



2005 | 2006 The Year in Review





France: Electropole R&D center in Grenoble

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India: Bangalore R&D center.



A leading
global player



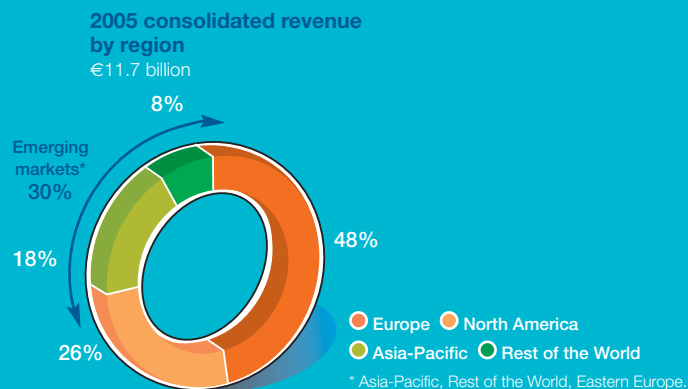
Number 1 worldwide in Electrical Distribution Number 2 worldwide in Automation & Control

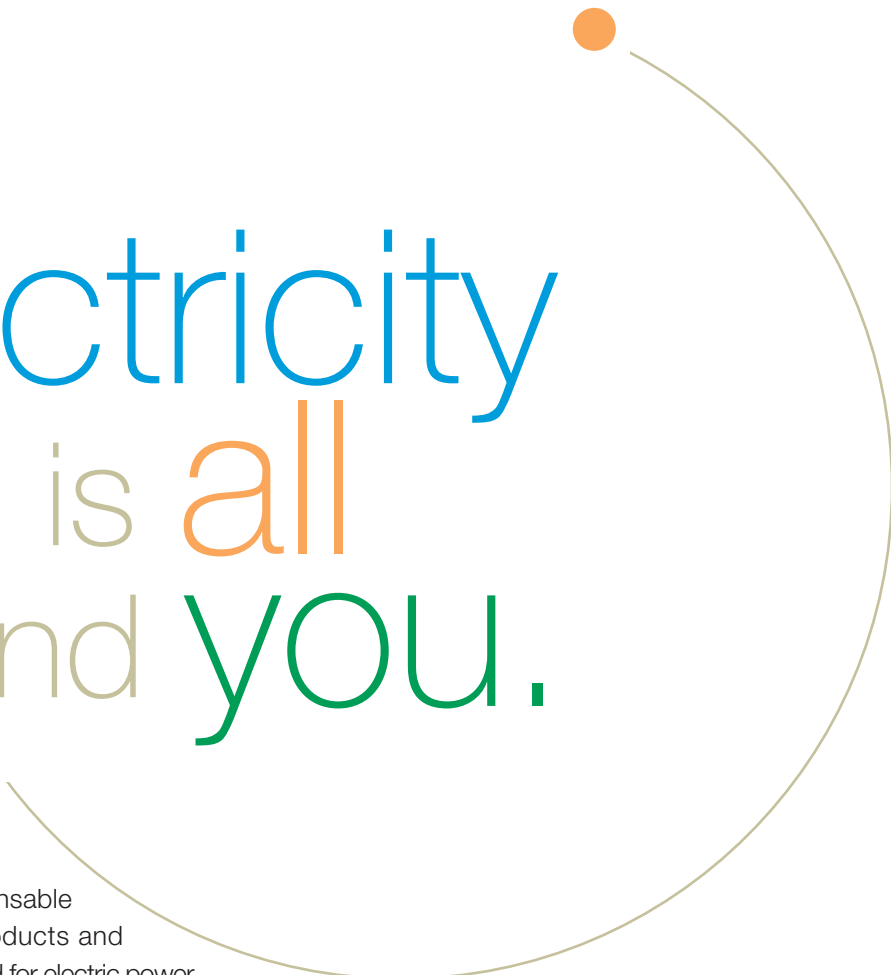
With operations around the globe, Schneider Electric offers the organization and expertise of a world leader and the service and customer care of a local partner.

- 88,670 employees in 130 countries
- 25 Research and Development sites
- 206 manufacturing facilities
- 60 logistics centers
- 13,000 sales outlets

A unique brand portfolio

Our lineup is unparalleled in terms of breadth, strategic fit and related services. It comprises market-leading global brands-Merlin Gerin, Square D and Telemecanique-powerful local brands in ultra terminal distribution, and internationally recognized specialist brands in energy management, building automation and specific automation solutions.





Electricity is all around you.

Electricity is an indispensable part of most of the products and services we use. Demand for electric power is growing around the planet, and thanks to the convergence of electricity, automation and communication technologies, smart electricity is getting even smarter.

As the world leader and only international enterprise fully dedicated to electricity management and automation, we offer comprehensive solutions for the energy and infrastructure, industry, buildings and residential markets. Drawing on our deep understanding of customer applications, we have devised a lineup that meets the most demanding requirements for safety, reliability, energy efficiency and environmental protection.

Just look around, and you'll see that **the future is electric**, with embedded intelligence, web-enabled control and monitoring systems, wireless links, multimedia networks and much, much more. We innovate every day to give the best of the New Electric World to everyone, everywhere, at any time.



Interview with the Chairman

Henri Lachmann

Chairman of the Supervisory Board

“New energy and a new outlook for Schneider Electric”

Was 2005 a good year for Schneider Electric?

Yes, 2005 was a very good year, with revenue up 13%, operating profit up 22%, earnings per share up 22% and our dividend up 25%. These are the best results we've seen in several years. 2005 was also the first full year of our new² company program, which will run for four years. We achieved solid organic growth, pursued our targeted strategy of acquisitions in highly promising areas and recorded new profitability gains thanks to the initial impact of new²'s efficiency plans. Our earnings have risen nearly 60% over the past two years and we are solidly on track to meet our targets for 2008.

What drove this performance?

Our strong revenue growth, for the second year in a row, reflects our changing profile. Schneider Electric has become a growth stock by actively going out and seeking growth. This has meant developing our lineups in high-potential markets and segments and investing in high-growth emerging economies.

We have staked out leadership positions in such forward-looking businesses as ultra terminal, increasingly reliable and efficient energy management, and automation everywhere to enhance the performance of installations, infrastructure and machines. These activities offer very bright prospects and already represent revenue of around €5 billion over a full year thanks to our acquisitions and our innovation strategy.

We now do 30% of our business in what we call emerging countries, including Eastern Europe, thanks to our solid operations, leadership positions and double-digit revenue growth. Growth of 10% in these countries currently represents €350 million, and this will increase each year along with our base.

We are in a virtuous circle, in which revenue growth feeds through to earnings growth. This is reflected in our stock price, which rose 45.2% in 2005. We owe this situation to a number of factors. First, we've taken measures around the world to move our operations closer to customers while balancing our costs and revenues within each currency zone. Second, the efficiency and quality programs deployed throughout the Company and in all areas have been a great success. Third, and most important, our team members have stepped in and made new's priorities and objectives their own.

At the Annual Meeting, you will recommend that shareholders approve a new corporate governance system for Schneider Electric. Does this mean a change in strategy?

No. A two-tier Supervisory Board/Management Board system is the best solution for ensuring a seamless succession and continuation of our growth strategy. We will recommend that the members of the current Board of Directors join the Supervisory Board, under my chairmanship, and that Jean-Pascal Tricoire, currently Chief Operating Officer and future Chairman, and Pierre Bouchut, Executive Vice-President Finance and Control–Legal Affairs, be appointed to the Management Board. Jean-Pascal has built his entire career here at Schneider Electric and earned broad recognition and respect through his achievements. This new system will give the Company a young leadership team that will provide new energy and have enough time for long-term action.

Is Schneider Electric well prepared for the future?

Schneider Electric is a magnificent company with a set of unparalleled strengths in its industry that are rarely found in a single enterprise. These include a young, international and talented leadership team; a highly efficient business model that allows remarkable flexibility; considerable capacity for innovation; global operations to serve customers; a demonstrated ability to grow through acquisitions; and motivated employees. I am fully confident in our Company's ability to continue achieving strong, profitable growth.



"Schneider Electric is a magnificent company with a set of unparalleled strengths in its industry that are rarely found in a single enterprise."

Supervisory Board

(as of May 3rd, 2006)

Henri Lachmann
Chairman
of the Supervisory Board

Serge Weinberg*
Vice-President
of the Supervisory Board
Chairman of the Board of
Directors of Accor and Chairman
and Chief Executive Officer
of Weinberg Capital Partners

Alain Burq
Member of the Supervisory
Board of the "Schneider
Actionnariat" corporate
mutual fund

Noël Forgeard*
Chief Executive Officer
of EADS N.V.

Jérôme Gallot*
Senior Executive
Vice President, Caisse des
Dépôts et Consignations

Willy R. Kissling*
Corporate Director

Cathy Kopp*
Human Resources
General Manager,
Accor

Gérard de La Martinière*
Chairman of Fédération
Française des Sociétés
d'Assurances (F.F.S.A) and
Chairman of the European
Insurance Committee (CEA)

René Barbier de La Serre*
Corporate Director

Chris Richardson
Former Executive Vice-
President of Schneider Electric's
North American Division

James Ross*
Corporate Director

Piero Sierra*
Special Advisor for the
administration of Pirelli's
international companies

Corporate governance

Non-voting Director
Claude Bébéar
Chairman of the
Supervisory Board of AXA

Board Secretary
Philippe Bougon

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

Management Board

(as of May 3rd, 2006)

Jean-Pascal Tricoire
Chairman of
the Management Board &
Chief Executive Officer

Pierre Bouchut
Member of the Management
Board

Executive Committee

(as of July 1, 2006)



Jean-Pascal Tricoire
Chairman
of the Management Board
& Chief Executive Officer



Pierre Bouchut
Chief Financial Officer



Hal Grant
Executive Vice-President
Globalization & Industry



Éric Pilaud
Executive Vice-President
Strategy, Customers
& Technology Division
and Services & Projects
Business Unit



Jean-François Pilliard
Executive Vice-President
Human Resources
and Managerial
Communication



Michel Crochon
Executive Vice-President
Automation Business Unit



Arne Frank
Executive Vice-President
Building Automation
Business Unit



Claude Graff
Executive Vice-President
Secured Power
Business Unit



Eric Rondolat
Executive Vice-President
Power Business Unit



Dave Petratis
Executive Vice-President
North American
Operating Division



Julio Rodriguez
Executive Vice-President
International & Iberian
Operating Division



Russell Stocker
Executive Vice-President
Asia-Pacific
Operating Division



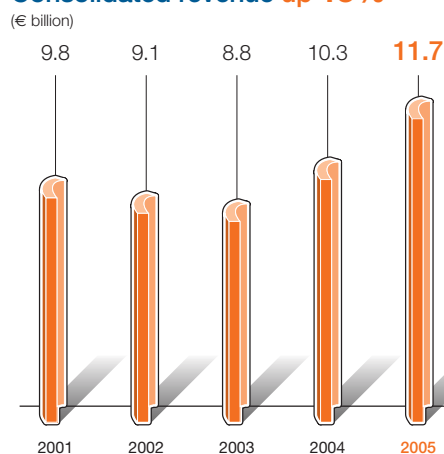
Christian Wiest
Executive Vice-President
European
Operating Division

Faster growth and stepped-up performance

2005 was an excellent year for Schneider Electric as we stepped up our measures to promote growth and efficiency under new², our company program for 2005-2008. Spurred by innovation in all areas, we advanced in all our markets while accelerating our transformation. Our rapid expansion in high-growth countries and activities, further productivity gains and good control over costs drove strong revenue and earnings growth.

