Half-year 2010 Results

July 30, 2010

Disclaimer

All forward-looking statements are Schneider Electric management's present expectations of future events and are subject to a number of factors and uncertainties that could cause actual results to differ materially from those described in the forward-looking statements.

Overview

We are the global specialist in energy management

Energy Management

Energy production & transmission

Making energy:

- Safe
- Reliable
- Efficient
- Productive
- Green

Energy usage

One business in diversified end-markets

Data Centers

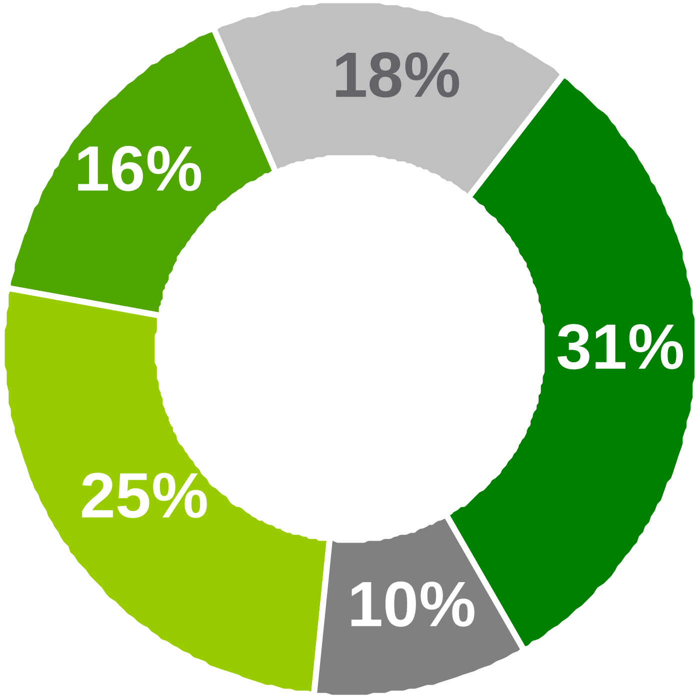
Energy & Infrastructure

Electrical energy

Oil & Gas

Marine

Water



Non-residential buildings

Hospitals

Offices/Public

Industrial

Retail

Life sciences

Industrial & Machines

OEMs

Mining, minerals & metals

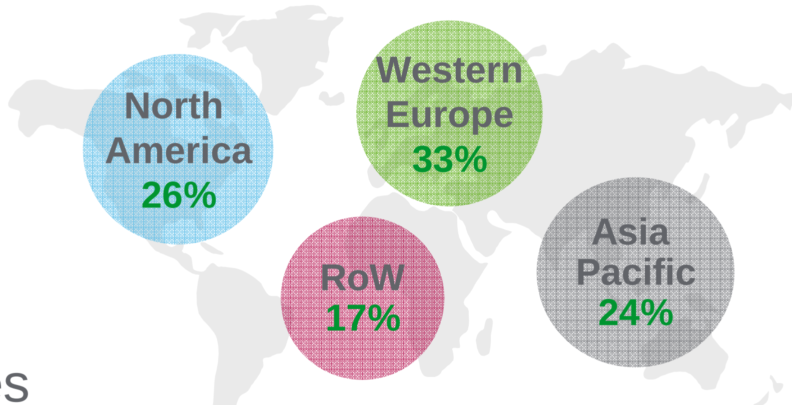
Residential

% of 2009 Sales

One business
global, innovative and responsible

Global

35%
of sales
in new
economies



Sales by geography – H1 2010

Innovative

5% of sales devoted to R&D

7,500 R&D engineers
in 25 countries

Responsible

- **Environment**
- **Ethics**
- **Business**
- **Access to energy**

Dow Jones Sustainability Indexes

ASPI

ETHIBEL SUSTAINABILITY INDEX EXCELLENCE EUROPE

One business ideally positioned to capture the major growth opportunities of our time

Schneider Electric

Power
Buildings
Industry
IT
CST

Smart Grid

- **Renewable** energies
- **Energy efficiency**
- **Electric vehicle** charging infrastructure
- Grid **automation**

Our strength

Complete solutions for the smart grid

New economies

- **2bn additional people** in the energy middle class by 2030
- Already **35%** of Group sales
- **Outperforming** mature countries organic growth by 9 pts p.a. since 2005

Our strength

Strong presence in new economies (44,000 employees)

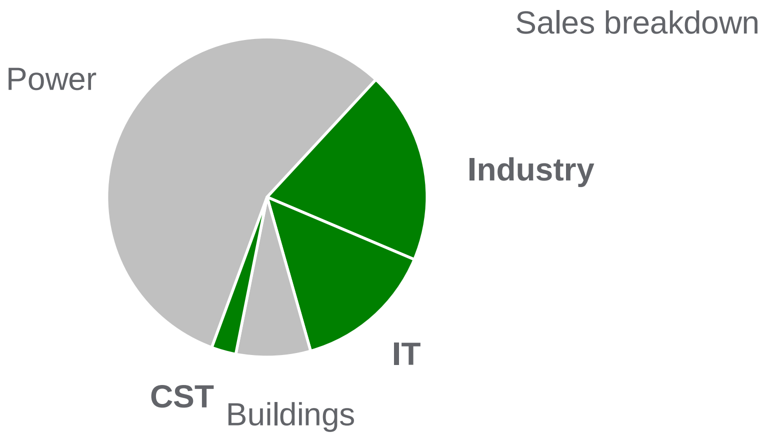
Strategy and business update

Strong first-half: the outcome of continued roll-out of strategy and One program

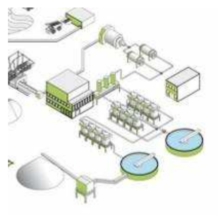
+6.4%	✓ H1 organic growth at +6.4%, strong Q2 at **double-digit** ✓ New economies outgrew mature markets by **12 pts**
€1bn	✓ Reached €1bn mark in **cost savings** Cumulative since Jan. 2009
15.2%	✓ Margin up **3.6pts**, at 15.2% EBITA before restructuring and Areva Distribution integration costs ✓ Net profit **doubled** and reached €735m
Areva Distribution	✓ Integration well **on track**

H1 performance boosted by strong traction of shorter-cycle Industry and IT

Schneider Electric portfolio



Industry +23% y-o-y



- Solid **rebound** of industrial demand on low comps, very strong performance with **OEMs**
- Strong **new economy** exposure also lifted growth
- Cimac/SCADA acquisitions further reinforced our position in new economies and in solutions

CST +19% y-o-y

- Strong **recovery** in industry and auto/truck demand
- Aerospace still lagging, especially in commercial sector
- Both Europe and North America bouncing back
- **Turnaround** of financial performance

IT +8% y-o-y

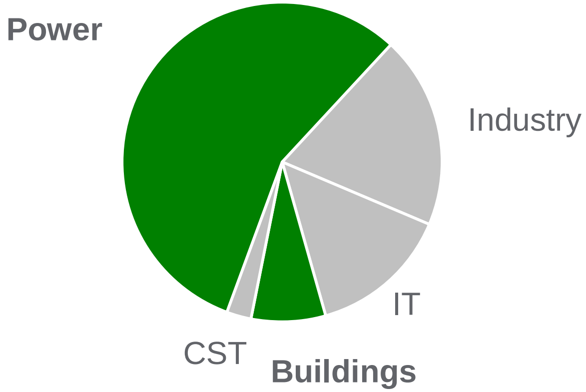
- **Strong** momentum of small systems in H1, supported by business networks demand
- Demand **accelerating** for large system solutions and services
- Most regions grew **2-digit**, Europe lagging

% are organic growth rates in H1 2010

Later-cycle Power and Buildings bottoming

Schneider Electric portfolio

Sales breakdown



Power +2% y-o-y

Medium voltage at trough

- Despite on-going weakness of construction markets in mature markets and lower utility spending
- New economies were more resilient and first to rebound
- Early signs of improvement in mature markets

Low voltage back to growth

- Trend accelerating, supported by rebound in industrial demand and strong Asia Pacific

Solutions

- Somewhat impacted by their later cycle profile - but energy efficiency and turnkey renewable projects remain strong support

Buildings -1% y-o-y

- Still weak construction market
- **Energy Efficiency** contracts and services offset somewhat weakness in commercial building market
- Lower exposure to new economies, but is ramping up with the boost in demand for video-surveillance
- Success of **Pelco** IP offering

