

# Annual Shareholders' Meeting

Paris - May 6, 2004

Merlin Gerin

Square D

Telemecanique



**Schneider**  
 **Electric**

*Building a New Electric World*

# A world leader in Power & Control

new 2004

*A unique range of products and solutions with recognized global brands and strong local brands*

## ➔ Electrical Distribution

Supplying electricity reliably  
and in complete safety

(69% of sales)

## ➔ No. 1 worldwide

 Merlin Gerin

 SQUARE D



## ➔ Automation & Control

Controlling, monitoring and  
protecting machines and  
equipment

(31% of sales)

## ➔ No. 2 worldwide

 SQUARE D

 Telemecanique



**Schneider**  
 Electric

# A constantly expanded lineup to meet market needs

new 2004

*Satisfying customer expectations with increasingly comprehensive, innovative and differentiated solutions in all applications*

- ➔ **Residential** Safety, comfort, voice-data-image applications
- ➔ **Buildings** Safety, comfort, communication, operating costs
- ➔ **Industry** Productivity, safety, flexibility and traceability
- ➔ **Energy & Infrastructure** Availability, safety, operating costs



*Residential  
(9% of sales)*



*Buildings  
(42% of sales)*



*Industry  
(32% of sales)*



*Energy & Infrastructure  
(17% of sales)*

# Schneider Electric today

new 2004

- 
- ➔ **Nearly €10 billion in sales**  
of which more than €1 billion from recent acquisitions
  - ➔ **82,000 employees worldwide**
  - ➔ **200 production facilities**  
60 of which are global
  - ➔ **13,000 sales outlets through distributors**
  - ➔ **Nearly 6% of sales invested in R&D**



Highlights of the year

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J.P. Tricoire

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# Highlights of the year

- ➔ **Return to organic sales growth**
- ➔ **Stepped up implementation of the efficiency plans and manufacturing base optimization**
- ➔ **Sustained strong operating performance and record free cash flow**
- ➔ **Creation of new growth platforms through high-quality acquisitions: T.A.C, Clipsal, MGE UPS Systems**
- ➔ **Late 2003 introduction of a new organization with the appointment of a Chief Operating Officer, Jean-Pascal Tricoire**

# Very solid financial performance

new 2004

	in € millions	<u>2003</u> % of sales	<u>2002</u> % of sales
➔ Sales	8,780	<i>down 3.1% from 2002 on a current basics</i>	
➔ Gross margin	3,717	42.3%	41.5%
➔ Operating income	1,007	11.5%	11.5%
➔ Net income before goodwill amortization	624	7.1%	6.8%

*2003 operating margin excluding currency effect: 13.0%*



Schneider Electric has demonstrated the quality of its business model and the effectiveness of the action plans of the NEW2004 program

# Creation of new growth platforms through high-quality acquisitions

## ➔ A targeted acquisitions strategy

- Industrial automation
- Building automation
- Residential market
- Secured power
- Sensors for machines
- Value-added services

## ➔ Rigorous execution over the past 18 months

- ☑ Digital: December 2002
- ☑ T.A.C: June 2003
- ☑ Clipsal: August 2003
- ☑ MGE UPS: December 2003
- ☑ Kavlico: March 2004
- ☑ T.A.C, MGE UPS



Additional full-year sales of €1.4 billion,  
with an average operating margin of 11%

# T.A.C: entering the Building Automation market



*Controllers*



*Actuators, sensors*



*Management and  
supervision systems*

- ➔ **A specialty business at the convergence of electrical distribution and automation & control**
- ➔ **An intrinsically attractive market worth €11 billion that is not very cyclical and is growing by 6% a year**
- ➔ **A global company with €350 million in revenues and 2,100 employees**
- ➔ **Deepens our presence in the building to meet the full range of customer needs for comfort, security, savings and communications**
- ➔ **A lineup focused on value-added services with complete building control solutions**

# Clipsal: strengthening our presence in the Asia-Pacific Residential market



*Data Com*

- ➔ **A high value-added brand, recognized as number 1 or 2 in wiring devices in 12 countries in the Asia-Pacific region**
- ➔ **Makes Schneider Electric world number 2 in the wiring devices business**
- ➔ **Combined sales of €350 million with 5,600 employees**
- ➔ **Enhances access to markets in Australia, South Africa and the Middle East**
- ➔ **Expands our ability to design and manufacturer a wiring devices offering**



*Integrated systems*

# MGE UPS Systems: expanding in Secured Power solutions



Harmonics  
compensators

- ➔ **A market representing a major opportunity in terms of size (€27 billion) and growth potential (8% a year)**
- ➔ **Long-term growth drivers in light of the growing need for reliable, clean power reinforced by the recent blackouts**
- ➔ **A world leader with €500 million in sales and 2,900 employees**
  - No. 1 in the European UPS market and No. 3 worldwide
  - Strong positions in Asia, especially China
- ➔ **Successful development in services, with average growth of 12.5% p.a. over the past five years.**

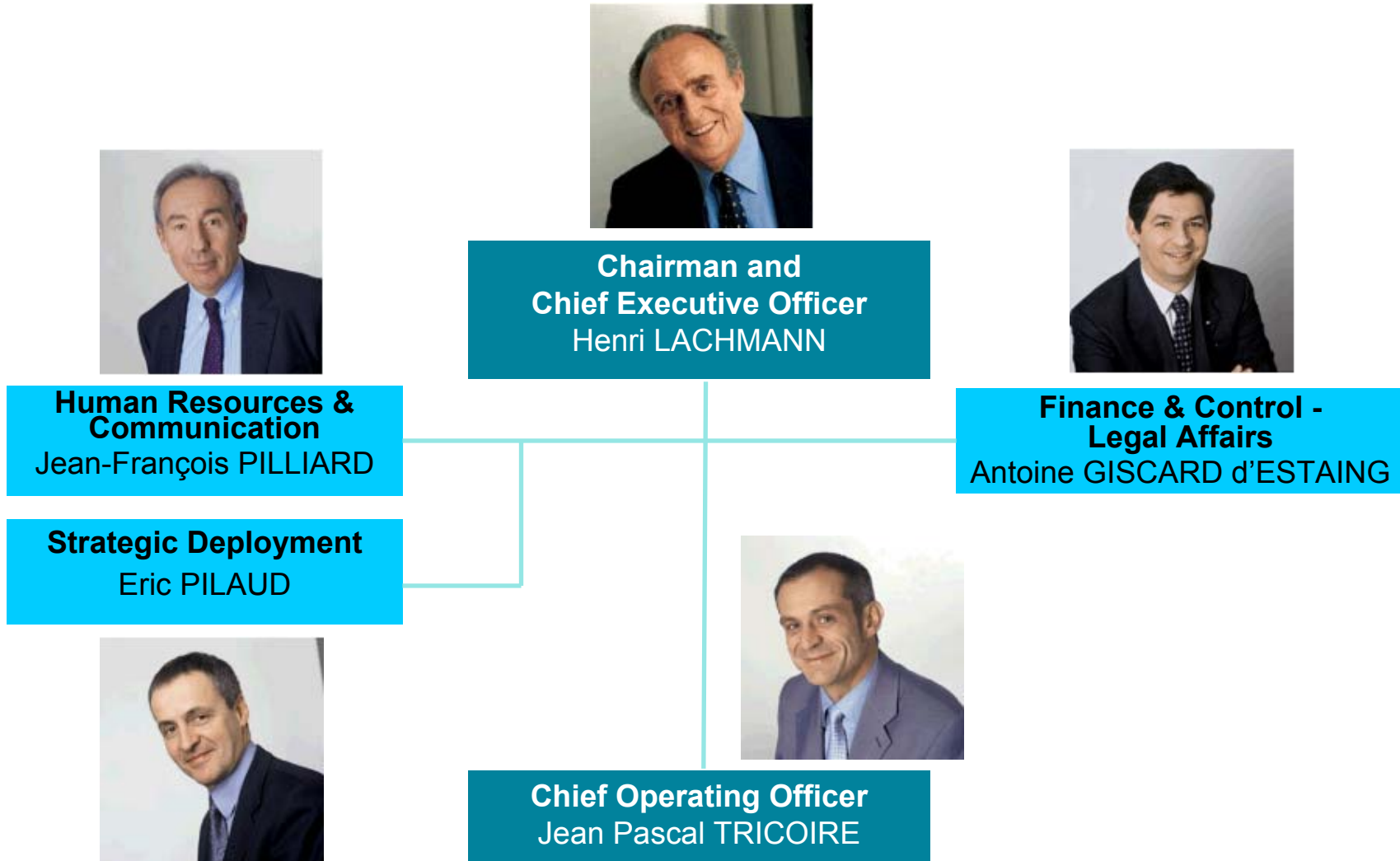


Three-phase  
solutions

# Objectives of the new organization

- ➔ **Separate operations management from strategy deployment by appointing a Chief Operating Officer, Jean-Pascal Tricoire**
- ➔ **Speed up execution of our Growth & Efficiency action plans with 3 new Central Divisions**
- ➔ **Leverage the Asia-Pacific region's growth and productivity potential by creating a dedicated Division**
- ➔ **Appoint younger, more international executives**

