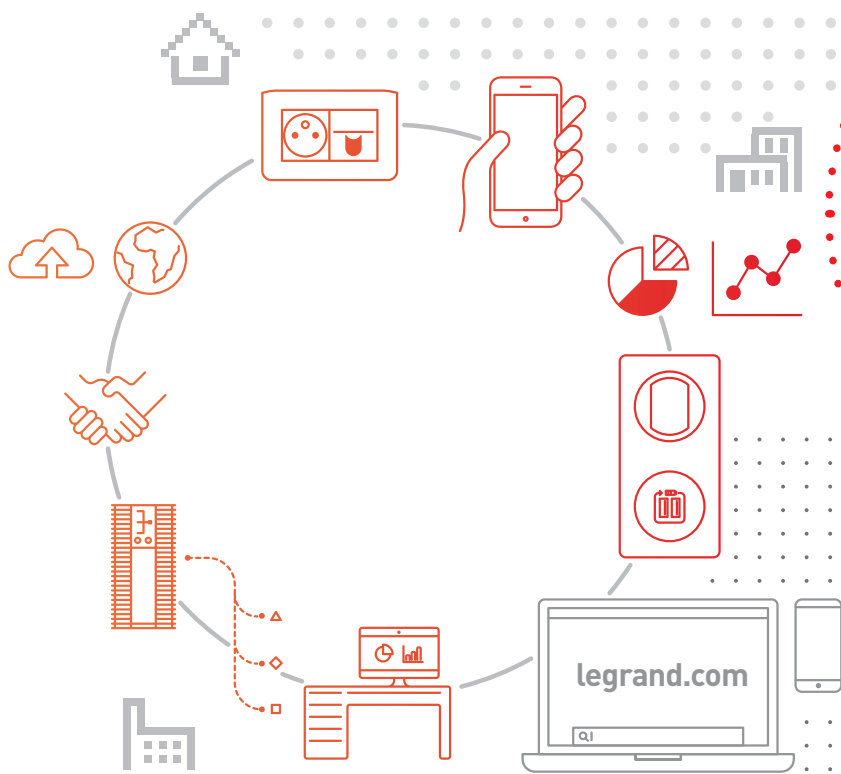


CONSOLIDATED FINANCIAL INFORMATION

AS OF DECEMBER 31,
2018



LEGRAND
CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018

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Consolidated key figures

<i>(in € millions)</i>	2018	2017
Net sales	5,997.2	5,520.8
Adjusted operating profit ⁽¹⁾	1,212.1	1,104.9
As % of net sales	20.2 %	20.0%
	20.2 % before acquisitions*	
Operating profit	1,139.0	1,025.6
As % of net sales	19.0 %	18.6%
Adjusted net profit attributable to the Group ⁽²⁾	771.7	625.7
As % of net sales	12.9 %	11.3%
Net profit attributable to the Group	771.7	711.2
As % of net sales	12.9 %	12.9%
Normalized ⁽³⁾ free cash flow ⁽⁴⁾	893.5	735.2
As % of net sales	14.9 %	13.3%
Free cash flow ⁽⁴⁾	746.3	695.8
As % of net sales	12.4 %	12.6%
Net financial debt at December 31 ⁽⁵⁾	2,296.6	2,219.5

*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) 2017 adjusted net profit attributable to the Group does not take into account the net favorable effect of significant non-recurring gains and expenses resulting from announced changes in tax measures, primarily in France and in the United States. This net favorable effect is adjusted as it does not reflect an underlying performance.
- (3) 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 months' 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.
- (4) 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.
- (5) 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 2018 results press release.

The reconciliation of adjusted net profit attributable to the Group with net profit attributable to the Group is also presented in the following table:

<i>(in € millions)</i>	2018	2017
Adjusted net profit attributable to the Group	771.7	625.7
Tax income linked to mechanical revaluation of deferred tax liabilities on trademarks resulting from the announcement of reductions in corporate income tax rates, primarily in France	0.0	26.4
Tax income resulting from refund of tax on dividends paid since 2013, net of the exceptional corporate income tax on companies in 2017 in France	0.0	18.3
Net tax income linked to changes in tax measures in the United States, mainly accounting impacts due to mechanical revaluation of deferred tax assets and liabilities	0.0	40.8
Total adjustments	0.0	85.5
Net profit attributable to the Group	771.7	711.2

Consolidated statement of income

<i>(in € millions)</i>	12 months ended	
	December 31, 2018	December 31, 2017
Net sales (Notes 2.1 and 2.2)	5,997.2	5,520.8
Operating expenses (Note 2.3)		
Cost of sales	(2,869.7)	(2,627.0)
Administrative and selling expenses	(1,606.8)	(1,511.6)
Research and development costs	(276.5)	(252.1)
Other operating income (expenses)	(105.2)	(104.5)
Operating profit	1,139.0	1,025.6
Financial expenses	(79.1)	(92.1)
Financial income	12.0	13.7
Exchange gains (losses)	2.2	(8.3)
Financial profit (loss)	(64.9)	(86.7)
Profit before tax	1,074.1	938.9
Income tax expense (Note 2.4)	(301.3)	(224.2)
Share of profits (losses) of equity-accounted entities	(0.4)	(1.5)
Profit for the period	772.4	713.2
Of which:		
- Net profit attributable to the Group*	771.7	711.2
- Minority interests	0.7	2.0
Basic earnings per share (<i>euros</i>) (Note 4.1.3)	2.892	2.669
Diluted earnings per share (<i>euros</i>) (Note 4.1.3)	2.869	2.646

*Refer to the previous table.

Consolidated statement of comprehensive income

<i>(in € millions)</i>	12 months ended	
	December 31, 2018	December 31, 2017
Profit for the period	772.4	713.2
<i>Items that may be reclassified subsequently to profit or loss</i>		
Translation reserves	42.6	(333.5)
Income tax relating to components of other comprehensive income	6.0	(16.2)
<i>Items that will not be reclassified to profit or loss</i>		
Actuarial gains and losses (Note 4.5.1.1)	(1.5)	7.6
Deferred taxes on actuarial gains and losses	(0.1)	(5.1)
Other (Note 5.1.1.1)	4.8	0.0
Comprehensive income for the period	824.2	366.0
Of which:		
- Comprehensive income attributable to the Group	823.5	364.3
- Minority interests	0.7	1.7

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

Consolidated balance sheet

<i>(in € millions)</i>	December 31, 2018	December 31, 2017
ASSETS		
Non-current assets		
Intangible assets (Note 3.1)	2,309.7	2,294.0
Goodwill (Note 3.2)	4,322.0	3,930.3
Property, plant and equipment (Note 3.3)	661.4	622.4
Investments in equity-accounted entities	17.4	15.5
Other investments	2.1	19.6
Other non-current assets	14.3	10.0
Deferred tax assets (Note 4.7)	107.8	104.0
Total non-current assets	7,434.7	6,995.8
Current assets		
Inventories (Note 3.4)	885.9	747.4
Trade receivables (Note 3.5)	666.4	624.9
Income tax receivables	89.6	48.0
Other current assets (Note 3.6)	206.0	184.1
Other current financial assets	1.2	1.1
Cash and cash equivalents (Note 3.7)	1,022.5	823.0
Total current assets	2,871.6	2,428.5
Total assets	10,306.3	9,424.3

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

<i>(in € millions)</i>	December 31, 2018	December 31, 2017
EQUITY AND LIABILITIES		
Equity		
Share capital (Note 4.1)	1,070.0	1,067.2
Retained earnings (Notes 4.2 and 4.3.1)	4,051.8	3,644.6
Translation reserves (Note 4.3.2)	(530.6)	(573.2)
Equity attributable to the Group	4,591.2	4,138.6
Minority interests	5.9	9.5
Total equity	4,597.1	4,148.1
Non-current liabilities		
Long-term provisions (Notes 4.4 and 4.5.2)	145.2	148.6
Provisions for post-employment benefits (Note 4.5.1)	155.9	153.6
Long-term borrowings (Note 4.6.1)	2,918.6	2,457.1
Deferred tax liabilities (Note 4.7)	701.0	621.1
Total non-current liabilities	3,920.7	3,380.4
Current liabilities		
Trade payables	662.0	612.9
Income tax payables	31.5	37.7
Short-term provisions (Note 4.4)	87.9	75.3
Other current liabilities (Note 4.8)	605.2	583.7
Short-term borrowings (Note 4.6.2)	400.5	585.4
Other current financial liabilities	1.4	0.8
Total current liabilities	1,788.5	1,895.8
Total equity and liabilities	10,306.3	9,424.3

