

Financial Information

Record Growth and Profitability in 2006:

↳ Organic Growth	+10.7%
↳ Operating Margin	14.6%
↳ Earnings Per Share	+30.5%

- Strong growth in sales (up 18%) and operating profit (up 28%)
- Improved operating margin (up 1.2 pt)
- Increase in proposed dividend by 33% at €3 per share
- Targets for the new² company program revised upwards:
organic growth above 6%
EBITA* margin between 13% and 15%
- APC acquisition completed, a major strength
for the Group's growth strategy

Rueil Malmaison, February 21, 2007 – Meeting on February 20, 2007, the Supervisory Board reviewed the financial statements for the period ended December 31, 2006 established by the Management Board on February 16, 2007.

(€millions)	2006	2005	Change
Sales	13,730	11,679	+18%
Operating income	2,001	1,565	+28%
Operating margin	14.6%	13.4%	+1.2pt
Net income	1,309	994	+32%
Earnings per share (€)	5.95	4.56	+31%
Return on capital employed**	11.7%	10.5%	+1.2pt

* EBITA = Operating Income before amortisation of purchase accounting intangibles

** After tax Operating Income / Capital Employed = Shareholders' equity + Net debt + Provisions



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Commenting on these results, Jean-Pascal Tricoire, Chairman of the Management Board and CEO of Schneider Electric, noted: “Schneider Electric has recorded strong sales and earnings growth for the third year in a row. Our growth strategy and our new² company program have allowed us to generate organic growth of 9% per year over the past three years, to achieve a record operating margin of 14.6% in 2006 and to double our operating income between 2003 and 2006. We are now half way through our new² company program and are fully confident in our ability to continue improving performance as of 2007 and to meet more ambitious targets.”

I. STRONG GROWTH IN SALES: UP 18%

Sales rose 17.6% on a current structure and exchange rate basis to **€13,730 million** in 2006. After two years of strong expansion, **organic growth reached a record 10.7%**. This performance reflects, in particular, the Group’s growing presence in high-growth emerging countries and investments in promising new businesses such as services and energy management.

Acquisitions — primarily ABS EMEA and IBS in Building Automation; Clipsal Asia, OVA and Merten in Ultra Terminal; BEI Technologies and Juno Lighting — contributed €800 million, or 6.9%, to sales. The currency effect had virtually no impact, reducing sales by €3 million, as the average dollar/euro exchange rate was stable in relation to 2005.

Sales growth by region was as follows:

(€millions)	Full year 2006	% change (constant)	Changes in scope of consolidation	Currency effect	% change (current)
Europe	6,402	+9.6%	+3.8%	+0.1%	+13.5%
North America	3,698	+7.5%	+13.8%	+0.0%	+21.3%
Asia-Pacific	2,514	+15.7%	+8.4%	-0.3%	+23.8%
Rest of the World	1,116	+17.6%	-0.6%	-0.4%	+16.6%
Total	13,730	+10.7%	+6.9%	+0.0%	+17.6%

II. STRONG GROWTH IN OPERATING INCOME: UP 28% RECORD OPERATING MARGIN: 14.6%

Operating income increased again in 2006, rising a strong **28%** to **€2,001 million**. On a constant structure and exchange rate basis, operating income rose **21%** on organic sales growth of 10.7%:



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- Record sales growth generated a strong volume effect.
- In addition, the Group demonstrated its strong ability to increase prices, lifting sales by €141 million or 1.2%. This offset much of the €227 million increase in raw material costs.
- Efficiency plans again generated significant industrial productivity gains, of €307 million. Representing 4.5% of the products' cost of sales, these gains stemmed from purchasing savings and plans to rebalance production geographically.
- Selling, administrative and general expenses were kept under control.

As with sales, the currency effect had virtually no impact on operating income. Acquisitions added €103 million, or 7%.

Operating margin widened by **1.2 point** compared to 2005 to a record **14.6%**, exceeding the new² company program's target of 12.5%-14.5% for 2005-2008.

All regions (Europe, North America, Asia-Pacific and Rest of the World) and businesses (Electrical Distribution, Automation & Control and Critical Power) reported a strong growth in operating income.

III. GROWTH IN NET INCOME: UP 32% IMPROVEMENT IN CAPITAL EMPLOYED: UP 1.2 point

Net income also increased strongly, by **32%** to **€1,309 million**, reflecting good interest expense management while net debt increased sharply and a 0.6 point decrease in the effective tax rate to 28.5% from 29.1%. Earnings per share rose **31%**, in tandem with net income, to **€5.95**.

At the Annual Meeting on April 26, 2007, shareholders will be asked to approve a **dividend** of **€ 3** per share (up **33%** from the year before), payable in cash on May 2, 2007.

