Interim Report

Six months ended June 30, 2007

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Consolidated Statement of Income

(in millions of euros except for earnings per share)

		First half 2007	First half 2006	Full year 2006
Revenue	*(note 12)*	**8,254.1**	**6,586.2**	**13,729.7**
Cost of sales		(4,876.4)	(3,832.4)	(8,050.6)
Gross profit		**3,377.7**	**2,753.8**	**5,679.1**
Research and development expenses		(204.1)	(153.2)	(324.4)
Selling, general and administrative expenses		(1,936.4)	(1,578.0)	(3,220.0)
Other operating income and expenses	*(note 13)*	(62.3)	(68.7)	(116.0)
EBITA (*)	*(note 12)*	**1,174.9**	**953.9**	**2,018.7**
Amortization and impairment of acquisition-related intangible assets		(26.6)	(9.7)	(18.0)
Operating profit		**1,148.3**	**944.2**	**2,000.7**
Finance costs, net		(114.7)	(53.9)	(104.0)
Other financial income and expenses		7.4	(4.4)	(16.9)
Finance costs and other financial income and expense, net	*(note 14)*	**(107.3)**	**(58.3)**	**(120.9)**
Share of profit (losses) of associates		0.3	0.0	1.9
Profit before tax		**1,041.3**	**885.9**	**1,881.7**
Income tax expense	*(note 15)*	(292.4)	(263.9)	(535.1)
Profit for the period		**748.9**	**622.0**	**1,346.6**
- Attributable to equity holders of the parent		729.4	603.7	1,309.4
- Attributable to minority interests		19.5	18.3	37.2
Basic earnings per share (in euros)		3.16	2.75	5.95
Diluted earnings per share (in euros)		3.13	2.72	5.90

* EBITA (Earnings Before Interests Taxes and Amortization of purchase accounting intangibles)
Effective January 1, 2007, the Group adopted a new presentation for operating performance that separates out amortization and impairment of intangible assets recognized in business combinations. The 2006 data has been adjusted to allow meaningful comparison (note 1.2).

The accompaying notes are an integral part of the consolidated financial statements.

Consolidated Statement of Cash Flows

(in millions of euros)		First half 2007	First half 2006	Full year 2006
I - Cash flows from operating activities:				
Profit attributable to equity holders of the parent		729.4	603.7	1,309.4
Minority interests		19.5	18.3	37.2
Share of (profit)/losses of associates, net of dividends received		(0.3)	-	(1.9)
Adjustments to reconcile net profit to net cash provided by operating activities:				
Depreciation of property, plant and equipment		158.5	135.8	282.1
Amortization of intangible assets		79.4	56.0	110.4
Losses on non-current assets		8.6	30.7	32.2
Increase/(decrease) in provisions		(11.1)	31.3	80.7
Change in deferred taxes		36.1	44.7	99.0
Losses/(gains) on disposals of assets		0.7	0.4	(38.0)
Other*		12.0	2.8	10.2
Net cash provided by operating activities before changes in operating assets and liabilities		**1,032.8**	**923.7**	**1,921.3**
(Increase)/decrease in accounts receivable		(441.7)	(269.5)	(255.8)
(Increase)/decrease in inventories and work in process		(132.9)	(208.3)	(382.5)
Increase/(decrease) in accounts payable		119.8	91.6	225.0
Change in other current assets and liabilities		(3.6)	0.9	79.9
Change in working capital requirement		**(458.4)**	**(385.3)**	**(333.4)**
	Total I	**574.4**	**538.4**	**1,587.9**
II - Cash flows from investing activities:				
Purchases of property, plant and equipment		(198.5)	(169.1)	(330.1)
Proceeds from disposals of property, plant and equipment		15.3	26.0	76.6
Purchases of intangible assets		(113.5)	(111.8)	(225.4)
Proceeds from disposals of intangible assets		0.2	-	(2.0)
(Decrease)/increase in advances to suppliers of fixed assets		(1.2)	5.6	-
Net cash used by investment in operating assets		**(297.7)**	**(249.3)**	**(480.9)**
Purchases of financial investments - net (note 2)		(4,356.5)	(559.4)	(897.8)
Purchases of other long-term investments - net		(174.6)	180.7	163.1
Increase in long-term pension assets		(3.0)	(3.3)	(19.6)
Sub-total		**(4,534.1)**	**(382.0)**	**(754.3)**
	Total II	**(4,831.8)**	**(631.3)**	**(1,235.2)**
III - Cash flows from financing activities:				
Issuance of long-term debt		3,420.9	-	996.8
Repayment of long-term debt		(1,031.1)	(72.2)	(148.7)
Sale/(purchase) of treasury shares		(3.8)	53.4	52.9
Increase/(reduction) in other financial debt		0.4	136.9	298.5
Issuance of shares		1,056.6	30.0	76.5
Dividends paid: Schneider Electric SA		(667.8)	(493.0)	(502.6)
Minority interests		(21.0)	(12.7)	(14.6)
	Total III	**2,754.2**	**(357.6)**	**758.8**
IV - Net effect of exchange rate:	**Total IV**	**37.0**	**30.7**	**11.5**
Net increase/(decrease) in cash and cash equivalents: I + II + III + IV		**(1,466.2)**	**(419.8)**	**1,123.0**
Cash and cash equivalents at beginning of period		2,426.2	1,303.3	1,303.0
Increase/(decrease) in cash and cash equivalents		(1,466.2)	(419.8)	1,123.0
Cash and cash equivalents at end of period	*note 9*	**960.0**	**883.5**	**2,426.2**

* Includes the expense calculated on stock option and employee share purchase plans (€26 million in first half 2007, €10 million in first-half 2006 and €21 million in full-year 2006).

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated Balance Sheet

(in millions of euros)

ASSETS		June 30, 2007	Dec. 31, 2006
Non-current assets:			
Goodwill, net	*(note 3)*	8,607.8	6,185.7
Intangible assets, net	*(note 4)*	2,953.3	1,493.1
Property, plant and equipment, net	*(note 4)*	1,849.6	1,615.1
Assets held for sale	*(note 4)*	6.5	6.4
Total tangible and intangible assets		4,809.4	3,114.6
Investments in associates		10.7	10.2
Available-for-sale financial assets	*(note 5)*	329.4	315.7
Other financial assets	*(note 5)*	80.1	114.2
Total non-current financial assets		409.5	429.9
Deferred tax assets		659.2	672.8
Total non-current assets		**14,496.6**	**10,413.2**
Current assets:			
Inventories and work in process		2,633.7	2,055.9
Trade accounts receivable		3,584.4	2,882.8
Other receivables and prepaid expenses		1,149.2	994.8
Current financial assets	*(note 5)*	282.3	73.5
Cash and cash equivalents	*(note 9)*	1,079.4	2,544.1
Total current assets		**8,729.0**	**8,551.1**
Total assets		**23,225.6**	**18,964.3**

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated Balance Sheet

(in millions of euros)

