

# HALF-YEAR FINANCIAL REPORT



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**1 HALF-YEAR REPORT FOR THE SIX MONTHS ENDED JUNE 30, 2018**

## Note 1 - INTRODUCTION

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The following review of Legrand's financial position and the results of operations should be read in conjunction with the consolidated financial statements and the related notes for the six-month period ended June 30, 2018 as set out in chapter 2 of this half-yearly financial report, and any other information included in the Registration Document (*Document de référence*) filed with the French *Autorité des marchés financiers* (AMF) on April 6, 2018, under number D. 18-0292. The Company's financial statements were prepared in accordance with International Financial Reporting Standards (IFRS) and the IFRS Interpretations Committee's guidance as adopted by the European Union. This review also includes forward-looking statements based on assumptions about the company's future business. Actual results could differ materially from those contained in these forward-looking statements.

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

## Note 2 - OVERVIEW

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Legrand is the global specialist in electrical and digital building infrastructure. Its full range of products and systems suitable for the international commercial, industrial, and residential segments of the low-voltage market makes Legrand a benchmark for customers worldwide. The Group markets its products under internationally recognized general brand names, including Legrand and Bticino, as well as under well-known local and specialist brands. Legrand, which is close to its markets and focuses on its customers, has commercial and industrial operations in nearly 90 countries.

Legrand generated sales of €5,520.8 million in 2017, of which more than 80% was generated outside France, and recorded an adjusted operating margin of 20.0% of sales.

Legrand's financial position and results of operations are reported on the basis of five operating segments that correspond to the regions of origin of invoicing. Information concerning the results of operations and financial positions for each of these five operating segments is presented for the first six months of 2018 and 2017 in Note 2.1 to the consolidated financial statements set out in chapter 2 of this half-yearly financial report. Each segment represents either a single country or the consolidated results of a number of countries and distinct markets. These five operating segments are:

- France;
- Italy;
- Rest of Europe, mainly including Benelux, Germany, Iberia (including Spain and Portugal), Poland, Russia, Turkey and the UK;
- North and Central America, including Canada, Mexico, the United States and Central American countries; and
- Rest of the World, mainly including Australia, China, India, Saudi Arabia and South America (including in particular Brazil, Chile and Colombia).

Since local market conditions are the determining factors in business performance and net sales by zone, consolidated financial information for multi-country segments does not accurately reflect financial performance in each national market.

Furthermore, products may be manufactured and sold locally or imported from or exported to another Group entity. These factors may make it difficult to compare results for different operating segments. Consequently, with the exception of information relating to net sales, the discussion of results below focuses primarily on consolidated results, with reference to national markets where these have a material impact on consolidated accounts.

### **Note 3 - RECENT EVENTS**

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As in 2017, Legrand was active in acquisitions and pursued its strategy of bolt-on<sup>1</sup> acquisitions, concluding two transactions in the first six months of 2018:

- the Group acquired Modulan, specialized in custom cabinets for datacenters in Germany. The Group acquired 65% with an option to take full control from January 2021. Modulan reports annual sales of about €8 million;
- the Group acquired GemNet, a UPS specialist based in Dubai. GemNet has annual sales of approximately €4 million.

Legrand has also announced two new operations in July 2018 described in Note 5.3 Subsequent events to the consolidated financial statements set out in chapter 2 of this half-yearly financial report.

Based on acquisitions announced at the release date of this half-yearly report and their likely date of consolidation, external growth should account for around +7.5% of growth in consolidated sales in 2018.

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<sup>1</sup> Small- to mid-size acquisitions that complement Legrand's activities.

## Note 4 - COMPARISON OF FIRST-HALF RESULTS FOR 2017 AND 2018

<i>(in € millions)</i>	6 months ended	
	June 30, 2018	June 30, 2017
<b>Net sales</b>	<b>2,986.8</b>	<b>2,671.6</b>
Operating expenses		
Cost of sales	(1,405.6)	(1,248.2)
Administrative and selling expenses	(809.4)	(736.9)
Research and development costs	(139.7)	(121.1)
Other operating income (expenses)	(42.7)	(45.2)
<b>Operating profit</b>	<b>589.4</b>	<b>520.2</b>
Financial expenses	(40.7)	(44.7)
Financial income	5.5	7.3
Exchange gains (losses)	3.3	(6.6)
<b>Financial profit (loss)</b>	<b>(31.9)</b>	<b>(44.0)</b>
<b>Profit before tax</b>	<b>557.5</b>	<b>476.2</b>
Income tax expense	(167.3)	(157.2)
Share of profits (losses) of equity-accounted entities	(0.1)	(1.5)
<b>Profit for the period</b>	<b>390.1</b>	<b>317.5</b>
<b>Of which:</b>		
- Net profit attributable to the Group	<b>390.0</b>	<b>316.2</b>
- Minority interests	<b>(0.1)</b>	<b>(1.3)</b>

The table below presents the calculation of adjusted operating income (defined as operating income adjusted for amortization and depreciation of revaluation of assets at the time of acquisitions and for other P&L impacts relating to acquisitions and, where applicable, for impairment of goodwill), and maintainable adjusted operating income (i.e., excluding restructuring charges) for the periods under review:

<i>(in € millions)</i>	6 months ended	
	June 30, 2018	June 30, 2017
<b>Profit for the period</b>	<b>390.1</b>	<b>317.5</b>
Share of profits (losses) of equity-accounted entities	0.1	1.5
Income tax expense	167.3	157.2
Exchange (gains) losses	(3.3)	6.6
Financial income	(5.5)	(7.3)
Financial expenses	40.7	44.7
<b>Operating profit</b>	<b>589.4</b>	<b>520.2</b>
Acquisition-related amortization, depreciation, expenses and income	35.7	26.1
Goodwill impairment	0.0	0.0
<b>Adjusted operating profit</b>	<b>625.1</b>	<b>546.3</b>
Restructuring costs	1.9	5.4
<b>Maintainable adjusted operating profit</b>	<b>627.0</b>	<b>551.7</b>

## 4.1 Net sales

Consolidated net sales rose 11.8% to €2,986.8 million in the first six months of 2018, compared with €2,671.6 million in the first six months of 2017, reflecting the combined impact of:

- +5.2% organic rise (at constant scope of consolidation and exchange rates)
- +13.6% due to the broader scope of consolidation that resulted from acquisitions
- -6.5% due to exchange-rate effects over the period.

Organic rises in net sales by destination (local market of the end customer) from the first six months of 2017 to the first six months of 2018 were as follows:

France	+2.0%
Italy	+6.3%
Rest of Europe	+11.3%
North and Central America	+3.8%
Rest of the World	+5.0%
<b>Total</b>	<b>+5.2%</b>

### France:

Sales in France for the first half of 2018 came to €477.3 million compared with €466.4 million in the first half of 2017, an increase of +2.3%. This reflects a +0.4% change in scope of consolidation and a +2.0% organic rise over the period.

This performance was driven by good showings in solutions for energy distribution, user interfaces and home systems. More specifically, recently launched offerings benefited from a good response, including the connected user interfaces Céliane with Netatmo and dooxie.

### Italy:

Net sales in Italy for the first half of 2018 came to €298.7 million compared with €280.7 million in the first half of 2017, an increase of +6.4%. This reflects a +0.1% change in scope of consolidation and a +6.3% organic rise over the period.

The increase in sales was strong, still driven by connected products of the Eliot program including the Classe 300X door entry system and the Smarter intelligent thermostat. Moreover, first-half performance benefitted from one-off effects including, in the second quarter alone, the inventory build-up of the Living Now new user interface range. This connected range, which features very innovative design and incorporates the latest functions developed by the Group, can be managed by the “Home + Control” app or by a voice assistant.

### Rest of Europe:

Net sales in the Rest of Europe zone for the first half of 2018 came to €515.6 million compared with €470.5 million in the first half of 2017, an increase of +9.6%. This reflects a +3.8% change in scope of consolidation, an unfavorable -5.1% impact of exchange-rate fluctuations and an +11.3% organic rise over the period.

Buoyed by commercial initiatives and favorable one-offs in the first half, sales growth was very sustained in many new economies, including Eastern Europe (for example in Russia, Romania and Hungary) and Turkey. Sales also rose strongly in a number of mature countries, such as Spain, Germany, the Netherlands and Greece.

In the United Kingdom, sales grew very slightly.

### North and Central America:

Net sales in the North and Central America zone in the first half of 2018 came to €1,046.0 million compared with €790.4 million in the first half of 2017, an increase of +32.3%. This reflects a +42.3% change in scope of consolidation, an unfavorable -10.4% impact of exchange-rate fluctuations, and a +3.8% organic rise over the period.

The area's good performance was driven by solid achievements in the United States in wire-mesh cable management, lighting controls, intelligent PDUs, and Audio-Video infrastructures and power systems, with Milestone in particular recording healthy growth in sales.

In Mexico, sales were down in the first half of 2018, reflecting a high basis for comparison.

### Rest of the World:

Net sales in the Rest of the World zone for the first half of 2018 came to €649.2 million compared with €663.6 million in the first half of 2017, a decline of -2.2%. This reflects a +1.4% change in scope of consolidation, an unfavorable -8.1% impact of exchange-rate fluctuations, and a +5.0% organic rise over the period.

Numerous countries in the area reported very good showings, in particular India and China, but also South Korea, Australia, Peru, Algeria and Egypt.

Over the period, business continued to decline in Brazil and Colombia.

The table below shows a breakdown of net sales by destination (local market of the end customer) for the 6-month period ending June 30, 2018 and June 30, 2017:

<i>(in € million, except %)</i>	6 months ended			
	June 30, 2018		June 30, 2017	
	€	%	€	%
<b>Net sales by destination</b>				
France	477.3	16.0	466.4	17.5
Italy	298.7	10.0	280.7	10.5
Rest of Europe	515.6	17.3	470.5	17.6
North and Central America	1,046.0	35.0	790.4	29.6
Rest of the World	649.2	21.7	663.6	24.8
<b>Total</b>	<b>2,986.8</b>	<b>100.0</b>	<b>2,671.6</b>	<b>100.0</b>

The table below presents the components of changes in net sales by **destination** (client markets):

<i>Net sales</i> <i>(in € million, except %)</i>	6 months ended June 30,					
	2018	2017	Total change	Change in scope of consolidation	Organic growth <sup>(1)</sup>	Exchange-rate effect
France	477.3	466.4	2.3%	0.4%	2.0%	0.0%
Italy	298.7	280.7	6.4%	0.1%	6.3%	0.0%
Rest of Europe	515.6	470.5	9.6%	3.8%	11.3%	(5.1)%
North and Central America	1,046.0	790.4	32.3%	42.3%	3.8%	(10.4)%
Rest of the World	649.2	663.6	(2.2)%	1.4%	5.0%	(8.1)%
<b>Consolidated total</b>	<b>2,986.8</b>	<b>2,671.6</b>	<b>11.8%</b>	<b>13.6%</b>	<b>5.2%</b>	<b>(6.5)%</b>

*(1) at constant scope of consolidation and exchange rates.*

The table below presents the components of changes in net sales by **origin** of invoicing:

<b>Net sales</b> <i>(in € million, except %)</i>	<b>6 months ended June 30,</b>					
	<b>2018</b>	<b>2017</b>	<b>Total change</b>	<b>Change in scope of consolidation</b>	<b>Organic growth<sup>(1)</sup></b>	<b>Exchange-rate effect</b>
France	532.3	518.2	2.7%	0.0%	2.7%	0.0%
Italy	316.4	297.2	6.5%	0.0%	6.5%	0.0%
Rest of Europe	501.1	457.4	9.6%	3.4%	11.7%	(5.2)%
North and Central America	1,069.8	805.7	32.8%	42.8%	3.8%	(10.4)%
Rest of the World	567.2	593.1	(4.4)%	0.6%	4.3%	(8.9)%
<b>Consolidated total</b>	<b>2,986.8</b>	<b>2,671.6</b>	<b>11.8%</b>	<b>13.6%</b>	<b>5.2%</b>	<b>(6.5)%</b>

(1) at constant scope of consolidation and exchange rates.

## 4.2 Cost of sales

The consolidated cost of sales rose 12.6% to €1,405.6 million in the first half of 2018, compared with €1,248.2 million in the first half of 2017. This was primarily due to:

- the consolidation of new acquisitions;
- the increase in volume of raw materials and components consumed as production increased; and
- an increase in price for raw materials and components

partially offset by:

- ongoing productivity and adaptation efforts.

As a percentage of net sales, the cost of sales increased from 46.7% in the first half of 2017 to 47.1% in the first half of 2018.

## 4.3 Administrative and selling expenses

Administrative and selling expenses rose by 9.8% to €809.4 million in the first half of 2018, compared with €736.9 million in the first half of 2017. This was essentially attributable to:

- ongoing investment to fuel growth; and
- consolidation of new acquisitions

partially offset by:

- ongoing adaptation and productivity initiatives.

Expressed as a percentage of sales, administrative and selling expenses decreased from 27.6% in the first half of 2017 to 27.1% in the first half of 2018.

## 4.4 Research and development costs

<i>(in € millions)</i>	6 months ended	
	June 30, 2018	June 30, 2017
Research and development costs	(139.7)	(121.1)
Acquisition-related amortization and R&D tax credit	(2.3)	(5.2)
Amortization of capitalized development costs	15.0	16.1
<b>R&amp;D costs before capitalized development costs</b>	<b>(127.0)</b>	<b>(110.2)</b>
Capitalized development costs	(18.0)	(17.7)
<b>Research and development expenditure for the period</b>	<b>(145.0)</b>	<b>(127.9)</b>

In accordance with IAS 38 "Intangible Assets", Legrand has implemented an internal measurement and accounting system for development expense to be recognized as intangible assets.

On this basis, €18.0 million in development costs were capitalized in the first half of 2018 compared with €17.7 million in the first half of 2017.

Research and development costs totaled €139.7 million in the first half of 2018 compared with €121.1 million in the first half of 2017.

Excluding the impact of the capitalization of development costs and purchase accounting charges relating to acquisitions, as well as the tax credit for research and development activities, R&D expenditure stood at €145.0 million in the first half of 2018 (4.9% of net sales), compared with €127.9 million in the first half of 2017 (4.8% of net sales).

## 4.5 Other operating income and expenses

In the first six months of 2018, other operating income and expenses totaled €42.7 million compared with €45.2 million in the same period of 2017.

## 4.6 Operating profit

Group consolidated operating profit rose 13.3% to €589.4 million in the first half of 2018 compared with €520.2 million in the first half of 2017. This increase resulted from:

- an 11.8% rise in net sales;
- a 12.6% rise in cost of sales;
- a 10.6% rise in administrative, selling and research & development costs; and
- a €2.5 million decrease in other income and operating expenses.

As a percentage of net sales, operating profit came to 19.7% in the first half of 2018 compared with 19.5% in the first half of 2017.

## 4.7 Adjusted operating income

Adjusted operating income is defined as operating income adjusted for amortization and depreciation of revaluation of assets at the time of acquisitions and for other P&L impacts relating to acquisitions and, where applicable, for impairment of goodwill.

Adjusted operating income rose 14.4% to stand at €625.1 million in the first half of 2018 compared with €546.3 million in the first half of 2017, and broke down as follows by operating segment:

**France:** a 0.5% rise to €109.6 million in the first half of 2018 compared with €109.1 million in the first half of 2017, representing 20.6% of net sales in the first six months of 2018 compared to 21.1% in the first six months of 2017;

**Italy:** an 8.5% rise to €122.4 million in the first half of 2018 compared with €112.8 million in the first half of 2017, representing 38.7% of net sales in the first six months of 2018 compared to 38.0% of net sales in the first six months of 2017;

**Rest of Europe:** a 22.7% rise to €99.6 million in the first half of 2018 compared with €81.2 million in the first half of 2017, representing 19.9% of net sales in the first six months of 2018 compared to 17.8% in the first six months of 2017;

**North and Central America:** a 35.0% rise to €203.4 million in the first half of 2018, compared with €150.7 million in the first half of 2017, representing 19.0% of net sales in the first six months of 2018 compared with 18.7% in the first six months of 2017; and

**Rest of the World:** a 2.6% decline to €90.1 million in the first half of 2018 compared with €92.5 million in the first half of 2017, representing 15.9% of net sales in the first six months of 2018 compared to 15.6% in the first six months of 2017.

