

2005 Half Year Results

Paris - July 29, 2005

Merlin Gerin

Square D

Telemecanique



Schneider
 **Electric**

Building a New Electric World

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.



Highlights

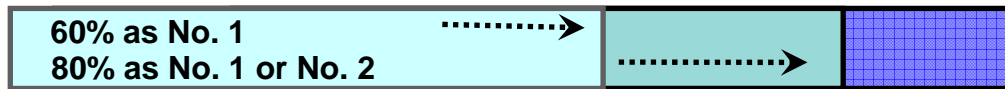
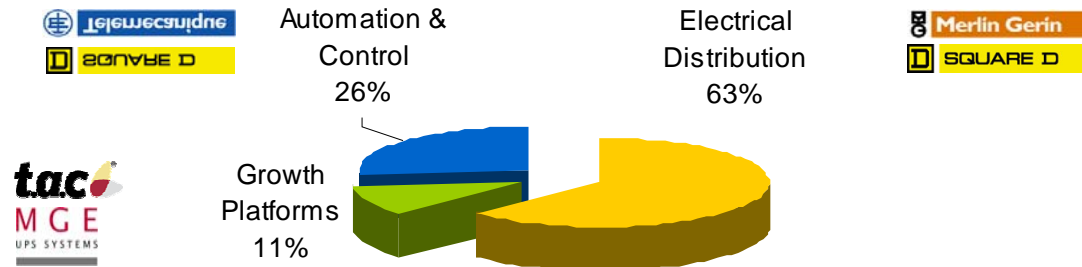
Action plans

Financial results

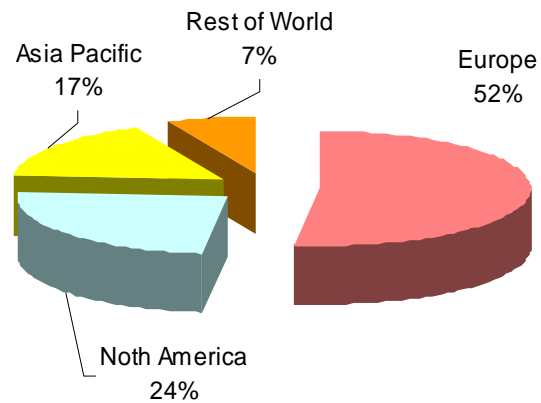


A worldwide leader in Power & Control

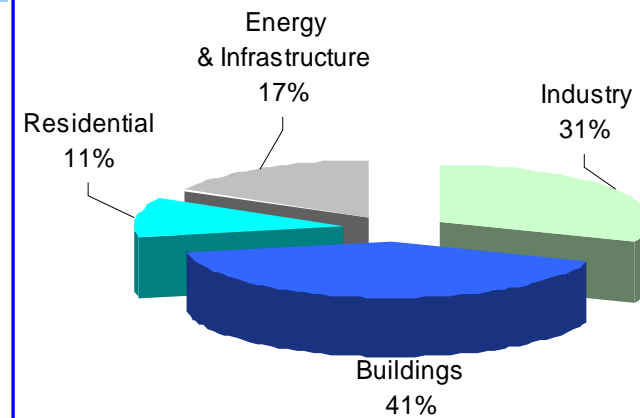
A Group focused on two businesses...



... with a worldwide presence...



... to serve four end markets





First half 2005 highlights

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- Successful **launch** of the **new²** company program
 - Strong resonance with all employees
 - Adaptation to each of the operating business units
 - Quarterly reviews based on new² indicators

- **Strong growth** driven by the efficient geographic and business **repositioning**

- Gradual **balance sheet re-leveraging**
 - Acquisition of PMI, ABS, Juno Lighting, BEI Technologies (€1.3 bn*) and buyback of 2.8 m of our own shares (€0.2 bn)
 - Estimated net debt of ~25% at year-end vs 7% at end-2004

A very good performance thanks to effective action plans in a mixed but globally favorable environment