% are organic growth rates in H1 2010

Solutions to drive energy efficiency and innovation for our customers

Selected examples

Renewable energies

Start-up business within Power

- Start-up business with **very strong growth** in H1
- **Solar farms** in countries such as France, Italy, Czech Republic (started), China, Canada, Ukraine (in backlog)
- **Turnkey** capability

OEM solutions

Industry gaining market share

- **Penetration** in OEM market with success of SoMachine
- **Innovative** and **unique** approach: flexible control and TVDA* cutting drastically time to market and commissioning costs
- **Growth ~ 50%** in H1

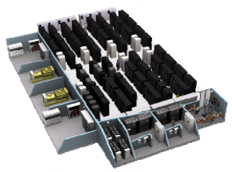
** TVDA: tested, validated & documented applications*

Performance contracting

"Cash light" solutions by Buildings

- Successes with federal authorities in the US, universities, municipalities
- **Services** and **Energy Efficiency** a key driver

Complete data-centers

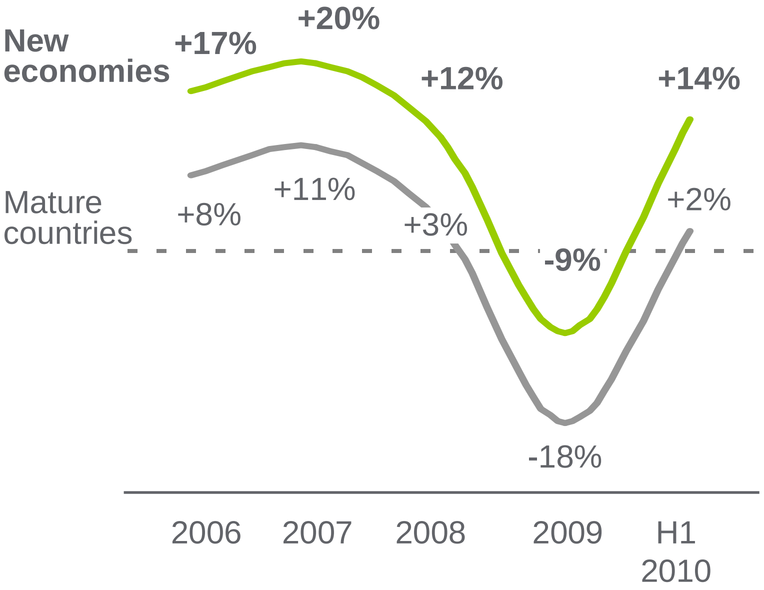


IT delivering superior efficiency

- IT business leveraging Group presence in LV-MV and building management
- **Integrated** energy management from rack to building
- **Energy Efficiency** a key driver

Strong new economies continued to boost our topline performance

Organic growth in new economies



Sales in new economies

% of Group sales

New economies to grow at **world GDP +6pts** across the cycle
~50% of cost of sales to come from new economies in 2011

Continuous investment in new economies to leverage growth opportunities

Power
- Offer adaptation
- Leverage Areva Distribution market position and industrial capacity

Industry
- Solutions development for OEM market.
- Complete offer capabilities in mining, water, oil & gas and utilities

IT
- Complete data-centers solution capabilities
- Investment in commercial resources

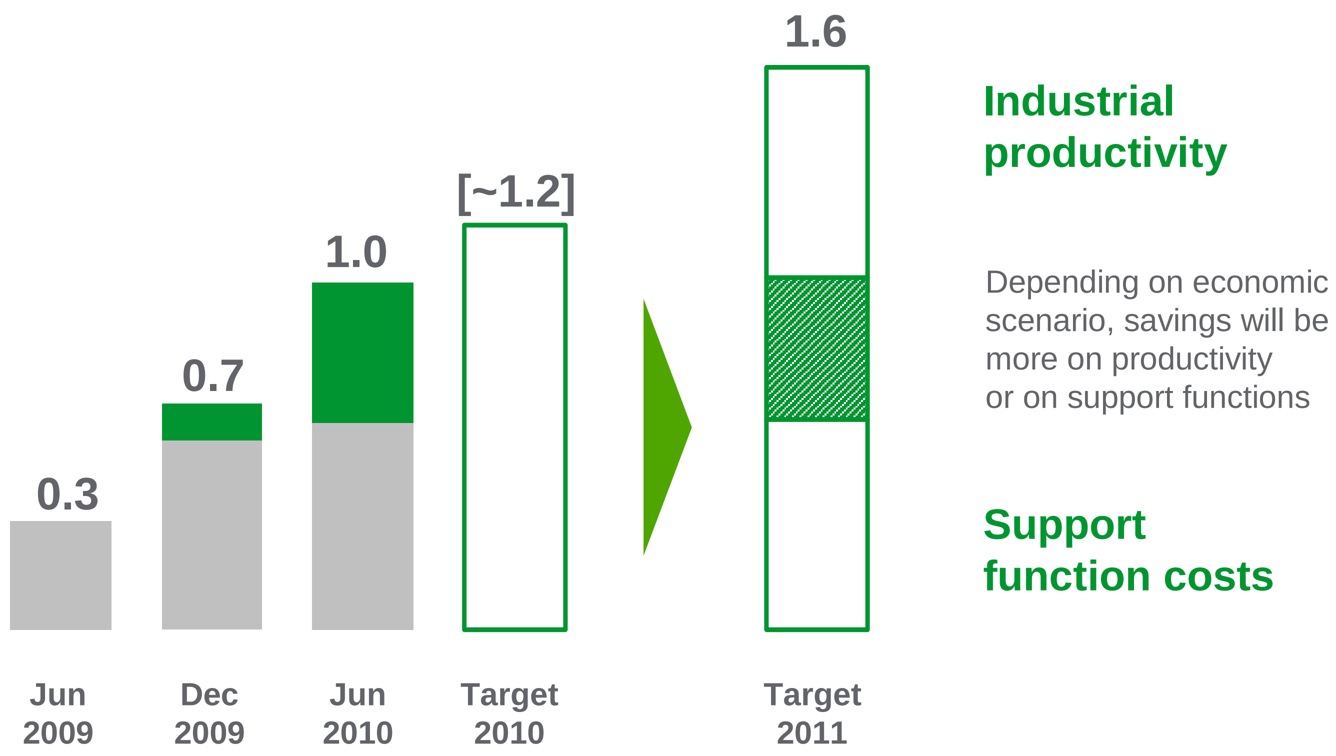
Buildings
- Develop the footprint in new economies

\+ External growth

Favourable market trends:
Urbanisation and increasing need for resources

Efficiency initiatives on track to deliver planned savings

Efficiency savings ramp up to 2011 (€bn)



At least 70% of 3-year plan will be achieved at year-end

Areva Distribution – a step-change of our medium voltage business

Areva D

2009 pro-forma sales ~€1.8bn

+

Schneider Electric MV

Energy

Reinforce our customer base with **Utilities**

~45% of sales

Strengthen our presence in **Buildings and Industry**

~55% of sales

Further reinforce **our footprint in new economies**

~45% of sales

Areva Distribution is a perfect fit to our medium voltage business
11,000 people reinforcing Schneider Electric's global footprint

Financial impact of the consolidation of Areva D in line with expectations

Expected key financial metrics for 2010

Sales to be consolidated in H2 — **~€1.1bn**
- corresponding to period from June to December

EBITA margin — **about 5%**
- typically a trough level for this business

EPS accretive in 2010
- before integration charges

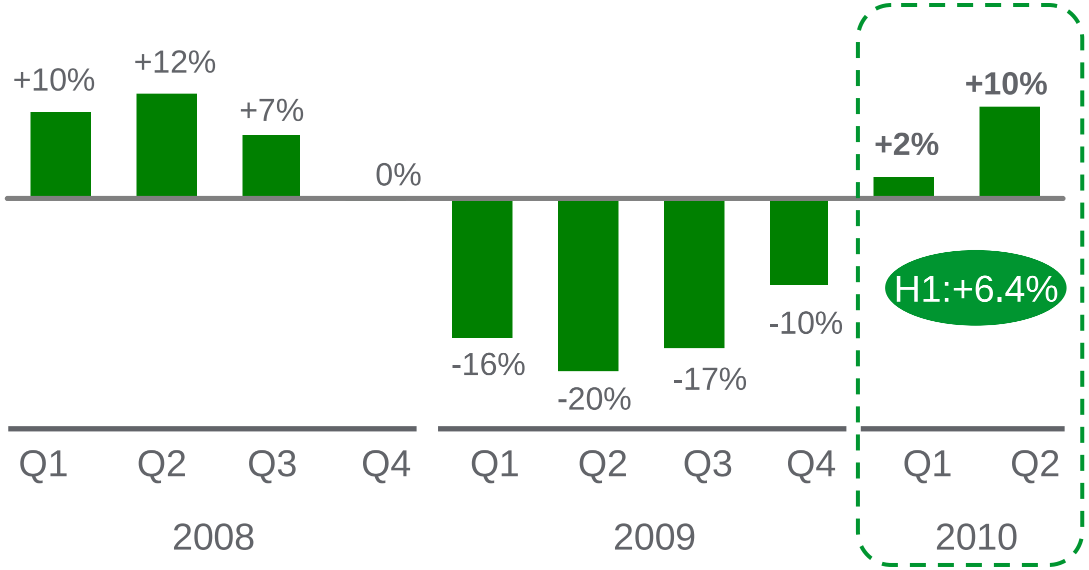
Integration charges — **~€50m**
- to be fully provisioned in 2010, €15m already booked in H1
- mostly costs for IT, brand, consulting and people integration
- tax cost to be assessed