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

Consolidated statement of cash flows

<i>(in € millions)</i>	12 months ended	
	December 31, 2018	December 31, 2017
Profit for the period	772.4	713.2
Adjustments for non-cash movements in assets and liabilities:		
– Depreciation and impairment of tangible assets (Note 2.3)	100.9	99.8
– Amortization and impairment of intangible assets (Note 2.3)	78.2	66.6
– Amortization and impairment of capitalized development costs (Note 2.3)	28.1	32.7
– Amortization of financial expenses	2.5	1.8
– Impairment of goodwill (Note 3.2)	0.0	0.0
– Changes in long-term deferred taxes	64.3	(50.9)
– Changes in other non-current assets and liabilities (Notes 4.4 and 4.5)	41.5	38.0
– Unrealized exchange (gains)/losses	6.3	0.6
– Share of (profits) losses of equity-accounted entities	0.4	1.5
– Other adjustments	0.8	16.4
– Net (gains)/losses on sales of assets	5.1	0.1
Changes in working capital requirement:		
– Inventories (Note 3.4)	(121.4)	(55.7)
– Trade receivables (Note 3.5)	(11.3)	(30.1)
– Trade payables	30.3	44.1
– Other operating assets and liabilities (Notes 3.6 and 4.8)	(72.8)	(14.4)
Net cash from operating activities	925.3	863.7
– Net proceeds from sales of fixed and financial assets	5.3	10.3
– Capital expenditure (Notes 3.1 and 3.3)	(150.6)	(144.6)
– Capitalized development costs	(33.7)	(33.6)
– Changes in non-current financial assets and liabilities	1.6	3.8
– Acquisitions of subsidiaries, net of cash acquired (Note 1.3.2)	(394.4)	(1,638.0)
Net cash from investing activities	(571.8)	(1,802.1)
– Proceeds from issues of share capital and premium (Note 4.1.1)	13.2	16.9
– Net sales (buybacks) of treasury shares and transactions under the liquidity contract (Note 4.1.2)	(52.1)	1.8
– Dividends paid to equity holders of Legrand (Note 4.1.3)	(336.8)	(317.1)
– Dividends paid by Legrand subsidiaries	(0.3)	(1.5)
– Proceeds from long-term financing (Note 4.6)	418.7	1,402.7
– Repayment of long-term financing (Note 4.6)	(400.5)	(305.7)
– Debt issuance costs	(3.7)	(9.7)
– Net sales (buybacks) of marketable securities	0.0	0.0
– Increase (reduction) in short-term financing (Note 4.6)	249.2	100.6
– Acquisitions of ownership interests with no gain of control (Note 1.3.2)	(39.9)	(0.6)
Net cash from financing activities	(152.2)	887.4
Translation net change in cash and cash equivalents	(1.8)	(66.1)
Increase (decrease) in cash and cash equivalents	199.5	(117.1)
Cash and cash equivalents at the beginning of the period	823.0	940.1
Cash and cash equivalents at the end of the period (Note 3.7)	1,022.5	823.0
Items included in cash flows:		
– Interest paid* during the period	77.9	84.7
– Income taxes paid during the period	255.0	256.7

*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						Total equity
	Share capital	Retained earnings	Translation reserves	Actuarial gains and losses*	Total	Minority interests	
As of December 31, 2016	1,069.3	3,292.4	(240.0)	(64.6)	4,057.1	9.3	4,066.4
Profit for the period		711.2			711.2	2.0	713.2
Other comprehensive income		(16.2)	(333.2)	2.5	(346.9)	(0.3)	(347.2)
Total comprehensive income		695.0	(333.2)	2.5	364.3	1.7	366.0
Dividends paid		(317.1)			(317.1)	(1.5)	(318.6)
Issues of share capital and premium	3.1	13.8			16.9		16.9
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		64.4			64.4		64.4
Change in scope of consolidation**		2.9			2.9	0.0	2.9
Current taxes on share buybacks		(0.4)			(0.4)		(0.4)
Share-based payments		13.1			13.1		13.1
As of December 31, 2017	1,067.2	3,706.7	(573.2)	(62.1)	4,138.6	9.5	4,148.1
Profit for the period		771.7			771.7	0.7	772.4
Other comprehensive income		10.8	42.6	(1.6)	51.8	0.0	51.8
Total comprehensive income		782.5	42.6	(1.6)	823.5	0.7	824.2
Dividends paid		(336.8)			(336.8)	(0.3)	(337.1)
Issues of share capital and premium (Note 4.1.1)	2.8	10.4			13.2		13.2
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)		(52.1)			(52.1)		(52.1)
Change in scope of consolidation**		(18.8)			(18.8)	(4.0)	(22.8)
Current taxes on share buybacks		0.7			0.7		0.7
Share-based payments (Note 4.2)		22.9			22.9		22.9
As of December 31, 2018	1,070.0	4,115.5	(530.6)	(63.7)	4,591.2	5.9	4,597.1

* 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.

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Note 1 - Basis of preparation of the consolidated financial statements

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 more than 90 countries and sells its products in close to 175 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 2017 Registration Document was filed with the AMF (French Financial Markets Authority) on April 6, 2018 under no. D. 18-0292.

The consolidated financial statements were approved by the Board of Directors on February 13, 2019.

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 12 months ended December 31, 2018. They have been prepared in accordance with the International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee publications 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 Group’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 (refer to Note 2.2 regarding this lack of material impact).

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.

IFRS 9 introduces a single impairment model that 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.

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.

The application of IFRS 9 had no material impact on the Group's financial statements as of January 1, 2018. It should be noted that the obligation introduced by IFRS 9 to measure other investments (investments in non-consolidated entities) at fair value generated impacts in 2018. These purely balance sheet impacts are described in Note 5.1.1.

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

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 is effective for annual periods beginning on or after January 1, 2019.

A new Group-wide process for monitoring and accounting for leases has been implemented since 2018.

The Group decided to apply IFRS 16 from January 1, 2019 using the simplified retrospective transition method ("cumulative catch-up" method), by determining the net value of the assets resulting from its historical lease contracts as if IFRS 16 had been applied since the initial date of each contract.

This transition method also allowed the Group to use, for all its historical lease contracts, a single discount rates table per currency, with the discount rate applied to each contract depending on the estimated initial term and the currency of each contract.

The impacts of the application of IFRS 16 on the opening balance sheet as of January 1, 2019 should mainly result in:

- an increase in net fixed assets (through the recording of right-of-use assets) of approximately €250 million;
- the recording of lease financial liabilities of approximately €270 million; and
- a decrease in equity before deferred tax impacts of approximately €20 million.

The application of IFRS 16 from January 1, 2018 would have had a slightly unfavorable impact on profit for full-year 2018, resulting from:

- the cancellation of the rental expenses accounted for in operating expenses and the recording of the depreciation of right-of-use assets, thus generating a net increase in operating profit of approximately €5 million in 2018;
- the recording of finance costs related to the lease financial liabilities in financial expenses and adjustment to income tax expense.

The application of IFRS 16 from January 1, 2018 would have only had reclassification impacts on the 2018 consolidated statement of cash flows, as the standard has no impact on the Group's cash and cash equivalents:

- improvement of net cash from operating activities, following the replacement of rental expenses by the depreciation of right-of-use assets, partially offset by the portion of rental payments corresponding to the finance costs arising from the lease financial liabilities, thus generating an increase in free cash flow of approximately €60 million in 2018;
- deterioration of net cash from financing activities, following the recording in net cash from financing activities of the portion of rental payments corresponding to principal repayments of lease financial liabilities, representing an approximate amount of €60 million in 2018.

Because of its decision to apply the simplified retrospective transition method, the Group will not publish restated comparative information in its 2019 consolidated financial statements (being understood that, overall, the application of IFRS 16 has no material impact for the Group).

IFRIC 23 - Uncertainty over Income Tax Treatments

In June 2017, the IASB issued IFRIC 23 – Uncertainty over Income Tax Treatments.

According to this interpretation, when it is not probable that the relevant tax authority will accept a given tax treatment, this uncertainty should be reflected in income tax calculations, while the risk of detection by the tax authority should be considered as certain.

This interpretation is effective for annual periods beginning on or after January 1, 2019.

The Group reviewed this interpretation, to determine its possible impact on the consolidated financial statements and related disclosures. This interpretation should have no material impact on the Group.

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.

Amendments to IAS 1 and IAS 8 – Definition of Materiality

In October 2018, the IASB issued amendments to IAS 1 – Presentation of Financial Statements and IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors.

These amendments clarify that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of the financial statements make.

These amendments, which have not yet been adopted by the European Union, should be effective for annual periods beginning on or after January 1, 2020.

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 interest 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 202 subsidiaries. The main operating subsidiaries as of December 31, 2018, all of which being 100% owned and fully consolidated, are as follows:

France

Legrand France	France	Limoges
Legrand SNC	France	Limoges

Italy

Bticino SpA	Italy	Varese
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Rest of Europe

Legrand Group Belgium	Belgium	Diegem
Legrand ZRT	Hungary	Szentes
Legrand Nederland B.V.	Netherlands	Boxtel
Legrand Polska	Poland	Zabkowice
Legrand LLC	Russia	Moscow
Legrand Group España	Spain	Madrid
Inform Elektronik	Turkey	Istanbul
Legrand Elektrik	Turkey	Gebze
Legrand Electric	United Kingdom	Birmingham

North and Central America

Bticino de Mexico SA de CV	Mexico	Querétaro
Finelite Inc.	United States	Union City
Legrand AV Inc.	United States	Eden Prairie
Ortronics Inc.	United States	New London
Pass & Seymour Inc.	United States	Syracuse
Pinnacle Architectural Lighting Inc.	United States	Denver
Raritan Inc.	United States	Somerset
Server Technology Inc.	United States	Reno
The WattStopper Inc.	United States	Santa Clara
The Wiremold Company	United States	West Hartford

Rest of the world

Legrand Group Pty Ltd	Australia	Sydney
GL Eletro-Eletronicos Ltda	Brazil	Sao Paulo
HDL Da Amazonia Industria Eletronica Ltda	Brazil	Manaus
Electro Andina Ltda	Chile	Santiago
DongGuan Rocom Electric	China	Dongguan
TCL International Electrical	China	Huizhou
TCL Wuxi	China	Wuxi
Legrand Colombia	Colombia	Bogota
Novateur Electrical and Digital Systems	India	Mumbai
Legrand SNC FZE	United Arab Emirates	Dubai

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:

