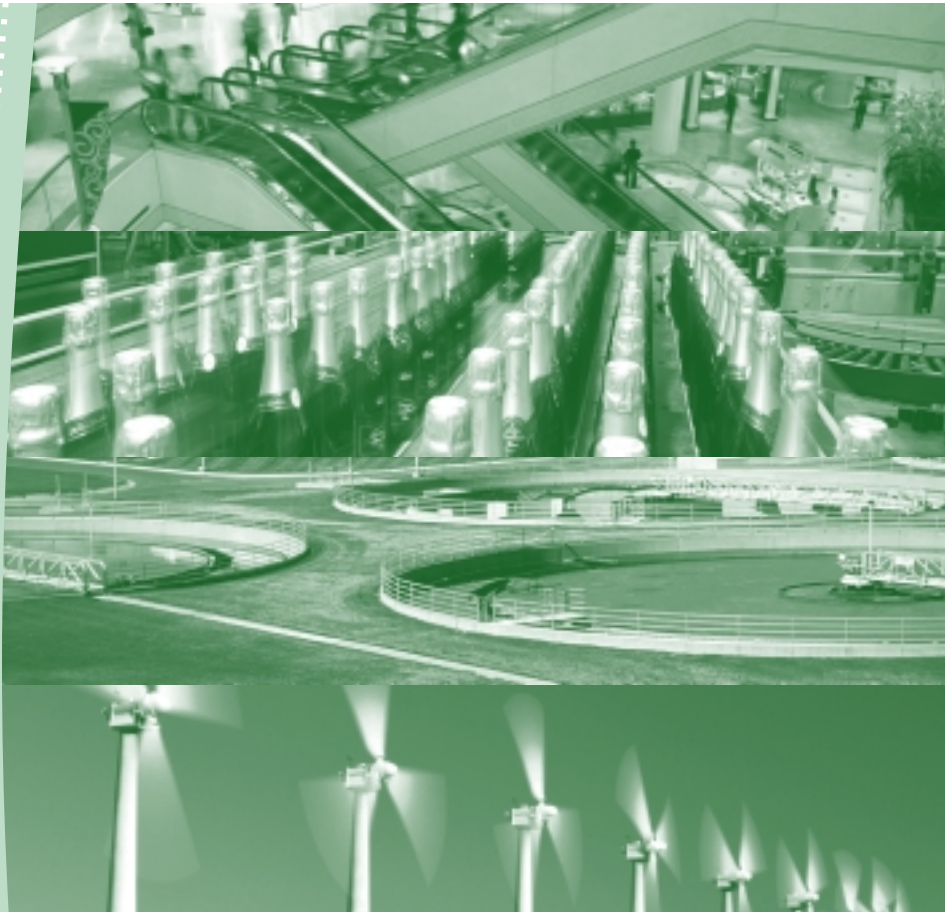


Schneider Electric SA

# Financial Report

2000



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 **Electric**

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# General information about Schneider Electric SA

- **Legal form:**

Société Anonyme (joint-stock corporation) governed by the French Commercial Code.

- **Nationality:**

French.

- **Head office:**

43/45, boulevard Franklin Roosevelt  
92500 Rueil Malmaison.

- Registered in Nanterre **under no. 542 048 574.**

- **Business identifier code (APE):**

741J.

- **Date founded:**

1871. The company, which was called Spie Batignolles, changed its name to Schneider SA when it merged with Schneider SA (formerly SPEP) in 1995, and then to Schneider Electric SA in May 1999.

- **Term:**

Up to July 1, 2031.

- **Corporate purpose (summarized):**

To operate, directly or indirectly, in France and abroad, any and all businesses related to electricity, industrial control and general contracting, as well as to carry out any and all commercial, securities, real estate and financial transactions (Article 2 of the bylaws).

- **Fiscal year:**

January 1 to December 31.

- **Capital stock:**

The Company's capital at December 31, 2000 amounted to €1,246,301,144 represented by 155,787,643 shares with a par value of €8.00 each.

- **Total number of voting rights:**

165,221,916 (information published in the BALO legal gazette on May 17, 2000).

- The bylaws, minutes of Annual Meetings, Auditors' Reports and other legal documents concerning the Company are available for consultation at the Company's head office (Investor Relations department) located at 43/45 boulevard Franklin Roosevelt – 92500 Rueil Malmaison, France.

# 2000 Financial Report

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# General Presentation of Schneider Electric SA

## Background

### Industrial background

Schneider Electric SA is a Société Anonyme (joint-stock corporation) incorporated in France on December 2 and 4, 1871. However, the Company traces its history back to 1836, when Adolphe and Joseph-Eugène Schneider acquired steel foundries in Le Creusot, France that were experiencing financial difficulties. In 1838, they formed Schneider & Cie.

From that point until the mid-twentieth century, the Company steadily built a presence in heavy mechanical engineering and transportation equipment, with interests in shipbuilding, railroad equipment and bridge and tunnel building. By the end of the nineteenth century, Schneider had also established a position in electricity.

Gradually, however, the Company grew into a huge conglomerate that lacked strategic direction. From 1981 to 1997, it refocused on electricity and pulled out of a number of businesses, including steel, machine tools, shipbuilding, railways, private telephone systems and engineering. At the same time, it pursued a strategy of acquisitions in electricity, bringing in Telemecanique in 1988 and Square D in 1991. The refocusing process was completed in 1997 with the sale of Spie Batignolles.

In 1999, the Company acquired Lexcel A/S, Europe's second largest supplier of low-voltage final distribution products and systems, with operations primarily in Northern Europe.

Schneider Electric is now specialized in the manufacture and sale of products and equipment for electrical distribution, industrial control and automation, with 72,200 employees and operations in 130 countries around the world.

### Ownership background

By 1981, the Company's ownership structure consisted of a long chain of holding companies, interlocked via numerous cross-shareholdings, that separated the parent company, SPEP, from its operating subsidiaries. This system had been set up over the preceding decade.

Over the next fourteen years, the ownership structure was rationalized by merging the various holding companies to create a single parent company, Schneider SA. In 1999, the Company changed its name to Schneider Electric SA, which owns all outstanding shares of Schneider Electric Industries SA.

## Current business

Schneider Electric is present at all stages in the power generation, transmission and distribution process, with specialist skills in high and medium voltage equipment, final low voltage and consumer final low voltage equipment, industrial control and programmable logic controllers. The Company manufactures electrical switchgear and equipment under the Merlin Gerin, Modicon, Square D and Telemecanique and Lexcel brand names.

The Company is not dependent on any single patent, license or supply contract. It ranks first worldwide in areas representing around 60% of its sales and second and third in areas representing around 20%. The competition breaks down into two categories:

- Very large non-specialist manufacturers with diversified business bases that offer little synergy. These include ABB, General Electric, Mitsubishi Electric and Siemens.

Smaller specialist manufacturers, such as Alstom, Eaton, Hager and Legrand in electrical distribution and Omron and Rockwell in industrial control and automation.

- Smaller specialist manufacturers, such as Alstom, Eaton, Hager and Legrand in electrical distribution and Omron and Rockwell in industrial control and automation.

Already the largest player in this second category, Schneider Electric made a public offer to purchase Legrand in exchange for shares in January 2001.

Three-year financial summary	2000		1999		1998
<b>Investments</b>	<b>(€ bn)</b>	<b>(FF bn)</b>	<b>(€ bn)</b>	<b>(FF bn)</b>	<b>(FF bn)</b>
Total investments	1.22	8.0	1.54	10.1	3.1
<i>Of which gross capital spending</i>	<i>0.50</i>	<i>3.3</i>	<i>0.44</i>	<i>2.9</i>	<i>2.5</i>
Research and development expenditure	0.47	3.1	0.44	2.9	2.6
Average number of employees for the year	72,200		67,500		60,800
<b>Consolidated sales</b>					
<b>Growth by business segment</b>	<b>(€ bn)</b>	<b>(FF bn)</b>	<b>(€ bn)</b>	<b>(FF bn)</b>	<b>(FF bn)</b>
Electrical distribution	6.9	45.3	5.9	39.0	33.5
Industrial control and automation	2.8	18.3	2.5	16.0	15.9
Other and eliminations	–	–	–	–	0.6
	<b>9.7</b>	<b>63.6</b>	<b>8.4</b>	<b>55.0</b>	<b>50.0</b>
<b>Sales by region</b>	<b>(€ bn)</b>	<b>(FF bn)</b>	<b>(€ bn)</b>	<b>(FF bn)</b>	<b>(FF bn)</b>
France	1.5	9.9	1.5	9.7	9.8
Western Europe	3.2	20.8	2.9	19.0	15.2
North America	3.2	21.3	2.6	16.9	15.0
Middle East	0.4	2.3	0.3	2.0	1.9
Asia	0.8	5.6	0.7	4.4	3.4
Africa and Latin America	0.6	3.7	0.4	3.0	3.9
Rest of world	–	–	–	–	0.8
	<b>9.7</b>	<b>63.6</b>	<b>8.4</b>	<b>55.0</b>	<b>50.0</b>

## Capital

### Capital stock and voting rights

The Company's capital stock at December 31, 2000 amounted to €1,246,301,144, represented by 155,787,643 shares with a par value of €8.00, all fully paid up. As of May 5, 2000, a total of 165,221,916 voting rights were attached to the 155,787,643 shares outstanding (information published in the "BALO" legal gazette dated May 17, 2000).

### Changes in capital stock

The following table shows changes in Schneider Electric SA's capital stock and additional paid-in capital over the past five years, through the exercise of warrants and stock options, the conversion of bonds, the issuance of shares to the Employee Stock Ownership Plan, the payment of stock dividends, the June 1997 merger of Telemecanique into Schneider SA, and the May 5, 2000 cancellation of shares.

### Five-Year Summary of Changes in Capital

	Number of shares issued or cancelled	Total shares outstanding	New capital	
<b>Capital at December 31, 1995</b> <sup>(1)</sup>		<b>132,971,686</b>	<b>1,013,570,142</b> or <b>6,648,584,300</b>	<b>euros</b> <b>francs</b>
Conversion of bonds	67,021			
Conversion of Square D bonds	567,894			
Exercise of warrants	12,794			
Exercise of stock options	308,360			
Payment of a stock dividend	1,744,414			
Shares issued to the ESOP	1,250,000			
<b>Capital at December 31, 1996</b> <sup>(2)</sup>		<b>136,922,169</b>	<b>1,043,682,505</b> or <b>6,846,108,450</b>	<b>euros</b> <b>francs</b>
Conversion of bonds	2,615,808			
Conversion of Square D bonds	1,220,770			
Exercise of warrants	8,562,022			
Exercise of stock options	56,740			
Schneider SA/Telemecanique merger	117,840			
Shares issued to the ESOP	2,672,748			
<b>Capital at December 31, 1997</b> <sup>(3)</sup>		<b>152,168,097</b>	<b>1,159,893,842</b> or <b>7,608,404,850</b>	<b>euros</b> <b>francs</b>
Conversion of bonds	759,848			
Conversion of Square D bonds	247,273			
Exercise of stock options	241,900			
<b>Capital at December 31, 1998</b> <sup>(4)</sup>		<b>153,417,118</b>	<b>1,169,414,443</b> or <b>7,670,855,900</b>	<b>euros</b> <b>francs</b>
Conversion of bonds	3,495,796			
Conversion of Square D bonds	2,272,282			
Exercise of stock options	704,300			
Shares issued to the ESOP	1,534,082			
<b>Capital at December 31, 1999*</b> <sup>(5)</sup>		<b>161,423,578</b>	<b>1,291,388,624</b> or <b>8,071,178,900</b>	<b>euros</b> <b>francs</b>
Cancellation of shares	(6,000,000)			
Conversion of Square D bonds	152,275			
Exercise of options	211,790			
<b>Capital at December 31, 2000</b> <sup>(6)</sup>		<b>155,787,643</b>	<b>1,246,301,144</b> soit <b>8,175,199,595</b>	<b>euros</b> <b>francs</b>

\* The Company's capital stock was converted into euros on January 14, 2000. The FF 399.8 million difference arising on conversion was charged against additional paid-in capital.

(1) €43.35 million increase in capital stock, €90.75 million increase in additional paid-in capital.

(2) €30.11 million increase in capital stock, €82.33 million increase in additional paid-in capital.

(3) €116.21 million increase in capital stock, €320.82 million increase in additional paid-in capital.

(4) €9.52 million increase in capital stock, €33.72 million increase in additional paid-in capital.

(5) €121.97 million increase in capital stock, €252.72 million increase in additional paid-in capital.

(6) €45.09 million decrease in capital stock, €284.87 million decrease in additional paid-in capital.

## Potential capital

### Share Equivalents Outstanding at December 31, 2000 (excluding stock options)

Security	Redemption date	Rate %	Securities outstanding	Conversion parity	Potential shares created	Conversion price (\$)
Square D November 1992 convertible bonds	Jan. 2, 2003	2	820	232,84	190,931	(1) (\$10,000

(1) At maturity in 2003. The redemption value increases over time, through capitalization of the difference between the 7% internal rate of return and the 2% interest rate paid. There are no other share equivalents outstanding.

### Authorizations to issue shares

At the Combined Annual and Extraordinary Shareholders' Meeting of May 6, 1999, the Board of Directors was authorized to issue new shares under the provisions of article L 225-129 III of the French Commercial Code, and to grant options to purchase new or existing shares in the Company.

At the Combined Annual and Extraordinary Shareholders' Meeting of May 5, 2000, the Board of Directors was authorized to issue new shares to Group employees who are members of the Employee Stock Ownership Plan. The number of shares issued may not exceed 5% of the Company's capital stock over a period of five years.

The authorizations currently in force are as follows:

	Maximum aggregate par value of shares that may be issued	Authorization date	Authorization expires	Amount used
<b>I - Issues with pre-emptive subscription rights</b>				
Shares, warrants and other securities convertible, exchangeable, redeemable or otherwise exercisable for shares	€750 million (1) (2)	May 6, 1999	July 6, 2001	—
<b>II - Issues without pre-emptive subscription rights</b>				
Shares, warrants and other securities convertible, exchangeable, redeemable or otherwise exercisable for shares, including shares issued in connection with a tender offer initiated by the Company	€750 million (1) (2)	May 6, 1999	July 6, 2001	€703 million (3)
<b>III - Employee share issues</b>				
Share issues restricted to employees (Government order of 1986)	5% of the capital	May 5, 2000	May 5, 2005	—
Options to purchase new shares	5% of the capital	May 6, 1999	May 6, 2004	—

(1) The ceilings of €750 million for issues with and without pre-emptive subscription rights are not cumulative.

(2) At the Annual Shareholders' Meeting of June 11, 2001, shareholders will be asked to renew this authorization, subject to a limit of €750 million in the maximum par value of shares to be issued.

(3) On January 12, 2001, the Board of Directors approved the issue of new shares to be exchanged for Legrand shares tendered to Schneider Electric SA's public offer. The amount used (€703 million) assumes that 100% of outstanding Legrand shares will be tendered to the offer.

## Ownership structure

	Dec. 31, 2000				Dec. 31, 1999		Dec. 31, 1998	
	%	Interest Number of shares	%	Voting rights Number of voting rights	Interest %	Voting rights %	Interest %	Voting rights %
AGF	1.52	2,371,368	2.81	4,667,490	1.99	3.59	2.77	4.37
Axa	5.53	8,611,381	9.51	15,806,269	6.24	10.55	6.57	10.64
BNP-Paribas	2.94	4,574,400	5.38	8,939,171	2.79	5.37	2.85	5.38
Groupe Société Générale	0.56	874,976	0.76	1,267,100	1.91	2.12	1.70	2.37
Groupe Caisse des dépôts et consignations	6.28	9,780,782	5.88	9,780,783	4.61	4.54	4.85	4.58
Employees	4.51	7,023,412	7.57	12,584,928	4.50	5.98	4.18	4.79
Treasury stock (1)	1.38	2,150,352	–	–	1.34	–	1.36	–
Intragroup cross shareholdings	5.00	7,793,128	–	–	7.15	–	3.46	–
Public	72.28	112,607,844	68.09	113,188,411	69.47	67.85	72.26	67.87
<b>Total</b>	<b>100.00</b>	<b>155,787,643</b>	<b>100.00</b>	<b>166,234,152</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>

(1) Primarily via Cofibel.

### Ownership structure at December 31, 2000

■ Historical shareholders	10.55%
■ Treasury stock - Intragroup cross shareholdings	6.38%
■ Employees	4.51%
■ Public (France)	44.80%
■ Public (International)	33.76%

As of December 31, 2000, Schneider Electric had approximately 120,000 shareholders (based on Euroclear data).

### Disclosure thresholds

To the best of the Company's knowledge, no shareholders other than those listed above and Janus Capital Corporation, an American mutual fund manager, own, either directly or indirectly, more than 5% of Schneider Electric's capital.

### Shareholders' pact

Under the terms of the shareholders' pact signed on September 16, 1993 by Axa, AGF, Comipar, Compagnie Financière de Paribas, Elf, Euris and Société Générale (Société des Bourses Françaises notice no. 93-3184 dated November 15, 1993), as amended on October 19, 1995 (Société des Bourses Françaises notice no. 95-3069 dated October 27, 1995), the signatories of the pact gave each other pre-emptive rights to acquire their respective shareholdings. On September 16, 2000, the pact was tacitly renewed for a further two-year period by three of the signatories, AGF, Axa and BNP-Paribas. The other signatories had either withdrawn from the pact or sold their Schneider Electric SA shares.

The interests in Schneider Electric SA's capital held by the current members of the pact, over which the other signatories have pre-emptive rights, were as follows at December 31, 2000:

	% interest	% voting rights
AGF	0.7	1.3
Axa	4.6	8.7
BNP-Paribas	2.1	3.9
<b>Total</b>	<b>7.4</b>	<b>13.9</b>

## EMPLOYEE PROFIT-SHARING, STOCK OWNERSHIP AND STOCK OPTION PLANS

### Profit-sharing plans

Profit-sharing and other profit-based incentive plans have been in effect at Schneider Electric Industries SA since 1994. €32.6 million was allocated under these plans in 1996, €32.6 million in 1997, €27.3 million in 1998, €24.8 million in 1999 and €39.9 million in 2000.

### The "Schneider Electric" corporate mutual fund

Schneider Electric has long been committed to developing employee stock ownership. Employees who are members of the Employee Stock Ownership Plan have an opportunity to purchase new or existing Schneider Electric SA shares through corporate mutual funds. The latest employee share issue took place in 1999 and was open to employees in 46 countries.

As of December 31, 2000, employees held a total of 7,023,412 Schneider Electric SA shares through the corporate mutual funds, representing 4.5% of the capital and 7.6% of the voting rights.



## Stock option plans

### Grant policy

Stock option plans are approved by the Board of Directors following a review of the plans by the Remunerations and Appointments Committee.

A new plan, number 18, was approved in 2000. It is a results-based plan whose options are exercisable for existing shares in the Company purchased for this purpose. A total of 1,421,200 options were granted to 1,038 people, a considerably higher number than in the past. The grantees include members of senior management worldwide, high potential executives and employees who performed exceptionally well in 1999. The number of options granted to a given grantee depended on his or her position within the organization and his or her personal perform-

ance. One half of the options granted may be exercised provided that cumulative value creation targets for the period 2000, 2001 and 2002 are met. The options are not exercisable at a discount to the average Schneider Electric SA share price prior to the date of grant of the options by the Board of Directors. The options have an eight-year life and may be exercised as from the third or fifth year, depending on the grant.

### Persons concerned

The following information concerns stock options granted to employees and corporate officers, including members of the Executive Committee.

## Outstanding options

(at December 31, 2000)

	Plan 7	Plan SB	Plan 8	Plan 9	Plan 10	Plan 11	Plan 12	Plan 13	Plan 14*	Plan 15*	Plan 16*	Plan 17*	Plan 18*
Date of Shareholders' Meeting	02.03.88	06.26.90	06.29.93	06.29.93	06.29.93	06.27.95	06.27.95	06.27.95	06.27.95	06.27.95	06.27.95	06.27.95	05.06.99
Date of Board Meeting	10.07.92	12.21.92	10.01.93	04.07.95	04.07.95	06.13.96	01.24.97	06.10.97	01.28.98	12.22.98	04.01.99	04.01.99	03.24.00
Number of grantees	6	16	84	47	138	232	54	272	287	1	337	542	1,038
Number of shares that may be subscribed	78,000	29,500	965,600	560,920	328,360	505,400	1,355,000	706,700	1,026,200	60,000	1,257,800	2,123,100	1,421,200
<i>Of which by the executive team in place at the time of grant</i>	60,000	—	516,000	513,400	121,600	148,100	1,103,000	238,500	468,000	60,000	236,000	540,000	277,750
Number of shares that remain to be subscribed	0	0	55,700	501,300	219,830	495,900	1,295,000	693,900	1,026,200	60,000	1,257,800	2,123,100	1,421,200
<i>Of which by the current Executive Committee</i>	—	—	10,000	11,600	20,740	33,400	111,000	46,600	62,900	60,000	251,000	523,500	277,750
Starting date of exercise period	10.07.92	12.22.92	10.01.95	04.07.98	04.07.00	06.13.01	01.24.02	06.10.02	01.28.03	12.22.03	04.01.04	04.01.04	03.24.05
Exercise price (in euros)	20.35	39.64	27.44	24.92	24.92	35.37	35.67	44.52	50.76	50.86	50.73	50.73	65.88
No. of shares subscribed at Dec. 31, 2000	78,000	29,500	909,900	59,620	108,530	9,500	60,000	12,800	0	0	0	0	0

\* Plans 14 through 18 concern options to purchase existing shares

The exercise periods were changed by the Board of Directors on March 25, 1997 and December 8, 1999. All options are now exercisable after five years and within eight years of the date of grant. As from plan 11, the options vest only if earnings or value creation targets are met. Out of the 9,149,930 options outstanding, 1,408,490 were granted to members of the Executive Committee.

## Stock buybacks

To limit the dilutive impact of the 1999 bond conversions and employee share issue, which led to the issuance of eight million new shares, the Combined Annual and Extraordinary Shareholders' Meeting of May 5, 2000 authorized the cancellation of six million shares purchased under previous shareholder-approved authorizations.

At the May 5, 2000 Meeting, shareholders also authorized the Board of Directors to cancel shares

representing up to 10% of the Company's capital, including the six million shares referred to above, and to continue buying back shares on the open market.

In 2000, the Company purchased 2,371,498 shares at an average unit price of €70.62 and sold 121,000 shares. The related transaction costs amounted to €418,605. At December 31, 2000, the Company held 7,793,128 of its own shares in treasury.

## Stock market data

The Schneider Electric SA share is listed on the Euronext First Market in Paris, where it is traded in lots of one under Euroclear code 12197. It is part of the market's benchmark CAC 40 index of France's largest stocks.

### 18-Month Trading Data

Year	Month	Trading volume (in thousands of shares)	Value (in millions of euros)	Price (in euros)	
				High	Low
1999	September	15,481	1,051.96	72.60	62.90
	October	11,692	801.94	74.40	64.65
	November	11,275	762.07	71.00	64.15
	Décember	11,718	794.50	78.00	65.65
2000	January	10,830	821.50	81.00	68.40
	February	12,542	863.97	76.80	59.20
	March	12,107	798.13	71.75	57.35
	April	8,125	562.81	74.15	65.20
	May	13,653	1,011.79	77.80	70.10
	June	12,050	873.07	76.80	68.15
	July	6,564	479.11	78.50	67.00
	August	9,188	724.81	83.00	73.60
	September	12,698	974.98	85.80	69.00
	October	14,459	1,015.61	77.20	62.70
	November	11,451	833.59	77.10	69.10
	Décember	10,078	780.55	81.75	70.25
<b>Total 2000</b>		<b>133,745</b>	<b>9,739.92</b>		
2001	January	39,169	2,756.00	79.20	63.10
	February	14,908	1,056.20	74.30	68.00

Euronext Source.

## Five-Year Summary of Share-Price Performance

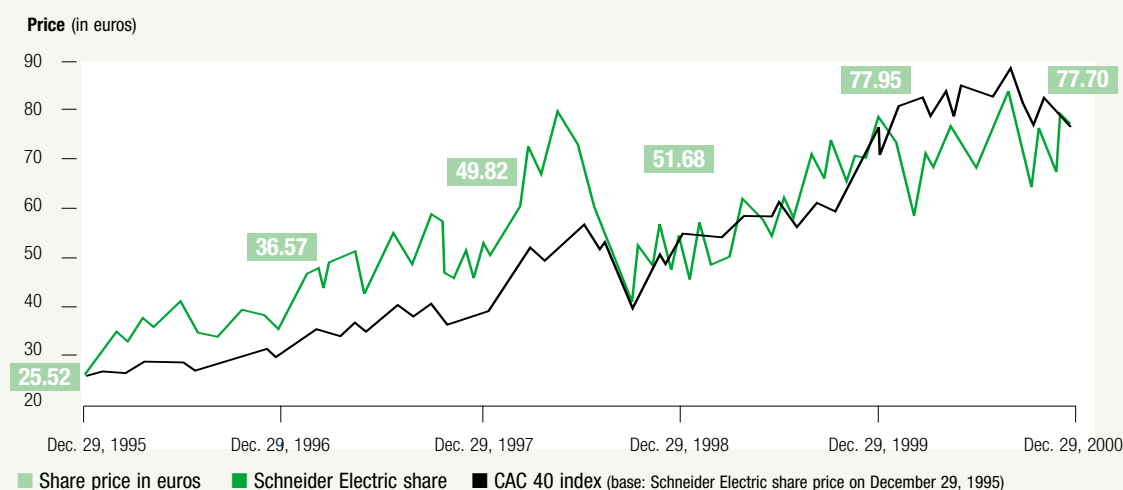
	2000	1999	1998	1997	1996
Average daily trading volume Euronext Paris					
- Thousands of shares	528.64	590.42	517.23	472.89	515.82
- Millions of euros	38.50	35.31	30.09	22.67	18.54
High and low share prices (in euros)					
- High	85.80	78.00	80.65	59.15	41.22
- Low	57.35	44.40	39.10	35.67	25.34
Year-end closing price (in euros)	77.70	77.95	51.68	49.82	36.57
<b>Yield including tax credit (%)</b>	<b>3.1</b>	<b>2.58</b>	<b>3.34</b>	<b>2.98</b>	<b>3.13</b>

## Five-Year Summary of Share-Price Performance

### The Schneider Electric SA share vs. the CAC 40 index

## Share price performance and trading volumes

Euronext data



## MONEP

Options on Schneider Electric SA shares have been traded on the MONEP market since December 20, 1996.

## Ordinary bonds

On April 14, 1999, Schneider Electric SA issued €750 million worth of 3.75% bonds due April 14, 2004. On May 28, 1999, a further €250 million 3.75% bond issue was carried out, also due April 14, 2004. The second issue is treated as an extension of the first. Both are traded on the Euronext Paris and the Luxembourg bond markets under Euroclear code 49231.

As part of the Euro Medium Term Notes program initiated December 21, 1999, Schneider Electric SA issued two tranches of 6.125% bonds due October 19, 2007, worth an aggregate €450 million. The first, worth €400 million, was issued on October 9, 2000 and the second, worth €50 million, was issued on October 10, 2000. Together they comprise 450,000 bonds with a nominal value of €1,000 each, which are traded on the Euronext Paris and the Luxembourg bond markets under Euroclear code 48309.

## INVESTOR RELATIONS

### Person responsible for information

Antoine Giscard d'Estaing  
43/45, boulevard Franklin Roosevelt  
92500 Rueil Malmaison, France  
Tel: +33 (0)1 41 29 71 34

### Contacts

Institutional investors, financial analysts and private shareholders calling from outside France may request information and documents from :

Sébastien Desarbres  
at the Investor Relations department,  
at +33 (0)1 41 29 70 42  
or fax +33 (0)1 41 29 71 42.

### Shareholder documents

In addition to the annual report, the following documents are published for shareholders:

- A Shareholder's Guide.
- A Shareholders' Letter (four times a year).
- General, economic and financial information concerning the Company, available on the corporate website ([www.schneider-electric.com](http://www.schneider-electric.com)). Press releases are also available at [www.prline.com](http://www.prline.com).

