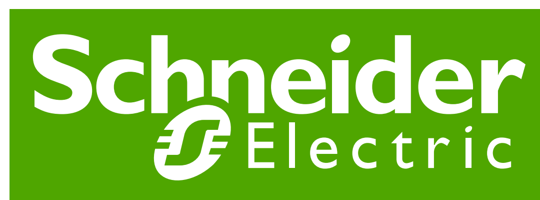
Half year financial report

Six months ended June 30, 2011

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



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Consolidated statement of comprehensive income

Consolidated statement of income

(in millions of euros except for earnings per share)

		First half 2011	First half 2010	Full year 2010
Revenue	*(note 3)*	**10 336**	**8 571**	**19 580**
Cost of sales		(6 371)	(5 072)	(11 842)
Gross profit		**3 965**	**3 499**	**7 738**
Research and development expenses	*(note 4)*	(252)	(193)	(450)
Selling, general and administrative expenses		(2 279)	(1 998)	(4 269)
Other operating income and expense	*(note 5)*	(19)	(22)	8
EBITAR*		**1 415**	**1 286**	**3 027**
Restructuring costs	*(note 6)*	(43)	(61)	(96)
EBITA**		**1 372**	**1 225**	**2 931**
Amortisation and impairment of purchase accounting intangibles	*(note 7)*	(98)	(90)	(228)
Operating profit		**1 274**	**1 135**	**2 703**
Interest income		17	10	24
Interest expense		(147)	(153)	(306)
Finance costs, net		**(130)**	**(143)**	**(282)**
Other financial income and expense	*(note 8)*	(54)	11	(65)
Finance costs and other financial income and expense, net		**(184)**	**(132)**	**(347)**
Profit before tax		**1 090**	**1 003**	**2 356**
Income tax expense	*(note 9)*	(262)	(241)	(566)
Share of profit/(losses) of associates	*(note 12)*	13	2	6
Profit for the period		**841**	**764**	**1 796**
-Attributable to equity holders of the parent		802	735	1 720
-Attributable to minority interests		39	29	76
Basic earnings per share (in euros)		3.00	2.86	6.59
Diluted earnings per share (in euros)		2.96	2.85	6.55
EBITA before acquisition and integration costs**		**1 413**	**1 243**	**2 962**

* EBITAR : Earnings Before Interests, Taxes, Amortization of purchase accounting intangibles and Restructuring
** 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 2011	First Half 2010	Full Year 2010
Profit for the period	**841**	**764**	**1 796**
Other comprehensive income:			
Translation reserve	(671)	1 529	944
Cash-flow hedges	(34)	(31)	31
Available-for-sale financial assets	27	(36)	(32)
Actuarial gains (losses) on defined benefits	28	55	(6)
Income tax relating to components of other comprehensive income	(13)	(14)	3
Other comprehensive income for the period, net of tax	**(663)**	**1 503**	**940**
Total comprehensive income for the period	**178**	**2 267**	**2 736**
Attributable:			
-to owners of the parent	147	2 224	2 649
-to minority interests	31	43	87

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

Consolidated Statement of Cash Flows

(in millions of euros)		First half 2011	First half 2010
I - Cash flows from operating activities:			
Profit for the period		841	764
Share of (profit)/ losses of associates, net of dividends received		(13)	(2)
Adjustments to reconcile net profit to net cash provided by operating activities:			
Depreciation of property, plant and equipment		189	170
Amortisation of intangible assets other than goodwill		180	164
Losses on non current assets		(2)	20
Increase/(decrease) in provisions		(38)	28
Change in deferred taxes		(44)	(25)
Losses/(gains) on disposals of assets		6	4
Other		27	44
Net cash provided by operating activities before changes in operating assets and liabilities		**1 146**	**1 167**
(Increase)/decrease in accounts receivable		(251)	(289)
(Increase)/decrease in inventories and work in process		(636)	(316)
Increase/(decrease) in accounts payable		115	181
Change in other current assets and liabilities		(204)	(68)
Change in working capital requirement		**(976)**	**(492)**
	Total I	**170**	**675**
II - Cash flows from investing activities:			
Purchases of property, plant and equipment		(243)	(127)
Proceeds from disposals of property, plant and equipment		16	16
Purchases of intangible assets		(104)	(108)
Proceeds from disposals of intangible assets		2	1
Net cash used by investment in operating assets		**(329)**	**(218)**
Purchases of financial investments, net	*(note 2)*	(642)	(1 271)
Purchases of other long-term investments		(42)	23
Increase in long-term pension assets		-	-
Sub-total		**(684)**	**(1 248)**
	Total II	**(1 013)**	**(1 466)**
III - Cash flows from financing activities:			
Issuance of long-term debt	*(note17)*	-	-
Repayment of long-term debt		-	-
Sale/(purchase) of treasury shares		-	-
Increase/(reduction) in other financial debt		543	(68)
Issuance of shares		30	48
Dividends paid: Schneider Electric SA		(856)	(199)
Minority interests		(37)	(27)
	Total III	**(320)**	**(246)**
IV - Net effect of exchange rate :	**Total IV**	**(40)**	**(38)**
Net increase/(decrease) in cash and cash equivalents: I + II + III + IV		**(1 203)**	**(1 075)**
Cash and cash equivalents at beginning of period		3 296	3 425
Increase/(decrease) in cash and cash equivalents		(1 203)	(1 075)
Cash and cash equivalents at end of period	*(note 17)*	**2 093**	**2 350**

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

Consolidated Balance Sheet

(in millions of euros)

ASSETS		June 30, 2011	Dec. 31, 2010
Non-current assets			
Goodwill, net	*(note 10)*	10 544	10 213
Intangible assets, net	*(note 11)*	3 924	4 258
Property, plant and equipment, net	*(note 11)*	2 311	2 337
Total tangible and intangible assets		6 235	6 595
Investments in associates	*(note 12)*	458	447
Available-for-sale financial assets	*(note 13.1)*	308	410
Other financial assets	*(note 13.2)*	211	144
Total non current financial assets		519	554
Deferred tax assets		994	1 023
Total non-current assets		**18 750**	**18 832**
Current assets			
Inventories and work in process		3 684	3 139
Trade accounts receivable		4 601	4 441
Other receivables and prepaid expenses		1 497	1 212
Assets held for sale		-	-
Current financial assets	*(note 13.3)*	93	38
Cash and cash equivalents	*(note 17)*	2 272	3 389
Total current assets		**12 147**	**12 219**
Total assets		**30 897**	**31 051**

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

Consolidated Balance Sheet

(in millions of euros)

LIABILITIES		June 30, 2011	Dec. 31, 2010
Equity	*(note 14)*		
Share capital		2 179	2 176
Share premium account		6 522	6 495
Retained earnings		6 122	6 133
Translation reserve		(682)	(19)
Equity attributable to equity holders of the parent		**14 141**	**14 785**
Minority interests		179	204
Total equity		**14 320**	**14 989**
Long-term provisions			
Provisions for pensions and other post-employment benefits	*(note 15)*	1 440	1 504
Provisions for contingencies	*(note 16)*	617	588
Total long-term provisions		2 057	2 092
Non-current liabilities			
Ordinary and convertible bonds	*(note 17)*	3 838	3 845
Other long-term debt	*(note 17)*	1 200	1 165
Total non-current financial liabilities		5 038	5 010
Deferred tax liabilities		882	957
Other non-current liabilities		254	128
Total non-current liabilities		**8 231**	**8 187**
Current liabilities			
Trade accounts payable		3 535	3 432
Accrued taxes and payroll costs		1 719	1 760
Short-term provisions	*(note 16)*	785	876
Other current liabilities		599	692
Short-term debt	*(note 17)*	1 708	1 115
Total current liabilities		**8 346**	**7 875**
Total equity and liabilities		**30 897**	**31 051**

