Half year financial report

Six months ended June 30, 2010

Condensed Consolidated Financial Statements
Management Report
CEO Attestation
Statutory Auditors' Review Report

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Consolidated statement of comprehensive income

Consolidated statement of income

(in millions of euros except for earnings per share)

		First half 2010	First half 2009	Full year 2009 *
Revenue	*(note 3)*	**8,571**	**7,755**	**15,793**
Cost of sales		(5,072)	(4,781)	(9,572)
Gross profit		**3,499**	**2,974**	**6,221**
Research and development expenses	*(note 4)*	(193)	(180)	(403)
Selling, general and administrative expenses		(1,998)	(1,895)	(3,770)
Other operating income and expense	*(note 5)*	(22)	4	62
EBITAR**		**1,286**	**903**	**2,110**
Restructuring costs	*(note 6)*	(61)	(112)	(313)
EBITA***		**1,225**	**791**	**1,797**
Amortization and impairment of purchase accounting intangibles	*(note 7)*	(90)	(108)	(231)
Operating profit		**1,135**	**683**	**1,566**
Interest income		10	15	26
Interest expense		(153)	(164)	(323)
Finance costs, net		**(143)**	**(149)**	**(297)**
Other financial income and expense	*(note 8)*	11	(49)	(87)
Finance costs and other financial income and expense, net		**(132)**	**(198)**	**(384)**
Profit before tax		**1,003**	**485**	**1,182**
Income tax expense	*(note 9)*	(241)	(114)	(295)
Share of profit/(losses) of associates	*(note 12)*	2	(8)	(21)
Profit for the period		**764**	**363**	**866**
-Attributable to equity holders of the parent		735	346	824
-Attributable to minority interests		29	17	42
Basic earnings per share (in euros)		2.86	1.43	3.32
Diluted earnings per share (in euros)		2.85	1.43	3.31

* Full year 2009 restated for items detailed in Note 1 (acquisition costs and CVAE).
** EBITAR : Earnings Before Interests, Taxes, Amortization of purchase accounting intangibles and Restructuring
*** EBITA : Earnings Before Interests, Taxes and Amortization of purchase accounting intangibles

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

Other comprehensive income

(in millions of euros)

	First Half 2010	First Half 2009	Full year 2009 *
Profit for the period	**764**	**363**	**866**
Other comprehensive income:			
Translation reserve	1,529	40	(2)
Cash-flow hedges	(31)	119	117
Available-for-sale financial assets	(36)	(24)	24
Actuarial gains (losses) on defined benefits	55	(30)	(15)
Income tax relating to components of other comprehensive income	(14)	(25)	(37)
Other	-	(5)	14
Other comprehensive income for the period, net of tax	**1,503**	**75**	**101**
Total comprehensive income for the period	**2,267**	**438**	**967**
Attributable:			
-to owners of the parent	2,224	424	929
-to minority interests	43	14	38

* Full year 2009 restated for items detailed in Note 1 (acquisition costs and CVAE).

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

Consolidated Statement of Cash Flows

(in millions of euros)		**First half 2010**	**First half 2009**	**Full year 2009 ***
I - Cash flows from operating activities:				
Profit for the period		764	363	866
Share of (profit)/ losses of associates, net of dividends received		(2)	8	21
Adjustments to reconcile net profit to net cash provided by operating activities:				
Depreciation of property, plant and equipment		170	172	339
Amortization of intangible assets other than goodwill		164	131	257
Losses on non current assets		20	51	132
Increase/(decrease) in provisions		28	47	131
Change in deferred taxes		(25)	(44)	(114)
Losses/(gains) on disposals of assets		4	4	39
Other		44	38	37
Net cash provided by operating activities before changes in operating assets and liabilities		**1,167**	**770**	**1,708**
(Increase)/decrease in accounts receivable		(289)	383	543
(Increase)/decrease in inventories and work in process		(316)	276	450
Increase/(decrease) in accounts payable		181	(363)	(176)
Change in other current assets and liabilities		(68)	(52)	22
Change in working capital requirement		**(492)**	**244**	**839**
	Total I	**675**	**1,014**	**2,547**
II - Cash flows from investing activities:				
Purchases of property, plant and equipment		(127)	(155)	(337)
Proceeds from disposals of property, plant and equipment		16	7	27
Purchases of intangible assets		(108)	(140)	(268)
Proceeds from disposals of intangible assets		1	-	2
Net cash used by investment in operating assets		**(218)**	**(288)**	**(576)**
Purchases of financial investments, net	*(note 2)*	(1,271)	(41)	(63)
Purchases of other long-term investments		23	23	(40)
Increase in long-term pension assets		-	-	-
Sub-total		**(1,248)**	**(18)**	**(103)**
	Total II	**(1,466)**	**(306)**	**(679)**
III - Cash flows from financing activities:				
Issuance of long-term debt		-	1,130	1,141
Repayment of long-term debt		-	(110)	(110)
Sale/(purchase) of treasury shares		-	9	22
Increase/(reduction) in other financial debt		(68)	(772)	(881)
Issuance of shares		48	-	158
Dividends paid: Schneider Electric SA *		(199)	(315)	(317)
Minority interests		(27)	(8)	(34)
	Total III	**(246)**	**(66)**	**(21)**
IV - Net effect of exchange rate :	**Total IV**	**(38)**	**33**	**61**
Net increase/(decrease) in cash and cash equivalents: I + II + III + IV		**(1,075)**	**675**	**1,908**
Cash and cash equivalents at beginning of period		3,425	1,517	1,517
Increase/(decrease) in cash and cash equivalents		(1,075)	675	1,908
Cash and cash equivalents at end of period	*(note 17)*	**2,350**	**2,192**	**3,425**

* Full year 2009 restated for items detailed in Note 1 (acquisition costs and CVAE).

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

Consolidated Balance Sheet

(in millions of euros)

ASSETS		June 30, 2010	Dec. 31, 2009 *
Non-current assets			
Goodwill, net	*(note 10)*	9,865	8,611
Intangible assets, net	*(note 11)*	4,376	3,919
Property, plant and equipment, net	*(note 11)*	2,086	1,965
Total tangible and intangible assets		6,462	5,884
Investments in associates	*(note 12)*	90	75
Available-for-sale financial assets	*(note 13.1)*	1,327	245
Other financial assets	*(note 13.2)*	171	102
Total non current financial assets		1,498	347
Deferred tax assets		1,080	1,010
Total non-current assets		**18,995**	**15,927**
Current assets			
Inventories and work in process		2,746	2,174
Trade accounts receivable		3,713	3,071
Other receivables and prepaid expenses		1,105	871
Assets held for sale		-	-
Current financial assets	*(note 13.3)*	85	77
Cash and cash equivalents	*(note 17)*	2,476	3,512
Total current assets		**10,125**	**9,705**
Total assets		**29,120**	**25,632**

* Dec. 31, 2009 restated for items detailed in Note 1 (acquisition costs and CVAE).

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

Consolidated Balance Sheet

(in millions of euros)

LIABILITIES		June 30, 2010	Dec. 31, 2009 *
Equity	*(note 14)*		
Share capital		2,144	2,102
Share premium account		6,271	5,934
Retained earnings		4,855	4,645
Translation reserve		563	(952)
Equity attributable to equity holders of the parent		**13,833**	**11,729**
Minority interests		151	131
Total equity		**13,984**	**11,860**
Long-term provisions			
Provisions for pensions and other post-employment benefits	*(note 15)*	1,449	1,378
Provisions for contingencies	*(note 16)*	415	375
Total long-term provisions		1,864	1,753
Non-current liabilities			
Ordinary and convertible bonds	*(note 17)*	3,622	3,608
Other long-term debt	*(note 17)*	1,395	1,305
Total non-current financial liabilities		5,017	4,913
Deferred tax liabilities		1,007	927
Other non-current liabilities		39	17
Total non-current liabilities		**7,927**	**7,610**
Current liabilities			
Trade accounts payable		2,637	2,203
Accrued taxes and payroll costs		1,461	1,266
Short-term provisions	*(note 16)*	886	773
Other current liabilities		753	509
Short-term debt	*(note 17)*	1,472	1,411
Total current liabilities		**7,209**	**6,162**
Total equity and liabilities		**29,120**	**25,632**

* Dec. 31, 2009 restated for items detailed in Note 1 (acquisition costs and CVAE).

