

First-quarter 2015 results

Total growth in sales +7.4%

Adjusted operating income up +3.1%

2015 targets confirmed

Gilles Schnepf, Chairman and CEO of Legrand, comments:

"Sales

Total change

In the first quarter of 2015, group sales rose by +7.4% in total to reach nearly €1.2 billion, underpinned by favorable exchange-rate effects (+6.5%) and the broader scope of consolidation resulting from acquisitions (+2.6%). More particularly, sales in the USA/Canada region were up almost 41% in the first quarter of 2015, buoyed by favorable exchange-rate effects, the acquisition of Lastar and healthy organic⁽¹⁾ growth. As expected, the United States is now the group's #1 country by sales.

Organic change⁽¹⁾

Excluding France, the organic change in sales is steady (+0.1%). Healthy growth in the USA/Canada region and in most countries in Southern Europe⁽²⁾, Eastern Europe excluding Russia and South-east Asia offset declines in business observed in other mature European countries as well as in Russia and China.

In France, the organic change in sales came to -8.1%, including, as announced, a reverse effect of -5 points from high demand from distributors in France observed in the fourth quarter of 2014.

For the group as a whole, the organic change in sales was -1.7% in the first quarter, in line with 2015 target.

Results⁽³⁾

Adjusted operating income stood at €218.6 million in the first quarter of 2015, up +3.1% from the first quarter of 2014. Adjusted operating margin before acquisitions⁽⁴⁾ for the first quarter of 2015 was 19.0% of sales (18.8% including acquisitions), in line with the group's full-year target.

Net income excluding minorities rose to total €127.4 million or nearly 11% of sales.

Generation of free cash flow remained very solid, allowing the group to continue self-financing its development over the long term.

2015 targets confirmed

Based on 2015 first-quarter achievements, Legrand confirms its 2015 targets⁽⁵⁾ which, as a reminder, call for "organic growth in sales of between -3% and +2%, and "adjusted operating margin before acquisitions⁽⁴⁾ at between 18.8% and 20.1% of sales".

Legrand will also pursue its strategy of value-creating acquisitions. In this respect, Legrand today announced two new acquisitions—IME⁽⁶⁾ in Italy and Valrack in India—representing combined additional sales of over €30 million."

⁽¹⁾ Organic: at constant scope of consolidation and exchange rates

⁽²⁾ Southern Europe = Spain + Greece + Portugal

⁽³⁾ As announced, Legrand has applied IFRIC 21 since January 1, 2015. See footnote 1 on page 4 of this press release for more details.

⁽⁴⁾ At 2014 scope of consolidation

⁽⁵⁾ Readers are invited to refer to the press release announcing full-year 2014 results for the complete phrasing of Legrand's 2015 targets

⁽⁶⁾ Subject to standard and legal conditions precedent

Key figures

Consolidated data (€ millions)	1 st quarter 2014 proforma ⁽¹⁾	1 st quarter 2015	Change
Sales	1,084.3	1,164.7	+7.4%
Adjusted operating income⁽²⁾	212.0	218.6	+3.1%
<i>As % of sales</i>	19.6%	18.8% <i>19.0% before acquisitions⁽³⁾</i>	
Operating income	204.0	208.5	
<i>As % of sales</i>	18.8%	17.9%	
Net income excluding minorities	125.0	127.4	+1.9%
<i>As % of sales</i>	11.5%	10.9%	
Normalized⁽⁴⁾ free cash flow⁽⁵⁾	148.5	174.0	+17.2%
<i>As % of sales</i>	13.7%	14.9%	
Free cash flow	11.2	56.8	
<i>As % of sales</i>	1.0%	4.9%	
Net financial debt at March 31	1,083	867	

(1) Data at March 31, 2014 restated as explained in Note 3 to consolidated financial statements at March 31, 2015. Data at March 31, 2014 and March 31, 2015 shown in this table use comparable methods.

(2) Operating income adjusted for amortization of revaluation of intangible assets at the time of acquisition and for expense/income relating to acquisitions (€8.0 million in Q1 2014 and €10.1 million in Q1 2015) and, where applicable, for impairment of goodwill (€0 in Q1 2014 and Q1 2015).

