

Annual Shareholders' Meeting

Paris, May 12, 2005

Merlin Gerin

Square D

Telemecanique



Schneider
 **Electric**

Building a New Electric World



The worldwide leader in Power & Control



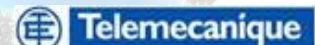
**Electrical
Distribution**
No. 1 worldwide

**Make electricity
available and reliable**



**Automation
& Control**
No. 2 worldwide

**Control, monitor and protect
machines and equipment**





Schneider Electric today



Molded Case Circuit Breaker
Easycompact 250



Speed drive
ATV 71



Small PLC
Twido extension

- ▶ More than €10 billion in sales
- ▶ 85,000 employees worldwide
- ▶ 200 production facilities
- ▶ 13,000 sales outlets through distributors
- ▶ 5% of sales invested in R&D



Highlights

H. Lachmann

Financial results

A. Giscard d'Estaing

Operating priorities

J.P. Tricoire

Corporate governance

H. Lachmann

Presentation of the resolutions

H. Lachmann



2004 highlights

- Excellent operating and financial performance
- Deployment of a new efficient organization
- Continued aggressive acquisitions strategy
- Introduction of a new, ambitious company program



Objective: offer shareholders an attractive return on investment



Excellent performance in 2004: strong growth in every indicators

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	€m	% Change
Sales	10,365	+ 18%
Operating income	1,311	+ 30%
Net income before goodwill	782	+ 25%
Operating cash flow	1,260	+ 34%
Net dividend (€)	1.80	+ 64%



A new efficient organization



Finance, Control & Legal Affairs
Pierre BOUCHUT



Human Resources & Communication
Jean-François PILLIARD



Strategic Deployment
Eric PILAUD

Chairman and CEO
Henri LACHMANN



Chief Operating Officer
Jean Pascal TRICOIRE



3 Corporate Divisions



Customers & Markets
M. Crochon



Products & Technologies
A. Marbach



Globalization & Industry
H. Grant

4 Operating Divisions



North America
D. Petratis



Europe
C. Wiest



Iberian & International
J. Rodriguez



Asia-Pacific
R. Stocker



An acquisitions strategy focused on high growth potential activities

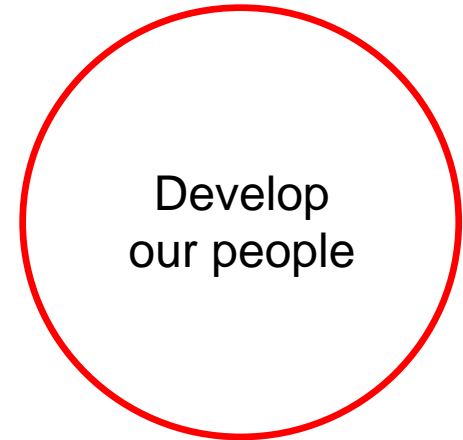
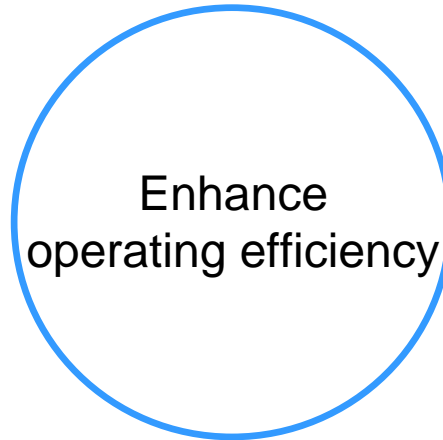
<u>Targeted businesses</u>	<u>Companies acquired</u>	<u>Growth*</u>
<input type="checkbox"/> Human Machine Interface	<input checked="" type="checkbox"/> Digital Electronics	+17%
<input type="checkbox"/> Building Automation and Security	<input checked="" type="checkbox"/> TAC Andover Controls	+6%
<input type="checkbox"/> Ultra Terminal	<input checked="" type="checkbox"/> Clipsal	+5%
<input type="checkbox"/> Secured Power	<input checked="" type="checkbox"/> MGE UPS Systems	+10%
<input type="checkbox"/> Sensors for repetitive machines	<input checked="" type="checkbox"/> Kavlico	+22%

Additional full-year sales of €1.8 billion





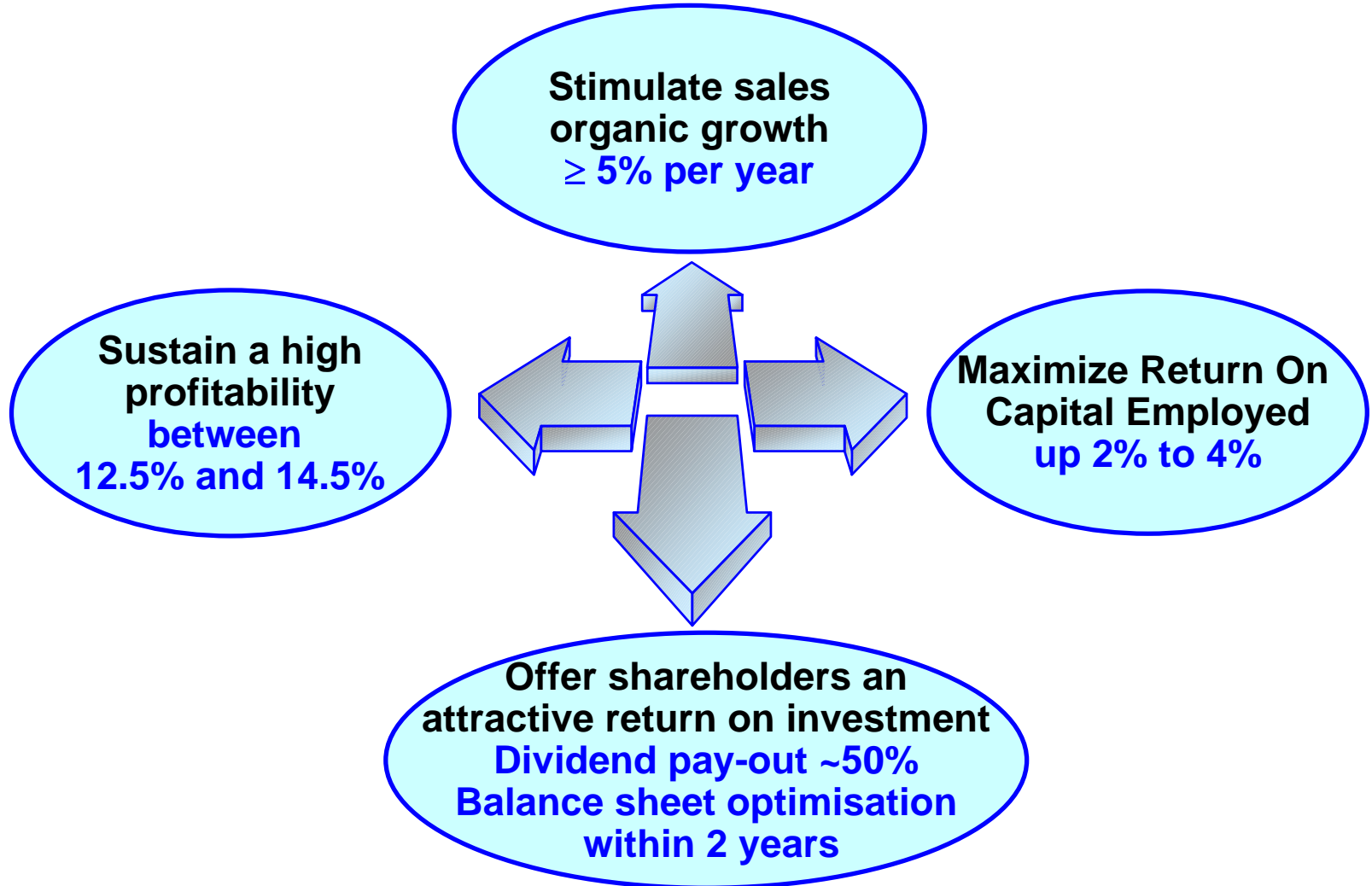
A new ambitious program: Three operational priorities