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

Consolidated Statement of Changes in Equity

(in millions of euros except for number of shares)

	Number of shares (thousands)	Share capital	Share premium account	Treasury stock	Retained earnings	Translation reserve	**Equity attributable to owners of the parent**	**Minority interests**	**TOTAL**
January 1, 2009	**247,426**	**1,979**	**5,378**	**(352)**	**4,855**	**(954)**	**10,906**	**145**	**11,051**
Profit for the period					346		346	17	363
Other comprehensive income					35	43	78	(3)	75
Comprehensive income for the period					381	43	**424**	**14**	**438**
Issuance of shares	11,968	96	424				520		520
Exercise of stock options	39	0	2				2		2
Dividends					(837)		(837)	(25)	(862)
Change in treasury stock				9			9		9
Stock options					15		15		15
Other (1)				(1)	3		2	(17)	(15)
June 30, 2009	**259,433**	**2,075**	**5,804**	**(344)**	**4,417**	**(911)**	**11,041**	**117**	**11,158**
January 1, 2010 *	**262,752**	**2,102**	**5,934**	**(324)**	**4,969**	**(952)**	**11,729**	**131**	**11,860**
Profit for the period					735		735	29	764
Other comprehensive income					(26)	1,515	1,489	14	1,503
Comprehensive income for the period					709	1,515	**2,224**	**43**	**2,267**
Issuance of shares	4,346	35	296				331		331
Exercise of stock options	841	7	41				48		48
Dividends					(525)		(525)	(27)	(552)
Change in treasury stock				(4)			(4)		(4)
Stock options					14		14		14
Other (2)					16		16	4	20
June 30, 2010	**267,939**	**2,144**	**6,271**	**(328)**	**5,183**	**563**	**13,833**	**151**	**13,984**

* January 1, 2010 figures restated for items detailed in Note 1 (acquisition costs and CVAE).

(1) Of which €3 million in connection with the employee share purchase plan and a negative €17 million from the JV East no longer consolidated in the group perimeter

(2) Of which €3 million in connection with the employee share purchase plan and a €13 million gain on disposal of minority interests in Schneider Electric South Africa

The accompanying notes are in 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

➢ **Accounting standards and basis of preparation**

The consolidated financial statements for the six months ended June 30, 2010 have been prepared in accordance with IAS 34 - *Interim Financial Reporting*. As condensed financial statements, they do not include all the disclosures required by International Financial Reporting Standards (IFRS) and should be read in conjunction with the 2009 annual consolidated financial statements included in the Annual Report filed with the French securities regulator (AMF) under no. D.10-0125, except as regards to the differences in accounting treatment between the annual and interim financial statements described below.

The interim consolidated financial statements have been prepared in compliance with the international accounting standards adopted by the European Union as of June 30, 2010. The same accounting methods were used as for the consolidated financial statements for the year ended December 31, 2009, with the exception of the first-time adoption of IFRS 3 (revised) – *Business Combinations* – and IAS 27 (revised) – *Consolidated and Separate Financial Statements.*

Under IAS 27 R, consolidated financial statements of a group are presented as those of a single economic entity with two categories of owners: the owners of the parent (Schneider Electric SA shareholders) and the owners of non-controlling interests in its subsidiaries. A non-controlling interest corresponds to the interest in a subsidiary that is not directly or indirectly attributable to a parent (referred to hereafter as “minority interests”). As a result of this new approach, changes in a parent’s ownership interest in a subsidiary that do not result in a loss of control only affect shareholders’ equity, as there is no change in control of the economic entity. Effective January 1, 2010, in the case of an acquisition of an additional interest in a consolidated subsidiary, the Group recognises any difference between the acquisition cost and the carrying amount of minority interests as a change in equity attributable to owners of the parent. Any gain or loss arising on the disposal of an interest that does result in a loss of control is recognised in profit or loss.

IFRS 3 R introduces changes in the acquisition method as defined in the previous version. In particular:

- The group has the option of measuring minority interests of an acquired entity either at the minority interest’s proportionate share of the net assets of the acquired entity or at fair value. This option is available on a transaction by transaction basis.
- Contingent consideration is included in the cost of the acquisition at the fair value as of the acquisition date.
- Acquisition-related costs are recognised as an expense in the period in which they are incurred.
- In the case of step acquisitions, the fair value of the acquirer’s previously-held interest is revalued as of the acquisition date and any adjustments to previously recognized assets and liabilities are recognized in profit or loss.

The impact of applying IFRS 3 R and IAS 27 R has been recognised in the statement of income under “Other operating income and expenses”.

Adoption of IFRS 3 R and IAS 27 R primarily affected the following items in the consolidated financial statements for the period ended June 30, 2010:

- The disposal of shares in Schneider Electric South Africa without loss of control. In accordance with the revised standard, this transaction has been recognised directly in shareholders’ equity and no disposal gain has been recognised in the statement of income.
- The reclassification in the 2009 comparative statement of income of acquisition costs booked in 2009 for transactions completed in 2010, in an amount of €25.8 million. These costs, which had been capitalised, are recognised as an expense for the period in accordance with the new standard (see “Reconciliation of the published and comparative statements of income and balance sheets for 2009” below).

The following standards and interpretations that were applicable during the period did not have a material impact on the consolidated financial statements for the six months ended June 30, 2010:

- IFRS 1 A - *First-time Adoption of International Financial Reporting Standards* (additional exemptions for first-time adopters).
- IFRS 2 A - *Share-based Payment* (Group cash-settled share-based payment transactions).
- IAS 39 A - *Financial Instruments: Recognition and Measurement - Exposures Qualifying for Hedge Accounting.*
- *IFRS improvements (April 2009).*
- IFRIC 12 - *Service Concession Arrangements*.
- IFRIC 15 - *Agreements for the Construction of Real Estate*.
- IFRIC 16 - *Hedges of a Net Investment in a Foreign Operation*.
- IFRIC 17 - *Distributions of Non-cash Assets to Owners*.
- IFRIC 18 - *Transfers of Assets from Customers*.
- *Improvements to IFRSs 2009*.

There are no differences in practice between the standards applied by the Group as of June 30, 2010 and the IFRSs issued by the International Accounting Standards Board (IASB) as of that date, as the application from January 1, 2010 of the standards and interpretations not yet adopted by the European Union would not have a material impact on the Group's accounts.

Lastly, the Group has not applied the following standards and interpretations that have not yet been adopted by the European Union or that are applicable after June 30, 2010:

- IFRIC 19 - *Extinguishing Financial Liabilities with Equity Instruments.*
- IAS 32 A - *Financial Instruments: Presentation* (classification of rights issues).
- IAS 24 R - *Related Party Disclosures*.
- IFRS 9 - *Financial Instruments*.
- *Improvements to IFRSs 2010.*

The potential impact of these standards and interpretations on the consolidated financial statements is currently being assessed. At this stage of analysis, the Group does not expect their impact to be material, except for IFRS 9, for which an impact analysis has not yet begun because the standard was published only recently and is incomplete and also because of the current uncertainty concerning its adoption by the European Union.

➢ Reconciliation of the published and comparative statements of income and balance sheets for 2009

Treatment of acquisition costs

Following the first-time adoption of IFRS 3 R in 2010 (see above), acquisition costs booked in 2009 for transactions judged highly likely to be completed in 2010 have been reclassified under "Other operating income and expenses" in an amount of €25.8 million. These costs were capitalised in the financial statements for the year ended December 31, 2009, in accordance with the previous version of IFRS 3.

Presentation of the CET tax component assessed on value added (CVAE)

When the financial statements for the year ended December 31, 2009 were drafted and published, Schneider Electric had not yet finalised its position in relation to the press release issued on January 14, 2010 by the French national accounting board concerning the accounting treatment of the portion of the CET tax assessed on value added (CVAE), introduced in the French law of December 31, 2009 reforming the country's local business tax (see note 30.3 to the consolidated financial statements as at December 31, 2009).

Following an analysis performed within the scope of the Group and tooking into account its specific features, the Group decided to treat the CVAE as income tax, in line with the treatment of similar taxes in Italy and Germany (IRAP and Gewerbesteuer). This decision was also based on a 2006 IFRIC interpretation noting that the term "taxable profit" implies a net rather than a gross amount and that taxable profit is not necessarily the same as book profit.

In accordance with IAS 12, the option chosen by Schneider Electric has led to the recognition of deferred taxes for the year ended December 31, 2009 at a rate of 1.5% on temporary differences arising from:

- Assets that generate economic benefits subject to the CVAE tax even though the reduction in the assets' carrying amount is not deductible from value added. This concerns the carrying amount of depreciable property, plant and equipment and amortisable intangible assets as of December 31, 2009.

- Asset impairments or provisions that are not CVAE-deductible but which relate to expenses that will be deductible from value added at a later date.

Because the CVAE is deductible from corporate income tax, deferred income taxes are recorded at the statutory rate of 34.43% on deferred CVAE tax assets and liabilities recognised as described above.
Because they stem from changes in legislation, the deferred CVAE taxes are reflected in the statement of income. For the year ended December 31, 2009, the impact was a net tax expense of €11 million.

These two items did not have an impact on the comparative financial statements for the period ended June 30, 2009.

