

Financial Information

Excellent results in first-half 2006

⇒ Sales	up 22%
⇒ Operating income	up 40%
⇒ Net income	up 46%

- **Record organic sales growth: up 11.3%**
- **Historically high operating margin of 14.3%, up 1.8 point**
- **Significant increase in return on capital employed: up 1.3 point**
- **Continued successful deployment of the new² company program and selective strategy of acquisitions**
- **2006 outlook revised upwards**

Rueil Malmaison, July 28, 2006 – Meeting on July 27, 2006, the Supervisory Board reviewed the financial statements for the period ended June 30, 2006 established by the Management Board on July 25, 2006.

(€million)	First-half 2006	First-half 2005	% Change
Sales	6,586	5,399	+22%
Operating income	944	676	+40%
Operating margin	14.3%	12.5%	+1.8pt
Net income	604	413	+46%
Earnings per share (€)	2.75	1.90	+45%

Commenting on the results, Jean-Pascal Tricoire, Chairman of the Management Board and CEO, noted: “Schneider Electric posted excellent results in terms of growth and profitability in first-half 2006. Our strong commitment to new² program’s action plans are driving operating and financial results above expectations faster than planned. Growth has significantly accelerated in first half, confirming that investments in our growth model are paying. We will continue to deploy this model based on an active geographic expansion, innovative products launches and new businesses’ integration, in order to offer more comprehensive solutions and best-in-class services to our customers”.



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I. SUSTAINED PACE OF GROWTH IN ALL REGIONS

Schneider Electric's reported **sales** amounted to **€6,586 million** in **first-half 2006**: on a current structure and exchange rate basis, it rose a strong **22.0%** compared to the same period in 2005.

Acquisitions – primarily ABS EMEA, Juno Lighting, BEI Technologies and Clipsal Asia — contributed a significant €433 million, or 8% of sales growth. The currency effect was positive, increasing sales by €131 million or + 2.7%, due to the euro's relatively high exchange rate in first-half 2005 in relation to the rest of the year.

On a constant structure and exchange rate basis, sales rose a record **11.3%** in first-half 2006 compared to first-half 2005, thanks to a sustained pace of growth in all regions.

(€million)	Sales 1 st Half 2005	% change 1 st Half constant	Sales 2 nd Quarter 2005	% change 2 nd Quarter constant
Europe	3,067	+8.6%	1,578	+7.2%
North America	1,818	+10.1%	927	+8.2%
Asia-Pacific	1,167	+16.2%	635	+14.9%
Rest of the World	534	+21.2%	266	+14.5%
Total	6,586	+11.3%	3,406	+9.4%

In the **second quarter 2006**, sales increased by a strong **9.4%** on a constant structure and exchange rate basis, to **€3,406 million**. Adjusted for seasonal variations, growth was on a par with the first quarter, with sales continuing to benefit from a very favorable trend in all markets.

In Europe, the upturn in capital spending continued, notably in industry. Operations in all countries of Western Europe have enjoyed solid, sustained growth since last summer. Demand remained excellent in Eastern Europe.

In North America, the boom in non-residential building amply offset leveled-off demand in the residential market.

The Group recorded strong sales growth in both Asia-Pacific and the Rest of the World. Thanks to its extensive geographic coverage and high-quality local operations, Schneider Electric is well positioned to take advantage of any growth opportunities offered by a promising environment in these regions.

Rising customer demand worldwide for energy management solutions and services also contributed to growth. Schneider Electric is able to meet this demand through its unique lineup of products and services, expanded by a selective acquisitions strategy.

The Group pursued this strategy in first-half 2006, enhancing its position as world number two in ultra terminal by acquiring AEM SA, OVA, Merten and full control of Clipsal Asia, and broadening its presence in building automation by acquiring IBS.



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II. STRONG GROWTH IN OPERATING MARGIN TO 14.3%

Record sales growth, coupled with the ongoing impact of efficiency plans, drove a spectacular **40%** increase in **operating income** in first-half 2006 from the year-earlier period. In the past three years, Schneider Electric has managed to double its operating income to **€44 million**.

Excluding the effects of changes in perimeter and exchange rates, operating income rose **26%** on organic sales growth of 11.3%. This reflects:

- A particularly strong volume effect during the period, amplified by the impact of a gradual increase in selling prices.
- Gross industrial productivity gains of **€148 million**, equivalent to **4.6%** of production costs, which offset the rise in raw material costs.
- Good control over selling and administrative base costs.

Acquisitions added **€57 million** to operating income, with an operating margin close to the Group average, whereas the currency effect had a positive impact of **€35 million**.

The **operating margin** rose strongly by **1.8 point** in first-half 2006 compared to the same period in 2005, reaching a level of **14.3%**.

III. STRONG GROWTH IN NET INCOME

Financial costs showed a moderate increase given the significant rise in net debt. Debt to equity stood at 27% at June 30, 2006, compared with 21% at the end of 2005.

With an effective tax rate of 29.8% (vs 30.7% in the year-earlier period), **net income** surged **46%** to **€604 million** in first-half 2006. **Earnings per share** rose to **€2.75** from **€1.90** in first-half 2005.

IV. SIGNIFICANT INCREASE IN RETURN ON CAPITAL EMPLOYED

Thanks to measures taken in the operating units, operating working capital requirements declined noticeably over the past 12 months to 20.8% of sales from 23.3%. And this despite the fact that the Group had to address sharply higher business levels and the deployment of plans to rebalance production at the same time.

Strict management of capital employed, which rose only 19% over the past 12 months – compared to an operating income increase of 32% over the same period - fed through to a significant **1.3 point** increase in **return on capital employed*** to **11.3%**. Computed on EBITDA basis, the return on capital employed is 14.4%, up 2.2 points.

Operating cash flow totaled **€24 million**, up **47%** on a par with net income, and represented a historically high 14.0% of sales versus 11.6% in first-half 2005.

**After tax operating income / shareholders' equity + net debt + provisions*



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V. OUTLOOK FOR 2006

Assuming current economic and currency conditions, Schneider Electric has revised upwards its targets for 2006:

- Organic **sales** growth of around **9%**.
- Increase in **operating income** of around **25%**.

Third-quarter sales will be released on October 24, 2006.

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 92,000 employees and operations in 130 countries, Schneider Electric generated sales of €11.7 billion in 2005 through 13,000 distributor outlets.

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Appendix



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Second-Quarter 2006 sales by geographical region were as follows:

(€million)	Sales 2 nd Quarter 2006	% change 2 nd Quarter constant	Perimeter effect	Currency effect	% change 2 nd Quarter current
Europe	1,579	+7.2%	+4.3%	-	+11.5%
North America	927	+8.2%	+18.3%	+2.4%	+28.9%
Asia – Pacific	635	+14.9%	+7.3%	+1.6%	+23.8%
Rest of the World	265	+14.5%	+0.7%	+1.9%	+17.1%
Total	3 406	+9.4%	+8.1%	+1.0%	+18.5%

Breakdown of total first-half sales by geographic region:

(€million)	Sales 1 st Half 2006	% change 1 st Half constant	Perimeter effect	Currency effect	% change 1 st Half current
Europe	3,067	+8.6%	+3.7%	-	+12.3%
North America	1,818	+10.1%	+20.0%	+6.3%	+36.4%
Asia – Pacific	1,167	+16.2%	+6.6%	+4.4%	+27.2%
Rest of the World	534	+21.2%	+1.0%	+3.7%	+25.9%
Total	6 586	+11.3%	+8.0%	+2.7%	+22.0%



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