www.legrand.com

Half-yearly financial report June 30, 2011

legrand®

Table of contents

1 RESPONSIBILITY FOR THE HALF-YEARLY FINANCIAL REPORT

1.1 - PERSON RESPONSIBLE FOR THE HALF-YEARLY FINANCIAL REPORT

1.1.1 - Name and position of the person responsible for the half-yearly financial report

Mr. Gilles Schnepp, Chairman and Chief Executive Officer of Legrand, a French *société anonyme* whose registered office is at 128, avenue du Maréchal de Lattre de Tassigny, 87000 Limoges and whose registration number is 421 259 615 RCS Limoges, hereafter the « Company ».

1.1.2 - Responsibility statement

"I hereby certify that, to the best of my knowledge, the full consolidated financial statements for the first half 2011 have been drawn up in accordance with the applicable set of accounting standards and fairly present the assets, the financial position and results of the Company and the businesses within the scope of consolidation and that management report appearing on page 5 of the half-yearly financial report fairly presents the material events that occurred in the first six months of the financial year and their impact of the interim accounts, the main related-party transactions as well as a description of the principal risks and uncertainties for the remaining six months of the financial year."

Gilles Schnepp
Chairman and Chief Executive Officer

1.2 - STATUTORY AUDITORS

1.2.1 - Principal statutory auditors

PricewaterhouseCoopers Audit

Member of the Regional Body of Statutory Auditors in Versailles
(*Compagnie régionale des commissaires aux comptes de Versailles)*
Represented par Gérard Morin
Crystal Park
63, rue de Villiers
92208 Neuilly-sur-Seine

Appointed deputy statutory auditor at the Ordinary General Meeting of Shareholders dated June 6, 2003, became principal statutory auditor following the merger between Pricewaterhouse and Coopers & Lybrand Audit, and renewed as principal statutory auditor at the Ordinary General Meeting of Shareholders dated May 27, 2010 for a term of six financial years. This appointment expires at the end of the Ordinary General Meeting of Shareholders convened to vote upon the financial statements for the year ended December 31, 2015.

Deloitte & Associés

Member of the Regional Body of Statutory Auditors in Versailles
(*Compagnie régionale des commissaires aux comptes de Versailles)*
Represented par Dominique Descours
185, avenue Charles-de-Gaulle
BP 136
92524 Neuilly-sur-Seine Cedex

Appointed principal statutory auditor at the Ordinary General Meeting of Shareholders dated December 21, 2005 for a term of six financial years and renewed as principal statutory auditor at the Ordinary General Meeting of Shareholders dated May 26, 2011 for a term of six financial years. This appointment expires at the end of the Ordinary General Meeting of Shareholders convened to vote upon the financial statements for the year ended December 31, 2016.

1.2.2 - Deputy statutory auditors

Monsieur **Yves Nicolas**

Member of the Regional Body of Statutory Auditors in Versailles
(*Compagnie régionale des commissaires aux comptes de Versailles)*
Crystal Park
63, rue de Villiers
92208 Neuilly-sur-Seine

Appointed deputy statutory auditor at the Ordinary General Meeting of Shareholders dated March 2, 2004 for a term of six financial years and renewed as deputy statutory auditor at the Ordinary General Meeting of Shareholders dated May 27, 2010 for a term of six financial years. This appointment expires at the end of the Ordinary General Meeting of Shareholders convened to vote upon the financial statements for the year ended December 31, 2015.

BEAS

Member of the Regional Body of Statutory Auditors in Versailles
(*Compagnie régionale des commissaires aux comptes de Versailles)*
7-9, Villa Houssay
92524 Neuilly-sur-Seine Cedex

Appointed deputy statutory auditor at the Ordinary General Meeting of Shareholders dated December 21, 2005 for a term of six financial years and renewed as deputy statutory auditor at the Ordinary General Meeting of Shareholders dated May 26, 2011 for a term of six financial years. This appointment expires at the end of the Ordinary General Meeting of Shareholders convened to vote upon the financial statements for the year ended December 31, 2016.

1.3 - FINANCIAL INFORMATION

1.3.1 - Person responsible for financial information

Mr. **Antoine Burel**

Chief Financial Officer

Address: 82, rue Robespierre, 93170 Bagnolet
Tel: + 33 (0)1 49 72 52 00
Fax: + 33 (0)1 43 60 54 92

1.3.2 - Indicative financial information schedule

The financial information the Company discloses to the public will be available on the Company's web site (www.legrand.com).

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

- 2011 nine-month results: November 4, 2011;
- 2011 annual results: February 9, 2012.

2 HALF-YEAR REPORT FOR THE SIX MONTHS ENDED JUNE 30, 2011

2.1. - INTRODUCTION

The following review of Legrand's financial position and the results of operations should be read in conjunction with the consolidated financial statements and the related notes for the six-month period ended June 30, 2011 as set out in chapter 3 of this half-yearly financial report and other information included in the Registration Document (*Document de référence*) filed with the French *Autorité des marchés financiers* (AMF) on April 27, 2011, under number D.11-0375.

The Company's financial statements were prepared in accordance with International Financial Reporting Standards (IFRS) and IFRIC interpretations as adopted by the European Union. This review also includes forward-looking statements based on assumptions about the company's future business. Actual results could differ materially from those contained in these forward-looking statements.

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

2.2. - OVERVIEW

Legrand is the global specialist in electrical and digital building infrastructures.

The Group develops, manufactures and markets a complete range of control and command, cable management, energy distribution and Voice, Data and Image ("VDI") products and systems under internationally recognized general brand names, including Legrand and Bticino, as well as well-known local and specialist brands.

Legrand has commercial and industrial facilities in more than 70 countries and sells a wide range of products, consisting of over 178,000 catalogue items, in nearly 180 countries.

In 2010, its consolidated net sales amounted to €3,890.5 million, of which 76% were generated outside France.

Financial position and results of operations are reported on the basis of five geographic zones that correspond to the regions of origin of invoicing.

Information concerning the results of operations and financial positions for each of these five geographic zones is presented for the first six months of 2011 and 2010 in Note 24 to the consolidated financial statements as set out in chapter 3 of this half-yearly financial report.

Each zone represents either a single country or the consolidated results of a number of countries and distinct markets.

These five geographic zones are:

- France;
- Italy;
- Rest of Europe (principally Turkey, the United Kingdom, Germany, Belgium, the Netherlands, Austria, Poland, Russia, Spain, Portugal and Greece).
- United States and Canada; and
- Rest of the World (principally Brazil, Mexico, Chile, Colombia, China, India, South Korea and Australia).

Since local market conditions are the determining factor in business performance and net sales by zone, the consolidated financial information for multi-country zones does not always accurately reflect financial performance in each of the national markets.
In fact, operations within geographic zones vary significantly from one country to the next.
Furthermore, products may be manufactured and sold locally or imported from or exported to another Group entity.
These factors may distort the comparisons between results for different geographic zones.
Consequently, with the exception of information relating to net sales, the discussion of results below focuses primarily on consolidated results, with reference to national markets where these have a material impact on consolidated accounts.

2.3. - RECENT EVENTS

Over the past twelve months and in accordance with its strategy, Legrand has acquired[1] seven small and medium-size bolt-on companies, all leading players in fast-growing markets, and all self-financed.

Altogether, sales of companies[1] acquired in the past twelve months total nearly €300 million on a full-year basis, and rose by high double digits in the first six months of the year at constant scope of consolidation and exchange rates.

Allowing for different dates of consolidation, these businesses[1] should add 4.6% to growth in consolidated sales in 2011.

[1] Subject to the approval of Brazilian authorities for SMS

With an R&D commitment representing nearly 5% of sales and over half of investment dedicated to new products. Legrand is actively pursuing its strategy for innovation as a driver of organic growth. It has thus launched a large number of new products since the beginning of 2011, including:

- major new wiring-device ranges for the international market: Living Light, Niloé and Matix
- dedicated wiring-device ranges: Yi Pin and K2 in China, Myrius in India, and Titanium in the US
- Puissance^3 energy distribution offering in France, including DPX^3 protection systems for commercial buildings, integrating in particular the measurement of energy consumption, and the new DX^3 modular program
- new LCS^2 and Ortronics cabinets for digital infrastructures
- the Easybar prefabricated busbar system
- Watt Stopper's Digital Lighting Management energy-efficient solutions in the United States.

2.4. - COMPARAISON OF FIRST-HALF RESULTS IN 2010 AND 2011

	Legrand Six months ended June 30	
(in € millions)	**2011**	**2010**[1]
Net sales	**2,107.8**	**1,910.1**
Operating expense		
Cost of goods sold	(981.0)	(864.6)
Administrative and selling expense	(570.7)	(520.2)
Research and development expense	(99.5)	(94.0)
Other operating income (expense)	(31.1)	(44.5)
Operating income	**425.5**	**386.8**
Finance costs	(46.5)	(38.9)
Financial income	12.1	6.0
Foreign exchange gains (losses)	10.7	(52.5)
Finance costs and other financial income and expense, net	**(23.7)**	**(85.4)**
Income before taxes	**401.8**	**301.4**
Income taxes	(135.0)	(108.4)
Net income for the period	**266.8**	**193.0**
Net income attributable to:		
– Legrand	**266.4**	**192.6**
– Minority interests	**0.4**	**0.4**

[1] 2010 figures restated for items detailed in note 1a) appended to the consolidated financial statements in chapter 3 of the present half-year report.

The table below presents the calculation of adjusted operating income (defined as operating income adjusted for amortization of the revaluation of intangible assets and for costs relating to acquisitions as well as impairment of goodwill where applicable) and maintainable adjusted operating income (i.e., excluding restructuring charges) for the periods under review:

	Legrand Six months ended June 30	
(in € millions)	**2011**	**2010**[1]
Net income for the period	**266.8**	**193.0**
Income taxes	135.0	108.4
Foreign exchange (gains) losses	(10.7)	52.5
Financial income	(12.1)	(6.0)
Finance costs	46.5	38.9
Operating income	**425.5**	**386.8**
Amortization and costs related to acquisitions	17.2	19.6
Impairment of goodwill	0.0	0.0
Adjusted operating income	**442.7**	**406.4**
Restructuring charges	13.2	21.2
Maintainable adjusted operating income	**455.9**	**427.6**

2.4.1. Net sales

Consolidated net sales rose 10.4% to €2,107.8 million in the first six months of 2011, up from €1,910.1 million in the first six months of 2010, reflecting:

- a 7.9% rise at constant scope of consolidation and exchange rates, and
- a 3.1% rise due to changes in the scope of consolidation

partially offset by

- a 0.8% decline due to changes in exchange rates over the period.

Organic growth of 7.9% was driven by fast-moving new economies (nearly 16% organic growth and 22% total growth) in Asia, Latin America, the Middle East and Eastern Europe; by successful new-product launches, particularly in France and Italy; by vigorous expansion in new business segments[2] (nearly 17% organic growth and a 28% total growth); and by a favorable basis for comparison.

The change in sales for the first half of 2011 (at constant scope of consolidation and exchange rates) includes, among other things, a favorable basis for year-on-year comparisons. This positive effect, estimated at nearly two points, should be reversed by stages over the second half of 2011.

Excluding the effects of changes in the scope of consolidation and using constant exchange rates, changes in net sales by destination (local market of the end customer) from the first six months of 2010 to the first six months of 2011 were as follows:

France	+8.1%
Italy	+8.5%
Rest of Europe	+5.4%
United States and Canada	+4.1%
Rest of the world	+11.3%
TOTAL	**+7.9%**

[1] 2010 figures restated for items detailed in note 1a) appended to the consolidated financial statements in chapter 3 of the present half-year report.
[2] Digital infrastructures, energy-performance solutions, residential systems and cable management.

France. Sales in France rose 9.5% in the first half of 2011 to €520.9 million compared with €475.5 million in the first half of 2010. The increase came primarily from an 8.1% rise in organic growth driven by very robust showings in wiring devices and strong gains in cable management, digital infrastructure solutions and residential systems. Major new-product launches including the Niloé range of wiring devices and Puissance[3] energy distribution systems, both well received, also contributed to growth. Organic growth was rounded out by a 1.4% change in the scope of consolidation due mainly to the integration of Intervox Systems over six months.

Italy. Net sales in Italy rose 9.9% to €347.0 million in the first half of 2011, up from €315.6 million in the first half of 2010. This reflected 8.5% organic growth, driven by robust revenues from cable management, energy distribution and industrial applications, plus the successful launch of the new Living Light ranges of wiring devices. Added to these factors was a positive impact of 1.3% from the change in scope of consolidation, due primarily to the consolidation of Meta System Energy over six months.

Rest of Europe. Net sales in the Rest of Europe zone rose 10.8% to €390.9 million in the first half of 2011, up from €352.9 million in the first half of 2010. Organic growth accounted for 5.4% of the rise, and the change in scope of consolidation had a positive impact of 6.2%, due primarily to the consolidation of Inform. These gains were partially offset by an unfavorable exchange-rate effect of 1.0% The 5.4% organic growth rate reflects very good showings in Russia and most of Eastern Europe, Turkey, the UK and Germany. These gains offset persistent difficulties in Southern Europe and the Netherlands.

United States/ Canada. Net sales in the United States/Canada zone rose 1.5% to €279.4 million in the first half of 2011, up from €275.4 million in the first half of 2010. This reflected organic growth of 4.1%, underpinned by buoyant sales of energy-efficient lighting controls, digital infrastructures, and cable management for datacenters, plus a positive impact of 3.0% from the change in scope of consolidation, corresponding largely to the consolidation of Electrotrack over six months. These gains were partially offset by an unfavorable exchange-rate effect of 5.4%.

Rest of the World. Net sales in the Rest of the World zone rose 16.1% to €569.6 million in the first half of 2011, up from €490.7 million in the first half of 2010. This reflected 11.3% organic growth; a positive impact of 3.7% from the change in scope of consolidation, due primarily to the consolidation of Indo Asian Switchgear; and a favorable exchange-rate effect of 0.5%. Strong growth in revenues for the region as a whole confirms robust trends in new economies, with particularly strong performances in Asia, Latin America and the Middle East.

