Interest income	33.7	25.4	26.1
Finance costs	(157.4)	(242.5)	(270.1)
Change in fair value of financial instruments	0.0	36.0	12.6
	(157.4)	(206.5)	(257.5)
	(123.7)	**(181.1)**	**(231.4)**

NOTE 22 - INCOME TAX EXPENSE (CURRENT AND DEFERRED)

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

(in € millions)	Twelve months ended December 31, 2006	Twelve months ended December 31, 2005	Twelve months ended December 31, 2004
France	16.5	(47.7)	(88.8)
Outside France	320.8	240.0	160.8
	337.3	**192.3**	**72.0**

Income tax expense consists of the following:

(in € millions)	Twelve months ended December 31, 2006	Twelve months ended December 31, 2005	Twelve months ended December 31, 2004
Current taxes:			
France	3.5	0.5	0.5
Outside France	(103.3)	(84.2)	(68.0)
	(99.8)	(83.7)	(67.5)
Deferred taxes:			
France	27.8	18.8	26.7
Outside France	(10.9)	(24.9)	(5.8)
	16.9	(6.1)	20.9
Total income tax expense:			
France	31.3	19.3	27.2
Outside France	(114.2)	(109.1)	(73.8)
	(82.9)	**(89.8)**	**(46.6)**

The reconciliation of total income tax expense during the period to income tax calculated at the standard tax rate in France is as follows:

Tax rate	Twelve months ended December 31, 2006	Twelve months ended December 31, 2005	Twelve months ended December 31, 2004
STANDARD FRENCH INCOME TAX RATE	**34.43%**	**34.43%**	**34.93%**
Increases (reductions):			
- Effect of foreign income tax rates	(1.27%)	(0.80%)	(1.35%)
- Non taxable items	2.44%	7.36%	11.17%
- Income taxable at specific rates	2.35%	1.82%	(0.68%)
- Other	(3.95%)	15.94%	(12.08%)
	34.00%	58.75%	31.99%
Impact on deferred taxes of:			
- Changes in tax rates	0.04%	(2.53%)	(7.98%)
- Recognition or non-recognition of deferred tax assets	(9.50%)	(9.50%)	40.72%
EFFECTIVE TAX RATE	**24.54%**	**46.72%**	**64.73%**

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, 2006	December 31, 2005	December 31, 2004
Deferred taxes recorded by French companies	(322.6)	(350.8)	(372.2)
Deferred taxes recorded by foreign companies	(216.7)	(308.0)	(262.3)
	(539.3)	**(658.8)**	**(634.5)**
Origin of deferred taxes:			
- Depreciation of fixed assets	(36.7)	(97.0)	(91.7)
- Tax loss carryforwards	58.3	34.1	21.3
- Statutory profit-sharing	4.5	3.9	2.8
- Pensions and other post-employment benefits	21.6	20.3	22.2
- Subordinated perpetual notes	2.2	11.1	33.5
- Developed technology	(57.4)	(87.0)	(121.0)
- Trademarks	(558.8)	(551.6)	(546.4)
- Impairment losses on inventories and receivables	21.4	20.4	12.8
- Fair value adjustments to derivative instruments	(10.0)	(12.7)	13.3
- Translation adjustments	0.8	4.4	16.7
- Non-deductible provisions	23.2	13.6	8.4
- Margin on inventories	10.4	7.8	7.6
- Other	(18.8)	(26.1)	(14.0)
	(539.3)	**(658.8)**	**(634.5)**
- of which deferred tax assets	124.6	61.5	62.9
- of which deferred tax liabilities	(663.9)	(720.3)	(697.4)

Changes on deferred tax liabilities on depreciation of fixed assets in 2006 are mainly due to reversal of a deferred tax liability which was recognized through the goodwill in the balance sheet of an Italian entity at the Acquisition of Legrand in 2002.

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

(in € millions)	December 31, 2006	December 31, 2005	December 31, 2004
Deferred taxes – short term	35.1	36.1	26.5
Deferred taxes – long term	(574.4)	(694.9)	(661.0)
	(539.3)	**(658.8)**	**(634.5)**

As of December 31, 2006, net operating losses carried forward break down as follows:

(in € millions)	December 31, 2006	December 31, 2005	December 31, 2004
Net recognized operating losses carried forward	176.7	103.7	62.1
Recognized deferred tax assets	58.3	34.1	21.3
Net unrecognized operating losses carried forward	226.7	393.5	466.2
Unrecognized deferred tax assets[1]	76.4	131.1	156.9
Total net operating losses carried forward	403.4	497.2	528.3

(1) Including €20 million that will be set off against goodwill if a deferred tax asset is recognized.

As explained in note 13, the subordinated perpetual notes are subject to specific tax rules, the application of which was specified in the amended 2005 Finance Act.

Application of these rules led to a €110 million reduction in the Group's tax loss carryforwards in 2005 and will lead to a further €62.5 million reduction in 2007.

NOTE 23 - 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 would not have a material adverse effect on the Group's consolidated financial position or results of operations.

Legal proceedings

In October 2003, an action was brought against a subsidiary of the Group and two other major suppliers of back-wires in the United States alleging that one of the Group's products -a quick connect receptacle- is dangerous and should be withdrawn from the United States markets and all production should be discontinued. The Group disputes these allegations and has made a counterclaim, as it believes that the original claim is unsubstantiated. The quick connect receptacle has been sold in the United States for several years and during this period no accidents have been reported in connection with their use. In addition, management does not believe that the claimant has any evidence of loss and the claim does not refer to any loss or accidents from use of the receptacle. This action is currently being considered by the Superior Court of the State of California and the Charleston Division of the South Carolina District Court in relation to certain procedural matters. Although the Group believes the claims are unsubstantiated, it is currently too early to assess the eventual outcome of these proceedings.

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 non-cancelable leases are detailed below:

(in € millions)	December 31, 2006	December 31, 2005	December 31, 2004
Due within one year	17.7	17.4	18.3
Due in one to two years	14.0	13.4	16.1
Due in two to three years	11.1	9.8	13.1
Due in three to four years	8.6	7.1	6.5
Due in four to five years	7.0	6.4	4.1
Due beyond five years	8.4	9.4	11.7
	66.8	**63.5**	**69.8**

Commitments to purchase property, plant and equipment

Commitments to purchase property, plant and equipment amounted to €9.4 million as of December 31, 2006.

NOTE 24 - DERIVATIVE FINANCIAL INSTRUMENTS

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.

a) Interest rate risk

(in € millions)	December 31, 2006	December 31, 2005	December 31, 2004
Other current financial assets:	**22.2**	**33.4**	**66.2**
Mirror swaps and swaps on TSDI 2 & 3	1.6	8.2	25.7
Swaps on other borrowings	12.1	25.2	40.5
Caps[1]	8.5	0.0	0.0
Other financial liabilities:	**66.6**	**59.9**	**159.1**
Swaps on TSDI 2	8.1	26.4	80.8
Swaps on other borrowings	58.5	33.5	78.3

(1) As of December 31, 2005, caps were recorded as a deduction from «Long-term provisions and other non-current liabilities» for an amount of €4.9 million.

As part of an interest rate risk management policy aimed principally at managing the risk of an increase in interest rates, the Group has structured its debt into a combination of fixed and variable rate financing.

As of December 31, 2006 the breakdown of gross debt (debt issuance costs omitted) was as follows:

(in € millions)	December 31, 2006
Fixed rates	293.8
Variable rates[1]	1,566.8

(1) 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 capping rises in interest rates while retaining the opportunity to benefit from more favorable rate changes.

The portfolio of caps breaks down as follows:

(in € millions)	December 31, 2006		
Period covered	Amount covered	Benchmark rate	Average guaranteed rate including premium
January 2007 – March 2007	960	3-month Euribor	3.26%
April 2007 – June 2007	860	3-month Euribor	3.28%
July 2007 – March 2008	660	3-month Euribor	3.59%
April 2008 – March 2009	300	3-month Euribor	3.94%

The caps do not fulfill the criteria for the application of hedge accounting under IAS 39 and have therefore been measured at fair value, with changes in fair value recognized in profit. The effect of changes in fair value on consolidated profit was a €3 million gain (2005: €1.6 million gain; 2004: €1.9 million loss), recognized in "Financial income".

The Group has also entered into interest rate swaps with selected major financial institutions to hedge interest rate risks on its subordinated perpetual notes (TSDIs) and 8 ½% debentures. The fair value of each swap agreement is determined at each balance sheet date, based on rates implied in the yield curve at the reporting date; these implied rates may change, with an impact on cash flows.

Interest rate swaps on subordinated perpetual notes (note 13)

In order to manage its exposure to interest rate fluctuations, the Group hedged its subordinate perpetual notes (TSDIs) with interest rate swaps.

The notional amount of these swaps was linked to the capitalized amount of the TSDIs. The swaps and the TSDI 1 matured on the same date – December 19, 2005.

(in € millions)	December 31, 2006	December 31, 2005	December 31, 2004
Interest rate swaps hedging subordinated securities			
Notional amount	273.2	259.5	730.0
Swaps on TSDI 2 subordinated perpetual notes issues (liabilities)	8.1	26.4	80.8
Mirror swaps and swaps on TSDI 2 & 3 (assets)	1.6	8.2	25.7

Interest rate swap on the 8.5 % debentures (Yankee bonds) (note 15)

The purpose of this swap is to convert the fixed rate of interest payable to the holders of the debentures into a variable rate indexed on LIBOR through the entire life of the issue. The notional amount of the swap matches the amount of the debentures and the swap's fair value is exactly symmetrical to the fair value of the debentures.

As a result of this swap agreement, the effective interest rate of the debentures after the swap agreement is LIBOR plus 53 basis points, representing a rate of 4.68% as of December 31, 2006 (2005: 4.52%).

At the beginning of February 2003, the Group entered into a cross currency swap with respect to the 8.5% debentures fixing the interest rate payable on the $350 million principal amount at 4.6% per year. The remaining $50 million in principal continues to be at a variable rate (LIBOR plus 53 basis points).

In April 2003, a new agreement was signed through which the Group sold the tranche related to the 2008-2025 maturities. As a result, from February 2008 onwards, the Group will once again pay a fixed rate of 8.5%. Further interest rate swap arrangements may be entered into on variable rate debt in the future, based on changes in market conditions.

	December 31, 2006	December 31, 2005	December 31, 2004
Interest rate swap hedging the 8 ½% debentures			
Notional amount (USD, in millions)	400.0	400.0	400.0
Swaps on other borrowings (assets) (in € millions)	12.1	25.2	40.5
Swaps on other borrowings (liabilities) (in € millions)	58.5	33.5	78.3

b) Currency hedges

The Group hedged certain currency risks by purchasing a three-month contract on a notional amount of $11 million. The contract expires in March 2007.

c) Commodity hedges

During the period, the Group signed collar contracts for limited amounts and periods, to hedge part of its exposure to copper price risk. The contracts expire in June 2007.

d) Concentration of credit risk

The Group's financial derivatives contracts are held with major financial institutions that can reasonably be expected to comply with the terms of the agreements, thereby mitigating the credit risk from the transactions.

As explained in note 7, a substantial portion of Group sales is with two major distributors. Other sales are also essentially with distributors of electrical products but are diversified due to the large number of customers and their geographic dispersion. The Group mitigates its credit risk by establishing and performing regular reviews of individual credit limits for each customer, and constantly monitoring collection of its outstanding receivables.

Other financial instruments that may potentially expose the Group to a concentration of credit risk are principally cash equivalents and short-term investments. These assets are placed with financial institutions that are rated at least A1 by Standard & Poor's, and the Group constantly monitors the amount of credit exposure with any one financial institution.

NOTE 25 - INFORMATION RELATING TO CORPORATE OFFICERS

(in € millions)	December 31, 2006	December 31, 2005	December 31, 2004
Advances and loans to corporate officers	0.0	0.0	0.0
Compensation paid to corporate officers*	1.2	1.3	1.2

* Compensation paid to executive officers and members of the Board of Directors who hold operating responsibilities within the Group.

As of December 31, 2006, corporate officers no longer held any stock options of Legrand France granted under the 1999 and 2001 plans.

Under the liquidity offer made to all holders of 2001 stock options of Legrand France, corporate officers were paid a total amount of €2.2 million before taxes.

At the Acquisition of Legrand France on December 10, 2002, main corporate officers of the Group became indirectly shareholders of Legrand. Amounts indirectly invested were paid at fair value.

At the time of the IPO, main corporate officers became directly shareholders of Legrand.