Combination in Energy business expected to generate synergies of **€120m**, half to be achieved in year 3

Finance presentation

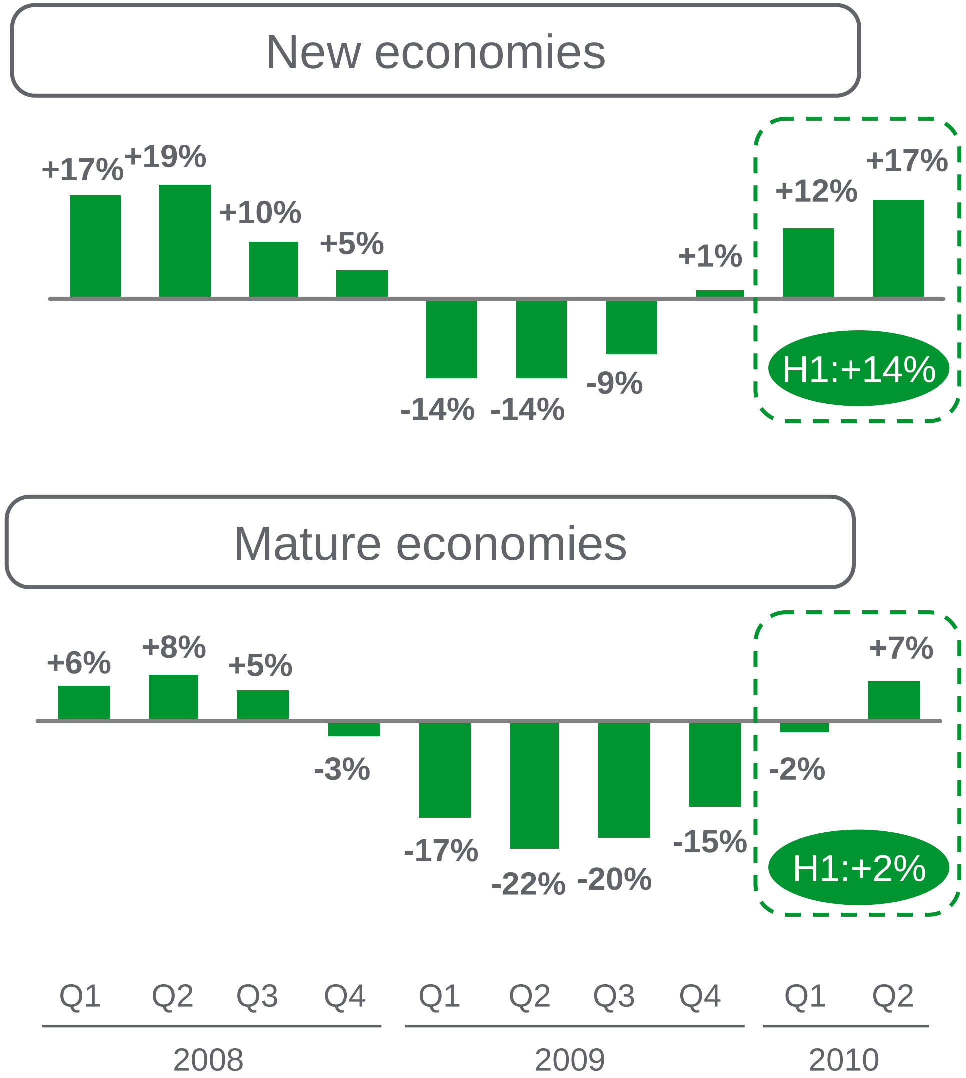
All businesses back in positive zone leading to double-digit organic growth in Q2

Quarterly organic growth rates



- Reported 2Q sales of **€4,661 million,** up **18.5%**
- Some favorable basis of comparison linked to destocking in H1 2009

Strong momentum in new economies continued

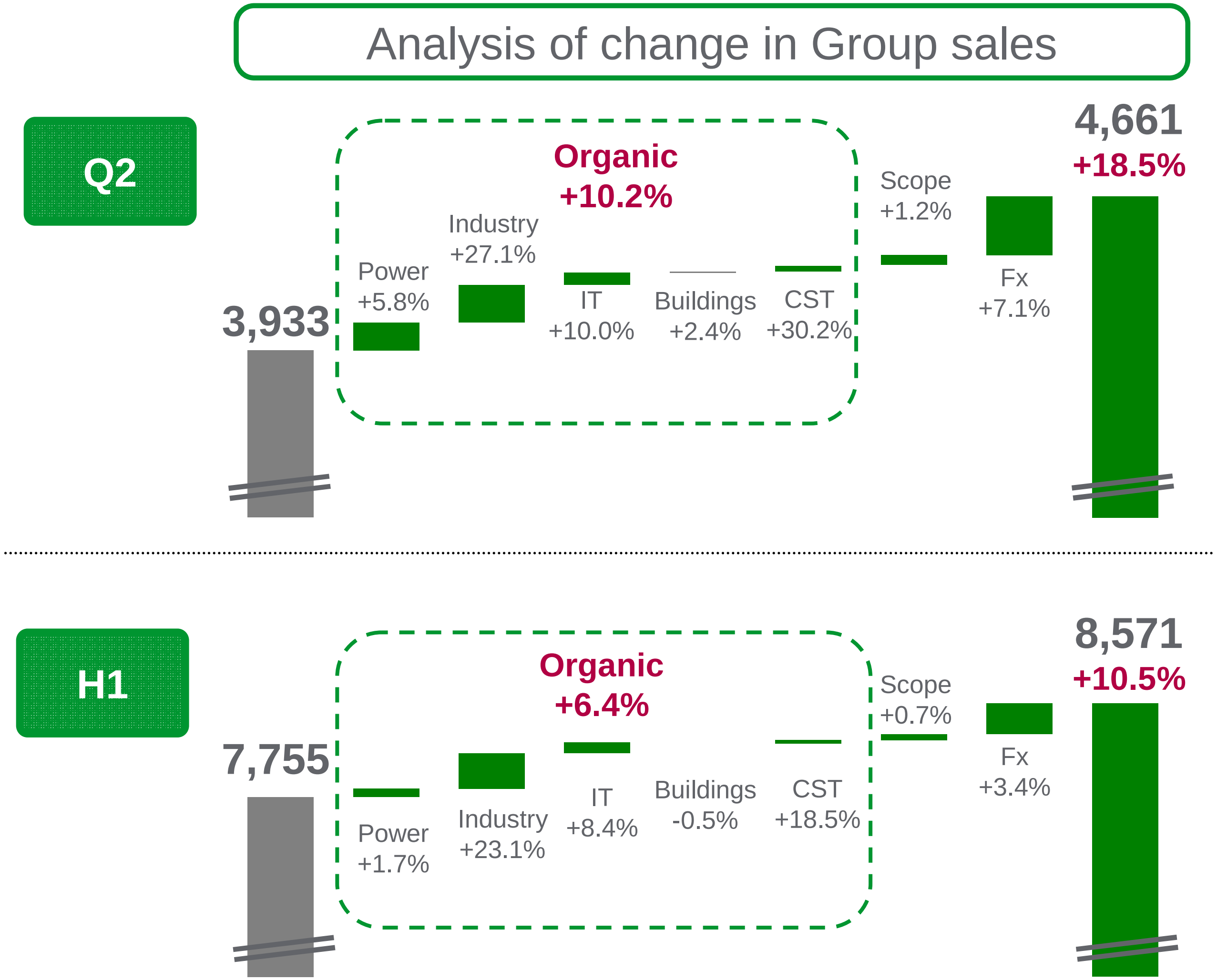


- ✓ **New economies** above 2008 level
- ✓ **Asia:** driven by China, India and South East Asia
- ✓ **Latin America, Middle East** and **Russia** all at/close to double-digit growth. **Central Europe** stabilised. **Africa** in negative zone