The table below shows a breakdown of changes in net sales by **destination** (local market of the end customer)

Net sales € millions, except %	**1st half 2010**	**1st half 2011**	**Total change**	**Change in scope of consolidation**	**Organic growth(1)**	**Exchange rates**
France	475.5	520.9	9.5%	1.4%	8.1%	0.0%
Italy	315.6	347.0	9.9%	1.3%	8.5%	0.0%
Rest of Europe	352.9	390.9	10.8%	6.2%	5.4%	-1.0%
USA/Canada	275.4	279.4	1.5%	3.0%	4.1%	-5.4%
Rest of the World	490.7	569.6	16.1%	3.7%	11.3%	0.5%
CONSOLIDATED TOTAL	**1,910.1**	**2,107.8**	**10.4%**	**3.1%**	**7.9%**	**-0.8%**

(1) *Excluding the effects of changes in the scope of consolidation and using constant exchange rates*

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

Net sales € million, except %	**1st half 2010**	**1st half 2011**	**Total change**	**Change in scope of consolidation**	**Organic growth(1)**	**Exchange rates**
France	536.4	583.2	8.7%	1.1%	7.6%	0.0%
Italy	332.1	368.2	10.9%	2.2%	8.5%	0.0%
Rest of Europe	340.1	381.7	12.2%	6.8%	6.4%	-1.2%
USA/Canada	281.9	284.2	0.8%	2.9%	3.6%	-5.4%
Rest of the World	419.6	490.5	16.9%	3.6%	12.0%	0.7%
CONSOLIDATED TOTAL	**1,910.1**	**2,107.8**	**10.4%**	**3.1%**	**7.9%**	**-0.8%**

(1)Excluding the effects of changes in the scope of consolidation and using constant exchange rates

2.4.2. Operating expense[1]

➢ COST OF GOODS SOLD

The consolidated cost of goods sold rose by 13.5% to €981.0 million in the first half of 2011, compared with €864.6 million in the first half of 2010, primarily due to:

- increased consumption of raw materials and components resulting from sales growth; and
- the significant rise in prices for raw materials and components in the first half of 2011;

partially offset by

- ongoing efforts to raise productivity and optimize manufacturing capabilities; and
- the impact of exchange rates, with the euro gaining ground against some other currencies.

As a percentage of net sales, cost of goods sold showed an increase from 45.3% in the first six months of 2010 to 46.5% in the first six months of 2011.

➢ ADMINISTRATIVE AND SELLING EXPENSE

Administrative and selling expense rose 9.7% to €570.7 million during the first half of 2011, up from €520.2 million in the first half of 2010. This increase is essentially attributable to:

- the reinforcement of the Group's sales presence, especially in new economies;

partially offset by

- the impact of exchange rates, with the euro gaining ground against some other currencies.

More generally, at constant scope of consolidation and exchange rates, administrative and selling expense increased 7.6% from the first six months of 2010 to the same period of 2011.

Expressed as a percentage of sales, administrative and selling expense was largely unchanged, at 27.1% in the first half of 2011 compared with 27.2% in the first half of 2010.

[1] 2010 figures restated for items detailed in note 1a) appended to the consolidated financial statements in chapter 3 of the present half-year report.

➢ RESEARCH AND DEVELOPMENT EXPENSE

In accordance with IAS 38 "Intangible Assets", Legrand has implemented an internal measurement and accounting system for development expense to be recognized as intangible assets. On this basis, €15.5 million in development expense was capitalized in the first half of 2011 compared to €14.5 million in the first half of 2010.

Research and development expense totaled €99.5 million in the first half of 2011 compared with €94.0 million in the first half of 2010.

Excluding the impact of the capitalization of development costs and purchase accounting charges relating to the acquisition of Legrand France, as well as the tax credit for research & development activities, research and development expense rose 11.0% to €100.6 million in the first half of 2011 (4.8% of net sales), compared to €90.6 million in the first half of 2010 (4.7% of net sales).

During the first half of 2011, Legrand actively pursued its commitment to innovation as a driver for organic growth. For a description of major new-product launches, see section 2.3 above.

	Calculation of research and development expenditure in the six months ended June 30	
(€ millions)	**2011**	**2010**[1]
Research and development expense	(99.5)	(94.0)
Amortization related to acquisitions and R&D tax credit	2.2	6.2
Amortization of capitalized development expense	12.2	11.7
R&D expense before capitalized development expense	**(85.1)**	**(76.1)**
Capitalized development expense	(15.5)	(14.5)
Research and development expenditure for the period	**(100.6)**	**(90.6)**

➢ OTHER OPERATING INCOME AND EXPENSE

In the first six months of 2011, other operating expense totaled €31.1 million compared with €44.5 million in the same period of 2010. This change is linked in particular to a reduction in restructuring costs, notably in the Rest of Europe region.

2.4.3. Operating income

Consolidated operating income rose 10.0% from €386.8 million in the first half of 2010 to €425.5 million in the first half of 2011. This increase resulted from:

- a 10.4% rise in net sales, and
- a 30.1% decline in other income and operating expense

partly offset by:

- a 13.5% increase in cost of goods sold;
- a 5.9% increase in research and development expense, and
- a 9.7% rise in administrative and selling expense.

Consolidated operating income as a percentage of net sales was nearly unchanged at 20.2% in the first half of 2011 compared with 20.3% in the first half of 2010.

[1] 2010 figures restated for items detailed in note 1a) appended to the consolidated financial statements in chapter 3 of the present half-year report.

2.4.4. Adjusted operating income

Adjusted operating income is defined as operating income adjusted for amortization charges relating to revaluation of intangible assets on acquisitions and expenses linked to these, as well as impairment of goodwill where applicable.

Adjusted operating income rose 8.9% from €406.4 million in the first half of 2010 to €442.7 million in the first half of 2011, reflecting gains in most geographical zones. Analyzed more closely, results were as followed by zone:

- a 5.5% rise to €141.0 million in France during the first half of 2011 compared to €133.6 million in the first half of 2010, representing 24.2% of net sales in the first six months of 2011 compared to 24.9% in the first six months of 2010;
- a 12.8% increase to €125.9 million in Italy during the first half of 2011 compared to €111.6 million during the first half of 2010, representing 34.2% of net sales in the first six months of 2011 compared to 33.6% of net sales in the first six months of 2010;
- a decline in the Rest of Europe zone, particularly in Southern Europe, that set the figure for the first half of 2011 at €40.5 million or 10.6% of sales compared with €44.4 million or 13.1% of sales in the same period of 2010;
- a substantial 27.2% rise in the US and Canada to €51.4 million or 18.1% of sales in the first half of 2011, compared with €40.4 million or 14.3% of sales in the first half of 2010;
- increases in most of the countries in the Rest of the World zone, setting the total at €83.9 million or 17.1% of sales in the first half of 2011, up from €76.4 million or 18.2% of sales in the first half of 2010.

In the first half of 2011, Legrand maintained its adjusted operating margin excluding acquisitions at 21.3% as in the first half of 2010. This good operational performance illustrates in particular the Group’s success in passing on into sales prices the steep rise in raw material prices observed in the first half of the year. Adjusted operating margin including acquisitions was 21.0% for the same period.

2.4.5. Finance costs and financial income

Consolidated net finance costs rose 4.6% in the first half of 2011 to €34.4 million or 1.6% of sales compared with €32.9 million or 1.7% of sales in the first half of 2010. The rise in financial income and expense is due largely to the rise in interest rates over the period, which was partly offset by a reduction in average debt.

2.4.6. Foreign exchange gains and losses

Exchanges gains amounted to €10.7 million in the first six months of 2011, compared with losses of €52.5 million in the same period of 2010. This variation was principally attributable to the euro’s rise against other currencies, and in particular the impact of this rise on the valuation of inter-company loans, as compared with its decline in 2010.

2.4.7. Income tax expense

Consolidated income tax expense amounted to €135.0 million in the first half of 2011 compared with €108.4 million in the first half of 2010. This rise mainly reflects higher operating income.

2.4.8. Net income

Consolidated net income rose 38.2% from €193.0 million in the first half of 2010 to €266.8 million in the first half of 2011. This increase resulted from:

- a €38.7 million rise in operating income, and
- the positive impact of foreign exchange gains and losses in an amount of €63.2 million

partly offset by:

- an increase of €1.5 million in net finance costs, and
- a €26.6 million increase in income tax.

2.4.9. Cash flows

The table below summarizes cash flows for the six-month periods ended June 30, 2011 and June 30, 2010:

	Legrand Six months ended June 30	
(€ millions)	**2011**	**2010**
Net cash of operating activities	239.3	323.0
Net cash of investing activities*	(211.0)	(54.0)
Net cash of financing activities	254.0	(253.7)
Increase (reduction) in cash and cash equivalents	274.1	32.3
** of which capital expenditure and capitalized development costs*	*(60.9)*	*(43.3)*

For a full presentation of Legrand's cash flows, see the consolidated statement of cash flow in the Group's consolidated financial statements.

➢ NET CASH OF OPERATING ACTIVITIES

Net cash provided by operating activities stood at €239.3 million at June 30, 2011 compared with €323.0 million at June 30, 2010, a decline of €83.7 million due primarily to changes in current operating assets and liabilities that was partly offset by a rise in cash flow from operations. Changes in current operating assets and liabilities led to cash used in an amount of €131.8 million in the first half of 2011 compared with €13.7 million in the same period of 2010, or an additional use of €118.1 million in cash.

Cash flow from operations (defined as net cash of operating activities, plus changes in current operating assets and liabilities) rose 10.2% from €336.7 million at June 30, 2010 to €371.1 million at June 30, 2011, reflecting the rise in operating income over the period.

➢ NET CASH OF INVESTING ACTIVITIES

Net cash used in investing activities for the six months ended June 30, 2011 amounted to €211.0 million compared with €54.0 million for the period ended June 30, 2010. This increase mainly reflects the combined effects of increased investment in consolidated and non-consolidated entities, and a rise in capital expenditures.

Capital expenditure and capitalized development costs amounted to €60.9 million in the first half of 2011 (including €15.5 million in capitalized development costs), showing a 40.6% rise from €43.3 million in the period ended June 30, 2010, a figure that includes €14.5 million in capitalized development costs. Investment in new products represented over half of total capital expenditures and capitalized development costs in the first half of 2011.

➢ NET CASH OF FINANCING ACTIVITIES

Net cash provided by financing activities amounted to €254.0 million in the first half of 2011, including bonds issued in March 2011 for a total €400.0 million as well as dividends paid in a total amount of €231.4 million. This compares with €253.7 million net cash used in financing activities in the first half of 2010, an amount which included €300 million for the bond issue in February 2010, €183.7 million in dividends paid, and the repayment of loans and reduction in bank overdrafts in an amount of €375.1 million.

2.4.10. Debt

Gross debt (defined as the sum of long-term and short-term borrowings, including commercial paper and bank overdrafts) amounted to €1,881.5 million at June 30, 2011 compared to €1,504.3 million at June 30, 2010. Cash and cash equivalents amounted to €506.4 million at June 30, 2011, compared to €205.8 million at June 30, 2010. Net debt (defined as gross debt less cash and cash equivalents) totaled €1,375.1 million at June 30, 2011 compared to €1,298.5 million at June 30, 2010.

The ratio of consolidated net debt to consolidated shareholders' equity was 50% at June 30, 2011 compared to 51% at June 30, 2010.

At June 30, 2011, aggregate gross indebtedness consisted of:

- €700.0 million in bonds issued in February 2010 and March 2011;
- €412.4 million under the 2006 credit facility;
- €282.5 million under bank loans taken out in May 2007 and March 2009;
- €269.4 million in Yankee bonds; and
- €217.2 million in other debt, mainly bank borrowings and bank overdrafts.

2.5. - RELATED PARTY TRANSACTIONS

Readers should refer to Note 23 to the consolidated financial statements for the six-month period ended June 30, 2011, presented in chapter 3 of this half-year financial report, which details information relating to corporate officers.

2.6. - RISKS AND UNCERTAINTIES

Readers should refer to chapter 3 of the Registration Document (*Document de référence*) filed with the French Autorité des marchés financiers (AMF) on 27 April 2011 under number D.11-0375, and to Note 22 to the consolidated financial statements presented in chapter 3 of this half-year financial report for the period to June 30, 2011, which comments on the risk factors of a nature to adversely affect the group's position and risk management.

2.7. - PROSPECTS

First-half results were in line with Legrand’s expectations, allowing the Group to confirm its 2011 objectives:

- 5% organic[1] sales growth, rounded out with acquisitions[2],
- adjusted operating margin equaling or exceeding 20%, including the impact of acquisitions[2].

All in all, these good performances illustrate both the effectiveness and the soundness of Legrand’s business model, and support its mid-term objectives.

[1] Organic : At constant scope of consolidation and exchange rates.
[2] Small and medium-size bolt-on acquisitions.

3 INTERIM CONSOLIDATED FINANCIAL STATEMENTS AS OF JUNE 30, 2011

Consolidated Statement of Income

	Legrand Six months ended June 30,	
(in € millions)	2011	2010*
Revenue (Note 1 (l))	**2,107.8**	**1,910.1**
Operating expenses		
Cost of sales	(981.0)	(864.6)
Administrative and selling expenses	(570.7)	(520.2)
Research and development costs	(99.5)	(94.0)
Other operating income (expense) (Note 18 (b))	(31.1)	(44.5)
Operating profit (Note 18)	**425.5**	**386.8**
Finance costs (Note 19 (b))	(46.5)	(38.9)
Financial income (Note 19 (b))	12.1	6.0
Exchange gains (losses) (Note 19 (a))	10.7	(52.5)
Finance costs and other financial income and expense, net	(23.7)	(85.4)
Profit before tax	**401.8**	**301.4**
Income tax expense (Note 20)	(135.0)	(108.4)
Profit for the period	**266.8**	**193.0**
Attributable to:		
– Legrand	**266.4**	**192.6**
– Minority interests	**0.4**	**0.4**
Basic earnings per share *(euros)* (Notes 10 and 1 (t))	1.015	0.734
Diluted earnings per share *(euros)* (Notes 10 and 1 (t))	0.975	0.713

*2010 data adjusted as described in Note 1 (a).

