



## NOTICE OF MEETING

Combined Ordinary and Extraordinary Annual Meeting

Of April 26<sup>th</sup> 2007

To be held at 3:00 p.m. at:

**Le Méridien Étoile**

**81 boulevard Gouvion Saint-Cyr - 75017 Paris**

Toll-free number for investors in France:

0800 20 55 14

[www.schneider-electric.com](http://www.schneider-electric.com)

### **SCHNEIDER ELECTRIC SA**

Incorporated in France with limited liability, management and supervisory boards,  
and issued capital of 1,821,586,784 Euros

REGISTERED OFFICE: 43/45, Boulevard Franklin Roosevelt, 92500 Rueil Malmaison

Registered in Nanterre 542 048 574



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**Nota : the request for the admission card can be found in the attached form.**

The shareholders of the company Schneider Electric SA are convened for a combined ordinary and extraordinary meeting:

**Thursday, April 26<sup>th</sup> 2007 at 3:00 p.m.**  
**Le Méridien Etoile**  
**81 boulevard Gouvion Saint-Cyr - 75017 Paris**

In order to deliberate on the following agenda (see proposed resolutions pages 22 to 33):

### **Agenda**

Under the jurisdiction of an ordinary general meeting:

- Reports from the management board, the supervisory board and the auditors on accounts for the trading year that closed on December 31st 2006;
- Approval of parent company financial statements for the year 2006;
- Approval of consolidated financial statements for the year 2006;
- Appropriation of profit and dividend payment;
- Approval of the report on agreements governed by article L.225-38 of the Commercial Code;
- Approval of the report on agreements governed by article L.225-86 of the Commercial Code;
- Authorisation to be given to the management board to trade in company shares;

Under the jurisdiction of an extraordinary general meeting:

- Amendment to the articles of association to provide representation of employee shareholders;
- Amendment to the articles of association to provide representation of employees;
- Delegation of authority to the management board for making increases in corporate capital maintaining pre-emptive rights on shares;
- Delegation of authority to the management board for making increases in corporate capital without pre-emptive rights on shares;
- Authorisation to increase the number of shares issued in the event of surplus demand when increasing corporate capital with or without pre-emptive rights;
- Authorisation to issue shares without pre-emptive subscription rights in payment for shares tendered to a public exchange offer or for contributed assets;
- Authorisation given to the management board to grant shares without consideration to officers and employees of the company and its subsidiaries and affiliates;
- Authorisation given to the management board to make increases in capital reserved for employees participating in the Company Savings Plan;
- Authorisation given to the management board to make increases in capital reserved for a specific category of beneficiaries: entities constituted in favour of Group employees;
- Powers to accomplish all necessary formalities.

## WHO MAY ATTEND

All shareholders, no matter how many shares they hold, have the right to take part in the assembly in person, be represented by a third party or vote by mail, after providing evidence of their status as shareholder. However, to be allowed to take part in the assembly, to vote by mail or be represented:

- a) Shareholders owning registered shares must be registered in the “pure” or “administered” accounts by midnight, Paris time on the third working day before the assembly, i.e. April 23<sup>rd</sup> 2007.
- b) Shareholders owning bearer shares must be registered by midnight, Paris time, on the third working day before the assembly, i.e. April 23<sup>rd</sup> 2007. Book entry or registration of shares in bearer share accounts held by the authorised intermediary will be confirmed by a participation certificate issued by the latter, appended to the distance or proxy voting form or to the request for an entry pass drawn up in the name of the shareholder. A certificate may also be issued to any shareholder wishing to take part in the assembly in person and who has not received his or her entry pass by midnight, Paris time on the third working day before the assembly.

Shareholders may obtain the single form referred to above on request by mail to their financial intermediary or to the SOCIETE GENERALE, Service des Assemblées, 32 rue du Champ-de-Tir, BP 81236, 44312 NANTES Cedex 3 to be received by the bank at least six days before the date of the assembly.

## PROCEDURES

### You wish to attend the meeting

If you wish to attend and vote at the meeting, you must apply for an admission card\* by checking box A on the enclosed form, dating and signing it in the space provided at the bottom.

As in previous years, voting will be done electronically. You are asked to:

1. Present your admission card and sign the attendance sheet at the registration desk starting at 2:15 p.m. ,
2. Enter the meeting room only with the electronic voting terminal provided upon signing the attendance sheet.
3. Carefully follow all the instructions for using the terminal given during the meeting.

### You cannot attend the meeting

Please fill out the enclosed form and select one of the following options:

- 1. Vote by mail,**
- 2. Appoint your spouse or another shareholder (person or legal entity) as your proxy,**
- 3. Give the chairman of the meeting power to vote on your behalf.**

**The managing board**

(\*) nota :

*If you do not receive your admission card in time for the meeting, you may still attend if you can show that your shares are registered or, in the case of bearer shares, blocked until the date of the meeting. You should check in at the registration desk starting at 2:15 p.m.*



# Corporate Governance

## The Supervisory Board (as of December 31st 2006)

### Chairman of the supervisory board

**Henri LACHMANN**

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Age : 68

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Business address: Schneider Electric 43-45 bd Franklin Roosevelt – 92500 Rueil Malmaison, France

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20,648 <sup>(1)</sup> Schneider Electric shares

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First elected: 1996 / Current term ends: 2010

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#### *Other directorships and functions in French or foreign companies*

- Currently: chairman of the supervisory board of Schneider Electric SA; director of various AXA subsidiaries and Ansa; member of the supervisory boards of Vivendi, AXA and Norbert Dentressangle; chairman of the board of directors of Centre Chirurgical Marie Lannelongue; chairman of Fondation pour le Droit Continental; member of Conseil des Prélèvements Obligatoires; member of the steering committee of Institut de l'Entreprise; non-voting director of Fimalac and Tajan.
- Previous directorships and functions held in the past five years: chairman and chief executive officer of Schneider Electric SA; president of Schneider Electric Industries S.A.S.; director of a number of Schneider Electric Group subsidiaries, Vivendi Universal, Etablissements de Dietrich & Cie, Finaxa, Fimalac Investissements; member of the international committee of Daimler Benz.

#### *Expertise and experience :*

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), where from 1981 to 1997 he served as chairman and chief executive officer. He was elected to the Schneider Electric SA board of directors in 1996 and was appointed chairman on February 25<sup>th</sup>, 1999. On May 3<sup>rd</sup> 2006, he became chairman of the supervisory board of Schneider Electric SA.

### Vice Chairman of the supervisory board

**Serge WEINBERG\***

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Age : 56

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Business address: Weinberg Capital Investissements 40 rue de la Boétie - 75008 Paris, France

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500 Schneider Electric shares

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First elected: 2005 / Current term ends: 2010

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#### *Other directorships and functions in French or foreign companies*

- Currently: vice chairman of the supervisory board of Schneider Electric; chairman of the board of directors of Accor; chairman and chief executive officer of Weinberg Capital Partners; member of the supervisory board of

\* Independent member, as defined in the Bouton report on corporate governance.

<sup>(1)</sup> Directly or through the corporate mutual fund.

Gucci Group; director of FNAC, RASEC (since February 2006), Team Partners Group (since November 20<sup>th</sup> 2006), Alliance Industrie (since October 5<sup>th</sup> 2006) and Financière Poinsetia (since September 11<sup>th</sup> 2006); general manager of Adoval and Maremma.

- Previous directorships and functions held in the past five years: chairman of the management board of Pinault-Printemps-Redoute; chairman of the supervisory boards of France Printemps, Conforama Holding, Guilbert S.A. and Redcats; member of the supervisory boards of Yves Saint-Laurent Parfum, Boucheron Holding and PPR Interactive (as PPR's permanent representative); director of Schneider Electric, Rexel and PPR Asia; Tennessee's permanent representative on the board of directors of Bouygues; general manager of Serole.

*Expertise and experience:*

After graduating from France's Ecole Nationale d'Administration, Serge Weinberg held several positions in the civil service and ministerial offices. He then served as chief operating officer of the French television channel FR3, chief executive officer and then chairman of the management board of Havas Tourisme, and managing director of Banque Pallas Finance. In 1990, Serge Weinberg joined what would become Pinault-Printemps-Redoute (PPR) when he became chief executive officer of CFAO. Within PPR, he served as chairman of Rexel (formerly CDME), an electrical equipment distributor. In 1995, he was appointed chairman of the PPR management board, a position he held until early 2005.