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, 2010 (1)	**262 752**	**2 102**	**5 934**	**(324)**	**4 969**	**(952)**	**11 729**	**131**	**11 860**
Profit for the period					735		735	29	764
Other comprehensive income					(26)	1 515	1 489	14	1 503
Comprehensive income for the period					709	1 515	**2 224**	**43**	**2 267**
Issuance of shares	4 346	35	296				331		331
Exercise of stock options	841	7	41				48		48
Dividends					(525)		(525)	(27)	(552)
Change in treasury stock				(4)			(4)		(4)
Stock options					14		14		14
Other (2)					16		16	4	20
June 30, 2010	**267 939**	**2 144**	**6 271**	**(328)**	**5 183**	**563**	**13 833**	**151**	**13 984**
January 1, 2011	**271 959**	**2 176**	**6 495**	**(74)**	**6 207**	**(19)**	**14 785**	**204**	**14 989**
Profit for the period					802		802	39	841
Other comprehensive income					8	(663)	(655)	(8)	(663)
Comprehensive income for the period					810	(663)	**147**	**31**	**178**
Issuance of shares									
Exercise of stock options	448	3	27				30		30
Dividends					(856)		(856)	(37)	(893)
Change in treasury stock									
Stock options					26		26		26
Other (2)					9		9	(19)	(10)
June 30, 2011	**272 407**	**2 179**	**6 522**	**(74)**	**6 196**	**(682)**	**14 141**	**179**	**14 320**

(1) January 1, 2010 figures restated for the items detailed in 2010 Registration Document, Section 5, Note 1 (acquisition fees and CVAE).

(2) Of which €9 million in connection with the employee share purchase plan and a negative €19 million for the Areva D PPA adjustment

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, 2011 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 2010 annual consolidated financial statements included in the Annual Report filed with the French securities regulator (AMF) under no. D.10-0151, 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, 2011. The same accounting methods were used as for the consolidated financial statements for the year ended December 31, 2010.

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, 2011:

- *Amendment to IAS 32 – Classification of Rights Issues*
- *Amendment to revised IAS 24 – Information on Related parties*
- *2010 improvements to IFRS (May 2010)*
- *Amendment to IFRIC 14 – Prepayment of a Minimum Funding Requirement*
- *IFRIC 19 – Extinguishing Financial liabilities with Equity instruments.*

There are no differences in practice between the standards applied by the Group as of June 30, 2011 and the IFRSs issued by the International Accounting Standards Board (IASB) as of that date, as the application from January 1, 2011 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 has not applied the following standards and interpretations that have not yet been adopted by the European Union or that are applicable after June 30, 2011:

- *Amendment to IAS 1 – Presentation of Items of Other Comprehensive Income*
- *IAS 12 – Recovery of Underlying Assets*
- *IAS 19 revised – Employee benefits*
- *IAS 28 revised – Investments in associates and joint-ventures*
- *IFRS 7 – Disclosures – Transfer of Financial assets*
- *IFRS 9 – Financial instruments*
- *IFRS 10 – Consolidated Financial Statements*
- *IFRS 11 – Joint Arrangements*
- *IFRS 12 – Disclosure of Interests in Other entities*
- *IFRS 13 – Fair value Measurement.*

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 10 and IFRS 11 for which the impact analysis has not yet begun because the standard was published only recently and except for IFRS 9, because of the current uncertainty concerning its adoption by the European Union.

➢ Impairment of assets

There were no indications of impairment at June 30, 2011. As a result, no impairment tests were performed as of this date.

- **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.

- **Put options granted to minority shareholders**

The Group elected to recognise the subsequent changes in the fair value of the liability against equity.

Note 2 - Changes in the scope of consolidation

2.1 Additions and removals

- **Acquisitions of the period**

The Group has finalized the acquisitions of Lee Technologies and Summit Energy in the USA and Digilink, APW and Luminous Power in India during the first semester 2011.

- **Acquisitions in progress**

The Group has signed an agreement to acquire Leader Harvest Power Technologies in China ; this acquisition is subject to approval from regulatory authorities. The Group has also launched in June a tender offer on Telvent, based in Spain. The control of these entities was not acquired during first semester 2011, thus the entities were not consolidated at June 30, 2011.

2.2 Impact of changes in the scope of consolidation

- **Acquisition of Areva T&D's Distribution business in 2010**

On June 30, 2010, the Distribution business of Areva T&D's, acquired on June 7, 2010, was not included in the scope of consolidation for the interim financial statements because the procedures for preparing the Distribution business' financial statements as of the acquisition date were not compatible with the deadlines for preparing and publishing Schneider Electric's interim financial statements. If Distribution business of Areva T&D's had been acquired from January 1, 2010, then the effect on the consolidated income statement on the first semester 2010 would have been as follows :

	Group published first semester 2010	Areva D from from January 1 to June 30 2010	Group including Areva D since January 1 2010
Revenue	8 571	818	9 389
Gross profit	3 499	179	3 678
Gross profit margin	*40.8%*	*21.9%*	*39.2%*
EBITAR	1 286	17	1 303
EBITAR margin	*15.0%*	*2.1%*	*13.9%*
EBITA	1 225	9	1 234
EBITA margin	*14.3%*	*1.1%*	*13.1%*
EBITA before acquisition and integration costs	1 243	9	1 252
EBITA margin before acquisition and integration costs	*14.5%*	*1.1%*	*13.3%*

In accordance with IFR3 R, Schneider Electric valued the assets acquired and liabilities assumed at their fair value on the date of acquisition. The final allocation of the acquisition price breaks down as follows :

Areva D

(in millions of euros)	**Before allocation of acquisition price**	**Allocation of acquisition price**	**After allocation of acquisition price**
Acquisition price			**1 208**
Cash and cash equivalents	33	0	33
Current assets (ecluding cash and cash equivalents)	992	-23	969
Non-current assets	437	139	576
Total assets	**1 462**	**116**	**1 578**
Financial liabilities	45	0	45
Non-current liabilities excludind debt	167	156	323
Current liabilities excluding debt	799	67	866
Minority interests	34	-18	16
Total liabilities	**1 045**	**205**	**1 250**
Goodwill			**880**

The valuation of assets acquired at their fair value principally led to the recognition of intangible assets in the amount of EUR 159 million (technology, backlog, customer relationships) and to revaluation of property, plant and equipment in the amount of EUR 26 million ; these assets were valued by independent experts. Contingent liabilities were recognized for a total amount of EUR 199 million. The goodwill is not tax-deductible.

➢ **Impact on cash**

Changes in the scope of consolidation at June 30, 2011 reduced the Group's cash position by a net EUR 642 million, as described below:

	First half 2011
Acquisitions	(642)
Cash and cash equivalents paid	*(671)*
Cash and cash equivalents acquired	*29*
Disposals	-
Other operations	-
Net financial investments	**(642)**

Group commitments towards the 26% minority interests of Luminous were valued in Luminous' acquisition price and are reported in the balance sheet as « Other non-current liabilities » for EUR 81 million.

