



2010 Annual Report

Schneider Electric: The global specialist in energy management

Registration Document
Schneider Electric SA

In India, in the Govindpuri community in South Delhi, our In-Diya low-consumption lighting solution provides reliable, efficient, and green lighting to schoolchildren. The symbol of our mission: helping people make the most of their energy.

Schneider
Electric™

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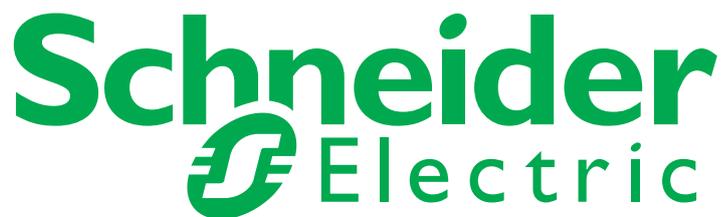
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Annual Report

All of Schneider Electric's regulated information is available on the corporate website at www.schneider-electric.com, Finance section.

The Business and Sustainable Development Report is available at www.schneider-electric.com, Sustainable Development and Foundation section.



This Registration Document was filed with the Autorité des Marchés Financiers on March 21, 2011, in compliance with article 212-13 of the AMF's general regulations. The issuer prepared this document and the signatories are responsible for the information herein.

It may not be used in connection with any financial transactions unless it is accompanied by an Offering Circular approved by the AMF.



> Message from Jean-Pascal Tricoire

PRESIDENT AND CEO

2010 has been a turning point for Schneider Electric. All its businesses and regions renewed with growth. Including Areva Distribution on a full year, the *pro forma* sales exceeded EUR20 billion for the first time.

In two years, we succeeded in transforming the crisis into opportunity and acquired a new dimension. Schneider Electric has become the global specialist in energy management. Our businesses are facing a number of global challenges: in order to respond to the growing world population and the development of emerging countries, we must start by saving the increasingly rare and expensive energy, and therefore propose solutions that allow all of us to do more while using less. We must also provide the underprivileged population, in other words the 1.4 billion people who today have no electricity, the access to energy and the benefits that come with it.

New growth drivers

The world's centre of gravity has shifted, with mature economies seeing their supremacy questioned in favor of a new international equilibrium. In 2010, China became the world's second largest economy. There is a growing concern in the new economies, especially in Asia-Pacific, of the need to reconcile economic development and preservation of the environment. This is why we have made the development of our business in these countries a key focus of our strategy.

Our presence in these new economies, such as China or India, is broad based, from product development to commercial activity, supported by local production. Our investments in R&D are tailored to the needs of these countries. We work hand in hand here with a multitude of local partners. Firmly anchored in these countries, we are part of their everyday landscape.

Another growth driver is the rapid transformation of Schneider Electric: as a product supplier in the past, we are now positioned as a major player in energy management. We are offering our customers the most integrated solutions in our markets, solutions that provide safety, reliability, efficiency, remote control and reduced CO₂ emissions. All our technologies can be incorporated into

applicative solutions compatible with all current standards. Today, all over the world, we are offering our customers energy efficient solutions that are easy to implement, economic and guaranteed by one brand - Schneider Electric.

In mature countries, our product and services portfolio also responds to the change of the conventional grid: from what used to be a concentrated power generation, the grid has developed into an infinitely more complex model. Today, this involves integrating multiple renewable energy sources and managing moving electricity consumption generated by recharging electric vehicles, and users who want to control and adjust their electricity consumption. All this requires a management of the grid in real time. This is why we have designed our portfolio and developed our skills in order to become a major architect of this new intelligent network, the *smart grid*, and the leader in all applications related to energy efficiency.

Strategic acquisitions

2010 was also a year of strong external growth. We have made acquisitions that were critical for the development of our presence in the new economies and for our strategy in the solution business. The acquisition of a 50% holding in Electroshield-TM Samara in Russia is a perfect illustration. It strengthens Schneider Electric's position in medium voltage and extend its presence across Russia. About ten acquisitions have been made in 2010 to improve our solutions capacity and our presence in the new economies.

Areva Distribution remains the most significant acquisition of 2010. With 12,000 new employees joining the Group, we are building the global leader in the medium voltage segment. Areva Distribution was integrated in the Group since 7 June 2010 and delivered results exceeding our expectations. It will be merged with our existing medium voltage business in 2011 to form the fifth business of the company: *Energy*.

Our solid balance sheet and our strong cash generation put us in a good position to seize new opportunities and to accelerate our strategic deployment.

A significant improvement in profitability

The strategy pursued since 2009 under the *One* company programme largely contributed to the strong growth in 2010, as well as the clear improvement of our margins. By simplifying our organisation, we have gained in efficiency, reduced costs and improved our competitive position structurally. Schneider Electric is today turned towards its end markets, as each business is leveraging the company's entire portfolio for its key customers. We have also simplified the supply chain, concentrated the number of suppliers and reorganised our IT systems. Therefore, the strong rebound of our business in 2010 was immediately translated into our results. As a consequence, we will propose to our shareholders a raised dividend of EUR3.20 per share, but also make all the necessary investments to drive continuous growth. In particular, we are increasing our investments in R&D and in innovation, which account for 4% to 5% of sales, and in developing new businesses, mainly in energy efficiency solutions, systems for renewable energies and services.

A commitment on all fronts to sustainable development

Sustainable development is a conviction, a commitment at all levels of the company and in all its dimensions, from a ethical, social, environmental or corporate perspective. This is also an important growth driver for Schneider Electric which has decided since long ago to pursue a pro-active, innovative and concrete policy, whose efficiency is measured regularly.

Schneider Electric's employees are the main drivers of this growth and the company's success. Their diverse skills represent an incomparable advantage for our company. Located in more than 100 countries, we want to attract and work with the best talents in the world on global topics and to adapt the strategy to local conditions. All these diverse skills are a source of creativity and competitiveness, not only between different nationalities, but in gender also, and we actively encourage this. We pay very particular attention to developing our employees' skills, in order to speed up their career development.

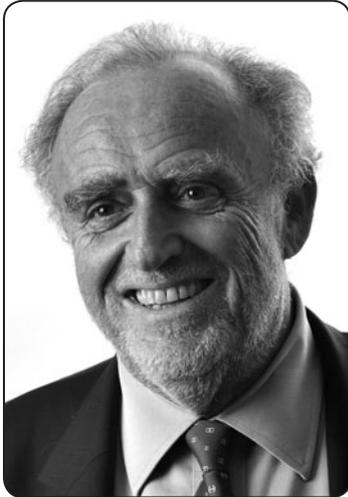
On the environmental front, Schneider Electric wants to be exemplary in managing the environmental impact of its sites and on its energy consumption. In parallel, we are proud to support our customers in their approach to sustainable development by providing an increasingly wide range of environment-friendly offers and precise information on their characteristics.

At the corporate level, Schneider Electric's commitment and its capacity for innovation are extremely well illustrated by BipBop, the access to energy programme. It offers products and solutions for 300 million households across the world lacking access to electricity, training for young people in the electricity field, but also the necessary funding for the business initiatives among the poorest populations in the world. The project was launched in India in 2009, with the design of a modular solution for low consumption lighting, In-Diya. In 2010, the BipBop programme was rolled out in Southern Asia, in Africa and in Latin America.

The continuous growth dynamic

We enter 2011 with a solid momentum. The development of new zones of the planet is continuing, creating more needs for electrification, infrastructures and industrialisation that are fundamentally positive for our company. With rapid digitalisation of the economy and an increasing number of critical applications, we guarantee reliability. With energy costs spiraling in many countries, we provide energy efficiency. Finally, the *smart grid* is becoming more and more critical and it will bring profound changes to our industry.

We are positioning ourselves in a structured manner to seize all these opportunities and to generate strong growth in this new phase of the business cycle. We will continue to implement our strategy and to invest heavily in the technologies to support its implementation. We owe our performance to our employees in the past year. It is our priority to continue to invest in their skills and their ideas, so as to give them the means to develop our common project. Schneider Electric's growth should also represent a considerable opportunity for the personal development of our employees.



Message from **Henri Lachmann**

CHAIRMAN OF THE SUPERVISORY BOARD
FOR THE 2010 REGISTRATION DOCUMENT

Schneider Electric's 2010 economic and financial results reached a level that is unprecedented for your company. They are abundantly described and explained throughout this Annual Report. The Supervisory Board would like to thank and to congratulate all of the Group employees who have contributed to this outstanding performance.

In this message, I would like to focus on the new composition of the Supervisory Board and, above all, on the progress of our governance.

The meetings of your Supervisory Board are a time for discussions, debates - even for extremely constructive confrontations of opinion-. The Management Board fosters transparent communication and an open relationship with the Board. The Supervisory Board will propose four new members for vote at the April 2011 General Shareholder's Meeting. They epitomise our determination to promote diversity in all areas and at all levels of our company. The new members of the Supervisory Board have been invited to participate in our work since the summer of 2010, and they have greatly enriched our discussions and deliberations.

In terms of governance, your Board defends and promotes a vision of a company where all stakeholders find their place; where none are favored, and economic and financial performance are not exclusively focused on. This performance results from all the strategies implemented by the Management Board. It is a consequence, not an end. For this reason, the Management Board has chosen not to measure the teams' performance only in terms of financial criteria, but also in terms of other criteria such as customer and employee satisfaction and corporate social responsibility. Variable compensations, including those of the Management Board, are calculated on these criteria. Of course, the Supervisory Board deliberates on the issues and measures aimed at inducing "virtuous" behaviors. Moreover, the Board encourages the management teams to adopt a long-term vision and strategy, as well as long-term policies, to avoid being subjected to the short-term pressures of the markets.

The Supervisory Board reiterates its confidence in the growth of the markets in which Schneider Electric operates, in the strategies that have been decided on and, above all, in the teams that are responsible for their implementation.



> Interview with Emmanuel Babeau

EXECUTIVE VICE PRESIDENT FINANCE,
MEMBER OF THE MANAGEMENT BOARD

2010 marks the return of growth. How have sales evolved throughout the year?

In 2010, Schneider Electric generated EUR19.6 billion in sales, up 9.3% on an organic basis, and 24% overall. Thanks to the acquisitions we made, and particularly the one of Areva Distribution, we achieved record sales.

This excellent performance resulted from a dynamic that accelerated over the course of the year: 2% organic growth in the first quarter, 10% in the second, 12% in the third and fourth quarters. This pace was maintained throughout the year in the new economies (+15% on average), while the rebound was gradual in the more mature economies, with 6% growth. All company activities generated positive growth in 2010.

Did Schneider Electric financial performance also follow this positive trend?

Thanks to the clear recovery of margins, Schneider Electric posted record EBITA* of EUR3 billion (before restructuring costs and Areva Distribution integration costs), or 15.6% of sales.

We benefited from the solid rebound of our volumes, but the 2.8 point improvement in margin derived primarily for the efficiency initiatives set forth in the *One* company program, in terms of productivity of the supply chain as well as simplification of the administrative and sales structures, which generated total savings of EUR580 million.

Net income increased 109% versus last year, to EUR1.72 billion. Our strong earnings allow us to propose to the shareholders at the Shareholders Meeting a dividend of 3.20 euros per share, fully paid in cash, representing a distribution of 50% of 2010 net earnings.

Did the integration of Areva Distribution meet your expectations?

The start of Areva Distribution activities within Schneider Electric exceeded our initial expectations. We achieved continuity of operations and front office teams were merged in all countries. Areva Distribution was henceforth combined with the company's medium voltage activity and will be consolidated into the new Energy business beginning in 2011. The action plans rolled-out are expected to result in EUR120 million in synergies by 2014.

In 2010, Areva Distribution was consolidated from June to December, over that period generating EUR1.23 billion in sales and EBITA of EUR85 million (6.9% of sales).

This launch fully meets our expectations for the potential of our Energy business and for the rationale of this strategic operation. We are also very confident that our other 2010 acquisitions, Cimac, Zicom, SCADAgrou, Electroshield-TM Samara (50%), Uniflair, Vizelia and D5X, will also represent a significant strategic contribution and will create value through the potential growth and the synergies that their integration into Schneider Electric will generate.

How does 2011 look for Schneider Electric?

We should see another year of strong organic growth in sales. Our target is 6% to 9% growth, with a positive trend for all activities. Momentum of Industry and IT businesses is expected to stay solid and Power should continue to see progressive improvement. With respect to the activities whose rebound via a growth cycle is slower, Energy is expected to grow aided by gradually improving utility end-market while investments made to increase energy efficiency should remain a support to the Buildings business.

We also expect the continued improvement of profitability, with 15.0% to 15.5% EBITA margin, a raise from the 14.5% proforma level in 2010 including Areva Distribution on a full year basis. Efficiency gains and volumes will be key factors, while our price increases will to a large extent offset the inflation of raw materials costs.

Last but not least, Schneider Electric is aiming at preparing the future, thanks to significant investments in innovation and our sales network, intended to leverage growth opportunities in the areas of energy efficiency, the smart grid and the new economies.

* EBITA: EBIT before amortisation and impairment of purchase accounting intangibles and impairment of goodwill

> Leadership team

Executive Committee (as of February 16, 2011)



Global functions

1 Jean-Pascal Tricoire ⁽¹⁾
President and CEO*

2 Emmanuel Babeau ⁽¹⁾
Executive Vice President, Finance*

3 Hervé Coureil ⁽¹⁾
Executive Vice President,
Information Systems

4 Aaron Davis ⁽¹⁾
Executive Vice President, Marketing

5 Philippe Delorme ⁽¹⁾
Executive Vice President,
Strategy & Innovation

6 Karen Ferguson ⁽¹⁾
Executive President,
Global Human Resources

7 Hal Grant ⁽¹⁾
Executive Vice President,
Industrial Operations

8 Christian Wiest
Executive Vice President,
Customers & Alliances

Businesses

9 Clemens Blum ⁽¹⁾
Executive Vice President, Industry

10 Michel Crochon ⁽¹⁾
Executive Vice President, Energy

11 Chris Curtis ⁽¹⁾
Executive Vice President,
Power North America & Buildings

12 Éric Pilaud ⁽¹⁾
Executive Vice President, CST**

13 Julio Rodriguez ⁽¹⁾
Executive Vice President,
Power Global and EMEAS***

14 Éric Rondolat ⁽¹⁾
Executive Vice President,
Power Asia Pacific

15 Laurent Vernerey ⁽¹⁾
Executive Vice President, IT

(1) Member of the Executive Committee.

* Member of the Management Board.

** President and CEO, Custom Sensors & Technologies Inc.

*** Europe, Middle East, Africa and South America.

Supervisory Board (as of February 16, 2011)

Henri Lachmann

Chairman of the Supervisory Board

Léo Apotheker*

Vice Chairman of the Supervisory Board

Claude Briquet

Member of the Supervisory Board of the "Schneider France-Germany" corporate mutual fund

Noël Forgeard*

Corporate Director

Jérôme Gallot*

Chairman of CDC Group Entreprises SAS

Willy R. Kissling*

Corporate Director

Cathy Kopp*

Corporate Director

Gérard de La Martinière*

Corporate Director

Anand Mahindra*

Vice-Chairman & Managing Director of Mahindra & Mahindra Limited

G. Richard Thoman*

Corporate Director

Serge Weinberg*

Chairman of the Board of Directors of Sanofi-Aventis

Non-voting members

Claude Bébéar

Corporate Director

Dominique Sénéquier

Chairman of the Management Board of Axa Private Equity

Board Secretary

Philippe Bougon

Remunerations, Appointments and Human Resources Committee

Henri Lachmann

Chairman

Claude Bébéar**Léo Apotheker*****Willy R. Kissling*****Serge Weinberg***

Audit Committee

Gérard de La Martinière*

Chairman

Noël Forgeard***Jérôme Gallot***

Management Board

Jean-Pascal Tricoire

President and CEO

Emmanuel Babeau

Member of the Management Board and Executive Vice President, Finance

Auditors

Statutory Auditors

Ernst & Young et Autres**Mazars**

Substitute Auditors

Société Auditex**M. Thierry Blanchetier**

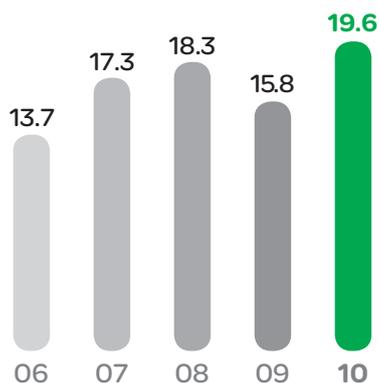
* Independent member according to the definition contained in the AFEP-MEDEF corporate governance guidelines.

> Key figures 2010

SCHNEIDER ELECTRIC

- Record high sales, EBITA and net profit
- Pro-forma sales⁽⁴⁾ exceed EUR20 billion for the first time
- Robust free cash flow at EUR1.7 billion, net debt down at EUR2.7 billion
- Strong start of Areva Distribution, exceeding expectations
- Steady growth and improved margin in 2011

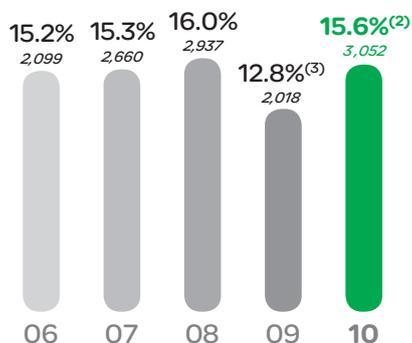
Consolidated sales (in billions of euros)



Schneider Electric achieved record sales in 2010, with growth of 24% on a like-for-like and 9.3% on a reported basis. Including Areva Distribution's annual pro forma revenue of EUR1.9 billion, the Group's revenue passed the bar of EUR20 billion for the first time in its history.

All the Group's businesses and regions experienced renewed growth in 2010 thanks to the improvement in its end markets, its positioning in promising businesses and the customer focus of its organisation. The Group also benefited from its strong presence in the emerging economies, which accounted for 37% of consolidated revenue in 2010 and experienced sustained growth of 15%.

EBITAR⁽¹⁾ (in millions of euros and as a % of sales)



EBITA before restructuring amounted to EUR3,052 million⁽²⁾, or 15.6% of sales, up 2.8 points over 2009, and a strong improvement in profitability reflecting the solid in sales rebound and the continuous drive for cost efficiency on line with the strategic roadmap set under the One program.

Measures to simplify the organisation delivered substantial savings in support function costs and productivity gains: in purchasing, re-balancing and production rationalisation. Confirming the Group's commitment to innovation, R&D spending remained at a sustained level at EUR818 million, or 4.2% of sales.

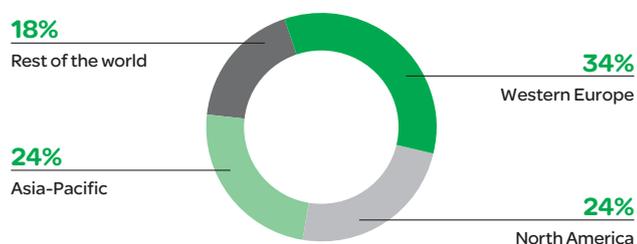
(1) EBITAR corresponds to EBIT before amortisation and impairment of purchase accounting intangibles assets, before goodwill impairment and before restructuring costs.

(2) Excluding EUR25 million of Areva Distribution separation and integration costs.

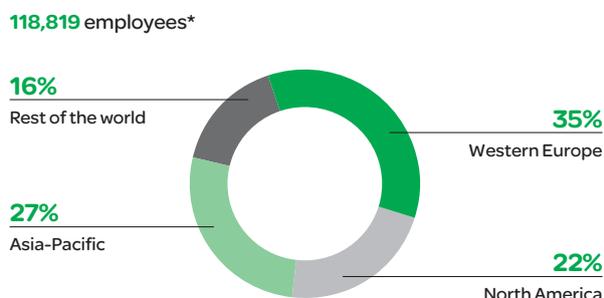
(3) Excluding a EUR92 million one-off gain related to the curtailment of a US pension plan.

(4) Pro forma including the acquisition of Areva Distribution on a 12 month basis in 2010.

Sales by geographical area

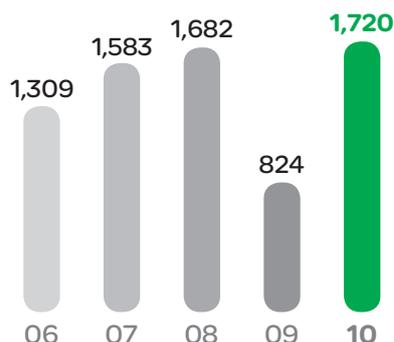


Headcount 2010



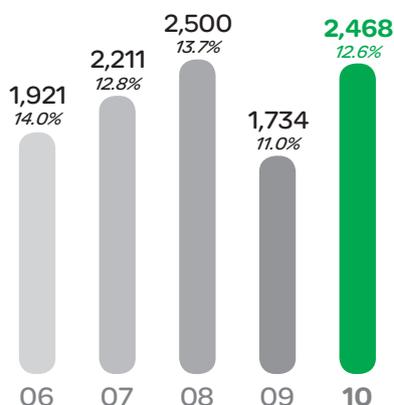
* Spot headcount, including employees under fixed-term and open-ended contracts, at December 31, 2010

Profit attributable to equity holders of the parent (in millions of euros)



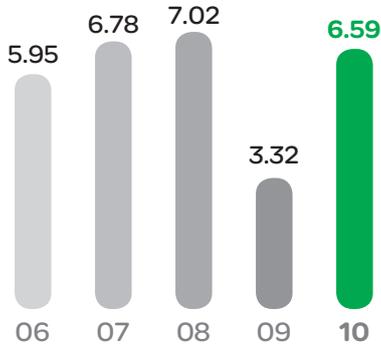
Net profit attributable to equity holders of the parent reached a record EUR1,720 million, up 109% over 2009, reflecting both the improvement in EBITA and net financial costs and the return to profit of associates. Earnings per share totaled EUR6.59.