2017	March 31	June 30	September 30	December 31
Full consolidation method				
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
Equity method				
Borri		Balance sheet only	Balance sheet only	8 months' profit
<hr/>				
2018	March 31	June 30	September 30	December 31
Full consolidation method				
OCL	3 months' profit	6 months' profit	9 months' profit	12 months' profit
AFCO Systems	3 months' profit	6 months' profit	9 months' profit	12 months' profit
Finelite	3 months' profit	6 months' profit	9 months' profit	12 months' profit
Milestone	3 months' profit	6 months' profit	9 months' profit	12 months' profit
Server Technology	3 months' profit	6 months' profit	9 months' profit	12 months' profit
Modulan	Balance sheet only	Balance sheet only	6 months' profit	9 months' profit
GemNet		Balance sheet only	Balance sheet only	7 months' profit
Shenzen Clever Electronic			Balance sheet only	6 months' profit
Debflex				Balance sheet only
Netatmo				Balance sheet only
Kenall				Balance sheet only
Trical				Balance sheet only
Equity method				
Borri	3 months' profit	6 months' profit	9 months' profit	12 months' profit

The main acquisitions carried out in 2018 were as follows:

- the Group acquired a majority stake in Modulan, specialized in custom-made cabinet systems for data centers in Germany. Modulan reports annual sales of about €8 million;
- the Group acquired GemNet, a UPS specialist in United Arab Emirates. GemNet reports annual sales of approximately €4 million;
- the Group acquired Shenzhen Clever Electronic, a Chinese leader in intelligent PDUs for data centers. Shenzhen Clever Electronic reports annual sales of around €24 million;
- the Group acquired a majority stake in Debflex, a French frontrunner in electrical equipment for DIY activities. Debflex reports annual sales of approximately €35 million;
- the Group acquired Netatmo, a French leading smart home company. Legrand has been a minority shareholder of Netatmo since 2015. Netatmo reports annual sales of around €51 million;
- the Group acquired Kenall, an American leader in lighting solutions for specific applications and critical non-residential environments (public buildings and infrastructures). Kenall reports annual sales of around \$100 million; and
- the Group acquired Trical, a New Zealander front-runner in electrical and digital enclosures and switchboards for residential and commercial buildings. Trical reports annual sales of nearly €6 million.

In all, acquisitions of subsidiaries (net of cash acquired) came to a total of €394.4 million in 2018 (plus €39.9 million for acquisitions of ownership interests without gain of control), versus €1,638.0 million in 2017 (plus €0.6 million for acquisitions of ownership interests without gain of control).

Note 2 - Results for the year

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 to three geographical segments: Europe, North and Central America, and Rest of the world, each of which are 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.

12 months ended December 31, 2018

<i>(in € millions)</i>	Geographical segments					Total
	Europe		Rest of Europe	North and Central America	Rest of the world	
	France	Italy				
Net sales to third parties	1,032.4	578.8	978.3	2,223.2	1,184.5	5,997.2
Cost of sales	(392.8)	(197.5)	(546.8)	(1,069.6)	(663.0)	(2,869.7)
Administrative and selling expenses, R&D costs	(414.1)	(165.8)	(242.9)	(746.4)	(314.1)	(1,883.3)
Other operating income (expenses)	(28.7)	(4.2)	(7.7)	(29.5)	(35.1)	(105.2)
Operating profit	196.8	211.3	180.9	377.7	172.3	1,139.0
- of which acquisition-related amortization, expenses and income						
• accounted for in cost of sales						0.0
• accounted for in administrative and selling expenses, R&D costs	(1.2)	(0.2)	(4.7)	(53.6)	(11.2)	(70.9)
• 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
Adjusted operating profit	198.0	211.5	187.8	431.3	183.5	1,212.1
- of which depreciation expense	(26.8)	(17.6)	(14.3)	(19.3)	(23.8)	(101.8)
- of which amortization expense	(2.6)	(4.5)	(0.5)	(2.8)	(0.9)	(11.3)
- of which amortization of development costs	(17.6)	(7.4)	(1.9)	0.0	(1.2)	(28.1)
- of which restructuring costs	(6.9)	(1.5)	(2.7)	(4.4)	(12.4)	(27.9)
Capital expenditure	(46.1)	(28.5)	(26.3)	(22.0)	(27.7)	(150.6)
Capitalized development costs	(21.0)	(9.0)	(1.8)	0.0	(1.9)	(33.7)
Net tangible assets	194.8	125.5	94.5	119.1	127.5	661.4
Total current assets	844.9	155.0	477.0	647.3	747.4	2,871.6
Total current liabilities	739.8	205.7	131.9	320.3	390.8	1,788.5

12 months ended December 31, 2017

<i>(in € millions)</i>	Geographical segments					Total
	Europe			North and Central America	Rest of the world	
	France	Italy	Rest of Europe			
Net sales to third parties	1,012.6	544.7	914.5	1,857.4	1,191.6	5,520.8
Cost of sales	(386.5)	(187.8)	(513.2)	(887.0)	(652.5)	(2,627.0)
Administrative and selling expenses, R&D costs	(397.7)	(162.1)	(234.3)	(641.0)	(328.6)	(1,763.7)
Other operating income (expenses)	(29.7)	(2.7)	(9.4)	(28.9)	(33.8)	(104.5)
Operating profit	198.7	192.1	157.6	300.5	176.7	1,025.6
- of which acquisition-related amortization, expenses and income						
• accounted for in cost of sales	0.0	0.0	0.0	(16.8)	0.0	(16.8)
• accounted for in administrative and selling expenses, R&D costs	(3.5)	(0.7)	(4.1)	(41.2)	(12.3)	(61.8)
• accounted for in other operating income (expenses)	0.0	0.0	(0.7)	0.0	0.0	(0.7)
- of which goodwill impairment						0.0
Adjusted operating profit	202.2	192.8	162.4	358.5	189.0	1,104.9
- of which depreciation expense	(27.2)	(17.4)	(13.6)	(15.5)	(25.4)	(99.1)
- of which amortization expense	(4.8)	(3.8)	(1.5)	(3.1)	(1.1)	(14.3)
- of which amortization of development costs	(21.7)	(8.8)	(1.5)	0.0	(0.7)	(32.7)
- of which restructuring costs	(9.1)	0.1	1.0	(3.9)	(9.3)	(21.2)
Capital expenditure	(38.5)	(24.8)	(25.4)	(27.4)	(28.5)	(144.6)
Capitalized development costs	(20.1)	(8.9)	(2.3)	0.0	(2.3)	(33.6)
Net tangible assets	178.4	119.7	93.7	101.6	129.0	622.4
Total current assets	663.8	120.3	411.7	525.2	707.5	2,428.5
Total current liabilities	882.5	194.7	172.1	275.5	371.0	1,895.8

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 18% of consolidated net sales in 2018. The Group estimates that no other customer 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).

Within the context of these contracts, the Group owns the main risks and benefits resulting from the products sales, and therefore acts as the principal (and not as an agent).

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 benefits of the services as and when 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 fair value of the transferred products or services.

In 2018, the Group's consolidated net sales came to € 5,997.2 million, up +8.6% in total compared with 2017 due to organic growth (+4.9%), changes in scope of consolidation (+7.8%) and the unfavorable impact of exchange rates (-3.9%).

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, and 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>	12 months ended	
	December 31, 2018	December 31, 2017
Mature countries	4,280.0	3,805.1
New economies	1,717.2	1,715.7
Total	5,997.2	5,520.8

2.3 Operating expenses

Operating expenses include the following main categories of costs:

<i>(in € millions)</i>	12 months ended	
	December 31, 2018	December 31, 2017
Raw materials and component costs	(1,972.4)	(1,768.3)
Personnel costs	(1,512.3)	(1,411.3)
Other external costs	(1,060.2)	(1,001.1)
Depreciation and impairment of tangible assets	(100.9)	(99.8)
Amortization and impairment of intangible assets	(106.3)	(99.3)
Restructuring costs	(27.9)	(21.2)
Goodwill impairment	0.0	0.0
Other	(78.2)	(94.2)
Operating expenses	(4,858.2)	(4,495.2)

“Other” primarily includes impairment losses and reversals on inventories (Note 3.4), trade receivables (Note 3.5), and provisions for contingencies (Note 4.4). In addition in 2017, “Other” included the non recurring impact of the reversal of Milestone’s inventory step-up (i.e. a €16.8 million expense).

The Group had an average of 38,377 employees in 2018 (versus 37,356 in 2017), of which 30,957 back-office employees and 7,420 front-office employees (versus 30,085 and 7,271, respectively, in 2017).

2.4 Income tax expense

Income tax expense consists of the following:

<i>(in € millions)</i>	12 months ended	
	December 31, 2018	December 31, 2017
Current taxes:		
France	(52.8)	(27.6)
Outside France	(188.6)	(244.6)
Total	(241.4)	(272.2)
Deferred taxes:		
France	3.4	30.9
Outside France	(63.3)	17.1
Total	(59.9)	48.0
Total income tax expense:		
France	(49.4)	3.3
Outside France	(251.9)	(227.5)
Total	(301.3)	(224.2)

Income tax expense amounted to €(301.3) million for full-year 2018 and, once adjusted for the following non-recurring favorable impacts, €(309.7) million for full-year 2017:

- the favorable accounting impact representing respectively a €26.4 million tax income in 2017, linked to mechanical revaluation of deferred tax liabilities on trademarks resulting from the announcement of reductions in corporate income tax rates, primarily in France;
- the favorable accounting impact representing a €18.3 million tax income in 2017 in France, resulting from refund of tax on dividends paid since 2013, net of the exceptional income tax on companies in 2017 in France; and
- the favorable accounting impact representing a €40.8 million net tax income in 2017 linked to changes in tax measures in the United States, mainly accounting impacts due to mechanical revaluation of deferred tax assets and liabilities.

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 €1,074.1 million in 2018 (versus €938.9 million in 2017):

<i>(Tax rate)</i>	12 months ended	
	December 31, 2018	December 31, 2017
Standard French income tax rate	34.43%	34.43%
Increases (reductions):		
- Effect of foreign income tax rates	(8.92%)	(5.85%)
- Non-taxable items	1.41%	0.40%
- Income taxable at specific rates	(0.17%)	(0.13%)
- Other	0.39%	2.32%
	27.14%	31.17%
Impact on deferred taxes of:		
- Changes in tax rates	0.39%	(7.67%)
- Recognition or non-recognition of deferred tax assets	0.52%	0.38%
Effective tax rate	28.05%	23.88%

The effective tax rate represents 28.05% in 2018 and, once adjusted for the favorable accounting impacts mentioned above, 33.00% in 2017.