A new ambitious program: Four financial targets

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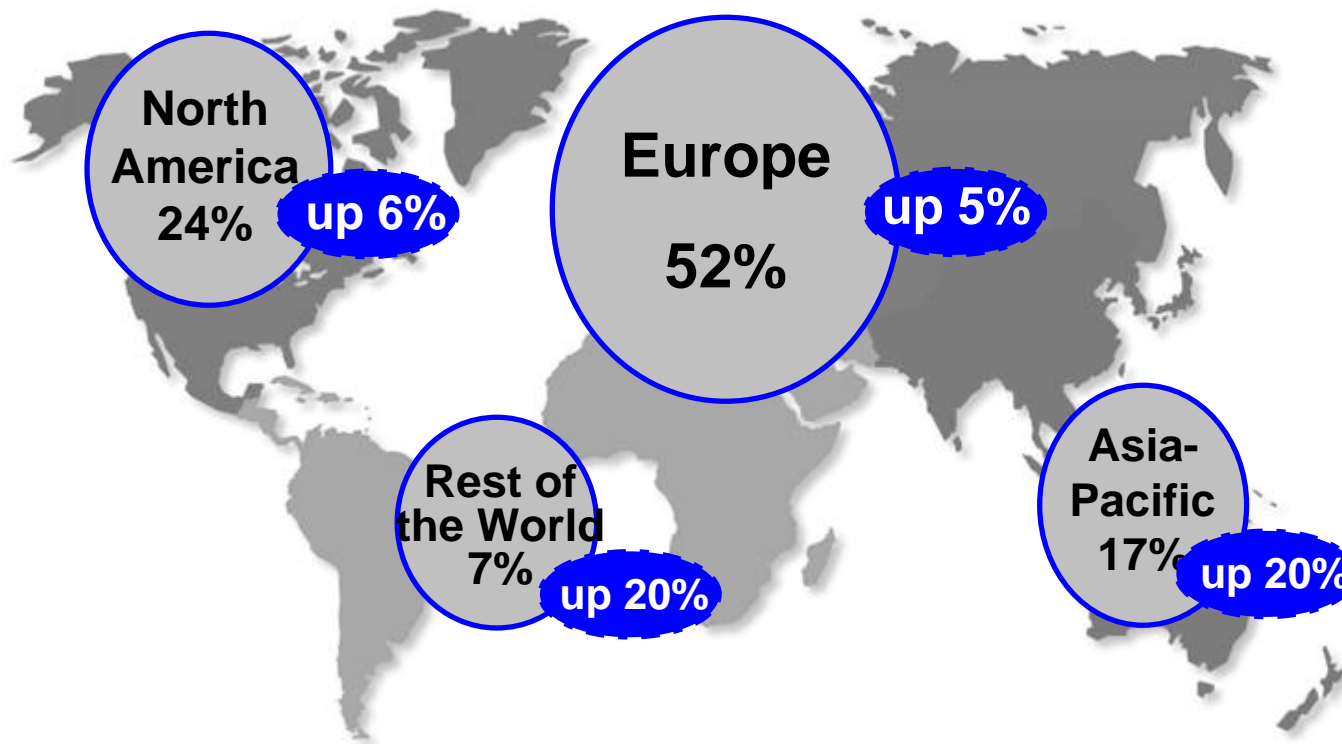


Strong growth in 2004 sales and earnings

(€ million)	2004	2003	%change
Sales	10,365	8,780	+ 18%
Operating income <i>Operating margin</i>	1,311 12.6%	1,007 11.5%	+ 30% + 1.1pt
Net income before goodwill	782	624	+ 25%
Net income after goodwill	565	433	+ 30%



