

Financial Press Release

**A key year for Schneider Electric:
Record growth and earnings in 2007
Successful integration of the new APC-MGE business unit**

⇒ **Sales:** €17.3 bn (up 26%)
⇒ **EBITA margin:** 14.8% (up 27%)
⇒ **Free cash flow:** €1.5 bn (up 38%)

- **Record organic sales growth of 13.9%**
- **EBITA margin up 1.2 pt on a pro forma basis***
- **Acceleration of growth on high potential markets: emerging countries (32% of sales) and energy efficiency (20%)**
- **Production footprint rebalanced by geography and currency**
- **2008 outlook confirmed: organic growth between 6% and 8% and EBITA margin at 15%**

Rueil Malmaison, February 20, 2008 – Meeting on February 19, 2008 the Supervisory Board reviewed the financial statements for the year ended December 31, 2007 as established by the Management Board on February 15, 2008.

€ million	2007	2006	% Change
Sales	17,309	13,730	+26%
EBITA**	2,562	2,019	+27%
EBITA margin	14.8%	14.7%	+0.1pt
Net income	1,583	1,309	+21%
Earnings per share (€)	6.78	5.95	+14%
Free cash flow	1,530	1,107	+38%

* Including APC data over 10.5 months in 2006.

** EBITA = EBIT before amortization of purchase accounting intangibles



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“Schneider Electric achieved a key year in 2007: we have set new records in 2007 for growth and earnings. After 10 months within the Group, APC posted results clearly above the business plan, thanks notably to its successful integration with MGE” noted Jean-Pascal Tricoire, Chairman of the Management Board and CEO. “We have carried out an in-depth repositioning of our businesses in the most promising markets: we generate now 32% of our sales in emerging markets and 20% in energy efficiency where we benefit from a unique positioning. This makes us confident in the structural improvement of our growth profile. We therefore anticipate for 2008 an organic sales growth between 6% and 8%, assuming current economic conditions. Additionally, the geographic rebalancing of our production footprint, the globalization of our operations and the simplification of our operating processes should allow us to reach an EBITA margin of 15%”.

I. NEW ORGANIC GROWTH RECORD OF 13.9% EMERGING COUNTRIES CONTRIBUTING TO 50% OF GROUP GROWTH

Schneider Electric sales rose 26.1% on a current structure and exchange rate basis to **€17,309 million** in 2007, double the Group's sales in 2003. Organic growth for the full year set a **new record at 13.9%**.

Operations in emerging countries continued to fuel growth, with an increase of **20%**, and contributed to 50% of Group growth in 2007. In addition, in-depth repositioning of the business portfolio has allowed the Group to develop unique positions in high potential businesses such as energy efficiency and services.

Acquisitions contributed a net €2,154 million (or 15.7%). This primarily included APC (consolidated as from February 15, 2007), for €1,736 million, GET in ultra terminal, for €116 million, and Pelco, a world leader in video security systems (consolidated since October 16, 2007), for €89 million. The currency effect had a negative impact of €421 million (or 3.5%).

Sales growth by region was as follows:

€ million	Full year 2007	% change (constant)	Changes in scope of consolidation	Currency effect	% change (current)
Europe	7,846	+12.0%	+10.6%	-0.1%	+22.5%
North America	4,770	+13.1%	+25.2%	-9.3%	+29.0%
Asia-Pacific	3,233	+16.0%	+15.7%	-3.1%	+28.6%
Rest of the World	1,460	+23.3%	+12.9%	-5.4%	+30.8%
Total	17,309	+13.9%	+15.7%	-3.5%	+26.1%



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II. RECORD EBITA MARGIN OF 14.8% 1.2 PT IMPROVEMENT ON A PRO FORMA BASIS*

EBITA also rose sharply in 2007, by **27%** to **€2,562 million**. The following factors contributed to the organic increase of **€357 million**:

- Record sales growth generated a strong volume effect of €620 million, partially offset by an unfavorable product mix effect of €191 million stemming from expansion in services, projects and solutions.
- The Group demonstrated a robust pricing power during the year, lifting sales by 2.2% or €307 million. This amply offset the €199 million increase in raw material costs.
- Efficiency plans, notably related to purchasing and to geographic rebalancing of production, again generated significant industrial productivity gains, of €295 million (4.0% of products' cost of goods sold).

Acquisitions contributed **€289 million** to EBITA, of which €247 million from APC, the world leader in Critical Power & Cooling Services.

Lastly, the currency effects reduced EBITA by **€103 million**, notably due to the dollar's significant decline against the euro. Thanks to the production rebalancing plans, the negative impact on EBITA margin was limited to 0.2 point.

EBITA margin came to the record level of **14.8%** in 2007. This represents a **1.2-point** increase from 2006 including APC on a pro forma basis*.