## CORPORATE GOVERNANCE

### BOARD OF DIRECTORS (at February 28, 2001)

#### Honorary Chairman and Director

Didier Pineau-Valencienne

First elected: 1981

Term ends: 2001<sup>(1)</sup>

70 years old.

*Other major directorships and functions:*

*Chairman of AFEP; Vice-Chairman of Credit Suisse First Boston; Director of CGIP, The Equitable, Fondation de France and Sema Group plc; Member of the Supervisory Boards of Aventis, Axa, Lagardère, AON France and Fleury Michon.*

*A graduate of Hautes Etudes Commerciales (HEC), Didier Pineau-Valencienne headed Banque Parisienne pour l'Industrie and Carbonisation et Charbons Actifs (CECA) before joining Rhône-Poulenc in 1974, where he served as President of Organic Chemicals and member of the Executive Committee. He was appointed Chairman and Chief Executive Officer of Schneider SA in 1981 and became Honorary Chairman in 1999. He is also Chairman of the Schneider Electric Youth Opportunities Foundation.*

Mr. Pineau-Valencienne owns 204,619 Schneider Electric SA shares.

#### Chairman and Chief Executive Officer

Henri Lachmann

First elected: 1996

Term ends: 2005

62 years old.

*Other major directorships and functions:*

*Director of CNRS, Etablissements de Dietrich & Cie, Facom and Vivendi; Member of the Supervisory Board of Axa.*

*A graduate of Hautes Etudes Commerciales (HEC), Henri Lachmann began his career in 1963 with Arthur Andersen. In 1970, he joined Compagnie Industrielle et Financière de Pompey. In 1971 he became Chief Executive Officer of Financière Strafor (later Strafor Facom), and from 1981 to 1997 he served as Chairman and Chief Executive Officer. He has served as a Director of Schneider Electric SA since 1996 and was appointed Chairman on February 25, 1999.*

Mr. Lachmann owns 10,000 Schneider Electric SA shares.

#### Vice-Chairman and Chief Operating Officer

Jean-Paul Jacamon

First elected: 1998

Term ends: 2004

53 years old.

*Other major directorships and functions:*

*Vice-Chairman and Chief Operating Officer of Schneider Electric Industries SA.*

<sup>(1)</sup> Shareholders will be asked to re-elect these directors at the 2001 Annual Meeting.

A graduate of Ecole Polytechnique and Ecole des Mines, Jean-Paul Jacamon began his career at the French Ministry of Industry and the regional land-use planning commission (DATAR). He joined Schneider Electric in 1981, first serving as Chairman and Chief Executive Officer of Spie-Trindel and Spie-Enertrans, then as Managing Director of Spie Batignolles in 1993. He was appointed Executive Vice-President of the European Division in 1995 and Vice-Chairman and Chief Operating Officer of Schneider Electric Industries SA in 1996. He became Vice-Chairman and Chief Operating Officer of Schneider Electric SA in February 1999.

Mr. Jacamon owns 5,000 Schneider Electric SA shares.

### Directors

Claude Bébéar

First elected: 1986

Term ends: 2005

65 years old, Chairman of the Supervisory Board of Axa.

Other major directorships and functions:

Chairman and Director of a number of Groupe Axa companies, Director of BNP-Paribas, Vice-Chairman of Fédération Française des Sociétés d'Assurances, Chairman of Fondation pour le Mécénat Humanitaire and Chairman of the Institut du Mécénat de Solidarité.

A graduate of Ecole Polytechnique, Claude Bébéar joined Groupe Ancienne Mutuelle—later re-named Mutuelles Unies and then Groupe Axa—in 1958. He was appointed Chairman and Chief Executive Officer in 1975. From late 1996, when Axa merged with UAP, until 2000, when he was appointed President of the Supervisory Board, Mr. Bébéar served as President of the Management Board and Chairman of the Executive Committee of Groupe Axa. He is Chairman of Schneider Electric SA's Remunerations and Appointments Committee.

Mr. Bébéar owns 250 Schneider Electric SA shares.

Daniel Bouton

First elected: 1995

Term ends: 2004

51 years old, Chairman and Chief Executive Officer of Société Générale.

Other major directorships and functions:

Director of TotalFinaElf SA and member of the Supervisory Board of Vivendi Environnement.

A graduate of Ecole Nationale d'Administration and a Finance inspector, Daniel Bouton held several positions within the French Finance Ministry, including Budget Director, from 1988 to 1991. He joined Société Générale in 1991, becoming Chief Executive Officer in 1993 and Chairman in 1997.

Mr. Bouton owns 250 Schneider Electric SA shares.

Thierry Breton\*

First elected: 2000

Term ends: 2004

46 years old, Chairman and Chief Executive Officer of Thomson S.A. and of Thomson multimedia.

A graduate of Supélec, Thierry Breton served as Chairman of Forma Systèmes from 1981 to 1986, Advisor to the French Ministry of National Education, in charge of information technology and new technologies from 1986 to 1988, Managing Director of the Futuroscope Teleport business park in Poitiers from 1986 to 1990, Executive Vice President of the CGI Group from 1990 to 1993, and Executive Chairman of the Bull Group from 1993 to 1997. He was appointed Chairman of Thomson S.A. and of Thomson Multimedia in March 1997.

Mr. Breton owns 370 Schneider Electric SA shares.

Alain Burq

First elected: 2000

Term ends: 2004

47 years old, Chairman of the Supervisory Board of the "Schneider Actionnariat" corporate mutual fund. A graduate of Ecole Supérieure de Commerce de Paris, Alain Burq also has an MBA from the Wharton School of the University of Pennsylvania. In 1982, he joined Schneider Electric, where he has been in charge of special projects for the Finance and Control department since 1998.

Mr. Burq owns 250 Schneider Electric SA shares.

Jean-René Fourtou\*

First elected: 1991

Term ends: 2001<sup>(1)</sup>

61 years old, Vice-Chairman of the Aventis Board of Management.

Other major directorships and functions:

Vice-Chairman of the Supervisory Board of Axa; Vice-Chairman of CCI; Director of La Poste, Pernod-Ricard, Rhodia, EADS and Axa Financials. A graduate of Ecole Polytechnique, Jean-René Fourtou joined Bossard et Michel in 1963. He became Chief Executive Officer of Bossard Consultants in 1977 and served as Chairman from 1977 to 1986. Mr. Fourtou was appointed Chairman of Rhône-Poulenc in 1986 and Vice-Chairman of the Aventis Management Board in 1999 following the merger between Rhône-Poulenc and Hoechst.

Mr. Fourtou owns 2,449 Schneider Electric SA shares.

Michel François-Poncet

First elected: 1986

Term ends: 2004

66 years old, Vice-Chairman of BNP-Paribas.

Other major directorships and functions:

Chairman of Paribas (Switzerland); Vice-Chairman of Pargesa Holding SA (Switzerland); Director of Eridania Beghin-Say, LVMH, TotalFinaElf SA, Finaxa, Erbé (Belgium), and Power Corporation

\* Independent non-executive director, as defined in the Viénot report on corporate governance.

<sup>(1)</sup> Shareholders will be asked to re-elect these directors at the 2001 Annual Meeting.

(Canada); Member of the Supervisory Board of Axa. A graduate of Institut d'Etudes Politiques and Harvard Business School, Michel François-Poncet joined Banque Paribas in 1961. He became Chairman of Compagnie Financière de Paribas in 1986 and Chairman of the Supervisory Board of Compagnie Financière de Paribas and Banque Paribas in 1990. From 1998 to 2000, he served as Chairman of the Paribas Supervisory Board. In 2000, he was appointed Vice-Chairman of BNP-Paribas.

Mr. François-Poncet owns 300 Schneider Electric SA shares.

**Hans Friderichs\***

First elected: 1997

Term ends: 2001<sup>(1)</sup>

69 years old, Corporate Director.

Other major directorships and functions:

Chairman of the Supervisory Boards of Goldman Sachs Investment Management GmbH, Leica Camera AG and Swatch Deutschland GmbH; Vice-Chairman of the Supervisory Board of Adidas-Salomon AG.

Hans Friderichs, a German citizen, holds degrees in Law and Political Science. Soon after graduating, he joined Germany's Free Democratic Party (FDP), serving as Deputy Chairman from 1974 to 1977. Mr. Friderichs was a member of parliament from 1965 to 1969, then secretary of state for the Rhineland Palatinate Agriculture and Environment Ministry. In 1972, he was appointed Minister of the Economy. He left the federal government in 1997 and joined the Management Board of Dresdner Bank AG in 1978. In 1985, he became a consultant and corporate director.

Mr. Friderichs owns 500 Schneider Electric SA shares.

**James F. Hardymon\***

First elected: 1998

Term ends: 2004

66 years old, Corporate Director.

Other major directorships and functions:

Director of Air Products & Chemicals Inc., American Standard Inc., Circuit City Stores Inc., Fleet Boston Financial Group and Lexmark International Inc.

James F. Hardymon, a United States citizen, has an engineering degree from the University of Kentucky. He spent most of career at Emerson Electric Co., where he held several positions before becoming Director and Chief Executive Officer. In 1989, Mr. Hardymon joined US-based Textron Inc., which has a world-class reputation in aerospace and automation technology. He served as Chairman and Chief Executive Officer of Textron from January 1993 to January 1999.

Mr. Hardymon owns 797 Schneider Electric SA shares.

**Gérard de La Martinière**

First elected: 1998

Term ends: 2004

57 years old, Executive Vice-President, Finance, Budget Control and Strategy of Groupe Axa.

Other major directorships and functions:

Member of the Management Board of Axa; Managing Director of Finaxa; Director of Crédit Lyonnais.

A graduate of Ecole Polytechnique and Ecole Nationale d'Administration, Gérard de la Martinière held several positions at the French Finance Ministry before serving as General Secretary of Commission des Opérations de Bourse and General Manager of Société des Bourses Françaises. In 1989, he joined Groupe Axa, where he was appointed Executive Vice-President, Holding Companies and Corporate Functions in 1993 and Executive Vice-President, Finance, Budget Control and Strategy in 2000.

Mr. de La Martinière owns 606 Schneider Electric SA shares.

**James Ross\***

First elected: 1997

Term ends: 2003

62 years old, Chairman of The National Grid Group.

Other major directorships and functions:

Chairman of The Littlewoods Organisation plc; Director of McGraw-Hill Inc. and Datacard Inc..

James Ross, a British subject, is a graduate of Oxford. In 1959 he joined BP, where he held several positions before becoming a Managing Director in 1991. He served as Managing Director of Cable & Wireless plc from 1992 to 1995.

Mr. Ross owns 300 Schneider Electric SA shares.

**Piero Sierra\***

First elected: 1997

Term ends: 2003

66 years old, Special Advisor for the administration of Pirelli SpA's international companies.

Piero Sierra, an Italian citizen with a degree in humanities from the University of Lyon, joined Milan, Italy-based Pirelli SpA in 1962. He held management positions in Italy and abroad before becoming Director and Chief Executive Officer of Pirelli SpA from 1991 to 1995.

Mr. Sierra owns 1,000 Schneider Electric SA shares.

### Organizational and operating procedures of the Board of Directors

Six Board meetings are scheduled each year, but in practice, the Board meets more regularly. In 2000, seven meetings were held with an attendance rate of 88%. One of the meetings was held in the United States at a Company plant in Raleigh, North Carolina.

\* Independent non-executive director, as defined in the Viénot report on corporate governance.  
(1) Shareholders will be asked to re-elect these directors at the 2001 Annual Meeting.

The Board has drafted internal rules governing the operating procedures and missions of the Audit Committee and the Remunerations and Appointments Committee.

As recommended in the Viénot report on corporate governance, the Board of Directors of Schneider Electric SA regularly reviews the way that it is organized and operates, in particular through the preparation of an annual report on its activities. It has updated its code of ethics for Company directors and employees, which specifically forbids insider trading.

Directors and corporate officers hold 0.15% of the Company's capital and 0.1% of the voting rights. No agreements have been entered into between the Company and its directors or officers. No loans or guarantees have been granted to directors or officers by the Company.

## Committees of the Board of Directors

### Audit Committee

In 2000, the Audit Committee comprised:

MM. David de Pury, Chairman;  
Gérard de la Martinière,  
Michel François-Poncet,  
Didier Pineau-Valencienne,  
Piero Sierra.

It is responsible for:

- Verifying that the accounting methods used to prepare the financial statements of the Company and the Group are appropriate and applied consistently and that all significant transactions are properly reflected in the consolidated financial statements.
- Reviewing the scope of the work performed by the Auditors and the results of their audits.
- Making recommendations concerning the renewal or appointment of the Auditors.
- Reviewing internal audit programs and the summarized reports of the internal auditors.
- Examining all financial and accounting issues submitted to the Audit Committee by the Chairman of the Board.
- Presenting the results of the Committee's work, together with recommendations concerning any action to be taken.

In 2000, the Audit Committee met three times under the chairmanship of David de Pury, with an attendance rate of 80%. During these meetings, it reviewed the annual and interim financial statements, the Company's cash management procedures, the internal audit process and the impact of listing Schneider Electric SA shares on the New York Stock Exchange. The Audit Committee informed the Board of Directors of its findings on February 29, September 7 and December 6, 2000.

### Remunerations and Appointments Committee

In 2000, the Remunerations and Appointments Committee comprised:

MM. Claude Bébéar, Chairman  
Jean-René Fourtou,  
Michel François-Poncet,  
Henri Lachmann,  
Didier Pineau-Valencienne.

The Committee is regularly informed of the Group's compensation policies, especially executive compensation. It reviews stock option plans and employee stock ownership plans decided by the Board and makes recommendations to the Board concerning the remuneration of corporate officers and the appointment of directors and members of Board Committees. It also examines succession plans for corporate officers.

The Remunerations and Appointments Committee met twice in 2000, with an attendance rate of 90%. It informed the Board of Directors of its findings on February 29, March 24, May 5 and September 7, 2000.

### Executive Committee remuneration

The eleven members of the Group Executive Committee are paid a fixed salary plus a variable bonus representing a certain percentage of their fixed salary. The total remuneration package of each member is set at a competitive level compared with the remuneration paid to members of senior management of similar industrial groups in their respective countries. The amount of each package is determined based on analyses and comparisons performed by international consulting firms specialized in executive remuneration issues.

Executive bonuses are determined based on objectives set at the beginning of the year. They can therefore vary significantly, depending on the degree to which the objectives are met. The objectives concern Group performance (consolidated sales) and stock market data (earnings per share and share performance), and they also include quantitative targets related to the entity headed by the executive concerned or qualitative targets based on personal performance. The bonuses are paid following approval of the financial statements for the year to which they relate.

To involve senior executives more closely in the growth and development of Schneider Electric's business, their variable bonuses represent a greater proportion of their total remuneration package than is the practice among other industrial groups. In the United States, executives benefit both from the annual bonus and from a long-term incentive bonus based on meeting three-year financial objectives set for Schneider Electric North America. The incentive bonus is paid every

three years, on the March 15 following the latest cycle.

The total gross remuneration paid to members of the Executive Committee by Group companies in 2000 amounted to €8.4 million, including fixed salaries of €3.7 million and variable bonuses of €4.7 million.

At the combined Annual and Extraordinary Annual Shareholders' Meeting of June 10, 1997, the maximum attendance fees payable to directors were set at €411,612. The Board of Directors decided that attendance fees would be allocated among directors as follows:

- Each director is awarded one half of the theoretical fee per director.
  - Each director who is a member of one or more Committees of the Board of Directors is awarded an additional one-half of the theoretical fee.
  - The balance of the total attendance fees is then shared among all the directors based on the number of Board Meetings attended during the year.
- In application of these rules, attendance fees granted for the year ended December 31, 2000 totaled €387,025.

#### Agreements involving directors

No agreements involving directors were entered into during 2000 or after the close of the year (see the Auditors' Special Report on Agreements Involving Directors).

### Auditors

#### Statutory auditors

Barbier Frinault et Autres/Arthur Andersen  
41, rue Ybry-92576 Neuilly-sur-Seine Cedex

represented by Aldo Cardoso and Pierre Jouanne

Befec - Price Waterhouse, Tour AIG - Cedex 105 - 92908 Paris La Défense 2

represented by Pascale Chastaing-Doblin and Daniel Chauveau

#### Substitute auditors

Jean de Gaulle, 6, rue de Buzenval - 92210 Saint-Cloud

Dominique Paul, 5, rue Alfred de Vigny - 75008 Paris

	Appointed in	Appointment expires
Barbier Frinault et Autres/Arthur Andersen	1992	2004
Befec - Price Waterhouse, Tour AIG - Cedex 105 - 92908 Paris La Défense 2	1995	2004
Jean de Gaulle, 6, rue de Buzenval - 92210 Saint-Cloud	1995	2004
Dominique Paul, 5, rue Alfred de Vigny - 75008 Paris	1995	2004

### Shareholders' rights and obligations

#### a) Annual Shareholders' Meetings (article 18 of the bylaws)

All shareholders are entitled to attend Annual Meetings, regardless of the number of shares held. The notice of meeting is sent directly by the Company to holders of registered shares. Holders of bearer shares are sent the notice of meeting by the bank or broker that holds their share account.

### Claims, litigation and other exceptional events

On January 15, 2001, Schneider Electric SA filed a public offer to purchase all outstanding shares of Legrand SA, by exchanging seven Schneider Electric shares for two shares of Legrand common stock and two Schneider Electric shares for one share of Legrand preferred stock.

In light of the appeals filed in France against the decision by the Conseil des Marchés Financiers (CMF) to accept Schneider Electric's offer and by the Commission des Opérations de Bourse (COB) to approve the offer prospectus filed jointly by Schneider Electric and Legrand, CMF has extended the deadline for the public exchange offer beyond the date when the court is scheduled to hand down its ruling. This date has been set for May 3, 2001. In connection with the divestment of Spie Batignolles, Schneider Electric SA booked contingency reserves to cover the risks associated with certain major contracts and projects. Most of the risks were extinguished during 1997. Reserves for the remaining risks will be determined on a case by case basis, to cover management's estimate of the risk involved.

To the best of the Company's knowledge, no other exceptional event has occurred and no claims or litigation are pending or in progress that are likely to have a material adverse impact on the Group's business, assets and liabilities, financial position or results.

Holders of both registered and bearer shares are required to provide evidence of their ownership of the shares at the time of the Meeting.

The following represent proof of ownership:

- Registered shares: an entry in the Company's share register, made at least five days prior to the date of the Meeting.
- Bearer shares: a certificate issued by the custodian stating that the shares have been placed in a blocked account, to be deposited at the address indicated in the notice of meeting at least five days prior to the date of the Meeting.



The Board of Directors may shorten these deadlines up until the date of the Meeting, which may be held at the Company's head office or at any other location indicated in the notice of meeting.

#### **b) Voting rights (article 19 of the bylaws)**

Voting rights attached to shares are proportionate to the equity in the capital represented by each share, assuming that they all have the same par value. Each share carries one voting right, unless there are any unavoidable legal restrictions on the number of voting rights that may be held by any single shareholder.

Notwithstanding the foregoing:

1/ Double voting rights are attributed to fully paid-up shares registered in the name of the same holder for at least two years prior to the end of the calendar year preceding the one in which the Annual Meeting takes place, subject to compliance with the provisions of the law. In addition, in the case of a bonus share issue paid up by capitalizing reserves, earnings or additional paid-in capital, each bonus share allotted in respect of shares carrying double voting rights will also have double voting rights.

The minimum holding period to qualify for double voting rights was reduced from four to two years by decision of the combined Annual and Extraordinary Shareholders' Meeting of June 27, 1995.

2/ At the Annual Meeting, no shareholder may exercise more than 10% of the total voting rights attached to the Company's shares. The 10% ceiling is calculated on the basis of the single voting rights and proxies held by the shareholder concerned. If the shareholder owns shares carrying double voting rights, the limit may be raised to 15%, provided that the 10% ceiling is exceeded solely by virtue of the double voting rights.

The above ceilings will no longer apply, without it being necessary to put the matter to the vote at a further Annual Meeting, if any individual or legal entity, acting alone or jointly with one or other individuals or legal entities, acquires or increases its stake to at least two-thirds of the Company's capital through a public tender offer for all the Company's shares. In this case, the Board of Directors will place on record the lifting of the above ceilings and will amend the bylaws accordingly.

#### **c) Income appropriation (article 21 of the bylaws)**

Net income for the year less any losses brought forward from prior years is appropriated in the following order:

- 5% to the legal reserve (this appropriation is no longer required once the legal reserve represents one tenth of the capital, provided that further appropriations are made in the case of a capital increase).
- To discretionary reserves, if appropriate, and to retained earnings.
- To the payment of a dividend.

The Annual Meeting may decide to offer shareholders the opportunity to receive the dividend in cash or in the form of new shares of common stock. Dividends not claimed within five years from the date of payment become time-barred and are paid over to the State in accordance with the law.

#### **d) Disclosure thresholds (article 7 of the bylaws)**

In addition to the legal disclosure thresholds, the bylaws stipulate that any individual or legal entity that owns or controls (as these terms are defined in article L 233-9 of the Commercial Code) directly or indirectly, shares or voting rights representing at least 0.5% of the total number of shares or voting rights outstanding, or a multiple thereof, is required to disclose said interest to the Company by registered letter with return receipt requested, within five trading days of the disclosure threshold being crossed.

In the case of failure to comply with these disclosure obligations, the shares in excess of the disclosure threshold will be stripped of voting rights at the request of one or several shareholders owning at least 2.5% of the Company's capital, subject to compliance with the relevant provisions of the law. These disclosure thresholds were approved by the combined Annual and Extraordinary Shareholders' Meetings of June 27, 1995 and May 5, 2000.

#### **e) Identifiable holders of bearer shares (article 7.3 of the bylaws)**

As approved by the combined Annual and Extraordinary Shareholders' Meetings of June 30, 1988 and May 5, 2000, the Company may at any time request that Euroclear identify holders of bearer shares carrying voting rights either immediately or in the future.

# Business Review

## Introduction

### The world economy in 2000

The global economy enjoyed a year of exceptional growth across all continents in 2000.

The United States economy grew by an excellent 5% in volume, led by consumer spending and corporate capital expenditure. This had a positive impact on emerging markets, particularly in Latin America and Asia, which consolidated their 1999 rebound. The European economy expanded by 3.3%, its strongest growth in a decade.

Economic expansion drove especially strong growth in the Building, Industry and Infrastructure markets. In addition, Schneider Electric's business considerably outpaced the markets, supported by the commitment of its teams to meeting the Schneider 2000+ program's growth and competitiveness targets.

Consolidated sales rose by 15.7% during the year to €9.7 billion (FF 63.6 billion). At constant scope of consolidation and exchange rates, comparable sales excluding high voltage were up 8.3%, while sales including high voltage were up 7.2%.

By region, sales growth was as follows in 2000:

	at Dec. 31, 2000 Sales (€ bn)	Reported growth over 12 months	Reported growth over 12 months, excluding high voltage
<b>Growth rates at a current scope of consolidation and exchange rates</b>			
Europe outside France	3.17	10.2%	10.1%
France	1.51	3.2%	3.3%
North America	3.24	26.7%	26.2%
Rest of World	1.77	20.7%	31.4%
<b>Total</b>	<b>9.70</b>	<b>15.7%</b>	<b>17.1%</b>

	at Dec. 31, 2000 Sales (€ bn)	Reported growth over 12 months	Reported growth over 12 months, excluding high voltage
<b>Growth rates at a constant scope of consolidation and exchange rates</b>			
Europe outside France	3.17	8.1%	8.0%
France	1.51	1.5%	1.5%
North America	3.24	9.4%	8.9%
Rest of World	1.77	7.3%	15.6%
<b>Total</b>	<b>9.70</b>	<b>7.2%</b>	<b>8.3%</b>

Sales rose faster in Europe, while business remained firm in North America and the rest of the world. The low voltage, medium voltage and industrial control and automation businesses all reported similar growth for the year.

In Europe outside France, sales rose by 8.1% at constant scope of consolidation and exchange rates. Growth was driven by the sale of control, automation and low voltage products in new technology-related industry and infrastructure markets. Customer spending in the energy segment was more limited.

As forecast, sales in France picked up in the fourth quarter as a result of a slight improvement in medium voltage project billings and sustained favorable trends in the low voltage and industrial control and automation businesses.

Business grew much more slowly in North America in the second half than in the first, as anticipated. Nonetheless, sales ended the year up 8.9%, with all segments reporting an excellent performance supported by a large number of targeted growth initiatives.

Billings rose sharply in the rest of the world (excluding the high voltage business) and especially in Southeast Asia, Greater China, Latin America and the Far East.

High voltage billings were very high in the fourth quarter, but sales declined 16.5% for the year as a whole. In contrast, order bookings increased 15%.

## Highlights of the Year

### Success of the Schneider 2000+ program

The Schneider 2000+ program was implemented in early 1999 to drive organic development exceeding market growth by two points, acquisitions capable of adding €1.5 billion to consolidated sales over five years (1999 to 2003) and a €305 million reduction in base costs over three years (1999 to 2001). Thanks to rapid deployment, the program's operating margin target was reached in 2000, a year ahead of schedule. During the year, the margin widened to 13.4% from 12.6% in 1999, while cost savings amounted to €140 million (for a total of €220 million over two years).

### Completion of the refocusing process

The process of refocusing the business base on electrical distribution and industrial control and automation was completed in 2000 with the contribution of the high voltage operations, which lacked critical mass, to a joint venture set up with Austria's VA tech. VA tech Schneider Electric High Voltage is managed by VA tech, which owns 60% of the new subsidiary. It ranks third in its market with estimated 2001 sales of €620 million and will be accounted for by the equity method in 2001.

### Extension of the product lineup and geographic coverage

Schneider Electric has implemented an aggressive policy of acquisitions and alliances to broaden the specialty product lineup in its two core businesses, extend its geographic positions and accelerate its growth in high potential markets such as automation devices, building control and voice-data-image applications.

#### Electrical distribution

The low voltage business was strengthened in:

- Germany, with the acquisition of May & Steffens, which manufactures distribution switchboards for the building market.
- Hungary, with the acquisition of Produx, ranked second in the final low voltage market.
- Turkey, with the acquisition of Metesan Loxel Elektrik, leader in the final low voltage market.
- India, with the acquisitions of the miniature circuit-breaker business of S&S Power Switchgear, which has 130 distributors, and of the low voltage switchgear business of Crompton Greaves, which has 250 distributors and is the country's leading consumer electrical equipment company. The aggregate sales for the two companies total €20 million.

The medium voltage lineup was expanded with the acquisition of:

- France's Bardin, the world leader in fault detectors for medium voltage distribution networks, with sales of €11 million.
- Australia's Nu-Lec, a manufacturer of overhead electrical equipment and the world leader in intelligent control systems, with sales of €30 million.

Other acquisitions included:

- UK-based MITA Holdings, the country's top-ranked manufacturer of PVC cable management systems and composite building equipment, with sales of €31 million.
- US-based EFI Electronics, a surge suppression specialist, with sales of €14 million.
- The prepayment metering systems business of South Africa's Conlog, the local leader in electricity prepayment systems, with sales of €20 million.

In the highly promising market for Power Line Carrier products, which transmit digital data over electrical lines, Schneider Electric formed an equally-owned joint venture with Thomson multimedia, the leader in PLC communication technologies in the United States. The partners are developing a comprehensive range of products for the residential and building control markets.

The Company increased its equity interest in MGE-UPS Systems, the world leader in power protection systems, to 33%. It also acquired a stake in Infra+, France's premier LAN wiring company. Together, these acquisitions represented an investment of €80 million. MGE-UPS Systems reported sales of €640 million in the fiscal year ending September 30, 2000.

### Industrial control and automation

Schneider Electric is now **the world leader in variable speed drives** through a joint venture with **Toshiba**, in which it has a 60% interest. The Company has also become **the European leader in electronic control, small automation devices and motion control** with the acquisitions, in an aggregate amount of €437 million, of:

- France's Crouzet Automatismes, the leader in electronic control and small automation devices, with sales of €180 million.
- Switzerland's Positec, Europe's top-ranked motion control company, with sales of €118 million.

The **specialty products** lineup has been broadened with two acquisitions in the United States:

- Steeplechase Software, which develops PC-based automation control software.
- Quantronix, the US leader in infrared and laser sensing cubing and weighing systems for sorting parcels and objects.