Note 3 - Details on non-current and current assets

3.1 Intangible assets

<i>(in € millions)</i>	December 31, 2018	December 31, 2017
Trademarks	1,820.1	1,810.3
Patents	92.7	81.7
Other intangible assets	396.9	402.0
Net value at the end of the period	2,309.7	2,294.0

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>	December 31, 2018	December 31, 2017
Gross value at the beginning of the period	2,042.4	1,917.8
- Acquisitions	35.5	184.3
- Adjustments	0.0	0.0
- Disposals	0.0	0.0
- Translation adjustments	14.8	(59.7)
Gross value at the end of the period	2,092.7	2,042.4
Accumulated amortization and impairment at the beginning of the period	(232.1)	(220.0)
- Amortization expense	(36.9)	(33.4)
- Reversals	0.0	0.0
- Translation adjustments	(3.6)	21.3
Accumulated amortization and impairment at the end of the period	(272.6)	(232.1)
Net value at the end of the period	1,820.1	1,810.3

To date, no 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.

The following impairment testing parameters were used in the period ended December 31, 2018:

<i>(in € millions)</i>	Recoverable amount	Carrying amount of trademarks with indefinite useful lives	Value in use	
			Discount rate (before tax)	Growth rate to perpetuity
	Value in use	1,408.0	9.8 to 11.1%	2.9 to 3.1%

No impairment was recognized in the period ended December 31, 2018.

Sensitivity tests were performed on the discount rates and long-term growth rates used for impairment testing purposes. Based on the results of these tests, a 50-basis point unfavorable change in these rates would not lead to any impairment losses being recognized on trademarks with an indefinite useful life.

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

<i>(in € millions)</i>	Recoverable amount	Carrying amount of trademarks with indefinite useful lives	Value in use	
			Discount rate (before tax)	Growth rate to perpetuity
	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>	December 31, 2018	December 31, 2017
Gross value at the beginning of the period	672.9	619.5
- Acquisitions	17.3	67.1
- Disposals	0.0	0.0
- Translation adjustments	7.1	(13.7)
Gross value at the end of the period	697.3	672.9
Accumulated amortization and impairment at the beginning of the period	(591.2)	(594.7)
- Amortization expense	(10.4)	(5.6)
- Reversals	0.0	0.0
- Translation adjustments	(3.0)	9.1
Accumulated amortization and impairment at the end of the period	(604.6)	(591.2)
Net value at the end of the period	92.7	81.7

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;
- softwares, which are mostly purchased from external suppliers and generally 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>	December 31, 2018	December 31, 2017
Capitalized development costs	381.1	353.0
Softwares	133.6	129.3
Other	368.2	353.0
Gross value at the end of the period	882.9	835.3
Accumulated amortization and impairment at the end of the period	(486.0)	(433.3)
Net value at the end of the period	396.9	402.0

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 data from valuation services firms (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>	December 31, 2018	December 31, 2017
France	867.3	688.0
Italy	381.5	381.5
Rest of Europe	325.0	327.2
North and Central America	2,082.5	1,911.6
Rest of the world	665.7	622.0
Net value at the end of the period	4,322.0	3,930.3

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

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

Changes in goodwill can be analyzed as follows:

<i>(in € millions)</i>	December 31, 2018	December 31, 2017
Gross value at the beginning of the period	3,967.8	3,159.9
- Acquisitions	382.9	1,510.6
- Adjustments	(42.1)	(486.0)
- Translation adjustments	50.4	(216.7)
Gross value at the end of the period	4,359.0	3,967.8
Impairment value at the beginning of the period	(37.5)	(38.0)
- Impairment losses	0.0	0.0
- Translation adjustments	0.5	0.5
Impairment value at the end of the period	(37.0)	(37.5)
Net value at the end of the period	4,322.0	3,930.3

Adjustments correspond to the difference between provisional and final goodwill.

Changes in goodwill for the period ended December 31, 2017 include Milestone's provisional goodwill of \$723 million. Milestone's final goodwill, amounting to \$722 million, is detailed as follows:

	<i>(in \$ millions)</i>	<i>(in € millions)</i>
Trademarks	86	73
Patents	58	49
Other intangible assets	239	204
Tangible assets	25	21
Inventories	60	51
Trade receivables	71	61
Trade payables	32	27
Net financial debt	(9)	(8)
Other net liabilities	28	24
Total net assets excluding final goodwill	488	416
Purchase price paid*	1,210	1,032
Final goodwill	722	616

* This amount, on a cash free basis, shall be read \$1,201 million.

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

<i>(in € millions)</i>	12 months ended	
	December 31, 2018	31 décembre 2017
- Trademarks	35.5	184.3
- Deferred taxes on trademarks	(7.7)	(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

The following impairment testing parameters were used in the period ended December 31, 2018:

<i>(in € millions)</i>	Recoverable amount	Carrying amount of goodwill	Value in use	
			Discount rate (before tax)	Growth rate to perpetuity
France		867.3	8.6%	2.0%
Italy		381.5	10.1%	2.0%
Rest of Europe	Value in use	325.0	8.1 to 19.7%	2.0 to 5.0%
North and Central America		2,082.5	9.5%	3.1%
Rest of the world		665.7	9.6 to 16.1%	2.0 to 5.0%
Net value at the end of the period		4,322.0		

No goodwill impairment losses were identified in the period ended December 31, 2018 including for CGUs facing a difficult or uncertain macro-economic environment.

Sensitivity tests performed on the discount rates, long-term growth rates and operating margin rates showed that a 50-basis point unfavorable change in each of these three parameters would not lead to any material impairment of goodwill for any of the CGUs taken individually.

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%
Net value at the end of the period		3,930.3		

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.

3.3.1 Changes in property, plant and equipment

December 31, 2018					
<i>(in € millions)</i>	Land	Buildings	Machinery and equipment	Assets under construction and other	Total
<i>Gross value</i>					
At the beginning of the period	55.6	627.7	1,746.5	306.8	2,736.6
- Acquisitions	0.0	3.2	34.5	101.5	139.2
- Disposals	(0.6)	(9.7)	(66.8)	(12.8)	(89.9)
- Transfers and changes in scope of consolidation	(7.4)	10.9	94.9	(67.0)	31.4
- Translation adjustments	0.1	0.1	(8.8)	(0.2)	(8.8)
At the end of the period	47.7	632.2	1,800.3	328.3	2,808.5
<i>Depreciation and impairment</i>					
At the beginning of the period	0.0	(414.7)	(1,505.7)	(193.8)	(2,114.2)
- Depreciation expense	(0.7)	(19.2)	(65.0)	(15.6)	(100.5)
- Reversals	0.0	8.2	63.2	12.7	84.1
- Transfers and changes in scope of consolidation	0.0	(0.9)	(22.5)	3.2	(20.2)
- Translation adjustments	0.0	(0.3)	5.4	(1.4)	3.7
At the end of the period	(0.7)	(426.9)	(1,524.6)	(194.9)	(2,147.1)
<i>Net value</i>					
At the beginning of the period	55.6	213.0	240.8	113.0	622.4
- Acquisitions/Depreciation	(0.7)	(16.0)	(30.5)	85.9	38.7
- Disposals/Reversals	(0.6)	(1.5)	(3.6)	(0.1)	(5.8)
- Transfers and changes in scope of consolidation	(7.4)	10.0	72.4	(63.8)	11.2
- Translation adjustments	0.1	(0.2)	(3.4)	(1.6)	(5.1)
At the end of the period	47.0	205.3	275.7	133.4	661.4

As of December 31, 2018, total property, plant and equipment includes €5.1 million corresponding to assets held for sale, which are measured at the lower of their carrying amount and fair value less disposal costs.

December 31, 2017

<i>(in € millions)</i>	Land	Buildings	Machinery and equipment	Assets under construction and other	Total
<i>Gross value</i>					
At the beginning of the period	56.9	622.5	1,721.7	300.4	2,701.5
- Acquisitions	0.0	7.1	33.9	90.5	131.5
- Disposals	(1.2)	(18.3)	(46.0)	(11.2)	(76.7)
- Transfers and changes in scope of consolidation	2.4	31.4	83.9	(51.9)	65.8
- Translation adjustments	(2.5)	(15.0)	(47.0)	(21.0)	(85.5)
At the end of the period	55.6	627.7	1,746.5	306.8	2,736.6
<i>Depreciation and impairment</i>					
At the beginning of the period	0.0	(413.2)	(1,498.3)	(192.6)	(2,104.1)
- Depreciation expense	0.0	(18.5)	(67.1)	(14.2)	(99.8)
- Reversals	0.0	14.4	45.1	9.9	69.4
- Transfers and changes in scope of consolidation	0.0	(5.8)	(20.9)	(12.4)	(39.1)
- Translation adjustments	0.0	8.4	35.5	15.5	59.4
At the end of the period	0.0	(414.7)	(1,505.7)	(193.8)	(2,114.2)
<i>Net value</i>					
At the beginning of the period	56.9	209.3	223.4	107.8	597.4
- Acquisitions/Depreciation	0.0	(11.4)	(33.2)	76.3	31.7
- Disposals/Reversals	(1.2)	(3.9)	(0.9)	(1.3)	(7.3)
- Transfers and changes in scope of consolidation	2.4	25.6	63.0	(64.3)	26.7
- Translation adjustments	(2.5)	(6.6)	(11.5)	(5.5)	(26.1)
At the end of the period	55.6	213.0	240.8	113.0	622.4

