



## Financial Information

### Strong Growth in First-Half 2005 Results

**Sales: +9%**

**Operating Income: +17%**

**Net Income: +15%**

- High organic growth in sales: +6.4%
- Significant improvement in operating margin: +0.9pt
- Successful launch of the new<sup>2</sup> company program
- Ongoing geographic repositioning and continued strategy of selective acquisitions
- 2005 outlook revised upwards

(Rueil Malmaison – July 29, 2005) – The Board of Directors, chaired by Henri Lachmann, met on July 28, 2005 to examine the first half financial statements ended June 30, 2005.

IFRS figures in €millions	First Half 2005	First Half 2004	Change
Sales	5,399	4,977	+8.5%
Operating income	676	576	+17.3%
Operating margin	12.5%	11.6%	+0.9 pt
Net income	413	360	+14.7%
Earnings per share	1.90	1.61	+17.6%

Commenting on the results, Henri Lachmann, Chairman and Chief Executive Officer, commented: "Thanks to its efficient repositioning in emerging markets and new businesses, Schneider Electric continues to generate high sales growth. This growth, combined with stepped-up deployment of our efficiency plans, has driven a new strong increase in our half-year 2005 financial results, building on an already remarkable performance in 2004. The successful launch of the new<sup>2</sup> company program and the strong resonance with all our employees give us confidence in Schneider Electric's ability to deliver growth and create wealth."



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## Financial Information (p. 2)

### I. SUSTAINED VERY POSITIVE MOMENTUM IN NORTH AMERICA, VERY GOOD PERFORMANCE IN EMERGING MARKETS.

Schneider Electric's **sales** for the **first half** of **2005** amounted to **€5,399 million**, a strong growth of **+8.5%** over first half 2004 at current structure and exchange rates.

Acquisitions – Kavlico, Andover Controls, Elau and PMI – contributed a significant €172 million to first-half sales (+3.5%). Currency effects remained negative at €70 million (-1.4%).

On a constant structure and exchange rate basis, sales were up a strong **+6.4%** in first-half 2005 over first-half 2004, led by the sustained very positive momentum in North America and a very good performance in emerging countries.

Sales change by geographical region were as follows:

(€millions)	Sales 1 <sup>st</sup> Half 2005	% change 1 <sup>st</sup> Half constant	Sales 2 <sup>nd</sup> Quarter 2005	% change 2 <sup>nd</sup> Quarter constant
Europe	2,725	+2.8%	1,415	+4.7%
North America	1,333	+8.0%	718	+8.9%
Asia – Pacific	917	+8.3%	513	+11.2%
Rest of the World	424	+24.5%	227	+21.5%
<b>Total</b>	<b>5,399</b>	<b>+6.4%</b>	<b>2,873</b>	<b>+8.0%</b>

In the **second quarter 2005**, sales amounted to **€2,873 million**, an **+8.0%** gain at constant structure and exchange rates, favored by the reversal of the negative seasonal effect seen in the first quarter in Europe and high billings in the Rest of the World.

Sales growth remained strong in North America: thanks to its successful sales actions, Schneider Electric is fully benefiting from a favorable economic environment.

Restated for seasonal effects, growth was higher in Europe than in the first quarter, due primarily to an upturn in business in Eastern Europe, where sales rose 10% in the second quarter after a difficult start this year. The trend improved slightly in Western Europe, with mixed performances depending on countries.

The Asia – Pacific region came back to a high level of growth, in line with targets. Second quarter sales rose by more than 20% in China, as a confirmation of return to normal levels, started in March following a weak January and February.

In the Rest of the World, Schneider Electric leveraged its forefront positions to achieve an excellent performance, fueled by high investments in a buoyant oil and mining market.



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### II. STRONG INCREASE IN OPERATING INCOME LED BY ORGANIC GROWTH

**Operating income** surged **+17.3%** to **€676 million** in the **first half 2005**. This growth is driven essentially by organic growth and comes on the heels of a 30% year-on-year increase in 2004 compared to 2003, making for a gain of more than 50% over the past two years.