### A New, Market-Oriented Organization

During the year, Market Divisions were created for each of our four core global markets:

**Buildings, Industry, Infrastructure and Energy.** The new organization meets the expectations of customers who are increasingly seeking end-to-end solutions, such as a turnkey electrical installation or an automation system.

This shift in demand is a powerful growth driver for Schneider Electric, which is actively expanding lineups to meet the full range of demand by creating new products, integrating new specialty capabilities and developing its services offer.

An organization dedicated to leading international OEMs has also been created to provide cost-effective solutions and services.

### Creation of a Cross-Functional e-Business Division

Integration of the **Internet** into the Company's business processes and markets picked up pace in 2000, enhancing the competitiveness of Schneider Electric and its customers and strengthening the Company's leadership in transparent access to information. In response, a new cross-functional e-business division was set up to pilot Schneider Electric's global e-transformation in the areas of sales, marketing, purchasing, training and information and to coordinate the Company's Internet services. The goal is to move 45% of sales and training transactions, 70% of technical support and 80% of MRO procurement online by end-2002.

### Outlook for 2001

2001 will be shaped by the friendly merger with **Legrand**, which will:

- create the world leader in electrical distribution and industrial control and automation.
- leverage the **extraordinarily strong fit** between partners' expertise, businesses and geographic coverage.

The financial resources will enhance the growth outlook for all the business activities of the new Company, which will be known as Schneider Electric Legrand, and enable it to implement an ambitious growth strategy.

The merger will be carried out through a public offer, opened in January 2001, to exchange Schneider Electric shares for Legrand shares.

With pro forma sales of €12.5 billion, 2000 net income of €860 million, operating income of €1.8 billion and shareholders' equity of €5.9 billion, the new Company will be the industry benchmark and enjoy excellent prospects for creating value. When the offer was announced, for example, it was indicated that synergies and other benefits of the merger would improve earnings per share as from 2003. In all, synergies are expected to increase operating income by €210 million, reduce costs by €120 million (€45 million in purchases, €20 million in supply chain costs and €55 million in development costs and base costs), and represent €90 million in revenue synergies.

The new Company will be well positioned to leverage the significant growth potential offered by electricity markets, in particular through the integration of new information and communication technologies.

The friendly nature of the transaction provides a strong foundation for success.

### Research and Development

Schneider Electric conducts a wide variety of research and development programs to maintain its technological leadership and generate high value-added growth. Some 3,500 employees are involved in R&D at 50 locations in 20 countries. R&D spending totaled €474 million in 2000, equal to nearly 5% of consolidated sales.

R&D programs are deployed in close cooperation with customers and production units. In addition, around 30 scientific cooperation agreements have been signed with university-based research facilities around the world.

R&D focuses on renewing product lineups and introducing innovations by integrating new technologies. The two main aims are to make products easier to install and use by operators, integrators and distributors and to constantly enhance the flexibility, scalability and sustainability of

Schneider Electric products and systems. In 2000-2001, 12 renewed product families are accounting for 20% of sales.

R&D also works to lower costs and shorten time to market. In the past three years, development cycles have been reduced by half through the use of concurrent engineering and, increasingly, digital modeling.

R&D is highly decentralized. Close cooperation among country units encourages sharing of innovation and cross-fertilization. This organization allows Schneider Electric to develop global products and to tailor lines to the specific features of local markets. This is why the Company is one of the few global suppliers to deliver an offering meeting a full range of standards worldwide.

As a member of the World Wide Web Consortium to develop common Web Automation standards, an area in which it is the world leader, Schneider Electric is speeding the development of Web-enabled products and systems. Already, products that can be remote controlled via the Internet account for 20% of sales.

Schneider Electric Ventures, a €50-million fund, has been set up to invest in start-ups focusing on technological innovations and advanced Internet applications such as integrated sensors, onboard intelligence, power electronics, microgeneration and voice-data-image networks.

## Environmental Protection

Environmental protection, lower resource consumption, energy conservation and design-for-recycling options are built into every Schneider Electric product and production process.

Programs to earn ISO 14001 certification continued in the United States, Greece and Brazil. In all, more than 100 sites worldwide have been certified since the standard was published in 1996. Integration of environmental protection concerns into management processes is supported by extensive employee training, under the direct responsibility of line managers.

Hard-to-recycle materials are gradually eliminated during the design phase, while high-performance software is used to assess the environmental impact of products at every stage of their life cycle. One example is the EIME decision-support program that helps designers choose appropriate materials and design.

The Purchasing and Research departments are also involved in selecting the Best Available Techniques for ensuring environmentally-friendly product manufacturing.

Schneider Electric actively studies options for end-of-cycle electrical and electronic product recycling.

In particular, the ELEN pilot project is defining economic models for product collection and recycling.

## Consolidated Financial Statements

### Balance sheet

1) **Consolidated shareholders' equity** came to €4.55 billion at December 31, 2000, compared with €4.26 billion the year before. The increase stemmed from (a) earnings for the year, which rose to €0.62 billion from €0.48 billion in 1999; (b) the issuance of €0.01 billion worth of new shares in connection with the conversion of bonds, the employee share ownership plan and the exercise of stock options; and (c) the translation adjustment, in an amount of €0.08 billion. It also reflected the dividend payment of €0.26 billion and share buyback programs, in an amount of €0.16 billion.

Minority interests amounted to 0.065 billion, including minority interests in 2000 net income.

2) **Net indebtedness** (borrowings less cash) amounted to €2.1 billion at December 31, 2000, compared with a year-earlier figure of €1.17 billion.

At year-end, the Company had cash and short-term investments of €0.65 billion versus €1.05 billion at end-1999. The decline resulted from a variety of factors, including the increase in capital expenditure and financial investments, the purchase of Company shares under the share buyback program and the impact of net income for the year.

Long-term debt increased by €0.55 billion, primarily due to a €0.5 billion bond issue to finance acquisitions. Short-term debt (bank overdrafts and current maturities of long-term debt) remained unchanged.

Net cash and cash equivalents (cash and short-term investments less bank overdrafts) declined to €0.42 billion from €0.95 billion at December 31, 1999.

3) **Working capital requirement** rose to €1.50 billion at December 31, 2000 from €1.14 billion at the previous year-end. The €0.36 billion year-on-year increase reflects the sustained growth in business in 2000, as well as the currency effect, particularly with the steep rise in the dollar and related currencies.

4) **Working capital** stood at €1.45 billion at year-end 2000 versus €1.49 billion the year before. The €0.04 billion decrease can be analyzed as follows:

<i>(in € billions)</i>	2000/1999
<b>Change in working capital</b>	
Change in property, plant and equipment, net of depreciation and disposals	+ 0.16
Change in net goodwill and other intangible assets	+ 0.35
Change in investments at cost and other investments	+ 0.34
<b>Total changes in fixed assets</b>	<b>+ 0.85</b>
Change in long-term debt	+ 0.55
Change in provisions for contingencies and pensions	- 0.04
<b>Change in net assets</b>	
- Issuance of shares	+ 0.02
- Payment of dividends	- 0.26
- Change in retained earnings (including net income for the year)	+ 0.54
- Change in minority interests	-
<b>Total changes in long-term liabilities and equity</b>	<b>+ 0.81</b>
<b>Net change in working capital</b>	<b>- 0.04</b>

### Consolidated statement of income

Consolidated sales totaled €9.70 billion in 2000, up 15.7% from €8.38 billion the year before.

At constant scope of consolidation and exchange rates, the year-on-year increase was 7.2%.

### Sales

<i>(in € millions)</i>	2000	1999	Variation 2000/1999
Schneider Electric	9,695.5	8,378.3	+ 15.7 %
<b>Total</b>	<b>9,695.5</b>	<b>8,378.3</b>	<b>+ 15.7 %</b>

Operating income increased by 22.9% to €1.30 billion, led by an across-the-board improvement in Group performance in most regions.

### Operating income

<i>(in € millions)</i>	2000	1999	Variation 2000/1999
Schneider Electric	1,298.2	1,056.5	+ 22.9 %
<b>Total</b>	<b>1,298.2</b>	<b>1,056.5</b>	<b>+ 22.9 %</b>

**Net interest expense** amounted to €16.2 million, compared with €86.1 million in 1999. The improvement reflects continued optimization of trading and position management, supported by a very strong performance in foreign exchange markets, which offset a rise in interest expense following the increase in net debt. In addition, net interest expense includes a non-recurring €79.7 million in currency gains on subordinated debt and capital gains on mutual fund investments.

**Income from continuing operations before tax**, representing operating income less net interest expense, rose 32% to €1,282.0 million from €970.4 million the previous year.

**Net non-recurring expense** amounted to €118.4 million in 2000 compared with €34.6 million the year before. The expense reflects capital gains and losses on direct and indirect asset disposals, as well as the impact of the revaluation of certain specific, technical and financial risks.

**Net income of fully consolidated companies** before amortization of goodwill amounted to €793.7 million, compared with €618.1 million in 1999.

<i>(in € millions)</i>	2000	1999
Schneider Electric	793.7	618.1
<b>Total</b>	<b>793.7</b>	<b>618.1</b>

**Amortization of goodwill** totaled €143.4 million compared with €121.9 million in 1999. The increase is primarily attributable to acquisitions during the year (€8.8 million) and the impact of the dollar exchange rate on Square D's goodwill amortization.

**Current and deferred taxes** for 2000 totaled €369.9 million versus €317.7 million in 1999.

**Net income of fully consolidated companies** rose to €650.3 million from €496.2 million in 1999. After minority interests and the Group's share of losses of companies accounted for by the equity method (€3.6 million on MGE-UPS), net income attributable to Schneider Electric SA totaled €625 million versus €481 million the previous year.

## Company Financial Statements

Schneider Electric SA posted total portfolio revenues of €318.4 million in 2000, compared with €248.2 million the previous year. Income from continuing operations before tax rose to €358.4 million from €248.8 million in 1999.

In 2000, the Company had an income tax charge of €1.5 million, compared with a tax benefit of €50.9 million the previous year, reflecting the effects of tax consolidation.

Net income for the year stood at €356.7 million versus €316.7 million in 1999.

Shareholders' equity before appropriation of net income declined to €3,157.1 million at December 31, 2000 from €3,331.9 million at the previous year-end, reflecting net income for the year, the cancellation of six million shares in an aggregate amount of €314.8 million and the payment of the 1999 dividend.

## Subsidiaries

### Schneider Electric Industries SA

Strong business lifted sales to €3.11 billion from €2.77 billion in 1999. Operating income surged 54.7% to €240.1 million from €155.2 million and represented 7.7% of sales. Net income came to €503.6 million compared with €294.6 million the year before.

### Cofibel

Cofibel's portfolio consists entirely of Schneider Electric SA shares. Income from continuing operations before tax came to €6.34 million compared with €6.05 million in 1999. Income after tax stood at €4.55 million.

### COFIMINES

In 2000, income from continuing operations before tax amounted to €1.7 million compared with €1.17 million in 1999. After taking into account corporate income tax and non-recurring items, net income stood at €1.43 million versus €0.99 million in 1999.

# Consolidated Financial Statements

## Consolidated Statement of Income

<i>(in millions of euros, for the year ended December 31)</i>	2000	1999	1998
<b>Sales</b>	<b>9,695.5</b>	<b>8,378.3</b>	<b>7,625.5</b>
Cost of sales	(5,612.2)	(4,766.0)	(4,344.8)
Research and development expenses	(474.4)	(443.5)	(401.5)
Selling, general and administrative expenses <sup>(3)</sup>	(2,310.7)	(2,112.3)	(2,026.0)
<b>Total operating expenses</b>	<b>(8,397.3)</b>	<b>(7,321.8)</b>	<b>(6,772.3)</b>
<i>Of which depreciation and amortization</i>	<i>(318.5)</i>	<i>(263.9)</i>	<i>(211.3)</i>
<b>Operating income <sup>(3)</sup></b>	<b>1,298.2</b>	<b>1,056.5</b>	<b>853.2</b>
<b>Interest expense - net <sup>(note 18)</sup></b>	<b>(16.2)</b>	<b>(86.1)</b>	<b>(58.1)</b>
<b>Income from continuing operations before tax <sup>(3)</sup></b>	<b>1,282.0</b>	<b>970.4</b>	<b>795.1</b>
<b>Non-recurring items <sup>(note 19)</sup></b>	<b>(118.4)</b>	<b>(34.6)</b>	<b>(20.3)</b>
<b>Income taxes <sup>(note 10)</sup></b>	<b>(369.9)</b>	<b>(317.7)</b>	<b>(263.3)</b>
<b>Net income of fully consolidated companies before amortization of goodwill</b>	<b>793.7</b>	<b>618.1</b>	<b>511.5</b>
<b>Amortization of goodwill</b>	<b>(143.4)</b>	<b>(121.9)</b>	<b>(88.9)</b>
<b>Net income of fully consolidated companies</b>	<b>650.3</b>	<b>496.2</b>	<b>422.6</b>
<b>Group's share of income/(loss) of companies accounted for by the equity method</b>	<b>(3.6)</b>	<b>-</b>	<b>(0.8)</b>
<b>Net income before minority interests</b>	<b>646.7</b>	<b>496.2</b>	<b>421.8</b>
<b>Minority interests</b>	<b>(21.7)</b>	<b>(15.2)</b>	<b>(13.2)</b>
<b>Net income (attributable to Schneider Electric SA)</b>	<b>625.0</b>	<b>481.0</b>	<b>408.6</b>
<b>Primary earnings per share <sup>(note 20)</sup> (in euros)</b>	<b>4.18</b>	<b>3.23</b>	<b>2.71</b>
<b>Diluted earnings per share <sup>(note 20)</sup> (in euros)</b>	<b>4.13</b>	<b>3.19</b>	<b>2.63</b>

<sup>(3)</sup> Including employee profit sharing.

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



# Consolidated Statement of Cash Flows

<i>(in millions of euros, for the year ended December 31)</i>	2000	1999	1998	
<b>I - Operating activities</b>				
<b>Net income before minority interests</b>	646.7	496.2	421.8	
Group share of (income)/loss of companies accounted for by the equity method (net of dividends received)	2.3	2.8	2.4	
<b>Adjustments to reconcile net income to net cash provided by operations:</b>				
Depreciation, amortization and provisions	431.7	400.8	368.5	
Losses (gains) on disposal of assets - net	(88.8)	30.2	(51.4)	
Other	(1.1)	(1.2)	(0.6)	
<b>Net cash provided by operating activities before changes in operating assets and liabilities</b>	<b>990.8</b>	<b>928.8</b>	<b>740.7</b>	
(Increase) decrease in accounts receivable	(223.7)	(107.6)	(154.0)	
(Increase) decrease in inventories and work in process	(247.9)	(48.3)	153.4	
Increase (decrease) in accounts payable	193.1	29.7	(42.2)	
Change in other current assets and liabilities	(1.7)	(73.9)	49.1	
<b>Change in working capital requirement</b>	<b>(280.2)</b>	<b>(200.1)</b>	<b>6.3</b>	
<b>Total I</b>	<b>710.6</b>	<b>728.7</b>	<b>747.0</b>	
<b>II - Investing activities</b>				
Disposals of property, plant and equipment and intangible assets	36.5	47.4	57.9	
Purchases of property, plant and equipment and intangible assets <i>(note 3)</i>	(504.2)	(442.9)	(381.3)	
<b>Net cash used by investment in operating assets</b>	<b>(467.7)</b>	<b>(395.5)</b>	<b>(323.4)</b>	
Financial investments - net	(528.2)	(851.0)	54.4	
Other long-term investments	<sup>(a)</sup> (227.4)	<sup>(a)</sup> (295.3)	<sup>(a)</sup> (206.4)	
<b>Sub-total</b>	<b>(755.6)</b>	<b>(1,146.3)</b>	<b>(152.0)</b>	
<b>Total II</b>	<b>(1,223.3)</b>	<b>(1,541.8)</b>	<b>(475.4)</b>	
<b>III - Financing activities</b>				
Increase (reduction) in long-term debt	285.5	1,077.3	(125.0)	
Common stock issued	11.9	85.2	6.9	
Dividends paid: Schneider Electric SA	(263.7)	(164.0)	(148.2)	
Minority interests	(21.4)	(17.8)	(11.9)	
<b>Total III</b>	<b>12.3</b>	<b>980.7</b>	<b>(278.2)</b>	
<b>IV - Net effect of exchange rate and other changes</b>	<b>Total IV</b>	<b>25.9</b>	<b>46.3</b>	<b>30.8</b>
<b>Net increase/(decrease) in cash and cash equivalents: I + II + III + IV</b>	<b>(474.5)</b>	<b>213.9</b>	<b>24.2</b>	
Cash and cash equivalents at beginning of year	952.9	738.9	714.7	
Increase/(decrease) in cash and cash equivalents	(474.5)	213.9	24.2	
<b>Cash and cash equivalents at end of year</b>	<b>478.4</b>	<b>952.8</b>	<b>738.9</b>	

*(a) Including the purchase of Schneider Electric SA shares for €159.5 million in 2000, €335.7 million in 1999 and €225.6 million in 1998.*

# Consolidated Balance Sheet

## Assets

<i>(in millions of euros, at December 31)</i>	2000	1999	1998
<b>Current assets:</b>			
Inventories and work in process <i>(notes 1 and 8)</i>	1,411.9	1,090.2	1,086.6
Accounts receivable - trade	2,225.0	1,933.1	1,709.0
Other receivables and prepaid expenses <i>(note 9)</i>	946.4	730.2	726.6
Deferred taxes	248.3	291.1	280.6
Cash and short-term investments <i>(note 11)</i>	653.5	1,050.5	924.6
<b>Total current assets</b>	<b>5,485.1</b>	<b>5,095.1</b>	<b>4,727.4</b>
<b>Non-Current assets:</b>			
Other intangible assets - net <i>(note 3)</i>	192.0	85.5	44.2
Goodwill - net <i>(note 4)</i>	3,620.0	3,374.6	3,132.4
Property, plant and equipment, at cost <i>(note 3)</i>	4,011.6	3,627.1	3,278.6
Accumulated depreciation	(2,312.7)	(2,085.2)	(1,911.9)
Property, plant and equipment – net	1,698.9	1,541.9	1,366.7
Investments accounted for by the equity method <i>(note 5)</i>	58.0	2.7	8.1
Investments at cost <i>(note 6)</i>	342.7	112.5	154.6
Other investments <i>(note 7)</i>	137.1	80.2	214.3
Total investments	537.8	195.4	377.0
<b>Total non-current assets</b>	<b>6,048.7</b>	<b>5,197.4</b>	<b>4,920.3</b>
<b>Total assets</b>	<b>11,533.8</b>	<b>10,292.5</b>	<b>9,647.7</b>

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

## Liabilities and shareholders' equity

<i>(in millions of euros, at December 31)</i>	2000	1999	1998
<b>Current liabilities:</b>			
Accounts payable – trade	1,613.1	1,348.6	1,186.8
Taxes and benefits payable	838.8	749.7	686.0
Other payables and accrued liabilities	807.6	699.3	845.4
Short-term debt <i>(note 15)</i>	698.1	700.4	700.4
Customer prepayments <i>(note 1)</i>	86.7	107.3	147.1
<b>Total current liabilities</b>	<b>4,044.3</b>	<b>3,605.3</b>	<b>3,565.7</b>
<b>Provisions for contingencies</b> <i>(note 14)</i>	<b>218.0</b>	<b>274.4</b>	<b>272.6</b>
<b>Provisions for pensions</b> <i>(note 13)</i>	<b>586.7</b>	<b>569.5</b>	<b>510.2</b>
Long-term debt <i>(note 15)</i>	1,897.9	1,320.0	1,376.5
<i>of which: ordinary and convertible bonds</i>	<i>1,460.0</i>	<i>1,020.8</i>	<i>1,014.5</i>
Perpetual bonds <i>(note 15)</i>	175.7	202.1	224.2
<b>Total long-term debt</b>	<b>2,073.6</b>	<b>1,522.1</b>	<b>1,600.7</b>
<b>Shareholders' equity</b> <i>(note 12)</i>	<b>4,545.3</b>	<b>4,260.4</b>	<b>3,637.1</b>
<b>Minority interests</b>	<b>65.9</b>	<b>60.8</b>	<b>61.4</b>
<b>Total liabilities and shareholders' equity</b>	<b>11 533.8</b>	<b>10 292.5</b>	<b>9 647.7</b>

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

# Consolidated Statement of Changes in Shareholders' Equity

	Shares outstanding (thousands) <i>(1)</i>	Capital stock (€M)	Additional paid-in capital (€M)	Retained earnings <i>(2)</i> (€M)	Cumulative translation adjustment (€M)	Share holders' equity (€M)	Minority interests (€M)	Total (€M)
<b>At January 1, 1998</b>	<b>152,168</b>	<b>1,160.0</b>	<b>1,134.1</b>	<b>1,322.2</b>	<b>28.7</b>	<b>3,645.0</b>	<b>72.8</b>	<b>3,717.8</b>
Exercise of stock options	242	1.7	5.0			6.7		6.7
Conversion of bonds	1,007	7.7	28.7			36.4		36.4
Appropriation to legal reserve			(11.6)	11.6		–		–
Dividends				(148.2)		(148.2)	(11.9)	(160.1)
Increase in treasury stock				(175.9)		(175.9)		(175.9)
Translation adjustment				(13.1)	(122.4)	(135.5)	(2.4)	(137.9)
<i>Change in scope of consolidation and other</i>				–	–	–	(13.3)	(13.3)
1998 net income				408.6		408.6	13.3	421.9
<b>At December 31, 1998</b>	<b>153,417</b>	<b>1,169.4</b>	<b>1,156.2</b>	<b>1,405.2</b>	<b>(93.7)</b>	<b>3,637.1</b>	<b>58.5</b>	<b>3,695.6</b>
Exercise of stock options	2,239	17.1	68.1			85.2		85.2
Conversion of bonds	5,768	43.9	184.6			228.5		228.5
Appropriation to legal reserve			(0.9)	0.9		–		–
Dividends				(173.2)		(173.2)		(173.2)
Increase in treasury stock				(337.2)		(337.2)	(17.8)	(355.0)
Translation adjustment				(13.6)	352.6	339.0	7.0	346.0
<i>Change in scope of consolidation and other</i>					–	(2.1)	(2.1)	–
1999 net income				481.0		481.0	15.2	496.2
<b>At December 31, 1999</b>	<b>161,424</b>	<b>1,230.4</b>	<b>1,408.0</b>	<b>1,363.1</b>	<b>258.9</b>	<b>4,260.4</b>	<b>60.8</b>	<b>4,321.2</b>
Exercise of stock options	212	1.7	3.7			5.4		5.4
Conversion of bonds	152	1.1	4.8			5.9		5.9
Conversion of par value into euros		61.0	(61.0)			–		–
Cancellation of shares	(6,000)	(48.0)	(263.0)	311.0		–		–
Merger with SGTE			28.2	(28.2)		–		–
Appropriation to legal reserve			(6.1)	6.1		–		–
Dividends (including withholding tax)				(263.7)		(263.7)	(21.4)	(285.1)
Increase in treasury stock				(159.5)		(159.5)		(159.5)
Translation adjustment				(72.6)	149.2	76.6	0.1	76.7
<i>Change in scope of consolidation and other</i>				(4.7)		(4.7)	4.7	–
2000 net income				625.0		625.0	21.7	646.7
<b>At December 31, 2000</b>	<b>155,788</b>	<b>1,246.2</b>	<b>1,114.6</b>	<b>1,776.5</b>	<b>408.1</b>	<b>4,545.4</b>	<b>65.9</b>	<b>4,611.3</b>

(1) Before elimination of treasury stock.

(2) Including €592.7 million in treasury stock/ intra-group cross shareholdings cancelled beginning January 1, 1993.

# Notes

## to the Consolidated Financial Statements

### 1. Accounting principles

The consolidated financial statements of Schneider Electric SA have been prepared in accordance with French generally accepted accounting principles, including French Accounting Standards Board (CRC) standard 99-02. In certain specific cases where no French accounting principles are appropriate, US principles have been applied.

The financial statements of consolidated subsidiaries, which are prepared in accordance with accounting principles generally accepted in the countries in which they operate, have been restated in accordance with the principles applied by the Group.

#### a) Consolidation principles

All significant companies that are controlled directly or indirectly by Schneider Electric SA have been fully consolidated. Companies over which Schneider Electric SA exercises significant influence have been accounted for by the equity method.

In accordance with French generally accepted accounting principles, joint-ventures in which the Group is the managing partner are fully consolidated by Schneider Electric SA after deducting the other partners' share in the income or loss of the joint-venture. In cases where the Group is not the managing shareholder, only Schneider Electric SA's share of the income or loss is accounted for, except for one contract that has been consolidated by the proportional method.

Goodwill is amortized out of income over a maximum of forty years based on the estimated period of benefit, which is adjusted where necessary.

#### b) Translation of the financial statements of foreign subsidiaries

The financial statements of foreign subsidiaries are translated into French francs as follows:

- Assets and liabilities are translated at year-end exchange rates.
- Statement of income and cash flow items are translated at average exchange rates.

Differences arising on translation are recorded under shareholders' equity and minority interests.

#### c) Translation of foreign currency transactions

With the exception of the transactions described below, foreign currency debts and receivables are translated into euros at year-end exchange rates. As allowed under French law, translation differences are recorded in the statement of income under exchange gains or losses.

Exchange gains and premiums and discounts on forward purchases and sales of foreign currency used to hedge the Group's trading commitments are deferred and recognized at the same time as the gain or loss on the underlying transaction.

Gains and losses on unhedged forward currency transactions are credited or charged to income. The gain or loss corresponds to the difference between the forward exchange rate provided for in the contract and the exchange rate prevailing at year-end for purchases and sales made in the same currency with the same term.

In cases where a speculative currency position is considered to exist due to the future interest on fixed to variable currency swaps, the interest is discounted on the basis of the fixed rate and stated at the exchange rate prevailing at year-end for cash transactions. The translation difference is credited or charged to income.

#### d) Financial instruments based on exchange and interest rates

The Group uses financial instruments based on exchange and interest rates (*note 16*). Where these instruments are qualified as speculative, their market value is determined at the year-end, taking into account the volatility of interest rates. If this value is negative in relation to the instruments' historical value, a provision for contingencies is booked.

#### e) Marketable securities

Substantially all marketable securities represent conventional short-term instruments (commercial paper, mutual funds and equivalents). They are stated at the lower of cost and market. In the case of bonds and other debt instruments, cost includes accrued interest.

**f) Property, plant and equipment**

Land, buildings and equipment are stated at cost. Assets held at the time of a legal revaluation are stated at revalued cost; an equivalent amount is recorded in shareholders' equity, under retained earnings or revaluation reserve, and is written back to income to match the corresponding depreciation and disposals, so that the revaluation has no impact on income.

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets, as follows:

Buildings	20 to 40 years
Other	3 to 12 years

Property, plant and equipment acquired under a capital lease are capitalized on the basis of the cost of the asset concerned and depreciated in accordance with the above principles. An obligation in the same amount is recorded on the liabilities side of the balance sheet.

**g) Investments at cost (note 6) and other investments**

Non-consolidated equity investments and other investments are stated at cost. Each year, the carrying value is compared to fair value and any difference is provided for. Fair value is determined by reference to the Group's equity in the underlying net assets, the expected future profitability and business prospects of the investee company and, in the case of listed securities, the market value of the stock.

**h) Inventories and work in process**

Inventories and work in process are stated at the lower of cost (determined by the FIFO method) and estimated net realizable value. The cost of work in process, semi-finished and finished products includes direct materials and labor costs, sub-contracting costs incurred up to the balance sheet date and a percentage of production overheads.

**i) Long-term contracts**

Income from long-term contracts is recognized by the percentage-of-completion method, based on the financial status of the contract. Probable losses upon completion of a given contract are provided for in full as soon as they become known.

The cost of work in process includes costs relating directly to the contracts and a percentage of overheads.

**j) Research and development expenditures**

Internally-financed research and development expenditures are charged to income for the period.

**k) Deferred taxes**

Deferred taxes, corresponding to timing differences between the recognition of income and expenses for consolidated financial reporting and tax purposes, are accounted for by the liability method. Deferred tax assets are recognized in cases where they can reasonably be expected to be realized within a short time frame. Otherwise, a provision is set aside to reflect the timing difference.

