Financial Information

Solid results for full year 2008

- EBITA[1] margin reached the high end of new² target at 15%
- ROCE[2] up 1 point to reach 12%
- Proposed dividend of €3.45 up 5%

High cash generation further strengthens balance sheet

- Record high free cash flow at €1,735m, up 13%
- Cash conversion[3] at 103%
- FFO/Net Debt[4] ratio at 42% supporting A-/A3 long-term credit ratings
- High level of liquidity secured

Rueil-Malmaison (France), February 19, 2009 – Schneider Electric announces today its sales and results for the fiscal year ending December 31, 2008, pursuant to the review of the financial statements by the Supervisory Board on February 18, 2009.

€ million	**Full year 2008**	**Full year 2007**	**% Change**
Sales	**18,311**	**17,309**	**+5.8%**
Organic growth			***+6.6%***
EBITA	**2,754**	**2,562**	**+7.5%**
EBITA margin	***15.0%***	***14.8%***	***+0.2pts***
Net income	**1,682**	**1,583**	**+6.3%**
Earnings per share (€)	**7.02**	**6.78**	***+3.5%***
Free cash flow	**1,735**	**1,530**	**+13.4%**

Jean-Pascal Tricoire, President and CEO, comments: *"We delivered a full year 2008 organic growth of 6.6%, a solid EBITA margin of 15%, a robust cash generation and met all the financial targets set under the new² program for the period 2005-2008. Looking ahead, Schneider Electric will continue its strategic transformation outlined in its new company program ONE covering 2009-2011. While visibility on global outlook remains low in the near time, we're putting clear priority on driving efficiency and making the necessary adaptation of the group's cost structure in response to the changing environment. With its solid balance sheet and resilient business model, we're confident that Schneider Electric will emerge from this down phase in an even better competitive position"*

[1] *EBITA: EBIT before amortization and impairment of purchase accounting intangibles*
[2] *ROCE: EBITA after tax / Shareholders' equity + Net debt + Provisions*
[3] *Cash conversion: Free cash flow / Net income*
[4] *Funds from operations / net debt, both indicators according to S&P definition*

Investor Relations :
Schneider Electric
Carina Ho

Phone : +33 (0) 1 41 29 83 29
Fax : +33 (0) 1 41 29 71 42
www.schneider-electric.com
ISIN : FR0000121972

Press Contact :
Schneider Electric
Véronique Roquet-Montégon

Phone : +33 (0)1 41 29 70 76
Fax : +33 (0)1 41 29 71 95

Press Contact :
DGM
Michel Calzaroni
Olivier Labesse
Phone : +33 (0)1 40 70 11 89
Fax : +33 (0)1 40 70 90 46

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I. CONTRASTED YEAR WITH STRONG FIRST HALF FOLLOWED BY ACTIVITY SLOWDOWN IN Q4 AS A RESULT OF GLOBAL ECONOMIC DOWNTURN

Full year **2008 sales** reached **€18,311 million**, up **6.6%** on a constant structure and exchange rate basis. Average organic growth rate reached 10% per year under the new^2 program for the period 2005 – 2008.

Acquisitions contributed €538 million, or 3.1% of sales growth, including APC for €191 million (1.5 months), Pelco for €293 million (9.5 months) and Xantrex for €36 million (3 months). The divestment of MGE Small systems business reduced sales by €155 million (10 months).

The currency effect was significantly negative at €623 million or -3.9%, primarily due to the US dollar's and the British pound's depreciation against the euro.

On a current structure and exchange rate basis, sales rose **+5.8%**.

€ million	**Sales Full year 2008**	**% change Full year constant**	**Sales Q4 2008**	**% change Q4 constant**
Europe	8,101	+6.0%	1,992	-2.3%
North America	5,053	+1.5%	1,358	-5.0%
Asia-Pacific	3,395	+9.6%	880	+1.7%
Rest of the World	1,762	+19.2%	483	+20.7%
Total	**18,311**	**+6.6%**	**4,713**	**-0.4%**

In the **fourth quarter of 2008**, on a constant structure and exchange rate basis, sales were stable at **-0.4%**, reflecting the fast deteriorating business environment in the later part of the year, weakening end-market trends across geographies, deferral of new investment decision by end-users, and destocking at some of the distributors. Thanks to its ability to leverage its attractive portfolio of activities, growth was supported by solutions and services across all geographies towards year-end.