LIABILITIES AND EQUITY		June 30, 2007	Dec. 31, 2006
Equity	*(note 6)*		
Share capital		1 942,3	1 821,6
Share premium account		5 057,5	4 121,0
Retained earnings and other reserves		3 099,4	2 925,9
Translation reserve		(340,5)	(152,0)
Equity attributable to equity holders of the parent		**9 758,7**	**8 716,5**
Minority interests		122,7	121,6
Total equity		**9 881,4**	**8 838,1**
Long-term provisions			
Provisions for pensions and other post-employment benefits	*(note 7)*	1 147,8	1 159,0
Provisions for contingencies	*(note 8)*	254,6	283,1
Total long-term provisions		1 402,4	1 442,1
Non-current liabilities			
Ordinary and convertible bonds	*(note 9)*	3 347,1	3 237,9
Other long-term debt	*(note 9)*	215,1	219,2
Total non-current financial liabilities		3 562,2	3 457,1
Deferred tax liabilities		752,0	305,3
Other non-current liabilities	*(note 11)*	9,4	90,2
Total non-current liabilities		**5 726,0**	**5 294,6**
Current liabilities			
Trade accounts payable		2 242,6	1 948,5
Accrued taxes and payroll costs		1 228,5	1 206,5
Short-term provisions	*(note 8)*	314,6	286,7
Other current liabilities		659,5	505,3
Short-term debt	*(note 9)*	3 173,0	884,6
Total current liabilities		**7 618,2**	**4 831,6**
Total equity and liabilities		**23 225,6**	**18 964,3**

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated Statement of Changes in Equity and Minority Interests

(in millions of euros except for number of shares)

	Number of shares (thousands)	**Share capital**	**Share premium account**	**Retained earnings**	**Treasury stock**	**Other reserves *(Note 6)***	**Translation reserve**	**Equity attributable to equity holders of the parent**	**Minority interests**	**Total**
January 1, 2006	**226,619.2**	**1,813.0**	**4,069.0**	**2,399.6**	**(338.6)**	**99.8**	**200.8**	**8,243.6**	**93.9**	**8,337.5**
Profit for the year				603.7				603.7	18.3	622.0
Valuation gains/(losses) taken to equity (Note 6)						(3.4)		(3.4)		(3.4)
Exchange differences on translating foreign operations							(305.4)	(305.4)	(7.9)	(313.3)
Total recognized income and expense for the period (comprehensive income)				**603.7**		**(3.4)**	**(305.4)**	**294.9**	**10.4**	**305.3**
Excercise of stock options	545.3	4.3	25.7					30.0		30.0
Dividends				(493.0)				(493.0)	(12.7)	(505.7)
Changes in treasury stock					48.4			48.4		48.4
Stock options					10.3			10.3		10.3
Other				14.3				14.3	0.1	14.4
June 30, 2006	**227,164.5**	**1,817.3**	**4,094.7**	**2,524.6**	**(279.9)**	**96.4**	**(104.6)**	**8,148.5**	**91.7**	**8,240.2**
January 1, 2007	**227,698.3**	**1,821.6**	**4,121.0**	**3,200.2**	**(264.9)**	**(9.4)**	**(152.0)**	**8,716.5**	**121.6**	**8,838.1**
Profit for the year				729.4				729.4	19.5	748.9
Valuation gains/(losses) taken directly to equity (Note 6)						69.6		69.6		69.6
Exchange differences on translating foreign operations							(188.5)	(188.5)	2.0	(186.5)
Total recognized income and expense for the period (comprehensive income)				**729.4**		**69.6**	**(188.5)**	**610.5**	**21.5**	**632.0**
Issuance of shares	13,413.0	107.3	861.9					969.2		969.2
Exercise of stock options	1,674.0	13.4	74.6					88.0		88.0
Dividends (1)				(670.5)				(670.5)	(21.0)	(691.5)
Change in treasury stock					5.4			5.4		5.4
Stock options					13.0			13.0		13.0
Other (2)				15.2	11.4			26.6	0.6	27.2
June 30,2007	**242,785.3**	**1,942.3**	**5,057.5**	**3,274.3**	**(235.1)**	**60.2**	**(340.5)**	**9,758.7**	**122.7**	**9,881.4**

(1) Of which €667.8 millions paid to Schneider Electric SA shareholders on June 30, 2007.
(2) Of which €12 million in connection with the employee share purchase plan and €5.6 million from reclassification of capital gains on own shares.

The accompanying notes are an integral part of the consolidated financial statements.

Notes to the Consolidated Financial Statements

All amounts in millions of euros unless otherwise indicated.
The accompanying notes are an integral part of the consolidated financial statements.

Note 1 - Summary of significant accounting policies

1.1 Accounting standards and basis of preparation

The interim consolidated financial statements have been prepared in compliance with the international accounting standards adopted by the European Union as of June 30, 2007. These include International Financial Reporting Standards (IFRSs), International Accounting Standards (IASs) and the related interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) and the Standing Interpretations Committee (SIC).

The condensed consolidated financial statements for the six months ended June 30, 2007 have been prepared in accordance with IAS 34 – *Interim Financial Reporting*. The same accounting and calculation methods were used as for the consolidated financial statements for the year ended December 31, 2006, with the exception of the following standards, amendments and interpretations adopted by the European Union in the first half of 2007 that did not have an impact on the Group's accounts:

- IFRS 7 – *Financial instruments: disclosures*
- IAS 1 – *Presentation of financial statements : Capital disclosures*
- IFRIC 7 – *Applying the restatement approach under IAS 29 Financial Reporting in hyperinflationary economies*
- IFRIC 8 – *Scope of IFRS 2*
- IFRIC 9 – *Reassessment of embedded derivatives*
- IFRIC 10 – *Interim Financial Reporting and Impairment*

The interim consolidated financial statements should be read in conjunction with the 2006 annual consolidated financial statements included in the Annual Report filed with the French securities regulator (AMF) under no. D07-223, except as regards the following differences in accounting treatment between the annual and interim financial statements:

➢ **Seasonal variations**

Seasonal variations can affect the level of revenue from one quarter to another. For this reason, the interim financial results are not necessarily indicative of the Group's expected full-year performance.

➢ **Income tax expense**

Current and deferred taxes for interim periods are calculated by applying the estimated average effective tax rate for the current year to pre-tax profit for the period.

1.2 Change in presentation

The Group has decided to use a new indicator to measure performance (EBITA – Earnings Before Interests Taxes and Amortization of purchase accounting intangibles) that excludes the impact of intangible assets recognized in a business combination in accordance with IFRS 3. It has therefore aligned the financial terms in external communication with those used to track operating performance internally.

EBITA corresponds to operating profit before amortization and impairment of acquisition-related intangible assets and before goodwill impairment. The intangible assets in question are generally valued by outside experts and primarily comprise trademarks, patents, technologies, customer lists and distribution networks, which are amortized on a straight-line basis over their useful life and tested for impairment in accordance with IAS 36. Acquired trademarks generally have an indefinite life and are not amortized.

To allow meaningful comparison, the presentation of data for 2006 has been modified as follows:

	Statement of Income New Presentation		Statement of Income As Reported	
	First half 2006	**Full year 2006**	**First half 2006**	**Full year 2006**
Revenue	**6,586.2**	**13,729.7**	**6,586.2**	**13,729.7**
Cost of sales	(3,832.4)	(8,050.6)	(3,832.4)	(8,050.6)
Gross profit	**2,753.8**	**5,679.1**	**2,753.8**	**5,679.1**
Research and development expenses	(153.2)	(324.4)	(154.0)	(327.6)
Selling, general and administrative expenses	(1,578.0)	(3,220.0)	(1,586.6)	(3,234.8)
Other operating income and expenses	(68.7)	(116.0)	(69.0)	(116.0)
EBITA	**953.9**	**2,018.7**	**-**	**-**
Amortization and impairment of acquisition-related intangible assets	(9.7)	(18.0)		
Operating profit	**944.2**	**2,000.7**	**944.2**	**2,000.7**

Note 2 - Changes in the scope of consolidation

2.1 Additions and removals

The main changes in the scope of consolidation in the six months ended June 30, 2007 were as follows:

- **Acquisitions**

On February 14, 2007, the Group finalized the acquisition of American Power Conversion (APC) for around $6.1 billion. APC was consolidated as from February 15, 2007. The European Commission's competition authorities granted final clearance for this transaction pending the divestment of the Group's small UPS systems (less than 10kVA). This business should be divested by the end of 2007 (Note 17).