Note 3 - Segment information

The Group is organised into five Businesses (Power, Energy, Industry, IT and Buildings).

The five Businesses are:

- **Power**, which includes the activities of Low Voltage (electrical distribution), LifeSpace (wiring devices and associated interface devices) and Renewables (conversion and connection to the grid) further to the transfer of Medium Voltage to the Energy business in 2011 (see below).
- **Energy**, created in 2011, combines all Medium Voltage activities including those from Areva Distribution.
- **Industry**, which includes Automation & Control and three end-customer segments: OEMs, Water Treatment and Mining, Minerals & Metals ; the Custom Sensors & Technologies business, grouped

under Industry from this year on, is mainly a technological business focused on customers in the Automotive, Aeronautic and Manufacturing industries.

- **IT**, which covers Critical Power & Cooling Services and two end-customer segments: Data Centres and Financial Services.

- **Buildings**, which includes Building Automation and Security and four end-customer segments: Hotels, Hospitals, Office Buildings and Retail Buildings.

Data concerning General Management that cannot be allocated to a particular segment are presented under "Holding".

Operating segment data is identical to that presented to the Management Board, which has been identified as the main decision-making body for allocating resources and evaluating segment performance. Performance assessments of each business by the Management Board are notably based on EBITA before acquisition and integration costs. Share-based payment is presented under “Holding”. The Management Board does not review assets and liabilities by Business.

The same accounting principles governing the consolidated financial statements apply to segment data.

3.1 Information by operating segment

June 30, 2011

	Power Business	Industry Business	IT Business	Buildings Business	Energy Business	Holding	TOTAL
Revenue	3 936	2 227	1 412	732	2 029	-	**10 336**
EBITA	821	431	185	51	151	(267)	**1 372**
%	20.9%	19.4%	13.1%	7.0%	7.4%	-	13.3%
EBITA before acquisition & integration costs	821	436	188	54	166	(252)	**1 413**
%	20.9%	19.6%	13.3%	7.4%	8.2%	-	13.7%

June 30, 2010 (including Areva D from January 1)

	Power Business	Industry Business	IT Business	Buildings Business	Energy Business	Holding	TOTAL
Revenue	3 654	1 882	1 255	654	1 944	-	**9 389**
EBITA	769	322	181	57	159	(254)	**1 234**
%	21.0%	17.1%	14.4%	8.7%	8.2%	-	13.1%
EBITA before acquisition & integration costs	769	325	181	57	159	(239)	**1 252**
%	21.0%	17.3%	14.4%	8.7%	8.2%	-	13.3%

As a consequence of the creation of Energy business, revenue and profits related to Medium voltage business, reported in 2010 in Power Business are now reported in Energy division. Additionally, revenue and profits related to Distribution business of Areva from January 1 to June 30, 2010, that were not consolidated in financial statements released on June 30 2010 and described in note 2.2 are now also reported in Energy business, in order to ease the comparability from previous semester.

Due to a change of responsibility, 2011 first quarter revenue of the Power and Building businesses have been modified compared to the data set provided in first quarter 2011 Group revenues release.

3.2 Information by region

The geographic regions covered by the Group are:
- Western Europe
- North America: United States, Canada and Mexico,
- Asia-Pacific
- Rest of the World (Eastern Europe, Middle East, Africa, South America).

Non-current assets include net goodwill, net intangible assets and net property, plant and equipment.

June 30, 2011

	Western Europe	Asia-Pacific	North America	Rest of the world	**TOTAL**
Sales by country market	3 467	2 668	2 391	1 810	**10 336**
Non current assets	6 590	3 500	6 057	632	**16 779**

June 30, 2010

	Western Europe	Asia-Pacific	North America	Rest of the world	**TOTAL**
Sales by country market	2 884	2 042	2 197	1 448	**8 571**
Non current assets	5 866	3 271	6 611	579	**16 327**

Note 4 - Research and development

Research and development costs are as follows:

	First half 2011	**First half 2010**
Research and development costs in cost of sales	102	79
Research and development costs in commercial expenses	-	-
Research and development costs in R&D costs (1)	252	193
Capitalized development costs	97	99
Total research and development costs for the period	**451**	**371**

(1) Of which, € 11 million of research and development tax credit in 2011, and € 8 million in 2010.

Amortization of capitalized development costs came to 55 million euros in 2011 and 50 million euros in 2010.
In addition, exceptional impairment losses of EUR 3 million were recorded on capitalized development costs in 2010 and none in 2011.

Note 5 - Other operating income and expense

Other operating income and expenses are as follows:

	First Half 2011	**First Half 2010**
Impairment losses on property, plant, and equipment and intangible assets	-	(31)
Gains on asset disposals	6	2
Losses on asset disposals	(3)	(5)
Costs of acquisition	(41)	(10)
Others	19	22
Other operating income and expenses	**(19)**	**(22)**

Costs relating to acquisitions refer mainly to the acquisition of the Areva Distribution business for an amount of EUR 16 million in 2011 and EUR 7 million in 2010.

Items included in the "Others" line are primarily EUR 8 million related to an insurance reimbursement.

Note 6 - Restructuring costs

Restructuring costs in first-half 2011 totalled EUR 43million and primarily stemmed from the reorganisation of manufacturing operations and support functions.

Note 7 - Amortization and impairment of purchase accounting intangibles

	First half 2011	First half 2010
Amortization of purchase accounting intangibles	(98)	(85)
Impairment of purchase accounting intangibles	-	-
Goodwill impairment	-	(5)
Amortization and impairment of purchase accounting intangibles	**(98)**	**(90)**

Note 8 - Other financial income and expenses

	First Half 2011	First Half 2010
Exchange gains and losses, net	(19)	37
Financial component of defined benefit plan costs	(24)	(22)
Dividend income	7	8
Net gains/(losses) on disposal of long-term investments	(1)	2
Other financial expenses, net	(17)	(14)
Other financial income and expenses	**(54)**	**11**

Dividends primarily correspond to dividends on AXA shares.

Note 9 - Income tax

Wherever regulatory environment allows it, 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.

9.1 Analysis of income tax expense for the year

	1st half 2011	1st half 2010
Current taxes		
France	(30)	(12)
International	(276)	(254)
Total	**(306)**	**(266)**
Deferred taxes		
France	60	3
International	(16)	22
Total	**44**	**25**
Income tax (expense)/benefit	**(262)**	**(241)**

9.2 Tax proof

	1st half 2011	1st half 2010
Profit attributable to equity holders of the parent	**802**	**735**
Income tax (expense)/benefit	(262)	(241)
Minority interests	(39)	(29)
Share of profit of associates	13	2
Profit before tax	**1 090**	**1 003**
Statutory tax rate	34.43%	34.43%
Income tax expense calculated at the statutory rate	**(375)**	**(345)**
Reconciling items:		
Difference between French and foreign tax rates	98	80
Tax credits and other tax reductions	50	55
Impact of tax losses	(5)	(1)
Other permanent differences	(30)	(30)
Income tax (expense)/benefit	(262)	(241)
Effective tax rate	**24.0%**	**24.0%**

9.3 Deferred taxes

Deferred tax assets net of deferred tax liabilities amounted to EUR 112 million, decreasing by EUR 46 million from December 31, 2010.