- ✓ Solid sequential improvement in **mature countries** against easier comps
- ✓ In **Europe**: Germany, Italy and France growing - Spain and Nordics still down
- ✓ In **North America**: improvement of industrial and data-centers demand
- ✓ Very strong **Japan** and **Australia**

New economies: Asia (excl. Japan), Eastern Europe (incl. Russia), Middle East, Africa, Latin America (incl. Mexico)

H1 growth in most Group businesses, strongest at Industry, IT and CST



% of H1 sales

Power	56%
Industry	20%
IT	14%
Buildings	8%
CST	2%

Volume recovery and operational efficiency led to strong margin improvement…

In m€	H1 2009	H1 2010	Change
Sales	7,755	8,571	+10.5%
Organic growth		*+6.4%*	
Gross profit	2,974	3,499	+18%
Margin %	*38.3%*	*40.8%*	*+2.5pts*
EBITA[1] before restructuring and Areva D integration costs	903	1,301	+44%
Margin %	*11.6%*	*15.2%*	*+3.6pts*

1 EBIT before amortization and impairment of purchase accounting intangibles

… and doubling of net income

In m€	H1 2009	H1 2010	
EBITA before restructuring[1] and Areva D integration charges	903	1,301	*+44%*
Margin %	*11.6%*	*15.2%*	*+3.6pts*
Areva D integration charges		(15)	
Restructuring costs	(112)	(61)	
EBITA	791	1,225	*+55%*
Amortization & impairment of purchase accounting intangibles	(108)	(90)	
EBIT	683	1,135	*+66%*
Net financial expense	(198)	(132)	
Income tax	(114)	(241)	
Equity investments	(8)	2	
Minority interests	(17)	(29)	
Net income (group share)	346	735	*+112%*
Earnings per share	*1.43*	*2.86*	*+100%*

Progressive phase-out of exceptional restructuring charges

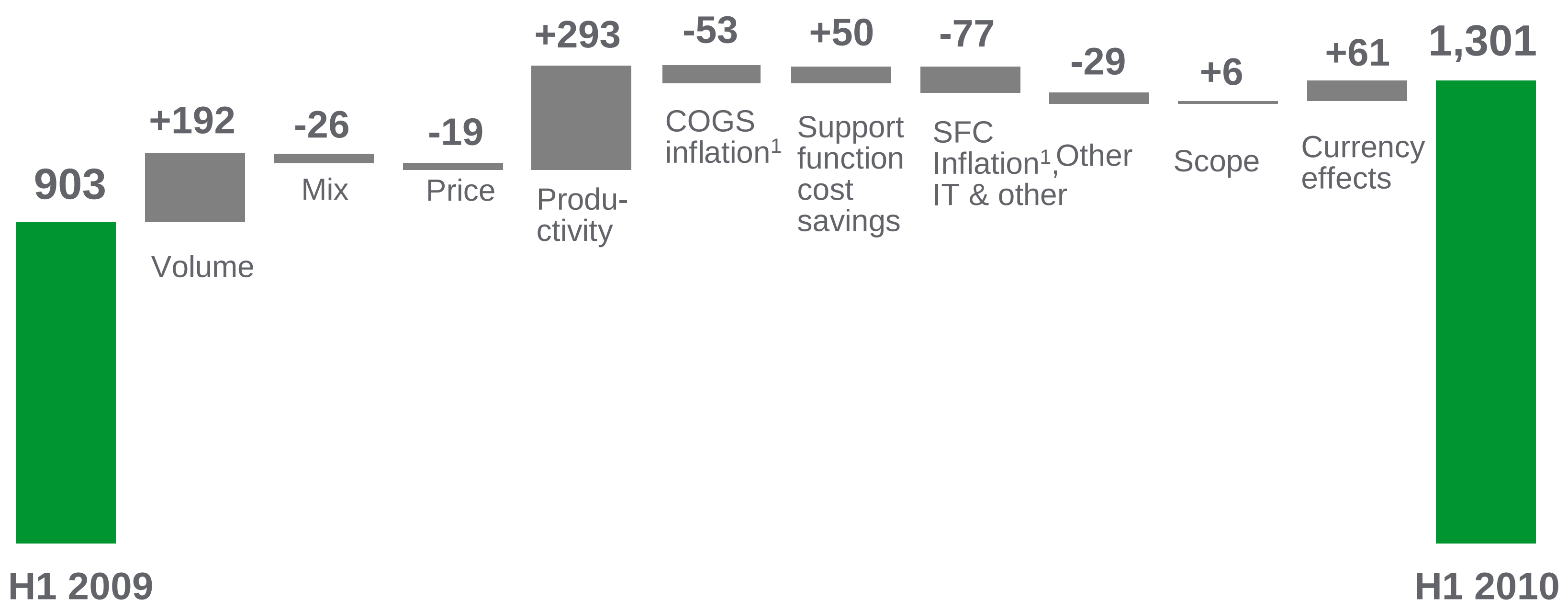
Financial expense impacted by positive currency impact

Underlying tax rate of 24%

1 EBIT before amortization and impairment of purchase accounting intangibles

Profit recovery was primarily driven by volume effect and industrial efficiency

Analysis of change (in €m)

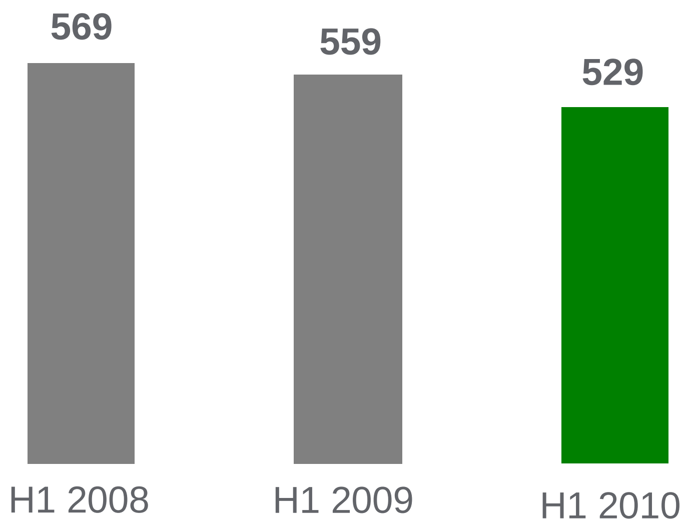


[1] Of which Raw materials: -35, Production labour & other Costs: -18, Support functions: -72; Global IT system:-5

Excellent control of our fixed manufacturing costs throughout the crisis

Evolution of fixed manufacturing costs

Excluding R&D and D&A, in €m



- Costs **down 7%** vs. H1 2008 while sales declined only 4% on reported basis
- Continued plant rationalization
- Re-organization of industrial footprint

Industrial productivity driven by supply chain simplification and effective cost control

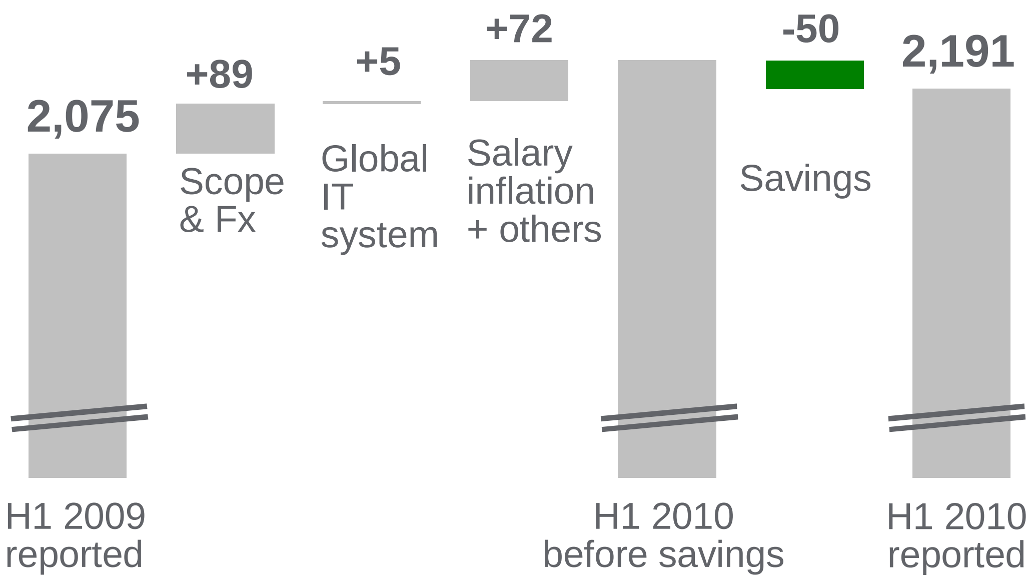
H1 industrial productivity performance (in €m)