(3) At 2014 scope of consolidation.

(4) 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 first quarter.

(5) Free cash flow is defined as the sum of net cash from operating activities and net proceeds of sales of fixed assets, less capital expenditure and capitalized development costs.

Results to March 31, 2015

Consolidated sales

First quarter 2015 sales totaled €1,164.7 million, up +7.4% from the first quarter of 2014, thanks in particular to a positive exchange-rate impact (+6.5%)⁽¹⁾ and broader scope of consolidation linked to acquisitions (+2.6%). Sales at constant scope of consolidation and exchange rates were down -1.7%.

Changes in sales by destination at constant scope of consolidation and exchange rates broke down as follows by geographical region:

	1 st quarter 2015 / 1 st quarter 2014
France	-8.1% (i.e. -3.1% excluding the announced effect ⁽²⁾)
Italy	-1.2%
Rest of Europe	+0.0%
United States/Canada	+4.0%
Rest of the World	-1.6%
Total	-1.7%

(1) Taking into account the exchange-rate effect observed in the first quarter of 2015 and applying average exchange rates observed in April 2015 to the rest of the year, the full-year exchange-rate impact would be around +6%.

(2) Readers are reminded that the press release presenting full-year results for 2014 noted, with respect to the change in sales in France in the fourth quarter of 2014, "a favorable impact of strong demand from distributors at the very end of the year which added 5 points but will, in turn, have the reverse unfavorable effect in the first quarter of 2015." Adjusted for this reverse 5-point unfavorable effect already announced, organic change in sales in France for the first quarter of 2015 would be -3.1%.

These changes at constant scope of consolidation and exchange rates are analyzed below by geographical region:

- **France:** change in net sales was -8.1%. Readers are reminded that the press release presenting full-year results for 2014 noted, with respect to the change in sales in France in the fourth quarter of 2014, “a favorable impact of strong demand from distributors at the very end of the year which added 5 points but will, in turn, have the reverse unfavorable effect in the first quarter of 2015.” Adjusted for this reverse 5-point unfavorable effect already announced, organic⁽¹⁾ change in sales in France for the first quarter of 2015 would be -3.1%, in line with market trends. New construction continued a marked retreat, whereas renovation was resilient overall.

- **Italy:** after many years of steep decline in the market, amplified by the impact of distributor destocking, sales were down -1.2% in the first quarter of 2015—a trend close to that observed in the fourth quarter of 2014 and that reflects a very gradual stabilization of market trends.

- **Rest of Europe:** sales were steady from the first quarter of 2014, with healthy growth in most countries in Southern Europe⁽²⁾ and in Eastern Europe including Hungary, Romania, the Czech Republic, Slovakia as well as in Turkey. Sales in Russia showed a double-digit decline over the quarter.

- **United States and Canada:** sales at constant scope of consolidation and exchange rates rose +4.0% in the first quarter of 2015, driven by rising residential activity and a commercial segment whose growth seems to be well under way. More particularly, the group turned in healthy performances in highly energy-efficient lighting control, digital infrastructure and wire-mesh cable management.

As announced, in the first quarter of 2015 the United States became the group’s #1 country by sales.

- **Rest of the World:** revenue in the region declined -1.6%. Sales rose throughout most of Latin America, in particular Mexico, Colombia and Peru, as well as in India and South-east Asia, including Malaysia, Singapore and Thailand, but were down in China and South Korea.

New economies

Organic⁽¹⁾ change in sales in new economies came to -1.5% in the first quarter of 2015, with Russia accounting for -1 point of this decline.

Innovation

Legrand actively pursued its innovation drive in the first quarter of 2015, launching many new offers since the start of the year, including:

- Kaléis wire-mesh cable management range on international markets,
- Linea Space power cabinets in Italy, and
- Britzy user interface (wiring devices) range for the Indian market.

The group also pursued its innovative commercial initiatives: since the beginning of the year it has notably opened a concept store in South Africa and a new showroom in Seoul—both showcasing Legrand’s expertise and know-how.