Operating cash flow (in millions of euros and as a % of revenue)

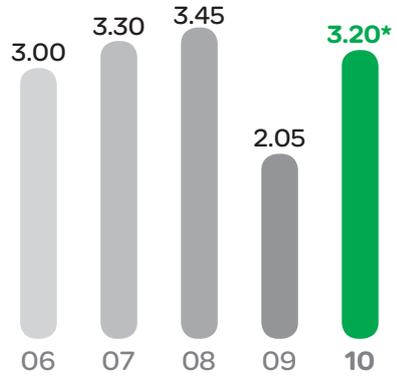


Operating cash flow was strong and reached EUR2,468 million, up 44% over 2009. Sales rebound led to an increase in working capital consumption of EUR206 million but free cash flow stayed strong and reached EUR1,734 million, or 8.9% of consolidated sales, reflecting a cash conversion rate of 101%. Net investment totaled EUR528 million.

Earnings per share (in euros)



Dividend per share (in euros)



* Recommended for shareholder approval at the Annual Meeting of April 21, 2011 for payment on May 4, 2011.

Ownership structure at December 31, 2010



(1) To the best knowledge of the Company.

Change in the share price against the CAC 40 index over five years



(Source: Reuters)

> 2010 in brief

Growth and acquisitions

Acquisition of Areva Distribution

On January 20, Schneider Electric and Alstom announced the signature of an agreement with Areva for the acquisition of Areva Transmission & Distribution (T&D). This agreement comes as a result of the exclusive negotiations that started on November 30, 2009 and after the completion of the consultation of the relevant employee representatives. On March 26, the European Commission approved the proposed acquisition by Schneider Electric and Alstom of Areva's T&D business. On June 7, Alstom and Schneider Electric finalised the acquisition of the transmission and distribution business of Areva after obtaining the approvals of the relevant competition authorities and the French *Commission des Participations et des Transferts* (CPT). The consortium agreement signed in November 2009 sets out the transfer of the Transmission business (about two thirds of the total) to Alstom and of the Distribution business (about one third) to Schneider Electric, as well as the ways under which they will be managed. The agreement allows both acquirers to immediately assume separate operational responsibility of each of these businesses. Alstom and Schneider Electric will also develop cooperation between the Transmission and Distribution businesses, via commercial and license agreements. R&D agreements will be put in place for the development of innovating technologies to the benefit of both companies.

On May 28 and as part of the overall process of acquisition of Areva T&D, Schneider Electric and Alstom announced a mandatory tender offer to acquire 20% of the share capital of Areva T&D India Ltd, in accordance with Indian Takeover regulations and subject to receipt of necessary Indian regulatory approvals. On December 3, Alstom and Schneider Electric announced the closing of the mandatory tender offer on Areva T&D India Ltd, providing both groups with operational control of the company.

On July 6, Schneider Electric and Alstom signed with the European Metalworkers' Federation a European agreement regarding the social commitments made in the framework of the joint acquisition of Areva T&D. The agreement reflects the strong commitments of the two industrial Groups on the integration of Areva T&D's employees, to provide them with a professional future and better prospects to develop their long-term potential.

Automation and Control

On January 21, 2010, Schneider Electric acquired Cimac, the leading systems integrator for industrial automation solutions in the Middle East Gulf region with more than 400 employees and sales in excess of EUR40 million. The acquisition will allow Schneider Electric to capture new opportunities in the fast-growing automation market in UAE and across the Gulf countries while offering geographical complementarities in other Middle East countries.

On April 13, 2010 Schneider Electric announced the signature of an agreement to acquire SCADAgrou, an Australian based leading provider of telemetry products and solutions for the water and waste-water, oil & gas and electric power end-market segments.

SCADAgrou employs more than 500 staff and its full year sales amounted to AUD102 million (about EUR68million) for the fiscal year ending in June 2010. With SCADAgrou, Schneider Electric acquires technologies and product offers to be pushed through its channels, and execution and service capabilities that are complementary to its own in these segments.

Building security

On March 5, 2010 Schneider Electric announced the signature of an agreement with Zicom Electronic Security Systems Limited for the acquisition in India of its electronic security systems integration businesses, namely its Building Solutions Group and Special Projects Group. The business recorded revenues of approx. EUR30 million in fiscal 2009 and has a headcount of about 200. By combining Schneider Electric's complete solution offerings, including Pelco's world leading video security offers, with the strong execution capabilities, deep market knowledge and impressive customer reach of Zicom, the Group expects to attain leadership in India for fully integrated building management systems.

Medium Voltage

On October 20, 2010 Schneider Electric announced the signature of an agreement to acquire 50% of Electroshield - TM Samara, the leader in medium voltage products and solutions in Russia, with key positions in oil & gas, power generation and electro-intensive industries. The Group employs 7,000 staff and it is expected to generate revenues in excess of RUB17.0 billion (about EUR425 million) for 2010. With this acquisition, Schneider Electric will strengthen its position in Russia in terms of customer reach, local industrial footprint, research & development capabilities and technical design competencies. Besides, the Group will attain the number one position in the fast growing Russian medium voltage market and further consolidate its global leadership position in this field.

Critical Power & Cooling

On November 23, 2010 Schneider Electric announced the signature of an agreement to acquire Uniflair S.p.A., the world number 3 manufacturer of in-room precision cooling systems and modular access floors primarily for data centers and telecommunications applications. The company employs approximately 500 staff and is expected to generate revenues in excess of EUR80 million for 2010. With this acquisition, Schneider Electric will broaden its product portfolio and be in a position to offer customers a complete range of cooling products and solutions. It will also reinforce its regional capabilities, global research & development and mechanical cooling expertise.

Energy efficiency

On December 9, 2010 Schneider Electric announced the acquisition of two French companies operating as pioneers in building management software: Vizelia, a software provider of real time energy monitoring of buildings and D5X, a specialist in solutions to optimise commercial space utilisation. Vizelia employs 12 people and is expected to generate revenue of EUR4 million in 2010; D5X employs 27 people and is expected to generate revenue of more than EUR4 million in 2010. The acquisitions will enable Schneider Electric to complement its range of solutions for integrated building management and reinforce the added value it provides to end users and property owners.

Venture capital

On January 14, 2010 Alstom and Schneider Electric announced the creation of a joint venture capital fund to finance innovative start-ups operating in the areas of energy and the environment. The Paris-based fund called Aster Capital will progressively receive EUR70 million of capital, of which EUR40 million to be provided by Schneider Electric and EUR30 million by Alstom. Other industrial partners will be welcomed with the ambition of creating the benchmark European venture capital fund for energy and the environment.

Bond issues and sale of treasury stock

On July 9, 2010 Schneider Electric announced two bond issues (for a total amount of EUR800 million), as well as the partial buy-back of the bond issue maturing in July 2013, thereby providing refinancing for the EUR900 million bond issue maturing in August 2010 and extending the overall maturity of the Group's debt.

On July 19, 2010, the partial buy-back announced for the bond maturing in July of 2013 was accepted. This will reduce the Group's overall borrowing rate with effect from 2011 since the issue carries a 6.75% fixed rate of interest.

On October 21, 2010 Schneider Electric announced that its Belgian subsidiaries Cofibel and Cofimines were respectively to sell 2,035,108 and 432,205 shares in Schneider Electric SA (representing about 0.9% of the Company's capital). Cofibel and Cofimines, which have minority shareholders, had held these shares for a long time. The transactions were designed to contribute to simplifying the Group's structure.

Innovation, partnerships and major contracts

On January 13, 2010 Schneider Electric announced a strategic partnership with Masdar, Abu Dhabi's multi-faceted renewable energy company and a wholly-owned subsidiary of the Mubadala Development Company (Mubadala). The agreement covers broad partnership initiatives between the two entities. Schneider Electric will provide energy efficiency solutions for data centers and renewable energy solutions for Masdar City – the 6 km² clean-technology cluster in Abu Dhabi.

On February 2, 2010 Schneider Electric, as part of a consortium with ENEX, signed an agreement with the city of Ashgabat (population of over 600,000), the capital of Turkmenistan, to enhance the reliability of the municipal power grid.

On February 3, 2010, in New Delhi (India), Schneider Electric launched In-Diya, a highly energy-efficient LED-based lighting system, to provide lighting to people living with no or unreliable electricity. In-Diya is the only available LED-based lighting system which can fully illuminate a typical Indian rural house. Schneider Electric's unique R&D and manufacturing capabilities were utilised to offer a high-quality product at an affordable price.

On May 14, 2010, on the occasion of an important visit to present their joint projects in solar energy, Schneider Electric and Solairedirect announced a plan to expand their activity in solar energy in Morocco. This visit represents a unique opportunity for a potential partnership with several Moroccan institutions for the Moroccan Solar Plan, especially concerning the project of a 2 GW generation capacity using solar solutions by 2020.

On June 16, 2010 Schneider Electric and Parkeon announced the signature of an agreement for the development of an electric vehicle charging system, integrating energy management and pay by space technology. This agreement will allow the partners to create a commercial and technical offer for pilots on electric vehicles and related charging infrastructures in Europe and North America.

On July 22, 2010 Schneider Electric announced that it was partnering with Big C, the leader in retail distribution in Vietnam, to improve management of energy consumption, operations and comfort in ten of its supermarkets throughout Vietnam. Schneider Electric will design and implement an energy management system allowing Big C to access energy data and manage its consumption for its ten stores at its Vietnam head office in real time. The project includes power measurement equipment and three years of technical maintenance and services.

On September 9, 2010 AES SOLE Italia chose Schneider Electric as the main EPC (Engineering, Procurement and Construction) contractor for the construction, operation and maintenance of an ambitious solar energy project in the Puglia region (Italy). The photovoltaic power plant will have a yearly power output of 56 GWh.

On September 24, 2010 Schneider Electric announced it had implemented an intelligent building management system for the *Institut du Cerveau et de la Moelle épinière* (ICM), a world center for research located at the heart of the Pitié-Salpêtrière Hospital Group in Paris.

On October 1, 2010 IBM and Schneider Electric announced a new smarter buildings solution to improve energy performance for buildings across an organisation. By pooling their expertise, IBM and Schneider Electric are helping organisations reduce energy operating costs up to 30% as well as realise environmental responsibility goals through active energy management practices. The new IBM and Schneider Electric smarter buildings solution also enables the benefits of connectivity to the smart grid for electric utility demand response programs for physical security, lighting, ventilation and heating.

On October 18, 2010 Schneider Electric delivered 6 universal charging spots for electric vehicles (EV) to Total Belgium's *Plug to Drive* experimental network of service stations. In providing a universal and complete EV charging spot, Schneider Electric answered to Total Belgium requirements with the opportunity to choose between a normal recharge and a fast recharge, regardless of vehicle type.

Governance

On April 22, 2010 the Supervisory Board of Schneider Electric SA re-elected Mr Henri Lachmann as Chairman of the Supervisory Board. It appointed Mr Léo Apotheker as its Vice-Chairman. It also renewed Mr Claude Bébéar in his functions as non-voting Director.

On July 1, 2010 the Supervisory Board appointed Ms. Dominique Sénéquier as a non-voting member. Her nomination as Board

member will be proposed at the 2011 Annual Shareholders' Meeting.

On October 19, 2010 the Supervisory Board decided to co-opt Mr Anand Mahindra as a member of the Supervisory Board, in place of Mr James Ross who had decided to resign from his office for personal reasons.

Employees

On March 29, 2010 Schneider Electric announced a capital increase reserved for employee members of the company savings plan (*Plan d'Épargne d'Entreprise*) and a capital increase reserved for entities created for the benefit of employees of the Schneider Electric Group. This issue will strengthen ties with employees by giving them a stake in the Group's future growth and performance.

On November 20, 2009 Schneider Electric was awarded the special prize for "Communication with employee shareholders" awarded by the French Federation of Employee Share Owners (FAS). This distinction is a tribute to the close, long-standing relationship established with employee shareholders over the years through regular, informative communication initiatives both in France and abroad.

Corporate Social Responsibility

On April 27, 2010 Schneider Electric announced the launch of the MiCST collaborative project, aiming to generate electricity produced by solar energy through an innovative process, in partnership with 11 French organisations. The MiCST (Thermal Solar Micro-Plant) project consists in designing and manufacturing an innovative solar plant, using sunlight to heat an energy supply powering a thermodynamic machine able to drive an alternator that produces ten electrical kilowatts. The solution will be designed to provide energy to off-grid areas.

On June 14, 2010 Schneider Electric announced its strategic sponsorship with 2010 Solar Decathlon Europe which challenges students from top universities from Europe, America and Asia to design, build and operate energy efficient, solar-powered houses.

On July 1, 2010 Schneider Electric signed an agreement to support professional training in construction within the framework of the post-emergency rebuilding of Haiti following the earthquake which hit the country in January 2010. The agreement was signed with the French Ministry of Education, the Haitian Ministry of Education and Professional Training, the NGO *Aide et Action* and Quisqueya private university. The agreement includes founding three Centers of Professional Excellence and an Educational Reference Centre, to provide training in professions related to electricity, woodwork, building and public works. This construction school will train over 2,000 youngsters over two years, as well as local teachers.

On July 21, 2010 the Schneider Electric Award was received by a team from the UCD Michael Smurfit Graduate Business School in Ireland for their Solar Change project as part of the Shanghai 2010 Award for "Entrepreneurship and the Sustainable City" organised by HEC Paris University and the Tsinghua University School of Economics and Management during the Shanghai World Expo.

2010 IN BRIEF

Following the worst floods Pakistan has experienced in more than sixty years, on September 16, 2010 Schneider Electric reported that its teams, supported by the Group Foundation, had mobilised themselves to come to the aid of affected populations and support relevant associations, in order to prepare for reconstruction. Schneider Electric and its Foundation are involved in two projects directed by emergency NGOs, which contribute respectively to restoring the water supply (with International Solidarity) and to health, in particular helping to set up a cholera treatment center (with *Aide Médicale Internationale*) for an estimated population of 40,000 people in the Sukkur zone (South-East of the country).

On September 22, 2010 Schneider Electric's head office became the first building in France to obtain NF EN 16001 certification thanks to the Group's energy efficiency solutions. The building is also certified to ISO 14001 and HQE Exploitation green building standards.

On December 7, 2010 Schneider Electric became a supporting partner of the Social Business/Enterprise and Poverty Chair at HEC Paris. Through its focus on research and teaching, the Chair will foster the emergence of a virtuous circle in which business, innovation and responsibility converge to help those who need it the most.



Description of the Group, and its strategy, markets and businesses

<u>1. Global specialist in energy management</u>	<u>16</u>
<u>2. Leader in an industry of the future</u>	<u>20</u>
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> 1. Global specialist in energy management

Schneider Electric offers integrated products and solutions that make energy safe, reliable, efficient, productive and green.

As a global specialist in energy management, with operations in over 100 countries, the Group enjoys leadership positions in Utilities and Infrastructure, Machine Industry and Manufacturers, Non-residential Buildings, Data Centres and Networks, and Residential.

1.1 Energy efficiency, a global challenge

With economic growth and the increase in the world's population, the need for energy is rising exponentially, along with CO₂ emissions.

Today, out of the world's 6 billion inhabitants, 2 billion have access to adequate energy infrastructure and 2 billion will attain middle class status in around ten years, while 1.4 billion people – 300 million homes – still have no access to electricity. In addition, the planet could have 2 billion additional inhabitants by 2030. The increase in the global demand for energy seems set to carry on rising.

At the same time, renewable energy sources are still insufficient and the energy mix is unlikely to change much over the next 25 years:

unless radical changes are made much faster than expected, two-thirds of energy will continue to be produced from fossil fuels.

By 2050, the energy equation will therefore be: a doubling of worldwide energy demand, and at the same time, a need to halve CO₂ emissions at the global level in order to combat climate change. In these conditions, energy management and energy efficiency will be required for economic growth to be achieved. This is the business of Schneider Electric.

(Source: International Energy Agency, 2009)

1.2 Towards smart energy management

The electricity grid is becoming smarter, and users need to be connected simply and safely.

From mobile telephones to the internet to home automation, technology is constantly making communication easier and faster. This trend towards connectivity is growing throughout the world. But no matter how technical products or solutions may be, users want them to be easy to install, use and maintain. They want to have access to reliable and safe energy that keeps their installations, infrastructure and equipment operating at an optimal level.

A new electricity grid is emerging that is more "intelligent": the smart grid. The traditional grid, which was simple and linear, with centralised energy output and passive consumers is now changing into a more complex, interconnected and active model.

With renewable energies each consumer can produce his or her own energy, but the various and irregular sources now have to be connected to the central grid.

Demand response makes energy visible and offers everyone the chance to affect their own consumption.

Electric vehicles are revolutionising the perception of mobility, both in terms of access to energy, and its use and storage.

Real-time grid management allows consumption levels to be anticipated and supply to be adapted accordingly.

To meet regulatory, environmental and profitability requirements, energy must be safe, reliable, efficient, productive and green. This will require integration: an entire system, not just the individual components have to be taken into account. The era of intelligent energy management has dawned, and Schneider Electric has the vision, products and services and ambition necessary to play a major role in this energy revolution.



1.3 The emergence of new economies

The world's center of gravity is shifting, as are the opportunities for growth.

Emerging economies are challenging mature countries for economic supremacy, for example China, which became the world's second biggest economy in 2010.

With globalisation of economies and trade, people have completely changed the way they do business, think of economic growth and

collaborate with stakeholders over the last two decades. It is no longer simply a case of exporting technology; innovation is required to meet the needs of each market. Schneider Electric's presence in more than 100 countries as well as its new organisation represent decisive strengths for meeting these new challenges.

1.4 A Group focused on growth

From steel to electricity, and then to energy management: the Group has gone through many changes since it was founded 175 years ago in order to position itself in the most important growth markets.

1836 – 1980: From family business to world leader

1836: Adolphe and Joseph-Eugène Schneider acquired steel foundries in Le Creusot, France. They founded Schneider & Cie in 1838. The Company steadily built a presence in heavy mechanical engineering and transportation equipment, gradually becoming a huge, highly diversified conglomerate.

1975: Merlin Gerin, a leading French manufacturer of electrical distribution equipment, joined the Group in 1975, strengthening a position in electricity that had been established at the end of the 19th century.

1981 – 2001: The Group refocuses on electricity

1988: Acquisition of France's Telemecanique, a pioneer in remote control systems for electric motors.

1991: Major acquisition of the US electrical equipment sector leader Square D (sales of USD1.65 billion).

1997: Sale of building and public works company Spie Batignolles. The Group's refocusing on the electricity sector is now complete.

1999: The name Schneider Electric represents the Group's new direction and provides a clear indication of its expertise in the electricity sector.

- Acquisition of Lexel, Europe's second largest supplier of installation systems and control solutions.

2000: Acquisition of Crouzet Automatismes, a French leader in electronic control, small automation devices and customised sensors, and Positec, a European leader in motion control.

- Establishment of 60-40 joint venture with Toshiba called Schneider Toshiba Inverters (STI) to develop, manufacture and market both partners' industrial speed drives. STI leads the global industrial speed drive sector.
- Launch of Schneider Electric Ventures fund with capital of EUR50 million, to acquire interests in innovative start-ups with technologies that can enhance the line up.

2001: Acquisition of Legrand, a leader in installation systems and control solutions. The European Commission then vetoed the merger, obliging Schneider Electric to sell its stake in Legrand, even though the Court of First Instance of the European Communities overruled the Commission's decision in October 2002.

2002-2009: Strategic transformation

Around the beginning of the new millennium, Schneider Electric completely rethought its growth strategy, setting itself three goals:

- diversifying its exposure to end markets;
- enhancing its portfolio of traditional activities (electricity distribution, automation and industrial control);
- anticipating the future energy requirements of firms and homes.

New dimension

The Group doubled in size between 2002 and 2008, through organic growth and by making a number of acquisitions. Revenue jumped from EUR9 billion in 2002 to EUR18.3 billion in 2008, reflecting average annual growth of 12%. Its headcount increased from 70,000 to 114,000 over the same period. Thanks to a loosely integrated business model, the Group can act quickly to keep pace with economic and environment-related changes.

2003: Following several acquisitions, notably of TAC, Schneider Electric became a major player in building automation.

2007: The Group became global leader in critical power and video security systems, with the acquisition of APC and Pelco respectively.

2009: The acquisitions of energy efficiency leader Conzerv in India and UPS manufacturer Microsol Tecnologia in Brazil increased the Group's exposure to new economies, as well as to the growing energy efficiency and critical power sectors.

Change management

2001-2008: Launch of change management program NEW2004, followed by NEW² in 2005, with the aim of formalising consistent and coordinated objectives for all employees.



Early 2009: A new company program called “One” introduced to support Schneider Electric’s strategic goals. *One*, the successor to new², retains the key strands of customer satisfaction (Customer 1) and staff development (1 Team). The program also includes strategic initiatives to strengthen Schneider Electric’s leading position on its market:

- becoming a provider of solutions (1 Solution Provider);
- giving priority to new economies (1 Leader in New Economies);
- simplifying processes in order to act as a single, unified entity (1 Company).

An environmental approach

Schneider Electric works actively to reduce its environmental footprint, while making energy easier to use, safer, more reliable, sustainable and accessible.

2002: The Group confirms its commitment to responsible management by creating a Sustainable Development Department, which now forms an integral part of the Strategy & Innovation Department.

2005: The quarterly Planet & Society survey is set up to track and report on the Group’s sustainable development performance. Schneider Electric was also the first manufacturer to sign French environmentalist Nicolas Hulot’s pact for the environment and the sixth global enterprise to join the Clinton Climate Initiative (CCI).

2010: Towards new growth opportunities

Through the One company program, the Group is continuing the process of change to maximise its opportunities for growth, with the aim of:

- expanding along the value chain, by providing its customers with simple and integrated solutions;
- benefiting on both the demand and supply sides from the prospects offered by the intelligent grid;
- accelerating profitable growth in emerging economies.

