Consolidated financial information as of December 31, 2008

legrand®

LEGRAND S.A.

RAPPORT DES COMMISSAIRES AUX COMPTES
SUR LES COMPTES CONSOLIDES

Exercice clos le 31 décembre 2008

PricewaterhouseCoopers Audit	Deloitte & Associés
63, rue de Villiers 92208 Neuilly-sur-Seine Cedex	185, avenue Charles-de-Gaulle 92524 Neuilly-sur-Seine Cedex

Rapport des Commissaires aux Comptes sur les comptes consolidés
Exercice clos le 31 décembre 2008

Aux actionnaires,

Legrand S.A.
Société anonyme
128, avenue du Maréchal de Lattre de Tassigny
87000 Limoges

En exécution de la mission qui nous a été confiée par vos Assemblées générales, nous vous présentons notre rapport relatif à l'exercice clos le 31 décembre 2008 sur :

- le contrôle des comptes consolidés de la société Legrand S.A., tels qu'ils sont joints au présent rapport, étant précisé que nous n'avons pas effectué de diligences sur les informations trimestrielles figurant en note 26 de l'annexe,
- la justification de nos appréciations ;
- la vérification spécifique prévue par la loi.

Les comptes consolidés ont été arrêtés par le Conseil d'administration Il nous appartient, sur la base de notre audit, d'exprimer une opinion sur ces comptes.

I. Opinion sur les comptes consolidés

Nous avons effectué notre audit selon les normes d'exercice professionnel applicables en France ; ces normes requièrent la mise en œuvre de diligences permettant d'obtenir l'assurance raisonnable que les comptes consolidés ne comportent pas d'anomalies significatives. Un audit consiste à vérifier, par sondages ou au moyen d'autres méthodes de sélection, les éléments justifiant des montants et informations figurant dans les comptes consolidés. Il consiste également à apprécier les principes comptables suivis, les estimations significatives retenues et la présentation d'ensemble des comptes. Nous estimons que les éléments que nous avons collectés sont suffisants et appropriés pour fonder notre opinion.

Nous certifions que les comptes consolidés de l'exercice sont, au regard du référentiel IFRS tel qu'adopté dans l'Union européenne, réguliers et sincères et donnent une image fidèle du patrimoine, de la situation financière, ainsi que du résultat de l'ensemble constitué par les personnes et entités comprises dans la consolidation.

Sans remettre en cause l'opinion exprimée ci-dessus, nous attirons votre attention sur la note 1 de l'annexe aux états financiers consolidés qui expose l'application par anticipation de la norme IFRS 8 portant sur l'information sectorielle.

II. Justification des appréciations

Les estimations comptables concourant à la préparation des comptes consolidés au 31 décembre 2008 ont été réalisées dans un contexte où les perspectives économiques sont difficiles à appréhender. C'est dans ce contexte que conformément aux dispositions de l'article L.823-9 du Code de commerce, nous avons procédé à nos propres appréciations que nous portons à votre connaissance :

Votre société présente à l'actif de son bilan consolidé des *goodwill* pour un montant de 1.854,3 millions d'euros et des immobilisations incorporelles pour un montant de 1.772,7 millions d'euros enregistrés notamment à l'occasion de l'acquisition de Legrand France en 2002 et des acquisitions de filiales réalisées depuis 2005. Votre société procède systématiquement, à chaque clôture, à un test de dépréciation des *goodwill* et des immobilisations incorporelles à durée de vie indéfinie et évalue également s'il existe un indice de perte de valeur des actifs à long terme, selon les modalités décrites dans les notes 1.f et 1.g aux états financiers. Nous avons examiné les modalités de mise en œuvre de ces tests de dépréciation ainsi que les prévisions de flux de trésorerie et hypothèses utilisées et nous avons vérifié que les notes 2 et 3 aux états financiers donnent une information appropriée.

Les appréciations ainsi portées s'inscrivent dans le cadre de notre démarche d'audit des comptes consolidés, pris dans leur ensemble, et ont donc contribué à la formation de notre opinion exprimée dans la première partie de ce rapport.

III. Vérification spécifique

Nous avons également procédé à la vérification spécifique prévue par la loi des informations données dans le rapport sur la gestion du groupe. Nous n'avons pas d'observation à formuler sur leur sincérité et leur concordance avec les comptes consolidés.

Neuilly-sur-Seine, le 11 février 2009

Les Commissaires aux Comptes

PricewaterhouseCoopers Audit

Gérard Morin

Deloitte & Associés

Dominique Descours

LEGRAND

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2008

Contents

Consolidated Statement of Income

	Legrand		
	12 months ended December 31,		
(in € millions)	2008	2007	2006
Revenue (Note 1 (k))	**4,202.4**	**4,128.8**	**3,736.8**
Operating expenses			
Cost of sales	(2,070.0)	(2,060.5)	(1,881.7)
Administrative and selling expenses	(1,144.6)	(1,081.8)	(977.7)
Research and development costs	(208.3)	(219.5)	(237.9)
Other operating income (expense) (Note 19 (b))	(136.7)	(105.5)	(109.9)
Operating profit (Note 19)	**642.8**	**661.5**	**529.6**
Finance costs (Note 20 (b))	(151.7)	(152.4)	(157.4)
Financial income (Note 20 (b))	29.1	42.5	33.7
Exchange gains (losses) (Note 20 (a))	(25.3)	44.0	40.4
Loss on extinguishment of debt (Note 14 (a))	0.0	0.0	(109.0)
Finance costs and other financial income and expense, net	(147.9)	(65.9)	(192.3)
Share of profit of associates	0.0	2.0	0.8
Profit before tax	**494.9**	**597.6**	**338.1**
Income tax expense (Note 21)	(143.4)	(175.0)	(82.9)
Profit for the period	**351.5**	**422.6**	**255.2**
Attributable to:			
– Legrand	**349.9**	**421.0**	**252.0**
– Minority interests	**1.6**	**1.6**	**3.2**
Basic earnings per share *(euros)* (Notes 10 and 1 (s))	1.365	1.584	1.019
Diluted earnings per share *(euros)* (Notes 10 and 1 (s))	1.357	1.573	1.009

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

Consolidated Balance Sheet

	Legrand		
(in € millions)	**December 31, 2008**	**December 31, 2007**	**December 31, 2006**
ASSETS			
Current assets			
Cash and cash equivalents (Note 1 (d))	254.4	221.1	178.9
Marketable securities (Note 9)	305.3	0.2	0.4
Income tax receivables	11.0	12.3	14.2
Trade receivables (Notes 1 (e) and 7)	621.7	646.2	620.8
Other current assets (Note 8)	139.8	145.5	132.2
Inventories (Notes 1 (i) and 6)	602.9	624.4	560.1
Other current financial assets (Note 23)	5.0	11.8	22.2
Total current assets	**1,940.1**	**1,661.5**	**1,528.8**
Non-current assets			
Intangible assets (Notes 1 (f) and 2)	1,772.7	1,784.3	1,840.0
Goodwill (Notes 1 (g) and 3)	1,854.3	1,815.9	1,633.2
Property, plant and equipment (Notes 1 (h) and 4)	722.2	756.7	789.2
Investments in associates (Note 5)	0.0	14.0	10.5
Other investments (Note 5)	13.1	8.3	5.0
Deferred tax assets (Notes 1 (j) and 21)	76.4	64.3	124.6
Other non-current assets	4.9	4.6	4.8
Total non-current assets	**4,443.6**	**4,448.1**	**4,407.3**
Total Assets	**6,383.7**	**6,109.6**	**5,936.1**

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

(in € millions)	Legrand December 31, 2008	December 31, 2007	December 31, 2006
EQUITY AND LIABILITIES			
Current liabilities			
Short-term borrowings (Note 17)	401.3	654.7	790.7
Income tax payable	12.1	39.6	32.7
Trade payables	410.4	474.0	454.4
Short-term provisions and other current liabilities (Note 18)	508.4	497.9	436.8
Other current financial liabilities (Note 23)	0.0	86.9	66.6
Total current liabilities	**1,332.2**	**1,753.1**	**1,781.2**
Non-current liabilities			
Deferred tax liabilities (Notes 1 (j) and 21)	638.9	654.9	663.9
Long-term provisions and other non-current liabilities (Note 15)	62.5	81.0	109.8
Provisions for pensions and other post-employment benefits (Notes 1 (q) and 16)	144.1	125.1	147.6
Long-term borrowings (Note 14)	2,020.2	1,364.4	1,055.5
Subordinated perpetual Notes (Note 13)	0.0	0.0	9.5
Total non-current liabilities	**2,865.7**	**2,225.4**	**1,986.3**
EQUITY			
Share capital (Note 10)	1,051.3	1,083.9	1,078.8
Retained earnings (Note 12 (a))	1,378.3	1,238.4	1,217.6
Translation reserves (Note 12 (b))	(249.4)	(194.0)	(136.6)
Equity attributable to equity holders of Legrand	2,180.2	2,128.3	2,159.8
Minority interests	5.6	2.8	8.8
Total equity	**2,185.8**	**2,131.1**	**2,168.6**
Total Liabilities and Equity	**6,383.7**	**6,109.6**	**5,936.1**

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

Consolidated Statement of Cash Flows

	Legrand		
	12 months ended December 31,		
(in € millions)	2008	2007	2006
Profit for the period	**351.5**	**422.6**	**255.2**
Reconciliation of profit for the period to net cash provided by operating activities:			
– Depreciation expense (Note 19 (a))	136.1	131.5	142.0
– Amortization expense (Note 19 (a))	71.8	76.2	98.0
– Amortization of development costs (Note 19 (a))	9.2	8.2	3.4
– Amortization of finance costs	1.4	1.4	2.1
– Loss on extinguishment of debt	0.0	0.0	109.0
– Changes in deferred taxes	(15.0)	46.1	(14.5)
– Changes in other non-current assets and liabilities	9.0	(5.8)	0.2
– Share of profit of associates	0.0	(2.0)	(0.8)
– Exchange (gain)/loss, net	20.2	(4.0)	(0.9)
– Other adjustments	8.2	6.9	26.1
(Gains)/losses on sales of assets, net	3.6	(12.9)	(1.1)
(Gains)/losses on sales of securities, net	0.0	(0.2)	0.0
Changes in operating assets and liabilities:			
– Inventories	22.7	(32.6)	(74.5)
– Trade receivables	24.0	(13.5)	(38.4)
– Trade payables	(65.6)	18.3	62.4
– Other operating assets and liabilities	0.4	45.3	13.3
Net cash provided by operating activities	**577.5**	**685.5**	**581.5**
Net proceeds from sales of fixed and financial assets	12.5	38.8	27.5
Capital expenditure	(131.0)	(149.4)	(130.8)
Capitalized development costs	(29.4)	(22.0)	(22.1)
Changes in non-current financial assets and liabilities	(0.3)	(0.4)	(0.5)
Proceeds from sales of marketable securities	0.0	0.1	0.1
Acquisitions of subsidiaries, net of the cash acquired (Note 3)	(123.6)	(265.1)	(85.9)
Investments in non-consolidated entities	(8.7)	(5.2)	(2.0)
Net cash used in investing activities	**(280.5)**	**(403.2)**	**(213.7)**
– Proceeds from issues of share capital (Note 10)	3.9	5.1	866.2
– Share buybacks and transactions under the liquidity contract (Note 10)	(85.5)	(280.8)	0.0
– Dividends paid to equity holders of Legrand	(180.0)	(133.1)	(110.6)
– Dividends paid by Legrand subsidiaries	(1.4)	(3.0)	(3.2)
– Reduction of subordinated perpetual Notes	0.0	(9.5)	(19.0)
– Proceeds from new borrowings and drawdowns	770.9	418.3	2,255.8
– Repayment of borrowings	(102.1)	(124.5)	(3,444.9)
– Debt issuance costs	0.0	(0.5)	(6.1)
– Loss on extinguishment of debt	0.0	0.0	(109.0)
– Purchases of marketable securities	(304.7)	0.0	0.0
– Increase (reduction) in bank overdrafts	(357.4)	(106.2)	258.5
Net cash (used in) provided by financing activities	**(256.3)**	**(234.2)**	**(312.3)**
Effect of exchange rate changes on cash and cash equivalents	(7.4)	(5.9)	(9.8)
Increase in cash and cash equivalents	**33.3**	42.2	45.7
Cash and cash equivalents at the beginning of the period	221.1	178.9	133.2
Cash and cash equivalents at the end of the period	**254.4**	**221.1**	**178.9**
Items included in cash flows :			
– Free cash flow	429.6	552.9	456.1
– Interest paid during the period	101.7	102.0	122.1
– Income taxes paid during the period	177.4	109.5	86.3

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

Consolidated Statement of Changes in Equity

	Equity attributable to equity holders of Legrand				Minority interests	Total equity
(in € millions)	Share capital	Retained earnings	Translation reserves	TOTAL		
As of December 31, 2006	**1,078.8**	**1,217.6**	**(136.6)**	**2,159.8**	**8.8**	**2,168.6**
Profit for the period		421.0		421.0	1.6	422.6
Income (expenses) recognized directly in equity, net		6.7	(57.4)	(50.7)		(50.7)
Total recognized income and expenses, net		*427.7*	*(57.4)*	*370.3*	*1.6*	*371.9*
Dividends paid		(133.1)		(133.1)	(3.0)	(136.1)
Issues of share capital (Note 10)	5.1			5.1		5.1
Share buybacks and transactions under the liquidity contract (Note 10)		(280.8)		(280.8)		(280.8)
Buyout of minority interests				0.0	(4.6)	(4.6)
Stock options		7.0		7.0		7.0
As of December 31, 2007	**1,083.9**	**1,238.4**	**(194.0)**	**2,128.3**	**2.8**	**2,131.1**
Profit for the period		349.9		349.9	1.6	351.5
Income (expenses) recognized directly in equity, net		1.5	(55.4)	(53.9)	1.3	(52.6)
Total recognized income and expenses, net		*351.4*	*(55.4)*	*296.0*	*2.9*	*298.9*
Dividends paid		(180.0)		(180.0)	(1.4)	(181.4)
Issues of share capital (Note 10)	3.9			3.9		3.9
Cancellation of shares acquired under the share buyback program (Note 10)	(36.5)	36.5		0.0		0.0
Share buybacks and transactions under the liquidity contract (Note 10)		(85.5)		(85.5)		(85.5)
Change in scope of consolidation		0.0		0.0	1.3	1.3
Stock options		17.5		17.5		17.5
As of December 31, 2008	**1,051.3**	**1,378.3**	**(249.4)**	**2,180.2**	**5.6**	**2,185.8**

Total recognized income and expenses, net

(in € millions)	**December 31, 2008**	**December 31, 2007**	**December 31, 2006**
Profit for the period	351.5	422.6	255.2
Actuarial gains and losses (Notes 1, 1 (q) and 16)	(24.5)	9.7	(12.3)
Deferred taxes on actuarial gains and losses	9.3	(3.0)	4.7
Current taxes on share buybacks *	16.7	0.0	0.0
Translation reserves (Note 12 (b))	(54.1)	(57.4)	(72.6)
Total	**298.9**	**371.9**	**175.0**

* Tax benefit related to impairment losses on treasury shares recognized in the statutory financial statements.