## Members of the supervisory board

### Alain BURQ

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Age : 53

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Business address: Schneider Electric Industries S.A.S. 89 bd Franklin Roosevelt – 92500 Rueil Malmaison, France  
2,047 <sup>(1)</sup> Schneider Electric shares

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First elected: 2000 / Current term ends: 2008

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*Other directorships and functions in French or foreign companies*

- Currently: member of the supervisory boards of Schneider Electric and the "Schneider Actionnariat" corporate mutual fund; responsible for special projects at Schneider Electric's Finance Department.
- Previous directorships and functions held in the past five years: chairman of Ordosoftware.

*Expertise and experience:*

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 Groupe Schneider subsidiary Spie Batignolles, where he held various positions until 1998, when he moved to Schneider Electric. He has been in charge of special projects for the Finance department since 2005.

<sup>(1)</sup> Directly or through the corporate mutual fund.

## Gérard de la MARTINIÈRE\*

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Age : 63

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Business address: Fédération Française des Sociétés d'Assurances 26 Boulevard Haussmann - 75008 Paris, France

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1,606 Schneider Electric shares

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First elected: 1998 / Current term ends: 2010

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### *Other directorships and functions in French or foreign companies:*

- Currently: member of the supervisory board of Schneider Electric, chairman of Fédération Française des Sociétés d'Assurances (F.F.S.A), chairman of the European Insurance Committee (CEA), director of Air Liquide.
- Previous directorships and functions held in the past five years: member of the management board of AXA; director of Schneider Electric; director and chief executive officer of Finaxa; director of Crédit Lyonnais; director or chairman of various AXA subsidiaries, including Compagnie Financière de Paris and Ateliers de Construction du Nord de la France (ANF); chairman of the board of directors of LCH Clearnet Group Ltd., London.

### *Expertise and experience:*

A graduate of Ecole Polytechnique and Ecole Nationale d'Administration, Gérard de La Martinière held several positions in the French Finance Ministry before serving as secretary general of Commission des Opérations de Bourse and general manager of Société des Bourses Françaises. In 1989, he joined AXA, where he was appointed executive vice president, Holding Companies and Corporate Functions in 1993, member of the management board in 1997 and executive vice president, Finance, Budget Control and Strategy in 2000. He left AXA in 2003 to become chairman of Fédération Française des Sociétés d'Assurances (F.F.S.A).

## René de LA SERRE\*

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Age : 66

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Business address: Compagnie Financière Edmond de Rothschild - 47 Rue Faubourg Saint-Honoré – 75008 Paris, France

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2,000 Schneider Electric shares

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First elected: 2002 / Current term ends: 2008

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### *Other directorships and functions in French or foreign companies*

- Currently: member of the supervisory board of Schneider Electric; director of Nord-Est, Sanofi-Aventis, Pinault-Printemps-Redoute and Harwanne Compagnie de Participations Industrielles et Financières S.A. (Geneva); member of the supervisory boards of Compagnie Financière Saint-Honoré, La Compagnie Financière Edmond de Rothschild Banque and Euronext NV (Amsterdam); non-voting director of Fimalac.
- Previous directorships and functions held in the past five years: chairman of the supervisory Board of Edmond de Rothschild Private Equity Partners; chairman of the board of directors of Tawa UK Ltd (London); chairman and chief executive officer of Continentale d'Entreprises; member of the supervisory boards of Pinault Printemps Redoute; director of Schneider Electric, Calyon, Crédit Lyonnais, Fimalac Investissements and AOBA Life (Japan); non-voting director of Nord-Est; Compagnie Financière Saint-Honoré's permanent representative on the supervisory board of Compagnie Financière Edmond de Rothschild Banque; advisor to the chairman of Crédit Commercial de France.

\* Independent member, as defined in the Bouton report on corporate governance.

*Expertise and experience:*

After graduating from Ecole Polytechnique and Institut d'Etudes Politiques de Paris, René de La Serre joined Banque de l'Union Européenne in 1963, later becoming deputy director. In 1973, he moved to Crédit Commercial de France (CCF), where he was appointed managing director in 1987 and vice chairman and chief executive officer in 1993. He left CCF in 1999. From 1988 to 1998, René Barbier de La Serre was a member of Conseil des Marchés Financiers (formerly Conseil des Bourses de Valeurs), serving as chairman from 1994 to 1998. In this capacity, he was a member of the Collège de la Commission des Opérations de Bourse.

**Noël FORGEARD\***

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Age : 60

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250 Schneider Electric shares

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First elected: 2005 / Current term ends: 2010

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*Other directorships and functions in French or foreign companies*

- Currently: member of the supervisory board of Schneider Electric ; director of Dassault Aviation and Ecole Polytechnique; member of the committee of France Galop.
- Previous directorships and functions held in the past five years: chairman and chief executive officer of Airbus Holding SA; chairman of the board of directors of Airbus France; chairman or director of various Airbus subsidiaries; director of EADS, Schneider Electric, Arcelor, IMS S.A.; chief executive officer of EADS.

*Expertise and experience:*

A graduate of Ecole Polytechnique and Ecole des Mines, Noël Forgeard began his career in the French civil service before joining Usinor subsidiary Compagnie Française des Aciers Spéciaux. In 1986, he served as an advisor on industrial issues in Prime Minister Jacques Chirac's office. In 1987, he joined Lagardère, where he headed Matra's defense and space divisions. Five years later, he became chairman and chief executive officer of Matra Haute Technologie and joint chief executive officer of the Lagardère Group. In 1998, he was appointed director and general manager of GIE Airbus-Industrie, and in 2000, CEO of Airbus S.A.S. From July 1<sup>st</sup> 2005 to July 1<sup>st</sup> 2006 he was co-executive chairman of EADS.

**Jérôme GALLOT\***

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Age : 47

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Business address: CDC Entreprises 33 avenue du Maine BP 174 - 75755 Paris Cedex 15, France

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250 Schneider Electric shares

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First elected: 2005 / Current term ends: 2008

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*Other directorships and functions in French or foreign companies*

- Currently: member of the supervisory boards of Schneider Electric and Caisse Nationale de Prévoyance (CNP Assurances); chairman of CDC Entreprises; director of Compagnie Nationale de Rhône (CNR); ICADE; Caixa Seguros and Plastic Omnium.

\* Independent member, as defined in the Bouton report on corporate governance.

- Previous directorships and functions held in the past five years: senior executive vice president, Caisse des Dépôts et Consignations; director of Schneider Electric; director of Crédit Foncier de France, Galaxy Fund and Galaxy Management Services; chairman of the Austral Sicav investment fund.

*Expertise and experience:*

Jérôme Gallot is a graduate of Institut d'Etudes Politiques de Paris and Ecole Nationale d'Administration. After three years with the Cour des Comptes, he served as an advisor to the secretary general of the interministerial committee for European economic cooperation, from 1989 to 1992, and then moved to the Budget department. He was then chief of staff in a number of French ministries, from 1993 to 1997. In 1997, he was appointed director of the Competition, Consumer Affairs and Anti-Fraud Division of the Ministry of the Economy and Finance. He left this position in 2003 to become senior executive vice president at Caisse des Dépôts et Consignations. He was appointed chairman of CDC Entreprises in September 2006.

**Willy R. KISSLING\***

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Age : 62

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Business address: Poststrasse no. 4 - BP 8808 Pfaeffikon, Switzerland

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1,250 Schneider Electric shares

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First elected: 2001 / Current term ends: 2008

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*Other directorships and functions in French or foreign companies*

- Currently: member of the supervisory board of Schneider Electric; director of Holcim Ltd (cement), Kühne + Nagel International AG (logistics); chairman of the board of directors of Grand Hotels Bad Ragaz AG; member of the Booz Allen Hamilton European Advisory board.
- Previous directorships and functions held in the past five years: director of Schneider Electric; chairman of the board of directors and chairman and chief executive officer of Unaxis Corporation (renamed OC Oerlikon Corp.); vice chairman and later chairman of Forbo Holding AG and SIG Holding Ltd.

*Expertise and experience:*

Willy Kissling, a Swiss citizen, holds diplomas from the University of Bern and Harvard University. He began his career at Amiantus Corporation and then joined Rigips, a plasterboard manufacturer, in 1978. He was appointed to the Rigips executive committee in 1981 and subsequently became chairman. From 1987 to 1996, he served as chairman and chief executive officer of Landis & Gyr Corporation, a provider of services, systems and equipment for building technology, electrical contracting and pay phones. From 1998 to 2005, he was chairman of Unaxis Corporation, also serving as chairman and chief executive officer from 1998 to 2002.

\* Independent member, as defined in the Bouton report on corporate governance.