NOTE 26 - INFORMATION BY GEOGRAPHICAL SEGMENT (NOTE 1 (R))

The Group's business consists solely of the manufacture and marketing of products and systems for electrical installations and information networks. The following information by geographical segment reflects the level of analysis used to manage the Group.

Twelve months ended December 31, 2006 *(in € millions)*	Geographical segments: Europe					Items not allocated to segments	Total
	France	Italy	Others	USA/ Canada	Rest of the World		
Total revenue	2,425.0	937.6	963.2	696.5	621.5		5.643.8
Less intra-group transfers	(1,316.3)	(223.8)	(214.6)	(42.8)	(109.5)		(1,907.0)
Revenue	**1,108.7**	**713.8**	**748.6**	**653.7**	**512.0**		**3.736.8**
Cost of sales	(439.8)	(326.1)	(474.7)	(363.4)	(277.7)		(1,881.7)
Administrative and distribution costs, R&D	(452.3)	(210.4)	(208.1)	(211.7)	(133.1)		(1,215.6)
Other operating income and expenses	(50.4)	(14.5)	(7.0)	(14.8)	(23.2)		(109.9)
Operating profit	**166.2**	**162.8**	**58.8**	**63.8**	**78.0**		**529.6**
- of which depreciation expense	(57.3)	(27.4)	(19.0)	(20.3)	(16.8)		(140.8)
- of which amortization expense	(2.7)	(5.3)	(0.9)	(1.0)	(2.7)		(12.6)
- of which amortization of development costs	(1.6)	(1.8)	0.0	0.0	0.0		(3.4)
- of which Legrand post-acquisition expenses	(45.4)	(21.9)	(6.5)	(9.5)	(3.3)		(86.6)
- of which restructuring costs	(5.0)	(2.6)	(3.3)	(3.0)	(9.7)		(23.6)
Exchange gains and losses						40.4	40.4
Finance costs and other financial income and expense						(123.7)	(123.7)
Income tax expense						(82.9)	(82.9)
Minority interest and share of (loss)/profit of associates						(2.4)	(2.4)
Capital expenditure	50.5	30.7	16.1	15.4	18.1		130.8
Capitalized development costs	16.7	5.4	0.0	0.0	0.0		22.1
Total assets						5,936.1	5,936.1
Segment liabilities	356.6	207.8	126.2	96.8	103.8		891.2

Twelve months ended December 31, 2005 *(in € millions)*	Geographical segments					Items not allocated to segments	Total
	Europe			USA/ Canada	Rest of the World		
	France	Italy	Others				
Total revenue	2,192.8	817.8	811.6	640.7	454.7		4,917.6
Less intra-group transfers	(1,212.3)	(184.6)	(158.1)	(18.4)	(96.3)		(1,669.7)
Revenue	**980.5**	**633.2**	**653.5**	**622.3**	**358.4**		**3,247.9**
Cost of sales	(405.5)	(292.6)	(419.8)	(362.2)	(195.3)		(1.675.4)
Administrative and distribution costs, R&D	(401.0)	(197.1)	(183.9)	(198.5)	(93.7)		(1.074.2)
Other operating income and expenses	(42.4)	(1.4)	(17.7)	(16.5)	(14.6)		(92.6)
Operating profit	**131.6**	**142.1**	**32.1**	**45.1**	**54.8**		**405.7**
- of which depreciation expense	(57.6)	(30.9)	(21.8)	(19.6)	(12.9)		(142.8)
- of which amortization expense	(1.7)	(4.4)	(1.2)	(1.1)	(0.5)		(8.9)
- of which amortization of development costs	(0.4)	0.0	0.0	0.0	0.0		(0.4)
- of which Legrand post-acquisition expenses	(54.2)	(26.2)	(7.7)	(11.3)	(3.9)		(103.3)
- of which restructuring costs	(15.3)	(1.6)	(5.7)	(14.4)	(0.8)		(37.8)
Exchange gains and losses						(32.3)	(32.3)
Finance costs and other financial income and expense						(181.1)	(181.1)
Income tax expense						(89.8)	(89.8)
Minority interest and share of (loss)/profit of associates						(1.1)	(1.1)
Capital expenditure	40.2	26.0	15.8	16.6	13.4		112.0
Capitalized development costs	15.1	6.4	0.0	0.0	0.0		21.5
Total assets						5,893.1	5,893.1
Segment liabilities	323.9	174.3	111.5	97.3	76.9		783.9

Twelve months ended December 31, 2004	Geographical segments					Items not allocated to segments	Total
	Europe			USA/ Canada	Rest of the World		
(in € millions)	France	Italy	Others				
Total revenue	1,790.8	764.9	702.6	558.9	349.3		4,166.5
Less intra-group transfers	(855.4)	(168.4)	(138.5)	(19.6)	(58.3)		(1,240.2)
Revenue	**935.4**	**596.5**	**564.1**	**539.3**	**291.0**		**2,926.3**
Cost of sales	(392.1)	(279.9)	(366.1)	(312.0)	(155.6)		(1,505.7)
Administrative and distribution costs, R&D	(396.2)	(185.7)	(161.0)	(176.8)	(75.1)		(994.8)
Other operating income and expenses	(48.6)	(2.9)	(5.0)	(15.3)	(5.7)		(77.5)
Operating profit	**98.5**	**128.0**	**32.0**	**35.2**	**54.6**		**348.3**
- of which depreciation expense	(61.9)	(25.7)	(20.9)	(21.7)	(10.3)		(140.5)
- of which amortization expense	(2.7)	(4.8)	(0.9)	(1.2)	(0.4)		(10.0)
- of which amortization of development costs	0.0	0.0	0.0	0.0	0.0		0.0
- of which Legrand post-acquisition expenses	(69.7)	(29.5)	(8.8)	(12.6)	(4.3)		(124.9)
- of which restructuring costs	(14.2)	(0.8)	3.9	(10.4)	(0.9)		(22.4)
Exchange gains and losses						5.8	5.8
Finance costs and other financial income and expense						(231.4)	(231.4)
Income tax expense						(46.6)	(46.6)
Minority interest and share of (loss)/profit of associates						1.4	1.4
Capital expenditure	32.6	23.8	15.6	13.0	10.7		95.7
Capitalized development costs	12.6	4.5	0.0	0.0	0.0		17.1
Total assets						5,364.5	5,364.5
Segment liabilities	312.1	143.8	95.4	64.1	58.7		674.1

NOTE 27 - QUARTERLY DATA – NON AUDITED

a) Quarterly revenue by geographical segment – non audited

	Legrand		
(in € millions)	1st quarter 2006	1st quarter 2005	1st quarter 2004
France	283.6	251.8	242.5
Italy	202.9	167.7	167.4
Rest of Europe	180.5	140.6	129.7
USA/Canada	163.6	130.5	122.4
Rest of the World	110.0	75.0	68.4
TOTAL	**940.6**	**765.6**	**730.4**

	Legrand		
(in € millions)	2nd quarter 2006	2nd quarter 2005	2nd quarter 2004
France	284.9	257.5	239.2
Italy	191.5	165.5	160.1
Rest of Europe	183.6	150.7	142.3
USA/Canada	176.8	158.6	143.8
Rest of the World	115.9	84.7	70.4
TOTAL	**952.7**	**817.0**	**755.8**

	Legrand		
(in € millions)	3rd quarter 2006	3rd quarter 2005	3rd quarter 2004
France	253.8	226.4	217.7
Italy	159.4	139.4	138.1
Rest of Europe	181.4	144.7	145.3
USA/Canada	166.7	171.9	144.4
Rest of the World	127.1	92.5	71.5
TOTAL	**888.4**	**774.9**	**717.0**

	Legrand		
(in € millions)	4th quarter 2006	4th quarter 2005	4th quarter 2004
France	286.4	244.8	236.0
Italy	160.0	160.6	130.9
Rest of Europe	203.1	217.5	146.8
USA/Canada	146.6	161.3	128.7
Rest of the World	159.0	106.2	80.7
TOTAL	**955.1**	**890.4**	**723.1**

b) Quarterly income statements – non audited

	Legrand		
(in € millions)	1st quarter2006	1st quarter 2005	1st quarter 2004
REVENUE	**940.6**	**765.6**	**730.4**
Operating expenses			
Cost of sales	(465.4)	(379.5)	(370.5)
Administrative and selling expenses	(246.5)	(200.1)	(189.6)
Research and development costs	(60.5)	(58.8)	(58.6)
Other operating income (expenses)	(26.5)	(21.2)	(17.4)
OPERATING PROFIT	**141.7**	**106.0**	**94.3**
Financial expense	(53.0)	(53.6)	(64.5)
Financial income	6.4	6.5	6.5
Exchange gains and losses	5.8	(11.9)	(1.3)
Loss on extinguishment of debt	(109.0)	0.0	0.0
Finance costs and other financial income and expense, net	(149.8)	(59.0)	(59.3)
Share of profit of associates	0.5	0.0	0.3
PROFIT BEFORE TAX	**(7.6)**	**47.0**	**35.3**
Income tax expense	(27.0)	(20.5)	(10.8)
PROFIT FOR THE PERIOD	**(34.6)**	**26.5**	**24.5**
Attributable to:			
- Equity holders of Legrand	**(35.3)**	**26.1**	**24.2**
- Minority interests	**0.7**	**0.4**	**0.3**

	Legrand		
(in € millions)	2nd quarter 2006	2nd quarter 2005	2nd quarter 2004
REVENUE	**952.7**	**817.0**	**755.8**
Operating expenses			
Cost of sales	(474.4)	(417.5)	(385.1)
Administrative and selling expenses	(249.7)	(213.9)	(192.5)
Research and development costs	(59.7)	(60.0)	(58.6)
Other operating income (expenses)	(27.6)	(18.4)	(13.8)
OPERATING PROFIT	**141.3**	**107.2**	**105.8**
Financial expense	(36.7)	(48.6)	(65.3)
Financial income	9.4	8.0	6.4
Exchange gains and losses	15.9	(12.1)	(7.8)
Loss on extinguishment of debt	0.0	0.0	0.0
Finance costs and other financial income and expense, net	(11.4)	(52.7)	(66.7)
Share of profit of associates	0.0	0.4	1.0
PROFIT BEFORE TAX	**129.9**	**54.9**	**40.1**
Income tax expense	(30.7)	(20.6)	(24.8)
PROFIT FOR THE PERIOD	**99.2**	**34.3**	**15.3**
Attributable to:			
- Equity holders of Legrand	**98.6**	**33.5**	**14.8**
- Minority interests	**0.6**	**0.8**	**0.5**

	Legrand		
(in € millions)	3rd quarter 2006	3rd quarter 2005	3rd quarter 2004
REVENUE	**888.4**	**774.9**	**717.0**
Operating expenses			
Cost of sales	(446.2)	(400.3)	(367.5)
Administrative and selling expenses	(232.8)	(193.6)	(182.4)
Research and development costs	(56.3)	(56.6)	(56.5)
Other operating income (expenses)	(19.9)	(24.8)	(21.4)
OPERATING PROFIT	**133.2**	**99.6**	**89.2**
Financial expense	(35.4)	(59.0)	(61.4)
Financial income	8.5	7.4	6.6
Exchange gains and losses	2.3	(4.0)	2.0
Loss on extinguishment of debt	0.0	0.0	0.0
Finance costs and other financial income and expense, net	(24.6)	(55.6)	(52.8)
Share of profit of associates	0.1	0.4	0.9
PROFIT BEFORE TAX	**108.7**	**44.4**	**37.3**
Income tax expense	(24.8)	(21.3)	(19.6)
PROFIT FOR THE PERIOD	**83.9**	**23.1**	**17.7**
Attributable to:			
- Equity holders of Legrand	**83.2**	**22.5**	**17.5**
- Minority interests	**0.7**	**0.6**	**0.2**

	Legrand		
(in € millions)	4th quarter 2006	4th quarter2005	4th quarter2004
REVENUE	**955.1**	**890.4**	**723.1**
Operating expenses			
Cost of sales	(495.7)	(478.1)	(382.6)
Administrative and selling expenses	(248.7)	(228.0)	(196.4)
Research and development costs	(61.4)	(63.2)	(60.2)
Other operating income (expenses)	(35.9)	(28.2)	(24.9)
OPERATING PROFIT	**113.4**	**92.9**	**59.0**
Financial expense	(32.3)	(45.3)	(66.3)
Financial income	9.4	3.5	6.6
Exchange gains and losses	16.4	(4.3)	12.9
Loss on extinguishment of debt	0.0	0.0	(50.7)
Finance costs and other financial income and expense, net	(6.5)	(46.1)	(97.5)
Share of profit of associates	0.2	0.5	0.4
PROFIT BEFORE TAX	**107.1**	**47.3**	**(38.1)**
Income tax expense	(0.4)	(27.4)	8.6
PROFIT FOR THE PERIOD	**106.7**	**19.9**	**(29.5)**
Attributable to:			
- Equity holders of Legrand	**105.5**	**19.3**	**(29.7)**
- Minority interests	**1.2**	**0.6**	**0.2**

NOTE 28 - SUBSEQUENT EVENTS

In January 2007, the Group announced:

- the acquisition of HPM, the second largest electrical products supplier in Australia and New Zealand. With operations in Sydney, Melbourne and Auckland, HPM reported 2006 revenue of some €100 million with 875 employees. The transaction is subject to approval by the anti-trust authorities;
- the acquisition of UStec, a supplier of wiring infrastructure for home voice, data and video networks. Based in the state of New-York, UStec reports annual revenues of some $12 million.