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

General information

Legrand (formerly Legrand Holding SA) ('the Company') and its subsidiaries (together 'Legrand' or 'the Group') are the global specialist in products and systems for electrical installations and information networks where people live and work.

The Group has manufacturing and/or distribution subsidiaries and offices in more than 70 countries, and sells its products in more than 180 national markets. Its key markets are France, Italy and the United States, which accounted for approximately 54% of annual revenue in 2008 (2007: 57%; 2006: 61%), and it has also considerably strengthened its presence in the Rest of the World and Rest of Europe zones in the past years.

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 Euronext™ Paris began on April 7, 2006.

The 2007 Registration Document was registered with the AMF on April 23, 2008 under no. R 08-029.

The consolidated financial statements were approved by the Board of Directors on February 10, 2009.

List of consolidated companies

The consolidated financial statements comprise the financial statements of Legrand and 146 subsidiaries. All Legrand Group subsidiaries are fully consolidated.

The main fully consolidated operating subsidiaries as of December 31, 2008 are as follows:

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

Foreign subsidiaries:

Bticino	Italy
Bticino de Mexico	Mexico
EMB Electrical Industries SAE	Egypt
GL Eletro-Eletronicos Ltda	Brazil
HPM Industries	Australia
Kontaktor	Russia
Legrand	Greece
Legrand	Russia
Legrand Colombia	Colombia
Legrand Electric	United Kingdom
Legrand Electrica	Portugal
Legrand Electrical	China
Legrand Elektrik	Turkey
Legrand Electrique	Belgium
Legrand España	Spain
Legrand India	India
Legrand Polska	Poland
Legrand SNC FZE	United Arab Emirates
Legrand Zrt	Hungary
Ortronics	United States
Pass & Seymour	United States
Rocom	Hong Kong
Shidean	China
TCL International Electrical	China
TCL Wuxi	China
The Wiremold Company	United States
Van Geel Legrand	Netherlands
Watt Stopper	United States
Zucchini	Italy

The contributions to the consolidated balance sheets and income statements of companies acquired since January 1, 2006 were as follows:

2006	March 31	June 30	September 30	December 31
Cemar		Balance sheet only	3 months' profit	6 months' profit
Shidean		Balance sheet only	Balance sheet only	12 months' profit
Vantage			Balance sheet only	Balance sheet only

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

2008	March 31	June 30	September 30	December 31
Kontaktor	3 months' profit	6 months' profit	9 months' profit	12 months' profit
Macse	3 months' profit	6 months' profit	9 months' profit	12 months' profit
Alpes Technologies	3 months' profit	6 months' profit	9 months' profit	12 months' profit
TCL Wuxi	3 months' profit	6 months' profit	9 months' profit	12 months' profit
PW Industries	2 months' profit	5 months' profit	8 months' profit	11 months' profit
Estap		3 months' profit	6 months' profit	9 months' profit
HDL		3 months' profit	6 months' profit	9 months' profit
Electrak		3 months' profit	6 months' profit	9 months' profit

Entities consolidated for the first time in 2008, as shown in the table above, contributed to the Group's revenue for €135.8 million. Their contribution to consolidated operating profit was €4.6 million including impacts due to their integration and €10.6 million excluding these impacts.

Details of acquisitions made between January 1, 2008 and December 31, 2008 are as follows:

PW Industries

In February 2008, Legrand acquired 100% of the capital of PW Industries, a North American company specializing in ceiling cable tray systems for commercial and industrial applications.

Estap

In April 2008, Legrand acquired 100% of the capital of Estap, no.1 for VDI enclosures and cabinets in Turkey.

HDL

In April 2008, Legrand acquired 100% of the capital of HDL, no. 1 in Brazil for audio and video entry phones.

Electrak

In May 2008, Legrand acquired 100% of the capital of Electrak, a UK leader for underfloor cable management solutions for commercial segments.

1) Accounting policies

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

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS) and International Financial Reporting Interpretation Committee (IFRIC) interpretations applicable as of December 31, 2008, as adopted by the European Union without modification.

The Group early adopted IFRS 8 – Operating Segments effective from January 1, 2008.

The amendments to IAS 39 – Financial Instruments: Recognition and Measurement and IFRS 7 – Financial Instruments: Disclosures concerning the reclassification of financial assets, that were adopted by the European Union on October 15, 2008 and were applicable at December 31, 2008, have not had any impact on the consolidated financial statements.

The new IFRS and IFRIC interpretations whose application will be compulsory as from the 2009 fiscal year are presented in Note 1 (v).

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 1 (u).

The consolidated financial statements have been prepared using the historical cost convention, except for certain classes of assets and liabilities that are measured in accordance with IFRS. The classes concerned are mentioned in the notes below.

a) Basis of presentation and acquisition of Legrand France

Prior to December 10, 2002, Legrand (formerly Legrand Holding SA) had no significant operations of its own. On December 10, 2002, it acquired 98% of the outstanding share capital of Legrand France, followed by the remaining 2% on October 2, 2003, to create the Group.

The acquisition price and related fees and commissions, representing a total of €3,748.0 million, were allocated primarily to trademarks and developed technology.

b) Basis of consolidation

Subsidiaries controlled by the Group are fully consolidated. Control is defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Subsidiaries are consolidated from the date when effective control is transferred to the Group. They are deconsolidated from the date on which control ceases.

The subsidiaries excluded from the scope of consolidation are all companies that were acquired or created only recently. In 2008, these companies represented combined non-current assets of around €6.5 million and combined revenue of less than €16.0 million.

Associates are entities over which the Group has significant influence but not control. Significant influence is generally considered to be exercised when the Group holds 20 to 50% of the voting rights. Investments in associates are initially recognized at cost and are subsequently accounted for by the equity method.

c) Foreign currency translation

Items included in the financial statements of each Group entity are measured using the currency of the primary economic environment in which the entity operates (the ‘functional currency’). The consolidated financial statements are presented in euros, which is the Company’s functional and presentation currency.

Foreign currency transactions are translated into the presentation currency using the exchange rate on the transaction date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies using the exchange rate at the balance sheet date are recognized in the income statement under the heading ‘Exchange gains (losses)’.

Assets and liabilities of Group entities whose functional currency is different from the presentation currency are translated using the exchange rate at the balance sheet date. Statements of income are translated using the average exchange rate for the period. Gains or losses arising from the translation of the financial statements of foreign subsidiaries are recognized directly in equity, under ‘Translation reserves’, until the entities are sold or substantially liquidated.

d) Cash and cash equivalents

Cash and cash equivalents consist of cash, short-term deposits and all other financial assets with an original maturity not in excess of three months. Cash equivalents are short-term (defined as maturing in less than three months), highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Marketable securities are not considered as cash equivalents.
Bank overdrafts are considered to be a form of financing and are therefore included in short-term borrowings.

e) Trade receivables

Trade receivables are measured at fair value. A provision for impairment is recorded when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables.

f) Intangible assets

In accordance with IAS 36 - Impairment of Assets, when events or changes in market environment indicate that an intangible asset or item of property, plant and equipment may be impaired, the item concerned is tested for impairment to determine whether its carrying amount is greater than its recoverable amount, defined as the higher of fair value less costs to sell and value in use. Value in use is the present value of the future cash flows expected to be derived from the use and subsequent sale of the asset.

An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment losses on intangible assets may be reversed in subsequent periods if 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 10 years when management plans to gradually replace them by other major trademarks owned by the Group.

- Over 20 years when management plans to replace them by other major trademarks owned by the Group only over the long term or when, in the absence of such an intention, management considers that the trademarks may be threatened by a major competitor in the long term .

Amortization of developed technology is recognized in the income statement under 'Research and development costs'.
Amortization of trademarks is recognized in the income statement under 'Administrative and selling expenses'.

Trademarks are classified as having an indefinite useful life when they have been in use for more than ten years and management believes they will contribute indefinitely to future consolidated cash flows because it plans to continue using them indefinitely. Useful lives are reviewed at regular intervals, leading in some cases to trademarks classified as having an indefinite useful life being reclassified as trademarks with a finite useful life.

Trademarks are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

g) Goodwill

Goodwill is tested for impairment annually, in the fourth quarter of each year, and whenever events or changes in circumstance indicate that the carrying amount may not be recoverable.

For impairment testing purposes, goodwill is allocated to a cash-generating unit (CGU), corresponding to the 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.

In accordance with IAS 36, value in use is estimated based on discounted cash flows for the next three to five years and a terminal value calculated by discounting data for the final year of the projection period. The cash flow data used for the calculation is generally taken from the most recent business plans approved by the Group. Cash flows beyond the projection period are estimated by applying a stable growth rate to subsequent years.

Fair value less costs to sell is the best estimate of the amount obtainable from the sale of an asset or cash-generating unit in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

An impairment loss is recognized when the carrying amount is less than the recoverable amount. In accordance with IAS 36, impairment losses recognized on goodwill are irreversible.

h) Property, plant and equipment

Land, buildings, machinery and equipment are carried at cost less accumulated depreciation and any accumulated impairment losses. Impairment tests are performed annually and whenever events or changes in circumstances indicate that the assets' carrying amount may not be recoverable.

Assets acquired under lease agreements that transfer substantially all of the risks and rewards of ownership to the Group are capitalized on the basis of the present value of future minimum lease payments and are depreciated over the shorter of the lease period and the asset's useful life determined in accordance with Group policies (see below).

Depreciation is calculated on a straight-line basis over the estimated useful lives of the respective assets; the most commonly adopted useful lives are the following:

Light buildings	25 years
Standard buildings	40 years
Machinery and equipment	8 to 10 years
Tooling	5 years
Office furniture and equipment	5 to 10 years

The depreciable amount of assets is determined after deducting their residual value when the amounts involved are material.

Each part of an item of property, plant and equipment with a useful life that is significantly different to the useful lives of other parts is depreciated separately.

Assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

i) Inventories

Inventories are measured at the lower of cost and net realizable value, with cost determined principally on a first-in, first-out (FIFO) basis. The cost of finished goods and work in progress comprises raw materials, direct labor, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

j) Deferred taxes

In accordance with IAS 12, deferred taxes are recognized for temporary differences between the tax bases of assets and liabilities and their carrying amount in the consolidated balance sheet. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred tax assets and deferred tax liabilities are offset when the entity has a legally enforceable right of offset and they relate to income taxes levied by the same taxation authority.

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 through profit. 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 'Operating profit' for commodity hedges.

The fair values of derivative instruments used for hedging purposes are disclosed in Note 23.

n) Environmental and product liabilities

In accordance with IAS 37, the Group recognizes losses and accrues liabilities relating to environmental and product liability matters. A loss is recognized if available information indicates that it is probable and reasonably estimable. In the event that a loss is neither probable nor reasonably estimable but remains possible, the contingency is disclosed in the notes to the consolidated financial statements.

Losses arising from environmental liabilities are measured on a best-estimate basis, case by case, based on available information.

Losses arising from product liability issues are estimated on the basis of current facts and circumstances, past experience, the number of claims and the expected cost of administering, defending and, in some cases, settling such cases.

In accordance with IFRIC 6 - Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment, the Group manages waste equipment under the European Union Directive on waste electrical and electronic equipment by paying financial contributions to a recycling platform .

o) Share based payment transactions

The Group operates equity-settled, share based compensation plans.

The cost of stock options is measured at the fair value of the award on the grant date, using the Black & Scholes option pricing model or the binomial model, and is recognized in the income statement under 'Employee benefits expense' on a straight-line basis over the vesting period with a corresponding adjustment to equity. Changes in the fair value of stock options after the grant date are not taken into account.