On a current structure and exchange rate basis, sales increased by 2.8%.

Growth by region for the fourth quarter

In Europe, sales were down **2.3%** compared to the same period last year reflecting the worsening market environment. In Western Europe, while growth in France, Italy and Germany remained positive, Spain and UK slowed further as a result of the downturn in the residential market that started to extend to other markets and of destocking at distributors. Growth in Scandinavia turned sharply negative in the fourth quarter attributable mainly to their exposure to the residential and non-residential building markets. In Western Europe, the product business as a whole slowed but was partially offset by the demand for solutions and services.

Investor Relations :
Schneider Electric
Carina Ho

Phone : +33 (0) 1 41 29 83 29
Fax : +33 (0) 1 41 29 71 42
www.schneider-electric.com
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Eastern European markets registered a drop in growth in the magnitude of 10%, attributable primarily to the impact of the financial crisis on a number of the countries, triggering sharp downturn in the residential and industrial end markets.

In North America, organic growth was down 2.9% excluding customized sensors (**-5.0%** on a reported basis). In terms of end market trends, the residential market hit new lows. The commercial building and industrial markets turned negative in the fourth quarter. As in other regions, product business slowed but project and services, in particular in healthcare and infrastructure, continued to register double-digit growth thanks to Schneider Electric's dedicated offerings and complete solutions approach. Customized sensors business unit continued to register negative growth in the fourth quarter (-32%) attributable primarily to the sharp drop in demand from automotive customers.

In Asia-Pacific, sales grew by **+1.7%.** The region is affected by the weaker trends in the industrial and building markets. The energy and infrastructure end market and the solutions business continued to show resilience. China registered high single-digit growth in the fourth quarter supported by low voltage, medium voltage and project backlog consumption. The Pacific zone delivered similar level of growth benefiting from the utilities and water and waste-water segments demand. Japan growth turned negative as a result of the sharp contraction in industrial activities, while South-East Asia was stable.

Growth in the **Rest of the World** remained strong at **+20.7%**. The region as a whole continued to perform well. Middle-East and Africa posted strong growth in the fourth quarter, but the first signs of slowdown in some residential markets were visible. Growth in South America remained at double-digit but is slowing as a result of the impact of the financial crisis on export-oriented industries.

Growth by business for the fourth quarter

Electrical Distribution (57% of 2008 sales) achieved **3.9%** organic growth in the fourth quarter, driven more particularly by the offerings in power solutions and in medium voltage. **Automation & Control** (29% of 2008 sales) posted negative growth of **-6.7%**, impacted primarily by the downturn in the industrial end-market segment. Excluding customized sensors business unit, sales of Automation were down by **-4.5%**. After three quarters of strong growth, **Critical Power & Cooling** businesses (14% of 2008 sales) registered a negative growth of **-4.0%** in the fourth quarter attributable primarily to channel inventory reduction in its small systems product ranges, while some project delays reduced the growth of its large systems for enterprises and the related services.

€ million	Sales Full year 2008	% change Full year constant	Sales Q4 2008	% change Q4 constant
Electrical Distribution	10,343	+7.9%	2,752	+3.9%
Automation & Control	5,313	+3.3%	1,277	-6.7%
Critical Power & Cooling	2,655	+7.8%	684	-4.0%
Total	**18,311**	**+6.6%**	**4,713**	**-0.4%**

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II. EBITA PROFITABILITY AT 15.0% REACHES HIGH END OF NEW² TARGET RANGE

EBITA had its fifth consecutive year of increase, with **+8%** in 2008 to **€2,754 million**. The following factors contributed to the increase:

- Organic growth led to a volume effect of **€244 million.** Mix was less favorable with a -**€145 million** impact, reflecting stronger growth in less profitable product lines.

- Pricing was strong across all regions, at **€375 million** or **2.2%** of sales. This performance allowed to offset not only the **-€149 million** inflation in raw material costs but also the -**€106 million** coming from other production costs, mainly labour. In some countries, higher prices also came to offset the depreciation of the domestic currency to protect margins.