Excellent performance and strong growth in financial results

* Consolidated revenue up 13%

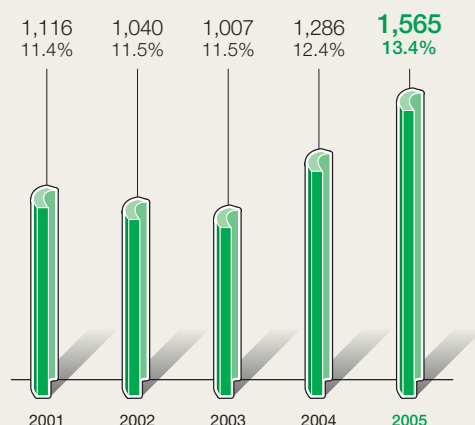


Our strong revenue growth is due in part to organic growth of 7.9%. This reflects the continuation of a very favorable situation in the emerging countries, a high pace of growth in North America and increased demand in Western Europe. The year's acquisitions added 4.2%, while the currency effect became slightly positive, contributing 0.7%.

* French GAAP figures for 2001-2003; IFRS figures for 2004 and 2005.

* Operating profit up 22%

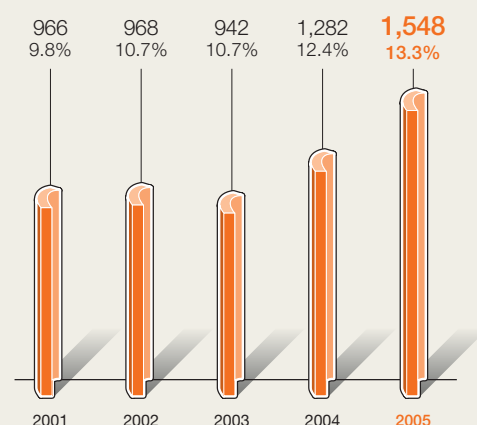
(€ million and as a % of revenue)



Here too, the sharp rise stemmed primarily from organic growth. On a constant structure and exchange rate basis, operating profit rose 17%, thanks to strong volume growth, effective management of selling prices, a significant rise in industrial productivity and tight control over base costs. Operating margin widened by one point to 13.4%. Profitability improved noticeably in all regions and all activities.

* Operating cash flow up 21%

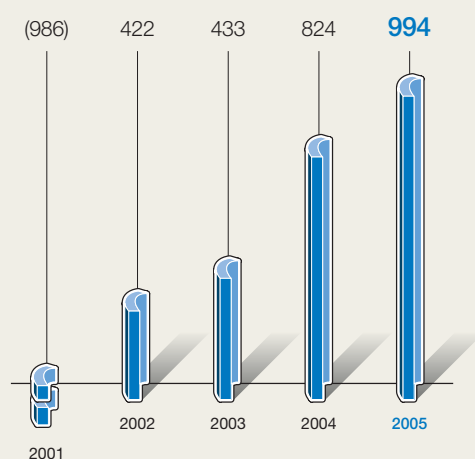
(€ million and as a % of revenue)



Once again, Schneider Electric demonstrated its ability to generate a high level of cash flow. Like profit attributable to equity holders of the parent, operating cash flow surged 21%, representing 13.3% of revenue. After capital spending and changes in working capital requirement, free cash flow stood at €849 million, or 7.3% of revenue.

* Profit attributable to equity holders of the parent up +21%

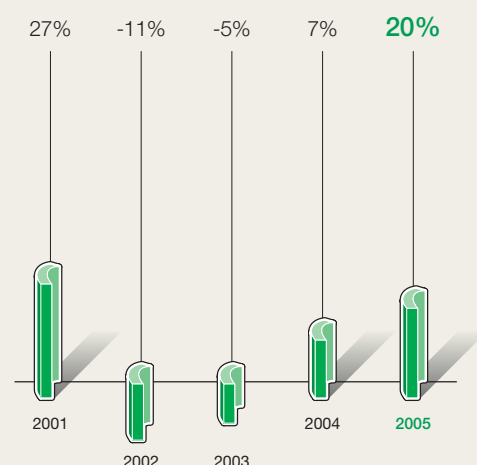
(€ million)



Profit attributable to equity holders of the parent grew a strong 21% to €994 million. Earnings per share rose 22% to €4.56, reflecting the increase in profit and a 1.2% reduction in the average number of shares outstanding.

* Debt to equity

(in %)



Gradual optimization of the balance sheet resulted in a debt-to-equity ratio of 20% at end-2005, compared with 7% the year before. A €1.1 billion increase in borrowings, combined with solid cash generation, allowed us to finance €1.3 billion in acquisitions and pay dividends of €0.5 billion. During our bond issue in August 2005, Standard & Poor's confirmed Schneider Electric's A rating, outlook stable.

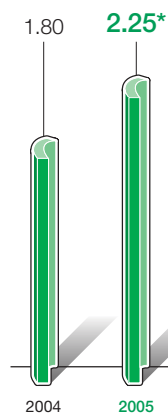
* French GAAP figures for 2001-2003; IFRS figures for 2004 and 2005.

The Schneider Electric share rose 47% in 2005, outperforming the CAC 40 index and the capital goods sector in general.

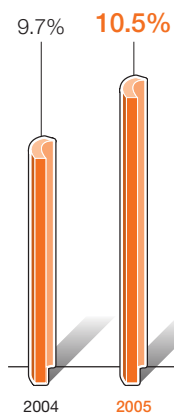
In France, Schneider Electric is listed on the First Market of the Euronext Paris market. The share trades in lots of one under ISIN code FR 0000121972. It is included in Euronext Paris' benchmark CAC 40 index.

Investor information

Dividend per share up 25%



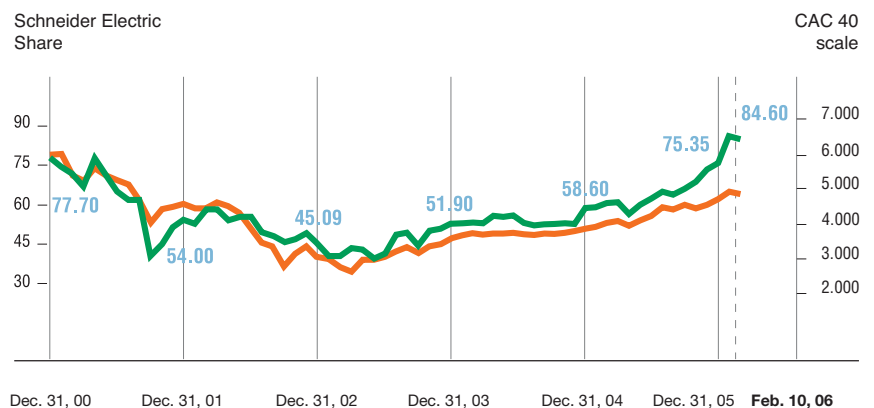
Return on capital employed up 0.8 pt



* Recommended for shareholder approval at the Annual Meeting of May 3, 2006. The dividend will be paid as from May 9, 2006.

Share price performance and trading volumes

(Thomson Financial data)



■ Share price in euros ■ Schneider Electric share
■ CAC 40 index (base: Schneider Electric share price on December 31, 2000)

5-year trading summary

	2001	2002	2003	2004	2005
Average daily trading volume					
• number of shares (thousands)	1,206.92	1,068.17	1,198.06	942.82	947.34
• € millions	72.82	53.87	53.92	50.49	59.31
High and low share prices (in €)					
• High	79.20	59.85	54.30	58.25	77.15
• Low	38.10	37.16	37.40	49.20	51.15
Closing (in €)	54.00	45.09	51.90	51.20	75.35
Total yield (in %)	2.41	3.33	3.18	3.52	2.99

Changes in the share base in 2005

Shares outstanding at Dec. 31, 2004	226,194,177
Shares cancelled in 2005	
Exercise of options in 2005	425,050
2005 worldwide Employee Stock Purchase Plan	
Shares outstanding at Dec. 31, 2005	226,619,227
Potential shares at Dec. 31, 2005	10,551,075
(of which options to subscribe or purchase new or existing shares)	3,634,600
Fully diluted shares outstanding at Dec. 31, 2005	237,170,302
Average shares outstanding in 2005	218,205,869
(used to calculate earnings per share)	

The Company bought back 2.8 million Schneider Electric shares in 2005. Including the dividend for 2004, the total payout for the year amounted to €470 million.

Shareholder information

Schneider Electric is committed to nurturing a solid relationship of trust with its shareholders. We report regularly to shareholders through our thrice-yearly Letter to Shareholders, the investor relations section of our corporate website and financial notices published in the press.



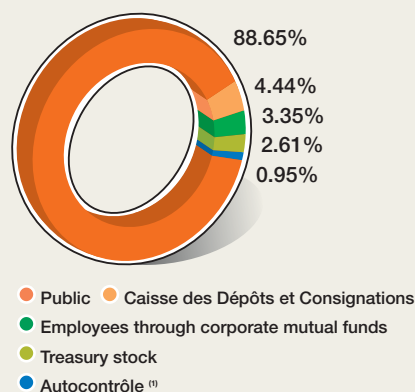
Shareholders' Relations Committee

The Committee is made up of eight individual shareholders appointed by Schneider Electric for a three-year term. Members may serve a maximum of two terms. Designed to relay shareholders' concerns, the Committee gives an opinion and makes suggestions on financial communication actions and resources for individual shareholders.

In 2005, the members met three times and made suggestions that led to improvements in the Letter to Shareholders, the corporate website and its financial section, and the organization of the Annual Meeting.

Ownership structure*

(at December 31, 2005)



(1) Schneider Electric shares held via Cofibel/Cofinimes. No shareholders' pact was in effect as of December 31, 2005.

Investor contact

Send your questions and comments to:

Shareholders' Relations Committee

Schneider Electric SA Financial Communication

43-45, boulevard Franklin-Roosevelt

92500 Rueil-Malmaison - France

- www.schneider-electric.com
- (Finance Corner, Agenda and Contact)

- Toll-free number in France

N° Vert 0 800 20 55 14

Investor calendar

February 16, 2006	2005 annual results
May 02, 2006	First-quarter 2006 revenue
May, 03, 2006	Annual and Extraordinary Shareholders' Meeting
July 28, 2006	2006 Interim revenue and results
October 24, 2006	Third-quarter 2006 revenue





new² in action



In January 2005, we launched our new company program with three operating priorities for 2005-2008:

- Commit to growth.
- Be more efficient and effective every day.
- Make our people passionate about what they do.

Our top priority: customer satisfaction

Understanding our customers' needs

To stay fully abreast of our customers' requirements, we've set up 60 centers in 25 countries specialized in applications such as elevators, packaging, textiles and data centers. Our goal is to develop the most effective solutions with customers to meet their specific needs.