Purchasing	124
Lean Manufacturing	29
Rebalancing	42
Absorption of fixed manufacturing costs	98
Industrial productivity	**293**

Strong productivity from One initiatives
reinforced by strict control of fixed manufacturing costs

SFC remain under control despite strong rebound of activities

Support function costs analysis (in €m)



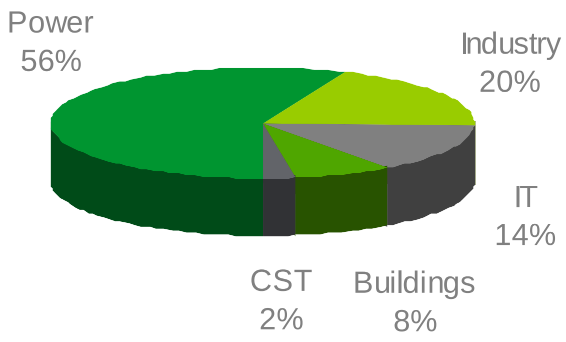
- Cost **reduction in mature** markets continues
- **Investment in new economies** resumed in light of the strong rebound

Cumulated SFC reduction since start of 2009: €591m i.e. ~13%

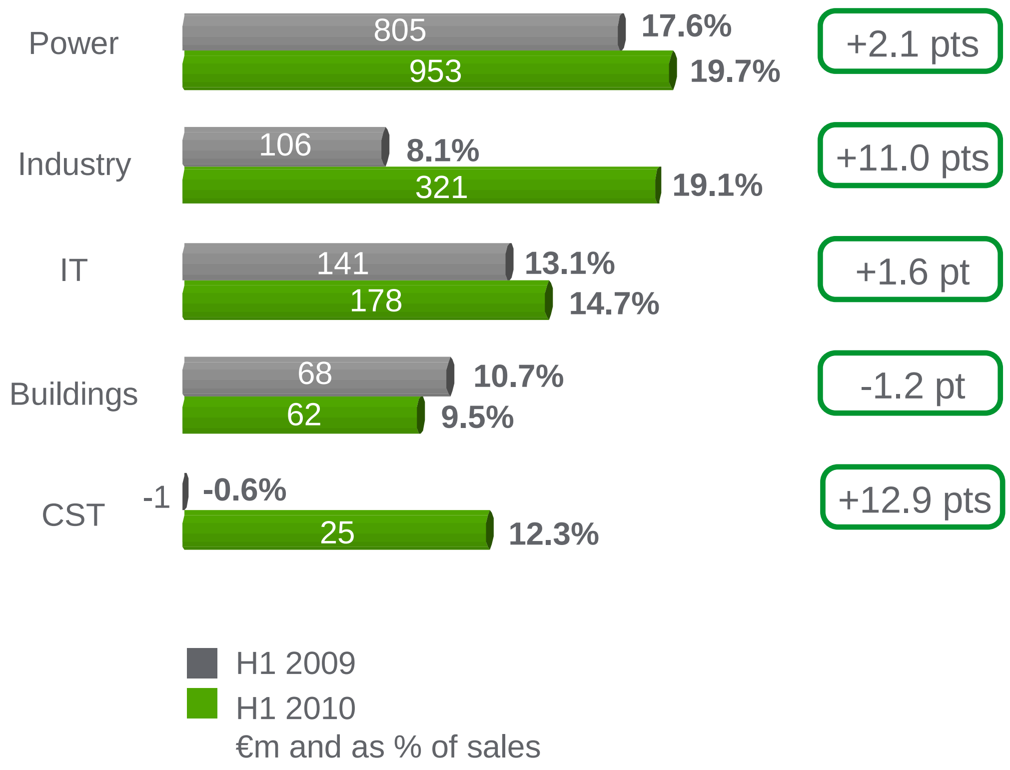
Note: SFC include R&D and SG&A but exclude other operating income and expenses

Industry and CST margins bounced back, IT and Power also improving

Sales
€8,571m



EBITA before restructuring by business[1]



1 Before restructuring and Areva D integration charges
Corporate costs of €238m in H1 2010 (€216m in H1 2009)

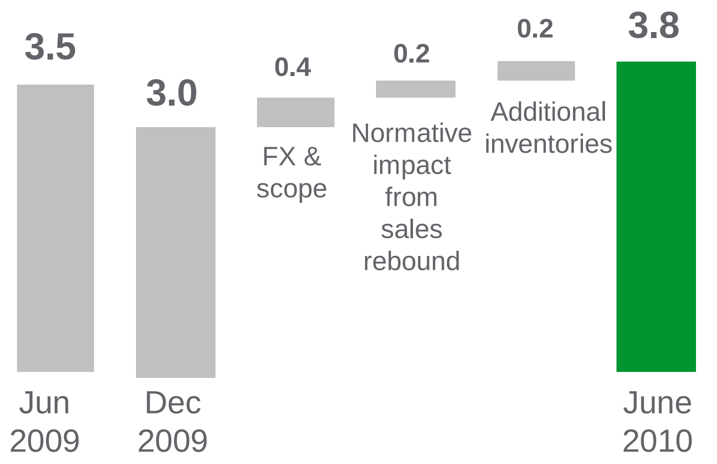
Free cash generation temporarily limited by working capital consumption

Analysis of debt change in €m	H1 2009	H1 2010	LTM
Net debt at opening	(4,553)	(2,812)	(4,142)
Operating cash flow	770	1,167	2,105
Capital expenditure – net	(288)	(218)	(506)
Change in working capital	244	(492)	103
Free cash flow	726	457	1,702
Dividends[1]	(315)	(199)	(201)
Acquisitions – net	(41)	(1,271)	(1,293)
Capital increase	0	48	206
Other	41	(236)[2]	(285)
(Increase) / Decrease in net debt	411	(1,201)	129
Net debt at June 30	(4,142)	(4,013)	(4,013)

1 Dividends distributed in 2010 amount to €525m, of which ~62% have been paid in shares (at shareholders' option)
2 Of which FX impact of ~€220m (44% of net debt is USD-denominated, after swaps)

Working capital consumption linked to cyclical pattern and supplies management

Trade working capital (in €bn)



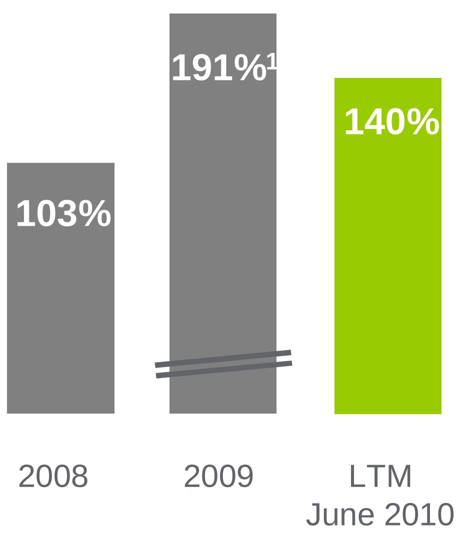
Receivables[1]	**52** days	(-4 d)
Inventories[2]	**91** days	(+3 d)
Payables[3]	**65** days	(+9 d)

- **Raw materials** represent the majority of the inventory increase, in order to ensure customer delivery in a context of supply tensions on some components
- **Demand** was above expectations and accelerated in Q2

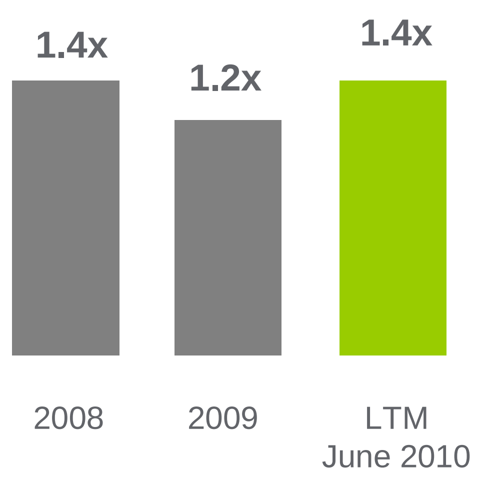
1 Days of sales
2 Days of COGS (cost of goods sold)
3 Days of purchases
NB Changes are in days vs. June 2009