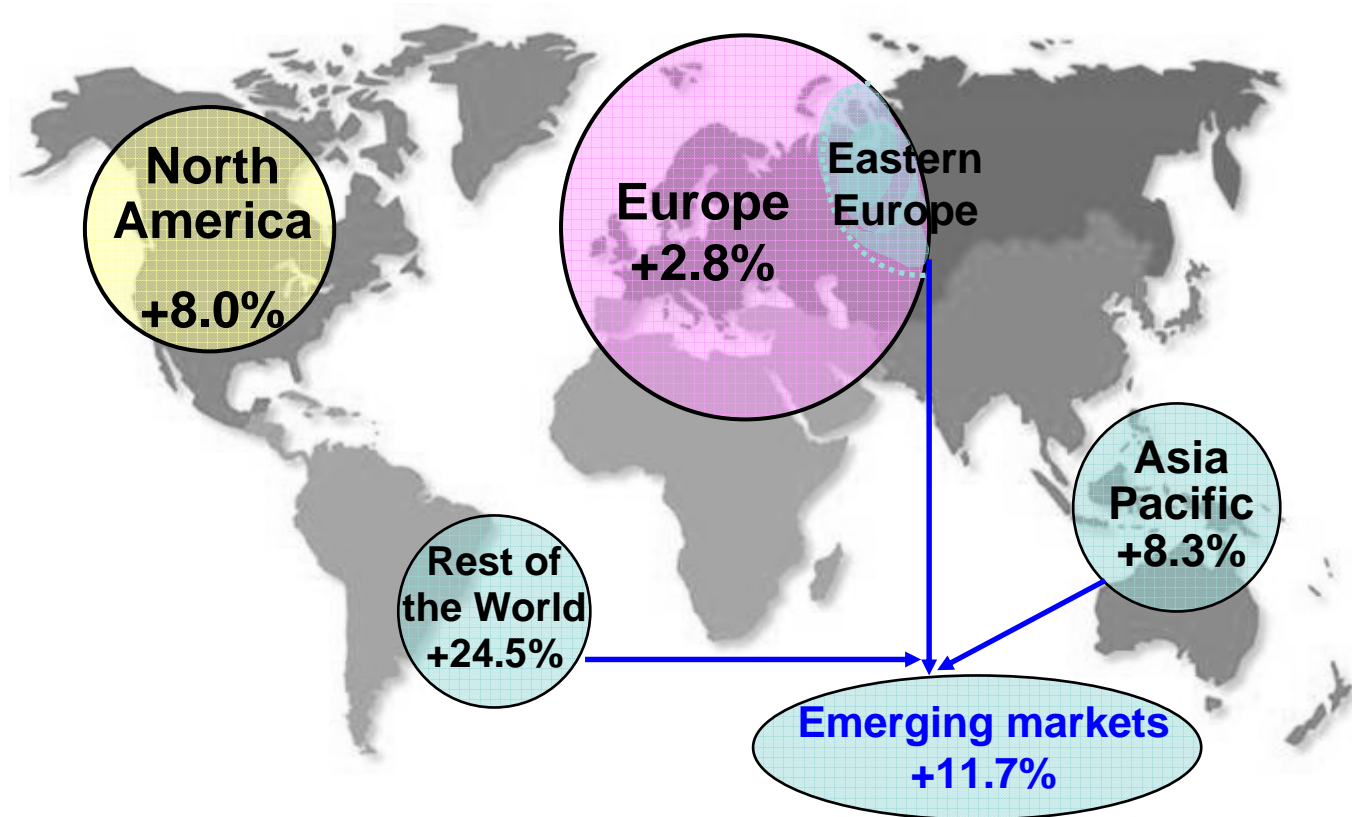
A very good first-half 2005 performance

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	€m	% change
Sales	5,399	8.5%
Operating Income	676	17.3%
Net Income	413	14.7%
Earnings per share (€)	1.90	17.6%



Sustained sales organic growth



Sales organic growth
in first half 2005: **+6.4%**



A strategy of selective acquisitions ...

.....