- **Acquisitions in progress**

On May 25, 2007 the Group signed an agreement to acquire Ritto GmbH & Co KG, a German firm that designs, manufactures and markets door stations and intercom systems for the residential and small tertiary buildings market. Ritto generated revenue of around €25 million in 2006.
The transaction had no impact on the first-half consolidated financial statements.

- **Other changes**

In the first half of 2007, the Group bought out the minority interests in MGE, raising its interest from 95.7% to 100%.

2.2 Impact of changes in the scope of consolidation

Changes in the scope of consolidation in 2006 and 2007 had the following impact on the interim consolidated financial statements:

- **Impact on revenue and profit**

	First half 2006	First half 2007		
	Reported	Excluding acquisitions	Contribution from acquisitions & disposals	Reported
Revenue	6,586.2	7,267.8	986.3	8,254.1
EBITA	953.9	1,058.1	116.8	1,174.9
EBITA margin	*14.5%*	*14.6%*	*11.8%*	*14.2%*
Operating profit	944.2	1,048.9	99.4	1,148.3
Operating margin	*14.3%*	*14.4%*	*10.1%*	*13.9%*
Profit for the period	603.7	650.9	78.5	729.4

- **Impact on cash**

Changes in the scope of consolidation at June 30, 2007 reduced the Group's cash position by a net €4,356.5 million, as described below:

	First half 2007
Acquisitions	(4,352.8)
Cash and cash equivalents paid	*(4,793.8)*
Cash and cash equivalents acquired	*441.0*
Disposals	-
Other operations	(3.7)
Net financial investments	(4,356.5)

2.3 APC acquisition – unaudited pro forma information

The pro forma income statement and balance sheet data presented below have been prepared as if the business combination between Schneider Electric and APC had taken place as of January 1, 2007.

Unaudited combined income statement data for the period ended June 30, 2007:

	First half 2007		
	Schneider Electric IFRS	APC IFRS (6 months)	Schneider Electric + APC IFRS
Revenue	7 521.3	936.8	8 458.1
Gross profit	3 079.7	369.9	3 449.6
EBITA	1 086.7	91.7	1 178.4
Operating profit	**1 077.1**	**68.8**	**1 145.9**

Integrating APC from February 15, 2006 to June 30, 2006, the revenues and EBITA for the first semester of 2006 would have been respectively €7,278 million and €997 million.

Note 3 - Goodwill

3.1 Breakdown of goodwill

The main items of goodwill are as follows:

	Year of acquisition	CGU (1)	juin 30, 2007 Net	Dec. 31, 2006 Net
APC	2007	CP	2,479.4	-
Square D Company	1991	(A)	1,018.7	1,044.8
Groupe Lexel	1999	EOD	877.4	873.4
TAC/ Andover/ Abacus/ Applied Control Tech.	2003 to 2006	BA	593.4	605.8
MGE UPS	2000 to 2007	CP	567.3	545.5
Telemecanique	1988	(A)	462.6	462.6
ABS	2005	BA	113.8	113.9
IBS	2006	BA	174.7	197.2
Juno Lighting Inc.	2005	NAOD	293.6	301.0
BEI Technologies	2005	CST	276.1	283.1
Clipsal	2004 to 2006	APOD	288.1	278.0
Crouzet Automatismes	2000	CST	162.0	161.8
Power Measurement Inc.	2005	PW	141.4	145.0
Positec	2000	EOD	105.9	105.9
Merlin Gerin	1992	(A)	87.2	87.2
Kavlico	2004	CST	79.9	81.6
OVA	2006	EOD	80.0	80.0
Digital Electronics	2002	APOD	68.0	76.1
Citect	2006	APOD	59.3	67.2
Elau	2004 and 2005	EOD	55.6	55.6
Federal Pioneer	1990	NAOD	57.9	54.0
Crydom	2006	CST	42.8	43.9
Infra +	2000 to 2004	EOD	43.1	43.1
Mita Holding	1999	EOD	34.6	34.7
PDL	2001	APOD	34.9	32.8
GET	2006	EOD	33.1	31.6
AEM	2006	EOD	30.4	30.4
Other subsidiaries (2)			346.6	349.5
TOTAL			**8,607.8**	**6,185.7**

(1) Cash Generating Unit to which goodwill has been allocated.

EOD: European Operating Division; NAOD: North American Operating Division; APOD: Asia-Pacific Operating Division

IOD: International Operating Division; PW: Power; CST: Customized Sensors & Technologies; BA: Building Automation; CP: Critical Power

(2) Approximately 50 companies.

(A) Square D, Telemecanique and Merlin Gerin goodwill has been allocated on the basis of operating profit by region as of the acquisition date.

	Europe	North America	Asia-Pacific	Rest of the world
Square D	9%	80%	10%	1%
Telemecanique	71%	0%	20%	9%
Merlin Gerin	62%	10%	20%	8%

3.2 Changes in goodwill

The main movements during the period are summarized in the following table:

	First half 2007	2006	First half 2006
Net goodwill at opening	**6,185.7**	**5,878.8**	**5,878.8**
Acquisitions	2,671.2	727.7	406.8
Disposals	-	(1.5)	-
Impairment	-	-	(0.3)
Translation adjustment	(212.3)	(323.8)	(245.9)
Reclassification / Allocation	(36.8)	(95.5)	(20.8)
Net goodwill at period end	**8,607.8**	**6,185.7**	**6,018.6**
Cumulative impairment	**(8.9)**	**(8.4)**	**(8.7)**

➢ **Acquisitions**

The main acquisition during the period was American Power Conversion (APC). Goodwill has been valued on the basis of provisional accounting. This initial allocation of the acquisition cost led to the recognition of intangible assets in an amount of around €1.5 billion, of which around €1 billion for the trademark and €0.5 billion for amortizable assets (customer lists, technology), and corresponding deferred tax liabilities in an amount of €0.4 billion. These assets will be amortized over a period of around 10 years. The Group has until February 14, 2008 to finalize allocation of the acquisition cost.

In accordance with Group policy, as described in the notes to the annual financial statements, goodwill is tested for impairment annually and whenever there is any indication that it may be impaired. There were no indication of impairment of goodwill at June 30, 2007.

➢ **Other changes**

Other changes primarily reflect the finalized calculation of IBS goodwill, which led to the recognition of contractual customer relationships in an amount of €25 million.

The main exchange rate fluctuations concerned goodwill in US dollars.

Note 4 - Intangible assets and property, plant and equipment

Changes in intangible assets and property, plant and equipment over the six-month period were as follows:

	Trademarks	Development projects (R&D)	Other intangible assets	Software	Property, plant and equipment	Total
Gross Value						
Dec. 31, 2006	**765.7**	**314.5**	**495.6**	**438.0**	**4,660.6**	**6,674.4**
Acquisitions		58.8	44.6	10.1	198.5	312.0
Disposals/scrapping			(2.9)	(7.2)	(93.9)	(104.0)
Translation adjustment	(28.0)	(3.8)	(18.9)	(1.6)	(19.5)	(71.8)
Reclassification		1.9	(4.6)	5.5	1.5	4.3
Changes in scope of consolidation and other	999.5	0.8	447.8	29.9	182.0	1,660.0
juin 30, 2007	**1,737.2**	**372.2**	**961.6**	**474.7**	**4,929.2**	**8,474.9**
Accumulated amortization, depreciation and impairment						
Dec. 31, 2006	**(5.3)**	**(50.6)**	**(124.8)**	**(340.0)**	**(3,045.5)**	**(3,566.2)**
Allocation, depreciation and impairment		(23.3)	(31.0)	(32.0)	(160.2)	(246.5)
Reversals			1.2	8.5	75.7	85.4
Translation adjustment		1.1	2.3	1.4	8.8	13.6
Reclassification		(1.0)	1.0	(1.5)	(2.0)	(3.5)
Changes in scope of consolidation and other		(0.5)		2.1	43.6	45.2
juin 30, 2007	**(5.3)**	**(74.3)**	**(151.3)**	**(361.5)**	**(3,079.6)**	**(3,672.0)**
Net Value						
Dec. 31, 2006	**760.4**	**263.9**	**370.8**	**98.0**	**1,615.1**	**3,108.2**
juin 30, 2007	**1,731.9**	**297.9**	**810.3**	**113.2**	**1,849.6**	**4,802.9**

In accordance with Group policy, as described in the notes to the annual financial statements, trademarks with indefinite useful lives are tested for impairment annually and whenever there is any indication that they may be impaired. There were no indications of impairment of trademarks at June 30, 2007.