# Our new organization



# Our new organization (cont'd)



**Chief Operating Officer**  
Jean Pascal TRICOIRE

## 3 Central Divisions

**Customer  
& Market**  
M. Crochon



**Product &  
Technology**  
A. Marbach



**Globalization  
& Industry**  
H. Grant



## 4 Operating Divisions

**North America**  
D. Petratis



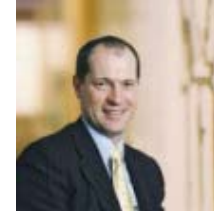
**Europe**  
C. Wiest



**International & Iberian**  
J. Rodriguez



**Asia-Pacific**  
R. Stocker



## Unique strengths in the industry

- ➔ **A world leader in Power & Control**
- ➔ **A premium portfolio of recognized products and brands & strong innovation capabilities**
- ➔ **A business model based on flexibility and the ability to form partnerships**
- ➔ **A balanced worldwide presence and forefront positions in emerging markets**
- ➔ **Skilled, committed teams & young management**
- ➔ **Strong operating performance and very solid financials**



Schneider Electric is particularly well placed to benefit from the worldwide economic recovery, to leverage the high potential of its accessible markets, and to create opportunities for strategic acquisitions



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- ➔ **Return to organic sales growth: up 1.4%**
  - Initial effects of our growth plans
  - Beginning of business recovery in 2nd half 2003
  
- ➔ **Very significant currency effect, reducing operating margin by 1.5 points**
  
- ➔ **High resilience of the operating margin**
  - Sustained execution of the efficiency plans
  - Strong gains in industrial productivity (€131 million)
  - Sustained control over base costs
  
- ➔ **Continued deployment in high-growth potential regions**

# Initial impact of our growth plans

- ➔ **Expansion in all of the emerging markets, with sales growing a strong 12% and accounting for more than 25% of the total**
  - China (up 22%), India (up 54%) and Eastern Europe up 14%)
  - Creation of 4 production units and 2 R&D centers in Asia
- ➔ **Successful entry into Japan with the acquisition of Digital Electronics: sales up 16%**
- ➔ **Market share gains in North America, led by successful execution of our growth plans**
- ➔ **Launch of growth initiatives in the European Residential market**



Return to organic sales growth in 2003: up 1.4%  
with market share gains in the US, Asia and Eastern Europe

# Sustained growth in 1st quarter 2004

- ➔ **Organic sales growth: +7.0%**
  - Return to growth in Western Europe
  - Confirmation of recovery in North America
  - Remarkable performance from all emerging countries
- ➔ **Significant contribution from the MGE UPS Systems, T.A.C and Clipsal acquisitions: +12.7%**
- ➔ **Persistently negative currency effect: €116 million, or - 5.6%**
- ➔ **Sales up +14.1% on a current basis**

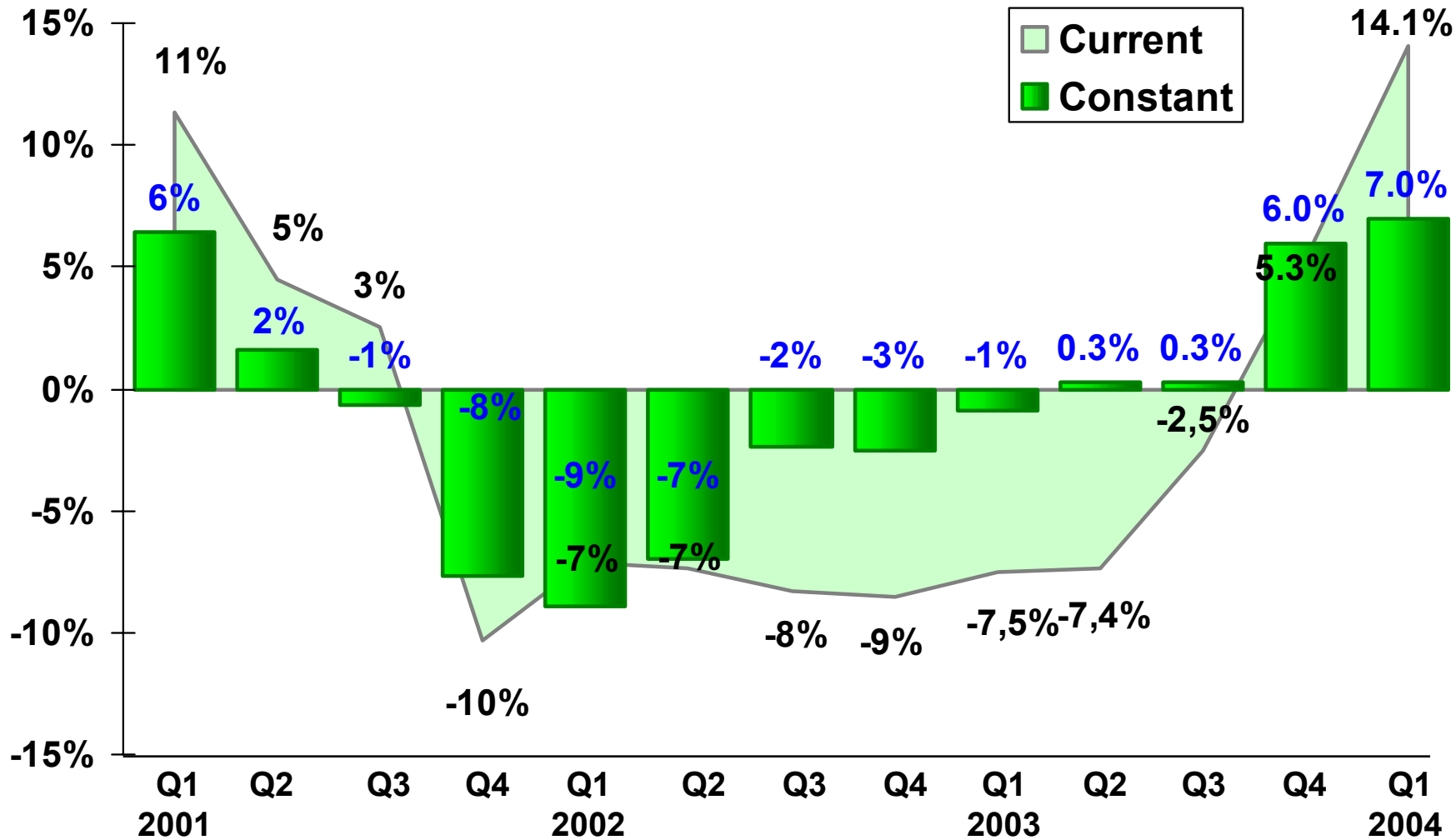


Further excellent performance in emerging countries and gradual recovery in mature countries, amplified by our growth action plans

# Trend reversal in 2nd half 2003

new 2004

(Quarterly sales change compared to the same quarter last year)