Cultivate commercial excellence Provide exceptional customer service

All Schneider Electric team members, at all levels and in all functions are encouraged to become partners in enhancing our customers' growth and performance. Satisfaction surveys are conducted in all countries to measure the progress we're making.

Innovating for users

To get a handle on users' expectations, we've re-created their daily environment in the laboratory. Thanks to these innovation platforms, we are able to respond much faster with solutions based on observation that are often very simple, but always effective.

Spreading the word

To forge close contacts with customers and present the extremely diverse range of solutions offered by Schneider Electric and its partners, we launched private professional trade shows in 2005 called Initi@tive. The shows feature our main products and solutions, as well as those of our partners, and an "à la carte" schedule of conferences. In 2005, Initi@tive shows were held in Seville, São Paulo, Mexico City, Santiago, Istanbul and Bangkok.

Promoting growth

Targeted acquisitions and new businesses

During the year, Schneider Electric made five acquisitions in five strategic areas:

- Energy management, with Canada's Power Measurement Inc., a leader in comprehensive systems for managing energy consumption.
- Building automation and security, with ABS EMEA (Advanced Building Systems Europe and Middle East), which is now part of TAC, our skills center for building management and monitoring systems.
- Industrial automation with Germany's Elau, the world leader in automation solutions for packaging machines.
- Customized sensors for application positioning and monitoring systems, with US-based BEI Technologies.
- Ultra terminal electrical distribution, with Juno Lighting, America's leading manufacturer of track and recessed lighting.

Over a full year, new activities represent revenue of around €5 billion.

Promoting efficiency

Rebalancing and globalizing

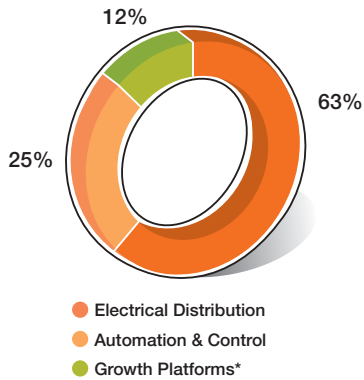
Schneider Electric has initiated more than 700 projects to rebalance and optimize purchasing, as well as our manufacturing base and supply chain. Productivity-enhancement measures were stepped up in all countries. We have also launched a major project to optimize and unify our IT systems at the global level so we can be even more efficient and effective.

Promoting our people

Safety, development and training

new's three paths for promoting employee growth and commitment are enhancing workplace safety, developing talent and unleashing entrepreneurship. We've set up three-year competency plans in each unit, expanded Schneider Electric University's programs and strengthened our relationships with schools and universities in emerging countries, which represented 30% of consolidated revenue in 2005.

2005 revenue
by business



* Building automation and security, secured power, sensors and actuators for repetitive machines

End-to-end solutions for our customers

Schneider Electric provides comprehensive solutions for Electrical Distribution and Automation & Control. Compliant with all of the world's major standards - IEC, NEMA, UL, ANSI, BS, CCC, JIS - our lineup features competitive products that are easy to install and operate, combined into compatible, flexible and open-ended ranges.

We leverage our close relationship with customers and powerful innovation capabilities to constantly broaden and deepen our solutions offering. Through our sustained acquisitions strategy, we have quickly gained leadership positions in new, fast-growth businesses that expand our potential accessible market.

Two high-potential, strategically related businesses

Electricity management

Making electric power safe, reliable, effective and available

Schneider Electric ranks first worldwide in Electrical Distribution and second in ultra terminal and secured power. Our ultra terminal lineup covers traditional electrical equipment needs, as well as Voice-Data-Image (VDI) and Power Line Carrier (PLC) technologies, which turn electric wiring into a communication network. Thanks to our acquisitions and innovations, we have become a major player in energy management systems, a market with an increasingly promising future as energy becomes scarcer and more expensive.



High value added services

Enhancing installation performance

Schneider Electric supports customers throughout their installations' lifecycle with a full, customized range of services that includes equipment maintenance, installation and site audits, diagnostics, tracking, on-site and remote management and maintenance, training and online technical assistance.

We also offer consulting services to improve performance and energy efficiency. We are working faster to develop our services in response to growing demand.

Automation management

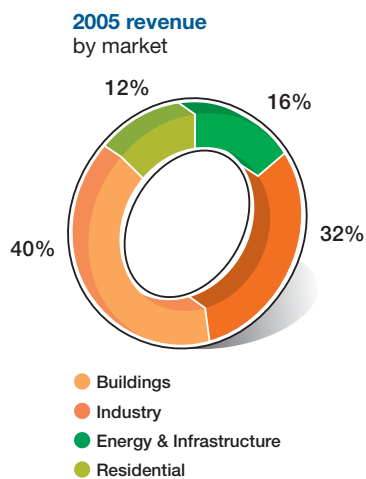
Controlling and monitoring machines and equipment and protecting people

Schneider Electric ranks second worldwide in Automation & Control - first in industrial control and human-machine interface and third in programmable logic controllers - and enjoys recognized leadership in web automation. We have broadened our lineup through several acquisitions, adding such products as sensors for repetitive machines and actuators.

We've also staked out a major position in the fast-growing market for building automation and security systems.



Four main markets



Our solutions cover a wide range of needs, from energy efficiency, productivity and uninterrupted supply to safety, comfort and communication. With these solutions, we serve markets worth nearly €200 billion worldwide. We operate around the world and access these markets through a diverse range of channels. By forging partnerships, talking with customers and maintaining a strong local presence, we are able to provide increasingly effective solutions for each market segment and each application. Upstream and downstream, we constantly enhance our organization to ensure that all local and international customers receive outstanding service.

A new Services Division

One of new²'s priorities is to develop services in all our markets. More than 5,000 of our team members are involved in installed base maintenance and advanced services to improve performance. In 2005, they generated revenue of around €1 billion. A new Services Division was set up during the year to further speed growth in this area.

Energy & Infrastructure

Guaranteeing a safe, reliable power supply and controlling operating costs

- Growth in this market is driven by the considerable development of infrastructure for water, energy, transportation and communication (notably via the Internet); privatization of public infrastructure; outsourcing; and growing security and environmental protection requirements.
- Main customers: public investors, regulators, contractors, systems integrators, OEMs, power utilities, large manufacturing firms and service companies.

Industry

Enhancing productivity, flexibility, security and traceability

- We serve the entire market, from food & beverage, packaging and automobile manufacturing to pharmaceuticals, chemicals and electronic components. Global partnerships with strategic accounts and OEMs are a key growth avenue.
- Main customers: engineering and design firms, systems integrators, OEMs, large manufacturers, panelbuilders and electrical equipment distributors.



Buildings

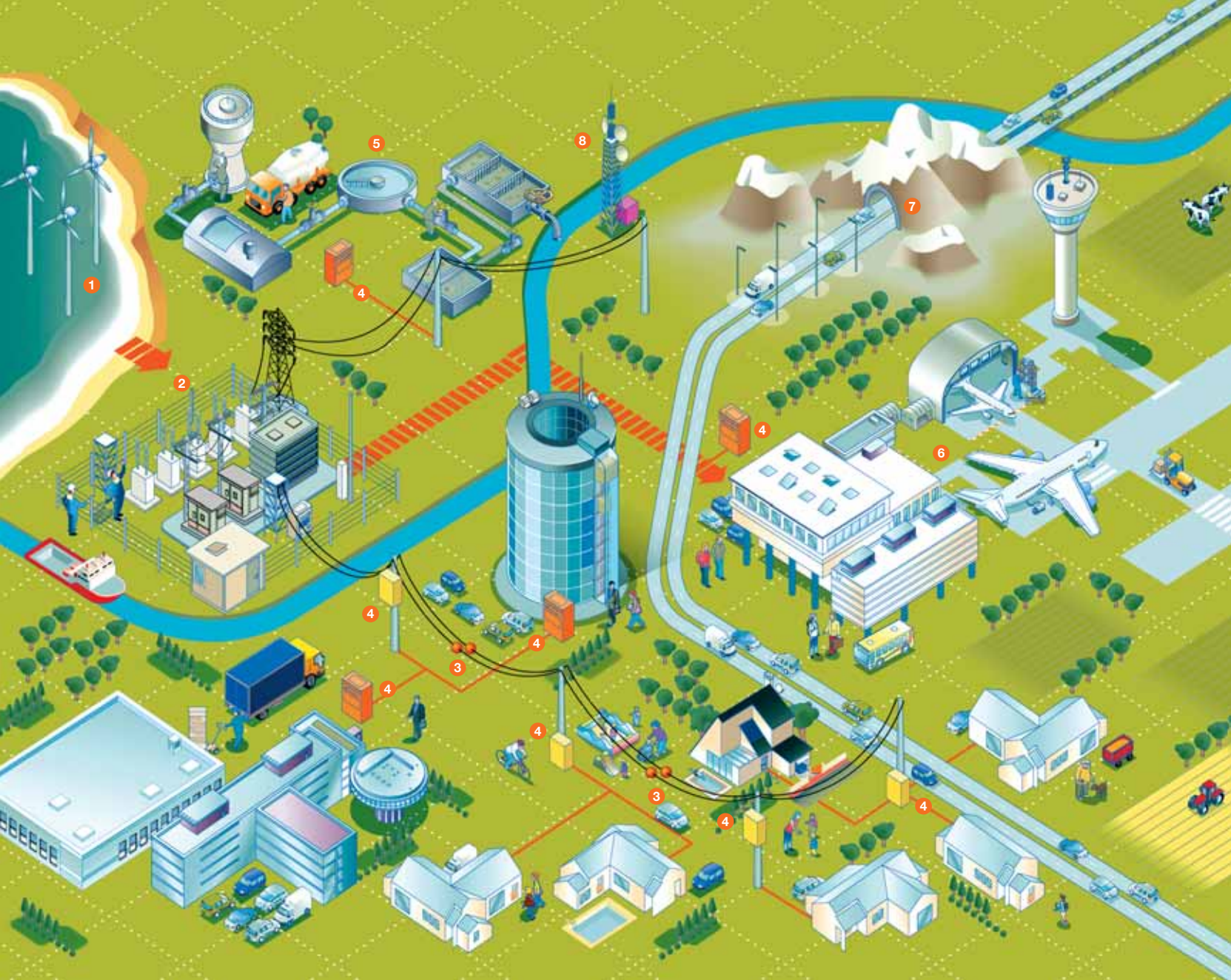
Reducing operating costs while offering greater comfort and safety

- The Buildings market offers great potential in the areas of automation, maintenance, optimization of energy use, automated HVAC and lighting management, access control and security for industrial, commercial and service buildings.
- Main customers: developers, engineering and design firms, systems integrators, contractors, panelbuilders, electrical equipment distributors and building operators.

Residential

Ensuring comfort and safety while simplifying communication

- This is a reliable, steady market in which renovation accounts for 50% of business. It offers significant growth opportunities related to the development of new technologies and the immense housing needs of emerging countries.
- Main customers: architects, prime contractors, homebuilders, electricians, electrical equipment distributors and DIY superstores.



Energy & Infrastructure

Our solutions, products and services are used in:

- Electric power generation and distribution,
- Energy metering and quality,
- Water transportation and treatment,
- Public transportation and freight shipping,
- Telecommunication infrastructure,
- Oil and gas infrastructure,
- Multi-site remote management.