High sales growth in all regions

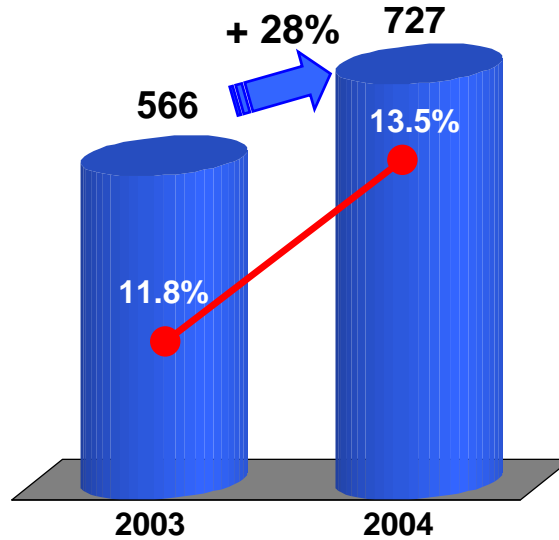


Strongest growth in a decade: up 8.5%

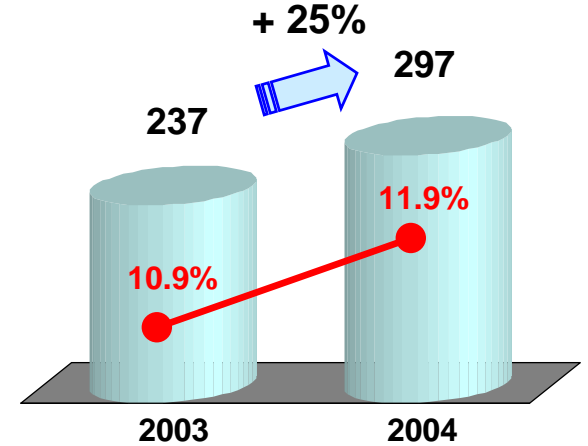


Strong rise in operating income in all regions

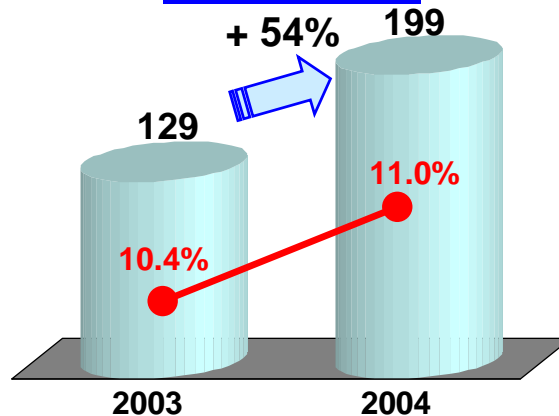
Europe



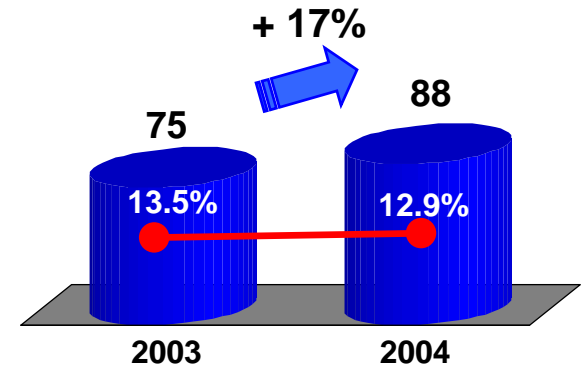
North America



Asia-Pacific



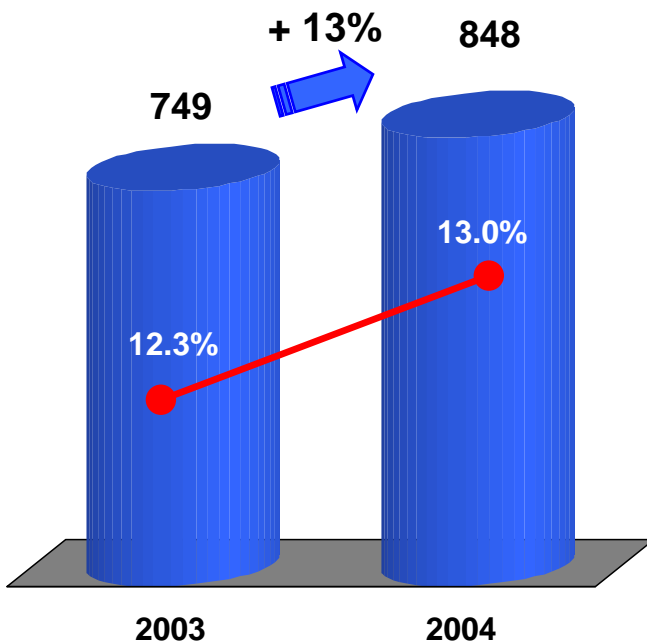
Rest of the World



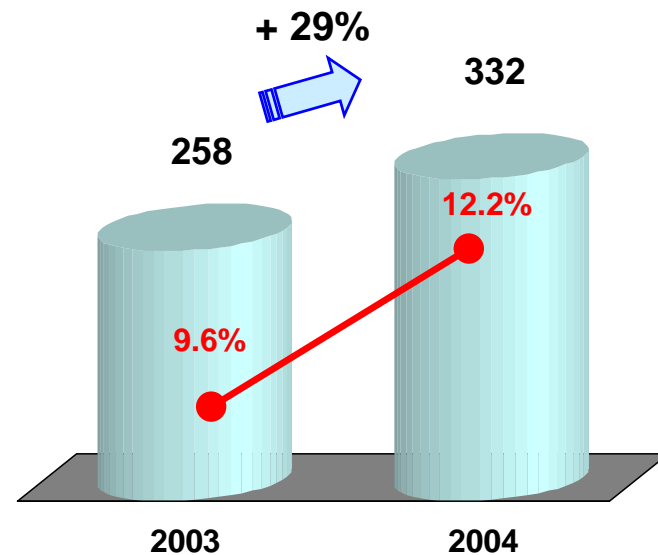


Strong rise in operating income in both businesses

Electrical Distribution

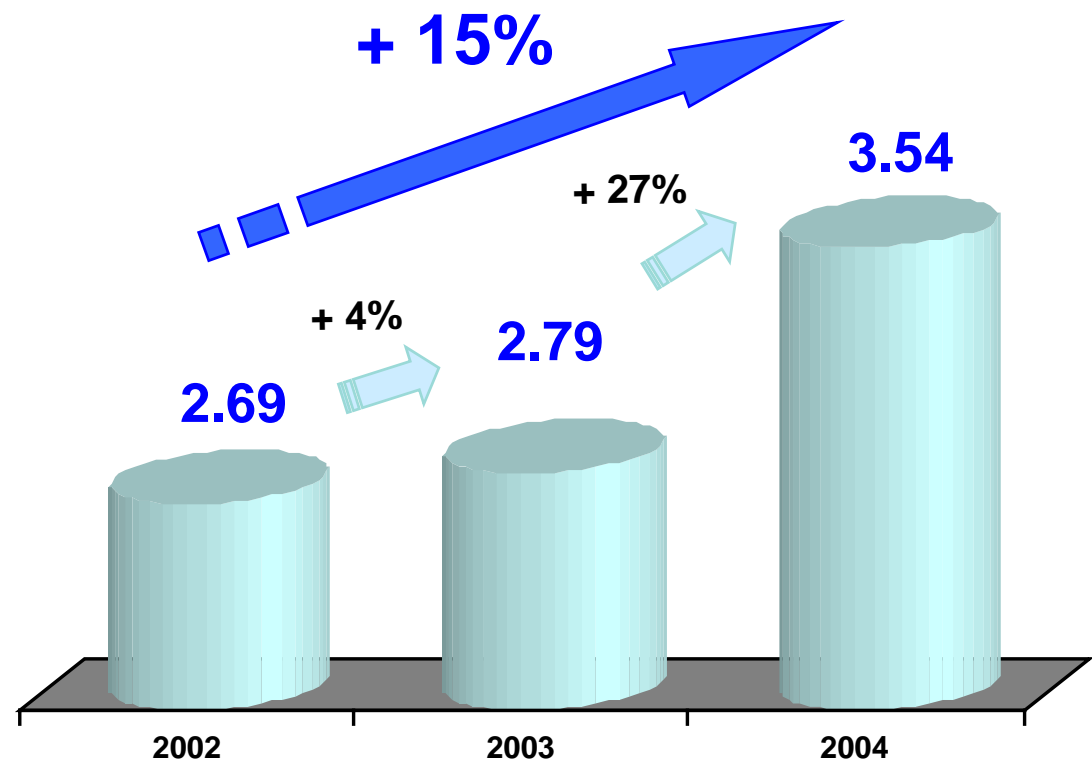


Automation & Control