New acquisitions strengthen the Group’s portfolio

The acquisition of the distribution activities of Areva Distribution, announced in late November 2009, aimed at making Schneider Electric one of the world leaders in medium voltage (MV) and electrical distribution automation systems, was completed in June 2010. Schneider Electric’s medium voltage operations have therefore been strengthened by Areva T&D’s distribution activities, and a new energy business has been created: Energy.

January 2010: acquisition of Cimac, the leading industrial integration systems engineer in the Persian Gulf region.

March 2010: acquisition in India of the assets of the Electronic Systems Security Integration branch of Zicom Electronic Security Systems Ltd.

April 2010: Acquisition of SCADAgrouP (Australia), a key player in telemetry technologies and solutions in the water, oil and gas sectors.

October 2010: Agreement reached to purchase 50% of Electroshield-TM Samara. This acquisition strengthens Schneider Electric’s position in the medium voltage sector, as well as its presence in Russia.

November 2010: Acquisition of Italy’s Uniflair SpA, which specialises in precision cooling.

December 2010: Acquisition of two French companies, which have been pioneers in building management software: Vizelia, a provider of software that monitors the energy consumption of buildings in real time, and D5X, a specialist in solutions for optimising the use of commercial buildings.



One, the Schneider Electric Company Program

Schneider Electric has deployed its 2009–2011 company program, called *One*, to implement a strategy of assertive growth.

The company program has several purposes: situate the company in a given economic, social, cultural, and environmental context; define change objectives in line with the company's strategy; leverage the right resources to achieve these objectives, and encourage action both inside and outside the company.



Two fundamentals are the cornerstones of Schneider Electric's strategic transformation:

- **Customer 1:** focus on customers, develop customer delight;
- **1 Team:** focus on people development, determination to become an employer of choice and to increase collaboration between the different regions and business groups.

To create even greater customer satisfaction, Schneider Electric has identified three transformation priorities for its new company program:

- **1 Solution Provider:** Schneider Electric is accelerating its drive to address end-user needs with customised solutions that meet energy management needs, thereby increasing their market presence. The Group is leveraging its integrated portfolio of businesses through the use of a common architecture (EcoStruxure), while adapting its organisation to different end-user segments. This new organisation is described in detail in paragraph 4.1 of this document. For these development opportunities which represent 33% of 2010 sales, the Group expects an average organic growth equal to the GDP level plus five points across the cycle.
- **1 Leader in New Economies:** Schneider Electric is expanding its global presence by reinforcing its presence in new economies, as drivers for long-term growth and cost competitiveness. The Group's exposure in Asian countries (outside of Japan), Latin America (including Mexico), Africa, the Middle East, and Eastern Europe was already 32% of revenue in 2008. This exposure is expected to continue to grow in the future, considering the objective that the Group established, of an organic growth equal to the GDP plus six points for this portion of its business (37% of 2010 sales). The Group is stepping up local R&D and marketing in order to better fit these markets specificities and fuel their desired growth. On the industrial side, Schneider Electric intends to continue enjoying the benefits of local sourcing and manufacturing and is striving to reach 50% of its production costs in these countries (41% in 2008);

- **1 Company:** Signification is a pre-requisite for many of the Group's strategic ambitions. It will be achieved through the simplification of support functions, with the goal to generate structural savings of EUR600 million and a crisis adaptation option for up to EUR400 million. The main support function cost simplification initiatives are: optimising Finance and HR functions (harmonising practices, deploying shared service centres for all transactional activities and for expertise resources), making commercial functions more efficient (optimising processus, increasing the productivity of field sales), simplifying marketing (eliminating overlaps between the businesses and geographies), reducing legal entities.

Simplifying initiatives also mean improving industrial productivity. Building on its already strong track record Schneider Electric aims at further boosting the productivity of its supply chain leading to gross cumulative savings of EUR600 million over three years. The main industrial productivity initiatives are: purchasing and notably concentrating suppliers (the goal is to concentrate 70% of purchases out of 1,000 to 1,200 suppliers, compared to 39% in 2008), continue rebalancing production costs (the goal is 50% for low-cost countries in 2011) and logistics savings (reducing reference numbers from 800,000 in 2008 to 400,000 in 2011, reducing logistics centres from 140 to 80).

The *One* company program's 2009–2011 objective is to put Schneider Electric in a position to:

- achieve an organic growth rate of world **GDP plus three points**, on average, across a normal business cycle for the Group,
- achieve an **EBITA margin of between 13% and 16%**, also across a normal business cycle for the Group⁽¹⁾.

Therefore, the Group means to put itself in a position to remain at a level no lower than 13% in a normal cycle trough and to attain a level of 16% in a normal cycle peak. In 2010, and including the Areva Distribution business on a pro-forma basis, the Group's EBITA margin reached 14.5%.

During its Investor's Day on November 17, 2010 Schneider Electric announced that this 13% to 16% EBITA margin objective was maintained, even after taking into account the impact of Areva Distribution's consolidation, thanks to the expected synergy potential.

(1) Schneider Electric defines a normal business cycle as a period including a slowdown and an expansion, or a period in between. This concept allows investors to estimate the Group's long-term growth potential across a business cycle. The length of a business cycle can vary and cannot be forecasted. The last business cycle, for example, lasted around seven years, beginning with the 2000–2001 recession and ending in 2007–2008. The current cycle began in 2009, marked by a recession that is widely considered exceptional in both size and scope. For this reason, Schneider Electric has excluded the year 2009 from the concept of "normal business cycle" used to measure its EBITA margin and growth potential. In this regard, 2010 has marked a return to a more traditional business cycle.



> 2. Leader in an industry of the future

Schneider Electric is now ideally positioned to take advantage of growth opportunities linked to the energy challenges facing our planet and to the development of emerging economies.

The Group is successfully completing its reorganisation and has significant levers for growth. The activities in which it occupies a number-one or number-two position globally accounted for 90% of its revenue in 2010, compared with 50% in 2000.

Today, Schneider Electric operates in five major sectors – Utilities and Infrastructures, Industries and Machine Manufacturers, Non residential Buildings, Data Centres and Networks, and Residential. The Group has a presence on every continent, with a competitive range of products and services to meet the needs of each market.

2.1 Helping our customers to making the most of their energy

After completing its reorganisation, Schneider Electric strengthened its portfolio of products, services and solutions, in order to provide an integrated energy management offering, and to help its business and residential customers make their energy:

- **safe**, by protecting people and property;
- **reliable**, by guaranteeing ultra-secure, ultra-pure and uninterrupted power for sensitive applications;
- **efficient**, by delivering energy efficiency and the ability to deploy installations that offer an optimal trade-off between initial investment and operating cost;
- **productive**, by expanding the use of automation and networking and offering services throughout an installation's life cycle;

- **green**, by offering innovative solutions for renewable energies and eco-designed products and systems.

The development of smart grids opens up new opportunities for the Group in terms of real-time grid management, interactive management of energy consumption, integration of renewable energies through connection to the grid, and connecting electric vehicles to the grid.

2.2 Seizing opportunities in five growth sectors

Schneider Electric is well positioned in five major growth sectors:

- Utilities and Infrastructures;
- Industries and Machine manufacturers;

- Non residential buildings;
- Data centres and Networks;
- Residential.

The solutions to the energy requirements of these sectors represent levers of growth for the Group.

Utilities and Infrastructures: ensuring a safe, reliable power supply and controlling operating costs

Schneider Electric's main customers in this sector are energy operators, water treatment facilities, oil and gas infrastructure, the marine industry and the public sector.

The global challenges these customers face represent long-term growth prospects for Schneider Electric, and include demographic and economic growth, economic development, the expansion of renewable energies, deregulation of energy sectors, growing security needs, and outsourcing of services.

The Group's solutions, products and services cover:

- transformation and electrical distribution;
- energy management, metering and quality;
- utility management (access control, lighting, Heating Ventilation and Air-Conditioning, etc.);
- process control and supervision;
- decentralised management of one or several sites;
- critical power;
- pre-payment systems facilitating the access of low-income households to electricity;
- installation and management of smart electricity grids.

Industries and Machine manufacturers: enhancing productivity, flexibility, security and traceability

Schneider Electric provides energy solutions for all segments of this sector (waste water treatment plants, mines, cement plants and material handling and packaging machines). Its customers are end users, firms, engineers, systems integrators, OEMs (original equipment manufacturers), heavy industry, panel builders, and electrical equipment distributors.

Energy efficiency is at the heart of the challenges facing industry, in order to reduce production costs, comply with regulations, or adapt to the limited power generation capabilities. In addition, the growing demand for commodities and industrial infrastructure in the emerging economies, and the long overdue upgrading of the industrial infrastructure in developed economies, create significant opportunities for our customers.

The Group works closely with customers to get a thorough understanding of their energy management needs, and to help them enhance productivity, flexibility, and process and installation safety. Its solutions, products and services cover:

- process automation;
- equipment control and supervision;
- transformation and electrical distribution;
- energy management, metering and quality;
- utility management (access control, lighting, HVAC, etc.);
- decentralised management of one or several sites;
- critical power.

Non residential buildings: reducing investing and operating costs while offering greater comfort and safety

The non residential buildings sector includes all public, commercial and industrial buildings: offices, hotels, hospitals, shopping centres, manufacturing facilities, schools, sports and cultural centres. Energy efficiency and reduction of CO₂ emissions are key priorities for this sector. User requirements for comfort, security and communications capabilities have to be met, as do the needs of owners and management companies seeking to reduce investment costs and optimise maintenance and operating costs by managing several sites remotely (e.g. via the Internet).

Schneider Electric's customers in this sector include property developers, design firms, systems integrators, panel builders and installers, electrical equipment distributors and management companies, as well as end customers.

The Group's solutions, products and services cover:

- transformation and electrical distribution;
- utility management (access control, lighting, HVAC, etc.);
- data exchange (Voice-Data-Image networks, radio);
- energy management, metering and quality;
- decentralised management of one or several sites;
- critical power.

Schneider Electric's services comply with regulations and local practices, and are available throughout the world. They include networkable products that are easy to install and operate.





Data centres and Networks: guaranteed reliability, availability and efficiency

Data centres are buildings filled with servers in secure, air conditioned rooms, which process and store billions of pieces of information. They constitute the central nervous systems of small businesses, multinational corporations and government departments, and represent a high-potential market thanks to the widespread digitalisation of social, professional and personal activities. The expansion of data centres has led to a substantial increase in electricity consumption related to server operation and cooling, while the cost of the energy needed to cool the server rooms will shortly exceed that of the equipment.

With its APC by Schneider Electric solutions, the Group offers a unique line up to meet the ethical and financial imperatives of energy efficiency in data centres and networks. Its solutions, products and services cover:

- electricity distribution;
- energy management and control;
- architecture design and installation audit;
- critical power systems with UPS and generators;
- cooling with a unique hot air containment system;
- monitoring and analysis of online data;
- training;
- maintenance;
- monitoring and security.

Schneider Electric leverages its global leadership position, backed by advanced technological expertise, to guarantee a reduction of up to 30% in consumption. The energy savings result in a substantial reduction in operating costs of up to several million euros per year, with several thousand metric tons less of CO₂ being released into the atmosphere.

Residential services: making technology available to all and facilitating access to all communication resources

Schneider Electric's main customers on this market include architects, construction firms, home builders, electricians, electrical equipment distributors and large DIY stores, as well as end customers.

The sector for single-family homes and apartment buildings is extremely diverse in terms of standards and local characteristics. However, comfort, safety and energy savings remain the key requirements, to the extent that renovation and improvements to the energy efficiency of homes represent almost half of the market.

The Group's solutions, products and services cover:

- electricity distribution;
- home automation (energy monitoring, metering and management, lighting and HVAC management, etc.);
- voice-data-image networks;
- critical power;
- monitoring and security.

Schneider Electric's easy-to-operate, upgradeable and attractive solutions make homes safe and comfortable while facilitating communications.

2.3 Leadership in our five sectors

To become the unrivalled leader in energy management in 2011, Schneider Electric is leveraging its broad and consistent portfolio of business, which enables it to satisfy the requirements of its customers thanks to its innovative products, integrated and intelligent solutions and its growing range of services.

Since 2011, the Group's activities have been organised into five businesses that meet the exacting needs of its customers:

- **Power**, which covers all low voltage markets, installation and control systems, and renewable energies: electrical switchboards, Voice-Data-Image equipment, wiring, air circuit breakers, etc.;
- **Energy**, which specialises in medium voltage applications, especially for infrastructure, utilities and industrial or commercial buildings: circuit breakers, medium/low voltage capacitors, transformers, medium voltage cells, SCADA – supervision control and data acquisition – distribution management systems;
- **Buildings**, which provides assistance for industrial or commercial buildings to become more energy efficient using automation and security systems (programmable regulators, centralised building management systems, camera sensors, security monitoring equipment);
- **Industry**, which provides complete solutions for industrial automation and control: advanced UPS HMI – human-machine interface – terminals, power supply, push buttons and indicator lights, optimum temperature control, customised sensors;
- **IT**, which specialises in critical power for data centres: monophasic and (three-phase UPS, server cabinets, network power control, in-row cooling systems).

The Group therefore has many levers for growth, given the global need for energy efficiency, the development of smart electricity grids and the rapid rise of emerging economies.

The Power business

Number 1 worldwide in low voltage

Number 2 worldwide in installation systems and control

This business represents the backbone of all the Group's activities: its products can be found in almost all the complete solutions offered by the Group's other businesses to their customers, especially in the residential and non-residential buildings sectors.

For industrial, commercial and residential buildings, the Power business offers a very wide range of circuit breakers, transformers, and busbar trunking.

Products for the residential market include lighting and heating management devices (sockets, switches, drives, thermostats, etc.), control systems for doors, gates and shutters; security, fire alarm and intruder alert systems; and Voice-Data-Image networks that bring phone, TV and internet capabilities into every room.

The Power business has several levers for growth: the development of energy efficiency, stimulated by the new regulatory requirements and rise in energy prices, opportunities related to the emergence of the smart grid, the considerable energy needs of emerging economies, growth in renewable energies, and increased usage of electric vehicles and their charging equipment.

The Energy business

Number 1 worldwide in medium voltage

In November 2009, Schneider Electric and Alstom announced their planned acquisition of Areva T&D, with the intention of transferring the transmission business to Alstom and transferring the distribution business to Schneider Electric. Finalised in June 2010, this acquisition enhanced Schneider Electric's medium tension portfolio and in particular, strengthened its position in medium voltage automation networks, mainly for electro-intensive customers and state owned electrical utilities companies.

In addition, the agreement reached in October 2010 for the acquisition of 50% of Electroshield-TM Samara further strengthened Schneider Electric's position on the medium voltage market, as well as its presence in Russia.

The growth of the new Energy business will mainly come from the development of the smart grid, the rising energy needs of the new economies (which already represent 45% of revenue for this business), and the need to modernise electricity grids in developed economies.





The Industry business

Number 2 worldwide in automation and industrial control

Number 1 in leading-edge quartz gyro technology

Thanks to an active policy of entering into partnerships and making acquisitions, Schneider Electric has constantly strengthened its presence in automation and industrial control.

For its industrial customers and OEMs, Schneider Electric offers programmable logic controllers and automation platforms, as well as specialised configuration, programming, operating assistance and supervision software, and a wide range of industrial control products, including contactors, overload relays and motor circuit breakers, speed drives, motion controllers, sensors, control units and operator terminals.

Following the acquisition of SCADAgroup in April 2010, the Group has added telemetry technologies and solutions in the water, oil and gas sectors to its line up.

Lastly, the customised sensors that were previously provided by the CST Division (Custom Sensors & Technologies) became part of the Industry business at the start of 2011, bringing with it the biggest range of sensors on the market, and global leadership positions in angular speed sensors and in position and pressure sensors for the automobile, aeronautics and manufacturing industries.

The growth areas for the Industry business lie in helping customers control energy costs, comply with environmental regulations, manage the arrival of the smart grid and meet the rising needs of emerging economies.

The IT business

Number 1 worldwide in critical power and cooling services

A growing number of industries – notably those involved in information technology and finance – require a reliable energy supply and impeccable quality at all times.

By combining the products of American Power Conversion (APC), acquired in 2007, with those of MGE UPS Systems, which has been part of the Group since 2004, Schneider Electric has attained global leadership of this high-potential market. The Group offers an unrivalled portfolio of products, solutions and services, geographic coverage and distribution channels, and has a strong innovative capability.

Moreover, the acquisition in 2009 of Microsol Tecnologia, a Brazilian UPS specialist, in June 2009, moved Schneider Electric to the top of the Brazilian critical power market. Lastly, the acquisition of Italy's Uniflair SpA in 2010 expanded the Group's range of precision cooling systems, which are mainly used in data centres and in telecommunications applications.

The growing digitalisation of data and increasing need for energy availability, flexibility and reliability, particularly in developed economies represent the levers for growth for the IT business.



The Buildings business

Number 4 worldwide in building automation and video security systems

In the last few years Schneider Electric has become one of world's leading players in technical building management.

The Group offers a comprehensive, innovative range of automation solutions backed by design and supervision software to manage building utilities, based on open and integrated systems. These solutions make it possible to optimise installations, modernise them cost effectively, and reduce maintenance costs and energy

consumption. They also enhance comfort and security, an area in which the Group has strengthened its activities, with the acquisition in 2007 of Pelco, a worldwide leader in the design, development and manufacture of video security systems.

Growth in this business will be driven by the expansion of urban and industrial areas in emerging economies, the adaptation of existing buildings to comply with new energy regulations in developed regions, the development of energy efficiency for all buildings, which is subject to increasingly stringent regulations, and the important role that they will play in the smart grid.

2.4 Enhancing the integrated solutions and services portfolio

Services

Customers are looking for increasingly effective solutions that meet their performance and reliability needs. When it comes to services, local presence is a major strength.

Around the world, Schneider Electric's 6,000 Services Experts listen carefully to customers' specific needs and, as long-term partners, offer a single, comprehensive line up of life cycle services. These include:

- **audit and consulting:** engineering, installation and energy audits, energy efficiency solutions, etc.;
- **solutions engineering:** project deployment and management, site upgrades, tailored projects for critical applications, process simulations, energy management, etc.;
- **installed base services:** troubleshooting and repairs, maintenance and renovation to enhance the reliability of existing equipment and processes;
- **job training:** personalised or general, in one of the Group's fifty training centres or online through Energy University by Schneider Electric.

Schneider Electric's ability to industrialise services offers customers guaranteed results, thanks to its:

- knowledge of applications and factory floor reality in fast-changing industries;
- practical, innovative contracts that leverage leading-edge technologies;

- ongoing support, from the initial assessment of specific needs and constraints to project completion.

Schneider Electric has what it takes to provide safe, reliable and efficient services that help customers enhance performance throughout the life cycle of their installations.

Energy efficiency solutions

Energy efficiency means using less energy for the same level of performance or service, and is the fastest, cheapest and most effective way for governments, firms, and individuals to reduce CO₂ emissions. According to the International Energy Agency (*World Energy Outlook 2010*), 53% of the reduction in CO₂ emissions needed over the next 20 years will have to come from more efficient energy use.

Taken together, industry, infrastructure and buildings – Schneider Electric's traditional markets – account for more than half of the world's energy consumption. Since 2005, Schneider Electric has been working on energy efficiency issues, and now has the know-how, skills and technologies to meet the energy challenge of the 21st century.

The acquisition in 2009 of Conzerv Systems, the leader in the Indian energy efficiency market, enhanced the Group's line up and considerably strengthened Schneider Electric's position on the Indian market.



The Group's products and solutions can deliver energy savings of up to 30%, mainly through the implementation of energy efficiency measures: energy audits and metering (to establish a baseline and assess the potential for energy savings), management of fundamentals (introduction of low energy use devices, current control and reliability), automation (to manage building utilities, electricity use, motors and lighting), monitoring (surveillance and consulting) – and further metering.

This document provides information on Schneider Electric's businesses and competitive position in 2010. To the best of the Schneider Electric's knowledge, no exhaustive report has been drafted on products and systems for electrical distribution, automation and control. Schneider Electric has compiled data on its businesses through formal and informal contacts with industry professionals, especially trade associations. Schneider Electric estimates its market positions based on this data and actual revenue in each business.

2.5 Proximity on each of our markets

> A SINGLE BRAND FOR PRODUCTS ADAPTED TO LOCAL REGULATIONS

Simplification is a key objective of the *One* company program. To raise its profile and meet the needs of its customers and partners, the Group launched an ambitious program to unify its brands aiming to go from 120 brands in 2009 to 10 brands by 2011.

Schneider Electric will be the brand name for the world's energy management specialist.

Schneider Electric uses a number of different distribution channels to access its various markets, and a large portion of its sales are made through intermediaries such as distributors, systems integrators, contractors and specifiers, which bring their own value added and know-how.

Excellent relationships and customer satisfaction are key priorities

Customer satisfaction is an integral part of Schneider Electric's growth strategy. Every contact with Schneider Electric should be a positive experience that leaves all customers, no matter who they are or where they are located, feeling acknowledged, understood and satisfied. This commitment is an important differentiating factor, and customer satisfaction surveys are regularly carried out in all countries in which the Group operates, while employees attend related training programs.

Customers also have access to online diagnostics and support services, an e-catalog, downloadable software and online information and training.

Distributors: a daily partnership

Distributors account for more than 50% of the Group's total sales through an extensive network of 16,000 sales outlets in 190 countries all over the world.

Schneider Electric has many different types of distributor: local distributors, wholesalers and non-specialised professional distributors, large international groups such as Rexel, Sonepar, Graybar and Grainger, IT specialists such as Tech Data and Ingram Micro in the United States. In the residential renovation sector, Schneider Electric also sells products through large home improvement chains such as Home Depot and Lowes in the US, Kingfisher in the UK and Saint Gobain Distribution in France. In addition, the Group uses specialist distribution channels for highly technical products such as automation solutions and industrial software, as well as for Pelco-brand access control and security products.

