

## Financial information

### First-half 2008: another breakthrough in financial performance

- All-time high EBITA margin at 15.0%
- Strong increase in net income: up 17%
- More than doubling in free cash flow

### Solid organic growth: up 10.6%

- 5<sup>th</sup> consecutive semester with double-digit growth

### Confidence about the outlook

- Commitment to maintain a FFO/Net debt ratio above 35%
- 2008 guidance revised upward to a minimum:
  - 8% organic sales growth
  - 15% EBITA margin

Rueil-Malmaison (France), August 1, 2008 – Meeting on July 31, 2008, the Supervisory Board reviewed the financial statements for the period ended June 30, 2008 established by the Management Board on July 29, 2008.

€ million	First-half 2008	First-half 2007	% Change
<b>Sales</b>	<b>8,946</b>	<b>8,254</b>	<b>+8%</b>
<i>Organic growth</i>			<b>+10.6%</b>
<b>EBITA *</b>	<b>1,346</b>	<b>1,175</b>	<b>+15%</b>
<i>EBITA margin</i>	<b>15.0%</b>	<b>14.2%</b>	<b>+0.8pt</b>
<b>Net income</b>	<b>851</b>	<b>729</b>	<b>+17%</b>
<i>Earnings per share (€)</i>	<b>3.56</b>	<b>3.16</b>	<b>+13%</b>
<b>Free cash flow</b>	<b>675</b>	<b>277</b>	<b>x2.4</b>

Jean-Pascal Tricoire, President and CEO, comments: *“The first-half of 2008 marks another breakthrough in the financial performance of Schneider Electric. We are also on track to exceed all targets of our new<sup>2</sup> company program, in terms of customer service, growth, productivity, rebalancing and other efficiency plans. We are translating our unique position of global specialist in energy management into sustained growth, enhanced profit and accelerated cash generation. For 2008, we are revising upward our guidance and plan a minimum 8% organic sales growth and 15.0% EBITA margin. Looking ahead, we shall demonstrate in our next company program to start in 2009 new ambitions and significant opportunities of further progress.”*

\* EBITA: EBIT before amortization of purchase accounting intangibles

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## Financial information (p. 2)

### I. CONTINUATION OF SUSTAINED GROWTH

In **first-half 2008**, sales reached **€8,946 million**, up a strong **10.6%** on a constant structure and exchange rate basis. The impact of working days on the period is negligible.

Acquisitions contributed €360 million, or 4.4% of sales growth, mainly APC for €191 million (1.5 month) and Pelco for €183 million (6 months). The divestment of MGE Small systems business reduced sales by €90 million. The currency effect was significantly negative at €481 million or -6.6%, primarily due to the dollar's depreciation against the euro.

On a current structure and exchange rate basis, sales rose **+8.4%**.

€ million	Sales First-Half 2008	% change First-Half constant	Sales Q2 2008	% change Q2 constant
Europe	4,086	+9.0%	2,093	+10.9%
North America	2,394	+5.7%	1,228	+4.7%
Asia-Pacific	1,636	+16.6%	886	+19.1%
Rest of the World	830	+21.6%	428	+20.4%
<b>Total</b>	<b>8,946</b>	<b>+10.6%</b>	<b>4,635</b>	<b>+11.6%</b>

### Growth by region

In the **second quarter 2008**, sales totaled **€4,635 million**, up **11.6%** on a constant structure and exchange rate basis, and up 10.1% adjusted for working days. The performance achieved by the Group is similar to the first quarter.

**Europe** experienced a solid second quarter with **+10.9%** growth, despite a deceleration in Spain and the UK. The growth was supported by the powerful dynamics in Eastern Europe but also the good performance of Scandinavia and Germany, in buildings, industry, infrastructure and datacenters end-markets.

In **North America**, sales growth was **4.7%**, impacted by supply chain issues and a high comparison basis. The Group made up for the softening of demand in some segments thanks to its new businesses of building automation and critical power and to its targeting of attractive market segments in energy, infrastructure and construction.

In the **Asia-Pacific** region, sales increased by **+19.1%**. Performance was strong again in China across all businesses, especially in critical power and services. Pacific and India were also significant growth contributors.