3.3.2 Property, plant and equipment held under finance leases

<i>(in € millions)</i>	December 31, 2018	December 31, 2017
Buildings	35.9	36.1
Other	0.3	0.3
Gross value at the end of the period	36.2	36.4
Less accumulated depreciation	(13.0)	(12.0)
Net value at the end of the period	23.2	24.4

3.3.3 Liabilities recorded in the balance sheet arising from finance leases

<i>(in € millions)</i>	December 31, 2018	December 31, 2017
Long-term borrowings	6.5	8.0
Short-term borrowings	1.5	1.3
Total	8.0	9.3

3.3.4 Future minimum lease payments under finance leases

<i>(in € millions)</i>	December 31, 2018	December 31, 2017
Due in less than one year	1.7	1.4
Due in one to two years	1.7	1.6
Due in two to three years	1.6	1.5
Due in three to four years	1.4	1.5
Due in four to five years	2.1	1.3
Due beyond five years	0.0	2.1
Gross value of future minimum lease payments	8.5	9.4
Of which accrued interest	(0.5)	(0.1)
Net present value of future minimum lease payments	8.0	9.3

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>	December 31, 2018	December 31, 2017
Purchased raw materials and components	347.6	289.7
Sub-assemblies, work in progress	98.5	87.4
Finished products	563.7	491.0
Gross value at the end of the period	1,009.8	868.1
Impairment	(123.9)	(120.7)
Net value at the end of the period	885.9	747.4

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 age of the receivables.

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>	December 31, 2018	December 31, 2017
Trade receivables	750.4	703.9
Impairment	(84.0)	(79.0)
Net value at the end of the period	666.4	624.9

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

During 2018, a total of €494.3 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 December 31, 2018 was €126.2 million (€95.2 million as of December 31, 2017).

Past-due trade receivables can be analyzed as follows:

<i>(in € millions)</i>	December 31, 2018	December 31, 2017
Less than 3 months past due receivables	128.5	117.6
From 3 to 12 months past due receivables	32.0	30.5
More than 12 months past due receivables	35.2	30.0
Total	195.7	178.1

Provisions for impairment of past-due trade receivables amounted to €76.3 million as of December 31, 2018 (€71.0 million as of December 31, 2017). These provisions break down as follows:

<i>(in € millions)</i>	December 31, 2018	December 31, 2017
Provisions for less than 3 months past due receivables	13.4	13.7
Provisions for 3 to 12 months past due receivables	27.7	27.3
Provisions for more than 12 months past due receivables	35.2	30.0
Total	76.3	71.0

3.6 Other current assets

Other current assets are as follows:

<i>(in € millions)</i>	December 31, 2018	December 31, 2017
Employee advances	3.4	3.4
Prepayments	49.1	39.1
Taxes other than income tax	110.3	109.8
Other receivables	43.2	31.8
Net value at the end of the period	206.0	184.1

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 € 1,022.5 million as of December 31, 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 €2.1 million were not available to the Group in the short term as of December 31, 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 December 31, 2018 amounted to €1,069,980,596 represented by 267,495,149 ordinary shares with a par value of €4 each, for 267,495,149 theoretical voting rights and 266,589,802 exercisable voting rights (after subtracting shares held in treasury by the Group as of this date).

As of December 31, 2018, the Group held 905,347 shares in treasury, versus 45,128 shares as of December 31, 2017, i.e. 860,219 additional shares corresponding to:

- the net acquisition of 550,000 shares outside of the liquidity contract;
- the net purchase of 310,219 shares under the liquidity contract (Note 4.1.2.2).

As of December 31, 2018, among the 905,347 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 350,219 shares are held under the liquidity contract.

4.1.1 Changes in share capital

Changes in share capital in 2018 were as follows:

	Number of shares	Par value	Share capital (euros)	Premiums (euros)
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	148,476	4	593,904	1,314,708
Exercise of options under the 2010 plan	277,733	4	1,110,932	4,832,108
Repayment of paid-in capital*				(88,886,788)
As of December 31, 2018	267,495,149	4	1,069,980,596	721,214,426

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

In 2018, 689,398 shares were issued under the 2008 to 2010 stock option plans, resulting in a capital increase representing a total amount of €13.2 million (premiums included).

4.1.2 Share buybacks and transactions under the liquidity contract

As of December 31, 2018, the Group held 905,347 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 analysed as follows:

4.1.2.1 Share buybacks

As of December 31, 2018, the Group held 555,128 shares, acquired at a total cost of €35.3 million. 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 €0.2 million); and
- for cancellation of 550,000 shares acquired at a cost of €35.1 million.

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 (French Financial Markets Authority) on March 22, 2005. €15.0 million in cash was allocated by the Group to the liquidity contract.

As of December 31, 2018, the Group held 350,219 shares under this contract, purchased at a total cost of €19.4 million.

During 2018, transactions under the liquidity contract led to a cash outflow of €17.0 million corresponding to the net purchase of 310,219 shares.

4.1.3 Earnings per share

Basic earnings per share are calculated by dividing net profit attributable to equity holders of Legrand 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 equity holders of Legrand 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:

		12 months ended	
		December 31, 2018	December 31, 2017
Net profit attributable to the Group (<i>in € millions</i>)	A	771.7	711.2
Average number of shares (excluding shares held in treasury)	B	266,878,862	266,432,980
<i>Average dilution from:</i>			
- Performance shares		1,425,121	1,109,736
- Stock options		719,713	1,251,154
Average number of shares after dilution (excluding shares held in treasury)	C	269,023,696	268,793,870
Number of stock options and performance share grants outstanding at the period end		2,593,923	2,829,361
Sales (buybacks) of shares and transactions under the liquidity contract (net during the period)		(860,219)	20,433
Shares allocated during the period under performance share plans		0	0
Basic earnings per share (<i>euros</i>)	A/B	2.892	2.669
Diluted earnings per share (<i>euros</i>)	A/C	2.869	2.646
Dividend per share (<i>euros</i>)		1.260	1.190

In 2017, net profit attributable to the Group benefited from the following non recurring favorable impacts:

- the favorable accounting impact representing respectively a €26.4 million tax income in 2017, linked to mechanical revaluation of deferred tax liabilities on trademarks resulting from the announcement of reductions in corporate income tax rates, primarily in France;
- the favorable accounting impact representing a €18.3 million tax income in 2017 in France, resulting from refund of tax on dividends paid since 2013, net of the exceptional income tax on companies in 2017 in France; and
- the favorable accounting impact representing a €40.8 million net tax income in 2017 linked to changes in tax measures in the United States, mainly accounting impacts due to mechanical revaluation of deferred tax assets and liabilities.

The corresponding basic earnings per share and diluted earnings per share are as follows:

		12 months ended	
		December 31, 2018	December 31, 2017
Adjusted net profit attributable to the Group (<i>in € millions</i>)	D	771.7	625.7
Adjusted basic earnings per share (<i>euros</i>)	D/B	2.892	2.348
Adjusted diluted earnings per share (<i>euros</i>)	D/C	2.869	2.328

As mentioned above, during 2018, the Group:

- acquired 550,000 shares for cancellation;
- issued 689,398 shares under stock option plans;
- purchased a net 310,219 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 €2.895 and €2.868 respectively for the 12 months ended December 31, 2018.

During 2017, the Group:

- issued 778,377 shares under stock option plans; and
- sold a net 20,433 shares under the liquidity contract.

These movements were taken into account on an accrual 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 €2.666 and €2.640 respectively for the 12 months ended December 31, 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 also 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 ⁽¹⁾	498,323 ⁽¹⁾	487,532 ⁽¹⁾	518,900 ⁽¹⁾
<i>o/w to Executive Director</i>	14,659 ⁽¹⁾	15,361 ⁽¹⁾	12,388 ⁽¹⁾	19,366 ⁽¹⁾
- Gilles Schnepf	14,659	15,361	12,388	0
- Benoît Coquart	NA	NA	NA	19,366
Total IFRS 2 charge (in € millions)	16.3 ⁽²⁾	20.3 ⁽²⁾	24.8 ⁽²⁾	28.5 ⁽²⁾
End of vesting period	June 17, 2019	June 17, 2020	June 17, 2021	June 15, 2021 ⁽³⁾ June 15, 2022 ⁽⁴⁾
End of lock-up period	June 17, 2019	June 17, 2020	June 17, 2021	June 15, 2023 ⁽³⁾ June 15, 2022 ⁽⁴⁾
Number of performance shares acquired as of December 31, 2018	0	0	0	0
Number of performance share rights cancelled, forfeited or adjusted	(56,530) ⁽⁵⁾	(19,078)	(15,961)	(2,692)
Performance share rights outstanding as of December 31, 2018	334,336	479,245	471,571	516,208

(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 the 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 four years of the vesting period.

(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.

(5) Including the number of performance shares adjusted for the performance criteria fulfillment at 90.8%.

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 ^{1/3} %
"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 ^{1/3} %
Non-financial performance criterion	Arithmetic mean of average rate of attainment of Group CSR Roadmap priorities over a three-year period.	0%	33 ^{1/3} %

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

"External" financial performance criterion

Pay-out rate ⁽¹⁾	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 ⁽¹⁾	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

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

Applicable to beneficiaries with the exception of the Executive Director					
Pay-out rate ⁽¹⁾	0%	Between 70% and 100%	Between 100% and 105%	Between 105% and 150%	Capped at 150%
Average rate of achievement 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%
Applicable to the Executive Director					
Pay-out rate ⁽¹⁾	0%	Between 70% and 90%	Between 90% and 97%	Between 97% and 150%	Capped at 150%
Average rate of achievement 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%

⁽¹⁾ 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 is present within the Group at the expiry of vesting period and several performance criteria.