Note 10 - Goodwill

10.1 Breakdown of goodwill

Group goodwill are disclosed by Cash Generating Units (CGU) :

	June 30, 2011 Net	Dec. 31, 2010 Net
Power	3 491	3 789
Industry	1 700	1 732
Buildings	1 498	1 345
ITB	2 875	2 620
Energy	980	727
TOTAL	**10 544**	**10 213**

10.2 Changes in goodwill

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

	1st half 2011	2010	1st half 2010
Net goodwill at opening	**10 213**	**8 611**	**8 611**
Acquisitions*	768	938	168
Disposals	-	(1)	0
Impairment	-	(15)	(5)
Translation adjustment	(510)	675	1088
Reclassification	74	5	3
Net goodwill at year end	**10 544**	**10 213**	**9 865**

* at acquisition date

- **Acquisitions**

Goodwill generated by acquisitions in the first half of 2011 amounts to EUR 768 million. Additional goodwill mainly relates to Luminous Power (EUR 282 million), Summit Energy (EUR 181 million), Uniflair (EUR 111 million) and Lee Technologies (EUR 30 million). These goodwill are a temporary value before the purchase price allocation of these acquisitions.

- **Translation adjustment**

Currency translation adjustments relate primarily to goodwill denominated in US dollars, specifically APC, SquareD, and Pelco.

Note 11 - 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 intangibles	Software	Property, plant and equipment	Total
GROSS VALUE						
Dec. 31, 2010	**2 621**	**1 085**	**1 510**	**800**	**6 221**	**12 237**
Acquisitions/Capitalization	-	91	5	8	231	335
Disposals	-	(15)	(2)	(6)	(79)	(102)
Translation adjustment	(193)	(27)	(92)	(11)	(156)	(478)
Reclassification	1	(6)	(3)	(10)	(56)	(74)
Changes in the scope of consolidation and other	10	3	(50)	2	(7)	(42)
June 30, 2011	**2 439**	**1 131**	**1 368**	**783**	**6 154**	**11 876**
ACCUMULATED AMORTIZATION AND IMPAIRMENT						
Dec. 31, 2010	**(195)**	**(367)**	**(603)**	**(593)**	**(3 884)**	**(5 642)**
Acquisitions/Capitalization	(30)	(55)	(63)	(32)	(188)	(368)
Disposals	-	5	-	6	74	85
Translation adjustment	19	13	38	11	84	165
Reclassification	-	3	11	12	59	85
Changes in the scope of consolidation and other	(2)	(2)	20	6	12	34
June 30, 2011	**(208)**	**(403)**	**(597)**	**(590)**	**(3 843)**	**(5 641)**
NET VALUE						
Dec. 31, 2010	**2 426**	**718**	**907**	**207**	**2 337**	**6 595**
June 30, 2011	**2 231**	**728**	**771**	**193**	**2 311**	**6 235**

Note 12 - Investments in associates

Investments in associates can be analysed as follows:

	% interest		Share in net assets		Share in net profits	
	June 30, 2011	Dec. 31, 2010	June 30, 2011	Dec. 31, 2010	June 30, 2011	Dec. 31, 2010
Delta Dore Finance	20.0%	20.0%	14	13	1	1
Sunten Electric Equipment	50.0%	50.0%	84	85	1	(1)
Electroshield-TM Samara	50.0%	50.0%	275	266	4	-
Fuji Electric FA Components & Systems	36.8%	36.8%	77	76	7	5
Others	N/A	N/A	8	7	-	1
Total	**-**	**-**	**458**	**447**	**13**	**6**

Note 13 - Financial assets

13.1 Available-for-sale financial assets

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

	June 30, 2011				Dec. 31, 2010
	%	Gross value	Revaluation/ Impairment	Fair value	Fair value
I – Listed available for sale financial assets					
AXA	0.5%	111	55	166	132
Gold Peak Industries Holding Ltd	4.4%	6	(3)	3	3
Total listed AFS		**117**	**52**	**169**	**179**
II – Unlisted available for sale financial assets					
Uniflair, Vizelia, D5X, H'Dev (1)	100.0%	-	-	-	184
Viconics, Telescopic, Pele, C-Matic (2)	100.0%	48	(10)	38	-
APW President	75.0%	14	-	14	-
SEV1 Venture capital fund	100.0%	35	22	57	58
SESS Venture capital fund	71.1%	10	-	10	10
Simak (3)	99.3%	6	-	6	5
SE Venture	100.0%	7	(7)	-	-
Other unlisted AFS (4)		23	(9)	14	18
Total unlisted AFS		**143**	**(4)**	**139**	**275**
Financial assets available for sale		**260**	**48**	**308**	**410**

(1) Acquisitions of 2010, consolidated in 2011
(2) Mainly acquisitions of first semester 2011, consolidated during second semester
(3) Dormant company
(4) Valued at less than €5 million each

Fair value corresponds to the quoted price on the last trading day of the period for investments listed on an active market. Net losses arising from fair value revaluation of listed investments are recorded in equity under "Other Comprehensive Income" for an amount of EUR 34 million (before effect of deferred tax).

13.2 Other non-current financial assets

The other non-current financial assets amount to EUR 211 million as of June 30, 2011 and include primarily EUR 78 million assets acquired from Digilink to be consolidated in the second semester of 2011.

13.3 Current financial assets

Current financial assets total EUR 93 million as of June 30, 2011 and comprise non-monetary short-term investments.

Note 14 - Shareholder’s equity

14.1 Share-based payments

A total of 447,533 Schneider Electric SA shares were issued during first half 2011 upon exercise of stock options, in an amount of EUR 30 million.

Based upon the assumptions described in the notes to the 2010 consolidated financial statements, the amount recorded under "Selling, general and administrative expenses" for stock option plans set up after November 7, 2002 totalled EUR 26 million in first half 2011 (EUR 14 million for the first half 2010). This expense was booked as an adjustment to “Retained earnings” in Shareholders’ Equity.

14.2 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 20% 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 20% discount from 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 (factor of 4.4 in 2010) 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.

As regards the first semester 2011, Schneider Electric gave its employees the opportunity to purchase shares at a price of EUR 95.38 or EUR 89.77 per share, depending on the country, as part of its commitment to employee share ownership, on June 6, 2011. This represented a 15% to 20% discount to the reference price of EUR 112.21 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.

Altogether, 1.9 million shares were subscribed, increasing the Company’s capital by EUR 178 million as of July 12, 2011. The issue represented a total cost of EUR 9 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 2011 and 2010.

	Non leveraged plans	2011		2010	
		%	Value	%	Value
	Plan characteristics				
	Maturity (years)		5		5
	Refrence price (euros)		112.21		79.34
	Subscription price (euros) : beetween		95.38		67.44
	and		89.77		65.86
	Discount : beetween	15.0%		15.0%	
	and	20.0%		17.0%	
	Amount subscribed by employees		72.0		37.8
	Total amount subscribed		72.0		37.8
	Total number of shares subscribed (millions of shares)		0.8		0.6
	Valuation assumptions :				
	Interest rate available to market participant (bullet loan) (1)	4.8%		4.1%	
	Five years risk-free interest rate (euro zone)	2.8%		2.1%	
	Annual interest rate (repo)	1.0%		1.0%	
(a)	Value of discount : beetween	15.0%	7.9	15.0%	6.2
	and	20.0%	6.7	17.0%	0.6
(b)	Value of the lock-up period for market participant	14.9%	12.9	15.0%	6.7
	Total expense for the Group (a-b)	**0.12% to 5.12%**	**1.8**	**0.01% to 2.01%**	**0.1**
	Sensitivity				
	- decrease in interest rate for market participant (2)	(0.5%)	2.0	(0.5%)	1.2

Amounts in millions of euros, unless otherwise stated.