Day after day, Schneider Electric solutions give you safety, reliability, savings and performance

- | | | |
|---|--|---|
| <p>1 Wind turbine
 <i>. Supply the power grid
 . Optimize installed base operating costs</i></p> | <p>4 MV/LV substation
 <i>. Step down power from medium voltage to low voltage
 . Distribute power to consumers</i></p> | <p>6 Airport
 <i>. Supply site electricity
 . Distribute power and control building utilities
 . Manage baggage handling
 . Ensure continuous power supply for runway lighting</i></p> |
| <p>2 HV/MV substation
 <i>. Step down power from high voltage to medium voltage
 . Control and manage the substation</i></p> | <p>5 Water treatment
 <i>. Control, monitor and distribute process electricity
 . Control and monitor pump motors
 . Manage sites</i></p> | <p>7 Road tunnel
 <i>. Supply site electricity
 . Control and monitor ventilation</i></p> |
| <p>3 Medium voltage grid
 <i>. Control and manage the grid</i></p> | | <p>8 Telecommunications
 <i>. Supply and distribute electricity and manage building utilities</i></p> |



- | | | |
|--|--|---|
| 1 Control and protect motors | 5 View status and interface with machines | 8 Supply site electricity |
| 2 Detect objects, shapes and colors | 6 Control automation devices, process and relay captured data | 9 Distribute LV power while optimizing costs and quality |
| 3 Control load traction and movement | 7 Communicate with an organization's various automated systems | 10 Protect people and electrical installations from overvoltage |
| 4 Protect operators and stop machines safely | | 11 Automate repetitive machines |

Industry

Our solutions, products and services are used in:

- Machine control and monitoring,
- Process automation,
- Electric power supply and distribution,
- Single site or multi-site production data management.



Buildings

Our solutions, products and services are used in:

- Electric power supply and distribution,
- Utilities management (lighting, air conditioning, elevators, access control, etc.) and data exchange (Voice-Data-Image, Power Line Carrier and radio transmission),
- Multi-site remote management for office buildings, shopping centers, stores, industrial buildings, ships, hotels, hospitals, schools and other buildings.

Day after day, Schneider Electric solutions give you safety, reliability, savings and performance

- | | | |
|---|--|----------------------------------|
| 1 Distribute
low voltage power | 4 Supply
building electricity | 7 Control
and manage lighting |
| 2 Distribute
final low voltage | 5 Distribute
Voice-Data-Image networks | 8 Ensure
building security |
| 3 Control
and manage building
facilities to enhance comfort,
energy savings and
maintenance | 6 Control
motors for ventilation systems,
elevators and escalators | |



- 1** *Distribute low voltage power*
. Distribution enclosure, residential load center

Protect people and the electrical system
. Connection circuit breakers and earth-leakage protection circuit breakers

- 2** *Distribute final low voltage*
. Switches and sockets

- 3** *Ensure comfort and manage energy*
. Products for heating, air conditioning and lighting applications, contract optimization and phone-controlled management

- 4** *Distribute Voice-Data-Image networks*
. Telephone and television socket solutions

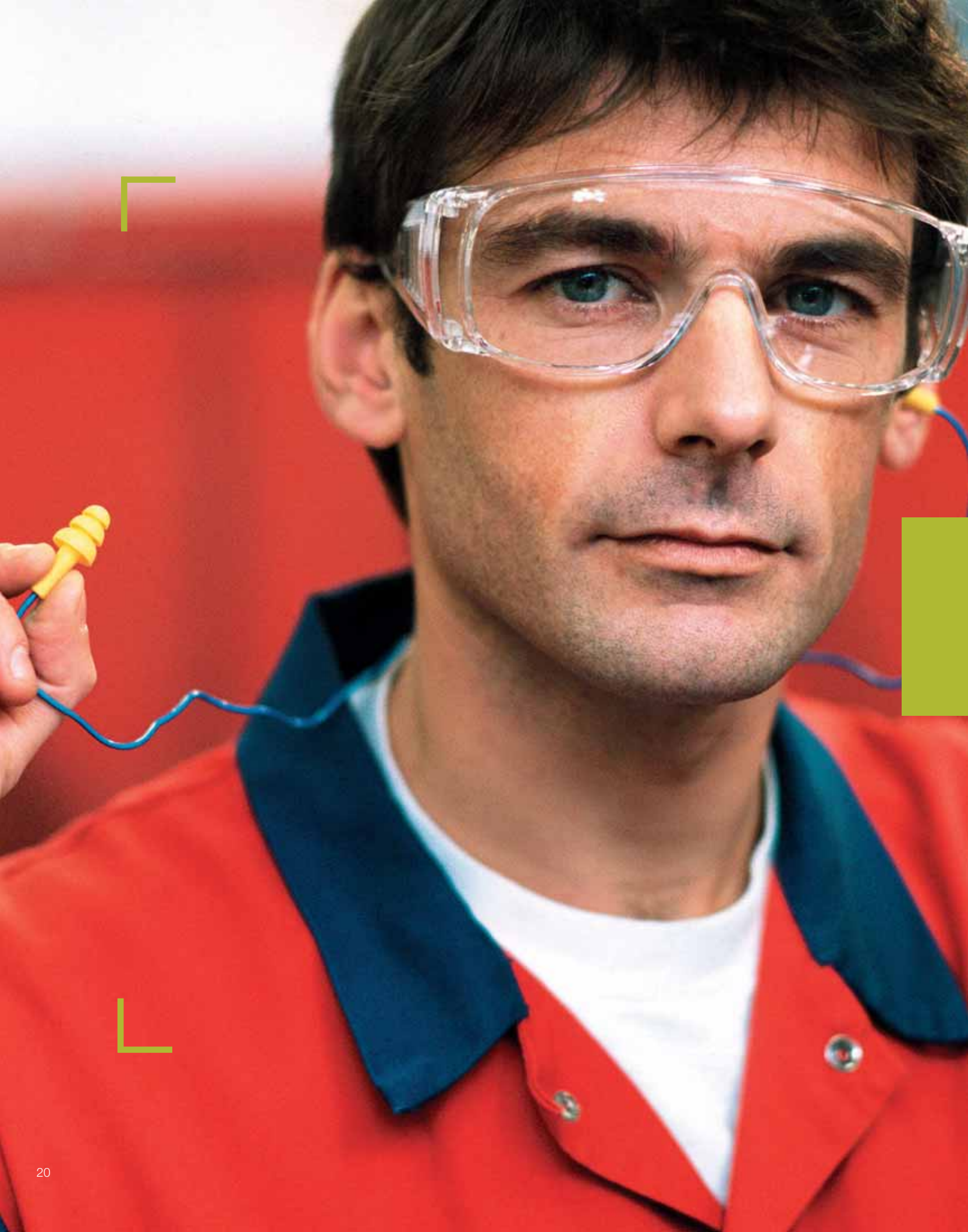
- 5** *Protect people and property*
. Fire alarm and access control system, code-operated keypad, intercom, lightning arrestor, etc

- 6** *Detect/sense position and pressure*

Residential

Our solutions, products and services for single-family homes and apartment buildings are used in:

- Electrical distribution (protection and installation switchgear),
- Surveillance and security,
- Automation and data exchange systems using Voice-Data-Image, cable, Power Line Carrier and radio transmission technologies.





Innovating for our customers



Electricity
is all around
you

**Conserving energy,
delivering superior performance,
safety and comfort**

In 2005, we invested 5% of revenue in R&D to meet customer needs even more fully and efficiently.

We have 6,500 people working in R&D in 25 countries worldwide. Their mission is to constantly add more value for users by making products compatible and easy to install, optimizing upgradeability and enhancing services.

We innovate in all areas - organization, production, management and environmental performance - to help our customers succeed and grow.



Innovating to

enhance energy efficiency



PowerLogic

A power management system that enables customers to reduce energy consumption significantly, PowerLogic was chosen as the Building Services Product of the Year at the Electrical Industry Awards 2005 in the UK.

Conserving precious resources

With the cost of energy and raw materials skyrocketing, energy efficiency and conservation of natural resources have become a major concern. Local authorities, businesses and consumers are all trying to reduce consumption, make their installations more energy efficient and minimize waste, while enhancing the quality of their products. This is driving growing demand for systems and services that improve energy management and optimize manufacturing processes.

Delivering efficient, sustainable solutions

By providing our customers with solutions that combine economic performance with sustainability, we're helping them to reduce consumption, improve the energy efficiency of their equipment by optimizing loads and uses, and enhance the quality of their production processes and water management systems.



Zelio Relay, Time and Control

Because it can adapt exactly to the user's needs, the new Zelio range of timers, relays and control modules provides the perfect solution for any simple automated system. These products' compact size makes them easy to incorporate in installations.

Specialized subsidiaries providing customized solutions

Schneider Electric is a world leader in energy management for buildings, both directly and through its specialized subsidiaries: TAC, one of the first companies to specialize in building automation; Abacus Engineered Systems, an energy and engineering solutions provider; and Power Measurement Inc (PMI), a leading player in smart energy metering and management systems.

Through its guaranteed energy performance contracts, TAC has developed an innovative approach to improving the energy efficiency of buildings. The savings generated pay for the initial investment and the results are guaranteed. More than 200 contracts of this type have been signed in the United States and Scandinavia.



Schneider Electric helps New York State conserve energy

Thanks to its energy management and efficiency solutions, our Power Measurement Inc. subsidiary will help the State of New York save more than \$500,000 a year through a 35% reduction in infrastructure energy use between now and 2010.

10%

reduction in energy
consumption, thanks
to remote monitoring

40%

reduction in energy
consumption for public
lighting, thanks to Lubio

Managing power remotely

With Transparent Ready™, Schneider Electric has developed a new generation of solutions for remote management, diagnostics and maintenance. Thanks to embedded web servers, users can consult data produced by PLCs in plants, buildings and infrastructure any time, anywhere. As a result, they can monitor installations from any location and closely manage consumption of resources, particularly energy.

With the help of experts who make immediate recommendations based on the data collected, our customers can reduce their energy bill by up to 10%, covering the cost of metering devices and experts' fees in less than a year.

Reducing consumption

PowerLogic and metering systems can help reduce energy costs by 2% to 4% by indicating where and how power is consumed. Our solutions can also shave 2% to 5% off operating costs, by optimizing consumption, and generate resource savings of at least 10%, by increasing productivity through less downtime.



Guaranteed energy performance for Carrefour France

The first agreement of its type in France, our guaranteed energy performance contract with Carrefour aims to reduce the energy consumption of the group's stores by 10% to 15% by improving lighting, heating, air conditioning and, most importantly, chilling, which represents 40% of a hypermarket's energy consumption. Schneider Electric has guaranteed this target, and in return, Carrefour has committed to making the necessary investments and supporting the deployment of good practices in its stores. Energy management solutions will create a more pleasant environment for shoppers and staff by maintaining a uniform temperature throughout the stores, from the freezers to the checkout counters. The potential energy savings total 113 GWh, equivalent to more than a quarter of the energy consumption of a city like Paris.

New and improved

Delivering more savings and enhanced efficiency

Predictive maintenance with Lubio

By adapting lighting levels to suit local needs more precisely, Lubio can reduce the power consumption of public lighting systems by 40%. In its latest version, Lubio won a prize for innovation at the *Salon des Maires et des Collectivités Locales*, a gathering of mayors and public authorities in France.





