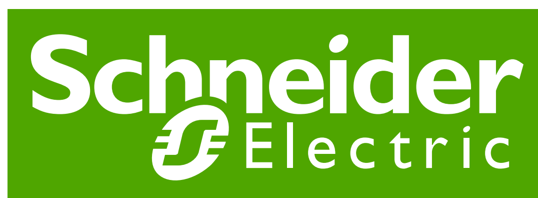
Interim Report

Six months ended June 30, 2009

Condensed Consolidated Financial Statements
Management Report
CEO Attestation
Statutory Auditors' Review Report



Consolidated statement of comprehensive income

Consolidated statement of income

(in millions of euros except for earnings per share)

		First half 2009	First half 2008 *	Full year 2008 *
Revenue	*(note 13)*	**7,755**	**8,946**	**18,311**
Cost of sales		(4,781)	(5,265)	(10,879)
Gross profit		**2,974**	**3,681**	**7,432**
Research and development expenses	*(note 14)*	(180)	(199)	(402)
Selling, general and administrative expenses		(1,895)	(2,064)	(4,120)
Other operating income and expenses		4	(7)	27
EBITAR**		**903**	**1,411**	**2,937**
Restructuring costs	*(note 15)*	(112)	(52)	(164)
EBITA***		**791**	**1,359**	**2,773**
Amortization and impairment of purchase accounting intangibles		(108)	(49)	(174)
Operating profit		**683**	**1,310**	**2,599**
Interest income		15	21	48
Interest expense		(164)	(149)	(294)
Finance costs, net		**(149)**	**(128)**	**(246)**
Other financial income and expense	*(note 16)*	(49)	(4)	(87)
Finance costs and other financial income and expense, net		**(198)**	**(132)**	**(333)**
Share of profit/(losses) of associates		(8)	6	12
Profit before tax		**477**	**1,184**	**2,278**
Income tax expense	*(note 17)*	(114)	(313)	(555)
Profit for the period		**363**	**871**	**1,723**
-Attributable to equity holders of the parent		346	851	1,682
-Attributable to minority interests		17	20	41
Basic earnings per share (in euros)		1.43	3.56	7.02
Diluted earnings per share (in euros)		1.43	3.54	7.00

* Columns 2008 restated to reflect the change in presentation of the interest component of defined benefit plan costs, as described in Note 1

** EBITAR : Earnings Before Interests, Taxes, Amortization of purchase accounting intangibles and Restructuring costs

*** EBITA : Earnings Before Interests, Taxes and Amortization of purchase accounting intangibles

The accompanying notes are an integral part of the consolidated financial statements.

Other comprehensive income

(in millions of euros)

	First Half 2009	First Half 2008	Full year 2008
Profit for the period	**363**	**871**	**1,723**
Other comprehensive income:			
Translation reserve	40	(440)	18
Cash-flow hedges	119	(47)	(88)
Available-for-sale financial assets	(24)	(84)	(116)
Actuarial gains (losses) on defined benefits	(30)	9	(425)
Income tax relating to components of other comprehensive income	(25)	48	215
Other	(5)	(7)	(10)
Other comprehensive income for the period, net of tax	**75**	**(521)**	**(406)**
Total comprehensive income for the period	**438**	**350**	**1,317**
Attributable:			
-to owners of the parent	424	332	1,266
-to minority interests	14	18	51

The accompanying notes are in integral part of the consolidated financial statements.

Consolidated Statement of Cash Flows

(in millions of euros)		First half 2009	First half 2008	Full year 2008
I - Cash flows from operating activities:				
Profit for the period		363	871	1,723
Share of (profit)/ losses of associates, net of dividends received		8	(6)	(12)
Adjustments to reconcile net profit to net cash provided by operating activities:				
Depreciation of property, plant and equipment		172	153	328
Amortization of intangible assets other than goodwill		131	105	220
Losses on non current assets		51	0	72
Increase/(decrease) in provisions		47	60	93
Change in deferred taxes		(44)	19	(23)
Losses/(gains) on disposals of assets		4	(7)	18
Other		38	4	81
Net cash provided by operating activities before changes in operating assets and liabilities		**770**	**1,199**	**2,500**
(Increase)/decrease in accounts receivable		383	(269)	(31)
(Increase)/decrease in inventories and work in process		276	(128)	(50)
Increase/(decrease) in accounts payable		(363)	137	(5)
Change in other current assets and liabilities		(52)	50	14
Change in working capital requirement		**244**	**(210)**	**(72)**
	Total I	**1,014**	**989**	**2,428**
II - Cash flows from investing activities:				
Purchases of property, plant and equipment		**(155)**	(190)	(416)
Proceeds from disposals of property, plant and equipment		7	15	14
Purchases of intangible assets		(140)	(140)	(298)
Proceeds from disposals of intangible assets		0	1	7
Net cash used by investment in operating assets		**(288)**	**(314)**	**(693)**
Purchases of financial investments - net	*(note 2)*	(41)	(170)	(598)
Purchases of other long-term investments		23	(10)	(17)
Increase in long-term pension assets		0	(1)	28
Sub-total		**(18)**	**(181)**	**(587)**
	Total II	**(306)**	**(495)**	**(1,280)**
III - Cash flows from financing activities:				
Issuance of long-term debt	*(note 10)*	1,130	1,092	435
Repayment of long-term debt		(110)	(884)	(749)
Sale/(purchase) of treasury shares		9	(44)	(70)
Increase/(reduction) in other financial debt		(772)	0	366
Issuance of shares		0	5	144
Dividends paid: Schneider Electric SA *		(315)	(796)	(796)
Minority interests		(8)	(15)	(36)
	Total III	**(66)**	**(642)**	**(706)**
IV - Net effect of exchange rate :	**Total IV**	**33**	**(27)**	**(83)**
Net increase/(decrease) in cash and cash equivalents: I + II + III + IV		**675**	**(175)**	**359**
Cash and cash equivalents at beginning of period		1,517	1,158	1,158
Increase/(decrease) in cash and cash equivalents		675	(175)	359
Cash and cash equivalents at end of period	*(note 10)*	**2,192**	**983**	**1,517**

* Dividends paid in 2009 totaled €829 million, of which €520 million were returned by shareholders who decided to reinvest their dividend.

The accompanying notes are an integral part of the consolidated financial statements

Consolidated Balance Sheet

(in millions of euros)

ASSETS		June 30, 2009	Dec. 31, 2008
Non-current assets			
Goodwill, net	*(note 3)*	8,630	8,542
Intangible assets, net	*(note 4)*	3,968	3,991
Property, plant and equipment, net	*(note 4)*	1,971	1,970
Total tangible and intangible assets		5,939	5,961
Investments in associates	*(note 5)*	89	281
Available-for-sale financial assets	*(note 6)*	235	200
Other financial assets	*(note 6)*	124	113
Total non current financial assets		359	313
Deferred tax assets	*(note 17)*	973	932
Total non-current assets		**15,990**	**16,029**
Current assets			
Inventories and work in process		2,343	2,584
Trade accounts receivable		3,157	3,537
Other receivables and prepaid expenses		870	925
Assets held for sale		2	2
Current financial assets	*(note 6)*	68	78
Cash and cash equivalents	*(note 10)*	2,342	1,652
Total current assets		**8,782**	**8,778**
Total assets		**24,772**	**24,807**

The accompanying notes are an integral part of the consolidated financial statements

Consolidated Balance Sheet

(in millions of euros)

LIABILITIES		June 30, 2009	Dec. 31, 2008
Equity	*(note 7)*		
Share capital		2,075	1,979
Share premium account		5,804	5,378
Retained earnings		4,073	4,503
Translation reserve		(911)	(954)
Equity attributable to equity holders of the parent		**11,041**	**10,906**
Minority interests		117	145
Total equity		**11,158**	**11,051**
Long-term provisions			
Provisions for pensions and other post-employment benefits	*(note 8)*	1,491	1,463
Provisions for contingencies	*(note 9)*	306	302
Total long-term provisions		1,797	1,765
Non-current liabilities			
Ordinary and convertible bonds	*(note 10)*	4,497	3,367
Other long-term debt	*(note 10)*	1,458	1,272
Total non-current financial liabilities		5,955	4,639
Deferred tax liabilities	*(note 17)*	909	888
Other non-current liabilities	*(note 12)*	24	20
Total non-current liabilities		**8,685**	**7,312**
Current liabilities			
Trade accounts payable		1,946	2,312
Accrued taxes and payroll costs		1,240	1,320
Short-term provisions	*(note 9)*	562	538
Other current liabilities		652	708
Short-term debt	*(note 10)*	529	1,566
Total current liabilities		**4,929**	**6,444**
Total equity and liabilities		**24,772**	**24,807**