Strategic criteria

- Activities adjacent to our core businesses
- High growth potential
- Limited cycle sensitivity
- Significant potential in services

Operating criteria

- Leadership position: high-quality offering and strong brand names recognition
- Solid financial performances
- Integration capacity, potential of synergies

Financial criteria

- ROCE > WACC in 3 years



... to enlarge our accessible markets and increase our growth potential

Targeted businesses	Companies acquired	Sales (€bn)
Energy Management	MGE UPS Systems, PMI *	0.6
Automation Everywhere		
↳ Building	TAC, Andover Controls ABS EMEA *	0.7
↳ Industry	Digital Electronics, Elau Kavlico, BEI Technologies *	0.7
Ultra Terminal	Clipsal Pacifique Juno Lighting *	0.5

**Additional sales of €2.5 bn
of which €0.7 bn from services (30%)**



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 NOVARTIS

Flagship commercial achievements in first half 2005

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→ Total facility management solution for Novartis (Singapore)

- Contract for electrical distribution, building automation (TAC), secured power (MGE) and ultra terminal (Clipsal)



→ Maersk turns to MGE for secured power

- Complete project with medium and low voltage equipment following the Cadiz blackout



→ Metrovacesa, Spain's largest property company, trusts TAC

- Building automation contract for a 30,000 sq.m. business park in Barcelona



→ Ford chooses Unity for its latest diesel engine

- Comprehensive automation solution for the production line



→ The entire electrical installations of Cairo Airport

- Medium and low voltage equipment contract

growth

Excellent sales growth in second quarter 2005

Organic growth
+8.0%

- **Rebound** in **Asia**, especially China
- Continued very positive momentum in **North America**
- Still mixed trends in **Europe**
- Excellent performance in **Rest of the World**

Acquisitions
+3.7%

- Andover Controls
- Kavlico
- PMI, Elau

Currency effect
-1.5%

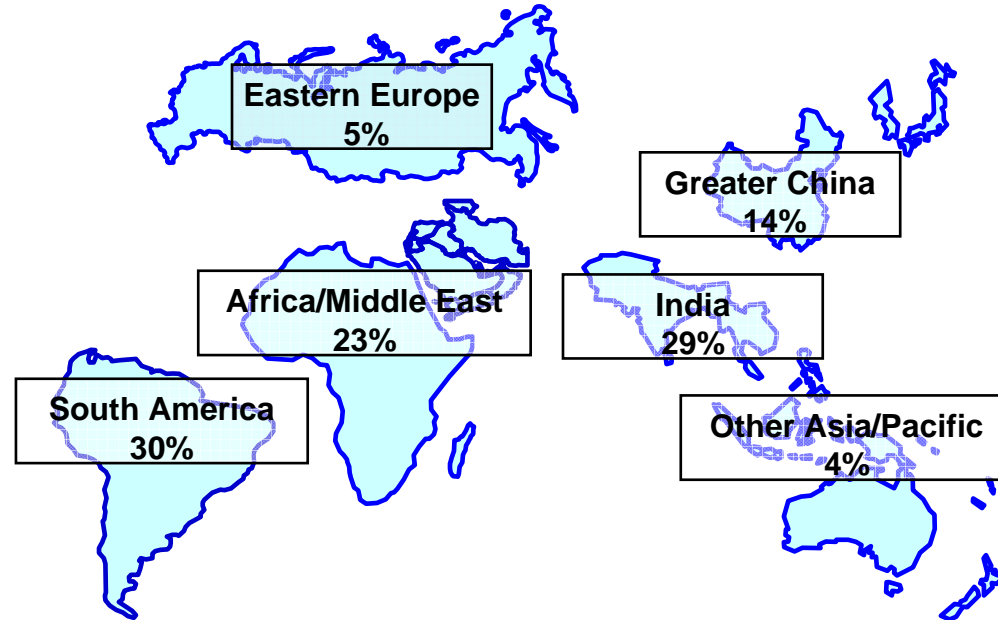
- Average rate €1.26 /\$ vs 1.20 in Q2 04