Excluding the effects of changes in perimeter and exchange rates, operating income rose **+18.4%** in the first-half 2005 thanks to:

- Strong business growth, combined with effective price management,
- **€143 million** in gross industrial productivity gains representing **4.8%** of costs of sales, up +0.5 point from first half 2004, offsetting therefore the rise in raw material costs,
- Tight control over selling and administrative base costs.

The currency effects reduced operating income by **-€35 million**, while acquisitions added **+€29 million**, with a higher margin than the Group average.

The application of International Financial Reporting Standards (IFRS) had a limited aggregate impact of **€6 million** on operating income in first-half of 2005, compared with **€5 million** in first-half of 2004.

The **operating margin** widened by **+0.9 point** to **12.5%**.

### III. SIGNIFICANT INCREASE IN NET INCOME AND EARNINGS PER SHARE

Taking into account higher interest expense stemming from the increase in net debt, **net income** rose **+14.7%** in first-half 2005, to **€413 million**.

**Earnings per share** increased by a significant **+17,6%** to **€1.90** in first-half 2005 compared to first-half 2004, reflecting higher net income and a -2.5% decrease in the average number of shares outstanding following share buybacks.

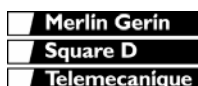
**Operating cash flow** climbed **+8.4%**, in line with sales, to **€629 million** and represented 11.6% of sales.

### IV. CONTINUED ACQUISITIONS STRATEGY

Schneider Electric pursued its strategy of selective acquisitions to enlarge its accessible markets and enhance its growth potential:

- Power Measurement Inc in energy management,
- ABS EMEA in building automation,
- US-based Juno Lighting in downlighting fixtures,
- BEI Technologies in customized sensors.

These acquisitions represent an investment of **€1.3 billion** based on enterprise value.



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### V. DECISIONS FROM THE BOARD OF DIRECTORS

The Board of Directors has approved the launch of a bond issue, to optimize the maturity length of the debt and reduce its cost.

The Board of Directors has appointed Cathy Kopp as a non-voting Director. The appointment of Ms. Kopp as Director will be proposed to the shareholders at the next Annual Meeting.

Ms. Kopp is Human Resources General Manager at Accor. She previously served as Vice President, Human Resources, Storage Systems Division at IBM Corp and Chairman and CEO of IBM France.

### VI. OUTLOOK FOR 2005

Assuming current economic and currency conditions, Schneider Electric has revised upwards its targets for 2005:

- Organic **sales growth of 6%**, versus a previous target of 5-6%.
- An increase of **15% in operating income**, versus a previous target of 10%.

\*\*\*\*\*

Third quarter sales will be released on October 20, 2005.

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

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## Financial Information (p. 5)

### Appendix

Second-Quarter 2005 sales by geographical region were as follows:

(€millions)	Sales 2 <sup>nd</sup> Quarter 2005	% change 2 <sup>nd</sup> Quarter constant	Perimeter effect	Currency effect	% change 2 <sup>nd</sup> Quarter current
Europe	1,415	+4.7%	+1.2%	-0.2%	+5.7%
North America	718	+8.9%	+13.1%	-5.4%	+16.6%
Asia – Pacific	513	+11.2%	+0.2%	-1.2%	+10.2%
Rest of the World	227	+21.5%	+0.0%	-0.0%	+21.5%
<b>Total</b>	<b>2,873</b>	<b>+8.0%</b>	<b>+3.7%</b>	<b>-1.5%</b>	<b>+10.2%</b>

Breakdown of total first-half sales by geographic region:

(€millions)	Sales 1 <sup>st</sup> Half 2005	% change 1 <sup>st</sup> Half constant	Perimeter effect	Currency effect	% change 1 <sup>st</sup> Half current
Europe	2,725	+2.8%	+0.9%	+0.3%	+4.0%
North America	1,333	+8.0%	+12.6%	-5.1%	+15.5%
Asia – Pacific	917	+8.3%	+0.3%	-2.0%	+6.6%
Rest of the World	424	+24.5%	+0.0%	-0.1%	+24.4%
<b>Total</b>	<b>5,399</b>	<b>+6.4%</b>	<b>+3.5%</b>	<b>-1.4%</b>	<b>+8.5%</b>



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