## Cathy KOPP\*

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Age : 58

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Business address: Accor 33 Avenue du Maine – 75015 Paris, France

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250 Schneider Electric shares

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First elected: 2005 / Current term ends: 2010

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### *Other directorships and functions in French or foreign companies*

- Currently: member of the supervisory board of Schneider Electric, executive vice president, Human Resources and Sustainable Development, Accor.
- Previous directorships and functions held in the past five years: non-voting director of Schneider Electric SA, vice president, Corporate Human Resources and member of the executive committee of LVMH.

### *Expertise and experience:*

After earning a degree in mathematics, Cathy Kopp joined IBM France in 1973. In 1992, she became Human Resources director at IBM France. In 1996, she was appointed vice president Human Resources at IBM Corp.'s Storage Systems Division. In 2000, Cathy Kopp became chairman and chief executive officer of IBM France. She joined Accor in 2002 as Human Resources general manager. She is a member of the board of Haute Autorité de Lutte contre les Discriminations (Halde), France's equal opportunities commission, and chairman of the employee relations commission of the Service Industry Group of the French employers' federation (Medef). In 2006, she led the Medef's inter-industry negotiations on diversity.

## James ROSS\*

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Age : 68

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Business address: Flat 4 55, Onslow Square – London SW7 3IR England

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300 Schneider Electric shares

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First elected: 1997 / Current term ends: 2010

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### *Other directorships and functions in French or foreign companies*

- Currently: member of the supervisory board of Schneider Electric; director of McGraw-Hill Inc., Datacard Inc., Prudential plc; chairman of the Leadership Foundation for Higher Education.
- Previous directorships and functions held in the past five years: chairman of Littlewoods plc, chairman of the National Grid, vice chairman of National Grid Transco.

### *Expertise and experience:*

James Ross, a British subject, is a graduate of Oxford University. In 1959 he joined BP, where he held several positions before becoming a managing director in 1991. He was managing director of Cable & Wireless plc from 1992 to 1995, when he was appointed chairman of the National Grid. After National Grid merged with Transco in 1999, he served as vice chairman of National Grid Transco from 2002 to 2004.

\* Independent member, as defined in the Bouton report on corporate governance.

## Chris RICHARDSON

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Age : 62

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Business address: 2321 Tanglewood Brook Lane 35243 Birmingham, Alabama (USA)

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250 Schneider Electric shares

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First elected: 2004 / Current term ends: 2008

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### *Other directorships and functions in French or foreign companies*

- Currently: member of the supervisory board of Schneider Electric.
- Previous directorships and functions held in the past five years: former executive vice president of Schneider Electric's North American Division; director of Square D, Financière MGE, MGE Finances S.A.S., MGE-UPS Systems, Schneider (Thailand) Ltd.

### *Expertise and experience:*

A US citizen, Chris Richardson graduated from Iowa State University after serving in the US Air Force from 1964 to 1968 and joined Square D in 1971. He spent his entire career with the company, which was acquired by Schneider Electric in 1991. From 1998 to January 2004, he served as executive vice president of Schneider Electric's North American Division.

## Piero SIERRA\*

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Age : 72

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Business address: Pirelli SpA Viale Sarca 222 – 20126 Milan, Italy

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1,000 Schneider Electric shares

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First elected: 1997 / Current term ends: 2008

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### *Other directorships and functions in French or foreign companies*

- Currently: member of the supervisory board of Schneider Electric; director of Pirelli Group companies: Pirelli SpA (Milan), Alexandria Tire Corp, Pirelli Deutschland AG, Pirelli Neumaticos Saic, Pirelli UK Tyres, Turk Pirelli Lastikleri AS, Pirelli North America Inc and Pirelli S.A. (Brazil).
- Previous directorships and functions held in the past five years: director of Schneider Electric SA, Pirelli Cables Et Systemes SA, Pirelli Armstrong Tire Corp, Pirelli Cable Corporation, Pirelli Cables Ltd, Pirelli Cables Saic, Pirelli Cabos SA, Pirelli Canada Inc, Pirelli Tyre Holding Nv, Pirelli UK Tyres and Turk Pirelli Lastikleri AS.

### *Expertise and experience:*

Piero Sierra, an Italian citizen with a degree in humanities from the University of Lyon, joined the Pirelli Group 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 is chairman of A.I.R.C. (Italian Association for Cancer Research) and F.I.R.C. (Italian Foundation for Cancer Research).

\* Independent member, as defined in the Bouton report on corporate governance.

## Non-voting member

### Claude BÉBÉAR

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Age : 71

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Business Address: AXA 25 Avenue Matignon, 75008 Paris, France

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250 Schneider Electric shares

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First elected: 2004 / Current term ends: 2010

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#### *Other directorships and functions in French or foreign companies*

- Currently: non-voting director of Schneider Electric SA; chairman of the supervisory board of AXA; director of various subsidiaries of AXA and BNP Paribas; member of the supervisory board of Vivendi.
- Previous directorships and functions held in the past five years: chairman and director of various AXA subsidiaries, including AXA Financial; chairman and chief executive officer of Finaxa ; director of Schneider Electric SA and Vivendi Universal.

#### *Expertise and experience:*

A graduate of Ecole Polytechnique, Claude Bébéar joined in 1958 the mutual insurance company that would become AXA in 1985. He was appointed chairman and chief executive officer of the company in 1975. From late 1996, when AXA merged with UAP, until 2000, when he was appointed chairman of the supervisory board, Mr. Bébéar served as chairman of AXA's management board and chairman of its executive committee.

## Management Board (as of December 31<sup>st</sup> 2006)

### Chairman of the Management Board

#### Jean-Pascal TRICOIRE

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Age : 43

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Business address: Schneider Electric 43-45 bd Franklin Roosevelt – 92500 Rueil Malmaison, France

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2,580 <sup>(1)</sup> Schneider Electric shares

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First elected: 2006 / Current term ends: 2009

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#### *Other directorships and functions in French or foreign companies*

- Currently: chairman of the management board of Schneider Electric SA, chairman and chief executive officer of Schneider Electric Industries S.A.S., director of Square D.
- Previous directorships and functions held in the past five years: director of Clipsal Asia Holding Limited, Digital Electronics Corporation, Schneider Electric (Australia) Pty Limited, Schneider Electric New Zealand Holding Limited, PT Schneider Indonesia, Schneider Electric Japan Ltd, Schneider Electric Japan Holding Ltd, Schneider Electric Venezuela SA, Schneider Toshiba Inverter S.A.S. and PDL Holding Ltd.

<sup>(1)</sup> Directly or through the corporate mutual fund.

*Expertise and experience:*

After graduating from ESEO Angers and obtaining an MBA from EM Lyon, Jean-Pascal Tricoire spent his early career with Alcatel, Schlumberger and Saint Gobain. He joined the Schneider Electric Group (Merlin Gerin) in 1986. Between 1988 and 1999, he held a variety of line positions with international subsidiaries in Italy (five years), China (five years) and South Africa (one year). On his return to France, he joined the headquarters team, serving from 1999 to 2001 as vice president, Strategic Global Accounts with specific responsibility for the Schneider 2000+ program. From January 2002 to the end of 2003, he was executive vice president of Schneider Electric's International Division. In October 2003, he was named chief operating officer, before becoming chairman of the Schneider Electric management board on May 3<sup>rd</sup> 2006.

## **Member of the Management Board**

### **Pierre BOUCHUT**

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Age : 52

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Business address: Schneider Electric 43-45 bd Franklin Roosevelt – 92500 Rueil Malmaison, France

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42,000 Schneider Electric shares

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First elected: 2006 / Current term ends: 2009

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*Other directorships and functions in French or foreign companies*

- Currently: member of the management board of Schneider Electric SA ; chairman of the board of directors of Schneider Electric Services International; director of Schneider Electric Industries S.A.S., Schneider Electric France, Square D and France Transfo.
- Previous directorships and functions held in the past five years: director of Havas, Casino (and various other functions within the Group), Laurus (Netherlands), Smart & Final (USA), CBD (Brazil) and Big C (Thailand).

*Expertise and experience:*

A graduate of Hautes Etudes Commerciales and holder of a masters degree in applied economics from Paris Dauphine University, Pierre Bouchut began his career in 1979 with Citibank Paris, before moving to Bankers Trust France S.A. in 1987 as vice president, Finance. In 1988, he joined McKinsey & Company as a consultant. In 1990, he accepted the position of chief financial officer of the Casino Group, subsequently becoming the Group's chief executive officer. In May 2005, he joined Schneider Electric as executive vice president Finance & Control – Legal Affairs. He has been a member of the management board since May 3<sup>rd</sup> 2006.

# Summary Overview of the Company's Financial Situation and Business Activity in 2006

## • Sales

Sales rose 17.6% on a current structure and exchange rate basis to **€13,730 million** in 2006. After two years of strong expansion, **organic growth reached a record 10.7%**. This performance reflects, in particular, the Group's growing presence in high-growth emerging countries and investments in promising new businesses such as services and energy management.