Retrofit: Revamping installations cost effectively

Retrofitting is a cost effective way to extend equipment life, while reducing maintenance costs and downtime. A major project in 2005 covered the replacement of 600 medium voltage circuit breakers at Ereğli Iron & Steel's plant in Iskenderun, Turkey. We also provided 801 retrofit solutions to Mexico's Laguna Verde nuclear power plant operated by the *Comision Federal de Electricidad*, with a record delivery time of just 20 weeks!



Lubio

The Lubio range is an integrated solution for the operation and maintenance of public lighting systems. It can be used to regulate and vary voltage and turn street lamps on and off.



EGX 100

An innovation in monitoring and controlling energy more economically, the Merlin Gerin EGX 100 Ethernet gateway uses the Modbus TCP/IP protocol to ensure reliable, high-speed communication for even the most demanding applications.

Energy savings for hospitals in Sweden and the UK

RegionFastigheter, the office that handles property services for public hospitals in southern Sweden, has contracted with TAC to optimize energy costs at hospitals in Lund, Helsingborg and Kristianstad. The goal is to achieve savings of more than €1 million a year, enough to finance the equipment needed to make the facilities more energy efficient. TAC is also doing technological wonders in the UK by transforming a complex of five hospitals into smart buildings that will ensure a safe and comfortable environment for patients, visitors and staff.





Innovating to

improve our customers' performance



TeSys U

Designed to protect motors up to 450 kW, this smart motor-starter combines motor control, monitoring and inverter functions in a 45 mm-wide footprint. It works with standard communication buses and provides seamless monitoring via the Internet.

Automation everywhere

Manufacturing processes, machine control and monitoring, optimization of power supply and distribution, management of production data on one or more sites... Thanks to electricity, automation is developing all around us—in plants, offices, homes and even cars, where electrical systems have doubled in the past ten years. The challenge is to offer solutions that are reliable, adaptable and competitive.

Schneider Electric is committed to helping customers increase productivity and optimize production and supply chain efficiency, while reducing costs. As an expert in automation products and software, we are constantly broadening and upgrading our lineup and organization to meet our customers' needs more effectively and make life easier for systems integrators and manufacturing process specialists. Easy to install, open-ended and adaptable, our automation solutions are becoming even more intelligent and networked, to make installations even more efficient.

More efficient production lines

Schneider Electric and IBM have signed an international joint development and cooperation agreement targeting the microelectronics and food and beverages industries.

The goal is to make it easier to integrate Schneider Electric's Transparent Ready™ networked PLC architectures with IBM's WebSphere product lifecycle management software. Users will see their production lines enhanced with high performance solutions for quality and traceability control.



End-to-end solutions that improve customer performance

In both electrical distribution and automation, customers increasingly want comprehensive solutions to their needs. To meet these expectations, we are developing end-to-end solutions for each market segment, while pursuing an aggressive acquisition strategy in high-potential fields, such as motion control, speed drives, miniature PLCs, graphic terminals, customized sensors and, of course, software.

By acquiring BEI Technologies, a manufacturer of customized sensors for positioning and monitoring systems, Schneider Electric strengthened its position in this field in 2005. Already present through Crouzet Automatismes and Kavlico, we now offer the most comprehensive lineup in the market, including the largest range of angular speed sensors, and position and pressure sensors for the automobile, aeronautic and manufacturing industries.

24/7

online assistance
for automation devices



Osisonic

These extremely compact ultrasound sensors can detect any object in solid, granular, powder or liquid form, regardless of its color. Engineered to operate in the most challenging environments, Osisonic sensors are resistant to humidity, noise, chemical agents and changes in temperature.

Dedicated organizations for international customers

OEMs are constantly looking to increase machine performance and improve maintenance quality. Schneider Electric helps multi-site and global OEMs do this by offering a range of solutions that enhance customer service on an international scale. We intend to lead the market in automation solutions for certain types of equipment, such as packaging machines. As part of this strategy, we acquired Germany's Elau in 2005. The world leader in this segment, Elau offers advanced solutions that make packaging machines even more efficient and adaptable.

We have also set up a dedicated organization for large manufacturers, distributors and international service providers that offers high-quality customer care, fast decision-making and access to all of our worldwide resources.

Through Schneider Electric Alliance, an international network of more than 700 carefully selected partners in 30 countries, we can put customers with automation projects in touch with qualified systems integrators located in their area. In addition to encouraging network members to exchange best practices, we also provide advanced engineering resources to further enhance their competitive edge.



New and improved

Delivering superior performance

They've chosen Unity

The Unity software suite for Modicon Quantum, Premium and Atrium PLCs creates a work environment focused on performance and productivity. Businesses that adopted Unity in 2005 include Ford in the UK, Toyota in Guangzhou in China, Cargill in Argentina, Rolex in Switzerland, Capital Steel in China and Minera Mantos de la Luna in Chile.

Maersk: Better prepared for the future

After an eight-hour shutdown at Maersk's site in Algeciras, Spain caused by a medium-voltage power system failure, the shipping company turned to Schneider Electric to prevent a similar situation occurring in the future. Thanks to a turnkey solution guaranteeing uninterrupted supply even in the event of a power outage, the site is now secure.

Transparent Ready™ for Veolia Water

Built near the Hague by Veolia Water and equipped with electrical distribution equipment and automation devices by Schneider Electric, this new wastewater treatment plant will serve 1.3 million people. Monitor Pro will monitor and control the Unity Pro-programmed Quantum PLCs, and Transparent Ready™ communications solutions will ensure the installation can be managed in real time from any location via a web browser.

A turnkey solution for Novartis

To simplify and speed up their projects, multinationals increasingly prefer to have just one contact for all their facility management needs. For the new Novartis pharmaceuticals laboratory in Singapore, we delivered an end-to-end solution that included electrical distribution, industrial control, building automation, consulting and prime contracting from Schneider Electric; security, surveillance and monitoring systems for clean rooms and other parts of the building from TAC; secure power supply from MGE UPS Systems; and lighting from Clipsal.

A top-quality system for the mining industry

Iluka Resources, the world's second largest producer of titanium minerals, tasked Schneider Electric with designing and implementing a top-quality electrical system at two Australian sites as part of a plan to build a new plant.

Our solution combined Telemecanique Quantum PLCs with PDL speed drives, high voltage switchgear, motor control centers and low voltage equipment, as well as MGE UPS Systems solutions for eliminating harmonics.



Altivar 71

Particularly well-suited to high performance applications, this new generation of speed drives stands out for its broad range of power ratings and advanced functionalities. What's more, Altivar 71 is 88% recyclable, which is 18% better than mandated by European regulations.





Innovating to

enhance comfort, communication and leisure time



Twido

Extremely flexible and with numerous communication capabilities, Twido can be used to manage lights, heating, air conditioning and access control systems, as well as elevators and automatic vending machines.

Enhancing comfort, communication and leisure time

From office buildings, hotels and shopping malls to universities, sports and cultural centers and homes, buildings have more and more systems to control temperature, lights and access and make it easier to interact and communicate. Increasingly, customers want solutions that are simple to choose, install, operate, maintain and adapt according to their needs, as well as services that make life easier for both system installers and users. Our lineup offers everything needed to enhance comfort, convenience and communication capabilities in buildings and homes, including electrical supply and distribution, automation, control, Voice-Data-Image (VDI) networks and Power Line Carrier (PLC) technology, which provides access to telephone, television and the Internet through the electrical wiring.

For 1.6 billion people worldwide, better quality of life simply means gaining access to electricity. Schneider Electric also makes a significant contribution in this area.

Smart home technology

The Intelligent Home Control (IHC) system can be used to open and close gates, doors and shutters, manage indoor and outdoor lights, regulate heating and air conditioning systems, and operate audiovisual equipment - all at the touch of a button. The system can easily be controlled remotely, even via a cell phone.



New additions to our lineup

We are pursuing a strategy of sustained growth in ultra terminal distribution and building automation systems.

In 2005, we acquired US-based Juno Lighting, number one in the fast-growing track and recessed lighting market. With more than 2,100 distributors across North America, Juno Lighting regularly wins awards for the product quality and design and outstanding customer service. In building management, TAC integrated Invensys' Advanced Building Systems operations in Europe and the Middle East (ABS EMEA) and formed a commercial partnership with Philips Lighting in Europe to offer customers a comprehensive range of integrated and open automation solutions that include advanced lighting systems. These user-friendly solutions deliver superior comfort, as well as energy savings.



Plenum Box

Developed by the Sites Architectures and Systems department and the innovation platforms, the Plenum Box is a key component of an innovative, completely decentralized architecture for electrical distribution and VDI in office buildings. Installed inside the suspended ceiling, the Plenum Box is extremely open-ended and flexible to suit changing business requirements and work methods.



Unica Top

Unica Top is a range of stylish switchplates that cleverly combine aluminum or graphite with top-quality timbers, such as beech, cherry and Wenge - an elegant wood from Africa with dark brown and black tones - and the chrome or metallic look of nickel, titanium or copper.

Services that make life easier

We deliver upgradeable solutions made from products that are compatible with each other and that comply with local standards, applications and tastes. The plus for electricians and contractors is that they are easy to install and come with a variety of web-based and other services, including sales support, training and technical assistance.

We also offer customized solutions for developers and consulting services for consumers. With the Clipsec software developed by our Clipsal subsidiary, for example, new home buyers can choose the comfort and safety installations that best suit their needs and lifestyle.

Another subsidiary, Conlog, provides prepayment solutions that give consumers in certain countries access to water and electricity, while encouraging distributors to expand their networks. Users insert a prepaid card in a special meter and consume until their credit runs out.



New and improved

Enhancing comfort, communication and leisure time

Towards a brighter future

Light-emitting diodes (LED) not only deliver more light with less power, but they also have a service life of more than ten years, offer new design possibilities and can transmit data directly. Schneider Electric is actively developing this technology, which is revolutionizing the world of lighting.

New leisure complexes in Dubai

Man-made Palm Island boasts 1,800 villas, 7,000 apartments, a shopping center with 220 stores and upscale restaurants, and several sports and leisure facilities. Ultimately, the resort will be home to 30 worldclass and luxury hotels. Schneider Electric provided the medium and low voltage electrical distribution equipment for the project, as well as monitoring devices to start up the pool pumps. We also supplied HVAC monitoring systems for a fresh-snow winter sports complex in Dubai maintained at a temperature of between 1°C and -2°C.



Modern automation for fine arts museum

The Petit Palais art museum in Paris reopened in 2005 after four years of renovation. TAC provided all of the building's automation and surveillance systems, including climate control (temperature, humidity, ventilation), lighting, access control, and artwork security. The building has 300 dimmer switches, 60 shutter/lighting controls, 34 air-handling units, 300 intrusion detectors and radar devices and 90 surveillance cameras. Some 2,000 separate data items are monitored 24/7.

Clipsal wins award for Hilton Adelaide

One of South Australia's most prestigious hotels, the Hilton Adelaide offers luxury accommodation. When the hotel was renovated, the latest smart lighting technologies and energy efficiency systems were installed. Thanks to the high-tech Clipsal C-Bus system, a broad range of lighting scenes can be set via touch screens or infrared remote controls.