	Published	Acquisition Costs	CVAE	**Restated**
Sales	**15,793**			**15,793**
Gross profit	**6,221**			**6,221**
Research and development expenses	(403)			(403)
Selling, general, and administrative expenses	(3,770)			(3,770)
Other operating income and expenses	88	(26)		62
EBITAR	**2,136**			**2,110**
Operating profit	**1,592**			**1,566**
Finance cost and other financial income and expense, net	(384)			(384)
Profit before tax	**1,208**			**1,182**
Income tax expense	(293)	9	(11)	(295)
Share of profit/(losses) of associates	(21)			(21)
Profit for the period	**894**			**866**

Assets	**Published**	Acquisition Costs	CVAE	**Restated**
Goodwill, tangible and intangible assets	14,495			14,495
Investments in associates	75			75
Non-current financial assets	347			347
Deferred tax assets	1,001	9		1,010
Total non-current assets	**15,918**	**9**		**15,927**
Inventory and accounts receivable	5,245			5,245
Other receivables and prepaid expenses	897	(26)		871
Current financial assets	77			77
Cash and cash equivalents	3,512			3,512
Total current assets	**9,731**	**(26)**		**9,705**
Total assets	**25,649**	**(17)**	**-**	**25,632**

Liabilities	Published	Acquisition Costs	CVAE	Restated
Share capital	2,102			2,102
Share premium account	5,934			5,934
Retained earnings	4,673	(17)	(11)	4,645
Translation reserve	(952)			(952)
Equity attributable to equity holders of the parent	**11,757**	**(17)**	**(11)**	**11,729**
Minority interests	131			131
Total equity	**11,888**	**(17)**	**(11)**	**11,860**
Long-term provisions	1,753			1,753
Non-current financial liabilities	4,913			4,913
Deferred tax liabilities	916		11	927
Other non-current liabilities	17			17
Total non-current liabilities	**7,599**	**-**	**11**	**7,610**
Total current liabilities	**6,162**			**6,162**
Total equity and liabilities	**25,649**	**(17)**	**-**	**25,632**

➢ **Impairment of assets**

There were no indications of impairment at June 30, 2010. As a result, no impairment tests were performed as of this date.

➢ **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.

Note 2 - Changes in the scope of consolidation

2.1 Additions and removals

➢ **Acquisition of Areva T&D's Distribution business**

On June 7, 2010 (closing date), a consortium comprising Alstom and Schneider Electric acquired all outstanding shares of Areva T&D for €2.29 billion. The partners also financed the repayment of Areva T&D's debt towards the Areva Group. Schneider Electric, which took on the Distribution business, financed around 30% of the transaction, including the debt refinancing, for close to €1 billion.

As of the closing date, Schneider Electric immediately became the sole owner, with exclusive control, of the Distribution business previously held by Areva (within the limit of Areva's holding) and acquired through the consortium, in accordance with the consortium agreement. The procedures outlined in the consortium agreement for preparing the Distribution business' financial statements as of the acquisition date were not compatible with the deadlines for preparing and publishing Schneider Electric's interim financial statements. Consequently, the new business was not included in the scope of consolidation for the interim financial statements and Schneider Electric's interest in Areva T&D is presented in the balance sheet under "Available for sale financial assets". The decision not to consolidate this business from June 7 to June 30 and the acquired assets and liabilities as of June 30, 2010 did not have a material impact on Schneider Electric's consolidated financial statements.

The acquisition of Areva T&D by the consortium includes the indirect acquisition of 72.18% of the capital of Areva T&D India Ltd. which is listed on the stock exchanges in Bombay, Calcutta, and on the National Stock Exchange of India. Areva T&D India Ltd. occupies a leading position in India with sales of about €500 million in 2009. In anticipation of this change in Areva T&D India's indirect control, and in application of the Indian stock exchange regulations on takeovers, Alstom and Schneider Electric announced on May 28, 2010 a compulsory bid on a maximum of 20% of Areva T&D India Ltd.'s capital for a minimum fixed price set by the Indian stock exchange regulators. The outcome of this offer should be known in the second half of 2010. This transaction in progress increased the acquisition cost of Areva T&D's shares by an estimated amount of €74 million, and the "Other Current Liabilities" item for the same amount.

- Acquisitions of the period

The Group has finalised the acquisitions of SCADAgroup in Australia and CIMAC in the United Arab Emirates.

- Acquisitions in progress

The Group has signed an agreement on the acquisition of Zicom in India, a specialist in integrated building control systems. This activity will be consolidated in the second semester of 2010.

2.2 Impact of changes in the scope of consolidation

The impact of changes in the scope of consolidation in 2009 and 2010 on the Group's income statement as of June 30, 2010 is not material.

- **Impact on cash**

Changes in the scope of consolidation at June 30, 2010 reduced the Group's cash position by a net €1,271 million, as described below:

	First half 2010
Acquisitions	(1,278)
Cash and cash equivalents paid	*(1,281)* *
Cash and cash equivalents acquired	*3*
Disposals	7
Other operations	-
Net financial investments	**(1,271)**

** of which €1,0124 million related to the acquisition of Areva T&D's Distribution business.*

Note 3 - Segment information

Effective January 1, 2010, the Group has re-organised into five Businesses (Power, Industry, IT, Buildings and Customized Sensors & Technologies).

The five Businesses are:

- **Power**, which includes Medium and Low Voltage, Installation Systems and Control, Renewable Energies and four end-customer segments: Utilities, Marine, Residential and Oil & Gas.
- **Industry**, which includes Automation & Control and three end-customer segments: OEMs, Water Treatment and Mining, Minerals & Metals.
- **IT**, which covers Critical Power & Cooling Services and two end-customer segments: Data Centres and Financial Services.
- **Buildings**, which includes Building Automation and Security and four end-customer segments: Hotels, Hospitals, Office Buildings and Retail Buildings.
- **Custom Sensors & Technologies**, a mainly technological business focused on customers in the Automotive, Aeronautic and Manufacturing industries.

Data concerning General Management that cannot be allocated to a particular segment are presented under "Holding Company".

Operating segment data is identical to that presented to the Management Board, which has been identified as the main decision-making body for allocating resources and evaluating segment performance. Performance assessments are notably based on Earnings Before Interest, Taxes, Amortization of purchase accounting intangibles and Restructuring costs (EBITAR). Share-based payment is presented under “Holding Company”. The Management Board does not review assets and liabilities by Business.

The same accounting principles governing the consolidated financial statements apply to segment data.

3.1 Information by operating segment

Jun. 30, 2010

	Power Business	Industry Business	IT Business	Buildings Business	CST	Holding	TOTAL
Sales	4,826	1,678	1,209	654	204	-	**8,571**
EBITAR*	953	321	178	62	25	(253)	**1,286**
%	19.7%	19.1%	14.7%	9.5%	12.3%	-	15.0%
EBITA*	923	299	177	57	23	(254)	**1,225**
%	19.1%	17.8%	14.6%	8.7%	11.3%	-	14.3%

* including a nonrecurring EUR 15 million acquisition fees for Areva Distribution

Jun. 30, 2009

	Power Business	Industry Business	IT Business	Buildings Business	CST	Holding	TOTAL
Sales	4,572	1,302	1,076	634	171		**7,755**
EBITAR*	805	106	141	68	(1)	(216)	**903**
%	17.6%	8.1%	13.1%	10.7%	(0.6)%	-	11.6%
EBITA*	756	92	131	59	(17)	(230)	**791**
%	16.5%	7.1%	12.2%	9.3%	(9.9)%	-	10.2%

The costs of the Holding company for the first half of 2009 that were previously published (€160 million without restructuring) were restated with €56 million of costs included for the global IT function created with the new organisation of the company effective January 1st, 2010. The amount of the first half of 2010 includes an impairment of €15 million on a module of SAP (see note 5).

In addition, the costs of the holding entity for 2009 that were previously published (€297 million without restructuring) were restated for €40 million of IT costs (without the cost of deploying SAP, whose figures are already included as of December 31, 2009) and of €26 million of acquisition costs, previously capitalised (see note 1).

December 31, 2009

	Power Business	Industry Business	IT Business	Buildings Business	CST	Holding	TOTAL
Sales	9,233	2,665	2,270	1,268	357	-	**15,793**
EBITAR*	1,683	275	363	132	20	(363)	**2,110**
%	18.2%	10.3%	16.0%	10.4%	5.6%	-	13.4%
EBITA*	1,535	198	334	121	(4)	(387)	**1,797**
%	16.6%	7.4%	14.7%	9.5%	(1.1)%	-	11.4%
* including a non recurring gain on pension plan modification:							
	81	11					

Please note that due to a change of responsibility, full-year 2009 figures of the Power and IT businesses have been modified compared to the data set provided in the notes to the 2009 consolidated financial statements.

3.2 Information by region

The geographic regions covered by the Group are:
- EMEAS: Europe, Middle East, Africa and South America,
- North America: United States, Canada and Mexico,
- Asia-Pacific.

Non-current assets include net goodwill, net intangible assets and net property, plant and equipment.