As of June 30, 2007, costs totaling €27.9 million were capitalized in connection with an ongoing project to develop a Groupwide SAP configuration module. These on-going development costs, classified under “Software” in 2004 and 2005, were reclassified under “Other intangible assets” in 2006.

Assets held for sale, presented separately in an amount of €6.5 million, correspond to land and buildings that are expected to be sold in the second half of 2007. Reclassifications primarily correspond to assets put into use. They do not include the assets that will be sold during the divestment of the small UPS (less than 10kVA) business, as they are currently being valued.

Note 5 - Financial assets

5.1 Available-for-sale financial assets

Available-for-sale financial assets, corresponding mainly to investments in non-consolidated companies, break down as follows:

	juin 30, 2007				Dec. 31, 2006
	% interest	Gross value	Revaluation/ impairment	Fair value	Fair value
I. Listed available-for-sale financial assets					
AXA	0.52%	101.5	212.1	313.6	300.5
Gold Peak Industries Holding Ltd	10.06%	10.6	(7.6)	3.0	3.0
Legrand	NS	0.4	-	0.4	2.2
Other listed AFS financial assets	-	0.4	-	0.4	0.4
Total listed AFS financial assets		**112.9**	**204.5**	**317.4**	**306.1**
II. Unlisted available-for-sale financial					
Eb@se France (1)	100.00%	20.7	(20.7)	-	0.0
Comipar	4.15%	16.4	(16.4)	-	0.0
Thorsman Ireland (1)	100.00%	7.4	(7.3)	0.1	-
Easy Plug SAS (1)	50.00%	8.8	(8.8)	-	0.0
SE Venture	100.00%	6.6	(6.6)	-	0.0
Simak (2)	98.50%	5.5	(0.5)	5.0	5.0
Other unlisted AFS financial assets (3)		24.9	(18.0)	6.9	4.6
Total unlisted AFS financial assets		**90.3**	**(78.3)**	**12.0**	**9.6**
Financial assets available for sale		**203.2**	**126.2**	**329.4**	**315.7**

(1) Deconsolidated - in liquidation.
(2) Dormant companies.
(3) Valued at less than €5 million each.

Fair value corresponds to the closing quoted price for investments quoted in an active market and the carrying amount for unlisted investments.

5.2 Other non-current financial assets

	June 30, 2007			Dec. 31, 2006
	Cost	Impairment	Net	Net
Restricted cash on Clipsal acquisition (1)	-	-	-	47.0
Receivables on investments and loans	4.3	(0.2)	4.1	6.1
Other	81.8	(5.8)	76.0	61.1
Other non-current financial assets	**86.1**	**(6.0)**	**80.1**	**114.2**

(1) Restricted cash on the Clipsal acquisition, in an amount of €50.1 million as of June 30, 2007, has been reclassified under current assets.

5.3 Current financial assets

	June 30, 2007	Dec. 31, 2006
Short-term investments	254.7	48.2
Pension assets	27.6	25.3
Total current financial assets	**282.3**	**73.5**

Note 6 - Shareholders equity

6.1 Share-based payment

A total of 1,674,012 Schneider Electric SA shares were issued during first half 2007 upon exercise of stock options, in an amount of €88 million. Based on the assumptions described in the notes to the 2006 consolidated financial statements, the amount recorded under “Selling, general and administrative expenses” and as an adjustment to treasury stock for stock option plans set up after November 7, 2002 totaled €13.0 million in first half 2007 (€10.3 milion in first half 2006).

6.2 Worldwide Employee Stock Purchase Plan

As part of its commitment to employee share ownership, Schneider Electric gave its employees the opportunity to purchase shares at a price of €88.06 per share during the period. This represented a discount of 15% to the average price quoted for the share between May 3 and May 30, 2007.

Employees in countries that met legal and fiscal requirements had the choice between a nonleveraged and a leveraged plan. Under the nonleveraged plan, employees purchased Schneider Electric shares at a preferential price. Under the leveraged plan, a third-party bank topped up the employee’s initial investment, essentially multiplying the amount paid by the employee. The total was invested in Schneider Electric shares at a preferential price. After a period of five years, the employee may withdraw a percentage of his or her gains, as long as his or her initial contribution remains invested in the plan.

The plan’s cost has been measured taking into account the five-year lock-up period for the employee, in accordance with the recommendations of France’s national accounting board (CNC). For the leveraged plan, the cost includes the implicit opportunity gain obtained by Schneider Electric in offering its employees institutional (rather than retail) prices for derivative instruments.

Employees subscribed 0.7 million shares under the nonleveraged plan and 1.7 million under the leveraged plan. The related cost recognized during the period was €2.4 million for the nonleveraged plan and €95 million for the leveraged plan. This cost was calculated on the basis of a risk-free interest rate of 4.47% and a 5.97% rate on five-year loans for general corporate purposes, resulting in a notional rate reflecting the lock-up period of 11.85%. The opportunity gain offered to employees investing in the leveraged plan was estimated at 2.54%.

The shares were issued in July 2007 (note 18) and are therefore not reflected in equity at June 30, 2007.

6.3 Other reserves

Changes in other reserves were as follows:

	Gains and losses from remeasurement at fair value			**Actuarial gains and losses**	**Total**
	Currency instruments	Hedges of metal	Available-for-sale financial assets		
Dec. 31, 2006	(136.1)	(3.0)	161.1	(31.4)	**(9.4)**
- Unrealized net gains (losses) on available-for-sale financial assets (1)			8.6		8.6
- Net gains (losses) on currency instruments	38.5				38.5
- Net gains (losses) on interest rate hedges	6.1				6.1
- Net gains (losses) on hedges of metal purchases		3.2			3.2
- Actuarial gains (losses) on post-employment benefits				6.6	6.6
- Other					6.6
juin 30, 2007	**(91.5)**	**0.2**	**169.7**	**(24.8)**	**60.2**

(1) Of which € 13.1 million in unrealized gains and a negative € 4.5 million in deferred taxes.

The above amounts are net of tax. The main changes for the period stemmed from differences in hedging instruments (note 10), reevaluation of AXA shares (note 5) and differences in actuarial gains and losses (note 7).

Note 7 - Pensions and other post-employment benefit obligations

Changes in provisions for pensions and other post-employment benefit obligations were as follows:

	Pensions and termination benefits	*Of which US plans*	Other post-employment and long-term benefits	*Of which US plans*	**Provisions for pensions and other post-employment benefits**
Dec. 31, 2006	**616.8**	***30.2***	**516.9**	***445.4***	**1,133.7 (*)**
Net cost recognized in the statement of income	22.8	*(2.8)*	11.6	*10.4*	34.4
Benefits paid	(20.4)	-	(11.2)	*(11.0)*	(31.6)
Plan participants' contributions	(15.6)	*(0.5)*	-	-	(15.6)
Actuarial gains and losses recognized in equity	(11.8)	-	-	-	(11.8)
Translation adjustment	(1.8)	*(0.8)*	(10.5)	*(11.0)*	(12.3)
Changes in the scope of consolidation	16.0	-	3.7	-	19.7
Other changes	1.3	-	2.3	*0.6*	3.6
juin 30, 2007	**607.3**	***26.1***	**512.8**	***434.4***	**1,120.1 (**)**

* Including €25.3 million in pension assets recognized under "Current financial assets".