All **regions** (Europe, North America, Asia-Pacific and Rest of the World) showed an increase in profitability. Among the **businesses**, the largest contributions to EBITA growth came from Electrical Distribution and Critical Power, thanks to APC's turnaround.

III. NET INCOME UP 21% FREE CASH FLOW OF €1,530 MILLION

Net income grew by a strong **21%** to **€1,583 million**. This reflects a 1.4-point decline in the effective tax rate to 27.1% and good interest expense management during a sharp increase in net debt to finance the acquisition of APC. The net debt-to-equity ratio stood at 48% at December 31, 2007, compared with 21% at the previous year-end.

Earnings per share rose **14%** to **€6.78**. The increase was smaller than for net income due in particular to the early-2007 share issue to finance part of the APC acquisition.

* Including APC data over 10.5 months in 2006



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At the Annual Meeting on April 21, 2008, shareholders will be asked to approve a **dividend of €3.30** per share, payable in cash as from April 30, 2008.

Operating cash flow totaled **€2,211 million**. Thanks to tight control over working capital and net investment, **free cash flow** rose a remarkable **38%** to **€1,530 million**.

Lastly, Return on Capital Employed (ROCE*) reached 11.0% in 2007, up **1.7 point** on a pro forma basis**.

IV. SUCCESSFUL INTEGRATION OF APC-MGE RESULTS UP SHARPLY

Note: All data in this section correspond to the underlying performance of the Critical Power & Cooling Services business unit over the year, and not the results consolidated by Schneider Electric, which include APC over 10.5 months only.

The new Critical Power & Cooling Services business unit, combining APC and MGE, posted sales of **\$3,520 million** in 2007, for a sustained organic growth of **14%** from the year before.

The *Enterprise Systems and Services* business continued to be the main growth driver thanks to its integrated power and cooling solutions, which solve the growing issue of energy efficiency for critical applications, notably in data centers.

Moreover, the initial impact of operating efficiency and cost reduction plans fueled a remarkable turnaround in profitability. EBITA before non-recurring charges*** totaled **\$440 million** in 2007, **more than double** the 2006 figure, for a margin of **12.5%** versus 6.9% the year before. EBITA amounted to \$402 million.

In light of these results, Schneider Electric confirms the 2009 targets announced for the Critical Power & Cooling Services business unit on November 28, 2007:

- Sales of between \$4,300 million and \$4,500 million, representing average annual organic growth of between 11% and 13%.
- EBITA of between \$650 million and \$750 million, for a margin of between 15% and 17%.

* After-tax EBITA / Shareholders' equity + Net debt + Provisions

** Including APC data over 10.5 months in 2006

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



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V. STRUCTURAL IMPROVEMENT IN GROWTH AND PROFITABILITY POTENTIAL THANKS TO SUCCESS OF NEW² ACTION PLANS

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 has led to a structural improvement in the Group's growth potential.

- Revenue from **emerging countries** amounted to €5.5 billion in 2007, or 32% of the Group sales, compared with 18% in 2001. Organic growth averaged 17% over the past three years and 13% over the past ten years. Emerging countries' needs for energy, infrastructures and equipments ensure solid growth prospects for Schneider Electric in the years ahead.
- **Energy efficiency** solutions combining different offerings of the Group now represent substantial business volume, accounting for 20% of orders booked in 2007 and growing at 15%. Thanks to its positioning, Schneider Electric has a unique ability to meet growing demand for optimized energy consumption resulting from higher energy costs and fast-changing regulations.
- The Group is also targeting more promising **market segments**, including data centers, natural resources and infrastructures (water treatment, and power supply). Schneider Electric now has more comprehensive solutions to meet these customers' specific needs.

In addition, the Group has significantly optimized its cost structure.

- **Production footprint** has been rebalanced, with low-cost emerging countries now representing 40% of cost of goods sold (versus 10% in 2001), taking into account the acquisition of APC. Moreover, margin exposure to currency fluctuations is now negligible.
- Schneider Electric is implementing a **globalized model** in keeping with the scope attained over the last few years and its worldwide coverage. Plans covering purchasing, the supply chain, IT systems, administration and R&D represent a source of additional savings in the future.
- Lastly, the Group has initiated a **simplification program** to unify processes, optimize its support costs and accelerate the integration of acquisitions.

Schneider Electric's improved performance coupled with low capital-intensive model have structurally increased its ability to **generate free cash flow**. Over the past five years (2003 to 2007), free cash flow represented **8.7%** of sales, up 3.9 points from the previous period (1998-2002).

About Schneider Electric

Schneider Electric, who helps people and organisations make the most of their energy, anticipates and satisfies its customers' requirements in the residential, building, data centers and networks, industry, and energy and infrastructure markets. With 112,000 employees, Schneider Electric generated revenue of €17.3 billion in 2007 through 15,000 distributor outlets in 190 countries.

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