The project, which has been widely recognized for its exceptional features, garnered an award from the National Electrical and Communications Association (NECA). These technological innovations will make it much easier to meet the hotel's many requirements for open-ended solutions.



Altira

Altira is a range of highly efficient 45x45 mm power outlets and switches that clip directly on to wireways and power poles. They can be surface or flush-mounted and used to replace existing devices.



Magelis XBT GT

With different colors, adjustable contrast and brightness and numerous communication options, Magelis XBT GT graphic terminals are particularly user-friendly. Their compact size and special spring clips also make them easy to install.

Automation of a swing bridge in Le Havre

As part of its waterfront development project, the French city of Le Havre recently built a swing bridge over the Paul Vatin dock. Eurodim, an engineering firm specialized in the design of movable structures and mechanisms and prime contractor for the bridge's mobility and mechanisms, called on Schneider Electric to provide automation solutions for the project. The new bridge is operated from a control room equipped with Ethernet-connected Telemecanique Premium PLCs and Merlin Gerin low voltage power distribution products.





Innovating to

make our customers' installations safer and more reliable



Merlin Gerin Evolis 24 kV

The latest addition to the Merlin Gerin range of medium voltage vacuum circuit breakers, Evolis 24 kV is equipped with Pilot, the first monitoring module integrated into an MV breaker.

Pilot guarantees the long-term performance of Evolis products and makes them easy to install and operate.

Total safety: The cornerstone of our business

Although electricity is the most flexible energy to generate, transmit and use, it can be hazardous if not properly managed. From homes to nuclear power plants, Schneider Electric's mission is to ensure the safety of people and equipment.

At the same time, we must also respond to new requirements. We're seeing more and more mission-critical applications in facilities such as hospitals, data centers, trading rooms and transportation infrastructure, yet many countries are having problems maintaining a steady, reliable and quality power supply due to insufficient power generation and distribution capacity. People are less also tolerant of risk in all areas. As a result, analysis, control, monitoring and safety systems are becoming more widespread.



Ellipse ASR

Ellipse ASR is the first 375 to 1500 VA UPS to incorporate proven surge protection technology, making it the perfect solution for office computer systems, private telephone exchanges, security systems, point-of-sale terminals and similar applications.

Secure power supply, building security, control, traceability or network supervision... Whatever the need, Schneider Electric delivers innovative, reliable solutions and efficient services to ensure that customers get the most out of their installations.

High availability power solutions

With MGE UPS Systems, which ranks first in Europe and second worldwide in uninterruptible power supplies, Schneider Electric delivers secure, high-availability power solutions for applications where continuity of service is mission critical and even the most minor disturbance or variation in amperage must be avoided. Targeting markets that are highly sensitive to power disruptions, MGE UPS Systems provides customers with the highest standard of service throughout their installations' lifecycle.



High-tech solutions on the high seas

The Viking Dynamic is a supply vessel for oil platforms in the North Sea. A Transparent Ready™ solution, chosen for its complete reliability, manages all onboard communication capabilities for electrical generation and distribution and cargo and utilities monitoring. It also controls the propulsion mechanism, so that the vessel remains alongside the platform even in rough seas. Thanks to remote diagnostics, maintenance work is scheduled and spare parts are ordered before the vessel even reaches shore. The solution was devised in partnership with Norway's Aker Kvaerner, a global provider of integrated solutions for the marine industry.

€3.8 million

the cost of a one-hour power failure at a water treatment plant

€6.5 million

at a securities exchange

Worldwide customer service

With the help of Schneider Electric's call centers and 50 on-call consultants, technical problems are solved rapidly and efficiently. In the majority of cases, one of our experts can resolve the customer's problem online. Our Country Organization websites provide additional information, including technical publications, e-catalogues and downloadable software.

With our Senside remote tracking and diagnostics service, OEMs can monitor, control and perform predictive maintenance on installations located anywhere in the world. Senside leverages the Internet and a secure network available in 130 countries to offer an immediate response at the lowest cost.

Guaranteeing uninterrupted service also means being able to deliver spare parts worldwide. We serve OEMs based in 30 exporting countries through our International Customer Support network.



New and improved

Enhancing safety and reliability



Energy performance contract for IdeaPark

Located in central Finland, near Tampere, the new 100,000 square-meter IdeaPark is scheduled to open in late 2006. Shoppers will find all their favorite brands at this new-concept retail and entertainment complex. TAC supplied all of the building management and security systems in a performance-based contract that calls for a 25% reduction in the energy required for building operation.

Greater safety for travelers

When it comes to transportation infrastructure, many of the world's largest facilities count on Schneider Electric's reliable solutions to ensure user safety. Contracts signed in 2005 included:

- All medium and low voltage installations at Cairo International Airport in Egypt.
- Low-power electrical equipment and VDI prewiring systems in the new terminal at France's Charles de Gaulle airport that will house the Airbus A380.
- Replacement and extension of video surveillance and electronic access control systems at Boston Logan International Airport (Massachusetts, USA).
- The PowerLogic power management system, PLCs and EGX 100 Ethernet gateway at San Francisco International Airport (California, USA).

Reliable power around the world

In the energy market, operators are looking for increasingly reliable power generation, transmission and distribution systems.

- In Algeria, Schneider Electric is modernizing the medium voltage distribution network in the Algiers region and its control system for Sonelgaz.
- In Madagascar, local electric utility Jirama has asked us to handle equipment refurbishment in large hydroelectric power plants and the extension of the T&D grid in Antananarivo and Antsirabe to meet anticipated demand over the next ten years.
- In Russia, we are automating a compression system for the new Gazprom pipeline that will carry natural gas from the Yamal field in Siberia to Europe.
- In China, we are supplying the SCADA system for the country's longest pipeline, the Long River Oil Pipeline.



Canalis

Canalis is a busbar trunking system for lighting and power distribution in all types of buildings. It enhances the safety of people and equipment, ensures continuity of service and makes installations simpler and more upgradeable.



TAC Xenta™ 511

Complete control via the Internet: The TAC Xenta™ 511 is a multifunctional presentation system with an embedded web server that allows users to monitor LonWorks-based networks via a web browser anywhere in the world, around the clock, delivering unprecedented flexibility and speed.

Major Swedish property development firm chooses TAC

Nyköpingshem has selected TAC energy efficiency solutions to optimize energy consumption and convert an existing oil-fired heating system for 64 buildings into a state-of-the-art heat pump system. This will result in significant energy savings and a more comfortable indoor climate for residents. Thanks to TAC's solutions, Nyköpingshem will be able to focus on offering quality customer care instead of managing unexpected technical malfunctions.







Becoming more efficient and effective every day



Electricity
is all around
you

**As we help our customers' grow,
we focus on becoming more efficient
and effective every day. It's win-win,
all the way.**

Because we produce as close to customers as possible, we're able to move quickly and improve our service quality. To increase our competitive edge, we locate purchasing and production in the region best suited to each product category. We also limit the impact of foreign exchange fluctuations by balancing our production costs and revenues within each currency zone. Lastly, as part of our commitment to efficiency and effectiveness, we're continuously improving the quality of our products and the order fill rate at our distribution centers.



Becoming more efficient

by producing close to our customers

As a major exporter, we optimize the global distribution of our manufacturing base by choosing the best location for production and purchasing. This means setting up local production units that are relatively lean, given that we are mainly involved in the final stages of the process, such as assembly, testing and packaging. As for purchasing, we build supplier networks in new host countries to make the entire supply chain even more proactive, towards both customers and suppliers.



More cost-effective purchasing

At Schneider Electric, purchasing represents 40% of revenue and offers a major reservoir of potential savings. To make the most of this potential, we intend to globalize 75% of our purchases and increase sourcing from emerging markets through our new purchasing centers in Budapest, Bangalore and Shanghai.

Winning services that delight customers

We are actively extending our services around the world to be as close to customers as possible. In this way, we can ensure the long-term viability of their electrical installations, improve the performance of their manufacturing processes and enhance the energy efficiency of their operations. By providing continuous service for installations through these contacts, we are enhancing customer satisfaction.



A mega logistics center in Hong Kong

In early 2005, Schneider Electric opened an international distribution center in Hong Kong, one of the world's largest ports and the business capital of Asia. Occupying 17,000 square meters in a prime location, the new facility has an annual processing capacity of 3,000 metric tons. The goal is to provide the best service at the lowest cost to customers in the Asia-Pacific region, where we generated 18% of our consolidated revenue in 2005.

90%

of orders are filled
within 48 hours around
the world

1,500

employees are trained
in Six Sigma quality
control methods

Manufacturing excellence and quality control

Schneider Electric is executing an ambitious strategy to improve quality and productivity, and reduce costs. Deployed worldwide, our Manufacturing Excellence program combines Lean Manufacturing, Six Sigma and Quality & Value Analysis.

With 2,000 green belts and 350 black belts, the Six Sigma program is ramping up and constantly broadening its geographic and business scope, from manufacturing operations to service activities. To enable continuous improvement, Six Sigma project managers work with in-house experts, including production, sales and logistics managers, to identify the causes of issues and resolve them.

By deploying these optimization methods globally and sharing best practices, we will lift the quality and operational performance of all our plants to the same high standard.





Committed to...

Electricity
is all around
you

**Committed to promoting diversity,
improving workplace health and safety,
attracting and retaining talent,
supporting education and protecting
the environment.**



Schneider Electric is among the companies that have signed the United Nations Global Compact, an initiative that promotes ten universal principles in the areas of human rights, labor and the environment. Integrating sustainable development into our growth strategy, we have made it our priority to ensure safe working conditions and basic health coverage for all our employees. We promote diversity and develop our employees' talent and potential. We're also involved in helping young people with training and job opportunities. As part of our societal commitment, we encourage our local units to support their host communities. Lastly, we are continuously improving the environmental performance of our sites and products.

Reflecting our extensive action, Schneider Electric is included in the major ethical indices.



Argentina: preventive healthcare

As the adage goes, “an ounce of prevention is worth a pound of cure”. That’s why Schneider Electric Argentina’s Training and Development department organizes seminars to provide employees with practical information on health problems like high blood pressure and HIV.

Committed to

promoting diversity and improving workplace health and safety

In the “Principles of Responsibility” that guide our action, the first commitment concerns diversity: “Schneider Electric employees can all express their cultural diversity and are managed without discrimination.”

A multicultural enterprise

Founded in France and with operations around the world, Schneider Electric has grown through successive acquisitions and by leveraging solid positions in all of its markets. Diversity underpins our history, culture and identity and represents a fantastic opportunity. By hiring and training people on all continents, we are sure of understanding our local customers and partners because our employees share the same culture. We encourage the formation of multidisciplinary, multicultural teams that stimulate creativity and generate a positive momentum that benefits everyone.

We know that employees who feel respected are more motivated to succeed. As a Diversity Charter signatory, Schneider Electric is committed to reflecting the diversity of communities in our host countries. We aim in particular to promote gender equality and the employment of disabled people and visible minorities.

Objective

Diversity in top management

Ensure that 30% of top managers have been in their position for less than one year. By measuring mobility, we can ensure that new opportunities to enhance diversity are created each year.