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 and use of financial assets

In accordance with IAS 39, financial assets are derecognized when the associated cash flows and substantially all the related risks and rewards have been transferred.

q) Pension and other post-employment benefit obligations

(a) Pension obligations

Group companies operate various pension plans. The plans are funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations. The Group has both defined contribution and defined benefit plans.

Defined contribution plans
A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. Contributions are recognized as an expense for the period of payment.

The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in current and prior periods.

Defined benefit plans
A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and end-of-career salary.

The liability recognized in the balance sheet for defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date, as adjusted for unrecognized past service costs, less the fair value of plan assets. Past service costs are recognized in the income statement on a straight-line basis over the average remaining vesting period.

The Group has elected to recognize all actuarial gains and losses outside profit or loss, in the statement of recognized income and expense, as allowed under IAS 19, paragraph 93A s. (amended).

Defined benefit obligations are calculated annually using the projected unit credit method. This method takes into account estimated years of service at retirement, final salaries, life expectancy and staff turnover, based on actuarial assumptions. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of investment grade corporate bonds that are denominated in the currency in which the benefits will be paid and have terms to maturity approximating the period to payment of the related pension liability.

(b) Other post-employment benefit obligations

Some Group companies provide post-employment healthcare benefits to their retirees. The entitlement to these benefits is usually conditional on the employee remaining with the company up to retirement age and completion of a minimum service period.

The 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 volunteers to leave 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 for management purposes combined by geographical segments for internal reporting purposes. Each geographical segment is determined according to the regions of origin of invoicing which are France, Italy, Rest of Europe, United States and Canada, and Rest of the World.

s) Basic and diluted earnings per share

Basic earnings per share are calculated by dividing net profit attributable to equity holders of Legrand by the average number of ordinary shares outstanding during the period.

Diluted earnings per share are calculated by dividing net profit attributable to equity holders of Legrand by the average number of ordinary shares outstanding plus the number of dilutive potential ordinary shares.

The average number of ordinary shares outstanding used in these calculations has been adjusted for the share buybacks carried out during the period.

t) Borrowing 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; these are believed to be reasonable under the circumstances.

(a) Impairment of goodwill and intangible assets

Goodwill and intangible assets with indefinite useful lives are tested for impairment at least annually in accordance with the accounting policy described in Notes 1 (f) and 1 (g). Intangible assets with finite useful lives are amortized over their estimated useful lives and are tested for impairment when there is any indication that their recoverable amount may be less than their carrying amount.

Judgments regarding the existence of indications of impairment are based on legal factors, market conditions and operational performance of the acquired businesses. Future events could cause the Group to conclude that an indication of impairment exists and that goodwill or other identifiable intangible assets associated with the acquired businesses are impaired. Any resulting impairment loss could have a material adverse effect on the consolidated financial condition and results of operations of the Group.

Recognition of goodwill and other intangible assets involves a number of critical management judgments, including:

- Determining which intangible assets, if any, have indefinite useful lives and, accordingly, should not be amortized;
- Identifying events or changes in circumstances that may indicate that an impairment has occurred;
- Allocating goodwill to cash-generating units;
- Determining the recoverable amount of cash-generating units for the purposes of 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 annual impairment testing purposes.

The recoverable amount of an asset is based either on the asset's quoted market price in an active market, if available, or, in the absence of an active market, on discounted future cash flows from operations less investments. The determination of recoverable amount requires the use of certain assumptions and estimates that may be affected by changes in the Group's economic environment. Other estimates using different, but still reasonable, assumptions could produce different results.

As of December 31, 2008, 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 or prepaid expenses for tax and accounting purposes. These differences result in deferred tax assets and liabilities, which are reported in the consolidated balance sheet.

The Group must then assess the probability that deferred tax assets will be recovered from future taxable profit. Deferred tax assets are recognized only when it is probable that taxable profit will be available against which the underlying deductible temporary difference can be utilized.

The Group has not recognized all of its deferred tax assets because it is not probable that some of them will be recovered before they expire. The amounts involved mainly concern operating losses carried forward and foreign income tax credits. The assessment is based on estimates of future taxable profit by jurisdiction in which the Group operates and the period over which the deferred tax assets are recoverable. If actual results differ from these estimates or the estimates are adjusted in future periods, the Group may need to record a valuation allowance against deferred tax assets carried in the balance sheet.

(c) Other assets and liabilities based on estimates

Other assets and liabilities based on estimates include provisions for pensions and other post-employment benefits, impairment of trade receivables, inventories and financial assets, stock options, provisions for product liabilities and capitalized development costs.

v) New IFRS Pronouncements

As of the date of closing of the consolidated financial statements, the following standards and interpretations published by the IASB were not yet compulsory applicable:

(a) Standards and interpretations adopted by the European Union whose application was optional on January 1, 2008:

IFRS 8 – Operating Segments

In November 2006, the IASB published the standard IFRS 8– Operating Segments. This standard, which replaces IAS 14, aligns segment reporting requirements with US standard SFAS 131. Under IFRS 8, operating segments are determined based on the enterprise's internal management reporting structure, whereas under IAS 14, a business segment is defined as a distinguishable component of an entity that is subject to risks and returns that are different from those of other business segments.

Adoption of IFRS 8 is compulsory in the first annual period commencing on or after January 1, 2009. It has been early adopted by the Group for the annual period commencing on January 1, 2008.

IAS 23 – Borrowing Costs (revised)

In March 2007, the IASB published a revised version of IAS 23 – Borrowing Costs. Under the revised standard, which is aligned with US standard SFAS 34, borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset must be treated as forming part of the cost of that asset. The former alternative treatment, consisting of recognizing these costs as an expense, is no longer allowed.

Adoption of IAS 23 (revised) is compulsory in the first annual period commencing on or after January 1, 2009. It was early adopted by the Group to the extent that borrowing costs were already included in the cost of qualified assets.

Amendment to IFRS 2 – Share-Based Payment

In January 2008, the IASB published an amendment to IFRS 2 – Share-Based Payment: Vesting Conditions and Cancellations. The purpose of the amendment is to clarify the terms "vesting conditions," which correspond solely to service conditions and performance conditions, and "cancellations," which should all receive the same accounting treatment.

Adoption of this amendment to IFRS 2 is compulsory in the first annual period commencing on or after January 1, 2009. Earlier application is permitted.

(b) Standards and interpretations published by the IASB and the IFRIC but not adopted by the European Union:

IAS 1 (revised) – Presentation of Financial Statements

In September 2007, the IASB published a revised version of IAS 1 – Presentation of Financial Statements. Under the revised standard, the statement of changes in equity is used solely to report transactions with equity holders and the other items previously reported in this statement are now disclosed in the statement of comprehensive income.

Adoption of IAS 1 (revised) is compulsory in the first annual period commencing on or after January 1, 2009. Earlier application is not permitted pending adoption by the European Union.

IFRS 3 (revised) – Business Combinations and IAS 27 (revised) – Consolidated and Separate Financial Statements

In January 2008, the IASB published a new standard on business combinations and a revised standard on consolidated financial statements, dealing mainly with the accounting treatment of changes in the scope of consolidation.
The revised standards focus on changes in control as a significant economic event and place greater emphasis on the use of fair value.

Adoption of IFRS 3 (revised) and IAS 27 (revised) is compulsory in the first annual period commencing on or after July 1, 2009. Earlier application is not permitted pending adoption by the European Union.

Amendment to IAS 32 – Puttable Financial Instruments and Obligations Arising on Liquidation

In February 2008, the IASB published an amendment to IAS 32 – Financial Instruments: Presentation, dealing with puttable instruments and obligations arising on liquidation. The purpose of the amendment is to permit the classification in equity of instruments that are equivalent to ordinary shares except for the put option.

Adoption of this amendment to IAS 32 is compulsory in the first annual period commencing on or after January 1, 2009. Earlier application is not permitted pending adoption by the European Union.

The Group is currently reviewing all of these revised and amended standards to assess the changes that may be necessary to its disclosures.

2) Intangible assets (Note 1 (f))

Intangible assets are as follows:

(in € millions)	December 31, 2008	December 31, 2007	December 31, 2006
Trademarks with indefinite useful lives	1,418.6	1,511.0	1,523.1
Trademarks with finite useful lives	161.1	54.3	49.7
Developed technology	57.4	102.7	161.4
Other intangible assets	135.6	116.3	105.8
	1,772.7	**1,784.3**	**1,840.0**

Following a review of the useful lives, a trademark classified as having an indefinite useful life was reclassified as a trademark with a finite useful life (see Note 1 (f)).

Trademarks can be analyzed as follows:

(in € millions)	December 31, 2008	December 31, 2007	December 31, 2006
At the beginning of the period	1,590.4	1,593.0	1,567.1
- Acquisitions	23.7	12.2	41.8
- Disposals	0.0	0.0	0.0
- Translation adjustments	3.1	(14.8)	(15.9)
	1,617.2	1,590.4	1,593.0
Less accumulated amortization	(37.5)	(25.1)	(20.2)
At the end of the period	**1,579.7**	**1,565.3**	**1,572.8**

Developed technology can be analyzed as follows:

(in € millions)	December 31, 2008	December 31, 2007	December 31, 2006
At the beginning of the period	570.3	576.0	582.2
- Acquisitions	0.0	0.0	0.0
- Disposals	0.0	0.0	0.0
- Translation adjustments	2.3	(5.7)	(6.2)
	572.6	570.3	576.0
Less accumulated amortization	(515.2)	(467.6)	(414.6)
At the end of the period	**57.4**	**102.7**	**161.4**

Amortization expense related to intangible assets, including capitalized development costs, amounted to €81.0 million in 2008 (€84.4 million in 2007; €101.4 million in 2006). Amortization of trademarks and developed technology in 2008 breaks down as follows:

(in € millions)	Developed technology	Trademarks	Total
France	24.7	1.9	26.6
Italy	12.3	0.0	12.3
Rest of Europe	3.3	1.2	4.5
USA/Canada	3.9	6.8	10.7
Rest of the World	1.4	1.9	3.3
	45.6	**11.8**	**57.4**

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
2009	28.8	12.3	41.1
2010	17.3	11.9	29.2
2011	11.5	11.4	22.9
2012	0.0	8.8	8.8
2013	0.0	8.8	8.8

Other intangible assets can be analyzed as follows:

(in € millions)	December 31, 2008	December 31, 2007	December 31, 2006
Capitalized development costs	90.9	70.5	56.9
Software	14.4	15.9	14.0
Other	30.3	29.9	34.9
	135.6	**116.3**	**105.8**

3) Goodwill (Note 1 (g))

Goodwill can be analyzed as follows:

(in € millions)	December 31, 2008	December 31, 2007	December 31, 2006
France	600.3	606.5	589.1
Italy	307.6	307.6	307.6
Rest of Europe	213.1	213.3	137.7
USA/Canada	307.6	285.1	311.2
Rest of the World	425.7	403.4	287.6
	1,854.3	**1,815.9**	**1,633.2**

The geographic allocation of goodwill is based on the acquired company's value, determined as of the date of the business combination, taking into account synergies with other Group companies.

In the 'Rest of Europe' and 'Rest of the World' regions, no final amount of goodwill allocated to a CGU (cash-generating unit) represents more than 10% of total goodwill.

Changes in goodwill can be analyzed as follows:

(in € millions)	December 31, 2008	December 31, 2007	December 31, 2006
At the beginning of the period	1,815.9	1,633.2	1,780.0
- Acquisitions	117.1	197.2	58.1
- Adjustments	(30.0)	22.2	(156.3)
- Translation adjustments	(48.7)	(36.7)	(48.6)
At the end of the period	**1,854.3**	**1,815.9**	**1,633.2**

Adjustments to goodwill in 2006 include the reversal of a deferred tax liability that was recognized through goodwill in the balance sheet of an Italian subsidiary at the time of the Legrand acquisition 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 CGU are tested for impairment annually, and whenever events or changes in circumstances indicate that their value may be impaired, by comparing their carrying amount, including goodwill, to their value in use.

Value in use corresponds to the present value of the future cash flows expected to be derived from the subsidiaries included in the cash-generating unit.
In 2006, value in use was discounted using after-tax discount rates applied to after-tax future cash flows. In 2008 and 2007, pre-tax discount rates were used applied to pre-tax future cash flows, as required by IAS 36. Both methods produce equivalent value in use.

The following impairment testing parameters were used in the period ended December 31, 2008:

	Recoverable amount	Carrying amount of goodwill	Carrying amount of trademarks with an indefinite useful life	Value in use	
				Discount rate (before tax)	**Growth rate to perpetuity**
France		600.3	849.3	12.9%	2.5%
Italy		307.6	414.3	12.3%	2.5%
Rest of Europe	Value in use	213.1	137.3	12 to 16%	2.5 to 5%
USA/Canada		307.6	10.6	12.5%	2.5 to 5%
Rest of the World		425.7	7.1	12 to 23%	2.5 to 5%
		1,854.3	**1,418.6**		

No goodwill impairment losses were identified in the period ended December 31, 2008.

Sensitivity tests were performed on the discount rates and long-term growth rates used for impairment testing purposes for goodwill with a unit value above €10 million, which represents 98% of goodwill allocated on final fair values. Based on the results of these tests, a 50-basis point increase in the discount rates or a 50-basis point decrease in the long-term growth rates would not lead to any impairment losses being recognized.