The accompanying notes are an integral part of the consolidated financial statements

Consolidated Statement of Changes in Equity

(in millions of euros except for number of shares)

	Number of shares (thousands)	Share capital	Share premium account	Treasury stock	Retained earnings	Translation reserve	**Equity attributable to owners of the parent**	**Minority interests**	**TOTAL**
January 1, 2008	**245,299**	**1,962**	**5,254**	**(279)**	**4,211**	**(963)**	**10,185**	**129**	**10,314**
Profit for the period					851		851	20	871
Other comprehensive income					(81)	(438)	(519)	(2)	(521)
Total recognized income and expense for the period (comprehensive income)					770	(438)	**332**	**18**	**350**
Issuance of shares									
Exercise of stock options	98	1	5				6		5
Dividends					(796)		(796)	(28)	(824)
Change in treasury stock				(45)			(45)		(45)
Stock options					15		15		15
Other (1)				1	5		6		6
June 30, 2008	**245,397**	**1,963**	**5,259**	**(323)**	**4,205**	**(1,401)**	**9,703**	**119**	**9,822**
January 1, 2009	**247,426**	**1,979**	**5,378**	**(352)**	**4,855**	**(954)**	**10,906**	**145**	**11,051**
Profit for the period					346		346	17	363
Other comprehensive income					35	43	78	(3)	75
Total recognized income and expense for the period (comprehensive income)					381	43	**424**	**14**	**438**
Issuance of shares	11,968	96	424				520		520
Exercise of stock options (Note 7)	39	0	2				2		2
Dividends					(837)		(837)	(25)	(862)
Change in treasury stock				9			9		9
Stock options (Note 7)					15		15		15
Other (2)				(1)	3		2	(17)	(15)
June 30, 2009	**259,433**	**2,075**	**5,804**	**(344)**	**4,417**	**(911)**	**11,041**	**117**	**11,158**

(1) Of which €5 million in connection with the employee share purchase plan and €2 million from reclassification of capital gains on own shares.
(2) Of which €3 million in connection with the employee share purchase plan and a negative €17 million for the JV East no longer consolidated in the group perimeter.

The accompanying notes are in integral part of the consolidated financial statements.

Notes to the Consolidated Financial Statements

All amounts in millions of euros unless otherwise indicated.
The accompanying notes are an integral part of the consolidated financial statements.

Note 1 - Summary of significant accounting policies

- **Accounting standards and basis of preparation**

The consolidated financial statements for the six months ended June 30, 2009 have been prepared in accordance with IAS 34 - *Interim Financial Reporting*. As condensed financial statements, they do not include all the disclosures required by International Financial Reporting Standards (IFRS) and should be read in conjunction with the 2008 annual consolidated financial statements included in the Annual Report filed with the French securities regulator (AMF) under no. D.09-0124, except as regards to the differences in accounting treatment between the annual and interim financial statements described below.

The interim consolidated financial statements have been prepared in compliance with the international accounting standards adopted by the European Union as of June 30, 2009. The same accounting methods were used as for the consolidated financial statements for the year ended December 31, 2008, with the exception of the following changes in method and adoption of the revised version of IAS 1 – *Presentation of Financial Statements*. The main differences with the previous version of IAS 1 are as follows:

(i) All changes in equity arising from transactions with owners of the parent are segregated from those arising from transactions with minority owners of subsidiaries.
(ii) Income and expenses are presented in two statements (a separate income statement and a statement of comprehensive income).
(iii) Comprehensive income is disclosed in the financial statements.

As concerns segment information, Schneider Electric is gradually deploying a new organization that will be fully operational as of January 1, 2010. Because the internal reporting structure is currently changing to reflect this gradual deployment, the Group considers it appropriate to present segment information by geographic area and business, as in previous periods. As of January 1, 2010—once the new internal reporting structure is stabilized—segment information will comply with the presentation requirements of IFRS 8 – *Operating Segments*.

The following standards and interpretations that were applicable during the period did not have a material impact on the consolidated financial statements for the six months ended June 30, 2009:

- IAS 23 R – *Borrowing Costs* (requires capitalization of borrowing costs).
- IFRS 2 R – *Share-based Payment* (vesting conditions and cancellations).
- IAS 32 R - *Financial Instruments: Presentation* and IAS 1 R – *Presentation of Financial Statements* (puttable instruments and obligations arising on liquidation).
- IFRS 1 R – *First-time Adoption of International Financial Reporting Standards* and IAS 27 – *Consolidated and Separate Financial Statements* (cost of a subsidiary, jointly controlled entity or associate).
- *IFRS improvements (May 2008).*
- IFRIC 13 - *Customer Loyalty Programmes*.

There are no differences in practice between the standards applied by the Group as of June 30, 2009 and the IFRSs issued by the International Accounting Standards Board (IASB), as the application from January 1, 2009 of the standards and interpretations not yet adopted by the European Union would not have a material impact on the Group's accounts.

Lastly, the Group did not apply the following standards and interpretations that have not yet been adopted by the European Union or that are applicable after June 30, 2009:

- IFRS 3 R - *Business Combinations.*
- IAS 27 A - *Consolidated and Separate Financial Statements.*
- IFRIC 12 - *Service Concession Arrangements*.
- IFRIC 15 – *Agreements for the Construction of Real Estate*.
- IFRIC 16 – *Hedges of a Net Investment in a Foreign Operation*.
- IFRIC 17 – *Distributions of Non-cash Assets to Owners.*

- IFRIC 18 – *Transfers of Assets from Customers*.
- IAS 39 A – *Financial Instruments: Recognition and Measurement* (exposures qualifying for hedge accounting).
- IFRIC 9 and IAS 39 A – *Embedded Derivatives.*
- IFRS 7 A – *Financial Instruments: Disclosures* (enhancing disclosures about financial instruments).
- IFRS 2 A – *Share-based Payment* (group cash-settled share-based payment transactions).
- *IFRS improvements* (April 2009).

The potential impact of these standards and interpretations on the consolidated financial statements is currently being assessed. At this stage of analysis, the Group does not expect their impact to be material, except for IFRS 3 (revised), which will modify prospectively the accounting treatment of business combinations.

➢ **Changes in accounting method**

Consolidation of jointly controlled entities

As from January 1, 2009, investments in operating entities controlled jointly with a limited number of partners, such as joint ventures and alliances, are proportionally consolidated in accordance with the recommended treatment under IAS 31 - *Interests in Joint Ventures*. Before January 1, 2009, the Group accounted for jointly controlled entities by the equity method in accordance with the alternative treatment allowed under IAS 31. This change is designed to provide more meaningful information on the strategic nature of jointly controlled entities and the way in which their operations are tracked by Schneider Electric management. The impact on the 2008 comparative statements is not material.

Presentation of the interest component of defined benefit plan costs

Until now, all costs related to defined benefit pension plans, termination benefits and other post-retirement benefit obligations were recognized in operating profit. To provide a more meaningful picture of operating profit by excluding all financial income and expense, the Group has decided to present the interest component of these costs and the expected return on plan assets in other financial income and expense, net as from January 1, 2009. As a result of this change, €13 million recorded under operating profit in first-half 2008 (€19 million for the year) has been reclassified under other finance costs and financial income and expense, net. The comparative financial statements reflect this impact.

➢ **Impairment of assets**

Impairment tests were performed at the level of Cash Generating Units corresponding to Business Units (Critical Power & Cooling Services, Building Automation, CST). The weighted average cost of capital (WACC) stood at 8.4% at June 30, 2009, slightly increasing compared with 8.2% at December 31, 2008. Country risks have been updated compared with tests performed at year-end 2008

These tests resulted in recording an impairment loss of €50 million before tax on the CST business.