External growth

In the first quarter of 2015, Legrand pursued its self-financed external growth strategy, announcing two new acquisitions.

The group thus continues its development into the energy distribution and energy efficiency markets with today’s announcement that it is in the process of acquiring IME⁽³⁾, a leading Italian and European specialist in measuring electrical installation parameters, a sector with a high growth potential, driven by social and technology megatrends including energy savings and the Internet of Things in buildings. IME has a workforce of 160 and annual sales of around €23 million.

Legrand is also rounding out its international presence in digital infrastructures for datacenters and, after acquiring Electrorack (North America), Minkels (Europe) and SJ Manufacturing (South-east Asia), today announced the acquisition of Valrack, an Indian player specialized in racks, Voice-Data-Image cabinets and related products. This move also enables Legrand to strengthen its positions in India,

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⁽²⁾ Southern Europe = Spain + Greece + Portugal

⁽³⁾ Subject to standard and legal conditions precedent

and in new economies more generally. Valrack has a workforce of 250 and annual sales of under €10 million.

Changes in the scope of consolidation resulting from acquisitions raised sales in the first quarter of 2015 by +2.6%, and the impact of acquisitions on adjusted operating margin was -0.2 point.

Based on acquisitions already announced and their likely date of consolidation, the change in scope of consolidation should boost consolidated sales for 2015 by around +1.1%.

Operating performance⁽¹⁾

Adjusted operating margin before acquisitions⁽²⁾ came to 19.0% of sales in the first quarter of 2015, in line with the target set at the beginning of the year. Compared with adjusted operating margin in the first quarter of 2014, this performance can be explained for the most part by two factors:

- primarily and mechanically organic change in sales
- and, to a more limited extent, lower inventory build-up of manufactured goods.

Taking acquisitions into account, adjusted operating margin came to 18.8% of sales in the first quarter of 2015.

Cash generation

Cash flow from operations is solid at €196 million or 16.9% of sales for the first quarter of 2015 and capital employed is under control.

Normalized⁽⁴⁾ free cash flow stood at 14.9% of sales. Over the long term and on an annual basis, normalized free cash flow should represent between 12% and 13% of sales.

More generally, Legrand has a solid capacity to generate free cash flow along with a very sound balance sheet that together provide the resources it needs for future development and allow it to propose a payout⁽⁵⁾ of 55% in 2014.

⁽¹⁾ As announced, Legrand has applied IFRIC 21 since January 1, 2015. See note 3 of consolidated financial statements at March 31, 2015 for more details on proforma accounts at March 31, 2014. (Reminder: no impact on a full-year basis – see note 2.1.4 of consolidated financial statements at December 31, 2014 and page 45 of the presentation of 2014 full-year results).

⁽²⁾ At 2014 scope of consolidation

⁽⁴⁾ 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 first quarter

⁽⁵⁾ Payout is equal to the proposed dividend per share divided by 2014 earnings per share, calculated on the basis of the average number of ordinary shares at December 31, 2014, excluding shares held in treasury.

Consolidated financial statements, a presentation of 2015 first-quarter results and the related teleconference (live and replay) are available at www.legrand.com.

Key financial dates

- Special Meeting of Shareholders holding double voting rights : **May 29, 2015**
- General Meeting of Shareholders: **May 29, 2015**
- Ex-dividend date: **June 2, 2015**
- Dividend payment date: **June 4, 2015**
- 2015 first-half results: **July 30, 2015**
- 2015 nine-month results: **November 5, 2015**

ABOUT LEGRAND

Legrand is the global specialist in electrical and digital building infrastructures. Its comprehensive offering of solutions for use in commercial, industrial and residential markets makes it a benchmark for customers worldwide. Innovation for a steady flow of new products with high added value and acquisitions are prime vectors for growth. Legrand reported sales of €4.5 billion in 2014. The company is listed on Euronext Paris and is a component stock of indexes including the CAC40, FTSE4Good, MSCI World, Corporate Oekom Rating and DJSI (ISIN code FR0010307819). www.legrand.com

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