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

	Recoverable amount	Carrying amount of goodwill	Carrying amount of trademarks with an indefinite useful life	Value in use	
				Discount rate (before tax)	Growth rate to perpetuity
France		606.5	849.3	12.5%	2%
Italy		307.6	414.3	13%	2%
Rest of Europe	Value in use	213.3	137.3	10 to 12.5%	2 to 5%
USA/Canada		285.1	103.0	13%	2 to 5%
Rest of the World		403.4	7.1	12.5 to 19%	2 to 5%
		1,815.9	**1,511.0**		

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

The following impairment testing parameters were used in the period ended December 31, 2006:

	Recoverable amount	Carrying amount of goodwill	Carrying amount of trademarks with an indefinite useful life	Value in use	
				Discount rate (after tax)	Growth rate to perpetuity
France		589.1	849.3	9%	2 to 3%
Italy		307.6	414.3	9%	2 to 3%
Rest of Europe	Value in use	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 goodwill impairment losses were identified in the period ended December 31, 2006.

Acquisitions of subsidiaries (net of cash acquired) came to €123.6 million in 2008 (€265.1 million in 2007; €85.9 million in 2006).

The cost of business combinations carried out in the last three years was allocated as follows:

	12 months ended		
(in € millions)	**December 31, 2008**	**December 31, 2007**	**December 31, 2006**
- Trademarks	23.7	12.2	41.8
- Deferred taxes on trademarks	(6.4)	(3.9)	(14.2)
- Other intangible assets	-	-	22.5
- Deferred taxes on other intangible assets	-	-	(7.4)
- Goodwill	117.1	197.2	58.1

For business combinations carried out in the last 12 months, the fair values of the identifiable assets acquired and liabilities and contingent liabilities assumed are determined on a provisional basis as of December 31 of the acquisition year and goodwill recognized as of that date is therefore subject to adjustment the following year based on the final fair values.

4) Property, plant and equipment (Note 1 (h))

a) Property, plant and equipment by geographic area

Property, plant and equipment, including finance leases, were as follows as of December 31, 2008:

	December 31, 2008					
(in € millions)	France	Italy	Rest of Europe	USA/ Canada	Rest of the World	Total
Land	24.2	5.5	14.2	2.2	6.1	52.2
Buildings	119.0	89.8	41.0	17.9	20.3	288.0
Machinery and equipment	116.2	82.0	32.7	15.9	45.0	291.8
Assets under construction and other	22.7	13.5	15.7	20.2	18.1	90.2
	282.1	**190.8**	**103.6**	**56.2**	**89.5**	**722.2**

Total property, plant and equipment includes €31.4 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, 2007:

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

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**

b) Analysis of changes in property, plant and equipment

Changes in property, plant and equipment in 2008 can be analyzed as follows:

	December 31, 2008					
(in € millions)	France	Italy	Rest of Europe	USA/ Canada	Rest of the World	Total
Acquisitions	34.2	32.3	16.2	10.7	25.9	119.3
Disposals	(1.9)	(7.2)	(1.3)	(3.3)	(2.2)	(15.9)
Depreciation expense	(54.5)	(30.1)	(17.6)	(16.4)	(17.5)	(136.1)
Transfers and changes in scope of consolidation	(6.5)	(0.3)	12.5	0.2	8.9	14.8
Translation adjustments	0.0	0.0	(9.0)	2.2	(9.8)	(16.6)
	(28.7)	**(5.3)**	**0.8**	**(6.6)**	**5.3**	**(34.5)**

	December 31, 2008						
(in € millions)	Acquisitions	Transfers from 'Assets under construction'	Disposals	Depreciation expense	Transfers and changes in scope of consolidation	Translation adjustments	Total
Land	0.0	1.2	(1.2)	(0.6)	(2.5)	(1.1)	(4.2)
Buildings	23.4	14.4	(10.1)	(29.6)	4.8	(4.4)	(1.5)
Machinery and equipment	46.8	24.9	(3.5)	(90.2)	14.5	(8.3)	(15.8)
Assets under construction and other	49.1	(40.5)	(1.1)	(15.7)	(2.0)	(2.8)	(13.0)
	119.3	**0.0**	**(15.9)**	**(136.1)**	**14.8**	**(16.6)**	**(34.5)**

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

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

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

Changes in property, plant and equipment in 2006 can be analyzed as follows:

	December 31, 2006					
(in € millions)	France	Italy	Rest of Europe	USA/ Canada	Rest of the World	Total
Acquisitions	48.6	22.8	15.3	14.3	17.7	118.7
Disposals	(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 adjustments	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)	Acquisitions	Transfers from 'Assets under construction'	Disposals	Depreciation expense	Transfers and changes in scope of consolidation	Translation adjustments	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)**

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

(in € millions)	December 31, 2008	December 31, 2007	December 31, 2006
Land	3.8	3.8	3.8
Buildings	37.4	27.3	35.9
Machinery and equipment	32.4	36.2	38.7
	73.6	67.3	78.4
Less accumulated depreciation	(37.7)	(40.3)	(44.3)
	35.9	**27.0**	**34.1**

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

(in € millions)	December 31, 2008	December 31, 2007	December 31, 2006
Long-term borrowings	21.5	19.2	9.3
Short-term borrowings	2.5	4.5	6.9
	24.0	**23.7**	**16.2**

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

(in € millions)	**December 31, 2008**	**December 31, 2007**	**December 31, 2006**
Due in less than one year	3.4	5.6	6.6
Due in one to two years	3.2	3.0	4.5
Due in two to three years	3.1	2.6	1.7
Due in three to four years	3.1	2.5	1.5
Due in four to five years	2.4	2.3	1.3
Due beyond five years	18.6	9.1	1.8
	33.8	25.1	17.4
Of which accrued interest	(9.8)	(1.4)	(1.2)
Present value of future minimum lease payments	**24.0**	**23.7**	**16.2**

5) Investments in associates and other investments

(in € millions)	**December 31, 2008**	**December 31, 2007**	**December 31, 2006**
Investments in associates (accounted for by the equity method)	0.0	14.0	10.5

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

(in € millions)	**December 31, 2008**	**December 31, 2007**	**December 31, 2006**
Other investments	13.1	8.3	5.0

6) Inventories (Note 1 (i))

Inventories are as follows:

(in € millions)	**December 31, 2008**	**December 31, 2007**	**December 31, 2006**
Purchased raw materials and components	222.1	222.5	199.3
Sub-assemblies, work in progress	104.7	110.2	110.5
Finished products	364.5	369.4	322.5
	691.3	702.1	632.3
Less impairment	(88.4)	(77.7)	(72.2)
	602.9	**624.4**	**560.1**

7) Trade receivables (Note 1 (e))

The Group derives over 95% of its revenue from sales to distributors of electrical equipment. The two largest distributors account for approximately 28% of consolidated net revenue and no other distributor accounts for more than 5% of consolidated net revenue.

(in € millions)	**December 31, 2008**	**December 31, 2007**	**December 31, 2006**
Trade accounts receivable	569.8	568.5	559.7
Notes receivable	82.9	104.5	90.4
	652.7	673.0	650.1
Less impairment	(31.0)	(26.8)	(29.3)
	621.7	**646.2**	**620.8**

Past-due trade receivables can be analyzed as follows:

(in € millions)	**December 31, 2008**	**December 31, 2007**	**December 31, 2006**
Less than 3 months past due	82.8	70.8	57.3
From 3 to 12 months past due	18.6	13.9	21.6
More than 12 months past due	12.2	16.6	19.7
	113.6	**101.3**	**98.6**

Provisions for impairment of past-due trade receivables amounted to €27.9 million as of December 31, 2008 (€24.6 million as of December 31, 2007; €27.1 million as of December 31, 2006). These provisions break down as follows:

(in € millions)	**December 31, 2008**	**December 31, 2007**	**December 31, 2006**
Provisions for receivables less than 3 months past due	7.1	2.5	2.9
Provisions for receivables 3 to 12 months past due	8.6	7.4	7.7
Provisions for receivables more than 12 months past due	12.2	14.7	16.5
	27.9	**24.6**	**27.1**

8) Other current assets

Other current assets are as follows:

(in € millions)	**December 31, 2008**	**December 31, 2007**	**December 31, 2006**
Employee advances	3.1	3.7	4.1
Other receivables	41.6	47.8	33.0
Prepayments	18.9	18.5	18.1
Prepaid and recoverable taxes other than on income	76.2	75.5	77.0
	139.8	**145.5**	**132.2**

These assets are valued at historical cost and there are no events or special circumstances indicating that they may be impaired.

9) Marketable securities

As of December 31, 2008, the Group held French Treasury bonds maturing in the first quarter of 2009 for a total fair value of € 304.9 million.

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

Share capital as of December 31, 2008 amounted to €1,051,260,512 represented by 262,815,128 ordinary shares with a par value of €4 each, for 422,978,591 voting rights.

Changes in share capital in December 31, 2008 were as follows:

	Number of shares	Par value	Share capital (euros)	Premiums (euros)
As of December 31, 2006	269,693,376	4	1,078,773,504	1,257,726,503
Exercise of options under the 2003 plan	1,282,363	4	5,129,452	
As of December 31, 2007	270,975,739	4	1,083,902,956	1,257,726,503
Exercise of options under the 2004 plan	338,781	4	1,355,124	
Cancellation of shares	(9,138,395)	4	(36,553,580)	(188,280,771)
Exercise of options under the 2003 plan	639,003	4	2,556,012	
As of December 31, 2008	262,815,128	4	1,051,260,512	1,069,445,732

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

On March 5, 2008, the Board of Directors approved cancellation of 9,138,395 shares acquired under the share buyback program (of which 8,989,411 shares held as of December 31, 2007 and 148,984 shares bought back between January 1 and March 5, 2008). The €188,280,771 difference between the buy-back price of the cancelled shares and their par value was deducted from the premium account.

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

In 2008, 977,784 shares were issued upon exercise of stock options granted under the 2004 and 2003 plan (Note 11), resulting in a €3.9 million capital increase.

a) Share buyback program and transactions under the liquidity contract

A description of the current €650.0 million share buyback program was published by the Group on May 23, 2008.

Share buyback program

As of December 31, 2008, the Group held 4,884,873 shares under the program, acquired at a total cost of €109,926,422. These shares are being held for the following purposes:

- For allocation upon exercise of stock options (4,804,873 shares purchased at a cost of €107,932,822).
- For allocation to employees who choose to re-invest their profit-shares in Legrand stock through a corporate mutual fund (80,000 shares purchased at a cost of €1,993,600).

During 2008, a total of 2,754,403 shares of Legrand stock were purchased at a cost of €56,450,008.

Liquidity contract

On May 29, 2007, the Group appointed a financial institution to maintain a liquid market for its ordinary shares on the Euronext™ Paris market under a liquidity contract complying with the AFEI (French Association of Investment Firms) Code of Conduct approved by the AMF on March 22, 2005.

As of December 31, 2008, €45.0 million had been allocated to the liquidity account, which at that date held 1,861,000 Legrand shares purchased at an average cost of €26,057,773.

During 2008, a net 1,744,577 shares of Legrand stock were purchased at a cost, net of disposal proceeds, of €29,073,134.

b) Earnings per share

Basic and diluted earnings per share, calculated on the basis of the average number of ordinary shares outstanding during the period, are as follows:

	December 31, 2008	December 31, 2007	December 31, 2006
Profit attributable to equity holders of Legrand (*in € millions)*	349.9	421.0	252.0
Number of ordinary shares outstanding:			
- At the period-end	262,815,128	270,975,739	269,693,376
- Average for the period	256,389,092	265,729,265	247,218,622
Number of stock options and free shares at the period end	5,083,315	3,459,034	2,606,529
Share buybacks and transactions under the liquidity contract (net during the period)	(4,498,980)	(11.385.834)	-
Basic earnings per share *(euros)* (Note 1 (s))	1.365	1.584	1.019
Diluted earnings per share *(euros)* (note 1 (s)) *	1.357	1.573	1.009
Dividend per share *(euros)*	0,700	0.500	0.410

* Options granted under the 2008 Plan (1,994,800 options) and the 2007 Plan (1,583,095 options) have not been taken into account in the calculation of diluted earnings per share as the options were out of the money as of December 31, 2008

In accordance with IAS 33, the 79,855,651 shares issued in conjunction with the IPO during the second quarter of 2006 were taken into account on a pro rata basis for the purpose of computing the average number of ordinary shares outstanding during the period. If those shares had been issued on January 1, 2006, basic earnings per share and diluted earnings per share would have amounted to €0.934 and €0.925 respectively.

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

Also in accordance with IAS 33, the 977,784 shares issued in 2008 upon exercise of stock options granted under the 2003 and 2004 plans, the net 4,498,980 shares bought back during the period and the 9,138,395 shares cancelled during the period were all taken into account on a pro rata basis for the purpose of calculating the average number of ordinary shares outstanding during the period. If those shares had been issued, bought back or cancelled on January 1, 2008, basic earnings per share and diluted earnings per share would have amounted to €1.366 and €1.358 respectively.

11) Stock option plans, free shares plans and employee profit-sharing

a) Legrand stock option plans 2003, 2004 and 2005

The Company has set up a stock option plan under which options may be granted to purchase a specified number of ordinary shares of the Company at an initial exercise price of €1.00 per share for options granted in 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 €1.00 to €4.00. To take into account the effects of this change, the option exercise price was increased to €4.00 for options granted in 2003 and 2004 and to €5.60 for those granted in 2005.