➢ **Seasonal variations**

Seasonal variations can affect the level of revenue from one quarter to another. For this reason, the interim financial results are not necessarily indicative of the Group's expected full-year performance.

➢ **Income tax expense**

Current and deferred taxes for interim periods are calculated by applying the estimated average effective tax rate for the current year to pre-tax profit for the period.

Note 2 - Changes in the scope of consolidation

2.1 Additions and removals

The main changes in the scope of consolidation in the six months ended June 30, 2009 were as follows:

➢ Acquisitions in progress

The Group has signed agreements to acquire Conzerv in India and Microsol in Brazil. Both companies will be consolidated in the second half of 2009.

Acquisitions during the period totaled €45 million, not including €3 million in additional acquisition costs for Xantrex.

- Changes in consolidation method

As indicated in Note 1, Delixi Electric, a jointly controlled entity, has been proportionally consolidated since January 1, 2009. It was previously accounted for by the equity method.

2.2 Impact of changes in the scope of consolidation

The impact of changes in the scope of consolidation in 2008 and 2009 on the Group's income statement as of June 30, 2009 is not material.

- **Impact on cash**

Changes in the scope of consolidation at June 30, 2009 reduced the Group's cash position by a net €41 million, as described below:

	First half 2009
Acquisitions	(47)
Cash and cash equivalents paid	*(48)*
Cash and cash equivalents acquired	*1*
Disposals	-
Other operations	6
Net financial investments	**(41)**

Note 3 - Goodwill

3.1 Breakdown of goodwill

The main items of goodwill are as follows:

	Year of acquisition	CGU	June 30, 2009 Net	Dec. 31, 2008 Net
APC	2007	CPCS	2,108	2,131
Square D Company	1991	(A)	970	986
Groupe LEXEL	1999	EOD	818	810
Telemecanique	1988	(A)	463	463
TAC/ Andover/ Abacus/ Applied Control Technology/Yamas	2003 to 2007	BA	417	417
Pelco	2007	BA	360	366
MGE UPS	2000 to 2007	CPCS	340	344
IBS	2006	BA	305	310
Juno Lighting Inc.	2005	NAOD	280	285
Clipsal	2004 to 2006	APOD	263	230
BEI Technologies	2005	CST	202	224
Xantrex	2008	RE	194	193
Crouzet Automatismes	2000	CST	156	156
Power Measurement Inc.	2005	NAOD	136	136
Delixi	2007	APOD	130	-
ABS	2005	BA	109	104
Positec	2000	EOD	105	106
Merlin Gerin	1992	(A)	87	87
Digital Electronics	2002	APOD	83	89
OVA	2006	EOD	80	80
Kavlico	2004	CST	77	78
Ritto	2007	EOD	60	60
Elau	2004 & 2005	EOD	56	56
Citect	2006	APOD	54	46
Federal Pioneer	1990	NAOD	51	49
Crydom	2006	CST	49	49
Infra +	2000 to 2004	EOD	43	43
Wessen	2008	IOD	41	58
RAM	2008	NAOD	39	54
AEM	2006	EOD	30	30
PDL	2001	APOD	29	26
ECP	2008	NAOD	28	28
GET	2006	EOD	28	25
Mita Holding	1999	EOD	26	25
Marisio	2008	IOD	26	22
IMS	2008	EOD	23	24
Grant	2007	EOD	2	2
Others			362	350
TOTAL			**8,630**	**8,542**

(A) Square D, Telemecanique and Merlin Gerin goodwill has been allocated on the basis of operating profit by region as of the acquisition date.

	Europe	North America	Asia Pacific	Rest of the world
Square D	9%	80%	10%	1%
Télémécanique	71%	0%	20%	9%
Merlin Gerin	62%	10%	20%	8%

3.2 Changes in goodwill

The main movements during the period are summarized in the following table:

	First half 2009	Full year 2008	First half 2008
Net goodwill at opening	**8,542**	**8,141**	**8,141**
Acquisitions	-	415	74
Disposals	-	0	-
Impairment	(21)	(59)	(6)
Translation adjustment	(11)	97	(340)
Reclassifications	120	(52)	(49)
Net goodwill at year end	**8,630**	**8,542**	**7,820**
Cumulative impairment	**(88)**	**(67)**	**(14)**

- **Impairment losses**

Impairment losses recognized during the first half 2009 totaled €21 million, of which €20 million forCST.

- **Other changes**

Other changes, in an amount of €120 million, reflect the reclassification of Delixi Electric goodwill, for €142 million (consolidated by proportionate method as from January 1, 2009), and a €28 million reduction in RAM and Wessen goodwill following adjustments to the provisional accounting. RAM and Wessen were acquired at the end of 2008.

Note 4 - Intangible assets and property, plant and equipment

Changes in intangible assets and property, plant and equipment over the six-month period were as follows:

	Trademarks	Development projects (R&D)	Other intangible assets	Software	Property, plant and equipment	Total
GROSS VALUE						
Dec. 31, 2008	**2,452**	**637**	**1,384**	**559**	**5,223**	**10,255**
Acquisitions/Capitalization		112	8	21	156	297
Disposals/scrapping	(1)		(1)	(4)	(113)	(119)
Translation adjustment	(9)	(6)	(16)		12	(19)
Reclassification			(162)	147	11	(4)
Changes in the scope of consolidation and other	(3)		10		10	17
June 30, 2009	**2,439**	**743**	**1,223**	**723**	**5,299**	**10,427**
ACCUMULATED AMORTIZATION AND IMPAIRMENT						
Dec. 31, 2008	**(121)**	**(159)**	**(317)**	**(444)**	**(3,253)**	**(4,294)**
Allocation and impairment	(13)	(40)	(76)	(31)	(173)	(333)
Recapture			1	5	103	109
Translation adjustment	1	3	8	1	(5)	8
Reclassification			17			17
Changes in the scope of consolidation and other	3		2			5
June 30, 2009	**(130)**	**(196)**	**(365)**	**(469)**	**(3,328)**	**(4,488)**
NET VALUE						
Dec. 31, 2008	**2,331**	**478**	**1,067**	**115**	**1,970**	**5,961**
June 30, 2009	**2,309**	**547**	**858**	**254**	**1,971**	**5,939**

In accordance with Group policy, trademarks with indefinite useful lives are tested for impairment annually and whenever there is any indication that they may be impaired. There were no indications of impairment of trademarks at June 30, 2009.

In 2008, CST decided to discontinue the Systron Donner Automotive (SDA) business. To align the carrying amount of SDA's assets with their value in use, further impairment losses were recorded on the trademark, for €11 million, and on other intangible assets, for €19 million.

Assets held for sale, presented separately in an amount of €2.4 million, correspond to buildings that have been put up for sale.

Reclassifications primarily correspond to assets put into use.

Note 5 - Investments in associates

Investments in associates can be analyzed as follows:

	% interest		Share in net assets		Share in net profit	
	June 30, 2009	**Dec. 31, 2008**	**June 30, 2009**	**Dec. 31, 2008**	**June 30, 2009**	**Dec. 31, 2008**
Delta Dore Finance	20,0%	20,0%	11	11	0	1
Delixi Electric	N/A	50,0%	-	182	-	11
Fuji Electric FA Components & Systems	36,8%	37,0%	70	84	(8)	-
Others	N/A	N/A	8	4	0	0
Total	**-**	**-**	**89**	**281**	**(8)**	**12**

Note 6 - Financial assets

6.1 Available-for-sale financial assets

Available-for-sale financial assets, corresponding mainly to investments in non-consolidated companies, break down as follows:

	June 30, 2009				Dec. 31, 2008
	%	Gross value	Revaluation / Impairment	Fair Value	Fair Value
I – Listed available for sale financial assets					
AXA	0,5%	102	30	132	155
Gold Peak Industries Holding Ltd	6,3%	7	(4)	3	2
Total listed AFS		**109**	**26**	**135**	**157**
II – Unlisted available for sale financial assets					
Conzerv Systems Private Limited (1)	100,0%	27	0	27	-
Polam BV (3) (6)	100,0%	26	0	26	26
East Electric System Technology Co., Ltd. (2)	60,0%	17	0	17	-
Microsol (1)	100,0%	11	0	11	-
Simak (3)	98,5%	6	(1)	5	5
Thorsman Ireland (3)	100,0%	6	(6)	0	0
Senside (3)	100,0%	5	(5)	0	0
Easy Plug SAS (4)	50,0%	9	(9)	0	0
SE Venture	100,0%	7	(7)	0	0
Other unlisted AFS (5)		24	(10)	14	12
Total unlisted AFS		**138**	**(38)**	**100**	**43**
Financial assets available for sale		**247**	**(12)**	**235**	**200**

(1) Acquired during the period, consolidated in second half 2009
(2) Entity removed from consolidation scope following loss of operating control by the Group
(3) Removed from scope of consolidation - in liquidation
(4) Dormant companies
(5) Investments with a unit gross value of less than €5 million
(6) The Group has a debt towards Polam equal to the value of the shares held

Fair value corresponds to the closing quoted price for investments quoted in an active market and the carrying amount for unlisted investments.

