

Action no. 30

Letter to Schneider Electric shareholders



Schneider
Electric



Emerging
countries

+



Energy
management

+



Efficiency

+



Employee
commitment

=

Creating value for shareholders

Dear Shareholder,

Schneider Electric achieved a key year in 2007. We have set new growth and earnings records, with sales up 26% at €17.3 billion and an EBITA (1) margin up 1.2 points (2) at 14.8%. After ten months within the Group, APC, acquired in February 2007, posted results clearly above the business plan, thanks notably to its successful integration with MGE.

Schneider Electric's excellent performance in 2007 demonstrates the success of new²'s action plans as the Company Program draws into its final year. Business repositioning in more promising, less cyclical markets have led to a structural improvement in the Group's growth potential. Schneider Electric now generates 32% of its sales in emerging countries and 20% in energy efficiency, where we benefit from a unique positioning. We are ready to serve the rising demand for optimised energy consumption driven by higher energy costs and fast-changing regulations on CO₂ emissions.

The 2007 acquisition of APC contributed greatly to the successful shift in our growth profile, particularly in the area of energy efficiency. Our new APC-MGE business unit is a leader in critical power and cooling services, backed by a diversified portfolio and innovative technologies. Thanks to its recognised expertise and its synergy with Schneider Electric's overall line-up, APC-MGE is able to offer comprehensive solutions to address the growing issue of energy efficiency for critical applications, notably in the high potential data centre market.

The Management Board is confident in Schneider Electric's growth prospects. At the next Shareholders' Annual Meeting, it will recommend a dividend of €3.30 per share, payable in cash as from 30 April 2008, for a payout ratio of 50%.

Jean-Pascal Tricoire
Chairman of the
Management Board and CEO

(1) EBITA = EBIT before amortisation of purchase accounting intangibles

(2) Pro forma including APC data over 10.5 months in 2006

Understand



New APC-MGE Business Unit successfully integrated

> The challenges of the critical power and cooling services market

World energy consumption is expected to grow by 30% between now and 2020, fuelled in particular by rising needs in emerging countries. No matter how much is invested in generation capacity, demand will not be met. In addition, from data centres to hospitals to stock markets, an increasing number of critical applications cannot tolerate the slightest fluctuation in current quality—not to mention a highly damaging and costly power outage. At present, 72% of these critical applications undergo more than nine hours of power downtime in a year. Because one hour without electricity can cost up to several million euros, these applications need integrated, high performance energy management and cooling solutions.

Critical power and cooling services addresses the concerns of a growing customer base that wants a safe, reliable and uninterrupted power supply at all times. This market, with its highly attractive growth prospects, comprises several very vibrant sectors, including industrial processes and infrastructure (hospitals, microelectronics, oil and gas and mining), data centres (Internet services, professionals), net

works (servers, storage and archiving) and desktop/mobile professionals (computers and audiovisual equipment).

Data centres and enterprise networking are the largest in size (\$8.8 billion and \$7.3 billion, respectively) and are experiencing exponential growth. By 2010, there should be some 45 million servers worldwide—nine times more than in 1996. This will lead to a substantial increase in electrical consumption for their operation and cooling, to prevent overheating. Already, electricity accounts for 48% of IT budgets, and consumption is expected to rise 54% in the next four years. With the acquisition of APC and the world's most energy efficient line-up, Schneider Electric offers unparalleled expertise and comprehensive solutions for delivering ultra-pure, uninterrupted power at all times.

> A clear, ambitious strategy for the new Critical Power & Cooling Services Business Unit

In February 2007, Schneider Electric brought together the operations of APC and MGE UPS Systems to form the new Critical Power & Cooling Services Business Unit.



Schneider Electric receives 2007 Global Data Center Solutions Company of the Year award

Consulting firm Frost & Sullivan has recognised Schneider Electric and its Critical Power & Cooling Services BU as the best supplier of global data centre solutions in 2007.

The award was based on a number of criteria, including market share growth, product quality, production capacity, technological competencies and distribution network efficiency.

It rewards the Group for its excellence in critical power and cooling solutions for data centres and its expertise in identifying current and emerging needs and introducing innovative strategies in a competitive environment.



• A new diversified portfolio

A facility that needs a critical power and cooling system also needs electrical distribution, access control and air conditioning solutions. By combining APC and MGE UPS Systems' products with Schneider Electric's electrical distribution and automation line-up, we have devised a comprehensive set of solutions that uniquely position the Group in the global marketplace and allow us to fully benefit from growth opportunities in critical power and cooling.

These solutions feature leading-edge integrated critical power and cooling systems and cover architecture design, installation audits, online monitoring and analysis, training and maintenance.