Statement of Comprehensive Income

(in € millions)	Six months ended June 30, 2011	Six months ended June 30, 2010
Profit for the period	266.8	193.0
Actuarial gains and losses (Notes 1 (r) and 15)	1.7	(9.1)
Deferred taxes on actuarial gains and losses	(0.9)	3.0
Current taxes on hedges of net investments in foreign operations	(7.8)	16.4
Translation reserves (Notes 1 (n) and 12 (b))	(55.9)	145.5
Comprehensive income for the period	**203.9**	**348.8**

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

Consolidated Balance Sheet

(in € millions)	Legrand June 30, 2011	December 31, 2010
ASSETS		
Current assets		
Cash and cash equivalents (Notes 1 (e) and 9)	506.4	232.3
Income tax receivables	13.5	18.2
Trade receivables (Notes 1 (f) and 7)	575.0	496.4
Other current assets (Note 8)	136.7	127.5
Inventories (Notes 1 (j) and 6)	607.7	549.1
Other current financial assets (Note 22)	4.7	0.6
Total current assets	**1,844.0**	**1,424.1**
Non-current assets		
Intangible assets (Notes 1 (g) and 2)	1,747.0	1,768.0
Goodwill (Notes 1 (h) and 3)	2,155.0	2,132.2
Property, plant and equipment (Notes 1 (i) and 4)	590.4	613.4
Other investments (Note 5)	111.4	32.3
Deferred tax assets (Notes 1 (k) and 20)	90.1	90.1
Other non-current assets	4.5	4.6
Total non-current assets	**4,698.4**	**4,640.6**
Total Assets	**6,542.4**	**6,064.7**

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

(in € millions)	Legrand June 30, 2011	 December 31, 2010
LIABILITIES AND EQUITY		
Current liabilities		
Short-term borrowings (Notes 1 (u) and 16)	216.8	216.8
Income tax payable	52.7	46.9
Trade payables	490.1	432.0
Short-term provisions (Note 14)	110.6	113.8
Other current liabilities (Note 17)	420.0	443.2
Other current financial liabilities (Note 22)	1.4	0.3
Total current liabilities	**1,291.6**	**1,253.0**
Non-current liabilities		
Deferred tax liabilities (Notes 1 (k) and 20)	632.0	633.5
Long-term provisions (Note 14)	96.9	91.6
Other non-current liabilities	0.6	0.7
Provisions for pensions and other post-employment benefits (Notes 1 (r) and 15)	130.0	136.9
Long-term borrowings (Notes 1 (u) and 13)	1,664.7	1,213.0
Total non-current liabilities	**2,524.2**	**2,075.7**
Equity		
Share capital (Note 10)	1,053.5	1,052.6
Retained earnings (Note 12 (a))	1,858.4	1,810.7
Translation reserves (Note 12 (b))	(188.6)	(132.7)
Equity attributable to equity holders of Legrand	2,723.3	2,730.6
Minority interests	3.3	5.4
Total equity	**2,726.6**	**2,736.0**
Total Liabilities and Equity	**6,542.4**	**6,064.7**

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

Consolidated Statement of Cash Flows

	Legrand	
	Six months ended June 30,	
(in € millions)	2011	2010
Profit for the period	**266.8**	**193.0**
Reconciliation of profit for the period to net cash provided by operating activities:		
– Depreciation expense (Note 18 (a))	55.0	55.2
– Amortization expense (Note 18 (a))	18.5	23.4
– Amortization of development costs (Note 18 (a))	12.2	11.7
– Amortization of finance costs	0.4	1.2
– Impairment of goodwill (Notes 3 and 18 (b))	0.0	0.0
– Changes in deferred taxes	2.7	2.8
– Changes in other non-current assets and liabilities	24.9	6.6
– Exchange (gains)/losses, net	(3.7)	41.2
– Other adjustments	(3.6)	1.1
(Gains)/losses on sales of assets, net	(2.1)	0.5
Changes in operating assets and liabilities:		
– Inventories	(73.3)	(70.2)
– Trade receivables	(90.3)	(48.2)
– Trade payables	63.8	80.4
– Other operating assets and liabilities	(32.0)	24.3
Net cash of operating activities	**239.3**	**323.0**
Net proceeds from sales of fixed and financial assets	6.1	4.0
Capital expenditure	(45.4)	(28.8)
Capitalized development costs	(15.5)	(14.5)
Changes in non-current financial assets and liabilities	0.4	0.3
Acquisitions of subsidiaries, net of cash acquired (Note 3)	(42.5)	(15.0)
Investments in non-consolidated entities	(114.1)	0.0
Net cash of investing activities	**(211.0)**	**(54.0)**
– Proceeds from issues of share capital and premium (Note 10)	2.5	0.3
– Net sales (buybacks) of shares and transactions under the liquidity contract (Note 10)	1.0	3.6
– Dividends paid to equity holders of Legrand	(231.4)	(183.7)
– Proceeds from new borrowings and drawdowns	551.7	303.9
– Repayment of borrowings	(52.5)	(143.5)
– Debt issuance costs	(2.8)	(2.6)
– Proceeds from sales (purchases) of marketable securities	0.0	(0.1)
– Increase (reduction) in bank overdrafts	(14.5)	(231.6)
Net cash of financing activities	**254.0**	**(253.7)**
Effect of exchange rate changes on cash and cash equivalents	(8.2)	17.0
Increase in cash and cash equivalents	**274.1**	**32.3**
Cash and cash equivalents at the beginning of the period	232.3	173.5
Cash and cash equivalents at the end of the period (Note 9)	**506.4**	**205.8**
Items included in cash flows :		
– Free cash flow (Note 24)	184.5	283.7
– Interest paid during the period	39.7	22.6
– Income taxes paid during the period	117.9	58.6

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

Consolidated Statement of Changes in Equity

	Equity attributable to equity holders of Legrand				Minority interests	Total equity
(in € millions)	Share capital	Retained earnings	Translation reserves	TOTAL		
As of January 1st, 2010	**1,052.4**	**1,568.4**	**(231.6)**	**2,389.2**	**5.2**	**2,394.4**
Profit for the period		192.6		192.6	0.4	193.0
Income (expenses) recognized directly in equity, net		10.3	144.8	155.1	0.7	155.8
Total recognized income and expenses, net		*202.9*	*144.8*	*347.7*	*1.1*	*348.8*
Dividends paid		(183.7)		(183.7)		(183.7)
Issues of share capital and premium	0.2	0.1		0.3		0.3
Net sales (buybacks) of shares and transactions under the liquidity contract		3.6		3.6		3.6
Change in scope of consolidation		(16.8)		(16.8)	(3.1)	(19.9)
Current taxes on share buybacks		0.6		0.6		0.6
Stock options		9.9		9.9		9.9
As of June 30, 2010	**1,052.6**	**1,585.0**	**(86.8)**	**2,550.8**	**3.2**	**2,554.0**
Profit for the period		225.7		225.7	0.8	226.5
Income (expenses) recognized directly in equity, net		(8.9)	(45.9)	(54.8)	0.1	(54.7)
Total recognized income and expenses, net		*216.8*	*(45.9)*	*170.9*	*0.9*	*171.8*
Dividends paid					(0.5)	(0.5)
Issues of share capital and premium		0.1		0.1		0.1
Net sales (buybacks) of shares and transactions under the liquidity contract		(0.5)		(0.5)		(0.5)
Change in scope of consolidation*		(1.2)		(1.2)	1.8	0.6
Current taxes on share buybacks		(0.3)		(0.3)		(0.3)
Stock options		10.8		10.8		10.8
As of December 31, 2010	**1,052.6**	**1,810.7**	**(132.7)**	**2,730.6**	**5.4**	**2,736.0**
Profit for the period		266.4		266.4	0.4	266.8
Income (expenses) recognized directly in equity, net		(7.0)	(55.9)	(62.9)	0.0	(62.9)
Total recognized income and expenses, net		*259.4*	*(55.9)*	*203.5*	*0.4*	*203.9*
Dividends paid		(231.4)		(231.4)		(231.4)
Issues of share capital and premium (Note 10)	0.9	1.6		2.5		2.5
Net sales (buybacks) of shares and transactions under the liquidity contract (Note 10)		1.0		1.0		1.0
Change in scope of consolidation*		(0.6)		(0.6)	(2.5)	(3.1)
Current taxes on share buybacks		(1.3)		(1.3)		(1.3)
Stock options (Note 11 (a))		19.0		19.0		19.0
As of June 30, 2011	**1,053.5**	**1,858.4**	**(188.6)**	**2,723.3**	**3.3**	**2,726.6**

* In accordance with IFRS 3 (revised) – Business Combinations – and IAS 27 (amended) – Consolidated and Separate Financial Statements –, the increase in the Group's percentage interest in Peru-based Ticino del Peru SA following the acquisition of an additional stake in the company in the second quarter of 2011 has been recognized directly in equity for €0.7 million. This subsidiary is now wholly owned by the Group.

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

DETAILED TABLE OF CONTENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

General information

Legrand ('the Company') and its subsidiaries (together 'Legrand' or 'the Group') are the global specialist in electrical and digital building infrastructures.

The Group has manufacturing and/or distribution subsidiaries and offices in more than 70 countries, and sells its products in about 180 countries. Its key markets are France, Italy and the United States, which accounted for approximately 53% of annual revenue in 2010 new economies keeping growing to account for one third of revenue.

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

The 2010 Registration Document was filed with the AMF on April 27, 2011 under no. D 11-0375.

The consolidated financial statements were approved by the Board of Directors on July 27, 2011.

List of consolidated companies

The consolidated financial statements comprise the financial statements of Legrand and 138 subsidiaries. All Legrand Group subsidiaries are fully consolidated.

The main fully consolidated operating subsidiaries as of June 30, 2011 are as follows:

French subsidiaries
Groupe Arnould
ICM Group
Legrand France
Legrand SNC

Foreign subsidiaries

Bticino	Italy
Bticino Chile Ltda	Chile
Bticino de Mexico SA de CV	Mexico
Electrical Industries SAE	Egypte
GL Eletro-Eletronicos Ltda	Brazil
HDL Da Amazonia Industria Electronica Ltda	Brazil
Indo Asian Electric PVT. LTD.	India
Inform Elektronik	Turkey
Kontaktor	Russia
Legrand	Russia
Legrand Colombia	Colombia
Legrand Electric	United Kingdom
Legrand Electrical	China
Legrand Elektrik	Turkey
Legrand Electrique	Belgium
Legrand España	Spain
Legrand Group Pty Ltd	Australia
Legrand India	India
Legrand Polska	Poland
Legrand Zrt	Hungary
Ortronics Inc.	United States
Pass & Seymour Inc.	United States
Rocom	Hong Kong
Shidean	China
TCL International Electrical	China
TCL Wuxi	China
WattStopper	United States
Wiremold Company	United States

At June 30, 2011 Legrand wholly owned all of its subsidiaries except for Alborz Electrical Industries Ltd (Iran), Kontaktor (Russia), Legrand Polska (Poland) and Shidean (China), which were all over 95%-owned, and Bticino (Thailand), in which the Company has a 51% interest.

The contributions to the consolidated balance sheets and income statements of companies acquired since January 1, 2010 were as follows:

2010	December 31
Inform	6 months' profit
Indo Asian Switchgear	4 months' profit

2011	March 31	June 30
Inform	3 months' profit	6 months' profit
Indo Asian Switchgear	3 months' profit	6 months' profit
Meta System Energy	3 months' profit	6 months' profit
Electrorack	3 months' profit	6 months' profit
Intervox Systèmes		6 months' profit

Companies consolidated in the first half of 2011 on the basis presented in the above tables contributed €65.3 million to consolidated revenue and €3.4 million to consolidated profit for the year.

The main acquisitions made in 2011 first-half were as follows:

- In January, the Group acquired all outstanding shares of Electrorack, specialized in Voice-Data-Image (VDI) cabinets for datacenters in the United States. Based in Anaheim, California, Electrorack employs more than 90 people.

- In February, Legrand acquired all outstanding shares of Intervox Systèmes, a leader in connected security systems.

- In June, the Group acquired all outstanding shares of Middle Atlantic Products Inc., North America's leader in audio and video enclosures. Middle Atlantic Products Inc. has operations in New Jersey, Illinois, California and Canada and employs a workforce of 520 people.

In all, acquisitions of subsidiaries (net of cash acquired) and acquisitions of minority interests and investments in non-consolidated entities came to a total of €156.6 million in the first half of 2011 (versus €15.0 million in 2010 first-half).

Furthermore, in April, the Group announced the acquisition, subject to regulatory approval, of SMS, the market leader in uninterruptible power supply (UPS) systems in Brazil. SMS operates in the Sao Paulo area and the north of Brazil, with three production sites and a workforce of over 1,100 people.

1) Accounting policies

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

The consolidated financial statements cover the 6 months ended June 30, 2011. They have been prepared in accordance with the International Financial Reporting Standards (IFRS) and International Financial Reporting Interpretation Committee (IFRIC) interpretations adopted by the European Union and applicable or authorized for early adoption at June 30, 2011, including IAS 34 – Interim Financial Reporting.

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

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

a) Reconciliation between the reported and adjusted statements of income for the six months ended June 30, 2010

To improve compliance with the latest IFRSs, certain income statement items have been reclassified.

Statutory and discretionary profit-shares, previously recognized in other operating expense, have been reallocated to employee benefits expense accounted for by function (under cost of sales, administrative and selling expenses, or research and development costs)

In the same way, the research tax credit has been transferred from 'other operating income' to 'research and development costs'.

None of these reclassifications had any impact on the Group's operating profit or profit for the period.

The following table shows the reconciliation between the reported and the adjusted statements of income for the six months ended June 30, 2010.

Six months ended June 30, 2010	Reported	Reclassifications	Adjusted
Revenue	**1,910.1**		**1,910.1**
Operating expenses			
Cost of sales	(857.3)	(7.3)	(864.6)
Administrative and selling expenses	(511.2)	(9.0)	(520.2)
Research and development costs	(93.9)	(0.1)	(94.0)
Other operating income (expense)	(60.9)	16.4	(44.5)
Operating profit	**386.8**	**0.0**	**386.8**
Finance costs	(38.9)		(38.9)
Financial income	6.0		6.0
Exchange gains (losses)	(52.5)		(52.5)
Finance costs and other financial income and expense, net	(85.4)		(85.4)
Profit before tax	**301.4**		**301.4**
Income tax expense	(108.4)		(108.4)
Profit for the period	**193.0**		**193.0**

In as much as the above adjustments did not have a material impact on the balance sheet, the balance sheet for 2010 is presented as reported.

b) New standards, amendments and interpretations

New standards, amendments and interpretations applied by the Group in 2011 that have no impact on its financial statements

The following amendments and interpretations do not have any impact on the Group's consolidated financial statements:

Amendment to IAS 32 – Classification of Rights Issues

In October 2009, the IASB published an amendment to IAS 32 on the classification of rights issues. Adopted by the European Union on December 24, 2009 this amendment concerns certain rights issues offered for a fixed amount of foreign currency that were previously accounted for as debt derivatives. According to the new amendment, under certain conditions these rights should be classified as equity regardless of the currency in which the exercise price is denominated.

Application of the amendment is compulsory for annual periods beginning on or after February 1, 2010.

Amendment to IFRIC 14 – Prepayments of a Minimum Funding Requirement

Published in November 2009 and adopted by the European Union on July 19, 2010, IFRIC 14 (revised) – Prepayments of a Minimum Funding Requirement stipulates that when an employee benefits scheme has a minimum funding requirement, the minimum funding contributions and any other prepayments must be recognized as an asset.

Application of the amendment is compulsory for annual periods beginning on or after January 1, 2011.

IFRIC 19 – Extinguishing Financial Liabilities with Equity Instruments

In November 2009, the IASB published IFRIC 19 – Extinguishing Financial Liabilities with Equity Instruments. Adopted by the European Union on July 23, 2010, this interpretation provides guidance on how to account for the extinguishment of a financial liability by the issue of equity instruments.

Application of IFRIC 19 is compulsory for annual periods beginning on or after July 1, 2010.

IAS 24 (revised) – Related Party Disclosures

In November 2009, the IASB published the revised version of IAS 24 – Related Party Disclosures. Adopted by the European Union on July 19, 2010, this version provides for a partial exemption from the disclosure requirements of IAS 24 for government-related entities and clarifies the definition of a related party.

Application of the revised standard is compulsory for annual periods beginning on or after January 1, 2011.

New standards, amendments to standards or new interpretations not yet adopted by the European Union or not applicable to the Group until future periods

Standards and interpretations not yet adopted by the European Union:

IFRS 9 – Financial Instruments

In November 2009, the IASB published IFRS 9 – Financial Instruments to replace IAS 39 – Financial Instruments: Recognition and Measurement. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the many different rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments (its business model) and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the many different impairment methods in IAS 39.