Before acquisitions, in the first half of 2018, Group adjusted operating margin (at 2017 scope of consolidation) stood at 21.1% of net sales, +0.7 point higher than the first-half 2017 figure of 20.4% reflecting a good operating performance and the adjustment of Group selling prices to inflation in raw materials and components.

Taking acquisitions into account, the Group's adjusted operating margin came to 20.9% of net sales in the first half of 2018.

## 4.8 Net financial expenses

Financial expenses stood at €40.7 million in the first half of 2018, compared with €44.7 million in the first half of 2017. Financial income came to €5.5 million in the first half of 2018, compared with €7.3 million in the first half of 2017. Net financial expenses decreased 5.9% in the first six months of 2018 from the same period of 2017, accounting for 1.2% of net sales compared with 1.4% in the first half of 2017.

## 4.9 Exchange gains and losses

Exchange gains amounted to €3.3 million in the first six months of 2018, compared with €6.6 million losses in the same period of 2017.

## 4.10 Income tax expense

Consolidated income tax expense amounted to €167.3 million in the first half of 2018, compared with €157.2 million in the first half of 2017. The effective tax rate stood at 30.0% in the first six months of 2018 compared with 33.0% in the same period of 2017, reflecting mainly the reduction in corporate profit tax in the United States.

## 4.11 Profit for the period

Net profit rose 22.9% to €390.1 million in the first half of 2018, compared with €317.5 million in the first half of 2017.

This reflects:

- a €69.2 million rise in operating profit;
- a €2.2 million decline in net financial expenses;
- a €9.9 million rise in exchange result;
- a €1.4 million rise in the result of equity-accounted entities;

partially offset by:

- a €10.1 million rise in income tax expense.

## Note 5 - CASH FLOWS AND INDEBTEDNESS

### 5.1 Cash flows

The table below summarizes cash flows for the six-month periods ended June 30, 2018 and June 30, 2017:

<i>(in € millions)</i>	6 months ended	
	June 30, 2018	June 30, 2017
Net cash from operating activities	291.9	295.7
Net cash from investing activities*	(81.4)	(475.9)
Net cash from financing activities	(411.8)	(121.9)
Translation net change in cash and cash equivalents	2.5	(16.2)
<b>Increase (decrease) in cash and cash equivalents</b>	<b>(198.8)</b>	<b>(318.3)</b>
<i>* of which capital expenditure and capitalized development costs</i>	<i>(65.5)</i>	<i>(70.6)</i>

For more details on Legrand cash flows, see the consolidated statement of cash flow in the Group's consolidated financial statements presented in chapter 2 of this half-yearly financial report.

### 5.1.1 Net cash from operating activities

Net cash provided by operating activities stood at €291.9 million at June 30, 2018, compared with €295.7 million at June 30, 2017. This €3.8 million decrease was due primarily to changes in current operating assets and liabilities, which set cash used at €251.2 million in the first half of 2018 compared with €153.7 million in the same period of 2017, or €97.5 million more cash used. The decrease was partially offset by cash flow from operations (defined as net cash generated by operating activities, plus or minus changes in current operating assets and liabilities) which reached €543.1 million at June 30, 2018 compared with €449.4 million on June 30, 2017, representing €93.7 million more cash generated.

### 5.1.2 Net cash from investing activities

Net cash used in investing activities for the first half of 2018 amounted to €81.4 million, compared with €475.9 for first half of 2017. This decrease is mainly explained by a decrease in expenditure to acquire subsidiaries in the first half of 2018, which stood at €19.0 million compared to €410.9 million in the first half of 2017.

Capital expenditure and capitalized development costs amounted to €65.5 million for the first half of 2018 (including €18.0 million in capitalized development costs), or a 7.2% decline compared with investments and capitalized development costs of €70.6 million for the first half of 2017 (of which €17.7 million in capitalized development costs).

### 5.1.3 Net cash from financing activities

Net cash used by financing activities amounted to €411.8 million in the first half of 2018, including primarily the payment of dividends in an amount of €336.8 million and repayment of borrowings in an amount of €400.0 million, partially offset by the issuance of a new bond amounting to €400.0 million.

In the first half of 2017, net cash used in financing activities amounted to €121.9 million, including primarily the payment of dividends in an amount of €317.1 million and repayment of borrowings in an amount of €304.7 million, partially offset by a €483.9 million increase in short-term financing.

## 5.2 Debt

Gross debt (defined as the sum of long-term and short-term borrowings, including commercial paper and bank overdrafts) came to €3,018.1 million at June 30, 2018 compared to €3,042.5 million at December 31, 2017. Cash and cash equivalents and marketable securities stood at €624.2 million at June 30, 2018 compared to €823.0 million at December 31, 2017. Net debt (defined as gross debt less cash and cash equivalents and marketable securities) totaled €2,393.9 million at June 30, 2018, compared to €2,219.5 million at December 31, 2017.

The ratio of consolidated net debt to consolidated shareholders' equity was around 57% at June 30, 2018 compared with around 54% at December 31, 2017.

At June 30, 2018, the Group's gross debt consisted of the following:

- €2,500.0 million in bonds issued in April 2012, December 2015, July 2017, October 2017 and March 2018;
- €334.3 million in Yankee bonds; and
- €183.8 million in other debt, mainly commercial paper, bank borrowings, bank overdrafts and financial debt linked to acquisitions, less bond issuance expense.

## **Note 6 - RISKS AND UNCERTAINTIES**

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Readers should refer to chapter 3 and to Note 5.1.2 appended to the consolidated financial statements referred in chapter 8 of the Registration Document (*Document de référence*) filed with the French Autorité des Marchés Financiers (AMF) on April 6, 2018 under number D.18-0292, which discuss the main risk factors of a nature to adversely affect the group's position and risk management.

## **Note 7 - TRENDS AND PROSPECTS**

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Taking into account both its very good performance in the first half (partly benefiting from one-off items), but also an uncertain environment, Legrand fully confirms its targets for 2018:

- organic growth in sales of between +1% and +4%; and
- adjusted operating margin before acquisitions (at 2017 scope of consolidation) of between 20.0% and 20.5% of sales.

Legrand will also pursue its strategy of value-creating acquisitions.

**2 CONSOLIDATED FINANCIAL  
STATEMENTS AS OF JUNE 30, 2018**

LEGRAND  
HALF-YEAR CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2018

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## Consolidated key figures

<i>(in € millions)</i>	<b>1<sup>st</sup> half 2018</b>	<b>1<sup>st</sup> half 2017</b>
Net sales	2,986.8	2,671.6
Adjusted operating profit <sup>(1)</sup>	625.1	546.3
<i>As % of net sales</i>	20.9%	20.4%
	21.1% before acquisitions*	
Operating profit	589.4	520.2
<i>As % of net sales</i>	19.7%	19.5%
Net profit attributable to the Group	390.0	316.2
<i>As % of net sales</i>	13.1%	11.8%
Normalized <sup>(2)</sup> free cash flow <sup>(3)</sup>	467.7	373.3
<i>As % of net sales</i>	15.7%	14.0%
Free cash flow <sup>(3)</sup>	231.0	227.8
<i>As % of net sales</i>	7.7%	8.5%
Net financial debt at June 30 <sup>(4)</sup>	2,393.9	1,431.9

\*At 2017 scope of consolidation.

- (1) Adjusted operating profit is defined as operating profit adjusted for amortization and depreciation of revaluation of assets at the time of acquisitions and for other P&L impacts relating to acquisitions and, where applicable, for impairment of goodwill.
- (2) Normalized free cash flow is defined as the sum of net cash from operating activities - based on a working capital requirement representing 10% of the last 12 month's sales and whose change at constant scope of consolidation and exchange rates is adjusted for the period considered - and net proceeds of sales from fixed and financial assets, less capital expenditure and capitalized development costs.
- (3) Free cash flow is defined as the sum of net cash from operating activities and net proceeds from sales of fixed and financial assets, less capital expenditure and capitalized development costs.
- (4) Net financial debt is defined as the sum of short-term borrowings and long-term borrowings, less cash and cash equivalents and marketable securities.

The reconciliation of consolidated key figures with the financial statements is available in the appendices to the first-half 2018 results press release.

## Consolidated statement of income

<i>(in € millions)</i>	6 months ended	
	June 30, 2018	June 30, 2017
<b>Net sales (Notes 2.1 et 2.2)</b>	<b>2,986.8</b>	<b>2,671.6</b>
<b>Operating expenses (Note 2.3)</b>		
Cost of sales	(1,405.6)	(1,248.2)
Administrative and selling expenses	(809.4)	(736.9)
Research and development costs	(139.7)	(121.1)
Other operating income (expenses)	(42.7)	(45.2)
<b>Operating profit</b>	<b>589.4</b>	<b>520.2</b>
Financial expenses	(40.7)	(44.7)
Financial income	5.5	7.3
Exchange gains (losses)	3.3	(6.6)
Financial profit (loss)	(31.9)	(44.0)
<b>Profit before tax</b>	<b>557.5</b>	<b>476.2</b>
Income tax expense (Note 2.4)	(167.3)	(157.2)
<b>Share of profits (losses) of equity-accounted entities</b>	<b>(0.1)</b>	<b>(1.5)</b>
<b>Profit for the period</b>	<b>390.1</b>	<b>317.5</b>
<b>Of which:</b>		
- Net profit attributable to the Group	<b>390.0</b>	<b>316.2</b>
- Minority interests	<b>0.1</b>	<b>1.3</b>
Basic earnings per share ( <i>euros</i> ) (Note 4.1.3)	1.460	1.188
Diluted earnings per share ( <i>euros</i> ) (Note 4.1.3)	1.447	1.176

## Consolidated statement of comprehensive income

<i>(in € millions)</i>	6 months ended	
	June 30, 2018	June 30, 2017
Profit for the period	390.1	317.5
<i>Items that may be reclassified subsequently to profit or loss</i>		
Translation reserves	26.7	(144.5)
Income tax relating to components of other comprehensive income	4.2	(9.1)
<i>Items that will not be reclassified to profit or loss</i>		
Actuarial gains and losses (Note 4.5.1.1)	3.2	2.5
Deferred taxes on actuarial gains and losses	(0.7)	1.2
Other	0.0	0.0
<b>Comprehensive income for the period</b>	<b>423.5</b>	<b>167.6</b>
<b>Of which:</b>		
- Comprehensive income attributable to the Group	<b>423.4</b>	<b>166.4</b>
- Minority interests	<b>0.1</b>	<b>1.2</b>

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

## Consolidated balance sheet

<i>(in € millions)</i>	<b>June 30, 2018</b>	<b>December 31, 2017</b>
<b>ASSETS</b>		
<b>Non-current assets</b>		
Intangible assets (Note 3.1)	2,327.8	2,294.0
Goodwill (Note 3.2)	3,937.7	3,930.3
Property, plant and equipment (Note 3.3)	607.1	622.4
Investments in equity-accounted entities	16.4	15.5
Other investments	19.7	19.6
Other non-current assets	16.5	10.0
Deferred tax assets (Note 4.7)	106.6	104.0
<b>Total non-current assets</b>	<b>7,031.8</b>	<b>6,995.8</b>
<b>Current assets</b>		
Inventories (Note 3.4)	827.3	747.4
Trade receivables (Note 3.5)	793.3	624.9
Income tax receivables	61.9	48.0
Other current assets (Note 3.6)	194.6	184.1
Other current financial assets	2.8	1.1
Cash and cash equivalents (Note 3.7)	624.2	823.0
<b>Total current assets</b>	<b>2,504.1</b>	<b>2,428.5</b>
<b>Total assets</b>	<b>9,535.9</b>	<b>9,424.3</b>

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

<i>(in € millions)</i>	<b>June 30, 2018</b>	<b>December 31, 2017</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Share capital (Note 4.1)	1,069.4	1,067.2
Retained earnings (Notes 4.2 and 4.3.1)	3,681.7	3,644.6
Translation reserves (Note 4.3.2)	(546.5)	(573.2)
Equity attributable to the Group	4,204.6	4,138.6
Minority interests	1.4	9.5
<b>Total equity</b>	<b>4,206.0</b>	<b>4,148.1</b>
<b>Non-current liabilities</b>		
Long-term provisions (Notes 4.4 and 4.5.2)	133.1	148.6
Provisions for post-employment benefits (Note 4.5.1)	154.8	153.6
Long-term borrowings (Note 4.6.1)	2,880.5	2,457.1
Other non-current liabilities	0.1	0.0
Deferred tax liabilities (Note 4.7)	660.2	621.1
<b>Total non-current liabilities</b>	<b>3,828.7</b>	<b>3,380.4</b>
<b>Current liabilities</b>		
Trade payables	660.6	612.9
Income tax payables	44.9	37.7
Short-term provisions (Note 4.4)	77.2	75.3
Other current liabilities (Note 4.8)	580.5	583.7
Short-term borrowings (Note 4.6.2)	137.6	585.4
Other current financial liabilities	0.4	0.8
<b>Total current liabilities</b>	<b>1,501.2</b>	<b>1,895.8</b>
<b>Total equity and liabilities</b>	<b>9,535.9</b>	<b>9,424.3</b>

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

## Consolidated statement of cash flows

<i>(in € millions)</i>	6 months ended	
	June 30, 2018	June 30, 2017
<b>Profit for the period</b>	<b>390.1</b>	<b>317.5</b>
Adjustments for non-cash movements in assets and liabilities:		
– Depreciation and impairment of tangible assets (Note 2.3)	48.9	47.7
– Amortization and impairment of intangible assets (Note 2.3)	38.6	25.2
– Amortization and impairment of capitalized development costs (Note 2.3)	15.3	15.8
– Amortization of financial expenses	1.2	0.7
– Impairment of goodwill (Note 3.2)	0.0	0.0
– Changes in long-term deferred taxes	28.5	9.9
– Changes in other non-current assets and liabilities (Notes 4.4 and 4.5)	18.1	18.3
– Unrealized exchange (gains)/losses	1.8	13.8
– Share of (profits) losses of equity-accounted entities	0.1	1.5
– Other adjustments	0.3	(0.2)
– Net (gains)/losses on sales of assets	0.2	(0.8)
Changes in working capital requirement:		
– Inventories (Note 3.4)	(86.3)	(61.0)
– Trade receivables (Note 3.5)	(171.3)	(114.7)
– Trade payables	49.4	44.9
– Other operating assets and liabilities (Notes 3.6 and 4.8)	(43.0)	(22.9)
<b>Net cash from operating activities</b>	<b>291.9</b>	<b>295.7</b>
– Net proceeds from sales of fixed and financial assets	4.6	2.7
– Capital expenditure (Notes 3.1 and 3.3)	(47.5)	(52.9)
– Capitalized development costs	(18.0)	(17.7)
– Changes in non-current financial assets and liabilities	(1.5)	2.9
– Acquisitions of subsidiaries, net of cash acquired (Note 1.3.2)	(19.0)	(410.9)
<b>Net cash from investing activities</b>	<b>(81.4)</b>	<b>(475.9)</b>
– Proceeds from issues of share capital and premium (Note 4.1.1)	10.8	12.8
– Net sales (buybacks) of treasury shares and transactions under the liquidity contract (Note 4.1.2)	(37.8)	0.5
– Dividends paid to equity holders of Legrand (Note 4.1.3)	(336.8)	(317.1)
– Dividends paid by Legrand subsidiaries	(0.1)	(0.1)
– Proceeds from long term financing (Note 4.6)	404.7	2.8
– Repayment of long term financing (Note 4.6)	(400.0)	(304.7)
– Debt issuance costs	(3.7)	0.0
– Net sales (buybacks) of marketable securities	0.0	0.0
– Increase (reduction) in short term financing (Note 4.6)	(15.0)	483.9
– Acquisitions of ownership interests with no gain of control (Note 1.3.2)	(33.9)	0.0
<b>Net cash from financing activities</b>	<b>(411.8)</b>	<b>(121.9)</b>
Translation net change in cash and cash equivalents	2.5	(16.2)
<b>Increase (decrease) in cash and cash equivalents</b>	<b>(198.8)</b>	<b>(318.3)</b>
Cash and cash equivalents at the beginning of the period	823.0	940.1
<b>Cash and cash equivalents at the end of the period (Note 3.7)</b>	<b>624.2</b>	<b>621.8</b>
Items included in cash flows:		
– Interest paid* during the period	44.7	65.6
– Income taxes paid during the period	130.4	117.8

\*Interest paid is included in the net cash from operating activities.