Operating cash flow totaled **€1,921 million** and represented **14.0%** of sales. After changes in working capital and net investment, **free cash flow** rose **30%** to **€1,107 million**.

In light of the high level of free cash flow generated in 2006, it was decided to limit the amount of the announced share issue with pre-emptive subscription rights to €1 billion.

Return on capital employed increased by **1.2 point** to **11.7%** thanks to tight control over capital employed, which rose by only 15% during a period of strong business and earnings growth.



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IV. UPDATE ON THE NEW² COMPANY PROGRAM

With its new² company program, Schneider Electric has set ambitious targets for **Growth, Efficiency** and **People**.

Growth Plans

- Expand Schneider Electric's geographic coverage and positions in emerging countries. In 2006, the percentage of sales from emerging countries rose to 31% from 18% in 2001.
- Accelerate the introduction of new products by stimulating innovation. R&D capabilities have been deployed in emerging countries and a new center Electropole has been opened in Grenoble, France.
- Develop new, less cyclical businesses with high growth potential. The percentage of Group sales from these businesses has doubled in the past five years, to 42% in 2006 from 21% in 2001. Over the past two years, sales from services and energy management have notably increased by 15% and 16%, respectively.

Efficiency Plans

- Rebalance production costs with sales. The proportion in emerging countries grew to 28% of the total in 2006 from 18% in 2004 thanks to the slightly above-target rebalancing of €529 million in production costs over two years.
- Optimize the supply chain. Logistics costs have declined by 0.8 point of sales in two years, in line with target..
- Pursue other productivity plans. Lean Manufacturing and Six Sigma plans have been deployed.

People Plans

- Ensure employees' health and safety.
- Enhance competencies and unleash entrepreneurial spirit through development plans and systematic training.
- Reinforce the diversity of teams.



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The new² company program has produced excellent results in 2005-2006, including:

- Average **organic sales growth** of **9.3%** over the two years, significantly higher than the initial target of 5%.
- **Operating margin** of **14.6%** in 2006, higher than the initial target of 12.5%-14.5% and up 2.2 points from 2004.
- A 2 point increase in **return on capital employed** between 2004 and 2006, in line with the target of a 2 to 4 point improvement over four years.

V. NEW² COMPANY PROGRAM'S FINANCIAL TARGETS REVISED UPWARDS

In light of the success of the new² company program's action plans, Schneider Electric has set new financial targets for 2007-2008. These include:

- Average **organic sales growth above 6%** per year, thanks in particular to the additional growth provided by APC,
- **EBITA margin** between **13% and 15%**, for a potential improvement of 1 to 1.5 point* in an equivalent economic environment,
- A **2 point*** increase in **return on capital employed**.

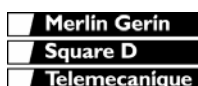
VI. ACQUISITION OF APC COMPLETED

The acquisition of APC, the world leader in Critical Power and Cooling Services, was announced on October 30, 2006 and completed on February 14, 2007.

The **Critical Power and Cooling Services** market is in the midst of strong and lasting growth driven by the increased demand for high-quality, reliable power in a growing number of applications. APC is the world leader in this market, with 2006 sales of \$2.4 billion, up 20% from 2005. APC has demonstrated significant growth potential over the past several years.

In the **fourth quarter of 2006**, APC reported a 24% increase in sales to \$718 million, confirming the momentum of its business. At the same time, operating income climbed 86% to \$65 million before non-recurring items in a clear sign of improved performance.

* Compared to 2006 proforma including APC (EBITA: 13.7% and ROCE: 9.3%)



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APC offers a **strong fit** with Schneider Electric subsidiary MGE UPS Systems in terms of products, services, geographical exposure and sales channels, plus the possibility of capitalizing on its powerful innovation capabilities. Moreover, the combination will generate **significant synergy**, estimated at \$220 million. Lastly, it will strengthen Schneider Electric's global leadership in Electrical Distribution.

"The APC acquisition was completed according to schedule," explained Jean-Pascal Tricoire, Chairman of the Management Board and CEO. "We have created a Critical Power & Cooling Services Business Unit that combines APC's resources with those of MGE UPS Systems. The Business unit is already operational, and its people are ready for action, under a single management team. We confirm the targets set when the transaction was announced."

First-quarter 2007 sales will be released on April 19, 2007.

Schneider Electric: Giving the best of the New Electric World to everyone, everywhere, at any time

Schneider Electric is the world's power and control specialist. Through its world-class brands, Merlin Gerin, Square D and Telemecanique, Schneider Electric anticipates and satisfies its customers' requirements in the residential, building, industry and energy and infrastructure markets. With 105,000 employees and operations in 190 countries, Schneider Electric generated sales of €13.7 billion in 2006 through 13,000 distributor outlets.



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