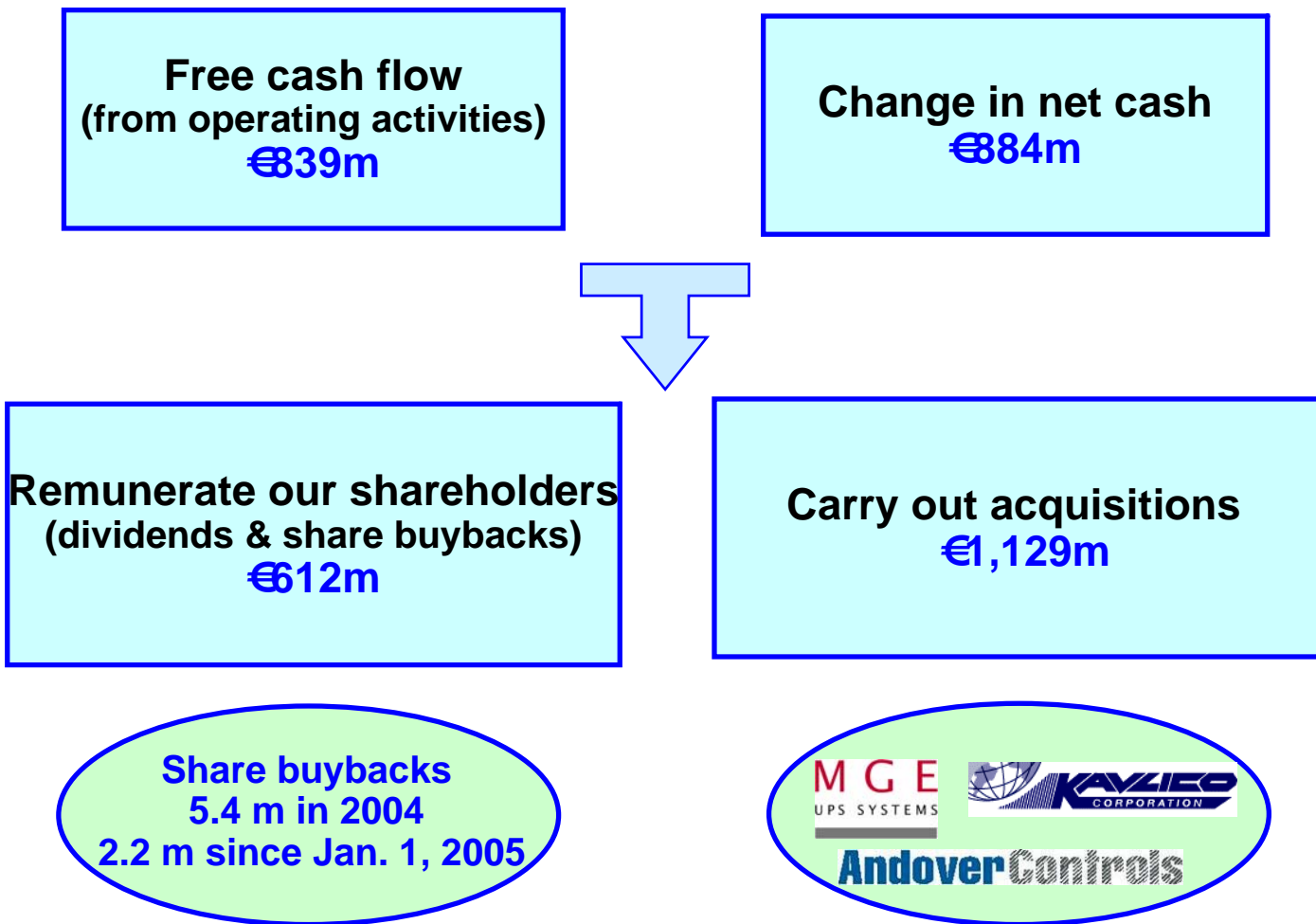
High growth in earnings per share



Earnings per share in euros (before goodwill)



Investing for growth **while** offering an attractive return for shareholders





Solid balance sheet and financial ratios

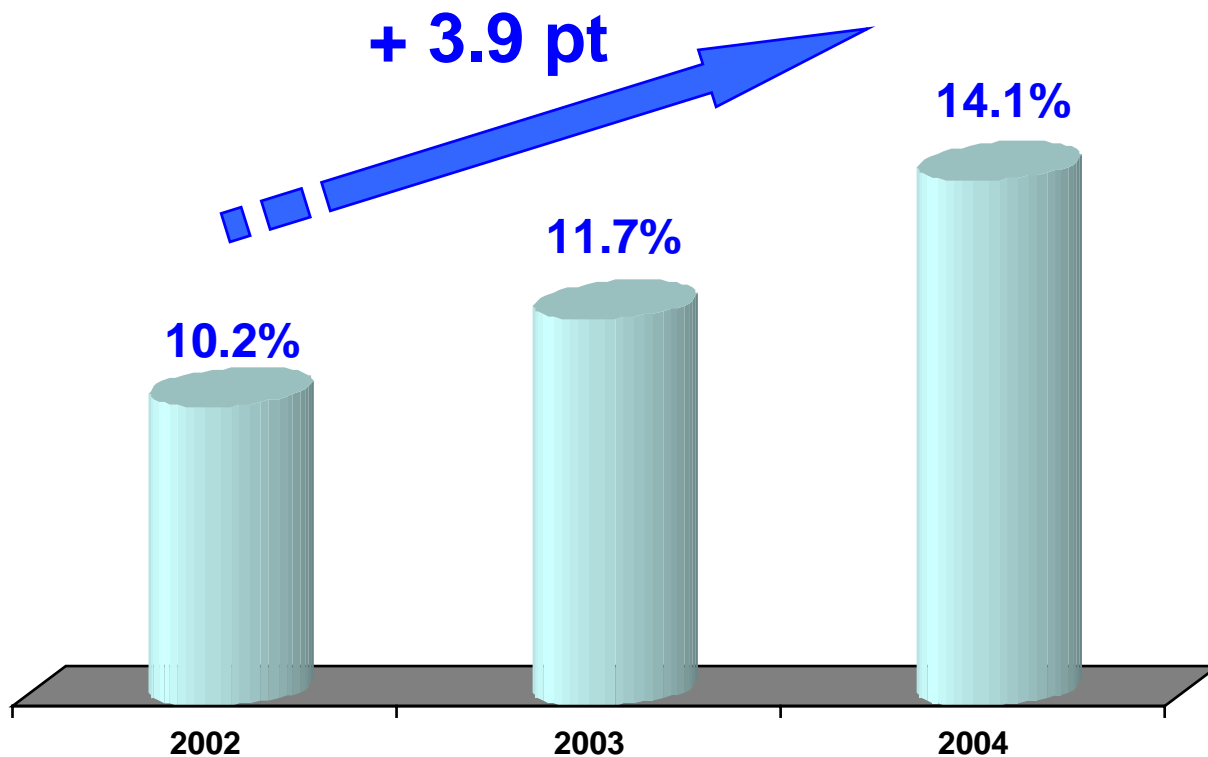
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(€ million)	2004	2003
Consolidated shareholders' equity	7,644	7,734
Net cash position	485	(399)
Debt-to-equity ratio (%)	6%	- 5%
Debt rating (S&P)	A	A



A significant increase in Return On Capital Employed (ROCE)