- Industrial productivity continued at a high pace with gains of **€331 million**, representing **3.6%** of the products' cost of sales. Savings from purchasing increased, notably thanks to purchase globalization, while they remained at a high level for rebalancing and lean manufacturing.

The currency fluctuations also impacted EBITA, by a negative **€159 million**, including a transaction impact of €-70 million, as a result of the strong volatility of many currencies in the second half of the year, including the British pound, the Australian dollar and currencies of some new economies, partly offset by higher prices in some of those countries.

Lastly, EBITA includes **€34 million** from Pelco acquisition, the global leader in video security. Other acquisitions, net from divestments, contributed an additional **€11 million**.

EBITA margin increased by **0.2 point** in 2008 to a record level of **15.0%**, at the higher end of the new² target range. This profitability improvement was led by the Asia-Pacific region, the margin of which gained 2.3 points, but also by Europe and the Rest of the World. North America margin edged down by 0.2 point. All businesses (Electrical Distribution, Automation & Control, Critical Power) improved their margins.

III. UPDATE ON THE PERFORMANCE OF APC and PELCO

The **APC-MGE business unit** reported an EBITA of **$547 million**, an increase of 36% thanks to continued growth and higher efficiency, notably in the fields of purchasing, logistics, commercial organization and G&A that delivered savings above target. The EBITA margin reached **14.6%** (up **3.2 points**) and is now on par with the Group level.

In its first full year within Schneider Electric, **Pelco** continued to improve its profitability. The entity delivered an EBITDA increase of 43% (before restructuring costs) to **$106 million** at **17.5%** of sales up 5.4 points. While sales synergies are longer to implement than initially expected, this is offset by higher cost savings and synergies.

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IV. EARNINGS PER SHARE AT 7.0 EUROS

Net income rose to **€1,682 million** up **6%**.

The net income includes impairments of intangible assets relating to acquisitions for €81 million (€6 million in 2007), of which €70 million related to the customized sensors business unit.

Financial expenses increased to €314 million. The reduction in the effective tax rate by 2.6 points to 24.5% led to a lower income tax at €555 million (€600 million in 2007).

The debt-to-equity ratio stood at 41% as of December 31, 2008 down 7 points compared to the previous year.

Net earnings per share rose **4%** to **€7.02**. The increase is slightly smaller than for net income, partly due to the effect of the April 2007 share issue to finance part of the APC acquisition.

At the Annual Meeting on April 23, 2009, shareholders will be asked to approve a **dividend** of **€3.45** per share, payable as from May 29, 2009 in cash or in shares at shareholder's option.

V. FREE CASH FLOW AT € 1,735 MILLION (9.5% OF SALES)

Operating cash flow in 2008 totaled **€2,500 million,** up 13%. Working capital requirements increased by a limited €72 million despite the challenging environment at year-end, while net investment was €693 million. **Free cash flow** increased by 13% to **€1,735 million**, reflecting a healthy cash conversion of 103% of net income.

VI. BALANCE SHEET FURTHER STRENGTHENED THROUGHOUT 2008

After the payment of the 2007 dividend and of acquisitions (including IMS, ECP, Marisio, Wessen, RAM and Xantrex), net debt decreased to €4,553 million (€4,936 at end 2007).

Schneider Electric's strong cash generation contributed to further improve its **credit ratios** with 41% of net debt to equity (down from 48% at the end of 2007) and a **FFO / net debt** ratio of **42%**, supporting its A- / A3 long-term credit ratings.

Liquidity was strengthened throughout the year, despite the difficult credit market conditions. Schneider Electric secured cash & cash equivalents of €1.7 billion as of December 31, 2008 and, as of January 31, 2009 following its bond issue, had only 10% of its gross debt maturing within one year.

Lastly, **Return On Capital Employed** (ROCE) was up **1.0 point** to **12.0%**.

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Fax : +33 (0)1 40 70 90 46

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VII. OUTLOOK

As announced at the presentation of its One Company program on January 28, 2009 management is putting clear priority on driving efficiency to meet challenging market conditions, by generating structural savings of support functions costs of € 600 million per annum by 2011 and cumulative savings on gross industrial productivity of € 600 – 800 million over 3 years.