Schneider Electric assists its distributors in advising their customers and helping them to benefit from technical innovations. To maintain a high performance network, the Group works hand in hand with distributors on supply chain issues, technical training and marketing. Internet tools now occupy a dominant position for sales, and above all, up-to-date information. Through the "eShop", distributors can link Schneider Electric's product database to their e-commerce sites so that customers have reliable 24/7 access to information. As part of a program to develop energy efficiency solutions with distributors, the Group has published a catalog of energy efficiency solutions that suit the needs of different markets and customer segments.

Specifiers: in search of efficient solutions

Given growing demands for comfort, ergonomics and design, specifiers (engineers, architects and design firms) are constantly looking for more efficient and better integrated solutions for energy management, as well as for access control, security, and building automation.

They are therefore essential partners for Schneider Electric's growth, notably in the high-potential buildings and residential markets, which include newbuilds, renovation, single-family homes and apartment buildings.

Schneider Electric uses a number of information and training tools for specifiers, such as reserved exhibits, electrical installation guides, installation design software and training methods.

Panel builders and systems integrators – a source of solutions

The main challenge for Schneider Electric is to help these professionals to extend their competencies by giving them the best level of service available anywhere in the world.

Panel builders, of which there are more than 20,000 throughout the world, make and sell electrical distribution or control/monitoring switchboards, primarily for the buildings, energy and electricity infrastructure markets. Their main customers are contractors. Panel builders mostly buy low and medium voltage devices, such as circuit breakers and contactors, and increasingly, prefabricated systems.

Systems integrators design, develop and support automation systems to meet their customers' needs in terms of the performance, reliability, precision and efficiency of their operations. By providing global coverage and local contacts, they offer their clients a high degree of flexibility.

Schneider Electric has considerably expanded its automation line up, giving systems integrators access to a powerful platform covering all areas of automation from field control to manufacturing execution systems (MES).

The Group's objective is to develop and strengthen these partnerships with a view to enhancing its partners' competitiveness and creating new shared resources, especially with the aim of preparing for the arrival of smart grids.

Contractors – towards a revolution in the residential market

Schneider Electric works closely with contractors, small specialist or generalist electricians, large companies that install equipment and systems and OEMs to devise solutions tailored to end-users' specific needs.

These partners add value for end customers, first by advising them about the choice of solutions that best suite their needs, and then by installing efficient systems. The main challenge for Schneider Electric is to assist them in the rapid development of solutions and technologies for the residential market: lighting, temperature and door management systems, recharging equipment for electric vehicles and renewable energy.

In order to strengthen a relationship based on mutual trust and value added, Schneider Electric cooperates actively with contractors, providing technical training and advice.

OEMs: partners in performance

OEMs (original equipment manufacturers) continuously seek to improve machine performance and maintenance in areas ranging from packaging to textiles, elevators to conveying, and materials handling and hoisting to HVAC.

Schneider Electric works closely with almost 30,000 OEMs. The Group leverages its expertise and know-how to nurture their special partnership. This is mainly achieved through:

- an extensive knowledge of OEMs' applications;
- dedicated centres of excellence that offer the most competitive solutions for new machines, in particular, pre-tested, pre-developed but personalised solutions;
- an international customer support to deliver high-performance after-sales service worldwide;
- a dedicated program for multi-site and/or global OEMs that enhances their ability to offer superior solutions on an international level.

Energy utilities – meeting the new challenges of changing electrical networks

There are some 11,000 electricity companies around the world. They use Schneider Electric products and services in power generation (electricity for renewable energy production, power plant equipment, automation and control), transmission (quality control and metering), distribution (medium and low voltage networks) and sales (pre-payment meters, related services, peak management).

The Group responds effectively to their expectations with applications support and innovative products that help them meet important challenges like market deregulation and the development of renewable energies.

Global strategic accounts – demanding pioneers

Schneider Electric has established an organisation which is dedicated to global business groups, with a view to developing privileged relationships with them. To meet their expectations, the Group offers "preferred supplier contracts" to ensure that they receive services of the highest quality.

This organisation is based on short lines of communication and decision-making, rapid mobilisation of Group resources throughout the world, and dedicated teams in which management is directly involved.

Some 60 global customers benefit from this organisation, including Air Liquide, GlaxoSmithKline, IBM, Lafarge, Nestlé, Total, Toyota, Veolia Environnement and Walmart.





2.6 New requirements of standards

Schneider Electric provides assistance to its customers and meets their needs with products that comply with the standards applicable in their markets. The majority of its line up complies with world-recognised International Electrotechnical Commission (IEC) standards. In North America, Group products generally meet standards set by the National Electrical Manufacturers Association (NEMA), Underwriters Laboratory (UL) or American National Standards Institute (ANSI). In the UK, Australia and Asia, products comply with British Standards (BS), while products in China and Japan meet the China Compulsory Certification (CCC) and Japan Industrial Standard (JIS) respectively.

However, the requirements of standards are evolving due to the proliferation of new technologies and the emergence of increasingly sophisticated integrated solutions: recharging equipment for electric vehicles, solar energy, home energy management, etc.

Schneider Electric actively participates with working groups set up by regulatory bodies, with the aim of establishing new standards and helping to draft the regulations of the future.

2.7 Competitors and participants have increasingly varied profiles

One can classify Schneider Electric's traditional competitors into three categories:

- **large non-specialist manufacturers with diversified businesses**, such as ABB, Eaton, Emerson, General Electric, Honeywell, Mitsubishi Electric, Panasonic (formerly Matsushita), Siemens;
- **multinational specialist manufacturers**, such as Cooper, Legrand, Omron, Rockwell Automation, Tyco International;
- **medium-sized companies, primarily in electrical distribution** such as Hager.

Other competitors are appearing:

- **low-price products, notably in low voltage and for indirect markets**: Chint, Legend, etc.;

With the development of information and communication technologies in all industrial sectors, new players are emerging:

- **systems integrators, data-management specialists** (HP, IBM), etc.

> 3. Innovation and R&D: serving growth



Today, innovation is developed alongside customers and business clusters specialising in technology. Schneider Electric is constantly expanding its global R&D network, combining its own competencies, strategic acquisitions and partnerships with companies and prestigious universities.

In line with the Group's strategy, its innovation programs focus on efficiency as well as simplicity and the straightforward implementation of products and solutions, with an ever-decreasing impact on the environment.

These new responses to the challenges of energy efficiency and smart grids combine high-tech products, services and software, which are often developed in the context of partnerships.

3.1 A new approach to innovation

Innovation remains an essential growth driver for Schneider Electric. However, the accent has now moved from the new product equipped with ground-breaking technology to innovation linking products, services and software with "intelligent" solutions. Customers are looking for integrated solutions that will make their lives easier and optimise costs.

The convergence of automation, information and communication technologies is accelerating this trend and offers a unique opportunity for the companies that are able to meet this challenge.

The very fast growth of emerging economies is setting a new rhythm and requires products, services and solutions to continually evolve. In order to identify these requirements, understand the challenges and respond to them with pertinent solutions, companies need to be at the heart of the markets and to develop innovation in different locations.

To be successful, innovation must be multidisciplinary, and its results need to be quickly and effectively deployed. Success also requires the ability to design and manage collaborative innovation processes.

2010: the rise of EcoStruxure

EcoStruxure is a Group-wide R&D program. Launched in 2009, the program defines a common architecture enabling Schneider Electric's electrical distribution, critical power and cooling services, automation and industrial and building control systems

to be combined with solutions encompassing complete energy management or other functional areas. EcoStruxure therefore represents a response to customer expectations for optimum energy efficiency with lower investment and operating costs.

The EcoStruxure program was accelerated considerably in 2010. The research phase was completed, and the program entered its development phase, in order to support the increasingly sophisticated applications bringing together products from the Group as well as those of other manufacturers.

Strengthening partnerships

Schneider Electric's new focus on solutions requires its various product and services activities to work more closely together to develop innovation. This is the main objective of the **Innovation and Technology Committee**, which was set up in 2009 and brings together the technical directors of the different activities and members of the Strategy & Innovation Department.

In accordance with the ethos of the EcoStruxure program, the Committee defines and manages the adoption of common hardware and software platforms, which reduce costs and increase product interoperability. Based on open architecture and standards, these platforms also facilitate the integration of products and solutions coming from acquisitions or partnerships.

3.2 Experts at the heart of their markets

Schneider Electric combines its growth strategy in emerging economies with a move towards the globalisation of its capacity to innovate. Exporting standard innovations to the rest of the world, as in the past, is no longer appropriate.

Research and development centres in China and India now have full responsibility for programs dedicated to these emerging economies as well as global programs.

Global innovation

Around 8,600 employees are directly involved in R&D or technical engineering in 25 countries and at more than 70 sites, which represents growth of almost 15%, of which two-thirds relates to the acquisition of Areva's Distribution business. This geographic spread, which mirrors the breakdown of Group revenue, is critical for understanding the needs of local markets and for forging R&D



partnerships with potential game-changing players in Asia-Pacific, North America or Europe.

In the framework of the global program for the recognition of experts, 300 employees from 19 countries which are representative of the Group's R&D were identified. They play an important role in Schneider Electric's innovation process. Led by the Human Resources Department, the Innovation Department and the main R&D managers, this program aims to promote the development of experts at a high level, as well as their contribution to the definition

and implementation of the R&D strategy. All these experts are included in formal networks aligned with the skills areas critical to the Group's long-term success.

In an increasingly competitive global environment, the protection of intellectual property is a particular priority for this network of experts. In all, 386 patents were filed in 2010, an increase of almost 20% on 2009; the number of patents filed has doubled in the space of four years.

3.3 Projects focused on energy efficiency and customer values

To respond to the global and local challenges of energy management, Schneider Electric has set up a research, development and innovation program centered on (i) designing energy efficiency solutions tailored to each market (buildings, residential, industry, data centres) and (ii) improving the way in which customer requirements are met in terms of interoperability, ergonomics, safe operation, and respect for the environment.

The implementation of tomorrow's energy efficiency solutions implies a more advanced capacity to install sensors and actuators depending on the field of application, which can be integrated in a standardised way in increasingly global networks and systems.

For example, an independently powered wireless sensor that is easy to install and remove is currently being developed under the HOMES (Homes and buildings for Optimised Management of Energy and Services) program for the active energy efficiency of buildings.

The next step will be to ensure that the data collected is transmitted and interpreted effectively, and that the command and control system is optimised. Schneider Electric's R&D teams are increasingly active in these areas, led by concrete applications representative of the Group's markets.

The interoperability and flexibility of systems are key factors for their use and integration for Schneider Electric customers. The Group is devoting significant efforts to helping develop international standards in this area, as well as to improving its own solutions.

For example, the "ZigBee Green Power" standard, which significantly reduces the amount of energy needed for wireless solutions and opens the door to wireless, self-powered sensors that will communicate seamlessly with existing ZigBee networks.

Considerable efforts also go into the ergonomics of all products, whether aimed at simplifying installation procedures or improving the experience of end users.

This led the researchers at Schneider Electric to study the potential of printed electronics and developments that will be possible in the future in terms of innovative user interfaces for our products. Its use, on all types of materials, will provide

flexibility and allow thinner and cheaper devices to be made. In certain applications, this new technology facilitates design and waterproofing.

More generally, constant attention is paid to ensuring consistent design of Schneider Electric products and solutions.

Nonetheless, the interoperability, flexibility and ergonomics of products and systems should not be to the detriment of expense of safety and reliability. Today, as always, safety, security and reliability are research priorities for Schneider Electric.

In the area of embedded software, one of the most important research subjects concerns certain modifications to the software throughout the product life cycle (in the final phase of production for local adaptation, during its installation for a more tailored approach to the customer's environment, throughout its use in order to add functions, etc.), while ensuring safety and operational constraints are respected.

Significant efforts are also made in carrying out diagnostics of products or certain components, with the aim of detecting any faults.

Products, components and materials that have less of an impact on the environment contribute to Schneider Electric's development.

The use of silicon carbide, which enables losses to be significantly reduced in the area of power electronics, has given rise to a number of projects, on a centralised basis and within the different businesses concerned. Schneider Electric is also conducting a major program in the area of ecological plastics, while at the same time fostering academic research in the field by co-financing (with Arkema, L'Oréal, Nestlé and PSA Peugeot Citroën) a bioplastics chair, to cite just one example.

The integration of renewable energy sources, in terms of the grid or in geographic areas without access to a power grid, is also the subject of a number of different developments that are representative of the diversity of the situations that exist on our planet.



3.4 Partnerships to accelerate progress

In addition to its innovation and R&D initiatives, Schneider Electric pursues an active R&D partnership policy with prestigious institutions, notably Shanghai Jiao Tong University in China; the MIT Media Lab and Georgia Tech in the United States; the CEA (Alternative Energies and Atomic Energy Commission), INRIA (National Institute for IT and Automation Research), *École des Mines ParisTech*, Institut National Polytechnique de Grenoble and Université Joseph Fourier in France; and Monterrey Institute of Technology in Mexico.

The Group is also involved in numerous collaborative projects with academic and industrial partners in France and the rest of Europe, notably in the areas of energy efficiency and environmental protection.

Partnerships in energy efficiency programs

HOMES (Homes and buildings for Optimised Management of Energy and Services) is Europe's biggest innovation program focusing on the active energy efficiency of buildings. Led by Schneider Electric and supported by OSEO, an agency that supports entrepreneurship and innovation, it involves a total of 13 companies and research laboratories.

The aim of HOMES is to find a number of coherent solutions to improve energy management for buildings without reducing comfort.

Covering both new and existing residential and commercial buildings, the program's goal is to produce prototypes ready for manufacture within two years.

Five initial prototypes were unveiled in September 2010 at the Intelligent Building Systems exhibition in Paris:

- Roombox, a decentralised and cross-application electric command and control architecture (Schneider Electric);
- an HVAC (heating, ventilation, air conditioning) emissions controller, for precise ventilation management and improved information transmission (CIAT);
- an independently powered wireless sensor, for integration of all the comfort parameters in a single component (Schneider Electric and the CEA);
- the eveBIM collaborative software, designed to integrate ideas on energy efficiency at every stage in the construction and management of a building (CSTB);
- the ZigBee and carrier current equipment, to make available to the living environment an integrated group of products to manage electrical charges and measure consumption (Schneider Electric and Watteco).

In addition, testing has been carried out under the program at five pilot sites since February 2010, in conjunction with the FFIE (French federation of electrical engineers). The aim is to devise a method for effectively measuring performance for existing buildings, to enable ways of reducing energy consumption to be identified in each case.

The **VELCRI (electric vehicle with integrated fast charger)** program was set up to find a global solution (vehicle and recharging station) to increasing the availability of electric vehicles, with three main aims: reducing battery recharging time, developing a "bidirectional electricity exchange", and offering services for vehicle users through communication between the vehicle and the recharging station. Schneider Electric's partners in this project are Renault, Radiall, Johnson Controls Saft, Valeo, EDF, Apojéen, the CNRS, the CEA, the Institut Telecom, and Eurecom.

Mobility on Demand

Experiments on electric vehicle recharging are also being carried out in collaboration with MIT as part of the Media Lab's Mobility on Demand project.

The aim of **Energetic**, a project certified by the Minalogic business cluster, is to design a system that optimises energy use at data centres, by continually adapting the material configuration to the needs of applications. Optimum energy management is achieved in two ways:

- in reactive mode, which adjusts energy consumption to the current needs indicated by the IT application, almost in real time;
- in anticipation mode, in which IT projections are used to smooth energy consumption. The original idea for this mode of operation was to take advance of the flexibility of task ordering and the intrinsic inertia of the installation.

The project will enable potential energy gains to be validated and quantified by testing on real sites.

The partners involved in the project are: Bull, B&D Eolas, G2ELab, G-SCOP, UXP and Université Joseph Fourier.

The **MIND** project's objective is to improve the productivity of embedded software, a critical component of "intelligent" products. Using a component assembly construction approach, this technology allows for the efficient development of safe and flexible products.



Schneider Electric complements the results of this project with its own research into combining within the same product certified embedded software, which ensures safe operation, and open software enabling related, evolving functions to be developed more rapidly.

The other partners involved in the project are: CEA Grenoble – Orange Labs – INRIA Rhône Alpes – IS2T – Itris Automation Square – Logica IT Services – Sogeti High Tech – STMicroelectronics – ST Ericsson – Université Joseph Fourier - INERIS – Verimag – LaSTRE – LASQUO/ISTIA..

Sustainable development projects

Schneider Electric has also teamed up with the French agency for environment and energy management (ADEME), EDF, Renault and Total to support a **prospective modeling for sustainable development chair** at ParisTech. To meet the challenges of sustainable development, both businesses and public officials need to think long-term when making strategic choices. The Chair's mission is to provide common tools for decision makers, experts and scientists while focusing on the articulation between short-, medium-, and long-term needs and the interface between business, resource management and climate. In 2010, the Chair strengthened the contribution of Schneider Electric at the World Energy Congress held in Montreal in September by presenting prospective thinking on the regional implications of the global emissions commitments made at the UN Climate Change Conference (COP15), and subsequently participated in a round table discussion on smart grids at the Cancun conference (COP16). Going forward, the work undertaken by the Chair should make it clearer which energy efficiency technologies and applications are the best investment in which region over the short and long term.

In the context of its social commitments, Schneider Electric is leading a project with the objective of designing and building a new type of solar power plant in which 10kW units will use the sun's rays to activate a thermodynamic machine that can drive an alternator. Unlike existing photovoltaic plants, which use batteries, these units will use an eco-designed heat storage unit made from local green materials. This project fits in with the Group's efforts to deliver electricity from renewables to people in emerging economies. The ten SMEs and research laboratories partnering the project are participating through the BipBop program to provide their technical skills and gain access to new markets.

A deep commitment within the R&D community

Schneider Electric plays an active role in the French and international R&D community, notably in defining strategic R&D programs and in evaluating projects currently under way or submitted to France's business clusters, France's **national research agency** or European organisations such as **FP7**, **ITEA** (Information Technology for European Advancement), **KIC** (Knowledge Innovation Community, **InnoEnergy** and **PPP E2B** (Public-Private Partnership on Energy-Efficient Buildings). The two main business clusters include **Minalogic**, specialised in microtechnologies, nanotechnologies and embedded software and **Tenerdis**, which focuses on new energy technologies and renewable energies.

Schneider Electric is involved in the main skills network, the Organic Electronic Association, and is a promoter of "green electronics" in relation to its WG-Green working group. It heads up the "Intelligent Product" unit for the Plastipolis business cluster, and participates in discussions with the French scientific community in the context of the Organic electronics research group. Large area electronics also provide an opportunity for innovation for Group products: this technology is likely to bring greater flexibility in design, as well as space gains and new functions on the surface of electronic products: printed buttons, autonomous screens, etc.

Schneider Electric is also a member of the **EMMI** (European Multifunctional Materials Institute) support group, whose main objective is to serve as a common platform for its 15 academic members in seven European countries to define and execute research or educational projects in the area of multifunctional materials. EMMI enables different communities to share views about functional ceramics and organic-inorganic hybrid materials, etc. Environmental issues play a key role in much of the members' resulting work. Examples include projects to design new materials or systems to reduce electrical consumption, projects to replace toxic components and a project to develop hypersensitive gas sensors. In this context, Schneider Electric is supporting a thesis begun in 2009, and is backing two thesis subjects for 2011.

3.5 A new source of partnerships and innovation

By studying emerging markets and technological trends, Schneider Electric is able to identify potential growth and innovation opportunities at a very early stage. In 2000 Schneider Electric created a fund called Schneider Electric Ventures to invest in high-tech start-ups whose innovations fit with the Group's future development. Focus areas include energy, communication, automation and the use of advanced materials and electronics. The fund constitutes a source of particularly productive partnerships and has forged contacts with more than a thousand small and mid-sized businesses around the world each year.

In 2010, Schneider Electric and Alstom joined forces to launch a new venture capital fund called **Aster Capital** to finance innovative start-ups in the fields of energy and environment. The fund is based in Paris and has received capital subscription of EUR70 million, from Schneider Electric (EUR40 million) and Alstom (EUR30 million). Other industrial partners may be invited to join this initiative to create the European benchmark fund specialising in energy and environment.

Aster Capital benefits from the venture capital expertise acquired by the Schneider Electric Ventures team. The mission of Aster Capital is to take minority interests in innovative start-ups based in Europe, North America and Asia, developing new technologies that could lead to major breakthroughs in the fields of energy and the environment. The fund made its first investment in 2010, while two investments were sold by Schneider Electric Ventures, generating a significant return.

Optiréno – Investment made in November 2010

Optiréno was launched in October 2009 as a subsidiary of Saint-Gobain, and operates in residential renovation via a holistic approach encompassing diagnostics, consultancy and project management. The company's services are aimed at customers who want to improve the energy efficiency of their home, and include management of every aspect of the project, including financing.

Optiréno offers Schneider Electric opportunities in terms of a distribution channel for sales of Duoline, which strengthens its position on the residential renovation market and helps detect new trends. An exclusive sales contract was signed in May 2010.

Aster Capital provided an initial loan to Optiréno of between EUR500,000 to EUR1 million in November 2010.

Sale of CPower in September 2010

The company CPower was sold for USD80 million to Constellation Energy, an energy supplier based in Baltimore, Maryland.

This US company designs demand-response programs aimed at eliminating peaks in electricity demand. With the support of key partners such as Schneider Electric, the company has become one of the three biggest players in the USA.

This disposal generated a significant return on investment for Aster Capital, and its success in North America is testament to its investment abilities.





> 4. Organisational simplicity and efficiency

The reorganisation of the Group has naturally led Schneider Electric to adapt its organisation so as to have a focus in line with its strategic importance at any time, in any country and in any business.

The implementation of the new organisation was fine-tuned in early 2011, and was accompanied by a wide-ranging corporate culture initiative.