6.2 Other non-current financial assets

The agreement for the acquisition of Clipsal includes a seller's warranty providing for part of the acquisition price to be withheld (see Note 12). This amount (€14 million as of June 30, 2009) has been placed in escrow.

6.3 Current financial assets

Current financial assets, corresponding to short-term investments, totaled €68 million as of June 30, 2009.

Note 7 - Shareholder's equity

7.1 Share-based payment

A total of 39,316 Schneider Electric SA shares were issued during first half 2009 upon exercise of stock options, in an amount of €2 million.
Based on the assumptions described in the notes to the 2008 consolidated financial statements, the amount recorded under "Selling, general and administrative expenses" for stock option plans set up after

November 7, 2002 totaled €15.0 million in first half 2009 (same as in first half 2008). This expense was booked as an adjustment to “Retained earnings” in Shareholders’ Equity.

7.2 Worldwide Employee Stock Purchase Plan

Schneider Electric gives its employees the opportunity to become group shareholders thanks to employee share issues. Employees in countries that meet legal and fiscal requirements have the choice between a classic and a leveraged plan.

Under the classic plan, employees may purchase Schneider Electric shares at a 15% to 17% discount to the price quoted for the shares on the stock market. Employees must then hold their shares for five years, except in certain cases provided for by law. The share-based payment expense recorded in accordance with IFRS 2 is measured by reference to the fair value of the discount on the locked-up shares. The lock-up cost is determined on the basis of a two-step strategy that involves first selling the locked-up shares on the forward market and then purchasing the same number of shares on the spot market (i.e., shares that may be sold at any time) using a bullet loan.

This strategy is designed to reflect the cost the employee would incur during the lock-up period to avoid the risk of carrying the shares subscribed under the classic plan. The borrowing cost corresponds to the cost of borrowing for the employees concerned, as they are the sole potential buyers in this market. It is based on the average interest rate charged by banks for an ordinary, non-revolving personal loan with a maximum maturity of five years granted to an individual with an average credit rating.

Under the leveraged plan, employees may also purchase Schneider Electric shares at a 15% to 17% discount to the price quoted on the stock market. However, the leveraged plan offers a different yield profile as a third-party bank tops up the employee's initial investment, essentially multiplying the amount paid by the employee. The total is invested in Schneider Electric shares at a preferential price. The bank converts the discount transferred by the employee into funds with a view to securing the yield for the employee and increasing the indexation on a leveraged number of directly subscribed shares.

As with the classic plan, the share-based payment expense is determined by reference to the fair value of the discount on the locked-up shares (see above). In addition, it includes the value of the benefit corresponding to the issuer’s involvement in the plan, which means that employees have access to share prices with a volatility profile adapted to institutional investors rather than to the prices and volatility profile they would have been offered if they had purchased the shares through their retail banks. The volatility differential is treated as a discount equivalent that reflects the opportunity gain offered to employees under the leveraged plan.

On June 2, 2009, Schneider Electric gave its employees the opportunity to purchase shares at a price of €45.55 or €44.48 per share, depending on the country, as part of its commitment to employee share ownership. This represented a 15% to 17% discount to the reference price of €53.59 calculated as the average opening price quoted for the share during the 20 days preceding the Management Board’s decision to launch the employee share issue.

In all, 2.5 million shares were subscribed, increasing the Company’s capital by €114 million as of July 10, 2009. The issue represented a total cost of €2.6 million, taking into account the five-year lock-up period.

The tables below summarize the main characteristics of the plans, the amounts subscribed, the valuation assumptions and the plans’ cost for 2009 and 2008.

	Classic plan	2009		2008	
		%	€	%	€
	Plan characteristics				
	Maturity (years)		5		5
	Reference price (euros)		53.59		78.82
	Subscription price (euros) between		45.55		67.00
	and		44.48		
	Discount : between	15.00%		15.00%	
	and	17.00%			
	Amount subscribed by employees		28.6		45.8
	Total amount subscribed		28.6		45.8
	Total number of shares subscribed (millions of shares)		0.6		0.7
	Valuation assumptions				
	Interest rate available to market participant (bullet loan) (1)	5.00%		6.90%	
	Five-year risk-free interest rate (euro zone)	3.00%		5.20%	
	Annual interest rate (repo)	1.00%		1.15%	
(a)	Value of discount : between	15.00%	4.8	15.00%	8.1
	and	17.00%	0.3		
(b)	Value of lock-up period for market participant	14.85%	5.0	13.70%	7.4
	Total expense for the Group (a-b)	**0.15% to 2.15%**	**0.1**	**1.30%**	**0.7**
	Sensitivity				
	- Decrease in interest rate for market participant (2)	(0.50%)	0.9	(0.50%)	1.4

Amounts in millions of euros, unless otherwise stated.

(1) Average interest rate charged by banks for an ordinary, non-revolving personal loan with a maximum maturity of five years granted to an individual with an average credit rating.
(2) A decline in the interest rate for market participants reduces the lock-up cost and increases the expense booked by the issuer.

Leveraged plan	2009 %	2009 €	2008 %	2008 €
Plan characteristics				
Maturity (years)		5		5
Reference price (euros)		53.59		78.82
Subscription price (euros) between		45.55		67.00
and		44.48		
Discount : between	15.00%		15.00%	
and	17.00%			
Amount subscribed by employees		8.5		8.9
Total amount subscribed		85.7		88.6
Total number of shares subscribed (millions of shares)		1.9		1.3
Valuation assumptions				
Interest rate available to market participant (bullet loan) (1)	5.00%		6.90%	
Five-year risk-free interest rate (euro zone)	3.00%		5.20%	
Annual dividend rate	3.00%		4.50%	
Annual interest rate (repo)	1.00%		1.15%	
Retail/institutional volatility spread	5.00%		5.00%	
(a) Value of discount : between	15.00%	9.4	15.00%	15.6
and	17.00%	5.9		
(b) Value of lock-up period for market participant	14.85%	14.4	13.70%	14.2
(c) Value of the oppportunity gain (2)	1.71%	1.7	2.69%	2.8
Total expense for the Group (a-b+c)	**1.85% to 3.85%**	**2.5**	**3.99%**	**4.1**
Sensitivity				
- Decrease in interest rate for market participant (3)	(0.50%)	2.5	(0.50%)	1.4
- Increase in retail/institutional volatility (4)	0.50%	0.2	0.50%	0.2

Amounts in millions of euros, unless otherwise stated.

(1) Average interest rate charged by banks for an ordinary, non-revolving personal loan with a maximum maturity of five years granted to an individual with an average credit rating.
(2) Calculated using a binomial model.
(2) A decline in the interest rate for market participants reduces the lock-up cost and increases the expense booked by the issuer.
(4) An increase in the retail/institutional volatility spread increases the opportunity gain for the employee and increases the expense booked by the issuer.