** Including €27.7 million in pension assets recognized under "Current financial assets".

The net cost recognized in operating profit for first half 2007 breaks down as follows:

	First half 2007			First half 2006		
	Pension and termination benefits	Other post-employment and long-term benefits	**Total**	Pension and termination benefits	Other post-employment and long-term benefits	**Total**
Service cost	27.6	2.7	30.3	27.0	2.4	29.4
Interest cost (discounting effect)	45.6	10.6	56.2	45.0	12.4	57.4
Expected return on plan assets	(50.5)	-	(50.5)	(52.0)	-	(52.0)
Past service cost	-	(1.7)	(1.7)	-	(1.8)	(1.8)
Curtailments and settlements	0.1	-	(0.1)	(0.3)	-	(0.3)
Net cost recognized in the statement of income	**22.8**	**11.6**	**34.4**	**19.7**	**13.0**	**32.7**

Note 8 - Provisions

	Economic risks	Customer risks	Product risks	Environmental risks	Restructuring	Other risks	**Provisions**
Dec. 31, 2006	**160.9**	**56.8**	**145.4**	**43.8**	**84.6**	**78.3**	**569.8**
Long-term portion	*83.8*	*50.0*	*34.9*	*32.1*	*15.2*	*67.1*	*283.1*
Additions	15.8	5.0	30.2	0.4	32.4	8.5	92.3
Discounting effect	(0.2)		(0.1)		(0.1)	0.2	(0.2)
Utilizations	(30.4)	(5.3)	(21.6)	(1.1)	(28.4)	(6.4)	(93.2)
Reversals of surplus provisions	0.0	(0.1)	(3.3)		(0.5)	(0.2)	(4.1)
Translation adjustments	0.4	(1.4)	(0.7)	0.2	(0.2)	(0.8)	(2.5)
Changes in the scope of consolidation and other	0.3	0.8	19.1	3.4	(6.2)	(10.3)	7.1
juin 30, 2007	**146.8**	**55.8**	**169.0**	**46.7**	**81.6**	**69.3**	**569.2**
Long-term portion	*84.8*	*47.5*	*25.3*	*32.8*	*6.5*	*57.7*	*254.6*

Additions to provisions for product risk reflect updated measurement of technical risks for €15.6 million.

Note 9 - Net debt

Net debt breaks down as follows:

	June 30, 2007	Dec. 31, 2006
Bonds	3,797.1	3,687.9
Bank and other borrowings	367.7	253.8
Lease liabilities	20.9	23.9
Employee profit sharing	4.8	5.2
Short-term portion of convertible and non-convertible bonds	(450.0)	(450.0)
Short-term portion of long-term debt	(178.3)	(63.7)
Non-current financial liabilities	**3,562.2**	**3,457.1**
Commercial paper	375.0	55.0
Accrued interest	112.3	44.9
Other short-term borrowings	1,938.0	154.9
Short-term bank loans and overdrafts	119.4	116.1
Short-term portion of convertible and non-convertible bonds	450.0	450.0
Short-term portion of long-term debt	178.3	63.7
Current financial liabilities	**3,173.0**	**884.6**
Marketable securities	(376.2)	(1733.3)
Money market instruments and short-term deposits	(63.0)	(76.3)
Cash	(640.2)	(734.5)
Net cash and cash equivalents	**(1,079.4)**	**(2,544.1)**
Net debt	**5,655.8**	**1,797.6**

Cash and cash equivalents net of short-term bank loans and overdrafts totaled (€960) million at June 30, 2007, corresponding to the amount reported in the consolidated cash flow statement.

Marketable securities generally consist of highly liquid instruments traded on regulated markets that are readily convertible into known amounts of cash, such as commercial paper, mutual funds and equivalents.

The main changes were attributable to the finalization of the APC acquisition, in an amount of €4.7 billion. Of this, €1.5 billion was financed from available cash, €2.2 billion from a short-term loan and €1 bilion from a capital increase. A total of €23 million has not yet been paid and has been placed in escrow.

Note 10 - Financial instruments

The Group uses financial instruments to manage its exposure to fluctuations in interest rates, exchange rates and metal prices.

10.1 Carrying amount and nominal amount of derivative financial instruments

	Dec. 31, 2006					June 30, 2007	June 30, 2007	
	IFRS designation	Carrying amount	Other financial income and expense (1)	Equity (2)	Cash and cash equivalents	Carrying amount	Nominal amount	
							Purchase	Sale
Foreign exchange								
Futures - cash flow hedges	CFH*	(74.0)	27.1	56.5		9.6	775.9	
Futures - hedges of balance sheet items	Trading	19.1	(20.1)			(1.0)	624.2	663.4
Options and other hedging instruments	Trading and CFH*	(0.9)	0.9			-		
Metal prices								
Futures and options	CFH*	(4.4)		4.8		0.4	91.4	
Interest rates								
Swaps on credit lines	Trading	-				-		
Other interest rate swaps	CFH/FVH*	(1.7)		9.2	(1.7)	5.8	610.0	
Hedging instruments		**(61.9)**	**7.9**	**70.5**	**(1.7)**	**14.8**	**-**	**-**

** Cash flow hedge/Fair value hedge*

(1) Gains and losses on hedging instruments for the period are offset by changes in the fair value of the underlying, which are also recognized in “Other financial income and expense”.
(2) Reported in equity under “Other reserves”.

The market value of financial instruments, which corresponds to their carrying amount, is estimated either internally by discounting future differential cash flows at current market interest rates or by third party banks.

10.2 Carrying amount and fair value of financial instruments other than derivatives

	June 30, 2007		December 31, 2006	
	Notional amount (1)	Fair value	Notional amount (1)	Fair value
Available-for-sale financial assets	329.4	329.4	315.7	315.7
Other non-current financial assets	80.1	80.1	114.2	114.2
Marketable securities	376.2	376.2	1,733.3	1,733.3
Bonds	(3,797.1)	(3,578.6)	(3,687.9)	(3,626.4)
Other short and long-term debt	(2,938.1)	(2,938.1)	(653.8)	(653.8)
Financial instruments excluding derivatives	**(5,949.5)**	**(5,731.0)**	**(2,178.5)**	**(2,117.0)**

(1) The notional amount corresponds to either amortized cost or fair value.

Note 11 - Other non-current liabilities

	June 30, 2007	Dec. 31, 2006
MGE UPS acquisition debt		35.1
Clipsal acquisition debt		47.0
Applied Control Technology acquisition debt		1.8
Other	9.4	6.3
Other non-current liabilities	**9.4**	**90.2**

The change over the period primarily reflects reclassification under current liabilities of the restricted cash on the Clipsal acquisition, in an amount of €50.1 million at June 30, 2007, and payment of MGE UPS acquisition debt in the buy-out of MGE's minority shareholders (note 2).

Note 12 - Segment information

The Group is divided into four operating divisions, corresponding to geographical segments. Performance assessments and management decisions are notably based on Earnings Before Interest, Taxes and Amortization of purchase accounting intangibles.

Geographical segment information is presented after allocating Critical Power and Cooling services data. Details are provided in the Business Review for first half 2007.