In October 2010, the IASB issued additions to IFRS 9 – Financial Instruments for financial liability accounting. Under the new requirements, which concern the classification and measurement of financial liabilities, an entity choosing to measure a liability at fair value will present the portion of the change in its fair value due to changes in the entity's own credit risk in the other comprehensive income (OCI) section of the income statement, rather than within profit and loss.

This standard, including the latest additions, will be applicable for annual periods beginning on or after January 1, 2013. Its early adoption is not possible as it has not yet been approved by the European Union.

Amendments to IFRS 7 – Financial Instruments: Disclosures

In October 2010, the IASB issued amendments to IFRS 7 entitled *Disclosures – Transfers of Financial Assets*. These amendments will allow users of financial statements to improve their understanding of transfer transactions of financial assets, and will require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of the reporting period.

These amendments are applicable to annual periods beginning on or after July 1, 2011. They cannot be early adopted as they have not yet been approved by the European Union.

Amendments to IAS 12 – Income Taxes

In December 2010, the IASB issued amendments to IAS 12 entitled *Deferred Tax: Recovery of Underlying Assets*. The amendments introduce a presumption that recovery of the carrying amount of an asset based on which deferred tax is measured will, normally, be through sale.

These amendments are applicable to annual periods beginning on or after January 1, 2012. Their early adoption is not possible as they have not yet been approved by the European Union.

New standards – Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests

In May 2011, the IASB issued new standards – IFRS 10 – Consolidated Financial Statements, IFRS 11 – Joint Arrangements and IFRS 12 – Disclosure of Interests in Other Entities – as well as the resulting amendments to IAS 27, reissued as Separate Financial Statements, and IAS 28, reissued as Investments in Associates and Joint Ventures.

IFRS 10 – Consolidated Financial Statements introduces a single consolidation framework for all types of investee entities, based on the concept of control.

The new IFRS 11 – Joint Arrangements introduces new requirements in recognizing joint arrangements, with in particular the use of the equity method to account for joint ventures.

The new IFRS 12 – Disclosure of Interests in Other Entities integrates into a single standard the disclosures required for interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities.

IAS 27 and IAS 28 have been amended to bring them in compliance with the changes introduced by the issuance of IFRS 10, IFRS 11 and IFRS 12.

These new standards are applicable to annual periods beginning on or after January 1, 2013. Their early adoption is not possible as they have not yet been approved by the European Union.

IFRS 13 – Fair Value Measurement

In May 2011, IASB issued guidance for measuring fair value and for the related disclosures required in the notes to financial statements. The guidance is designed to establish a single framework for fair value measurement under IASs and IFRSs.

This new standard is applicable to annual periods beginning on or after January 1, 2013. Its early adoption is not possible as it has not yet been approved by the European Union.

Amendments to IAS 19 – Employee Benefits

In June 2011, the IASB published amendments to IAS 19 – Employee Benefits concerning the recognition of defined benefit plans. These amendments concern, in particular, elimination of the “corridor” method of accounting for actuarial gains and losses, the immediate recognition of all past service costs and the use of high quality corporate bond yields to determine the discount rate for calculating the net interest cost of employee benefit obligations to the exclusion of other benchmarks.

These amendments are applicable to annual periods beginning on or after January 1, 2013. Their early adoption is not possible as they have not yet been adopted by the European Union.

Amendments to IAS 1 – Presentation of Financial Statements

In June 2011, the IASB published amendments concerning the presentation of other comprehensive income (OCI). The amendments to IAS 1 change the grouping of items presented in OCI. Items that could be reclassified (or "recycled") to profit or loss at a future point in time are to be presented separately from items that will never be reclassified, and income tax relating to components of OCI is to be allocated between items that may be reclassified and those that may not be reclassified.

The amendments to this standard are applicable to annual periods beginning on or after July 1, 2012. Their early adoption is not possible as they have not yet been adopted by the European Union.

The Group is currently reviewing these standards, amendments and interpretations to assess their possible effect on its financial information.

c) Basis of consolidation

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

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

d) Foreign currency translation

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

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

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

e) Cash and cash equivalents

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

f) Trade receivables

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

g) Intangible assets

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

Fair value less costs to sell is the best estimate of the amount obtainable from the sale of an asset or cash-generating unit in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.
Value in use is the present value of the future cash flows expected to be derived from the use and subsequent sale of the asset.

An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment losses on intangible assets may be reversed in subsequent periods if the impairment has decreased, provided that the increased carrying amount of the asset does not exceed the amount that would have been determined had no impairment loss been recognized.

Costs incurred for the Group's principal development projects (relating to the design and testing of new or improved products) are recognized as intangible assets when it is probable that the project will be a success, considering its technical, commercial and technological feasibility, and costs can be measured reliably. Capitalized development costs are amortized from the starting date of the sale of the product on a straight-line basis over the period in which the asset's future economic benefits are consumed, not to exceed 10 years.

Other development costs that do not meet the definition of an intangible asset are recorded in research and development costs for the year in which they are incurred.

Developed technology is amortized on an accelerated basis, in a manner that reflects the pattern in which the assets' economic benefits are consumed.

Trademarks with finite useful lives are amortized:

- Over 10 years when management plans to gradually replace them by other major trademarks owned by the Group.

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

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

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

As the Group’s trademarks that are classified as having an indefinite useful life are used internationally, they each contribute to all of the Group's cash-generating units.

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

h) Goodwill

(1) Business combinations

In accordance with IFRS 3 (revised) – Business Combinations and IAS 27 (revised) – Consolidated and Separate Financial Statements:

- Changes in the percentage interest held in a controlled entity are recorded directly in equity without recognizing any additional goodwill.
- The cost of business combinations, as determined on the date when control is acquired, corresponds to the fair value of the acquired entities. As such, it does not include acquisition-related costs and expenses but does include contingent consideration at fair value.

(2) Impairment tests

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

For impairment testing purposes, goodwill is allocated to a cash-generating unit (CGU), corresponding to the lowest level at which goodwill is monitored. Within the Legrand Group, CGUs are defined as corresponding to individual countries, to a group of countries whose markets have similar characteristics or to a group of economic regions managed as a single unit.

The need to record an impairment loss is assessed by comparing the carrying amount of the CGU’s assets and liabilities, including goodwill, and their recoverable amount, defined as the higher of fair value less costs to sell and value in use.

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

The discount rate applied corresponds to the weighed average cost of capital, adjusted to reflect the risks specific to each cash-generating unit.

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

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

i) Property, plant and equipment

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

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

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

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

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

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

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

j) Inventories

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

k) Deferred taxes

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

Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.
Deferred tax assets and deferred tax liabilities are offset when the entity has a legally enforceable right of offset and they relate to income taxes levied by the same taxation authority.

Concerning foreign subsidiaries, IAS 12, paragraph 39, stipulates that the consolidating entity should not recognize a deferred tax liability on temporary differences associated with its investments when i) it is able to control the timing of the reversal of the temporary difference, and ii) it is probable that the temporary difference will not reverse in the foreseeable future. Accordingly, deferred taxes on the cumulative post-acquisition retained earnings of foreign subsidiaries are generally not recognized.

l) Revenue recognition

Revenues from the sale of goods are recognized when all of the following conditions have been satisfied: (i) the significant risks and rewards of ownership of the goods have been transferred to the buyer; (ii) the seller retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold; (iii) the amount of revenue can be measured reliably; (iv) it is probable that the economic benefits associated with the transaction will flow to the seller; and (v) the costs incurred or to be incurred in respect of the transaction can be measured reliably. For the Group, this policy results in the recognition of revenue when title and the risk of loss are transferred to the buyer, which is generally upon shipment.

The Group offers certain sales incentives to customers, consisting primarily of volume rebates and cash discounts. Volume rebates are typically based on three, six, and twelve-month arrangements with customers, and rarely extend beyond one year. Based on the trade of the current period, such rebates are recognized on a monthly basis as a reduction in revenue from the underlying transactions that reflect progress by the customer towards earning the rebate, with a corresponding deduction from the customer’s trade receivables balance.

m) Valuation of financial instruments

Under the amended IFRS 7, financial instruments are classified in a three-level hierarchy based on the inputs used to measure their fair value, as follows:

- Level 1: quoted prices for similar instruments;
- Level 2: directly observable market inputs other than level 1 inputs;
- Level 3: inputs not based on observable market data.

The carrying amounts of cash, short-term deposits, accounts receivable, accounts payable, accrued expenses and short-term borrowings approximate their fair value because of these instruments' short maturities. For short-term investments, comprised of marketable securities, fair value corresponds to the securities' market price. The fair value of long-term borrowings is estimated on the basis of interest rates currently available for issuance of debt with similar terms and remaining maturities. The fair value of interest rate swap agreements is the estimated amount that the counterparty would receive or pay to terminate the agreements, and is calculated as the present value of the estimated future cash flows.

n) Derivative instruments

Group policy consists of not entering into any transactions of a speculative nature involving financial instruments. All transactions in these instruments are entered into exclusively for the purpose of managing or hedging currency or interest rate risks, and changes in the prices of raw materials. For this purpose, the Group periodically enters into contracts such as swaps, caps, options, futures and forward contracts, according to the nature of its exposure.

Derivatives are initially recognized at fair value at the contract inception date and are subsequently remeasured at fair value at each reporting date. The method of recognizing the resulting gain or loss depends on whether the derivative qualifies for hedge accounting, and if so, the nature of the item being hedged.

Under IAS 39, 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, as required under paragraph 102 of IAS 39.

Although the Group's other derivative instruments are also used to hedge risks, it has opted not to apply the hedge accounting technique defined in IAS 39 but to measure all of these instruments at fair value through profit. The resulting gains and losses are recognized in 'Other financial income and expense' for interest rate hedges, in 'Exchange gains (losses)' for hedges of foreign currency transactions and in 'Operating profit' for commodity hedges.

The fair values of derivative instruments used for hedging purposes are disclosed in Note 22.

o) Environmental and product liabilities

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

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

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

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

p) Share based payment transactions

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

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

q) Transfers and use of financial assets

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

r) Pension and other post-employment benefit obligations

- Pension obligations

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

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

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

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

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

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

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

- Other post-employment benefit obligations

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

The benefits are treated as post-employment benefits under the defined benefit scheme.

s) Segment information

The Group is organized by country for management purposes and by geographical segment for internal reporting purposes. The geographical segments, determined according to the region of origin of invoicing, are France, Italy, Rest of Europe, United States and Canada, and Rest of the World.

t) Basic and diluted earnings per share

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

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

The average number of ordinary shares outstanding used in these calculations has been adjusted for the share buybacks and sales carried out during the period and does not take into account shares held in treasury.

u) Short- and long-term borrowings

Short- and long-term borrowings mainly comprise bonds and bank loans. They are initially recognized at fair value, taking into account any transaction costs directly attributable to the issue, and are subsequently measured at amortized cost, using the effective interest method.

v) Borrowing costs

In accordance with the revised version of IAS 23, borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are included in the cost of that asset. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale.

Other borrowing costs are recognized as an expense for the period in which they were incurred.

w) Use of estimates

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

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

(1) Impairment of goodwill and intangible assets

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

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

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

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

- Estimating the future discounted cash flows to be used for the purposes of periodic impairment tests of intangible assets with indefinite useful lives; and
- Determining the recoverable amount of intangible assets with indefinite useful lives for impairment testing purposes.

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

(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 taxable profit will be available against which the underlying deductible temporary difference can be utilized.

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

(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, stock options, provisions for contingencies and charges, capitalized development costs, and any annual volume rebates offered to customers.

2) Intangible assets (Note 1 (g))

Intangible assets are as follows:

(in € millions)	June 30, 2011	December 31, 2010
Trademarks with indefinite useful lives	1,408.0	1,408.0
Trademarks with finite useful lives	179.5	195.6
Developed technology	5.7	11.5
Other intangible assets	153.8	152.9
	1,747.0	**1,768.0**

Trademarks can be analyzed as follows:

(in € millions)	June 30, 2011	December 31, 2010
At the beginning of the period	1,674.1	1,651.1
- Acquisitions	0.0	5.1
- Adjustements	2.4	0.0
- Disposals	0.0	0.0
- Translation adjustments	(14.3)	17.9
	1,662.2	1,674.1
Less accumulated amortization	(74.7)	(70.5)
At the end of the period	**1,587.5**	**1,603.6**

In accordance with IAS 36, trademarks with indefinite useful lives are tested for impairment whenever events or changes in circumstances indicate that their carrying amount may exceed their recoverable amount. There was no evidence of any such events or changes in circumstances in 2011 first-half.

Developed technology can be analyzed as follows:

(in € millions)	June 30, 2011	December 31, 2010
At the beginning of the period	575.1	571.3
- Acquisitions	0.0	0.0
- Disposals	0.0	0.0
- Translation adjustments	(4.0)	3.8
	571.1	575.1
Less accumulated amortization	(565.4)	(563.6)
At the end of the period	**5.7**	**11.5**

Amortization expense related to intangible assets, including capitalized development costs, amounted to €30.7 million for 2011 first-half (€35.1 million for 2010 first-half).

Amortization of trademarks and developed technology in the first half of 2011 breaks down as follows:

(in € millions)	Developed technology	Trademarks	Total
France	3.1	0.9	4.0
Italy	1.5	0.0	1.5
Rest of Europe	0.4	0.9	1.3
USA/Canada	0.5	3.9	4.4
Rest of the World	0.2	1.6	1.8
	5.7	**7.3**	**13.0**

Amortization expense for developed technology and trademarks for each of the next five years is expected to be as follows:

(in € millions)	**Developed technology**	**Trademarks**	**Total**
Second half of 2011	5.7	7.7	13.4
2012	0.0	15.2	15.2
2013	0.0	15.2	15.2
2014	0.0	15.2	15.2
2015	0.0	15.2	15.2

Other intangible assets can be analyzed as follows:

(in € millions)	**June 30, 2011**	**December 31, 2010**
Capitalized development costs	113.5	107.4
Software	14.7	14.2
Other	25.6	31.3
	153.8	**152.9**

3) Goodwill (Note 1 (h))

Goodwill can be analyzed as follows:

(in € millions)	**June 30, 2011**	**December 31, 2010**
France	639.1	631.7
Italy	366.8	342.4
Rest of Europe	273.8	276.8
USA/Canada	332.2	320.9
Rest of the World	543.1	560.4
	2,155.0	**2,132.2**

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

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

Changes in goodwill can be analyzed as follows:

(in € millions)	**June 30, 2011**	**December 31, 2010**
At the beginning of the period	2,132.2	1,855.1
- Acquisitions	66.2	206.0
- Adjustments	0.4	0.0
- Impairment	0.0	0.0
- Translation adjustments	(43.8)	71.1
At the end of the period	**2,155.0**	**2,132.2**

Adjustments correspond to the difference between provisional and final goodwill.