Acquisitions — primarily ABS EMEA and IBS in Building Automation; Clipsal Asia, OVA and Merten in Ultra Terminal; BEI Technologies and Juno Lighting — contributed **€800 million**, or 6.9%, to sales. The currency effect had virtually no impact, as the average Dollar/Euro exchange rate was stable in relation to 2005.

## • Operating income

**Operating income** increased again in 2006, rising a strong **28%** to **€2,001 million**. On a constant structure and exchange rate basis, operating income rose **21%** thanks to:

- a record sales growth,
- a strong ability to increase prices, which allows the compensation of the increase in raw material costs,
- efficiency plans again generated significant industrial productivity gains,
- the keeping under control of selling, administrative and general expenses.

All regions (Europe, North America, Asia-Pacific and Rest of the World) and businesses (Electrical Distribution, Automation & Control and Critical Power) reported a strong growth in operating income.

## • Operating margin

**Operating margin** (operating income / sales) widened by **1.2 point** compared to 2005 to a record **14.6%**, exceeding the new<sup>2</sup> company program's target of 12.5%-14.5% for 2005-2008.

## • Net income

**Net income** also increased strongly, by **32%** to **€1,309 million**, reflecting good interest expense management while net debt increased sharply and a 0.6 point decrease in the effective tax rate to 28.5% from 29.1% in 2005.

- Earnings per share rose **31%**, in tandem with net income, to **€5.95**.

## • Operating cash flow

**Operating cash flow** totaled **€1,921 million** and represented 14.0% of sales. After changes in working capital and net investment, **free cash flow** rose **30%** to **€1,107 million**.

## • Return on capital employed

**Return on capital employed** increased by **1.2 point** to **11.7%** thanks to tight control over capital employed, which rose by only 15% during a period of strong business and earnings growth.

## • Future perspectives

Announced on October 30<sup>th</sup> 2006, the acquisition of APC, worldwide leader in Critical Power, was finalized on February 14<sup>th</sup> 2007. Critical Power is a strong and lasting growth market; its development lies on a growing demand of electrical quality and reliability for an expanding amount of applications.

In light of the success of the new<sup>2</sup> company program's action plans, Schneider Electric has set new financial targets for 2007-2008. These include:

- Average **organic sales growth above 6%** per year, thanks in particular to the additional growth provided by APC;
- **EBITA margin** between **13% and 15%**, for a potential improvement of 1 to 1.5 point in an equivalent economic environment;
- A **2 point** increase in **return on capital employed**, compared to the 9.3% of the 2006 proforma including APC.

## Five-year Financial Summary

Nature of indications	2002	2003	2004	2005	2006
<b>Capital and Potential Capital at December 31</b>					
Capital stock <i>(in thousands of Euros)</i> . . . . .	1,926,503	1,854,737	1,809,553	1,812,954	1,821,587
Shares in issue . . . . .	240,812,905	231,842,170	226,194,177	226,619,227	227,698,348
Convertible bonds in issue <i>(in thousands)</i> . . . . .	-	-	-	-	-
Maximum number of shares to be created <i>(in thousands)</i> :					
• through conversion of bonds . . . . .	-	-	-	-	-
• through exercise of rights . . . . .	5,744	5,707	7,140	10,126	10,174
<b>Results of Operations <i>(in thousands of Euros)</i></b>					
Sales net of VAT . . . . .	1,980	1,896	1,208	2,868	1,735
Investment revenue, interest income and other revenue . . . . .	676,938	640,884	627,389	507,001	812,373
Income before tax, depreciation, amortization and provisions . . . . .	156,103	395,143	547,381	411,950	683,335
Income tax . . . . .	-	5,835	4,156	278	4,304
Net income . . . . .	221,139	474,732	558,768	450,793	887,825
Dividends paid <sup>(1)</sup> excluding précompte equalization tax and tax credit . . . . .	<sup>(2)</sup> 228,813	255,026	<sup>(3)</sup> 407,150	509,893	<sup>(4)</sup> 683,095
<b>Per Share Data <i>(in Euros)</i></b>					
Net income before depreciation, amortization and provisions . . . . .	1.30	1.79	2.51	2.12	3.92
Earnings per share . . . . .	0.92	2.05	2.47	1.99	3.90
Dividend per share, net of tax credit . . . . .	1.00	1.10	1.80	2.25	<sup>(4)</sup> 3.00
<b>Employees</b>					
Average number of employees during the year . . . . .	3	3	3	3	2
Total payroll for the year <i>(in thousands of Euros)</i> . . . . .	3,823	2,213	2,443	4,446	3,648
Total employee benefits paid over the year (payroll taxes, other benefits) <i>(in thousands of Euros)</i> . . . . .	668	416	534	690	1,194

<sup>(1)</sup> Dividends paid to shares held in treasury on the dividend payment date and the associated tax credit tax are credited to retained earnings.

<sup>(2)</sup> After cancellation of 12 million shares.

<sup>(3)</sup> Due to the abolition of both tax credit equalization tax and tax credit, a one-off tax of 25 % of the net amount of distributions made in 2005 is introduced as a substitute. This tax is creditable against the corporate income tax (one third for each of the 3 following years). The excess credit for each year is refunded.

<sup>(4)</sup> Subject to the shareholders' approval.

# Presentation of the agenda for the Annual General Meeting

The management board has decided to convene the annual ordinary and extraordinary general meeting in order to have the annual accounts and statutory conventions approved, to determine amounts to be distributed (I), and to renew financial authorisations for enabling the company to buy back its own shares and to make an increase in capital either with or without pre-emptive rights together with financial authorisations in favour of employees (attribution of bonus shares, increases in capital reserved for employees) (II). Moreover, the meeting is invited to modify the articles of association, in accordance with the law, to provide for designation of candidates for places on the company's supervisory board by employee shareholders (III).

## **I. Approval of annual accounts and statutory conventions or commitments, determining dividends (resolutions 1 to 5)**

The first two resolutions respectively concern approval of the parent company financial statements and consolidated financial statements. Schneider Electric SA corporate income amounts to 887.8 million Euros. The Group net income share amounts to 1,309 million Euros, an increase of 32 % on 2005.

The purpose of the third resolution is to allocate distributable profits and to decide to distribute a dividend of **3 Euros** per share deducted from these profits. In compliance with the new tax regime, this dividend will not be accompanied by any tax credit. On the other hand, for physical persons domiciled in France for tax purposes, it will be incorporated into the income tax base for 60% of its value after application of an abatement of 40 %, and will give right to a tax credit, all received dividends included, limited to 115 € for unmarried, divorced or widowed tax-payers and 230 € for couples who make their tax declaration in common. Dividends will be available for payment on **May 2<sup>nd</sup> 2007**.

The fourth and fifth resolutions concern approval of statutory agreements and commitments for the financial year 2006. They concern:

- a memorandum of understanding signed with the AXA Group concerning reciprocal participation between AXA and Schneider Electric authorised by the board of directors on January 6<sup>th</sup> 2006 (fourth resolution);
- measures decided upon by the supervisory board on May 3<sup>rd</sup> 2006, to enable Mr Jean-Pascal TRICOIRE to maintain the pension and welfare advantages from which he benefited under the terms of his contract of employment with Schneider Electric Industries SAS, which contract was suspended as a result of his nomination as chairman of the management board (fifth resolution);
- and the additional clause to be added to Mr Jean-Pascal TRICOIRE's suspended contract of employment with Schneider Electric Industries SAS for setting the conditions of resumption and termination of this contract (fifth resolution).

## **II. Renewal of financial authorisations (resolutions 6 and 9 to 15)**

### **a) Buy-back of shares**

The purpose of the sixth resolution is to renew the authorisation given to the company to buy back its own shares in compliance with the measures laid down in articles L.225-209 and following of the Commercial Code. Buy-backs may enable capital to be reduced, stock option plans to be covered, bonus shares to be allotted or debt securities to be converted into shares, external growth operation to be carried out and, in the context of a liquidity contract, the company's securities market to be promoted. The maximum buy-back price is set at 130 € per share. On the basis of the authorisation given by the general meeting in 2006, the company set up a liquidity contract in which the financial intermediary in charge of the contract bought back 2,292,219 shares over 2006 at an average price of 85.29 Euros and sold 2,172,219 shares at an average price of 85.32 Euros.

## **b) Increase in capital, with or without pre-emptive rights on shares**

The purpose of the ninth, tenth, eleventh and twelfth resolutions is to renew delegations of authority given to the management board in order to carry out increases in capital and which are expiring for any sums that have not been used.