	First half 2007	First half 2006
Europe	3 818	3 067
North America	2 287	1 818
Asia-Pacific	1 477	1 167
Rest of the World	672	534
Revenue	**8 254**	**6 586**
Europe	15.3%	14.9%
North America	14.2%	14.5%
Asia-Pacific	11.0%	12.7%
Rest of the World	15.3%	16.4%
EBITA margin	**14.2%**	**14.5%**

Revenue and EBITA margin by business:

	First half 2007	First half 2006
Electrical Distribution	4 728	4 089
Automation & Control	2 405	2 188
Critical Power	1 121	309
Revenue	**8 254**	**6 586**
Electrical Distribution	15.6%	15.8%
Automation & Control	13.0%	12.9%
Critical Power	11.0%	8.6%
EBITA margin	**14.2%**	**14.5%**

Note 13 - Other operating income and expenses

Other operating income and expenses break down as follows:

	First half 2007	First half 2006
Restructuring	(53.0)	(40.6)
Impairment losses on property, plant and equipment and intangible assets	(7.9)	(29.3)
Gains on asset disposals	3.5	2.6
Losses on asset disposals (including scrapped assets)	(3.2)	(2.1)
Other	(1.7)	0.7
Other operating income and expenses	**(62.3)**	**(68.7)**

Restructuring expenses in first half 2007 primarily stemmed from the reorganization of the Building Automation business in the United States and England, for €11 million; continued industrial reorganization in the Group's core businesses in France, Spain and Denmark, for €23 million; and reorganization of APC and MGE in Critical Power and Cooling, for €18 million (of which €7.9 million for asset impairment).

Note 14 - Finance costs and other financial income and expense, net

	First half 2007	First half 2006
Interest income	14.8	35.7
Interest expense	(151.6)	(100.7)
Net gains/(losses) on the sale of marketable securities	22.1	11.1
Finance costs, net	***(114.7)***	***(53.9)***
Dividend income	10.8	9.1
Exchange gains and losses, net	2.4	(6.6)
Impairment losses on financial assets	(0.2)	(0.6)
Discounting adjustments to non-current assets and liabilities	0.7	0.1
Net gains/(losses) on disposal of long-term investments	-	-
Fair value adjustments	0.3	0.2
Other financial expense, net	(6.6)	(6.6)
Finance costs and other financial income and expense, net	**(107.3)**	**(58.3)**

Note 15 - Income tax

Whenever possible, Group entities file consolidated tax returns. Schneider Electric SA files a consolidated tax return with its French subsidiaries held directly or indirectly through Schneider Electric Industries SAS.

15.1 Analysis of income tax expense for the year

	First half 2007	First half 2006
Current taxes		
France	10.2	(25.0)
International	(266.5)	(194.2)
Total	**(256.3)**	**(219.2)**
Deferred taxes		
France	(101.4)	(53.7)
International	65.3	9.0
Total	**(36.1)**	**(44.7)**
Income tax (expense)/benefit	**(292.4)**	**(263.9)**

15.2 Tax proof

	First half 2007	First half 2006
Profit attributable to equity holders of the parent	**729.4**	**603.7**
Income tax (expense)/benefit	(292.4)	(263.9)
Goodwill impairment	(1.4)	(0.3)
Minority interests	(19.5)	(18.3)
Share of profit of associates	0.3	-
Profit before tax and goodwill impairment	**1,042.4**	**886.2**
Statutory tax rate	34.43%	34.43%
Income tax expense calcuated at the statutory rate	**(358.9)**	**(305.1)**
Reconciling items		
Difference between French and foreign tax rates	35.0	23.3
Tax credits and other tax reductions	34.2	16.6
Impact of tax losses	-	1.6
Additional tax payments	(6.8)	(6.3)
Other permanent differences	4.1	6.0
Income tax (expense)/benefit	(292.4)	(263.9)
Effective tax rate	**28.1%**	**29.8%**

15.3 Deferred taxes

Deferred tax assets and liabilities, net represented a liability of €92.8 million. The €460.3 change over the six months period stems mainly from the recording of deferred tax liabilities following the recognition of intangible assets during allocation of the acquisition cost of APC.

Note 16 - Commitments and contingent liabilities

16.1 Guarantees given and received

Guarantees given and received amounted to €337.2 million and €39.7 million, respectively, at June 30, 2007.

16.2 Purchase commitments

- **Shares in subsidiaries and affiliates**

Commitments to purchase equity investments correspond to put options given to minority shareholders in consolidated companies or relate to earn-out payments. The amount of these commitments was not material at June 30, 2007, as at December 31, 2006.

- **Information technology services**

In 2004, the Group signed a 10-year agreement with Cap Gemini to outsource its European IT functions and deploy shared management applications using SAP. The duration of the agreement was extended to 12 years in March 2006. The agreement is currently being implemented in the subsidiaries. Payments to Cap Gemini replace the cost of the IT function, which was previously managed internally. The 2007

expense related to this outsourcing agreement contractually amounted to €146 million, including €73 mllion for the first half. The Group is currently reviewing the quality of the provided services under the terms of the contract.

16.3 Contingent liabilities

Management is confident that balance sheet provisions for known disputes in which the Group is involved are sufficient to ensure that these disputes do not have a material impact on its financial position or profit. This is notably the case for the potential consequences of a current dispute in Belgium involving former senior executives and managers of the Group.

The loan agreements related to the Group's long-term debt do not include any rating triggers.

The Group has also signed an agreement concerning statutory employee training rights in France (DIF). Because the vested rights cannot be reliably estimated, no corresponding provision has been set aside in the financial statements.

Note 17 - Related party transactions

17.1 Associates

These are primarily companies over which the Group has significant influence. They are accounted for by the equity method. Transactions with these related parties are carried out on arm's length terms and were not material during the period.

17.2 Related parties with significant influence

No transactions were carried out during the period with members of the Supervisory Board or Management Board.

Note 18 - Subsequent events

- **Issuance of shares to employees**

On July 6, 2007, 2.4 million shares were issued in connection with the employee share purchase program described in note 6.2, increasing the share capital by €209 million.

- **Divestment of MGE UPS small systems**

Schneider Electric began exclusive negotiations with Eaton Corp. (Eaton) in June 2007 to divest MGE UPS Systems' small systems, in accordance with the European Commission's request following the acquisition of American Power Conversion (APC).

Eaton is offering €425 million (excluding debt and cash) for the business, which generated revenue of €156 million and an operating margin of 20.5% in 2006.

The two parties consider that they should be able to reach a mutually satisfying agreement and finalize the transaction, once the customary legal conditions have been fulfilled, in the third quarter of 2007.

- **Dispute with the European Commission**

Schneider Electric has been involved in a dispute with the European Commission concerning its 2001 decision to prohibit the Group's merger with Legrand. On July 11, 2007, the Court of First Instance of the European Court of Justice ordered the European Commission to compensate two-thirds of Schneider Electric's losses stemming from this decision, as determined by the Court and set by the experts to be appointed by the Court.

Consolidated financial statements

Sector data by geographic area and business segment are based on management's current vision of Group performance.

Business and Statement of Income highlights

Changes in the scope of consolidation

Acquisition of American Power Conversion

On February 14, 2007, the Group finalized the acquisition of American Power Conversion (APC) for around $6.1 billion. By combining APC with its subsidiary MGE-UPS Systems, Schneider Electric has become the global leader in Critical Power and Cooling Services.

The Group intends to divest MGE-UPS's small systems (less than 10kVA) to comply with the requirements set by the European Commission's anti-trust authorities. With estimated revenue of around €150 million, this divestment represents 6% of APC's and MGE-UPS's combined business in Critical Power and Cooling Services.