Designed for introduction alongside the reorganisation, the One company program has, in particular, facilitated the rapid integration of acquisitions, notably that of Areva's distribution arm, which led to the creation of the Group's Energy business. It is also contributing to the establishment of a common corporate culture within the Group.

4.1 An organisation focused on end markets

The change in organisation was designed to accelerate the impact of the *One* company program. The new organisation will support each of the three transformations introduced by the *One* program:

- first, the change needed to make Schneider Electric "1 Solution Provider" was accelerated by the creation of five businesses with responsibility for providing innovative solutions in their key end-customer segments by using R&D resources dedicated to their product lines and specialised sales forces;
- second, to make Schneider Electric "1 Leader in New Economies". This will be facilitated by the globalisation of support functions and deployment of specific strategies for new economies by each of the five businesses;
- third, to make Schneider Electric "1 Company". To a great extent, this will be facilitated by the pooling of local back-office operations and deployment of "Global Functions" that increase experience and generate economies of scale.

Dual responsibility – products and customers

Schneider Electric's organisation has become more streamlined and is structured around five businesses. Each of the businesses has a dual responsibility in terms of its product lines and end-customer segments.

This dual responsibility is a key factor in Schneider Electric's ambition to excel simultaneously in two areas: selling products, which requires clear technological leadership, and selling solutions, which means building close customer relationships and acquiring a detailed understanding of end users' needs.

This shift towards solutions is a major focus of the *One* company program.

Each of the five businesses manages its R&D, Marketing and Sales teams and has responsibility for its global results.

A number of back-office functions such as finance, human resources, IT systems and marketing are handled by the Global Functions, which have a governance role and provide services internally.

The acquisition of Areva's Distribution business has led the scope of the five businesses to be modified from 2011:

- **Power** includes low voltage, installation systems and control, renewable energies and the two end-customer segments (Marine and Residential);
- **Energy** combines the activities of Areva's Distribution business and the medium voltage activities of Schneider Electric (previously part of the Power business) with two end-customer segments (Utilities and Oil & Gas);
- **Industry**, which includes automation and control and three end-customer segments: OEMs, water treatment and mining, minerals and metals. It now also includes **CST**, a mainly technological business focused on customers in the automobile, aeronautics and manufacturing industries;
- **IT**, which covers critical power and two end-customer segments: data centres and financial services;
- **Buildings**, which includes building automation and security and five end-customer segments: hotels, hospitals, life science facilities, stores and "green" office buildings.



Rationalisation and optimisation of synergies

The organisation is deployed in accordance with three key concepts: specialisation, mutualisation and globalisation. **Specialisation** mainly concerns sales and front-office operations. **Mutualisation** mainly covers local back-office operations at the country and regional level. **Globalisation** concerns the six support functions, now known as Global Functions:

- Finance;
- Marketing;
- Supply chain;
- Human resources;
- Strategy & Innovation;
- Information systems.

A substantial portion of the Global Functions' costs is re-allocated to the businesses using distribution keys or application bases that are generally defined annually.

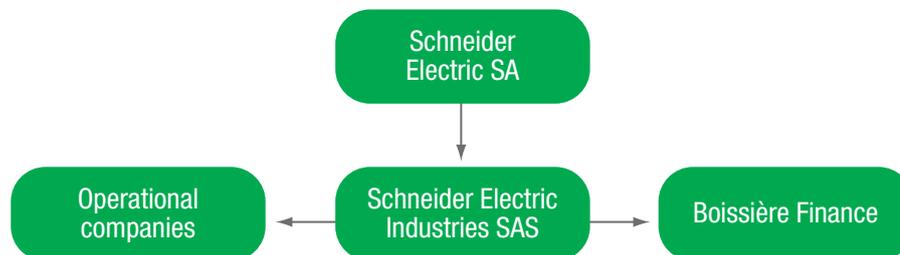
- **Specialisation:** in each country, each business has its own sales force and local leader as soon as it reaches critical mass. It also has a specialised front office in each host country to respond more effectively to customer demand for specific expertise. Each business is also responsible for its overall results, both for product sales (in its business lines) and the implementation of solutions (especially for end-customer segments within its scope).

- **Mutualisation:** a country President is appointed in each country to oversee the Power business (and therefore, of its income statement), deployment of Schneider Electric's strategy in the country (including all local cross-functional issues such as increasing cross-selling among businesses) and pooling of local back-office resources. These resources are gradually brought together in each country or region under the country President's supervision and can include multiple local support functions ranging from administration to project execution, depending on the situation. In addition, the country President serves as Schneider Electric's main representative in the country, notably in dealings with employees and local officials.
- **Globalisation:** major support functions that are not specific to a given country or business are gradually globalised to increase experience and leverage a significant scale effect. Manufacturing and supply chain operations, areas of shared services or expertise (such as finance or human resources), information systems and certain marketing functions (e.g. web services) are now included within the Group's Global Functions.

Geographic dimension and legal structure

The Group's goal is to establish, and where possible, a single legal structure in each country.

Schneider Electric's simplified legal organisation chart is as follows:



The list of consolidated companies is provided in note 32 to the consolidated financial statements (page 209 et seq.).

Boissière Finance is the Group's centralised cash-management structure; it also centralises hedging operations for all subsidiaries.

4.2 A more modular approach to information systems

In 2010 Schneider Electric continued with the redesign of its IT strategy, in order to gradually roll out a common model aimed at simplifying and standardising operations. This model is developing towards a more open architecture, capable of deploying faster and less inter-dependent IT platforms to allow for easier upgrades at a lower cost.

Four platforms are being rolled out for employee management, customer relations, back-office functions and R&D support systems.



DESCRIPTION OF THE GROUP, AND ITS STRATEGY, MARKETS AND BUSINESSES

ORGANISATIONAL SIMPLICITY AND EFFICIENCY

The gradual roll out of an SAP-based ERP system known as “bridge” is now focused on back-office functions. After pilot testing in India, Hungary, Austria, Croatia, Romania, Slovakia and Slovenia, in 2010 the bridge core system continue to be rolled out in the French and US plants, as well as in Russia, Argentina and Chile. The roll out will continue in 2011.

This thinking at Group level was facilitated by the globalisation of information systems within a single IT function created in 2009 that has a governance role and provides services internally. This move towards globalisation mainly involved:

- gradually deploying a single IT Department that serves all businesses and users within Schneider Electric in a uniform manner. To achieve this, the most qualified and competitive providers – both internal and external – will be used as needed;
- gradually setting up a global IT infrastructure (networks, data centres, distributed computing and help desk) that is independent of the various managerial lines and that makes the most of the Group’s critical size and accumulated experience.

4.3 Worldwide redeployment of production and supply chain resources

Schneider Electric has more than 200 production sites and 140 distribution centres around the world for whom customer satisfaction is the top priority.

While working constantly to improve occupational health and safety and environmental protection, the Group’s manufacturing policy aims to fulfill five key objectives (listed in order of importance):

1. deliver a level of quality and service that meets or exceeds customer expectations;
2. achieve competitive product costs and keep increasing productivity;
3. optimise capital employed in manufacturing operations;
4. limit production sites’ exposure to currency, geopolitical and cost factor risk;
5. enhance flexibility and be able to continuously adapt to change.

A number of the production facilities and distribution centres are dedicated to the global market. The other units are located as close as possible to their end markets. Although design and/or esthetic features may be adapted to meet local requirements, Schneider Electric standardises key components as much as possible. This global/local approach helps Schneider Electric maximise economies of scale and optimise profitability and service quality.

Drawing on its global scope, the Group has re-balanced and optimised its manufacturing and supply chain resources. The Group launched a new stage in its industrial deployment in 2010. As part of the Group’s new organisation, the Power business production and supply chain resources have been globalised and combined under a single organisation, with global operating responsibility. Previously, these resources were organised by region and reported to the various Operating Divisions.

In Western Europe, the United States, Japan and Australia, rightsizing plans continued to be deployed with a focus on specialising production and supply chain units and reducing the number of sites.

Continuous improvement on a global scale

At the same time, an industrial excellence program called Schneider Production System (SPS) has been rolled out in all plants to substantially and continuously improve service quality and productivity. The program also takes environmental criteria into account. Based on a lean manufacturing approach, SPS is supported by the extension of Six Sigma and Quality and Value Analysis programs across the Group. By deploying these optimisation methods globally and sharing best practices, the Group intends to lift the operational performance of all its plants to the same high standard.

Schneider Electric’s plants and products comply with increasingly extensive and stringent European regulations and with international standards governing environmental protection in all host countries. In many cases, the Group anticipates future standards. In 1992, Schneider Electric defined a formal environmental policy, which was revised in 2004 to take account of changes both inside and outside the Group. This policy is designed to improve production processes, promote eco-design, integrate customer expectations into the Group’s environmental protection approach and raise awareness among all employees and partners about environmental protection and energy efficiency. In order to limit risks related to the environment generally, the Group has implemented an ISO 14001-compliant process to continuously improve the environmental performance of its plants and supply chain centres.



4.4 Global, selective purchasing

Purchases correspond to around 50% of consolidated revenue and play a crucial role in the Group's technical and business performance. The Group has globalised 70% of purchases from strategic suppliers and aims to increase local sourcing in emerging markets to more than 50% as part of its program to re-balance costs and revenue.

Schneider Electric primarily purchases raw materials such as silver, copper, aluminum, steel and plastics, as well as components,

electronic products and services. The supplier list includes international firms, as well as many small and medium-sized companies. Suppliers are selected for their know-how, the quality of their products and services, their competitiveness, their ability to support the Group's globalisation approach and their compliance with environmental and human rights requirements. As a supporter of the United Nations' Global Compact, the Group encourages suppliers to join as well. A sustainable development agreement sets out each party's specific commitments.

> 5. Risk factors

Risk factors related to the Company's business

The Group operates worldwide, in competitive and cyclical sectors

The worldwide markets for the Group's products are competitive in terms of pricing, product and service quality, development and introduction time and customer service. The Group faces strong competitors, some of whom are larger or developing in certain lower cost countries. It is exposed to fluctuations in the economic growth cycle and to the respective levels of investments of the different countries in which it is present. The Group's widespread geographic coverage and diversified end markets enable it to ride downturns on specific markets.

As the Group records more than one-third of its revenue in emerging or developing countries, it is exposed to the risks associated with those markets.

The Group's wide international presence exposes it to many economic, legal and political risks in its host countries. These include risks arising from social unrest (particularly, strikes and walk-outs), political instability, unforeseen regulatory changes, restrictions on capital transfers and other obstacles to free trade, and local tax laws, all of which may have an adverse effect on the Group's business, results of operations or financial position.

Schneider Electric has implemented procedures designed to protect it as far as possible from these risks, which are generally beyond its control, and to manage them as effectively as possible. These procedures include quarterly business reviews in which performance and projections are monitored, in terms of activity, action plans, results to date and forecasts, at all organisational levels of the Group (see the section entitled "Internal Control and Risk

Management"). The Group also has the necessary competencies to manage these risks, mainly through its central functions (finance, legal, tax and customs).

The protection provided by these measures may nevertheless prove to be inadequate.

The growth and success of the Group's products depend on its ability to develop new products and services and adapt to market and customer needs

The sectors in which the Group operates experience rapid and significant changes due to the introduction of innovative technologies. Introducing new technology products and innovative services, which Schneider Electric must do on an ongoing basis to meet customers' needs, requires a significant commitment to research and development, which may not result in success. The Group's revenue and margins may suffer if it invests in technologies that do not function as expected or are not accepted in the marketplace or if its products, systems or service offers are not brought to market in a timely manner, become obsolete or are not responsive to our customers' requirements.

To meet these challenges, the Group has an R&D budget which, at 4 to 5% of revenue, is among the highest in the industry. R&D and forward-looking engineering involves some 8,600 employees around the world, a number of them in development centres located in over 25 countries. This ongoing commitment has allowed the Group to accelerate time to market and leverage the technology of strategic partners with whom it has also forged alliances to expand



DESCRIPTION OF THE GROUP, AND ITS STRATEGY, MARKETS AND BUSINESSES

RISK FACTORS

its line up or geographic coverage. The Group has brought together all of its electrotechnical, electronic, electromechanical, software and other technical competencies by creating technology parks in China, the US, France and Japan.

Support centres have also been established in Mexico, India and China to provide the technology parks with additional skills and development capacity at a very competitive cost.

The Group's business growth depends on its ability to develop, deepen and enhance customer relationships. The Group must constantly offer customers innovative solutions built around high-quality products and services incorporating leading-edge technologies that are closely tailored to customer needs and expectations. However, the Group does not have any exposure to a particular customer. Its ten largest customers represent less than 25% of total revenue.

Increasing customer satisfaction rates represents an important source of competitive advantage for the Group. It closely tracks the results of the quarterly surveys conducted in more than 80 countries among all types of customers. Improvement targets are set for each country as part of the One company program, backed by specific action plans and progress monitoring procedures.

Schneider Electric's strategy involves growth through acquisitions, joint ventures and mergers that may be difficult to identify and/or execute

The Group's strategy involves strengthening its capabilities through acquisitions, strategic alliances, joint ventures and mergers. Changes in the scope of consolidation during 2010 are described in note 2 to the consolidated financial statements (Chapter 5).

External growth projects are examined in detail by the businesses and corporate functions (strategy, finance, legal affairs, tax and human resources) concerned, under a rigorous internal process developed and led at Group level. A launch committee is responsible for initiating the review process to identify the risks and opportunities associated with each external growth project, while a number of validation committees review the results on an ongoing basis. Projects that successfully come through the review process are submitted for approval to the Group Acquisitions Committee made up of the main members of senior management. The largest projects require the prior approval of the Management Board and, in some cases, the Supervisory Board.

External growth transactions are inherently risky because of the difficulties that may arise in integrating people, operations, technologies and products, and the related acquisition, administrative and other costs.

This is why an integration procedure for new acquisitions has been drawn up. The integration of newly acquired businesses is a process that extends over a period of six to 24 months depending on the type and size of the newly acquired unit. The integration

scenario for each acquisition varies depending on whether the business was acquired to strengthen or extend the Group's existing line up or enter a new segment. There are a number of different integration scenarios, ranging from total integration to separate organisation. An integration plan is drawn up for each acquisition and submitted to the Acquisitions Committee for approval. The plan is implemented by an integration manager who reports to a Steering Committee that initially meets at monthly intervals and then on a quarterly basis.

The unit that presents the external growth project is accountable to the Group's senior management for meeting clearly defined business plan targets covering the performance of the new business and expected synergies with existing businesses. Actual performance is measured against business plan targets during quarterly business reviews and, for the largest acquisitions, by the Management Board and Supervisory Board.

Value in use is determined by discounting estimated future cash flows that will be generated by the tested assets, generally over a period of not more than five years. Estimated future cash flows are based on management's economic assumptions and operating forecasts. The discount rate corresponds to Schneider Electric's weighted average cost of capital (WACC) at the measurement date plus a risk premium depending on the region in question (local risk-free rate), the nature of the target's business (appropriate beta), and the structure of the financing (taking into account the debt to equity ratio and risk premium on the debt). The Group's WACC stood at 8.4% at December 31, 2010, slightly up on the 2009 figure. The perpetuity growth rate was 2%, unchanged from the previous year.

Goodwill is allocated to a Cash Generating Unit (CGU) when initially recognised. The allocation is made on the basis used to track the performance of Group operations and to assess the benefits derived from the synergies of the business combination. Impairment tests are performed at the level of the cash generating unit in 2010 (CGU), i.e. the Power, Industry, IT Buildings and CST businesses. Details on asset impairment are provided in note 1.11 to the consolidated financial statements (Chapter 5).

If the recoverable amount of an asset or CGU is lower than its carrying amount, an impairment loss is recognised. To the extent possible, impairment losses on CGUs comprising goodwill are recorded as a deduction from goodwill.

The Group is dependent upon hiring and retaining highly qualified management and technical personnel

Competition for highly qualified management and technical personnel is intense in the Group's industry. Future success depends in part on the Group's ability to hire, assimilate and retain engineers, salespeople and other qualified personnel, especially in the area of energy efficiency solutions.

The Group's success also rests on a policy of actively promoting diversity, in terms of both gender and nationality.

The Group's human resources strategy is designed to create a motivating working environment. Specific policies have been developed covering international mobility, career development, training, compensation and managing talent. The Group's expatriates help prepare the future of its business, build local teams

and assemble the necessary skill sets in targeted regions. They are tasked with identifying and preparing local successors. The Group places considerable emphasis on training to expanding its skills base and retaining employees, thanks to the Schneider Electric University, its business academies and its leadership programs.



Industrial and environmental risks

The Group may be the subject of product liability claims and other adverse effects due to defective products, design faults or harm caused to persons and property

Despite its testing and quality procedures, the Group's products might not operate properly or might contain design faults or defects, which could give rise to disputes in respect of its liability as seller or manufacturer, notably in Europe, where liability related to defective products could lead to a loss of revenue, claims under warranty and legal proceedings. Such disputes could result in a fall-off in demand or harm Schneider Electric's reputation for safety and quality. To prevent or limit these risks, the Group recalls products if there are any doubts whatsoever that a product or one of its components is not 100% safe in respect of people and/or equipment. At the end of 2009, the Group launched a broad recall campaign concerning a range of low voltage capacitors produced between 2004 and 2008. This campaign continued in 2010 and will also be run in 2011. Some of the expenses incurred by Schneider Electric in the context of its product recall are covered by the liability insurance program described in the "Insurance" paragraph below.

The Group recorded a provision for product risk in an amount of EUR409 million in the financial statements for the year ended December 31, 2010 (see note 23 to the consolidated financial statements).

The Group's plants and products are subject to environmental regulations

The Group's plants and products are subject to extensive and increasingly stringent environmental laws and regulations in all of its host countries.

To limit risks related to the environment in general, the Group is involved in a process to continuously improve the environmental performance of its plants and products. In 1992, the Group published a formal environmental policy designed to improve

manufacturing processes, promote eco-design and integrate customer concerns in the area of environmental protection. This policy also aims to identify, assess and prevent environmental risks, in order to guarantee full compliance with all environmental laws and regulations applicable to the Group's businesses, particularly those in force in the European Union and considered more rigorous (notably the WEEE directives and REACH program). Environmental provisions are booked when the risks can be reliably measured or it is probable that clean-up work will be performed and the related cost can be reasonably estimated. Provisions for environmental risks totaled EUR55 million for the year ended December 31, 2010. No estimate is made of the potential cost of unidentified environmental risks. The Group expects its spending on environmental compliance programs to increase as a result of changes to existing environmental regulations and the introduction of new regulations.

There can be no guarantee that the Group will not be required to pay significant fines or compensation as a result of past, current or future breaches of environmental laws and regulations by companies that are currently or were previously members of the Group. This exposure exists even if the Group is not responsible for the breaches, in cases where they were committed in the past by companies or businesses that were not part of the Group at the time.

The Group may be exposed to the risk of claims for breaches of environmental laws and regulations. Such claims could adversely affect the Group's financial position and reputation, despite the efforts and investments made to comply at all times with all applicable environmental laws and regulations.

If the Group fails to conduct its businesses in full compliance with the applicable environmental laws and regulations, the judicial or regulatory authorities could require the Group to conduct investigations and/or implement costly clean-up measures to deal with the current or past contamination of current or former facilities or off-site waste disposal facilities, and to scale back or temporarily or permanently close facilities in accordance with the applicable environmental laws and regulations.



Information systems risk

The Group operates, either directly or through service providers, a wide range of highly complex information systems (servers, networks, applications, databases, etc.) that are essential to the efficiency of its sales and manufacturing processes. Failure of any of these hardware or software systems, a fulfillment failure by a service provider, human error or computer viruses could adversely affect the quality of service offered by the Group.

The Group regularly examines alternative solutions to protect against this type of risk and has developed contingency plans to mitigate the effects of any information system failure. Dedicated governance structures have been set up to manage relations with service providers responsible for outsourced IT systems operations.

Problems may also be encountered during the deployment of new applications or software. In particular, in the last few years, the Group has developed an ERP under SAP (bridge), which it started to roll out in 2008. This roll-out process was carried out fully or

partially in 17 countries in 2009 and 2010, and will continue in 2011 and over several more years, depending on strategic, technical and economic priorities.

In view of the project's complexity, extensive functionalities and its worldwide deployment, a dedicated governance and cost control structure has been set up to track attainment of project milestones and limit the related risks.

However, despite the Group's policy of establishing governance structures and contingency plans, there can be no assurance that information systems projects will not be subject to technical problems or execution delays. While it is difficult to accurately quantify the impact of any such problems or delays, they could have an adverse effect on inventory levels, service quality and, consequently, the Group's financial results.

Market risks

Interest rate risk

The Group is exposed to risks associated with the effect of changing interest rates. Interest rate risk on borrowings is managed at Group level, based on consolidated debt and according to market conditions. The core aim of interest rate management policies is to optimise overall borrowing costs. Most bond debt is fixed rate. At December 31, 2010, 84% of gross debt was fixed rate.

Maturities of financial assets and liabilities are presented in note 26 to the consolidated financial statements.

A 1% change in interest rates would have an impact of around EUR24 million on the Group's financial expense.

The financial instruments used to hedge the exposure of the Group to fluctuations in interest rates are described in note 26 to the consolidated financial statements for the year ended December 31, 2010.

The Group's international operations expose it to the risk of fluctuations in foreign exchange rates

Because a significant proportion of transactions are denominated in currencies other than the euro, the Group is exposed to risk arising from changes in exchange rates. If the Group is not able to hedge them, fluctuations in exchange rates between the euro and these currencies can have a significant impact on its results of operations and distort year-on-year performance comparisons.

The Group actively manages its exposure to currency risk to reduce the sensitivity of earnings to changes in exchange rates. Hedging programs mainly concern foreign currency receivables, payables and operating cash flows, which are generally hedged by means of forward purchases and sales.