In the **Rest of the World**, sales climbed **20.4%**. Demand was again strong across the different regions (Africa, Middle East, South America) thanks to investments in electrification, benefiting to medium and low voltage businesses, and to other infrastructure projects.

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## Financial information (p. 3)

### Growth by business

Organic growth in Electrical Distribution (56% of sales) and Critical Power & Cooling (14% of sales) businesses continued to drive the Group's performance. Growth was also very solid in Automation & Control (30% of sales).

€ million	Sales First-Half 2008	% change First-Half constant	Sales Q2 2008	% change Q2 constant
Electrical Distribution	4,979	+10.9%	2,599	+11.9%
Automation & Control	2,700	+8.3%	1,373	+8.6%
Critical Power & Cooling	1,267	+14.5%*	663	+16.4%*
<b>Total</b>	<b>8,946</b>	<b>+10.6%</b>	<b>4,635</b>	<b>+11.6%</b>

### II. ALL-TIME HIGH EBITA MARGIN AT 15.0%

In first-half 2008, organic volume growth, price increases and productivity drove a significant progress in results despite inflationary pressure on costs and unfavorable foreign exchange rates. **EBITA was up 15% to €1,346 million**

- Organic growth of 10.6% again led to a significant volume effect of **€240 million**. Mix was less unfavorable than in previous semesters with a **-€52 million** impact, thanks to the improvement in the projects and services profitability.
- Pricing was robust in all regions including emerging countries, at **€166 million** or **2.0%** of sales. This performance allowed to offset not only the **-€88 million** inflation in raw material costs but also the **-€44 million** coming from other production costs, mainly labour.
- Industrial productivity continued at the same pace with gains of **€171 million**, representing **3.8%** of the products' cost of sales. Savings from purchasing increased, notably thanks to globalization, while they remained at a high level for rebalancing and lean manufacturing.

EBITA also includes **€16 million** from Pelco acquisition, the global leader in video security. Other acquisitions, net from divestments, contributed an additional **€6 million**.

Lastly, the evolution of currencies impacted EBITA by a negative **€51 million**. It is worth noting however that the foreign exchange effect on the EBITA margin has now become negligible, as a result of the Group's rebalancing strategy.

**EBITA margin** increased by **0.8 point** in first-half 2008 to a record level of **15.0%**. This profitability improvement was led by Europe and Asia-Pacific regions, which margins up 1.3 point and 3.1 points respectively. All businesses (Electrical Distribution, Automation & Control, Critical Power) also improved their margins.

\* With APC integrated since February 15, 2007

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## Financial information (p. 4)

### III. STRONG INCREASE IN NET INCOME: up 17%

**Net income** rose to **€851 million** up **17%**, a higher increase than for EBITA.

This reflects a limited increase in financial expenses to €119 million despite pressure on interest rates and a 1.5 point reduction in the effective tax rate to 26.6%. The debt-to-equity ratio stood at 53% at June 30, 2008 down 4 points compared to the previous half-year.

**Net earnings per share** rose **13%** to **€3.56**. The smaller increase than for net income is due to the effect of the early-2007 share issue to finance part of the APC acquisition.

### IV. MORE THAN DOUBLING IN FREE CASH FLOW TO €675 million

**Operating cash flow** in first-half 2008 totaled **€1,199 million**, up 16%. Improvement of working capital requirements and continued control over net investment led to a more than doubling in **free cash flow** to **€675 million** (€277 million in first-half 2007).

Strong cash generation again materializes the benefits of the Group's low capital intensive model and allows reaching a **FFO / net debt** ratio of **39%**\* at June, 30 2008. Schneider Electric commits to maintain this ratio above **35%** in the coming years.

In addition, **Return On Capital Employed (ROCE\*\*)** was up **1.1 point** to **12.0%**.

### V. UPDATE ON THE PERFORMANCE OF RECENT ACQUISITIONS: APC and PELCO

The **APC-MGE business unit** reported a 60% increase in EBITA to **\$249 million**, thanks to continued growth and higher efficiency. The two main business lines *Home & Distributed* and *Enterprise Systems & Services* recorded 11% and 15% organic sales growth respectively. Operational efficiencies in the fields of purchasing, logistics and SG&A delivered savings above target. APC-MGE further improved its EBITA margin by **3.9 points** to **13.3%** and is therefore well on track to meet its 2009 targets.