France: Schneider Electric becomes a patron of the Quai Branly Museum

Designed with the challenges facing the disabled in mind, the new "La Rivière" exhibit uses audio, visual and tactile signage to create a fun-filled museum experience for all. Schneider Electric's sponsorship of this exhibit is just one example of our commitment to the social integration of the disabled.

Workplace health and safety

At Schneider Electric, we ensure a plan to improve workplace health and safety has been deployed across all our sites. In addition, the topic is covered in all Schneider Electric University seminars. We are firmly committed to improving safety worldwide. In North America, for example, we are aiming for a 15% reduction in the frequency rate and number of days lost due to work accidents.

Local and global teams

To support growth and prepare the future, Schneider Electric nurtures high-quality local teams with managers who come from the host country. At the same time, we encourage geographic and professional mobility, with managerial vacancies all over the world listed on our intranet. Reflecting our commitment to international leadership, one third of our senior management committee members come from outside France. This ambitious and motivating policy helps us attract and lock-in the best people everywhere we operate.

30%

of our top managers
change positions every
three years

14,000

employees from 48 countries
are Schneider Electric
shareholders

People and ideas

Marco Polo: Exploring the world

Since 2001, the Marco Polo program has been giving new recruits the opportunity to become familiar with another culture by spending their first two years abroad. The experience prepares these young graduates for an exciting future, which often includes managing multicultural teams and pursuing an international career. In 2005, 144 team members (a quarter of them women) representing 47 different nationalities participated in the program.

South Africa: Committed to fighting workplace discrimination

Schneider Electric implements the principles of the Employment Equity Act of 1998 in favor of apartheid victims. Their percentage among new hires rose from 16% in 2003 to 50% in 2005. We have also banned all forms of HIV discrimination, choosing instead to develop an information and healthcare program for people with HIV and their families.

10,000 additional team members for services

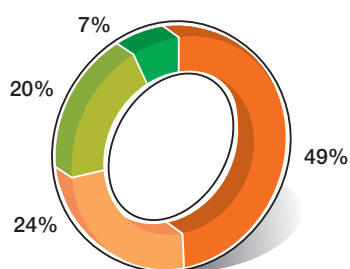
Our services staff has doubled over the past three years. Our goal is to double revenue from services by 2008. To achieve this target, we will hire 10,000 additional people and train them in our teams, with an emphasis on sharing knowledge and best practices at the global level.



Committed to

attracting and developing talent

Total workforce*
88,670 employees



- Europe
- North America
- Asia-Pacific
- Rest of the world

* Average temporary and permanent staff

Our people and the way they work give us our competitive edge. That's why it's so important to cultivate enthusiasm, provide resources for advancement and foster the emergence of new talent. To help each team member express his or her potential to the fullest, we deploy human resources assessment and management methods, encourage in-house promotion and give employees responsibility early on in their careers. We're also building up our teams to prepare for the future.

Unleashing entrepreneurial spirit

To empower and motivate our team members, we focus on creating the best possible environment for professional development - an environment that encourages initiative, cooperation and relationships of trust.

Objective

Three-year competency development plans

As part of new², we are deploying competency development plans in all units to ensure that we have the skills we need to grow and stay ahead of changes in our businesses. To execute these plans, we're leveraging best practices identified across the Company.



Enhancing leadership and skills

Around the world, we assess our managers on the same leadership criteria. These include setting team objectives, giving teams the resources to meet these objectives, taking initiative, cooperating, growing the business and developing people. The new² program challenges us to evaluate all managers, develop Schneider Electric University's curriculum and deploy competency plans aligned with our new growth-driven needs.

Refreshing our knowledge

Training is a key success factor at all levels of our organization. Training encourages initiative, skills sharing and project-based management. In 2005, the majority of our managers in 66 countries attended seminars at Schneider Electric University, the center that administers our executive training programs. We've also made widespread use of e-learning to offer training to the widest possible audience in our corporate community.

In 2005, international knowledge management consultancy Teleos ranked Schneider Electric first among the Most Admired Knowledge Enterprises in recognition of our knowledge-sharing methodology.

27%

of our team members participated in online training in 2005

53,000

employees have access to our intranet

People and ideas

Schneider Electric University expands its curriculum

In 2005, the Schneider Electric Management Institute was renamed Schneider Electric University. Its mission is to prepare the Company's future leaders and train the experts we need to maintain our lead. Specialized institutes have been created for this purpose, covering sales, marketing, manufacturing operations and human resources.

A dedicated program to recruit new talent

We have special relationships with more than 80 schools and universities around the world. To strengthen our partnerships with the top 12, we've set up a Top Business Schools and Universities program in which our senior executives are directly involved. The goal is to recruit high potential candidates and create a more diverse talent pool in terms of backgrounds and nationalities.

Promoting apprenticeships in France

In France, Schneider Electric is leading corporate efforts to develop apprenticeship-based training. We took on 700 apprentices in 2005.



Committed to

supporting education

Training young people

We have been involved in training programs for disadvantaged youth and high school non-completers for many years. Our team members' involvement in these programs has been a key success factor. In each host country, we look for the most effective way to make a difference, from partnerships with schools and associations to financial support for young students and participation in technical or general training courses. Each year in France, 1,500 mentors train young people. A number of our customers, partners and suppliers lend a helping hand by offering stable job opportunities at the end of the training program.

With more than 4,000 work-study contracts over the past ten years, our school-to-work system has been a resounding success. Fully 90% of program participants at all levels of study have gone on to earn their diplomas.

Spanning the globe with the Schneider Electric Foundation

Very quickly, we extended this commitment towards high school non-completers to all our host countries, with support from the Schneider Electric Youth Opportunities Foundation. Created in 1998 under the aegis of *Fondation de France*, the Foundation takes direct action and encourages employee involvement in lasting, tangible projects. The Foundation has more than 200 field correspondents in 70 countries.

Objective

Ensure that 90% of our sites have a lasting commitment with the Schneider Electric Foundation in 2008.

Encouraging employee participation

Since 2002, the Luli international campaign has challenged employees to make a difference during a week-long fund raising drive. The campaign's objective is to support education, training and job opportunities for young people through local associations selected by site employees. The Foundation matches employee contributions.

In 2005, 84% of our sites in 70 countries participated in the Luli campaign, which unifies our teams on the basis of such shared values as commitment and solidarity.



84%

of our sites in 70 countries are involved in Schneider Electric Foundation programs

€5 million

was distributed to local associations in 2005

People and ideas

Rebuilding after the tsunami

Schneider Electric has extensive operations in Asia. After the December 2004 tsunami, our employees donated \$850,000, matched by a \$3 million contribution, equipment and services. These resources were used to provide emergency aid, to restore drinking water and electricity, and to finance reconstruction projects selected by Schneider Electric teams. Part of the donations were used to build 12 nursery and primary schools and school complexes in Indonesia, Thailand, India and Sri Lanka.

Making our products even more environmentally friendly

We're making our products more compact to conserve natural resources and constantly improving our lineup to make electrical installations more energy efficient. To facilitate end-of-life processing, we choose materials that are easy to recycle and clip-together systems that are easy to disassemble. Life cycle analyses and recyclability assessments help us identify areas for improvement.



Committed to

protecting the environment

Starting with design and production

From the drawing board and at all production sites, we take into account the need to manage electricity consumption, conserve natural resources, protect the environment and facilitate product recycling.

To meet these challenges, we promote eco-design and eco-production processes. We also focus on improving our sites' energy efficiency, eliminating hazardous substances and raising environmental awareness among our employees and partners - especially suppliers.

85%

of our manufacturing and logistics sites are certified ISO 14001



Objectives for end-2008

- Provide an environmental profile for 120 products.
- Reduce our facilities' energy consumption per production site employee by 10% (in MWh).
- Ensure that all manufacturing and logistic sites are certified ISO 14001.

Eco-design

In developing our global components, we aim to meet customer needs as effectively as possible, while reducing the environmental footprint of our products throughout their lifecycle.

We have published an internal product development guide based on eco-design principles. In addition, we train designers, marketing staff, and production and purchasing managers in eco-design each year. In 2005, 50 additional team members received training.

Product profiles

Since 2004, we have published Product Environmental Profiles (PEPs) for all new range core products. These profiles provide information on environmental performance throughout the product's lifecycle. Our goal is to establish 120 PEPs for products representing 50% of revenues by the end of 2008.

An ambitious program to eliminate hazardous substances

The European Restriction of Hazardous Substances (RoHS) directive will take effect on July 1, 2006. The directive bans the use of lead, mercury, cadmium, hexavalent chromium and brominated flame retardants in certain electrical equipment sold in Europe. Although only a small portion of our lineup is directly affected, we have gone far beyond the directive's requirements. Not only will we stop using the banned substances in products covered by the directive or in components frequently integrated in equipment before mid-2006, but we will also eliminate them across the low-voltage lineup by 2008, even though this equipment is not included in the regulation's scope. We are working with suppliers to identify substitute components and materials that meet quality and performance requirements. We're also helping contractors, OEMs and distributors comply with the directive.

Eco-production and energy savings

Among our goals, we are committed to obtaining ISO 14001 certification for all our manufacturing and logistics sites by 2008 and to reducing energy consumption per site employee by 10%. At the end of 2005, 85% of our sites were certified. We also achieved significant energy savings during the year. Schneider Electric India, for example, reduced electricity consumption by 3.4% and water consumption by 50% while increasing output by 60% in relation to 2004.





2005 Performance

Electricity
is all around
you



Investing to speed growth

Schneider Electric turned in an excellent performance in 2005, in line with the targets of its new² Company Program for 2005-2008. The sharp increase in revenue and earnings reflects our changing growth profile, shaped by solid organic growth, a significant contribution from emerging markets and fast-growing new activities.

Now listed among Fortune magazine's top 500 international companies, we won Frost & Sullivan's Growth Strategy Leadership of the Year Award and the European Enterprise Grand Prize awarded by Enjeux-Les Echos, HEC and Roland Berger Strategy in 2005.

High growth and sharply improved results

- We continued to enjoy much higher organic growth than our end markets thanks to our positions in emerging markets, the development of new activities and continuous innovation.
- At the same time, we have pursued measures to make our operations more efficient. These include stepped-up efforts to rebalance purchasing and production, programs to simplify the supply chain and a major project to optimize and unify our IT systems at the global level and reduce their cost.

Strong revenue growth in 2005

Reported revenue rose 13% during the year.

- The year's acquisitions (PMI, Elau, ABS EMEA, Juno Lighting and BEI Technologies) and the full-year impact of acquisitions made in 2004 (Andover Controls and Kavlico) made a significant contribution, adding €433 million, or 4.2% of growth.
- The currency effect was slightly positive, increasing revenue by €74 million or 0.7%.
- On a constant structure and exchange rate basis, revenue rose 7.9% thanks to the continuation of very favorable trends in emerging markets, a high pace of growth in North America and stepped-up demand in Western Europe. Emerging markets accounted for 30% of total revenue and generated nearly 50% of Schneider Electric's organic growth in 2005.