In this context, the management board announced that it was going to make an increase in capital of 1 billion Euros maintaining pre-emptive rights. This operation lies within the framework of refinancing a part of the acquisition cost for the American company "APC", whose take-over, finalised on February 14<sup>th</sup> 2007, has made Schneider Electric the world-wide reference in UPS systems.

In conformity with the Commercial Code, we request you to delegate authority to the management board to decide to increase corporate capital by issuing capital securities or giving access to capital, either with or without pre-emptive rights. It is planned to set the maximum increases in capital to a nominal value of 500 million Euros, or 62.5 million shares, limited to:

- 500 million Euros for operations carried out with pre-emptive rights (ninth resolution),
- 300 million Euros, or 37.5 million shares, for operations carried out without pre-emptive rights (tenth resolution) or intended to remunerate contributions in securities in the event of a public offer of exchange (twelfth resolution),
- 182 million Euros at nominal value, or 22.7 million shares, for operations intended to remunerate contributions in kind concerning securities issued by third-party companies (twelfth resolution).

You are also requested to authorise the management board to increase the size of any issue, which it may have decided to make in the event of an over-application, but within the limits laid down above. Any complementary increase in capital, which could take place within 30 days of closing the initial application, may not exceed 15% of the value of the initial application and must be made out at the same price (eleventh resolution).

The management board may also decide to increase capital by incorporating reserves or share premiums within the limits of 500 million Euros nominal.

## **c) Renewal of authorisations in favour of employees**

### *Allotment of bonus company shares*

The purpose of the thirteenth resolution is to renew in advance the authorisation to allot bonus shares, which is due to expire in 2009, so as to enable the management board to use the new right provided for by the law on development of employee participation and shareholding dated December 30<sup>th</sup> 2006, and to adjust minimum acquisition and conservation times. In this way, the management board will be able to allow for an acquisition period of at least four years without any conservation obligations for employees who are not domiciled in France for tax purposes. The management board's capacity to use this right will make it easier to allot bonus shares to beneficiaries who are not French residents for tax purposes.

Moreover, it is provided for that share allotments become definitive and their transferability become immediate for all beneficiaries who become disabled.

Other conditions remain unchanged. As a result, share allotment depends in part on conditions of performance. The total number of shares allotted may not represent more than 0.5% of company capital and the number of shares to which share options or stock purchase plans allotted under the terms of the twenty-fourth resolution of the general assembly of May 3<sup>rd</sup> 2006 give rights and shares allotted in the context of the present resolution must not exceed 3% of all capital.

On the basis of the authorisation in force at present, the management board allotted 52,006 shares on December 21<sup>st</sup> 2006, half of them under the condition that performance targets are attained. Shares, which will belong definitively to their beneficiary after a period of three years, are subjected to a conservation period that lasts two years. For tax reasons, allotment of bonus shares has been limited to beneficiaries who are domiciled in France for tax purposes except for expatriates.

#### *Increases in capital reserved for employees*

The purpose of the fourteenth resolution is to give the management board the powers it requires for making increases in capital reserved for employees participating in the Company Savings Plan, up to a limit representing 5 % of corporate capital. This authorisation, which is valid for 5 years, increases discounts that can be granted on share applications proposed to employees participating in Company Savings Plan to 20%.

The fifteenth resolution is intended to enable employee shareholding operations to be extended to foreign countries where it is difficult for legislation and local practices to be compatible with the regulations laid down in the Company Savings Plan. For these cases, the resolution proposes to give to the management board authorisation to carry out increases in capital reserved for a specific category of beneficiaries, in this case entities created to apply for company shares in the context of employee stock ownership plans. This authorisation concerns 0.5 % of capital. Any issues made will be allocated to a maximum limit of 5% of the value of increases in capital reserved for employees participating in the Company Savings Plan. Shares may be issued with a maximum discount of 20% on reference market prices. This authorisation will remain valid over a period of 18 months.

These authorisations cancel and replace authorisations given under the same conditions by the general assembly on May 3<sup>rd</sup> 2006 for any amounts remaining unused. The supervisory board has given the management board permission to make increases in capital in favour of employees up to a maximum limit of 1 % of capital. These increases should be made on May 31<sup>st</sup> 2007.

### **III. Modification to articles of association**

The seventh resolution concerns modifications to the articles of association so as to allow nominations to be made by employee shareholders for persons to be elected to sit on the supervisory board in compliance with article L.225-71 of the Commercial Code.

Today, the law on development of employee participation and shareholding dated December 30<sup>th</sup> 2006, requires quoted companies, in which over 3% of capital on December 31<sup>st</sup> 2006 is held directly, or indirectly via corporate mutual funds, by employees of the company and its French and foreign subsidiaries, to modify their articles of association in order to establish legal conditions for employee shareholders to nominate a member of the supervisory board, to be elected at the annual shareholders' meeting. On December 31<sup>st</sup> 2006, employee shareholders in Schneider Electric held 3.09 % of capital.

The principle is already established whereby the supervisory board includes a member representing employee shareholders named under conditions defined by the supervisory board. However, as employees held over 3% of capital at the end of the financial year, the member appointed by the general assembly under the conditions defined by the supervisory board is replaced by a member appointed for 4 years by the general assembly under the following conditions.

The assembly rules after seeing a list of candidates proposed by employee shareholders. Candidates are appointed by the company mutual fund supervisory boards, with a maximum of two candidates per board. Employees who hold their shares directly, even though they only represent a very small part of employee

shareholders, are also called upon to put forward a candidate. To avoid having too many candidates, the management board may, if needs be, bring together a part of the mutual fund supervisory boards so that together they only put forward two candidates at the most.

The only employees authorised to be candidates are employees who hold a contract of employment compatible with the duration of office of a member of the supervisory board and who hold at least 25 shares or a equivalent number of units in a mutual fund invested in the company's shares.

If needs be, it will be the responsibility of the general assembly that rules on the accounts for year 2007 to appoint a member of the supervisory board as per the above measures.

The eighth resolution concerns a second modification to the articles of association, which aims at providing for direct election of a member of the supervisory board by employees of the company and its direct and indirect subsidiaries, whose registered offices are located in France. This resolution is submitted to you in application of the Commercial Code, which requires the general assembly to rule on direct election of a member of the supervisory board by employees of the Group's French subsidiaries, when it is called upon to modify the articles of association in order to introduce conditions enabling employee shareholders to name a candidate to become member of the supervisory board. The management board has not approved this resolution and invites you to vote against it.

# Resolutions

## RESOLUTIONS VOTED ON IN ORDINARY MEETING

### ■ FIRST RESOLUTION

*(2006 parent company financial statements)*

The general meeting, acting with the quorum and majority required for ordinary general meetings, having heard the reports of the management board and the auditors, and noting that the supervisory board had no comments on the management board's report or on the parent company financial statements, approves the transactions and parent company financial statements for the year ended December 31st 2006, as presented by the management board. These financial statements show a net profit for the year of €887,824,631.27.

### ■ SECOND RESOLUTION

*(2006 consolidated financial statements)*

The general meeting, acting with the quorum and majority required for ordinary general meetings, having heard the reports of the management board and the auditors, and noting that the supervisory board had no comments on the management board's report or on the consolidated financial statements, approves the transactions and consolidated financial statements for the year ended December 31<sup>st</sup> 2006, as presented by the management board.

### ■ THIRD RESOLUTION

*(Appropriation of profit and dividend payment)*

The general meeting, acting with the quorum and majority required for ordinary general meetings, approves the management board's recommendations and resolves accordingly to appropriate profit available for distribution in the amount of €1,162,970,118.94, corresponding to profit for the year of €887,824,631.27 plus retained earnings of €275,145,487.67 as follows:

Dividends	€ 683,095,044.00
Retained earnings	€ 479,875,074.94
Total	€ 1,162,970,118.94

The dividend will amount to €3.00 for the 227,698,348 €8 par value shares cum dividend January 1<sup>st</sup> 2006 that were outstanding on December 31<sup>st</sup> 2006.

The full dividend will be eligible for the 40% deduction for individuals resident in France as of January 1<sup>st</sup> 2007, provided for in article 153-8-2 of the Tax Code.

Unpaid dividends on shares held in treasury as of the dividend payment date will be allocated to retained earnings.

No amounts eligible or not eligible for the 40% deduction provided for in article 158-3-2 of the Tax Code will be distributed, other than the dividend described above.