Sales growth
in second quarter 2005: **+10.2%**

new²

growth

Wide exposure and leading positions in emerging markets



- Early and sustainable **presence** despite crisis / risks
- Optimisation of market coverage through **local intermediaries**
- **Powerful offering adapted** to all standards and country's maturity



growth

Energetic development in new businesses



Ultra Terminal

- New products with increased **functionality** and **aesthetics** integrating radio-frequency control technologies
- Dedicated products for **offices** and **hospitals**
- New lineups in **France** (Altira) and **Mexico** (Unica)



Industrial Automation

- On-going success for the **Unity automation platform**: 3 Gorges Dam (China), Barcelona subway, Rolex (Switzerland)
- Launch of the **Altivar 71** speed drive

Services

- Creation of a **dedicated organisation** at Group level
- Implementation of growth plans for **installed base services** in Spain, China and the UK

new²



Energy management as a core priority

.....

→ A fast changing sector

- Decrease of available energy and rise of kwh price
- Deterioration of power grid quality and greater complexity



→ Reduce energy consumption

- Strong expertise for TAC: 200 energy performance contracts in the US and Scandinavia
- High growth potential in other countries
- Example: Carrefour contract in France with the objective to reduce energy consumption by 10% (test in 15 hypermarkets)



→ Increase energy efficiency

- Acquisition of PMI to complement PowerLogic
- Intelligent systems for analysis & control of energy consumption





Deployment of efficiency plans

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→ Rebalancing costs with revenues

- Five manufacturing sites closed in mature countries
- Launch of additional plans to optimize the manufacturing base in Europe
- Stepped-up plans for international sourcing

→ Logistics

- On-going rationalization of logistics centers

→ IT

- Outsourcing completed in Europe
- Specifications defined for the global IT system

→ Manufacturing excellence

→ Quality: Six Sigma





Action plans to develop our people

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- Develop **competencies**
 - Implementation of three-year **competencies plans**
 - Extension of **Schneider Electric University** programs through the creation of new institutes

- Reinforce **leadership behaviors**
 - Deployment of the **360°** for the top 100 managers

- **Attract** best talents
 - Enhancement of the **relationships with top schools** and **universities** through sponsoring by top managers

Schneider Electric **"Most Admired Knowledge Company"***
for its knowledge-sharing methodology





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First-half 2005 financial highlights

Sales
+8.5%

- Organic growth: **+6.4%**
- Acquisitions contribution: +3.5%
- Currency effect: -1.4%

Operating income
+17.3%

- + Effective sales growth
- + Sustained industrial productivity
- + Controlled base costs
- Higher raw material prices
- Unfavorable currency effect

Earnings per share
+17.6%

- Increase in net income: **+14.7%**
- Decrease of shares number: -2.5%



Strong growth in sales and earnings in first half 2005

(in €m)	H1 2004 French	H1 2004 IFRS	H1 2005 IFRS	% change
Sales	4,984	4,977	5,399	8.5%
Operating income	571	576	676	+17.3%
<i>Operating margin</i>	<i>11.5%</i>	<i>11.6%</i>	<i>12.5%</i>	<i>+0.9pt</i>
Net financial expense	(28)	(23)	(51)	nm
Income tax	(160)	(178)	(195)	+9.4%
Other	(15)	(15)	(17)	
Exceptional items	(38)	-	-	
Goodwill amortisation	(104)	-	-	
Net income	226	360	413	+14.7%
<i>Earnings per share</i>	<i>1.01</i>	<i>1.61</i>	<i>1.90</i>	<i>+17.6%</i>