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

## Consolidated statement of changes in equity

<i>(in € millions)</i>	Equity attributable to the Group						Minority interests	Total equity
	Share capital	Retained earnings	Translation reserves	Actuarial gains and losses*	Total			
<b>As of December 31, 2016</b>	<b>1,069.3</b>	<b>3,292.4</b>	<b>(240.0)</b>	<b>(64.6)</b>	<b>4,057.1</b>	<b>9.3</b>	<b>4,066.4</b>	
Profit for the period		316.2			316.2	1.3	317.5	
Other comprehensive income		(9.1)	(144.4)	3.7	(149.8)	(0.1)	(149.9)	
Total comprehensive income		307.1	(144.4)	3.7	166.4	1.2	167.6	
Dividends paid		(317.1)			(317.1)	(0.1)	(317.2)	
Issues of share capital and premium	2.3	10.5			12.8		12.8	
Cancellation of shares held in treasury	(5.2)	(57.4)			(62.6)		(62.6)	
Net sales (buybacks) of treasury shares and transactions under the liquidity contract		63.1			63.1		63.1	
Change in scope of consolidation**		2.1			2.1		2.1	
Current taxes on share buybacks		(0.3)			(0.3)		(0.3)	
Share-based payments		5.6			5.6		5.6	
<b>As of June 30, 2017</b>	<b>1,066.4</b>	<b>3,306.0</b>	<b>(384.4)</b>	<b>(60.9)</b>	<b>3,927.1</b>	<b>10.4</b>	<b>3,937.5</b>	
Profit for the period		395.0			395.0	0.7	395.7	
Other comprehensive income		(7.1)	(188.8)	(1.2)	(197.1)	(0.2)	(197.3)	
Total comprehensive income		387.9	(188.8)	(1.2)	197.9	0.5	198.4	
Dividends paid		0.0			0.0	(1.4)	(1.4)	
Issues of share capital and premium	0.8	3.3			4.1		4.1	
Cancellation of shares held in treasury	0.0	0.0			0.0		0.0	
Net sales (buybacks) of treasury shares and transactions under the liquidity contract		1.3			1.3		1.3	
Change in scope of consolidation**		0.8			0.8		0.8	
Current taxes on share buybacks		(0.1)			(0.1)		(0.1)	
Share-based payments		7.5			7.5		7.5	
<b>As of December 31, 2017</b>	<b>1,067.2</b>	<b>3,706.7</b>	<b>(573.2)</b>	<b>(62.1)</b>	<b>4,138.6</b>	<b>9.5</b>	<b>4,148.1</b>	
Profit for the period		390.0			390.0	0.1	390.1	
Other comprehensive income		4.2	26.7	2.5	33.4	0.0	33.4	
Total comprehensive income		394.2	26.7	2.5	423.4	0.1	423.5	
Dividends paid		(336.8)			(336.8)	(0.1)	(336.9)	
Issues of share capital and premium (Note 4.1.1)	2.2	8.6			10.8		10.8	
Cancellation of shares held in treasury (Note 4.1.1)	0.0	0.0			0.0		0.0	
Net sales (buybacks) of treasury shares and transactions under the liquidity contract (Note 4.1.2)		(37.8)			(37.8)		(37.8)	
Change in scope of consolidation**		(4.4)			(4.4)	(8.1)	(12.5)	
Current taxes on share buybacks		(0.1)			(0.1)		(0.1)	
Share-based payments (Note 4.2)		10.9			10.9		10.9	
<b>As of June 30, 2018</b>	<b>1,069.4</b>	<b>3,741.3</b>	<b>(546.5)</b>	<b>(59.6)</b>	<b>4,204.6</b>	<b>1.4</b>	<b>4,206.0</b>	

\* Net of deferred taxes.

\*\* Corresponds mainly to acquisitions of additional shares in companies already consolidated and to puts on minority interests.

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

## Notes to the consolidated financial statements

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## Note 1 - Basis of preparation of the consolidated financial statements

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### 1.1 General information

Legrand (“the Company”) along with its subsidiaries (together “Legrand” or “the Group”) is the global specialist in electrical and digital building infrastructures.

The Group has manufacturing and/or distribution subsidiaries and offices in close to 90 countries, and sells its products in close to 180 countries.

The Company is a French société anonyme incorporated and domiciled in France. Its registered office is located at 128, avenue du Maréchal de Lattre de Tassigny – 87000 Limoges (France).

The consolidated financial statements were approved by the Board of Directors on July 30, 2018.

They should be read in conjunction with the consolidated financial statements for the year ended December 31, 2017 as set out in the Registration Document filed with the AMF on April 6, 2018 under no. D.18-0292.

All amounts are presented in millions of euros unless otherwise specified. Some totals may include rounding differences.

### 1.2 Accounting policies

As a company incorporated in France, Legrand is governed by French company laws, including the provisions of the Code de commerce (French Commercial Code).

The consolidated financial statements cover the 6 months ended June 30, 2018. They have been prepared in accordance with the International Financial Reporting Standards (IFRS), including IAS 34 – Interim Financial Reporting, and IFRS Interpretations Committee interpretations adopted by the European Union and applicable or authorized for early adoption from January 1, 2018.

None of the IFRS issued by the International Accounting Standards Board (IASB) that have not been adopted for use in the European Union are applicable to the Group.

The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company’s accounting policies.

The areas involving a specific degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 1.2.3.

The consolidated financial statements have been prepared using the historical cost convention, except for some classes of assets and liabilities in accordance with IFRS. The classes concerned are mentioned in Note 5.1.1.2.

## 1.2.1 New standards, amendments and interpretations that may impact the Group's financial statements

### 1.2.1.1 New standards, amendments and interpretations with mandatory application from January 1, 2018 that have an impact on the Group's 2018 financial statements

#### ***IFRS 15 – Revenue from Contracts with Customers***

In May 2014, the IASB issued IFRS 15 – Revenue from Contracts with Customers, which replaces IAS 18 – Revenue and IAS 11 – Construction Contracts.

IFRS 15 sets out the requirements for recognizing revenue arising from all contracts with customers (except for contracts that fall within the scope of other standards). In addition, the standard requires the reporting entity to disclose certain contract information, particularly in the case of contracts that are expected to extend beyond one year, and to describe the assumptions used by the entity to calculate the revenue amounts to be reported.

#### ***Amendments to IFRS 15 – Revenue from Contracts with Customers***

In April 2016, the IASB issued amendments to IFRS 15 – Revenue from Contracts with Customers.

These amendments clarify in particular the concept of performance obligations that are not considered "distinct within the context of the contract". Revenue resulting from such performance obligations is to be recognized as a single performance obligation.

The application of IFRS 15 and its amendments had no material impact on the Group's financial statements as of January 1, 2018.

### 1.2.1.2 New standards, amendments and interpretations with mandatory application from January 1, 2018 that have no impact on the Group's 2018 financial statements

#### ***IFRS 9 – Financial Instruments***

In July 2014, the IASB published the complete version of IFRS 9 – Financial Instruments, which replaces most of the guidance in IAS 39 – Financial Instruments: Recognition and Measurement.

The complete standard covers three main topics: classification and measurement, impairment and hedge accounting.

IFRS 9 introduces a single model for determining whether financial assets should be measured at amortized cost or at fair value. This model supersedes the various models set out in IAS 39. The IFRS 9 model is dependent on the entity's business model objective for managing financial assets and the contractual cash flow characteristics of the financial assets. As under IAS 39, all financial liabilities are eligible for measurement at amortized cost, except for financial liabilities held for trading, which must be measured at fair value through profit or loss.

In addition, IFRS 9 introduces a single impairment model that supersedes the various models set out in IAS 39 and also includes a simplified approach for financial assets that fall within the scope of IFRS 15 – Revenue from Contracts with Customers. This model is based in particular on the notion of expected credit losses, which applies regardless of the financial assets' credit quality.

Lastly, whereas most of the IAS 39 hedge accounting rules still apply, IFRS 9 allows more types of hedge relationships to qualify for hedge accounting, in addition to derivatives.

In October 2017, the IASB issued an amendment to IFRS 9 clarifying the accounting for the modification of financial liabilities. The amendment provides that modifications of financial liabilities that do not result in derecognition give rise to an adjustment to the amortized cost of the financial liability on the date of modification. The adjustment must be recognized in full in the income statement.

#### ***Amendment to IFRS 2 – Share-based Payment***

In June 2016, the IASB issued an amendment to IFRS 2 – Share-based Payment.

This amendment specifies in particular that, for cash-settled share-based payment plans, non-market performance conditions and service conditions must impact the number of granted shares expected to vest but not their fair value.

In addition, the amendment outlines that, for equity-settled share-based payment plans, the IFRS 2 charge recognized in equity does not have to be reduced by any withholding tax to be paid by the entity to tax authorities on behalf of beneficiaries.

#### 1.2.1.3 New standards, amendments and interpretations adopted by the European Union not applicable to the Group until future periods

#### ***IFRS 16 – Leases***

In January 2016, the IASB issued IFRS 16 – Leases, which supersedes IAS 17.

IFRS 16 provides a single lessee accounting model for the majority of leases with a term of more than 12 months. This model requires the lessee to recognize a right-of-use asset and a financial liability in the balance sheet when a lease contract conveys the right to control the use of an identified asset. In addition, the standard requires the lessee to recognize the lease expense partly as a depreciation charge within operating expenses and partly as an interest expense within financial expenses.

This standard, which has not yet been adopted by the European Union, should be effective for annual periods beginning on or after January 1, 2019.

The Group reviewed the standard to determine its possible impacts on the consolidated financial statements and related disclosures. A new Group-wide process for monitoring and accounting for leases is being implemented.

#### 1.2.1.4 New standards, amendments and interpretations not yet adopted by the European Union not applicable to the Group until future periods

#### ***Amendments to IAS 19 – Employee benefits***

In February 2018, the IASB issued limited amendments to IAS 19 – Employee benefits.

These amendments specify that, in case of amendment, curtailment or settlement of a defined benefit pension plan, the entity must use the updated actuarial assumptions to determine the service cost and the net interest cost for the period following the plan amendment.

They also specify that the impact of such cases on any plan surpluses must be accounted for in the income statement even if these surpluses were not previously recognized.

These amendments, which have not yet been adopted by the European Union, should be effective for annual periods beginning on or after January 1, 2019.

The Group reviewed these amendments, to determine their possible impact on the consolidated financial statements and related disclosures. These amendments should have no material impact on the Group.

### 1.2.2 Basis of consolidation

Subsidiaries are consolidated if they are controlled by the Group.

The Group has exclusive control over an entity when it has power over the entity, i.e., it has substantive rights to govern the entity's key operations, is exposed to variable returns from its involvement with the entity, and has the ability to affect those returns.

Such subsidiaries are fully consolidated from the date when effective control is transferred to the Group. They are deconsolidated from the date on which control ceases.

Any entity over which the Group has:

- significant influence (a situation that occurs when the Group holds more than 20% of the voting rights without providing it with substantive rights to govern the entity's key operations);
- joint-control (a situation where the Group's participation gives it substantive rights to govern the entity's key operations jointly with a partner but does not provide exclusive control to the Group);

is consolidated using the equity method.

Such subsidiaries are initially recognized at acquisition cost and consolidated from the date when effective control is transferred to the Group. They are deconsolidated from the date on which control ceases.

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.

### 1.2.3 Use of judgments and estimates

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that are reflected in the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

Estimates and judgments are continually evaluated. They are based on historical experience and other factors, including expectations of future events, and are believed to be reasonable under the circumstances.

#### 1.2.3.1 Impairment of goodwill and intangible assets

Trademarks with indefinite useful lives and goodwill are tested for impairment at least once a year and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

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.

Future events could cause the Group to conclude that evidence exists that certain intangible assets acquired in a business combination are impaired. Any resulting impairment loss could have a material adverse effect on the Group's consolidated financial statements and in particular on the Group's operating profit.

Discounted cash flow estimates (used for impairment tests on goodwill and trademarks with indefinite useful lives) are based on management's estimates of key assumptions, especially discount rates, long term growth and profitability rates and royalty rates for trademarks with indefinite useful lives.

#### 1.2.3.2 Accounting for income taxes

As part of the process of preparing the consolidated financial statements, the Group is required to estimate income taxes in each of the jurisdictions in which it operates. This involves estimating the actual current tax exposure and assessing temporary differences resulting from differing treatment of items such as deferred revenue or prepaid expenses for tax and accounting purposes. These differences result in deferred tax assets and liabilities, which are reported in the consolidated balance sheet.

The Group must then assess the probability that deferred tax assets will be recovered from future taxable profit. Deferred tax assets are recognized only when it is probable that sufficient taxable profit will be available, based on management-approved taxable profit forecasts.

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 management's estimates of future taxable profit by jurisdiction in which the Group operates and the period over which the deferred tax assets are recoverable.

#### 1.2.3.3 Other assets and liabilities based on estimates

Other assets and liabilities based on estimates include provisions for pensions and other post-employment benefits, impairment of trade receivables, inventories and financial assets, share-based payments, provisions for contingencies and charges, capitalized development costs, and any annual volume rebates offered to customers.

## 1.3 Scope of consolidation

### 1.3.1 List of main consolidated companies

The consolidated financial statements comprise the financial statements of Legrand and its 195 subsidiaries.

The main consolidated operating subsidiaries are reported in Note 1.3.1 to the consolidated financial statements as of December 31, 2017. Changes in the scope of consolidation in first-half 2018 are presented below in Note 1.3.2.

### 1.3.2 Changes in the scope of consolidation

The contributions to the Group's consolidated financial statements of companies acquired since January 1, 2017 were as follows:

<b>2017</b>	<b>March 31</b>	<b>June 30</b>	<b>September 30</b>	<b>December 31</b>
<b>Full consolidation method</b>				
OCL	Balance sheet only	5 months' profit	8 months' profit	11 months' profit
AFCO Systems		Balance sheet only	5 months' profit	8 months' profit
Finelite		Balance sheet only	4 months' profit	7 months' profit
Milestone			Balance sheet only	5 months' profit
Server Technology				Balance sheet only
<b>Equity method</b>				
Borri		Balance sheet only	Balance sheet only	8 months' profit

<b>2018</b>	<b>March 31</b>	<b>June 30</b>
<b>Full consolidation method</b>		
OCL	3 months' profit	6 months' profit
AFCO Systems	3 months' profit	6 months' profit
Finelite	3 months' profit	6 months' profit
Milestone	3 months' profit	6 months' profit
Server Technology	3 months' profit	6 months' profit
Modulan	Balance sheet only	Balance sheet only
GemNet		Balance sheet only
<b>Equity method</b>		
Borri	3 months' profit	6 months' profit

The main acquisitions carried out in first-half 2018 were as follows:

- the Group acquired Modulan, specialized in custom-made cabinet systems for data center in Germany. The Group acquired 65% with an option to take full control from January 2021. Modulan reports annual sales of about €8 million;
- the Group acquired GemNet, a UPS specialist in United Arab Emirates. GemNet has annual sales of approximately €4 million.

In all, acquisitions of subsidiaries (net of cash acquired) came to a total of €19.0 million in first-half 2018 (plus €33.9 million for acquisitions of ownership interests without gain of control), versus €410.9 million in first-half 2017 (plus €0.0 million for acquisitions of ownership interests without gain of control).