Jun. 30, 2010

	EMEAS	*of which France*	North America	*of which USA*	Asia Pacific	*of which China*	**TOTAL**
Sales by country market	4,332	*808*	2,197	*1,893*	2,042	*987*	**8,571**
Non current assets	6,269	*1,672*	6,817	*6,498*	3,241	*1,081*	**16,327**

Jun. 30, 2009

	EMEAS	*of which France*	North America	*of which USA*	Asia-Pacific	*of which China*	**TOTAL**
Sales by country market	4,113	*787*	2,114	*1,836*	1,528	*755*	**7,755**
Non current assets	5,875	*1,703*	6,075	*5,731*	2,622	*955*	**14,572**

Note 4 - Research and development

Research and development costs are as follows:

	First half 2010	**First half 2009**
Research and development costs in cost of sales	79	74
Research and development costs in commercial expenses	-	8
Research and development costs in R&D costs (1)	193	180
Capitalized development costs	99	112
Total research and development costs for the period	**371**	**374**

(1) Of which, €8 million of research and development tax credit in 2010, and €8 million in 2009.

Amortization of capitalised development costs came to €50 million in 2010 and €40 million in 2009. In addition, exceptional impairment losses of €3 million were recorded on capitalised development costs in 2010 with none in 2009.

Note 5 - Other operating income and expense

Other operating income and expenses are as follows:

	First half 2010	**First half 2009**
Impairment losses on property, plant, and equipment and intangible assets	(31)	-
Gains on asset disposals	2	1
Losses on asset disposals	(5)	(5)
Others	12	8
Other operating income and expense	**(22)**	**4**

The impairment loss on property, plant, and equipment and intangible assets relate to:
- A module of the SAP project being replaced for €15 million.

- A building for €12 million.
- R&D project write-offs for €3 million.

Items included in the “others” line are mainly €15 million related to an insurance reimbursement and €7 million one-off costs from the Areva acquisition.

Note 6 - Restructuring costs

Restructuring costs in first-half 2010 totalled €61million and primarily stemmed from the reorganisation of manufacturing operations and support functions in Europe, for around €45 million, and North America, for around €13 million.

Note 7 - Amortization and impairment of purchase accounting intangibles

	First half 2010	First half 2009
Amortization of purchase accounting intangibles	(85)	(57)
Impairment of purchase accounting intangibles	-	(30)
Goodwill impairment	(5)	(21)
Amortization and impairment of purchase accounting intangibles	**(90)**	**(108)**

The Group’s brand migration project to the Schneider Electric brand (the One Brand project) led to the amortization of the Xantrex, TAC, and MGE trademarks over a life of 6 years. The amortization of these brands began on January 1, 2010. The resulting amortization charges amount to €29 million for the first half of 2010.

A goodwill impairment of €5 million was recorded for a small activity in Northern Europe.

Note 8 - Other financial income and expenses

	First Half 2010	First Half 2009
Exchange gains and losses, net	37	(15)
Financial component of defined benefit plan costs	(22)	(30)
Dividend income	8	4
Net gains/(losses) on disposal of long-term investments	2	-
Other financial expenses, net	(14)	(8)
Other financial income and expenses	**11**	**(49)**

The interest component of defined benefit plan costs decreased primarily due to a decrease of interest costs (discounting).

Dividends primarily correspond to dividends on AXA shares.

Note 9 - 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.

9.1 Analysis of income tax expense for the year

	First half 2010	First half 2009
Current taxes		
France	(12)	-
International	(254)	(158)
Total	**(266)**	**(158)**
Deferred taxes		
France	3	54
International	22	(10)
Total	**25**	**44**
Income tax (expense)/benefit	**(241)**	**(114)**

9.2 Tax proof

	First half 2010	First half 2009
Profit attributable to equity holders of the parent	**735**	**363**
Income tax (expense)/benefit	(241)	(114)
Minority interests	(29)	
Share of profit of associates	2	(8)
Profit before tax	**1,003**	**485**
Statutory tax rate	34.43%	34.43%
Income tax expense calculated at the statutory rate	**(345)**	**(167)**
Reconciling items:		
Difference between French and foreign tax rates	80	52
Tax credits and other tax reductions	55	20
Impact of tax losses	(1)	(14)
Other permanent differences	(30)	(5)
Income tax (expense)/benefit	(241)	(114)
Effective tax rate	**24.0%**	**23.5%**

9.3 Deferred taxes

Deferred tax assets net of deferred tax liabilities amounted to €73 million, decreasing by €10 million from December 31, 2009.

Note 10 - Goodwill

10.1 Breakdown of goodwill

The change in the organisation which has been implemented on January 1, 2010 has resulted in a reallocation of goodwill between Cash Generating Units (CGU) in order to have the CGUs and operating segments aligned as required by new IFRS 8 standard.

The goodwill of Square D has been allocated on the basis of operating profit by business in the following manner:

	Power	**Industry**
Square D Company	82%	18%

The main items of goodwill are as follows:

	Year of acquisition	CGU (1)	June 30, 2010 Net	Dec. 31, 2009 Net
APC	2007	IT	2,435	2,070
Square D Company	1991	POWER	1,118	951
Groupe LEXEL	1999	POWER	860	842
TAC/ Andover/ Abacus/ Applied Control Technology/Yamas/HGA	2003 to 2007	BUILDINGS	470	419
Telemecanique	1988	INDUSTRY	463	463
Pelco	2007	BUILDINGS	415	353
MGE UPS	2000 to 2007	IT	364	334
IBS	2006	BUILDINGS	351	299
Juno Lighting Inc.	2005	POWER	323	275
Clipsal	2004 to 2006	POWER	316	282
Xantrex	2008	POWER	233	198
Crouzet Automatismes	2000	CST	157	156
BEI Technologies	2005	CST	154	130
Power Measurement Inc.	2005	POWER	152	133
Delixi	2007	POWER	151	128
SCADA Group	2010	INDUSTRY	127	-
ABS	2005	BUILDINGS	110	105
Positec	2000	INDUSTRY	109	105
Digital Electronics	2002	INDUSTRY	103	84
Merlin Gerin	1992	POWER	87	87
Kavlico	2004	CST	87	76
OVA	2006	POWER	80	80
Citect	2006	INDUSTRY	65	59
Federal Pioneer	1990	POWER	64	55
Ritto	2007	POWER	60	60
Elau	2004 & 2005	INDUSTRY	56	56
Crydom	2006	CST	56	48
Wessen	2008	POWER	44	41
RAM	2008	INDUSTRY	44	38
Infra +	2000 to 2004	POWER	43	43
CIMAC	2010	INDUSTRY	39	-
PDL	2001	POWER	35	32
ECP	2008	POWER	32	27
AEM	2006	POWER	30	30
Mita Holding	1999	POWER	30	28
IMS	2008	INDUSTRY	30	25
GET	2006	POWER	29	27
Marisio	2008	POWER	29	26
Microsol	2009	IT	26	23
Conzerv	2009	POWER	23	20
Meher	2009	POWER	19	16
ITG	2010	BUILDINGS	18	-
Arrow	2008	POWER	18	14
Crockett	2009	BUILDINGS	12	10
Other subsidiaries			398	363
TOTAL			**9,865**	**8,611**

(1) Cash Generating Unit to which goodwill has been mainly allocated.
CST: Customized Sensors & Technologies

10.2 Changes in goodwill

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

	First half 2010	Full Year 2009	First half 2009
Net goodwill at opening	**8,611**	**8,542**	**8,542**
Acquisitions*	168	66	-
Disposals	-	(2)	-
Impairment	(5)	(90)	(21)
Translation adjustment	1,088	(26)	(11)
Reclassification	3	121	120
Net goodwill at year end	**9,865**	**8,611**	**8,630**
Cumulative impairment	**(162)**	**(157)**	**(88)**

* at acquisition date

- **Acquisitions**

Goodwill generated by acquisitions in the first half of 2010 amounts to €168 million. Additional goodwill mainly relates to the SCADAgroup in Australia for €115 million and to CIMAC Group in the United Arab Emirates for €33 million. This goodwill is a temporary value before the purchase price allocation of these acquisitions.

- **Translation adjustment**

Currency translation adjustments relate primarily to goodwill denominated in US dollars, specifically APC, SquareD, and Pelco.