In 2008:

- 338,781 options granted under the 2004 plan were exercised. The outstanding options may be exercised over the coming years during the exercise periods set in the initial plans.
- 639,003 options granted under the 2003 plan were exercised. This plan expired on August 5, 2008 and is therefore discharged.

Information on stock options	2003 Plan	2004 Plan	2005 Plan	Total
Date of Board of Directors Meeting	June 6, 2003	January 30, 2004	February 7, 2005	
Total number of shares that may be acquired on exercise of options	1,924,530	508,250	173,750	2,606,530
Of which number of shares that may be acquired by corporate officers	*0*	*0*	*0*	*0*
Vesting/exercise conditions	• 2/3 of the options vest 4 years after the grant date and must be exercised within 60 days of vesting • 1/3 of the options vest 5 years after the grant date and must be exercised within 60 days of vesting			
Starting date of the exercise period for the first 2/3 of the options	June 6, 2007	January 30, 2008	February 7, 2009	
Starting date of the exercise period for the remaining 1/3 of the options	June 6, 2008	January 30, 2009	February 7, 2010	
Exercise price	€4.00	€4.00	€5.60	
Options exercised during 2007	(1,282,363)	0	0	(1,282,363)
Options forfeited during 2007	(496)			(496)
Options exercised during 2008	(639,003)	(338,781)		(977,784)
Options forfeited during 2008	(2,668)	(1,667)		(4,335)
Options outstanding as of December 31, 2008	0	167,802	173,750	341,552

As of December 31, 2008, 283,635 options will become exercisable in 2009 and 57,917 in 2010.

If all these options were to be exercised, the Company's capital would be diluted by 0.1% (this maximum dilution does not take into account the exercise price of these options).

b) Legrand 2008 free shares and stock option plans

Free shares plans

On May 15, 2007, shareholders authorized the Board of Directors to grant free shares to certain employees or corporate officers of the Company and its subsidiaries, on one or several occasions. The total number of shares is capped at 5% of the capital including the shares to be issued on exercise of stock options.

Information on the free shares plans	2007 Plan	2008 Plan	Total
Date of Board of Directors Meeting	May 15, 2007	March 5, 2008	
Total number of shares granted	533,494	654,058	1,187,552
Of which to corporate officers	*26,427*	*47,077*	*73,504*
- Gilles Schnepp	*13,582*	*24,194*	*37,776*
- Olivier Bazil	*12,845*	*22,883*	*35,728*
Vesting conditions	After a maximum of 4 years, except in the event of resignation or termination for willful misconduct.		
Free shares cancelled during 2007	(8,695)		(8,695)
Free shares vested during 2008	(546)		(546)
Free shares cancelled during 2008	(8,298)	(6,145)	(14,443)
Total number of free shares outstanding as of December 31, 2008	515,955	647,913	1,163,868
Of which free shares that became available during 2008	*341*	*400*	*741*

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

Stock option plans

On May 15, 2007, shareholders authorized the Board of Directors to grant stock options to certain employees or corporate officers of the Company and its subsidiaries, on one or several occasions, entitling them to subscribe new shares or purchase existing shares representing no more than 5% of the capital including the shares to be issued on exercise of options.

Information on stock options	**2007 Plan**	**2008 Plan**	**Total**
Date of Board of Directors Meeting	May 15, 2007	March 5, 2008	
Total number of options	1,638,137	2,015,239	3,653,376
Of which to corporate officers	*79,281*	*141,231*	*220,512*
- Gilles Schnepp	*40,745*	*72,583*	*113,328*
- Olivier Bazil	*38,536*	*68,648*	*107,184*
Vesting/exercise conditions	Options vest after a maximum of 4 years, except in the event of resignation or termination for willful misconduct.		
Starting date of the option exercise period	May 16, 2011	March 6, 2012	
End of the option exercise period	May 15, 2017	March 5, 2018	
Option exercise price	€25.20	€20.58	
Options cancelled during 2007	(27,574)		(27,574)
Options cancelled during 2008	(27,468)	(20,439)	(47,907)
Outstanding options as of December 31, 2008	1,583,095	1,994,800	3,577,895
Of which options that became exercisable in 2008	*1,023*	*1,200*	*2,223*

If all these options were to be exercised, the Company's capital would be diluted by 1.4% (this maximum dilution does not take into account the exercise price of these options).

Valuation model applied to free share plans and stock option plans

The fair value of share-based payment instruments is measured at the grant date, using the Black & Scholes option-pricing model or the binomial model, based on the following assumptions:

Assumptions	**2007 Plan**	**2008 Plan**
Risk-free rate	4.35%	3.40%
Expected volatility	28.70%	30.00%
Expected return	1.98%	3.47%

In accordance with IFRS 2, which requires the cost of stock options to be recognized in the financial statements, a charge of €17.5 million was recorded in 2008 (€7.0 million at 2007) for all of these plans combined (Notes 11 (a) and 11 (b)).

c) Legrand France stock option plans

On November 13, 2001, Legrand France established a stock subscription plan open to all Group 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 four-year vesting period and are exercisable between the fourth and seventh anniversaries of the grant date.

The value and number of stock options were adjusted for the effects of the shareholder-approved distributions of retained earnings by Legrand France for €375.0 million in 2003 and for €675.0 million at the beginning of 2004.

At its meeting on November 2, 2005, the Board of Directors decided to offer a liquidity guarantee up to May 19, 2006 to holders of the 2001 stock options in the event that the Company was floated on the stock exchange. The liquidity guarantee came into effect in the second quarter of 2006.

At its meeting on October 17, 2008, the Board of Directors decided to offer a new liquidity guarantee, beginning on October 20 and ending at the close of business on November 12, 2008, corresponding to the plan's expiry date.

Type of plan	Subscription
Date of grant	2001
Type of shares under option	Ordinary
Number of grantees	9,122
Start date of exercise period	11-2005
Expiry date of exercise period	11-2008
Exercise price *(in euros)* before distribution of retained earnings	143.00
Exercise price *(in euros)* after distribution of retained earnings	104.68
Number of options granted	**178,766**
Options forfeited	
Balance as of December 31, 2002	178,766
New options issued on November 15, 2003 in connection with distribution of retained earnings	21,353
Options exercised	
Options forfeited	(372)
Balance as of December 31, 2003	199,747
New options issued on March 30, 2004 in connection with distribution of retained earnings	52,996
Options exercised	
Options forfeited	
Balance as of December 31, 2004	252,743
Options exercised	
Options forfeited	(95)
Balance as of December 31, 2005	252,648
Options exercised	(244,704)
Options forfeited	(465)
Balance as of December 31, 2006	7,479
Options exercised	(9)
Options forfeited	(36)
Balance as of December 31, 2007	7,434
Options exercised	(3,005)
Options forfeited	(4,429)
Balance as of December 31, 2008	0

d) 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.

Apart from 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 €32.7 million was recorded in 2008 for statutory and discretionary profit-sharing plans (2007: €32.5 million; 2006: €31.7 million).

12) Retained earnings and translation reserves

a) Retained earnings

Consolidated retained earnings of Legrand and its subsidiaries as of December 31, 2008 amounted to €1,378.3 million.

As of the same date, the parent company – Legrand – had retained earnings of €1,750.5 million available for distribution.

b) Translation reserves

As explained in Note 1 (c), the translation reserve reflects the effects of currency fluctuations on the financial statements of subsidiaries when they are translated into euros.

The translation reserve records the impact of fluctuations in the following currencies:

(in € millions)	**December 31, 2008**	**December 31, 2007**	**December 31, 2006**
US dollar	(143.0)	(165.0)	(132.0)
Other currencies	(106.4)	(29.0)	(4.6)
	(249.4)	**(194.0)**	**(136.6)**

13) Subordinated perpetual notes (TSDIs)

In December 1990 and March 1992, Legrand France issued, at par, subordinated perpetual notes for a total of €457.0 million and €305.0 million, respectively.

The two issues were fully amortized in February 2006 and March 2007 respectively.

Amortization of the residual carrying amount of the perpetual notes in the balance sheet is as follows:

(in € millions)	**December 31, 2008**	**December 31, 2007**	**December 31, 2006**
Due within one year	0.0	0,0	9.5
Due in one to two years	0.0	0,0	0.0
Due in two to three years	0.0	0,0	0.0
Due beyond three years	0.0	0,0	0.0
	0.0	**0,0**	**9.5**

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 €110.0 million reduction in the Group's tax loss carryforwards in 2005 and a further €62.5 million reduction in the first half of 2007. This has no impact on the income statement as no deferred tax assets were recognized for these tax loss carryforwards.

14) Long-term borrowings

Long-term borrowings can be analyzed as follows:

(in € millions)	**December 31, 2008**	**December 31, 2007**	**December 31, 2006**
Facility Agreement	1,265.8	642.8	668.7
8 ½% debentures	279.2	263.0	294.5
Bank borrowings	220.0	220.0	0.0
Other borrowings	258.0	242.6	97.1
	2,023.0	**1,368.4**	**1,060.3**
Debt issuance costs	(2.8)	(4.0)	(4.8)
	2,020.2	**1,364.4**	**1,055.5**

Long-term borrowings are denominated in the following currencies:

(in € millions)	**December 31, 2008**	**December 31, 2007**	**December 31, 2006**
Euro	1,471.8	776.8	605.1
US dollar	423.1	505.5	418.0
Other currencies	128.1	86.1	37.2
	2,023.0	**1,368.4**	**1,060.3**

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

(in € millions)	**December 31, 2008**	**December 31, 2007**	**December 31, 2006**
Due in one to two years	202.0	156.3	174.9
Due in two to three years	129.5	147.7	151.2
Due in three to four years	116.0	115.0	149.6
Due in four to five years	1,239.6	119.2	271.7
Due beyond five years	335.9	830.2	312.9
	2,023.0	**1,368.4**	**1,060.3**

Average interest rates (the rates shown for the 8½% debentures – 'Yankee bonds' – take into account interest rate swaps up to expiring date of February, 2008) on borrowings are as follows:

	December 31, 2008	**December 31, 2007**	**December 31, 2006**
Facility Agreement	4.69%	5.10%	3.86%
8½% debentures	8.25%	4.67%	4.68%
Bank borrowing	6.06%	4.99%	-
Other borrowings	5.58%	3.78%	3.15%

These borrowings are secured as follows:

(in € millions)	**December 31, 2008**	**December 31, 2007**	**December 31, 2006**
Assets mortgaged or pledged as collateral	21.2	17.8	23.1
Guarantees given to banks	180.4	155.0	63.0
	201.6	**172.8**	**86.1**

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 was (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 were retired.

The 2006 Credit Facility comprised (i) a €700.0 million Tranche A representing a multicurrency term loan repayable in semi-annual installments equal to 10% of the nominal amount between January 10, 2007 and July 10, 2010, with a final 20% installment due on January 10, 2011, (ii) a €1.2 billion Tranche B consisting of a revolving multicurrency facility utilizable through drawdowns and (iii) a €300.0 million Tranche C multicurrency facility repayable upon the Group's flotation on the stock market. Tranches A and B were originally five-year loans that could be rolled over for two successive one-year periods. Tranche C was a 364-day loan, which was repaid in full in April 2006 following the IPO.

In March 2007 and November 2007, the Group exercised its option to extend the 2006 Credit Facility for two successive one-year periods. Consequently, the repayments in semi-annual installments of Tranche A are equal to 6.22% of the original nominal amount from January 10, 2008 to July 10, 2011, 7.12% of the original nominal amount on January 10, 2012, 6.02% of the original nominal amount on July 10, 2012 and 19.32% on January 10, 2013.

Repayments due under the Facility Agreement can be analyzed as follows by maturity as of December 31, 2008, December 31, 2007 and December 31, 2006:

(in € millions)	**December 31, 2008**	**December 31, 2007**	**December 31, 2006**
Due within one year (short-term borrowings)	87.1	87.2	138.8
Due in one to two years	87.1	85.3	137.6
Due in two to three years	87.1	87.0	137.6
Due in three to four years	92.0	87.1	138.3
Due in four to five years	999.6	92.0	255.2
Due beyond five years	0.0	291.4	0.0
	1,352.9	**730.0**	**807.5**

The Facility Agreement can be analyzed as follows:

(in € millions)	**December 31, 2008**	Maturity	Interest rate
Term Facility	488.5	2013	Euribor + 30bps
Revolving Facility	864.4	2013	Euribor / Libor + 30bps

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

(in € millions)	**December 31, 2006**	Maturity	Interest rate
Term Facility	687.6	2011	Euribor + 35bps
Revolving Facility	119.9	2011	Euribor / Libor+ 35bps

The margin added to the Euribor / Libor is updated each semester depending on the value of the ratio net debt / maintainable EBITDA (net debt and maintainable EBITDA adjusted as defined in the loan agreements). The resulting interest rate is however contained between Euribor / Libor + 20bps and Euribor / Libor + 50bps.

b) High Yield Notes

In February 2003, the Company issued $350.0 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 Company 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) 8½% Debentures (Yankee bonds)

On February 14, 1995, Legrand France issued $400.0 million worth of 8½% debentures due February 15, 2025, through a public placement in the United States. Interest on the debentures is payable semi-annually in arrears on February 15 and August 15 of each year, beginning August 15, 1995.