Note 8 - Pensions and other post-employment benefit obligations

Changes in provisions for pensions and other post-employment benefit obligations were as follows:

	Pensions and termination benefits	*Of which US plans*	Other Post-employment and long-term benefits	*Of which US plans*	**Provisions for pensions and other post-employment benefits**
Dec.31, 2008	**1,027**	***401***	**436**	***370***	**1,463**
Net cost recognized in the statement of income	46	*14*	12	*9*	58
Benefits paid	(27)	-	(1)	-	(28)
Plan participants'contributions	(7)	*(1)*	(10)	*(10)*	(17)
Actuarial gains and losses recognized in equity	28	*26*	(5)	*(5)*	23
Translation adjustment	(3)	*(8)*	(5)	*(5)*	(8)
June 30, 2009	**1,064**	***432***	**427**	***359***	**1,491**

The net cost recognized in the income statement for first half 2009 breaks down as follows:

	First Half 2009			First Half 2008		
	Pensions and termination benefits	Other Post-employment and long-term benefits	**Total**	Pensions and termination benefits	Other Post-employment and long-term benefits	**Total**
Service cost	27	3	30	25	2	27
Past service cost	0	(2)	(2)	0	(1)	(1)
Curtailments and settlements	0	0	0	1	0	1
Operating expense for the period	**27**	**1**	**28**	**26**	**1**	**27**
Interest cost (impact of discounting)	55	11	66	48	9	57
Expected return on plan assets	(36)	0	(36)	(44)	0	(44)
Financial expense for the period	**19**	**11**	**30**	**4**	**9**	**13**
Net cost recognized in the statement of income	**46**	**12**	**58**	**30**	**10**	**40**

Note 9 - Provisions

	Economic risks	Customer risks	Product risks	Environmental risks	Restructuring	Other risks	**Provisions**
Dec. 31, 2008	**324**	**28**	**207**	**43**	**132**	**106**	**840**
Long-term portion	*121*	*24*	*49*	*30*	*11*	*67*	*302*
Additions	21	1	39	1	66	14	142
Discounting effect	0	0	0	0	0	1	1
Utilizations	(19)	(1)	(21)	(1)	(44)	(5)	(91)
Reversals of surplus provisions	(2)	(2)	(4)	0	0	(3)	(11)
Translation adjustments	(1)	0	0	0	1	0	0
Changes in the scope of consolidation and other	(1)	0	1	0	(2)	(11)	(13)
June 30, 2009	**322**	**26**	**222**	**43**	**153**	**102**	**868**
Long-term portion	*135*	*21*	*50*	*28*	*7*	*65*	*306*

Additions to provisions for product risk reflect updated measurement of technical risks for €19 million.
Additions to provisions for restructuring, in an amount of €66 million, are commented in Note 15.

Note 10 - Net debt

Net debt breaks down as follows:

	June 30, 2009	Dec. 31, 2008
Convertible and non-convertible bonds	4,497	3,477
Bank and other borrowings	1,500	1,318
Lease liabilities	17	19
Employees profit sharing	7	6
Short-term portion of convertible and non-convertible bonds	-	(110)
Short-term portion of long-term debt	(66)	(71)
Non current financial liabilities	**5,955**	**4,639**
Commercial papers	46	190
Accrued interests	122	106
Other short-term borrowings	145	202
Drawdown of funds from lines of credit	-	752
Bank overdrafts	150	135
Short-term portion of convertible and non-convertible bonds	-	110
Short-term portion of long-term debt	66	71
Current financial liabilities	**529**	**1,566**
Marketable securities	(1,582)	(997)
Negotiable debt securities and short-term deposits	(19)	(13)
Cash	(741)	(642)
Cash and cash equivalents	**(2,342)**	**(1,652)**
Net Debt	**4,142**	**4,553**

Cash and cash equivalents net of short-term bank loans and overdrafts totaled €2,192 million at June 30, 2009, corresponding to the amount reported in the consolidated cash flow statement.

Marketable securities generally consist of highly liquid instruments traded on regulated markets that are readily convertible into known amounts of cash, such as commercial paper, mutual funds and equivalents.

Note 11 - Financial instruments

The Group uses financial instruments to manage its exposure to fluctuations in interest rates, exchange rates and metal prices.

11.1 Carrying amount and nominal amount of derivative financial instruments

		Dec. 31, 2008	**First half 2009**		**June 30, 2009**	**June 30, 2009**	
	IFRS Designation	Carrying amount	Financial income (1)	Equity (2)	Carrying amount	Nominal amount Purchase	Sale
Foreign exchange							
Futures - cash flow hedges	CFH*	(39)	15	20	(4)	1,016	321
Futures - hedges of balance sheet items	Trading	25	(20)		5	1,395	1,524
Metal prices							
Futures and options	CFH*	(98)		91	(7)	75	
Interest rates							
Swaps on credit lines	CFH*/FVH*	(55)	5	(14)	(64)	1,543	
Derivative financial instruments		**(167)**	**0**	**98**	**(69)**	**-**	**-**

** Cash flow hedge / Fair value hedge*

(1) Gains and losses on hedging instruments for the period are offset by changes in the fair value of the underlying, which are also recognized in financial income.
(2) Reported in equity under "Retained earnings".

The market value of financial instruments, which corresponds to their carrying amount, is estimated either internally by discounting future differential cash flows at current market interest rates or by third party banks

11.2 Carrying amount and fair value of financial instruments other than derivatives

	June 30, 2009		Dec. 31, 2008	
	Notional amount (1)	Fair Value	Notional amount (1)	Fair Value
Available-for-sale financial assets	235	235	200	200
Other non-current financial assets	124	124	113	113
Marketable securities	1,582	1,582	997	997
Bonds	(4,497)	(4,628)	(3,477)	(3,414)
Other short-term and long-term debt	(1,987)	(1,987)	(2,728)	(2,728)
Financial instruments exclusind derivatives	**(4,543)**	**(4,674)**	**(4,895)**	**(4,832)**

(1) The notional amount corresponds to either amortized cost or fair value.

Note 12 - Other non-current liabilities

	June 30, 2009	Dec. 31, 2008
Clipsal acquisition debt	14	12
Other	10	8
Other non-current liabilities	**24**	**20**

The agreement for the acquisition of Clipsal includes a seller's warranty providing for part of the acquisition price to be withheld. This amount has been placed in escrow (see note 6.2).

Note 13 - Segment information

Segment information by geography is broken down according to the Group's four operating divisions on the basis of asset location. Performance assessments and management decisions are notably based on Earnings Before Interest, Taxes, Amortization of purchase accounting intangibles and Restructuring costs (EBITAR) and on Earnings Before Interest, Taxes and Amortization of purchase accounting intangibles (EBITA).

Data by region includes the contribution from Critical Power and Cooling Services. Data concerning General Management that cannot be allocated to a particular segment are presented under “Holding company”.

Details are provided in the Management Report for first half 2009.

	First half 2009		First half 2008	
Europe	3,217		4,086	
North America	2,184		2,394	
Asia-Pacific	1,520		1,636	
Rest of the world	834		830	
Revenue	**7,755**		**8,946**	
Europe	435	13.5%	809	19.8%
North America	256	11.7%	363	15.2%
Asia-Pacific	214	14.1%	262	16.0%
Rest of the world	158	18.9%	134	16.1%
Holding company	(160)	-	(157)	-
EBITAR	**903**	**11.6%**	**1,411**	**15.8%**
Europe	387	12.0%	781	19.1%
North America	218	10.0%	345	14.4%
Asia-Pacific	205	13.5%	252	15.4%
Rest of the world	155	18.6%	134	16.1%
Holding company	(174)	-	(153)	-
EBITA	**791**	**10.2%**	**1,359**	**15.2%**

The segment information by business is as follows:

	First half 2009		First half 2008	
Electrical distribution	4,542		4,979	
Automation & Control	2,087		2,700	
Critical Power & Cooling Services	1,126		1,267	
Revenue	**7,755**		**8,946**	
Electrical distribution	758	16.7%	964	19.4%
Automation & Control	160	7.7%	430	15.9%
Critical Power & Cooling Services	145	12.9%	174	13.7%
Holding company	(160)	-	(157)	-
EBITAR	**903**	**11.6%**	**1,411**	**15.8%**
Electrical distribution	711	15.7%	934	18.8%
Automation & Control	119	5.7%	415	15.4%
Critical Power & Cooling Services	135	12.0%	163	12.9%
Holding company	(174)	-	(153)	-
EBITA	**791**	**10.2%**	**1,359**	**15.2%**

Note 14 - Research and Development

Research and development costs for the period break down as follows:

	Fisrt half 2009	First half 2008
Research and development costs recognized as an expense [(1)]	270	298
Capitalized development costs [(2)]	112	95
Total research and development costs - gross value	**382**	**393**
Research and development tax credit	(8)	(11)
Total research and development costs of the year - net	**374**	**382**

(1) Of which, € 74 million recognized in the cost of sales, € 8 million in selling expenses and € 188 million in R&D costs in June, 2009.
Of which € 82 million recognized in cost of sales, € 6 million in selling expenses and € 210 million in R&D costs in June, 2008.
(2) Of which, € 4 million recognized as software in June, 2008 and € 0 million in June 2009.