For impairment testing purposes, goodwill has been allocated to various countries, grouping units (CGU : cash-generating units) which represent the lowest level at which goodwill is monitored.

These CGU to which goodwill have been allocated are tested for impairment annually, and whenever events or changes in circumstances indicate that their value may be impaired, by comparing their carrying amount, including goodwill, to their value in use.

Value in use corresponds to the present value of the future cash flows expected to be derived from the CGU.

In accordance with IAS 36, goodwill is tested for impairment whenever events or changes in circumstances indicate that its carrying amount may exceed its recoverable amount. There was no evidence of any such events or changes in circumstances in 2011 first-half.

As required by IAS 36, it is calculated by applying pre-tax discount rates to pre-tax future cash flows.

The following impairment testing parameters were used in the period ended December 31, 2010:

			Value in use	
	Recoverable amount	**Carrying amount of goodwill**	**Discount rate (before tax)**	**Growth rate to perpetuity**
France		631.7	11.0%	2.5%
Italy		342.4	10.6%	2.5%
Rest of Europe	Value in use	276.8	8 to 15%	2.5 to 5%
USA/Canada		320.9	10.5%	3.25%
Rest of the World		560.4	11 to 16%	2.5 to 5%
		2,132.2		

No goodwill impairment losses were identified in the period ended December 31, 2010.

In 2011 first-half, acquisitions of subsidiaries (net of cash acquired) amounted to €42.5 million.

The €15.0 million invested in acquisitions in 2010 first-half corresponded mainly to an additional interest acquired in a fully consolidated subsidiary.

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

Allocation of acquisition prices for the 6 months ended June 30, 2011, and the 12 months ended December 31, 2010 has been as follows:

(in € millions)	**6 months ended June 30, 2011**	**12 months ended December 31, 2010**
- Trademarks	2.4	5.1
- Deferred taxes on trademarks	(0.5)	(1.0)
- Other intangible assets	-	-
- Deferred taxes on other intangible assets	-	-
- Goodwill	66.6	206.0

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

a) Property, plant and equipment by geographic area

Property, plant and equipment, including finance leases, are as follows as of June 30, 2011:

			June 30, 2011			
(in € millions)	France	Italy	Rest of Europe	USA/ Canada	Rest of the World	Total
Land	19.6	5.5	12.2	1.7	9.1	48.1
Buildings	101.1	68.5	28.0	12.6	22.7	232.9
Machinery and equipment	77.1	64.9	24.2	10.1	56.0	232.3
Assets under construction and other	16.4	16.0	13.0	9.7	22.0	77.1
	214.2	**154.9**	**77.4**	**34.1**	**109.8**	**590.4**

Total property, plant and equipment includes €13.1 million corresponding to assets held for sale, which are measured at the lower of their carrying amount and fair value less costs to sell.

Property, plant and equipment, including finance leases, were as follows as of December 31, 2010:

			December 31, 2010			
(in € millions)	France	Italy	Rest of Europe	USA/ Canada	Rest of the World	Total
Land	22.2	5.5	12.4	1.9	7.1	49.1
Buildings	103.4	71.3	28.9	13.8	22.8	240.2
Machinery and equipment	82.9	65.6	25.3	11.7	60.2	245.7
Assets under construction and other	17.9	15.4	15.2	12.0	17.9	78.4
	226.4	**157.8**	**81.8**	**39.4**	**108.0**	**613.4**

b) Analysis of changes in property, plant and equipment

Changes in property, plant and equipment in the first half of 2011 can be analyzed as follows:

	June 30, 2011					
(in € millions)	France	Italy	Rest of Europe	USA/ Canada	Rest of the World	Total
Acquisitions	7.7	11.4	4.5	1.5	14.8	39.9
Disposals	(0.2)	(2.8)	(0.2)	(0.1)	(0.8)	(4.1)
Depreciation expense	(18.9)	(12.1)	(7.5)	(4.3)	(12.2)	(55.0)
Transfers and changes in scope of consolidation	(0.8)	0.6	0.2	0.6	4.6	5.2
Translation adjustments	0.0	0.0	(1.4)	(3.0)	(4.6)	(9.0)
	(12.2)	**(2.9)**	**(4.4)**	**(5.3)**	**1.8**	**(23.0)**

	June 30, 2011						
(in € millions)	Acquisitions	Transfers from 'Assets under construction'	Disposals	Depreciation expense	Transfers and changes in scope of consolidation	Translation adjustments	Total
Land	0.1	0.0	0.0	(0.9)	0.5	(0.7)	(1.0)
Buildings	1.4	1.8	(2.5)	(9.7)	4.1	(2.4)	(7.3)
Machinery and equipment	13.5	12.9	(1.4)	(36.6)	2.2	(4.0)	(13.4)
Assets under construction and other	24.9	(14.7)	(0.2)	(7.8)	(1.6)	(1.9)	(1.3)
	39.9	**0.0**	**(4.1)**	**(55.0)**	**5.2**	**(9.0)**	**(23.0)**

Changes in property, plant and equipment in 2010 can be analyzed as follows:

	December 31, 2010					
(in € millions)	France	Italy	Rest of Europe	USA/ Canada	Rest of the World	Total
Acquisitions	15.5	18.7	8.9	5.6	22.3	71.0
Disposals	(0.5)	(0.1)	(3.8)	(0.8)	(1.7)	(6.9)
Depreciation expense	(43.1)	(27.0)	(18.7)	(11.1)	(20.3)	(120.2)
Transfers and changes in scope of consolidation	(1.0)	0.0	2.1	(0.3)	5.6	6.4
Translation adjustments	0.0	0.0	1.5	3.4	12.1	17.0
	(29.1)	**(8.4)**	**(10.0)**	**(3.2)**	**18.0**	**(32.7)**

	December 31, 2010						
(in € millions)	Acquisitions	Transfers from 'Assets under construction'	Disposals	Depreciation expense	Transfers and changes in scope of consolidation	Translation adjustments	Total
Land	0.2	0.1	(0.1)	(1.0)	0.9	1.0	1.1
Buildings	3.0	4.0	(2.8)	(26.5)	1.4	4.2	(16.7)
Machinery and equipment	33.7	15.6	(3.6)	(78.7)	5.1	8.5	(19.4)
Assets under construction and other	34.1	(19.7)	(0.4)	(14.0)	(1.0)	3.3	2.3
	71.0	**0.0**	**(6.9)**	**(120.2)**	**6.4**	**17.0**	**(32.7)**

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

(in € millions)	**June 30, 2011**	**December 31, 2010**
Land	2.3	3.8
Buildings	40.4	40.1
Machinery and equipment	31.5	31.6
	74.2	75.5
Less accumulated depreciation	(38.2)	(37.8)
	36.0	**37.7**

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

(in € millions)	**June 30, 2011**	**December 31, 2010**
Long-term borrowings	16.3	17.8
Short-term borrowings	2.8	2.6
	19.1	**20.4**

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

(in € millions)	**June 30, 2011**	**December 31, 2010**
Due in less than one year	3.2	3.0
Due in one to two years	2.2	2.9
Due in two to three years	1.8	2.1
Due in three to four years	1.4	1.4
Due in four to five years	1.4	1.4
Due beyond five years	11.2	11.7
	21.2	22.5
Of which accrued interest	(2.1)	(2.1)
Net present value of future minimum lease payments	**19.1**	**20.4**

5) Other investments

(in € millions)	**June 30, 2011**	**December 31, 2010**
Other investments	111.4	32.3

Change in other investments at June 30, 2011 was mainly attributable to Meta System Energy, which was acquired in fourth-quarter 2010 and consolidated from January 1, 2011 on the one hand, and on the other hand, the acquisition of Middle Atlantic Products Inc. in the second quarter of 2011.

6) Inventories (Note 1 (j))

Inventories are as follows:

(in € millions)	**June 30, 2011**	**December 31, 2010**
Purchased raw materials and components	236.9	222.3
Sub-assemblies, work in progress	99.5	90.0
Finished products	373.9	336.6
	710.3	648.9
Less impairment	(102.6)	(99.8)
	607.7	**549.1**

7) Trade receivables (Note 1 (f))

The Group derives over 95% of its revenue from sales to distributors of electrical equipment. The two largest distributors account for approximately 27% of consolidated net revenue and no other distributor accounts for more than 5% of consolidated net revenue.

(in € millions)	**June 30, 2011**	**December 31, 2010**
Trade accounts receivable	572.1	466.5
Notes receivable	64.8	89.2
	636.9	555.7
Less impairment	(61.9)	(59.3)
	575.0	**496.4**

The factoring contract terms qualify the receivables for derecognition under IAS 39. The amount derecognized as of June 30, 2011 was €26.4 million (€11.1 million as of December 31, 2010).

Past-due trade receivables can be analyzed as follows:

(in € millions)	**June 30, 2011**	**December 31, 2010**
Less than 3 months past due	59.6	56.8
From 3 to 12 months past due	16.6	16.6
More than 12 months past due	20.2	16.8
	96.4	**90.2**

Provisions for impairment of past-due trade receivables amounted to €53.2 million as of June 30, 2011 (€50.9 million as of December 31, 2010). These provisions break down as follows:

(in € millions)	**June 30, 2011**	**December 31, 2010**
Provisions for receivables less than 3 months past due	24.0	24.3
Provisions for receivables 3 to 12 months past due	9.0	9.8
Provisions for receivables more than 12 months past due	20.2	16.8
	53.2	**50.9**

8) Other current assets

Other current assets are as follows:

(in € millions)	**June 30, 2011**	**December 31, 2010**
Employee advances	5.1	3.6
Other receivables	27.6	25.2
Prepayments	22.7	17.0
Prepaid and recoverable taxes other than on income	81.3	81.7
	136.7	**127.5**

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

9) Cash and cash equivalents (Note 1 (e))

Cash and cash equivalents totaled €506.4 million as of June 30, 2011 and corresponded to deposits with maturities of less than three months.

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

Share capital as of June 30, 2011 amounted to €1,053,526,580 represented by 263,381,645 ordinary shares with a par value of €4 each, for 329,829,012 voting rights.

Changes in share capital were as follows:

	Number of shares	Par value	Share capital (euros)	Premiums (euros)
As of December 31, 2010	263,161,346	4	1,052,645,384	1,069,831,301
Exercise of options under the 2010 plan	1,575	4	6,300	28,066
Shares granted under the 2009 plan	120,635	4	482,540	(482,540)
Exercise of options under the 2007 plan	98,089	4	392,356	2,079,487
As of June 30, 2011	263,381,645	4	1,053,526,580	1,071,456,314

Share capital consists exclusively of ordinary shares, each with a par value of €4.

Fully paid-up shares hold in registered form in the name of the same shareholder for at least two years carry double voting rights.

In the first half of 2011, 220,299 shares were issued under the 2007 and 2010 stock option plans and the 2009 share grant plan (Note 11 (a)), resulting in a €0.9 million capital increase with a €1.6 million premium.

a) Share buyback program and transactions under the liquidity contract

Share buyback program

As of June 30, 2011, the Group held 332,811 shares under the program, acquired at a total cost of €6,981,410. These shares are being held for the following purposes:

- For allocation upon exercise of share grant (327,890 shares purchased at a cost of €6,858,779).

- For allocation to employees who choose to re-invest their profit-shares in Legrand stock through a corporate mutual fund (4,921 shares purchased at a cost of €122,631).

During the first half of 2011, 24,334 shares acquired at a cost of €701,601 that were allocated to the corporate mutual fund were transferred to the fund.

Also during the period, 250,490 shares were allocated to employees under share grant plans as described in Note 11 (a).

Liquidity contract

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

As of June 30, 2011, the Group held 200,000 shares under this contract, purchased at a total cost of €5,741,300.

The number of shares held under the liquidity contract increased by a net 7,500 in 2011 first-half. These transactions led to a net capital gain of €252,441.

b) Earnings per share

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

		June 30, 2011	**June 30, 2010**
Profit attributable to equity holders of Legrand (*in € millions)*	A	266.4	192.6
Number of ordinary shares outstanding:			
- At the period-end		263,381,645	263,154,595
- O/w held in treasury		532,811	779,731
- Average for the period (excluding shares held in treasury)	B	262,560,152	262,280,731
- Average for the period after dilution (excluding shares held in treasury)	C	273,136,100	270,299,693
Number of stock options and share grants outstanding at the period end		10,575,948	9,569,771
Sales (buybacks) of shares and transactions under the liquidity contract (net during the period)		16,834	147,508
Shares allocated during the period under share grant plans		250,490	328,408
Basic earnings per share *(euros)* (Note 1 (t))	A/B	1.015	0.734
Diluted earnings per share *(euros)* (Note 1 (t)) *	A/C	0.975	0.713
Dividend per share *(euros)*		0.880	0.700

*Options granted under the 2007 Plan (1,550,809 options) were not taken into account in the calculation of diluted earnings per share for the period ended June 30, 2010, as they were out of the money as of that date.

During the first half of 2011, the Group:

- issued 220,299 shares under the 2007 and 2010 stock option plans and the 2009 share grant plan.
- transferred 250,490 shares under share grant plans.
- sold a net 16,834 shares.

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, 2011, basic earnings per share and diluted earnings per share would have amounted to €1.014 and €0.974 respectively for the six months ended June 30, 2011.

During the first half of 2010, the Group:

- issued 57,916 shares under the 2005 stock option plan (which expired on April 7, 2010).
- transferred 328,408 shares under share grant plans.
- sold a net 147,508 shares.

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, 2010, basic earnings per share and diluted earnings per share would have amounted to €0.734 and €0.712 respectively for the six months ended June 30, 2010.

11) Stock option plans, share grant plans and employee profit-sharing (Note 1 (p))

a) 2007 to 2011 Legrand share grant and stock option plans

Share grant plans

Information on the free shares plans	**2007 Plan**	**2008 Plan**	**2009 Plan**	**2010 Plan**	**2011 Plan**
Date of Board of Directors Meeting	May 15, 2007	March 5, 2008	March 4, 2009	March 4, 2010	March 3, 2011
Total number of shares granted	533,494	654,058	288,963	896,556	1,592,712
Of which to corporate officers	*26,427*	*47,077*	*23,491*	*62,163*	*127,888*
- Gilles Schnepp	*13,582*	*24,194*	*12,075*	*38,373*	*65,737*
- Olivier Bazil	*12,845*	*22,883*	*11,416*	*23,790*	*62,151*
Vesting/exercise conditions	Options vest after a maximum of 4 years, except in the event of resignation or termination for willful misconduct.				
Free shares cancelled during 2007 and 2008	(16,993)	(6,145)			
Free shares vested during 2008	(546)				
Free shares vested during 2009	(253,880)	(400)			
Free shares cancelled during 2009	(6,428)	(9,905)	(6,281)		
Free shares vested during 2010	(682)	(329,359)	(463)		
Free shares cancelled during 2010	(2,397)	(2,908)	(3,845)	(21,358)	
Free shares vested during 2011 1st half	(250,040)		(120,635)	(450)	
Free shares cancelled during 2011 1st half	(2,528)	(2,186)	(1,487)	(7,258)	
Total number of free shares outstanding as of June 30, 2011	**0**	**303,155**	**156,252**	**867,490**	**1,592,712**

If all these shares were to vest, the Company's capital would be diluted by 1.1%.