10.2 - Statutory auditors' report on the consolidated financial statements for the year ended 31 December 2006

This is a free translation into English of the statutory auditors' report issued in French and is provided solely for the convenience of English speaking users. The statutory auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the opinion on the consolidated financial statements and includes an explanatory paragraph discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the consolidated financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the consolidated financial statements. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

PricewaterhouseCoopers Audit
63, rue de Villiers
92208 Neuilly-sur-Seine cedex

Deloitte et Associés
185, avenue Charles-de-Gaulle
92524 Neuilly-sur-Seine Cedex

Statutory auditors' report on the consolidated financial statements for the year ended 31 December 2006

To the Shareholders

Legrand SA (ex-Legrand Holding SA)
128, avenue du Maréchal de Lattre de Tassigny
87000 Limoges

Dear Sirs,

In accordance with our appointment as statutory auditors by your Annual General Meeting, we have audited the accompanying consolidated financial statements of Legrand SA (formerly Legrand Holding SA) for the year ended 31 December 2006, except that we have not performed any work on the quarterly information disclosed in note 27 of the consolidated financial statements.

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, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable 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 31 December 2006 and of the results of its operations for the year then ended in accordance with IFRSs as adopted by the European Union.

II - Justification of our assessments

In accordance with the requirements of article L.823-9 of the French Commercial 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 1.633 millions euros and 1.840 millions euros of the total 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;
- as at December 31, 2006, your company has net operating tax losses carried forward mainly from French and US entities. Note 1.j describes the accounting method used to recognize the relative deferred tax assets. We have reviewed the recoverability analysis performed by your company and verified that information disclosed in note 22 of the consolidated financial statements is appropriate.

These assessments were made in the context of our audit 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

In accordance with professional standards applicable in France, we have also verified the information given in the Group's management report. We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

Neuilly sur Seine, February 7, 2007

The Statutory Auditors

PricewaterhouseCoopers Audit
Edouard Sattler

Deloitte et Associés
Dominique Descours

10.3 - Fees paid to statutory auditors

	PricewaterhouseCoopers Audit				Deloitte & Associés			
	In euros		%		In euros		%	
	2006	2005	2006	2005	2006	2005	2006	2005
Audit								
Independent audit, certification, review of parent company and consolidated financial statements	1,565,707	2,133,498	58%	73%	1,353,467	265,325	69%	36%
of which:								
Issuer	170,200	65,180	6%	2%	170,200	170,000	9%	23%
Fully consolidated subsidiaries	1,395,507	2,068,318	52%	71%	1,183,267	95,325	60%	13%
Services directly related to the engagement	479,202	207,780	18%	7%	497,061	349,000	25%	48%
of which:								
Issuer	448,438*	0	17%	0%	395,000*	24,000	20%	3%
Fully consolidated subsidiaries	30,764	207,780	1%	7%	102,061	325,000	5%	45%
SUB-TOTAL AUDIT	**2,044,909**	**2,341,278**	**77%**	**80%**	**1,850,529**	**614,325**	**94%**	**84%**
Other services provided by networks to fully consolidated subsidiaries								
Legal, tax, personnel related	611,405	425,732	23%	15%	20,561	64,221	1%	9%
Others	3,702	145,516	0%	5%	98,600	48,413	5%	7%
SUB-TOTAL OTHERS	**615,107**	**571,248**	**23%**	**20%**	**119,161**	**112,634**	**6%**	**16%**
TOTAL	**2,660,016**	**2,912,526**	**100%**	**100%**	**1,969,690**	**726,959**	**100%**	**100%**

* *Non recurring expenses related to services provided as part of the initial public offering of the Company.*

10.4 - 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 matters:

- 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; and
- any other factors that the Company's Board of Directors deems relevant.

In spite of the factors described above, there is no formula allowing to determine the amount of dividend to be paid. In addition, the French Commercial Code (*Code de commerce*) and the Company's bylaws (*statuts*) limit the Company's right to pay dividends in certain circumstances.

The Company has not distributed any dividends in 2005 and 2004 for fiscal years 2004 and 2003.

In 2006, a dividend of 0.41 euro per share was paid for fiscal year 2005, for each of the 269,693,376 shares of the Company's share capîtal, or a total amount of 110,574,284.16 euros.

With regards to the 40% tax credit (*abattement*) set forth in article 158-3-2^{e} of the French Tax Code, the distributed dividend is split up as follows:

Dividends eligible to the tax credit (in euros)	Dividends not eligible to the tax credit (in euros)
110,574,284	0

Subject to approval for the Shareholders' General Meeting to be held on May 15, 2007, Legrand should pay a dividend of €0.50 per share for the fiscal year 2006, up 22% compared to the dividend paid in 2006 for the fiscal year 2005.

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 satisfied. 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.

10.5 - Legal proceedings and arbitration

In October 2003, an action was brought against the Group and two of its major suppliers of cable solutions in the United States, alleging that one of the Group's products, the quick connect receptacle, is not suitable for use, should be withdrawn from the United States markets and all production should be discontinued. The Group responded to these allegations, which it believes are unsubstantiated and without merit. The quick connect receptacle has been sold in the United States over the past seven years and no accidents have been reported in connection with the use of such receptacles. In addition, the Group does not believe that the claimant has evidence of damages, nor has the claimant alleged any damages or accidents from the use of the receptacles. This litigation is currently being considered by the Superior Court of the State of California and the United States District Court of South Carolina, Charleston Division, as to certain procedural matters. Although the Group believes the claims are unsubstantiated, it is too early to evaluate the outcome of this action.

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, is currently a party to an action relating to the discovery of hydrocarburants and toxic substances on a site that the Group operated more than 35 years ago. The Meurthe et Moselle prefecture has required Legrand to take necessary actions to decontaminate the site. In addition, Pass & Seymour, one of the Group's United States subsidiaries, is currently a party to an action relating to the discovery of hydrocarburants on a site it operates. The Group believes that these two actions represent a total of approximately €3 million euros. Provisions for the entire amount have been made in the Group's accounts. The Group does not expect the outcome of any such proceedings, either individually or in the 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 Groups's financial condition or results of operations.

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 the aggregate, to have a material adverse effect on its operations, financial condition or cash flows.

Furthermore, the litigation that was mentioned in the *document de base* registered with the AMF on February 21, 2006 with number I.06-009, related to legal proceedings initiated against the Italian social security agency by current and former employees of Bticino SpA ("Bticino"), the Group's primary Italian subsidiary, citing exposure to asbestos during the manufacture of products at the Group's Torre del Greco facility, is not deemed to be detailed in this reference document, as the Company estimates that it is no longer a potential risk for the Group.

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 situation or profitability of the Company and/or the Group.

10.6 - Significant change in the financial or commercial position

To the Company's knowledge and with the exception of the activation of the share buyback program described in paragraph 11.1.2 of this reference document, there has been no significant change in the Group's financial or commercial position since the end of the year ended December 31, 2006.

11 ADDITIONAL INFORMATION

11.1 - Share capital

11.1.1 - Subscribed share capital and authorized but not issued share capital

A the registration date of this reference document, the Company's share capital amounts to €1,078,773,504, divided into 269,693,376 shares with a par value of €4.00 each.

All of the shares of the Company are fully paid-up and of the same class. The shares may be held in registered form or in bearer form, at the option of the shareholder. They are registered on individual shareholders' accounts in accordance with the laws and regulations.

On February 24, 2006, the shareholders' meeting authorized the Company's Board of Directors to effect the capital increases and issuances summarized in the table below within the limits of a global cap of €600 million nominal value (with the exception of the authorization in relation to the allocation of free shares limited to 5% of the share capital):

Relevant transaction	Duration of authorization and expiration date	Maximum nominal amount *(in € millions)*
Issuances with maintenance of preferential subscription right		
Issuances of any securities	26 months April 24, 2008	600 (this maximum nominal amount to be deducted from the global cap of 600)
Issuances with cancellation of preferential subscription right		
Issuances of any securities	26 months April 24, 2008	450 (this maximum nominal amount to be deducted from the global cap of 600)
Capital increase within 30 days after the closing of the subscription period for the Global Offering, in the event the Increase Option is exercised	26 months April 24, 2008	Limited to 15% of initial offering (this maximum nominal amount to be deducted from the global cap of 600)
Capital increase through incorporation of share premiums, reserves, profits or other amounts	26 months April 24, 2008	100 (this maximum nominal amount to be deducted from the global cap of 600)
Reserved issuance to GP Financière New Sub 1 SCS	18 months August 24, 2007	300 (this maximum nominal amount to be deducted from the global cap of 600)
Reserved issuance to employees participating in a Company or Group savings plan	26 months April 24, 2008	25 (this maximum nominal amount to be deducted from the global cap of 600)
Free allocation of new or existing shares	38 months April 24, 2009	5% of the share capital of the Company at the grant date
Issuance of shares or other securities as payment in kind	26 months April 24, 2008	10% of the share capital of the Company at the issuance date (this maximum nominal amount to be deducted from the global cap of 600)

The draft resolutions drawn up by the Board of Directors of the Company on February 7, 2007, which will be submitted to the vote of the shareholders' meeting of May 15, 2007, include the renewal of the authorizations referred to above, with the exception of the issuance reserved for GP Financière New Sub SCS which has become irrelevant.

11.1.2 - Acquisition by the Company of its own shares

11.1.2.1 - CURRENT BUYBACK PROGRAM

Use of the authorization of the shareholders' meeting

At the date of registration of this reference document, the Company carried out a share buyback program pursuant to the authorization granted to the Board of Directors by the shareholders' meeting of February 24, 2006 and described below:

Relevant transaction	Term of authorization and expiration date	Maximum amount *(in million euros)*	Maximum number of shares
Share buyback program	18 months August 24, 2007	200	10% of share capital of the company as at date of repurchase

In the scope of this buyback program, the Company acquired a certain number of its shares and therefore holds, as at April 20, 2007 in the morning, 1,945,502 of its own shares.

Description of the current share buyback program

The complete description of the current share buyback program is available on the Company's web site (www.legrandelectric.com). Its main terms as are follows:

1°) Date of the General Shareholders' Meeting having granted authorization for a share buyback program

The share buyback program was authorized by the Combined General Shareholders' Meeting of February 24, 2006.

2°) Number of treasury shares and percentage of capital stock held by the issuer

As at March 19, 2007, the Company did not hold any of its own shares, either directly or indirectly.

3°) Purpose of the buyback program

Legrand envisages conducting or having conducted a share buyback for the purposes of:

- implementing any Company stock-option plan in accordance with the provisions of article L.225-177 *et seq.* of the French commercial code, any allocation of shares free of charge as may result from any company or group employee savings plan (*plan d'épargne d'entreprise*) in accordance with the provisions of articles L.443-1 *et seq.* of the French labor code; any allocation of shares free of charge pursuant to the provisions of articles L.225-197-1 *et seq.* of the French commercial code; and any allocation of shares free of charge for the purposes of employee profit-sharing, together with any hedging transactions relating to any of the aforesaid transactions;
- holding and subsequently delivering shares by way of exchange or as a consideration in the scope of external growth transactions, within the limits established under applicable regulations;
- delivering shares upon the exercise of rights attached to securities which grant access by any way, whether immediately or at a later stage, to Company shares;
- canceling all or some of the shares so purchased.

Repurchased shares may be cancelled pursuant to the ninth resolution adopted by the Combined Shareholders' Meeting of February 24, 2006, this Resolution being in force until April 24, 2008.

4°) Limit on the percentage of share capital and the number of shares that may be purchased pursuant to the share buyback program

The maximum percentage of share capital that is authorized for purchase under the buyback program will be 10% of the total number of shares constituting the share capital of the Company at the time of the repurchase (*i.e.*, for information, 26,969,337 shares as at March 19, 2007).