Amortization of capitalized development costs came to €40 million as of June 30, 2009 and €26 million as of June 30, 2008. No exceptional impairment losses were recorded on capitalized development costs during either period.

Note 15 - Restructuring costs

Restructuring costs in first-half 2009 totaled €112 million and primarily stemmed from the reorganization of manufacturing operations and support functions in Europe, for around €55 million, and North America, for around €45 million (of which €16 million for CST).

Note 16 - Other financial income and expense

	June 30, 2009	June 30, 2008
Exchange gains and losses, net	(15)	(13)
Financial component of defined benefit plan costs	(30)	(13)
Dividend Income	4	17
Net gains/(losses) on disposal of long-term investments	0	10
Discounting adjustments to non-current assets and liabilities	(1)	1
Other financial expense, net	(7)	(6)
Other financial income and expense, net	**(49)**	**(4)**

The interest component of defined benefit plan costs increased primarily due to a lower expected return on plan assets.
Dividends correspond primarily to dividends on AXA shares.

Note 17 - Income tax

Whenever possible, Group entities file consolidated tax returns. Schneider Electric SA files a consolidated tax return with its French subsidiaries held directly or indirectly through Schneider Electric Industries SAS.

17.1 Analysis of income tax expense for the year

	First Half 2009	First Half 2008
Current taxes		
France	-	(23)
International	(158)	(271)
Total	**(158)**	**(294)**

Deferred taxes		
France	54	(4)
International	(10)	(15)
Total	**44**	**(19)**
Income tax (expense)/benefit	**(114)**	**(313)**

17.2 Tax proof

	First Half 2009	First Half 2008
Profit for the period	**363**	**871**
Income tax (expense)/benefit	(114)	(313)
Share of profit of associates	(8)	6
Profit before tax	**485**	**1,178**
Statutory tax rate	34.43%	34.43%
Income tax expense calculated at the statutory rate	**(167)**	**(406)**
Reconciling items:		
Difference between French and foreign tax rates	52	73
Tax credits and other tax reductions	20	46
Impact of tax losses	(14)	-
Other permanent differences	(5)	(26)
Income tax (expense)/benefit	(114)	(313)
Effective tax rate	**23.5%**	**26.6%**

17.3 Deferred taxes

Deferred tax assets net of deferred tax liabilities amounted to €64 million, increasing by €20 million from December 31, 2008.

Note 18 - Commitments and contingent liabilities

18.1 Guarantees given and received

Guarantees given and received amounted to €533 million and €48 million, respectively, at June 30, 2009.

18.2 Purchase commitments

- **Shares in subsidiaries and affiliates**

Commitments to purchase equity investments correspond to put options given to minority shareholders in consolidated companies or relate to earn-out payments. The amount of these commitments was not material at June 30, 2009, as at December 31, 2008.

- **Information technology services**

The Group signed an agreement with Capgemini to outsource certain European IT functions and to develop shared management applications using SAP. The first pilot version was deployed in India in April 2007 and a second version was rolled out in several European countries mid-2008. Schneider Electric capitalized development costs relating to the SAP contract in a net amount of €158 million at June 30, 2009. These

costs are being amortized as from 2009 over a 7-year rolling period using an increasing-balance method based on the number of users as deployment is extended across operations.

The 2009 expense related to this outsourcing agreement contractually amounts to €123 million (compared with €133 million in 2008) including volume and indexation effects provided for in the contract.

18.3 Contingent liabilities

Management is confident that balance sheet provisions for known disputes in which the Group is involved are sufficient to ensure that these disputes do not have a material impact on its financial position or profit. This is notably the case for the potential consequences of a current dispute in Belgium involving former senior executives and managers of the Group.

The loan agreements related to the Group's long-term debt do not include any rating triggers.

The Group has also signed an agreement concerning statutory employee training rights in France (DIF). In accordance with French national accounting board (CNC) opinion 2004-F, the related costs are treated as an expense for the period when the training is received and no provision is set aside in the periods when the training rights accrue. As of June 30, 2009, accrued rights for employees in French units corresponded to around 1,262,000 hours.

Note 19 - Related party transactions

19.1 Associates

These are primarily companies over which the Group has significant influence. They are accounted for by the equity method. Transactions with these related parties are carried out on arm's length terms and were not material during the period.

19.2 Related parties with significant influence

No transactions were carried out during the period with members of the Supervisory Board or Management Board.

Note 20 - Subsequent events

- **Issuance of shares to employees**

On July 10, 2009, 2.5 million shares were issued in connection with the employee share purchase program described in note 7.2, increasing the share capital by €114 million.

MANAGEMENT REPORT FOR THE PERIOD ENDED JUNE 30, 2009

Consolidated financial statements

Business and Statement of Income highlights

Changes in the scope of consolidation

Acquisitions during the period

On June 4, 2009, Schneider Electric announced the signature of an agreement to acquire Conzerv Systems, the recognized leader in the Indian energy efficiency market, notably among industrial and commercial end users. Conzerv Systems pioneered the design and manufacture of digital energy meters in India in the early 1990s. Today, as the market leader with proven technologies and solutions for energy audits and energy management systems, the company generates sales in excess of €10 million and employs 337 people.

On June 19, 2009, Schneider Electric acquired Microsol Tecnologia, a Brazilian manufacturer of UPSs, voltage regulators and accessories for power protection. Founded in 1982, Microsol is the No. 3 player in the field of critical power in Brazil. It has a leading position in the northeast of Brazil, a solid presence in the retail channel complemented by strong government relationships and a proven R&D capacity for local custom design. In 2008, Microsol generated net sales of BRL65 million (approximately €24 million) and employed 500 people.

Acquisitions made in 2008 having an impact on the financial statements of first half 2009 *

The following companies acquired in 2008 and consolidated over the full year in 2009 had an impact on the scope of consolidation in relation to 2008:

- Arrow, consolidated as from February 1, 2008.
- ECP Tech Services, consolidated as from April 13, 2008.
- Marisio, consolidated as from May 7, 2008.
- Wessen, consolidated as from June 15, 2008.
- RAM Industries, consolidated as from August 12, 2008.
- Xantrex, consolidated as from September 29, 2008.

On September 30, 2008, Schneider Electric contributed its electrical distribution and industrial control operations in Japan and €60 million in cash to its new Fuji Electric FA Components & Systems joint venture with Fuji Electric, for a stake of 37%. Fuji Electric FA Components & Systems is accounted for by the equity method.

Given that Schneider Electric no longer had operational control over the East joint venture in China, the company was removed from the scope of consolidation on January 1, 2009.

These changes in the scope of consolidation did not have a material impact on the consolidated financial statements for the period ended June 30, 2009.

(*) Correspond to the dates on which the Group gained control of the acquired companies.

Exchange rate changes

Fluctuations in the euro exchange rate had a significant impact in first half 2009, increasing consolidated revenue by €325 million and EBITA by €71 million. The impact on EBITA margin was +0.5 points.

Revenue

Consolidated revenue totaled €7,755 million for the period ended June 30, 2009, down 13.3% on a current structure and currency basis from the year-earlier period.
Negative organic growth reduced revenue by 17.9%, while acquisitions net of disposals added 1.5% and the currency effect 3.1%.

Breakdown by region

Revenue from the European Operating Division declined 21.3% to €3,217 million on a reported basis. Like-for-like, the decrease came to 19.1%.

Trends were similar in Western and Eastern Europe.

France demonstrated the greatest resilience among the Western European countries. Residential building continued to decline, as did non-residential building, particularly in the commercial and office property segments. The building automation business held up much better, however, thanks to energy efficiency projects and services. The industry business, in particular the machinery sector, is in sharp decline.