Low near term visibility resulting from the global economic downturn reduces considerably the group's ability to provide reliable forecast on growth. Schneider Electric will manage this uncertain environment by maximizing flexibility in its cost structure and, if need be, by implementing additional support function cost reduction up to € 400 million per annum by 2011. It aims to demonstrate its resilience and deliver a minimum EBITA margin of 12% before restructuring costs under the worst case of the range of scenarios of -5% to -15% organic growth in 2009.

Schneider Electric reaffirms its commitments to solid balance sheet and to shareholder return by maintaining:

- a FFO/net debt ratio above 35%, corresponding to long-term ratings of A-/A3
- a dividend payout ratio of ~50%, payable in cash or in shares, at shareholder's option

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First-quarter 2009 sales will be released on April 23, 2009.

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Schneider Electric
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Phone : +33 (0) 1 41 29 83 29
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Appendix

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

€ million	Sales Q4 2008	% change Q4 constant	Changes in scope of consolidation	Currency effect	% change Q4 current
Europe	1,992	-2.3%	-1.2%	-2.1%	-5.6%
North America	1,358	-5.0%	+10.1%	+7.7%	+12.8%
Asia-Pacific	880	+1.7%	-3.8%	+2.7%	+0.6%
Rest of the World	483	+20.7%	+4.5%	-3.6%	+21.6%
Total	**4,713**	**-0.4%**	**+1.8%**	**+1.4%**	**+2.8%**

Full year 2008 sales by geographical region were as follows:

€ million	Sales Full year 2008	% change Full year (constant)	Changes in scope of consolidation	Currency effect	% change Full year (current)
Europe	8,101	+6.0%	-0.5%	-2.2%	+3.3%
North America	5,053	+1.5%	+10.9%	-6.5%	+5.9%
Asia-Pacific	3,395	+9.6%	-1.3%	-3.3%	+5.0%
Rest of the World	1,762	+19.2%	+6.9%	-5.4%	+20.7%
Total	**18,311**	**+6.6%**	**+3.1%**	**-3.9%**	**+5.8%**

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Schneider Electric
Carina Ho

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Fax : +33 (0) 1 41 29 71 42
www.schneider-electric.com
ISIN : FR0000121972

Press Contact :
Schneider Electric
Véronique Roquet-Montégon

Phone : +33 (0)1 41 29 70 76
Fax : +33 (0)1 41 29 71 95

Press Contact :
DGM
Michel Calzaroni
Olivier Labesse
Phone : +33 (0)1 40 70 11 89
Fax : +33 (0)1 40 70 90 46

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Fourth-quarter 2008 sales by business were as follows:

€ million	Sales Q4 2008	% change Q4 constant	Changes in scope of consolidation	Currency effect	% change Q4 current
Electrical Distribution	2,752	+3.9%	+2.4%	-0.6%	+5.7%
Automation & Control	1,277	-6.7%	+2.8%	+0.8%	-3.1%
Critical Power & Cooling	684	-4.0%	-2.9%	+9.6%	+2.7%
Total	**4,713**	**-0.4%**	**+1.8%**	**+1.4%**	**+2.8%**

Full year 2008 sales by business were as follows:

€ million	Sales Full year 2008	% change Full year (constant)	Changes in scope of consolidation	Currency effect	% change Full year (current)
Electrical Distribution	10,343	+7.9%	+1.2%	-4.3%	+4.8%
Automation & Control	5,313	+3.3%	+7.6%	-3.3%	+7.6%
Critical Power & Cooling	2,655	+7.8%	+1.7%	-3.4%	+6.1%
Total	**18,311**	**+6.6%**	**+3.1%**	**-3.9%**	**+5.8%**

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Carina Ho

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Press Contact :
Schneider Electric
Véronique Roquet-Montégon

Phone : +33 (0)1 41 29 70 76
Fax : +33 (0)1 41 29 71 95

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Michel Calzaroni
Olivier Labesse
Phone : +33 (0)1 40 70 11 89
Fax : +33 (0)1 40 70 90 46