Solid balance sheet post Areva Distribution acquisition

Cash conversion
(Free cash flow / net income)



Net debt / EBITDA[2]



1 Based on adjusted net income (239% on a reported basis)
2 EBITDA of €1,496m in H1 2010 (€1,064m in H1 2009)

Outlook

2010 outlook

Topline	Profitability
Recovery of **Industry** and **IT** to continue, but more demanding base of comparison	Industrial **productivity** and support function **costs savings** of €500-550m
Later-cycle **Buildings** and **medium voltage** to show sequential recovery	Risks on **raw material** inflation ~€150m
Momentum of **new economies** to stay strong	
Mature markets back on the path of a slow recovery	

Schneider Electric raises its targets for 2010:

Organic growth: H2 progression broadly in line with H1

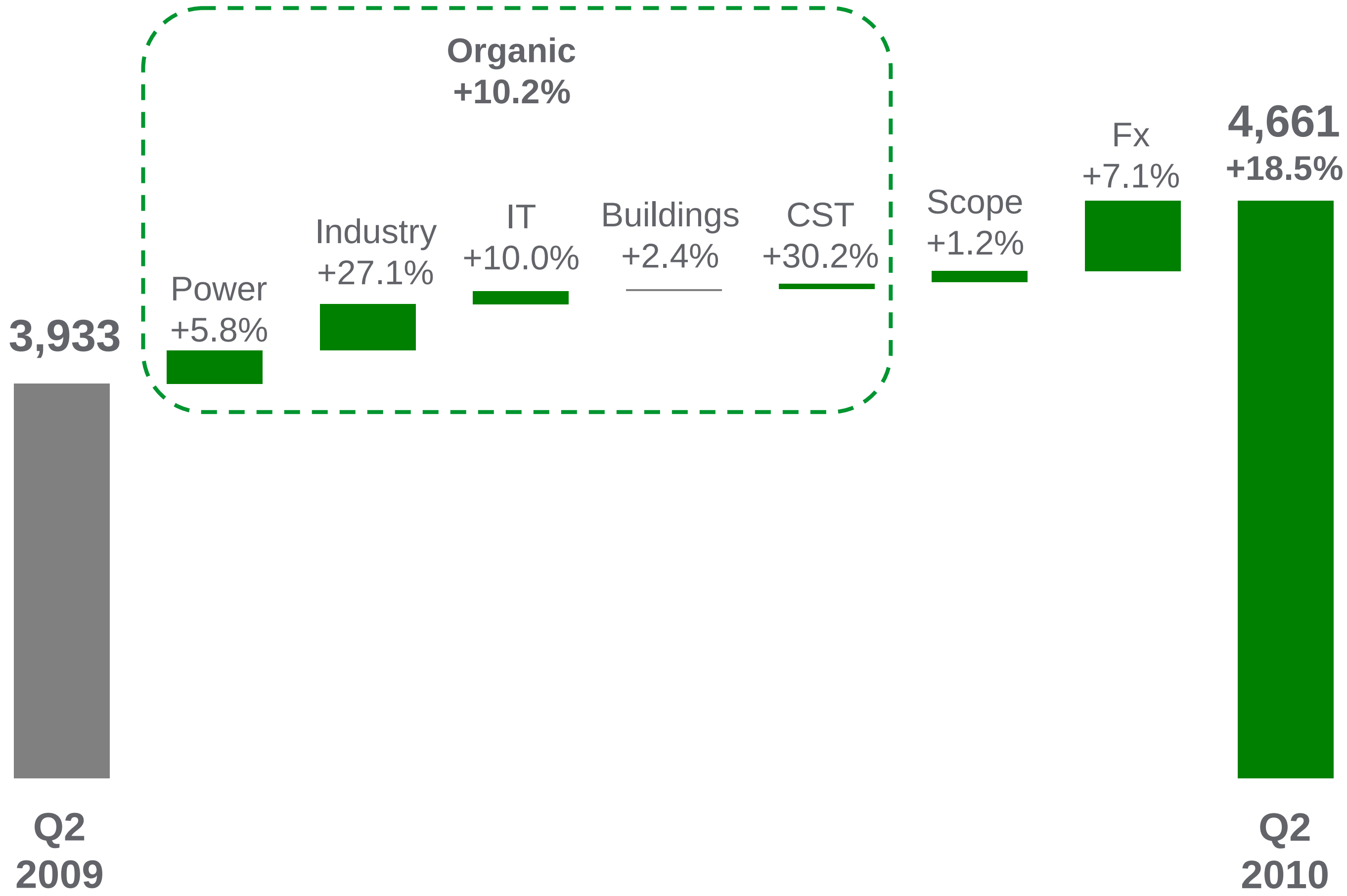
Profitability Improvement: full year EBITA margin of **around 15.5%** before restructuring and consolidation impact of Areva Distribution

Appendices

Q2 sales details

Q2 growth led by continued rebound of IT and Industry and recovery of Power

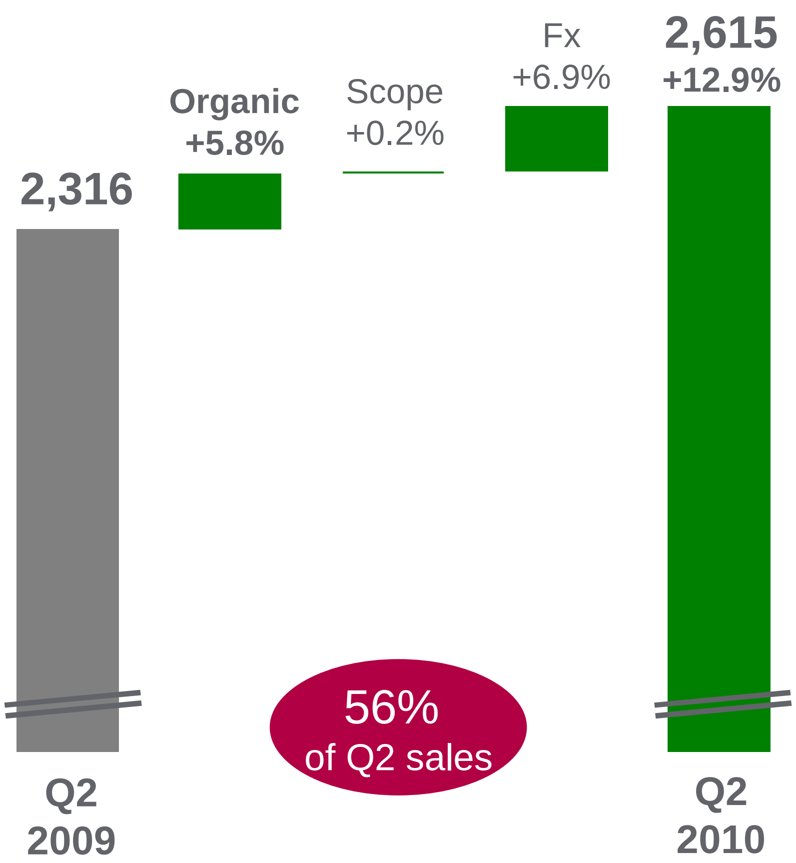
Analysis of change in Group sales



Power Business

Renewed with growth in the second quarter

Analysis of change: Power



By product lines

- ✓ **Medium voltage**: at trough, despite on-going weakness of construction markets and lower utilities spending
- ✓ **Low voltage**: growth accelerated in Q2, supported by rebound of industrial demand and good dynamic in new economies, offsetting the still sluggish power demand in mature markets, especially in Western Europe
- ✓ **Solutions:** solid sequential improvement driven by projects and services in Asia-Pacific and big success of turnkey solutions for renewable projects.