# Sustained execution of our efficiency plans

- ➔ Deployment of NEW 2004 productivity plans
- ➔ Gain of 3 points in North America operating margin
- ➔ Operating margin in Europe held steady
- ➔ Sustained manufacturing base optimization

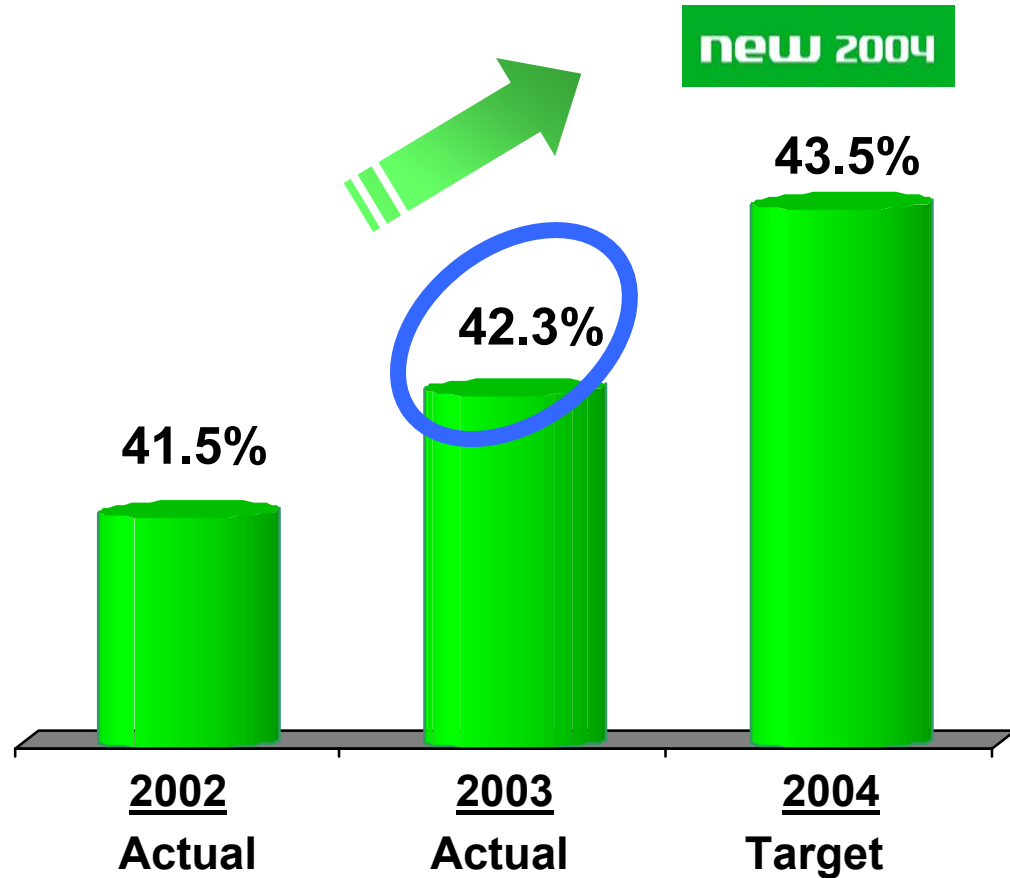


Gross margin improved by 1.4 points  
and operating margin stood at 13% excluding the currency effect

# Improvement in gross margin in line with target despite the currency effect

(as a % of sales)

Excluding the currency effect, gross margin reaches 42.9%, and exceeds the 2003 target



Gross margin = sales less cost of sales (including manufacturing base costs)

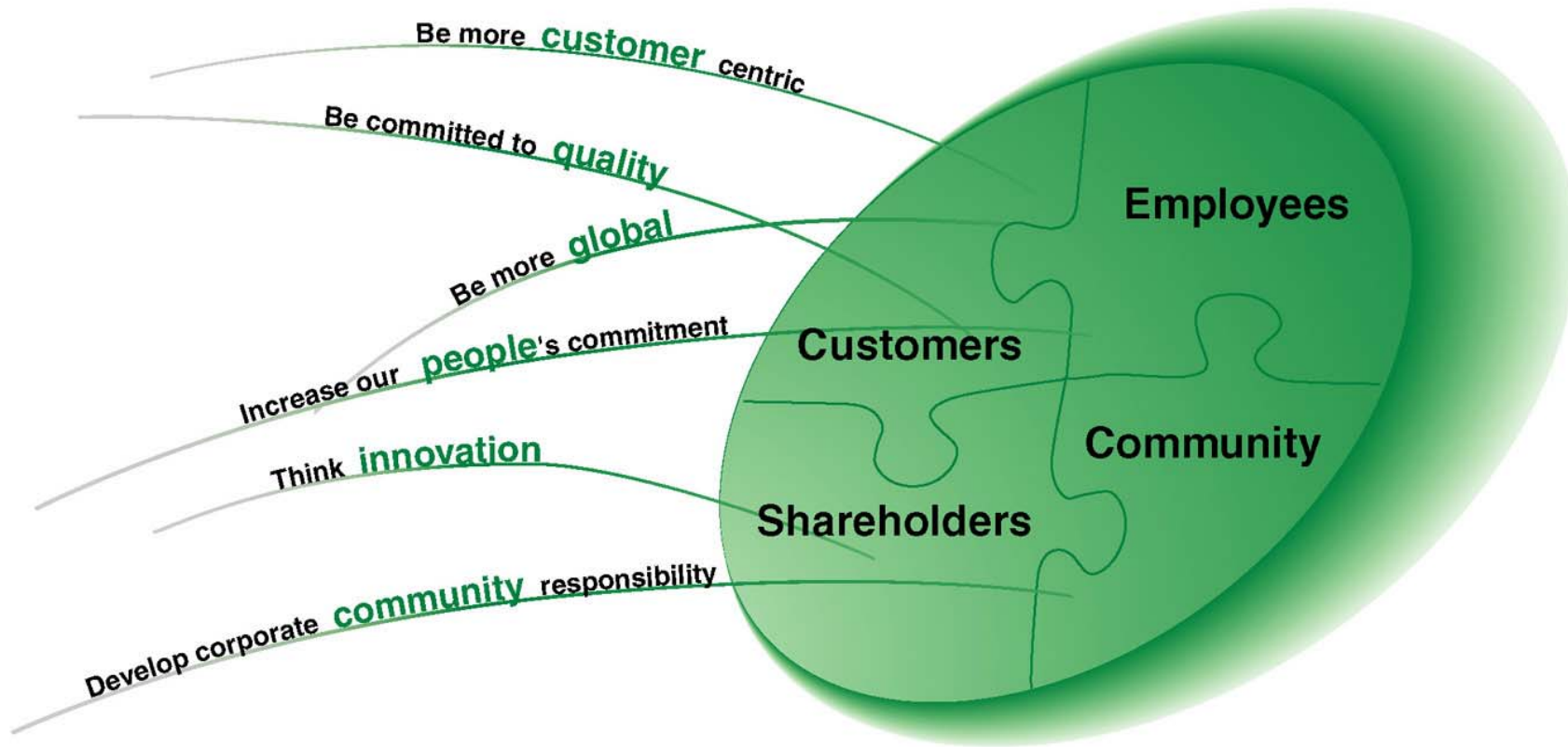
# Our operating priorities for 2004

- ➔ **Successfully complete our NEW2004 program**
- ➔ **Leverage and expand our growth opportunities**
- ➔ **Capture any potential to reduce costs**
- ➔ **Adjust our organization to market changes**
- ➔ **Make people a key success factor**

# Successfully complete our NEW2004 program

new 2004

Our six challenges → Our stakeholders



**new 2004** = *Growth & Efficiency*

# Leverage and expand our growth opportunities

- ➔ **Deepen our positions in the residential market**
- ➔ **Develop automation solutions, including for electrical distribution**
- ➔ **Continue expanding in services**
  - An exceptional installed base
  - Fast growing customer needs (volume and quality)
- ➔ **Support our global strategic accounts as they redeploy their production bases, especially in Asia**
- ➔ **Contribute to protect the environment and the planet**
  - Energy savings
  - Water and waste treatment solutions
- ➔ **Integrate products and solutions from T.A.C, Clipsal and other recent acquisitions into our lineups**