Extraordinary credits corresponding to the future tax benefits arising from the utilization of tax loss carryforwards (including amounts available for carryforward without time limit) are recognized only where they can reasonably be expected to be realized within a short time frame.

**l) Provisions for pensions**

Provisions for statutory retirement bonuses and pensions are determined in accordance with SFAS no. 87 and SFAS no. 88, completed by SFAS no. 132, taking into account future compensation levels. Two methods are used to fund the Group's liability for statutory retirement bonuses:

- Provisions. The provision is calculated for all eligible employees based on the future liability discounted at a standard rate each year for all Group companies using this funding method.
- External funding under an insured plan. In this specific case, provision is made to cover any deficit between the fair value of plan assets and the estimated future liability.

The Group's policy concerning the recognition of changes in provisions for statutory retirement bonuses is as follows:

- Changes resulting from the recurring discounting of the liability and changes in certain variables (length of service, number of eligible employees, etc.) are recognized in full in the statement of income when they arise.
- Changes resulting from periodic actuarial valuations (changes in the discount rate, future salary levels, staff turnover rates) are deferred and recognized over the remaining service of the employees concerned.

**m) Provisions for post-retirement benefits**

Under SFAS no. 106, companies are required to book provisions to cover the cost of providing healthcare benefits for retired employees and to make certain disclosures concerning the method used to calculate these provisions.

**n) Perpetual bonds (note 15)**

The perpetual subordinated bonds issued in 1991 by Merlin Gerin were originally accounted for as subordinated loans repayable over 15 years. In 1996, the subordination clause was canceled. All other terms and conditions remain unchanged.

## o) Consolidated statement of cash flows

The consolidated statement of cash flows has been prepared using the “indirect method”, showing the reconciliation of net income to net cash provided by operations.

Net cash and cash equivalents represent cash net of bank overdrafts plus cash equivalents (primarily marketable securities).

Changes in short-term assets and liabilities cannot be determined directly by comparing the amounts shown in the balance sheet, since these items are stated before effects of foreign currency translation, which are shown separately for their total amount.

## p) Monetary unit

The tables below are presented in millions of euros, unless otherwise indicated.

## 2. Changes in scope of consolidation

The consolidated financial statements of Schneider Electric SA and subsidiaries at December 31, 2000 include the financial statements of the companies listed in note 24. The scope of consolidation at December 31, 2000 can be summarized as follows:

Number of Companies	Dec. 31, 2000		Dec. 31, 1999	
	France	Abroad	France	Abroad
Parent company and fully consolidated subsidiaries	54	232	47	210
Companies accounted for by the equity method	1	2	–	2
Sub-total by region	55	234	47	212
<b>Total</b>	<b>289</b>		<b>259</b>	

The main changes in 2000 were as follows:

**Changes in scope of consolidation**

	Newly-consolidated	Deconsolidated
France :	Etablissements Bardin (2) Crouzet Automatismes (2) Euromatel (1) Infra + (2) MGE – UPS (2)	Cie Financière SGTE (3)
Rest of Europe:	May & Steffens (Germany) (1) Schneider Electric Ltd (Croatia) (2) Dalcotech A/S (Denmark) (2) JO-EL A/S (Denmark) (2) EFI Electronics Europe SL (Spain) (2) JO-EL Oy (Finland) (2) Oy Elektrokontakt (Finland) (2) Coelme (Italy) (2) Industriisering AS (Norway) (2) Telesafe Produktor AS (Norway) (2) Schneider Logistics BV (Netherlands) (1) Schneider Electric Ltd (Slovenia) (1) JO-EL AB (Sweden) (2) Schneider Electric Ukraine (Ukraine) (1)	Simak (Belgium) Nokia Capacitors (Finland) Paramer (Switzerland)
North America:	EFI Electronics Inc (United States) Quantronix Inc (United States) (2)	
Rest of world:	Merlin Gerin South Africa (Pty) Ltd Conlog business (South Africa) (2) Metesan Lexel Elektrik (Turkey) (2) Nu-Lec Industries Pty Ltd (Australia) (2) Primelectrica (Brazil) (2) Schneider Electric Low Voltage (Tianjin) Cy Ltd (China) (1) Schneider Electric FZE (United Arab Emirates) (1) Schneider Electric Peru SA (Peru) (1)	SEEP (Brazil) Schneider Control Products (South Korea) FPE de Mexico SA de CV (Mexico)

(1) New companies set up to acquire existing assets and business start-ups.

(2) Acquisitions.

(3) Merged with Schneider Electric SA.



### 3. Property, plant and equipment and intangible assets

Property, plant and equipment, including capital leases, and intangible assets can be analyzed as follows:

#### Intangible assets

	Dec. 31, 1999	Acquisitions/ Allocation	Disposals/ Recapture	Translation adjustment	Other (a)	Dec. 31, 2000
At cost	175.4	89.6	(4.2)	(3.2)	67.5	325.1
Depreciation and amortization	(89.9)	(36.8)	4.1	(0.5)	(10.0)	(133.1)
Net value	85.5	52.8	(0.1)	(3.7)	57.5	192.0

(a) Of which a net €50.8 million resulting from changes in scope of consolidation.

#### Property, plant and equipment

At cost	Dec. 31, 1999	Acquisitions	Disposals	Translation adjustment	Other (a)	Dec. 31, 2000
Land and buildings	933.6	90.8	(46.9)	17.1	41.9	1,036.5
Plant and equipment	2,058.7	223.3	(91.5)	40.2	65.3	2,296.0
Other	634.8	95.5	(48.4)	16.2	(19.0)	679.1
<b>Total</b>	<b>3,627.1</b>	<b>409.6</b>	<b>(186.8)</b>	<b>73.5</b>	<b>88.2</b>	<b>4,011.6</b>
<i>Of which leased assets</i>	<i>140.2</i>	<i>0.2</i>	<i>(16.5)</i>	<i>–</i>	<i>–</i>	<i>123.9</i>

Depreciation and amortization	Dec. 31, 1999	Allocation	Recapture	Translation adjustment	Other (a)	Dec. 31, 2000
Land and buildings	(409.8)	(46.9)	26.0	(4.8)	(11.7)	(447.2)
Plant and equipment	(1,342.9)	(181.4)	81.5	(21.4)	(31.3)	(1,495.5)
Other	(332.5)	(53.4)	42.9	(9.3)	(17.7)	(370.0)
<b>Total</b>	<b>(2,085.2)</b>	<b>(281.7)</b>	<b>150.4</b>	<b>(35.5)</b>	<b>(60.7)</b>	<b>(2,312.7)</b>
<i>Of which leased assets</i>	<i>(78.2)</i>	<i>(4.9)</i>	<i>12.6</i>	<i>–</i>	<i>0.1</i>	<i>(70.4)</i>
<b>Net value</b>	<b>1,541.9</b>	<b>127.9</b>	<b>(36.4)</b>	<b>38.0</b>	<b>(a) 27.5</b>	<b>1,698.9</b>

(a) Of which €31.8 million resulting from changes in scope of consolidation.

### 4. Goodwill

	Amortization period	Gross	Amort- ization	Dec. 31, 2000 Net	Dec. 31, 1999 Net
Square D Company	40 years	2,080.2	(492.3)	1,587.9	1,518.5
Groupe Lexel	40 years	984.1	(49.3)	934.8	961.8
Telemecanique	40 years	802.0	(279.3)	522.7	542.8
Federal Pioneer Ltd	40 years	93.7	(26.4)	67.3	66.6
Crouzet Automatismes	20 years	178.2	(1.5)	176.7	–
Infra +	20 years	19.5	(0.8)	18.7	–
Merlin Gerin	30 years	160.7	(57.4)	103.3	108.7
Mita Holding Ltd	20 years	58.0	(3.1)	54.9	57.9
Schneider Automation	10 years	35.4	(17.7)	17.7	21.2
Other (a)	5 - 20 years	303.6	(167.6)	136.0	97.1
<b>Total</b>		<b>4,715.4</b>	<b>(1,095.4)</b>	<b>3,620.0</b>	<b>3,374.6</b>

(a) Approximately 25 companies.

The change in net values between December 31, 1999 and 2000 primarily reflects the €143 million standard amortization for the year, the €127 million positive effect of exchange rate fluctuations, and the impact of newly consolidated companies (Crouzet Automatismes and Infra +: €198 million, other European companies: €37.5 million, and US companies: €25.5 million).

## 5. Investments accounted for by the equity method

The Group's equity in the net assets of companies accounted for by the equity method amounted to €58.0 million, while its share of the net loss for the year was €3.6 million, corresponding to Schneider Electric SA's 32.31% interest in MGE-UPS Group and the acquisition holding companies that together comprise the MGE Finance subgroup.

Because the MGE Finance subgroup has a September 30 year-end, Schneider Electric SA has consolidated its share of the loss for the period from April 1 to September 30, 2000, as allowed under French accounting standards.

The following table presents summarized balance sheet and statement of income data for the six months ending September 30, 2000.

### Balance Sheet at September 30, 2000

Non-current assets - net (of which goodwill: 623.6)	685.8
Current assets and cash and equivalents	375.6
	<b>1,061.4</b>
Shareholders' equity including minority interests (of which net loss for the period: 11.5)	368.8
Long-term debt (including provisions)	384.6
Current liabilities and deferred income (33.9)	308.0
	<b>1,061.4</b>

### Consolidated Statement of Income (April 1 – September 30, 2000)

Sales	355.2
Cost of sales	(240.8)
Selling, general and administrative expenses	(87.2)
<b>Operating income</b>	<b>27.2</b>
Interest expense - net	(18.6)
Amortization of goodwill	(15.9)
Income taxes	(3.4)
<b>Net loss of fully consolidated companies</b>	<b>(10.7)</b>
<b>Minority interests</b>	<b>(0.7)</b>
<b>Net loss attributable to MGE Finance</b>	<b>(11.4)</b>

## 6. Investments at cost

	Cost	Provisions	Dec. 31, 2000 Net	Dec. 31, 1999 Net
<b>I - Listed companies</b>				
Finaxa	54.8	–	54.8	51.1
Clipsal / Goldpeak	52.5	–	52.5	–
Others	2.8	–	2.8	–
<b>Total listed investments (1)</b>	<b>110.1</b>	<b>–</b>	<b>110.1</b>	<b>51.1</b>
<b>II - Unlisted companies (2)</b>				
COMIPAR	16.4	(16.4)	–	–
SIAP	8.1	–	8.1	8.1
Muller et Cie	8.8	–	8.8	8.8
Positec (2)	181.7	–	181.7	–
Delta Dore (2)	7.0	–	7.0	–
Other unlisted companies (3)	36.8	(9.8)	27.0	44.5
<b>Total unlisted investments</b>	<b>258.8</b>	<b>(26.2)</b>	<b>232.6</b>	<b>61.4</b>
<b>Total investments at cost</b>	<b>368.9</b>	<b>(26.2)</b>	<b>342.7</b>	<b>112.5</b>

(1) Estimated market value of listed investments at Dec. 31 (€ million):

297.8

190.7

(2) Mainly investments in Group subsidiaries that either do not meet the criteria for consolidation or that will be consolidated in 2001.

(3) Valued at less than €1.5 million each.

## 7. Other investments

	Cost	Provisions	Dec. 31, 2000 Net	Dec. 31, 1999 Net
Loans to non-consolidated companies	86.6	(3.7)	82.9	20.1
Other investments (deposits, prepaid rents)	119.6	(65.4)	54.2	60.1
<b>Total</b>	<b>206.2</b>	<b>(69.1)</b>	<b>137.1</b>	<b>80.2</b>

## 8. Inventories and work in process

	Dec. 31, 2000	Dec. 31, 1999
Raw materials	664.4	464.2
Work in process	367.9	336.2
Semi-finished and finished products	421.7	361.3
Goods	137.8	101.4
<b>Inventories and work in process at cost</b>	<b>1,591.8</b>	<b>1,263.1</b>
Allowances	(179.9)	(172.9)
<b>Inventories and work in process - net</b>	<b>1,411.9</b>	<b>1,090.2</b>

## 9. Other receivables and prepaid expenses

	Gross	Allowances	Dec. 31, 2000 Net	Dec. 31, 1999 Net
Operating receivables, tax credits and non-operating receivables	704.7	(51.4)	653.3	529.0
Prepaid expenses	278.1	(30.5)	247.6	181.1
Other	45.5	—	45.5	20.1
<b>Total</b>	<b>1,028.3</b>	<b>(81.9)</b>	<b>946.4</b>	<b>730.2</b>

## 10. Income taxes

Wherever possible, Group entities file consolidated tax returns, as allowed under French law. Schneider Electric SA files a consolidated tax return with its French subsidiaries held directly or indirectly through Schneider Electric Industries SA.

Analysis of the tax charge for the year	2000
<b>Current taxes</b>	
France	59.9
International	260.6
Use of tax loss carryforwards	(12.5)
Net	308.0
Deferred taxes	61.9
<b>Total</b>	<b>369.9</b>

The reconciliation of taxes payable and pre-tax income is as follows:

	2000
Net income (after minority interests)	625.0
Taxes payable	369.9
Minority interests	21.7
Less: net income of companies accounted for by the equity method	3.6
<b>Pre-tax income</b>	<b>1,020.2</b>
<b>Income tax liability calculated at the statutory rate (37.76%)</b>	<b>385.2</b>
<b>Reconciliation items</b>	
Amortization of goodwill	55.5
Other permanent differences	(3.0)
Tax credit	(15.5)
Difference between French and foreign tax rates	(42.8)
Income taxable at reduced rates	(8.2)
Tax losses arising in current year	6.7
Use of tax loss carryforwards	(9.6)
Other	1.2
<b>Net taxes payable</b>	<b>369.5</b>

The actual tax charge for 2000 reflects the utilization of tax loss carryforwards, as was the case in prior years. The non-deductibility of goodwill amortization generated and will continue to generate an increase in the actual tax charge, which is currently partially offset by the tax benefits resulting from the utilization of tax credits and tax loss carryforwards.

Deferred taxes break down as follows:

	2000
Tax loss carryforwards and tax credits	2.3
Provisions for pensions	90.7
Other provisions	105.0
Other deferred tax assets	50.3
<b>Total deferred tax assets</b>	<b>248.3</b>
Excess tax depreciation	86.3
Untaxed provisions	33.5
Other deferred tax liabilities	51.3
<b>Total deferred tax liabilities</b>	<b>171.1</b>

Deferred taxes are presented in the balance sheet at December 31, 2000 as follows:

Deferred tax assets	248.3
Provision for deferred tax liabilities (included in taxes and benefits payable)	(171.1)
<b>Net deferred tax assets</b>	<b>77.2</b>

## 11. Cash and short-term investments

Marketable securities consist primarily of highly liquid mutual funds. Short-term investments in bonds are stated including accrued interest.

Marketable securities are stated at the lower of cost or market value. At December 31, 2000, marketable securities included the following: :

	2000	1999
Mutual funds and other pooled investments	145.1	280.5
Other	73.7	60.7
<b>Short-term investments at cost</b>	<b>218.8</b>	<b>341.2</b>
Allowances	(5.4)	–
<b>Short-term investments - net</b>	<b>213.4</b>	<b>341.2</b>
<b>Treasury shares (stock option plans)</b>	<b>50.9</b>	<b>50.9</b>
Money market instruments and short-term deposits	20.6	177.4
Other cash and equivalents	368.6	481.0
<b>Total cash and equivalents</b>	<b>389.2</b>	<b>658.4</b>
<b>Total</b>	<b>653.5</b>	<b>1,050.5</b>

## 12. Shareholders' equity

### Changes in capital stock:

	Number of shares
<b>At December 31, 1999</b>	<b>161,423,578</b>
Shares cancelled	(6,000,000)
Shares issued in connection with:	
• Employee stock option plans	211,790
• Conversion of Square D convertible bonds	152,276
<b>At December 31, 2000</b>	<b>155,787,643</b>

### Square D bonds convertible into Schneider Electric SA shares

In November 1992, Square D issued 25,000 convertible bonds with a nominal value of \$10,000 per bond. Each bond was originally convertible into 58.21 former Schneider shares. The parity was changed to 116.42 Schneider SA (formerly SPEP) shares per bond in September 1993 and to 232.84 shares per bond in July 1995 following the merger of Schneider SA (formerly SPEP) and Schneider SA (formerly Spie Batignolles).

The internal rate of return on the bonds is 7% per year (of which 5% is capitalized). Bonds not tendered for conversion will be redeemed by Square D, at par, on January 2, 2003.

During the year, 654 bonds were converted, leading to the creation of 152,275 Schneider Electric SA shares. At December 31, 2000, 820 bonds were outstanding.

### 13. Provisions for pensions

	Dec. 31, 2000	Dec. 31, 1999
Provisions for pensions	300.4	316.8
Provisions for post-retirement health care benefits (SFAS no. 106)	286.3	252.7
	<b>586.7</b>	<b>569.5</b>

Statutory retirement bonuses are payable to employees on the concerned unit's payroll at the time of retirement. The net charge for the period was €47.8 million. This commitment is primarily covered by provisions.

Square D's commitments for post-retirement health care benefits are fully funded by way of provisions totaling €286.3 million at December 31, 2000

(€252.8 million at December 31, 1999). The impact of these commitments on operating income for the year was a charge of €13.6 million.

Square D's pension commitments represent a future liability of €714.2 million. This commitment is covered by hedging instruments held and managed by a third party that represent assets with an estimated value of €867.4 million at December 31, 2000.

#### Analysis of commitments and coverage:

	Dec. 31, 2000	Dec. 31, 1999
<b>Future liability</b>		
Statutory retirement bonuses and related commitments excluding Square D	302.4	316.5
Post-retirement health benefits (SFAS no. 106)	286.3	252.8
Pension commitments	831.7	796.2
<b>Future liability</b>	<b>1,420.4</b>	<b>1,365.5</b>
<b>Coverage</b>		
Provisions for statutory retirement bonuses	302.4	316.8
Provisions for post-retirement health benefits (SFAS no. 106)	284.3	252.7
Hedging instruments held and managed by third party	1,000.0	935.4
<b>Total coverage</b>	<b>1,586.7</b>	<b>1,504.9</b>

#### Actuarial assumptions:

	Dec. 31, 2000	Dec. 31, 1999
Discount rate (1)	5.17%	5.33%
Rate of compensation increases	2.0 - 4.5%	2.0 - 4.5%
Rate of return on fund assets (2)	Variable	Variable

(1) The discount rate corresponds to the rate of return on the TEC 10 government bond at November 30 of each corresponding year.

(2) The rate of return on fund assets is determined separately for each of the Group's operating regions.

### 14. Provisions for contingencies

	Dec. 31, 1999	Allowances	Releases	Reclas- sifications	Translation adjustment	Dec. 31, 2000
Economic risks	86.1	–	(58.9) (1)	–	–	27.2
Financial risks	7.6	–	–	–	–	7.6
Customer risks	58.9	–	(0.1)	19.7	6.2	84.7
Technical risks	52.0	–	–	–	–	52.0
Others	69.8	2.6	(6.2)	(19.7)	–	46.5
<b>Total</b>	<b>274.4</b>	<b>2.6</b>	<b>(65.2)</b>	<b>–</b>	<b>6.2</b>	<b>218.0</b>

(1) Release of a provision for pension plan coverage set aside in 2000.

## 15. Long and short-term debt

Type of debt	Dec. 31, 2000	Dec. 31, 1999
Bonds	1,451.4	1,012.9
Perpetual bonds	207.2	224.4
Bank borrowings	428.5	247.5
Commercial paper	200.0	415.0
Obligations under capital leases <i>(note 17)</i>	40.8	49.9
Bank overdrafts and short-term bank loans	290.3	207.0
<b>Total bank debt and equivalents</b>	<b>2,618.2</b>	<b>2,156.7</b>
Accrued interest	4.5	5.2
Employee profit-sharing	8.9	8.2
Other	140.1	52.4
<b>Total</b>	<b>2,771.7</b>	<b>2,222.5</b>

Breakdown by maturity	Dec. 31, 2000	Dec. 31, 1999
2000		700.4
2001	698.1 <sup>(1)</sup>	79.4
2002	78.6	108.1
2003	64.3	149.5
2004	1,134.5	1,056.2
2005	125.4	128.9
2006 and beyond	670.8	
<b>Total</b>	<b>2,771.7</b>	<b>2,222.5</b>

*(1) Of which overdrafts (€175.2 million) and short-term bank loans (€115.1 million).*

Breakdown by currency	Dec. 31, 2000	Dec. 31, 1999
Euro	1,993.1	1,864.3
US dollar <sup>(1)</sup>	173.4	55.6
Canadian dollar <sup>(1)</sup>	0.5	5.2
British pound	118.0	10.7
Swedish krona <sup>(1)</sup>	163.4	195.6
Other	323.3	91.1
<b>Total</b>	<b>2,771.7</b>	<b>2,222.5</b>

*(1) Mostly local borrowings.*

The main consolidated borrowings, excluding short-term bank loans and overdrafts, are as follows:

	Outstanding Dec. 31, 2000	Rate	Earliest maturity
<b>a) Perpetual bonds</b>			
Schneider Electric Industries SA (formerly Merlin Gerin) <sup>(1)</sup>	207.2	Pibor + 0.7% fixed swapped	March 2006
<b>b) Bonds</b>			
Square D 1992 convertible <i>(see note 12)</i>	8.7	2% + 5% capitalized	January 2003
Schneider Electric SA 2004	1,000.0	3.75% fixed	April 2004
Schneider Electric SA 2007	450.0	6.125% fixed	October 2007
<b>Total</b>	<b>1,458.7</b>		
<b>c) Other bank borrowings</b>			
Syndicated loan (Lexel)	158.0	Variable swapped	September 2003
Bank loan (Schneider UK)	117.0	Variable swapped	Dec. 2001/Dec 2005
Syndicated loan (Schneider Electric SA)	186.0	Variable	November 2001
Syndicated loan (Lexel)	43.0	Fixed	December 2005
Industrial Revenue Bonds (Square D Company)	22.3	Various	Various 2020
Other loans (less than €20 million per loan)	35.1	Various	
<b>Total</b>	<b>561.4</b>		
<b>d) Commercial paper</b> <sup>(2)</sup>	<b>200.0</b>	Fixed	Refinanced overnight
<b>e) Obligations under capital leases</b>	<b>40.8</b>	Various	Over periods ranging from 15 to 20 years

The balance of borrowings, €17.8 million, is spread across more than 100 companies for amounts generally of less than €3 million per company.

*(1) Perpetual bonds correspond to perpetual subordinated bonds issued in 1991 by Merlin Gerin, for which the subordination clause has been canceled. The bonds were issued for €457 million, generating net proceeds of €335 million. Most of the bonds issued were originally swapped for a fixed rate.*

*(2) Since January 1991, Schneider Electric SA has issued commercial paper on behalf of the whole Group. The majority of these issues are backed by confirmed lines of credit.*

### Ordinary bonds

On April 14, 1999, Schneider Electric SA issued €750 million worth of 3.75% bonds due April 14, 2004. On May 28, 1999, a further €250 million worth of bonds were issued at the same interest rate and with the same maturity. The second issue is treated as an extension of the first issue.

On October 19 and 20, 2000, Schneider Electric SA issued two tranches of 6.1275% bonds due October 19, 2007, worth respectively €400 million and €50 million.

All of these bonds are traded on the Euronext Paris and Luxembourg bond markets.



## 16. Contingent liabilities

### a) Commitments given:

	Dec. 31, 2000	Dec. 31, 1999
Contract counter guarantees	398.6	398.7
Discounted notes (1)	8.1	55.2
Mortgages and collateral (2)	21.3	23.9
Guarantees	4.0	3.2
Other commitments given	31.8	16.9
<b>Total</b>	<b>463.8</b>	<b>497.9</b>

#### (1) Refinancing of receivables:

Certain Group companies sell their receivables to financial institutions, for the purpose of managing their cash and working capital. For the Group as a whole, the balance outstanding under these arrangements was €8.05 million (1999: €55.2 million) at December 31, 2000

#### (2) Mortgages and collateral:

Certain loans are secured by securities lodged as collateral.

### b) Commitments received:

	Dec. 31, 2000	Dec. 31, 1999
Guarantees	23.4	29.6
<b>Total</b>	<b>23.4</b>	<b>29.6</b>

### c) Financial instruments:

The Group uses financial instruments as a hedge against interest rate and currency risks. This hedging policy does not include the use of financial futures.

	Dec. 31, 2000	Dec. 31, 1999
Long-term interest rate swaps	429.0	316.0
Short-term interest rate swaps	–	290.0
Caps/floors	68.0	159.8
Forward purchases and sales of foreign currencies	445.6	449.4
Currency options	–	3.4
Metal price hedges	88.9	103.6
<b>Total</b>	<b>1,031.5</b>	<b>1,322.2</b>

The main interest rate hedges are as follows:

- Merlin Gerin: swap concerning perpetual bonds (€351 million at December 31, 2000).

- Lexel: swaps and caps/floors to hedge interest rate risks on the debt taken on in 1998 to finance the acquisition of Thorsman (€141 million at December 31, 2000).

The breakdown by interest rate of medium and long-term debt, totaling €2,228 million at December 31, 2000, is as follows:

- Less than 7%	€1,922 million
- Between 7 and 11%	€306 million

The Group hedges currency risks on commercial transactions through forward purchases and sales of foreign currencies or through the purchase of currency options. Almost all of these hedging transactions concern Schneider Electric Industries SA. In 2000, currency hedges also included hedges set up by newly-acquired Lexel to cover currency risks on its investments in certain Nordic countries. These contracts matured in February 2000.

Depending on the currency, forward purchases and sales and currency options cover between 30% and 100% of commercial transactions for 6 to 12 months in the future.

**d) Forward hedging positions by currency**

Currency	Purchases	Sales
USD	203.2	467.6
AUD	–	59.0
CHF	–	2.0
SEK	–	15.0
GBP	–	91.6
SAR	–	1.3
JPY	2.8	18.6
HKD	0.1	0.8
NOK	–	7.0
CAD	25.1	3.6
Other	–	10.3
<b>Total</b>	<b>231.2</b>	<b>676.8</b>

**e) Other commitments**

In 1998, as part of a restructuring plan to optimize management of the Group's brands in North America, Schneider Electric Industries SA acquired preferred shares issued by Square D from Schneider Electric Holdings in an amount of \$250 million. Schneider Electric Holdings Inc. holds a call option on these preferred shares that can be exercised between October 2003 and October 2008. The minimum exercise price is \$250 million and the maximum exercise price is \$516 million.

**17. Leases**

The Group leases property and equipment under leases with noncancelable terms in excess of one year. Rentals payable under these leases are subject to periodic adjustments in accordance with contractual indexation and escalation clauses.

**Minimum lease payments due under noncancelable leases at December 31, 2000**

Year	Finance lease
2001	4.1
2002	25.2
2003	2.6
2004	2.5
2005	2.1
2006 and beyond	4.3
<b>Sub-total</b>	<b>40.8</b>
Capitalized interest	19.6
<b>Commitments under noncancelable leases</b>	<b>60.4</b>

**18. Interest expense - net**

	2000	1999
Interest income	36.3	40.6
Interest expense	(141.5)	(119.1)
Other financial income and expense - net	89.0	(7.6)
<b>Total</b>	<b>(16.2)</b>	<b>(86.1)</b>

Interest income and expense consist solely of income and expense relating to financial debts and receivables (including cash and short-term investments). Other financial income and expenses can be analyzed as follows:

	2000	1999
Exchange losses - net	73.9	(13.4)
Dividend income	5.9	9.5
Net gains on sales of marketable securities	14.5	10.2
Other	(5.3)	(13.9)
<b>Total</b>	<b>89.0</b>	<b>(7.6)</b>

**19. Non-recurring items**

	2000
Net gains on capital transactions (MGE-UPS Systems)	37.4
Provisions for impairment of value (1)	(60.5)
Provisions for charges	(59.3)
Restructuring costs (2)	(31.4)
Other	(4.6)
<b>Total</b>	<b>(118.4)</b>

(1) Litigation, claims and the recovery of non-recurring assets

(2) Primarily costs exceeding provisions set aside for restructuring programs in France and North America.