(1) Average interest rate charged on an ordinary, non-revolving personal loan, with a five-year maturity 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 plans	2011		2010	
		%	Value	%	Value
	Plan characteristics				
	Maturity (years)		5		5
	Refrence price (euros)		112.21		79.34
	Subscription price (euros) : beetween		95.38		67.44
	and		89.77		65.86
	Discount (5) : beetween	15.0%		15.0%	
	and	20.0%		17.0%	
	Amount subscribed by employees		10.6		9.9
	Total amount subscribed		105.7		105.4
	Total number of shares subscribed (millions of shares)		1.2		1.6
	Valuation assumptions :				
	Interest rate available to market participant (bullet loan) (1)	4.8%		4.1%	
	Five years risk-free interest rate (euro zone)	2.8%		2.1%	
	Annual dividend rate	3.0%		3.0%	
	Annual interest rate (repo)	1.0%		1.0%	
	Retail/institutional volatility rate	5.0%		5.0%	
(a)	Value of discount : beetween	15.0%	5.9	15.0%	11.7
	and	20.0%	18.1	17.0%	8.0
(b)	Value of the lock-up period for market participant	14.9%	19.3	15.0%	18.8
(c)	Value of the opportunity gain (2)	2.0%	2.6	1.9%	2.4
	Total expense for the group (a-b+c)	**2.10% to 7.10%**	**7.3**	**1.89% to 3.89%**	**3.3**
	Sensitivity				
	- decrease in interest rate for market participant (3)	(0.5%)	3.1	(0.5%)	3.3
	- increase in retail/institutional volatility spread (4)	0.5%	0.3	0.5%	0.2

Amounts in millions of euros, unless otherwise stated.

(1) Average interest rate charged on an ordinary, non-revolving personal loan, with a five-year maturity to an individual with an average credit rating.
(2) Calculated using a binomial model
(3) 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 spread increases the opportunity gain for the employee and increases the expense booked by the issuer.
(5) In some countries, due to local laws, employees subscribe for undiscounted sums while the banks subscribes at a discount to provide the leverage.

Note 15 - 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, 2010	**1 032**	***299***	**472**	***387***	**1 504**
Net cost recognized in the statement of income	36	*1*	11	*8*	47
Benefits paid	(14)	-	-	-	(14)
Plan participants' contributions	(9)		(9)	*(8)*	(18)
Actuarial gains and losses recognized in equity	(12)	*(11)*	(19)	*(19)*	(31)
Translation adjustment	(28)	*(22)*	(27)	*(27)*	(55)
Changes in the scope of consolidation	2	-	-	-	2
Other changes	6	*(1)*	(1)	*(2)*	5
June 30, 2011	**1 013**	***266***	**427**	***339***	**1 440**

The net cost recognized in the income statement breaks down as follows:

	First Half 2011			**First Half 2010**		
	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	21	3	24	20	4	24
Past service cost	*1*	*(2)*	(1)	-	(2)	(2)
Curtailments and settlements	-	-	0	-	*1*	1
Operating expense for the period	**22**	**1**	**23**	**20**	**3**	**23**
Interest cost (impact of discounting)	55	10	65	53	9	62
Expected return on plan assets	(41)	0	(41)	(40)	-	(40)
Financial expense for the period	**14**	**10**	**24**	**13**	**9**	**22**
Net cost recognized in the statement of income	**36**	**11**	**47**	**33**	**12**	**45**

Note 16 - Provisions

	Economic Risks	Customer risks	Product risks	Environmental risks	Restructuring	Other risks	**Provisions**
Dec. 31, 2010	**614**	**86**	**409**	**55**	**124**	**176**	**1 464**
Long-term portion	*275*	*35*	*104*	*26*	*21*	*127*	*588*
Additions	17	5	50	4	27	28	131
Discounting effect	-	-	-	-	-	1	1
Utilizations	(68)	(10)	(59)	(1)	(22)	(17)	(177)
Reversals of surplus provisions	(11)	(5)	(4)	0	(3)	(5)	(28)
Translation adjustments	(13)	(4)	(13)	(2)	(2)	(7)	(41)
Changes in the scope of consolidation and other	41	0	8	1	(2)	4	52
June 30, 2011	**580**	**72**	**391**	**57**	**122**	**180**	**1 402**
Long-term portion	*317*	*31*	*88*	*27*	*21*	*133*	*617*

Additions to provisions for product risks reflect updated estimates of technical risks for EUR 16 million. Additions to provisions for restructuring, in an amount of EUR 27 million, are commented in Note 6.

Note 17 - Net debt

Net debt breaks down as follows:

	June 30, 2011	Dec. 31, 2010
Convertible and non-convertible bonds	4 341	4 348
Bank and other borrowings	1 301	1 379
Lease liabilities	17	15
Employees profit sharing	11	10
Short-term portion of convertible and non-convertible bonds	(503)	(503)
Short-term portion of long-term debt	(129)	(239)
Non-current financial liabilities	**5 038**	**5 010**
Commercial papers	433	0
Accrued interests	113	110
Other short-term borrowings	351	170
Drawdown of funds from lines of credit	-	-
Bank overdrafts	179	93
Short-term portion of convertible and non-convertible bonds	503	503
Short-term portion of long-term debt	129	239
Current financial liabilities	**1 708**	**1 115**
Total current and non-current financial liabilities	**6 746**	**6 125**
Marketable securities	869	1 825
Negotiable debt securities and short-term deposits	30	115
Cash	1 373	1 449
	2 272	**3 389**
Net debt	**4 474**	**2 736**

Cash and cash equivalents net of short-term bank loans and overdrafts totalled EUR 2,093 million at June 30, 2011, corresponding to the amount reported in the consolidated cash flow statement.

There was neither issuance nor reimbursement of bonds on 2011 first-half.

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 18 - Financial instruments

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

18.1 Carrying amount and nominal amount of derivative financial instruments

	IFRS designation	Dec. 31, 2010 Carrying amount	June 30, 2011 Statement of income (1)	June 30, 2011 Equity (2)	June 30, 2011 Carrying amount	June 30, 2011 Nominal amount Purchase	June 30, 2011 Nominal amount Sale
Foreign exchange							
Futures - cash flow hedges	CFH*	(95)	115	1	21	1 367	-
Futures - net investment hedges	NIH*	9	-	6	15	-	562
Futures and options - hedges of balance sheet items	Trading/FVH*	(24)	23	-	(1)	1 498	1 998
Metal prices							
Futures and options	CFH*	14	-	(17)	(3)	186	-
Share-based payment							
Call options (3)	CFH*	53	11	(4)	60	105	-
Interest rates							
Interest rate swaps	CFH*/FVH*	(24)	(10)	18	(16)	1 399	-
Derivatives financial instruments		**(67)**	**139**	**4**	**76**		

** Cash Flow Hedge / Fair Value Hedge / Net Investment 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 *Other Comprehensive income.*
(3) On June 30, 2011, 1,337,313 Schneider Electric shares are hegdged in relation to Stock Appreciation Rights granted to US employees.