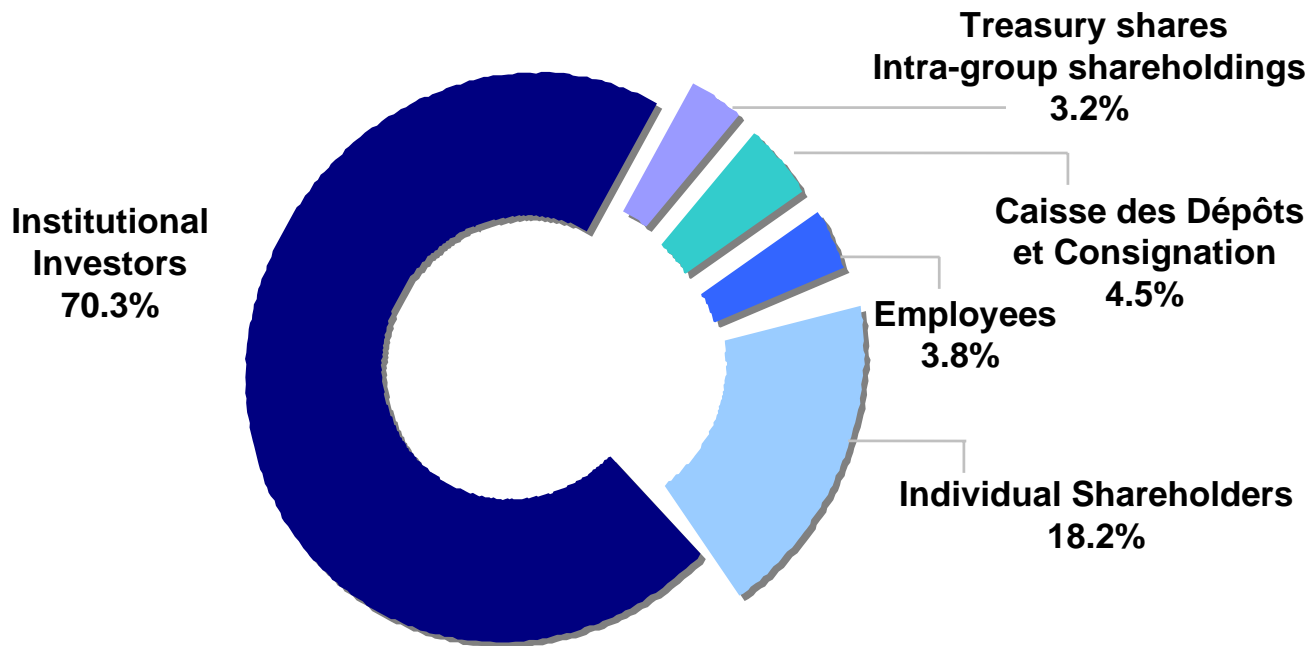
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ROCE = Operating income / Capital employed (total shareholders' equity + net financial debt + accumulated goodwill amortization)



Schneider Electric shareholder base at December 31, 2004



62.2% French Shareholders

Shares outstanding
226.2 million

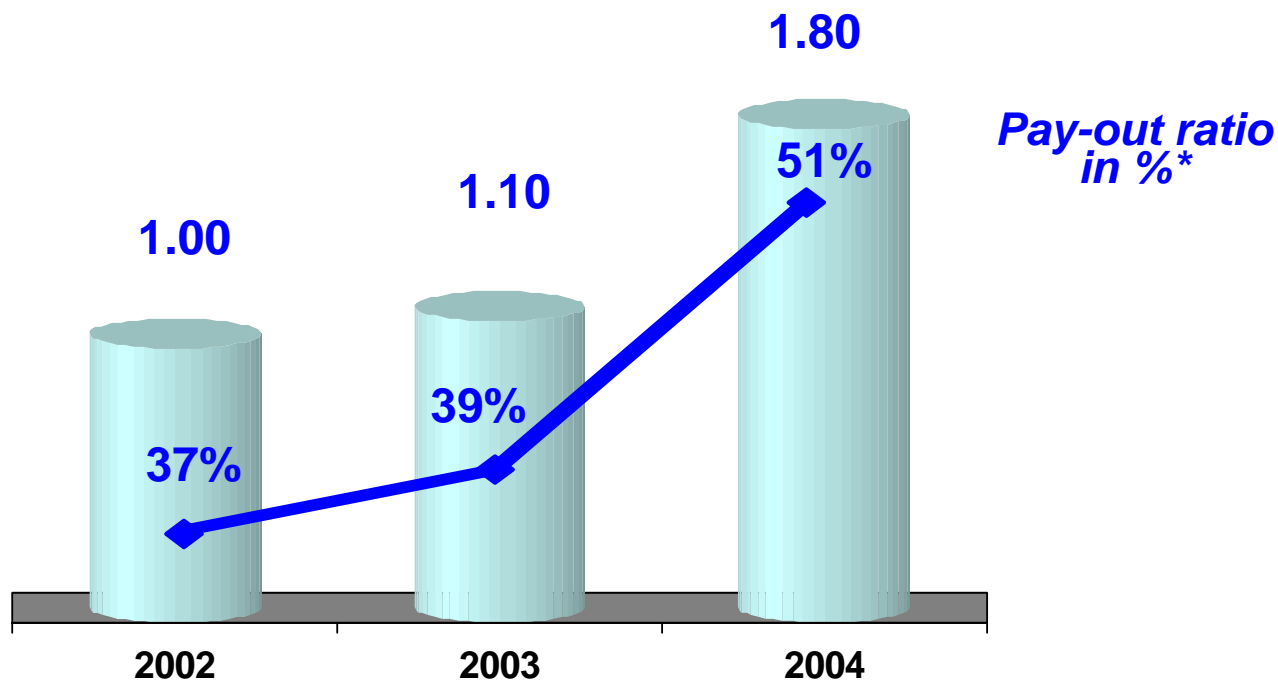
Market capitalization
€13 bn (May 9, 2005)

Number of shareholders
~ 205,000



Proposed dividend for 2004

- The proposed net dividend amounts to €1.80 per share
- The dividend will be paid in cash on May 17, 2005