# A large number of new offers to drive growth

## New electrical distribution offers

**PM 800**  
Power meter



**KN/KS**  
**Mid-range line**  
Prefabricated busways



**Motorpact**  
MV motor starters



**Duoline**  
Residential and  
small office switchgear

**EasyPact**  
100A circuit breaker



**Sepam series 80**  
MV protection relay



**Prisma Plus**  
LV panelboard  
solutions

# A large number of new offers to drive growth

new 2004

**Global  
detection**  
Sensors



**Zelio Logic**  
Smart relays for  
simple automation  
systems

## *New automation & control offers*



**Magelis  
(Maido)**  
Touchscreen  
operator  
terminals

**TeSys  
Model U**  
Motor starter



**Altivar 31**  
Variable speed  
drives for  
asynchronous  
motors

**Advantys STB**  
Distributed I/O solutions



**Unity**  
Automation software

# Capture any potential to reduce costs

- ➔ **Continue to improve Purchasing productivity in a context of strong increase of raw materials**
  - Step up tenders at a global level
  - Source globally and increase sourcing from low-cost countries
- ➔ **Continue deploying the Lean Manufacturing and Quality and Value Engineering plans**
- ➔ **Improve process quality by extending the Six Sigma tool**
- ➔ **Locate resources closer to the customer**
  - Optimize and re-locate the manufacturing base
  - Rationalize product flows by major region (Europe, North America, Asia-Pacific)
- ➔ **Globalize and outsource our information systems**

# Adjust our organization to market changes

- ➔ **Create an Asia-Pacific Division based in Hong Kong**
- ➔ **Confirm our technological leadership in products**
- ➔ **Invest more in systems**
- ➔ **Accelerate globalization to leverage our leadership**
- ➔ **Enhance the efficiency of our supply chain**

# Make people a key success factor

- ➔ **Attract new talent and strengthen our relationship with large universities**
- ➔ **Step up our internationalization**
- ➔ **Focus ourselves and capitalize on our core competencies**
- ➔ **Train employees in each of our major disciplines**
- ➔ **Develop international mobility with the Marco Polo program**



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## Simplified income statement

new 2004

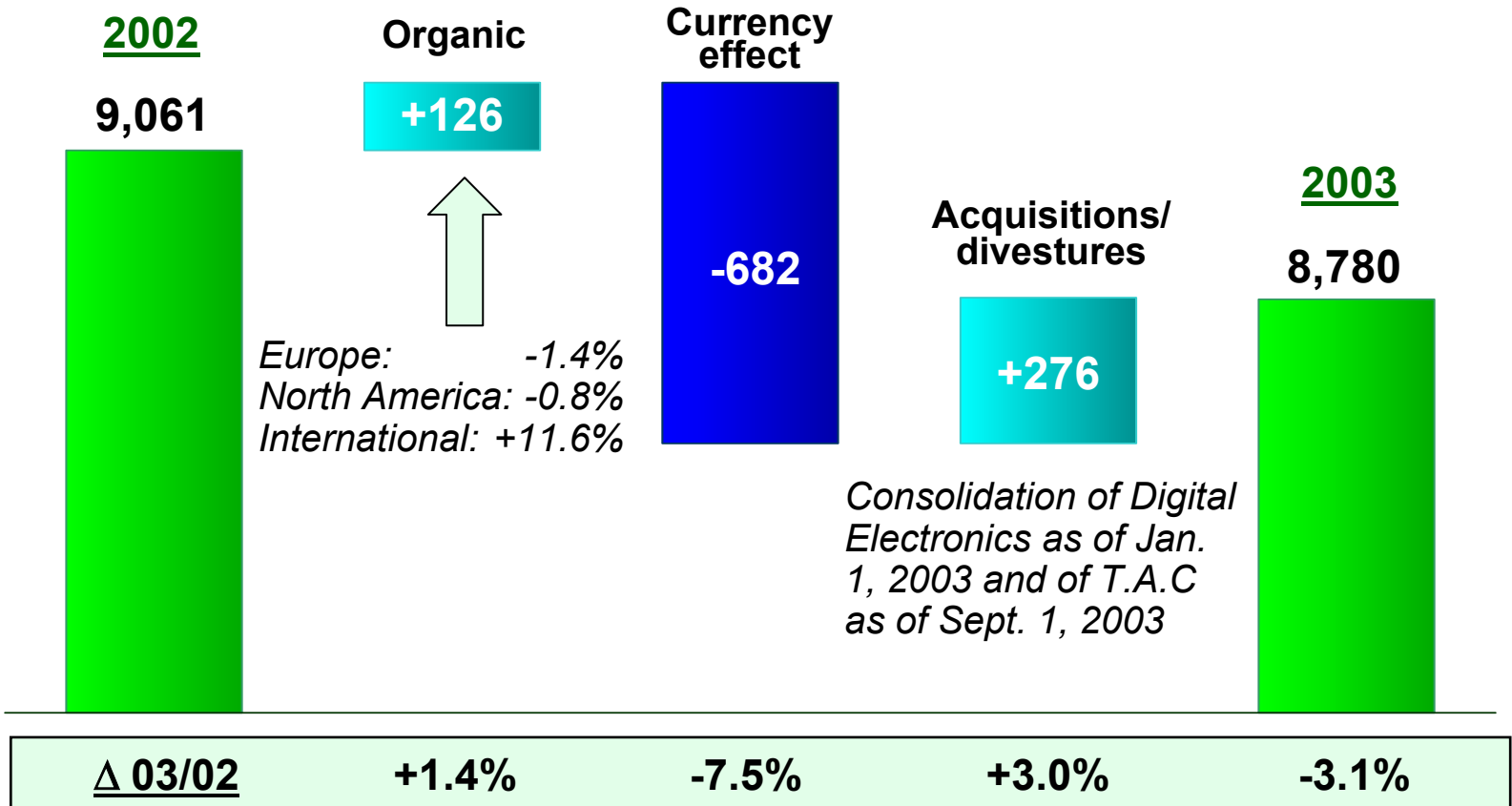
<i>(in € millions)</i>	<u>2003</u> as a % of sales	<u>2002</u> as a % of sales
<b>Sales</b>	<b>8,780</b>	<b>9,061</b>
<b>Gross margin</b>	<b>3,717</b> <b>42.3%</b>	<b>3,755</b> <b>41.5%</b>
<b>Operating income</b>	<b>1,007</b> <b>11.5% (i)</b>	<b>1,040</b> <b>11.5%</b>
<b>Financial expense, net</b>	<b>(53)</b>	<b>(158)</b>
<b>Income from continuing operations</b>	<b>954</b>	<b>882</b>
<b>Exceptional items</b>	<b>(164)</b>	<b>(509)</b>
<b>Income taxes</b>	<b>(127)</b>	<b>295</b>
<b>Other (minorities, affiliates)</b>	<b>(40)</b>	<b>(53)</b>
<b>Goodwill amortization</b>	<b>(191)</b>	<b>(193)</b>
<b>Net income after goodwill amort.</b>	<b>433</b>	<b>422</b>

(i) 2003 operating margin excluding currency effect: 13.0%

# Return to sales growth dampened by the currency effect

new 2004

(in € millions)