• Innovative technology

APC-MGE invests heavily in research, both financially and in people terms. Nearly 8% of its workforce, or 900 employees, are involved in R&D. The Business Unit leverages this capacity to help customers meet the unprecedented challenges related to power supply, cooling and energy management by designing new concept, open-ended installations.

• Global operations with key positions in emerging countries

With operations in 160 countries, the Critical Power & Cooling Services Business Unit has 11,500 employees. More than half are in emerging countries, giving the BU the resources to meet strong local demand. These countries account for 30% of revenue at present.

> Excellent financial performance

Thanks to the rapid integration APC's and MGE UPS Systems' resources and APC's spectacular turnaround, the Critical Power & Cooling Services Business Unit has turned in an excellent financial performance in record time and achieved considerable synergy.

The Business Unit reported sales of \$3,520 million and strong organic growth of 14% in 2007. By 2009, Schneider Electric anticipates annual organic growth of between 11% and 13% for Critical Power & Cooling Services and sales of \$4,300-\$4,500 million.

In addition, the initial impact of operating efficiency and cost reduction plans is already being felt. These include terminating a certain number of non-profitable product lines and optimising the supply chain and support functions. Such moves have helped APC-MGE stage a remarkable margin recovery. EBITA before non-recurring expenses ⁽¹⁾ totalled \$440 million in 2007, more than double the 2006 figure, for a margin of 12.5% versus 6.9% the year before.

The APC acquisition has made Schneider Electric world leader in the very promising critical power and cooling market, tripling its business in an area that now accounts for 14% of consolidated sales. The Group has also considerably expanded its product portfolio and accessible market while enhancing its presence in less cyclical segments such as infrastructure and data centres. ■



To find out more, go to www.apc-mge.com

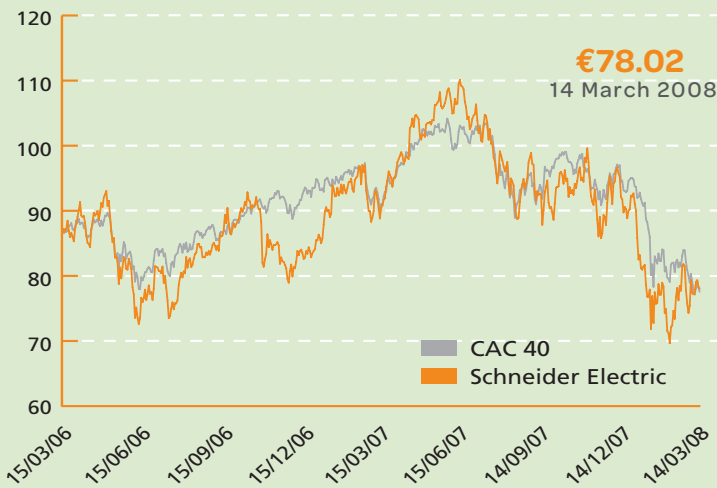
¹ Before restructuring costs and non-recurring items in an amount of \$38 million in 2007 (\$59 million in 2006)

Your Group

Shareholder agenda

➤ Coming events

Schneider Electric share price/CAC 40 Index



> Shares outstanding :
245,303,414

> Market capitalisation:
€19.1 billion

- 1 April 2008
Shareholders' meeting in Nantes, France
- 21 April 2008
 - First-quarter 2008 sales
 - Annual Shareholders' Meeting (CNIT Paris la Défense)
- 30 April 2008
Dividend payment
- 10 June 2008
Shareholders' meeting in Lille, France

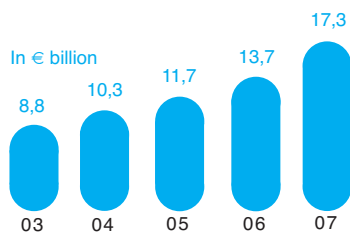
- 1 August 2008
 - Interim financial results
 - Second-quarter 2008 sales

- 22 October 2008
Third-quarter 2008 sales

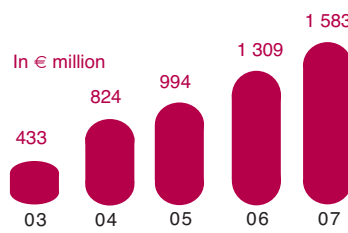
- 18 November 2008
Shareholders' meeting in Nice, France

> Record growth and earnings in 2007

+ 26 % Consolidated sales



+ 21 % Net income



2007 was a key year for two reasons. First, Schneider Electric set new operating performance records. Annual sales, up 26%, have doubled over the past four years; organic growth reached an unprecedented record at 13.9%,

greatly exceeding growth in our end markets; and net income grew by a strong 21%. Second, we successfully integrated APC, which has lifted its margin close to the Group average while generating sustained growth. ■

If you have questions or suggestions, please let us know!

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