Dividend payments and any corresponding tax credits for the last three years were as follows:

	Net dividend €	Tax Credit €	Tax Credit €
2003	1.1	0.55 (1) 0.11 (2)	1.65 1.21
2004	1.8	-	1.8 (3)
2005	2.25	-	2.25 (4)

(1) 50% tax credit

(2) 10% tax credit

(3) Full dividend eligible for a 50% deduction for individuals resident in France as of January 1<sup>st</sup>, 2004. No non-eligible dividends were distributed for 2004.

(4) Full dividend eligible for a 40% deduction for individuals resident in France as of January 1<sup>st</sup>, 2005. No non-eligible dividends were distributed for 2005.

#### ■ FOURTH RESOLUTION

*(Agreements governed by article L.225-38 of the Commercial Code)*

The general meeting, acting with the quorum and majority required for ordinary general meetings, and having heard the auditors' special report on agreements governed by article L.225-38 of the French Commercial Code, presented in accordance with article L.225-40 of said Code, approves the agreement concerning a memorandum of understanding between Schneider Electric SA and AXA, as presented in this report, and notes the information concerning the agreement signed in a previous year.

#### ■ FIFTH RESOLUTION

*(Agreements governed by article L.225-86 of the Commercial Code)*

The general meeting, acting with the quorum and majority required for ordinary general meetings, and having heard the auditors' special report on agreements governed by articles L.225-86, L.225-90-1 and L.225-79-1 of the Commercial Code, presented in accordance with article L.225-88 of said Code, approves the commitments and agreement concerning Mr. Jean-Pascal TRICOIRE, as presented in this report.

#### ■ SIXTH RESOLUTION

*(Authorisation to trade in the company's shares – maximum purchase price: €130)*

The general meeting, acting with the quorum and majority required for ordinary general meetings, having heard the report of the management board drawn up in accordance with article L.225-209 of the Commercial Code, authorizes the management board, in accordance with article L.225-209 of the Commercial Code, to buy back company shares in order to reduce the capital, or in connection with stock option plans, or plans to grant

shares without consideration, or to permit the conversion of convertible debt securities, or to finance an acquisition, or for the purpose of market making under a liquidity agreement.

- The maximum number of shares that may be acquired pursuant to this authorisation may not exceed 10 percent of the issued share capital as of the date of this meeting (representing 22,769,834 shares on the basis of the number of shares outstanding at the last official count on December 31<sup>st</sup> 2006).
- The maximum purchase price is set at €130. However, if all or some of the shares acquired pursuant to this authorisation are intended to be allotted on exercise of stock options, in application of articles L.225-177 et seq. of the Commercial Code, the selling price of the shares in question will be determined in accordance with the provisions of the law governing stock options.
- Share purchases may not exceed an aggregate maximum amount of €2,960,078,420.
- The shares may be acquired, sold or otherwise transferred by any appropriate method, and in compliance with current legislation, on the market or over the counter, including through block purchases or sales, the use of all forms of derivatives traded on a regulated market or over the counter, or the use of put or call options including combined puts and calls.
- Shares acquired may also be canceled, subject to compliance with the provisions of articles L.225-204 and L.225-205 of the Commercial Code and in accordance with the twenty-third resolution approved by shareholders at the annual meeting of May 3<sup>rd</sup> 2006.
- The management board may adjust the maximum and/or minimum prices set above in the following cases: 1) an issue of bonus shares or increase in the par value of existing shares paid up by capitalizing reserves or earnings, 2) a stock split or reverse stock split, or 3) more generally, any transaction affecting equity, to account for the impact of such transactions on the share price. The adjustment will be determined by multiplying the price by the ratio between the number of shares outstanding before and after the transaction.
- This authorisation will expire at the end of a period of eighteen months from the date of this meeting.

## **RESOLUTIONS TO BE VOTED ON IN EXTRAORDINARY MEETING**

### **■ SEVENTH RESOLUTION**

*(Amendment of the articles of association to provide representation of the employee shareholders at the supervisory board, in accordance with article L.225-71 of the Commercial Code)*

The general meeting, acting with the quorum and majority required for extraordinary general meetings, having heard the report of the management board, resolves to amend the company's articles of association as follows, in accordance with article 32 of the French Act of December 30<sup>th</sup> 2006 on the development of employee stock ownership. Addition of the following provisions to article 11:

- « c) The supervisory board shall include one member representing employee shareholders, who shall be elected by the shareholders in general meeting according to a process determined by the supervisory board.

If, however, employees of the company and of related companies (within the meaning of article L.225-180 of the Commercial Code) hold over 3% of the company's capital – as evidenced by the disclosures made in the annual report drawn up by the management board in application of article L.225-102 of the Commercial Code – said supervisory board member shall be elected for a four-year term by the general meeting voting on a motion tabled by the shareholders referred to in article L.225-102 of the Commercial Code on the basis defined in paragraphs (i) to (iii) below.

- (i) The member of the supervisory board representing employee shareholders shall take up his or her seat on the supervisory board on the date of his or her election by the general meeting. Where applicable, he or she shall replace the incumbent member elected on the basis decided by the supervisory board, whose term shall be considered as having expired. His or her term shall end at the close of the annual general meeting called during the final year of the period for which he or she was elected. However, his or her term shall end ipso jure and he or she will be considered as having resigned in the following cases:
  - if he or she is no longer i) an employee of the company or a related company within the meaning of article L.225-180 of the Commercial Code, ii) a shareholder or a holder of units in a mutual fund invested in the company's shares, iii) a member of the supervisory board of the company mutual fund that proposed him or her as a candidate, or
  - if employees of the company and of related companies within the meaning of article L.225-180 of the Commercial Code hold less than 3% of the company's capital – as evidenced by the disclosures made in the annual report drawn up by the management board in application of article L.225-102 of the Commercial Code.
- (ii) The general meeting shall vote on the list of candidates presented by employee shareholders, selected as follows:
  - a) When the voting rights attached to shares held by the employees and former employees referred to in article L.225-102 of the Commercial Code are exercised by the supervisory boards of mutual funds invested in the company's shares, each of these supervisory boards shall designate one or two candidates, selected at their discretion. The company's management board may, however, decide to require two or more supervisory boards to consult together and to jointly designate one or two candidates.
  - b) When the voting rights attached to shares held directly by employees or indirectly by employees or former employees through mutual funds invested in the company's shares, are exercised directly by said employees or former employees, the candidates shall be designated through a written consultation process initiated by the chairman of the management board. Only candidates endorsed by a group of employee shareholders together representing at least 5% of the shares held by employees who exercise their voting rights directly shall be eligible for election.
  - c) Candidates for election as the representative of employee shareholders on the supervisory board must be employed under a contract that qualifies them to sit on the supervisory board for a four-year term and must hold at least 25 Schneider Electric SA shares or an equivalent number of units in a mutual fund invested in the company's shares.
  - d) The conditions and procedures for the designation of candidates not specified by the applicable laws and regulations and these articles of association shall be determined by the management board, particularly as regards the timeline for the selection of candidates.
  - e) The list of duly designated candidates shall be drawn up by the chairman of the management board and appended to the notice of meeting for the general meeting during which the member of the supervisory board representing employee shareholders is to be elected.
- (iii) The candidate who receives the greatest number of votes cast by the shareholders present and represented at the general meeting shall be elected to the supervisory board.

If the seat on the supervisory board reserved for a representative of employee shareholders falls vacant, a new representative shall be appointed on the same basis prior to the next general meeting, or at the next general meeting if it is held within three months of the seat falling vacant. The supervisory board may meet and validly conduct business pending the appointment or election of a new member representing employee shareholders."

The general meeting notes that a representative of employee shareholders will be elected to the supervisory board for the first time in accordance with this amendment to the articles of association at the annual general meeting to be held to approve the 2007 financial statements, if applicable.

## ■ EIGHTH RESOLUTION

*(Amendment of the articles of association to provide representation of the employees of the French companies in the Group at the supervisory board)*

The general meeting, acting with the quorum and majority required for extraordinary general meetings, having heard the report of the management board, resolves to amend the company's articles of association as follows, in accordance with article L.225-71 of the Commercial Code:

Addition of the following provisions to article 11:

« d) One member of the supervisory board shall be elected by the employees of the company and its direct or indirect subsidiaries that have their registered office in France. Said member shall be elected according to the process specified in articles L.225-27 to L.225-34 of the Commercial Code and these articles of association, for a four-year term. However, if the member no longer fulfils the conditions of eligibility set out in article L.225-28 of the Commercial Code or his or her employment contract is terminated in the circumstances set out in article L.225-32 of the Code, he or she will be considered as having resigned from the supervisory board ipso jure.

All employees of the company and its French subsidiaries, as defined above, shall be eligible to stand as candidates and to take part in the vote. Each ballot paper shall include the name of the candidate and of a substitute who can be called upon to replace the elected member if he or she becomes unable to serve on the supervisory board for any reason.