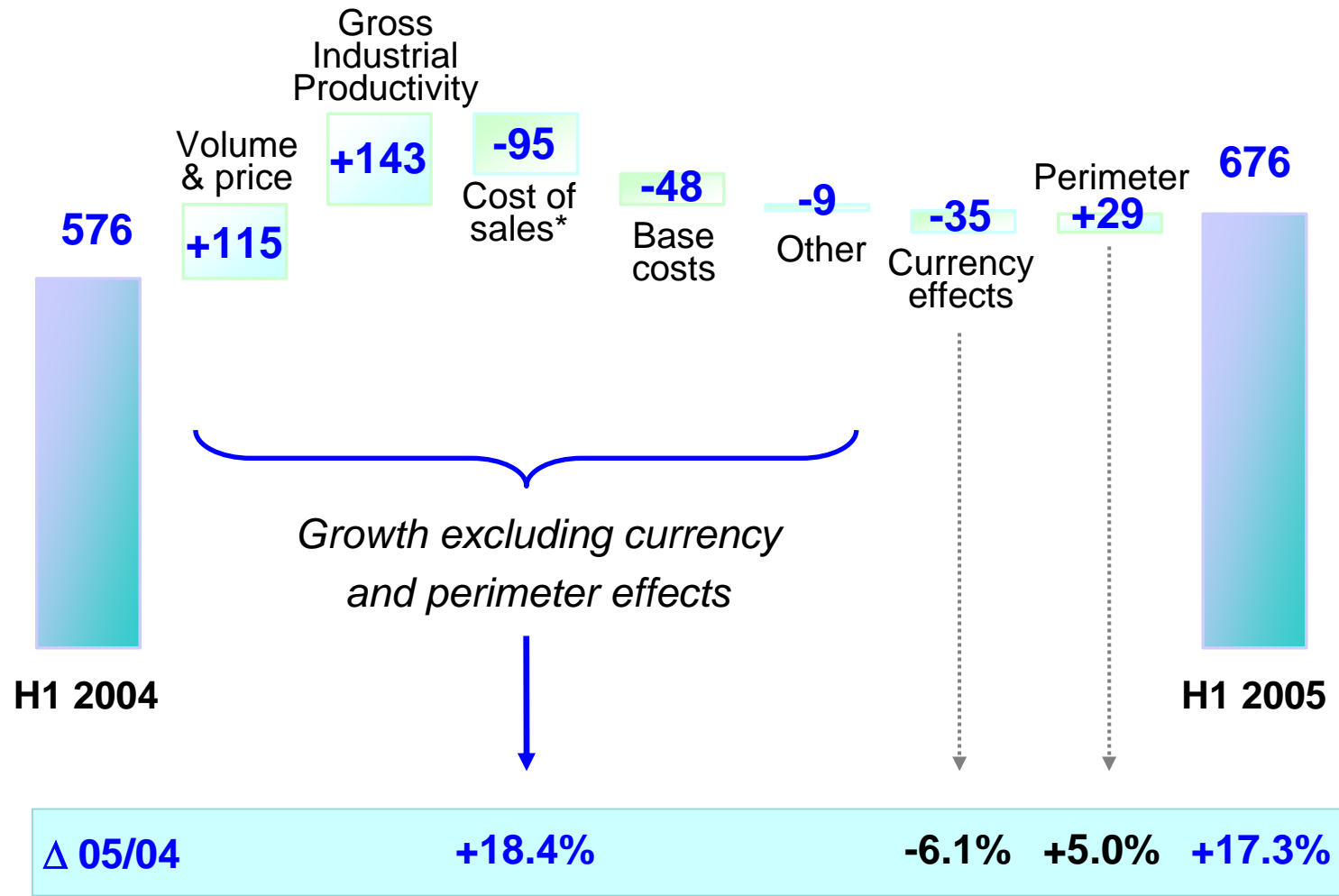
Limited aggregate impact of IFRS standards on operating income

(in €m)	H1 2004	H1 2005
Capitalized development costs	22	54
Amortization of development costs	-	(3)
Net impact of development costs	22	51
Restructuring costs	(38)	(47)
Impairment of goodwill	-	(10)
Cost of stock options	(4)	(8)
Other adjustments *	25	20
Aggregate impact on operating income	5	6
<i>Impact on operating margin</i>	<i>+0,1pt</i>	<i>+0,1pt</i>