2005 revenue, operating profit and operating margin by region

(€ millions)	Revenue	Op. profit	Op. margin	% change
Europe	5,643	762	13.5%	0.7 point
North America	3,047	406	13.3%	0.7 point
Asia-Pacific	2,031	263	12.9%	1.6 point
Rest of the world	958	134	14.0%	1.5 point
<i>Total</i>	<i>11,679</i>	<i>1,565</i>	<i>13.4%</i>	<i>1.0 point</i>

Strong growth in operating profit

Operating profit surged 22% in 2005. On a constant structure and exchange rate basis, operating profit improved by 17% (on organic revenue growth of 7.9%), reflecting:

- Strong business growth combined with effective price management.
- Significant industrial productivity gains, offsetting therefore the rise in raw materials.
- Tight control over base costs.

Thanks to stepped-up deployment of our efficiency plans, notably to rebalance production costs and optimize the supply chain, gross industrial productivity rose 32% to €304 million. Acquisitions contributed €67 million, with a higher-than-average operating margin. The currency effect had a very limited negative impact of €8 million.

The operating margin widened a full point over the year to 13.4%. Profitability improved noticeably in all regions and all activities.

Strong growth in attributable profit and return on capital employed

Attributable profit rose 21% during the year to €994 million, despite higher cost of debt.

Earnings per share rose 22% to €4.56, reflecting the increase in profit and a 1.2% reduction in the average number of shares. At the Annual Meeting on May 3, shareholders will be asked to approve the payment of a dividend of €2.25 (up 25% from 2004), payable in cash on May 9.

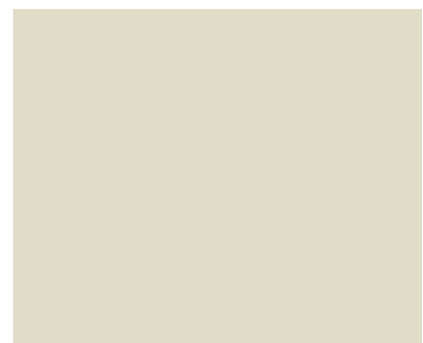
Gradual optimization of the balance sheet resulted in a debt-to-equity ratio of 20% at end-2005 versus 7% the year before.

During the year, we took advantage of favorable market conditions to optimize our debt maturity and finance acquisitions. Our two-tranche €1.5 billion bond issue, maturing in five and twelve years respectively, was very well received, reflecting investor confidence in the quality of our performance and outlook.

Net cash provided by operating activities grew by 21%, to €1.548 million, equivalent to 13.3% of revenue.

Net capital spending, including capitalized development projects, represented an outlay of €476 million compared with €330 million in 2004. Acquisitions totaled €1.267 million versus €801 million the year before.

Return on capital employed came to 10.5%, a 0.8-point gain, thanks to controlled capital employed, especially working capital.



Consolidated Statement of Income

(in millions of euros except for earnings per share)

	2005*	2004
Revenue	11,678.8	10,349.3
Cost of sales	(6,923.8)	(6,177.4)
Gross profit	4,755.0	4,171.9
Research and development expenses	(273.7)	(295.1)
Selling, general and administrative expenses	(2,812.8)	(2,549.7)
Other operating income and expenses	(103.2)	(40.7)
Operating profit	1,565.3	1,286.4
Finance costs, net	(103.1)	(64.4)
Other financial income and expenses	(1.5)	(5.1)
Finance costs and other financial income and expense, net	(104.6)	(59.3)
Share of profit / (losses) of associates	(3.6)	(3.6)
Profit before tax	1,457.1	1,223.5
Income tax expense	(427.5)	(365.2)
Profit of continuing operations	1,029.5	858.3
Discontinued operations		
Profit for the period	1,029.5	858.3
- Attributable to equity holders of the parent	994.3	823.9
- Attributable to minority interests	35.2	34.4
Basic earnings per share (in euros)	4.56	3.73
Diluted earnings per share (in euros)	4.54	3.72

* IAS 32/39 applied as from January 1, 2005 with no adjustment for 2004.

Consolidated Statement of Cash Flows

(in millions of euros)

	2005*	2004
I - Cash flows from operating activities:		
Profit attributable to equity holders of the parent	994.3	823.9
Minority interests	35.2	34.4
Share of (profit) / losses of associates, net of dividends received	2.8	3.5
<i>Adjustments to reconcile net profit to net cash provided by operating activities</i>		
Depreciation of property, plant and equipment	279.3	285.7
Amortization of intangible assets other than goodwill	88.8	76.7
Losses on non current assets	20.7	
Increase/(decrease) in provisions	22.5	(27.7)
Change in deferred taxes	97.0	78.1
Losses/(gains) on disposals of assets	(0.7)	(9.0)
Other	8.2	16.5
Net cash provided by operating activities before changes in operating assets and liabilities	1,548.1	1,282.1
(Increase)/decrease in accounts receivable	(185.0)	(186.0)
(Increase)/decrease in inventories and work in process	(85.2)	(162.1)
Increase/(decrease) in accounts payable	165.6	37.9
Change in other current assets and liabilities	(118.8)	212.2
Change in working capital requirement	(223.4)	(98.0)
Total I	1,324.7	1,184.1
II - Cash flows from investing activities:		
Purchases of property, plant and equipment	(308.1)	(277.8)
Proceeds from disposals of property, plant and equipment	45.2	45.1
Purchases of intangible assets	(213.7)	(97.2)
Proceeds from disposals of intangible assets	0.6	0.4
Net cash used by investment in operating assets	(476.0)	(329.5)
Purchases of financial investments - net	(1,267.3)	(800.9)
Purchases of other long-term investments	(20.7)	(25.5)
Increase in long-term pension assets	(48.1)	(13.4)
Sub-total	(1,336.1)	(839.8)
Total II	(1,812.1)	(1,169.3)
III - Cash flows from financing activities:		
Issuance of long-term debt	1,490.9	-
Repayment of long-term debt	(70.4)	(1,352.3)
Sale/(purchase) of treasury shares ⁽¹⁾	(73.2)	(278.2)
Increase/(reduction) in other financial debt	(76.1)	(49.6)
Issuance of shares	22.4	61.0
Dividends paid: Schneider Electric SA	(395.4)	(334.2)
Minority interests	(22.9)	(23.3)
Total III	(875.3)	(1,976.6)
IV - Net effect of exchange rate:	Total IV	6.0
Net increase/(decrease) in cash and cash equivalents: I + II + III + IV	356.8	(1,955.8)
Cash and cash equivalents at beginning of period	946.5	2,902.4
Increase/(decrease) in cash and cash equivalents	356.8	(1,955.9)
Cash and cash equivalents at end of period	1,303.3	946.5

(1) Adjusted for shares exchanged for Legrand shares (negative €10.1 million).

* IAS 32/39 applied as from January 1, 2005 with no adjustment for 2004.

Consolidated Balance Sheet

Assets

(in millions of euros)

	Dec. 31, 2005	Jan. 1, 2005*	Dec. 31, 2004
Non-current assets			
Goodwill, net	5,878.8	4,539.0	4,462.3
Intangible assets, net	1,299.1	894.5	894.5
Property, plant and equipment, net	1,600.6	1,456.7	1,456.7
Assets held for sale	6.8	7.6	7.6
Total tangible and intangible assets	2,906.5	2,358.8	2,358.8
Investments in associates	48.2	65.3	65.3
Available-for-sale financial assets	315.4	198.5	154.3
Other non current financial assets	281.4	288.1	288.1
Total non current financial assets	596.8	486.6	442.4
Deferred tax assets	795.0	832.7	830.3
Total non-current assets	10,225.3	8,282.4	8,159.1
Current assets			
Inventories and work in process	1,636.6	1,409.4	1,409.4
Trade accounts receivable	2,586.7	2,135.7	2,135.7
Other receivables and prepaid expenses	783.0	550.8	529.1
Cash and cash equivalents	1,383.2	975.8	1,062.8
Total current assets	6,389.5	5,071.7	5,137.0
Total assets	16,614.8	13,354.1	13,296.1

* IAS 32/39 applied as from January 1, 2005.

Liabilities

(in millions of euros)

	Dec. 31, 2005	Jan. 1, 2005*	Dec. 31, 2004
Equity			
Share capital	1,813.0	1,809.6	1,809.6
Share premium account	4,069.0	4,049.9	4,049.9
Retained earnings and other reserves	2,160.8	1,571.1	1,620.1
Translation reserve	200.8	(84.3)	(84.5)
Equity attributable to equity holders of the parent	8,243.6	7,346.3	7,395.1
Minority interests	93.9	76.2	72.8
Total equity	8,337.5	7,422.5	7,467.9
Long-term provisions			
Provisions for pensions and other post-employment benefits	1,200.4	1,026.2	1,026.2
Provisions for contingencies	210.0	192.3	192.3
Total long-term provisions	1,410.4	1,218.5	1,218.5
Non-current liabilities			
Bonds	2,691.1	1,200.0	1,200.0
Perpetual bonds	-	-	73.3
Other long-term debt	63.6	72.5	24.9
Total non-current financial liabilities	2,754.7	1,272.5	1,298.2
Deferred tax liabilities	259.4	225.9	203.2
Other non-current liabilities	178.8	177.7	104.4
Total non-current liabilities	4,603.3	2,894.6	2,824.3
Current liabilities			
Trade accounts payable	1,710.8	1,384.4	1,384.4
Accrued taxes and payroll costs	1,093.1	849.5	849.5
Short-term provisions	276.7	236.5	236.5
Other current liabilities	340.5	338.9	279.2
Short-term debt	252.9	227.7	254.3
Total current liabilities	3,674.0	3,037.0	3,003.9
Total equity and liabilities	16,614.8	13,354.1	13,296.1

* IAS 32/39 applied as from January 1, 2005.

We intend to actively pursue a strategy designed to increase our growth potential and reduce the cyclical nature of our business.

As part of this strategy, we're maintaining a sustained commitment to innovation, with nearly 5% of revenue invested in R&D. We are continuing to deploy R&D capacity in emerging markets - with centers in Shanghai, China, Bangalore, India, and Monterrey, Mexico - while ensuring a strong presence in high technology countries like the US, Germany and Japan.

We are stepping up our expansion in high-growth countries, especially the US and emerging markets, by investing heavily to maximize our market coverage and strengthen our leadership positions.

At the same time, we're growing at a quick pace in energy management, industrial and building automation, ultra terminal electrical distribution and services. With these new activities, we're broadening our lineup to meet our customers' new and growing needs.

Outlook for 2006

Thanks to these moves, we have a unique portfolio of energy management solutions to help customers optimize their strategies, as well as their energy costs. These solutions offer automation functions that enhance installation performance, efficiency and ease of use in the Industry, Buildings, Residential and Energy & Infrastructure markets.

As part of our new² Company Program focused on growth, efficiency and people, we have set the following targets for 2005-2008:

- Organic revenue growth of more than 5%.
- An operating margin of between 12.5% and 14.5%.
- A 2% to 4% improvement in ROCE over 4 years.
- A payout rate equivalent to 50% of net profit and an optimized balance sheet with a debt-to-equity ratio of 30% to 40% in the next two years.

Based on current economic conditions and exchange rates, we anticipate further growth in revenue and operating profit, in line with new²'s growth and efficiency targets.



The future is electric.

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The Registration Document filed with France's Autorité des Marchés Financiers (AMF) is available on request from the Investor Relations Department. A downloadable version is also posted on our corporate website:

<http://www.schneider-electric.com>

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