Stock option plans

During the first half of 2011, 98,089 options granted under the 2007 plan and 1,575 options granted under the 2010 plan plan were exercised.

Information on stock options	2007 Plan	2008 Plan	2009 Plan	2010 Plan
Date of Board of Directors Meeting	May 15, 2007	March 5, 2008	March 4, 2009	March 4, 2010
Total number of options	1,638,137	2,015,239	1,185,812	3,254,726
Of which to corporate officers	*79,281*	*141,231*	*93,964*	*217,646*
- Gilles Schnepp	*40,745*	*72,583*	*48,300*	*134,351*
- Olivier Bazil	*38,536*	*68,648*	*45,664*	*83,295*
Vesting/exercise conditions	Options vest after a maximum of 4 years, except in the event of resignation or termination for willful misconduct.			
Starting date of the option exercise period	May 16, 2011	March 6, 2012	March 5, 2013	March 5, 2014
End of the option exercise period	May 15, 2017	March 5, 2018	March 4, 2019	March 4, 2020
Option exercise price	€25.20	€20.58	€13.12	€21.82
Options cancelled during 2007 and 2008	(55,042)	(20,439)		
Options cancelled during 2009	(25,105)	(32,057)	(21,093)	
Options cancelled during 2010	(13,830)	(19,112)	(18,739)	(75,317)
Options exercised during 2010	(2,046)	(2,853)	(1,852)	
Options cancelled during 2011 1st half	(8,596)	(9,780)	(6,652)	(25,398)
Options exercised during 2011 1st half	(98,089)			(1,575)
Outstanding options as of June 30, 2011	**1,435,429**	**1,930,998**	**1,137,476**	**3,152,436**

If all these options were to be exercised, the Company's capital would be diluted by a maximum of 2.9% (this is a maximum dilution as it does not take into account the exercise price of these options).

Valuation model applied to stock option plans

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

Assumptions	2007 Plan	2008 Plan	2009 Plan	2010 Plan
Risk-free rate	4.35%	3.40%	2.25%	2.91%
Expected volatility	28.70%	30.00%	38.40%	28.00%
Expected return	1.98%	3.47%	5.00%	3.20%

Options granted under all of these plans are considered as having a 5-year life.

In accordance with IFRS 2, which requires the cost of stock options to be recognized in the financial statements, a charge of €19.0 million was recorded in the first half of 2011 (€9.9 million in the first half of 2010) for all of these plans combined.

b) Employee profit-sharing

Under French law, the French entities in the Group are required to pay profit shares to employees when their after-tax profit exceeds a certain level. Amounts accrued are generally payable to employees after a period of five years.

In addition to this obligation, a number of the Group's French entities and foreign subsidiaries have set up discretionary profit-sharing plans. Under these plans, employees receive a portion of the entity's profit calculated on the basis of predetermined formulas negotiated by each entity.

An accrual of €18.0 million was recorded in 2011 first-half for statutory and discretionary profit-sharing plans (2010 first-half: €18.4 million).

12) Retained earnings and translation reserves

a) Retained earnings

Consolidated retained earnings of Legrand and its subsidiaries as of June 30, 2011 amounted to €1,858.4 million.

As of the same date, the parent company – Legrand – had retained earnings of €1,576.3 million available for distribution.

b) Translation reserves

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

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

(in € millions)	**June 30, 2011**	**December 31, 2010**
US dollar	(163.3)	(152.8)
Other currencies	(25.3)	20.1
	(188.6)	**(132.7)**

As explained in Note 1 (n), unrealized foreign exchange gains and losses on US dollar-denominated 8½% Debentures (Yankee bonds) are recognized in the translation reserve. In 2011 first-half, €22.8 million was added to the translation reserve, resulting in a net balance of €11.0 million at June 30, 2011.

The change in the translation reserve is mainly due to the strengthening of the euro against other foreign currencies.

13) Long-term borrowings (Note 1 (u))

Long-term borrowings can be analyzed as follows:

(in € millions)	June 30, 2011	December 31, 2010
Facility Agreement	319.0	227.2
8 ½% debentures	269.4	292.0
Bonds	700.0	300.0
Bank borrowings	282.5	282.5
Other borrowings	99.2	114.3
	1,670.1	**1,216.0**
Debt issuance costs	(5.4)	(3.0)
	1,664.7	**1,213.0**

Long-term borrowings are denominated in the following currencies:

(in € millions)	June 30, 2011	December 31, 2010
Euro	1,144.5	803.5
US dollar	426.1	307.0
Other currencies	99.5	105.5
	1,670.1	**1,216.0**

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

(in € millions)	June 30, 2011	December 31, 2010
Due in one to two years	353.5	134.1
Due in two to three years	298.0	376.9
Due in three to four years	13.0	77.2
Due in four to five years	25.8	15.0
Due beyond five years	979.8	612.8
	1,670.1	**1,216.0**

Average interest rates on borrowings are as follows:

	June 30, 2011	December 31, 2010
Facility Agreement	1.11%	0.70%
8½% debentures	8.50%	8.50%
Bond	4.32%	4.25%
Bank borrowing	1.88%	1.50%
Other borrowings	5.00%	5.45%

These borrowings are secured as follows:

(in € millions)	June 30, 2011	December 31, 2010
Assets mortgaged or pledged as collateral	6.1	4.4
Guarantees given to banks	213.5	216.5
	219.6	**220.9**

a) Credit Facility

2006 Credit Facility

On January 10, 2006, the Group signed a credit facility with five mandated arrangers.

Initially, this 2006 Credit Facility comprised notably (i) a €700.0 million Tranche A representing a multicurrency term loan repayable in semi-annual installments equal to 10% of the nominal amount between January 10, 2007 and July 10, 2010, with a final 20% installment due on January 10, 2011 and (ii) a €1.2 billion Tranche B consisting of a revolving multicurrency facility utilizable through drawdowns. Tranches A and B were originally five-year loans that could be rolled over for two successive one-year periods.

An initial installment of Tranche A equal to 10% of the nominal amount was paid in January 2007 and a second installment equal to 7.78% of the nominal amount was paid in July 2007. In March 2007 and November 2007, the Group exercised its option to extend the 2006 Credit Facility for two successive one-year periods, with the final installment becoming due in January 2013.

Consequently, the repayments in semi-annual installments of Tranche A are equal to 6.22% of the original nominal amount from January 10, 2008 to July 10, 2011, 7.12% of the original nominal amount on January 10, 2012, 6.02% of the original nominal amount on July 10, 2012 and 19.32% on January 10, 2013.

Repayments due under the Facility Agreement can be analyzed as follows by maturity as of June 30, 2011, and December 31, 2010:

(in € millions)	**June 30, 2011**	**December 31, 2010**
Due within one year (short-term borrowings)	93.4	87.1
Due in one to two years	319.0	92.0
Due in two to three years	0.0	135.2
Due in three to four years	0.0	0.0
Due in four to five years	0.0	0.0
Due beyond five years	0.0	0.0
	412.4	**314.3**

The Facility Agreement can be analyzed as follows:

(in € millions)	**June 30, 2011**	Maturity	Interest rate
Term Facility	270.7	2013	Euribor + 20bps
Revolving Facility	141.7	2013	Libor + 20bps

(in € millions)	**December 31, 2010**	Maturity	Interest rate
Term Facility	314.3	2013	Euribor + 20bps

The margin added to the Euribor/Libor is updated at half-yearly intervals depending on the value of the ratio net debt/maintainable EBITDA (net debt and maintainable EBITDA adjusted as defined in the loan agreements). The resulting interest rate is however subject to a cap and a floor of Euribor/Libor + 50bps and Euribor/Libor + 20bps. The current spread is 20 bps.

In addition, the 2006 Credit Facility Agreement includes the covenant described in Note 22.

b) 8½% Debentures (Yankee bonds)

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

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

c) Bank borrowings

As of June 30, 2011, bank borrowings comprised:

- a €220.0 million loan obtained on May 21, 2007 from a pool of French financial institutions. The loan is for a period of six years and four months, expiring September 21, 2013, and pays interest at the three-month Euribor plus 45 bps,

- a €62.5 million loan obtained on March 12, 2009 from a pool of French financial institutions. The loan is for a period of five years, expiring March 12, 2014, and pays interest at the three-month Euribor plus 210 bps.

Bank borrowing is subject to the covenant described in Note 22.

d) Bonds

In February 2010, the Group carried out a €300.0 million 4.25% seven-year bond issue. The bonds will be redeemable at maturity on February 24, 2017.

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

e) Unused credit lines

As of June 30, 2011, the Group had access to drawdown capacity of €1,052.3 million on Tranche B (revolving facility) of the 2006 Credit Facility.

14) Provisions

Changes in provisions are as follows:

(in € millions)	**June 30, 2011**	**December 31, 2010**
At beginning of period	205.4	171.5
Changes in scope of consolidation	0.9	0.0
Increases	40.9	87.2
Utilizations	(11.5)	(30.6)
Reversals of surplus provisions	(23.2)	(29.4)
Transfers to current liabilities	0.0	0.0
Reclassifications	(1.0)	(2.1)
Translation adjustments	(4.0)	8.8
At end of period	**207.5**	**205.4**
Of which non-current portion	*96.9*	*91.6*

15) Pension and other post-employment defined benefit obligations (Note 1 (r))

(in € millions)	**June 30, 2011**	**December 31, 2010**
Non-current portion		
France (Note 15 (b))	58.9	56.6
Italy (Note 15 (c))	35.5	36.6
United States and United Kingdom (Note 15 (d))	23.1	31.1
Other countries	12.5	12.6
Total non-current portion	130.0	136.9
Current portion		
France (Note 15 (b))	0.0	0.0
Italy (Note 15 (c))	5.0	5.0
United States and United Kingdom (Note 15 (d))	1.4	1.5
Other countries	0.7	0.6
Total current portion	7.1	7.1
Total pension and other post-employment defined benefit obligations	**137.1**	**144.0**

The total amount of those liabilities is €137.1 million as of June 30, 2011 (December 31, 2010: €144.0 million) and is analyzed in Note 15 (a), which shows total liabilities of €260.2 million as of June 30, 2011 (December 31, 2010: €278.1 million) less total assets of €113.8 million as of June 30, 2011 (December 31, 2010: €124.4 million), adjusted for an unrecognized past service cost of €9.3 million as of June 30, 2011(December 31, 2010: €9.7 million).

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

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

(in € millions)	June 30, 2011	December 31, 2010	December 31, 2009	December 31, 2008	December 31, 2007
Defined benefit obligation					
Projected benefit obligation at beginning of period	278.1	247.9	240.5	263.9	290.6
Acquisitions	0.4	0.0	0.0	0.1	0.0
Goodwill allocation	0.0	0.0	0.0	0.0	0.0
Service cost	6.8	14.8	16.2	16.1	16.8
Interest cost	5.1	10.4	11.1	11.5	11.7
Benefits paid	(22.0)	(26.2)	(29.7)	(29.3)	(29.5)
Employee contributions	0.3	0.6	0.7	0.0	0.0
Plan amendments	0.0	0.0	0.0	0.0	0.0
Actuarial loss/(gain)	0.3	11.2	8.9	(7.5)	(11.0)
Curtailments, settlements, special termination benefits	0.0	0.1	(1.9)	0.2	(2.4)
Past service cost	0.0	10.1	(0.1)	0.0	(0.1)
Translation adjustments	(8.8)	8.6	2.2	(14.3)	(14.5)
Other	0.0	0.6	0.0	(0.2)	2.3
Projected benefit obligation at end of period (I)	**260.2**	**278.1**	**247.9**	**240.5**	**263.9**
Unrecognized past service cost (II)	**9.3**	**9.7**	**0.0**	**0.1**	**0.0**
Fair value of plan assets					
Fair value of plan assets at beginning of period	124.4	111.9	89.9	131.4	135.1
Acquisitions	0.0	0.0	0.0	0.0	0.0
Expected return on plan assets	3.7	7.5	6.6	8.2	9.1
Employer contributions	4.3	5.6	12.2	6.4	15.6
Employee contributions	0.3	0.6	0.7	0.5	0.3
Benefits paid	(14.8)	(9.3)	(12.3)	(13.3)	(16.3)
Actuarial (loss)/gain	2.0	2.1	12.8	(32.0)	(1.3)
Translation adjustments	(6.1)	6.0	2.0	(11.3)	(11.1)
Fair value of plan assets at end of period (III)	**113.8**	**124.4**	**111.9**	**89.9**	**131.4**
Liability recognized in the balance sheet (I) – (II) – (III)	**137.1**	**144.0**	**136.0**	**150.5**	**132.5**
Current liability	7.1	7.1	7.1	6.4	7.4
Non-current liability	130.0	136.9	128.9	144.1	125.1

Actuarial gains recognized in equity (total recognized income and expenses, net) as of June 30, 2011 amounted to €1.7 million (€0.8 million after tax).

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: Citibank Pension Liability Index

Sensitivity tests were performed on the discount rates applied and on the expected return on plan assets. According to the results of these tests, a 50-basis point decline in discount rates and in the expected return on plan assets would lead to the recognition of additional actuarial losses of around €14.0 million and would increase in proportion the value of the defined obligation as of June 30, 2011.

The impact on profit is as follows:

(in € millions)	**June 30, 2011**	**June 30, 2010**
Service cost – rights acquired during the period	(6.8)	(7.4)
Service cost – cancellation of previous rights	0.0	0.0
Benefits paid (net of cancellation of liability recognized in prior periods)	0.0	0.0
Interest cost	(5.1)	(5.1)
Other	(0.4)	1.0
Expected return on plan assets	3.7	3.7
	(8.6)	**(7.8)**

The weighted-average allocation of pension plan assets is as follows as of June 30, 2011:

(as a percentage)	France	United States and United Kingdom	Weighted total
Equity instruments	0.0	54.5	52.7
Debt instruments	0.0	40.8	39.5
Insurance funds	100.0	4.7	7.8
	100.0	**100.0**	**100.0**

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

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

In France, provisions recorded in the consolidated balance sheet amount to €58.9 million as of June 30, 2011 (December 31, 2010: €56.6 million), corresponding to the difference between the projected benefit obligation of €71.6 million as of June 30, 2011 (December 31, 2010: €81.0 million) and the fair value of the related plan assets of €3.4 million as of June 30, 2011 (December 31, 2010: €14.7 million), adjusted for an unrecognized past service cost of €9.3 million as of June 30, 2011 (December 31, 2010 : €9.7 million).

Past service cost represents the increase in the present value of pension liabilities, in respect of employee service in prior periods. It results from the June 21, 2010 addendum to the collective labor agreement for French metal industries (‘Convention Collective de la Métallurgie’). For each French entity, past service cost is amortized on a straight-line basis over the average period until the amended benefits become vested.