## Note 2 - Half-year results

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### 2.1 Segment information

In accordance with IFRS 8, operating segments are determined based on the reporting made available to the chief operating decision maker of the Group and to the Group's management.

Given that Legrand activities are carried out locally, the Group is organized for management purposes by countries or groups of countries which are allocated for internal reporting purposes into five operating segments:

- France;
- Italy;
- Rest of Europe, mainly including Benelux, Germany, Iberia (including Portugal and Spain), Poland, Russia, Turkey, and the United Kingdom;
- North and Central America, including Canada, Mexico, the United States, and Central American countries; and
- Rest of the world, mainly including Australia, China, India, Saudi Arabia and South America (including particularly Brazil, Chile and Colombia).

These operating segments are allocated in three geographical segments: Europe, North and Central America, and Rest of the world, each being under the responsibility of a segment manager who is directly accountable to the chief operating decision maker of the Group.

The economic models of subsidiaries within these segments are quite similar. Indeed, their sales are made up of electrical and digital building infrastructure products in particular to electrical installers mainly through third-party distributors.

6 months ended June 30, 2018

<i>(in € millions)</i>	Europe			North and Central America	Rest of the world	Total
	France	Italy	Rest of Europe			
<b>Net sales to third parties</b>	<b>532.3</b>	<b>316.4</b>	<b>501.1</b>	<b>1,069.8</b>	<b>567.2</b>	<b>2,986.8</b>
Cost of sales	(197.6)	(103.8)	(277.6)	(513.3)	(313.3)	(1,405.6)
Administrative and selling expenses, R&D costs	(215.1)	(87.9)	(123.8)	(368.9)	(153.4)	(949.1)
Other operating income (expenses)	(9.7)	(2.5)	(5.3)	(9.7)	(15.5)	(42.7)
<b>Operating profit</b>	<b>109.9</b>	<b>122.2</b>	<b>94.4</b>	<b>177.9</b>	<b>85.0</b>	<b>589.4</b>
- of which acquisition-related amortization, expenses and income						
• accounted for in administrative and selling expenses, R&D costs	0.3	(0.2)	(3.0)	(25.5)	(5.1)	(33.5)
• accounted for in other operating income (expenses)	0.0	0.0	(2.2)	0.0	0.0	(2.2)
- of which goodwill impairment						0.0
<b>Adjusted operating profit</b>	<b>109.6</b>	<b>122.4</b>	<b>99.6</b>	<b>203.4</b>	<b>90.1</b>	<b>625.1</b>
- of which depreciation expense	(13.3)	(8.8)	(7.3)	(8.8)	(11.9)	(50.1)
- of which amortization expense	(1.7)	(1.9)	(0.4)	(1.4)	(0.4)	(5.8)
- of which amortization of development costs	(9.4)	(4.6)	(0.9)	0.0	(0.4)	(15.3)
- of which restructuring costs	(1.4)	(0.3)	(0.9)	(0.1)	(1.4)	(4.1)
Capital expenditure	(15.6)	(9.0)	(8.6)	(6.7)	(7.6)	(47.5)
Capitalized development costs	(11.1)	(4.6)	(1.3)	0.0	(1.0)	(18.0)
Net tangible assets	180.8	118.1	86.4	101.2	120.6	607.1
Total current assets	427.4	186.4	504.8	636.9	748.6	2,504.1
Total current liabilities	462.4	226.6	161.7	280.8	370.3	1,501.8

6 months ended June 30, 2017

<i>(in € millions)</i>	Europe			North and	Rest	Total
	France	Italy	Rest of Europe	Central America	of the world	
<b>Net sales to third parties</b>	<b>518.2</b>	<b>297.2</b>	<b>457.4</b>	<b>805.7</b>	<b>593.1</b>	<b>2,671.6</b>
Cost of sales	(191.7)	(100.2)	(256.1)	(373.3)	(326.9)	(1,248.2)
Administrative and selling expenses, R&D costs	(209.8)	(82.2)	(116.1)	(286.7)	(163.2)	(858.0)
Other operating income (expenses)	(10.0)	(2.1)	(6.1)	(10.2)	(16.8)	(45.2)
<b>Operating profit</b>	<b>106.7</b>	<b>112.7</b>	<b>79.1</b>	<b>135.5</b>	<b>86.2</b>	<b>520.2</b>
- of which acquisition-related amortization, expenses and income						
• accounted for in administrative and selling expenses, R&D costs	(2.4)	(0.1)	(2.1)	(15.2)	(6.3)	(26.1)
• accounted for in other operating income (expenses)						0.0
- of which goodwill impairment						0.0
<b>Adjusted operating profit</b>	<b>109.1</b>	<b>112.8</b>	<b>81.2</b>	<b>150.7</b>	<b>92.5</b>	<b>546.3</b>
- of which depreciation expense	(13.1)	(8.5)	(7.4)	(6.3)	(12.1)	(47.4)
- of which amortization expense	(1.4)	(1.8)	(0.3)	(1.2)	(0.5)	(5.2)
- of which amortization of development costs	(10.9)	(3.8)	(0.7)	0.0	(0.4)	(15.8)
- of which restructuring costs	(3.7)	(0.2)	(0.1)	(0.1)	(1.3)	(5.4)
Capital expenditure	(14.9)	(8.1)	(11.0)	(11.2)	(7.7)	(52.9)
Capitalized development costs	(10.9)	(4.2)	(1.2)	0.0	(1.4)	(17.7)
Net tangible assets	173.6	114.3	87.3	78.5	127.9	581.6
Total current assets	544.9	173.1	355.1	406.9	686.5	2,166.5
Total current liabilities	1,262.2	214.0	160.6	195.8	339.3	2,171.9

## 2.2 Net sales

The Group derived the large majority of its revenue from product sales to generalist and specialist distributors. The two largest distributors accounted for close to 20% of consolidated net sales in 2017. The Group estimates that no other distributor accounted for more than 5% of consolidated net sales.

Contracts with distributors are signed for a one-year period. As a general rule, there is only one performance obligation in these contracts, which is to sell and deliver products to the customer (sale and delivery are not distinct performance obligations within the context of the contract).

Net sales are generally recognized at one point in time, corresponding to the date on which the control of the asset (products or, more rarely, services) is transferred to the customer, usually the date of shipment in the case of product sales. In the specific case of service sales where the customer consumes the service benefits over the period in which they are provided, net sales are recognized over time, i.e. spread over the period in which the services are provided to the customer.

Contracts with customers generally include variable payments in their favor, primarily deferred discounts and rebates, and occasionally commercial returns. These variable payments to customers are estimated at their most likely amount and accounted for when net sales are recognized, so that they will not subsequently generate any significant adverse adjustments. By default, variable payments to customers are accounted for as a deduction from net sales. Only payments made to customers in exchange for the transfer of products or services by these customers are accounted for as selling expenses, for the portion of these payments corresponding to the transferred products or services fair value.

In first-half 2018, the Group's consolidated net sales came to € 2,986.8 million, up +11.8% in total compared with first-half 2017 due to organic growth (+5.2%), changes in scope of consolidation (+13.6%) and the unfavorable impact of exchange rates (-6.5%).

The Group sells its products in mature countries as well as many new economies (Eastern Europe and Turkey in the Rest of Europe segment, Central America in the North and Central America segment, Asia excluding Australia and South Korea, Latin America, Africa and the Middle East in the Rest of the world segment).

Net sales in these two geographical areas are as follows:

<i>(in € millions)</i>	6 months ended	
	June 30, 2018	June 30, 2017
Mature countries	2,151.1	1,832.2
New economies	835.7	839.4
<b>Total</b>	<b>2,986.8</b>	<b>2,671.6</b>

## 2.3 Operating expenses

Operating expenses include the following main categories of costs:

<i>(in € millions)</i>	6 months ended	
	June 30, 2018	June 30, 2017
Raw materials and component costs	(958.1)	(842.2)
Personnel costs	(763.0)	(705.4)
Other external costs	(532.0)	(469.9)
Depreciation and impairment of tangible assets	(48.9)	(47.7)
Amortization and impairment of intangible assets	(53.9)	(41.0)
Restructuring costs	(4.1)	(5.4)
Goodwill impairment	0.0	0.0
Other	(37.4)	(39.8)
<b>Operating expenses</b>	<b>(2,397.4)</b>	<b>(2,151.4)</b>

“Other” primarily includes impairment losses and reversals on inventories (Note 3.4), trade receivables (Note 3.5), and provisions for contingencies (Note 4.4).

The Group had an average of 37,652 employees in first-half 2018 (versus 35,836 in first-half 2017), of which 30,314 back-office employees and 7,338 front-office employees (versus 28,847 and 6,989, respectively, in first-half 2017).

## 2.4 Income tax expense

Income tax expense consists of the following:

<i>(in € millions)</i>	6 months ended	
	June 30, 2018	June 30, 2017
Current taxes:		
France	(27.9)	(33.5)
Outside France	(114.0)	(120.5)
<b>Total</b>	<b>(141.9)</b>	<b>(154.0)</b>
Deferred taxes:		
France	(2.8)	1.6
Outside France	(22.6)	(4.8)
<b>Total</b>	<b>(25.4)</b>	<b>(3.2)</b>
Total income tax expense:		
France	(30.7)	(31.9)
Outside France	(136.6)	(125.3)
<b>Total</b>	<b>(167.3)</b>	<b>(157.2)</b>

The reconciliation of total income tax expense for the period to income tax calculated at the standard tax rate in France is as follows, based on profit before tax of €557.5 million in first-half 2018 (versus €476.2 million in first-half 2017):

<i>(Tax rate)</i>	6 months ended	
	June 30, 2018	June 30, 2017
<b>Standard French income tax rate</b>	<b>34.43%</b>	<b>34.43%</b>
Increases (reductions):		
- Effect of foreign income tax rates	(9.20%)	(5.82%)
- Non-taxable items	1.33%	0.68%
- Income taxable at specific rates	0.09%	(0.10%)
- Other	4.04%	4.39%
	<b>30.69%</b>	<b>33.58%</b>
Impact on deferred taxes of:		
- Changes in tax rates	0.04%	0.02%
- Recognition or non-recognition of deferred tax assets	(0.73%)	(0.60%)
<b>Effective tax rate</b>	<b>30.00%</b>	<b>33.00%</b>

## Note 3 - Details on non-current and current assets

### 3.1 Intangible assets

<i>(in € millions)</i>	<b>June 30, 2018</b>	<b>December 31, 2017</b>
Trademarks	1,830.9	1,810.3
Patents	96.4	81.7
Other intangible assets	400.5	402.0
<b>Net value at the end of the period</b>	<b>2,327.8</b>	<b>2,294.0</b>

#### 3.1.1 Trademarks with indefinite and finite useful lives

The Legrand and Bticino brands represent close to 98% of the total value of trademarks with indefinite useful lives. These trademarks with indefinite useful lives are used internationally, and therefore contribute to all of the Group's cash-generating units.

They should contribute indefinitely to future consolidated cash flows because management plans to continue using them indefinitely. The Group performs periodical reviews of these trademarks' useful lives.

Trademarks with finite useful lives are amortized over their estimated useful lives ranging:

- from 10 years when management plans to gradually replace them by other major trademarks owned by the Group;
- to 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 trademarks is recognized in the income statement under administrative and selling expenses.

Trademarks can be analyzed as follows:

<i>(in € millions)</i>	<b>June 30, 2018</b>	<b>December 31, 2017</b>
Gross value at the end of the period	2,083.4	2,042.4
Accumulated amortization and impairment at the end of the period	(252.5)	(232.1)
<b>Net value at the end of the period</b>	<b>1,830.9</b>	<b>1,810.3</b>

To date, no material impairment has been recognized for these trademarks.

Each trademark with an indefinite useful life is tested for impairment separately, in the fourth quarter of each year and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Impairment tests are performed using the relief from royalty method. This method consists of measuring the royalties that the company would have to pay to license the trademark from a third party. The theoretical value of

these royalties is then measured by estimating future revenue generated by the trademark over its useful life, as if the trademark were owned by a third party.

There was no evidence of events or changes in circumstances requiring the recognition of impairment losses in first-half 2018.

The following impairment testing parameters were used in the period ended December 31, 2017:

<i>(in € millions)</i>	<b>Recoverable amount</b>	<b>Carrying amount of trademarks with indefinite useful lives</b>	<b>Value in use</b>	
			<b>Discount rate (before tax)</b>	<b>Growth rate to perpetuity</b>
	Value in use	1,408.0	9.5 to 10.3%	2.9 to 3.1%

No impairment was recognized in the period ended December 31, 2017.

### 3.1.2 Patents

Patents can be analyzed as follows:

<i>(in € millions)</i>	<b>June 30, 2018</b>	<b>December 31, 2017</b>
Gross value at the end of the period	694.5	672.9
Accumulated amortization and impairment at the end of the period	(598.1)	(591.2)
<b>Net value at the end of the period</b>	<b>96.4</b>	<b>81.7</b>

To date, no impairment has been recognized for these patents.

### 3.1.3 Other intangible assets

Other intangible assets are recognized at cost less accumulated amortization and impairment. They include in particular:

- costs incurred for development projects (relating to the design and testing of new or improved products). They are amortized from the date of sale of the product on a straight-line basis over the period in which the asset's future economic benefits are consumed, not exceeding 10 years. Costs incurred for projects that do not meet the IAS 38 definition of an intangible asset are recorded in research and development costs for the year in which they are incurred;
- software, which is generally purchased from an external supplier and amortized over 3 years;
- customer relationships acquired in business combinations. Corresponding to contractual relationships with key customers, they are measured using the discounted cash flow method and are amortized over a period ranging from 3 to 20 years.

Other intangible assets can be analyzed as follows:

<i>(in € millions)</i>	<b>June 30, 2018</b>	<b>December 31, 2017</b>
Capitalized development costs	369.9	353.0
Software	132.9	129.3
Other	361.4	353.0
<b>Gross value at the end of the period</b>	<b>864.2</b>	<b>835.3</b>
Accumulated amortization and impairment at the end of the period	(463.7)	(433.3)
<b>Net value at the end of the period</b>	<b>400.5</b>	<b>402.0</b>

To date, no material impairment has been recognized for these items.

### 3.2 Goodwill

To determine the goodwill for each business combination, the Group applies the partial goodwill method whereby goodwill is calculated as the difference between the consideration paid to acquire the business combination and the portion of the acquisition date fair value of the identifiable net assets acquired and liabilities assumed that is attributable to the Group.

Under this method no goodwill is allocated to minority interests. Changes in the percentage of interest held in a controlled entity are recorded directly in equity without recognizing any additional goodwill.

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

Within the Legrand Group, the level at which goodwill is measured (cash-generating units) corresponds to individual countries or to groups of countries, when they either have similar market characteristics or are managed as a single unit.

Value in use is estimated based on discounted cash flows for the next five years and a terminal value calculated from the final year of the projection period. The cash flow data used for the calculation is taken from the most recent medium-term business plans approved by Group management. Business plan projections are based on the latest available external forecasts of trends in the Group's markets. Cash flows beyond the projection period of five years are estimated by applying a growth rate to perpetuity.

The discount rates applied derive from the capital asset pricing model. They are calculated for each individual country, based on financial market and/or valuation services firm data (average data over the last three years). The cost of debt used in the calculations is the same for all individual countries (being equal to the Group's cost of debt).

Goodwill can be analyzed as follows:

<i>(in € millions)</i>	<b>June 30, 2018</b>	<b>December 31, 2017</b>
France	688.0	688.0
Italy	381.5	381.5
Rest of Europe	333.8	327.2
North and Central America	1,925.3	1,911.6
Rest of the world	609.1	622.0
<b>Net value at the end of the period</b>	<b>3,937.7</b>	<b>3,930.3</b>

France, Italy and North and Central America are each considered to be a single cash-generating unit (CGU), whereas both Rest of Europe and Rest of the world operating segments include several CGUs.