In accordance with articles L. 225-209 and L.225-210 of the French Commercial Code, the Company may at no time hold Legrand shares representing more than 10% of the shares constituting Legrand's share capital at the relevant date (subject to more restrictive limits established under applicable law).

The securities that Legrand proposes to buy consist only of ordinary shares.

5°) Maximum authorized unit purchase price

The maximum price that may be paid for shares purchased pursuant to the buyback program will be €29.62 per share, it being specified that this price may be adjusted in the event of a change in the nominal value of shares, a share capital increase resulting from the incorporation of reserves, an allotment of shares free of charge, a share split or combination, a distribution of reserves or other assets, or an amortization of equity or other transactions affecting shareholders' equity, in order to take into consideration the impact of such transactions on share value. In any event, the repurchase of the securities shall only be made in accordance with any applicable law and regulations.

The maximum total amount authorized for implementing the share buyback program will be €200 million, including fees and commissions. Legrand reserves the right to implement the buyback program up to the full authorized amount.

6°) Duration of the buyback program

Pursuant to the Fifth Resolution adopted by the Combined General Shareholders Meeting of February 24, 2006, the buyback program may be implemented until August 24, 2007 at the latest.

7°) Appointment of an investment service provider

Legrand has appointed an investment service provider acting independently in order to assist it in the performance of the share buyback program.

11.1.2.2 - NEW AUTHORIZATION

The draft resolutions drawn up by the Board of Directors of the Company on February 7, 2007, which will be submitted to the vote of the shareholders' meeting of May 15, 2007, include the renewal of the authorization referred to in section 11.1.2.1 above, as well as the increase of the maximum authorized amount to €650 million and the maximum buyback price to 36 euros per share.

11.1.3 - Other securities granting access to the share capital

As at the date of registration of this reference document and with the exception of the stock options referred in section 8.2.1 of this reference document, there is no other security that grants access to the share capital of the Company.

11.1.4 - Changes in share capital

Changes in the share capital in accordance with IFRS standards since the incorporation of the Company is set out below:

Transactions	Date	Number of shares issued/ cancelled	Nominal amount *(in euros)*	Issue premium *(in euros)*	Share capital *(in euros)*	Number of shares	Nominal value *(in euros)*
Incorporation	12/22/1998	40,000	40,000	–	40,000	40,000	1
Capital increase	12/08/2002	759,310,900	759,310,900	–	759,350,900	759,350,900	1
Merger, increase in nominal value and decrease in number of shares	02/24/2006	569,513,175	–	–	759,350,900	189,837,725	4
Capital increase by way of public offering	04/11/2006	43,689,298	174,757,192	688,106,444	934,108,092	233,527,023	4
Capital increase reserved for GP Financière New Sub 1	04/11/2006	33,862,914	135,451,656	533,340,895	1,069,559,748	267,389,937	4
Capital increase reserved for employees	05/02/2006	2,303,439	9,213,756	36,279,164*	1,078,773,504	269,693,376	4

** The amount of the discount, i.e. 9.1 million euros, was accounted for as other operational expenses in the accounts presented in accordance with the IFRS standards.*

11.1.5 - 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 subject to a guarantee or a security interest.

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11.2 - Articles of incorporation and by-laws

11.2.1 - Corporate purpose

The Company's corporate purpose 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, marketing and purchases to its subsidiaries and 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.

11.2.2 - Administration and management

11.2.2.1 - 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 general ordinary shareholders' meeting which resolves on 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 met, 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 approval of the closest shareholders' meeting.

No individual exceeding the age of 70 may be appointed as 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 resolves on 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 amongst its members a Chairman who will be an individual having, at the time of his appointment, less than 65 years old. When the Chairman reaches such age limit, he is automatically deemed to have resigned at the end of the general ordinary shareholders' meeting which resolves on the 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 works of the board, on which he reports to the shareholders' meeting. He monitors the correct 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 remuneration of the Chairman is determined by the Board of Directors.

The Board may appoint from amongst 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 convened to the meetings by the Chairman of the Board of Directors, or in case of unavailability, by the Vice-Chairman.

The Managing Director may also require 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 require the Chairman to convene the Board of Directors on a specific agenda.

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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 mean, including orally, 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 quorum and majority conditions provided 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 regulation that members be deemed in presence, for the purposes of the calculation of the quorum and majority, members attending by videoconference or by other means of telecommunication, so long as such means guarantee 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 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. The Board reviews all issues concerning the operation of the Group's activities and acts on all matters over which it has authority.

The Board of Directors gives its opinion on the administration structure of the Company.

The Board of Directors is competent to authorize the President to grant particular securities 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; however, such responsibilities shall not result in delegating to a committee any powers allocated to the Board of Directors.

11.2.2.2 - GENERAL MANAGEMENT *("DIRECTION GÉNÉRALE")*

Choice of general management exercise

The Board of Directors shall decide, under the conditions set forth in the Company's bylaws, if the general management (*Direction générale*) shall be assumed by the Chairman of the Board of Directors or by another person appointed by the Board of Directors and bearing the title of Chief Executive Officer (*Directeur général*).

The Board of Directors shall duly inform the shareholders and third parties according to the applicable regulatory conditions.

The change in the exercise of general management (*Direction générale*) can intervene at any time. The Board of Directors must make a decision relating to the arrangement for the exercise of general management at the time the mandate of the Chairman or Chief Executive Officer ends.

When general management is exercised by the Chairman of the Board of Directors, the following dispositions related to the Chief Executive Officer (*Directeur général*) will be applicable.

Chief Executive Officer (*Directeur général*)

Any person exercising the function of Chief Executive Officer (*Directeur général*) must be no more than 65 years old when he is appointed. When the Chief Executive Officer reaches this age limit, he be considered as having resigned from office after the shareholders' general meeting to approve the accounts of the previous fiscal year and held in the calendar year during which the age limit was reached.

The Chief Executive Officer is reeligible.

The Chief Executive Officer can be chosen from among the Directors or from outside their number. When he is not a Director, he attends the Board of Directors' meetings with a non-deliberative voice, except if the Board decides otherwise with a simple majority vote.

If the Chief Executive Officer is temporarily prevented from exercising his duties, the Board of Directors can delegate the powers of Chief Executive Officer to a Director.

The Chief Executive Office shall be granted the widest powers to act in any matter on behalf of the Company in all circumstances, subject to internal limitations set forth by the Board of Directors in its charter, which cannot be opposed to thirs parties. He shall exercise his powers within the limits of the corporate purpose and subject to the powers expressly attributed by law to shareholders' meetings and to the Board of Directors.

The Board of Directors sets the Chief Executive Office's term of office and determines his remuneration. His term cannot exceed, when applicable, the term of his function as a Director.

Chief Operating Officers (*Directeurs généraux délégués*)

At the proposal of Chief Executive Officer, the Board of Directors may appoint a maximum of five (5) Chief Operating Officers (*Directeurs généraux délégués*), who must be individuals and can 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 term of the Chief Operating Officers power, which cannot exceed the powers and term of the Chief Executive Officer. The Board of determines the remuneration of each Chief Operating Officers.

If the Chief Executive Officer ceases to exercise, the Chief Operating Officer shall, except where otherwise dec ided by the Board, remain in office and retain his duties until appointment of the new Chief Executive Officer.

The Chief Operating Officers are reeligible and subject to the same age limit as the Chief Executive Officer.

11.2.2.3 - COMMITTEES

The Board of Directors may decide the creation of committees in charge of reviewing the matters submitted to them by the Board of Directors itself or the Chairman. The Board of Directors determines the members and powers of the committees which exercise their duties under the Board's responsibility, without prejudice to the own authority of the Board of Directors which may in no case be delegated to the committees.

For a detailed description of the committees established as at the date and subject to the condition precedent of the listing of the Company, investors are invited to see section 7.3.1.2 of this reference document.

11.2.3 - 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 the law and the regulations.

Subject to the applicable legal and regulatory provisions, each shareholder is entitled to one vote per share owned or represented at any general meeting.

However, double voting rights may accrue for 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 which are transferred or become held in bearer form will 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 will not affect the double voting rights attached to the shares and will not interrupt the vesting period for double voting rights.

The merger or spin-off of the Company will not affect double voting rights, which may be exercised within the company or companies benefiting from the merger or spin-off subject to the by-laws of such company or companies provide for double voting rights.

Whenever new shares are not entirely freed up upon issuance, the payment calls, at the dates determined by the Board of Directors, will be made by way of notices inserted, fifteen days prior to the payment call, in one of the legal notices papers (*journaux d'annonces légales*) of the location of the registered office, or by sending a notice by registered mail with proof of delivery. Each payment on a subscribed share will be recorded by a mention on the nominative account opened under the name of the bearer. All late payments will automatically bear interest in favour of the Company, starting from the date payment was due, without a commandment or request to a court, at the legal interest rate, notwithstanding the personal proceeding the Company may initiate against the failing shareholder and the 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 bareowner 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 shall 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 stays informed about the composition of its shareholder base in accordance with applicable laws. In this respect, the Company may avail itself of all legal provisions, for identification of the holders of shares conferring immediate or future voting rights at the Company's shareholders' meetings.

11.2.4 - Amendment of rights attached to shares

As the by-laws do not provide any specific provisions, amendment of the rights attached to the shares is subject to the legal provisions.

11.2.5 - Shareholders' meetings

ATTENDANCE TO SHAREHOLDERS' MEETING

The following rules derive from the existing by-laws as at the date of registration of this reference document. The meeting Board of Directors of the Company of February 7, 2007, approved the presentation to the shareholders' meeting to take place on May 15, 2007, of resolution aiming at conforming the applicable procedure in relation to attendance to the shareholders' meeting with new applicable legislation and regulations.

Subject to legal and regulatory restrictions, all shareholders may attend shareholders' meetings and participate in deliberations, personally or through a proxy, independent of the number of shares held.

However, in order to attend or be represented at the meetings:

- owners of shares registered in an account held by the Company must justify that their shares are registered in such company-held account by no later than five (5) days prior to the day of the meeting; and
- owners of bearer shares or shares registered in an account not held by the Company must deposit, no later than five (5) days before the day of the meeting, a certificate issued by the intermediary holding their account, confirming the non-transferability of the shares until the date of the meeting, at the Company's registered office or at the locations indicated in the notice of meeting.

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, at least three days prior to the date of the meeting. Upon decision of the Board of Directors quoted in the notice, shareholders may, in accordance with the law, send their voting and proxy forms by any means of telecommunication.

The Board of Directors may, for any shareholders' general meeting, shorten or eliminate the deadline set forth in the Company's bylaws by way of a general decision for all shareholders.

CONVENING SHAREHOLDERS' MEETINGS

Shareholders' Meetings are convened in accordance with legal requirements. Meetings are held at the registered office or any other location, in France or abroad, indicated in the notice to convene.

AGENDA OF THE SHAREHOLDERS' MEETINGS

Shareholders' meetings shall be 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 shall elect a chairman.

Shareholders can, if the Board of Directors allowed it in the notice of meeting, participate *via* video-conferencing or other means of telecommunications in accordance with applicable law and regulation. Such shareholders are deemed present for the calculation of quorum and majority of shareholders' meetings. The Board of Directors held on February 7, 2007 approved the presentation to the shareholders' general meeting to be held on May 15, 2007 of resolutions aiming to make the electronic signature comply with new applicable laws and regulations.

An attendance sheet is kept for each meeting as required by law.

DECISIONS AND POWERS OF THE GENERAL MEETINGS

The ordinary and extraordinary general meeting exercise the powers assigned thereto by law, and voting is made in accordance with the applicable quorum and majority legal requirements for each type of meetings.

11.2.6 - Provisions likely to have an impact on the control of the Company

There exists no stipulation in the by-laws that would result in delaying, deferring or preventing a change of control.

11.2.7 - Ownership threshold disclosures

In addition to the applicable legal obligations, any natural or legal person, acting alone or jointly, 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 it owns by sending a notice by registered mail with proof of delivery to the registered office within 5 trading days from the date it has exceeded one of these thresholds (not taking into account, if applicable, the date of account registration (*inscription en compte*)), stating the total number of shares held giving future access to the share capital and the number of voting rights attached thereto, directly or indirectly, acting alone or in concert.

The downwards crossing of this 2% threshold shall be disclosed in the same manner as decribed above. The Board of Directors held on February 7, 2007 approved the presentation to the shareholders' general meeting to be held on May 15, 2007 of resolutions aiming to make the calculation of threshold crossing provided for by the bylaws comply with the determination of threshold crossing set forth in Book II of the AMF's General Regulation.