**20. Earnings per share**

Primary earnings per share are calculated in accordance with the method set forth in SFAS no. 128. As indicated in note 12, however, Schneider Electric SA's capital stock is subject to dilution. Fully diluted earnings per share have therefore been calculated by dividing net income, as adjusted for remuneration paid on quasi-equity, by the weighted average number of common shares (less shares repurchased by the Company) and share equivalents (represented by convertible bonds, to the extent that their conversion is probable) outstanding during the year in question. The dilutive impact of stock options is determined by calculating the number of shares that could be purchased on the open market using the funds obtained from the exercise of the options.

**Earnings per share:**

<i>(in euros per share)</i>	2000		1999	
	Primary	Diluted	Primary	Diluted
Income from continuing operations	8.58	8.48	6.52	6.45
Non-recurring items	(0.79)	(0.78)	(0.23)	(0.23)
Income tax	(2.48)	(2.45)	(2.14)	(2.11)
Amortization of goodwill	(0.96)	(0.95)	(0.82)	(0.81)
Net income of fully consolidated companies	4.35	4.30	3.33	3.19
<b>Net income (attributable to Schneider Electric SA)</b>	<b>4.18</b>	<b>4.13</b>	<b>3.23</b>	<b>3.19</b>

**Calculation of adjusted earnings per share:**

<i>(in millions of euros)</i>	2000		1999	
	Income from continuing operations	Net income attributable to Schneider Electric SA	Income from continuing operations	Net income attributable to Schneider Electric SA
Unadjusted	1,281.9	625.0	970.3	480.8
Remuneration of quasi-equity, net of tax	0.7	0.4	0.8	0.5
<b>Adjusted</b>	<b>1,282.6</b>	<b>625.4</b>	<b>971.1</b>	<b>481.3</b>

**Determination of share base used in calculation:**

<i>(in thousands of shares)</i>	2000		1999	
	Primary	Diluted	Primary	Diluted
Common stock (1)	149,354	149,354	148,759	148,759
Convertible bonds, stock options	–	1,883	–	1,844
<b>Share base</b>	<b>149,354</b>	<b>151,237</b>	<b>148,759</b>	<b>150,603</b>

(1) Less shares held in treasury.

## 21. Geographic and business segment information

### a) Breakdown by region:

Sales (in %)	2000	1999
France	16	18
Europe outside France	33	35
North America	33	30
Rest of World	18	17
<b>Total</b>	<b>100</b>	<b>100</b>
<b>Operating margin (in %)</b>	<b>2000</b>	<b>1999</b>
France	14.5	14.9
Europe outside France	13.1	12.8
North America	14.0	13.8
Rest of World	11.9	7.7
<b>Average operating margin</b>	<b>13.4</b>	<b>12.6</b>

Obtained by dividing operating income by sales (average: €1,298.2 million divided by €9,695.5 million = 13.4%).

### b) Breakdown by business:

Sales (in %)	2000	1999
Electrical distribution	71	71
Industrial control and automation	29	29
<b>Total</b>	<b>100</b>	<b>100</b>
<b>Operating margin (in %)</b>	<b>2000</b>	<b>1999</b>
Electrical distribution	13.2	13.1
Industrial control and automation	13.8	11.5
<b>Average operating margin</b>	<b>13.4</b>	<b>12.6</b>

## 22. Related party transactions

Significant transactions between Schneider Electric SA and its subsidiaries are as follows:

<b>I</b>	• Provision of services	€2.7 million
	• Dividends received from consolidated subsidiaries	€314.7 million
	• Net interest received on loans and advances to consolidated subsidiaries	€110.7 million
<b>II</b>	• Loan to Boissière Finance, repayable on demand:	€1,524.8 million

## 23. Employees

Weighted average number of Group employees	2000	1999
Production	34,332	31,823
Administrative	37,812	35,687
<b>Total</b>	<b>72,144</b>	<b>67,510</b>
France	23,152	22,150
Outside France	48,992	45,360

## 24. Consolidated companies and equity affiliates

### Schneider Electric Industries SA

	% interest Dec. 31,2000	% interest Dec. 31,1999
<b>France</b>		
<i>Fully consolidated companies</i>		
Schneider Electric SA (parent company)	100.00	100.00
Schneider Electric Industries SA	100.00	100.00
Ateliers de Constructions Electriques de Grenoble - ACEG	100.00	100.00
Auxibati SCI	100.00	100.00
BCV Technologies	100.00	–
Boissière Finance	100.00	100.00
Citef SAS	100.00	100.00
Crouzet Automatismes	100.00	–
Distrelec	100.00	100.00
Electro Porcelaine	100.00	100.00
Elkron France	100.00	100.00
Entreprise Générale d'Installation et de Construction - EGIC	100.00	100.00
Établissements Bardin	100.00	–
Euromatel	100.00	–
France Transfo	100.00	100.00
Infra +	38.50	–
Jeumont-Schneider Transformateurs	100.00	100.00
Le Moule Métallique	100.00	100.00
Mafelec	100.00	100.00
Materlignes	100.00	100.00
Merlin Gerin Alès	100.00	100.00
Merlin Gerin Alpes	100.00	100.00
Merlin Gerin Loire	100.00	100.00
Normabarre	100.00	100.00
Num SA	100.00	100.00
Prodipact	100.00	100.00
Rectiphase	100.00	100.00
SAE-Gardy	100.00	100.00
Sarel Appareillage Electrique	99.00	99.00
Schneider Automation SA	100.00	100.00
Schneider Electric High Voltage SA - SEHV	100.00	100.00
SCI du Pré Blanc	100.00	100.00
Systèmes Equipements Tableaux Basse Tension - SETBT	100.00	100.00
SIMELECTRO	100.00	100.00
Société d'Application Électro-Mécanique - SAEM	100.00	100.00
Société Alpine de Préfabrication Electro-Mécanique - SAPEM	100.00	100.00
Société Dauphinoise Électrique - SDE	100.00	100.00
Société Électrique d'Aubenas - SEA	100.00	100.00
Sté Française de Constructions Mécaniques et Électriques - SFCME	100.00	100.00
Société Française Gardy SA	100.00	100.00
Sté Industrielle Financière et Immobilière de Rueil - SIFIR	100.00	100.00
Sté Rhodanienne d'Études et de Participations - SREP	100.00	100.00
Sorhodel	100.00	100.00
Spring SA	100.00	100.00
Transfo Services	100.00	100.00
Usibati SCI	100.00	100.00
<i>Companies accounted for by the equity method</i>		
MGE-UPS Systems	32.31	–

	% interest Dec. 31,2000	% interest Dec. 31,1999
<b>Europe outside France</b>		
<i>Fully consolidated companies</i>		
Bub GmbH (Germany)	100.00	100.00
May Steffens (Germany)	100.00	–
Num Guttinger GmbH (Germany)	100.00	100.00
Sarel GmbH (Germany)	99.00	99.00
Schneider Electric GmbH (Germany)	100.00	100.00
Schneider Factoring GmbH (Germany)	100.00	100.00
Schneider Automation GmbH (Germany)	100.00	100.00
Schneider Electric Austria GmbH (Austria)	100.00	100.00
Schneider Electric NV/SA (Belgium)	100.00	100.00
Schneider Electric Bulgaria (Bulgaria)	100.00	100.00
Schneider Electric Ltd (Croatia)	100.00	–
Schneider Electric AS Denmark (Denmark)	100.00	100.00
EFI Electronics Europe SL (Spain)	100.00	–
Himel SA (Spain)	100.00	100.00
Schneider Electric Espana (Spain)	100.00	100.00
Mesa SA (Spain)	100.00	100.00
Telenium (Spain)	100.00	100.00
Schneider Electric Oy (Finland)	100.00	100.00
Capacitors Ltd (United Kingdom)	100.00	100.00
Sarel Ltd (United Kingdom)	100.00	100.00
Ajax Electrical Ltd (United Kingdom)	51.00	51.00
Num UK (United Kingdom)	100.00	100.00
Schneider Electric (UK) Ltd (United Kingdom)	100.00	100.00
Schneider Ltd (United Kingdom)	100.00	100.00
Yorshire Switchgear Group Ltd (United Kingdom)	100.00	100.00
Westinghouse Systems (United Kingdom)	100.00	100.00
Schneider Electric AE (Greece)	100.00	100.00
Schneider Electric Hungaria Villamassagi RT (Hungary)	100.00	100.00
Merlin Gerin Zala (Hungary)	100.00	100.00
Schneider Electric Ireland Ltd (Ireland)	100.00	100.00
Square D Ireland (Ireland)	100.00	100.00
Schneider Electric Manufacturing Celbridge (Ireland)	100.00	100.00
Coelme SPA (Italy)	100.00	–
Schneider Italia SPA (Italy)	100.00	100.00
Num SPA (Italy)	100.00	100.00
Nuova Magrini Galileo SPA (Italy)	100.00	100.00
Nuova Magrini Meridionale SPA (Italy)	100.00	100.00
SAIP SRL (Italy)	100.00	90.00
Schyller SRL (Italy)	100.00	100.00
Stem Trento SPA (Italy)	100.00	100.00
Schneider Italie SPA (Italy)	100.00	100.00
Square D Company Italia SPA (Italy)	100.00	100.00
Vanossi Sud SPA (Italy)	100.00	100.00
Schneider Electric Norge A/S (Norway)	100.00	100.00
Schneider Logistics BV (Netherlands)	100.00	–
Schneider Electric BV (Netherlands)	100.00	100.00
Schneider Electric Polska SP (Poland)	100.00	100.00
Schneider Electric Bukowno (Poland)	100.00	100.00
Schneider Electric Portugal LDA (Portugal)	100.00	100.00
Schneider Electric Romania SRL (Romania)	100.00	100.00
Schneider Electric AS (Czech Republic)	98.27	98.27
Schneider Electric SRO (Czech Republic)	100.00	100.00
ZAO Schneider Electric (Russia)	100.00	100.00

	% interest Dec. 31,2000	% interest Dec. 31,1999
Schneider Electric Slovakia Spol SRO (Slovakia)	100.00	100.00
Schneider Electric Ltd (Slovenia)	100.00	–
Delta Elektriska AB (Sweden)	100.00	100.00
KL Industri AB (Sweden)	100.00	100.00
Num Norden (Sweden)	100.00	100.00
Schneider Electric AB (Sweden)	100.00	100.00
Feller AG (Switzerland)	83.70	83.70
Schneider Electric Finances (formerly-GMGH SA) (Switzerland)	100.00	100.00
Num Guttinger AG (Switzerland)	100.00	100.00
Schneider Electric Suisse AG (Switzerland)	100.00	100.00
Schneider Electric Ukraine (Ukraine)	100.00	–
<b>North America</b>		
<i>Fully consolidated companies</i>		
Schneider Canada Inc. (Canada)	100.00	100.00
Industrias Electronicas Pacifico SA de CV (Mexico)	100.00	100.00
Schneider Electric Mexico SA de CV (Mexico)	100.00	100.00
Square D Company Mexico SA de CV (Mexico)	100.00	100.00
EFI Electronics Inc (United States)	100.00	–
Num Corporation (United States)	100.00	100.00
Palatine Hills Leasing Inc. (United States)	80.00	80.00
Power Distribution Services Inc.(United States)	100.00	100.00
Quantronix Inc (United States)	100.00	–
Schneider Automation Inc. (United States)	100.00	100.00
Schneider Electric Holdings Inc. (United States)	100.00	100.00
SNA Holdings Inc.(United States)	100.00	100.00
Square D Company (United States)	100.00	100.00
Square D Investments Company (United States)	100.00	100.00
Veris Industries LLC (United States)	100.00	100.00
<b>Rest of World</b>		
<i>Fully consolidated companies</i>		
Merlin Gerin South Africa (Pty) Ltd (Conlog business) (South Africa)	100.00	–
Schneider Automation Pty Ltd (South Africa)	100.00	94.22
Schneider Electric South Africa Pty Ltd (South Africa)	100.00	88.19
EPS Ltd (Saudi Arabia)	49.00	49.00
Meeppo (Saudi Arabia)	49.00	49.00
Schneider Electric Argentina (Argentina)	100.00	100.00
Plasnavi SA (Argentina)	100.00	100.00
Nu-Lec Industries Pty Ltd (Australia)	100.00	–
Schneider Electric Australia Pty Ltd (Australia)	100.00	100.00
Primelectrica (Brazil)	100.00	–
Schneider Electric Brasil LTDA (Brazil)	100.00	100.00
Schneider Electric Alta Tensao LTDA (Brazil)	100.00	100.00
Schneider Beijing Low Voltage (China)	95.00	95.00
Schneider Beijing Medium Voltage (China)	95.00	95.00
Schneider Electric China Invest Co Ltd (China)	100.00	100.00
Schneider Electric Low Voltage (Tianjin) Cy Ltd (China)	75.00	–
Schneider Electric Supply Beijing Co Ltd (China)	100.00	100.00
Schneider Shanghai Power Distribution Electric App. (China)	80.00	80.00
Schneider Shanghai Low Voltage Term. Apparatus (China)	60.00	60.00
Schneider Shanghai Industrial Control (China)	80.00	80.00
Schneider Shanghai Supply Components Ltd (China)	100.00	100.00
Schneider Swire Guangzhou Electrical Equipment Ltd (China)	48.94	48.94
Tianjin Merlin Gerin Co Ltd (China)	60.00	60.00
Schneider Electric Chile SA (Chile)	99.00	99.00

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	% interest Dec. 31, 2000	% interest Dec. 31, 1999
Schneider de Colombia SA (Colombia)	79.98	79.98
SEP Le Guavio (Colombia)	100.00	100.00
Schneider Electric Korea Ltd (South Korea)	100.00	100.00
Schneider Centroamerica SA (ex Square D Centroamerica SA) (Costa Rica)	100.00	100.00
Schneider Electric Egypt SA (Egypt)	81.00	80.80
Schneider Electric High Voltage SAE (Egypt)	100.00	100.00
Schneider Electric FZE (United Arab Emirates)	100.00	–
Schneider Electric Hong Kong Ltd (Hong Kong)	100.00	100.00
Schneider Swire Ltd (Hong Kong)	51.00	51.00
Schneider Electric India Private Ltd (India)	100.00	100.00
PT Schneider Electric Indonésia (Indonesia)	100.00	51.00
Schneider Electric Manufacturing Batam (Indonesia)	80.00	80.00
Telemecanique Iran (Iran)	100.00	100.00
Schneider Electric Japan Ltd (Japan)	100.00	100.00
Toshiba Schneider Electric Ltd (Japan)	60.00	60.00
Schneider Electric Maroc (Morocco)	100.00	100.00
Schneider Electric (NZ) Ltd (New Zealand)	100.00	100.00
Schneider Electric Peru SA (Peru)	60.00	–
Schneider Electric Philippines Inc (Philippines)	100.00	100.00
Schneider Electric Export Services (Singapore)	100.00	100.00
Schneider Electric Logistic Asia Pte Ltd (Singapore)	100.00	100.00
Schneider Electric Industrial Development Singapore Pte Ltd (Singapore)	100.00	100.00
Schneider Electric Overseas Asia Pte Ltd (Singapore)	100.00	100.00
Schneider Electric Singapore Pte Ltd (Singapore)	100.00	100.00
Schneider Electric South East Asia (HQ) Pte Ltd (Singapore)	100.00	100.00
Schneider Electric Taiwan Co Ltd (Taiwan)	100.00	100.00
Schneider Electric Thailand Co Ltd (Thailand)	100.00	94.88
Schneider Electric High Voltage Thailand Ltd (Thailand)	100.00	100.00
Schneider Thailand Ltd (Thailand)	100.00	100.00
Square D Company Thailand Ltd (Thailand)	100.00	100.00
Schneider Elektrik AS (Turkey)	100.00	100.00
Schneider Electric Venezuela SA (ex - Schneider MG SD TE SA) (Venezuela)	91.58	91.58
Schneider Electric Vietnam Ltd (Vietnam)	100.00	100.00
<i>Companies accounted for by the equity method</i>		
Schneider Electric Malaysia SDN BHD (Malaysia)	30.00	30.00
Schneider Scott & English Electric SDN BHD (Malaysia)	14.70	14.70
<b>Groupe Lexel A/S</b>		
ELSO GmbH Elektrotechnik (Germany)	100.00	100.00
LK Elektrotechnik GmbH (Germany)	100.00	100.00
Thorsman GmbH (Germany)	100.00	100.00
Dalcotech A/S (Denmark)	100.00	–
Elmat ApS (Denmark)	100.00	100.00
JO-EL A/S (Denmark)	100.00	–
JO JO A/S ((Denmark)	100.00	100.00
Lexel A/S (Denmark)	100.00	100.00
Lexel Electric A/S (ex Thorsman & Co A/S) (Denmark)	100.00	100.00
Lexel Holding A/S (Denmark)	100.00	100.00
Lexinvest A/S (Denmark)	100.00	100.00
LK A/S (Denmark)	100.00	100.00
LK Engineering A/S (Denmark)	100.00	100.00
Polam Holding Danmark A/S (Denmark)	100.00	100.00
Wibe A/S (Denmark)	Fusion	100.00
A/S Lexel Electric (Estonia)	100.00	100.00
Elari Oy (Finland)	100.00	100.00



	% interest Dec. 31,2000	% interest Dec. 31,1999
Elko Suomi Oy (Finland)	100.00	–
I-Valo (Finland)	100.00	–
JO-EL Oy (Finland)	100.00	–
Oy Elektrokontakt (Finland)	100.00	–
Oy Esmi AB (Finland)	100.00	100.00
Oy Lexel Electric AB (ex Ahlström Sähkötarvikeet Oy) (Finland)	100.00	100.00
Oy Lexel Finland AB (Finland)	100.00	100.00
Oy Thorsman & Co AB (Finland)	Fusion	100.00
Oy Wibe AB (Finland)	Liquidation	100.00
Alombard Finance SA (France)	99.99	99.99
Ets Alombard SA (France)	99.88	99.88
Scanelec SA (France)	99.99	99.99
Thorsman Ltd (ex Foxford Eurofast Ltd) (United Kingdom)	100.00	100.00
Grawater of Wakefield Ltd (United Kingdom)	100.00	100.00
Grawater Ltd (United Kingdom)	100.00	100.00
JO JO Products Ltd (United Kingdom)	100.00	100.00
JO JO (UK) Ltd (United Kingdom)	100.00	100.00
Lexel Holdings Ltd (United Kingdom)	100.00	100.00
MITA Holdings Ltd (United Kingdom)	100.00	100.00
MITA (UK) Ltd (United Kingdom)	100.00	100.00
Thorsman & Co (UK) Ltd (United Kingdom)	Liquidation	100.00
Walker Mainstay Ltd (United Kingdom)	100.00	100.00
LK India Private Ltd (India)	77.01	77.01
Thorsman Ireland Ltd (Ireland)	100.00	100.00
Thorsman Sales Ireland Ltd (Ireland)	100.00	100.00
Ahlstrom - Remlr Elektra SIA (Latvia)	100.00	100.00
Lexel Elektropreces SIA (Latvia)	100.00	100.00
Eltra Baltic UAB (Lithuania)	100.00	100.00
UAB Lexel Electric (Lithuania)	100.00	100.00
Elektrokontakt A/S (Norway)	100.00	100.00
Elko Holding AS (Norway)	100.00	100.00
ESMI AS (Norway)	100.00	100.00
Industrisitering A/S (Norway)	100.00	–
Lexel Electric A/S (ex - Thorsman & Co A/S) (Norway)	100.00	100.00
Norwesco AS (Norway)	100.00	100.00
Telesafe Produkter AS (Norway)	100.00	–
Wibe Stiger A/S (ex Wibe A/S) (Norway)	100.00	100.00
Polam Holding BV (Netherlands)	100.00	100.00
Polinsta Holding B.V.(Netherlands)	100.00	100.00
Sandas Montage BV (Netherlands)	100.00	100.00
Stago BV (Netherlands)	100.00	100.00
Stago Production BV (Netherlands)	100.00	100.00
Stago Thorsman BV (Netherlands)	100.00	100.00
Aktywa Sp.zo.o (Poland)	100.00	100.00
B.A.P.Z. Sp.zo.o (Poland)	100.00	100.00
ELDA Szczecinek SA (Poland)	99.99	99.00
El. Grand Sp.zo.o (Poland)	100.00	100.00
El-Handel Sp.zo.o (Poland)	100.00	100.00
Eltra S.A. (Poland)	100.00	100.00
NEW.CO Poland (Poland)	Liquidation	100.00
Wibe Polska S.z.p.o.o (ex - Thorsman Polska S.z.p.o.o) (Poland)	100.00	100.00
Lexel Amperie (Czech Republic)	51.00	51.00
Eltra Kaliningrad Sp.zo.o (Russia)	100.00	100.00
ZAO Lexel Elektromaterialy (SPB) (Russia)	100.00	100.00
ZAO Ahlstrom Elektromaterialy (Russia)	100.00	100.00

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	% interest Dec. 31,2000	% interest Dec. 31,1999
ZAO Ahlstrom Elektromaterialy (MOW) (Russia)	100.00	100.00
EFAB Electric AB (Sweden)	100.00	100.00
AB Stockholms Brandskyddskonsulenter (Sweden)	Liquidation	100.00
AB Elektrokontakt EKT (Sweden)	100.00	100.00
ELJO AB (Sweden)	100.00	100.00
ELJO Forsäljning AB (Sweden)	100.00	100.00
Exportvärden AB (Sweden)	100.00	100.00
Hebo-Verken AB (Sweden)	100.00	100.00
JO-EL AB (Sweden)	100.00	–
JO JO AB ((Sweden)	100.00	100.00
Lexel AB (ex - Elmerks AB) (Sweden)	100.00	100.00
Lexel Elektrik AB (ex - Thorsman Marknad Sverige AB) (Sweden)	100.00	100.00
ESMI AB (Sweden)	Fusion	100.00
ESMI Multi Signal AB (ex - Multi Signal AB) (Sweden)	100.00	100.00
Multi Signal Service AB (Sweden)	100.00	100.00
Scanmast International AB (Sweden)	Liquidation	100.00
Thorsman & Co AB (Sweden)	Fusion	100.00
Thorsman Industri AB (Sweden)	100.00	100.00
Thorsman Växjö AB (Sweden)	100.00	100.00
AB Wibe (Sweden)	100.00	100.00
Wibe Holding AB (Sweden)	100.00	100.00
Wibe Stegar AB (Sweden)	100.00	100.00
Wibe Stegar Holding AB (Sweden)	100.00	100.00
Metesan Lexel Elektrik Malzemeleri Sanayi Ve Ticaret AS (Turkey)	100.00	–
<b>Schneider Electric SA (parent company)</b>		
<b>Former Empain Schneider</b>		
<i>Fully consolidated companies</i>		
Muller & Cie	100.00	100.00
Sovalmo	100.00	100.00
Cofibel	100.00	99.50
COFIMINES	100.00	99.76
Cofimines Overseas Corporation	100.00	99.76
SHL	100.00	99.76
<b>Former Spie Batignolles</b>		
<i>Fully consolidated companies</i>		
Spie-Capag	100.00	100.00
SPEI	100.00	100.00

# Summary Financial Statements

## of Schneider Electric SA

Only the consolidated financial statements provide a full picture of the Company's activities and results and express its financial and economic reality. The financial statements of the Schneider Electric SA parent company present only a very partial image of this same reality.

The net income submitted for approval at the Annual Shareholders' Meeting is the net income reported by the parent company. Based on this figure, plus any retained earnings and other reserves carried over from the previous year, shareholders then approve the dividend to be paid for the year.

### Balance Sheet at December 31, 2000

Assets			
<i>(in millions of euros)</i>	2000	1999	1998
Non-current assets	3,370	3,125	2,203
Other assets	1,739	1,888	1,276
<b>Total Assets</b>	<b>5,109</b>	<b>5,013</b>	<b>3,479</b>

### Liabilities and Shareholders' Equity

Liabilities and Shareholders' Equity			
<i>(in millions of euros)</i>	2000	1999	1998
Shareholders' equity	3,157	3,332	2,877
Provisions	44	49	52
Debt	1,779	1,539	465
Other liabilities	129	93	85
<b>Total Liabilities and Shareholders' Equity</b>	<b>5,109</b>	<b>5,013</b>	<b>3,479</b>

### Statement of Income at December 31, 2000

Statement of Income			
<i>(in millions of euros)</i>	2000	1999	1998
Net revenue from investments	318	251	212
Interest income - net	49	12	25
Operating expenses	(9)	(14)	(20)
Non-recurring items and income tax	(1)	68	(30)
<b>Net income for the year</b>	<b>357</b>	<b>317</b>	<b>187</b>

# Subsidiaries and Affiliates

## Balance Sheets at December 31, 2000

(in thousands of euros, except where indicated otherwise)

	Capital	Reserves and retained earnings before appropriation of income for the year*	% interest
<b>I. Subsidiaries and affiliates whose book value exceeds 1% of Schneider Electric SA's capital</b>			
<b>A. Subsidiaries (at least 50% owned)</b>			
<i>Schneider Electric Industries SA</i> 89, boulevard Franklin Roosevelt 92500 Rueil-Malmaison	441,314.3	1,486,931.8	100.00
<i>Cofibel</i> 18-20, avenue Winston Churchill 1180 Bruxelles	BEF 2,233,306	BEF 3,487,587	99.54
<i>Cofimines</i> 18-20, avenue Winston Churchill 1180 Bruxelles	BEF 1,675,000	BEF 1,010,581	99.77
<b>B. Affiliates (10 to 50% owned)</b>			
<i>Infra +</i> 3, rue des Marronniers 94240 L'Hay-les-Roses	2,038.2	7,934.1	38.50

## II. Other subsidiaries and affiliates

### A. Other subsidiaries:

- a) French subsidiaries (aggregate)
- b) International subsidiaries (aggregate)

### B. Other affiliates:

- a) French companies (aggregate)
- b) International companies (aggregate)

\* Including prior-year income or loss.

Book value of shares		Loans and advances	Guarantees	Net sales for the year	Income or loss for the year	Dividends received by the Company for the year	Observations
Cost	Net						
1,531,980.7	1,531,980.7	–	–	3,116,530.3	503,554.3	292,262.4	see note on investments
136,762.7	136,762.7	–	–	Holding company BEF 183,667.6		18,946.4	
82,579.7	82,579.7	–	–	Holding company BEF 57,847.4		–	
23,632.7	23,632.7			24,958.0	1,668.7	303.4	
20,966	20,962		–			2,337.3	
–	–	–	–			14.8	
2,576.7	1,530.5		–			399.5	
877.8	498.1	–	–			–	

# Five-Year Financial Summary

	1996	1997	1998	1999	2000
<b>Capital and Potential Capital at December 31</b>					
Capital stock (in thousands of euros)	1,043,682.4	1,159,893.8	1,169,414.4	1,230,443.3	1,246,301.1
Shares in issue	136,922,169	152,168,097	153,417,118	161,423,578	155,787,643
Convertible bonds in issue (in thousands)	2,521	1,566	1,315	1	–
Maximum number of shares to be created (in thousands):					
• Through conversion of bonds	12,597	8,682	7,668	343	191
• Through exercise of rights	14,497	4,767	4,281	3,512	3,261
<b>Results of Operations (in thousands of euros)</b>					
Sales net of VAT	17,095.0	11,946.4	3,946.1	3,865.3	2,728.5
Investment revenue, interest income and other revenue	198,757.1	246,491.9	264,164.6	312,575.4	443,613.6
Income before tax, depreciation, amortization and provisions	153,685.8	184,350.8	106,320.8	255,739.0	301,958.6
Income tax (IFA)	–	–	15.2	3.8	–
Net income	114,323.5	120,035.0	187,043.9	316,704.3	356,657.1
Dividends paid	104,368.3	150,025.8	168,429.7	(1) 270,272.7	249,260.2
<b>Per Share Data (in euros)</b>					
Net income before depreciation, amortization and provisions	1.12	1.66	0.94	1.40	1.94
Earnings per share	0.84	0.79	1.22	1.96	2.29
Dividend per share, net of tax credit	0.76	0.99	1.15	1.34	1.60
<b>Employees</b>					
Average number of employees during the year	12	12	9	8	6
Total payroll for the year (in thousands of euros)	3,157.7	3,578.6	3,128.6	3,198.2	3,975.9
Total employee benefits paid over the year (payroll taxes, other benefits) (in thousands of euros)	1,353.6	1,291.5	1,699.3	1,736.8	901.7

(1) Dividends paid to shares held in treasury on the dividend payment date and the associated withholding tax are credited to retained earnings.