In the Rest of Europe and Rest of the world operating segments, no final amount of goodwill allocated to a CGU represents more than 10% of total goodwill. Within these two operating segments, China, India and South America are the largest CGUs.

Changes in goodwill can be analyzed as follows:

<i>(in € millions)</i>	<b>June 30, 2018</b>	<b>December 31, 2017</b>
Gross value at the beginning of the period	3,967.8	3,159.9
- Acquisitions	17.4	1,510.6
- Adjustments	(40.1)	(486.0)
- Translation adjustments	29.7	(216.7)
<b>Gross value at the end of the period</b>	<b>3,974.8</b>	<b>3,967.8</b>
Impairment value at the beginning of the period	(37.5)	(38.0)
- Impairment losses	0.0	0.0
- Translation adjustments	0.4	0.5
<b>Impairment value at the end of the period</b>	<b>(37.1)</b>	<b>(37.5)</b>
<b>Net value at the end of the period</b>	<b>3,937.7</b>	<b>3,930.3</b>

Adjustments correspond to the difference between provisional and final goodwill.

Excluding translation adjustments, Milestone provisional goodwill (see Note 3.2 to the consolidated financial statements for the twelve months ended December 31, 2017) did not change significantly between December 31, 2017 and June 30, 2018.

Acquisition price allocations, which are performed within one year of each business combination, are as follows (excluding inventory step-up):

<i>(in € millions)</i>	6 months ended	12 months ended
	June 30, 2018	December 31, 2017
- Trademarks	32.5	184.3
- Deferred taxes on trademarks	(6.9)	(22.4)
- Patents	17.3	67.1
- Deferred taxes on patents	(3.6)	(6.2)
- Other intangible assets	0.0	266.5
- Deferred taxes on other intangible assets	0.0	(18.9)
- Tangible assets	0.0	0.0
- Deferred taxes on tangible assets	0.0	0.0

There was no evidence of events or changes in circumstances requiring the recognition of impairment losses in first-half 2018.

The following impairment testing parameters were used in the period ended December 31, 2017:

<i>(in € millions)</i>	Recoverable amount	Carrying amount of goodwill	Value in use	
			Discount rate (before tax)	Growth rate to perpetuity
France		688.0	8.4%	2.0%
Italy		381.5	9.1%	2.0%
Rest of Europe	Value in use	327.2	7.8 to 19.7%	2.0 to 5.0%
North and Central America		1,911.6	10.3%	3.2%
Rest of the world		622.0	9.1 to 15.7%	2.0 to 5.0%
<b>Net value at the end of the period</b>		<b>3,930.3</b>		

No goodwill impairment losses were identified in the period ended December 31, 2017.

### 3.3 Property, plant and equipment

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:

Lightweight 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

Assets acquired under lease agreements that transfer substantially most 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 contract period and the asset's useful life determined in accordance with Group policies.

Property, plant and equipment can be analyzed as follows:

	<b>June 30, 2018</b>				
<i>(in € millions)</i>	<b>Land</b>	<b>Buildings</b>	<b>Machinery and equipment</b>	<b>Assets under construction and other</b>	<b>Total</b>
Gross value at the end of the period	47.6	625.3	1,761.4	297.0	2,731.3
Depreciation and impairment at the end of the period	(0.7)	(418.3)	(1,511.2)	(194.0)	(2,124.2)
<b>Net value at the end of the period</b>	<b>46.9</b>	<b>207.0</b>	<b>250.2</b>	<b>103.0</b>	<b>607.1</b>

As of June 30, 2018, total property, plant and equipment includes €2.8 million corresponding to assets held for sale, which are measured at the lower of their carrying amount and fair value less disposal costs.

	<b>December 31, 2017</b>				
<i>(in € millions)</i>	<b>Land</b>	<b>Buildings</b>	<b>Machinery and equipment</b>	<b>Assets under construction and other</b>	<b>Total</b>
Gross value at the end of the period	55.6	627.7	1,746.5	306.8	2,736.6
Depreciation and impairment at the end of the period	0.0	(414.7)	(1,505.7)	(193.8)	(2,114.2)
<b>Net value at the end of the period</b>	<b>55.6</b>	<b>213.0</b>	<b>240.8</b>	<b>113.0</b>	<b>622.4</b>

### 3.4 Inventories

Inventories are measured at the lower of cost (of acquisition or production) or net realizable value, with cost determined principally on a first-in, first-out (FIFO) basis. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

Impairment provisions are recognized when inventories are considered wholly or partially obsolete, and for finished goods inventories when their net realizable value is lower than their net book value.

Inventories are as follows:

<i>(in € millions)</i>	<b>June 30, 2018</b>	<b>December 31, 2017</b>
Purchased raw materials and components	337.5	289.7
Sub-assemblies, work in progress	98.4	87.4
Finished products	511.6	491.0
<b>Gross value at the end of the period</b>	<b>947.5</b>	<b>868.1</b>
Impairment	(120.2)	(120.7)
<b>Net value at the end of the period</b>	<b>827.3</b>	<b>747.4</b>

### 3.5 Trade receivables

Trade receivables are initially recognized at fair value and are subsequently measured at amortized cost. In accordance with IFRS 9, expected credit losses on trade receivables are estimated based on a provision table, by applying provision rates depending on the receivables aging.

Furthermore, a provision can be recognized in the income statement when there is objective evidence of impairment such as:

- when a debtor has defaulted; or
- when a debtor's credit rating has been downgraded or its business environment has deteriorated.

Trade receivables can be analyzed as follows:

<i>(in € millions)</i>	<b>June 30, 2018</b>	<b>December 31, 2017</b>
Trade receivables	875.0	703.9
Impairment	(81.7)	(79.0)
<b>Net value at the end of the period</b>	<b>793.3</b>	<b>624.9</b>

The Group uses factoring contracts to reduce the risk of late payments.

During first-half 2018, a total of €229.1 million in receivables were transferred under the terms of the factoring contracts. The resulting costs were recognized in financial profit (loss) for an amount of less than €1.0 million.

The factoring contract terms qualify the receivables for derecognition under IFRS 9. The amount derecognized as of June 30, 2018 was €94.9 million (€95.2 million as of December 31, 2017).

Past-due trade receivables can be analyzed as follows:

<i>(in € millions)</i>	<b>June 30, 2018</b>	<b>December 31, 2017</b>
Less than 3 months past due receivables	132.9	117.6
From 3 to 12 months past due receivables	28.2	30.5
More than 12 months past due receivables	31.9	30.0
<b>Total</b>	<b>193.0</b>	<b>178.1</b>

Provisions for impairment of past-due trade receivables amounted to €73.0 million as of June 30, 2018 (€71.0 million as of December 31, 2017). These provisions break down as follows:

<i>(in € millions)</i>	<b>June 30, 2018</b>	<b>December 31, 2017</b>
Provisions for less than 3 months past due receivables	16.5	13.7
Provisions for 3 to 12 months past due receivables	24.6	27.2
Provisions for more than 12 months past due receivables	31.9	30.0
<b>Total</b>	<b>73.0</b>	<b>71.0</b>

### 3.6 Other current assets

Other current assets are as follows:

<i>(in € millions)</i>	<b>June 30, 2018</b>	<b>December 31, 2017</b>
Employee advances	4.2	3.4
Prepayments	44.8	39.1
Taxes other than income tax	104.6	109.8
Other receivables	41.0	31.8
<b>Net value at the end of the period</b>	<b>194.6</b>	<b>184.1</b>

These assets are valued at amortized cost.

### 3.7 Cash and cash equivalents

Cash and cash equivalents consist of cash, short-term deposits and all other financial assets with an original maturity of less than three months. The other financial assets maturing in less than three months are readily convertible to known amounts of cash and are not subject to any material risk of change in value.

Cash and cash equivalents that are unavailable in the short term for the Group correspond to the bank accounts of certain subsidiaries facing complex, short-term fund repatriation conditions due mainly to regulatory reasons.

Cash and cash equivalents totaled €624.2 million as of June 30, 2018 (€823.0 million as of December 31, 2017) and corresponded primarily to deposits with an original maturity of less than three months. Of this amount, about €2.5 million was not available to the Group in the short term as of June 30, 2018 (€4.7 million as of December 31, 2017).

## Note 4 - Details on non-current and current liabilities

### 4.1 Share capital and earnings per share

Share capital as of June 30, 2018 amounted to €1,069,425,632 represented by 267,356,408 ordinary shares with a par value of €4 each, for 267,356,408 theoretical voting rights and 266,711,280 exercisable voting rights (after subtracting shares held in treasury by the Group as of this date).

As of June 30, 2018, the Group held 645,128 shares in treasury, versus 45,128 shares as of December 31, 2017, i.e. 600,000 additional shares corresponding to:

- the net acquisition of 550,000 shares outside of the liquidity contract; and
- the net purchase of 50,000 shares under the liquidity contract (Note 4.1.2.2).

As of June 30, 2018, among the 645,128 shares held in treasury by the Group, 555,128 shares have been allocated according to the allocation objectives described in Note 4.1.2.1, and 90,000 shares are held under the liquidity contract.

#### 4.1.1 Changes in share capital

Changes in share capital in first-half 2018 were as follows:

	<b>Number of shares</b>	<b>Par value</b>	<b>Share capital (euros)</b>	<b>Premiums (euros)</b>
As of December 31, 2017	266,805,751	4	1,067,223,004	799,689,420
Exercise of options under the 2008 plan	263,189	4	1,052,756	4,264,978
Exercise of options under the 2009 plan	81,301	4	325,204	722,359
Exercise of options under the 2010 plan	206,167	4	824,668	3,592,872
Repayment of paid-in capital*				(88,886,788)
As of June 30, 2018	267,356,408	4	1,069,425,632	719,382,841

\* Portion of dividends distributed in June 2018 deducted from the premium account.

In first-half 2018, 550,657 shares were issued under the 2008 to 2010 stock option plans, resulting in a capital increase representing a total amount of €10.8 million (premiums included).

#### 4.1.2 Share buybacks and transactions under the liquidity contract

As of June 30, 2018, the Group held 645,128 shares in treasury (45,128 as of December 31, 2017, out of which 5,128 under the share buyback program and 40,000 under the liquidity contract) which can be detailed as follows:

##### 4.1.2.1 Share buybacks

As of June 30, 2018, the Group held 555,128 shares, acquired at a total cost of €35,172,351. These shares are being held for the following purposes:

- for allocation upon exercise of performance share plans (5,128 shares purchased at a cost of €238,046); and
- for cancellation of 550,000 shares acquired at a cost of €34,934,305.

##### 4.1.2.2 Liquidity contract

On May 29, 2007, the Group appointed a financial institution to maintain a liquid market for its ordinary shares on the Euronext™ Paris market under a liquidity contract complying with the Code of Conduct issued by the AMAFI (French Financial Markets Association) approved by the AMF on March 22, 2005. €15.0 million in cash was allocated by the Group to the liquidity contract.

As of June 30, 2018, the Group held 90,000 shares under this contract, purchased at a total cost of €5,667,760.

During first-half 2018, transactions under the liquidity contract led to a cash outflow of €2,802,640 corresponding to net purchases of 50,000 shares.

#### 4.1.3 Earnings per share

Basic earnings per share are calculated by dividing net profit attributable to the Group by the weighted number of ordinary shares outstanding during the period.

Diluted earnings per share are calculated according to the treasury stock method, by dividing profit attributable to the Group by the weighted average number of ordinary shares outstanding during the period, plus the number of dilutive potential ordinary shares. The weighted average number of ordinary shares outstanding used in these calculations is adjusted for the share buybacks and sales carried out during the period and does not take into account shares held in treasury.

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

		<b>6 months ended</b>	
		<b>June 30, 2018</b>	<b>June 30, 2017</b>
Net profit attributable to the Group ( <i>in € millions</i> )	A	390.0	316.2
Average number of shares (excluding shares held in treasury)	B	267,049,592	266,220,187
<i>Average dilution from:</i>			
- Performance shares		1,682,115	1,258,883
- Stock options		874,910	1,403,469
Average number of shares after dilution (excluding shares held in treasury)	C	269,606,617	268,882,539
Number of stock options and performance share grants outstanding at the period end		2,783,766	3,062,750
Sales (buybacks) of shares and transactions under the liquidity contract (net during the period)		(600,000)	(5,433)
Shares allocated during the period under performance share plans		0	0
Basic earnings per share ( <i>euros</i> )	A/B	1.460	1.188
Diluted earnings per share ( <i>euros</i> )	A/C	1.447	1.176
Dividend per share ( <i>euros</i> )		1.260	1.190

As mentioned above, during first-half 2018, the Group:

- acquired 550,000 shares for cancellation;
- issued 550,657 shares under stock option plans; and
- bought a net 50,000 shares under the liquidity contract.

These movements were taken into account on an accruals basis in the computation of the average number of ordinary shares outstanding during the period, in accordance with IAS 33. If the shares had been issued and bought back on January 1, 2018, earnings per share and diluted earnings per share would have amounted to €1.462 and €1.448 respectively for the six months ended June 30, 2018.

During first-half 2017, the Group:

- issued 571,092 shares under stock option plans; and
- sold a net 5,433 shares under the liquidity contract.

These movements were taken into account on an accruals basis in the computation of the average number of ordinary shares outstanding during the period, in accordance with IAS 33. If the shares had been issued and bought back on January 1, 2017, basic earnings per share and diluted earnings per share would have amounted to €1.186 and €1.174 respectively for the six months ended June 30, 2017.

## 4.2 Stock option plans and performance share plans

The cost of stock options or performance shares 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 personnel costs 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.

The expense recognized by crediting equity is adjusted at each period-end during the vesting period to take into account changes in the number of shares that are expected to be delivered to employees when the performance shares vest or the stock options are exercised.

### 4.2.1 Performance share plans

The following performance share plans were approved by the Company's Board of Directors:

	2015 Plan	2016 Plan	2017 Plan	2018 Plans
Date approved by shareholders	May 24, 2013	May 24, 2013	May 27, 2016	May 27, 2016
Grant date	May 29, 2015	May 27, 2016	May 31, 2017	May 30, 2018
Total number of performance share rights initially granted	390,866 <sup>(1)</sup>	498,323 <sup>(1)</sup>	487,532 <sup>(1)</sup>	519,009 <sup>(1)</sup>
<i>o/w to Executive Director</i>	14,659 <sup>(1)</sup>	15,361 <sup>(1)</sup>	12,388 <sup>(1)</sup>	19,366 <sup>(1)</sup>
- Gilles Schnepf	14,659	15,361	12,388	0
- Benoît Coquart	NA	NA	NA	19,366
Total IFRS 2 charge (in € millions)	16.3 <sup>(2)</sup>	20.3 <sup>(2)</sup>	24.8 <sup>(2)</sup>	28.7 <sup>(2)</sup>
End of vesting period	June 17, 2019	June 17, 2020	June 17, 2021	June 15, 2021 <sup>(3)</sup> June 15, 2022 <sup>(4)</sup>
End of lock-up period	June 17, 2019	June 17, 2020	June 17, 2021	June 15, 2023 <sup>(3)</sup> June 15, 2022 <sup>(4)</sup>
Number of performance shares acquired as of June 30, 2018	0	0	0	0
Number of performance share rights cancelled or forfeited	(20,972)	(14,453)	(7,843)	0
<b>Performance share rights outstanding as of June 30, 2018</b>	<b>369,894</b>	<b>483,870</b>	<b>479,689</b>	<b>519,009</b>

(1) Given the dividend distribution features approved at the General Meetings of Shareholders on May 29, 2015, on May 27, 2016, on May 31, 2017 and on May 30, 2018, the number of remaining performance shares was adjusted to take into account the impact of these transactions on the interests of performance share beneficiaries in accordance with article L.228-99 of the French Commercial Code. Moreover, the number of performance shares has been reduced following Gilles Schnepf's decision to waive part of his entitlement to performance shares granted under the 2015 and 2016 plans.