Above this 2% threshold, such disclosure must be made for any additional upwards or downwards crossing in a multiple of one percent (1%) of the share capital or voting rights, in the same manner as decribed above.

Failure to duly make such disclosure under the conditions specified above shall result in the disqualification of the shares that should have been disclosed for voting purposes and the failing shareholder shall not exercise such voting rights nor delegate them during all general meetings to be held until the expiration of a two-year period following the date the notification has been made, if so requested by one or more shareholders separately or together owning at least one percent (1%) of the share capital or voting rights and duly recorded in the minutes of the general meeting.

11.2.8 - Changes to share capital

The Company's share capital may be increased or reduced in all ways and by all manners authorized by law. The extraordinary general meeting of shareholders may also decide to carry out stock splits or reverse splits.

12 MATERIAL AGREEMENTS

Taking into account its business, the Company has not entered into, at the date or 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 6.5.2.1 of this reference document.

CONCORDANCE TABLE

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ANNEXES

Annex 1

Text of Resolutions for the Combined General Meeting of Shareholders on 15 May 2007

Ordinary resolutions

FIRST RESOLUTION

Approval of the Company's accounts, dated 31 December 2006

It was declared in the general meeting that the conditions as to quorum and requisite majority for general meetings of shareholders had been met and that members had familiarised themselves with the Board of Directors' management report on the business activity and general situation of the Company for the financial year 2006, the auditor's report on the annual accounts and the auditor's report on the Chairman of the Board's report. The accounts of the Company, dated 31 December 2006, were approved in the form in which they were presented to the meeting, showing a net profit of 594,237,788.32 euros as were the transactions recorded in these accounts or summarised in these reports.

SECOND RESOLUTION

Approval of the consolidated accounts for the financial year 2006

It was declared in the general meeting that the conditions as to quorum and requisite majority for general meetings of shareholders had been met and that members had familiarised themselves with the Board of Directors' management report on the business activity and general situation of the Group, the report of the Chairman of the Board attached to the management report, the auditor's report on the consolidated accounts and the auditor's report on the Chairman of the Board's report. The consolidated accounts of the Company, dated 31 December 2006, were then approved in the form in which they were presented to the meeting, showing a net group profit of 251,956,000 euros as were the transactions recorded in these accounts or summarised in these reports.

THIRD RESOLUTION

Appropriation of earnings and dividend distribution

It was declared in the general meeting that the conditions as to quorum and requisite majority for general meetings of shareholders had been met and that members had familiarised themselves with the Board of Directors' report.

1. The general meeting noted that the 2006 net profit was of 594,237,788.32 euros.
2. It was decided to appropriate such net profit as follows:

- 29,711,889.42 euros appropriated to the legal reserve;
- a distribution of a dividend of 0.50 euro per share making a total amount of 134.846.688 euros, eligible in full for the 40% income-tax exemption provided for under article 158-3.2e of the French Code Général des Impôts and which does not give rise to a tax credit anymore;
- 429.679.210.9 euros appropriated to retained earnings.

3. Following such appropriation, the amount of retained earnings account is of 442,018,549.30 euros.

The distribution of a dividend of 0.50 euro per share referred to above will be paid as from 21 May 2007.

The amount of any dividends, included in this distribution, and due to shares eventually owned by the Company as at the date of payment of such dividend or to those shares which have been cancelled, shall be appropriated to retained earnings.

It was reminded that no dividends for the 2003 and 2004 financial years were distributed in 2004 and 2005. An exceptional dividend of €0.41 per share for the 2005 financial year was distributed in 2006, making a total amount of €110,574,284.16 for the 269,693,376 shares representing capital stock.

The general meeting confers on the Board of Directors the power to deduct from retained earnings any amount necessary to pay the dividend distribution mentioned above to shares resulting from the exercise of options which would happen before the dividend distribution payment.

FOURTH RESOLUTION

Authorisation of a share buy-back programme

It was declared, in the general meeting, that the conditions as to quorum and requisite majority for general meetings of shareholders had been met and that the members had familiarised themselves with the Board of Directors' Report:

1. The Board of Directors was authorised in accordance with Articles L.225-209 onwards of the French Code of Commerce and Chapter II of the European Commission Regulation of 22 December 2003 n°2273/2003, to buy or to make buy a maximum number of shares, representing up to 10% of the share capital of the Company calculated on the basis of the share capital at the time of the share buy-back (i.e. adjusted to take account of transactions affecting the share capital which take place after the entry into force of the present resolution), being, for information only, on the basis of the share capital at the date of the present resolution 26,969,338 shares;

2. It was decided that the shares could be bought, sold or transferred, in accordance with the provisions mentioned above and the practices accepted by the French Financial Markets Authority, with a view to:

- ensuring liquidity of the shares and activity in the market for shares by the intermediary of an investment services provider, intervening independently under a liquidity contract in compliance with the Code of Practice recognised by the French Financial Markets Authority;
- putting into place all share option plans for the Company, in accordance with Article L.225-177 onwards of the French Code of Commerce, all allocations of free shares in the context of all company or group employee share-ownership programs in accordance with article L.443-1 onwards in the French Employment Code *("Code du travail")*, all allocations of free shares in accordance with articles L.225-197-1 onwards of the French Code of Commerce and all allocations of shares in the context of allocation of the company's profits and establishing all insurance cover pertaining to these operations under the conditions envisaged by the market authorities and at such times as the Board of Directors or such person acting on the authority of the Board of Directors will act;
- conserving shares and subsequently issuing shares either under a share for share exchange or for other consideration in the context of external growth within the limits established under applicable regulations;
- the allocation of shares at such time as security rights, which gives access to the shares of the Company immediately or at a future date, are exercised;
- the cancellation of all or part of the shares bought back in this way, subject to the nine resolution of this general meeting of shareholders being adopted;
- all other practices which would be permitted or recognised by law or by the Financial Markets Authority or all other objectives which would be compliant with the rules in force.

The shares may be acquired, sold or transferred by any means, on ore more times, either on the market or privately, as well as by dealing in blocks of shares or by public offers, by option–based mechanisms, derivatives, the purchase of options or securities, in compliance with any applicable regulatory conditions. The maximum purchase price per share in the Company is fixed at 36 euros. The maximal amount allocated for the establishment of the share buy-back programme amounts to 650 million euros.

The application of the present resolution cannot have for effect to bring the number of shares held by the Company to more than 10% of the total number of shares forming the share capital of the Company at any time.

The general meeting confers on the Board of Directors the power to adjust the maximum purchase price per share in order to take into account any of the operations set out below: modification of the nominal value of the share, increase of capital by incorporating shareholder reserves, allocation of free shares, division or regrouping of shares, distribution of reserves or any other assets, amortisation of capital or of any other operation relating to shareholders' equity,

This authorisation is valid for eighteen months from the date of this general meeting of shareholders and replaces and cancels any previous authorisation, to the extent not used, on the same subject.

It is agreed that, from the granting of this authorisation, powers are conferred on the Board of Directors, together with the powers of delegation, to approve any stock exchange sale or purchases *("ordre de bourse")*, to come to any agreements, make any declarations to the Financial Markets Authority or any other body, to carry out any formalities, and in generally to do all that will be necessary.

Special resolutions

FIFTH RESOLUTION

Authorisation to cancel shares acquired under the buy-back programme

It was declared in the general meeting that the conditions as to quorum and requisite majority for general meetings of shareholders had been met and that the members had familiarised themselves with the Board of Directors' Report and the special report of the Company's auditors after having noted the adoption of the fourth resolution of this general meeting. The Board of Directors was authorised, in accordance with article L.225-209 of the French Code of Commerce, to cancel, acting on its own authority, one or more times, all or part of the shares of the Company acquired pursuant to the fourth resolution of this general meeting and was authorised to reduce the share capital of the Company from the global nominal amount of the shares thus cancelled, within a limit of 10% of the share capital at the date of the decision of cancellation over 24 month periods. In the event of a share capital increase, the maximum number of shares to be cancelled will be adjusted by the ratio between the number of shares that make up the share capital after the transaction and the number of shares that made up the share capital before the transaction.

The general meeting gives all powers to the Board of Directors, together with the possibility of delegating such powers, to carry out the aforementioned reduction of capital, to declare that the reduction has been carried out, to allocate the difference between the buy-back price of the cancelled shares and their nominal amount to any reserve or premium account to proceed with the resulting modifications to the Articles of Association, as well as to ensure that all declarations are made to the Financial Markets Authority, to comply with any other formalities and, generally, to do all that will be necessary.

This authorisation is given for a period of twenty six months from this day.

SIXTH RESOLUTION

Authorization granted to the Board of Directors for the purpose of making one or several allotments of options for subscription to new shares or purchase of existing shares

It was declared in the general meeting that the conditions as to quorum and requisite majority for general meetings of shareholders had been met and that the members had familiarised themselves with the Board of Directors' Report and the special report of the Company's auditors. The general meeting then authorised the Board of Directors to grant options to certain personnel and/or officers of the Company and to those of affiliated companies under the conditions set out in article L.225-180 of the French Code of Commerce, giving a right to subscribe for new shares issued pursuant to the increase of share capital or pursuant to existing share option agreements of the Company, under the conditions set out in articles L.225-177 to L225-185 of the French Code of Commerce.

The options to subscribe for or the options to purchase shares will be granted under the following conditions:

- the duration of the authorisation given to the Board of Directors is fixed at thirty eight months from the day of this general meeting and the Board of Directors can use this authorisation one or more times;
- the option plans will have a maximum duration of 10 years as of the date of allocation by the Board of Directors;
- the total number of options granted in applying this tenth resolution will only give a right to subscribe to or to buy a number of shares exceeding 5% of the share capital of the Company on the day of the attribution of the options, subject to applicable regulatory adjustments necessary to preserve the rights of the grantees, it being made clear that this limit is distinct and independent from the global limit provided for at point 2 of the eighth resolution;
- the subscription or purchase price per share of the Company of each of the plans will be fixed by the Board of Directors, in compliance with the applicable legal and regulatory provisions applicable at the date on which the price was fixed.

The general meeting grants all powers to the Board of Directors, together with the possibility of delegating such powers, under conditions fixed by law, to determine the other terms of the options, particularly the conditions under which the options would be granted, the list of beneficiaries, the number of shares each of them would be allowed to subscribe or purchase, the exercise period of the options and of the resulting sale of shares, to temporarily suspend the exercise of the options for a maximum period of three months should certain financial operations require the exercise of a right attached to the shares.

The general meeting decides that the Board of Directors will have all powers, together with powers of delegation, under the conditions set by law, to declare the increase of capital corresponding to the amount of shares that will be actually subscribed as result of the exercise of the options, to modify the Company's Articles of Association accordingly, and at its sole discretion and if relevant from its point of view, to charge the cost brought about by the transaction on the amount of the issue bonuses and to deduct from this amount any amount necessary to the appropriation the legal reserve, to comply with any formality relating to the listing of the securities so issued, to ensure that all declarations are made to any relevant authority and, generally, to do all that will be necessary.

The Board of Directors may also implement any other new legal provisions which come into force during the time of this authorisation, should they not necessitate an express decision of the general meeting.

This authorisation further comprises, for the benefit of the holders of options to subscribe, an express renunciation by the shareholders of their pre-emption rights to the shares which will be issued as and when the options are exercised.

This authorisation replaces and cancels any previous authorisation, to the extent not used, on the same subject.