Candidates other than those presented by a representative trade union within the meaning of article L.423-2 of the Labor Code, must submit a document containing the names and signatures of the one hundred employees endorsing the candidate and his or her substitute.

The election shall comprise two rounds of voting. The successful candidate shall be the one who receives an absolute majority of the votes cast in the first round or a relative majority in the second round.

Elections shall be held every four years. They shall be timed so that the second round of voting, if any, takes place no later than fifteen days prior to the end of the normal term of the incumbent supervisory board member representing employees.

In all cases where a new election is necessary to ensure the continued representation of employees on the supervisory board, as provided for in these articles of association, said election shall be organized without delay. The new supervisory board member shall take up his or her seat on the board on the date when the results of the election are announced. The supervisory board may meet and validly conduct business in the intervening period.

The election schedule and the aspects of the election process not dealt with in the Commercial Code or these articles of association shall be determined by the chairman of the management board or by any person duly empowered by the chairman."

## ■ NINTH RESOLUTION

*(Delegation of authority to the management board to increase the capital by a maximum of €500 million by issuing common shares or other share equivalents, in all cases with pre-emptive subscription rights)*

The general meeting, acting with the quorum and majority required for extraordinary general meetings, and having heard the report of the management board and the statutory auditors' special report, resolves, in accordance with articles L.225-129-2 and L.228-92 of the Commercial Code:

- to authorize the management board, directly or through a representative, to increase the company's issued share capital on one or several occasions by issuing, in France or abroad, common shares or legally recognized securities that are convertible, redeemable, exchangeable or otherwise exercisable for shares, at any time or on fixed dates. The securities may be denominated in Euros or in any other currency or any monetary unit determined by reference to a basket of currencies. This authorisation is given for a period of twenty-six months from the date of this meeting;
- that the issued share capital may be increased during the period by a maximum aggregate amount of €500 million, taking into account the increases authorized in the 10<sup>th</sup> and 12<sup>th</sup> resolutions. The €500 million ceiling will not include the par value of any shares to be issued to prevent dilution of the rights of holders of share equivalents;
- that the aggregate par value of debt securities that are convertible, redeemable, exchangeable or otherwise exercisable for shares may not exceed €1.5 billion;
- that holders of existing shares will have a pre-emptive right to subscribe any securities to be issued pro rata to their existing holdings;
- that if all the securities offered are not taken up by shareholders exercising their pre-emptive rights, as provided for above, the management board may offer all or some of the remaining securities for subscription by the public, in accordance with article L.225-134 of the Commercial Code;
- that this authorisation automatically entails the waiver by shareholders of their pre-emptive right to subscribe any common shares issued on redemption, conversion, exchange or exercise of share equivalents issued in application of this resolution;
- to authorize the management board to increase the company's issued share capital on one or several occasions over a period of twenty-six months by issuing bonus shares or raising the par value of existing shares to be paid up by capitalizing reserves, earnings, additional paid-in capital or other legally acceptable items in accordance with the articles of association;
- that the aggregate capital increases that may be carried out by issuing bonus shares or raising the par value of existing shares, combined with any additional increases to protect the rights of holders of share equivalents in accordance with the law, may not exceed the sum of retained earnings, additional paid-in capital and earnings before the capital increase;
- that the management board has full powers to implement this authorisation;
- that this authorisation cancels and replaces all similar authorisations given at previous general meetings for their unused portion.

## ■ TENTH RESOLUTION

*(Delegation of authority to the management board to increase the capital by a maximum of €300 million by issuing common shares or other share equivalents, in all cases without pre-emptive subscription rights)*

The general meeting, acting with the quorum and majority required for extraordinary general meetings, and having heard the report of the management board and the auditors' special report, resolves, in accordance with articles L.225-129-2, L.225-135, L.225-136, L.228-92 and L.228-93 of the Commercial Code:

- to authorize the management board, directly or through a representative, to increase the company's issued share capital on one or several occasions by issuing, in France or abroad, common shares or legally recognized securities that are convertible, redeemable, exchangeable or otherwise exercisable for common shares in the company or in any other company in which it holds more than half of the issued capital either directly or indirectly, at any time or on fixed dates. The securities may be denominated in Euros or in any other currency or any monetary unit determined by reference to a basket of currencies. In accordance with article L.228-93 of the Commercial Code, this authorisation may be used to issue shares of the company on conversion, redemption, exchange or exercise of share equivalents issued by companies in which the company holds more than half of the issued capital either directly or indirectly.

This authorisation is given for a period of twenty-six months from the date of this meeting;

- that the issued share capital may be increased during the period by a maximum aggregate amount of €300 million and that the ceilings set in this resolution and the ninth resolution are not cumulative;
- the €300 million ceiling will not include the par value of any shares to be issued to prevent dilution of the rights of holders of share equivalents;
- That the aggregate par value of debt securities that are convertible, redeemable, exchangeable or otherwise exercisable for shares may not exceed €1.5 billion and that the ceilings set in this resolution and the ninth resolution are not cumulative;
- that holders of existing shares will not have a pre-emptive right to subscribe any securities issued, as allowed under current legislation; however, the management board may grant shareholders a non-transferable priority subscription right in accordance with article L.225-135 of the Commercial Code;
- that the amount received by the company for each share issued – including where applicable the issue price of any stand-alone warrants – shall be at least equal to the minimum price called for by the laws and/or regulations applicable on the date of issue, regardless of whether the shares or share equivalents rank pari passu with existing shares or share equivalents;
- that this authorisation entails the waiver by shareholders of their pre-emptive right to subscribe any common shares issued on redemption, conversion, exchange or exercise of share equivalents issued in application of this resolution;
- that the management board has full powers to implement this authorisation;
- that this authorisation cancels and replaces all similar authorisations given at previous general meetings.

## ■ ELEVENTH RESOLUTION

*(Authorisation to the management board to increase the number of shares to be issued, with or without pre-emptive subscription rights, if any issue decided in application of the ninth or tenth resolutions is oversubscribed)*

The general meeting, acting with the quorum and majority required for extraordinary general meetings, and having heard the report of the management board and the auditors' special report, resolves, in accordance with article L.225-135-1 of the Commercial Code:

- to authorize the management board, directly or through a representative, to increase, for each issue, the number of common shares or securities to be issued in application of the ninth or tenth resolutions as provided for by law and within the ceilings set out in the ninth and tenth resolutions.
- that the management board has full powers to implement this authorisation.

## ■ TWELFTH RESOLUTION

*(Authorisation to issue shares without pre-emptive subscription rights in payment for shares tendered to a public exchange offer or for contributed assets)*

The general meeting, acting with the quorum and majority required for extraordinary general meetings, and having heard the report of the management board and the auditors' special report, resolves that the authorisation given in the tenth resolution may be used to issue shares in payment for shares of another company tendered to a public exchange offer governed by article L.225-148 of the Commercial Code.

The general meeting also gives the management board a 26-month authorisation to use the authorisation given in the tenth resolution to carry out one or several share issues representing, in the aggregate, a maximum of 10% of the company's issued capital, in payment for shares or share equivalents contributed to the company in transactions not governed by article L.225-148, based on the values specified in the merger auditors' report.

In all cases, the amounts of any capital increases carried out pursuant to this resolution and the ceilings set in the ninth and tenth resolutions are not cumulative

The general meeting notes that the management board, directly or through a representative, has full powers to carry out the transactions described in this resolution and, in consequence, to increase the capital and place the increase on record.

## ■ THIRTEENTH RESOLUTION

*(Authorisation given to the management board to grant shares without consideration to officers and employees of the company and its subsidiaries and affiliates)*

The general meeting, acting with the quorum and majority required for extraordinary general meetings, and having heard the report of the management board and the auditors' special report, resolves, in accordance with articles L.225-197-1 et seq. of the Commercial Code:

- to authorize the management board to grant to officers and employees of the company, as defined in article L.225-197-1 of the Commercial Code, and its subsidiaries and affiliates, as defined in article L.225-197-2 of said Code, on one or several occasions, existing or new shares of the company without consideration;

- that the management board shall draw up the list of recipients of the grants, as well as the conditions and criteria for making said grants;
- that the total number of shares granted without consideration under this resolution may not represent more than 0.5% of the company's issued capital as of the date of this meeting; furthermore, that the sum of the shares that may be subscribed or purchased on exercise of options granted under the twenty-fourth resolution approved by the general meeting of May 3<sup>rd</sup> 2006 and the shares that may be granted without consideration under this resolution may not represent more than 3% of the company's capital;
- that rights to said shares shall vest after a period set by the management board, conditional on the achievement of the operating margin and revenue targets set by the management board. The management board shall set the vesting and lock-up periods for the shares granted without consideration in accordance with article L.225-197-1 of the Commercial Code. This may include, for all or some of the shares granted, a vesting period of no less than four years with no lock-up period, or, for the remaining shares, a vesting period of no less than two years with a lock up period of two years;
- that notwithstanding the foregoing, the said shares shall vest and be available for sale immediately if the grantee is declared disabled, as defined in article L.225-197-1 of the Commercial Code;
- to authorize the management board to adjust the number of shares in the case of any corporate actions, in order to prevent any dilution of beneficiaries' rights;
- that holders of existing shares shall waive their pre-emptive right to subscribe the shares issued for the purpose of being granted without consideration. Such a share issue would be carried out solely when the said shares vest;
- that this authorisation is given for a period of thirty-eight months from the date of this meeting. This authorisation cancels and replaces the unused portion of the authorisation given in the twenty-fifth resolution at the general meeting of May 3<sup>rd</sup> 2006.