For the executive officer and members of the Executive Committee, 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 ⁽¹⁾	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

⁽¹⁾The adjusted operating margin before acquisitions corresponds to the adjusted operating profit (see consolidated key figures).

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

Criterion of organic growth of revenues

Pay-out rate ⁽¹⁾	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 ⁽²⁾) - 2 points)	Between (LR ⁽²⁾) - 2 points) and LR ⁽²⁾	Equal to LR ⁽²⁾	Between LR ⁽²⁾ and UR ⁽³⁾	Equal to UR ⁽³⁾	Between UR ⁽³⁾ and (UR ⁽³⁾) + 2 points)	Higher than (UR ⁽³⁾) + 2 points)

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

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

⁽³⁾ UR corresponds 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 ⁽¹⁾	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 ⁽²⁾ - 50 bps)	Between LR ⁽²⁾ - 50 bps) and LR ⁽²⁾	Equal to LR ⁽²⁾	Between LR ⁽²⁾ and UR ⁽³⁾	Equal to UR ⁽³⁾	Between UR ⁽³⁾ and (UR ⁽³⁾ + 50 bps)	Higher than (UR ⁽³⁾ + 50 bps)

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

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

(3) UR corresponds 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 ⁽¹⁾	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 ⁽¹⁾	0%	30%	Between 30% and 150%	150%
Difference in performance between the Legrand stock market price and that of the CAC 40 index ⁽²⁾	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 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), i.e., €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 closing indices of the CAC 40 index of the second half of the year preceding the first year of the plan (second half of 2017), i.e. 5275.8 points.

The difference between these two performances will be measured by the points gap between the percentage of change in the Legrand share price and the percentage of change 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 of 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 of adjusted operating margin before acquisitions ⁽¹⁾	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

⁽¹⁾The adjusted operating margin before acquisitions corresponds to the adjusted operating profit (see consolidated key figures).

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

Criterion of organic growth of revenues

Annual rate of achievement ⁽¹⁾	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 ⁽²⁾) - 2 points)	Between (LR ⁽²⁾) - 2 points) and LR ⁽²⁾	Equal to LR ⁽²⁾	Between LR ⁽²⁾ and UR ⁽³⁾	Equal to UR ⁽³⁾	Between UR ⁽³⁾ and (UR ⁽³⁾ + 2 points)	Above (UR ⁽³⁾) + 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 (1)	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 ⁽²⁾ - 50 bps)	Between (LR ⁽²⁾ - 50 bps) and LR ⁽²⁾	Equal to LR ⁽²⁾	Between LR ⁽²⁾ and UR ⁽³⁾	Equal to UR ⁽³⁾	Between UR ⁽³⁾ and (UR ⁽³⁾ + 50 bps)	Above (UR ⁽³⁾ + 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 (1)	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. 1,801,360 shares), the Company's capital would be diluted by 0.7% as of December 31, 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 ⁽¹⁾	1,192,949 ⁽¹⁾	3,283,257 ⁽¹⁾
<i>o/w to Executive Directors</i>	142,738 ⁽¹⁾	95,459 ⁽¹⁾	222,807 ⁽¹⁾
- Gilles Schnepf	72,824 ⁽¹⁾	48,711 ⁽¹⁾	137,537 ⁽¹⁾
- Olivier Bazil	69,914 ⁽¹⁾	46,748 ⁽¹⁾	85,270 ⁽¹⁾
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 ⁽¹⁾ Average closing price over the 20 trading days preceding the grant date	€12.82 ⁽¹⁾ Average closing price over the 20 trading days preceding the grant date	€21.32 ⁽¹⁾ 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 December 31, 2018	(1,880,609)	(992,360)	(2,341,653)
Number of options cancelled or forfeited	(144,066)	(108,813)	(240,817)
Stock options outstanding as of December 31, 2018	0	91,776	700,787

(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 were 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 12 months ended December 31, 2014).

The weighted average market price of the Company stock upon exercise of stock options in 2018 was €62.92.

If all these options were to be exercised (i.e. 792,563 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 December 31, 2018.

4.2.3 Share-based payments: IFRS 2 charges

In accordance with IFRS 2, a charge of €22.9 million was recorded in 2018 (€13.1 million in 2017) for all of these plans combined. See also Note 4.5.2 for cash-settled long-term employee benefit plans implemented from 2013.

4.3 Retained earnings and translation reserves

4.3.1 Retained earnings

The Group's consolidated retained earnings as of December 31, 2018 amounted to €4,051.8 million.

As of the same date, the Company had retained earnings including profit for the period of €889.3 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>	December 31, 2018	December 31, 2017
US dollar	(47.0)	(189.7)
Other currencies	(483.6)	(383.5)
Total	(530.6)	(573.2)

The Group operates in more than 90 countries. It is mainly exposed to a dozen currencies other than the euro and US dollar, including the Indian rupee, Chinese yuan, Brazilian real, British pound, Russian ruble, Australian dollar, Mexican peso, Turkish lira 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 2018 amounted to €15.5 million, resulting in a net negative balance of €61.3 million as of December 31, 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 2018 amounted to €1.1 million, resulting in a net positive balance of €18.4 million as of December 31, 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 2018 amounted to €2.5 million, resulting in a net positive balance of €5.3 million as of December 31, 2018.

4.4 Provisions

Changes in provisions in 2018 are as follows:

December 31, 2018						
<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	0.9	0.0	0.3	0.1	1.3	2.6
Increases	23.8	28.1	7.5	17.1	17.3	93.8
Utilizations	(6.3)	(6.7)	(1.5)	(7.8)	(31.9)	(54.2)
Reversals of surplus provisions	(2.6)	(21.7)	(1.5)	(1.0)	(4.9)	(31.7)
Reclassifications	(0.1)	1.0	(0.5)	0.0	2.1	2.5
Translation adjustments	(0.2)	0.0	(1.3)	(0.2)	(2.1)	(3.8)
At end of period	44.6	69.4	30.2	24.1	64.8	233.1
<i>Of which non-current portion</i>	<i>29.4</i>	<i>36.8</i>	<i>18.1</i>	<i>3.2</i>	<i>57.7</i>	<i>145.2</i>

“Other” includes long-term provisions for employee benefits, corresponding mainly to cash-settled long-term employee benefit plans described in Note 4.5.2 for an amount of €33.9 million as of December 31, 2018 (see also consolidated statement of changes in equity for performance share plans described in Note 4.2.1).

“Other” also includes a €7.4 million provision for environmental risks as of December 31, 2018, mainly to cover estimated depollution costs related to property assets held for sale.

Changes in provisions in 2017 were as follows:

December 31, 2017						
<i>(in € millions)</i>	Product warranties	Claims and litigation	Tax and employee risks	Restructuring	Other	Total
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)
At end of period	29.1	68.7	27.2	15.9	83.0	223.9
<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 benefits 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 to cover mainly 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>	December 31, 2018	December 31, 2017
France (Note 4.5.1.2)	85.4	90.5
Italy (Note 4.5.1.3)	35.4	38.1
United Kingdom (Note 4.5.1.4)	99.9	100.4
United States (Note 4.5.1.5)	72.5	76.1
Other countries	39.6	38.6
Total pension and other post-employment defined benefit obligations	332.8	343.7

The total amount of defined benefit obligations was €332.8 million as of December 31, 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>	December 31, 2018	December 31, 2017
<u>Defined benefit obligation</u>		
Projected benefit obligation at beginning of period	343.7	356.8
Service cost	8.3	9.3
Interest cost	8.6	9.3
Benefits paid or unused	(22.3)	(20.5)
Employee contributions	0.4	0.3
Actuarial losses/(gains)	(7.7)	5.4
Curtailments, settlements, special termination benefits	0.0	0.0
Translation adjustments	1.7	(17.4)
Other	0.1	0.5
Projected benefit obligation at end of period	332.8	343.7
<u>Fair value of plan assets</u>		
Fair value of plan assets at beginning of period	182.2	182.7
Expected return on plan assets	5.5	5.6
Employer contributions	7.5	8.2
Employee contributions	0.7	0.7
Benefits paid	(13.2)	(13.6)
Actuarial (losses)/gains	(9.2)	13.0
Translation adjustments	2.8	(14.5)
Other	0.0	0.1
Fair value of plan assets at end of period	176.3	182.2
Provisions recognized in the balance sheet	160.5	161.5
Current liability	4.6	7.9
Non-current liability	155.9	153.6
Non-current asset	4.0	0.0

Actuarial losses recognized in equity in 2018 amounted to €1.5 million.

The €1.5 million actuarial losses resulted from:

- €0.3 million in gains from changes in financial assumptions;
- €0.6 million in gains from changes in demographic assumptions; and
- €2.4 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.

Sensitivity tests were performed on:

- the discount rate. According to the results of these tests, a 50-basis point reduction in the rate would lead to the recognition of additional actuarial losses of around €28.0 million and would increase the provision as of December 31, 2018 by the same amount;
- the rate of future salary increases. According to the results of these tests, a 50-basis point increase in the rate would lead to the recognition of additional actuarial losses of around €9.4 million and would increase the provision as of December 31, 2018 by the same amount.

Discounted future payments for the Group's pension and other post-employment benefit plans are as follows:

<i>(in € millions)</i>	
2019	16.1
2020	13.8
2021	14.5
2022	14.5
2023 and beyond	273.9
Total	332.8

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

<i>(in € millions)</i>	12 months ended	
	December 31, 2018	December 31, 2017
Service cost	(8.3)	(9.3)
Net interest cost*	(3.1)	(3.7)
Total	(11.4)	(13.0)

*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 December 31, 2018:

<i>(as a percentage)</i>	France	United Kingdom	United States	Weighted total
Equity instruments		50.2	42.0	46.2
Debt instruments		43.5	57.1	50.0
Insurance funds	100.0	6.3	0.9	3.8
Total	100.0	100.0	100.0	100.0

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 amounted to €85.2 million as of December 31, 2018 (€90.4 million as of December 31, 2017) corresponding to the difference between the projected benefit obligation of €85.4 million as of December 31, 2018 (€90.5 million as of December 31, 2017) and the fair value of the related plan assets of €0.2 million as of December 31, 2018 (€0.1 million as of December 31, 2017).