Note 11 - 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, 2009	**2,420**	**842**	**1,213**	**724**	**5,333**	**10,532**
Acquisitions/Capitalization	-	99	3	6	136	244
Disposals	-	(4)	-	(4)	(84)	(92)
Translation adjustment	344	48	210	30	362	994
Reclassification	-	(1)	(5)	6	1	1
Changes in the scope of consolidation and other	-	(5)	25	-	19	39
June 30, 2010	**2,764**	**979**	**1,446**	**762**	**5,767**	**11,718**
ACCUMULATED AMORTIZATION AND IMPAIRMENT						
Dec. 31, 2009	**(132)**	**(243)**	**(416)**	**(489)**	**(3,368)**	**(4,648)**
Acquisitions/Capitalization	(30)	(53)	(57)	(43)	(172)	(355)
Disposals	-	2	(1)	3	74	78
Translation adjustment	(5)	(20)	(70)	(23)	(199)	(317)
Reclassification	-	-	3	(1)	(4)	(2)
Changes in the scope of consolidation and other	-	-	-	-	(12)	(12)
June 30, 2010	**(167)**	**(314)**	**(541)**	**(553)**	**(3,681)**	**(5,256)**
NET VALUE						
Dec. 31, 2009	**2,288**	**599**	**797**	**235**	**1,965**	**5,884**
June 30, 2010	**2,597**	**665**	**905**	**209**	**2,086**	**6,462**

Note 12 - Investments in associates

Investments in associates can be analysed as follows:

	% interest		Share in net assets		Share in net profits	
	June 30, 2010	Dec. 31, 2009	June 30, 2010	Dec. 31, 2009	June 30, 2010	Dec. 31, 2009
Delta Dore Finance	20,0%	20,0%	12	12	-	1
Fuji Electric FA Components & Systems	36,8%	36,8%	72	58	1	(22)
Others	N/A	N/A	6	5	1	-
Total	**-**	**-**	**90**	**75**	**2**	**(21)**

Note 13 - Financial assets

13.1 Available-for-sale financial assets

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

	June 30, 2010				Dec. 31, 2009
	%	Gross value	Revaluation/ Impairment	Fair value	Fair value
I – Listed available for sale financial assets					
AXA	0.5%	111	24	135	175
Gold Peak Industries Holding Ltd	4.4%	6	(2)	4	4
Total listed AFS		**117**	**22**	**139**	**179**
II – Unlisted available for sale financial assets					
AS5 (1)	29.8%	1,024	-	1,024	-
Mandatory buy out of minority interests - Areva T&D India		74	-	74	-
SEV1 Venture capital fund	100.0%	35	19	54	49
SESS Venture capital fund	99.9%	10	-	10	-
Simak (2)	99.2%	6	(1)	5	5
Easy Plug SAS (3)	50.0%	9	(9)	-	-
SE Venture	100.0%	7	(7)	-	-
Other unlisted AFS (4)		29	(8)	21	12
Total unlisted AFS		**1,194**	**(6)**	**1,188**	**66**
Financial assets available for sale		**1,311**	**16**	**1,327**	**245**

(1) AS5 is the holding company of Areva T&D
(2) Removed from the scope of consolidation – in liquidation
(3) Dormant company
(4) Valued at less than €5 million each

Fair value corresponds to the quoted price on the last trading day of the period for investments listed on an active market.

Net losses arising from fair value revaluation of listed investments, recorded in equity under "Other Comprehensive Income", totalled €36 million.

13.2 Other non-current financial assets

The agreement for the acquisition of Clipsal includes a seller's warranty providing for part of the acquisition price to be withheld. This amount (€9 million as of June 30, 2010) is recorded in the balance sheet under "Other non-current liabilities". This amount has been placed in escrow and is disclosed in the balance sheet in "Other non-current financial assets".

This balance sheet item also records the assets acquired from Zicom in India during the period (€44 million as of June 30, 2010). They will be consolidated during the second half-year.

13.3 Current financial assets

Current financial assets, corresponding to short-term investments, totalled €85 million as of June 30, 2010.

Note 14 - Shareholder's equity

14.1 Share-based payments

A total of 841,008 Schneider Electric SA shares were issued during first half 2010 upon exercise of stock options, in an amount of €48 million.

Based upon the assumptions described in the notes to the 2009 consolidated financial statements, the amount recorded under "Selling, general and administrative expenses" for stock option plans set up after November 7, 2002 totalled €14 million in first half 2010 (€15 million for the first half 2010). This expense was booked as an adjustment to "Retained earnings" in Shareholders' Equity.

14.2 Worldwide Employee Stock Purchase Plan

Schneider Electric gives its employees the opportunity to become group shareholders thanks to employee share issues. Employees in countries that meet legal and fiscal requirements have the choice between a classic and a leveraged plan.

Under the classic plan, employees may purchase Schneider Electric shares at a 15% to 17% discount to the price quoted for the shares on the stock market. Employees must then hold their shares for five years, except in certain cases provided for by law. The share-based payment expense recorded in accordance with IFRS 2 is measured by reference to the fair value of the discount on the locked-up shares. The lock-up cost is determined on the basis of a two-step strategy that involves first selling the locked-up shares on the forward market and then purchasing the same number of shares on the spot market (i.e., shares that may be sold at any time) using a bullet loan.

This strategy is designed to reflect the cost the employee would incur during the lock-up period to avoid the risk of carrying the shares subscribed under the classic plan. The borrowing cost corresponds to the cost of borrowing for the employees concerned, as they are the sole potential buyers in this market. It is based on the average interest rate charged by banks for an ordinary, non-revolving personal loan with a maximum maturity of five years granted to an individual with an average credit rating.

Under the leveraged plan, employees may also purchase Schneider Electric shares at a 15% to 17% discount from the price quoted on the stock market. However, the leveraged plan offers a different yield profile as a third-party bank tops up the employee's initial investment, essentially multiplying the amount paid by the employee. The total is invested in Schneider Electric shares at a preferential price. The bank converts the discount transferred by the employee into funds with a view to securing the yield for the employee and increasing the indexation on a leveraged number (factor of 3.4 in 2010) of directly subscribed shares.

As with the classic plan, the share-based payment expense is determined by reference to the fair value of the discount on the locked-up shares (see above). In addition, it includes the value of the benefit corresponding to the issuer's involvement in the plan, which means that employees have access to share prices with a volatility profile adapted to institutional investors rather than to the prices and volatility profile they would have been offered if they had purchased the shares through their retail banks. The volatility differential is treated as a discount equivalent that reflects the opportunity gain offered to employees under the leveraged plan.

On June 8, 2010, Schneider Electric gave its employees the opportunity to purchase shares at a price of €65.85 or €67.44 per share, depending on the country, as part of its commitment to employee share ownership. This represented a 15% to 17% discount to the reference price of €79.34 calculated as the average opening price quoted for the share during the 20 days preceding the Management Board's decision to launch the employee share issue.

Altogether, 2.2 million shares were subscribed, increasing the Company's capital by €143 million as of July 8, 2010. The issue represented a total cost of €3.4 million, taking into account the five-year lock-up period.

The tables below summarize the main characteristics of the plans, the amounts subscribed, the valuation assumptions and the plans' cost for 2010 and 2009.

	Classic plan	2010		2009	
		%	€	%	€
	Plan characteristics				
	Maturity *(years)*		5		5
	Reference price *(euros)*		79.34		53.59
	Subscription price *(euros)* : between		67.44		45.55
	and		65.86		44.48
	Discount: between	15.0%		15.0%	
	and	17.0%		17.0%	
	Amount subscribed by employees		37.8		28.6
	Total amount subscribed		37.8		28.6
	Total number of shares subscribed *(millions of shares)*		0.6		0.6
	Valuation assumptions				
	Interest rate available to market participant (bullet loan) (1)	4.1%		5.0%	
	Five-year risk-free interest rate (euro zone)	2.1%		3.0%	
	Annual interest rate (repo)	1.0%		1.0%	
(a)	**Value of discount** between	15.0%	6.2	15.0%	4.8
	and	17.0%	0.6	17.0%	0.3
(b)	**Value of lock-up period for market participant**	15.0%	6.7	14.9%	5.0
	Total expense for the Group (a-b)	**0.01% to 2.01%**	**0.1**	**0.15% to 2.15%**	**0.1**
	Sensitivity				
	- Decrease in interest rate for market participant (2)	(0.5%)	1.2	(0.5%)	0.9

Amounts in millions of euros, unless otherwise stated.

(1) Average interest rate charged by banks for an ordinary, non-revolving personal loan with a maximum maturity of five years granted to an individual with an average credit rating.
(2) A decline in the interest rate for market participants reduces the lock-up cost and increases the expense booked by the issuer.

Leveraged plan	2010		2009	
	%	€	%	€
Plan characteristics				
Maturity *(years)*		5		5
Reference price *(euros)*		79.34		53.59
Subscription price *(euros)* : between		67.44		45.55
and		65.86		44.48
Discount [5] between	15.0%		15.0%	
and	17.0%		17.0%	
Amount subscribed by employees		9.9		8.5
Total amount subscribed		105.4		85.7
Total number of shares subscribed *(million of shares)*		1.6		1.9
Valuation assumptions				
Interest rate available to market participant (bullet loan) [1]	4.1%		5.0%	
Five-year risk-free interest rate (euro zone)	2.1%		3.0%	
Annual dividend rate	3.0%		3.0%	
Annual interest rate (repo)	1.0%		1.0%	
Retail/institutional volatility spread	5.0%		5.0%	
(a) Value of the discount between	15.0%	11.7	15.0%	9.4
and	17.0%	8.0	17.0%	5.9
(b) Value of the lock-up period for market participant	15.0%	18.8	14.9%	14.4
(c) Value of the opportunity gain [2]	1.9%	2.4	1.7%	1.7
Total expense for the Group (a-b+c)	**1.89% to 3.89%**	**3.3**	**1.85% to 3.85%**	**2.5**
Sensitivity				
- Decrease in interest rate for market participant [3]	(0.5%)	3.3	(0.5%)	2.5
- Increase in retail/institutional volatility spread [4]	0.5%	0.2	0.5%	0.2

Amounts in millions of euros, unless otherwise stated.
(1) Average interest rate charged by banks for an ordinary, non-revolving personal loan with a maximum maturity of five years granted to an individual with an average credit rating.
(2) Calculated using a binomial model.
(3) A decline in the interest rate for market participants reduces the lock-up cost and increases the expense booked by the issuer.
(4) An increase in the retail/institutional volatility spread increases the opportunity gain for the employee and increases the expense booked by the issuer.
(5) In some countries, because of local legal constraints, the employee subscribes a non-discounted amount while the bank subscribes a discounted amount to provide leverage to the employee.

