Financial Information

Good resilience in tough markets
Very solid free cash flow at € 726 million, up 8%
EBITA margin at 11.6% before restructuring costs
Net debt reduced to € 4.1 billion, or 1.5x EBITDA
12% margin target for 2009 confirmed

Rueil-Malmaison (France), July 31, 2009 – Schneider Electric announced today its second quarter sales and first half results for the period ending June 30, 2009.

Key figures (€ million)	First-half 2009
Sales	**7,755**
Organic growth vs. first half 2008	***-17.9%***
EBITA before restructuring costs[1]	**903**
% of sales	***11.6%***
vs. first half 2008	***-4.2 pts***
Free cash flow	**726**
% of sales	***9.4%***
vs. first half 2008	***+7.6%***

Jean-Pascal Tricoire, President and CEO, comments: *"We demonstrate our capacity to resist to an unprecedented decline in sales. In line with the top priorities set, we generate a very strong free cash flow, exceeding the year ago level, and protect our margin with cost benefits ahead of plan. We thus further improve the Group's already solid financial position.*

We expect the organic sales trend in the second half to be in line with the level of the first half, with early signs of improvement emerging in some new economies.

We will continue to pursue actions undertaken under each of the key initiatives set under the company program One and manage this still challenging environment by further adapting our cost structure and ramping up industrial productivity.

We maintain our ambition to deliver a full year EBITA margin of 12% before restructuring costs.

Looking further ahead, the need for energy efficiency and green solutions is everywhere and is growing by the day. Our commitment to invest in innovation remains intact. We will deploy our company program One and build on our unique business portfolio in energy management to deliver the best level of business performance."

[1] *EBITA: EBIT before amortization and impairment of purchase accounting intangibles*
After reclassification of the interest component of defined benefit plan costs – see appendix

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I. Q2 SALES CONTINUED TO BE IMPACTED BY GLOBALLY WEAK MARKET CONDITIONS

Second quarter **2009 sales** reached **€3,933 million**, down **15.1%** on a current structure and exchange rate basis. Organic growth was **-19.7%**.

Acquisitions contributed +1.3% or €61 million. Such contribution includes €36 million from acquisitions, but also a €39 million impact linked to the proportional integration of the Delixi joint-venture since January 1st and a negative €14 million impact from divestments.

Foreign exchange fluctuations added €183 million, as a result of the appreciation of the US dollar and the Chinese yuan against the Euro, offsetting the depreciation of currencies in a number of countries, primarily in the UK, Australia, Russia and Sweden.

The breakdown of sales by geographical region was as follows:

€ million	Sales First Half 2009	% change First Half constant	Sales Q2 2009	% change Q2 constant
Europe	3,217	-19.1%	1,583	-22.6%
North America	2,184	-22.6%	1,096	-23.7%
Asia-Pacific	1,520	-15.3%	823	-15.1%
Rest of the World	834	-2.1%	431	-3.0%
Total	**7,755**	**-17.9%**	**3,933**	**-19.7%**

In this quarter, the gap in sales decline between new economies and mature countries is widening, reflecting the improved momentum in some of the emerging countries. Thanks to its ability to leverage its attractive portfolio of activities, solutions and services also continued to do better than group average. Channel inventory reduction went on but was less severe than previous quarter.

Growth by region for the second quarter

In **Europe**, second quarter organic sales dropped by 22.6% with no major difference between Western and Eastern Europe. France continued to hold up better than the rest. The residential construction downturn, deterioration of commercial and office building segments and weak industrial demand continued to weigh on the topline. However, the building automation business resisted thanks to projects related to energy efficiency and to services.

As for Eastern Europe, industry was still impacted by demand in countries like Poland, Czech Republic and Slovakia. The buildings market was hit by the lack of credit. However, infrastructure markets showed better resilience.

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In **North America**, organic growth decreased 23.7% in the second quarter, weighed down by weak industrial markets and deeper slowdown of construction market, in particular the commercial and office building segments. The institutional and healthcare segments remained resilient, same for water treatment and oil & gas which continued to post positive figures. Data centers performed a touch better than the region's average.

Asia Pacific was down 15.1%, similar to the first quarter decline. Sales decrease in China, Schneider Electric's largest market in the region, was moderate, confirming the improving momentum of the economy. Sales in Japan remained very weak, reflecting the conditions of the local industrial market. The Pacific region and South East Asia were impacted by the slowdown of the residential and non-residential building markets and lower project invoicing.