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 banks.

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

	June 30, 2011 Notional amount (1)	June 30, 2011 Fair value	December 31, 2010 Notional amount (1)	December 31, 2010 Fair value
Available-for-sale financial assets	308	308	410	410
Other non-current financial assets	211	211	144	144
Marketable securities	869	869	1 825	1 825
Bonds	(4 341)	(4 517)	(4 348)	(4 614)
Other short and long-term debt	(2 405)	(2 405)	(1 777)	(1 777)
Financial instruments excluding derivatives	**(5 358)**	**(5 534)**	**(3 746)**	**(4 012)**

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

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 - Commitments and contingent liabilities

20.1 Guarantees given and received

Guarantees given and received amounted to EUR 918 million and EUR 76 million, respectively, as of June 30, 2011.

20.2 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. At June 30, 2011, there is one material put related to the 26% interests in Luminous that was valued for an amount of EUR 81 million as Other non-current liabilities.

➢ **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 capitalised development costs relating to the SAP contract in a net amount of EUR 116 million at June 30, 2011. 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 first-half 2011 expense related to this outsourcing agreement contractually amounts to EUR 51 million (compared with EUR 51 million in first-half 2010) including volume and indexation effects provided for in the contract.

20.3 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, 2011, accrued rights for employees in French units corresponded to around 1,713,000 hours.

Note 21 - Subsequent events

➢ **Issuance of shares to employees**

On July 12, 2011, 1.9 million shares were issued in connection with the employee share purchase programme described in note 14.2, increasing the share capital by EUR 178 million.

➢ **Bond issues**

Schneider Electric closed :

- on July 1, 2011, a private debt placement for a total of USD 300 million with a a floating coupon (3-month LIBOR + 0.49%) and maturity on July 2014
- on July 12, 2011, a EUR 750 million EMTN (Euro Medium Term Note) issue maturing in July 2018, with an floating coupon of 3.75%.

These transactions are part of the refinancing policy of the Group and will ensure the reimbursement of debt maturing in July 2011.

- **Change in share nominal value**

At the Annual General Meeting held on 21 April 2011, Schneider Electric shareholders approved the division of the nominal value of the shares by two. The Management board has decided that the share par value split will take effect on 2 September 2011. The operation will make the shares more accessible particularly to individual shareholders and will also improve the share liquidity.

Effective on 2 September 2011, instead of every EUR 8 nominal value share held on that date, shareholders will receive two shares of EUR 4 nominal value.

The division of the nominal value of the share will not have an impact on the tax situation or the rights of the shareholders. It will be carried out at no expense or formalities for them. As a result of this transaction, the total number of shares outstanding will double and the share will trade on the basis of the stock market opening price on 2 September 2011 divided by two.

- **Partnership with NVC Lighting Holding Limited**

On July 21, 2011, Schneider Electric announced that it has entered into a partnership with NVC Lighting Holding Limited ("NVC Lighting") to speed up its market penetration in smaller cities in China via NVC Lighting's well established diffused channels. The number of homes, small offices and buildings in smaller Chinese cities and townships is rising continuously and presents a huge potential market for Schneider Electric's LifeSpace business. The partnership with NVC Lighting, which will accelerate the market penetration roadmap of Schneider Electric in those cities, is materialized by:

- a mutually beneficial distribution agreement to sell LifeSpace products throughout NVC Lighting's vast distribution network,
- the acquisition of 9.2% of NVC Lighting's capital,
- the acquisition of some of the assets of Chongqing Enlin Electric Co. Ltd. that manufactures NVC brand wiring devices and low voltage products under licensing agreement, representing approximately ~EUR16m of sales and about 700 employees.

- **Acquisition of Steck**

On July 22, 2011, Schneider Electric announced that it has signed an agreement to acquire Steck Da Amazonia Industria Electrica Ltda. and affiliates ("Steck Group"), a key player in the fast growing final low voltage segment serving the residential and commercial buildings and industries in Brazil. Based in Sao Paulo and employing over 950 employees, Steck Group specializes in the design, manufacturing and distribution of products and systems for electrical installations. It has a broad product offering which includes industrial plugs and sockets, contactors, miniature circuit breakers, wiring devices and installation systems, and enclosures. The company is expected to generate sales of about BRL 180 million (~ €80 million) in 2011.

MANAGEMENT REPORT FOR THE PERIOD ENDED JUNE 30, 2011

Consolidated financial statements

Business and Statement of Income highlights

Changes in the scope of consolidation

Acquisitions during the period

On January 7, 2011, Schneider Electric announced that it has signed an agreement to acquire a majority of the shares in APW President Systems Ltd. which designs and manufactures standard and customized racks and enclosure systems in India, serving in particular information technology and telecom end-users. APW President Systems Ltd. has approximately 380 employees and generated sales of INR 1.08 billion (approx. EUR 18 million) for the twelve months ending September 30, 2010. The Company has manufacturing facilities at Pune and Bangalore and has a broad customer base with sales and marketing offices across India.

On March 24, 2011, Schneider Electric announced that it has signed an agreement to acquire Summit Energy Services Inc., a leader in outsourced energy procurement and sustainability services to industrial, commercial and institutional enterprises. Summit Energy provides its clients with services of energy procurement, risk management, market intelligence, data management and sustainability consulting. It is employing more than 350 individuals based in 11 international offices across North America and Europe and serves client facilities in more than 90 countries. Summit Energy is a fast-growing business, expected to generate sales of approximately USD 65 million for the current year with an EBITA margin above the Schneider Electric average.

On March 31, 2011, Schneider Electric announced that it has signed an agreement to acquire from Smartlink Network Systems Ltd. the assets of the DIGILINK business, one of the leading structured cabling systems providers in India. Headquartered in Mumbai, the DIGILINK business has 92 employees and generated sales of about INR 1.55 billion (approx. EUR 25 million) in calendar year 2010. It has a manufacturing unit and an R&D center in Goa along with sales and distribution offices across India. DIGILINK is a well recognized brand in structured cabling and network connectivity in India and has a strong presence in retail, educational institutes, government, financial services, small office and home office segments.

On April 4, 2011, Schneider Electric announced that it has acquired Lee Technologies, a leading service provider for the data centers of the North American market. Headquartered in Fairfax, Virginia, Lee Technologies has over 300 employees and generated sales of about USD 140 million (approx. EUR 104 million) in 2010. The company specializes in the mission-critical data center services, including remote monitoring command centers and on-site critical facility operations. It caters to several customer segments including federal government, financial services, telecommunications, information technology and healthcare.

On May 30, 2011, Schneider Electric announced that it has signed an agreement to acquire 74% of Luminous Power Technologies Pvt. Ltd., a market leader in India that provides inverters, UPS and power storage systems to help homes and small and medium sized businesses face frequent power cuts. Luminous is a leading player in the ~EUR 800 million Indian inverter and power storage market that is growing at more than 20% a year. Luminous has a strong presence in India and employs approx. 3,000 people in 8 different industrial sites in India and 1 in China. It has generated revenues of INR 11.0 billion (~EUR 170 million) for the fiscal year ending March 2011.