SEVENTH RESOLUTION

Delegation of powers to the Board of Directors for the purpose of issuing shares or other securities providing access immediately and/or at some later date to equity or to debt securities with a waiver of pre-emption rights

The general meeting, noting that the conditions as to quorum and requisite majority for general meetings of shareholders had been met and that the members had familiarised themselves with the Board of Directors' Report and the special report of the Company's auditors, in accordance with the provisions of the French Code of Commerce and in particular articles L.225-129 to L.225-129-6, L.225-136, L.225-148, L.228-91, L.228-92 and L.228-93:

1. delegates to the Board of Directors the ability to decide whether to proceed by way of public offer one or more phases, in such proportion and at such times as the Board shall decide, both in France and abroad, in euros or in foreign currencies or in units of account *("unités de compte")* fixed by reference to several currencies, to the issue of shares and of securities giving access immediately and/or at some later date to shares of the Company, or of companies in which it directly or indirectly holds more than half of the share capital, or giving the right to the allocation of debt securities which may be subscribed for either in cash or by way of set-off against due and payable debts, it being stated that this delegation may permit one or more issues by application of article L.228-93 of the French Code of Commerce;
2. decides that the nominal amount *("montant nominal")* of the share capital increase which may be carried out immediately or in the future may not exceed 450 million euros, it being noted that the amount realised by virtue of this resolution will impact on the nominal global limit of 600 million euros as provided by the eighth resolution, these limits being increased by the number of shares necessary by reason of any adjustments liable to be made in accordance with applicable legislative and regulatory provisions and, as the case may be, of contractual stipulations providing for other cases of adjustment, in order to preserve the rights of holders of securities which give rights to shares of the Company;
3. decides that this increase in capital which could be made by exercise of an allocation right, by way of conversion, exchange, reimbursement, presentation of a coupon or in any other way, arising from all securities issued by any company of which the Company holds, directly or indirectly, more than half of the capital, and with the consent of the company concerned;

4. decides moreover that the nominal amount of the obligations and debt securities liable to be issued by virtue of this delegation will be no more than 1 billion euros or its equivalent value, at the date of issue, in whatever foreign currency it may be issued;

5. decides to cancel the pre-emption rights of shareholders in respect of future issues of shares and securities, it being understood that the Board of Directors may confer on shareholders a pre-emption right which may be reduced *("a titre réductible ou irréductible"),* to subscribe for shares during a minimum period of 3 stock exchange days, over all or part of the issue, by application of the provisions of article L.225-135 paragraph 2 of the French Code of Commerce, this pre-emption right not giving rise to the creation of transferable rights;

6. takes note that if the subscriptions of the shareholders and the public have not absorbed all of the issued shares or securities, whereby the Board of Directors may use, in the order it wishes, one or the other of the following 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 amount of the issue which is decided,
- to distribute all or part of the non-subscribed shares to such persons as it sees fit,

7. decides and declares that, where necessary, this delegation has the effect of waiving the pre-emption right of the existing shareholders in respect of the new shares to which these securities entitle them in favour of the holders of any securities giving access to the shares of the Company, which may be issued pursuant to this seventh resolution;

8. decides that:

- the issue price will be at least equal to the average of the quoted rates of the Company's shares over the last three sessions of the stock-market prior to the date on which this price is fixed, possibly reduced by a maximum discount of 5% as envisaged by the regulations in force;
- the issue price of the securities giving access to the share capital of the Company shall be the same as the sum received immediately by the Company, increased, as the case may be, by the sum which may be received subsequently by it, being, for each share issued as a consequence of the issue of the securities, at least equal to the issue price described in the preceding paragraph;

9. decides that the Board of Directors could, within the limit envisaged in paragraph 2 above, proceed to issue shares, other equity securities or any types of security giving access immediately and/or at term to the share capital of the Company or allocate debt securities, in consideration of any shares offered in any public offer consisting of an exchange mechanism *("échange composante"),* either principally or secondarily, as initiated by the Company in respect of the shares of another company which is a member of one of the regulated markets mentioned in article L.225-148 of the French Code of Commerce and decides that as is necessary to eliminate for the benefit of these shareholders the pre-emption right of the shareholders to subscribe for these shares, interests or transferable securities *("actions, titres ou valeurs mobilières")*;

10. decides that the Board of Directors will have all powers, together with powers of delegation, under the conditions set by law, to put into effect this delegation, particularly with the effect of determining the dates and terms of these issues as well as the form and characteristics of the securities to be created, fixing the prices and the conditions of these issues (including the exchange parity in the case of public offers consisting of an exchange mechanism initiated by the Company), fixing amounts to issue (in view of the number of shares presented by way of public offer initiated by the Company), fixing the date of enjoyment, which can even be retrospective, of the securities to be issued, the conditions of purchase, the suspension of the exercise of the rights of allocation of the Company's shares attached to the transferable securities to be issued in a time-frame that cannot exceed three months, fixing the terms according to which the preservation of the rights of the holders of securities giving access to shares in the Company will be ensured, and this in accordance with legal, regulatory and contractual provisions, proceeding with all charges on the issue bonus or bonuses and in particular those relating to fees brought about by the issue, generally taking all of the useful provisions and concluding that all agreements to succeed in the issues as envisaged, declare the increase or increases of capital resulting from the issue carried out by using this delegation and to modify the Company's Articles of Association accordingly.

In the case of issue of loan notes *("titres d'emprunt"),* the Board of Directors, with the ability to sub-delegate, will have all powers particularly to decide on whether they are to be subordinated or not, fix the interest rate, the duration, the fixed or variable repayment price with or without bonus, the terms of amortisation in relation to the market conditions and the conditions under which these "titres" will give the right to shares in the Company.

The delegation conferred in this way to the Board of Directors is valid for twenty six months from the date of this general meeting of shareholders.

EIGHTH RESOLUTION

Delegation of powers to the Board of Directors for the purpose of issuing shares or other securities providing access immediately and/or at some later date to equity or to debt securities without waiver of pre-emption rights

The general meeting, noting that the conditions as to quorum and requisite majority for general meetings of shareholders had been met and that the members had familiarised themselves with the Board of Directors' Report and the special report of the Company's auditors, in accordance with the provisions of the French Code of Commerce and in particular articles L.225-129 to L.225-129-6, L.228-91, L.228-92, L.228-93 :

1. delegates to the Board of Directors the ability to decide whether to issue in one or more instalments, in such proportion and at such times as the board will decide, both in France and abroad, in euros or in foreign currencies or in accounting units (unités de compte) fixed by reference to several currencies, with the maintenance of the pre-emption right of shareholders, shares and transferable securities giving access immediately and/or at some later date to shares of the Company or of a company of which the Company holds, directly or indirectly, more than half of the capital, or giving the right to the allocation of debt securities of which the subscription could be carried out in cash, by way of set-off against due and payable debts, it being stated that this delegation may permit one or more issues by application of article L.228-93 of the French Code of Commerce;

2. decides that the nominal amount *("montant nominal")* of the increase in capital liable to be realised immediately and/or at term pursuant to this delegation as well as pursuant to the seventh, ninth, tenth, eleventh, thirteenth and fourteenth resolutions, may not exceed 600 million euros, this limit being increased by the number of shares necessary by reason of any adjustments liable to be made in accordance with applicable legislative and regulatory provisions and, as the case may be, of contractual stipulations providing for other cases of adjustment, in order to preserve the rights of holders of securities which give rights to shares of the Company;
3. decides moreover that the nominal amount of the obligations and debt securities liable to be issued by virtue of this delegation will be no more than 1 billion euros or its equivalent value, at the date of issue, in whatever currency or accounting units *("unités de compte")* it may be issued;
4. decides that the shareholders can exercise, under the conditions provided for by law, their minimum pre-emption right *("à titre irréductible")*. Moreover, the Board of Directors will have the power to grant the shareholders the right to subscribe, as a minimum right which may be reduced *("à titre réductible")*, to a greater number of transferable securities than they could subscribe for as a minimum right which cannot be reduced *("à titre irréductible")*, in proportion to the subscription rights and, in any case, within the limits of their requests.

If the subscriptions following exercise of minimum rights which cannot be reduced *("à titre irréductible")*, and, as the case may be, subscriptions, following exercise of rights which may be reduced *("à titre réductible")* have not absorbed all of the issued shares or transferable securities, the Board of Directors may use, in the order it wishes, any or more of the following powers:

- limiting 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,
- distribute all or part of the non-subscribed shares to such persons as it sees fit,
- offer to the public all or part of the non-subscribed shares.

5. decides that all issues of warrants to subscribe for shares in the Company likely to be carried out could take place either by an offer to subscribe within the terms foreseen above or by a bonus allocation to the owners of pre-existing shares; decides that any amount owed to the Company or to be owed to the Company for each of the issue of shares in relation to this delegation, will be at least equal to the nominal value of the shares, after taking into account, in the event of an issue of warrants, the issue price of such warrants;
6. decides and declares that, as is necessary, this delegation fully benefits the holders of securities giving access to shares of the Company, which may be issued pursuant to this twelfth resolution;
7. decides that the Board of Directors will have all powers, together with powers of delegation, under the conditions set by law, to put into effect this delegation, particularly with the effect of determining the dates and terms of the issue as well as the form and characteristics of the securities to be created, fixing the prices and the conditions of these issues, fixing amounts to issue, fixing the date of enjoyment, even retrospective, of the securities to be issued and the conditions of purchase, the suspension of the exercise of the rights of allocation of the Company's shares attached to the transferable securities to be issued in a time frame that cannot exceed three months, fixing the terms according to which the preservation of the rights of the holders of securities giving access to shares in the Company will be ensured, and this in accordance with the legal, regulatory and contractual provisions, proceeding with all charges on the issue bonus or bonuses and in particular those relating to fees brought about by the issue, generally taking all of the useful provisions and concluding that all agreements to succeed in the issues as envisaged, declare the increase or increases of capital resulting from the issue carried out by using this delegation and to modify the Company's Articles of Association accordingly.

In the case of issue of bonds, the Board of Directors will have all powers in particular to decide on whether they are to be subordinated or not, fix the interest rate, the duration, the fixed or variable repayment price with or without bonus, the terms of amortisation in relation to the market conditions and the conditions under which these "titres" will give the right to shares in the Company.

The delegation conferred in this way to the Board of Directors is valid for twenty six months from the date of this general meeting of shareholders.

NINTH RESOLUTION

Right to increase issue volumes in the event of excess demand

The general meeting, noting that the conditions as to quorum and requisite majority for general meetings of shareholders had been met, subject to the adoption of the seventh and eighth resolutions after having familiarised themselves with the report of the board of directors and the special report of the auditors, and in accordance with the provisions of article L. 225-135-1 of the Commercial Code, authorised the board of directors, with the discretion to delegate, within the limits fixed by law, for a duration of twenty six months as from the present meeting to increase the number of shares or securities issued with or without pre-emption rights at the same price as those reserved for the initial issue, within 30 days from the closure of the subscription and up to a limit of 15% of the initial issue within the limit of the global ceiling envisaged by point 2 of the eighth resolution.

TENTH RESOLUTION

Delegation of powers to the Board of Directors for the purpose of raising capital through incorporation of reserves, profit, premiums or other items for which this is allowable

The general meeting, noting that the conditions as to quorum and requisite majority for general meetings of shareholders had been met, having familiarised themselves with the report of the board of directors, in accordance with the provisions of articles L. 225-129, L. 225-129-2 and L. 225-130 of the Commercial Code:

1. delegated to the board of directors the ability to decide to increase the nominal capital either one or many times, in such proportions and such stages as they may decide by incorporation of reserves, profits, premiums or other, the capitalisation of which would be legally and statutorily admitted either by combination with an increase of capital in cash carried out by virtue of the seventh and eighth resolutions, and in the form of an increase in free shares or an increase in the nominal value of the existing shares, or by a combination of the two processes;

2. decided that the nominal amount of the increase in capital able to be carried out, by virtue of the current delegation of power, cannot exceed 100 million euros, it being understood that the amount realised by virtue of the present resolution will be included in the nominal global ceiling of 600 million euros envisaged by the eighth resolution, these limits being increased, as the case may be, by the number of shares required for the adjustments which may be carried out in accordance with applicable legal provisions and regulations, and, as the case may be, with contractual provisions envisaging other cases of adjustment, for preserving the rights of holders of securities giving rights to shares in the Company;

3. decided that the board of directors would have all powers, with the ability to delegate, within the limits fixed by law, for implementing the current delegation of power, and notably:

- to determine the terms and conditions of the authorised transactions and in particular to fix the amount and the nature of the reserves and premiums to be incorporated into the share capital, to fix the number of new shares to be issued or the amount by which the nominal value of existing shares composing the share capital will be increased, fix the date, even retrospectively, from which the new shares will carry entitlement or the date on which a rise in nominal value would have effect and, as the case may be, to make any deductions from the share premium and notably that for expenses incurred as a result of carrying out the issues,
- to decide in accordance with the provisions of article L. 225-130 of the French Code of Commerce that the rights forming the fractional entitlement ("rompus") will not be tradable and that the corresponding shares will be sold, the amounts resulting from the sale being allocated to the holders of rights at the latest 30 days after the date of registration of the total number of allocated shares,
- to take all useful measures and conclude all agreements in order to assure the successful conclusion of the envisaged transactions and, generally, to do all necessary things, carry out all acts and formalities to the effect of making final the above or the increases in capital which could be realised by virtue of the current delegation of powers as well as proceeding with the corresponding modification of the articles of association.

The delegation of power being conferred on the board of directors is valid for the duration of twenty six months from the date of the current general meeting.