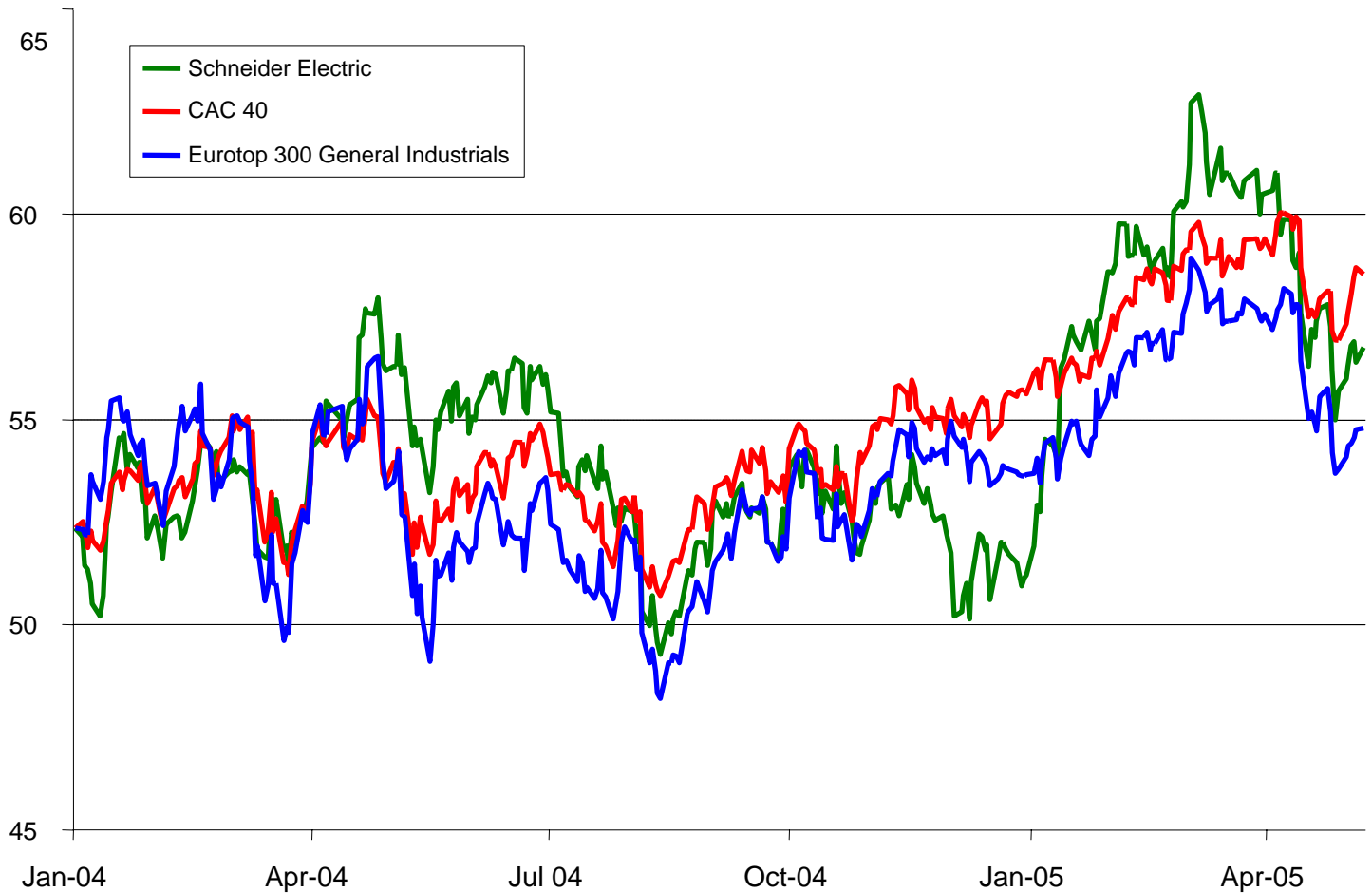
IFRS accounts close to French GAAP accounts ...

(€ million)	French GAAP	IFRS	Change
Operating income <i>Operating margin</i>	1,311 12.6%	1,287 12.4%	- 0.2 pt
Net income before goodwill	782	824	+ 5%
Shareholders' equity at 01/01/04	7,734	7,230	- 7%
Net financial debt	485	490	+ 1%

... as expected, thanks to the application of conservative accounting policies



Share price performance since January 1, 2004





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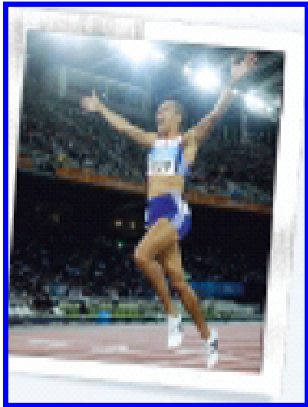
H. Lachmann



Flagship commercial achievements in 2004

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→ Focus on sports



- ***Euro 2004 in Portugal:*** Provided power and automation management systems for 6 of the 10 stadiums
- ***Summer Olympics in Athens:*** Extended and upgraded the subway, ensured uninterrupted radio and TV broadcasting

→ DaimlerChrysler chooses Unity

- Supplied automation and electrical distribution solutions for the body, paint and assembly shops used for the ***Sprinter*** van



→ A comprehensive assembly solution for Airbus

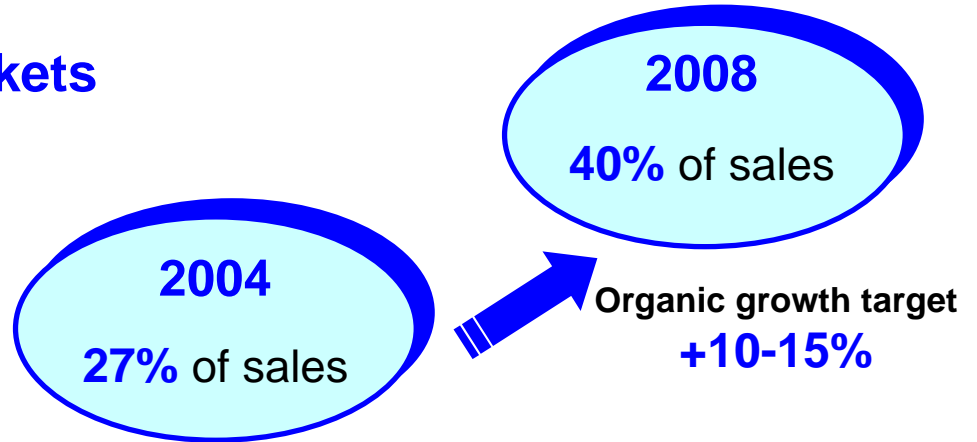
- Provided a comprehensive solution to control the 5 assembly workstations for the ***Airbus A380***