Note 15 - 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, 2009	**944**	***293***	**435**	***358***	**1,379**
Net cost recognized in the statement of income	33	*1*	12	*9*	45
Benefits paid	(29)	-	(1)	-	(30)
Plan participants' contributions	(10)	-	(9)	*(9)*	(19)
Actuarial gains and losses recognized in equity	(36)	*(36)*	(19)	*(19)*	(55)
Translation adjustment	66	*47*	58	*57*	124
Changes in the scope of consolidation	-	-	1	-	1
Other changes	1	-	3	*2*	4
June 30, 2010	**969**	***305***	**480**	***398***	**1,449**

The net cost recognized in the income statement for first half 2010 breaks down as follows:

	First Half 2010		
	Pensions and termination benefits	Other Post-employment and long-term benefits	**Total**
Service cost	20	4	24
Past service cost	-	(2)	(2)
Curtailments and settlements	-	1	1
Operating expense for the period	**20**	**3**	**23**
Interest cost (impact of discounting)	53	9	62
Expected return on plan assets	(40)	-	(40)
Financial expense for the period	**13**	**9**	**22**
Net cost recognized in the statement of income	**33**	**12**	**45**

	First Half 2009		
	Pensions and termination benefits	Other Post-employment and long-term benefits	**Total**
Service cost	27	3	30
Past service cost	-	(2)	(2)
Curtailments and settlements	-	-	-
Operating expense for the period	**27**	**1**	**28**
Interest cost (impact of discounting)	55	11	66
Expected return on plan assets	(36)	-	(36)
Financial expense for the period	**19**	**11**	**30**
Net cost recognized in the statement of income	**46**	**12**	**58**

Note 16 - Provisions

	Economic risks	Customer risks	Product risks	Environmental risks	Restructuring	Other risks	**Provisions**
Dec. 31, 2009	**418**	**80**	**264**	**44**	**210**	**132**	**1,148**
Long-term portion	*131*	*31*	*79*	*27*	*28*	*79*	*375*
Additions	65	3	67	-	40	32	207
Discounting effect	-	-	1	-	-	1	2
Utilizations	(18)	(9)	(27)	(1)	(68)	(12)	(135)
Reversals of surplus provisions	(4)	-	(8)	-	(10)	(21)	(43)
Translation adjustments	33	8	25	4	6	11	87
Changes in the scope of consolidation and other	28	-	(1)	-	2	6	35
June 30, 2010	**522**	**82**	**321**	**47**	**180**	**149**	**1,301**
Long-term portion	*155*	*38*	*66*	*29*	*31*	*96*	*415*

Additions to provisions for product risks reflect updated estimates of technical risks for €41 million. Additions to provisions for restructuring, in an amount of €40 million, are commented in Note 6.

Note 17 - Net debt

Net debt breaks down as follows:

	June 30, 2010	**Dec. 31, 2009**
Convertible and non-convertible bonds	4,523	4,508
Bank and other borrowings	1,479	1,386
Lease liabilities	16	16
Employees profit sharing	9	7
Short-term portion of convertible and non-convertible bonds	(900)	(900)
Short-term portion of long-term debt	(110)	(104)
Non-current financial liabilities	**5,017**	**4,913**
Commercial papers	40	46
Accrued interests	138	116
Other short-term borrowings	158	158
Drawdown of funds from lines of credit	-	-
Bank overdrafts	126	87
Short-term portion of convertible and non-convertible bonds	900	900
Short-term portion of long-term debt	110	104
Current financial liabilities	**1,472**	**1,411**
Total current and non-current financial liabilities	**6,489**	**6,324**
Marketable securities	1,155	2,681
Negotiable debt securities and short-term deposits	13	23
Cash	1,308	808
	2,476	**3,512**
Net debt	**4,013**	**2,812**

Cash and cash equivalents net of short-term bank loans and overdrafts totalled €2,350 million at June 30, 2010, 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.

Note 18 - Financial instruments

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

18.1 Carrying amount and nominal amount of derivative financial instruments

		Dec. 31, 2009	June 30, 2010			June 30, 2010	
	IFRS designation	Carrying amount	Other financial income and expense (1)	Equity	Carrying amount	Nominal amount Purchase	Sale
Foreign exchange							
Forwards - cash flow hedges	CFH*	(6)	(131)	(13)	(150)	1,006	-
Forwards - net investment hedges	NIH*	(1)	-	(3)	(4)	-	683
Forwards and options - hedges of balance sheet items	Trading/FVH*	(27)	16	-	(11)	1,491	2,019
Metal prices							
Forwards and options	CFH*	9	-	(15)	(6)	118	-
Interest rates							
Interest rate swaps	CFH*/FVH*	(41)	12	(4)	(33)	1,399	-
Derivatives financial instruments		**(66)**	**(103)**	**(35)**	**(204)**		

** Cash Flow Hedge / Fair Value Hedge / Net Investment 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 financial income.

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 banks.

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

	June 30, 2010		Dec. 31, 2009	
	Notional amount (1)	Fair value	Notional amount (1)	Fair value
Available-for-sale financial assets	1,327	1,327	245	245
Other non-current financial assets	171	171	102	102
Marketable securities	1,155	1,155	2,681	2,681
Bonds	(4,523)	(4,847)	(4,508)	(4,746)
Other short and long-term debt	(1,966)	(1,966)	(1,816)	(1,816)
Financial instruments excluding derivatives	**(3,836)**	**(4,160)**	**(3,296)**	**(3,534)**

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

Note 19 - Related party transactions

19.1 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.

19.2 Related parties with significant influence

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

Note 20 - Commitments and contingent liabilities

20.1 Guarantees given and received

Guarantees given and received amounted to €747 million and €58 million, respectively, as of June 30, 2010.

20.2 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, 2010, as at December 31, 2009.

- **Information technology services**

The Group signed an agreement with CAPGEMINI to outsource certain European IT functions and to develop shared management applications using SAP. The first pilot version was deployed in India in April 2007 and a second version was rolled out in several European countries mid-2008. Schneider Electric capitalised development costs relating to the SAP contract in a net amount of €142 million at June 30, 2010. These costs are being amortized as from 2009 over a 7-year rolling period using an increasing-balance method based on the number of users as deployment is extended across operations.

The first-half 2009 expense related to this outsourcing agreement contractually amounts to €51 million (compared with €59 million in first-half 2009) including volume and indexation effects provided for in the contract.

20.3 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). In accordance with French national accounting board (CNC) opinion 2004-F, the related costs are treated as an expense for the period when the training is received and no provision is set aside in the periods when the training rights accrue. As of June 30, 2010, accrued rights for employees in French units corresponded to around 1,480,000 hours.

Note 21 - Subsequent events

- **Issuance of shares to employees**

On July 8, 2010, 2.2 million shares were issued in connection with the employee share purchase programme described in note 14.2, increasing the share capital by €143 million.

- **Bond issues**

On July 9, 2010, Schneider Electric announced two bond issues for a total of €800 million and the partial buyback of its July 2013 bond issue.

These transactions were designed to refinance part of the Group's debt—notably the €900 million bond issue maturing in August 2010—and to extend its debt maturity profile. The partial buyback of the July 2013 bond issue will also reduce borrowing costs as from 2011.

- In the first transaction, the Group issued €300 million worth of bonds due July 2016 priced to yield 73 basis points more than the mid-swap rate, for an effective interest rate of 2.875%.

- In the second transaction, the Group issued €500 million worth of bonds due July 2020 priced to yield 88 basis points more than the mid-swap rate, for an effective interest rate of 3.625%.

- Schneider Electric also bought back €263 million worth of its 6.75% bonds due July 2013. An exceptional financial expense of around €40 million will be recorded in the second half of 2010 in connection with this buyback.

MANAGEMENT REPORT FOR THE PERIOD ENDED JUNE 30, 2010

Consolidated financial statements

Business and Statement of Income highlights

Changes in the scope of consolidation

Acquisitions during the period

On January 21, 2010, Schneider Electric announced that it had signed an agreement to acquire Cimac, the leading systems integrator for industrial automation solutions in the Middle East Gulf region. Cimac implements complete automation, control and electrical distribution solutions, primarily for Water-Waste Water and Oil & Gas customers. As Gulf market leader with proven technologies and know-how in implementing solutions, it employs over 400 people and generates sales in excess of €40 million. With this acquisition, Schneider Electric will be able to capture new opportunities in the fast-growing automation market in UAE and across the Gulf countries, while offering geographical complementarities in other Middle East countries.