Acquisitions in progress on June 30, 2011

On June 1, 2011, Schneider Electric announced the signing of a definitive agreement with Telvent GIT, SA ('Telvent') for the acquisition of Telvent, a leading solution provider specializing in high value-added IT software and solutions for real-time management of mission critical infrastructure in the fields of electricity, oil & gas, water and transportation. Schneider Electric will make a cash tender offer for all of Telvent's shares at a price of USD 40 per share, which represents a premium of 36% to Telvent's average share price over the last 3 months. Abengoa SA has irrevocably agreed to tender its 40% shareholding in Telvent into the offer. Certain members of management of Abengoa SA and Telvent, who collectively hold approximately 1.5% of Telvent's capital, have also agreed to tender their shares. The transaction has been approved by the board of directors of Telvent, which formed a special committee to review the transaction on behalf of the public shareholders of Telvent. The transaction is subject to customary closing conditions, including the receipt of regulatory approvals. The transaction is expected to close in the third quarter of 2011.

On June 9, 2011, Schneider Electric announced that it has signed an agreement to acquire Leader Harvest Power Technologies Holdings Limited ('Leader & Harvest'), one of the leading players in the fast-growing medium voltage drives market in China. Headquartered in Beijing, Leader & Harvest develops, manufactures and commercialises medium voltage (MV) variable speed drives. The company employs over 750 people and has an extensive in-house nationwide sales and service support network across 30 provinces. With an annual growth rate in excess of 20% in the past few years, the company is expected to generate sales of approximately USD 150 million (approx. EUR 100 million) for the current year with an EBITDA margin of about 20%. The completion of the transaction is subject to regulatory approvals.

Acquisitions made in 2010 having an impact on the financial statements of first half 2011 *

The following companies acquired in 2010 and consolidated over the full year in 2010 had an impact on the scope of consolidation compared with 2010:

- CIMAC, consolidated as from January 21, 2010,
- Zicom Electronic Security Systems Limited, consolidated as from March 5, 2010,
- SCADA group, consolidated as from April 13, 2010,
- les activités Distribution d'Areva T&D, consolidated as from June 7, 2010
- Uniflair, consolidated as from November 23, 2010
- Vizelia, consolidated as from December 9, 2010.

(*) 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 negative impact in first half 2011, decreasing consolidated revenue by EUR 80 million and EBITA by EUR 10 million.

Revenue

Consolidated revenue totalled EUR 10,336 million for the period ended June 30, 2011, up 20.6% on a current structure and currency basis from the year-earlier period.

Organic growth accounted for 10.2%, acquisitions net of disposals 11.4% and the currency effect a negative 1%.

Breakdown by business

The Power Business generated revenue of EUR 3,936 million, or 38% of the consolidated total. This represents an increase of 7.7% on a reported basis and 8.5% on a constant structure and currency basis. This performance is driven primarily by product business which continued to be supported by infrastructure investment and industrial demand, especially in new economies. Solutions business was slightly negative impacted by lower renewable sales.

The Energy Business generated revenue of EUR 2,029 million, or 20% of the consolidated total. This represents an increase of 4.4% on a reported basis and 5.4% on a constant structure and currency basis. Despite the product business in slight decline, the growth in Energy sales is driven by improving demand in solutions business from electro-intensive customers (oil and gas, mining and metals), infrastructure projects in the new economies, and robust services activity.

The Industry Business contributed revenue of EUR 2,227 million, or 22% of the consolidated total, representing an increase of 18.4% on a reported basis and 17.8% like-for-like. The product business recorded solid growth, benefiting from the globally well-oriented industrial demand, especially from machine builders segment in new economies and some export-oriented mature markets, as well as new product launches. The performance of Industry continued to be boosted by the solutions business, particularly in the areas of OEM solutions, drives systems for mining, oil and gas, and cement sectors, energy efficiency solutions as well as industrial services.

The IT Business generated revenue of EUR 1,412 million, or 14% of the consolidated total. Revenue was up 12.5% on a reported basis and 9.8% on a constant structure and currency basis. The solutions business grew double-digit, reflecting the strong demand for complete data center projects and services. Small systems benefited from the good momentum in Asia-Pacific, in particular Japan, which offset the weaker trends in mature markets.

The Buildings Business added revenue of EUR 732 million, or 7% of the consolidated total. Revenue rose 11,9% on a reported basis and declined 7% like-for-like. Solution business is supported by strong advanced and installed base services and also security systems and energy efficiency projects in new economies. Growth of product business over the semester is driven by the gradual improvement of building automation products and growth of video security products in new economies.

EBITA

Gross margin decreased by 0.8 points from first-half 2010 (comparative data including EUR 179 million of gross profit and EUR 818 million revenue for Areva D Business from January 1), primarily because of an increase in raw materials on the first-half 2011.

At June 30, 2011, capitalisation and amortisation of development costs had a positive net impact on EBITAR of EUR 42 million, compared with EUR 49 million in first-half 2010.

First-half EBITAR (Earnings Before Interest, Taxes, Amortization of purchase accounting intangibles and Restructuring Costs) came to EUR 1,415 million, versus EUR 1,286 million in the year-earlier period.

EBITA (Earnings Before Interest, Taxes, Amortization of purchase accounting intangibles) of EUR 1,372 million, versus EUR 1,234 million in the year-earlier period (comparative data including EUR 9 million of EBITA for Areva D Business from January 1) includes respectively EUR 41 million and EUR 18 million of acquisition and integration costs. EBITA before acquisition and integration costs amounts to EUR 1,413 million on 2011 first-half, or 13.7% rate, versus EUR 1,252 million on 2010 first-half, or 13.3% rate (comparative data including EUR 9 million of EBITA for Areva D Business from January 1).

Earnings before interest and taxes (EBIT) included EUR 43 million in restructuring costs, compared with EUR 61 million the year before, and a EUR 98 million charge for amortisation and impairment of intangible assets recognised as part of a business combination, compared with EUR 90 million in first-half 2010.

EBITA before acquisition and integration costs by business

Power business achieved an EBITA margin of 20.9%, down 0.1 points from June 30, 2010.
Energy business achieved an EBITA margin before acquisition and integration costs of 8,2%, stable compared to June 30, 2010.
Industry business achieved an EBITA margin before acquisition costs of 19.6%, up 2.3 points from June 30, 2010.
IT business achieved an EBITA margin before acquisition costs of 13.3%, down 1.1 points from June 30, 2010.
Buildings business achieved an EBITA margin before acquisition costs of 7.4%, down 1.3 points from June 30, 2010.

Finance costs and other financial income and expense, net

Finance costs and other financial income and expense, net totalled a negative EUR 184 million versus EUR 132 million on first-half 2010. This mainly reflects the currency effect, which was a negative EUR 19 million in first-half 2011 compared with a positive EUR 37 million in first-half 2010.

Income tax

The effective tax rate stood at 24.0% in first-half 2011, same as in first-half 2010.

Minority interests

Minority interests totalled EUR 39 million in first-half 2011. Minority interests mainly correspond to the share of profit attributable to minority shareholders of 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 EUR 802 million in first-half 2011 versus EUR 735 million in first-half 2010, leading to an increase in earnings per share to EUR 3 from EUR 2.86 in the prior-year period.