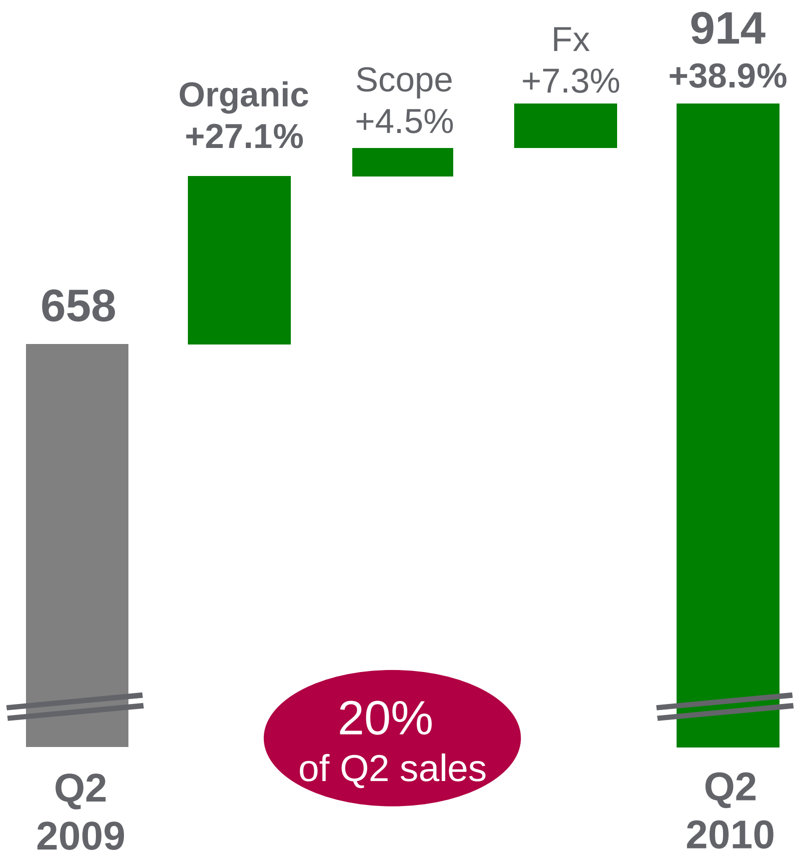
By region

- ✓ **North America** and **Western Europe** were back to growth in Q2. **Asia-Pacific** remains the key growth driver.

Industry Business

Continued solid rebound driven by recovering end-markets

Analysis of change: Industry



By product lines

- ✓ Growth accelerated in Q2. All product lines continued to benefit from global recovery of end-market demand, **OEMs** in particular and investment in infrastructure in new economies
- ✓ Strong growth of **Solutions**, thanks to successful new offer launches for OEMs

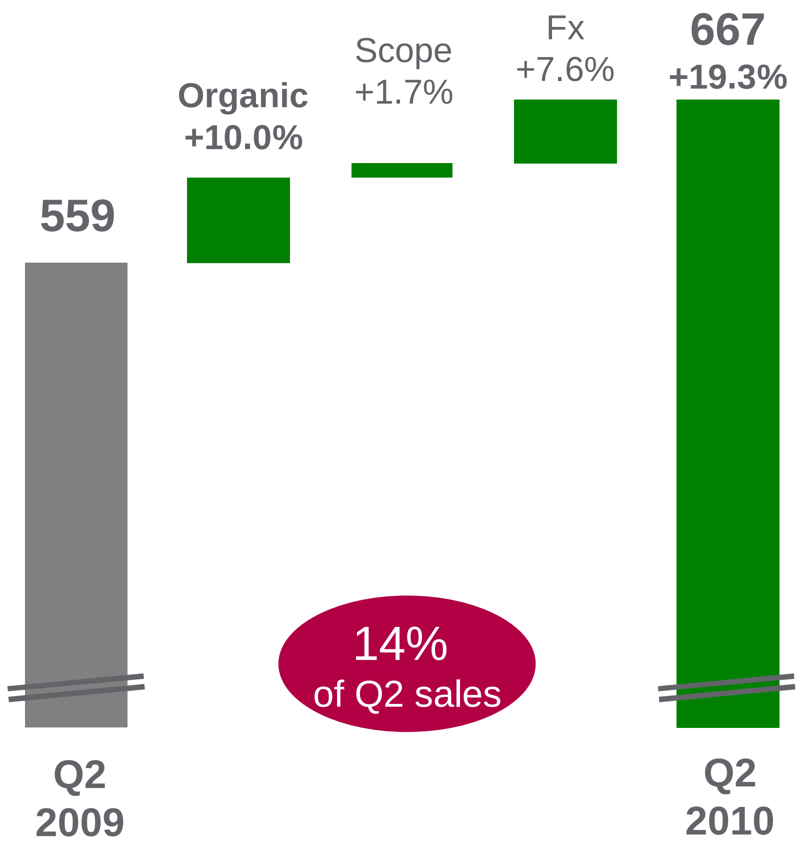
By region

- ✓ **New economies** continued to be the biggest growth driver, amplified by some anticipated customer orders to mitigate shortage of certain components.
- ✓ **Western Europe** and **North America** also back to double-digit growth.

IT Business

Pick-up in demand for solutions contributed to sequential improvement in Q2

Analysis of change: IT



By product lines

- ✓ **Small systems**: Good dynamic maintained, benefiting from sustained demand on business networks and new product launches
- ✓ **Solutions and services:** Momentum accelerated reflecting improving demand for datacenters.

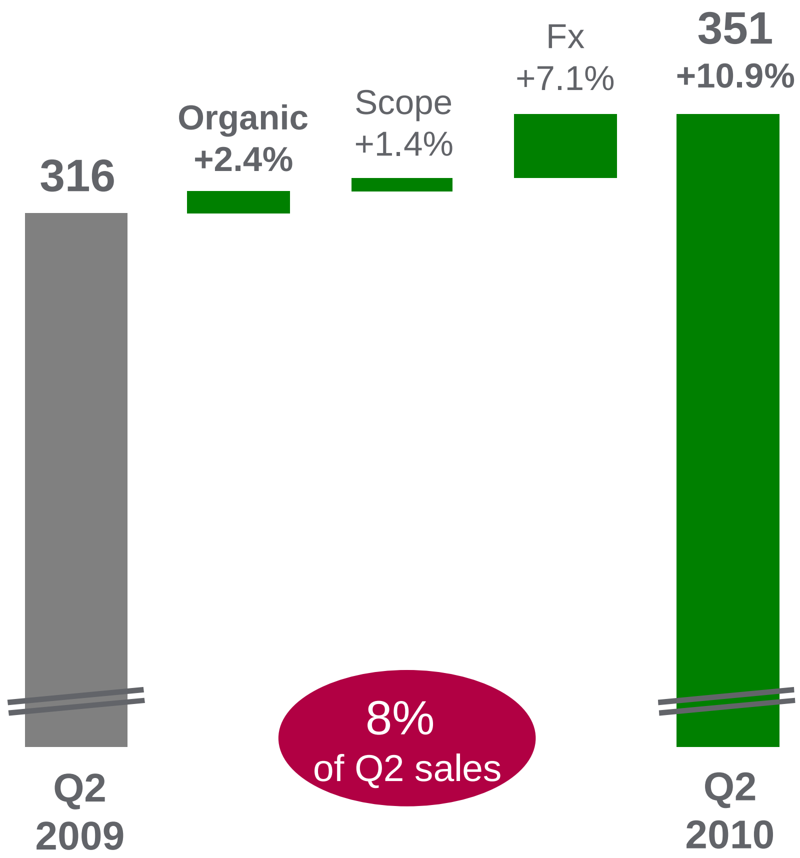
By region

- ✓ Most regions recorded double-digit growth. Rebound was particularly strong in **RoW**, led by Russia.
- ✓ **Asia-Pacific** faced some raw material shortage against strong underlying demand
- ✓ Market conditions in **Western Europe** remain challenging and some projects faced delay.