The debentures are not subject to any sinking fund and are not redeemable prior to maturity, except upon the occurrence of certain changes in the law requiring the payment of amounts in addition to the principal and interest. Should Legrand France be prevented by law from paying any such additional amounts, early redemption would generally be mandatory or, if such amounts could be paid, Legrand France may, at its option, redeem all – but not part – of the debentures in advance. Each debenture holder may also require Legrand France to redeem its debentures in advance upon the occurrence of a hostile change of control.

In connection with the issuance of the debentures, Legrand France also entered into an interest rate swap agreement that expired in February 2008 (see Note 23 (b)).

d) Bank borrowing

On May 21, 2007, the Group obtained a €220.0 million loan from a pool of French banks. The loan is for a period of 6 years and 4 months, expiring September 21, 2013, and pays interest at the 3-month Euribor plus 45 bps.

e) Unused credit lines

As of December 31, 2008, the Group had access to:

- Drawdown capacity of €323.9 million on Tranche B (revolving facility) of the 2006 Credit Facility considering the swingline facility intended to cover borrowings under the Group's commercial paper program (representing €11.7 million as of December 31, 2008).

- Two new facilities set up during the fourth quarter of 2008:
    - €125.0 million 2-year facility
    - €50.0 million, 1-year facility with a possible extension of one more year.

15) Long-term provisions and other non-current liabilities

Changes in long-term provisions and other non-current liabilities are as follows:

(in € millions)	December 31, 2008
At beginning of period	81.0
Changes in scope of consolidation	(1.4)
Increases	30.5
Reversals	(25.6)
Transfers to current liabilities	(2.4)
Reclassifications	(14.6)
Translation adjustments	(5.0)
At the end of period	**62.5**

As of December 31, 2008 long-term provisions and other non-current liabilities comprise in particular provisions for claims and litigation (€12.0 million) and provisions for taxes (€15.1 million).

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

(in € millions)	December 31, 2008	December 31, 2007	December 31, 2006
Retirement benefits in France*	38.1	34.6	36.5
Termination benefits in Italy*	49.4	51.5	53.5
Other post-employment benefits*	56.6	39.0	57.6
	144.1	**125.1**	**147.6**

* These items represent the non-current portion of pension and other post-retirement benefits for a total of €144.1 million as of December 31, 2008 (December 31, 2007: €125.1 million; December 31, 2006: €147.6 million). The current portion in the amount of €6.4 million as of December 31, 2008 (December 31, 2007: €7.4 million; December 31, 2006: €7.7 million) is reported under 'Other Current liabilities'. The total amount of those liabilities is therefore €150.5 million as of December 31, 2008 (December 31, 2007: €132.5 million; December 31, 2006: €155.3 million) and is analyzed in Note 16 (a), which shows total liabilities of €240.5 million as of December 31, 2008 (December 31, 2007: €263.9 million; December 31, 2006: €290.6 million) less total assets of €89.9 million as of December 31, 2008 (December 31, 2007: €131.4 million; December 31, 2006: €135.1 million), less unrecognized past service costs for €0.1 million.

a) Analysis of pension and other post-employment benefit obligations

The aggregate current and long-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, 2008	December 31, 2007	December 31, 2006	December 31, 2005	December 31, 2004
Defined benefit obligation					
Projected benefit obligation at beginning of period	263.9	290.6	282.8	249.7	237.0
Acquisitions	0.1	0.0	0.2	3.4	0.0
Goodwill allocation	0.0	0.0	0.0	0.0	0.0
Service cost	16.1	16.8	18.2	17.7	17.5
Interest cost	11.5	11.7	10.3	8.8	10.4
Benefits paid	(29.3)	(29.5)	(23.5)	(17.2)	(25.2)
Employee contributions	0.0	0.0	0.4	0.6	0.4
Plan amendments	0.0	0.0	0.0	0.0	0.3
Actuarial loss/(gain)	(7.5)	(11.0)	13.0	6.6	6.9
Curtailments, settlements, special termination benefits	0.2	(2.4)	(0.8)	0.0	1.7
Past service cost	0.0	(0.1)	0.2	0.0	0.0
Translation adjustments	(14.3)	(14.5)	(10.2)	13.2	(5.3)
Other	(0.2)	2.3	0.0	0.0	6.0
Projected benefit obligation at end of period (I)	**240.5**	**263.9**	**290.6**	**282.8**	**249.7**
Unrecognized past service cost (II)	**0.1**	**0.0**	**0.2**	**0.0**	**0.0**
Fair value of plan assets					
Fair value of plan assets at beginning of period	131.4	135.1	133.5	109.9	110.8
Acquisitions	0.0	0.0	0.0	0.5	0.0
Expected return on plan assets	8.2	9.1	10.2	13.5	7.8
Employer contributions	6.4	15.6	8.2	8.2	9.7
Employee contributions	0.5	0.3	0.3	0.3	0.4
Benefits paid	(13.3)	(16.3)	(13.9)	(11.3)	(15.4)
Actuarial (loss)/gain	(32.0)	(1.3)	0.7	0.0	0.0
Translation adjustments	(11.3)	(11.1)	(3.9)	12.4	(3.4)
Fair value of plan assets at end of period (III)	**89.9**	**131.4**	**135.1**	**133.5**	**109.9**
Liability recognized in the balance sheet (I) – (II) – (III)	**150.5**	**132.5**	**155.3**	**149.3**	**139.8**
Current liability	6.4	7.4	7.7	9.6	8.8
Non-current liability	144.1	125.1	147.6	139.7	131.0

Actuarial losses recognized in equity (total recognized income and expenses, net) as of December 31, 2008 amounted to €24.5 million (€15.2 million after tax).

Sensitivity tests were performed on the discount rates applied. According to the results of these tests, a 50-basis point decline in discount rates would lead to the recognition of additional actuarial losses of around € 10.0 million and would increase in proportion the value of the defined obligation at December 31, 2008.

The impact on operating profit is as follows:

(in € millions)	**December 31, 2008**	**December 31, 2007**	**December 31, 2006**
Service cost – rights acquired during the period	(16.1)	(16.8)	(18.2)
Service cost – cancellation of previous rights	0.0	0.0	0.0
Benefits paid (net of cancellation of liability recognized in prior periods)	0.0	0.0	0.0
Interest cost	(11.5)	(11.7)	(10.3)
Other	(0.2)	2.5	0.2
Expected return on plan assets	8.2	9.1	10.2
	(19.6)	**(16.9)**	**(18.1)**

The weighted-average allocation of pension plan assets was as follows as of December 31, 2008:

(in percentage)	France	United States and United Kingdom	Weighted total
Equity instruments	0.0	55.5	48.5
Debt instruments	0.0	33.8	29.6
Insurance funds	100.0	10.7	21.9
	100.0	**100.0**	**100.0**

b) Provisions for retirement benefits and supplementary pension benefits in France

The provisions recorded in the consolidated balance sheet concern the unvested entitlements of active employees. The Group has no obligation with respect to the vested entitlements of former employees, as the benefits were settled at the time of their retirement, either directly or through payments to insurance companies in full discharge of the liability.

In France, provisions recorded in the consolidated balance sheet amount to €50.4 million as of December 31, 2008 (December 31, 2007: €43.4 million; December 31, 2006: €43.5 million), corresponding to the difference between the projected benefit obligation of €61.4 million as of December 31, 2008 (December 31, 2007: €58.5 million; December 31, 2006: €64.0 million) and the fair value of the related plan assets of €10.9 million as of December 31, 2008 (December 31, 2007: €15.1 million; December 31, 2006: €20.3 million), less unrecognized past service costs for €0.1 million.

The projected benefit obligation is computed on the basis of staff turnover and mortality assumptions, estimated rates of salary increases and an estimated discount rate. In France, the calculation was based on a salary increase rate of 2.5%, a discount rate of 5.6% (2007 and 2006: 3.0% and 5.2%, 4.5% and 3.0%, respectively) and an expected return on plan assets of 4.0% (2007 and 2006: 4.0% and 2.5%, 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

The changes introduced in the Italian Act no.296 dated December 27, 2006 came into effect on January 1, 2007.

From this date, Italian termination benefit plans (*Trattamento di fine rapporto*, TFR) are qualified as defined contribution plans under IFRS.

Termination benefit obligations arising prior to January 1, 2007 continue to be accounted for under IFRS as defined benefit plans, but based on revised actuarial estimates that exclude the effect of future salary increases. The difference compared with the previous actuarial estimate has been treated as a plan curtailment in accordance with IAS 19 paragraph 109 and has been recognized in the second-half 2007 income statement under 'Other operating income' for an amount of €2.1 million. Actuarial gains and losses previously recognized in the statement of recognized income and expense have been reclassified in retained earnings, in accordance with IAS 19 (revised), paragraph 93A s.

The resulting provisions for termination benefits amount to €54.4 million as of December 31, 2008 (December 31, 2007: €56.5 million; December 31, 2006: €58.5 million).

d) Provisions for retirement benefits and other post-employment benefits in the United States and the United Kingdom

In the United States and the United Kingdom, the Group provides pension benefits for employees and health care and life insurance for certain retired employees.

The related benefit obligations amounted to €110.0 million as of December 31, 2008 (December 31, 2007: €133.7 million; December 31, 2006: €153.6 million). This amount is covered by pension fund assets estimated at €76.1 million as of December 31, 2008 (December 31, 2007: €111.1 million; December 31, 2006: €109.4 million) and by provisions.

The projected benefit obligation is computed on the basis of staff turnover and mortality assumptions, estimated rates of salary increases and an estimated discount rate. In the United Sates, the calculation was based on a salary increase rate of 3.5%, a discount rate of 6.28% (3.3% and 6.1% in 2007 and 4.3% and 5.8% in 2006) and an expected return on plan assets of 7.5% (8.0% in 2007 and 7.0% in 2006). In the United Kingdom, the calculation was based on a salary increase rate of 3.8%, a discount rate of 6.4% (4.4% and 5.8% in 2007, 4.1% and 5.1% in 2006), and an expected return on plan assets of 6.65 % (6.7% in 2007 and 4.5% in 2006).

17) Short-term borrowings

(in € millions)	**December 31, 2008**	**December 31, 2007**	**December 31, 2006**
Facility Agreement	87.1	87.2	138.8
Commercial paper	11.7	236.5	226.9
Other borrowings	302.5	331.0	425.0
	401.3	**654.7**	**790.7**

18) Short-term provisions and other current liabilities

(in € millions)	December 31, 2008	December 31, 2007	December 31, 2006
Tax liabilities	64.5	79.0	81.5
Accrued employee benefits expense	156.1	160.3	151.5
Current portion of statutory profit-sharing reserve	13.7	10.8	10.9
Payables related to fixed asset purchases	16.9	17.2	13.3
Accrued expenses	70.1	48.3	37.2
Accrued interest	38.6	36.0	33.8
Deferred revenue	10.2	8.5	4.9
Current portion of pension and other post-employment benefit obligations	6.4	7.4	7.7
Other current liabilities	131.9	130.4	96.0
	508.4	**497.9**	**436.8**

19) Analysis of certain expenses

a) Analysis of operating expenses

Operating expenses include the following categories of costs:

(in € millions)	December 31, 2008	December 31, 2007	December 31, 2006
Raw materials and component costs	(1,276.0)	(1,253.6)	(1,120.3)
Salaries and payroll taxes	(1,049.3)	(1,034.4)	(975.7)
Employee profit-sharing	(32.7)	(32.5)	(31.7)
Total personnel costs	**(1,082.0)**	**(1,066.9)**	**(1,007.4)**
Depreciation expense	(136.1)	(131.5)	(142.0)
Amortization expense	(81.0)	(84.4)	(101.4)

As of December 31, 2008 the Group had 31,596 employees on the payroll (December 31, 2007: 33,656; December 31, 2006: 30,706).

b) Analysis of other operating income and expense

(in € millions)	December 31, 2008	December 31, 2007	December 31, 2006
Employee profit-sharing	(32.7)	(32.5)	(31.7)
Restructuring costs	(47.6)	(8.2)	(23.6)
IPO costs	0.0	0.0	(9.1)
Other	(56.4)	(64.8)	(45.5)
	(136.7)	**(105.5)**	**(109.9)**

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

a) Exchange gains (losses)

(in € millions)	December 31, 2008	December 31, 2007	December 31, 2006
Exchange gains (losses)	(25.3)	44.0	40.4

Exchange gains (losses) mainly concern long-term borrowings. In 2007 and 2008, exchange gains (losses) mainly resulted from changes in the euro/US dollar exchange rate, while the 2006 figure includes an exceptional €30.4 million exchange gain recognized when the High-Yield Notes were redeemed in February.

b) Finance costs, net

(in € millions)	December 31, 2008	December 31, 2007	December 31, 2006
Interest income	29.1	42.5	33.7
Finance costs	(145.6)	(146.6)	(157.4)
Change in fair value of financial instruments	(6.1)	(5.8)	0.0
	(151.7)	(152.4)	(157.4)
	(122.6)	**(109.9)**	**(123.7)**

21) Income tax expense (current and deferred)

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

(in € millions)	December 31, 2008	December 31, 2007	December 31, 2006
France	100.7	174.8	16.5
Outside France	394.2	420.8	320.8
	494.9	**595.6**	**337.3**

Income tax expense consists of the following:

(in € millions)	**December 31, 2008**	**December 31, 2007**	**December 31, 2006**
Current taxes:			
France	(38.3)	0.6	3.5
Outside France	(136.5)	(137.7)	(103.3)
	(174.8)	(137.1)	(99.8)
Deferred taxes:			
France	16.4	(55.6)	27.8
Outside France	15.0	17.7	(10.9)
	31.4	(37.9)	16.9
Total income tax expense:			
France	(21.9)	(55.0)	31.3
Outside France	(121.5)	(120.0)	(114.2)
	(143.4)	**(175.0)**	**(82.9)**

The reconciliation of total income tax expense for the period to income tax calculated at the standard tax rate in France is as follows:

(*Tax rate*)	**December 31, 2008**	**December 31, 2007**	**December 31, 2006**
Standard French income tax rate	**34.43%**	**34.43%**	**34.43%**
Increases (reductions):			
- Effect of foreign income tax rates	(3.83%)	(0.77%)	(1.27%)
- Non-taxable items	1.09%	0.36%	2.44%
- Income taxable at specific rates	1.20%	1.34%	2.35%
- Other	(3.86%)	(1.84%)	(3.95%)
	29.03%	33.52%	34.00%
Impact on deferred taxes of:			
- Changes in tax rates	0.01%	(4.08%)	0.04%
- Recognition or non-recognition of deferred tax assets	(0.07%)	(0.05%)	(9.50%)
Effective tax rate	**28.97%**	**29.39%**	**24.54%**

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, 2008**	**December 31, 2007**	**December 31, 2006**
Deferred taxes recorded by French companies	(360.3)	(377.9)	(322.6)
Deferred taxes recorded by foreign companies	(202.2)	(212.7)	(216.7)
	(562.5)	**(590.6)**	**(539.3)**
Origin of deferred taxes:			
- Depreciation of fixed assets	(79.6)	(57.8)	(36.7)
- Tax loss carryforwards	5.3	6.1	58.3
- Statutory profit-sharing	4.9	2.7	4.5
- Pensions and other post-employment benefits	21.0	15.2	21.6
- Subordinated perpetual notes	0.0	0.0	2.2
- Developed technology	(19.3)	(34.6)	(57.4)
- Trademarks	(531.8)	(527.5)	(558.8)
- Impairment losses on inventories and receivables	22.1	19.7	21.4
- Fair value adjustments to derivative instruments	(5.3)	(6.9)	(10.0)
- Translation adjustments	0.1	0.7	0.8
- Non-deductible provisions	47.5	29.8	23.2
- Margin on inventories	16.4	13.6	10.4
- Other	(43.8)	(51.6)	(18.8)
	(562.5)	**(590.6)**	**(539.3)**
- Of which deferred tax assets	76.4	64.3	124.6
- Of which deferred tax liabilities	(638.9)	(654.9)	(663.9)

Changes in deferred tax liabilities on depreciation of fixed assets in 2006 are mainly due to reversal of a deferred tax liability that was recognized through the goodwill in the balance sheet of an Italian entity at the time of the Legrand acquisition in 2002.

Changes in deferred tax on developed technology and trademarks in 2007 include the accounting impact of changes in tax rules in Italy, which had the effect of reducing the tax rate to 31.40% from 37.25% previously.

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

(in € millions)	**December 31, 2008**	**December 31, 2007**	**December 31, 2006**
Deferred taxes – short term	62.5	42.6	35.1
Deferred taxes – long term	(625.0)	(633.2)	(574.4)
	(562.5)	**(590.6)**	**(539.3)**

Tax losses carried forward as of December 31, 2008 broke down as follows:

(in € millions)	**December 31, 2008**	**December 31, 2007**	**December 31, 2006**
Net recognized operating losses carried forward	21.5	24.1	176.7
Recognized deferred tax assets	5.3	6.1	58.3
Net unrecognized operating losses carried forward	95.1	110.5	226.7
Unrecognized deferred tax assets *	27.7	32.1	76.4
Total net operating losses carried forward	116.6	134.6	403.4

* Including €16.5 million that will be set off against goodwill if a deferred tax asset is recognized.

As explained in Note 13, the subordinated perpetual notes issued by the Group are subject to specific tax rules, the application of which was specified in France's amended 2005 Finance Act.

Application of these rules led to a €110.0 million reduction in the Group's tax loss carryforwards in 2005 and a further €62.5 million reduction in the first half of 2007.

22) Contingencies and commitments

The Group is involved in a number of claims and legal proceedings arising in the normal course of business. In the opinion of management, all such matters have been adequately provided for or are without merit, and are of such nature that, should the outcome nevertheless be unfavorable to the Group, they should not have a material adverse effect on the Group's consolidated financial position or results of operations.

Operating leases

The Group uses certain facilities under lease agreements and leases certain equipment. There are no special restrictions related to these operating leases. Future minimum rental commitments under non-cancelable leases are detailed below:

(in € millions)	**December 31, 2008**	**December 31, 2007**	**December 31, 2006**
Due within one year	18.5	18.9	17.7
Due in one to two years	13.9	14.8	14.0
Due in two to three years	10.6	11.5	11.1
Due in three to four years	7.8	8.7	8.6
Due in four to five years	5.1	7.0	7.0
Due beyond five years	3.5	7.1	8.4
	59.4	**68.0**	**66.8**

Commitments to purchase property, plant and equipment

Commitments to purchase property, plant and equipment amounted to €21.1 million as of December 31, 2008.

23) Derivative instruments and management of financial risks

The Group's cash management strategy is based on overall financial risk management principles and involves taking specific measures to manage the risks associated with interest rates, exchange rates, commodity prices and the investment of available cash. The Group does not conduct any trading in financial instruments, in line with its policy of not carrying out any speculative transactions. All transactions involving financial instruments are conducted with the sole purpose of managing interest rate, exchange rate and commodity risks and as such are limited in duration and value.

This strategy is centralized at Group level. Its implementation is deployed by the Financing and Treasury Department who recommends appropriate measures and implements them after they have been validated by the Corporate Finance Department and Group senior management. A detailed reporting system has been set up to permit permanent close tracking of the Group's positions and effective oversight of the management of the financial risks described in this note.

Current financial assets and liabilities are as follows:

(in € millions)	December 31, 2008	December 31, 2007	December 31, 2006
Other current financial assets	**5.0**	**11.8**	**22.2**
Mirror swaps and swaps on TSDI 2 & 3	0.0	0.0	1.6
Swaps on other borrowings	0.0	4.6	12.1
Financial derivatives with a positive fair value	5.0	7.2	8.5
Other current financial liabilities	**0.0**	**86.9**	**66.6**
Swaps on TSDI 2	0.0	0.0	8.1
Swaps on other borrowings	0.0	86.9	58.5
Financial derivatives with a negative fair value	0.0	0.0	0.0

The change in other current financial liabilities was mainly due to the expiration of the swap hedging the 8½% debentures (Yankee bonds).

a) Interest rate risk

As part of an interest rate risk management policy aimed principally at managing the risk of a rate increase, the Group has structured its debt into a combination of fixed and variable rate financing.

As of December 31, 2008 the breakdown of debt (excluding debt issuance costs) between fixed and variable rate was as follows:

(in € millions)	December 31, 2008
Fixed rates	279.2
Variable rates	2,145.1

The following table analyzes variable rate financial assets and liabilities based on the frequency of rate adjustments.

(in € millions)	Overnight and short-term	Medium-term (1 to 5 years)	Long-term (more than 5 years)
Gross debt (excluding debt issuance costs)	2,145.1	-	-
Cash and marketable securities	(559.7)	-	-
Net debt	1,585.4	-	-
Hedges	1,429.6	-	-
Position after hedging	155.8	-	-

Interest rate risk arises mainly from variable-rate financial assets and liabilities and is managed primarily through the use of hedging instruments.

Based on average debt in 2008 and the hedging instruments described below, the Group estimates that a 100-basis point increase in interest rates on variable-rate debt should not result in a decrease in annual profit before taxes of more than €11.0 million (2007: €13.0 million; 2006: €7.0 million).

Caps

Variable-rate debt is hedged by interest-rate instruments with maturities of no more than two years. These contracts are mainly caps, in line with the Group's policy of setting an upper limit on interest rates while retaining the opportunity to benefit from more favorable rate changes.

The portfolio of caps on euro-denominated debt breaks down as follows:

	December 31, 2008 *(in € millions)*		
Period covered	Amount hedged	Benchmark rate	Average guaranteed rate including premium
January 2009 – February 2009	1,500.0	Euribor 3 months	5.28%
March 2009	1,750.0	Euribor 3 months	5.31%
April 2009 – September 2009	1,250.0	Euribor 3 months	5.83%
October 2009 – December 2009	850.0	Euribor 3 months	5.88%
January 2010 – February 2010	350.0	Euribor 3 months	5.51%
March 2010	100.0	Euribor 3 months	5.55%

The portfolio of caps on dollar-denominated debt breaks down as follows:

	December 31, 2008 *(in USD millions)*		
Period covered	Amount hedged	Benchmark rate	Average guaranteed rate including premium
January 2009 – March 2009	250.0	Libor 3 months	3.53%
April 2009 - May 2009	150.0	Libor 3 months	3.07%
June 2009	100.0	Libor 3 months	2.93%

The caps do not fulfill the criteria for the application of hedge accounting under IAS 39 and have therefore been measured at fair value and recognized in 'Other current financial assets', in an amount of €1.0 million at December 31, 2008 (December 31, 2007: €6.5 million; December 31, 2006: €8.5 million). The effect of changes in fair value on consolidated profit was a €6.4 million loss in 2008 (2007: €3.0 million loss; 2006: €3.0 million gain), recognized in 'Finance costs and other financial income and expense, net' (Note 20).

Swaps

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 8½% 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 (TSDIs) (Note 13)

In order to manage its exposure to interest rate fluctuations, the Group hedged its interest rate payment obligation on its subordinated perpetual notes (TSDIs) with interest rate swaps.

The notional amount of these swaps is linked to the capitalized amount of the TSDIs. The TSDI 1 notes and related swap both matured on December 19, 2005, while the TSDI 2 notes and related swap both matured on March 11, 2007.

Interest rate swaps hedging subordinated notes	**December 31, 2008**	**December 31, 2007**	**December 31, 2006**
		(in € millions)	
Notional amount	0.0	0.0	273.2
Swaps on TSDI 2 subordinated perpetual notes (liabilities)	0.0	0.0	8.1
Mirror swaps and swaps on TSDI 2 & 3 (assets)	0.0	0.0	1.6

Interest rate swap on the 8½% debentures (Yankee bonds) (Note 14)

The swap expired at the end of February 2008, in line with the April 2003 novation agreement under which the Group sold the tranche corresponding to the contract's 2008-2025 maturities. When the swap expired, refinancing of €86.0 million was arranged, corresponding to the Group's liability under the currency swap component.

The swap's purpose was to convert the fixed rate of interest payable to the holders of the 8½% debentures into a variable rate indexed on LIBOR. The swap's notional amount matched the amount of the debentures and its fair value was exactly symmetrical to the debentures' fair value. As a result, the effective interest rate of the debentures after the swap agreement was LIBOR plus 53 basis points.

In addition, in February 2003, the Group entered into a cross currency swap with respect to the 8½% debentures fixing the interest rate payable on the $350.0 million principal amount at 4.6% per year. The remaining $50.0 million in principal continued to be at a variable rate (LIBOR plus 53 basis points).

Since February 2008, when the swap expired, the Group has once again been paying a fixed rate of 8½%.

Further interest rate swap arrangements may be entered into in the future, based on changes in market conditions.

Interest rate swap hedging the 8½% debentures	**December 31, 2008**	**December 31, 2007**	**December 31, 2006**
Notional amount *(in USD millions)*	0.0	400.0	400.0
Swaps (assets) *(in € millions)*	0.0	4.6	12.1
Swaps (liabilities) *(in € millions)*	0.0	86.9	58.5

The swaps have been measured at fair value in the balance sheet, with changes in fair value recognized through profit. The changes in fair value had no net effect on consolidated profit in 2008 (2007: €2.8 million loss; 2006: €3.0 million loss), recognized in 'Finance costs and other financial income and expense, net' (Note 20).

b) Currency risk

The Group operates in international markets and is therefore exposed to risks through its use of several different currencies.

The table below presents financial assets (cash and marketable securities) and financial liabilities by currency as of December 31, 2008:

(in € millions)	**Assets** **Cash and marketable securities**	**Equity and liabilities** **Financial liabilities (before debt issuance costs)**
Euro	390.8	1,745.0
Dollar	97.1	484.3
Other currencies	71.8	195.0
	559.7	**2,424.3**

Natural hedges are set up by matching allocation of net debt and operating profit in each of the Group's main operating currencies.

If required, when acquisition of an asset is financed using a currency other than the functional currency of the country, the Group may enter in forward-contracts to hedge its exchange rate risk. As at December 31, 2008 the Group has set up forward contracts in Brazilian real and Australian dollar which have a fair value of an amount of 0.5 million euros.

The table below presents the breakdown of net sales and operating expenses by currency as of December 31, 2008:

(in € millions)	**Net sales**		**Operating expenses (excluding purchase accounting adjustments relating to the acquisition)**	
Euro	2,411.7	57%	1,940.8	56%
Dollar	581.5	14%	506.3	14%
Other currencies	1,209.2	29%	1,057.4	30%
	4,202.4	**100%**	**3,504.5**	**100%**

Natural hedges are set up by matching costs and operating income in each of the Group's main operating currencies.