Significant geographic and business repositioning

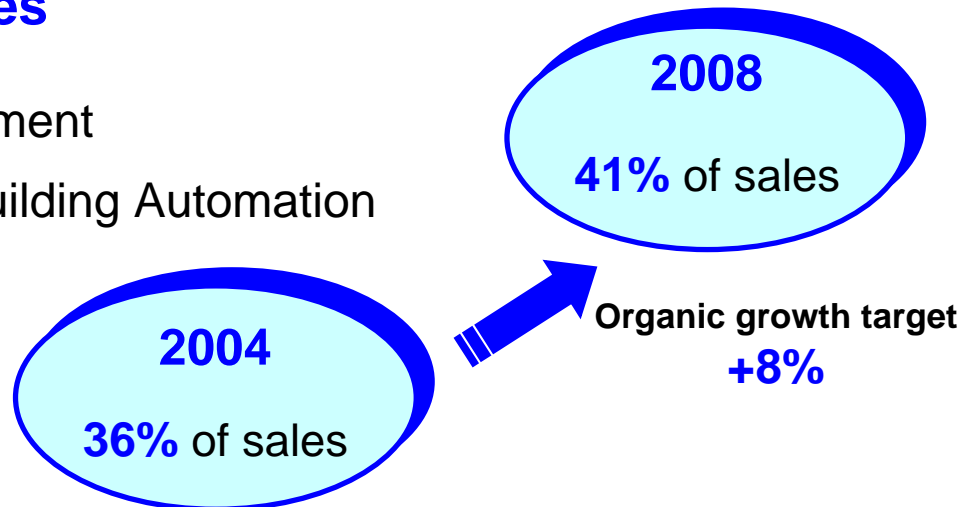


→ Emerging markets



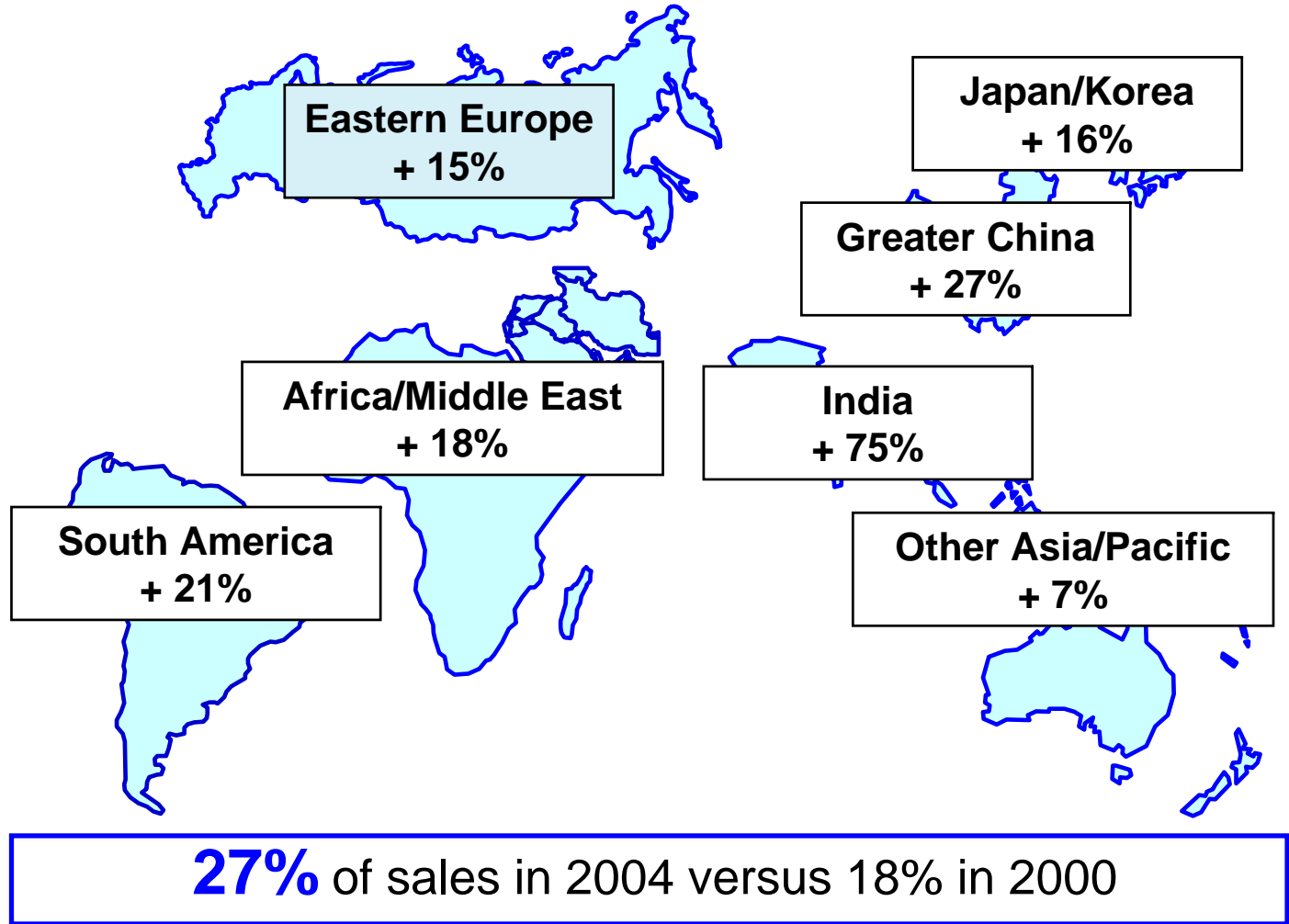
→ New businesses

- ▶ Energy Management
- ▶ Industrial and Building Automation
- ▶ Ultra Terminal
- ▶ Services





Ability to achieve strong growth in emerging markets





New businesses with high growth potential



→ Energy management: a fast-changing sector

- Acquisition of Power Measurement Inc.



→ Building automation

- Acquisition of **Andover Controls**
- Merger with **t.a.c.**



→ Industrial automation: new products

- ATV71 speed drive
- Unity and Zelio Logic programmable logic controllers



ATV 71 speed drive

→ Ultra Terminal

- No. 2 worldwide with steady growth
- Clipsal's growth > 15% in the first year

growth

Services: growth of **+14%**

new²



- Steady expansion over the past three years
 - Growth above 15%
 - Workforce doubled
- **8%** of total sales
- Sales up **14%** in 2004
- Three-fold strategy:
 - ① Optimize and upgrade the installed base
 - ② Enhance energy performance
 - ③ Improve customers' industrial performance



Ongoing investment in Research & Development



New Equinox R&D center in Grenoble

→ Consolidation in developed countries

- Science & Technology center
 - Power Protection & Control center
- } Grenoble (France)

→ Development in emerging countries

- Shanghai (China), Bangalore (India), Monterrey (Mexico)

→ Leverage of technological partnerships

- Toshiba, IBM, Fuji, Tata

TOSHIBA





Productivity plans



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→ Manufacturing excellence

- Lean Manufacturing
- Quality & Value Engineering



→ Quality: Six Sigma

→ Industrial sites rationalisation

→ Purchasing

- Globalization and internationalization
- Acceleration of suppliers consultations

→ Support functions rationalisation



Re-balance costs with revenues



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→ Purchases

- Deploying **international** sourcing teams in Shanghai, Bangalore and Budapest

→ Production

- Locating units **closer to customers**: service quality, logistics costs
- Opening plants in **emerging countries**:
5 plants in China & **3** others in the rest of Asia

**2008 target: rebalance production sites
with sales markets**



Optimise logistics



- Constant improvement in **customer service** quality over the past three years
- Reduction in the **number** of logistics centers
- Opening of a distribution center in Hong Kong for the **Asia-Pacific** zone

2008 target: reduce logistics costs by 2pts
(currently ~7% of sales)



Develop a worldclass IT system



-
- **Global management** of IT systems
 - **Harmonisation of processes** across the Group

2008 target: reduce IT costs by 1pt
(currently > 4% of sales)

people

Develop our people



- Strong increase in **internationalization** and **diversity**
- **60%** increase in participants to “Schneider University” programs
- **100%** of employees with health coverage
- **100%** of employees with a variable salary component based on performance
- **4%** of the capital held by employees



Sustainable development: Schneider Electric is part of the solution

.....