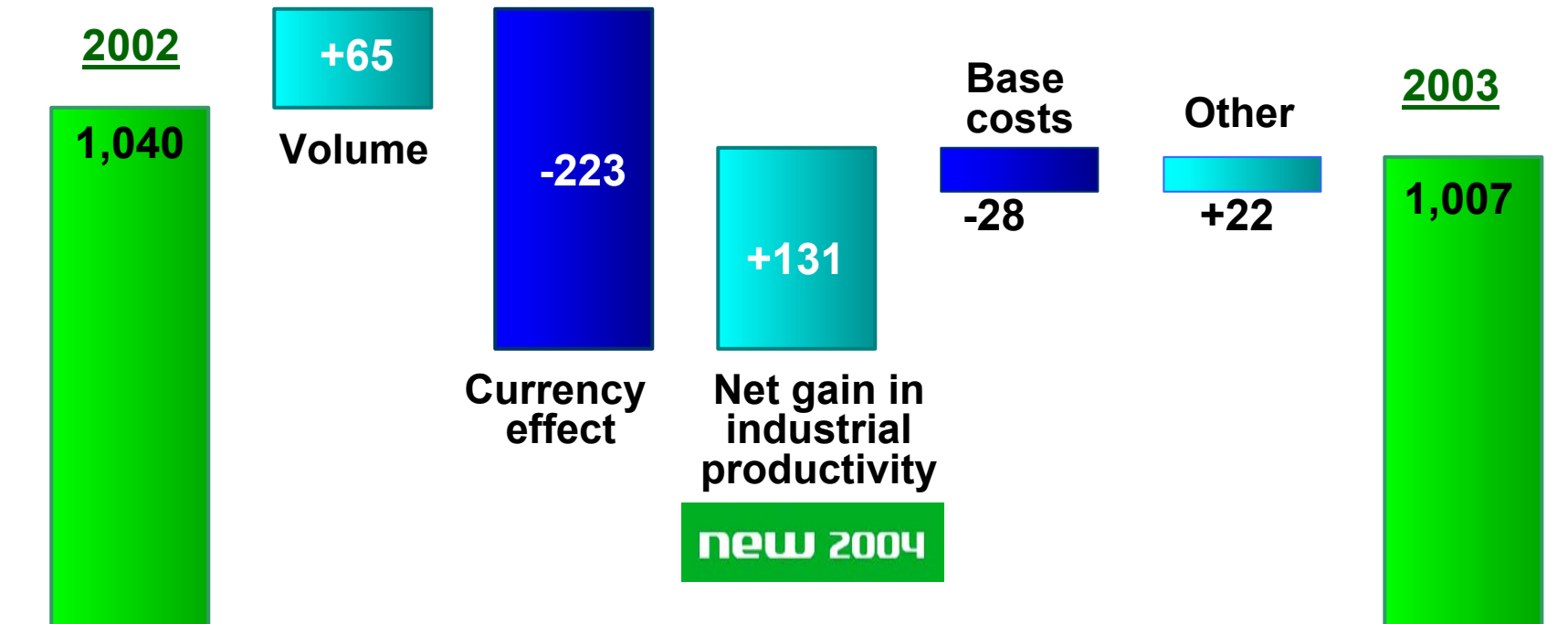


Average EUR/\$ exchange rate: 1.13 vs 0.95 in 2002

# Currency effect offset by productivity gains

new 2004

(in € millions)



# Increase in earnings per share

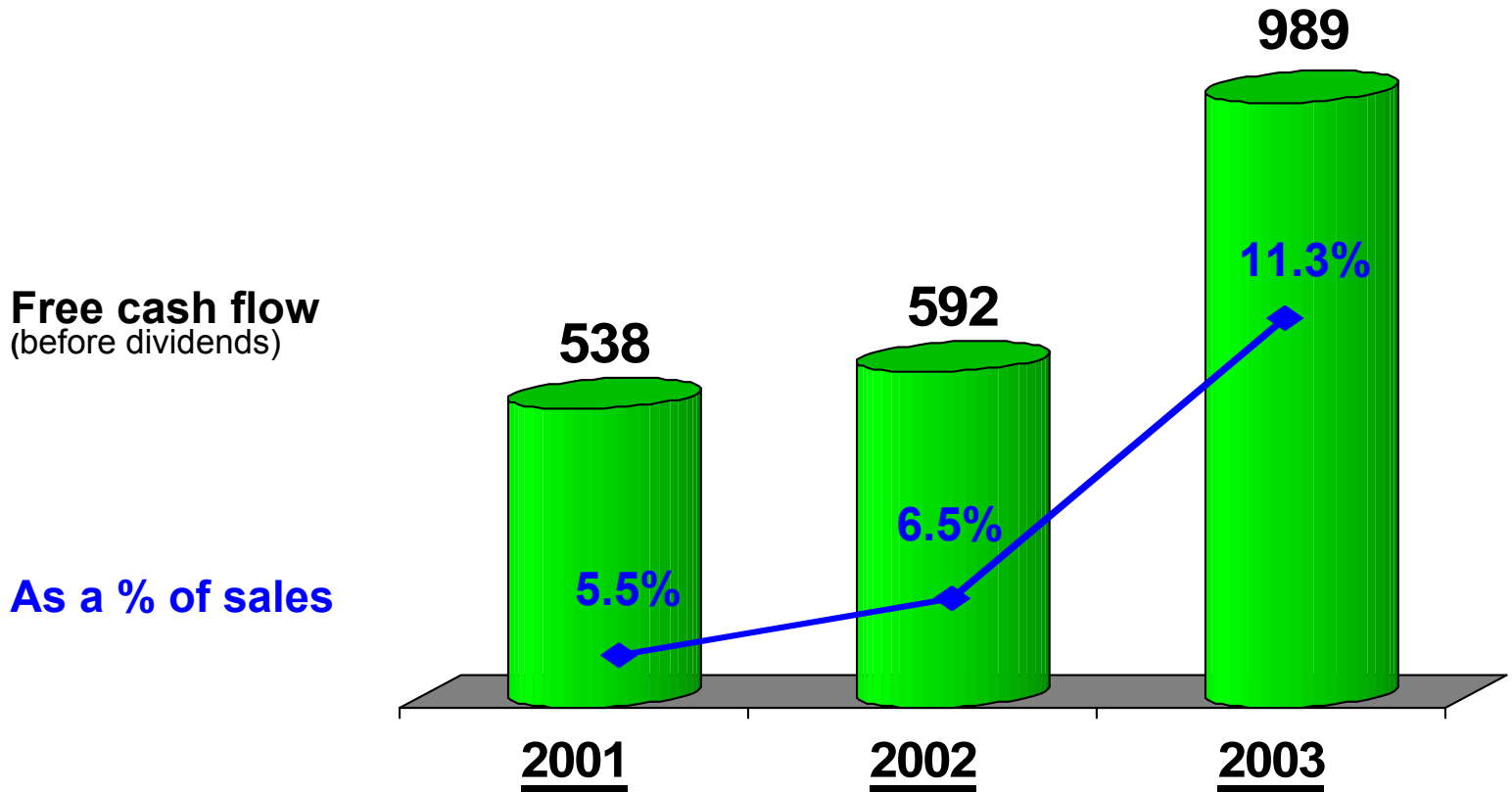
new 2004

<i>(in euros)</i>	<u>2003</u>	<u>2002</u>	<u>Δ03/02</u>
<b>Average number of shares (millions) (i)</b>	<b>223.1</b>	<b>228.5</b>	<b>-2%</b>
<b>EPS <u>before</u> goodwill amortization</b>	<b>2.79</b>	<b>2.69</b>	<b>+4%</b>
<b>EPS <u>after</u> goodwill amortization</b>	<b>1.94</b>	<b>1.85</b>	<b>+5%</b>

(i) After deducting treasury shares & intra-group cross shareholdings

# Record free cash flow

(in € millions and as a % of sales)



Free cash flow: operating cash flow - net capital expenditure +/- change in working capital

# Substantial financial resources to:

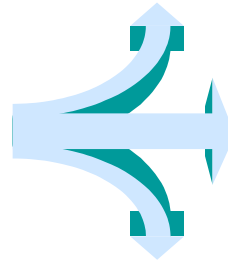
(main items of the cash flow statement in € millions)