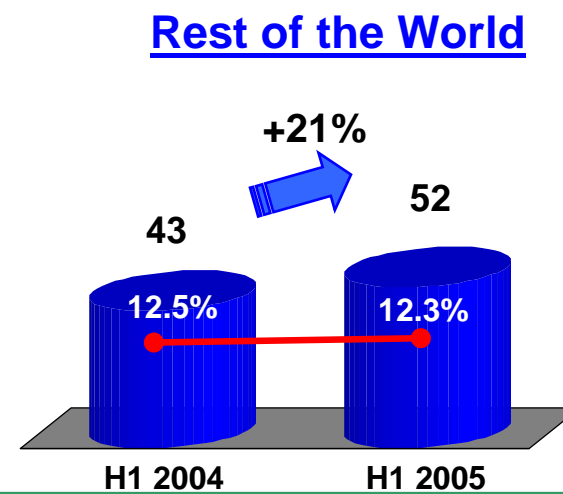
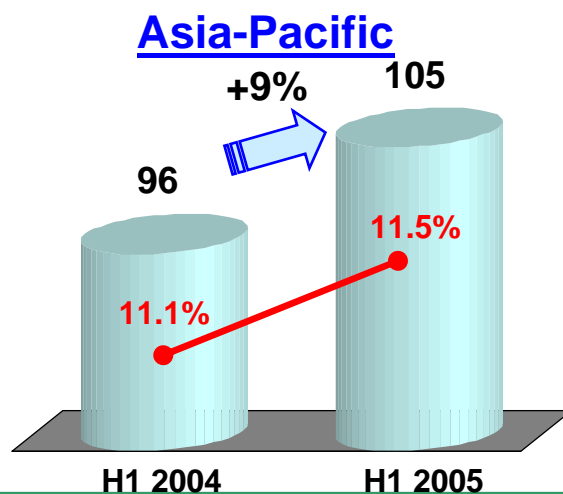
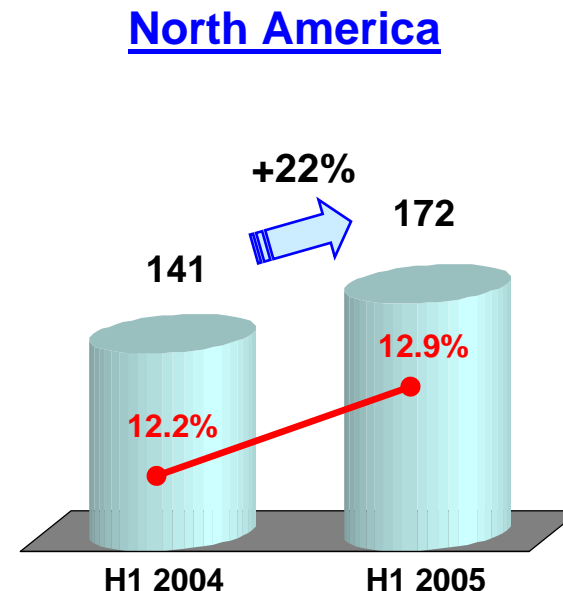
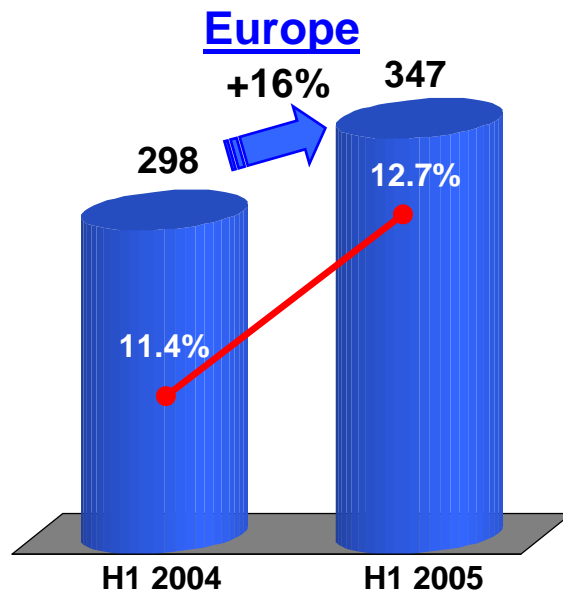
Strong organic growth in operating income: **+18.4%**