The transaction will be finalized in the second half of the year.

Acquisitions and divestments made in 2006 having an impact on the financial statements of first half 2007

The following acquisitions and divestments carried out in 2006 had an impact on the scope of consolidation in first half 2007 (*):

- NUM SA, divested on January 31, 2006;
- US-based Silicon Power Corporation assets, acquired on February 15, 2006;
- Mafelec SAS, divested on February 27, 2006;
- AEM SA in Spain, acquired on February 28, 2006;
- Australia-based Citect, acquired on March 27, 2006;
- Italy's OVA G. Bargellini SpA, acquired on April 30, 2006;
- Germany's Merten GmbH & Co Kg, acquired on May 31, 2006;
- The Invensys Building Systems (IBS) business in North America and Asia, acquired on July 27, 2006;
- Austria-based VA TECH ELIN EBG Elektronik, acquired on September 26, 2006;
- GET Group Plc, acquired on November 23, 2006.

Together, these changes in scope of consolidation added €986 million, or 14.9%, to revenue and €99 million, or 10.5%, to operating profit for the period.

The average operating margin of newly consolidated units stood at 10.1%. Before amortization of intangible assets recognized on acquisition, the average operating margin came to 11.8%.

(*) The dates given below correspond to the dates on which the Group gained or relinquished control of the acquired or divested companies.

Acquisitions in progress

On May 25, 2007 the Group signed an agreement to acquire Ritto GmbH & Co KG, a German firm that designs, manufactures and markets door entry and intercom systems for the residential and small tertiary buildings market. Ritto generated revenue of nearly €25 million in 2006.
It had no impact on the first-half consolidated financial statements.

Exchange rate fluctuations

Fluctuations in the euro exchange rate had a significant impact in first half 2007, reducing consolidated revenue by €208 million, or 3.6%, and operating profit by €50 million.

Revenue

Consolidated revenue totaled €8,254 million for the period ended June 30, 2007, up 25.3% on a current structure and currency basis from the year-earlier period.
Organic growth accounted for 14%, acquisitions 14.9% and the currency effect a negative 3.6%.

Breakdown by region

Data by region includes the contribution from Critical Power and Cooling Services activity.

Revenue from the European Operating Division totaled 24.5% to €3,818 million on a reported basis. Like-for-like, the increase came to 12.4%. Eastern Europe confirms its role as a particulary important growth engine, recording sales growth of more than 30% and most of European countries recorded double-digit growth in first half 2007.

In North America, revenue rose 25.8% on a current basis, to €2,287 million, reflecting organic growth of 12.5%. The operating division turned in a solid performance in brisk markets, notably infrastructure and data centers, and benfited from strong demand for energy efficiency solutions.

Revenue from the Asia-Pacific division totaled €1,477 million, up 26.6% on a current basis and 15.5% on a constant basis. The region was again driven by China, which sales continued to rise at a sustained pace of more than 20% and was also very successful in critical power and building automation.

Revenue from the Rest of the World rose 26.0% on a current basis, to €672 million, and 25.0% on a constant structure and currency basis. Business remained strong in all regions, notably in the Middle East, thanks to the vibrant trend in oil and mining sectors, and more globally in construction and infrastructure.

Breakdown by business

Electrical Distribution generated revenue of €4,728 million, or 57.3% of the consolidated total. This represents an increase of 15.6% on a reported basis.
Automation & Control revenue rose 9.9% on a reported basis to €2,405 million.
Revenue from Critical Power and Cooling Services came to €1,121 million. APC revenue since the date of consolidation totaled €733 million.

Operating profit

Data by region includes the contribution from Critical Power and Cooling Services activity.

First-half operating profit totaled €1,148 million versus €944 million in the year-earlier period, an increase of 21.6% on a reported basis and 16.4% like-for-like. Consolidated operating margin (representing operating profit expressed as a percentage of revenue) decreased to 13.9% from 14.3%. At constant Group structure, operating margin widened by 0.1 point from June 30, 2006 to 14.4%.

In first half 2007, operating profit included a €27 million charge for amortization and impairment of intangible assets recognized as part of a business combination, compared with €10 million in the year-earlier period. The Group excludes the impact of business combinations to measure operating performance, using as its indicator Earnings Before Interest, Taxes and Amortization of purchase accounting intangibles (EBITA). During the period, EBITA margin narrowed by 0.3 point to 14.2% from 14.5%.

Gross margin declined by 0.9 point from the year-earlier period. This reflects a sharp increase in raw material costs and a negative mix effect stemming from strong growth in lower margin lines (services, projects and solutions), partially offset by a rise in selling prices and productivity gains in the Group's industrial operations.

Operating profit included €61 million in non-recurring expenses related to asset impairment (€8 million) and restructuring plans (€53 million). At June 30, 2006, non-recurring restructuring and impairment expenses totaled €70 million.

Restructuring expenses in first half 2007 primarily stemmed from the reorganization of the Building Automation business in the United States and the UK, for €11 million; continued industrial reorganization in the Group's core businesses in France, Spain and Denmark, for €23 million; and reorganization of APC and MGE-UPS in Critical Power and Cooling Services, for €10 million.

At June 30, 2007, capitalization and amortization of development costs had a positive net impact on operating profit of €36 million, compared with €50 million in first half 2006.

EBITA by region

EBITA margin in the European Operating Division totaled 15.3% on a reported basis. At constant basis, EBITA raised by 0.7 point from June 30, 2006 to 15.6%.
The North American Operating Division recorded a 14.2% EBITA margin on a reported basis. EBITA margin increased by 0.6 point from first half 2006 to 15.1% on a constant basis.
EBITA margin in the Asia-Pacific Operating Division totaled 11.0%. On a constant basis, the rate increased by 0.5 point from the year earlier period to 13.2%.
In the Rest of the World, EBITA margin totaled 15.3% on a reported basis and raised by 1.8 point from first half 2006 to 18.1% on a constant basis.

EBITA by business

EBITA margin in the Electrical Distribution business totaled 15.6%. At constant basis, EBITA margin increased by 0.3 point to 16.1%.
The Automation & Control business achieved an EBITA margin of 13.0%. Like-for-like, it recorded 13.9% and increased by 1.0 point.
Critical Power and Cooling Services totaled an EBITA margin of 11.0.%.

Finance costs and other financial income and expense, net

Finance costs and other financial income and expense, net totaled a negative €107 million compared with a negative €58 million in first half 2006.
This mainly reflects the increase in average net debt to €3,800 million in first half 2007 from €1,900 million the year before, following the acquisition of APC.
Net finance costs totaled €115 million compared with €54 million at June 30, 2006.

Income tax

The effective tax rate stood at 28.1% compared with 29.8% at June 30, 2006.

Minority interests

Minority interests totaled €20 million in first half 2007. Minority interests mainly correspond to the share of income attributable to minority shareholders of Feller AG, EPS Ltd, and a number of Chinese companies.

Profit attributable to equity holders of the parent and earnings per share

Profit attributable to equity holders of the parent rose 20.8% to €729 million, while earnings per share rose 14.9% to €3.16 from €2.75 in first half 2006.
The smaller per-share increase reflects the issue of 13.4 million shares during the period.

Balance sheet and cash flow statement items

Total assets stood at €23,226 million at June 30, 2007, up 22.5% from year-end 2006. Non-current assets amounted to €14,497 million and represented 62.4% of total assets, compared with 54.9% at December 31, 2006.

Goodwill

Goodwill rose by €2,422 million over the six-month period to €8,608 million.
The increase reflects recognition of provisional goodwill on APC, in an amount of €2,642 million.
Adjustments to the provisional accounting for Citect and IBS when the initial accounting was completed led to the recognition of amortizable intangible assets in an amount of €37 million, net of deferred taxes, which was deducted from goodwill.
The currency effect reduced total goodwill by €212 million.
Impairment tests conducted at the end of the year did not reveal any material losses.