**Free cash flow  
(from operating activities)**

**989**

**Use of net cash**

**445**



**Remunerate our shareholders  
(dividends: 326  
share buybacks: 112)**  
**438**

**Execute an aggressive  
acquisitions strategy  
(T.A.C, Clipsal)**  
**856**

**Contribute to US pension funds**  
**143**

# A sound balance sheet and financial ratios

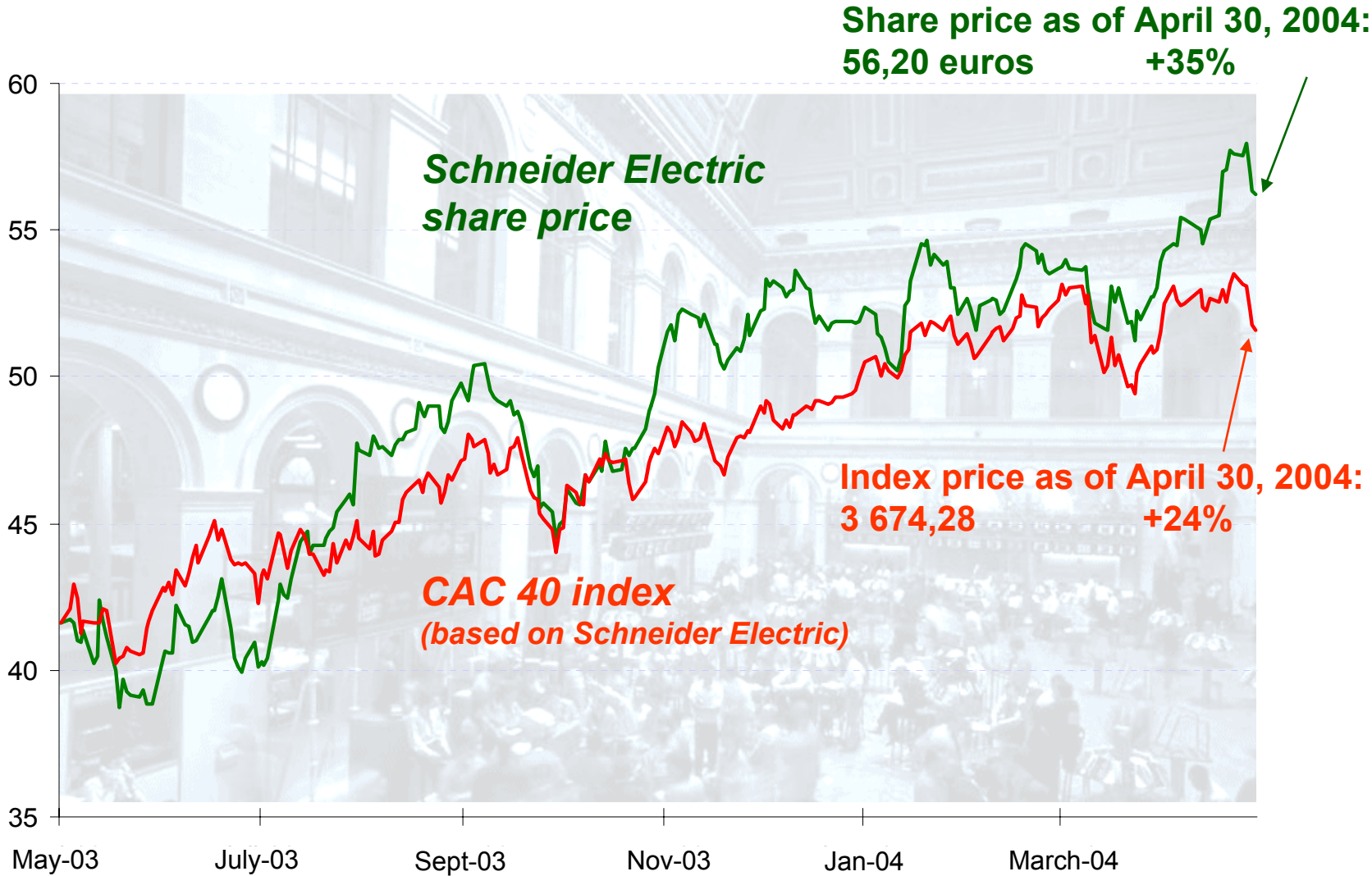
new 2004

(in € millions)

	<u>2003</u>	<u>2002</u>
<b>Consolidated shareholders' equity</b>	<b>7,734</b>	<b>7,861</b>
<b>Net cash position</b>	<b>399</b>	<b>844</b>
<b>Net debt to equity</b>	<b>NA</b>	<b>NA</b>
<b>Interest coverage</b> (EBITDA/Net interest expense)	<b>18.8x</b>	<b>11.3x</b>
<b>Long term debt rating (Standard &amp; Poors)</b>	<b>A</b>	<b>A</b>

# Share price performance since May 2003

new 2004







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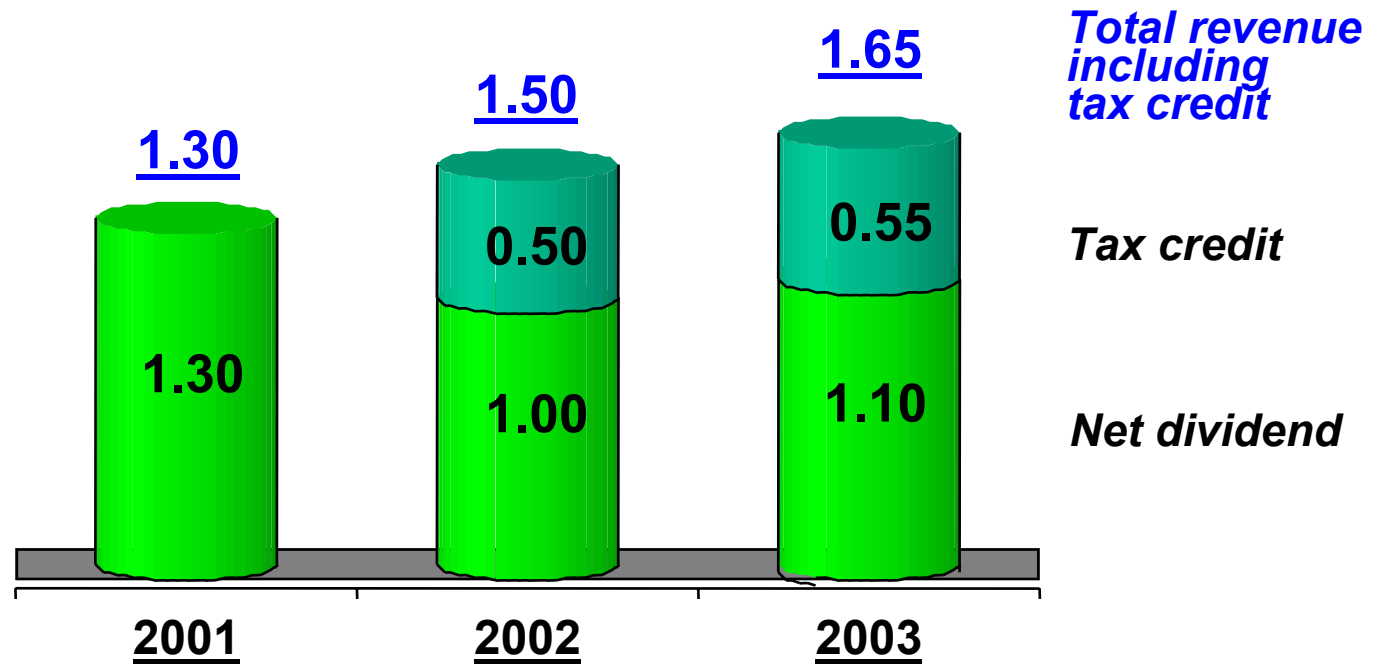
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# Proposed 2003 dividend

new 2004

- ➔ The proposed net dividend amounts to €1.10 per share, before tax credit
  - The payment gives rise to a tax credit of €0.55 per share for private investors
- ➔ Including tax credit, total revenue amounts to €1.65 per share
  - The dividend will be paid in cash on May 10, 2004





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# Members of the Board of Directors in 2003