Depending on market conditions, risks in the main currencies may be hedged based on recurring forecast flows using contracts that expire in 12 months or less.

The Group's currency hedging policy is to protect subsidiaries against risks on all transactions denominated in a currency other than their functional currency. More than twenty currencies are involved, with the US dollar, Hong Kong dollar and UK pound representing the most significant sources of risk. The financial instruments used to hedge the exposure of the Group to fluctuations in exchange rates are described in note 26 to the consolidated financial statements for the year ended December 31, 2010 (Chapter 5).

In 2010, revenue produced in foreign currencies amounted to EUR14.1 billion, including around 4.8 billion in US dollars and 2.2 billion in Chinese yuans.

The main exposure of the Group in terms of currency exchange risks is related to the US dollar and to currencies influenced by the US dollar. The Group estimates that in the current structure of its operations, a 5% increase of the euro compared to the US dollar would have a negligible impact on operating margin (translation effect of EUR30 million on EBITA).

Equity risk

Exposure to equity risk primarily relates to treasury stock and shares in AXA. These positions are not hedged. At December 31, 2010, the AXA shares' market value exceeded their acquisition cost.

An increase in raw material prices could have negative consequences

The Group is exposed to fluctuations in energy and raw material prices (in particular steel, copper, aluminum, silver, lead, nickel, zinc and plastics). If the Group is not able to hedge, compensate or pass

on our increased costs to customers, this could have an adverse impact on its financial results.

The Group has, however, implemented certain procedures to limit its exposure to rising non-ferrous and precious raw material prices. The purchasing departments of the operating units report their purchasing forecasts to the Corporate Finance and Treasury Department. Purchase commitments are hedged using forward contracts, swaps and, to a lesser extent, options.

The financial instruments used to hedge the exposure of the Group to fluctuations in raw material prices are described in note 26 to the consolidated financial statements for the year ended December 31, 2010.

In 2010, purchases of raw materials totaled around EUR1,320 million, including around EUR680 million for non-ferrous and precious metals, of which roughly 55% was for copper. The Group enters into swap and options agreements in order to hedge all or part of its non-ferrous and precious metals purchases. Decisions to hedge such purchases depend on Group forecasts of changes in market prices. At December 31, 2010, the Group had hedged positions with a nominal value of EUR51 million on these transactions.

Counterparty risk

Financial transactions are entered into with carefully selected counterparties. Banking counterparties are chosen according to the customary criteria, including the credit rating issued by an independent rating agency.

Group policy consists of diversifying counterparty risks and periodic controls are performed to check compliance with the related rules.

In addition, the Group takes out substantial credit insurance and uses other types of guarantees to limit the risk of losses on trade accounts receivable.

Legal risks

The Group's products are subject to varying national and international standards and regulations

The Group's products, which are sold in national markets worldwide, are subject to regulations in each of those markets, as well as to various supranational regulations. Those regulations include trade restrictions, tariffs, tax regimes and product safety standards. Changes to any of these regulations or standards or their applicability to the Group's business could lead to lower sales or increased operating costs, which would result in lower profitability and earnings.

The Group's products are also subject to multiple quality and safety controls and regulations, and are governed by both national and supranational standards, though the majority of the line up complies with world-recognised International Electrotechnical Commission (IEC) standards. Costs of compliance with new or more stringent standards and regulations could affect its business if the Group is required to make capital expenditures or implement other measures.

Liquidity risk

Liquidity is provided by the Group's cash and cash equivalents and commercial paper programs. These programs are backed by undrawn confirmed lines of credit. At December 31, 2010, the Group had access to cash and cash equivalents and commercial paper programs totaling EUR3.4 billion. As of December 31, 2010, the Group had EUR2.7 billion in undrawn confirmed lines of credit, of which EUR2.6 billion matures in June 2012 or later.

The Group's credit rating enables it to raise significant long-term financing and attract a diverse investor base. The Group currently has an A- credit rating from Standard & Poor's and an A3 credit rating from Moody's. The Group's liabilities and their terms and conditions are described in note 24 of Chapter 5.

In line with the Group's overall policy of conservatively managing liquidity risk and protecting its financial position, when negotiating new liquidity facilities the Group resists the inclusion of clauses that would have the effect of restricting the availability of credit lines, such as covenants requiring compliance with certain financial ratios and material adverse change clauses. As of December 31, 2010, no financing or confirmed lines of credit were subject to covenants requiring compliance with financial ratios.

The loan agreements or lines of credit for some of the Group's liquidity facilities include cross default clauses. If the Group were to default on any of its liquidity facilities, it could be required to repay the sums due on some of these facilities.

Moreover, anticipated reimbursement provisions exist for certain financing and lines of credit in case of change of control. Under these provisions, the debt holders may demand repayment if a shareholder or shareholders acting together hold more than 50% of the Company's shares, for the majority of contracts, and this event triggers a downgrading of the Company's rating. At December 31, 2010, the amount of financing and lines of credit with these types of provisions came to EUR4.2 billion.

The development and success of the Group's products depends on its ability to protect its intellectual property against competitors

The Group's future success depends to a significant extent on the development and maintenance of its intellectual property rights. Third parties may infringe the Group's intellectual property rights, and the Group may expend significant resources monitoring, protecting and enforcing its rights. If the Group fails to protect or enforce its intellectual property rights, its competitive position could suffer, which could have an adverse effect on its business.

To mitigate this risk, the patents developed or purchased by the Group are tracked by the Industrial Property team within the Finance & Control – Legal Affairs Department. All industrial property information for the main Group subsidiaries is transmitted to this team, which is responsible for managing and protecting these intangible assets throughout the world. The same procedure is followed for trademarks.





Disputes, claims, litigation and other risks

In 2001, Schneider Electric made a public offer to purchase Legrand as part of a proposed merger project. When the offer closed in July 2001, the Group held 98.1% of Legrand. In an initial decision dated October 10, 2001, the European Commission vetoed the merger, and in a second decision dated January 30, 2002, it ordered the two companies to separate as quickly as possible. As a result, Schneider Electric sold its interest in Legrand to the KKR-Wendel Investissement consortium even though the Court of First Instance of the European Communities overruled the Commission's decisions on October 22, 2002. Schneider Electric launched proceedings against the European Commission to obtain damages for the losses caused, estimated at EUR1.6 billion. On July 11, 2007, the Court ordered the Commission to compensate two-thirds of Schneider Electric's losses, once their amount has been determined. The Commission appealed this decision. On July 16, 2009, the Court of Justice confirmed the Commission's non-contractual responsibility in the matter, acknowledging that the Commission had been at fault and that losses had been caused. However, the Court of Justice overturned the Court of First Instance's ruling concerning damages, finding that the Commission was not liable for the loss in value incurred by Schneider Electric on its Legrand shares. According to the ruling, the only compensation due Schneider Electric concerns the legal fees from the second merger investigation in October 2002. The definitive amount of these fees was established at EUR50,000 by a decision of the Court of Justice on June 9, 2010, and this sum was paid by the Commission to Schneider Electric in December 2010. This dispute is therefore closed.

Following public offers launched in 1993 by SPEP (the Group holding company at the time) for its Belgian subsidiaries Cofibel and Cofimines, Belgium initiated proceedings against former Schneider Electric executives in connection with the former Empain-Schneider Group's management of its Belgian subsidiaries, notably the Tramico sub-group. At the end of March 2006, the Brussels criminal court ruled that some of the defendants were responsible for certain of the alleged offenses and that certain of the plaintiffs' claims were admissible. The plaintiffs claim losses of EUR5.3 million stemming from management that reduced the value of or undervalued assets presented in the offering prospectus, as well as losses of EUR4.9 million concerning transactions carried out by PB Finance, a company in which Cofibel and Cofimines had a minority interest. In its ruling, the court also appointed an expert to assess the loss suffered by those plaintiffs whose claims were ruled admissible. The expert's report was submitted in 2008. The defendants contest the amounts provided by the expert in their entirety, based notably on reports produced by Deloitte. Schneider Electric and its Belgian subsidiaries Cofibel and Cofimines were held civilly liable for the actions of their senior executives who were found liable. Schneider Electric is paying the legal expenses not covered by insurance of the former executives involved. The case is pending before both the Brussels Court of First Instance and the Brussels Appeals Court, as parts of the March 2006 ruling have been appealed.

In addition, the new owners of the Tramico sub-group, to which a Cofimines subsidiary had advanced funds during the sub-group's liquidation, refuse to pay back said funds and are claiming compensation for having been involved in the Belgian legal proceedings. Arbitration proceedings are currently under way in Geneva.

In connection with the divestment of Spie Batignolles, Schneider Electric booked provisions to cover the risks associated with certain major contracts and projects. Most of the risks were extinguished during 1997. Provisions were booked for the remaining risks, based on management's best estimate of the expected financial impact.

Schneider Electric, in addition to other sector companies, has been involved in legal proceedings initiated by the European Commission with regard to an alleged agreement concerning gas insulated switchgears (GIS), and this was because of two former subsidiaries operating in the high voltage segment that were sold in 2001. Schneider Electric did not appeal the decision made by the Commission with regard to this matter on January 24, 2007.

Proceedings were launched in 2007 by the competition authorities in New Zealand for the same reasons and against the same companies. As regards Schneider Electric, these proceedings concerned a transaction carried out in early 2009. The company is required to cooperate in the local investigation with New Zealand's competition authorities if requested.

In the same context, EDF Energy UK launched a claim for damages of GBP15 million at the High Court in London on May 21, 2010. This claim is currently being investigated.

Schneider Electric was also among 2,000 companies based all over the world that were mentioned in the Volcker Oil for Food report published by the UN in October 2005. It was investigated by the French judicial system in 2010 with regard to this report, which stated that the Group had entered into agreements with Iraqi government bodies between 2000 and 2004, under which surcharge payments are alleged to have been made to the Iraqi government of around USD450,000, violating the provisions of the embargo in force at that time.

Various other claims, administrative notices and legal proceedings have been filed against the Group concerning such issues as contractual demands, counterfeiting, bodily harm and work contracts.

Although it is impossible to forecast the results and/or costs of these proceedings with certainty, Schneider Electric considers that they will not, by their nature, have significant effects on the Group's business, assets, financial position or profitability. Moreover, Schneider Electric knows of no other disputes that could have a significant impact on its business.



Insurance

Schneider Electric's strategy for managing insurable risks is designed to defend the interests of employees and customers and to protect the Company's assets, the environment, employees, customers and its shareholders' investment.

This strategy entails:

- identifying and quantifying the main areas of risk;
- preventing risks and protecting industrial equipment; having audits carried out at the main sites by an independent company, launching a self-evaluation campaign for fire risk for all of the Group's plants and distribution centres;
- organising and deploying business continuity plans and crisis management resources, notably for health risks such as pandemics, technical and political risks and natural disasters;
- carrying out hazard and vulnerability studies and safety management for people and equipment;
- maintaining the necessary insurance cover for the main risks facing Group companies under global programs. The Group carefully screens insurance and reinsurance companies and evaluates their solvency.

In addition, the Group has taken out specific cover in response to certain local conditions, regulations or the requirements of certain risks, projects and businesses. To extend guarantees and reduce budgets, the Group coordinates purchasing of local cover.

Liability insurance

The integrated global liability insurance program set up in 2007 was renewed on January 1, 2011. This "all risks except" program represents adequate coverage of the Group's exposure to liability claims in connection with its businesses.

Certain specific risks, such as aeronautic or environmental risk, are covered by specific programs.

Property damage and business interruption insurance

A new global insurance program was put in place on July 1, 2010, for a term of two years. This is an "all risks except" contract which covers fire, explosion, natural disaster, machinery breakdown and other events that could affect Schneider Electric's property, as well

as operating losses caused by business interruption. Settlements under the global program are capped at EUR350 million per claim and specific limits apply to certain risks, such as natural disasters and machinery breakdown. These limits were determined on the basis of scenarios of loss established by specialists and available capacity in the insurance sector.

Assets are insured at replacement value.

Shipping and transport insurance

On January 1, 2009, the Group implemented a new global shipping/transport insurance program that covers all goods shipments, including between Group facilities, by all means of transport, with a maximum insured value of EUR15.2 million per convoy. This program, which will be renewed in 2011, covers Group subsidiaries that had previously been insured under local, non-integrated contracts.

Self insurance

To optimise costs, Schneider Electric self insures certain frequent risks through two captive insurance companies:

- outside North America, a captive reinsurance company offers property/casualty and liability coverage capped at EUR11 million per year;
- in North America, a captive insurance company is used to align deductibles and self-insured retentions imposed by the insurers of automobile, liability and workers' compensation primary layers. Self-insured retentions range from USD0.5 million to USD5 million per claim, depending on the risk. An actuary validates the provisions recorded by the captive reinsurance company each year.

The cost of self-insured claims is not material at the Group level.

Cost of insurance programs

The cost of the Group's main insurance programs, excluding captive reinsurance, totaled around EUR15 million in 2010.



DESCRIPTION OF THE GROUP, AND ITS STRATEGY, MARKETS AND BUSINESSES
RISK FACTORS



Sustainable development

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> 1. Sustainable development at the heart of our strategy

Social and environmental commitments, governance, reducing CO₂ emissions, launching serious solutions that respect the planet, social changes, local and regional footing, civic attitude, ethics, business and poverty, etc. Sustainable development has never been more central to Schneider Electric's customers' and stakeholders' concerns.

The Group is committed to meeting energy challenges while acting civically and responsibly in all its locations, with measured improvement plans, based on international corporate social responsibility standards, whose results are shared openly internally and externally.

1 A concrete, innovative, human commitment

Responsibility has always been a part of Schneider Electric's culture. Since the Sustainable Development Department was founded 10 years ago, this commitment has evolved in line with the Group's continuing innovation. The Group's sustainable development policy initially focused on in-house issues, plus initiatives for the professional integration of French youth; today, it also accounts for solutions that help meet the energy challenges of our time (energy efficiency and access to energy) as well as worldwide environmental and societal responsibility.

Schneider Electric's commitment to offering sustainable and responsible solutions for its customers aims to:

- bring products and solutions to the market that waste less energy and promote environmentally sound production and consumption;

- bring energy to the 1.4 billion people who have no access to electricity and sustainable economic development.

Besides, Schneider Electric's corporate commitment means dynamic societal and environmental responsibility, based on the Group's employees:

- responsible, ethical governance;
- sites and products which respect the environment;
- fostering employee well-being;
- a policy that supports and develops the communities where it works.

2 A commitment to action

Schneider Electric has set out four principles to put its commitment into action:

- a continuous improvement process driven by the dynamic Planet & Society Barometer;
- open dialogue with stakeholders (quarterly customer and employee satisfaction surveys, regular meetings with investors and shareholders, participation in working groups and local and international organisations on our industry's stakes, etc.);

- regular, transparent communication (a quarterly letter to break down the results of the Planet & Society Barometer, available on the Group's website and sent to requesting stakeholders);
- an approach based on international standards (*Global Reporting Initiative* – GRI, ISO certifications, UN Global Compact, etc.).

The Planet & Society Barometer

Goals at the End of 2011	2010	2009	2008
Overall Performance in the Barometer (grade out of 10)	↗ 7.62	6.00	3.00
Planet			
1. 30,000 tons annual reduction of our CO2 equivalent emissions	↗ -110,156	-44,089	-
2. 2/3 of our products revenues achieved with Green Premium products	↗ ▲ 26.1%	2.6%	NS
3. 2/3 of our workers work on ISO 14001 certified sites	↗ ▲ 69.0%	63.7%	NS
Profit			
4. 7 points above Schneider Electric's organic growth gained every year by our energy efficiency activities	↗ ▲ 8.3	5.3	NS
5. 10 countries set up a recovery process for SF ₆ gas	→ 3	3	NS
6. 1,000,000 households at the Base of the Pyramid have access to energy thanks to Schneider Electric solutions	↗ 891,058	260,000	NS
7. 60% of our purchases from suppliers who support the Global Compact	↗ ▲ 42%	33%	30%
8. 4 major ethical stock indexes select Schneider Electric	↗ ▲ 2	3	3
People			
9. 10% annual decrease in the frequency rate of occupational accidents	↗ ▲ -44%	-32%	-
10. 14 points increase in the company's employee recommendation score	↗ ▲ +16	0	-
11. 2,000 employees trained on energy management solutions	↗ ▲ 239	40*	0
12. 10,000 young people at the Base of the Pyramid trained in the energy management professions	↗ 4,742	2,150	0
13. 500 new entrepreneurs at the Base of the Pyramid set up their activities in the energy management field	↗ 209	125	0



NS = indicator not monitored

▲ Audited Indicator

* In the previous Annual Report, the indicator measured the people having attended energy management solution courses (2,655 at the end of 2009). Since the beginning of 2010, only the people having completed the entire educational course officially recognised by a certification are recorded by the indicator.

The 2008 performance serves as a starting value for the Planet & Society Barometer Program One between 2009 and 2011.

↗ ↘ The arrow indicates if the indicator has increased, remained idle, or decreased in 2010 compared to 2009. The color indicates if the indicator is above or below the goal.

Significant events

Access to energy:

The BipBop program changed scope in 2010 (see p. 80).

After a successful launch in India, *In-Diya*, the low-consumption lighting offer marketed to the BoP, is now available in Africa, and new battery charging and device charge management solutions have been launched.

The socially-responsible venture capital fund made its first investments in France and formed new partnerships.

In addition, around 15 training programmes were implemented in 12 countries.

Roll-out of the Responsibility & Ethical Dynamics program (see p. 48-49 and 50)

Dedicated processes and teams were set up in 2010 to add to the *Our Principles of Responsibility* text, which defines the basic rules of behavior for Schneider Electric employees. This text aims to teach all employees how to act in delicate situations and how to use the organisation set up to answer their questions.

Governance

In 2010, all aspects of the Group's sustainable development policy were reinforced:

- continuity on the Supervisory Board: after James Ross, Cathy Kopp joined the Supervisory Board to focus on sustainable development;
- new Executive Committee members: sustainable development is still supervised by the Executive Vice President for Strategy & Innovation and discussed in quarterly meetings with two other Executive Committee members, the Executive Vice President for Global Supply Chain and the Executive Vice President for Global Human Resources, so that all the Group's sustainable development issues are covered. Sustainable development was added to all Executive Committee members' bonus criteria for 2011;
- a sustainable development representative in each entity: each of the Group's Global Functions and businesses appointed a sustainable development correspondent in charge of implementing improvement plans.

Schneider Electric Foundation

In 2010, the Foundation was very busy with emergency assistance and reconstruction programmes, primarily in Pakistan, Chile and Haiti. It set up programs to help build energy trade training centers, with support from employees on-site and in liaison with third-parties, NGOs and/or governmental authorities.

> 2. Sustainable governance

Governance is a set of processes, rules and laws that influence the way a business is directed, managed, and controlled.

Reference documents are distributed throughout the Group so that all team members can embrace Schneider Electric's responsibility approach and apply it in line with local culture and legislation.

1 External and internal bases of preparation for a solid framework

Our external bases of preparation

The United Nations Global Compact

The United Nations Global compact was launched in 1999 by UN Secretary-General Kofi Annan, the Global Compact brings companies and non-governmental organisations together under the aegis of the United Nations to "unite the power of market with the authority of universal ideals".

Parties signing the Global Compact commit to 10 fundamental principles in four areas: human rights, labor, the environment and anti-corruption.

In signing the Global Compact in December 2002, Schneider Electric made a public commitment to these universal values. The Group has primarily worked to share this commitment with its partners since 2003 (see page 59 "Relations with sub-contractors and suppliers")

In line with the Global Compact requirements, Schneider Electric publishes an annual progress report. This publication reports on the Group's action plans and monitoring indicators for the 10 principles of the Global Compact.

The Global Reporting Initiative

The *Global Reporting Initiative* (GRI) was established in 1997 as a mission to develop globally applicable directives to report on economic, environmental and social performance; initially intended for companies and subsequently for any governmental or non-governmental organisation.

Brought about by the Coalition for Environmentally Responsible Economies (CERES) in association with the United Nations Environmental Program, the GRI integrates the active participation of companies, NGOs, accounting bodies, business associations, and other stakeholders from across the world.

By aligning itself with the GRI in 2010, Schneider Electric reinforced its extra-financial reporting. A table showing its correspondence with the GRI indicators is included at the end of this document (see page 92).

> VIEW ON ISO 26000

In 2010, the ISO (International Organisation for Standardisation) published guidelines on organisations' societal responsibility (ISO standard 26000). ISO 26000 is a compromise that gets different players from the public, private and non-profit sectors, from around 100 countries, involved, and a vision of how an organisation should view societal responsibility. Schneider Electric's actions towards sustainable development are completely in line with ISO 26000. This standard legitimises the sustainable development actions undertaken by the Group since the early 2000s and provides an educational support and framework for its actions in the field.

Our internal basis of preparation: the Responsibility & Ethical Dynamics* (R&ED) program and Our Principles of Responsibility

What is at stake

As a global corporation, Schneider Electric continuously interacts with local and international partners. The Group's borders are expanding, its environment is constantly changing, and its societal responsibilities and activities are growing. In this international context, reprehensible behavior may be seen when the ethics inspection and prevention processes are fragile. The Group is responsible for implementing its resources to support employees in the event of an ethical dilemma.

The aim of the program

In 2002, Schneider Electric published a set of guidelines entitled *Our Principles of Responsibility* to give all team members a common reference point. The document outlines the Group's commitments to each of its stakeholder groups: the Company's employees, its economic partners (mainly clients and suppliers), shareholders, the community and the planet.

* *Responsibility & Ethical Dynamics*

In 2009, the Group updated *Our Principles of Responsibility* to set out standards on ethics. This document incorporates updated Group and employee commitments on the following:

- the respect of law, the limits established by each employee to ensure he or she entirely respects the laws of all the countries in which Schneider Electric works;
- the deontology that all employees must follow in line with the laws in force in countries where Schneider Electric works;
- Group societal responsibility, which all employees must respect to act responsibly towards society and the planet.