(2) Total charge estimated at the grant date assuming a 100% achievement for each performance criteria. This charge is spread over the vesting periods.

(3) Date applicable to the executive officer and members of the Executive Committee.

(4) Date applicable to beneficiaries other than the executive officer and members of the Executive Committee.

#### 4.2.1.1 2015, 2016 and 2017 performance share plans

The final number of shares ultimately granted to beneficiaries is determined based on a service condition and several performance criteria. The vesting period is four years.

Type of performance criteria	Description of performance criteria	Weight of performance criteria by plan		
		2015	2016	2017
"External" financial performance criterion	Comparison between the arithmetic mean of Legrand's consolidated EBITDA margin over a three-year period as published in the consolidated financial statements and the arithmetic mean of EBITDA margins achieved by companies forming part of the MSCI World Capital Goods index over the same period.	50%	33 <sup>1/3</sup> %	
"Internal" financial performance criterion	Arithmetic mean of levels of normalized free cash flow as a percentage of sales over a three-year period, as published in the consolidated financial statements.	50%	33 <sup>1/3</sup> %	
Non-financial performance criterion	Arithmetic mean of average rate of attainment of Group CSR Roadmap priorities over a three-year period.	0%	33 <sup>1/3</sup> %	

The number of shares ultimately granted to beneficiaries is calculated as follows:

##### "External" financial performance criterion

Pay-out rate <sup>(1)</sup>	0%	100%	150%
Average gap in EBITDA margin in Legrand's favor between Legrand and the MSCI average over a three-year period	<u>2015 Plan:</u> 4 points or less	<u>2015 Plan:</u> 8.3 points	<u>2015 Plan:</u> 10.5 points or more
	<u>2016 Plan:</u> 3.5 points or less	<u>2016 Plan:</u> 7.8 points	<u>2016 Plan:</u> 10.0 points or more
	<u>2017 Plan:</u> 3.1 points or less	<u>2017 Plan:</u> 7.4 points	<u>2017 Plan:</u> 9.6 points or more

##### "Internal" financial performance criterion

Pay-out rate <sup>(1)</sup>	0%	100%	150%
Average normalized free cash flow as a percentage of sales over a three-year period	<u>2015 Plan:</u> 9.4% or less	<u>2015 Plan:</u> 12.8%	<u>2015 Plan:</u> 14.5% or more
	<u>2016 Plan:</u> 8.8% or less	<u>2016 Plan:</u> 12.2%	<u>2016 Plan:</u> 13.9% or more
	<u>2017 Plan:</u> 8.6% or less	<u>2017 Plan:</u> 12.0%	<u>2017 Plan:</u> 13.7% or more

<sup>(1)</sup> For any point between the limits given in the table above, the pay-out rate would be calculated in a linear way

**Non-financial performance criterion (applicable to the 2016 and 2017 performance share plans)**

<b>Applicable to beneficiaries with the exception of the Executive Director</b>					
Pay-out rate <sup>(1)</sup>	0%	Between 70% and 100%	Between 100% and 105%	Between 105% and 150%	Capped at 150%
Average rate of attainment of Group CSR Roadmap priorities over a three-year period	Below 70%	Between 70% and 100%	Between 100% and 125%	Between 125% and 200%	Above 200%
<b>Applicable to the Executive Director</b>					
Pay-out rate <sup>(1)</sup>	0%	Between 70% and 90%	Between 90% and 97%	Between 97% and 150%	Capped at 150%
Average rate of attainment of Group CSR Roadmap priorities over a three-year period	Below 70%	Between 70% and 90%	Between 90% and 125%	Between 125% and 213%	Above 213%

<sup>(1)</sup> For any point between the limits given in the table above, the pay-out rate would be calculated in a linear way.

**4.2.1.2 2018 performance share plans**

The final number of shares granted to beneficiaries is determined on the condition that the beneficiary will be present within the Group at the time the vesting period expires and several performance criteria.

For the executive officer and members of the Executive Committee, the term of the vesting period is three years, with an additional two-year holding period; for other beneficiaries, the vesting period is four years, with no holding period.

### Performance criteria applicable to the executive officer and members of the Executive Committee

The performance criteria applicable to the executive officer and members of the Executive Committee are defined as follows:

Type of performance criteria	Description of target-setting criteria and method	Weight of performance criteria
Target of organic growth of revenues	Target: three-year average of the upper and lower ranges of the annual target concerned. Comparison of the target with the average of achievements over three years.	1/4
Target of adjusted operating margin before acquisitions	Target: three-year average of the upper and lower ranges of the annual target concerned. Comparison of the target with the average of achievements over three years.	1/4
Annual rates of achievements of the Group's CSR roadmap	Target: arithmetic average over three years of the annual rates of achievement of the Group's CSR roadmap.	1/4
Legrand stock market performance compared with the performance of the CAC 40 index	Difference in performance between the Legrand stock market price and that of the CAC 40 index over a three-year period.	1/4

The number of shares ultimately granted to beneficiaries is calculated as follows:

#### Criterion of organic growth of revenues

Pay-out rate <sup>(1)</sup>	0%	Between 50% and 90%	90%	Between 90% and 110%	110%	Between 110% and 150%	150%
Three-year average of the achievements of 2018, 2019 and 2020	Lower than (LR <sup>(2)</sup> - 2 points)	Between (LR <sup>(2)</sup> - 2 points) and LR <sup>(2)</sup>	Equal to LR <sup>(2)</sup>	Between LR <sup>(2)</sup> and UR <sup>(3)</sup>	Equal to UR <sup>(3)</sup>	Between UR <sup>(3)</sup> and (UR <sup>(3)</sup> + 2 points)	Higher than (UR <sup>(3)</sup> + 2 points)

(1) Linear calculation of pay-out rate for any result between the limits indicated above.

(2) LR corresponding to the three-year average of the lower ranges of the annual target disclosed to the market.

(3) UR corresponding to the three-year average of the upper ranges of the annual target disclosed to the market.

### Criterion of adjusted operating margin before acquisitions

Pay-out rate <sup>(1)</sup>	0%	Between 50% and 90%	90%	Between 90% and 110%	110%	Between 110% and 150%	150%
Three-year average of the achievements of 2018, 2019 and 2020	Lower than LR <sup>(2)</sup> - 50 bps)	Between LR <sup>(2)</sup> - 50 bps) and LR <sup>(2)</sup>	Equal to LR <sup>(2)</sup>	Between LR <sup>(2)</sup> and UR <sup>(3)</sup>	Equal to UR <sup>(3)</sup>	Between UR <sup>(3)</sup> and (UR <sup>(3)</sup> + 50 bps)	Higher than (UR <sup>(3)</sup> + 50 bps)

(1) Linear calculation of pay-out rate for any result between the limits indicated above.

(2) LR corresponding to the 3-year average of the lower ranges of the annual target disclosed to the market.

(3) UR corresponding to the 3-year average of the upper ranges of the annual target disclosed to the market.

### Annual rate of achievement of the Group's CSR roadmap

Pay-out rate <sup>(1)</sup>	0%	Between 70% and 100%	Between 100% and 105%	Between 105% and 150%	150%
Arithmetic average over a 3-year period of the CSR roadmap annual achievement rates	Lower than 70%	Between 70% and 100%	Between 100% and 125%	Between 125% and 200%	Over 200%

(1) Linear calculation of pay-out rate for any result between the limits indicated above.

### Legrand stock market performance

Pay-out rate <sup>(1)</sup>	0%	30%	Between 30% and 150%	150%
Difference in performance between the Legrand stock market price and that of the CAC 40 index <sup>(2)</sup>	Lower than 0 point	Equal to 0 point	Between 0 point and 15 points	Higher than 15 points

(1) Linear calculation of pay-out rate for any result between the limits indicated above.

(2) For the 2018 allocation plan, the three-year performance will be measured on the 2018-2020 period with the following calculation method:

- Legrand stock market performance: comparison of the average daily closing prices of the second half of the third year of the plan (second half of 2020) with the average daily closing market prices of the second half of the year preceding the first year of the plan (second half of 2017), or €61.30;
- performance of the CAC 40 index: comparison of the average CAC 40 daily closing indices of the second half of the third year of the plan (second half of 2020) with the average CAC 40 closing indices of the index of the second half of the year preceding the first year of the plan (second half of 2017), or 5275.8 points.

The difference between these two performances will be measured by the points gap between the percentage of variation in the Legrand share price and the percentage of variation in the CAC 40 index.

**Performance criteria applicable to beneficiaries other than the executive officer and members of the Executive Committee**

The performance criteria applicable to beneficiaries other than the executive officer and members of the Executive Committee are defined as follows:

Type of performance criteria	Description of target-setting criteria and method	Weight of performance criteria
Target for organic growth of revenues	The target to be reached for this criterion, set annually corresponds to the lower and upper ranges of the relevant annual target. The annual rate of achievement is measured in relation to the annual target. The final pay-out rate for this criterion corresponds to the arithmetic average over a three-year period of the annual rates of achievement.	1/3
Target for adjusted operating margin before acquisitions	The target to be reached for this criterion, set annually, corresponds to the lower and upper ranges of the relevant annual target. The annual rate of achievement is measured in relation to the annual target. The final pay-out rate for this criterion corresponds to the arithmetic average over a three-year period of the annual rates of achievement.	1/3
Annual rates of achievement of the Group's CSR roadmap	The annual rate of achievement corresponds to the rate of achievement of the CSR annual roadmap. The final pay-out rate for this criterion corresponds to the arithmetic average over a three-year period of the annual rates of attainment.	1/3

The number of shares ultimately granted to beneficiaries is calculated as follows:

**Criterion of organic growth of revenues**

Annual rate of achievement <sup>(1)</sup>	0%	Between 50% and 90%	90%	Between 90% and 110%	110%	Between 110% and 150%	150%
Comparison of the annual achievement with the annual target	Below (LR <sup>(2)</sup> - 2 points)	Between (LR <sup>(2)</sup> - 2 points) and LR <sup>(2)</sup>	Equal to LR <sup>(2)</sup>	Between LR <sup>(2)</sup> and UR <sup>(3)</sup>	Equal to UR <sup>(3)</sup>	Between UR <sup>(3)</sup> and (UR <sup>(3)</sup> + 2 points)	Above (UR <sup>(3)</sup> + 2 points)

(1) Linear calculation of pay-out rate for any result between the limits indicated above.

(2) LR corresponds to the lower range of the target concerned.

(3) UR corresponds to the upper range of the target concerned.

### Criterion of adjusted operating margin before acquisitions

Annual rate of achievement <sup>(1)</sup>	0%	Between 50% and 90%	90%	Between 90% and 110%	110%	Between 110% and 150%	150%
Comparison of the annual achievement with the annual target	Below (LR <sup>(2)</sup> - 50 bps)	Between (LR <sup>(2)</sup> - 50 bps) and LR <sup>(2)</sup>	Equal to LR <sup>(2)</sup>	Between LR <sup>(2)</sup> and UR <sup>(3)</sup>	Equal to UR <sup>(3)</sup>	Between UR <sup>(3)</sup> and (UR <sup>(3)</sup> + 50 bps)	Above (UR <sup>(3)</sup> + 50 bps)

(1) Linear calculation of pay-out rate for any result between the limits indicated above.

(2) LR corresponds to the lower range of the target concerned.

(3) UR corresponds to the upper range of the target concerned.

### Target for annual achievements of the Group's roadmap objectives

Annual rate of achievement <sup>(1)</sup>	0%	Between 70% and 100%	Between 100% and 105%	Between 105% and 150%	150%
Annual rates of achievement of the Group's CSR roadmap	Below 70%	Between 70% and 100%	Between 100% and 125%	Between 125% and 200%	Above 200%

(1) Linear calculation of pay-out rate for any result between the limits indicated above.

The final pay-out rate for each criterion corresponds to the arithmetic average over a three-year period of the annual achievement rates.

If all the performance shares from the 2015 to 2018 plans were to vest according to the target allocation before application of the performance criteria (i.e., 1,852,462 shares), the Company's capital would be diluted by 0.7% as of June 30, 2018.

## 4.2.2 Stock option plans

No stock option plans have been implemented since the 2010 Plan.

The following stock option plans were approved by the Company's Board of Directors in previous years:

	2008 Plan	2009 Plan	2010 Plan
Date approved by shareholders	May 15, 2007	May 15, 2007	May 15, 2007
Grant date	March 5, 2008	March 4, 2009	March 4, 2010
Total number of options granted	2,024,675 <sup>(1)</sup>	1,192,949 <sup>(1)</sup>	3,283,257 <sup>(1)</sup>
<i>o/w to Executive Directors</i>	142,738 <sup>(1)</sup>	95,459 <sup>(1)</sup>	222,807 <sup>(1)</sup>
- Gilles Schnepf	72,824 <sup>(1)</sup>	48,711 <sup>(1)</sup>	137,537 <sup>(1)</sup>
- Olivier Bazil	69,914 <sup>(1)</sup>	46,748 <sup>(1)</sup>	85,270 <sup>(1)</sup>
Start of exercise period	March 6, 2012	March 5, 2013	March 5, 2014
Expiry of exercise period	March 5, 2018	March 4, 2019	March 4, 2020
Exercise price	€20.21 <sup>(1)</sup> Average closing price over the 20 trading days preceding the grant date	€12.82 <sup>(1)</sup> Average closing price over the 20 trading days preceding the grant date	€21.32 <sup>(1)</sup> Average closing price over the 20 trading days preceding the grant date
Exercise terms (plans comprising several tranches)	(2) (3)	(2) (3)	(2) (3)
Number of options exercised as of June 30, 2018	(1,880,609)	(925,185)	(2,270,087)
Number of options cancelled or forfeited	(144,066)	(108,813)	(240,817)
<b>Stock options outstanding as of June 30, 2018</b>	<b>0</b>	<b>158,951</b>	<b>772,353</b>

(1) Given the dividend distribution features approved at the General Meetings of Shareholders on May 29, 2015, on May 27, 2016, on May 31, 2017 and on May 30, 2018, the number and exercise price of stock options was adjusted to take into account the impact of these transactions on the interests of stock option beneficiaries, in accordance with article L.228-99 of the French Commercial Code.

(2) Options vest after a maximum of four years, except in the event of resignation or termination for willful misconduct.

(3) All these plans were subject to performance conditions (see Note 12 to the consolidated financial statements for the twelve months ended December 31, 2014).

The weighted average market price of the Company stock upon exercises of stock options in first-half 2018 was €63.33.

If all these options were to be exercised (i.e., 931,304 options), the Company's capital would be diluted at most by 0.3% (which is a maximum dilution as it does not take into account the exercise price of these options) as of June 30, 2018.

### 4.2.3 Share-based payments: IFRS 2 charges

In accordance with IFRS 2, a charge of €10.9 million was recorded in first-half 2018 (€5.6 million in first-half 2017) for all of these plans combined. See also Note 4.5.2 for cash-settled long-term employee benefits plans implemented from 2013.

## 4.3 Retained earnings and translation reserves

### 4.3.1 Retained earnings

Consolidated retained earnings of the Group as of June 30, 2018 amounted to €3,681.7 million.

As of the same date, the Company had retained earnings including profit for the period of €910.6 million available for distribution.

### 4.3.2 Translation reserves

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 such potential time as the Group no longer controls the entity.

Translation reserves record the impact of fluctuations in the following currencies:

<i>(in € millions)</i>	<b>June 30, 2018</b>	<b>December 31, 2017</b>
US dollar	(100.9)	(189.7)
Other currencies	(445.6)	(383.5)
<b>Total</b>	<b>(546.5)</b>	<b>(573.2)</b>

The Group operates in more than 90 countries. It is mainly exposed to a dozen currencies other than euro and US dollar, including the Indian rupee, Chinese yuan, Brazilian real, British pound, Russian ruble, Australian dollar, Turkish lira, Mexican peso and Chilean peso.

Under IFRS 9, non-derivative financial instruments may be designated as hedges only when they are used to hedge foreign currency risk and provided that they qualify for hedge accounting.