→ Energy consumption reduction



- Public lighting control systems

Lubio

Adjusts lighting to local needs

**40%
savings**

- Speed drives

Aleo (Air Liquide Energy Optimisation)

Reduces motor energy consumption

**30%
savings**

ASPI Eurozone®



→ Community commitment



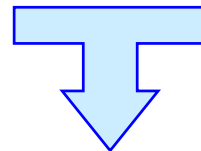
- Global Compact: 140 suppliers have signed
- Luli campaign: youth education and job opportunities
- Tsunami: contribution to international solidarity with victims



First quarter 2005 sales: significant current growth

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**First quarter
2005 sales
+ 6.7%**



North America

**Excellent
growth**

Western Europe

**Stable business
volumes**

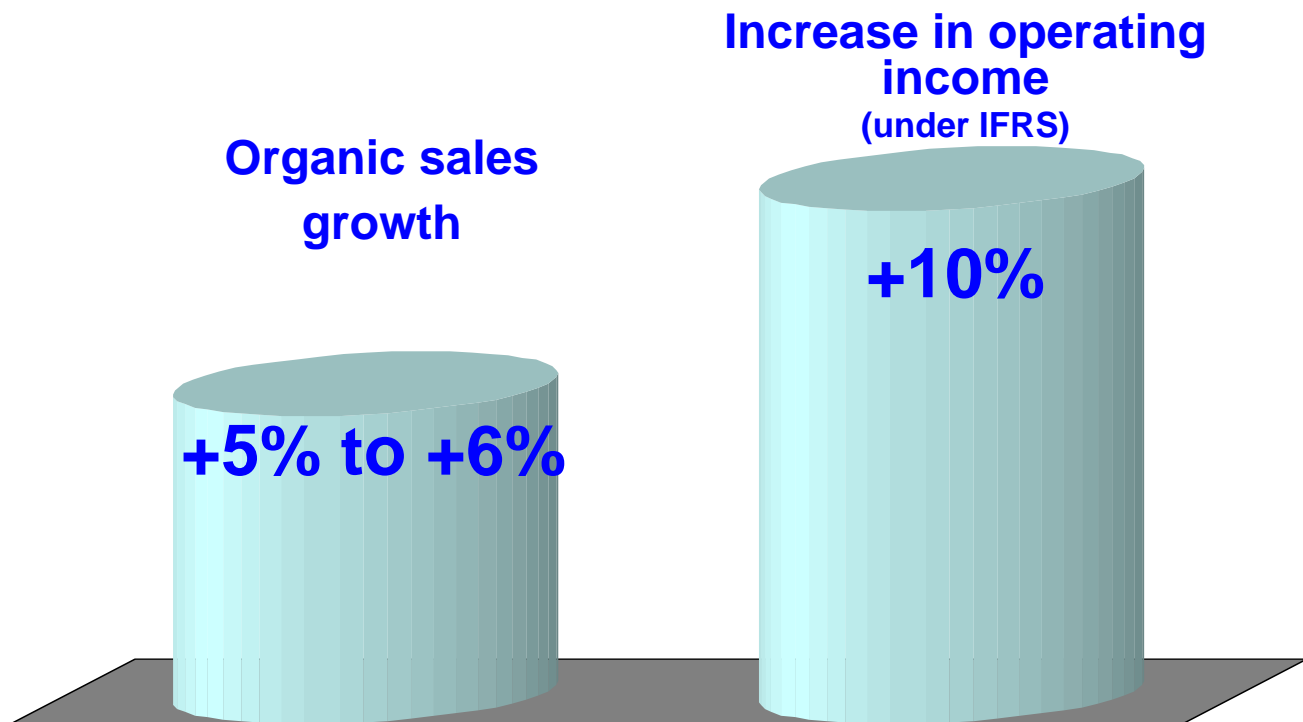
Emerging markets

**Sustained
high growth**



Outlook for 2005

Assuming current economic conditions,
we confirm our targets for 2005





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Members of the Board of Directors in 2004 : 14 members including a non-voting Director

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- **Highly international**, with 5 non-French Directors
Mssrs. Friderichs (Germany), Richardson (USA),
Kissling (Switzerland), Ross (UK) and Sierra (Italy)
- **A majority of independent Directors** : 9 ones
Mssrs. Bouton, Breton, Friderichs, Kissling,
de la Martinière, de la Serre, Ross, Sierra
and CDC represented by Mr. Gallot
- **A complementary experience, with 6 from
manufacturing and 8 from finance**



Board evolution since January 1, 2005

- ➔ Death of Mr. Michel François-Poncet on February 10, 2005
- ➔ Resignation of Mr. Thierry Breton on February 28, 2005
- ➔ Co-optation of Mr. Noël Forgeard this day, which will be ratified by the Shareholders' Meeting in 2006
- ➔ Appointments submitted to Shareholders' Meeting approval
 - M. Serge Weinberg to replace Dr Hans Friderichs
 - M. Jérôme Gallot to replace Caisse des Dépôts



Board procedures in 2004

- **Internal rules** define the Board's responsibilities and procedures ; they limit the Chairman's commitment authority to €100 million per transaction
- Board **meetings**: 7 meetings were held in 2004 with a 96% attendance rate
- Two **Board committees**: The Audit Committee and the Remunerations and Appointments Committee



Board procedures in 2004 (cont'd)

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→ Information given to Directors before a meeting:

- The meeting agenda and draft minutes are sent 10 days before the meeting
- The meeting file, with draft financial statements if necessary, is sent 4 to 5 days before the meeting

→ Directors are kept regularly informed through:

- A monthly Directors' newsletter
- Press releases
- A weekly press review, financial analyst reports and internal memos
- A luncheon before each Board meeting to meet with executives
- Plant tours and group presentation meetings for new Directors



Activity of the Board of Directors in 2004

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In 2004, the Board primarily worked on:

- **Strategy review**
- **Corporate governance**
- **Business performance monitoring**
- **Financial statements**
- **Shareholders' remuneration**
- **Incentives for executives and employees**



Activity of the Audit Committee in 2004

-
- **Four members** in 2004: Mssrs. de la Martinière, Chairman, de la Serre, Ross and Sierra
 - **4 meetings** were held with a 94% attendance rate
 - The Committee primarily reviewed:
 - The annual and interim financial statements
 - The transition to IFRS and the impact on Group financial statements
 - The activity of the internal and Statutory auditors
 - The Group environmental policy, information systems outsourcing and globalization, and procedures for integrating newly-acquired companies
 - The dividend and share buyback policy



Activity of the Remunerations and Appointments Committee in 2004

- **Four members** in 2004: Mssrs. François-Poncet, Chairman, Kissling, Lachmann and de la Serre
- **3 meetings** were held with an 83% attendance rate
- The Committee primarily worked on:
 - The Chairman's succession
 - Membership of the Board and its Committees, with proposals made to the Board
 - Group compensation policy, notably for executives
 - Proposals concerning the Chairman's compensation
 - Proposals to grant stock options and issue shares as part of the worldwide ESPP



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Major decisions submitted for shareholders' approval

- ➔ Approval of the financial statements and proposed dividend
- ➔ Board of Directors:
 - Election as a Director of:
 - Serge Weinberg to replace Hans Friderichs, who has reached the age limit set out in the bylaws
 - Jérôme Gallot to replace Caisse des Dépôts et Consignations
 - Re-election of Henri Lachmann and René de la Serre
 - Setting of attendance fees



Major decisions submitted for shareholders' approval (cont'd)

- Financial authorizations granted to the Board to:
- Buy back shares
 - Increase the capital by issuing shares with or without pre-emptive subscription rights
 - Issue shares to employees who are members of an employee stock purchase plan
 - Grant shares without consideration to executives and employees

Building a New Electric World