# Auditors' Report on the Consolidated Financial Statements

Year ended December 31, 2000

To the Shareholders of Schneider Electric SA,

In accordance with the terms of our appointment at the Annual Shareholders' Meeting, we have examined the consolidated financial statements of Schneider Electric SA and its subsidiaries established in euros for the year ended December 31, 2000.

These financial statements are the responsibility of the Board of Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with French generally accepted auditing standards. Those standards require that we plan and perform our audit to obtain reasonable assurance that the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made in the preparation

of the financial statements, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated results of operations for the year ended December 31, 2000 and the consolidated assets and liabilities and financial position of Schneider Electric SA and its subsidiaries at that date.

Without qualifying the opinion expressed above, we wish to draw your attention to note 1 to the consolidated financial statements describing the change in accounting method resulting from the application, effective January 1, 2000, of French Accounting Standards Board (CRC) standard 99-02 concerning consolidated accounts.

We are satisfied that the information given in the report of the Board of Directors concerning the Group is fairly stated and agrees with the consolidated financial statements.

Neuilly-sur-Seine and Paris-La Défense, March 1, 2001

The Statutory Auditors

Barbier Frinault & Autres  
Arthur Andersen

Befec-Price Waterhouse  
Member of PricewaterhouseCoopers

Aldo Cardoso

Pierre Jouanne

Pascale Chastaing-Doblin

Daniel Chauveau

# Person in charge of the Reference Document

## Person in charge of examining the Accounts

### Certificate from the person in charge of the Reference Document

To the best of our knowledge, the data in this reference document are compliant with real facts, they include all information required for the investors to found their judgement on the assets, the activity, the financial situation, the results and the outlook for Schneider Electric S.A. Nothing is omitted, which might modify their scope.

Rueil-Malmaison, April 12, 2001  
The Chairman and Chief Executive Officer  
Henri Lachmann

### Auditors' opinion on the Reference Document

In our capacity as auditors for Schneider Electric S.A., and in compliance with COB rule 98-01, we have proceeded in compliance with professional standards applicable in France, with the verification of information items concerning the financial situation and the historic accounts submitted in this reference document.

This reference document has been established under the responsibility of the Chairman of the Board of Directors. It is our role to issue an opinion on the sincere nature of information contained therein, concerning the financial situation and the accounts.

Our diligence has consisted, in compliance with professional standards applicable in France, in appreciating the sincerity of the information concerning the financial situation and the accounts, in verifying their conformity with the accounts, which had been the subject of a report. It has also consisted in reading the other information contained in the reference document, with the purpose of identifying, as the case may be, any significant inconsistencies relative to the information concerning the financial situation and the accounts, and in pointing out clearly erroneous information which we could have noted on the basis of our general knowledge of the Company, as acquired within the framework of our assignment. Concerning isolated forecasting data resulting from a structured elaboration process, this reading has taken into account the assumptions retained by the Chief Executive, as well as their translation into figures, it being observed that the synergies as estimated on the basis of the results, following the projected merger between Schneider Electric S.A. and Legrand, represent objectives in the meaning of the standards of this profession and have not been subjected to diligence on our part other than the specific work performed in the course of the public offer, and which formed the object of our report dated January 29, 2001.

The annual accounts for 1998, 1999 and 2000 as well as the consolidated accounts for 1998 and 1999, have been the object of an audit conducted by ourselves, in compliance with professional standards applicable in France and have been certified without reservations or remarks.

The consolidated accounts for 2000 have been the object of an audit by ourselves, according to the professional standards applicable in France, and have been certified without reservations.

Our report on the consolidated accounts for 2000, dated March 1, 2001, includes a remark recalling the modifications in the accountancy method resulting from the application – as of January 1, 2000 - of the new ruling laid down by the Accounting Standards Board, relating to consolidated accounts.

On the basis of these diligences, we have no remarks to formulate concerning the sincerity of the information items concerning the financial situation and the accounts as introduced in this reference document.

Neuilly-sur-Seine and Paris-la-Défense, April 17, 2001

The Auditors

Barbier Frinault et al.  
Arthur Andersen

Befec-Price Waterhouse  
Member of PricewaterhouseCoopers

Aldo Cardoso    Pierre Jouanne    Pascale Chastaing-Doblin    Daniel Chauveau



# Combined Annual and Extraordinary Shareholders' Meeting **on June 11, 2001**

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# Report of the Board of Directors to the Annual Shareholders' Meeting

## Approval of annual accounts

### - First Resolution -

We ask you to approve the transactions and accounts for the year, such as they have been introduced.

## Appropriation to legal reserves

### - Second Resolution -

We are proposing to collect from the "merger premium" a sum of €6,385,785.28 in order to raise the legal reserve to an amount equal to 10% of the new capital as of December 31, 2001.

## Integration within the premiums

### - Third Resolution -

It is proposed to the annual meeting to approve the appropriation of an amount of €7,962,383.66 in the form of a share premium.

We would remind you that, in 1992, when Square D floated a loan of \$250 million, convertible into Schneider S.A. stock, it paid to Schneider S.A. an amount of €7,962,383.66 intended to cover the risk of non-payment of the nominal amount representing the Schneider shares to be issued following the exercise by the bearers of Square D bonds of their conversion rights, this risk being related to possible currency fluctuations between the dollar and the French franc. This sum can also be considered in the form of a premium intended to remunerate the issuing of shares resulting from the exchange of convertible bonds. This sum does not represent an item out of corporate income, it is thus proposed that you directly appropriate it to the stock premium.

## Appropriation of income and fixing of dividend at €1.6

### - Fourth Resolution -

We propose to distribute the income for the year, for €356,657,094.42, increased by retained earnings from the previous year, for €173,292,909.68, to which it is proposed that you will add:

1. the share of the corporate dividend withholding tax, which did not have to be paid to the Treasury, for an amount of €4,721,550.19,

2. the unpaid dividend on the treasury shares, for an amount of €7,951,316.12, which will raise retained earnings to €185,965,775.99, for a total amount payable in the form of dividends of €542,622,870.14 in the following manner:

Dividends to shares	€249 260 228,80
Corporate dividend withholding tax	€61 610 598,41
Retained earnings	€231 752 043,20

After this appropriation, Schneider Electric S.A.'s equity will amount, given the 6 million shares cancelled by the Annual General Meeting on May 5, 2000, to €2.85 billion against €3.06 billion (after distribution) on December 31, 1999.

If you approve this appropriation, the net dividend allocated against shares entitled to said dividend for 2000 would be €1.6 (FF 10.50), or, after adding a tax credit of 50%, total income of €2.4, or FF 15.74, which will correspond to the advance payment on the dividend, which was paid up on May 7, 2001.

We remind you that the dividends paid by Schneider Electric S.A., in the last three years, were as follows.

	Net dividend		Tax credit		Total Income	
	€	FRF	€	FRF	€	FRF
1997	0.99	6.50	0.50	3.25	1.49	9.75
1998	1.15	7.54	0.58	3.77	1.73	11.31
1999	1.34	8.79	0.67	4.39	2.01	13.18

## Composition of the Board of Directors

### - Fifth to Seventh Resolutions -

The biographies for Didier Pineau-Valencienne, Jean-René Fourtou and Dr Hans Friderichs are submitted for your attention within the presentation of the Board of Directors.

## Fixing of the amount for Directors' fees

### - Eighth Resolution -

To enable the continuation of the internationalization of your Board of Directors, it is proposed to raise the annual amount of the Directors' fees to €640,000.

On this basis, the fees paid to a Director, excluding such Directors' fees as are paid to compensate the fact of belonging to a Committee on the Board, could amount to €30,500.

It is recalled that one half of the Directors' fees is dependent on their taking part in the meetings of the Board of Directors.

We indicate for your attention that if you decide, as is proposed under the sixteenth resolution, to transform the Company's corporate governance through the adoption of an Executive Board and a Supervisory Board, the total amount for the Directors' fees paid to the Board of Directors will be paid, for the financial year 2001, pro rata temporis.

### **Agreements from Article L 225-38**

#### **- Ninth Resolution -**

No new agreement, referred to under articles L 225-38 et al. in the Commercial Code, has been concluded in the course of the year.

You are requested to note the continuation, in the course of the year, of such agreements under Article L 225-38 as are included under the heading of previous years.

### **Stock buy-back**

#### **- Tenth Resolution -**

It is proposed to allow the Company to buy back its own stock, by any means, including the use of derivative products, in compliance with the dispositions of Article L 225-209 in the Commercial Code.

The purchasing program which the Company could realize will have different purposes: this could involve transactions to stabilize the price of the stock, or the stock could be bought back with the purpose of reducing dilution or of optimizing the management of funds belonging to the Company.

The shares bought back can be transferred, in compliance with standing law, by any means; their transfer could thus intervene in parallel with, or instead of, an increase in capital, especially if an external growth opportunity should arise.

They may also be used to assist the stock options program or the employee stock-owner program, which your Company could implement.

And finally, it will be possible to cancel them in part in compliance with the fourteenth resolution of the Annual Shareholders' Meeting of May 5, 2000.

The authorization which you granted in 2000 has been borne out in fact; a report on this point is provided on page 52 of the Annual Report.

In compliance with ruling 98-02 of the *Commission des Opérations de Bourse* the Company has established and published an information note, approved by the Commission, which is available on request.

### **Delegation for the issuing of bonds**

#### **- Eleventh Resolution -**

In the course of the year, Schneider Electric S.A. issued in October 2000 seven-year bonds for €450 million. These bonds, which offer a 6.125% coupon, were privately placed with international investors. They are listed in Paris and in Luxembourg.

Your Board having made use of the authorization which you had granted in May 1999 and in October 2000, it is proposed that you grant a new authorization to issue bonds or similar securities, both in France and abroad, up to a nominal amount of €2.5 billion.

This authorization, in compliance with standing law, will be valid for five years.

### **Authorizations to increase the capital immediately or in time**

#### **- Twelfth to Fourteenth Resolutions -**

We are submitting for your attention resolutions concerning the renewal of delegations granted to the Board of Directors to increase the capital.

We would remind you that the Board of Directors benefits from authorizations to issue, with or without preferential subscription rights for the shareholders, in particular shares, shares with warrants, convertible bonds or stock warrants within the limit of €750 million at nominal stock value.

Your Board of Directors has utilized one of these authorizations to remunerate Legrand's shareholders, who will be tendering their Shares to the public offer which Schneider Electric S.A. initiated concerning said company on January 15, 2001.

Further, these authorizations will terminate in the course of this meeting for any amounts which have not been used.

We are proposing, in compliance with the dispositions of Article L 225-129 III of the Commercial Code, to renew same, within the framework of two delegations given to the Board of Directors to issue, as the case may be, all kinds of investment securities giving access immediately or in time to the capital, one of said delegations involving the retention of the preferential subscription right, the other one with the cancellation of said right.

The term of validity of these two delegations will, in compliance with legal dispositions, be of 26 months. Thus under the twelfth resolution, it is proposed that you authorize the Board of Directors to issue, whilst retaining the preferential subscription right for the shareholders, shares, warrants, as well as any other various investment securities providing, as the case may be, access to the capital (such as for instance: convertible bonds or bonds refundable in the form of shares, bonds with warrants) as well as increasing the capital through the incorporation of reserves, profits or share premiums.

The maximum nominal amount for the investment securities which would thus be issued being of **€ 1.5 billion**, the maximum nominal amount for the increases in capital resulting therefrom would be restricted, excluding the incorporation of reserves, up to the ceiling amount of **€ 750 million**. This last mentioned amount is fixed subject, as the case may be, to increases in capital resulting from incorporations of reserves, profits or premiums, as well as to the rights of some bearers of capital stock in the event of the issuing of new securities. It is also indicated that against this amount will be charged the increases in capital realized under the renunciation by shareholders to their preferential subscription right.

In the thirteenth resolution, it is also proposed that you grant the Board of Directors the power to proceed, as the case may be, both on the French market and on the international market, with the issuing of the same securities as those concerned under the previous resolution. Your Board of Directors will further be entitled to issue investment securities with the purpose of remunerating those securities which would be delivered to the Company within the framework of a public offer which it would have initiated. In the same manner, your Board will be entitled to issue shares, entitlement to which would be provided by investment securities which would be issued by direct or indirect subsidiaries of Schneider Electric S.A., in agreement with your Board of Directors. The maximum nominal amounts for the issues of investment securities giving access to capital and of therefrom resulting increases in capital, are the same, within the framework of this resolution, as those proposed within the previous resolution and will, as the case may be, be charged to these amounts. With these financial authorizations, your Board of Directors will enjoy a high level of flexibility in the selection of issues which may be envisaged and will be in a position to adapt the nature of the investment securities to be issued relative to demand and to the state of the French, foreign or international financial markets. Thus, the capacity to issue securities without preferential subscription rights will give your Board of Directors the possibility to perform transactions where speed is of the essence and which will, further, offer the advantage of calling upon a new source of public savings by issuing on the foreign or international markets.

However, in the event of the cancellation of the preferential subscription right, it is provided that your Board of Directors will be able to give the shareholders a priority subscription right which will not lead to the creation of negotiable and transferable rights, and that the shares will be issued on the basis of the average initial prices listed for the old stock in the course of 10 consecutive trading days selected

from the 20 days prior to the date of the meeting of the Board which would decide on the issuing of said securities.

In the event of the issuing of investment securities other than shares, the terms of the granting of the shares to which these securities would provide entitlement, as well as the dates upon which the attribution rights could be exercised, will be determined by your Board at the point in time when said issues are decided.

We would remind you that your Board of Directors has been authorized to increase the capital for the benefit of employees who are members of the corporate savings plan and that it intends to exercise said authorisation for the realisation of a new world-wide employee/shareowner program in 2001.

Under the effect of the fourteenth resolution, you are asked to authorize the Board of Directors to use the delegations granted under the twelfth and thirteenth resolutions to increase the capital in the event of a public purchase or exchange offer concerning the Company's stock.

**Modifications of the By-laws,  
appointment of the members of the  
Supervisory Board, delegations  
granted to the Executive Board  
- Fifteenth to Thirty-fifth Resolutions -**

We remind you that, within the framework of the corporate governance agreements concluded in the course of the public stock exchange offer for Legrand, it is provided that the Annual Shareholders' Meeting of Schneider Electric S.A. will be consulted for the purpose of modifying the Company name and Governance System.

Thus, to recognize the creation of a world-wide leader in electrical distribution, out of the merging of two major groups, we propose to adopt the new name of Schneider-Legrand.

Further, to adapt corporate governance both to the Group's new size and to the widening of its activities, we propose to adopt the structure of a Société Anonyme, with an Executive Board and a Supervisory Board.

In the by-laws as submitted for your approval, the Executive Board (articles 16 to 21) comprises two to seven members appointed for a term of four years. The first Executive Board will, however, be appointed for a duration of two years. The age limit for the members of the Executive Board is 68.

The Executive Board is invested with the most extensive powers to act under any circumstance in the name of the Company, within the limits of the purpose of the Company and subject to those powers expressly granted under standing law to the Shareholder Meetings and to the Supervisory Board.

The Supervisory Board (articles 11 to 15 and 21) comprises no more than 18 members, all of these being living persons, who must own at least 250 shares of corporate stock throughout the duration of their mandate, which is of four years renewable. The age limit for the members of the Supervisory Board is 74, and the number of members in the Supervisory Board who are over 70 cannot exceed one third of the total number of members of said Board.

The Supervisory Board, which can designate among its members one or several specialized committees, exercises permanent control over the management of the Company as performed by the Executive Board, which it appoints, while it performs all verifications and inspections which it considers to be appropriate and obtains all the documents which it deems to be necessary for the accomplishment of its assignment. In compliance with standing legal dispositions, it authorizes agreements which are subject to regulations, as well as the transfers of buildings or shareholdings and the delivery of guarantees, pledges, securities, under the terms provided under standing law. It produces, in the course of the Annual Meeting, a report on the management performed by the Executive Board and on the accounts for the year.

It is also proposed, on the occasion of this change in the by-laws, that you include before the limit date such new legal dispositions as would be required to allow people to take part in all corporate governance meetings by video conference, or by all remote transmission means, to extend the purpose of the Company, especially to electrical equipment activities, and to substitute references made in the by-laws to the Companies Act, to references concerning corresponding items in the new Commercial Code.

To take account of the increasing globalization of the share ownership of your Company and of the very strong reluctance displayed (especially by British and American investors) concerning double voting rights, it is proposed to cancel same. Your decision is subject to approval by the special meeting of stockholders benefiting from double voting rights.

However, the Schneider-Legrand merger will only become effective when the two hereinafter mentioned conditions have been satisfied: the success of the public exchange offer in progress at the point in time when your Board decided on the resolution submitted for your approval, and the delivery by the Brussels Commission of its authorization under the heading of its control over community concentrations. This last mentioned authorization should be issued no later than early August 2001.

Thus it is provided that the change in the Company name, in corporate governance and the cancellation of double voting rights will come into

effect within the 45 days following the date upon which these two conditions are raised.

If, according to these recommendations, you approve the change in the Company by-laws, your Board proposes – under resolutions eighteen to thirty two – the appointment, in compliance with the conclusions of the Remunerations and Appointments Committee, as of the date of the change in corporate governance, of Daniel Bouton, Thierry Breton, Alain Burg, Bernard Decoster, Jean-René Fourtou, Michel François-Poncet, Dr Hans Friderichs, James Hardymon, Gérard de La Martinière, Didier Pineau-Valencienne, James Ross, Edouard de Royère, Piero Sierra, Jean-Pierre Verspieren and Raphaël Verspieren as members of the Supervisory Board for a period of four years.

The biographical notes concerning the candidates to the Supervisory Board are submitted, as far as concerns the present members of the Board of Directors of Schneider Electric S.A., within the presentation of the Board of Directors and you will hereinafter find those concerning Messrs Bernard Decoster, Edouard de Royère, Jean-Pierre Verspieren and Raphaël Verspieren.

Bernard Decoster

57, Vice-Chairman of Legrand S.A.

Bernard Decoster joined Legrand in 1967, was appointed Industrial Manager in April 1982, became Vice-Chairman of Legrand in 1994. Bernard Decoster is also Chairman and a Director of different subsidiaries of Legrand.

Edouard de Royère

69, Honorary Chairman and Director of Air Liquide S.A.

With a diploma of the Ecole Supérieure de Commerce de Paris (ESCP), after a period in the banking world, Edouard de Royère joined Air Liquide in 1966. In 1967, he was appointed Secretary General. In 1971, he joined its Board of Directors and became, in succession, Vice-Chairman/Assistant General Manager in 1979, Vice-Chairman in 1982 and then Chairman and Chief Executive Officer from 1985 to 1995 and Honorary Chairman in 1997.

Edouard de Royère is also a Director of Danone, L'Oréal, Sodexo, Solvay, Fimalac, Wanadoo, a member of the Supervisory Board of Michelin, Chairman of ANSA and of the Fondation du Patrimoine.

Jean-Pierre Verspieren

61, Vice-Chairman of Legrand S.A.

With a physical sciences degree and a diploma from the Institut d'Etudes Politiques de Paris;

Jean-Pierre Verspieren joined Legrand in 1966 as Assistant Secretary General. He was successively to become Management Comptroller, Manager of the Spanish subsidiary, Manager of the Isocéram production entity, before becoming Vice-Chairman of Legrand S.A. in 1994.

Jean-Pierre Verspieren is also Chairman and Director of different Legrand subsidiaries, Chairman of the Limoges Commercial Court, Vice-Chairman of the Ecole Nationale d'Ingénieurs de Limoges (ENSIL).

Raphaël Verspieren

58, Vice-Chairman of Legrand S.A.

With a diploma from the Ecole Supérieure de Commerce de Rouen, Raphaël Verspieren joined Group Legrand in 1967, where he held different functions within the establishment or its subsidiaries. In 1994, he was appointed Vice-Chairman of Legrand. Raphaël Verspieren is also Chairman and a Director of different Legrand subsidiaries.

Under the thirty-third resolution, it is proposed to set the amount of the Directors' fees granted to the members of the Supervisory Board at €640,000, it being indicated that the amount concerning the Directors' fees for 2001 will be calculated pro rata temporis.

Under the thirty-fourth and thirty-fifth resolutions, it is proposed to give the Executive Board the different authorizations which your Board of Directors holds to increase the capital, proceed with employee stock holding transactions, grant subscription or stock purchase options to employees and to the officers of the Company and its subsidiaries, increase the capital in the course of public offers targeting corporate stock, issue bonds, proceed with corporate stock buy-backs and proceed with their transfer or cancellation.

And finally, under the thirty-sixth resolution, we are asking you to grant us the powers required to discharge the formalities concerned.

# Auditors' Report on the issuing of other investment securities

## Extraordinary Shareholders' Meeting of June 11, 2001

Within the scope of our function as auditors for your Company, and within the discharging of the assignment provided for in the Commercial Code and especially under Articles L 225-135, L 228-92 and L 228-95, we are introducing our report on the projected issue of shares, share warrants or other investment securities opening access to the capital, transactions upon which you are called to decide (twelfth and thirteenth resolutions). It will be possible to issue these investment securities within the limit of a nominal amount of €1.5 billion. The maximum nominal amount for the resulting increases in capital is limited to €750 million.

Your Board of Directors is proposing that you entrust it with the definition of the terms concerning these transactions, and that in the thirteenth resolution you relinquish your preferential subscription right.

We have examined the projected issue with every due diligence that we have considered to be required under the standards of our profession.

The amount of the price at issue of the stock securities to be issued not having being determined, we are expressing no opinion on the final terms under which these issues will be realised and, consequently, on the proposed cancellation of the preferential subscription right, which you are asked to approve in the thirteenth resolution, the principle of which, however, is in line with the logic of the transactions submitted for your approval.

In compliance with article 155-2 if the Decree dated March 23, 1967, we will establish a further report in the course of the realization of the issues by your Board of Directors.

Neuilly-sur-Seine and Paris-la-Défense, April 5, 2001

The Auditors

Barbier Frinault et al.  
Arthur Andersen

Befec-Price Waterhouse  
Member of PricewaterhouseCoopers

Aldo Cardoso

Pierre Jouanne

Pascale Chastaing-Doblin

Daniel Chauveau

# Resolutions

## First resolution

(Approval of Financial Statements for fiscal year 2000).

The General Meeting, ruling under the quorum and majority terms of Ordinary General Meetings, having heard the reports of the Board of Directors and the Auditors, approves the transactions and accounts for the fiscal year 2000, as presented by the Board of Directors, and takes due note of the presentation of the consolidated financial statements for the year ending December 31, 2000.

## Second resolution

(Appropriation for the legal reserve).

The General Meeting, ruling under the quorum and majority terms of Ordinary General Meetings, decides to charge the amount of 6,385,785.28 euros to the “merger premium” account for the purpose of increasing the legal reserve to reach 10% of the new capital on December 31, 2000.

## Third resolution

(Integration into premiums).

The General Meeting, ruling under the quorum and majority terms of Ordinary General Meetings, decides to assign 7,962,383.66 euros deposited by Square D, in the course of the issuance of a US\$250 million loan convertible into Schneider Electric SA stock in 2003, to ensure the guaranteed total payment of the nominal value of Schneider Electric SA shares issued following bond conversions.

## Fourth resolution

(Allocation of earnings and dividend pegged at 1.6 euros).

The General Meeting, ruling under the quorum and majority terms of Annual General Meetings, approves the integrating into the carried forward item of:

1. the non due share of the advance deduction determined under the third resolution of the Combined Ordinary and Extraordinary Meetings on May 5, 2000; i.e.: 4,721,550.19 euros,
2. the non paid dividend relating to shares held by the corporation, i.e., 7,951,316.12 euros, and decides to pay out the balance of the earning which amounts – given the amount carried forward increased in this manner – to 542,622,870.41 euros, in the following manner:

Dividend to shares	€249,260,228.80
Advance deduction	€61,610,598.41
Carried forward	€231,752,043.20

It is consequently decided to pay a dividend of 1.6 euro per 8 euros share, creating a total earning of 2.4 euros with a 50% tax credit, and corresponding to the installment on the dividend paid on May 7, 2001.

Dividends paid out by Schneider Electric SA under the heading of the three previous years and the corresponding tax credits were the following:

	Dividend		Tax Credit	Total Income		
	net	fiscal		€	F	€
1997	F 6.50	€ 0.99	F 3.25	€ 0.50	F 9.75	€ 1.49
1998	F 7.54	€ 1.15	F 3.77	€ 0.58	F 11.31	€ 1.73
1999	F 8.79	€ 1.34	F 4.39	€ 0.67	F 13.18	€ 2.01

## Fifth resolution

(Mr. Didier Pineau-Valencienne’s Directorship renewed).

The General Meeting, ruling under the quorum and majority terms of Ordinary General Meetings, renews Mr. Didier Pineau-Valencienne’s Directorship for a period of four years, to expire at the Annual Shareholders' Meeting called in 2005 to decide on 2004 accounts.

## Sixth resolution

(Mr. Jean-Rene Fourtou’s Directorship renewed).

The General Meeting, ruling under the quorum and majority terms of Ordinary General Meetings, renews Mr. Jean-Rene Fourtou’s Directorship for a period of four years to expire at the Ordinary Shareholders' Meeting called in 2005 to decide on 2004 accounts.

## Seventh resolution

(Dr. Hans Friderichs’ Directorship renewed).

The General Meeting, ruling under the quorum and majority terms of Ordinary General Meetings, renews Mr. Dr. Hans Friderichs’ Directorship for a period of four years to expire at the Ordinary Shareholders' Meeting called in 2005 to decide on 2004 accounts.

## Eighth resolution

(Firming the Director’s fees).

The General Meeting ruling under the quorum and majority terms of Annual General Meetings, having taken due note of the Board of Directors' report, decides to set the annual amount of the attendance fees due to the members of the Board of Directors at 640,000 euros.

## Ninth resolution

(Covenants ruled under Article L 225-38 of Commercial Law).

The General Meeting, ruling under the quorum and majority terms of Annual General Meetings, after having taken due note of the Auditors'



Special Report presented in compliance with the instructions of Article L 225-40 of the Commercial Law on covenants governed by Article L 225-38 of the aforementioned Law, takes due note of the information mentioned in this report.

### **Tenth resolution**

(Authorization granted to the Corporation to acquire its own stock: limit buying price 120 euros – lower selling price limit 50 euros.)

The General Meeting, ruling under the quorum and majority terms of the Ordinary General Meetings, having duly noted the Board of Directors' report as well as the information memorandum prepared by the Company and approved by the Commission des Opérations de Bourse (Securities and Exchange Commission), authorizes the Board of Directors in compliance with Article L 225-209 in Commercial Law, with the purpose of reducing dilution, to optimize the management of Corporate Equity and to carry out external growth transactions, or to stabilize the Stock Exchange price, to acquire Corporate Stock.

- The acquisition of said stock can be carried out by any means including acquiring blocks of stock or using optional instruments on the market, off the market and in the private sector.
- The limit number of shares that can be acquired pursuant to this authorization is set at 10% of the total number of shares that make up the registered capital on the date at which the increase of capital is completed to remunerate Legrand shares contributed within the framework of the Public Exchange Offer for Legrand Corporation; i.e., a maximum of 24,421,158 shares.
- As a result of the above limitations, the maximum transaction amount cannot exceed 2,930,538,960 euros.
- The limit acquisition price is fixed at 120 euros, the lower limit price for selling is 50 euros. If however, the stock acquired in this manner was used wholly or in part to grant stock purchase options, under the dispositions of Article L225-177 and according to Commercial Law, the selling price would then be determined in compliance with legal dispositions relating to stock purchase options.
- All or part of the stock acquired pursuant to this resolution can either be sold or otherwise transferred, in particular by the exchanging of securities, selling in or out of the Stock Exchange, put or call options, exercising vouchers or rights, or it can be cancelled under the terms provided under Articles L 225-204 and L 225-205 of Commercial Law and in compliance with the fourteenth resolution of the Annual Shareholders' Meeting on May 5, 2000.
- Acquisition or divestment transactions can take

place at any time, including during an offer.

- In the case of financial transactions, the Board of Directors can proceed to adjust to the maximum and minimum number, and/or the selling price of shares.
- The authorization is valid within the limit of an 18 month period.

### **Eleventh resolution**

(Authorization for the issuance of bonds and related securities within the limit of 2.5 billion euros).