Residual amounts are hedged by options to limit the Group's exposure to fluctuations in the main currencies concerned, such as the US dollar, the Singapore dollar, the British pound and the Russian ruble. These hedges are for periods of less than 18 months. They do not fulfill the criteria for the application of hedge accounting under IAS 39 and have therefore been measured at fair value and recognized in 'Other current financial assets', in an amount of €4.0 million as of December 31, 2008 (December 31, 2007: €0.7 million; December 31, 2006: €0.0 million). These hedges led to a €5.4 million gain in 2008 (2007: €0.8 million loss; 2006: €0.2 million loss), recognized in 'Exchange gains (losses)' (Note 20 (a)).

The Group estimates that, all other things being equal, a 10% increase in the exchange rate of the euro against all other currencies in 2008 would have resulted in a decrease in net revenue of approximately €163.0 million (2007: €148.0 million; 2006: €131.0 million) and a decrease in operating profit of approximately €20.0 million (2007: €20.0 million; 2006: €15.0 million).

c) Commodity risk

The Group is exposed to commodity risk arising from changes in the price of raw materials.

Raw materials purchases amounted to around €483 million in 2008 (2007: €477 million; 2006: €454 million).

Derivative financial instruments (options) were set up for limited amounts and periods, to hedge part of the risk of an unfavorable change in copper prices. These contracts ended in December 2008.

All in all, a 10% increase in the price of all the raw materials used by the Group would theoretically feed through to around a €48 million increase in annual purchasing costs. However, the Group believes that it could, circumstances permitting, raise the prices of its products in the short term to offset the resulting adverse impact.

d) Credit risk

Credit risk covers both:

- Risks related to outstanding customer receivables.
- Counterparty risks with financial institutions.

As explained in note 7, a substantial portion of Group revenue is generated with two major distributors. Other revenue is essentially derived from distributors of electrical products but sales are diversified due to the large number of customers and their geographic dispersion. The Group 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.

Financial instruments that may potentially expose the Group to counterparty risk are principally cash equivalents, short-term investments and hedging instruments. These assets are placed with leading financial institutions approved by the Group which constantly monitors the amount of credit exposure with any one financial institution.

e) Liquidity risk

The Group considers that managing liquidity risk depends primarily on having access to diversified sources of financing as to their origin and maturity and this represents the basis of its Group-level control processes.

Under the provisions of the 2006 Credit Facility described in Note 14 (a) and the loan agreement for the bank loan described in Note 14 (d), consolidated adjusted net debt/adjusted maintainable EBITDA (net debt and maintainable EBITDA adjusted as defined in the loan agreements) must be less than or equal to 3.5 at the end of every six-month period. This ratio is tracked monthly; as of December 31, 2008 it stood at 2.04.

The total amount of net debt (€1,861.8 million as of December 31, 2008) is fully financed by financing facilities expiring at the earliest in 2013 and at the latest in 2025. In addition, the Group has financing capacity in undrawn lines of credit (Note 14 (e)).

24) Information relating to corporate officers

In 2006, under the liquidity offer made to all holders of Legrand France 2001 stock options, corporate officers were paid a total amount of €2.2 million before taxes.
At the time of acquisition of Legrand France on December 10, 2002, the main corporate officers of the Group became indirect shareholders of Legrand. Amounts indirectly invested were paid at fair value.
At the time of the IPO, the main corporate officers became direct shareholders of Legrand.

a) Short-term benefits

(in € millions)	**December 31, 2008**	**December 31, 2007**	**December 31, 2006**
Advances and loans to corporate officers	0.0	0.0	0.0
Compensation paid to corporate officers*	2.3	1.8	1.2
Compensation due to corporate officers**	1.8	2.2	1.7

* Compensation paid during base year to executive officers and members of the Board of Directors who hold operating responsibilities within the Group.

** Compensation due for base year to executive officers and members of the Board of Directors who hold operating responsibilities within the Group.

b) Post-employment benefits

A supplementary pension plan is available to members of the Group Executive Committee who form part of the pension plan set up for French employees. This plan provides beneficiaries with pension benefits equal to 50.0% of the average of the highest two years of compensation they received during the last three years worked with Legrand. To be eligible for the scheme the beneficiary must be at least 60 years of age and have been an employee of Legrand for at least ten years. If the beneficiary dies, 60% of the pension benefits revert to the surviving spouse.

c) Other long-term benefits

In accordance with the Collective Bargaining Agreement for Steel Workers (Convention Collective de la Métalurgie), the executive officers are entitled, within their contract of employment (contrat de travail) as at December, 2008, to retirement indemnities of a maximum amount of four months salary.
As at December 31, 2008 the executive officers are also subject to the 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 Métalurgie). The enforcement of this covenant is left to the Group's discretion and would result in a payment to the executive officers in the amount of 50% of their base salary over a maximum period of two years.

d) End of contract indemnities

Except amounts due as retirement indemnities or because of the non-compete covenant as mentioned above, the executive officers do not benefit from any other commitment linked to salary, indemnities or benefits due or likely to be due because of termination of their contract of employment (contrat de travail), modifications to them or subsequent to them.
Provisions as defined in the Collective Bargaining Agreement for Steel Workers (Convention Collective de la Métalurgie) would apply should the Group chose to terminate the executive officers' function.

e) Share-based payment

Under the 2008 free shares and stock option plans, corporate officers were granted 47,077 free shares and 141,231 options.

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

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

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

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

* Free cash flow is defined as the sum of net cash provided by operating activities and net proceeds from sales of fixed and financial assets minus capital expenditure and capitalized development costs.

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

* Free cash flow is defined as the sum of net cash provided by operating activities and net proceeds from sales of fixed and financial assets minus capital expenditure and capitalized development costs.

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12 months ended December 31, 2006 *(in € millions)*	France	Geographical segments Europe Italy	Others	USA/ Canada	Rest of the world	Items not allocated to segments	Total
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 selling expenses, R&D costs	(452.3)	(210.4)	(208.1)	(211.7)	(133.1)		(1,215.6)
Other operating income (expense)	(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 Legrand post-acquisition expenses	(45.4)	(21.9)	(6.5)	(9.5)	(3.3)		(86.6)
Adjusted operating profit	**211.6**	**184.7**	**65.3**	**73.3**	**81.3**		**616.2**
- 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 restructuring costs	(5.0)	(2.6)	(3.3)	(3.0)	(9.7)		(23.6)
Exchange gains (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)
Net cash provided by operating activities						581.5	581.5
Net proceeds from sales of fixed and financial assets						27.5	27.5
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)
Free cash flow*						**456.1**	**456.1**
Total assets						5,936.1	5,936.1
Segment liabilities	356.6	207.8	126.2	96.8	103.8		891.2

* Free cash flow is defined as the sum of net cash provided by operating activities and net proceeds from sales of fixed and financial assets minus capital expenditure and capitalized development costs.

26) Quarterly data – non-audited

b) Quarterly revenue by geographical segment (billing region) – non-audited

(in € millions)	1st quarter 2008	1st quarter 2007	1st quarter 2006
France	293.3	306.0	283.6
Italy	226.5	223.5	202.9
Rest of Europe	218.3	198.7	180.5
USA/Canada	136.0	158.8	163.6
Rest of the world	174.9	145.7	110.0
Total	**1,049.0**	**1,032.7**	**940.6**

(in € millions)	2nd quarter 2008	2nd quarter 2007	2nd quarter 2006
France	313.9	310.9	284.9
Italy	212.6	206.0	191.5
Rest of Europe	232.8	209.4	183.6
USA/Canada	142.5	168.0	176.8
Rest of the world	215.2	168.7	115.9
Total	**1,117.0**	**1,063.0**	**952.7**

(in € millions)	3rd quarter 2008	3rd quarter 2007	3rd quarter 2006
France	264.9	276.8	253.8
Italy	158.9	170.9	159.4
Rest of Europe	231.3	205.9	181.4
USA/Canada	155.1	168.2	166.7
Rest of the world	209.1	178.0	127.1
Total	**1,019.3**	**999.8**	**888.4**

(in € millions)	4th quarter 2008	4th quarter 2007	4th quarter 2006
France	274.2	309.5	286.4
Italy	167.8	168.6	160.0
Rest of Europe	212.3	215.8	203.1
USA/Canada	147.9	144.7	146.6
Rest of the world	214.9	194.7	159.0
Total	**1,017.1**	**1,033.3**	**955.1**

b) Quarterly income statements – non-audited

(in € millions)	1st quarter 2008	1st quarter 2007	1st quarter 2006
Revenue	**1,049.0**	**1,032.7**	**940.6**
Operating expenses			
Cost of sales	(507.6)	(507.3)	(465.4)
Administrative and selling expenses	(288.0)	(270.0)	(246.5)
Research and development costs	(54.8)	(54.8)	(60.5)
Other operating income (expense)	(23.6)	(31.2)	(26.5)
Operating profit	**175.0**	**169.4**	**141.7**
Finance costs	(37.5)	(38.1)	(53.0)
Financial income	8.3	9.6	6.4
Exchange gains (losses)	25.5	3.1	5.8
Loss on extinguishment of debt	0.0	0.0	(109.0)
Finance costs and other financial income and expense, net	(3.7)	(25.4)	(149.8)
Share of profit of associates	0.6	0.5	0.5
Profit before tax	**171.9**	**144.5**	**(7.6)**
Income tax expense	(57.8)	(51.6)	(27.0)
Profit for the period	**114.1**	**92.9**	**(34.6)**
Attributable to:			
- Equity holders of Legrand	**113.8**	**92.4**	**(35.3)**
- Minority interests	**0.3**	**0.5**	**0.7**

(in € millions)	2nd quarter 2008	2nd quarter 2007	2nd quarter 2006
Revenue	**1,117.0**	**1,063.0**	**952.7**
Operating expenses			
Cost of sales	(540.6)	(526.7)	(474.4)
Administrative and selling expenses	(298.5)	(276.0)	(249.7)
Research and development costs	(54.4)	(53.0)	(59.7)
Other operating income (expense)	(34.9)	(32.2)	(27.6)
Operating profit	**188.6**	**175.1**	**141.3**
Finance costs	(31.2)	(30.5)	(36.7)
Financial income	3.3	5.9	9.4
Exchange gains (losses)	7.0	5.3	15.9
Loss on extinguishment of debt	0.0	0.0	0.0
Finance costs and other financial income and expense, net	(20.9)	(19.3)	(11.4)
Share of profit of associates	(0.6)	0.1	0.0
Profit before tax	**167.1**	**155.9**	**129.9**
Income tax expense	(47.2)	(52.7)	(30.7)
Profit for the period	**119.9**	**103.2**	**99.2**
Attributable to:			
- Equity holders of Legrand	**119.3**	**102.8**	**98.6**
- Minority interests	**0.6**	**0.4**	**0.6**

(in € millions)	3rd quarter 2008	3rd quarter 2007	3rd quarter 2006
Revenue	**1,019.3**	**999.8**	**888.4**
Operating expenses			
Cost of sales	(499.9)	(498.3)	(446.2)
Administrative and selling expenses	(274.9)	(260.5)	(232.8)
Research and development costs	(49.8)	(54.8)	(56.3)
Other operating income (expense)	(28.7)	(18.5)	(19.9)
Operating profit	**166.0**	**167.7**	**133.2**
Finance costs	(36.6)	(46.1)	(35.4)
Financial income	5.0	14.2	8.5
Exchange gains (losses)	(50.7)	21.4	2.3
Loss on extinguishment of debt	0.0	0.0	0.0
Finance costs and other financial income and expense, net	(82.3)	(10.5)	(24.6)
Share of profit of associates	0.0	0.6	0.1
Profit before tax	**83.7**	**157.8**	**108.7**
Income tax expense	(23.8)	(54.2)	(24.8)
Profit for the period	**59.9**	**103.6**	**83.9**
Attributable to:			
- Legrand	**59.4**	**103.3**	**83.2**
- Minority interests	**0.5**	**0.3**	**0.7**

(in € millions)	4th quarter 2008	4th quarter 2007	4th quarter 2006
Revenue	**1,017.1**	**1,033.3**	**955.1**
Operating expenses			
Cost of sales	(521.9)	(528.2)	(495.7)
Administrative and selling expenses	(283.2)	(275.3)	(248.7)
Research and development costs	(49.3)	(56.9)	(61.4)
Other operating income (expense)	(49.5)	(23.6)	(35.9)
Operating profit	**113.2**	**149.3**	**113.4**
Finance costs	(46.4)	(37.7)	(32.3)
Financial income	12.5	12.8	9.4
Exchange gains (losses)	(7.1)	14.2	16.4
Loss on extinguishment of debt	0.0	0.0	0.0
Finance costs and other financial income and expense, net	(41.0)	(10.7)	(6.5)
Share of profit of associates	0.0	0.8	0.2
Profit before tax	**72.2**	**139.4**	**107.1**
Income tax expense	(14.6)	(16.5)	(0.4)
Profit for the period	**57.6**	**122.9**	**106.7**
Attributable to:			
- Legrand	**57.4**	**122.5**	**105.5**
- Minority interests	**0.2**	**0.4**	**1.2**

27) Subsequent events

No significant events occurred between December 31, 2008 and the date when these consolidated financial statements were drawn up.

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