Accordingly, in the case of hedges of a net investment in a foreign operation, the portion of the gain or loss on the hedging instrument that is deemed to be an effective hedge is recognized in equity.

Consequently, unrealized foreign exchange gains and losses on US dollar-denominated 8½% Debentures (Yankee bonds) are recognized in translation reserves. Losses on these bonds recognized in translation reserves

in first-half 2018 amounted to €9.7 million, resulting in a net negative balance of €55.5 million as of June 30, 2018.

In addition, to hedge a portion of the net investment in British pounds, the Group has entered into a derivative contract. Foreign exchange gains and losses on this derivative financial instrument are recognized in translation reserves. Gains on this derivative financial instrument recognized in translation reserves in first-half 2018 are not significant, and represent a net positive balance of €17.3 million as of June 30, 2018.

Finally, in accordance with IAS 21, translation gains and losses on receivables or payables considered as part of a net investment in a foreign Group entity are recognized in translation reserves. Losses recognized in translation reserves in first-half 2018 amounted to €2.4 million, resulting in a net positive balance of €5.4 million as of June 30, 2018.

## 4.4 Provisions

Changes in provisions in first-half 2018 are as follows:

	<b>June 30, 2018</b>					
<i>(in € millions)</i>	Product warranties	Claims and litigation	Tax and employee risks	Restructuring	Other	Total
At beginning of period	29.1	68.7	27.2	15.9	83.0	223.9
Changes in scope of consolidation	0.1	0.0	0.0	0.0	0.0	0.1
Increases	10.2	8.6	2.9	2.4	15.7	39.8
Utilizations	(3.1)	(4.1)	(0.4)	(4.4)	(27.1)	(39.1)
Reversals of surplus provisions	(1.1)	(8.4)	(0.2)	(0.3)	(2.2)	(12.2)
Reclassifications	(0.1)	1.0	(0.8)	0.0	1.2	1.3
Translation adjustments	(0.3)	(0.2)	(1.4)	(0.1)	(1.5)	(3.5)
<b>At end of period</b>	<b>34.8</b>	<b>65.6</b>	<b>27.3</b>	<b>13.5</b>	<b>69.1</b>	<b>210.3</b>
<i>Of which non-current portion</i>	<i>20.2</i>	<i>37.9</i>	<i>18.2</i>	<i>1.2</i>	<i>55.6</i>	<i>133.1</i>

“Other” includes long-term provisions for employee benefits, corresponding mainly to cash-settled long-term employee benefits plans described in Note 4.5.2 for an amount of €30.8 million as of June 30, 2018 (see also consolidated statement of changes in equity for performance share plans described in Note 4.2.1).

“Other” also includes a €8.3 million provision for environmental risks as of June 30, 2018, mainly to cover estimated depollution costs related to property assets held for sale.

Changes in provisions in 2017 were as follows:

<i>(in € millions)</i>	December 31, 2017					Total
	Product warranties	Claims and litigation	Tax and employee risks	Restructuring	Other	
At beginning of period	21.0	55.4	26.3	13.3	93.8	209.8
Changes in scope of consolidation	2.4	0.0	0.2	1.5	0.6	4.7
Increases	13.1	27.5	4.5	13.3	27.0	85.4
Utilizations	(5.7)	(5.2)	(0.8)	(9.2)	(30.5)	(51.4)
Reversals of surplus provisions	(1.1)	(9.8)	0.0	(0.5)	(4.0)	(15.4)
Reclassifications	0.4	2.2	0.0	(1.5)	0.3	1.4
Translation adjustments	(1.0)	(1.4)	(3.0)	(1.0)	(4.2)	(10.6)
<b>At end of period</b>	<b>29.1</b>	<b>68.7</b>	<b>27.2</b>	<b>15.9</b>	<b>83.0</b>	<b>223.9</b>
<i>Of which non-current portion</i>	<i>14.9</i>	<i>37.9</i>	<i>19.1</i>	<i>1.6</i>	<i>75.1</i>	<i>148.6</i>

“Other” includes long-term provisions for employee benefits, corresponding mainly to cash-settled long-term employee benefit plans for an amount of €53.3 million as of December 31, 2017.

“Other” also includes a €8.6 million provision for environmental risks as of December 31, 2017, mainly to cover estimated depollution costs related to property assets held for sale.

## 4.5 Provision for post-employment benefits and other long-term employee benefits

### 4.5.1 Pension and other post-employment benefit 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.

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.

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, less the fair value of plan assets. The past service cost arising from changes to pension benefit plans is expensed in full as incurred.

In accordance with IAS 19, the Group recognizes all actuarial gains and losses outside profit or loss, in the consolidated statement of comprehensive income.

Defined benefit obligations are calculated 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.

Some Group companies provide post-employment healthcare benefits to their retirees. Entitlement to these benefits is usually conditional on the employee remaining with one of these Group companies up to retirement age and completion of a minimum service period. These benefits are treated as post-employment benefits under the defined benefit scheme.

Pension and other post-employment defined benefit obligations can be analyzed as follows:

<i>(in € millions)</i>	<b>June 30, 2018</b>	<b>December 31, 2017</b>
France (Note 4.5.1.2)	86.8	90.5
Italy (Note 4.5.1.3)	38.0	38.1
United Kingdom (Note 4.5.1.4)	97.9	100.4
United States (Note 4.5.1.5)	74.6	76.1
Other countries	40.0	38.6
<b>Total pension and other post-employment defined benefit obligations</b>	<b>337.3</b>	<b>343.7</b>

The total amount of those defined benefit obligation is €337.3 million as of June 30, 2018 (€343,7 million as of December 31, 2017) and is analyzed in Note 4.5.1.1.

#### 4.5.1.1 Analysis of pension and other post-employment defined benefit obligations

The total (current and non-current) obligation under the Group's pension and other post-employment defined benefit plans, consisting primarily of plans in France, Italy, the United States and United Kingdom, is as follows:

<i>(in € millions)</i>	<b>June 30, 2018</b>	<b>December 31, 2017</b>
<b>Defined benefit obligation</b>		
Projected benefit obligation at beginning of period	343.7	356.8
Service cost	4.0	9.3
Interest cost	4.4	9.3
Benefits paid or unused	(12.3)	(20.5)
Employee contributions	0.0	0.3
Actuarial losses/(gains)	(4.4)	5.4
Curtailments, settlements, special termination benefits	0.0	0.0
Translation adjustments	1.6	(17.4)
Other	0.3	0.5
<b>Projected benefit obligation at end of period</b>	<b>337.3</b>	<b>343.7</b>
<b>Fair value of plan assets</b>		
Fair value of plan assets at beginning of period	182.2	182.7
Expected return on plan assets	2.7	5.6
Employer contributions	6.8	8.2
Employee contributions	0.2	0.7
Benefits paid	(9.5)	(13.6)
Actuarial (losses)/gains	(1.2)	13.0
Translation adjustments	2.2	(14.5)
Other	(0.1)	0.1
<b>Fair value of plan assets at end of period</b>	<b>183.3</b>	<b>182.2</b>
<b>Provisions recognized in the balance sheet</b>		
Current liability	5.2	7.9
Non-current liability	154.8	153.6
<b>Non-current asset</b>	<b>6.0</b>	<b>0.0</b>

Actuarial gains recognized in equity in first-half 2018 amounted to €3.2 million (€2.5 million after tax).

The €3.2 million actuarial gains resulted from:

- €4,6 million in gains from changes in financial assumptions;
- €0,1 million in losses from changes in demographic assumptions; and
- €1,3 million in experience losses.

The discount rates used are determined by reference to the yield on high-quality bonds based on the following benchmark indices:

- Euro zone: iBoxx € Corporates AA 10+;
- United Kingdom: iBoxx £ Corporates AA 15+;
- United States: Citigroup Pension Liability Index.

The impact of service costs and interest costs on profit before tax for the period is as follows:

<i>(in € millions)</i>	<b>6 months ended</b>	
	<b>June 30, 2018</b>	<b>June 30, 2017</b>
Service cost	(4.0)	(4.4)
Net interest cost*	(1.7)	(1.6)
<b>Total</b>	<b>(5.7)</b>	<b>(6.0)</b>

\*The expected return on assets and interest costs are presented as a net amount in financial expenses.

The weighted-average allocation of pension plan assets is as follows as of June 30, 2018:

<i>(as a percentage)</i>	<b>France</b>	<b>United Kingdom</b>	<b>United States</b>	<b>Weighted total</b>
Equity instruments		45.5	54.5	49.7
Debt instruments		48.6	44.5	46.6
Insurance funds	100.0	5.9	1.0	3.7
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

These assets are marked to market.

#### 4.5.1.2 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.

The main defined benefit plan applicable in France concerns statutory length-of-service awards, under which all retiring employees are eligible for a lump-sum payment calculated according to their length of service. This payment is defined either in the collective bargaining agreement to which their company is a party or in a separate company-level agreement, whichever is more advantageous to the employee. The amount generally varies depending on the employee category (manager/non-manager).

In France, provisions recorded in the consolidated balance sheet amount to €86.6 million as of June 30, 2018 (€90.4 million as of December 31, 2017) corresponding to the difference between the projected benefit obligation of €86.8 million as of June 30, 2018 (€90.5 million as of December 31, 2017) and the fair value of the related plan assets of €0.2 million as of June 30, 2018 (€0.1 million as of December 31, 2017).

The projected benefit obligation is calculated base on staff turnover and mortality assumptions, estimated rates of salary increases and an estimated discount rate. In France, the calculation in first-half 2018 was based on a salary increase rate of 2.8%, a discount rate and an expected return on plan assets of 1.8% (respectively 2.8% and 1.5% in 2017).

#### 4.5.1.3 Provisions for termination benefits in Italy

In Italy, a termination benefit is awarded to employees regardless of the reason for their departure.

Since January 1, 2007, such benefits have been paid either into an independently managed pension fund or to the Italian social security service (INPS). As from that date, the Italian termination benefit plans have been 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, based on revised actuarial estimates that exclude the effect of future salary increases.

The resulting provisions for termination benefits, which correspond to the obligation as of December 31, 2006 plus the ensuing actuarial revisions, amounted to €38.0 million as of June 30, 2018 (€38.1 million as of December 31, 2017).

The calculation in first-half 2018 was based on a discount rate of 1.1% (1.3% in 2017).

#### 4.5.1.4 Provisions for retirement benefits and other post-employment benefits in the United Kingdom

The UK plan is a trustee-administered plan governed by article 153 of the 2004 Finance Act, and is managed in a legal entity outside of the Group.

Benefits are paid directly out of funds consisting of contributions paid by the company and by plan participants.

The plan has been closed to new entrants since May 2004.

Active plan participants account for 2.3% of the projected benefit obligation, participants who are no longer accumulating benefit entitlements for 39.4% and retired participants for 58.3%.

The provisions recorded in the consolidated balance sheet amounted to €11.5 million as of June 30, 2018 (€13.3 million as of December 31, 2017), corresponding to the difference between the projected benefit obligation of €97.9 million (€100.4 million as of December 31, 2017) and the fair value of the related plan assets of €86.4 million (€87.1 million as of December 31, 2017).

The projected benefit obligation is calculated base on staff turnover and mortality assumptions, estimated rates of salary increases and an estimated discount rate. The calculation in first-half 2018 was based on a salary increase rate of 4.2%, a discount rate and an expected return on plan assets of 2.8% (respectively 4.2% and 2.7% in 2017).

#### 4.5.1.5 Provisions for retirement benefits and other post-employment benefits in the United States

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

The Legrand North America Retirement Plan is covered by a plan document in force since January 2002 that was last amended in January 2008. The minimum funding requirement is determined based on Section 430 of the Internal Revenue Code.

To meet its obligations under the plan, the Group has set up a trust with Prudential Financial, Inc. The trust assets include several different investment funds. The current trustee is Legrand North America. The Wiremold Company is the Plan Administrator and the Custodian is Prudential Financial, Inc.

The plan has been closed to new entrants since August 2006 for salaried employees and since April 2009 for hourly employees.

Active plan participants account for 30.9% of the projected benefit obligation, participants who are no longer accumulating benefit entitlements for 14.7% and retired participants for 54.4%.

The funding policy consists of ensuring that the legal minimum funding requirement is met at all times.

The provisions recorded in the consolidated balance sheet amounted to €0.0 million as of June 30, 2018 (€0.0 million as of December 31, 2017). This situation is explained by the fact that the fair value of the plan assets is higher than the value of the projected benefit obligation.

The projected benefit obligation is calculated based on staff turnover and mortality assumptions, estimated rates of salary increases and an estimated discount rate. The calculation in first-half 2018 was based on a salary increase rate of 3.5%, a discount rate and an expected return on plan assets of 3.9% (respectively 3.5% and 3.6% in 2017).

#### **4.5.2 Other long-term employee benefits**

The Group implemented cash-settled long-term employee benefits plans for employees deemed to be key for the Group, subject to the grantees' continued presence within the Group after a vesting period of three years.

In addition to the grantee being still present within the Group, the plans can, in certain cases, depend on the Group's achievement of future economic performance conditions which may or may not be indexed to the share price.

Plans indexed to the share price are cash-settled and thus, in accordance with IFRS 2, the corresponding liability has been recorded in the balance sheet and will be remeasured at each period-end until the transaction is settled. The other plans qualify as long-term employee benefit plans, with a corresponding provision recognized in compliance with IAS 19.

During first-half 2018, a net expense of €3.6 million was recognized in operating profit in respect to these plans. As mentioned in Note 4.4, the resulting provision amounted to €30.8 million as of June 30, 2018 (including payroll taxes). See also Notes 4.2.1 for performance share plans and Note 4.2.3 for IFRS 2 charges accounted for in the period.

## 4.6 Long-term and short-term borrowings

The Group actively manages its debt through diversified sources of financing available to support its medium-term business growth while guaranteeing a robust financial position over the long term.

### **Bonds**

In March 2011, the Group carried out a €400.0 million 4.375% seven-year bond issue. The bonds were redeemed at maturity on March 21, 2018.

In April 2012, the Group carried out a €400.0 million 3.375% ten-year bond issue. The bonds will be redeemable at maturity on April 19, 2022.

In December 2015, the Group carried out a €300.0 million 1.875% twelve-year bond issue. The bonds will be redeemable at maturity on December 16, 2027.

In July 2017, the Group carried out a bond issue for a total of €1.0 billion, in two tranches of €500.0 million each, with maturities of seven and fifteen-years. The respective maturity dates of these two tranches are July 6, 2024 and July 6, 2032 and their annual coupons are respectively 0.750% and 1.875%.

In October 2017, the Group carried out a €400.0 million 0.5% six-year bond issue. The bonds will be redeemable at maturity on October 9, 2023.

In March 2018, the Group carried out a €400.0 million 1.0% six-year bond issue. The bonds will be redeemable at maturity on March 6, 2026.

### **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 Yankee bonds is payable semi-annually on February 15 and August 15 of each year, beginning August 15, 1995.

In December 2013, a number of Yankee bonds holders offered to sell their securities to the Group. Acting on this offer, the Group decided to acquire Yankee bonds with an aggregate face value of \$6.5 million. The acquired debentures were subsequently cancelled.

### **2011 Credit Facility**

In October 2011, the Group signed an agreement with six banks to set up a €900.0 million revolving multicurrency facility (2011 Credit Facility) utilizable through drawdowns. The five-year facility may be extended for two successive one-year periods.

In July 2014, the Group signed an agreement that amends and extends the Credit Facility finalized in October 2011 with all banks party to this contract. This agreement extends the maximum maturity of the €900.0 million revolving credit line by three years, i.e., up to July 2021, including two successive one-year period extension options, and at improved financing terms compared with October 2011.

Drawdowns are subject to an interest rate equivalent to Euribor/Libor plus a margin determined on the basis of the Group's credit rating. In addition, the 2011 Credit Facility does not contain any covenants.

As of June 30, 2018, the Credit Facility had not been drawn down.