In Eastern Europe, industry was negatively affected by the lack of export demand in Poland, the Czech Republic and Slovakia. The building market remained depressed in the wake of the end-2008 financial crisis, but the infrastructure market was buoyed by the order backlog from last year. Demand in Russia was particularly weak.

In North America, revenue decreased 8.8% on a current basis to €2,184 million, and 22.6% like-for-like. Demand in the industrial markets was especially low, both among OEMs and end users. The building market slowed further, primarily in the commercial and office property segments. The institutional and healthcare segments were more resilient. Data centers did slightly better than the regional average. Trends in energy and infrastructure remained positive, notably for water treatment and oil projects.

Revenue from the Asia-Pacific region totaled €1,520 million, down 7.1% on a current basis and 15.3% on a constant structure and currency basis. The decline in China, Schneider Electric's main market in the region, was cushioned by the initial effects of stimulus measures in the energy and infrastructure markets. Sales in Japan remained very weak, in line with the general trend seen in the local industry.

Revenue from the Rest of the World was stable on a current basis, at €834 million, and down 2.1% on a constant structure and currency basis. Operations in Africa again recorded double-digit growth, thanks to energy and infrastructure projects, whereas business contracted in the Middle East and South America, in tandem with the overall economy.

Breakdown by business

Electrical Distribution generated revenue of €4,542 million, or 58.6% of the consolidated total. This represents a decrease of 13.0% on a reported basis.
Automation & Control revenue declined 26.7% on a reported basis to €2,087 million and represented 26.9% of the consolidated total.
Revenue from Critical Power and Cooling Services came to €1,126 million, for negative organic growth of 17.7%. This business accounted for 14.5% of consolidated revenue.

EBITAR

First-half 2009 EBITAR (Earnings Before Interest, Taxes, Amortization of purchase accounting intangibles and Restructuring costs) came to €903 million, versus €1,411 million in the year-earlier period. EBITAR margin narrowed by 4.2 points to 11.6% from 15.8%.

Earnings before interest and taxes (EBIT) included a €108 million charge for amortization of intangible assets recognized as part of a business combination, compared with €49 million the year before.

Gross margin contracted by 2.8 points from first-half 2008, primarily because of a negative mix effect, the share of high-margin product lines in the Group's revenue decreasing versus services & projects.

EBITA included €108 million in non-recurring expenses, of which €112 million for restructuring programs. At June 30, 2008, non-recurring expenses totaled €60 million, of which €52 million for restructuring.

Restructuring costs in first-half 2009 primarily stemmed from the reorganization of manufacturing operations and support functions in Europe, for around €55 million, and North America, for around €45 million (of which €16 million for CST). Impairment losses on goodwill and intangible assets totaled €50 million in first half 2009 (versus €6 million in the year-earlier period) and related to CST.

At June 30, 2009, capitalization and amortization of development costs had a positive net impact on EBITA of €72 million, compared with €69 million in first-half 2008.

EBITAR margin by region

EBITAR margin in the European Operating Division contracted sharply by 6.3 points from the year-earlier period to 13.5% on a reported basis.

In the North American Operating Division, EBITAR margin declined by 3.5 points to 11.7%.

The Asia-Pacific Operating Division recorded a moderate 1.9-point decrease, with an EBITAR margin of 14.1%.

In the Rest of the World, EBITAR margin rose by 2.8 points to 18.9%.

EBITAR margin by business

EBITAR margin in the Electrical Distribution business declined by 2.7 points to 16.7%.

The Automation & Control business achieved an EBITAR margin of 7.7%, down 8.2 points from June 30, 2008.

In Critical Power and Cooling Services, EBITAR margin edged back 0.8 points from the year-earlier period to 12.9%.

Finance costs and other financial income and expense, net

Finance costs and other financial income and expense, net totaled a negative €198 million compared with a negative €132 million in first-half 2008. This reflects:

- An increase in net interest expense to €149 million in first-half 2009 from €128 million the year before due to growth in net debt over the period.
- An increase in the interest component of pension and other post-employment benefit plan costs to €30 million from €13 million in first-half 2008, primarily due to a lower expected return on plan assets.
- A decrease in dividend income to €4 million from €17 million in first-half 2008.
- The fact that no capital gains on the sale of shares in subsidiaries and affiliates were recorded in first-half 2009, compared with €10 million in the year-earlier period.

Income tax

The effective tax rate stood at 23.5% compared with 26.6% at June 30, 2008.

Minority interests

Minority interests totaled €17 million in first-half 2009. Minority interests mainly correspond to the share of profit attributable to minority shareholders of Feller AG and a number of Chinese companies.

Profit attributable to equity holders of the parent and earnings per share

Profit attributable to equity holders of the parent amounted to €346 million versus €851 million in first-half 2008, leading to a decrease in earnings per share to €1.43 from €3.56 in the prior-year period.
The average number of shares outstanding increased slightly following the issuance of shares at the end of May 2009 in connection with the dividend reinvestment program.

Balance sheet and cash flow statement items

Total assets stood at €24,772 million at June 30, 2009, on a par with year-end 2008. Non-current assets amounted to €15,990 million and represented 64.5% of total assets, as at December 31, 2008.

Goodwill

Goodwill rose by €88 million over the six-month period to €8,630 million due mainly to the reclassification of Delixi Electric goodwill in an amount of €142 million. Delixi Electric, previously accounted for by the equity method, was proportionally consolidated as from January 1, 2009.

An impairment loss of €20 million was recognized for CST as of June 30, 2009.

Property, plant and equipment and intangible assets

Property, plant and equipment and intangible assets came to €5,939 million, or 24.0% of total assets, down €22 million from December 31, 2008.

Intangible assets
Trademarks declined by €22 million over the period to €2,309 million. Of this, the currency effect accounted for €9 million, while the recognition of an impairment loss for CST's SDA business had a negative impact of €11 million.
Capitalized product development projects totaled €547 million at June 30, 2009. During the period, the Group capitalized €112 million in expenses from current projects and recognized €40 million in amortization.
Other intangible assets, net, consisting primarily of software and patents, declined by €70 million over the six-month period. The decrease is primarily attributable to exchange rate fluctuations, for a negative €16 million; amortization, for a negative €88 million; and the recognition of an impairment loss for CST's SDA business, for €19 million.

Property, plant and equipment
Property, plant and equipment represented €1,971 million at the end of the first half, compared with €1,970 million at December 31, 2008. Net investments totaled €148 million.

Non-current financial assets

Non-current financial assets, primarily equity instruments quoted in an active market and equity instruments acquired during the period but not yet consolidated, totaled €359 million, an increase of €46 million from December 31, 2008. The negative change in the fair value of AXA shares (€23 million) was offset by new acquisitions currently being consolidated.

Cash and net debt

Net cash provided by operating activities before changes in operating assets and liabilities came to €770 million, versus €1,199 million at June 30, 2008, and represented 9.9% of revenue.

In all, net cash provided by operating activities totaled €1,014 million, compared with €989 million in first-half 2008. The increase reflects a positive change in working capital requirement, of €244 million, in contrast with a negative €210 million change in the year-earlier period.
Capital expenditure, which includes capitalized development projects, represented an outlay of €288 million, or 3.7% of revenue versus 3.5% in first-half 2008.

Acquisitions used a total of €41 million, net of the cash acquired and divestments.

The Group paid out €9 million to acquire Schneider Electric shares during the period, compared with €44 million the year before. Dividends paid totaled €837 million, of which €8 million to minority interests. Of this,

€520 million was returned during the May 2009 share issue by shareholders who decided to reinvest their dividend.

At June 30, 2009, net debt totaled €4,142 million or 37.1% of equity attributable to equity holders of the parent. This represents a decrease of €411 million from December 31, 2008, stemming primarily from strong cash generation and dividend reinvestment.

The Group ended the period with cash and cash equivalents of €2,342 million, of which €741 million in cash, €1,582 million in marketable securities and €19 million in short-term instruments such as commercial paper, money market mutual funds and equivalents.

Total current and non-current financial liabilities amounted to €6,484 million. Of this, bonds represented €4,497 million, bank loans €1,772 million and commercial paper €46 million. Current financial liabilities totaled €529 million at June 30, 2009 and primarily included bridge loans, bank overdrafts and accrued interest.