The projected benefit obligation is computed on the basis of staff turnover and mortality assumptions, estimated rates of salary increases and an estimated discount rate. In France, the calculation was based on a salary increase rate of 3.0%, a discount rate of 4.7% (3.0% and 4.5% in 2010) and an expected return on plan assets of 3.8% (3.8% in 2010). The provisions recorded in the consolidated balance sheet correspond to the portion of the total obligation remaining payable by the Group; this amount is equal to the difference between the total obligation recalculated at each balance sheet date, based on the actuarial assumptions described above, and the net residual value of the plan assets at that date.

c) Provisions for termination benefits in Italy

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

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

Termination benefit obligations arising prior to January 1, 2007 continue to be accounted for under IFRS as defined benefit plans, but based on revised actuarial estimates that exclude the effect of future salary increases. Actuarial gains and losses previously recognized in the statement of recognized income and expense have been reclassified in retained earnings, in accordance with IAS 19 (revised), paragraph 93A s.

The resulting provisions for termination benefits amount to €40.5 million as of June 30, 2011 (December 31, 2010: €41.6 million).

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

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

The provisions recorded in the consolidated balance sheet amounted to €24.5 million as of June 30, 2011 (December 31, 2010: €32.6 million), corresponding to the difference between the projected benefit obligation of €125.5 million (December 31, 2010: €133.6 million) and the fair value of the related plan assets of €101.0 million (December 31, 2010: €101.0 million).

The projected benefit obligation is computed on the basis of staff turnover and mortality assumptions, estimated rates of salary increases and an estimated discount rate. In the United Sates, the calculation was based on a salary increase rate of 3.5%, a discount rate of 5.1% (3.5% and 4.9% in 2010) and an expected return on plan assets of 7.5% (7.5% in 2010). In the United Kingdom, the calculation was based on a salary increase rate of 4.3%, a discount rate of 5.3% (4.4% and 5.4% in 2010), and an expected return on plan assets of 6.8% (6.3% in 2010).

16) Short-term borrowings (Note 1 (u))

(in € millions)	June 30, 2011	December 31, 2010
Facility Agreement	93.4	87.1
Commercial paper	0.0	0.0
Other borrowings	123.4	129.7
	216.8	**216.8**

17) Other current liabilities

(in € millions)	June 30, 2011	December 31, 2010
Tax liabilities	77.6	68.5
Accrued employee benefits expense	170.7	166.8
Current portion of statutory and discretionary profit-sharing reserve	18.8	35.7
Payables related to fixed asset purchases	14.7	14.2
Accrued expenses	59.1	70.2
Accrued interest	22.0	27.6
Deferred revenue	12.8	15.8
Current portion of pension and other post-employment benefit obligations	7.1	7.1
Other current liabilities	37.2	37.3
	420.0	**443.2**

18) Analysis of certain expenses

a) Analysis of operating expenses

Operating expenses include the following categories of costs:

(in € millions)	June 30, 2011	June 30, 2010
Raw materials and component costs	(635.5)	(525.3)
Salaries and payroll taxes	(538.6)	(497.2)
Employee profit-sharing	(18.0)	(18.4)
Total personnel costs	**(556.6)**	**(515.6)**
Depreciation expense	(55.0)	(55.2)
Amortization expense	(30.7)	(35.1)

As of June 30, 2011 the Group had 30,496 employees on the payroll (June 30, 2010: 28,596).

b) Analysis of other operating income and expense

(in € millions)	**June 30, 2011**	**June 30, 2010**
Restructuring costs	(13.2)	(21.2)
Impairment of goodwill	0.0	0.0
Other	(17.9)	(23.3)
	(31.1)	**(44.5)**

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

a) Exchange gains (losses)

(in € millions)	**June 30, 2011**	**June 30, 2010**
Exchange gains (losses)	10.7	(52.5)

At June 30, 2011, exchange gains were mainly attributable to the euro's rise against most of the other principal currencies.

These exchange gains were offset by a decrease in the translation reserve (see Note 12 (b)).

b) Finance costs, net

(in € millions)	**June 30, 2011**	**June 30, 2010**
Interest income	7.8	6.0
Change in fair value of financial instruments	4.3	0.0
Total interest income	12.1	6.0
Finance costs	(46.5)	(37.9)
Change in fair value of financial instruments	0.0	(1.0)
Total finance costs	(46.5)	(38.9)
Finance costs, net	**(34.4)**	**(32.9)**

Finance costs correspond essentially to interest on borrowings (Notes 13 and 16).

20) Income tax expense (current and deferred) (Note 1 (k))

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

(in € millions)	**June 30, 2011**	**June 30, 2010**
France	114.8	57.7
Outside France	287.0	243.7
	401.8	**301.4**

Income tax expense consists of the following:

(in € millions)	**June 30, 2011**	**June 30, 2010**
Current taxes:		
France	(50.9)	(36.5)
Outside France	(80.9)	(79.0)
	(131.8)	(115.5)
Deferred taxes:		
France	4.2	9.3
Outside France	(7.4)	(2.2)
	(3.2)	7.1
Total income tax expense:		
France	(46.7)	(27.2)
Outside France	(88.3)	(81.2)
	(135.0)	**(108.4)**

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

(*Tax rate)*	**June 30, 2011**	**June 30, 2010**
Standard French income tax rate	**34.43%**	**34.43%**
Increases (reductions):		
- Effect of foreign income tax rates	(4.11%)	(4.68%)
- Non-taxable items	1.79%	1.28%
- Income taxable at specific rates	0.87%	1.29%
- Other	0.65%	4.06%
	33.63%	36.38%
Impact on deferred taxes of:		
- Changes in tax rates	0.06%	0.01%
- Recognition or non-recognition of deferred tax assets	(0.09%)	(0.39%)
Effective tax rate	**33.60%**	**36.00%**

In accordance with the recommendation of the French National Accounting Board (Conseil National de la Comptabilité - CNC), the Group has elected to recognize France's CVAE tax on the value added by the business under "Income tax expense" in the statement of income as from January 1, 2010.

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

(in € millions)	**June 30, 2011**	**December 31, 2010**
Deferred taxes recorded by French companies	(325.4)	(330.5)
Deferred taxes recorded by foreign companies	(216.5)	(212.9)
	(541.9)	**(543.4)**
Origin of deferred taxes:		
- Depreciation of fixed assets	(85.2)	(84.4)
- Tax loss carryforwards	3.8	1.5
- Statutory profit-sharing	3.8	4.0
- Pensions and other post-employment benefits	22.3	21.1
- Developed technology	(1.9)	(3.9)
- Trademarks	(529.6)	(535.0)
- Impairment losses on inventories and receivables	41.2	40.1
- Fair value adjustments to derivative instruments	(4.6)	(4.7)
- Translation adjustments	0.0	0.1
- Other provisions	54.1	55.5
- Margin on inventories	18.8	16.2
- Other	(64.6)	(53.9)
	(541.9)	**(543.4)**
- Of which deferred tax assets	90.1	90.1
- Of which deferred tax liabilities	(632.0)	(633.5)

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

(in € millions)	**June 30, 2011**	**December 31, 2010**
Deferred taxes – short term	78.5	78.6
Deferred taxes – long term	(620.4)	(622.0)
	(541.9)	**(543.4)**

Tax losses carried forward broke down as follows:

(in € millions)	**June 30, 2011**	**December 31, 2010**
Net recognized operating losses carried forward	13.4	5.8
Recognized deferred tax assets	3.8	1.5
Net unrecognized operating losses carried forward	112.5	94.0
Unrecognized deferred tax assets	32.0	26.8
Total net operating losses carried forward	125.9	99.8

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

21) Off-balance sheet commitments and contingent liabilities

a) Specific transactions

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

- Note 4: Property, plant and equipment
- Note 13: Long-term borrowings
- Note 15: Pension and other post-employment benefit obligations

b) Routine transactions

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:

(in € millions)	**June 30, 2011**	**December 31, 2010**
Due within one year	35.9	39.0
Due in one to two years	29.2	31.0
Due in two to three years	21.5	22.4
Due in three to four years	15.8	13.4
Due in four to five years	12.0	8.1
Due beyond five years	18.9	12.2
	133.3	**126.1**

Commitments to purchase property, plant and equipment

Commitments to purchase property, plant and equipment amounted to €6.9 million as of June 30, 2011.

c) Contingent liabilities

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

22) Financial instruments and management of financial risks

a) Financial instruments

(1) Derivatives

	June 30, 2011			
(in € millions)	Financial income and expense, net	Equity	Book value	IFRS designation
Exchange rate derivatives				
Forwards and options designated as fair value hedges	1.8		(1.4)	Trading
Forward contracts designated as net investment hedges	-		-	NIH*
Commodity derivatives				
Futures and options	-		-	Trading
Interest rate derivatives				
Interest rate caps and swaps	4.6		4.7	Trading
	6.4		**3.3**	

** Net Investment Hedge*

All financial instruments are classified in Level 2 of the fair value hierarchy described in Note 1 (n).

(2) Impact of financial instruments

	Six months ended June 30, 2011			
		Impact on equity		
(in € millions)	Impact on financial income and expense, net	Fair value	Translation adjustment	Other
Trade receivables	-			
Trade payables	-			
Borrowings	(41.5)		22.8	
Derivatives	6.4			
	(35.1)		**22.8**	

Debentures denominated in US dollars (“Yankee bonds”) are designated as hedges of the foreign currency risk associated with the net investment in the United States (see discussion of net investment hedges in Note 1 (n)).

(3) Breakdown of balance sheet items by type of financial instrument

	June 30, 2011					December 31, 2010
	Type of financial instrument					
(in € millions)	**Carrying amount**	**Fair value**	**Instruments designated at fair value through profit or loss**	**Receivables, payables and borrowings at amortized cost**	**Derivatives**	**Carrying amount**
ASSETS						
Current assets						
Trade receivables	575.0	575.0		575.0		496.4
Other current financial assets	4.7	4.7			4.7	0.6
Total current assets	**579.7**	**579.7**		**575.0**	**4.7**	**497.0**
EQUITY AND LIABILITIES						
Current liabilities						
Short-term borrowings	216.8	216.8		216.8		216.8
Trade payables	490.1	490.1		490.1		432.0
Other current financial liabilities	1.4	1.4			1.4	0.3
Total current liabilities	**708.3**	**708.3**		**706.9**	**1.4**	**649.1**
Non-current liabilities						
Long-term borrowings	1,664.7	1,716.2		1,664.7		1,213.0
Total non-current liabilities	**1,664.7**	**1,716.2**		**1,664.7**		**1,213.0**

b) 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 who recommends appropriate measures and implements them after they have been validated by the Corporate Finance Department and Group senior management. A detailed reporting system has been set up to permit permanent close tracking of the Group's positions and effective oversight of the management of the financial risks described in this note.

Current financial assets and liabilities are measured based on observable market data and are as follows:

(in € millions)	**June 30, 2011**	**December 31, 2010**
Other current financial assets	**4.7**	**0.6**
Swaps	4.2	0.0
Financial derivatives with a positive fair value	0.5	0.6
Other current financial liabilities	**1.4**	**0.3**
Swaps	0.0	0.0
Financial derivatives with a negative fair value	1.4	0.3

(1) Interest rate risk

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

As of June 30, 2011 the breakdown of gross debt (excluding debt issuance costs) between fixed and variable rate is as follows:

(in € millions)	**June 30, 2011**
Fixed rates	746.5
Variable rates	1,140.4

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

(in € millions)	**Overnight and short-term**	**Medium-term (1 to 5 years)**	**Long-term (more than 5 years)**
Gross debt (excluding debt issuance costs)	1,140.4	-	-
Cash and marketable securities	(506.4)	-	-
Net debt	**634.0**	**-**	**-**
Hedges	550.0	-	-
Position after hedging	**84.0**	**-**	**-**

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

Based on average debt in 2011 and the hedging instruments described below, the Group estimates that a 100-basis point increase in interest rates on variable-rate debt should not result in a decrease in annual profit before taxes of more than €6.0 million (2010: €6.1 million).

Caps

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

	June 30, 2011		
Period covered *(in € millions)*	Notional amount	Benchmark rate	Average guaranteed rate including premium
July 2011 – March 2012	550.0	3-month Euribor	3.75%
April 2012 – March 2013	350.0	3-month Euribor	3.57%
April 2013 – December 2013	400.0	3-month Euribor	4.72%

The caps do not fulfill the criteria for the application of hedge accounting under IAS 39 and have therefore been measured at fair value and recognized in 'Other current financial assets', in an amount of €0.5 million as of June 30, 2011 (December 31, 2010: €0.4 million). The effect of changes in fair value on consolidated profit was a €0.1 million gain in 2011 first-half (2010 first-half: €1.0 million loss), recognized in 'Finance costs and other financial income and expense, net' (Note 19 (b)).

Interest-rate swaps

Under the swaps set up in April 2011, which expire on March 21, 2015, the Group pays each quarter variable-rate interest on a notional amount and receives each year fixed-rate interest on this same amount.

The swaps are on a total notional amount of €275.0 million. In the first half of 2011, the Group paid variable-rate interest in an amount of €1.4 million, representing an average rate of 2.707% for the period.

These swaps are recognized at fair value in the balance sheet as follows:

- In an amount of €4.2 million under 'Other current financial assets', corresponding to fair value adjustments to the notional amount. The effect of the changes in fair value on consolidated profit was a €4.2 million gain in 2011 first-half, recognized in 'Finance costs and other financial income and expense, net' (Note 19 (b)).

- In an amount of €2.3 million, recorded as a deduction from 'Other current liabilities' in respect of accrued interest. The interest rate swaps generated a net gain of €0.9 million in 2011 first-half, recognized in the income statement under 'Finance costs and other financial income and expense, net' (Note 19 (b)).

Consequently, the fair value of these swaps totaled €6.5 million at June 30, 2011.

Further interest rate swaps may be set up in the future, based on changes in market conditions.

(2) Currency risk

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

The table below presents financial assets (cash and marketable securities) and financial liabilities (short-term and long-term borrowings) by currency as of June 30, 2011:

(in € millions)	**Financial assets Cash and marketable securities**	**Financial liabilities (before debt issuance costs)**
Euro	327.9	1,265.4
US dollar	64.2	460.5
Other currencies	114.3	161.0
	506.4	**1,886.9**

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

If required, when acquisition of an asset is financed using a currency other than the functional currency of the country, the Group may enter into forward-contracts to hedge its exchange rate risk. As of June 30, 2011 the Group has set up forward contracts in Brazilian real and Australian dollar which have a net fair value of €1.4 million in 'Other current financial liabilities'. (December 31, 2010: €0.1 million)

The table below presents the breakdown of net sales and operating expenses by currency as of June 30, 2011:

(in € millions)	**Net sales**		**Operating expenses (excluding acquisition-related amortization and costs)**	
Euro	1,121.9	53.2%	847.0	50.9%
US dollar	284.2	13.5%	236.7	14.2%
Other currencies	701.7	33.3%	581.4	34.9%
	2,107.8	**100%**	**1,665.1**	**100%**

Natural hedges are set up by matching costs and operating income 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. No such hedges were entered into in the first half of 2011.