The projected benefit obligation is calculated based on staff turnover and mortality assumptions, estimated rates of salary increases and an estimated discount rate. In France, the calculation in 2018 was based on a salary increase rate of 2.8%, a discount rate and an expected return on plan assets of 1.9% (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 €35.4 million as of December 31, 2018 (€38.1 million as of December 31, 2017).

The calculation in 2018 was based on a discount rate of 1.6% (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 2.0% of the projected benefit obligation, participants who are no longer accumulating benefit entitlements for 40.3% and retired participants for 57.7%.

The provisions recorded in the consolidated balance sheet amounted to €17.8 million as of December 31, 2018 (€13.3 million as of December 31, 2017), corresponding to the difference between the projected benefit obligation of €99.9 million as of December 31, 2018 (€100.4 million as of December 31, 2017) and the fair value of the related plan assets of €82.1 million as of December 31, 2018 (€87.1 million as of December 31, 2017).

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 2018 was based on a salary increase rate of 4.5%, a discount rate and an expected return on plan assets of 2.9% (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. Since January 1st, 2018, active plan participants can no longer cumulate new rights.

Active plan participants account for 30.8% of the projected benefit obligation, other participants who are no longer accumulating benefit entitlements for 14.9% and retired participants for 54.3%.

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 December 31, 2018 (€0.0 million as of December 31, 2017), reflecting the fact that the fair value of the plan assets is higher than the value of the projected benefit obligation.

The calculation in 2018 was based on a discount rate and an expected return on plan assets of 4.3% (3.6% in 2017).

4.5.2 Other long-term employee benefits

The Group implemented cash-settled long-term employee benefit 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 still being 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 2018, a net expense of €7.0 million was recognized in operating profit in respect to these plans. As mentioned in Note 4.4, the resulting provision amounted to €33.9 million as of December 31, 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 7 and 15 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% eight-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 bondholders 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 December 31, 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 their 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>	December 31, 2018	December 31, 2017
Bonds	2,500.0	2,100.0
Yankee bonds	340.4	324.4
Other borrowings	93.8	47.2
Long-term borrowings excluding debt issuance costs	2,934.2	2,471.6
Debt issuance costs	(15.6)	(14.5)
Total	2,918.6	2,457.1

No guarantees have been given with respect to these borrowings.

Long-term borrowings (excluding debt issuance costs) break down by currency as follows, after hedging (see Note 5.1.2.2):

<i>(in € millions)</i>	December 31, 2018	December 31, 2017
Euro	2,455.8	2,027.9
US dollar	373.2	327.8
Other currencies	105.2	115.9
Long-term borrowings excluding debt issuance costs	2,934.2	2,471.6

Long-term borrowings (excluding debt issuance costs) as of December 31, 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	14.6
Due in two to three years	0.0	0.0	25.8
Due in three to four years	400.0	0.0	42.1
Due in four to five years	400.0	0.0	11.2
Due beyond five years	1,700.0	340.4	0.1
Long-term borrowings excluding debt issuance costs	2,500.0	340.4	93.8

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
Long-term borrowings excluding debt issuance costs	2,100.0	324.4	47.2

Average interest rates on borrowings are as follows:

	12 months ended	
	December 31, 2018	December 31, 2017
Bonds	1.65%	2.34%
Yankee bonds	8.50%	8.50%
Other borrowings	2.87%	2.68%

4.6.2 Short-term borrowings

Short-term borrowings can be analyzed as follows:

<i>(in € millions)</i>	December 31, 2018	December 31, 2017
Bonds	0.0	400.0
Negotiable commercial paper	363.5	120.0
Other borrowings	37.0	65.4
Total	400.5	585.4

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>	December 31, 2018	Cash flows	Variations not impacting cash flows				December 31, 2017
			Acquisitions	Reclassifications	Translation adjustments	Other	
Long-term borrowings	2,918.6	420.0	2.6	(5.0)	15.7	28.2	2,457.1
Short-term borrowings	400.5	(156.3)	4.4	5.0	0.2	(38.2)	585.4
Gross financial debt	3,319.1	263.7	7.0	0.0	15.9	(10.0)	3,042.5

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.

Deferred taxes recorded in the balance sheet result from temporary differences between the carrying amount of assets and liabilities and their tax base and can be analyzed as follows:

<i>(in € millions)</i>	December 31, 2018	December 31, 2017
Deferred taxes recorded by French companies	(220.6)	(222.9)
Deferred taxes recorded by foreign companies	(372.6)	(294.2)
Total	(593.2)	(517.1)
Origin of deferred taxes:		
- Impairment losses on inventories and receivables	54.7	49.5
- Margin on inventories	23.1	22.0
- Recognized operating losses carried forward	9.8	8.4
- Finance leases	(3.1)	(3.3)
- Fixed assets	(205.4)	(166.9)
- Trademarks	(445.8)	(441.1)
- Patents	(9.9)	(7.0)
- Other provisions	(9.1)	22.9
- Pensions and other post-employment benefits	31.1	31.7
- Fair value adjustments to derivative instruments	(0.9)	(1.0)
- Other	(37.7)	(32.3)
Total	(593.2)	(517.1)
- Of which deferred tax assets	107.8	104.0
- Of which deferred tax liabilities	(701.0)	(621.1)

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

<i>(in € millions)</i>	December 31, 2018	December 31, 2017
Deferred taxes – short-term	91.2	83.3
Deferred taxes – long-term	(684.4)	(600.4)
Total	(593.2)	(517.1)

Tax losses carried forward break down as follows:

<i>(in € millions)</i>	December 31, 2018	December 31, 2017
Recognized operating losses carried forward	61.7	38.2
Recognized deferred tax assets	9.8	8.4
Unrecognized operating losses carried forward	99.7	105.1
Unrecognized deferred tax assets	20.1	20.4
Total net operating losses carried forward	161.4	143.3

4.8 Other current liabilities

Other current liabilities can be analyzed as follows:

<i>(in € millions)</i>	December 31, 2018	December 31, 2017
Taxes other than income tax	76.1	75.1
Accrued employee benefits expense	260.6	253.1
Statutory and discretionary profit-sharing reserve	25.8	28.1
Payables related to fixed asset purchases	24.3	22.0
Accrued expenses	120.4	104.3
Accrued interest	32.9	42.8
Deferred revenue	25.4	22.0
Other current liabilities	39.7	36.3
Total	605.2	583.7

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

	December 31, 2018		December 31, 2017	
	Impact on financial profit (loss)	Impact on equity	Impact on financial profit (loss)	Impact on equity
(in € millions)		Fair value	Translation adjustment	
Other investments		4.8		0.0
Trade receivables	(0.9)			0.0
Cash and cash equivalents	10.9		(1.8)	11.1
Trade payables				0.0
Borrowings	(74.2)		(15.5)	(80.0)
Derivatives	8.5		1.1	1.9
Total	(55.8)	4.8	(16.2)	(67.8)

In accordance with IFRS 9, other investments are valued at fair value through equity. Therefore, changes in the fair value of other investments only impact the consolidated balance sheet and the consolidated statement of comprehensive income.

Yankee bonds denominated in US dollars and the derivative financial instrument denominated in British pounds 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>	December 31, 2018						December 31, 2017
	Carrying amount	Amortized cost	Fair value	Levels of valuation			Carrying amount
				Level 1 ⁽¹⁾	Level 2 ⁽²⁾	Level 3 ⁽³⁾	
ASSETS							
Non-current assets							
Other investments	2.1		2.1			2.1	19.6
Other non-current assets	14.3	10.3	4.0		14.3		10.0
Total non-current assets	16.4	10.3	6.1	0.0	14.3	2.1	29.6
Current assets							
Trade receivables	666.4	666.4			666.4		624.9
Other current financial assets	1.2		1.2		1.2		1.1
Cash and cash equivalents	1,022.5		1,022.5		1,022.5		823.0
Total current assets	1,690.1	666.4	1,023.7	0.0	1,690.1	0.0	1,449.0
EQUITY AND LIABILITIES							
Non-current liabilities							
Long-term borrowings	2,918.6	52.9	3,035.9	3,025.4	52.9	10.5	2,457.1
Total non-current liabilities	2,918.6	52.9	3,035.9	3,025.4	52.9	10.5	2,457.1
Current liabilities							
Short-term borrowings	400.5	400.5	0.0	0.0	400.5	0.0	585.4
Trade payables	662.0	662.0			662.0		612.9
Other current financial liabilities	1.4		1.4		1.4		0.8
Total current liabilities	1,063.9	1,062.5	1.4	0.0	1,063.9	0.0	1,199.1

(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.

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 described in this note.

5.1.2.1 Interest rate risk

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

Net debt (excluding debt issuance costs) breaks down as follows between fixed and variable interest rates before the effect of hedging instruments:

<i>(in € millions)</i>	December 31, 2018							December 31, 2017	
	Due within 1 year	Due in 1 to 2 years	Due in 2 to 3 years	Due in 3 to 4 years	Due in 4 to 5 years	Due beyond 5 years	Total	Total	
Financial assets*									
Fixed rate	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Variable rate	1,022.5	0.0	0.0	0.0	0.0	0.0	1,022.5		823.0
Financial liabilities**									
Fixed rate	(6.4)	(10.2)	(20.3)	(428.2)	(411.1)	(2,040.5)	(2,916.7)		(2,868.2)
Variable rate	(394.1)	(4.4)	(5.5)	(13.9)	(0.1)	0.0	(418.0)		(188.8)
Net exposure									
Fixed rate	(6.4)	(10.2)	(20.3)	(428.2)	(411.1)	(2,040.5)	(2,916.7)		(2,868.2)
Variable rate	628.4	(4.4)	(5.5)	(13.9)	(0.1)	0.0	604.5		634.2

*Financial assets: cash and marketable securities.