#### 4.6.1 Long-term borrowings

Long-term borrowings are initially recognized at fair value, taking into account any transaction costs directly attributable to the issue, and are subsequently measured at amortized cost, using the effective interest method.

Long-term borrowings can be analyzed as follows:

<i>(in € millions)</i>	June 30, 2018	December 31, 2017
Bonds	2,500.0	2,100.0
Yankee bonds	334.3	324.4
Other borrowings	63.0	47.2
<b>Long-term borrowings excluding debt issuance costs</b>	<b>2,897.3</b>	<b>2,471.6</b>
Debt issuance costs	(16.8)	(14.5)
<b>Total</b>	<b>2,880.5</b>	<b>2,457.1</b>

No guarantees have been given with respect to these borrowings.

Long-term borrowings (excluding debt issuance costs) as of June 30, 2018 can be analyzed by maturity as follows:

<i>(in € millions)</i>	Bonds	Yankee bonds	Other borrowings
Due in one to two years	0.0	0.0	13.0
Due in two to three years	0.0	0.0	24.8
Due in three to four years	400.0	0.0	13.5
Due in four to five years	0.0	0.0	11.7
Due beyond five years	2,100.0	334.3	0.0
<b>Long-term borrowings excluding debt issuance costs</b>	<b>2,500.0</b>	<b>334.3</b>	<b>63.0</b>

Long-term borrowings (excluding debt issuance costs) as of December 31, 2017 can be analyzed by maturity as follows:

<i>(in € millions)</i>	Bonds	Yankee bonds	Other borrowings
Due in one to two years	0.0	0.0	10.6
Due in two to three years	0.0	0.0	12.3
Due in three to four years	0.0	0.0	11.0
Due in four to five years	400.0	0.0	11.2
Due beyond five years	1,700.0	324.4	2.1
<b>Long-term borrowings excluding debt issuance costs</b>	<b>2,100.0</b>	<b>324.4</b>	<b>47.2</b>

Average interest rates on borrowings are as follows:

	6 months ended	
	June 30, 2018	June 30, 2017
Bonds	1.66%	3.26%
Yankee bonds	8.50%	8.50%
Other borrowings	2.70%	2.71%

#### 4.6.2 Short-term borrowings

Short-term borrowings can be analyzed as follows:

<i>(in € millions)</i>	June 30, 2018	December 31, 2017
Bonds	0.0	400.0
Negotiable commercial paper	100.0	120.0
Other borrowings	37.6	65.4
<b>Total</b>	<b>137.6</b>	<b>585.4</b>

#### 4.6.3 Changes in long-term and short-term borrowings

Changes in long-term and short-term borrowings can be analyzed as follows:

<i>(in € millions)</i>	June 30, 2018	Cash flows	Variations not impacting cash flows				December 31, 2017
			Acquisitions	Reclassifications	Translation adjustments	Other	
Long-term borrowings	2,880.5	405.7	0.0	(4.1)	9.8	12.0	2,457.1
Short-term borrowings	137.6	(419.7)	0.0	4.1	0.1	(32.3)	585.4
<b>Gross financial debt</b>	<b>3,018.1</b>	<b>(14.0)</b>	<b>0.0</b>	<b>(0.0)</b>	<b>9.9</b>	<b>(20.3)</b>	<b>3,042.5</b>

#### 4.7 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.

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.

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. The recognized deferred tax assets are expected to be utilized no later than five years from the period-end.

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

<i>(in € millions)</i>	<b>June 30, 2018</b>	<b>December 31, 2017</b>
Deferred taxes – short-term	87.9	83.3
Deferred taxes – long-term	(641.5)	(600.4)
<b>Total</b>	<b>(553.6)</b>	<b>(517.1)</b>

Tax losses carried forward break down as follows:

<i>(in € millions)</i>	<b>June 30, 2018</b>	<b>December 31, 2017</b>
<b>Recognized operating losses carried forward</b>	<b>40.7</b>	<b>38.2</b>
Recognized deferred tax assets	9.0	8.4
<b>Unrecognized operating losses carried forward</b>	<b>101.7</b>	<b>105.1</b>
Unrecognized deferred tax assets	20.9	20.4
<b>Total net operating losses carried forward</b>	<b>142.4</b>	<b>143.3</b>

## 4.8 Other current liabilities

Other current liabilities can be analyzed as follows:

<i>(in € millions)</i>	<b>June 30, 2018</b>	<b>December 31, 2017</b>
Taxes other than income tax	103.5	75.1
Accrued employee benefits expense	247.7	253.1
Statutory and discretionary profit-sharing reserve	18.3	28.1
Payables related to fixed asset purchases	12.5	22.0
Accrued expenses	110.4	104.3
Accrued interest	33.0	42.8
Deferred revenue	22.2	22.0
Pension and other post-employment benefit obligations	5.2	7.9
Other current liabilities	27.7	28.4
<b>Total</b>	<b>580.5</b>	<b>583.7</b>

## Note 5 - Other information

### 5.1 Financial instruments and management of financial risks

#### 5.1.1 Financial instruments

##### 5.1.1.1 Impact of financial instruments

<i>(in € millions)</i>	6 months ended				Impact on financial profit (loss)	Impact on equity
	June 30, 2018			June 30, 2017		
	Impact on financial profit (loss)	Impact on equity		Impact on financial profit (loss)		
	Fair value	Translation adjustment	Other			
Trade receivables	(0.5)				(0.4)	
Cash and cash equivalents	5.0		2.5		6.1	(16.2)
Trade payables						
Borrowings	(38.3)		(9.7)		(37.5)	28.4
Derivatives	5.6		0.0		5.8	3.2
<b>Total</b>	<b>(28.2)</b>		<b>(7.2)</b>		<b>(26.0)</b>	<b>15.4</b>

Yankee bonds denominated in US dollar and the derivative financial instrument denominated in British pound are treated as net investment hedges (see Note 4.3.2).

### 5.1.1.2 Breakdown of balance sheet items by type of financial instrument

<i>(in € millions)</i>	June 30, 2018						December 31, 2017
	Carrying amount	Amortized cost	Fair value	Levels of valuation			Carrying amount
				Level 1 (1)	Level 2 (2)	Level 3 (3)	
<b>ASSETS</b>							
<b>Non-current assets</b>							
Other investments	19.7		19.7			19.7	19.6
Other non-current assets	16.5	10.5	6.0		16.5		10.0
<b>Total non-current assets</b>	<b>36.2</b>	<b>10.5</b>	<b>25.7</b>	<b>0.0</b>	<b>16.5</b>	<b>19.7</b>	<b>29.6</b>
<b>Current assets</b>							
Trade receivables	793.3	793.3			793.3		624.9
Other current financial assets	2.8		2.8		2.8		1.1
Cash and cash equivalents	624.2		624.2		624.2		823.0
<b>Total current assets</b>	<b>1,420.3</b>	<b>793.3</b>	<b>627.0</b>	<b>0.0</b>	<b>1,420.3</b>	<b>0.0</b>	<b>1,449.0</b>
<b>EQUITY AND LIABILITIES</b>							
<b>Non-current liabilities</b>							
Long-term borrowings	2,880.5	35.8	3,015.3	3,004.9	35.8	10.4	2,457.1
<b>Total non-current liabilities</b>	<b>2,880.5</b>	<b>35.8</b>	<b>3,015.3</b>	<b>3,004.9</b>	<b>35.8</b>	<b>10.4</b>	<b>2,457.1</b>
<b>Current liabilities</b>							
Short-term borrowings	137.6	131.4	6.2	0.0	131.4	6.2	585.4
Trade payables	660.6	660.6			660.6		612.9
Other current financial liabilities	0.4		0.4		0.4		0.8
<b>Total current liabilities</b>	<b>798.6</b>	<b>792.0</b>	<b>6.6</b>	<b>0.0</b>	<b>792.4</b>	<b>6.2</b>	<b>1,199.1</b>

(1) Level 1: quoted prices on an active market;

(2) Level 2: calculations made from directly observable market data;

(3) Level 3: calculations made from non observable market data.

Cash and cash equivalents, other current financial assets and liabilities as well as puts on minority interests are accounted for at fair value. In accordance with IFRS 13, fair value measurement takes counterparty default risk into account.

In light of the Group's credit rating, the measurement of other current financial liabilities is subject to insignificant credit risk.

### 5.1.2 Management of financial risks

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

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

This strategy, which is described in the notes to the consolidated financial statements for the year ended December 31, 2017, has not significantly changed during first-half 2018.

## 5.2 Off-balance sheet commitments and contingent liabilities

### 5.2.1 Specific transactions

Specific commitments and their expiry dates are discussed in the following note:

- Note 4.5.1: Pension and other post-employment benefit obligations.

### 5.2.2 Routine transactions

#### 5.2.2.1 Financial guarantees

<i>(in € millions)</i>	<b>June 30, 2018</b>	<b>December 31, 2017</b>
Guarantees given to banks	130.4	128.2
Guarantees given to other organizations	47.2	52.7
<b>Total</b>	<b>177.6</b>	<b>180.9</b>

Most of these guarantees are given by the Company to banks for Group subsidiaries located outside of France.

#### 5.2.2.2 Operating leases

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

<i>(in € millions)</i>	<b>June 30, 2018</b>	<b>December 31, 2017</b>
Due within one year	61.2	65.4
Due in one to two years	52.1	51.5
Due in two to three years	38.5	37.6
Due in three to four years	28.5	28.6
Due in four to five years	21.3	20.3
Due beyond five years	46.3	41.6
<b>Total</b>	<b>247.9</b>	<b>245.0</b>

### 5.2.2.3 Commitments to purchase property, plant and equipment

Commitments to purchase property, plant and equipment amounted to €23.8 million as of June 30, 2018.

### **5.2.3 Contingent liabilities**

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

## **5.3 Subsequent events**

The Group acquired<sup>(1)</sup> Shenzhen Clever Electronic, a Chinese leader in intelligent PDUs for data centers. Shenzhen Clever Electronic reports annual sales of around €24 million.

The Group also announced the acquisition<sup>(2)</sup> of a majority stake in Debflex, a French frontrunner in electrical equipment for DIY activities. Debflex has annual sales of approximately €35 million.

*(1) Legrand has already acquired a majority stake in Shenzhen Clever Electronic, Co., Ltd. and, subject to standard conditions precedent, will raise its stake to 100% in the coming months.*

*(2) Acquisition, subject to conditions precedent, of 100% of the capital of R. Finances SAS, the majority shareholder of Debflex S.A., a company listed on Euronext Access Paris (ISIN FR0010776658). Subject to the conclusion and the realization of this acquisition, Legrand intends to acquire the remaining capital of Debflex in a second stage.*

# **3 STATUTORY AUDITORS' REPORT**

## **STATUTORY AUDITORS' REVIEW REPORT ON THE 2018 HALF-YEAR FINANCIAL INFORMATION**

For the six-month period ended June 30, 2018

*This is a free translation into English of the Statutory Auditors' review report on the half-year financial information issued in French and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.*

To the Shareholders,

### **LEGRAND**

128, avenue du Maréchal de Lattre de Tassigny  
87 000 Limoges

In compliance with the assignment entrusted to us by your Annual General Meetings and in accordance with the requirements of article L. 451 -1-2 III of the French Monetary and Financial Code (*Code monétaire et financier*), we hereby report to you on:

- the review of the accompanying half-year consolidated financial statements of LEGRAND, for the period from January 1, 2018 to June 30, 2018;
- the verification of the information contained in the half-year management report.

These half-year consolidated financial statements are the responsibility of the Board of Directors. Our role is to express a conclusion on these financial statements based on our review.

### **1. Conclusion on the financial statements**

We conducted our review in accordance with professional standards applicable in France. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with professional standards applicable in France and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying half-year consolidated financial statements do not give a true and fair view of the assets and liabilities and of the financial position of the Group as at June 30, 2018, and of the results of its operations for the six-month period then ended, in accordance with IFRSs as adopted by the European Union.

### **2. Specific verification**

We have also verified the information given in the half-year management report commenting the half-year consolidated financial statements subject to our review. We have no matters to report as to its fair presentation and consistency with the half-year consolidated financial statements.

Paris-la-Défense et Neuilly-sur-Seine, July 30, 2018

The Statutory Auditors

**PricewaterhouseCoopers Audit**

**Deloitte et Associés**

Edouard Sattler

Jean-François Viat

# **4 RESPONSIBILITY FOR THE HALF-YEAR FINANCIAL REPORT**

## 1 - PERSON RESPONSIBLE FOR THE HALF-YEAR FINANCIAL REPORT

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### 1.1 Name and position of the person responsible for the half-year financial report

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

### 1.2 Declaration of the person responsible for the half-year financial report

“I hereby certify that, to the best of my knowledge, the full consolidated financial statements for the first half 2018 have been drawn up in accordance with the applicable set of accounting standards and fairly present the assets, the financial position and results of the Company and the businesses within the scope of consolidation and that management report appearing on pages 3 et seq. of the half-year financial report fairly presents the material events that occurred in the first six months of the financial year and their impact of the interim accounts, the main related-party transactions as well as a description of the principal risks and uncertainties for the remaining six months of the financial year.”

Benoît Coquart  
Chief Executive Officer

## 2 - STATUTORY AUDITORS

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### 2.1 Principal Statutory Auditors

**PricewaterhouseCoopers Audit**  
Member of the Versailles Regional Body of Statutory Auditors  
(Compagnie régionale des commissaires aux comptes de Versailles)  
Represented by Edouard Sattler  
Crystal Park, 63, rue de Villiers  
92200 Neuilly-sur-Seine, France

Appointed Deputy Statutory Auditors at the Ordinary General Meeting of Shareholders of June 6, 2003, became Principal Statutory Auditors following the merger between Pricewaterhouse and Coopers & Lybrand Audit, and renewed as Principal Statutory Auditors at the Ordinary General Meeting of Shareholders of May 27, 2010, for a term of six financial years and at the Ordinary General Meeting of Shareholders of May 27, 2016. This appointment expires at the end of the Ordinary General Meeting of Shareholders convened to vote on the financial statements for the financial year ended December 31, 2021.

### **Deloitte & Associés**

Member of the Versailles Regional Body of Statutory Auditors  
(Compagnie régionale des commissaires aux comptes de Versailles)

Represented by Jean-François Viat

6, place de la Pyramide

92908 Paris-La Défense Cedex, France

Appointed as Principal Statutory Auditors at the Ordinary General Meeting of Shareholders of December 21, 2005 and renewed as Principal Statutory Auditor at the Ordinary General Meeting of Shareholders of May 26, 2011, for a term of six financial years and at the Ordinary General Meeting of Shareholders of May 31, 2017. This appointment expires at the end of the Ordinary General Meeting of Shareholders convened to vote on the financial statements for the financial year ended December 31, 2022.

## **2.2 Deputy Statutory Auditor**

### **Mr. Jean-Christophe Georghiou**

Member of the Versailles Regional Body of Statutory Auditors  
(Compagnie régionale des commissaires aux comptes de Versailles)

Crystal Park, 63, rue de Villiers

92200 Neuilly-sur-Seine, France

Appointed Deputy Statutory Auditor at the Ordinary General Meeting of Shareholders of May 27, 2016 for a term of six financial years. This appointment expires at the end of the Ordinary General Meeting of Shareholders convened to vote on the financial statements for the financial year ended December 31, 2021.

## **3 - FINANCIAL INFORMATION**

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### **3.1 Person responsible for financial information**

#### **Mr. Antoine Burel**

Chief Financial Officer

Address: 82, rue Robespierre, 93170 Bagnole, France

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

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

## 3.2 Indicative financial information schedule

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

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

- 2018 nine-month results: **November 8, 2018**
- "Quiet period<sup>1</sup>" starts October 8, 2018
- 2018 annual results: **February 14, 2019**
- "Quiet period<sup>1</sup>" starts January 15, 2019
- General Meeting of Shareholders: **May 29, 2019**

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<sup>1</sup> *Period of time when all communication is suspended in the run-up to publication of results.*

**COMPANY HEADQUARTERS**  
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🐦 @legrand