The Group estimates that, all other things being equal, a 10% increase in the exchange rate of the euro against all other currencies applied to 2011 first-half figures would have resulted in a decrease in net revenue of approximately €89.6 million and a decrease in operating profit of approximately €14.7 million.

In the same way, such increase applied to 2010 first-half figures would have resulted in a decrease in net revenue of approximately €77.7 million and a decrease in operating profit of approximately €12.8 million.

(3) Commodity risk

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

Raw materials purchases amounted to around €410.0 million in 2010.

A 10% increase in the price of all the raw materials used by the Group would theoretically feed through to around a €41.0 million increase in annual purchasing costs. The Group believes that it could, circumstances permitting, raise the prices of its products in the short term to offset the overall adverse impact of any such increases.

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 the first half of 2011.

(4) Credit risk

Credit risk covers both:

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

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

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

(5) 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 (€1,375.1 million as of June 30, 2011) is fully financed by financing facilities expiring at the earliest in 2013 (including undrawn lines of credit) and at the latest in 2025.

Under the provisions of the 2006 Credit Facility described in Note 13 (a) and the loan agreement for the bank loan described in Note 13 (c), consolidated adjusted net debt/adjusted maintainable EBITDA (net debt and maintainable EBITDA adjusted as defined in the loan agreements) must be less than or equal to 3.50 at the end of every six-month period. This ratio is tracked monthly; as of June 30, 2011 it stood at 1.34.

Finally, the Group's debt ratings are as of June 30, 2011:

Rating agency	Long term debt	Outlook
S&P	BBB+	Positive

23) Information relating to corporate officers

a) Short-term benefits

(in € millions)	June 30, 2011	June 30, 2010
Advances and loans to corporate officers	0.0	0.0
Compensation paid to corporate officers*	2.2	1.7

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

Compensation paid includes all variable compensation payable at the beginning of the year in relation to the achievement of targets for the previous year.

b) Remuneration and benefits due on termination of corporate office's position

	Employment contract		Supplementary pension entitlement(1)		Indemnities or benefits due or which may become due as a result of termination or change of office(3)		Indemnities relating to non-competition clause(2)	
Corporate officer	**Yes**	**No**	**Yes**	**No**	**Yes**	**No**	**Yes**	**No**
Gilles Schnepp Chairman and CEO Commencement : 05/22/2008 Expiration : 12/31/2013		x	x			x	x	

Olivier Bazil's term as corporate officer ended at the May 26, 2011 Annual Shareholders' Meeting and he began claiming pension benefits on May 31, 2011 in respect of his past service as an employee. However, he keeps his administrator mandate and is a member of the strategic committee.

The Board of Directors decided not to enforce the standard covenant not to compete. As a result, he did not receive any indemnity in this regard.

Mr. Olivier Bazil received a termination benefit calculated in accordance with the provisions of the collective labor agreement for French metal industries ('Convention collective de la Métallurgie') and the applicable Company-level agreements, which provide for the payment of a termination benefit to all retiring Group employees in an amount that is proportional to their period of service with the Group. These legal provisions were applied to Mr. Olivier Bazil as of his date of retirement.

Lastly, he receives additional pension benefits as explained below.

(1) In 2001, the Legrand Group entered into an agreement with an insurance company for the provision of services relating to pensions, retirement and services of a related nature to the members of the Group Executive Committee benefiting from the French pension system for salaried workers. At June 30, 2011, the Group's commitment in connection with this agreement amounted to approximately €11.8 million, of which approximately €1.1 million was financed, while the remaining €10.7 million is accrued in the accounts. In addition, a provision for €2.7 million was recognized for the additional 30% tax on benefits exceeding eight times the ceiling used for the calculation of Social Security contributions. The Executive Committee has seven members, including the Chairman and Chief Executive Officer.

Additional pension entitlements are calculated to set total pensions, including these additional entitlements and all other amounts received after retirement, at the equivalent of 50% of the average of the two highest amounts of compensation received by the beneficiaries in their last three years with the Group. To benefit from the additional pension, employees must have been with the Group for at least ten years and have reached the legal retirement age. In the event of the beneficiary's death, the Group will pay the surviving spouse 60% of the supplementary pension.
Corporate officer's pension entitlements at retirement would represent roughly 1% of his total compensation (salary and bonus) per year of service with the Group.

(2) As a corporate officer, Gilles Schnepp is subject to a two-year covenant not to compete that is enforceable at the Group's initiative. In consideration of this, should the Group decide to enforce the covenant, Mr. Schnepp would receive a monthly indemnity equal to 50% of his average monthly compensation, including bonus, for his last 12 months with the Group.

c) Termination benefits

Except for above-mentioned payments due upon retirement or enforcement of the covenant not to compete, the Company has no other firm or potential obligations towards the Chairman and Chief Executive Officer for the payment of salaries, compensation or other benefits upon or subsequent to the termination of his appointment or any changes thereto.

d) Share-based payment

Under the 2011 share grant plans, corporate officers were granted 127,888 shares.

Under the 2010 share grant and stock option plans, corporate officers were granted 62,163 shares and 217,646 options.

24) Information by geographical segment (Note 1 (s))

Legrand is the global specialist in electrical end digital building infrastructures. The following information by geographical segment corresponds to the Group's consolidated reporting system.

6 months ended June 30, 2011 *(in € millions)*	France	Geographical segments Europe Italy	Others	USA/ Canada	Rest of the world	Items not allocated to segments	Total
Total revenue	1,284.8	484.9	526.8	305.3	593.7		3,195.5
Less intra-group transfers	(701.6)	(116.7)	(145.1)	(21.1)	(103.2)		(1,087.7)
Revenue to third parties	**583.2**	**368.2**	**381.7**	**284.2**	**490.5**		**2,107.8**
Cost of sales	(200.2)	(147.9)	(226.2)	(137.3)	(269.4)		(981.0)
Administrative and selling expenses, R&D costs	(233.7)	(98.3)	(99.5)	(103.5)	(135.2)		(670.2)
Other operating income (expense)	(13.5)	2.3	(16.9)	2.3	(5.3)		(31.1)
Operating profit	**135.8**	**124.3**	**39.1**	**45.7**	**80.6**		**425.5**
- of which acquisition-related amortization and costs*	(5.2)	(1.6)	(1.4)	(5.7)	(3.3)		(17.2)
- of which goodwill impairment							0.0
Adjusted operating profit	**141.0**	**125.9**	**40.5**	**51.4**	**83.9**		**442.7**
- of which depreciation expense	(18.7)	(12.0)	(7.4)	(4.3)	(12.2)		(54.6)
- of which amortization expense	(1.7)	(1.7)	(0.4)	(0.5)	(0.6)		(4.9)
- of which amortization of development costs	(8.5)	(3.0)	(0.1)	(0.6)	0.0		(12.2)
- of which restructuring costs	(3.8)	(0.2)	(8.6)	0.0	(0.6)		(13.2)
Exchange gains (losses)						10.7	10.7
Finance costs and other financial income and expense						(34.4)	(34.4)
Income tax expense						(135.0)	(135.0)
Minority interest and share of (loss)/profit of associates						0.4	0.4
Net cash provided by operating activities						239.3	239.3
Net proceeds from sales of fixed and financial assets						6.1	6.1
Capital expenditure	(10.4)	(12.8)	(4.9)	(2.3)	(15.0)		(45.4)
Capitalized development costs	(10.0)	(3.9)	0.0	(0.9)	(0.7)		(15.5)
Free cash flow**						**184.5**	**184.5**
Total assets						6,542.4	6,542.4
Segment liabilities	368.4	220.4	126.2	87.0	218.7		1,020.7

*Acquisition-related amortization concerns the amortization of intangible assets remeasured as part of the purchase price allocation process.

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

6 months ended June 30, 2010 *(in € millions)*	France	Geographical segments Europe Italy	Others	USA/ Canada	Rest of the world	Items not allocated to segments	Total
Total revenue	1,169.5	434.3	461.9	311.0	511.4		2,888.1
Less intra-group transfers	(633.1)	(102.2)	(121.8)	(29.1)	(91.8)		(978.0)
Revenue to third parties	**536.4**	**332.1**	**340.1**	**281.9**	**419.6**		**1,910.1**
Cost of sales (a)	(175.5)	(128.0)	(200.4)	(139.3)	(221.4)		(864.6)
Administrative and selling expenses, R&D costs (a)	(216.2)	(91.9)	(90.4)	(104.4)	(111.3)		(614.2)
Other operating income (expense) (a)	(17.8)	(3.0)	(6.4)	(3.0)	(14.3)		(44.5)
Operating profit	**126.9**	**109.2**	**42.9**	**35.2**	**72.6**		**386.8**
- of which amortization and costs related to acquisitions (b)	(6.7)	(2.4)	(1.5)	(5.2)	(3.8)		(19.6)
- of which goodwill impairment							0.0
Adjusted operating profit	**133.6**	**111.6**	**44.4**	**40.4**	**76.4**		**406.4**
- of which depreciation expense	(19.3)	(12.4)	(7.3)	(5.8)	(10.0)		(54.8)
- of which amortization expense	(1.2)	(2.7)	(0.4)	(0.7)	(0.4)		(5.4)
- of which amortization of development costs	(8.8)	(2.2)	0.0	(0.6)	(0.1)		(11.7)
- of which restructuring costs	(5.3)	(1.2)	(13.1)	(0.3)	(1.3)		(21.2)
Exchange gains (losses)						(52.5)	(52.5)
Finance costs and other financial income and expense						(32.9)	(32.9)
Income tax expense						(108.4)	(108.4)
Minority interest and share of (loss)/profit of associates						0.4	0.4
Net cash provided by operating activities						323.0	323.0
Net proceeds from sales of fixed and financial assets						4.0	4.0
Capital expenditure	(8.4)	(7.9)	(3.0)	(2.3)	(7.2)		(28.8)
Capitalized development costs	(9.6)	(3.5)	0.0	(1.2)	(0.2)		(14.5)
Free cash flow*						**283.7**	**283.7**
Total assets						5,936.1	5,936.1
Segment liabilities	372.8	210.1	106.0	109.8	197.0		995.7

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

(a) Data adjusted as described in Note 1 (a).

(b) Acquisition-related amortization concerns the amortization of intangible assets revalued as part of the purchase price allocation process.

Adjustments that have an impact on lines (a) and (b) are shown below:

6 months ended June 30, 2010 *(in € millions)*	France	Geographical segments Europe Italy	Others	USA/ Canada	Rest of the world	Items not allocated to segments	Total
Cost of sales	(6.3)			(0.4)	(0.6)		(7.3)
Administrative and selling expenses, R&D costs	(7.2)			(1.2)	(0.7)		(9.1)
Other operating income (expense)	13.5			1.6	1.3		16.4
Operating profit	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**		**0.0**
- of which amortization and costs related to acquisitions	(0.9)		(0.7)	(1.4)	(3.4)		(6.4)
Adjusted operating profit	**0.9**	**0.0**	**0.7**	**1.4**	**3.4**		**6.4**
- of which amortization expense			0.7	1.1	3.4		5.2

25) Quarterly data – non-audited

a) Quarterly revenue by geographical segment (billing region) – unaudited

(in € millions)	**1st quarter 2011**	**1st quarter 2010**
France	284.2	253.7
Italy	187.6	168.7
Rest of Europe	187.1	166.1
USA/Canada	139.3	128.4
Rest of the world	238.2	194.8
Total	**1,036.4**	**911.7**

(in € millions)	**2nd quarter 2011**	**2nd quarter 2010**
France	299.0	282.7
Italy	180.6	163.4
Rest of Europe	194.6	174.0
USA/Canada	144.9	153.5
Rest of the world	252.3	224.8
Total	**1,071.4**	**998.4**

b) Quarterly income statements – unaudited

(in € millions)	1st quarter 2011	1st quarter 2010*
Revenue	**1,036.4**	**911.7**
Operating expenses		
Cost of sales	(474.7)	(414.5)
Administrative and selling expenses	(286.9)	(252.6)
Research and development costs	(50.9)	(45.3)
Other operating income (expense)	(14.1)	(18.8)
Operating profit	**209.8**	**180.5**
Finance costs	(21.3)	(18.0)
Financial income	3.4	2.5
Exchange gains (losses)	6.0	(25.4)
Finance costs and other financial income and expense, net	(11.9)	(40.9)
Profit before tax	**197.9**	**139.6**
Income tax expense	(70.2)	(48.7)
Profit for the period	**127.7**	**90.9**
Attributable to:		
- Equity holders of Legrand	**127.5**	**90.3**
- Minority interests	**0.2**	**0.6**

* Data adjusted as described in Note 1 (a).

(in € millions)	2nd quarter 2011	2nd quarter 2010*
Revenue	**1,071.4**	**998.4**
Operating expenses		
Cost of sales	(506.3)	(450.1)
Administrative and selling expenses	(283.8)	(267.6)
Research and development costs	(48.6)	(48.7)
Other operating income (expense)	(17.0)	(25.7)
Operating profit	**215.7**	**206.3**
Finance costs	(25.2)	(20.9)
Financial income	8.7	3.5
Exchange gains (losses)	4.7	(27.1)
Finance costs and other financial income and expense, net	(11.8)	(44.5)
Profit before tax	**203.9**	**161.8**
Income tax expense	(64.8)	(59.7)
Profit for the period	**139.1**	**102.1**
Attributable to:		
- Equity holders of Legrand	**138.9**	**102.3**
- Minority interests	**0.2**	**(0.2)**

* Data adjusted as described in Note 1 (a).

26) Subsequent events

No significant events occurred between June 30, 2011 and the date when the consolidated financial statements were prepared.

4 STATUTORY AUDITORS' REPORT ON INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Statutory auditors' review report on the 2011 half-year financial information

This is a free translation into English of the Statutory Auditors' Review Report issued in French and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Shareholders,

LEGRAND
Société Anonyme
128, avenue du Maréchal de Lattre de Tassigny
87000 Limoges

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

- the review of the accompanying half-year consolidated financial statements of Legrand, for the six-month period ended June 30, 2011,
- the verification of the information contained in the half-year management report.

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

1. Conclusion on the financial statements

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

Based on our review, nothing has come to our attention that causes us to believe that the accompanying half-year consolidated financial statements do not give a true and fair view of the assets and liabilities and of the financial position of the Group as at June 30, 2011, and of the results of its operations for the six-month period then ended, in accordance with IFRSs as adopted by the European Union.

2. Specific verification

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

Neuilly-sur-Seine, July 27, 2011

The Statutory Auditors

PricewaterhouseCoopers Audit

Gérard Morin
63, rue de Villiers
92208 Neuilly-sur-Seine Cedex

Deloitte & Associés

Dominique Descours
185, avenue Charles-de-Gaulle
92200 Neuilly-sur-Seine