On March 5, 2010, Schneider Electric announced that it had signed an agreement with Zicom Electronic Security Systems Limited to acquire the assets of their electronic security systems integration business, namely the Building Solutions Group and the Special Projects Group. The business recorded revenues of approx. €30 million in fiscal 2009 and has a headcount of about 200. The transaction excludes Zicom's other group companies, such as the retail business and Dubai-based joint-venture. Zicom is the largest independent electronic security systems integrator in India. It has completed to date more than 1,000 projects in infrastructure (city surveillance, railways, airports etc.), government facilities, commercial buildings and high-end hotels where it enjoys strong market positions.

On April 13, 2010, Schneider Electric announced that it had signed an agreement to acquire SCADAgroup, an Australian based leading provider of telemetry products and solutions for the water and waste-water, oil & gas and electric power end-market segments. Telemetry is a key technology that allows the remote measurement, monitoring, control and data transfer of infrastructures scattered over a wide area or that are hard to access. SCADAgroup has operations throughout North America, the UK and Australia and employs over 500 people. It is expected to generate revenues in excess of AU$110 million (~ €75 million) for the current fiscal year ending in June 2010. Through this acquisition, Schneider Electric further reinforces its presence in the water, waste-water, and oil & gas segments. With SCADAgroup, it acquires technologies and product offers to be pushed through its channels, and execution and service capabilities that are complementary to its own in these segments. The purchase price of the transaction, expressed as an enterprise value, is AU$200 million (~ €140 million), or 11 times fiscal 2010 EBITA. This acquisition should be accretive on earnings per share from year 1.

On June 7, 2010 (closing date), a consortium comprising Alstom and Schneider Electric acquired all outstanding shares of Areva T&D for €2.29 billion. The partners also financed the repayment of Areva T&D's debt towards the Areva Group. Schneider Electric, which took on the Distribution business, financed around 30% of the transaction, including the debt refinancing, for close to €1 billion. This acquisition will be consolidated in the second half of 2010. The acquisition of Areva T&D by the consortium includes the indirect acquisition of 72.18% of the capital of Areva T&D India Ltd. which is listed on the stock exchanges in Bombay, Calcutta, and on the National Stock Exchange of India. Areva T&D India Ltd. occupies a leading position in India with sales of about €500million in 2009. In anticipation of this change in Areva T&D India's indirect control, and in application of the Indian stock exchange regulations on takeovers, Alstom and Schneider Electric announced on May 28, 2010 a compulsory bid on a maximum of 20% of Areva T&D India Ltd.'s capital for a minimum fixed price set by the Indian stock exchange regulators. The outcome of this offer should be known in the second half of 2010.

Acquisitions made in 2009 having an impact on the financial statements of first half 2010 *

The following companies acquired in 2009 and consolidated over the full year in 2010 had an impact on the scope of consolidation compared with 2009:

- Conzerv Systems, consolidated as from June 4, 2009,
- Microsol Tecnologia, consolidated as from June 19, 2009,
- Meher Capacitors, consolidated as from August 6, 2009.

These changes in the scope of consolidation did not have a material impact on the consolidated income statement for the period ended June 30, 2010.

(*) Correspond to the dates on which the Group gained control of the acquired companies.

Exchange rate changes

Fluctuations in the euro exchange rate had a significant impact in first half 2010, increasing consolidated revenue by €248 million and EBITA by €19 million.

Revenue

Consolidated revenue totalled €8,571 million for the period ended June 30, 2010, up 10.5% on a current structure and currency basis from the year-earlier period.
Organic growth accounted for 6.4%, acquisitions net of disposals 0.7% and the currency effect a positive 3.4%.

Breakdown by business

The Power Business generated revenue of €4,826 million, or 56% of the consolidated total. This represents an increase of 5.5% on a reported basis and 1.7% on a constant structure and currency basis. Medium voltage was down on the year-earlier period, despite an improvement in the second quarter, due to weak demand in construction and low spending by utilities. Low voltage revenue increased over the period, with faster growth in the second quarter, thanks to a rebound in industry market demand and strong momentum in the new economies. Although renewable energy solutions helped solutions and services return to growth in the second quarter, the segment was down over the first half.

The Industry Business contributed revenue of €1,678 million, or 20% of the consolidated total, representing an increase of 28.9% on a reported basis and 23.1% like-for-like. Growth was strong in all regions, especially in Asia-Pacific. The business benefited from a sharp rebound in machine production and in capital and operating spending among manufacturers. The successful launch of new packages for OEMs and an upturn in the HVAC market in the United States drove sustained growth in Solutions.

The IT Business generated revenue of €1,209 million, or 14% of the consolidated total. Revenue was up 12.3% on a reported basis and 8.4% on a constant structure and currency basis. Small systems continued to exceed expectations, lifted by sustained demand in corporate networks and new product launches. Revenue from large systems also increased thanks to demand from data centres. Services enjoyed strong growth.

The Buildings Business added revenue of €654 million, or 8% of the consolidated total. Revenue rose 3.2% on a reported basis and declined 0.5% like-for-like. Business stabilised over the half thanks to growth in the second quarter. Rising demand for safety products in the new economies offset lower sales from the construction-related activities. Energy efficiency projects in North America and Western Europe drove significant growth in Solutions during the period.

The Custom Sensors & Technologies (CST) Business generated revenue of €204 million, or 2% of the consolidated total. This represents an increase of 19.1% on a reported basis and 18.5% on a constant structure and currency basis. The Business benefited from the strong upturn in manufacturing markets, as well as in the automobile and truck industries.

EBITAR

First-half EBITAR (Earnings Before Interest, Taxes, Amortization of purchase accounting intangibles and Restructuring Costs) came to €1,286 million, versus €903 million in the year-earlier period. Restated for €15 million in non-recurring expenses related to the acquisition of Areva Distribution, EBITAR margin widened by 3.6 points to 15.2%.
Gross margin increased by 2.5 points from first-half 2009, primarily because of a significant volume effect (6.4%) and high productivity.
At June 30, 2010, capitalisation and amortisation of development costs had a positive net impact on EBITAR of €49 million, compared with €72 million in first-half 2009.
Earnings before interest and taxes (EBIT) included €61 million in restructuring costs, compared with €112 million the year before, and a €90 million charge for amortisation and impairment of intangible assets recognised as part of a business combination, compared with €108 million in first-half 2009.
The €61 million in restructuring costs primarily stemmed from the reorganisation of manufacturing operations and support functions in Europe, for around €45 million, and North America, for around €13 million.
Impairment losses on goodwill and intangible assets totalled €5 million in the first half, versus €50 million for CST in the year-earlier period, and related to a small business in Northern Europe.

EBITAR margin by business

Power business achieved an EBITAR margin of 19.7%, up 2.1 points from June 30, 2009
Industry business achieved an EBITAR margin of 19.1%, up 11.0 points from June 30, 2009, primarily due to a very strong volume effect.
IT business achieved an EBITAR margin of 14.7%, up 1.6 points from June 30, 2009.
Buildings business achieved an EBITAR margin of 9.5%, down 1.2 points from June 30, 2009. The business suffered the decrease in its sales, primarily for the transactional component.
CST business achieved an EBITAR margin of 12.3%, compared with a negative EBITAR margin of 0.6% as at June 30, 2009. This was primarily due to a very strong volume effect on auto/truck and industry markets.

Finance costs and other financial income and expense, net

Finance costs and other financial income and expense, net totalled a negative €132 million versus a negative €198 million as of June 30, 2009. This mainly reflects the currency effect, which was a positive €37 million in first-half 2010 compared with a negative €15 million in first-half 2009.

Income tax

The effective tax rate stood at 24.0% compared with 23.5% at June 30, 2009.

Minority interests

Minority interests totalled €29 million in first-half 2010. Minority interests mainly correspond to the share of profit attributable to minority shareholders of Feller AG 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 amounted to €735 million versus €346 million in first-half 2009, leading to a sharp increase in earnings per share to €2.86 from €1.43 in the prior-year period.
The average number of shares outstanding increased slightly following the issuance of shares in June 2010 in connection with the dividend reinvestment program.

Balance sheet and cash flow statement items

Total assets stood at €29,120 million at June 30, 2010, up from year-end 2009 restated for acquisition costs and CVAE (€25,632 million), mainly due to translation adjustments arising from weakening of the euro currency over the period. Non-current assets amounted to €18,995 million and represented 65.2% of total assets (versus 62.1% as at December 31, 2009).

Goodwill

Goodwill rose by €1,254 million over the six-month period to €9,865 million due mainly to currency translation adjustments (€1,088 million) and acquisitions over the period (€168 million).

Property, plant and equipment and intangible assets

Property, plant and equipment and intangible assets came to €6,462 million, or 22.2% of total assets, up €578 million from December 31, 2009.