## ➔ The Board comprised 13 members in 2003:

- Highly international: 5 non-French directors  
Mssrs. Friderichs (Germany), Hardymon (United States), Kissling (Switzerland), Ross (UK) and Sierra (Italy)
- A majority of independent directors: 8  
Mssrs. Bouton, Breton, Friderichs, Hardymon, Kissling, De La Serre, Ross and Sierra
- Complementary experience: 6 from manufacturing and 7 from finance

- ➔ **Internal rules define the Board's responsibilities and procedures. They limit the Chairman's commitment authority to €100 million per transaction**
  
- ➔ **Board meetings:**
  - 8 meetings were held in 2003 with a 91% attendance rate
  - The average meeting lasted nearly three hours
  - The CFO attended all the Board meetings
  - Other executives attended to present projects they manage
  - Every year, a one-day meeting is devoted to strategy
  
- ➔ **Two Board Committees: the Audit Committee and the Remunerations and Appointments Committee**

# Board procedures

- ➔ **Information given to Directors ahead of a meeting:**
  - The meeting agenda and draft minutes are sent 10 days before the meeting
  - The meeting file: 4 to 5 days before
- ➔ **Directors are kept regularly informed through:**
  - A monthly Directors newsletter
  - Financial analyst reports
  - Press releases
  - A weekly press review and internal memos
  - A luncheon before each Board meeting, to meet with executives
  - Presentations of the Group are organized for new Directors

# Activity of the Board of Directors in 2003

- ➔ **The Board primarily worked on:**
  - **Reviewing strategy during:**
    - A one-day meeting devoted to strategy
    - Meetings to approve proposed acquisitions (T.A.C, Clipsal and MGE-UPS Systems)
  
  - **Corporate governance:**
    - Discussion of the self-assessment procedure and approval of internal rules
    - Review of Committee and Board membership
    - Review of the choice of auditors
  
  - **The financial statements:**
    - Approval of the 2002 financial statements
    - Review of the interim 2003 financial statements
  
  - **Incentives for executives and employees:**
    - The worldwide employee stock purchase plan
    - Stock options

# Activity of the Remunerations and Appointments Committee in 2003

- ➔ **5 members in 2003:**  
Mssrs. M. François-Poncet, Chairman, C. Bébéar, J. Hardymon, H. Lachmann and R. De La Serre
- ➔ **4 meetings were held in 2003 with a 100% attendance rate**
- ➔ **The Committee primarily worked on:**
  - Membership of the Board and the Committees
  - The Group's compensation policies
  - The Chairman's compensation

# Activity of the Audit Committee in 2003

- ➔ **4 members in 2003:**  
Mssrs. De La Martinière, Chairman, De La Serre, Ross and Sierra
- ➔ **5 meetings were held in 2003 with a 100% attendance rate**
- ➔ **The Auditors as well as representatives from the Finance Department and Internal Audit attended all the Committee meetings**
- ➔ **The Committee primarily worked on:**
  - Review of the annual and interim financial statements
  - Review of the internal audit process and the activity of the external Auditors
  - Review of Group policies and control and accounting procedures concerning inventories and foreign currency transactions
  - The Auditor selection process
  - Ensuring auditor independence through a procedure to limit and control non-audit engagements

# Shareholders' Consultative Committee

- ➔ **With 10 members appointed for a two-year term, the Shareholders' Consultative Committee met three times in 2003**
- ➔ **The committee is responsible for analyzing and giving an advisory opinion on the communication intended more specifically for individual shareholders**
- ➔ **Following our call for new candidates to partly renew the committee, we are pleased to welcome 5 new members:**
  - Mrs DUPUY, Mrs. NEITER, Mssrs. ALLUAUME, BLANDENET and CARDO
- ➔ **We wish to particularly thank for the quality of our discussions and for their implication during their term:**
  - Mrs. VIGNERON, Mssrs. CAZAUFranc, HOUILLON, PERDIGAU and VACHON



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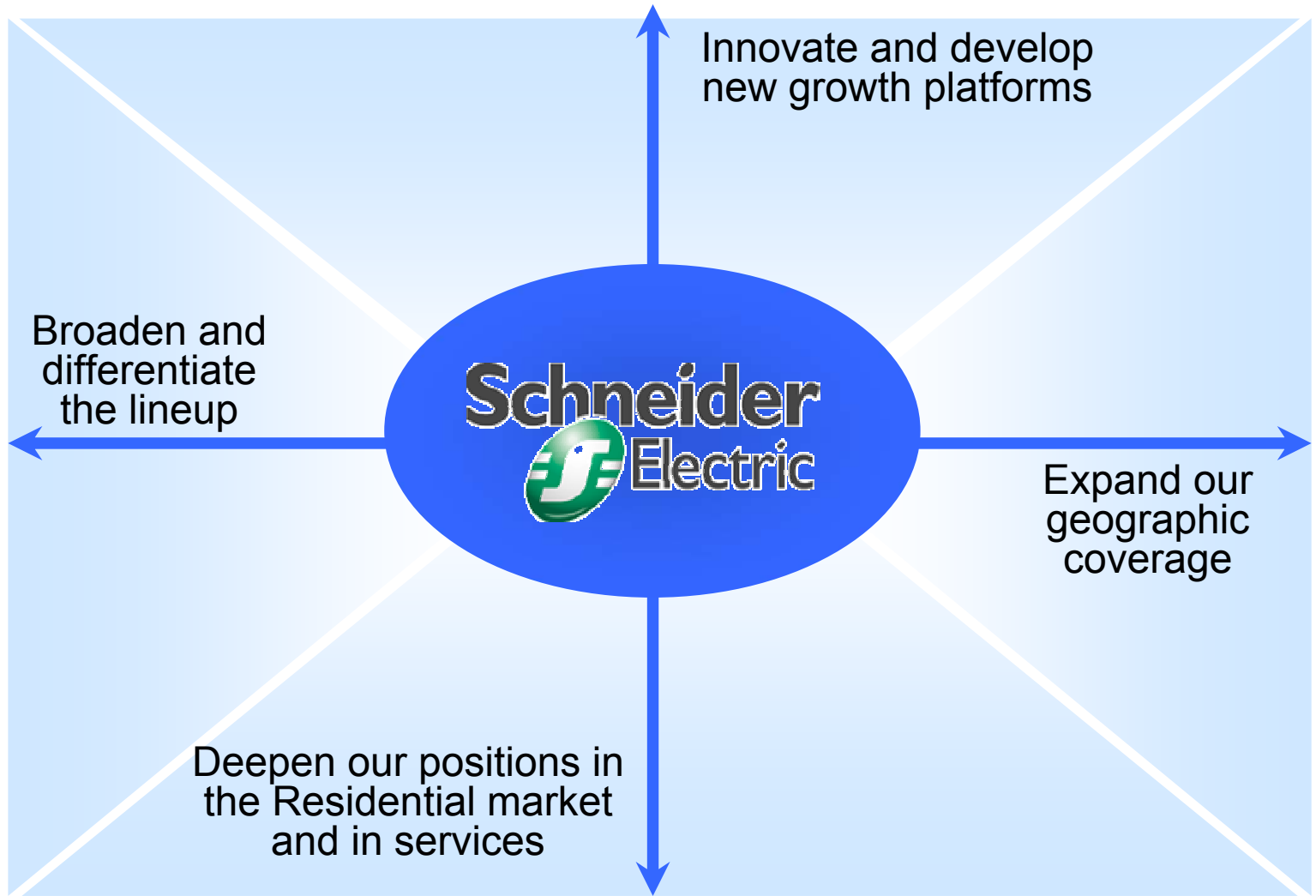
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# We have an aggressive growth strategy combining innovation and differentiation