Property, plant and equipment and intangible assets

Property, plant and equipment and intangible assets came to €4,809 million, or 20.7% of total assets, up €1,694 million from December 31, 2006.

Intangible assets

Trademarks rose by €972 million over the six-month period to €1,732 million, reflecting the initial €1 billion valuation of a trademark in the provisional accounting for APC.
The impact of exchange rates reduced trademarks by €28 million.
Capitalized product development projects totaled €298 million at June 30, 2007. During the period, the Group capitalized €59 million in expenses from current projects and recognized €23 million in amortization.
Other intangible assets, net together with software and patents, rose by €455 million over the six-month period. The increase is attributable to the recognition of contractual customer relationships and patents in connection with the acquisition of APC and capitalization of development costs for the global SAP information system.

Property, plant and equipment

Property, plant and equipment represented €1,850 million at the end of the first half, compared with €1,615 million at December 31, 2006. Net investments totaled €183 million. The APC acquisition added €215 million.

Non-current financial assets

Non-current financial assets, primarily equity instruments quoted in an active market and loans and receivables related to investments, totaled €410 million, a decrease of €20 million from December 31, 2006. This reflects the reclassification under current financial assets of the restricted cash on the Clipsal acquisition, since payment might be made in the second half, and fair value adjustments to available-for-sale financial assets.

Cash and net debt

Net cash provided by operating activities before changes in operating assets and liabilities rose 11.8% to €1,033 million, representing 12.5% of revenue.

Net cash provided by operating activities totaled €574 million, compared with €538 million in first half 2006. Capital expenditure, which includes capitalized development projects, represented an outlay of €298 million, or 3.6% of revenue versus 3.8% in 2006.

Acquisitions used a total of €4,357 million (excluding cash acquired). The Group paid out €4 million to acquire Schneider Electric shares during the period. In first half 2006, the sale of own shares brought in €53 million. Dividends paid totaled €689 million, of which €21 million to minority interests.

At June 30, 2007, net debt totaled €5,658 million or 57.3% of equity attributable to equity holders of the parent. This represents an increase of €3,823 million, stemming primarily from the acquisition of APC.
The Group financed the €4.7 billion acquisition (net of cash acquired) as follows : €1.5 billion from available cash, €2.2 billion from a short-term loan and €1 bllion from a capital increase. A total of €23 million has not yet been paid and has been placed in escrow.

The Group ended the period with cash of €960 million, of which €521 million in cash and cash equivalents net of short-term bank loans and overdrafts, €376 million in marketable securities, and €63 million in short-term instruments such as commercial paper, monetary mutual funds and equivalents.

Total current and non-current financial liabilities amounted to €6,737 million. Of this, bonds represented €3,797 million and bank loans €2,708 million.

Current financial liabilities totaled €3,173 million at June 30, 2007 and included short-term loans to finance the APC acquisition (€1,900 million), accrued interest (€112 million), commercial paper (€375 million) and the current portion of convertible and non-convertible bonds (€450 million).
Acquisition debt declined from €37 million at December 31, 2006 to €2 million at June 30, 2007, reflecting the payment of a €35 million liability related to the buyback of MGE-UPS minority interests.

Equity

Equity attributable to equity holders of the parent came to €9,759 million, or 42.0% of the balance sheet total. The €1,042 million increase over the period is the net result of the following:

- Share issues, in an amount of €1,057 million,
- Payment of the 2006 dividend, with a negative impact of €668 million,
- Profit for the period of €729 million,
- Changes in treasury stock, which decreased equity by €4 million,
- The impact of currency fluctuations, which reduced the translation reserve by €189 million,
- Fair value adjustments to hedging instruments and available-for-sale financial assets, in a positive amount of €56 million,
- Changes in actuarial gains and losses stemming from the measurement of employee benefits, which increased equity by €7 million.

Minority interests totaled €123 million.

Provisions

Current and non-current provisions totaled €1,717 million, or 7.4% of the balance sheet total. Of this, €315 million covered items that are expected to be paid out in less than one year.
This item primarily comprises provisions for pensions and medical care in an amount of €1,148 million. The impact of exchange rate fluctuations reduced this obligation by €12 million.
Other provisions totaled €569 million at June 30, 2007. These provisions cover product risks (warranties, disputes over identified defective products) for €169 million, economic risks (tax risks, financial risks generally corresponding to seller's guarantees) for €147 million, customer risks (customer disputes and losses on long-term contracts) for €56 million, and restructuring for €82 million.
The main changes over the period stemmed from restructuring plans announced as part of the reorganization of the Building Automation business in the United States and continued industrial reorganization in the Group's core businesses in France, Spain and Denmark.

Other non-current liabilities

The restricted cash on the Clipsal acquisition (€50 million) was reclassified under current financial liabilities, since payment might be made in the second half.

Deferred taxes

Deferred tax assets and liabilities, net represented a liability of €93 million. The €460 million charge over the period stems mainly from the recording of deferred tax liabilities following the recognition of intangible assets during allocation of the acquisition cost of APC.

Outlook for second half 2007

Higher raw material prices and the negative mix effect stemming from strong growth in lower margin lines should continue to weigh on gross profit, but this should be partially offset by an increase in selling prices and productivity gains in the industrial operations. Concerning support functions, the Group should continue to invest in resources in emerging countries and new activities.

Assuming current economic conditions, Schneider Electric anticipates for full-year 2007 organic sales growth above 10%.

Please refer to Chapter 1 – Risk Factors of the Registration Document files at December, 2006 with AMF under no. D07-223.

Statutory Auditor's review report on the first half-year financial information for 2007

This is a free translation into English of the statutory auditor's review report issued in French and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Shareholders

In our capacity of statutory auditors and in accordance with the requirements of article L. 232-7 of the French Commercial Law (the Code de Commerce), we hereby report to you on:

- the review of the accompanying (condensed) half-year consolidated financial statements of Schneider Electric S.A., for the period January 1 to June 30, 2007,
- the verification of information contained in the half-year management report.

These condensed half-year consolidated financial statements are the responsibility of the Executive Board. Our role is to express a conclusion on these financial statements based on our review.

We conducted our review in accordance with professional standards applicable in France. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with professional standards applicable in France and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed half-year consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 - standard of the IFRSs as adopted by the European Union applicable to Interim financial information.

Without qualifying the conclusion expressed above, we draw attention to note 1.2 which sets out « Change in presentation» which presents the use of a new indicator to measure performance (EBITA – Earnings Before Interests Taxes and Amortization of purchase accounting intangibles)

In accordance with professional standards applicable in France, we have also verified the information given in the interim half-year financial report commenting the condensed half-year consolidated financial statements subject to our review.

We have no matters to report as to its fair presentation and consistency with the condensed half-year consolidated financial statements.

Courbevoie and Neuilly-sur-Seine, July 31, 2007

The statutory Auditors

Mazars & Guérard	Ernst & Young et Autres
Pierre Sardet	
Jean-Louis Simon	Pierre Jouanne

Attestation

I, Jean-Pascal TRICOIRE, Chairman of the Management Board of Schneider Electric SA, confirm to the best of my knowledge that the half year accounts as at June 30, 2007 are prepared in accordance with the applicable set of accounting standards and give a true and fair view of the assets, liabilities, financial position and profit or loss of the issuer and the undertakings in the consolidation taken as a whole, and that the interim management report includes a fair review of the information referred to in Article 222-6.

Signed in Rueil-Malmaison, July 27, 2007

Chairman of the Management Board

Jean-Pascal TRICOIRE