In 2010, the *Responsibility & Ethical Dynamics* program put these ambitions into practice by setting up an organisation, procedures and tools for the Group, so that its employees could:

- provide team members with effective support in their daily actions and decision-making, primarily through access to the necessary resources (policies, procedures, tools & best practices);
- help team members identify the appropriate individuals to guide them in their responsible approach and in each of the areas covered by the principles;
- know how to notify the authorities of breaches of ethics, with respect for current laws and regulations.



2 An organisation structured through networks

Overall operation

The entire organisation participates in the Group's sustainable development progress.

Since 2010, the three members of the Executive Committee in charge of global Human Resources, of Industrial Operations and of Strategy and Innovation, meet every quarter with the Sustainable Development Director to monitor and steer the Group's action plans in this area.

The Sustainable Development Department

The Sustainable Development Department, created in 2002, is part of the Strategy & Innovation Department since 2008. It has the following responsibilities:

- defining Schneider Electric's sustainable development strategy and rolling out action plans at Group level with the concerned entities;
- conceiving and steering innovative societal and environmental projects to ensure continuing improvements in the Group's performance in this area.

In 2010, the Sustainable Development Department was adapted to better meet the Company's present and future challenges, as well as the requirements of stakeholders. It is organised around four areas:

- ethics, steering the *Responsibility & Ethical Dynamics* program (see page 50);
- societal responsibility, with the Schneider Electric Foundation as well as insertion and expansion programs (see page 84 to 87);
- access to energy, responsible for the BipBop program (see page 80 to 84);
- supporting and developing the Group's performance, in particular by steering the Planet & Society Barometer and the strategy and sustainable development report (see page 51 to 52).

The SERE – Safety, Real Estate & Environment organisation (see page 63)

Specific committees

There are four bodies made up of members from the Group's entities who work on the issue directly or remotely. These specific committees guide and monitor the action plans for their area of expertise.

The Sustainable Development Strategy Committee

It was created in 2008 and is chaired by the Sustainable Development Director. Its representatives are from the following programs and functions: health/safety, diversity, societal innovation, environmental management, sustainable line-up, RoHS and Reach programs, purchasing, supply chain, ethics, access to energy program, communication and stakeholders relations.

The Ethics Committees (see page 50)

The Health Committee

The Health Committee, which each quarter brought together members of the Group's corporate departments, businesses and regions to steer its Health and Safety Policy and approve all action plans, no longer exists in its 2010 form. Each Country Organisation Manager is now in charge of steering health and safety Group-wide..

> Zoom 2010

Launch of the Responsibility & Ethical Dynamics (R&ED) program in 2010

A common policy: Our Principles of Responsibility

Our Principles of Responsibility is a 15-page document that is as pragmatic and realistic as possible, a synthesis of the Group's common commitments to employees, partners, shareholders, the planet & society. *Our Principles of Responsibility* does not claim to cover all ethical dilemmas, but rather serves as a general guideline. They are adapted locally to meet local practices or legal requirements.

In 2010, the *Our Principles of Responsibility* document was translated into 30 languages and sent to all Group employees.

A clause was added to all employment contracts, specifying that new arrivals had read *Our Principles of Responsibility* when they joined Schneider Electric.

Adapted processes

The Responsibility & Ethical Dynamics program provides each employee with a method for asking the right questions and seeking out the right people according to two approaches:

- a detailed critical thinking process to take the right steps in delicate situations. This may be broken down into three stages:
 1. consulting the program's Intranet site;
 2. contacting one's manager and/or a member of the concerned department (legal, financial, human resources (HR), environment, etc.);
 3. contacting the entity's Principles of Responsibility advisor.
- an alert process to guide employees towards the right bodies step-by-step:
 1. contact their N+1 ... N+X managers;
 2. use existing in-house outlets (legal, financial, HR, environment, etc.);
 3. contact the Group compliance committee.

Dedicated teams and organisation

The program requires implementation of an organisation including the following:

- a Governance Committee and a network of Principles of Responsibility Advisors.
They are responsible for implementing the *Responsibility & Ethical Dynamics* program.
- a Compliance Committee and a network of Compliance Officers.
They are responsible for detecting and managing cases of non-compliance with the processes defined, in line with local laws and regulations and *Our Principles of Responsibility*.

Three tools accessible to all employees

- An Intranet site accessible to all employees from the global intranet home page, providing all information on the program and *Our Principles of Responsibility*, as well as news and progress in the field.
- Frequently Asked Questions – FAQs. This tool was introduced following a collection of reports written by the managers after the program and *Our Principles of Responsibility* were presented to their teams.
- An online e-learning module. The aim is that, at the end of the session, the trainee is familiar with *Our Principles of Responsibility* and more comfortable using them in his or her job. At the end of 2010, around 15,000 employees participated in the module: 95% of them felt that the module was a good use of their time, and 94% rated the module as good or excellent.

Measuring roll-out and effectiveness

Our Principles of Responsibility were rolled out in all the Group's entities. In November and December 2010, internal audit launched a campaign to evaluate the roll-out plan. The results include the findings of a survey of 10,000 employees and an audit that includes Argentina, China, France, India, Indonesia, Italy, Russia, the United Arab Emirates and the United States.

- 73% of employees questioned said they were familiar with *Our Principles of Responsibility*.
- 84% of survey participants stated that the information given was useful and comprehensive.

Outlook for 2011

Program roll-out will continue in 2011 along a number of axes:

- implementation of the recommendations given during the internal audit in late 2010, primarily continuing communication actions and training for employees in countries most susceptible to breaches of ethics;
- working with the Principles of Responsibility Advisors to forge closer ties between the principles and the operational procedures and directives that should be readily available to all Group employees.

Dedicated networks

Networks	Description
For: Energy Efficiency Experts and solutions	Within the Strategy and Innovation Department, the Energy Efficiency and Solutions team rolls out and supports the Company's and its employees' transition from a product-based approach to a solution-based approach. To achieve this, Schneider Electric works with a network of 13,000 employees, who are divided into dedicated sales and marketing teams and supported by technical experts and its 25 Solution Centers, where our architects are developing the solutions its customers want today and designing the solutions of tomorrow.
For the Environment	(see page 62-63).
For Human Resources	In the area of social policy, each central function executive and activity manager is responsible for ensuring effective human resources management within his or her area, implementing the <i>One</i> company program (see Chapter 1, page 19), deploying all human resources policies (including those covering health and diversity) and ensuring compliance with <i>Our Principles of Responsibility</i> .
For communities: the network of Schneider Electric Foundation delegates	(see page 84)



3 Global policies

The *Our Principles of Responsibility* document is not only Schneider Electric's Ethics Charter, it also constitutes a code of conduct. All of the Group's policies stem from it (environment, quality, purchases and the different social policies).

Social issues

The Group's human resources policies cover the following issues: diversity, recruiting, international mobility, training, leadership skills, total remuneration and health/safety.

Environmental issues

The first version of Schneider Electric's environmental policy was published in 1992, edited in 2004 and finalised in October 2007. It aims to improve industrial processes, reinforce product eco-design and incorporate the Group's customers' concerns for environmental protection, while providing product and service solutions.

4 Planet & Society Barometer, a regular and objective measure of the Group's actions

Schneider Electric has used the Planet & Society Barometer as its sustainable development scorecard since 2005. The Barometer outlines the Group's objectives for a three-year period and tracks progress made in achieving targets for the 2009-2011 period on a quarterly basis.

There are no recognised standards that define an organisation's sustainable development performance. The Planet & Society Barometer is Schneider Electric's response to this matter. All its objectives are voluntary, and none of them respond to any legal restrictions.

The aim of the Planet & Society Barometer is to:

- bring the corporate community together around sustainable development objectives;
- communicate on the Group's improvement plans with stakeholders.

The Planet & Society Barometer is part of the *One* company program and is administered and promoted by the Sustainable Development

Department. It comprises 13 key performance indicators graded over 10. The average of the grades provides the global performance of the barometer. Departments directly concerned by the improvement plans (Human Resources, Environment, Access to Energy, etc.), implement measures to achieve the plans' goals. Each department is represented by a project leader, who works directly with local managers in their respective areas.

With the introduction of the new *One* company program in 2009, Schneider Electric defined new ambitions for its sustainable development approach, following up on its ten targets for 2005-2008 with 13 environmental, economic and social improvement plans.

The table on page 47 presents Schneider Electric's sustainable development performance in 2010. When the Barometer was launched on January 1, 2009, the overall score was 3.00/10. The overall score increased from 6.00/10 at January 1, 2010 to 7.62 at December 31, 2010.

The overall score continues to progress beyond expectations.

The main factors contributing to the 2010 performance are shown below:

- the energy efficiency business grew beyond the targeted objectives;
- the share of purchases made from suppliers who have signed the Global Compact, the frequency of accidents at work and the number of Base of the Pyramid youths trained to energy management profession, all improved in 2010;
- three indicators remain stagnant: Schneider Electric's presence in ethical stock indexes, the incorporation of SF₆ gas treatment facilities by subsidiaries, and youth training in energy management

Communicating the results of the Planet & Society Barometer

Since 2009, the Planet & Society Barometer has been published through the following channels:

- on the Internet at www.barometer.schneider-electric.com. The site was expanded in early 2009 to explain the new indicators for 2009-2011;
- in a quarterly newsletter that informs the Group's sustainable development stakeholders about the previous quarter's performance and achievements;
- the distribution list is managed through a database of contacts of the Sustainable Development Department, which is constantly updated;
- on the Group's Intranet, the performance of the Planet & Society Barometer, which reflects value creation for stakeholders, is listed next to the Schneider Electric share price, which reflects value creation for shareholders.

For further information, go to www.barometer.schneider-electric.com

5 Global and local external commitments to move forward collectively

List of the Group's primary sustainable development commitments

Schneider Electric works with different local and international organisations on economic, social and environmental issues to foster

sustainable development in cooperation with various actors from society. In 2010, Schneider Electric confirmed its commitment and its participation in discussions on issues related to climate change.

Theme	Commitment
Sustainable governance	International: World Business Council for Sustainable Development (WBCSD), United Nations Global Compact. France: member of the Board of Directors of ORSE (French study centre for corporate responsibility) and of the French Global Compact network.
Energy / Energy efficiency	International : Alliance to Save Energy (Energy efficiency), Clinton Climate Initiative (Buildings), <i>Green Grid</i> (Information Technology). France: EpE (Entreprises pour l'Environnement), IFPEB (Institut Français pour la Performance Energétique du Bâtiment), Pacte Écologique de Nicolas Hulot, Grenelle de l'Environnement.
Diversity	International: signed the Diversity Charter in 2004 and extended to and applied in all Group countries since 2007. Apprenticeship Charter.
Social policy	Observatoire Social International
Standardisation	With more than 20 experts actively participating in international standardisation bodies, Schneider Electric is making a decisive contribution to the elaboration of standards that ensure the reliability and transparency of the work on environmental issues of its services (UTE, Union technique de l'électricité et de la communication; CENELEC, European Committee for Electrotechnical Standardisation; IEC, International Electrotechnical Commission; ISO, International Organisation for Standardisation). Schneider Electric plays an active role within AFNOR, the French Standards Organisation. It participates in the working group on sustainable development. Since February 2007, Schneider Electric has represented France on the IEC's Advisory Committee for Environmental Aspects (ACEA). The ACEA works to advise and coordinate the IEC's efforts to tackle environmental issues.
Miscellaneous	For many years, the Group has also actively supported Association pour le développement du mécénat industriel et commercial (ADMICAL), a French not-for-profit organisation involved in corporate sponsorship issues, and IMS Entreprendre pour la cité, an association that helps companies implement their corporate social responsibility policies. Lastly, the Group participates in work conducted by CSR Europe, notably in the area of occupational health.

Significant events 2010

Membership in the WBCSD – World Business Council for Sustainable Development

In March 2010, Schneider Electric joined the WBCSD, the world's leading professional sustainable development organisation, which includes more than 200 corporations. This happened after the WBCSD published its Energy Efficiency in Buildings document in late 2009 (published in French in February 2010), which calls for major global corporations to reduce their buildings' energy consumption.

Participation in the G20 Seoul summit

In November 2010, Jean-Pascal Tricoire, President and CEO, and Philippe Delorme, Executive VP for Strategy and Innovation, participated in the G20 economic summit in Seoul, South Korea, where 120 corporate executives came together to represent emerging and developed economies.

The objective of the Summit was to bring corporate directors and G20 Heads of State together to think about the best ways to foster strong, sustainable and balanced growth in the global economy. The Summit focused on three main themes: finance, international commerce, social and societal responsibility and green growth. On the topic of green growth, Jean-Pascal Tricoire was the working group's reporter on energy efficiency.

The working group members' contributions were compiled and summarised in a set of recommendations sent from economic players to political players, with the final report of the G20 Heads of State specifying that energy efficiency is the best means of securing energy supply, limiting greenhouse gas emissions and protecting economies against volatile energy prices.

Schneider Electric's strategic commitment to energy efficiency is now widely recognised as essential to overcoming the challenges facing the global economy.



> 3. Respect for the environment and for ethics, motors of economic performance

Economic performance covers three areas:

- **Corporate governance:** the operating procedures of the Supervisory Board, Management Board, Internal Control & Audit Board, shareholders' rights, compensation of members of the Supervisory Board, the Management Board and the Executive Committee; what Schneider Electric is doing to ensure its management bodies function properly. These subjects are discussed in chapter 3 "Corporate Governance" page 105.
- **Schneider Electric's offers:** what Schneider Electric is doing to provide its customers with "green" products and solutions: energy efficiency, renewable energies, end-of-life, new "green" products and solutions.
- **Business ethics:** what Schneider Electric is doing to carry out its activities responsibly with its stakeholders, based on its internal and external bases of preparation (see page 48-49): anti-corruption, supplier and sub-contractor relations.

1 Overview

What is at stake

Climate change is one of the main challenges of the 21st century. Schneider Electric works for sectors that account for the majority of global energy consumption. Energy consumption is not always optimised, which makes it one of the largest sources of CO₂ emissions. Moreover, the Group's products and solutions are sold worldwide, either directly to end customers or through networks of partners, therefore without any control over their final destination and end-of-life processing.

The Group works in more than 100 countries, with uniform practices, standards and values.

Schneider Electric strives to provide a relevant response to all these issues.

Ambition

As a global specialist in energy management, Schneider Electric's products and solutions help reduce energy use and CO₂ emissions. The Group is therefore developing energy efficiency solutions to

reduce energy bills by up to 30% for every type of building. The Group's solutions also target other areas related to intelligent electricity networks (Smart Grids) : generation and connection to the renewable energies grid; electric vehicles; and demand-response.

To limit the impact of its end-of-life products, Schneider Electric has established a system to recover equipment containing SF₆, a greenhouse gas.

The Group is also committed to having responsibly with its suppliers. It is trying to get as many of its suppliers as possible to sign the United Nations Global Compact.

Finally, Schneider Electric would like to be included on the leading international ethical stock exchanges.

Objectives and results for 2010

Five priority objectives were set in Schneider Electric's **Planet & Society Barometer** over the duration of the One program (2009-2011).

Objectives for Year-End-2011	2010	2009	2008
1. 7 points above Schneider Electric's organic growth gained every year by our energy efficiency activities	8.3 ▲	5.3	NS
2. 10 countries set up a recovery process for SF ₆ gas	3	3	NS
3. 1,000,000 households at the Base of the Pyramid have access to energy thanks to Schneider Electric solutions	891,058	260,000	NS
4. 60% of our purchases from suppliers who support the Global Compact	42% ▲	33%	30%
5. 4 major ethical stock indexes select Schneider Electric.	2 ▲	3	3

NS = Indicator Not Monitored

The 2008 performance serves as a starting value for the Planet & Society Barometer One Program between 2009 and 2011.

▲ 2010 Audited Indicators

Please refer to pages 88 to 90 for the methodological presentation of indicators and the following pages for the analysis of the results (pages 56 for indicator 1, 58 for indicator 2, 80 for indicator 3, 59 for indicator 4, and 61 for indicator 5).

2 Smart energy management products and solutions to help the fight against climate change

Our planet is facing an unprecedented energy challenge. By 2050, it is predicted that demand for energy will have doubled, in line with global demographic, economic and industrial growth. At the same time, experts agree that carbon emissions must be cut in half to prevent dramatic consequences due to climate change.

Our customers' expectations are also changing. Schneider Electric's customers want to reduce energy costs while making their installations safer and more reliable and improving their equipment's performance, while respecting the environment.

Using our portfolio of competitive, innovative products, our recognised expertise and our network of partners and customers, we are developing a new range of custom systems and services that are more complex and more sophisticated to meet their needs for optimised energy management.

Smart grid – Intelligent networks

Context

The electricity grid faces several constraints. Demand for energy continues to increase, electric infrastructures are old or lacking sufficient capacity, installations need to be more environment-friendly, and renewable energy sources are increasing but remain intermittent and dispersed.

The grid must therefore be developed into an effective electric infrastructure combined with an intelligent IT infrastructure: the smart grid, ensuring continued balance between energy production and consumption.

Citizens and companies are increasingly energy efficient in terms of energy use; in terms of production, grid operators (transmission and distribution) are developing automation and control systems; and between the two, new demand-response mechanisms are being put in place: load shedding, optimal management of renewable energy sources, reduction of carbon peak, financial valuation of changes in use behavior, etc.

Offers

Schneider Electric offers products and solutions in all the main fields relating to the smart grid:

- buildings, industrial sites, and residential buildings: energy efficiency products and solutions, complex solutions for integrated energy management, operational and financial project management, electric vehicle charging systems;
- production of renewable energy: installation and equipping of solar, wind or hydroelectric plants, automation and control systems, SCADA (Supervisory Control And Data Acquisition), engineering and maintenance;
- distribution: control and automation of sub-stations (between high and medium voltage and medium and low voltage networks), SCADA, protection and metering systems, outage devices;
- demand-response: consultancy and implementation of software platforms to share data and for load shedding aimed at energy operators.

Significant events 2010

The Group is involved in several large-scale pilot projects as part of the IDEA project (*Inventer la Distribution Électrique de l'Avenir* [Inventing the electrical distribution of the future]), an innovative partnership between energy and IT manufacturers, public authorities, and universities.

Authorised at European level, there are three projects currently collaborating in developing and testing new technologies and new business models in real conditions.

Energy efficiency

Context

Energy efficiency means using less energy for equivalent performance or service.

Energy efficiency is the fastest, most economical and most effective way for governments, corporations and individuals to reduce CO₂ emissions. According to the International Energy Agency (World Energy Outlook 2010), the 53% reduction in CO₂ emissions necessary over the next 20 years must come from more efficient energy use.

Schneider Electric's energy efficiency solutions are therefore ideally placed to meet this issue.





Solutions

Schneider Electric promotes active energy efficiency, which consists in optimising the entire energy cycle through several steps:

- initiate an energy audit that will result in a series of *quick win* actions to quickly make substantial savings, as well as an action plan;
- then, automating the systems to maintain these savings;
- and finally, monitoring, controlling and adjusting to make sustainable savings on energy.

To do this, the Group offers a range of products, software and services:

- products: dimmer switches, timers, heating and air-conditioning control, variable speed drives, etc.;
- systems: building management systems, lighting control, process supervision, etc.;
- services: energy audits, data management, remote monitoring, etc.

These solutions are adapted locally according to the standards and regulations in force in each country where they are marketed.

Significant events 2010

In 2010, the growth rate for energy efficiency activities exceeded the Group's average revenue organic growth by over 8.3 points.

Among the Group actions that contributed to this growth, it is worth highlighting:

- the consolidation of teams organised around energy efficiency in each country, in coordination with the Energy Efficiency and Solutions Department;
- launching the "Ecoexpert" initiative, external partners trained in energy efficiency solutions, with pilots in France, Spain, Italy and the United States;
- the development of high-added value service solutions;
- the development of energy efficiency architectures included in our solutions;
- the reinforcement of energy efficiency training actions for customers and other external stakeholders.

Renewable energies

Context

Renewable energy is key to Schneider Electric's development, societal and environmental goals.

Its energy challenge, which consists in increasing global energy production twofold while cutting CO₂ emissions in half, calls for a profound change in the energy mix. It will have to significantly increase the percentage of energy coming from renewable sources and better integrate these intermittent sources into the electrical grid, primarily through gradually setting up smart grids.

According to the International Energy Agency's forecast (*World Energy Outlook 2010*), renewable energies, in particular wind and hydraulic power, should account for 1/3 of total energy production, a threefold increase between 2008 and 2035.

Offers

Schneider Electric offers a full range of products, systems and services for solar, wind and hydroelectric energy.

Our teams ensure that they are well-integrated into the electrical grid thanks to our expertise in electrical distribution (low and medium voltage), conversion and energy management.

We use and connect to power plants' and large buildings' electrical network, provide equipment to turbine manufacturers, and supply the residential market through our network of partners and distributors.

Schneider Electric has actively reinforced its solutions in recent years, primarily through external growth, including the acquisition of Xantrex, a global leader on the photovoltaic inverter market. Xantrex's solutions are currently a part of the Group's Power business, and they have been marketed under Schneider Electric's brand since 2010.

Solar	Photovoltaic parks/solar power plants	<ul style="list-style-type: none"> • Preliminary studies • Design and optimisation of electrical distribution architectures • Equipment supply and installation • Installation life cycle maintenance and operation contracts
	Residential solar	Conversion and protection products sold through our network of general and specialised distribution partners
Wind		Components and systems for primary and auxiliary circuits and control circuits
Hydraulic		Distribution automation and control



> PARTNERSHIPS WITH START-UPS

Aster Capital, the joint Schneider Electric and Alstom risk-capital fund, focuses on identifying new opportunities for growth and innovation. It detects emerging market and technology trends ahead of the curve and develops partnerships with promising start-ups. In 2009, Aster bought a 20% stake in Solaire Direct, a company that designs and installs photovoltaic infrastructures of all sizes for solar power generation.