Just nine months after its integration in Schneider Electric, **Pelco**, the global leader of video security, is off to a solid start. The entity improved its EBITDA by more than 50% to **\$48 million** at **15.5%** of sales up 4.8 points. This is better than expectations thanks to higher cost savings and synergies.

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\* Funds from operations / net debt, both indicators according to S&P definition

\*\* ROCE: After-tax EBITA/ Shareholders' equity + Net debt + Provisions

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## Financial information (p. 5)

### VI. OUTLOOK FOR 2008

Assuming current economic conditions, Schneider Electric revises upward its guidance for full-year 2008 to a minimum:

- **8% organic sales growth** (previously between 6% and 8%),
- **15.0% EBITA margin.**

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Third-quarter 2008 sales will be released on October 22, 2008.

#### About Schneider Electric

As a global specialist in energy management with operations in more than 100 countries, Schneider Electric offers integrated solutions across multiple market segments, including leadership positions in energy and infrastructure, industrial processes, building automation, and data centres/networks, as well as a broad presence in residential applications. Focused on making energy safe, reliable, and efficient, the company's 120,000 employees achieved sales of more than 17.3 billion euros in 2007, through an active commitment to help individuals and organizations "Make the most of their energy.TM"  
[www.schneider-electric.com](http://www.schneider-electric.com)

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## Financial information (p. 6)

### Appendix

Second-quarter 2008 sales by geographical region were as follows:

€ million	Sales Q2 2008	% change Q2 constant	Changes in scope of consolidation	Currency effect	% change Q2 current
Europe	2,093	+10.9%	-1.4%	-2.4%	+7.1%
North America	1,228	+4.7%	+8.9%	-14.3%	-0.7%
Asia-Pacific	886	+19.1%	-1.6%	-7.8%	+9.7%
Rest of the World	428	+20.4%	+6.1%	-8.5%	+18.0%
<b>Total</b>	<b>4,635</b>	<b>+11.6%</b>	<b>+2.1%</b>	<b>-7.4%</b>	<b>+6.3%</b>

First-half 2008 sales by geographical region were as follows:

€ million	Sales First-Half 2008	% change First-Half (constant)	Changes in scope of consolidation	Currency effect	% change First-Half (current)
Europe	4,086	+9.0%	+0.1%	-2.1%	+7.0%
North America	2,394	+5.7%	+12.5%	-13.5%	+4.7%
Asia-Pacific	1,636	+16.6%	+0.6%	-6.4%	+10.8%
Rest of the World	830	+21.6%	+8.9%	-7.0%	+23.5%
<b>Total</b>	<b>8,946</b>	<b>+10.6%</b>	<b>+4.4%</b>	<b>-6.6%</b>	<b>+8.4%</b>

Second-quarter 2008 sales by business were as follows:

€ million	Sales Q2 2008	% change Q2 constant	Changes in scope of consolidation	Currency effect	% change Q2 current
Electrical Distribution	2,599	+11.9%	+0.8%	-6.9%	+5.8%
Automation & Control	1,373	+8.6%	+9.5%	-5.9%	+12.2%
Critical Power & Cooling	663	+16.4%	-6.7%	-12.3%	-2.6%
<b>Total</b>	<b>4,635</b>	<b>+11.6%</b>	<b>+2.1%</b>	<b>-7.4%</b>	<b>+6.3%</b>

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First-half 2008 sales by business were as follows:

€ million	Sales First-Half 2008	% change First-Half (constant)	Changes in scope of consolidation	Currency effect	% change First-Half (current)
Electrical Distribution	4,979	+10.9%	+0.6%	-6.2%	+5.3%
Automation & Control	2,700	+8.3%	+9.3%	-5.3%	+12.3%
Critical Power & Cooling	1,267	+14.5%	+9.6%	-11.1%	+13.0%
<b>Total</b>	<b>8,946</b>	<b>+10.6%</b>	<b>+4.4%</b>	<b>-6.6%</b>	<b>+8.4%</b>

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