# Schneider Electric: well-positioned for 2004

- ➔ **Our new organization is working well**
- ➔ **Our lineup continues to benefit from very strong demand in the emerging countries**
- ➔ **Our growth plans should allow us to take full advantage of the gradual upturn in our markets in other regions**
- ➔ **Our acquisitions are expanding our accessible markets**
- ➔ **Our efficiency plans should allow us to increase our operating leverage in a context of strong increase of raw materials**
- ➔ **Our solid financials enable us to continue investing in our development and buying back shares**
  - ➔ The Board of Directors approved the implementation of a share buyback program in 2004 within the limit of 5% of the capital

- ➔ **For 2004, in light of current market conditions and based on an exchange rate of \$1.25/€, we aim at:**
  - ↳ Sales growth of +10% to +12% on a reported basis
  - ↳ A more than one point increase in operating margin



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# Major decisions submitted to shareholders' approval

- ➔ **Approval of the financial statements and proposed dividend**
  
- ➔ **Board of Directors**
  - Election as a Director of:
    - Caisse des Dépôts et Consignations, represented by Mr Jérôme Gallot
    - Mr Chris Richardson
  - Re-election of the Director representing employee shareholders: Alain Burq
  - Re-election as Director of Daniel Bouton, Thierry Breton, Willy Kissling and Piero Sierra

# Major decisions submitted to shareholders' approval

- ➔ **Re-appointment and appointment of Auditors**
- ➔ **Change in the bylaws to allow for the appointment of one or two non-voting Directors**
- ➔ **Financial authorizations granted to the Board to:**
  - Buy back shares of the Company
  - Cancel the shares bought back
  - Issue shares to employees who are members of an employee stock purchase plan
  - Grant executives and employees options to purchase new or existing shares of the Company



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- ➔ **Report on consolidated statements, report on financial statements**
  - Goal
    - Obtaining reasonable assurance on the truth and fairness of the financial statements and financial information
  - Opinion on the financial statements : certification without reserve
  - New regulation introduced in 2003 by LSF : new paragraphs in our reports justifying our appreciations and constituting additional information on:
    - Report on consolidated financial statements:
      - Deferred tax assets, goodwill impairment and restructuring costs
    - Report on individual financial statements :
      - Evaluation of long term investments

## Other reports of the Auditors

- ➔ **Report on agreements with related parties**
- ➔ **Report on internal control (*new requirement of the Loi de Sécurité Financière in 2003*)**
  - Report on the Report of the Chairman of the Board on internal control procedures on preparation and processing of accounting and financial information
- ➔ **Report pertaining to resolutions of the Extraordinary General Meeting (*resolutions 18 to 20*)**
  - Stock options plans
  - Employee share issue
  - Reduction of capital by cancelling of shares



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J.P. Tricoire

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# 1st resolution: approval of the company financial statements

- ➔ **Approval of the transactions and financial statements for the year**

# 2nd resolution: approval of the consolidated financial statements

- ➔ **Approval of the consolidated financial statements for the year**

## 3rd resolution: regulated agreements

- ➔ **No new agreements governed by articles L 225-38 *et seq.* of the Commercial Code were signed during the year**

## 4th resolution: income appropriation and dividend

- ➔ **Equalization tax refunds and 2002 dividend on treasury shares credited to retained earnings**
  
- ➔ **Proposed dividend: €1.10 per share before tax credit**
  - Representing total revenue of €1.65 including a 50% tax credit
  - To be paid on May 10, 2004

## 5th resolution: election of a Director

- ➔ **Election for a four-year term as Director of Caisse des Dépôts et Consignations, represented by Jérôme Gallot**
  - Jérôme Gallot, 47, is Senior Executive Vice President, Caisse des Dépôts et Consignations

## 6th resolution: election of a Director

- ➔ **Election for a four-year term as Director of Chris C. Richardson**
  - Chris C. Richardson, 59, a US citizen, is the former Executive Vice President of Schneider Electric's North American Division

## 7th resolution: re-election of a Director

- ➔ **Re-election for a four-year term of Alain Burq as Director representing employee shareholders**
  - Alain Burq, 50, is a member of the Supervisory Board of the “Schneider Actionnariat” corporate mutual fund

## 8th resolution: re-election of a Director

- ➔ **Re-election for a four-year term as Director of Daniel Bouton, Chairman and Chief Executive Officer of Société Générale**
  - Daniel Bouton, 53, is an independent Director as defined in the Bouton report on corporate governance

## 9th resolution: re-election of a Director

- ➔ **Re-election for a four-year term as Director of Thierry Breton, Chairman and Chief Executive Officer of France Telecom**
  - Thierry Breton, 49, is an independent Director as defined in the Bouton report on corporate governance

## 10th resolution: re-election of a Director

- ➔ **Re-election for a four-year term as Director of Willy Kissling, Chairman of the Board of Directors of Unaxis Corporation**
  - Willy Kissling, 59, a Swiss citizen, is an independent Director as defined in the Bouton report on corporate governance

# 11th resolution: re-election of a Director

- ➔ **Re-election for a four-year term as Director of Piero Sierra, Special Advisor for the administration of international companies, Pirelli SpA (Milan)**
  - Piero Sierra, 69, an Italian citizen, is an independent Director as defined in the Bouton report on corporate governance

# 12th resolution: re-appointment and appointment of Auditors

- ➔ **Re-appointment for a six-year term as Statutory Auditors of Barbier Frinault et Autres (Ernst & Young)**

# 13th resolution: re-appointment and appointment of Auditors

- ➔ **Appointment of Philippe Diu as Substitute Auditor for Barbier Frinault et Autres (Ernst & Young)**

# 14th resolution: re-appointment and appointment of Auditors

- ➔ **Appointment for a six-year term as Statutory Auditors of Mazars & Guérard**

# 15th resolution: re-appointment and appointment of Auditors

- ➔ **Appointment of Charles Vincensini as Substitute Auditor for Mazars & Guérard**

# 16th resolution: share buybacks

- ➔ **Authorization for the Board of Directors to buy back shares of the Company in order to:**
  - Reduce dilution
  - Optimize management of shareholders' equity
  - Finance an acquisition
  - Be used in connection with stock options
  
- ➔ **Limits**
  - Total shares purchased may not exceed 10% of issued capital
  - Maximum purchase price: €80
  - Minimum selling price: €40
  - Authorization expires November 5, 2005
  
- ➔ **The information memorandum has been approved by the AMF (no. 04-211 of March 25, 2004)**

## 17th resolution: change in the bylaws

### ➔ **Change article 11 of the bylaws to allow for the appointment of non-voting Directors**

- The non-voting Director(s) will be appointed for a four-year term by the Board of Directors
- The non-voting Director(s) will participate in Board meetings in an advisory capacity
- The non-voting Director(s) will be able to serve on Board committees

⇒ If this resolution is approved, the Board plans to appoint as non-voting Director Claude Bébéar, 68, Chairman of the Supervisory Board of AXA

## 18th resolution: employee share issue

- ➔ **Authorization for the Board of Directors to issue new shares to employees who are members of an employee stock purchase plan**
  - Up to the equivalent of 5% of issued capital, not including premiums
  - By issuing of shares or share equivalents
  - At a maximum discount of 15% of the average share price
  - Without preemptive rights for existing shareholders
  - Authorization granted for a period of five years

## 19th resolution: stock options

- ➔ **Authorization for the Board of Directors to grant executives and employees of Schneider Electric SA and its subsidiaries and affiliates options to purchase new or existing shares of the Company**
  - Exercisable for up to the equivalent of 3% of issued capital
  - No discount to the average share price
  - Without preemptive rights for existing shareholders
  - Authorization granted for a period of 38 months

## 20th resolution: cancellation of shares

- ➔ **Authorization for the Board of Directors to cancel shares bought back under the authorizations granted each year by the Annual Meeting**
  - Up to the equivalent of 10% of issued capital
  - Authorization granted for a period of 24 months

# 21st resolution: authorization to issue shares while a takeover bid is in progress

- ➔ **Authorization for the Board to Directors to issue shares while an public offer for the Company's shares is in progress**
- ➔ **On the condition that the new shares are used solely to carry out acquisition projects presented before the bid was filed**

## 22nd resolution: powers

### ➔ Powers to carry out formalities

# Building *a New Electric World*