Shareholders give full powers to the management board to carry out, directly or through a representative, any and all formalities required to use this authorisation, and, where necessary, to adjust the number of shares to take into account the effects of any corporate actions, to place on record the capital increase or increases undertaken pursuant to this authorisation, amend the articles of association to reflect the new capital and generally do everything necessary.

#### ■ FOURTEENTH RESOLUTION

*(Issuance of shares to employees participating in the Company Savings Plan)*

The general meeting, acting with the quorum and majority required for extraordinary general meetings, having considered the report of the management board and the auditors' special report, resolves, pursuant to articles L.443-1 et seq. of the Labor Code and L.225.129-6 and L.225-138-1 of the Commercial Code, and in accordance with said Commercial Code:

- to give the management board a five-year authorisation from the date of this meeting to increase the share capital on one or several occasions, at its discretion, by issuing shares and share equivalents to the employees participating in a Company Savings Plan set up by French or foreign related companies, in accordance with article L.225-180 of the Commercial Code and article L.444-3 of the Labor Code. The maximum nominal amount by which the capital may be increased may not exceed 5% of the issued capital as of the date on which this authorisation is used;

- to set the maximum discount at which shares may be offered under the Company Savings Plan at 20% of the average of the opening prices quoted for Schneider Electric shares on Euronext Paris over the twenty trading days preceding the date on which the decision is made to launch the employee share issue. However, the general meeting specifically authorizes the management board to reduce the above discount, within legal and regulatory limits;
- that in the case of an issue of share equivalents, the characteristics of these securities will be determined in accordance with the applicable regulations by the management board;
- that shareholders shall waive their pre-emptive right to subscribe the shares and share equivalents to be issued under this authorisation;
- that shareholders shall waive their pre-emptive right to subscribe the shares issued on redemption, conversion, exchange or exercise of share equivalents attributed in application of this resolution;
- that, effective June 30<sup>th</sup> 2007, this authorisation shall cancel and replace the unused portion of the authorisation given in the twenty-sixth resolution at the general meeting of May 3<sup>rd</sup> 2006;
- that the management board shall have full powers to use this authorisation, including the powers of delegation provided for by law, subject to the limits and conditions described above. In particular, the management board shall have full powers to:
  - decide the characteristics of the securities to be issued, the amounts of the issues, the issue price, the subscription date or period, the terms and conditions of subscription, payment and delivery of the securities, as well as the cum-dividend or cum-interest date, subject to compliance with the applicable laws and regulations;
  - place on record the capital increases corresponding to the aggregate par value of the shares subscribed directly or on redemption, conversion, exchange or exercise of share equivalents;
  - where appropriate, charge the share issue costs to the related premiums and credit all or part of the remaining premiums to the legal reserve as needed in order to raise this reserve to one-tenth of the new capital after each increase;
  - enter into any and all agreements, carry out any and all operations and formalities, directly or through a representative, including the formalities related to the capital increase and the corresponding amendment of the articles of association, and generally do whatever is necessary;
  - generally, enter into any and all underwriting or other agreements, take any and all measures and perform any and all formalities related to the issue, quotation and servicing of the securities issued under this authorisation and the exercise of the related rights.

## ■ FIFTEENTH RESOLUTION

*(Issuance of shares to entities set up to hold shares on behalf of employees)*

The general meeting, acting with the quorum and majority required for extraordinary general meetings, and having heard the report of the management board and the auditors' special report, resolves, in accordance with articles L.225-129 to L. 225-129-2 and L. 225-138-1 of the Commercial Code:

1. to authorize the management board, directly or through a representative, to increase the share capital on one or several occasions, at its discretion, by issuing shares or share equivalents to the persons falling into the category defined below. Said shares or share equivalents will rank *pari passu* with existing shares. The maximum nominal amount by which the capital may be increased may not exceed 0.5% of the issued capital as of the date of this meeting. The amount of any capital increase carried out under this authorisation shall be deducted from the aggregate amount by which the capital may be increased under the tenth and fourteenth resolutions of this meeting;
2. to waive shareholders' pre-emptive right to subscribe shares or share equivalents issued under this resolution to the following category of beneficiaries: all incorporated and unincorporated entities governed by French or foreign law created at the request of a company belonging to the Schneider Electric Group, in order to enable said entities to subscribe Schneider Electric shares or share equivalents as permitted under any applicable foreign law, for the purpose of stock ownership plans set up for employees of the Schneider Electric Group;
3. that the issue price of shares issued under this resolution will be set by the management board based on the price quoted for the company's shares on the Eurolist market of Euronext Paris. At the discretion of the management board, said price will be equal to either (i) the closing price of the company's shares quoted on the trading day preceding the decision of the management board setting the issue price, or (ii) the average of the opening prices quoted for the company's shares over the twenty trading days preceding the decision of the management board setting the issue price. When setting the issue price for these shares, the management board may apply a maximum discount of 20% to the quoted price of Schneider Electric shares as determined in accordance with either (i) or (ii) above. The discount will be determined by the management board taking into consideration any specific foreign legal, regulatory or tax provisions that may apply to any beneficiary governed by foreign law;
4. that the management board shall have full powers to use this authorisation as provided for by law, including the powers of delegation, subject to the limits and conditions described above. The management board shall have full powers to draw up the list of beneficiaries within the categories defined in this resolution and set the number of shares to be offered to each beneficiary. It may decide to limit the issue to the number of shares subscribed, providing that no less than 75% of the shares or share equivalents offered have been subscribed. In particular, the management board shall have full powers to:
  - decide the characteristics of the securities to be issued, the issue price, the subscription date or period, the terms and conditions of subscription, payment and delivery of the securities, as well as the cum-dividend or cum-interest date, subject to compliance with the applicable laws and regulations;
  - place the share issue on record, issue shares and share equivalents and amend the articles of association to reflect the new capital;
  - generally, enter into any and all underwriting or other agreements, take any and all measures and perform any and all formalities related to the issue, quotation and servicing of the securities issued under this authorisation and the exercise of the related rights.
5. that, effective June 30<sup>th</sup> 2007, this authorisation shall cancel and replace the unused portion of the authorisation given in the twenty-sixth resolution at the general meeting of May 3<sup>rd</sup> 2006.

This authorisation is given for a period of eighteen months from the date of this meeting.

The management board shall report to the general meeting called to approve the financial statements for the year ended December 31<sup>st</sup> 2007 on its use of this authorisation, as provided for by law.

■ **SIXTEENTH RESOLUTION**

*(Powers)*

The general meeting gives full powers to the bearer of a copy or extract of the minutes of the meeting to carry out all legal filing and other formalities.



# Request for documents and Additional information

Pursuant to Article 135 of the Decree of March 23, 1967  
SCHNEIDER ELECTRIC SA

I undersigned:

Ms, Mr,

NAME (or company name): \_\_\_\_\_

First name: \_\_\_\_\_

Address: \_\_\_\_\_

Postal Code: \_\_\_\_\_ City: \_\_\_\_\_

Owner of: \_\_\_\_\_ Registered shares

and/or \_\_\_\_\_ bearer shares,

Request a copy of the documents and information relating to the Annual General Meeting of Shareholders as provided by Article 135 of the Decree of March 23, 1967 on commercial companies.

Place \_\_\_\_\_ Date \_\_\_\_\_ 2007

Signature

*Note : Pursuant to Article 138 of the Decree of March 23, 1967, the owners of registered shares may obtain copies of the documents and information covered by Articles 133 and 135 of the afore-mentioned Decree for each subsequent General Meeting by making a single request.  
In the event that shareholder wants to take up this opinion, he or she should mention this fact on this form.*