Sales in the **Rest of the World** decreased 3.0%. Middle East was down but remained above average. South America declined modestly impacted by global downturn across all business segments. Africa continued to post positive growth, supported by projects in the power and infrastructure related projects.

Growth by business for the second quarter

Electrical Distribution was down **16.0%** in the quarter driven by downturn in residential and non-residential building markets. Sales of **Automation & Control** decreased **-27.6%**, as a result of the severe downturn of worldwide industrial markets. Building automation continued to show better resistance and declined only moderately. **Critical Power & Cooling** business stabilized at **-17.6%**, impacted by overall lower demand of the IT industry.

€ million	Sales First Half 2009	% change First Half constant	Sales Q2 2009	% change Q2 constant
Electrical Distribution	4,542	-13.0%	2,304	-16.0%
Automation & Control	2,087	-26.7%	1,044	-27.6%
Critical Power & Cooling	1,126	-17.7%	585	-17.6%
Total	**7,755**	**-17.9%**	**3,933**	**-19.7%**

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II. H1 2009 KEY RESULTS

€ million	First-half 2009	First-half 2008	% Change
EBITA before restructuring costs	**903**	**1,411**	**-36.0%**
% of sales	***11.6%***	***15.8%***	***-4.2pts***
EBITA	**791**	**1,359**	**-41.8%**
Net income	**346**	**851**	**-59.3%**
Earnings per share (€)	***1.43***	***3.56***	
Free cash flow	**726**	**675**	**+7.6%**

- **EBITA MARGIN AT 11.6% BEFORE RESTRUCTURING COSTS DESPITE TOUGH BUSINESS ENVIRONMENT**

EBITA before restructuring costs reached **€903 million** in the first half, supported by the following key drivers:

- Accelerated support function costs reduction of **€310 million** thanks to mobilisation at all levels.
- Important industrial productivity savings of **€95 million** coming from purchasing, rebalancing and lean manufacturing.
- Pricing remained positive at **€123 million**, partly offsetting the negative impact of currency fluctuations (**-€53 million** at group level).
- In opposition to previous years, inflation of production costs was subdued, with labour costs up **€26 million** only while lower raw material costs provided a benefit of **€23 million**.

The benefits of these actions substantially offset the following volume and mix related impact on margin:

- A negative volume effect of **€746 million**, linked to the 17.9% organic decline in sales during the period.
- Mix impact was also negative at **-€100 million**, reflecting the relative weakness of some more profitable product lines and geographies.
- A negative impact of **€95 million** of the under-absorption of fixed costs linked to the volume decline.

Lastly, acquisitions net of divestments had a negative **€13 million** impact.

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By region, the Rest of the World was the most resilient (margin up 2.8 points to 18.9%) along with Asia-Pacific (margin down 1.9 point only to 14.1%). Europe was the most impacted (6.3 points margin decline to 13.5%) while North America margin was down by 3.5 points to 11.7%.

By business, margin of Critical Power was relatively resilient at 12.9%, a drop of 0.8 point only. Electrical Distribution profitability was 16.7%. Automation & Control was severely hit by the steep fall in industrial markets and posted a margin of 7.7%.

- **EARNINGS PER SHARE AT 1.43 EURO, IMPACTED BY EXCEPTIONAL ITEMS**

Net income was **€346 million**. Net **earnings per share** reached **€1.43**.

The net income includes impairment of goodwill and intangibles for €50 million (€6 million in first-half 2008) related to the customized sensors business unit.

Financial expenses amounted to €198 million following an increase in interest expense (+€15 million), a decrease in interest income (by €6 million), an increase in the interest component of defined benefit plan costs (for €17 million) and a decrease in dividends received and capital gains (of €20 million).

The effective tax rate was **23.5%** (26.6% in first-half 2008), leading to income tax of €114 million.

- **SOLID FREE CASH FLOW AT € 726 MILLION, UP 8%**

Free cash flow was robust, exceeding same period last year by 8% to **€726 million**, or **9.4%** of sales compared to 7.5% in first half 2008.

Operating cash flow was €770 million. Working capital requirements declined, freeing up €244 million of cash. Working capital over sales was 22.1%, up 0.8 point only despite the challenges met in the fields of inventory, receivable and payable management. Net investment was €288 million.