The General Meeting, ruling under the quorum and majority terms of Annual General Meetings, authorizes the Board of Directors to proceed in its own right with the creation and issuance of bonds or similar securities (in particular subordinate or refundable bonds, or for an unspecified period of time), once or several times, in France or abroad, within the limit of a nominal amount of 2.5 billion euros, and quantified either in euros, in foreign currencies, or in monetary units of whatever nature established with reference to several currencies, with or without collateral or other security, under any proportions, or formats, and at any time, rate or terms of issuance and amortizing which said Board will consider to be appropriate.

The Meeting fully empowers the Board of Directors for the fulfillment of this or these loans and specifies that it will have every latitude to determine the characteristics of said bonds or similar securities

This authorization is valid for a period of five years from the day of this decision and substitutes for any prior authorizations of comparable nature within the limit of the unused amounts.

### **Twelfth resolution**

(Authorization for the Board of Directors to increase capital to a maximum nominal value of 750 million euros, while retaining the preferential subscription right, through the issuance of shares, with or without stock subscription warrants, by the integration into the capital of earnings, reserves, share premium capital and distributing free shares or by raising the nominal value, and by the issuance of equity warrants or other transferable securities opening access to the capital. These securities may be issued at a nominal value of 1.5 billion euros, or at an equal value in other currencies or monetary units).

The General Meeting, ruling under the quorum and majority terms of Extraordinary General Meetings, having taken note of the Board of Directors' report, and of the fifteenth resolution adopted by the General Meeting of May 5, 2000 authorizing the Board of Directors to increase the authorized capital by issuing securities or by giving access to equity set aside for salaried employees who have agreed to the Company Savings Plan, and of the Auditors' special report pursuant to the provisions of Article L 225-129 of Commercial law:

1) delegates to the Board of Directors the power to increase the corporate capital, in one or several steps, up to a maximum nominal value of 750 million euros:

a) by issuing new shares, with or without subscription certificates, to be subscribed in cash or by the offsetting of amounts due, with or without share premium;

b) by incorporation into the equity earnings, of reserves or share premiums and by distributing shares or raising the nominal value of existing shares;

c) by issuing securities other than shares, compatible with standing legal provisions, directly or indirectly giving right, through conversion, exchanging, refunding, presenting title or in any other manner, to the allocation of shares, at any time or on set dates.

These securities may be issued in euros or any other currency, or any monetary unit determined by reference to a basket of currencies, up to an aggregate nominal amount of 1.5 billion euros, or the equivalent in other currencies or monetary units determined by reference to a basket of currencies, as determined on the date of the decision to issue the securities.

d) by issuing stock subscription certificates, to be subscribed against cash, or allocated without cost, it being specified that these certificates can be issued alone or attached to the securities referred to under c) above, and simultaneously issued;

e) by the simultaneous implementation of several of these procedures.

2) Decides that owners of stock existing when the shares and securities are issued against cash and certificates covered under § 1) a) and c) will, in an irreducible manner and in proportion with the number of shares then held by themselves, enjoy a preferential right of subscription for said securities.

The delegation given under § 1) implies, for the benefit of the owners of securities and vouchers, the renunciation by the shareholders of their preferential stock subscription rights which result from the issuing of the aforementioned securities and vouchers, immediately or in the long term.

The Board of Directors will determine, in the course of each issue, the terms and limits within which the shareholders will be able to exercise their subscription rights on an irreducible basis, by complying to the standing legal provisions. It can establish, for the benefit of the shareholders, a subscription right on a reducible basis which will be exercised in proportion with their rights and within the limit of their applications.

It can, if the subscriptions on an irreducible basis (and, if necessary, on a reducible basis), have not absorbed the total issue of shares, securities and vouchers, either:

- Under the proper legal conditions, limit the issuance of the amount of subscriptions collected;

- Or freely distribute the securities which have not been subscribed on an irreducible basis and, as the case may be, on a reducible basis;

- Or lastly, offer them to the public on the French and/or international market, wholly or in part.

3) Decides that:

- To the amount of 750 million euros, determined in paragraph 1) indent 1, will be added the amount of additional new capital increases, required to reserve the rights of the holders of securities and vouchers giving entitlement, in whatever manner, to the attribution of Corporate stock, it being indicated that to this amount will be charged the amount corresponding to the shares issued directly or indirectly, under the terms of the thirteenth resolution of this Meeting;

- That in the event of the integration of earnings, reserves or share premiums, the amount of 750 million euros, decided under paragraph 1) indent 1 will be increased in order to represent, after the incorporation, the same percentage of the corporate capital as was the case beforehand;

- That in the event where cost free shares are handed out:

- those of the shares which will be allocated with respect to old shares with double voting rights will enjoy this right as of their issuance;

- those rights which appear in fractions will not be negotiable and the corresponding shares will be sold; every authority is given to the Board of Directors to proceed with said sale under the terms provided by standing legislative and regulatory provisions.

4) Grants full power to the Board of Directors, along with the possibility of sub-delegating to its Chairman under prevailing lawful conditions:

- To implement, in one or in several steps, the delegation given in paragraph 1) particularly with the purpose of:

- determining the terms of the new capital increases and/or the issuance;

- determining the number of shares, certificates and/or securities to be issued, their price at issue as well as the amount of the premium the paying up of which may be requested at the time of issuance, as the case may be;

- determining the dates and modalities for the issue, the nature and the type of securities to be created;

- determining the paying up mode for the issued shares and/or securities;

- setting, as may be the case, the modalities for the exercising of the rights attached to the securities issued or to be issued and, in particular, to decide the date (even retroactive) from which new shares will bear interest, as well as all other conditions and modalities for completion of the issuance;

- determining the methods under which the Company will, as required, have the ability to buy or exchange on the Stock Exchange, at any time or during determined periods, the securities which have been issued or are to be issued;

- anticipating the ability to eventually suspend the exercising of such rights attached to said securities during a maximum period of three months;

- setting the modalities under which as the case may be the protection of rights of titular holders of securities which procure a right to corporate stock on the medium term will be procured and, in compliance with legal and regulatory dispositions and on its sole initiative, charge the costs of the capital increase(s) to the amount of premiums there-to related and collect from said amount the sums which are required to raise the legal reserve up to one tenth of the new capital, after each increase; for any incorporation into the capital of premiums, reserved earnings or other:

- for any incorporation into the capital of premiums, reserved earnings or other:

- Determine the amount and nature of the sums to be incorporated within the capital,

- Decide the number of shares to be issued or the amount by which the nominal value of the shares which make up the authorized capital will be increased,

- Decide the date, even retroactively, from which new shares will bear interest or the date from which the rise in nominal will become effective,

- Decide, as the case may be and by derogation to the provisions of Article L 225-149 in Commercial Law, that the rights concerning fractional shares will not be negotiable and the corresponding shares will be sold, sums resulting from the sale being allocated to the entitled holders of the rights at the latest 30 days after the date of registration in their account of the entire number of shares allocated;

- In a general manner, approve any covenant, especially with the purpose of the proper completion of the anticipated issuance, take any required steps and execute any formalities required for the issuance and for the Financial Servicing of the securities issued under the terms of this delegation, as well as for the exercising of rights attached to same; note that each new capital issue is completed and perform out the correlative modifications of the Corporate Articles.

5) Decide that this delegation, which cancels and replaces any prior comparable authorization of, is valid for a period of twenty-six months effective from this Meeting.

### **Thirteenth resolution**

(Authorization given to the Board of Directors to increase the capital for a maximum nominal value of 750 million euros, with cancellation of the preferential subscription right, through the issuance of shares, with or without share subscription certificates, and

through the issuance of share purchase certificates or other securities providing access to the capital. These securities may be issued up to the level of a nominal value of 1.5 billion euros, or its counter-value in every currency or monetary unit. Priority rights may be granted to the shareholders for issues on the French market. This authorization is also valid for issues floated by the subsidiaries where the Company holds over 50%, and to remunerate securities which would be contributed to the Company within the framework of a take over bid for shares).

The General meeting, ruling under the quorum and majority terms of extraordinary general meetings, having taken due note of the report of the Board of Directors, of the fifteenth resolution adopted by the general meeting on May 5, 2000, authorizing the Board of Directors to increase the corporate capital by the issuance of capital certificates or giving access to the capital set aside for the employees having joined the Corporate Savings Plans as well as of the special Auditors' report, pursuant to the provisions of Article L 225-129 under Commercial law as well as Articles L 225-148, L 225-150 and L 228-93 of the aforementioned law:

1) delegates to the Board of Directors the power to increase, in one or several steps, the authorized capital for a maximum nominal value of 750 million euros, it being specified that, out of this amount, will be charged the amount of the shares issued, directly or not, under the terms of the twelfth resolution of this Meeting:

a) through the issuance of new shares, with or without attached share certificates, to be subscribed against cash or by the netting of amounts due, with or without an issue premium;

b) through the issuance of securities other than shares, compatible with standing legal provisions, giving right, directly or indirectly, by conversion, exchange, refunding, presentation of a certificate or in any other manner, to the allocation of shares, at any point in time or on predetermined dates.

Said securities can be issued either in euros or in every other currency, or in monetary units established by reference to several currencies, within the limit of a total nominal amount of 1.5 billion euros, or its counter-value in other currencies or monetary units established by reference to several currencies, determined at the day of the decision to proceed with their issuance;

c) through the issuance of share certificates, to be subscribed against cash, it being specified that these certificates can only be issued or attached to securities referred to under b) hereabove;

d) through the committant implementation of several of these procedures.

2) Decides to cancel the shareholder's preferential subscription right for the securities to be issued under the terms of the delegation given under paragraph 1) above.

It is specified that the issues mentioned in paragraph 1) above can, as the case may be, be realized totally or partially on the international market.

For the issues performed on the French market, the Board of Directors can as the case may be give the shareholders, under time limits and modalities which it will determine, a priority period to subscribe the shares, securities and subscription rights for shares issued, without engaging in the creation of negotiable and transferable rights. The shares, securities and certificates which are not subscribed at the outcome of the priority period will be dealt with through a sale offer to the public.

The delegation given under paragraph 1) comprises, for the benefit of the owners of the securities and of the certificates, renunciation by the shareholders of their preferential subscription rights for the shares to which the issuance of the aforementioned securities and certificates will give right, immediately or in the long term. .

3) Decides that the sum belonging immediately or in the long term to the Company, for each share, security and certificate issued under the terms of the delegation given under paragraph 1) above, will of necessity be at least equal to the average of the initial prices of the old shares of the Company as noted during ten consecutive market days selected from the twenty days previous to the beginning of the issuance of the shares, securities and certificates; this average will, as the case may be, be corrected to take account of the difference in the date of interest due; it is specified that the initial price of the certificates issued alone will have, for each share to be created, to be such that the sum of this price and the exercising price of each certificate is at least equal to 105% of this average.

4) Grants full power to the Board of Directors, with the possibility of subdelegation to its Chairman determined under standing law:

a) to implement, in one or several steps, the delegation given under paragraph 1) with in particular the purpose of:

- determining the terms of issue;
- determining the number of shares, certificates and/or securities to be issued, their issue price as well as the amount of the premium the paying up of which may be requested from the moment of the issuance as the case may be;
- determining the dates and modalities of the issue, the nature and the form of the securities to be created;
- determining the paying up mode for the shares and/or the securities issued;
- fixing, as the case may be, the modalities for the exercising of the rights attached to the securities issued or to be issued and, in particular, determining the date, even retroactively, from which the new shares will bear interest, as well as all other terms

and procedures for the realization of the issues;

- laying down the modalities under which the Company will have, as the case may be, the ability to buy or swap on the stock exchange, at any point in time or during pre-determined periods, the certificates that have been (or are to be) issued;

- providing for the ability to discontinue, as the case may be, the exercising of the rights attached to these certificates during a time frame of three months;

- deciding that the balance of the issue which may not have been subscribed will be distributed at its discretion, totally or in part, or that the amount of the issue will be limited to the amount of the subscriptions received, it being specified that the Board of Directors will be able to use, at its own discretion, all or only one of the above powers;

- at its sole initiative, charging the expenses of the new issues of corporate capital to the amount of the premium accounts related thereto and taking from this amount the sums necessary to raise the statutory reserves to one tenth of the new capital after each increase;

- generally, passing all agreements, in particular to successfully provide for the completion of operations considered, to take the required measures and to carry out all formalities needed for the issuance and the financial servicing of these certificates issued under the terms of the present delegation and also with the exercise of the rights thereto attached; to note the realization of each new capital issue and to carry out the correlative modifications of the corporate articles;

b) in the event of the issuance of securities giving a right to the allocation of shares upon the presentation of a certificate, to buy these bonds on the stock exchange, in order to cancel them or not, given standing legal dispositions;

c) to collect from the amount of the premiums related to new capital issues the expenses covering these transactions and the sums necessary to raise the statutory reserves to one tenth of the new capital.

Moreover, the Meeting:

5) authorizes the Board of Directors within the framework of the delegation which is the subject of paragraph 1):

• In the case where one or several companies, in which the Company would, directly or indirectly, own more than half of the corporate capital, would issue:

a) bonds with subscription certificates for Corporate capital securities

b) other securities the form of which is compatible with standing laws, opening the right by conversion, exchange, refunding, presentation of a certificate or any other manner, to the allocation, on fixed dates, of corporate equity certificates for the Company;

• To proceed, in accordance with the issuing company, with the issuance of these bonds and other

securities as well as the issuance of certificates and equity securities on the Company.

The General Meeting decides that paragraph 2), indents 1 and 3, and paragraphs 3) and 4) of this resolution are applicable to the authorization given within this paragraph.

6) Authorizes the Board of Directors to make use, totally or in part, within the framework of standing legal provisions, of the delegation given under paragraph 1) above, to remunerate securities which would be delivered to the Company within the framework of a public stock offer concerning certificates satisfying the terms determined under Article L 225-148 of the Commercial law.

7) Decides that to the amount of 750 million euros, determined under the paragraph 1) indent 1 will be added the amount of the additional new capital issues, which resulted from the reserving of the rights of the bearers of securities and certificates entitling the bearers in any manner, to the allocation of corporate capital securities.

8) Decides that this delegation, which cancels and replaces, (within the limit of amounts not used), all former authorizations of comparable nature, is valid for a duration of twenty-six months from the date of this Meeting.

#### **Fourteenth resolution**

(Authorization given to the Board of Directors to use, in the event of public offers or public stock offers on Schneider Electric SA, authorizations to issue securities, giving access to the capital as granted by the Meeting).

The General meeting, ruling under the quorum and majority terms of extraordinary general meetings, having taken due note of the report from the Board of Directors, expressly grants the power to the Board of Directors to use, fully or in part, within the framework of standing legal provisions, those authorizations given to the Board of Directors under the twelfth and thirteenth resolutions adopted by the present Meeting, should one or more public buy out offers or exchange offers on the securities issued by the Company take place.

This authorization is granted for a period which will expire at the end of the Meeting which will decide on the accounts for the fiscal year closing on December 31, 2001.

#### **Fifteenth resolution**

(Adoption of the corporate denomination: Schneider - Legrand, under suspensive conditions).

The General meeting ruling under the quorum and majority terms for extraordinary general meetings and after having taken due note of the report from the Board of Directors and been advised of the takeover bid for shares initiated by Schneider Electric SA on Legrand shares, on January 15, 2001, decides under the two following suspensive conditions, on the acquisition by Schneider Electric SA,

at the outcome of the public offer, of Legrand shares put up for this offer, and on the authorization of the aforementioned Schneider/Legrand merger from the European Commission under ruling 4064/89 on December 21, 1989 relating to concentrations between firms, as notified on February 16, 2001:

- to adopt for the Company the following corporate name: Schneider - Legrand. This decision will become effective on the date at which the Company's management mode will change such as it will intervene in accordance with the sixteenth resolution adopted by this meeting.

However, for a transition period of one month as of this date, the two names, the old and the new name will be available for use by the Company.

- consequently, decides to modify as of the date defined above, Article 3 of the Corporate Articles which will be drafted as follows:

“Article 3 - Its corporate name is: Schneider - Legrand”.

#### **Sixteenth resolution**

(Change in the Company's management mode: adoption of the form involving an Executive Board and Supervisory Board, under suspensive conditions).

The General Meeting, ruling under the quorum and majority terms of extraordinary general meetings and after taking due note of the report from the Board of Directors and of the takeover bid for shares launched by Schneider Electric SA on Legrand stock on January 15, 2001 decides, subject to the two suspensive conditions, on the acquisition by Schneider Electric SA, at the outcome of the public offer, of the Legrand stock brought forward to this offer, and of the authorization for the aforementioned Schneider/Legrand merger by the European Commission under ruling 4064/89 of December 21, 1989 relating to mergers between firms, as notified on February 16, 2001,

- to change the management mode of the Company from its previous form and to adopt an Executive Board and a Supervisory Board,

- to extend the corporate object to cover the activities of electrical equipment and ceramic and plastic products,

- to accordingly amend the Corporate Articles of the Company, it being specified that this change in the management mode and these statutory modifications will take effect as of the meeting of the majority of those persons designated to compose the Supervisory Board, which will intervene, when convened by the Chairman of the Board, within 45 days following the date on which the two above conditions have been satisfied

Taking into account the number of amended articles resulting from the change in the management mode of the Company, the General Meeting decides to reformat the Corporate Articles and adopts the new text proposed, hereafter integrality provided in the appendix to this resolution.

The Company moreover decides that this text will allow the use of video transmission or remote transmission means for taking part in the meetings of the Supervisory Board or the returning of the proxies or votes by mail for the General Shareholders Meeting.

### Appendix to the sixteenth resolution

The modifications to the Corporate Articles are in italics

### Corporate articles

#### TITLE I - Nature - purpose - name - Duration and head office of the Company

##### Article 1

The Corporation is of the limited liability type, headed by an *Executive Board and a Supervisory Board*. Created on December 2 and 4, 1871, it continues to exist between the share holders composing its corporate capital, as indicated in Article 6 below, after merging with Schneider S.A Corp., which corporation had itself absorbed its own industrial subsidiary floated on October 21 1836 in the form of a mixed liability stock corporation and had converted into joint-stock company on May 31, 1966, then taken back its name.

*It is governed by standing regulatory and legal provisions and these corporate articles.*

##### Article 2

The Company has the following object, directly or indirectly, in any form whatsoever, in France and in all countries: the direct or indirect management, by way of creation, acquisition or otherwise, of all activities connected with electrical engineering, electric distribution, industrial controls (electromechanical products), industrial engineering and for the corporate world: (construction, building, civil engineering, electrical enterprise, public works...); all transactions relating to the production and the applications of energy in every form, including the management of all connecting industries, the granting or the acquisition of any concession or the holding with lease or in participative control of all operations which are part of the corporate purpose; *the manufacturing, purchase, sale and commercial representation of electrical equipment and related components, ceramic and plastic products, and of all materials or tools connected with the products listed above.*

The application for, the purchasing, selling and operating of patents relating to these industries. Participation in any form whatsoever, in all enterprises or companies, under any form, dealing in connection with the business of the Company or of such nature as to support its industry and trade, and, generally, all industrial, commercial and financial transactions in stocks or real assets, con-

nected directly or indirectly, in any manner whatsoever, with the purpose stated above.

The Company may undertake all transactions which are part of its purpose, either separately for its own account or for the account of a third party, or in partnership, or again by way of the purchase, subscription, contributions or exchanges of corporate rights, partnering and purchasing of companies of every kind, whatever their form, pursuing a similar or related purpose.

##### Article 3

The Company's name is: Schneider - Legrand

##### Article 4

The duration of the Corporation, which was initially to come to term on January 1, 1887, was successively extended by decisions of the General Shareholders Meetings on December 8, 1880, December 17, 1887, December 19, 1896, October 29, 1908, and November 20, 1928, and up to July 1, 2031, save in the event of new extensions or early winding up.

##### Article 5

The registered office is located at 92500 Rueil Malmaison, 43-45 boulevard Franklin Roosevelt. It may be transferred within the same Departmental territory or within an adjacent territory by *the Supervisory Board* subject to ratification of said decision by the following Ordinary General Meeting.

The *Executive Board* is entitled to establish, wherever it decides, offices, agencies and branches, and to proceed with their discontinuation.

#### TITLE II - Corporate stock

##### Article 6

The corporate capital is pegged at 1 246 301 144 euros and is divided into 155 787 643 shares of 8 euros nominal value entirely paid up.

It was raised:

- To the amount of 6 364 233 100 FRF pursuant to the decision of the Extraordinary General Meeting of June 27, 1995 approving the merger of the Company with Schneider SA through the absorption of the latter and with the responsibility to remit to its shareholders 122 175 958 shares each with a nominal value of FRF 50, in remuneration for their contribution;
- To the level of FRF 6 890 007 300 pursuant to the decision of the Extraordinary General Meeting of June 10, 1997 approving the merger of the Company with Merlin Gerin and Telemecanique by way of absorption of said latter corporations with the responsibility to give to the shareholders of Telemecanique 117 840 shares each with a nominal value of FRF 50 in remuneration for their contribution;

#### Article 7

The shares are registered or bearer shares, as the shareholder prefers. Their ownership, whether they are registered or bearer shares, results from the registration of their holders on stockholder lists, carried out under the conditions and procedures laid down under standing laws and regulations.

Any person or entity who would, within the meaning of *Article L 233-9 of the Code of commerce*, (Commercial law), recently have become the direct or indirect holder of a number of corporate shares or voting rights equal to or higher than 0,5% of the total number of shares or voting rights, or of a multiple of this fraction, must, within five stock market-days as of the overstepping of said threshold, advise the Company by registered letter with acknowledgement of delivery, of the total number of shares, voting rights and securities giving in time access to the capital, which he or it owns, directly or indirectly. The same obligations apply when the participation in stock or voting rights drops below one of the above stipulated thresholds. In the event of the non-observance of these obligations to advise, pursuant to the present subparagraph, the shareholder, under the conditions and limits defined by standing law, will be deprived of the voting rights related with the shares or the voting rights overstepping the advisory thresholds upon any request from one or several shareholders holding a fraction of the capital at least equal to 2,5%, in the course of the meeting.

The Company may, under the conditions provided under standing laws and regulations, request communication from any competent organization or intermediate of any information relating to its shareholders or owners of securities conferring voting rights immediately or in the long term, as well as their identity and the number of shares which they hold.

#### Article 8

The shares can be freely dealt in and transferred.

#### Article 9

Each share entitles its owner to partake in the property of the corporate assets, the distribution of the earnings and in any liquidation surplus, in proportional with the number of existing shares, taking into account, as the case may be, the amortized and not amortized capital, paid-up or not, the nominal value of the shares and the rights pertaining to the different classes of shares.

All the shares which make up or will make up the corporate capital will always be considered to be similar relative to fiscal charges. Consequently, all taxes and levies which, for any reason whatsoever, could become due for some of them only, pursuant to the refunding of the capital represented by said shares, either during the existence of the Company, or when it is liquidated, will be distributed between

all the shares constituting the capital at the time of this or of these refunding procedure(s), so that all the current or future shares will confer to their owners, with due account taken as the case may be of the nominal and not amortized amount of the shares and rights pertaining to the shares of different classes, the same effective advantages and will entitle them to receive the same net amount

Whenever it is a requirement to own several shares in order to exercise any given right, a single certificate or certificates in insufficient numbers relative to the number required do not grant any rights to their owners as against the Corporation, it will in this case inure the shareholders to bring together the required number of shares.

#### Article 10

Amounts remaining to be paid up on shares requiring paying up in cash are called by the *Executive Board*.

The shareholders are advised of the proportions called up and the dates upon which the corresponding sums must be paid, either by publication fifteen full days at least in advance in a periodical empowered to run legal ads, in the "Department" of the registered office, or by registered letter addressed to each shareholder within the same time limits.

A shareholder who does not pay up for his shares when payment is due will by right and without further notice owe the Corporation interest for late payment calculated on a daily basis as of the due date, at the legal rate of interest, without prejudice to any forcible executory measures available under standing law.

### *TITLE III - The Supervisory Board*

#### **Article 11 - Composition of the Supervisory Board**

a) *The Supervisory Board includes at least three members and no more than eighteen members, who are real persons. In the event of a merger, this number can be increased under terms provided by law.*

*Throughout his mandate, each member of the Supervisory Board must own at least 250 shares.*

b) *The term of the office for members of the Supervisory Board is four years, renewable. The functions of a member of the Supervisory Board terminate at the conclusion of the ordinary general shareholder meeting having ruled on the accounts of the past fiscal year, and held in the course of the year during which the mandate of the aforementioned member of the Board of Trustees expires.*

*Should the Supervisory Board be totally renewed, the mandate of one half of the designated members, rounded off where required at the smaller figure, would terminate at the end of two years and the mandates of the remaining members, at the end of four years, the exiting order being determined by a draw performed during the meeting of the Board. This renewal in halves*

*will not apply to the first Supervisory Board, whose members shall have a four year mandate .*

*No Board Member mandate can be conferred to a person having reached the age of 70. When a mandate is conferred to a person who will reach the age of 70 before the expiration of his mandate, the duration of this mandate is restricted in any event, to the time running from his or her nomination up to the ordinary general meeting deciding on the accounts of the past fiscal year, and held during the year in the course of which said member of the Supervisory Board reaches the age of 70.*

*The ordinary general meeting, at the conclusion of which the mandate of the member of the Supervisory Board who has reached the age of 70 during the year is terminated in the normal manner or under the effect of the previous indent, may as proposed by the Supervisory Board, re-elect this member of the Board of Trustees for only one further 4-year period , and one only.*

*The provisions of the two above indents are not applicable to the first mandate of persons designated to compose the initial Supervisory Board. Their mandate may however not be renewed for a period extending beyond the ordinary general meeting which will approve the accounts of the past fiscal year and held in the course of the year during which they will reach the age of 74.*

*The number of members of the Supervisory Board having gone beyond the age of seventy may not be higher than one third of the members of said Supervisory Board. Should this limit be overstepped, in the absence of the voluntary resignation of any member of the old Supervisory Board over the age of seventy, the oldest of the members of the Supervisory Board would be deemed to have officially resigned. However, should the limit be exceeded as a result of the reduction in the number of members of the Supervisory Board in office, said excess would remain without effect if, within a deadline of three months, the required substitutions were performed so that the number of members of the Supervisory Board in office having exceeded the age limit may be maintained.*

#### **Article 12 - The Supervisory Board's committee**

*The Supervisory Board elects among its members a Chairman and a Vice-Chairman for a term which cannot be longer than the term of their own mandate as members of the Supervisory Board .*

*The Chairman has the duty of convening the Board and of marshalling its discussions.*

*In the event of the Chairman's inability to carry out his mandate or whenever the Chairman has temporarily delegated his powers to the Vice-Chairman, the Vice-Chairman will carry out the same functions and will enjoy the same prerogatives.*

*The Board will designate a secretary who can be chosen from non members and who, along with the Chairman and the Vice-Chairman, embodies the committee.*

#### **Article 13 - Powers and obligations of the Supervisory Board**

*13.1 - The Supervisory Board exercises permanent control over the management of the Company performed by the Directorate, by exercising verifications and inspection which it deems to be appropriate and by obtaining the documents which it considers that it needs to discharge its assignment.*

*13.2 - The Supervisory Board submits to the annual ordinary general meeting its observations on the Supervisory Board's report as well as on the annual accounts.*

*13.3 - a) In compliance with standing and legal and regulatory provisions, the divestment of fixed assets, the total or partial divestment of shareholdings, the constitution of security, as well as of guarantees, endorsements and security must be authorized by the Supervisory Board*

*b) The Supervisory Board can, within the limit of a total amount and of a specified amount which it determines for each transaction covered in a) of this paragraph 3, authorize the Directors to proceed with the above mentioned transactions. When a transaction exceeds the amount thus determined, authorization from the Supervisory Board is needed in each case*

*13.4 - The Supervisory Board can designate, among its membership, one or several expert committees, it will determine the composition and attributions of said committee which will pursue its activity under its responsibility. Each committee will report on its missions before the next meeting of the Supervisory Board.*

*13.5 - The Supervisory Board adopts for his own proceedings an internal set of rules of which it will advise the Directorate.*

#### **Article 14 - Meetings of the Supervisory Board**

*The Supervisory Board convenes as often as the interest of the Corporation requires and at least once every quarter.*

*It is convened by the Chairman or the Vice-Chairman, by all means and even by word of mouth. The Chairman must convene the Board on a date within a limit of fifteen days, when the Board or at least one third of the members of the Supervisory Board introduces a motivated request for this purpose. If the request remains without effect, its authors can themselves convene the meeting by indicating the Agenda of said meeting. If this is not the case, the agenda is fixed by the Chairman and can only be fixed at the time of the meeting.*

*Meetings are to be held in any place specified in the notification. The members of the Supervisory Board can take part in these meetings through audio or video means.*

#### **Article 15 - Remuneration of the members of the Supervisory Board**

*15.1 The members of the Supervisory Board are entitled to an annual fixed remuneration, as determined*



by the ordinary general meeting, until a contrary decision. Its distribution in the form of attendance fees is performed by the Supervisory Board, among its members, in the proportions it decides

15.2 Can also be allocated by the Board, any exceptional remunerations for missions or mandates entrusted to its members, in such cases and under such terms as are provided under standing law.