ELEVENTH RESOLUTION

Delegation of powers to the Board of Directors for the purpose of issuing shares or other equity securities in favour of participants in employee share-ownership programs of the Company or group

The members of the Company in general meeting, acting in compliance with the conditions as to quorum and requisite majority for extraordinary general meetings of the Company, and after having acquainted themselves with the Board of Directors' report and the special auditors' report, in accordance with the provisions of articles L. 443-1 et seq. of the Employment Code and of articles L.225-129-6 and L.225-138-1 of the French Code of Commerce, hereby:

1. delegate to the Board of Directors the ability to proceed to the issuing, in one or more issues, of shares and/or securities giving access to the share capital of the company, for a maximum period of twenty-six months from the date of the present meeting, to the employees of the Company and of the French or foreign companies which are linked to the Company by virtue of article L. 444-3 of the Code du travail, provided that those employees are members of employee share-ownership programs of the Company or of the group;

2. authorise the Board of Directors, within the scope of the increase or increases in capital, to allot shares for no consideration or other securities giving access to the share capital, notably in substitution for the discount provided for in point 4 below, within the limits provided for in article L.443-5 of the French Employment Code *("Code du travail");*

3. decide that the nominal amount of the share capital increase which can be made pursuant to the present delegation cannot exceed 25 million euros, for the avoidance of doubt, the amount of the increase made pursuant to the present resolution will be attributed to the global nominal limit of 600 million euros provided for in the eighth resolution, and that those limits do not take into account the adjustments which may be made in accordance with the applicable legislative and regulatory provisions and, as the case may be, in accordance with contractual provisions which provide for other adjustments, in order to preserve the rights of holders of securities which confer the right to receive shares in the Company;

4. decide that the issue price of the new shares will be determined by the Board of Directors in accordance with the provisions of article L.443-5 of the Code du travail;

5. decide to remove, in favour of the aforementioned members, the pre-emption right of the shareholders in respect of the shares or securities which may be issued pursuant to the present authorisation and to renounce all rights to shares which could be attributed freely on the basis of this resolution;

6. confer on the Board of Directors, with the option to sub-delegate, subject to the conditions stipulated by law, all powers necessary in order notably to:

- determine which Companies' employees will be able to benefit from the offer to subscribe,
- decide whether the subscriptions can take place via a mutual fund *("fond commun de placement")* or directly,
- grant to the employees a period during which they must fully pay up their securities,
- establish the methods and conditions of membership of the company employee share-ownership program or of the employee voluntary joint share-ownership program, and draw up or modify the rules thereof,
- establish the opening and closing dates for subscription and the issue price of the securities,
- determine all the characteristics of the securities which give access to the share capital of the company,
- decide on the number of new shares or securities to be issued,
- record the increases in capital,
- carry out all operations and formalities directly or by representative,
- make the consequential amendments to the constitutional documents of the Company and, more generally, do everything which is required and necessary pursuant to the laws and regulations in force.

TWELFTH RESOLUTION

Authorization granted to the Board of Directors for the purpose of making free share allotments

The general meeting, noting that the conditions as to quorum and requisite majority for general meetings of shareholders had been met, after having familiarised themselves with the Board of Directors' report and the auditors' special report, in accordance with articles L.225-197-1, onwards of the French Code of Commerce:

1. authorises to the Board of Directors to allocate, in one or more phases, for no consideration existing shares or shares to be issued by the Company;
2. decides that the beneficiaries of such allocations could be members and/or certain categories of members from the salaried personnel and/or the officers of the company and/or companies or groupings which are directly or indirectly linked pursuant to the conditions set out in article L.225-197-2 of the French Code of Commerce;
3. decides that the Board of Directors will determine the identity of the beneficiaries of the allocations, the conditions of allocation and, as the case may be, the criteria for the allocation of shares such as, the following list being not exhaustive, criteria relating to the existence of the employment contract or the company's officers duty during the vesting period and any other criteria;
4. decides that the number of shares issued or to be issued able to be freely allocated pursuant to this resolution should not exceed 5% of the share capital of the Company at the date of the decision of to allocate the shares, subject to any regulatory adjustments necessary for the preservation of the rights of the beneficiaries, it having been made clear that the limit is distinct and separate from the global ceiling referred to in point 2 of the eighth resolution;
5. decides that the allocation of these shares to their beneficiaries will be definitive at the end of a vesting period which will be between 2 and 4 years (both inclusive), depending on the beneficiaries;
6. decides that the holding period will be a minimum of 2 years after the vesting of the shares if the vesting period applicable is less than 4 years, it being agreed that the Board of Directors will be able to reduce or suppress such holding obligation as far as the beneficiaries for whom the vesting period mentioned in paragraph 5 above is equal to 4 years are concerned;
7. decides that notwithstanding the above, the Board of Directors will be able to decide in the case of disability of the beneficiary corresponding to the second or the third category referred to in Article L. 341-4 of the French Code de la Sécurité Sociale or in the case of total disability qualified by the applicable foreign law, the allocation of the shares to the beneficiary will be definitive before the end of the vesting period, the shares being in this case freely transferable;
8. authorises the Board of Directors to proceed, as the case may be, during the period of the acquisition, with adjustments to the number of free shares allocated pursuant to possible transactions in respect of the share capital of the Company in such manner as to preserve the rights of the beneficiaries;
9. decides that the Board of Directors will decide the duration of the vesting and holding period within the limit fixed by the general meeting and the conditions of the holding of shares during the holding period, will make any deduction necessary on the reserve, benefice or premium amounts which are freely transferable by the Company in order to pay up these shares to be issued to the beneficiaries;
10. takes note that in cases of free allocation of shares yet to be issued, this authorisation will entail, at the end of the period of acquisition, an increase in capital by way of incorporation of reserves, profit or share premiums to the benefit of the beneficiaries of the aforementioned shares and the corresponding waiver by the shareholders of their pre-emption right and of their right to the portion of the reserves, profit or premiums thus incorporated in favour of those allotted the shares, the capital increase becoming effective as a sole result of the definitive allocation to the beneficiaries.

This authorisation is given for a duration of thirty eight months from the date of the general meeting. This authorisation replaces and cancels the previous authorisation on free allocation of shares granted by the general meeting held on 24 February 2006.

The Board of Directors may also implement any other new legal provisions which come into force during the time of this authorisation, should they not necessitate an express decision of the general meeting.

The meeting delegates all powers to the Board of Directors, with the ability to delegate, under the conditions fixed by law, for implementing the current delegation of power, and notably to determine the date and manner of the allocations and generally to take all steps useful and to come to all agreements to arrive at the good outcome of envisaged allocations, to declare the increase or increases of capital resulting from use of this delegation of power and modifying the the articles of association of the Company accordingly.

THIRTEENTH RESOLUTION

Delegation of powers to the Board of Directors for the purpose of issuing shares or other securities up to amount equalling 10% of capital stock as consideration for contributions in kind granted to the Company *("apports en nature consentis a la société")*

The general meeting, noting that the conditions as to quorum and requisite majority for general meetings of shareholders had been met, having familiarised themselves with the report of the board of directors, in accordance with the provisions of articles L. 225-147 paragraph 6 of the French Code of Commerce delegates to the Board of Directors, for a duration of twenty six months from the date of the present meeting, the ability to proceed with the issue of shares and securities giving access immediately and/or at term to the share capital of the Company at the time of issue, with a view to remunerating the contributions in kind granted to the company consisting of shares or other securities giving access to share capital when the provisions of article L.225-148 of the French Code of Commerce would not be applicable.

The total nominal amount of the capital increase resulting from the issue carried out by virtue of the present authorisation will be established by the global ceiling fixed by the preceding eighth resolution.

The general meeting clarifies that, should this delegation of power have been put into effect, in accordance with the law, the Board of Directors will make a declaration as to the report(s) of one of more auditors, mentioned in article L.225-147 of the Code.

The general meeting decides that the Board of Directors will have all the powers to this end, particularly to approve the evaluation of the contributions and, in respect of these reports, to declare that they had been carried out, ascribe all charges and rights to bonuses, increase the share capital and proceed with modifications of the articles of association.

FOURTEENTH RESOLUTION

Delegation of powers to the Board of Directors for the purpose of determining, in accord with the conditions defined by the General Meeting of Shareholders, the price of shares or other equity securities issued for offer to the public, with a waiver of pre-emption rights, in amounts not exceeding 10% of capital stock

The general meeting, noting that the conditions as to quorum and requisite majority for general meetings of shareholders had been met, familiarised itself with the report of the board of directors and the special report of the audit committee, and in accordance with the provisions of article L. 225-136 1° of the Commercial Code, and insofar as the securities to be issued immediately or in deferment are assimilated to capital stock admitted to trading on a regulated market:

1. authorised the board, with power to delegate to all people authorised by law, for each issue made in applying the aforementioned seventh resolution and within the limit of 10% of share capital within a twelve month period, to depart from the price fixing conditions envisioned by the seventh resolution and to fix the issue price of future issues of capital stock and/or securities by way of public offer, without pre-emption rights, such as:

- the issue price of future issues of capital stock shall be at least equal to the average weighted share price on the day of the fixing of the price, possibly reduced by a maximum discount of 10%,
- the issue price of the securities giving access to the share capital of the Company shall be the same as the sum received immediately by the Company, increased, as the case may be, by the sum which may be received subsequently by it, being, for each share issued as a consequence of the issue of the securities, at least equal to the issue price described in the preceding paragraph;

The total nominal amount of the capital increase resulting from the issue carried out by virtue of the present authorisation will be established by the global ceiling fixed by the preceding eighth resolution;

2. fix the validity of the present authorisation for twenty six months;
3. decide that the board of directors will avail themselves of all powers for implementing the current resolution within the terms envisioned by the seventh resolution.

FIFTEENTH RESOLUTION

Amendment of the second paragraph of article 11.1 of Company articles to specify the procedure to be satisfied in order to take part to shareholder meetings , this being to comply with regulations now in force

The general meeting, noting that the conditions as to quorum and requisite majority for special general meetings of shareholders had been met, decided to amend the second paragraph of article 11.1 of the articles of association of the Company as follows:

"The right to attend the general meetings of the company personally or through a proxy is justified by the accounting registration in the name of the shareholder or the intermediary registered on his behalf (pursuant to the conditions set out by law) on the third business day, 0 am, Paris time preceding the meeting:

- *in the Company's book regarding shareholders with registered shares,*
- *in the bearer share accounts held by the financial intermediary, pursuant to the conditions set out by the legislation in force regarding shareholders with bearer shares."*

The first paragraph remains unchanged. The third paragraph will be amended and the fourth paragraph will be deleted by the sixteenth resolution.

SIXTEENTH RESOLUTION

Amendment of the third and fourth paragraphs of article 11.1 of Company articles to merge them and to specify the form of electronic signatures to be used, this being to comply with regulations now in force

The general meeting, noting that the conditions as to quorum and requisite majority for special general meetings of shareholders had been met, decided to

1. amend the third paragraph of article 11.1 of the articles of association of the Company as follows:

   "Any shareholder wishing to vote by post or by proxy must have filed a proxy voting form, postal voting form or equivalent single document at the registered office or at any other place indicated in the notice of meeting within a period of three days before the date of the General Meeting. The Board of Directors may, for any General Meeting, shorten this period by way of a general decision for the benefit of all shareholders.In the event of a decision to this effect by the Board of Directors, mentioned in the notice of meeting, shareholders may send their proxy form and postal voting form by any electronic means, subject to the conditions and time limits provided by law and regulations If used, the electronic signature may take on the form of a process satisfying the conditions described at the first sentence of the second paragraph of Article 1316-4 of the French Code civil.";

2. delete the fourth paragraph of article 11.1 of the articles of association of the Company.

SEVENTEENTH RESOLUTION

Amendment of article 8.2 of Company articles to bring the thresholds for declaration of shareholders' interests defined in these articles into line with those defined in Book II of the General Regulation the Autorité des Marchés Financiers (AMF)

The general meeting, noting that the conditions as to quorum and requisite majority for special general meetings of shareholders had been met, decided to amend article 8.2 of the articles of association of the Company as follows:

"In addition to the legal provisions applicable in this area, any natural or legal person that directly or indirectly (including through a company controlled within the meaning of Article L. 233-3 of the Commercial Code), alone or in concert, and in any way whatever, comes to hold 2% of the share capital or voting rights (the total number of voting rights to be used as the denominator being calculated on the basis of all the equities to which voting rights are attached, including equities whose voting rights have been suspended), must inform the Company of this by registered letter with proof of receipt requested addressed to the registered office, within a period of five stock exchange days from the date this threshold is attained (independently of the date of registration of such shares in any account) and must specify the total number of shares and securities giving access to the share capital and the number of voting rights that are owned, directly or indirectly, alone or in concert. Notice must be given in the same manner when a holding is reduced to below this threshold."