Intangible assets
Trademarks rose by €309 million over the six-month period to €2,597 million, due primarily to the currency effect, which accounted for €339 million. As part of the move to bring the Group's brands under the Schneider Electric umbrella, certain brands have been amortised, leading to a €30 million charge in the first half.
Capitalised product development projects totalled €665 million at June 30, 2010. During the period, the Group capitalised €99 million in expenses from current projects and recognised €50 million in amortisation.
Other intangible assets, net, consisting primarily of software and patents, rose by €82 million over the six-month period. The increase is primarily attributable to exchange rate fluctuations, for a positive €147 million; amortisation, for a negative €100 million; and the recognition of customer lists on the acquisition of CIMAC for €22 million.

Property, plant and equipment
Property, plant and equipment represented €2,086 million at the end of the first half, compared with €1,965 million at December 31, 2009. Net investments totalled €126 million.

Non-current financial assets

Non-current financial assets, primarily equity instruments quoted in an active market and equity instruments acquired during the period but not yet consolidated, totalled €1,498 million, an increase of €1,151 million from December 31, 2009. The increase primarily reflects the acquisition of Areva Distribution (including Indian minority interests for which an offer is currently underway), in an amount of €1,098 million, and of Zicom in India, in an amount of €38 million (excluding the currency effect).

Cash and net debt

Net cash provided by operating activities before changes in operating assets and liabilities came to €1,167 million, versus €770 million at June 30, 2009, and represented 13.6% of revenue.

In all, net cash provided by operating activities totalled €675 million, compared with €1,014 million in first-half 2009, due to a negative change in working capital of €492 million. This change was positive in first-half 2009 for €244 million.
Capital expenditure, which includes capitalised development projects, represented an outlay of €218 million, versus €288 million in first-half 2009.

Acquisitions used a total of €1,271 million, net of the cash acquired and divestments.

Dividends paid totalled €552 million, of which €27 million to minority interests. Of this, €331 million was returned by shareholders who decided to reinvest their dividend.

At June 30, 2010, net debt totalled €4,013 million or 28.7% of equity attributable to equity holders of the parent. This represents a increase of €1,201 million from December 31, 2009, stemming primarily from acquisitions achieved over the period.

The Group ended the period with cash and cash equivalents of €2,476 million, of which €1,308 million in cash, €1,155 million in marketable securities and €13 million in short-term instruments such as commercial paper, money market mutual funds and equivalents.

Total current and non-current financial liabilities amounted to €6,489 million. Of this, bonds represented €4,522 million, bank loans €1,478 million and commercial paper €40 million. Current financial liabilities totalled €1,472 million at June 30, 2010 and primarily included current portion of bonds, bridge loans, bank overdrafts and accrued interest.

Shareholders' equity

Equity attributable to equity holders of the parent came to €13,833 million, or 47.5% of the balance sheet total. The €2,104 million increase over the period was the net result of the following:

- Payment of the 2009 dividend, in an amount of €525 million,
- The share issue in connection with the dividend reinvestment program, for €331 million,
- Profit for the period of €735 million,
- The positive impact of share-based payments, in an amount of €62 million,
- The negative change in treasury stock, for €4 million,
- The positive impact of currency fluctuations on the translation reserve, for €1,515 million.

Minority interests totalled €151 million in first-half 2009.

Provisions

Short and long-term provisions totalled €2,750 million, or 9.4% of the balance sheet total. Of this, €886 million covered items that are expected to be paid out in less than one year.
This item primarily comprises provisions for pensions and healthcare costs in an amount of €1,449 million. The impact of actuarial gains and losses decreased this commitment by €55 million.
Other provisions totalled €1,301 million at June 30, 2010. These provisions cover economic risks (tax risks, financial risks generally corresponding to seller's guarantees), for €522 million, product risks (warranties, disputes over identified defective products), for €321 million, customer risks (customer disputes and losses on long-term contracts), for €82 million, environmental risks for €47 million and restructuring, for €180 million.
Currency translation adjustments increased total amount of provisions by €87 million.

Deferred taxes

Deferred tax assets net of deferred tax liabilities amounted to €73 million, decreasing by €10 million from December 31, 2009.

Outlook for second half 2010

Schneider Electric raises its targets for 2010, expecting:
- a second half organic sales progression broadly in line with the level of the first half,
- an EBITAR margin of around 15.5% before integration impact of Areva Distribution.

See Chapter 1, paragraph 5 – Risk Factors of the 2009 Registration Document filed with AMF under no. D.10-0125 for further information.

Significant events of the period

In addition to the acquisitions described above, the key events of the period were as follows:

Supervisory Board membership

At its meeting of April 22, 2010, the Supervisory Board of Schneider Electric SA re-appointed Henri Lachmann as Chairman and appointed Léo Apotheker Vice Chairman.
On July 1, 2010, the Supervisory Board appointed Dominique Senequier as a non-voting member. Shareholders will be asked to elect Ms. Senequier to the Supervisory Board at the annual meeting called in 2011 to approve the financial statements for 2010. Ms. Senequier is Chairman of the Management Board of Axa Private Equity.

Payment of dividend in shares

At the annual meeting of April 22, 2010, the shareholders of Schneider Electric SA approved a dividend of €2.05 per share for the 2009 financial year, payable in cash or in new Schneider Electric shares at an issue price of €76.15.

In all, 62.4% of rights holders chose to reinvest their dividend.

The success of the dividend reinvestment programme increased shareholders' equity by €331 million through the creation of 4,345,794 new shares (representing 1.7% of the capital). The new shares were settled and admitted for trading on Euronext Paris on June 1, 2010.

The new shares, which carry dividend rights from January 1, 2010, rank *pari passu* with existing shares. The cash dividend was also paid on June 1, 2010, in a total amount of €199 million.

Successful bond refinancing

On July 9, 2010, Schneider Electric announced two bond issues for a total of €800 million and the partial buyback of its July 2013 bond issue.

These transactions were designed to refinance part of the Group's debt—notably the €900 million bond issue maturing in August 2010—and to extend its average bond maturity. The partial buyback of the July 2013 bond issue will also reduce borrowing costs as from 2011.

- In the first transaction, the Group issued €300 million worth of bonds due July 2016 priced to yield 73 basis points more than the mid-swap rate, for an effective interest rate of 2.875%.

- In the second transaction, the Group issued €500 million worth of bonds due July 2020 priced to yield 88 basis points more than the mid-swap rate, for an effective interest rate of 3.625%.

- Schneider Electric also bought back €263 million worth of its 6.75% bonds due July 2013. An exceptional financial expense of around €40 million will be recorded in the second half of 2010 in connection with this buyback.

Main risks and areas of uncertainty for the second half of 2010

The main risks and areas of uncertainty for the second half of the year are the same as those outlined in Chapter 1, paragraph 5 (Risk Factors) of the 2009 Registration Document filed with AMF on March 19, 2010.

Claims, litigations and other risks

(update to the Registration Document – pages 34-35)

No significant event occurred since Registration Document date.

Transactions with related parties

These transactions are described in Note 19 to the interim consolidated financial statements.

Attestation

I hereby declare that, to the best of my knowledge, the half-year financial statements as at June 30, 2010 have been prepared in accordance with applicable accounting standards, that they present fairly, in all material respects, the assets, financial position and results of the company and the consolidated group. To the best of my knowledge, the Management Report presents fairly the information mentioned in Article 222-6 of AMF's general regulations.

Rueil-Malmaison, July 26, 2010

Chairman of the Management Board and CEO

Jean-Pascal TRICOIRE

Statutory Auditors' Review Report on the first half-yearly financial information

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

To the Shareholders,

In compliance with the assignment entrusted to us by your shareholders' meeting and in accordance with article L. 451-1-2 III of the French monetary and financial code (Code monétaire et financier), we hereby report to you on:

- our review of the accompanying condensed half-yearly consolidated financial statements of Schneider Electric S.A., for the period from January 1 to June 30, 2010, and;
- the verification of the information contained in the interim management report.

These condensed half-yearly 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.

1. Conclusion on the financial statements

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 the financial statements, taken as a whole, are free from material misstatements, as we would not 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 these condensed half-yearly consolidated financial statements are not prepared in all material respects in accordance with IAS 34 – IFRS as adopted by the European Union applicable to interim financial information.

Without modifying the conclusion expressed above, we draw your attention to:

- note 1 "Summary of significant accounting policies" which presents the basis of the presentation of the condensed half-yearly consolidated financial statements and new applicable accounting standards

- note 2.1 "Additions and removals" of note 2 "Changes in the scope of consolidation" which presents the accounting treatment of the acquisition of Areva T&D's Distribution business as at June 30, 2010.

2. Specific verification

We have also verified the information provided in the interim management report in respect of the condensed half-yearly consolidated financial statements that were the object of our review.

We have no matters to report on the fairness and consistency of this information with the condensed half-yearly consolidated financial statements.

Courbevoie and Neuilly-sur-Seine, July 29, 2010

The Statutory Auditors
French original signed by

MAZARS	ERNST & YOUNG et Autres
David Chaudat	Yvon Salaün