#### **TITLE IV - Executive Board**

##### **Article 16 - Composition of the Executive Board**

###### **16.1 - Appointment**

a) The company is managed by an Executive Board, composed of two to seven members, who exercise their functions under control of the Supervisory Board in compliance with standing law and the statutory provisions hereafter exposed.

b) The Executive Board is appointed for one four year term by the Supervisory Board which provides for the replacement of its members in the event of vacancies, in accordance with the law. However, notwithstanding the present provisions, the first Executive Board is appointed for one two-year term

c) No one over sixty eight can be appointed to the Executive Board. Any member of the Executive Board in office is deemed to have officially resigned at the end of the corporate fiscal year during which he reached this age. The members of the Executive Board can always be reelected.

###### **16.2 - Termination**

Any member of the Executive Board can be terminated by the General Meeting, upon a proposition from the Supervisory Board. If the termination is decided without an appropriate reason, there may be a case for damages.

##### **Article 17 - Chairman of the Executive Board – general manager**

The Supervisory Board gives one of its members the title of Chairman.

The Chairman of the Executive Board represents the company in its relationship with third parties.

The Supervisory Board can grant the same power to represent the Corporation to one or several members of the Executive Board who then bear the title of Vice Chairman General, Executive Board Manager, Executive Board General Manager, or General Manager

The functions of the Chairman and, as the case may be the representative powers granted to a member of the Executive Board can be withdrawn by the Supervisory Board.

##### **Article 18 - Powers and obligations of the Executive Board**

18.1 - The Executive Board receives the most extensive powers to act in all circumstances in the name of the Company, within the limit of the corporate object, and subject to those powers expressly allocated by law to the shareholder meetings and to the Supervisory Board. In its relations with third parties the Company

is committed even by the action of the Supervisory Board which does not concern the corporate object, unless it can prove that the third party was aware that said action exceeded said object, or that it could not be unaware of same given the circumstances, it being excluded that the sole publication of the Corporate articles is sufficient to constitute said evidence.

18.2 - The Board can entrust one or several of its members or any person chosen among non members with special missions, permanent or temporary, which it determines, and can delegate unto them for one or several determined purposes, (with or without the power to subdelegate), such powers as are deemed necessary.

18.3 - When an operation requires the authorization of the Supervisory Board, in accordance with the provisions of Article 13 within these corporate articles, and when this Board refuses said authorization, the Board will refer to the General Meeting which then decides how the project should be dealt with.

The Executive Board presents once every quarter to the Supervisor Board a written or oral report on the advancement of Corporate business.

##### **Article 19 -Deliberations of the Executive Board**

The Executive Board convenes as often as the interest of the Company requires, as called by its Chairman or of at least by one half of its members, at such a place as is indicated by the author of the notification. The notifications are made in any manner and even verbally. The agenda can be supplemented at the time of the meeting.

The members of the Executive Board can take part in the meetings of the Executive Board using audio or video systems.

A member of the Executive Board can be represented by another member in the Board meetings.

The Executive Board stops for its own operation, following notice of the Supervisory Board, an internal set up rules.

##### **Article 20 - Remuneration of the Board members**

The Supervisory Board determines the mode and the amount of the remuneration for each Board Member.

##### **Article 21 - Covenants between the company and a member of the Supervisory Board or Executive Board**

Any covenant intervening between the Company and one of the members of the Executive Board or Supervisory Board must be previously authorized by the Supervisory Board.

The same goes for covenants in which one of the individuals covered in the previous subparagraph has an indirect interest or through which he deals with the Company through any intermediate.

Also subject to prior authorization, are those covenants intervening between the Company and a firm, if one

*of the members of the Executive Board or supervisory Board of the Corporation is a beneficial owner, an associate with unlimited responsibility, a manager, director, general manager or member of the Executive Board of or Supervisory Board of said firm.*

*The above provisions are not applicable to covenants relating to current transactions which are agreed under normal conditions.*

### **TITLE V - Auditors**

#### **Article 22**

The General Meeting appoints regular and substitute auditors in compliance with standing laws.

### **TITLE VI - General shareholders meetings**

#### **Article 23**

The General meetings convene and deliberate under the terms determined by law

The meetings take place either in the registered office, or in any other place specified in the notification.

The right to take part in - or to be represented at - the General meetings, (Ordinary and also Extraordinary), is subject:

- for the owners of registered shares, to their registration on the registered securities lists of the Company;

- for the owners of bearer shares, at such places as are indicated in the notification, to a certificate established by the competent intermediary who manages their securities accounts and noting the unavailability of their shares up to the date of the Meeting.

The time during which these formalities are to be accomplished expires five full days prior to the date of the Meeting, a period of time which the Executive Board can always reduce, as it can accept the deposits beyond the agreed time limits.

*The shareholders can, under the conditions determined by law and by the rules, address their proxies and votes by mail for any General Meeting, either in paper form, or, (on a decision by the Board indicated in the notification for the meeting), by fax or e-mail.*

The Meetings are chaired by *the Chairman of the Supervisory Board or, in his absence, by the Vice-Chairman or by a member of the Supervisory Board specially designated for this purpose by the Board by default, the Meeting elects its own President.*

The teller functions are provided by the two present and accepting members of the Meeting who hold the greatest number of voting rights.

The Bureau appoints the secretary, which can be selected among non shareholders.

An attendance sheet is to be held under the terms provided by law

The copies or extracts of the official reports on the Meeting are validated by *the Board Chairman or by a member of the Board or by the Secretary of the Meeting.*

#### **Article 24**

The Ordinary and Extraordinary General meetings, ruling under such conditions of quorum and majority as are prescribed by the provisions which respectively govern them, exercise the powers granted unto them by law

The voting rights attached to the shares are in proportion to the capital which they represent, with equal nominal value. Each share of the capital or due interest entitles the holder to one vote, save if imperative legal provisions are applied which limit the number of votes available to a shareholder.

Notwithstanding the provisions of the preceding indent:

- double voting rights are allocated to all entirely paid-up shares for which evidence will be provided, at the end of the year preceding the date by the Meeting, of personal registration since at least two years, under the conditions provided under standing law. Moreover, in the event of an increase in the capital by capitalization of reserves, earnings or issue premiums, double voting rights are conferred, as of their issuance, to registered shares allocated cost free against old shares to which said right is attached.

- in a General Meeting, no shareholder can express, personally or through agents, under the heading of the single voting rights attached to the shares which he holds directly and indirectly and to proxies which he receives, over 10% of the total number of voting rights attached to the corporate shares; however, if he directly or indirectly and/or as an agent holds double voting rights, the limit thus determined may be raised by taking account exclusively of the further resulting voting rights, subject to the total of the voting rights which he expresses not exceeding 15% of the total number of the voting rights attached to the corporate shares.

For the application of the provisions above:

• the total number of the voting rights taken into account is calculated on the date of the General Meeting and is made available to the shareholders at the opening of the aforementioned General Meeting;

• the number of voting rights held directly and indirectly is to be understood in particular as being those which are attached to the shares that a shareholder holds on a purely personal basis, to the shares which are held by a legal entity which he controls within the meaning of *Article L 233-3 of the Commercial law* and to comparable shares assimilated with the shares owned, as defined under the provisions of *Articles L 233-7 to L 233-10* of the aforementioned Code.

• any shareholder proxy turned over to the company without any indication of an agent is subjected to the above limitations. However, these limitations do not apply to the Chairman of the Meeting voting under such proxies.

The limitations considered above become null and void, without the requirement for a new decision of the Extraordinary General Shareholders Meeting, whenever a person or entity, alone or jointly with one or more persons or entities, comes to hold at least two thirds of the total number of the shares of the Company, following a public exchange offer or acquisition procedure applying to the totality of the shares of the company. The Executive Board notes the realization of the nullity and proceeds with the correlative formalities to modify the corporate articles

The limitations covered in the above paragraphs are without effect for the calculation of the total number of the voting rights, including the double voting rights attached to the shares of the company and which must be taken into account for the application of the legislative, regulatory or statutory provisions covering particular obligations by reference to the number of existing voting rights in the company or to the number of shares with voting rights.

#### **TITLE VII - Corporate accounts and approximation of the results**

##### **Article 25**

Each fiscal year lasts for one year starting on January 1 and ending on December 31.

##### **Article 26**

The net proceeds of each fiscal year after deducting the overheads and other Corporate charges, including all depreciations and charges, constitute the net profit or loss for the fiscal year.

On the net income for each fiscal year, reduced if required by the previous losses, a deduction of 5% is first taken to constitute the legal reserve funds, this deduction ceases to be compulsory when the aforementioned fund has reached an amount equal to one tenth of the Corporate capital; it is again in force when, for an unspecified cause, the “statutory reserve” has dropped below this fraction.

The distributable profit consisting of the income for the year, reduced for previous losses and the deductions mentioned above and increased by the earnings carried forward, is at the disposal of the General Meeting which, on a proposal from the Executive Board can, in total or part, carry it forward again, assign it to general or special reserve funds or pay it out to the shareholders in the form of dividends. Moreover, the General Meeting can decide the distribution of the amount collected from the optional reserves, either to provide or to supplement a dividend, or in the form of an exceptional distribution; in this case, the decision expressly indicates the reserve items from which the deductions are calculated.

The General Meeting has the power to grant to each shareholder the possibility of choosing the payment of the dividend in shares or scrip form under the conditions and procedures provided by law.

The contingency and amortization reserve funds, as well as issuance and contribution premium, can, whatever their initial appropriation, be given any other destination and be in particular employed to fund the statutory reserves or be used for the amortization and the purchase of the shares, or be distributed between the shareholders, the whole schedule coming under the terms of a decision from an Ordinary General Meeting.

#### **TITLE VIII - Winding up - liquidation**

##### **Article 27**

At the end of the Corporation or in the event of an anticipated winding up, the General Meeting will rule on the liquidation mode and will designate one or several liquidators whose powers it will define and who will exercise their functions in compliance with the law

#### **TITLE IX - Disputes**

##### **Article 28**

Any disputes which may arise during the existence of the Company or in the course of its liquidation, either between the shareholders, or between the Company and the shareholders, concerning the interpretation or execution of these Corporate Articles or generally about corporate business, are subject to the jurisdiction of competent courts at the location of the registered office.

To this end, in the event of dispute, any shareholder involved must elect to reside within the jurisdiction of a competent court at the location of the registered office and all writs and notifications will be regularly delivered to said residence.

In the absence of an elected domicile, the writs and notifications will be validly delivered at the office of the Public prosecutor at the High Brankruptcy closest to the registered office.

#### **Seventeenth resolution**

(Cancellation of double voting rights).

The General meeting, ruling under the conditions of quorum and majority of Extraordinary General meetings, decides, as of the effective date of the statutory amendments adopted by the sixteenth resolution, to:

- replace the third subparagraph of Article 24 of the Corporate Articles with the following provisions:

“By derogation to the provisions of the preceding indent, in a General Meeting, no shareholder is allowed to express, by himself or through an agent, under the heading of the simple voting rights attached to the shares which he holds directly and indirectly

and to the powers unto him given, more than 10% of the total number of voting rights attached to all Corporate share”

- remove from the last indent of this Article the indication: “,including the double voting rights”.

This decision is subject to approval by the special meeting of the shareholders benefiting from double voting rights.

### **Eighteenth to thirty-second resolution**

(These resolutions have the object of appointing, (subject to the changing of the Company's management mode by the adoption of a Board of Directors and a Supervisory Board), as members of the Supervisory Board, further the members of the Board of Directors of the Company, - except for MM. Claude Bébéar, Jean-Paul Jacamon and Henri Lachmann - Messrs Bernard Decoster, Edouard de Royère, Jean-Pierre Verspieren and Raphaël Verspieren).

### **Eighteenth resolution**

The General meeting, ruling under the conditions of quorum and majority of ordinary general meetings, decides, subject to changing the Company's management mode by the adoption of an Executive Board and of a Supervisory Board, in compliance with the sixteenth resolution approved by the present Meeting, to appoint, effective from the date of said change of management mode, as a member of the Supervisory Board, **Mr. Daniel Bouton** for a term of 4 years, expiring at the end of the General Meeting which will rule in 2005, on the accounts of 2004.

### **Nineteenth resolution**

The General meeting, ruling under the conditions of quorum and majority of ordinary general meetings, decides, subject to changing the Company's management mode by the adoption of an Executive Board and a Supervisory Board, in compliance with the sixteenth resolution approved by the present Meeting, to appoint, effective from the date of this change of management mode, as a member of the Supervisory Board, **Mr. Thierry Breton** for a term of 4 years, expiring at the end of the General meeting which will rule in 2005, on the accounts of 2004.

### **Twentieth resolution**

The General meeting, ruling under the conditions of quorum and majority of ordinary general meetings, decides, subject to changing the Company's management mode by the adoption of an Executive Board and of a Supervisory Board, in compliance with the sixteenth resolution approved by the present Meeting, to appoint, effective from the date of this change of management mode, as member of the Supervisory Board, **Mr. Alain Burq** Chairman of the Supervisory Board

of the Investment fund “Schneider Actionnariat”, for a term of 4 years, expiring at the end of the General meeting which will rule in 2005, on the accounts of 2004.

### **Twenty-first resolution**

The General meeting, ruling under the conditions of quorum and majority of ordinary general meetings, decides, subject to changing the Company's management mode by the adoption of an Executive Board and of a Supervisory Board, in compliance with the sixteenth resolution approved by this Meeting, to appoint, effective from the date of this change of management mode, as member of a Supervisory Board, **Mr. Bernard Decoster** for a term of 4 years, expiring at the end of the General meeting which will rule in 2005, on the accounts of 2004.

### **Twenty-second resolution**

The General meeting, ruling under the conditions of quorum and majority of ordinary general meetings, decides, subject to changing the Company's management mode by the adoption of an Executive Board and of a Supervisory Board, in compliance with the sixteenth resolution approved by this Meeting, to appoint, effective from the date of this change of management mode, as a member of the Supervisory Board, **Mr. Jean-Rene Fournou** for a term of 4 years, expiring at the end of the General meeting which will rule in 2005, on the accounts of 2004.

### **Twenty-third resolution**

The General meeting, ruling under the conditions of quorum and majority of ordinary general meetings, decides, subject to changing the Company's management mode by the adoption of an Executive Board and of a Supervisory Board, in compliance with the sixteenth resolution approved by the present Meeting, to appoint, effective from the date of this change of management mode, as a member of the Supervisory Board, **M. Michel François-Poncet** for a term of 4 years, expiring at the end of the General Meeting which will rule in 2005, on the accounts of 2004.

### **Twenty-fourth resolution**

The General meeting, ruling under the conditions of quorum and majority of ordinary general meetings, decides, subject to changing the Company's management mode by the adoption of a Directorate and of a Supervisory Board, in compliance with the sixteenth resolution approved by this Meeting, to appoint, effective from the date of this change of management mode, as a member of the Supervisory Board, **Dr. Hans Friderichs** for a term of 4 years, expiring at the end of the General meeting which will rule in 2005, on the accounts of 2004.

#### **Twenty-fifth resolution**

The General meeting, ruling under the conditions of quorum and majority of ordinary general meetings, decides, subject to changing the Company's management mode by the adoption of an Executive Board and of a Supervisory Board, in compliance with the sixteenth resolution approved by this Meeting, to appoint, effective from the date of this change of management mode, as member of the Supervisory Board, **Mr. James Hardymon** for a term of 4 years, expiring at the end of the General meeting which will rule in 2005, on the accounts of 2004.

#### **Twenty-sixth resolution**

The General meeting, ruling under the conditions of quorum and majority of ordinary general meetings, decides, subject to changing the Company's management mode by the adoption of an Executive Board and of a Supervisory Board, in compliance with the sixteenth resolution approved by this Meeting, to appoint, effective from the date of this change of management mode, as a member of the Supervisory Board, **Mr. Gérard de la Martinière** for a term of 4 years, expiring at the end of the General meeting which will rule in 2005, on the accounts of 2004.

#### **Twenty-seventh resolution**

The General meeting, ruling under the conditions of quorum and majority of ordinary general meetings, decides, subject to changing the Company's management mode by the adoption of an Executive Board and of a Supervisory Board, in compliance with the sixteenth resolution approved by this Meeting, to appoint, effective from the date of this change of management mode, as a member of the Supervisory Board, **Mr. Didier Pineau-Valencienne** for a term of 4 years, expiring at the end of the General meeting which will rule in 2005, on the accounts of 2004.

#### **Twenty-eighth resolution**

The General meeting, ruling under the conditions of quorum and majority of ordinary general meetings, decides, subject to changing the Company's management mode by the adoption of an Executive Board and of a Supervisory Board, in compliance with the sixteenth resolution approved by this Meeting, to appoint, effective from the date of this change of management mode, as a member of the Supervisory Board, **Mr. James Ross** for a term of 4 years, expiring at the end of the General meeting which will rule in 2005, on the accounts of 2004.

#### **Twenty-ninth resolution**

The General meeting, ruling under the conditions of quorum and majority of ordinary general meetings, decides, subject to changing the Company's manage-

ment mode by the adoption of an Executive Board and of a Supervisory Board, in compliance with the sixteenth resolution approved by this Meeting, to appoint, effective from the date of this change of management mode, as a member of the Supervisory Board, **Mr. Edouard de Royère** for a term of 4 years, expiring at the end of the General meeting which will rule in 2005, on the accounts of 2004.

#### **Thirtieth resolution**

The General meeting, ruling under the conditions of quorum and majority of ordinary general meetings, decides, subject to changing the Company's management mode by the adoption of an Executive Board and of a Supervisory Board, in compliance with the sixteenth resolution approved by this Meeting, to appoint, effective from the date of this change of management mode, as a member of the Supervisory Board, **Mr. Piero Sierra** for a term of 4 years, expiring at the end of the General meeting which will rule in 2005, on the accounts of 2004.

#### **Thirty-first resolution**

The General meeting, ruling under the conditions of quorum and majority of ordinary general meetings, decides, subject to changing the Company's management mode by the adoption of an Executive Board and of a Supervisory Board, in compliance with the sixteenth resolution approved by this Meeting, to appoint, effective from the date of this change of management mode, as a member of the Supervisory Board, **Mr. Jean-Pierre Verspieren** for a term of 4 years, expiring at the end of the General meeting which will rule in 2005, on the accounts of 2004.

#### **Thirty-second resolution**

The General meeting, ruling under the conditions of quorum and majority of ordinary general meetings, decides, subject to changing the Company's management mode by the adoption of an Executive Board and of a Supervisory Board, in compliance with the sixteenth resolution approved by this Meeting, to appoint, effective from the date of this change of management mode, as a member of the Supervisory Board, **Mr. Raphaël Verspieren** for a term of 4 years, expiring at the end of the General meeting which will rule in 2005, on the accounts of 2004.

#### **Thirty-third resolution**

(Determining the amount of the attendance fees allocated to the members of the Supervisory Board).

The General meeting, ruling under the conditions of quorum and majority of ordinary general meetings, decides, subject to changing the Company's management mode by the adoption of an Executive Board and of a Supervisory Board, in compliance

with the sixteenth resolution approved by the present Meeting, to appoint, effective from the date of this change of management mode, as a member of the Supervisory Board, to set at 640, 000 euros the annual amount of the attendance fees allocated to the members of the Supervisory Board.

### **Thirty-fourth resolution**

(Transfer of delegations to the Executive Board).

The General meeting, ruling under the conditions of quorum and majority of ordinary general meetings, decides, subject to changing the Company's management mode by the adoption of an Executive Board and of a Supervisory Board, in compliance with the sixteenth resolution approved by the present Meeting, to confer on the Executive Board as of the date of this change all of the powers available to the Board of Directors for the purpose of:

1) increasing the capital by the issuance of shares or securities giving access to the capital with upholding of the preferential subscription rights of the shareholders, in compliance with the twelfth resolution adopted by this Meeting,

2) increasing the capital by the issuance of shares or securities giving access to the capital with discontinuation of the preferential subscription rights of the shareholders, in compliance with the thirteenth resolution adopted by this Meeting,

3) increasing the capital by the issuance of securities giving access to the capital, exclusively for employees who have joined the firm's saving plan (PEE), in compliance with the fifteenth resolution adopted by the General Shareholders Meeting of May 5, 2000,

4) allocating stock or purchasing options to the management and wage earners of the Company

and of those companies which are related to it, in compliance with the fourteenth resolution adopted by the General Meeting of May 6, 1999,

5) increasing the capital in the course of a public offer concerning Corporate securities, in compliance with the fourteenth resolution adopted by this Meeting,

6) proceeding with cancellations of shares held by the Corporation, in compliance with the fourteenth resolution adopted by the General Shareholders Meeting of May 5, 2000.

### **Thirty-fifth resolution**

(Transfer of delegations to the Executive Board).

The General meeting, ruling under the conditions of quorum and majority of ordinary general meetings, decides, subject to changing the Company's management mode by the adoption of an Executive Board and a Supervisory Board, in compliance with the sixteenth resolution adopted by this Meeting, to confer on the Executive Board effective from the date of this change all of the powers available to the Board of Directors for the purpose of:

1°) issuing bonds or similar securities, in compliance with the eleventh resolution adopted by this Meeting,

2°) proceeding with purchases of Corporate stock, in compliance with the tenth resolution adopted by this Meeting,

### **Thirty-sixth resolution**

(Powers concerning formalities).

The General Meeting confers all powers to the bearer of a copy or excerpts of the official minutes containing these deliberations to carry out all legal or administrative formalities.

# Glossary

## Architecture

The overall structure, logical components and logical interrelationships of a computer-based system, for example a network connecting automation devices.

## Building management systems

Software and automation devices to monitor and manage lighting, HVAC, elevators, access control and other electrical systems in a commercial or industrial building.

## Busbar trunking

A power transmission and distribution system installed in the ceilings or raised floors of commercial and industrial buildings. In some applications, trunking can replace power cables.

## Capacitor

Device used to smooth out alternating current, providing pure, battery-like direct current that improves the power factor of electrical installations.

## CASE

CASE (Computer-Aided Software Engineering) software is used to design and develop other software, such as applications for industrial automation devices.

## Circuit breaker

A protective device that interrupts the flow of current when the current exceeds a specified value (fire hazard) or when defective insulation exposes bare wires (risk of fire or electrocution).

## Contactors

Electrical device used to control the flow of three-phase electric power in a motor or other actuator.

## Detector

Device used to acquire and transmit electrical data concerning motion, position or the presence of devices or products on a machine.

## Distributor

Company that distributes, and sometimes generates, electricity.

## Ethernet

A high-performance local area network capable of supporting the real-time data transmission needs of a workshop or plant. Like any network, Ethernet systems use standard communication protocols.

## Extranet

The portion of a company's intranet that is extended to users outside the company, via a login and password, but is not accessible to the general public.

## Final distribution

Distribution of electricity in a building for domestic use, in power sockets, for example, or lighting.

## Harmonic filter

In an AC power system, harmonics are voltage or current signals that are not at the desired frequency and can therefore be very harmful to electrical installations. Harmonic filters use capacitors to screen out the frequency distortions and protect equipment.

## High voltage

Voltage levels higher than 40 kV.

## Human-machine interface (HMI)

Components, such as pushbuttons, switches, lamps, monitors and keyboards, that enable people to control a machine by receiving or transmitting data from or to automation devices.

## IEC standard

An international standard for electrical equipment issued by the International Electrotechnical Commission.

## Industrial automation devices

Devices that enable industrial machinery and processes to operate without human intervention. Industrial control covers functions such as data detection (sensors), processing (relays, programmable logic controllers), actuator control and protection (motor starters), human-machine interface (control desks), communication (buses) and safety.

## Industrial control

See industrial automation devices.

## Inputs/outputs

Interface modules that enable sensors and pre-actuators on production machinery to exchange data with the central unit of a programmable logic controller.

## Integrated optical sensor

A sensor that detects data through optical signals reflected in fiber bundles. See sensor.

## Kiosk

A prefabricated LV/MV transformer substation.

## Low voltage

Voltage levels below 1,000V.

## Low voltage switchgear

Protection and control devices for low voltage electrical systems.

## Medium voltage

Voltage levels between 1 and 40 kV.

## Microgeneration

A power generation process that enables homes or small businesses to produce their own electricity (usually low voltage) to replace or supplement power from the utility grid. Such installations tend to improve performance by lowering costs and guaranteeing uninterrupted service.

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## Modbus

Communication protocol that lets Schneider Electric automation components (or Modbus-compliant third-party devices) exchange data with one another.

## Motor control and protection

See motor starter.

## Motor starter

Device that starts an electric motor and protects it during operation. Depending on the type used, startup can be "all-or-nothing", soft or based on varying the drive's speed.

## MV connection substation

See MV or HV substation.

## MV or HV substation

Substation that integrates switchgear such as circuit breakers and contactors to supply a private electrical installation with high and/or medium voltage electricity.

## MV or LV switchgear

Cabinet or enclosure housing electrical system protection devices in a commercial or industrial building.

## MVA

Megavoltampere. The unit of apparent power of an electrical installation.

## MV/LV transformer

Device that steps down medium voltage electricity into low voltage current for supply to customers.

## NEMA standard

A North American standard for electrical equipment issued by the National Electrical Manufacturers Association.

## Operator dialogue terminal

A human-machine interface component (see definition) comprising a monitor and keyboard.

## Original equipment manufacturer (OEM)

A company that uses product components from one or more other companies to build equipment, machinery and other products that it sells under its own name and brand.

## Plug-and-play

Term describing electrical hardware can be easily installed without any specific technical skills. Once installed ("plugged in"), it can be immediately used ("played").

## Power distribution

Distribution of electricity from where it is generated to where it is used.

## Programmable logic controller (PLC)

A programmable device used to automate monitoring and control of industrial plant, by receiving data from sensors and transmitting orders to actuators.

## Safety components

Components designed to make a given machine, process or application safe to operate by preventing harm to people, plant and facilities.

## Schneider Global Business Development (SGBD)

The Schneider Electric organization that manages large accounts worldwide.

## Schneider Global OEM Development (SGOD)

The Schneider Electric organization that serves large equipment manufacturers worldwide.

## Starter

See motor starter.

## Static/Dynamic uninterruptible power supply

See uninterruptible power supply

## Supervisor

A system of components and software that coordinates and manages a production facility in order to supervise and increase its productivity.

## Switch

A device that opens or closes an electric circuit.

## Systems integrator

A company that specializes in building complete automated systems by putting together control components from different vendors. Sometimes these systems also include the related software.

## TCP/IP protocol

The standard Ethernet protocol governing data interchange between interconnected equipment within a given communication architecture.

## Uninterruptible power supply (UPS)

A back-up power system that supplies electricity if an installation's primary source fails. There are two types, static UPSes that use a DC-to-AC inverter and dynamic UPSes that use a motor generator set during normal operation and on loss of normal power.

## Variable speed drive

A power electronics device that starts a motor and varies its speed in response to demand from an automation device.

## Voice-Data-Image (VDI) network

A network capable of transmitting data in voice, video or digital form.

## Web automation

Internet-based technology adapted to industrial automation systems.

## Wireless

Any form of telecommunication in which electromagnetic waves (rather than some form of wire) carry signals over part or all of the communication path. Today, it is being used to connect cellphones and other mobile devices to the Internet.



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Tel.: +33 (0)1 41 29 70 76

Financial Communication  
Tel.: +33 (0)1 41 29 70 42  
Fax: +33 (0)1 41 29 71 42

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