Buildings Business

Slowly recovering but still affected by the construction downturn

Analysis of change: Buildings



By product lines

- ✓ **Product** sales stabilised. Better demand for video security compensated for still negative construction related activities.
- ✓ **Solutions** business was in low single-digit growth. Installed base service and advanced services maintained the good momentum observed in Q1, thanks to energy efficiency projects in North America and Western Europe

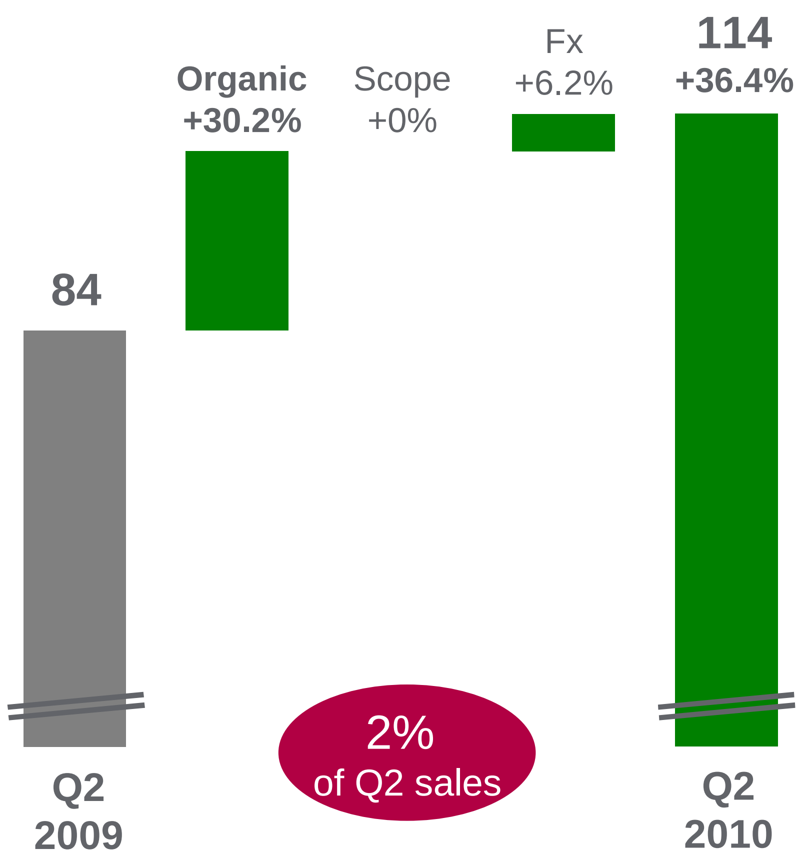
By region

- ✓ **North America** back to growth and saw some early signs of improvement
- ✓ **Western Europe** market conditions remain challenging on the overall
- ✓ **APAC** and **RoW** saw growing demand for security offers

CST Business

Continued rebound of key markets

Analysis of change: CST



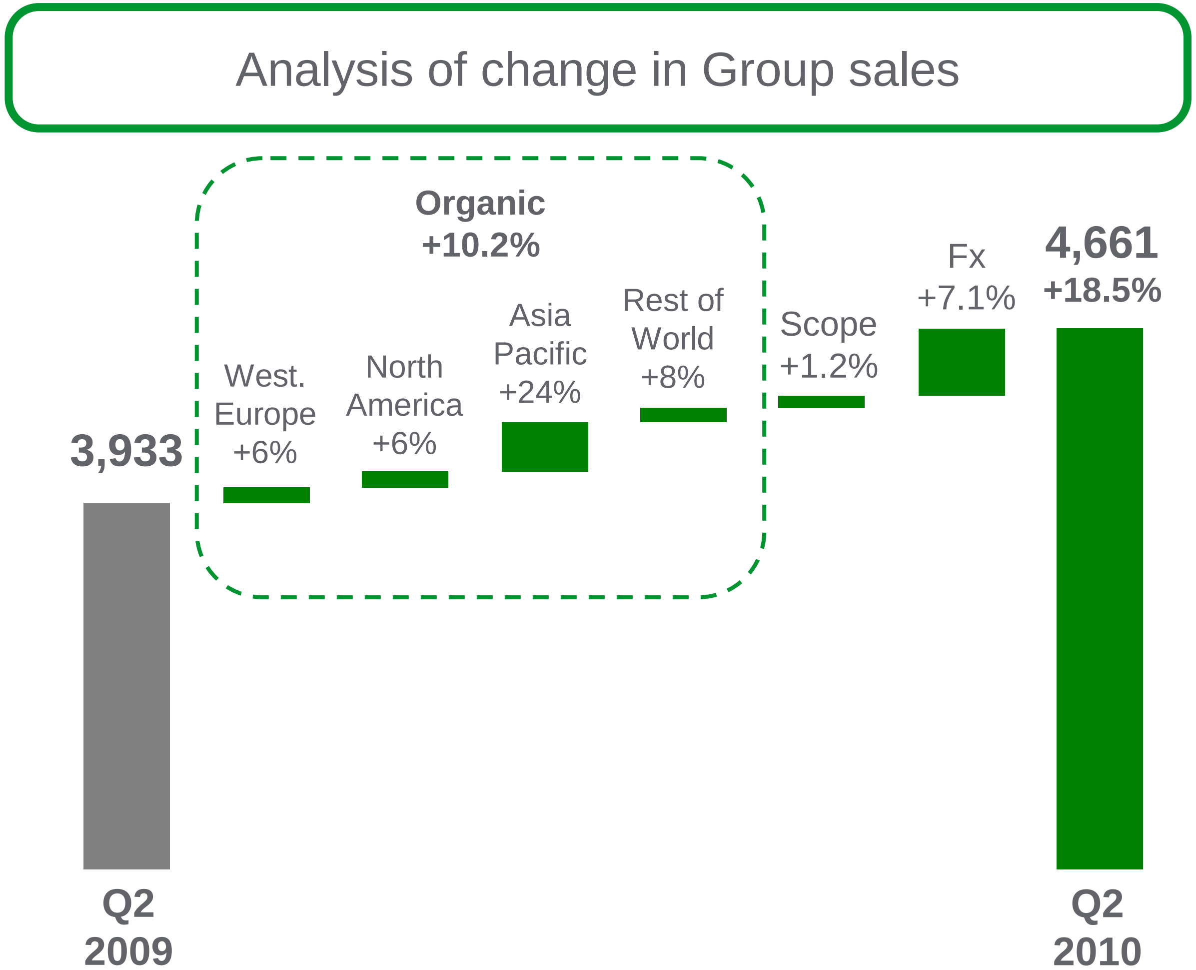
By product lines

- ✓ Strong recovery of demand from automotive and truck customers compared to a weak Q2 2009.
- ✓ Improving end-market demand of the industrial segment.
- ✓ Conditions of commercial aviation segment remains challenging while government orders improved.

By region

- ✓ **Western Europe** continued to be strong, at a level comparable to Q1.
- ✓ **North America** saw the biggest sequential improvement with strong double digit growth

Sales increase boosted by the impact of new economies



NB: Starting from 2010, the geographical reporting is based on sales by destination as opposed to sales by country of invoicing.
The Rest of World region now includes Eastern Europe, in addition to Middle East, Africa and South America.

Additional appendices

Recent acquisitions – consolidation impact

	2009 Q3	Q4	2010 Q1	Q2	Q3	Q4
Conzerv (India) Power 2008 sales €10 million	3m	3m	3m	~2m		
Microsol (Brazil) IT 2008 sales €24 million	3m	3m	3m	2.5m		
SCADAgroup (Australia) Industry 2010e sales €75 million				3m	3m	3m
Cimac (M-E Gulf) Industry 2009 sales €40 million				~5m	3m	3m
Zicom (India) Buildings 2009 sales €30 million				2m	3m	3m
Areva Distribution					~4m	3m

Segment information FY 2009

FY2009

€ m	Sales	EBITA[1] before restructuring and one-off gain[2]	% of sales	EBITA	% of sales
Power	9,233	1,602	17.4%	1,535	16.6%
Industry	2,665	264	9.9%	198	7.4%
IT	2,270	363	16.0%	334	14.7%
Buildings	1,268	132	10.4%	121	9.5%
CST	357	20	5.6%	(4)	(1.1%)
Holding	-	(363)	-	(387)	-
Group	**15,793**	**2,018**	**12.8%**	**1,797**	**11.4%**

1 EBIT before amortization of purchase accounting intangibles
2 Before a one-off profit from pension curtailment of €92 million, of which €81 million in Power and €11 million in Industry

NB: Group figures have been restated to take into account the first-time adoption of IFRS 3 (revised) and the new tax treatment for the portion of the CET tax assessed on value added (CVAE) – please refer to note 1 of accounts.

Divisional figures have been restated according to the new organization of the Group, with the creation of a global IT function (IPO: Information, Process and Organization). The related costs are now included in the "Holding" line.

Definitions

• EBITDA:	EBIT before net depreciation and amortization
• EBITA:	EBIT before amortization and impairment of purchase accounting intangibles and impairment of goodwill
• Adjusted net income:	Group share in net income adjusted for exceptional restructuring costs (above €100m), one-off pension gains/losses and impairment of goodwill and intangibles, at the period's underlying tax rate
• Cash conversion:	Free cash flow / net income
• Free cash flow:	Operating cash flow – change in working capital – net capital expenditures

Contacts & agenda

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20 October	Q3 2010 Sales Conference call
17 November	Investor Day

Help people make the most of their energy