Shareholders' equity

Equity attributable to equity holders of the parent came to €11,041 million, or 44.6% of the balance sheet total. The €135 million increase over the period was the net result of the following:

- Payment of the 2008 dividend, in an amount of €837 million.
- The share issue in connection with the dividend reinvestment program, for €520 million.
- Profit for the period of €346 million.
- The impact of share-based payments, in an amount of €17 million.
- Changes in treasury stock, for €9 million.
- The impact of currency fluctuations on the translation reserve, for €43 million.
- Fair value adjustments to hedging instruments and available-for-sale financial assets, in an amount of €63 million.
- Actuarial gains and losses on defined benefit pension plans, representing a negative €23 million.

Minority interests totaled €117 million in first-half 2009.

Provisions

Short and long-term provisions totaled €2,359 million, or 9.5% of the balance sheet total. Of this, €562 million covered items that are expected to be paid out in less than one year.
This item primarily comprises provisions for pensions and healthcare costs in an amount of €1,491 million. The impact of actuarial gains and losses increased this commitment by €23 million.
Other provisions totaled €868 million at June 30, 2009. These provisions cover product risks (warranties, disputes over identified defective products), for €222 million, economic risks (tax risks, financial risks generally corresponding to seller's guarantees), for €322 million, customer risks (customer disputes and losses on long-term contracts), for €26 million, and restructuring, for €153 million.
The main changes during the period stemmed from restructuring plans covering the reorganization of manufacturing operations and support functions in Europe, for around €55 million, and North America, for around €45 million (of which €16 million for CST).

Deferred taxes

Deferred tax assets net of deferred tax liabilities amounted to €64 million, increasing by €20 million from December 31, 2008.

Outlook for second half 2009

Assuming current economic conditions, Schneider Electric expects for the year 2009:

- a negative organic sales trend in line with the level of the first half,
- 12% of EBITA margin excluding restructuring costs.

See Chapter 1 – Risk Factors of the Registration Document filed with AMF under no. D.09-0124 for further information.

Significant events of the period

In addition to the acquisitions in India and Brazil described above, the key events of the period were as follows:

Schneider Electric continued to seize market opportunities to lengthen debt maturity and further enhance liquidity

On March 24, Schneider Electric announced that it had completed a €250 million bond issue with the same financial terms and conditions as its 4% August 2017 bonds. The issue, which pays interest at less than 6%, enabled the Group to lengthen its debt maturity profile and enhance its liquidity on attractive terms.

Payment of dividend in shares

At the Annual and Extraordinary Meeting on April 23, 2009, Schneider Electric shareholders approved a resolution offering them the option to receive their dividend in cash or in shares. The majority of shareholders elected to reinvest their dividends. As a result, the Group issued €520 million worth of shares (including premiums) on May 29, 2009.

Changes in Executive Committee membership

Schneider Electric announced the appointment of Emmanuel Babeau as Chief Financial Officer and member of the Management Board. In this capacity, Mr. Babeau is in charge of Corporate Financial Control, Internal Audit, Legal Affairs, Investor Relations, Mergers & Acquisitions, Corporate Real Estate, Tax & Customs and Financing & Treasury, replacing Pierre Bouchut.

Effective July 1, 2009, Executive Committee member Eric Pilaud was appointed President of the Custom Sensors & Technology Division (CST), based in California. Prior to this appointment, Mr. Pilaud was in charge of Strategy, Customers, Innovation & Technology at Schneider Electric and successfully developed the Services & Projects business.

Strategy & Innovation will now be headed by Philippe Delorme, who has been appointed to the Executive Committee. Mr. Delorme, 38, holds an engineering degree from Ecole Centrale in Paris and an MBA from Institut d'Etudes Politiques in Paris. After joining Schneider Electric in 1996, he handled various operating responsibilities in the United States and in France. Mr. Delorme has managed the Group's "One" Company Program since 2008.

Intention to make an offer for Areva T&D

On July 23, 2009, Schneider Electric and Alstom announced in a joint press release that they are considering making a joint offer to acquire Areva Transmission & Distribution (T&D), recently put up for sale by its parent company.
To this end, Alstom and Schneider Electric would create a jointly-held entity that would bid for Areva T&D. If the offer were to be accepted, the entity would then transfer the transmission activities to Alstom and the distribution activities to Schneider Electric.

The medium voltage distribution (D) part of Areva T&D is a business in which Schneider Electric is very active and would like to expand its operations. Schneider Electric would bring to Areva T&D its considerable technical and operational strengths in automation and medium voltage, its worldwide sales network and synergistic access to the high-demand Industry, Building and Infrastructure markets.

Main risks and areas of uncertainty for the second half of 2009

The main risks and areas of uncertainty for the second half of the year are the same as those outlined in Chapter 1, paragraph 10 (Risk Factors) of the 2008 Registration Document filed with AMF on March 17, 2009.

Claims, litigations and other risks (update to the Registration Document – pages 37-38)

Ruling of the Luxembourg Court of Justice

On July 16, 2009, the Court of Justice of the European Communities ruled on the European Commission's appeal of the decision made by the Court of First Instance following Schneider Electric's action for damages in the Legrand case. The Commission appealed this decision, which ordered it to compensate Schneider Electric for two-thirds of the loss incurred in re-selling Legrand, as determined by independent experts. The Court of Justice upheld the finding that the Commission had committed a breach that engaged the European Community's responsibility by prohibiting Schneider Electric's merger with Legrand. However, it ruled that the compensation should correspond solely to the expenses incurred by Schneider Electric in respect of its participation in the merger control procedure in October 2002, after the decision of October 2001 had been annulled. The Court ruled that the Commission could not be held directly responsible for all or part of the loss incurred when Legrand was re-sold in December 2002. Schneider Electric and the European Commission have three months in which to reach an agreement on the amount of the expenses incurred by Schneider Electric during the merger control procedure in October 2002. If they fail to reach an agreement, the Court of Justice will determine the amount.

Chint dispute

Schneider Electric and Chint have reached a comprehensive agreement to settle all of their industrial property disputes amicably. This agreement has been approved by the Zhejiang High People's Court, concluding the legal actions between Chint and Schneider Electric.

Transactions with related parties

These transactions are described in Note 19 to the interim consolidated financial statements.

Attestation

I hereby declare that, to the best of my knowledge, the half-year financial statements as at June 30,2009 have been prepared in accordance with applicable accounting standards, that they present fairly, in all material respects, the assets, financial position and results of the company and the consolidated group. To the best of my knowledge, the Management Report presents fairly the information mentioned in Article 222-6 of AMF's general regulations.

Rueil-Malmaison, July 27, 2009

Chairman of the Management Board and CEO

Jean-Pascal TRICOIRE

Statutory Auditors' Review Report on the first half-yearly 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 on conjunction with and construed in accordance with French law and professional auditing standards applicable in France.

To the Shareholders,

In compliance with the assignment entrusted to us by your shareholders' meeting and in accordance with article L. 451-1-2 III of the French monetary and financial code (Code monétaire et financier), we hereby report to you on:

- our review of the accompanying condensed half-yearly consolidated financial statements of Schneider Electric S.A., for the period from January 1 to June 30, 2009, and;
- the verification of the information contained in the interim management report.

These condensed half-yearly consolidated financial statements are the responsibility of the executive board. 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 the financial statements, taken as a whole, are free from material misstatements, as we would not 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 these condensed half-yearly consolidated financial statements are not prepared in all material respects in accordance with IAS 34 – IFRS as adopted by the European Union applicable to interim financial information.

Without modifying the conclusion expressed above, we draw your attention to note 1. "Summary of significant accounting policies" which discloses the presentation of the condensed half-yearly consolidated financial statements and changes in accounting method.

2. Specific verification

We have also verified the information provided in the interim management report in respect of the condensed half-yearly consolidated financial statements that were the object of our review.

We have no matters to report on the fairness and consistency of this information with the condensed half-yearly financial statements.

Courbevoie and Neuilly-sur-Seine, July 31, 2009

The Statutory Auditors
French original signed by

MAZARS	ERNST & YOUNG et Autres
Pierre Sardet	Pierre Jouanne