(in €M)





Strong rise in operating income in all regions





Solid cash generation

(IFRS figures in €m)

H1 2005

Net Debt at January, 1

(525)

Operating cash flow

629

Capital expenditure - net

(224)

Change in working capital

(277)

Free cash flow

128

Dividends and share buybacks

(497)

Acquisitions

(225)

Other

(48)*

Increase in net debt

(642)

Net debt at June, 30

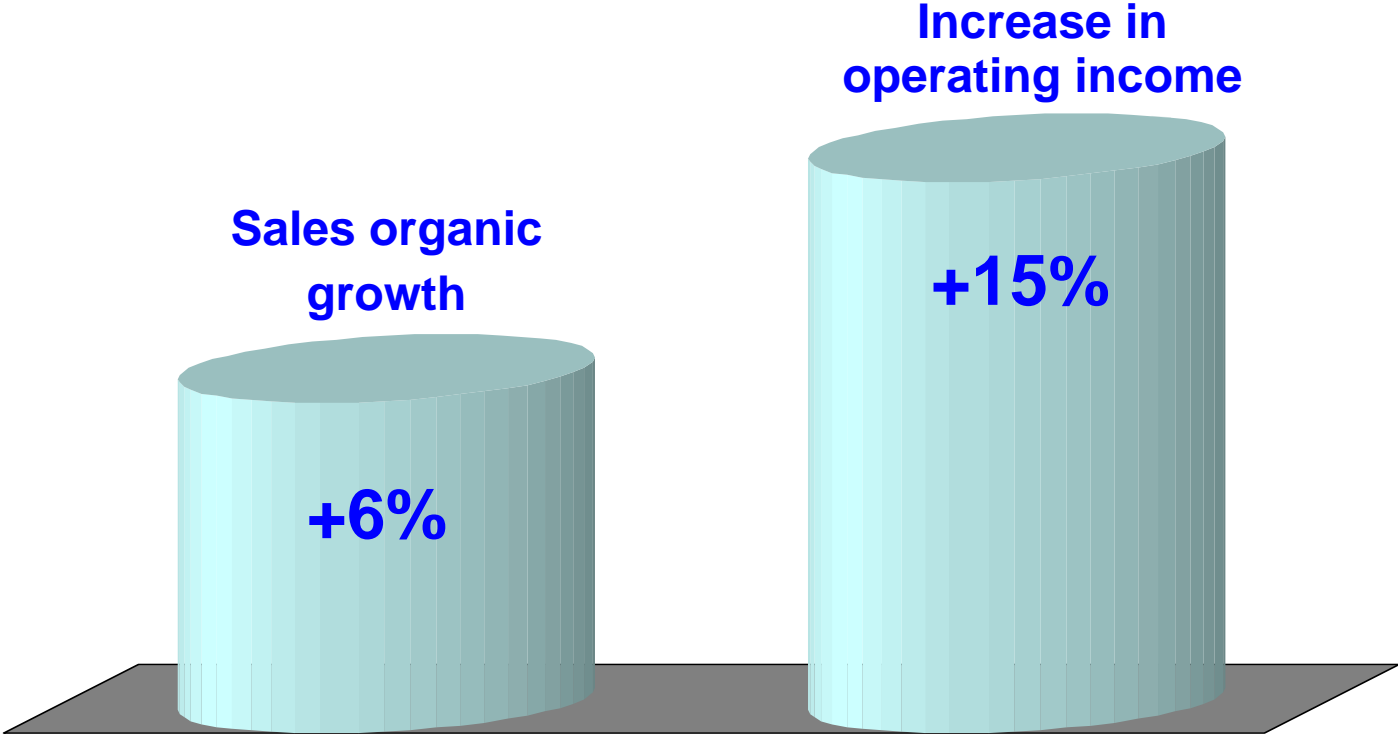
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2005 outlook

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Assuming current economic and currency conditions, we revise upward our objectives for 2005





Contacts and coming events

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October 20

3rd quarter 2005 sales

Conference call at 3:00 p.m

Building a New Electric World