The second and third paragraphs of article 8.2 of the Company's articles of association remain unchanged.

EIGHTEENTH RESOLUTION

Powers relating to formalities

The members of the Company in general meeting confer on the holder of an original, an official extract or a copy of the minutes of the present meeting all powers necessary in order to effect all necessary registrations or formalities.

Annex 2

Statutory Auditors' special report on regulated agreements and commitments with third parties

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Deloitte et Associés
185, avenue Charles-de-Gaulle - B.P. 136
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Legrand (ex-Legrand Holding SA)

Société anonyme
128, avenue Maréchal-de-Lattre-de-Tassigny
87000 Limoges

Statutory Auditors' special report on regulated agreements and commitments with third parties

Year ended December 31, 2006

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 professional auditing standards applicable in France.

In our capacity as Statutory Auditors of Legrand, we hereby report to you on regulated agreements and commitments with third parties.

Our responsibility does not include identifying any undisclosed agreements or 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 92 of the March 23, 1967 decree, it is the responsibility of shareholders to determine whether the agreements and commitments are appropriate and should be approved.

I – AGREEMENTS AND COMMITMENTS AUTHORIZED DURING THE YEAR

We hereby advise you that we were not informed of any agreements or commitments entered into during the year other than those approved by shareholders at the General Meeting of April 6, 2006 based on our special report issued on that date, as set out below.

Offering rights agreement

Directors concerned: Arnaud Fayet, Jacques Garaïalde andan-Bernard Lafonta

Shareholders concerned:(i) Financière Light Sàrl, Financière Light II Sàrl, Financière Light III Sàrl and Financière Light IV Sàrl; (ii) Wendel Investissement through Trief Corporation SA and Oranje Nassau Groep BV; and (iii) WestLB AG through West Luxcon Holdings SA.

Nature and purpose of the agreement:

In connection with the Company's IPO, a draft Offering Rights Agreement was entered into between Legrand and (i) KKR, acting through its Luxembourg-based subsidiaries; (ii) Wendel Investissement, acting through its Luxembourg- and Netherlands-based subsidiaries; and (iii) other shareholders of the Company.

The purpose of this draft agreement was to specify the terms and conditions applicable for carrying out secondary offers for the Company's shares for an amount exceeding €150 million, at the request of KKR or Wendel. It included an undertaking enabling each shareholder to tender as many Company shares to the offer as it wished.

The Company agreed:

- "to a reasonable extent" (in accordance with the wording used by the Board of Directors on March 17, 2006) to cooperate with shareholders selling their interests as part of a secondary offering; and
- to carry out certain measures required in order to complete the secondary offering.
- The Company also undertook to compensate shareholders if it breached any of the provisions set out in the information documents published in relation to any such secondary offering or if said documents contained any inaccuracies.

The agreement –which was authorized by the Board of Directors on March 17, 2006 and approved by shareholders at the General Meeting of April 6, 2006– was not implemented in 2006.

Amendments to the PIK bond indenture

Directors concerned: Jacques Garaïalde and Edward Gilhuly

Nature and purpose of the agreement:

During the year the Company decided to amend the terms and conditions of the PIK bond indenture in order to pay the holder of the bonds (GP Financière New Sub 1) a total of approximately €178 million corresponding to the full amount of the interest due on the PIK bonds as well as a portion of the principal.

The payment was made on February 15, 2006 in an amount of €177.8 million.

This amendment was authorized by the Board of Directors on February 8, 2006 and approved by shareholders at the General Meeting of April 6, 2006.

Underwriting agreement

Directors concerned: all directors.

Shareholder concerned: Lumina Parent Sàrl.

Nature and purpose of the agreement:

As part of the Company's IPO, Legrand signed an underwriting agreement with the banks that arranged the transaction as well as a number of the Company's shareholders, including Lumina Parent. Under this agreement, the banks agreed to place with institutional investors in France and abroad and with the public in France a certain number of the shares issued by Legrand, as well as a number of the shares held and sold by Lumina Parent if the greenshoe option were exercised (as defined in the IPO information memorandum).

Also under this agreement the Company made representations and warranties in order to enable the IPO to take place and/or facilitate its implementation. In particular, it undertook not to issue securities during the 180 days following the settlement and delivery date for the shares included in the IPO.

In addition, certain shareholders that held a stake in the Company prior to the IPO made limited representations and warranties and also undertook not to issue securities during a specified timeframe.

The Company and its shareholders also agreed to pay fees and commissions to the arranging banks.

The agreement was approved by shareholders at the General Meeting of April 6, 2006 and was implemented when the Company's IPO took place in April 2006. It resulted in the payment by the Company of €24.3 million in fees and commissions to the arranging banks.

Facility Agreement

Directors concerned: Olivier Bazil, Jacques Garaïalde, Edward Gilhuly, François Grappotte, Jean-Bernard Lafonta and Gilles Schnepp.

Nature and purpose of the 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 BV 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 a maximum borrowing facility of €2,200,000,000 to replace the €1,400,000,000 loan agreement entered into on December 17, 2004. The new facility enabled the existing loan to be repaid in advance of term at a lower cost and led to the release of the guarantee provided for in the December 17, 2004 agreement. The other purposes of the Facility Agreement were to redeem the high yield bonds issued by the Company on February 12, 2003 and to repay the loan granted by Schneider Electric to GP Financière New Sub 1 on December 10, 2002.

The agreement was approved by shareholders at the General Meeting of February 8, 2006.

Issuance costs paid and interest costs recorded by Legrand during 2006 in connection with this Facility Agreement totaled €4.3 million and €22.7 million respectively.

Amendment to the employment contracts of Olivier Bazil and Gilles Schnepp

Directors concerned: Olivier Bazil et Gilles Schnepp

Nature and purpose of the agreement:

The lump sum severance and non-competition payments provided for in the employment contracts of Olivier Bazil and Gilles Schnepp 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 contracts of Olivier Bazil and Gilles Schnepp, 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

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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.

The agreement was authorized by the Board of Directors on February 8, 2006 and approved by shareholders at the General Meeting of April 6, 2006.

Cash offered to managers holding stock options under the 2001 Legrand France plan

Directors concerned: Olivier Bazil, François Grappotte and Gilles Schnepp.

Nature and purpose of the agreement:

A total of 79 holders of employee stock options under the 2001 plan (hereinafter referred to as "the Managers") had granted to the Company call options relating to all of the Legrand France shares issued on the exercise of said stock options.

The Managers exercised their stock options prior to February 28, 2006 and the Company used its call options to purchase 111,390 Legrand France shares in cash from them, at a price of €140.14 per share.

The related agreement was authorized by the Board of Directors on February 8, 2006 and approved by shareholders at the General Meeting of April 6, 2006.

Compensation awarded to the former Chief Executive Officer and sale of a company car

Director concerned: François Grappotte

Nature and purpose of the agreement:

On March 17, 2006 the Board of Directors noted the resignation of François Grappotte as Chief Executive Officer. The Board authorized François Grappotte to (i) receive the entire amount of his compensation outstanding for 2006, totaling €300,000, and (ii) purchase his company car for a token amount of €1.

The related agreement was approved by shareholders at the General Meeting of April 6, 2006.

Agreement with Gilles Schnepp and Olivier Bazil

Directors concerned: Gilles Schnepp and Olivier Bazil.

Nature and purpose of the agreement:

This agreement 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.

The agreement was authorized in previous years by Legrand France's Board of Directors.

II – AGREEMENTS AND COMMITMENTS APPROVED IN PRIOR YEARS THAT REMAINED IN FORCE DURING THE YEAR

In application of the decree of March 23, 1967, we were informed of the following agreements and commitments entered into in prior years, which remained in force during the year.

Intragroup loan agreement entered into with Legrand SAS, approved on February 6, 2003

This agreement, which concerned a €2,000,000,000 loan granted to Legrand SAS, was terminated during the year as Legrand SAS was wound up and all of its assets and liabilities transferred to the Company.

Legrand recorded €21.7 million in interest income on this loan up until the above-mentioned transfer.

Representative agreement II entered into with Legrand SAS and New Sub 1, approved on February 6, 2003

Under this agreement, the Luxembourg-based company New Sub 1 appointed Legrand SAS to act on its behalf concerning the payment of the subscription price for the Junior Subordinated Bonds (PIK) to be issued by Legrand and taken up by New Sub 1.

As Legrand SAS was wound up and all of its assets and liabilities transferred to the Company during the year, this agreement was terminated and did not affect Legrand's 2006 financial statements.

Agreement to purchase Junior Subordinated Bonds entered into with New Sub 1, approved on February 6, 2003

This agreement related to the purchase of subordinated bonds. Previously, Legrand had entered into a shareholder loan agreement concerning subordinated bonds with a principal amount of €1.156 billion, which were taken up by a subsidiary of the Group's parent company. The bonds bore interest at a rate of 5% per year.

The terms and conditions of this loan were amended in 2006 in line with the amendment to the indenture relating to Legrand's PIK bonds.

The agreement was terminated following the redemption of the related borrowings in cash amounts of €177.8 million on February 15, 2006 and €504.4 million in April 2006 with the balance of €668.8 million converted into capital and a premium on April 11, 2006.

Cost Allocation Agreement entered into with FIMAF, Lumina Parent SARL and New Sub 1, approved on February 6, 2003

Under this agreement –which was entered into in connection with the Company's Junior Subordinated Bonds– Legrand undertook to pay Lumina Parent, the parent company of New Sub 1, an annual fee capped at €100,000 in order to cover all of New Sub 1's expenses concerning the purchase of said bonds, as well as any related taxes to be paid by Lumina Parent SARL to the Luxembourg tax authorities.

The agreement was terminated following the redemption of the above-mentioned subordinated bonds on April 11, 2006.

No fee was paid or provisioned in relation to this agreement during 2006.

Two temporary lease agreements entered into with Legrand France SA, approved on January 30, 2004

These agreements concerned part of the premises owned by Legrand France at 128, avenue de Lattre de Tassigny in Limoges and 82, rue Robespierre in Bagnolet.

These leases were no longer required following the transfer of Legrand SAS's assets and liabilities to the Company, which took over the leases that Legrand SAS held with Legrand France in relation to the premises at 128, avenue de Lattre de Tassigny, Limoges and 82, rue Robespierre, Bagnolet.

The annual lease payment under these agreements was €2,000.

Multicurrency Term and Revolving Credit Facilities Agreement, approved on December 14, 2004

This agreement related to credit facilities granted by BNP Paribas and the Royal Bank of Scotland Plc to Legrand France, Van Geel Legrand BV, and Legrand Holding Inc. Under the agreement BNP Paribas acted as Facility Agent and Security Agent, the Royal Bank of Scotland Plc acted as Documentation Agent and Closing Agent and Legrand was a party in its capacity as the Obligor.

The maximum amount available under the agreement to Legrand France, Van Geel Legrand BV, and Legrand Holding Inc, acting in their capacity as borrowers and guarantors, was €1,400,000,000.

The Multicurrency Term and Revolving Credit Facilities Agreement did not affect Legrand's 2006 financial statements and was superseded by the Facility Agreement approved on February 8, 2006.

Subordination Agreement, approved on December 14, 2004

This agreement set down the relationship between the Obligors and the Group's main creditors as well as between the creditors themselves in relation to the various financing arrangements set up within the Group. Legrand was also a party to the agreement.

The agreement did not affect Legrand's 2006 financial statements and was terminated upon the signature of the Facility Agreement approved on February 8, 2006.

Tax Consolidation Agreement, approved on January 8, 2003

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 SAS (followed by the full transfer of Legrand SAS's assets and liabilities to Legrand during 2006). These companies include Arnould F.A.E., Baco, Chessy, Distrasa, Inovac, Legrand SNC, Pammelec, Planet Wattohm, Sarlam, Sofrelec, Sute, Ura and Arnould Planet Wattohm (renamed Groupe Arnould). In addition, Chateaudun Developpement 3, ICM Group and Metal Deployé –which were acquired in 2005– joined the consolidated tax group in 2006.

Tax savings made by the group through using 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.

We conducted our work in accordance with the professional standards applicable in France. Those standards require that we carry out the necessary procedures to verify the consistency of the information disclosed to us with the underlying documents.

Neuilly-sur-Seine, March 16, 2007

The Statutory Auditors

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