- **BALANCE SHEET FURTHER STRENGTHENED THROUGHOUT THE CRISIS**

Strong cash generation reduces Schneider Electric's net debt to **€4,142 million** (€5,220 million at end-June 2008), or a 16-point improvement of the debt-to-equity ratio to **37%** at June 30, 2009.

Therefore, despite a decline in profits, the Group's net debt to EBITDA ratio at **1.5x** remained very close to that of 2008 (1.4x).

Liquidity was further strengthened, and Schneider Electric now has cash & cash equivalents of **€2.3 billion** as of June 30, 2009, in addition to available committed credit lines of **€3.0 billion**.

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Third-quarter 2009 sales will be released on October 22, 2009.

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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 114,000 employees achieved sales of more than 18.3 billion euros in 2008, through an active commitment to help individuals and organizations "Make the most of their energy."
www.schneider-electric.com

Appendix – Sales breakdown by geography

Second-quarter 2009 sales by geographical region were as follows:

€ million	Sales Q2 2009	% change Q2 constant	Changes in scope of consolidation	Currency effect	% change Q2 current
Europe	1,583	-22.6%	+0.2%	-2.0%	-24.4%
North America	1,096	-23.7%	+2.7%	+10.3%	-10.7%
Asia-Pacific	823	-15.1%	+2.2%	+5.9%	-7.0%
Rest of the World	431	-3.0%	+1.1%	+2.7%	+0.8%
Total	**3,933**	**-19.7%**	**+1.3%**	**+3.3%**	**-15.1%**

First-half 2009 sales by geographical region were as follows:

€ million	Sales H1 2009	% change H1 constant	Changes in scope of consolidation	Currency effect	% change H1 current
Europe	3,217	-19.1%	+0.2%	-2.4%	-21.3%
North America	2,184	-22.6%	+3.3%	+10.6%	-8.7%
Asia-Pacific	1,520	-15.3%	+2.4%	+5.9%	-7.0%
Rest of the World	834	-2.1%	+1.1%	+1.4%	+0.4%
Total	**7,755**	**-17.9%**	**+1.5%**	**+3.1%**	**-13.3%**

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Appendix – Sales breakdown by business

Second-quarter 2009 sales by business were as follows:

€ million	Sales Q2 2009	% change Q2 constant	Changes in scope of consolidation	Currency effect	% change Q2 current
Electrical Distribution	2,304	-16.0%	+2.3%	+2.4%	-11.3%
Automation & Control	1,044	-27.6%	+0.8%	+2.9%	-23.9%
Critical Power & Cooling	585	-17.6%	-1.3%	+7.1%	-11.8%
Total	**3,933**	**-19.7%**	**+1.3%**	**+3.3%**	**-15.1%**

First-half 2009 sales by business were as follows:

€ million	Sales H1 2009	% change H1 constant	Changes in scope of consolidation	Currency effect	% change H1 current
Electrical Distribution	4,542	-13.0%	+2.4%	+1.8%	-8.8%
Automation & Control	2,087	-26.7%	+1.2%	+2.8%	-22.7%
Critical Power & Cooling	1,126	-17.7%	-1.2%	+7.8%	-11.1%
Total	**7,755**	**-17.9%**	**+1.5%**	**+3.1%**	**-13.3%**

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Appendix – Reclassification

Schneider Electric has decided to reclassify the interest component of defined benefit plan costs from operating expenses (cost of goods sold, SG&A costs and other operating expenses) to net financial expenses. This reclassification is consistent with IFRS standards and in line with best practices.

€ million	H1 2008	H2 2008	H1 2009
Interest cost	-57	-66	-66
Expected return on assets	44	60	36
Interest component of defined benefit plan costs	**-13**	**-6**	**-30**

The impact is neutral on pre-tax and net income.
The details of the impact on EBITA before restructuring costs and Finance costs are the following:

€ million		H1 2008	H2 2008	H1 2009
Initial presentation	EBITA before restructuring costs	1,398	1,520	
	As a % of sales	15.6%	16.2%	
	Finance costs, net	-119	-195	
	Profit for the period (group share)	851	831	
New presentation	EBITA before restructuring costs	1,411	1,526	903
	As a % of sales	15.8%	16.3%	11.6%
	Finance costs, net	-132	-201	-198
	Profit for the period (group share)	851	831	346

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