**Financial liabilities: borrowings (excluding debt issuance costs).

The following table shows the sensitivity of net debt costs to changes in interest rates, before hedging instruments:

<i>(in € millions)</i>	December 31, 2018		December 31, 2017	
	Impact on profit before tax	Impact on equity before tax	Impact on profit before tax	Impact on equity before tax
Impact of a 100-bps increase in interest rates	6.7	6.7	5.4	5.4
Impact of a 100-bps decrease in interest rates	(8.6)	(8.6)	(8.3)	(8.3)

The impact of a 100-basis point increase in interest rates would result in a gain of €6.7 million due to a net positive variable-rate exposure. Conversely, the impact of a 100-basis point decrease in interest rates would result in a loss of €8.6 million.

5.1.2.2 Foreign currency risk

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

When relevant, “natural” hedges are preferred. If required, when the acquisition of an asset is financed using a currency other than the functional currency of the country concerned, the Group may enter into forward contracts to hedge its foreign currency risk.

As of December 31, 2018, the Group has set up forward contracts in US dollars, British pounds and Mexican pesos which are accounted for in the balance sheet at their fair value.

The following table shows the breakdown of net debt (excluding debt issuance costs) by reporting currency:

<i>(in € millions)</i>	December 31, 2018				December 31, 2017	
	Financial assets*	Financial liabilities**	Net exposure before hedging	Hedging	Net exposure after hedging	Net exposure after hedging
Euro	608.6	(2,964.2)	(2,355.6)	22.4	(2,333.2)	(2,331.9)
US dollar	164.1	(348.3)	(184.2)	(29.6)	(213.8)	(144.4)
Other currencies	249.8	(22.2)	227.6	7.2	234.8	242.3
Total	1,022.5	(3,334.7)	(2,312.2)	0.0	(2,312.2)	(2,234.0)

*Financial assets: cash and marketable securities

**Financial liabilities: borrowings (excluding debt issuance costs)

The following table shows the sensitivity of gross debt to changes in the exchange rate of the euro against other currencies, before hedging instruments:

<i>(in € millions)</i>	December 31, 2018		December 31, 2017	
	Impact on profit before tax	Impact on equity before tax	Impact on profit before tax	Impact on equity before tax
	10% increase		10% increase	
US dollar	0.1	34.4	0.0	32.8
Other currencies	0.2	2.0	0.1	2.2

<i>(in € millions)</i>	December 31, 2018		December 31, 2017	
	Impact on profit before tax	Impact on equity before tax	Impact on profit before tax	Impact on equity before tax
	10% decrease		10% decrease	
US dollar	(0.1)	(31.3)	(0,0)	(29.8)
Other currencies	(0.2)	(1.9)	(0.1)	(2.0)

Operating assets and liabilities break down as follows by reporting currency:

<i>(in € millions)</i>	December 31, 2018		December 31, 2017	
	Current operating assets excluding taxes	Current operating liabilities excluding taxes	Net exposure	Net exposure
Euro	495.9	618.8	(122.9)	(139.7)
US dollar	565.0	316.9	248.1	195.8
Other currencies	697.4	419.4	278.0	228.4
Total	1,758.3	1,355.1	403.2	284.5

The table below presents the breakdown of net sales and operating expenses by reporting currency as of December 31, 2018:

<i>(in € millions)</i>	Net sales		Operating expenses	
Euro	2,075.0	34.6%	1,622.6	33.4%
US dollar	2,153.0	35.9%	1,792.7	36.9%
Other currencies	1,769.2	29.5%	1,442.9	29.7%
Total	5,997.2	100.0%	4,858.2	100.0 %

When relevant, natural hedges are also set up by matching costs and revenues in each of the Group's operating currencies. Residual amounts are hedged by options to limit the Group's exposure to fluctuations in the main currencies concerned. These hedges are for periods of less than 18 months.

The Group estimates that, all other things being equal, a 10% increase in the exchange rate of the euro against all other currencies would have resulted in 2018 in a decrease in net sales of approximately €356.5 million (€322.3 million in 2017) and a decrease in operating profit of approximately €62.2 million (€54.0 million in 2017), while a 10% decrease would have resulted in 2018 in an increase in net sales of approximately €392.2 million (€354.5 million in 2017) and an increase in operating profit of approximately €68.5 million (€59.4 million in 2017).

5.1.2.3 Commodity risk

The Group is exposed to commodity risk arising from changes in the price of raw materials, mainly plastics and metals (steel, copper, brass). Raw materials consumption (except components) amounted to around €557.0 million in 2018.

A 10% increase in the price of the above-mentioned consumption would theoretically feed through to around a €55.7 million increase in annual purchasing costs. The Group believes that it could, circumstances permitting, raise the prices of its products to offset the adverse impact of any such increases over the long term.

Additionally, the Group can set up specific derivative financial instruments (options) for limited amounts and periods to hedge part of the risk of an unfavorable change in copper and certain other raw material prices. The Group did not set up any such hedging contracts in 2018.

5.1.2.4 Credit risk

As explained in Note 2.2, a substantial portion of Group revenue is generated with two major distributors. Other revenue is essentially derived from distributors of electrical products but sales are diversified due to the large number of customers and their geographic dispersion. The Group actively manages its credit risk by establishing regularly reviewed individual credit limits for each customer, constantly monitoring collection of its outstanding receivables and systematically chasing up past due receivables. In addition, the situation is reviewed regularly with the Corporate Finance Department. When the Group is in a position to do so, it can resort to either credit insurance or factoring.

5.1.2.5 Counterparty risk

Financial instruments that may potentially expose the Group to counterparty risk are principally cash equivalents, short-term investments and hedging instruments. These assets are placed with well-rated financial institutions or corporates with the aim of fragmenting the exposure to these counterparties. Those strategies are decided and monitored by the Corporate Finance Department, which ensures a regular follow up of ratings and credit default swap rates of these main counterparties.

5.1.2.6 Liquidity risk

The Group considers that managing liquidity risk depends primarily on having access to diversified sources of financing as to their origin and maturity. This approach represents the basis of the Group's financing policy.

The total amount of net debt (€2,296.6 million as of December 31, 2018) is fully financed by financing facilities expiring at the earliest in 2019 and at the latest in 2032. The average maturity of gross debt is 6.2 years.

Legrand is rated "A-" with a negative outlook by Standard & Poor's.

Rating agency	Long-term debt	Outlook
S&P	A-	Negative

5.2 Related-party information

The only individuals qualifying as related parties within the meaning of IAS 24 are the corporate officers who serve on the Executive Committee and the Chairman of the Board of Directors.

As a reminder, the offices of Chairman and of Chief Executive Officer have been separated since the beginning of 2018, which implied changes in the compensation of the related parties.

Compensation and benefits provided to the members of the Executive Committee and to the Chairman of the Board of Directors for their services are detailed in the following table:

<i>(in € millions)</i>	December 31, 2018	December 31, 2017
Compensation (amounts paid during the period)	7.6	7.3
out of which fixed compensation	4.6	3.9
out of which variable compensation	2.9	3.3
out of which other short-term benefits ⁽¹⁾	0.1	0.1
Long-term compensation (charge for the period) ⁽²⁾⁽³⁾	6.1	4.8
Termination benefits (charge for the period)	0.0	0.0
Pension and other post-employment benefits ⁽⁴⁾	(0.3)	0.3

(1) Other short-term benefits include benefits in kind.

(2) As per the long-term employee benefit plans described in Note 4.5.2, with a 100% pay-out rate assumption.

(3) As per the performance share plans described in Note 4.2.1, with a 100% pay-out rate assumption.

(4) Change in the obligation's present value (in accordance with IAS 19).

5.3 Off-balance sheet commitments and contingent liabilities

5.3.1 Specific transactions

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

- Note 3.3: Property, plant and equipment;
- Note 4.5.1: Pension and other post-employment benefit obligations.

5.3.2 Routine transactions

5.3.2.1 Financial guarantees

<i>(in € millions)</i>	December 31, 2018	December 31, 2017
Guarantees given to banks	136.5	128.2
Guarantees given to other organizations	46.1	52.7
Total	182.6	180.9

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

5.3.2.2 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>	December 31, 2018	December 31, 2017
Due within one year	65.7	65.4
Due in one to two years	51.2	51.5
Due in two to three years	38.7	37.6
Due in three to four years	28.9	28.6
Due in four to five years	23.4	20.3
Due beyond five years	57.5	41.6
Total	265.4	245.0

5.3.2.3 Commitments to purchase property, plant and equipment

Commitments to purchase property, plant and equipment amounted to €24.1 million as of December 31, 2018.

5.3.3 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, knowing that no provision is recorded for claims and legal proceedings for which the Group considers that the provision recognition criteria are not met in regards to IFRS.

On September 6, 2018, Legrand was raided, while fully cooperating with the relevant authorities.

5.4 Statutory auditors' fees

The total amount of statutory auditors' fees invoiced to the Group in 2018 can be detailed as follows:

<i>(in euros excluding taxes)</i>	PricewaterhouseCoopers Audit SAS		Deloitte & Associés	
Statutory audit and certification	537,646	94%	551,979	86%
Other work than statutory audit and certification	34,000	6%	87,800	14%
Total	571,646	100%	639,779	100%

5.5 Subsequent events

No significant events occurred between December 31, 2018 and the date when the consolidated financial statements were prepared.

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