Balance sheet and cash flow statement items

Total assets stood at EUR 30,897 million at June 30, 2011, slightly down from year-end, mainly due to translation adjustments arising from strengthening of the euro currency over the period. Non-current assets amounted to EUR 18,750 million and represented 60.7% of total assets (versus 60.6% as at December 31, 2010).

Goodwill

Goodwill rose by EUR 331 million over the six-month period to EUR 10,544 million mainly due to acquisitions over the period (EUR 768 million) while currency translation adjustments generated a decrease of EUR 510 million.

Property, plant and equipment and intangible assets

Property, plant and equipment and intangible assets came to EUR 6,235 million or 20.2% of total assets, down EUR 360 million from December 31, 2010.

<u>Intangible assets</u>
Trademarks decreased by EUR 195 million over the six-month period to EUR 2,231 million, due primarily to the currency effect.

Capitalised product development projects totalled EUR 728 million at June 30, 2011. During the period, the Group capitalised EUR 91 million in expenses from current projects and recognised EUR 55 million in amortisation.

Other intangible assets, net, consisting primarily of software and patents, decreased by EUR 150 million over the six-month period. The decrease is primarily attributable to exchange rate fluctuations, for a negative EUR 54 million and amortisation, for a negative EUR 95 million.

Property, plant and equipment
Property, plant and equipment represented EUR 2,311 million at the end of the first half, compared with EUR 2,337 million at December 31, 2010. Net investments totalled EUR 231 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, totalled EUR 519 million, a decrease of EUR 35 million from December 31, 2010. The decrease primarily reflects the consolidation in first-half 2011 of late 2010 acquisitions (Uniflair and Vizelia).

Cash and net debt

Net cash provided by operating activities before changes in operating assets and liabilities came to EUR 1,146 million, versus EUR 1,167 million at June 30, 2010, and represented 11.1% of revenue.

In all, net cash provided by operating activities totalled EUR 170 million, compared with EUR 675 million in first-half 2010, due to a negative change in working capital of EUR 976 million. This change was negative in first-half 2010 for EUR 492 million.

Capital expenditure, which includes capitalised development projects, represented an outlay of EUR 329 million, versus EUR 218 million in first-half 2010.

Acquisitions used a total of EUR 642 million, net of the cash acquired and divestments.

Dividends paid totalled EUR 893 million, of which EUR 37 million to minority interests.

At June 30, 2011, net debt totalled EUR 4,474 million or 31.2% of equity attributable to equity holders of the parent. This represents a increase of EUR 1,738 million from December 31, 2010, stemming primarily from dividends paid and acquisitions achieved over the period.

The Group ended the period with cash and cash equivalents of EUR 2,272 million, of which EUR 1,373 million in cash, EUR 869 million in marketable securities and EUR 30 million in short-term instruments such as commercial paper, money market mutual funds and equivalents.

Total current and non-current financial liabilities amounted to EUR 6,746 million. Of this, bonds represented EUR 4,341 million and bank loans EUR 1,301 million. Current financial liabilities totalled EUR 1,708 million at June 30, 2011 and primarily included current portion of bonds, bridge loans, bank overdrafts and accrued interest.

Shareholders' equity

Equity attributable to equity holders of the parent came to EUR 14,141 million, or 45.8% of the balance sheet total. The EUR 644 million increase over the period was the net result of the following:

- Payment of the 2010 dividend, in an amount of EUR 856 million,
- Profit for the period of EUR 802 million,
- The positive impact of share-based payments, in an amount of EUR 56 million,
- The negative impact of currency fluctuations on the translation reserve, for EUR 663 million.

Minority interests totalled EUR 179 million in first-half 2011.

Provisions

Short and long-term provisions totalled EUR 2,842 million, or 9.2% of the balance sheet total. Of this, EUR 785 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 EUR 1,440 million. The impact of actuarial gains and losses decreased this commitment by EUR 31 million.
Other provisions totalled EUR 1,402 million at June 30, 2011. These provisions cover economic risks (tax risks, financial risks generally corresponding to seller's guarantees), for EUR 580 million, product risks (warranties, disputes over identified defective products), for EUR 391 million, customer risks (customer disputes and losses on long-term contracts), for EUR 72 million, environmental risks for EUR 57 million and restructuring, for EUR 122 million.
Currency translation adjustments increased total amount of provisions by EUR 41 million.

Deferred taxes

Deferred tax assets net of deferred tax liabilities amounted to EUR 112 million, increasing by EUR 46 million from December 31, 2010.

Outlook for second half 2011

Taking into account the solid topline progression in the first half, Schneider Electric confirms its full year organic growth target of 6% to 9%. Most of the Group’s end-markets continue to develop positively which should make up for the still weak demand of the residential and non-residential buildings segments in mature markets. The robust momentum in the new economies is also expected to continue.

Schneider Electric expects second half profitability to be higher than first half due to seasonality and better raw material pass-through. Price actions initiated during the first half will accelerate to reach ~1% of sales to partly offset the raw material headwind of ~€400m. Negative solution/product mix on gross margin is expected to continue in the second half. The Group’s continuous focus on operational efficiency should result in strong productivity in excess of €400 million and lower support function costs to sales ratio.

Consequently, Schneider Electric targets solid EBITA progression and a EBITA margin of around 15%, before acquisition and integration costs and consolidation impact of acquisitions announced this year, in particular Telvent.

See Chapter 1, paragraph 5 – Risk Factors of the 2010 Registration Document filed with AMF under no. D.10-0151 for further information.

Significant events of the period

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

Supervisory Board membership

At its meeting of April 21, 2011, the Supervisory Board ratified the cooptation of Mr. Anand Mahindra and nominated new Supervisory Board members: Mrs Betsy Atkins, Mr. Jeong H. Kim and Mrs Dominique Sénéquier.

Main risks and areas of uncertainty for the second half of 2010

The main risks and areas of uncertainty for the second half of the year are the same as those outlined in Chapter 1, paragraph 5 (Risk Factors) of the 2010 Registration Document filed with AMF on March 21, 2011.

Claims, litigations and other risks

(update to the Registration Document – pages 34-35)

No significant event occurred since Registration Document date.

Transactions with related parties

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

Attestation

We hereby declare that, to the best of our knowledge, the half-year financial statements as at June 30, 2011 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 28, 2011

On behalf of the Management Board,
Jean-Pascal TRICOIRE
Chairman of the Management Board and CEO

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 also includes information relating to the specific verification of information given in the Group's interim management report. This report should be read in conjunction with and construed in accordance with French law and professional standards applicable in France.

To the Shareholders,

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

- the review of the accompanying condensed half-yearly consolidated financial statements of Schneider Electric S.A., for the period from January 1 to June 30, 2011, 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 we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the condensed half-yearly consolidated financial statements are not prepared in all material respects in accordance with IAS 34 – standard of the IFRSs as adopted by the European Union applicable to interim financial information.

2. Specific verification

We have also verified the information presented in the interim management report in respect of the condensed half-yearly consolidated financial statements subject to our review.

We have no matters to report as to its fair presentation and its consistency with the condensed half-yearly consolidated financial statements.

Courbevoie and Neuilly-sur-Seine, July 28, 2011

The Statutory Auditors
French original signed by

MAZARS	ERNST & YOUNG et Autres
David Chaudat	Yvon Salaün