Significant events 2010

In 2010, approximately 2% of Schneider Electric’s revenue came from renewable energies.

Schneider Electric worked on several photovoltaic park projects, for example in Vinon-sur-Verdon (France) with Solaire Durance (a subsidiary of Caisse des Dépôts and Solaire Direct), Saint-Benoît (Reunion) for the Casino retail group and in Italy in partnership with AES SOLE Italia S.r.l.

Participation in the Tenerrdis competitiveness cluster

Tenerrdis, based in the Rhône-Alpes region (France), works to develop the new energy channels of tomorrow that are competitive innovators and growth drivers.

Tenerrdis is leading over 400 labeled projects, worth EUR300 million in investments, EUR145 million of which are financed by the State and local authorities.

It has six priority industries: solar power, energy efficiency in buildings, smart grid management and electrical storage, biomass, hydrogen/ fuel cell and hydroelectricity.

Internationally, in 2010, Tenerrdis signed a cooperation agreement with the NREL (National Renewable Energy Laboratory) in the USA and participated in several different missions (in Denmark, Egypt, Germany and the United States) to connect small and medium-sized companies from the Rhône-Alpes with these different countries.

Electric vehicle

Context

The electric vehicle has been put forward as a response to the need to reduce CO₂ emissions, to resolve the problem of urban congestion, and adapt to the scarcity and rising cost of fossil energy.

Acceptance by consumers and the development of the electric vehicle mainly depends on the re-charging infrastructure, which must combine safety (for users, the vehicles, buildings, and the power grid), facility (availability of charging terminals at all times, in every location, and for all requirements), and the effective integration of the power grid (first mobile charge in history).

Offers

Schneider Electric has developed a range of solutions to respond to the specific needs of eight electric vehicle charging environments: vehicle fleet, shopping center car parks, street parking, private company car parks, pay and display car parks, residential or co-owned garages, and rapid re-charge.

Significant events 2010

Pilot projects

Schneider Electric is actively involved in pilot projects allowing them to test solutions in real conditions and help rapid and successful adoption of the electric vehicle.

The Group is involved in the following projects:

- the SAVE project (Seine Aval Electric Vehicle), which brings together Schneider Electric, the Renault-Nissan alliance, EDF, Total, le Conseil Général des Yvelines, l’EPAMSA, and the Ile-de-France region to test 100 electric vehicles and charging infrastructures in Yvelines at the start of 2011.
- the PHV-Strasbourg experimentation project in collaboration with EDF, Toyota, and the City of Strasbourg, for which the Group provided 135 charging terminals.

Partnerships and Collaborations

Schneider Electric is also taking part in a large number of initiatives, including a French-German work group on electric vehicle infrastructures.



In March 2010, Schneider Electric helped create the EV Plug Alliance, along with Legrand and Scame. The aim of the alliance is the rapid adoption of a European standard for the connection of electric vehicles to guarantee interoperability on the European continent.

Schneider Electric and Parkeon have also signed a collaboration agreement to develop a electric vehicle charging system that is fully integrated into the sustainable urban mobility management policy.

Towards integrated energy management

Context

Schneider Electric customers are facing increasing complexities in the efficient management of their energy. They require integrated and intelligent solutions, rather than isolated products.

Offers

To help its customers optimise their energy management, Schneider Electric offers products, systems, and services making energy safe, reliable, efficient, productive, and green.

In large buildings and industrial sites, this approach requires the integrated management of security, heating, and electricity systems, control of equipment and manufacturing processes, and the monitoring of data centers and even solar panels. This combined, intelligent, and integrated management of energy flows, can save up to 30% on the energy bill.

EcoStruxure: software solutions for intelligent energy management to optimise consumption and energy efficiency

In 2010, Schneider Electric launched its range of integrated solutions for intelligent energy management. This offering, named EcoStruxure, enables the Group to offer its customers turnkey solutions to make their energy visible and optimise their energy consumption.

EcoStruxure interconnects the Group's control and energy management software to ensure its customers better operational efficiency with savings on their energy bill of up to 30%.

With EcoStruxure, the Group relies on acquisitions made during the last few years merging its different skills to enrich its offering.

Significant events in 2010

Schneider Electric has just launched the software platform *StruxureWare for Building*, a cutting edge building control and technical management system. This new platform provides one single screen to view the essential functions of technical management (air-conditioning, ventilation, heating, lighting, and access control) and provides essential information for monitoring energy consumption. All of Schneider Electric's energy metering products are now inherently integrated into the software platform, simplifying storage and access to energy data for the building.

StruxureWare for Building also offers great connectivity, allowing the integration of third party and existing systems.

For eco-responsible treatment of products' end-of-life

Compliance with legislation: WEEE and Similar

A number of political commitments and regulations address the issue of waste from electrical products. One example is the European Waste Electrical and Electronic Equipment directive (WEEE), which has been transposed in each member State. Similar regulations have been adopted or initiated in Japan, China, India, and the United States.

The WEEE directive's main objective is to increase the recovery rate for the largest types of electrical waste, such as televisions, refrigerators and lighting systems, as well as for short-lived IT and telecommunication equipment. Industrial electrical and electronic devices and electrical distribution equipment is only very marginally concerned. Under the directive, the equipment manufacturer is responsible for setting up and financing dedicated solutions to collect and process discarded equipment. The directive sets minimum rates for recovery and recycling.

Schneider Electric is actively involved in a responsible approach even though virtually none of its products are covered by the directive.

As a responsible company, Schneider Electric must be able to prove the existence of established end-of-life solutions. These must be financed and certified for collecting, processing, and recycling end-of-life products in a way that respects both human health and the environment.

Carried out in close cooperation with all Group partners, the approach is deployed at the national level in each host country. This involves identifying, certifying, and in some cases organising solutions for processing waste from electrical equipment, with the application of the appropriate indicators.

Specific solutions

In the framework of its Planet & Society Barometer, Schneider Electric looks to create SF₆ gas treatment subsidiaries, for end-of-life products in 10 countries, in Europe and in China. SF₆ is a gas used as an insulator in medium voltage devices. It has an elevated heat capacity and therefore requires special treatment to prevent it leaking into the atmosphere.

The first SF₆ containing devices sold by Schneider Electric came to the end of their life as of the early 2000s. The objective is to develop commercial offers that allow clients to dispose of their end-of-life, SF₆ containing devices, in order to completely extract the gas and recycle the products.

Manufacturers of batteries and other consumables are responsible for managing the related waste. Schneider Electric agrees with sharing responsibility and understands that it needs to inform customers for waste management to be effective. This is the purpose of the Product Environmental Profiles, which describe each product's components and environmental impact.

Highlights of 2010

At the end of 2010, 344 product environmental profiles were published.

3 Relations with subcontractors and suppliers

What is at stake

As a Global Compact signatory, Schneider Electric takes sustainable development issues into account when selecting suppliers. The Group encourages suppliers and their subcontractors to join the Global Compact themselves. By asking suppliers to meet its direct requirements and make a public commitment to the UN, the Group exposes all of its supplier partners to the principles of sustainable development. This is even more significant given that the volume of Schneider Electric purchases represents over 50% of its revenue, i.e. EUR11.5 billion in 2010.

This approach also reflects Schneider Electric's commitment to promoting human rights in accordance with the Global Compact's Principle 1 (Businesses should support and respect the protection of internationally proclaimed human rights) and Principle 2 (Businesses should make sure that they are not complicit in human rights abuses).

2010 Objectives and Results

A priority objective was set in the Planet & Society Barometer over the duration of the 2009-2011 *One* program: make 60% of purchases from suppliers who have signed the Global Compact.

At year-end 2010, 42% of our purchases were from suppliers who had signed the Global Compact's 10 Principles or the EICC. This represents an increase of 9 points compared to year-end 2009.

Main action plans

The sustainable development purchasing approach is based on the following four actions:

1. Publication of our commitment to sustainable purchases in the Supplier's Guide

Schneider Electric has published a charter for its suppliers, called the *Supplier Guide Book*, which details its expectations in terms of its suppliers. In particular, this charter includes a large paragraph on the commitments of our suppliers to sustainable development in the following four areas: the environment, working conditions, respect for ethics and human rights.

2. Integration of the sustainable purchases approach into the selection of new suppliers

Schneider Electric uses a certification process called *Schneider Supplier Quality Management* to select new suppliers. The process is based on a questionnaire comprising nine sections, one of which concerns the environment and sustainable development.

The Group evaluates suppliers' performance in the areas of labor relations, social accountability (SA 8000), environmental protection (ISO 14001), compliance with the Restriction of Hazardous Substances (RoHS) and REACH directives, and support for the Global Compact.

3. Required Commitment to the Global Compact by Subcontractors and Major Suppliers

Commitment to the Global Compact is one of the criteria for consideration as a major supplier of Schneider Electric. In accordance with a public commitment to the United Nations, a statement on the importance of joining the Global Compact is made by the Schneider Electric purchase pilot to each major supplier of Schneider Electric.

4. Additional Assessment of Suppliers

In 2010, the Group decided to go a step further by implementing a process to assess the sustainable development performance of a limited number of suppliers.

The assessment was conducted on the basis of a scorecard (Ecovadis) fully aligned with the Global Compact.

This external process is a simple solution and the first step towards the creation of a database that can be shared with suppliers. This is an important sign, both internally and with regard to our suppliers.

Suppliers and Sustainable Offers

Implementation of Specific Organisations to Trace Conformity with REACH and RoHS by our Suppliers

The REACH and RoHS regulations have led to the implementation of transverse retrofitting projects for the different links of the supply chain. These projects therefore require a huge effort from our purchasing department to ensure that our suppliers comply with these regulations.

To find out more, see the Eco-design section, p. 68.





4 The fight against corruption

Schneider Electric policy

Our Principles of Responsibility: a common base for ethical and responsible practices

In 2002, Schneider Electric published *Our Principles of Responsibility**. This is a reference document for ethical risks. It was updated and validated by the Supervisory Board in April 2008, the Executive Committee in November 2008, and published in June 2009. It was rolled out globally in 2010.

Our Principles of Responsibility were prepared in compliance with the 10 principles of the Global Compact, the corporate governance principles, the universal declaration on the rights of man and the international labor regulations. As a result, these principles comply with international standards such as the anti-corruption principles.

Employees

A plan of action for widespread communication was rolled out internally in 2010, as well as an organisation and processes to allow Group employees to respond to questions or report practices that they judge to be dubious ethically.

Shareholders

With regard to shareholders, *Our Principles of Responsibility* are mentioned in corporate documents (annual report and business and sustainable development reports), which are available on the Schneider Electric website.

Suppliers

A specific document is distributed to all the Group's suppliers, the Schneider Electric Supplier Guide Book. This document is a reference for relationships with suppliers; it defines the responsibilities, as well as Schneider Electric's commitment to fighting corruption.

Main plans of action in 2010

Fight against corruption

Schneider Electric must complete surveys, controlled by rating agencies and investors on sustainable development practices, which often include questions on very specific subjects such as our anti-corruption policies. We make an effort to respond to all questions with full transparency.

In 2010, the Ethics Council, created in 2009 and presided by the General Director of Strategy and Innovation, created a progress plan based on the seven points:

1. identify high level employees to monitor the deployment of Responsibility & Ethical Dynamics (see page 50);
2. define good practices to prevent illegal actions, notably with an alerts system;
3. ensure that all policies comply with "*Our Principles of Responsibility*";
4. inform employees of standards and procedures;
5. implement monitoring, audit, and reporting systems;
6. establish a discipline for the implementation of standards and procedures;
7. in the event of a breach of the ethics principles, take the corrective measures necessary, including the consolidation of procedures.

Examples in 2010

Other anti-corruption initiatives have been implemented, often at the national or regional level:

- in France, Schneider Electric is involved in defining ethical standards as part of the Enterprise and Ethics Commission of the GIMELEC, a grouping of electrical equipment manufacturers;
- in Russia, Schneider Electric signed an ethics charter with the Association of European Businesses;
- Schneider Electric Egypt obtained specific anti-corruption certification for its work with the National Electricity Corporation in Sudan.

*For further information on *Our Principles of Responsibility*, see page 50

5 Rating

This section presents the evaluations of the leading sustainable development ratings agencies and a number of ethical funds. The results allow for comparison with an industry benchmark.

Objectives and Results

A priority objective was set in the Planet & Society Barometer for the duration of the 2009-2011 *One* program: ensure Schneider Electric's presence in the four main (Socially Responsible Investment) SRI indexes.

At year-end 2010, Schneider Electric was included in two of the leading ethical investment indexes, compared with three in 2009. In fact, the Group was confirmed in the DJSI Stoxx index (Europe) and the ASPI Eurozone, but removed from the DJSI World index for the first time. There are several reasons for the delisting of Schneider Electric. Firstly, this year, the Swiss rating agency SAM, whose questionnaire serves as a reference for establishing the DJSI indexes, expanded certain issues and introduced new challenges for which Schneider Electric provided responses that were judged to be too vague. Our responses were insufficient, in particular in terms of consumption and water discharge from our sites, the production of hazardous waste, and indicators for monitoring the wellbeing of our employees. Secondly, the DJSI indexes are increasingly more attractive. The company participation rate has increased by 20% in two years, while the index still includes the same number of values. This shows that more and more companies are prioritising their selection on ethical investment indexes. We have one year to ensure that we are re-listed on the DJSI World index before the end of the current company program (2009-2011). An action plan is being studied to ensure that this is achieved.

Presentation of Ethical Investment Indexes

ASPI Eurozone Index

The ASPI Eurozone (Advanced Sustainable Performance Indices) listing tracks the financial performance of 120 leading euro zone sustainability performers from the DJ Euro Stoxx benchmark financial universe. Schneider Electric has been included since 2001. Vigeo ratings are used to select the listed stocks, in keeping with ASPI Eurozone guidelines.

www.vigeo.com

Dow Jones Sustainability Indexes

Schneider Electric is part of the 2010 Dow Jones Sustainability Index and Stoxx (European index). This family of indexes bases its decisions on research provided by Sustainable Asset Management (SAM), an independent asset manager headquartered in Switzerland.

www.sustainability-index.com

Ethibel Sustainability Indexes

In 2010, Schneider Electric belongs to the following indexes: Ethibel Sustainability Index (ESI) Excellence Europe and Ethibel Sustainability Index (ESI) Excellence Global.

www.ethibel.com

FTSE4Good Indexes

Schneider Electric aims to be included in the FTSE4Good, the fourth leading family of ethical investment indexes. However, the Group does not fulfill the criteria for inclusion in the index and therefore is currently excluded for the following reasons: Schneider Electric is involved in the business of selling products to the military sector and some of these products are included in nuclear arms systems.

www.ftse.com



> 4. Schneider Electric's Commitment to Environmental Performance

This chapter deals with the environmental impact of the Group's industrial activities. The products and solutions offered by Schneider

Electric which help reduce the environmental impacts of our customers' activities are described in chapter 3, p. 53.

1 Overview

Schneider Electric Challenges and Commitments

Schneider Electric does not produce or distribute energy. It conceives and builds electrical products and proposes integral solutions for a number of market segments. The great majority of these products are installation components for energy management. They consume little energy compared with the devices they control, and the losses through dissipation are negligible compared with the energy in transit. Production activities, for their part, mainly call on assembly and control techniques and only minimally integrate procedures with a significant environmental impact, such as the transformation and treatment of metals.

Schneider Electric is committed to protecting the environment and human health:

- by limiting its impact on climate through the reduction of its greenhouse gas emissions, generated in particular from its own energy consumption and the use of the SF₆ gas;
- by deploying the ISO 140001 certification and the environmental reporting of its One corporate program;

- by respecting the directives and rules that seek to control the chemical substances used in factories and those contained in products;
- finally, by minimising the consumption of natural resources and increasing the rate of waste recycling at its industrial sites.

This chapter presents four key Group approaches to reduce the environmental impact of its industrial activities:

- reduction of CO₂ emissions;
- energy efficiency;
- eco-design;
- eco-production.

Objectives and Results 2010

Three indicators in Schneider Electric's **Planet & Society Barometer** measure the success of the One program (2009-2011):

1. 30,000T annual reduction of CO₂ emissions;
2. 2/3 of products revenues gained with Green Premium products;
3. 2/3 of employees working in ISO 14001 certified sites.

Objectives for Year-End-2011

	2010	2009	2008
1. 30,000 tons annual reduction of our CO ₂ equivalent emissions	-110,156	-44,089	-
2. 2/3 of our products revenues achieved with Green Premium products	26.1% ▲	2.6%	NS
3. 2/3 of our workers work on ISO 14001 certified sites	69.0% ▲	63.7%	NS

NS = Indicator Not Monitored

The 2008 performance serves as a starting value for the Planet & Society Barometer Program One between 2009 and 2011.

▲ 2010 Audited Indicators

Please refer to pages 88 to 90 for the methodological presentation of indicators and the following pages for the analysis of the results (pages 64-65 for indicator 1, 68-70 for indicator 2 and 70 for indicator 3).

At year-end 2010:

- the Group generated 66,067 tons less of CO₂ equivalent than in 2009.
- Green Premium products represent 26.1% of revenue.
- 69.0% of Schneider Electric employees work in ISO 14001 certified sites.

An analysis of these results is presented in the sub-chapter "Reduction of CO₂ emissions", "Eco-design", and "Eco-production" below.

Organisation

At the corporate level, the Sustainable Development Department, part of Strategy and Innovation Management, establishes the Group's environmental strategy and leads the Group's environmental players. The Director of Sustainable Development is ranked below the Senior Vice President of Strategy and Innovation Management (member of the Group's Executive Committee).

The Energy Efficiency and Solutions Department, part of Strategy and Innovation Management, is responsible for the EEM (Energy Efficiency Monitoring, see page 67) action plan.

Up to the end of 2010, two departments were responsible for the Group's environmental policies:

- one responsible for the "green" product and solution policy and reporting to the Strategy and Innovation Management;
- the other responsible for "green" sites policy and the application of directives controlling the use of hazardous substances (REACH and RoHS – see pages 68-69) and reporting to the Global Supply Chain Management.

At the start of 2011, these two departments were merged into one single Environment Department, part of Global Supply Chain Management. The Director of the Environment is ranked below the Senior Vice President of the Global Supply Chain Management (member of the Group's Executive Committee). This department establishes and deploys environmental policies and programs. It is responsible for a network of environmental managers. These include:

- for product management: environmental managers in each business who are responsible for integrating environmental concerns in lineup management, environmental representatives who are responsible for assessing the impact on marketing, and environmental specialists with expertise in integrating environmental aspects into product design;

- for site management: environmental managers in each major region, environmental managers in large countries with significant business volume, and environmental managers in each plant or supply chain centre. In 2010, the organisation within Global Supply Chain Management changed from a corporate only leadership to a regional organisation (North America, Asia-Pacific, Europe-Middle East, Africa and South America). Three SERE (Safety, Environment, Real Estate) directors were appointed. Each one is responsible for implementing the Group's policies in these fields for all sites within their geographical area and for reporting on improvement plans. There is a meeting of the three directors every quarter to ensure coherence in the Security, Environment and Real-Estate policies for the entire Group. To implement this policy, the SERE directors lead a network of more than 200 managers responsible for the environmental management of industrial, logistic, and administrative sites.

These networks have access to a wide range of management and experience sharing resources including directives, application guides, an intranet site, and databases.



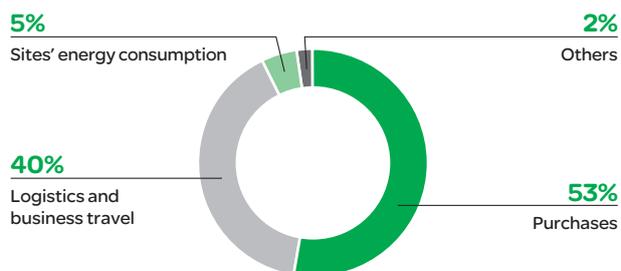
2 Reduction of CO₂ Emissions

Schneider Electric's Approach

Schneider Electric is not subject to European quotas on carbon emissions since it is an industrial business that globally produces few emissions in comparison to energy intensive industries: the main emissions from its activity come from purchases and logistics. Schneider Electric is therefore classified in the low emissions sector by the Carbon Disclosure Project ⁽¹⁾. However, the Group has defined measures to reduce its carbon emissions.

In 2007, Schneider Electric asked an outside specialist to perform a carbon assessment of its operations, from its upstream suppliers to its downstream distribution chain. The assessment revealed:

- the major areas of carbon emissions (see diagram);
- the potentially very high impact of SF₆ gas leaked into the atmosphere from certain families of medium voltage equipment. SF₆ can be freed, in particular, when end-of-life equipment is dismantled by companies who do not recover their waste.



In the Planet & Society Barometer, Schneider Electric has set the following objectives for 2009-2011:

- reduce its emissions of CO₂ equivalent by 30,000 tons per year for scope 1 and 2 as defined by the GHG Protocol ⁽²⁾: the emission of SF₆ in the industrial sites concerned and energy consumption in industrial and logistics sites, and in some tertiary sites, as well as part of scope 3 of the GHG Protocol ⁽²⁾: the portion of air-freight in the long-distance freight mix ⁽³⁾. The objective is to reduce our CO₂ emissions by approximately 15% over three years.
- implement a recovery process for SF₆ gas in 10 countries. The first devices containing SF₆ gas sold by Schneider Electric reached their end-of-life at the start of 2000. The aim is to develop commercial offerings to encourage customers to collect their devices containing SF₆ which have reached their end-of-life and to fully extract the gas for recycling (see "Specific solutions" on page 59).

In 2010, Schneider Electric generated 66,067 tons less of CO₂ equivalent than in 2009 on a like-for-like basis.

This good performance in relation to the objective of an annual reduction of 30,000 tons of CO₂ equivalent is mainly due to the reduction of SF₆ leaks in the production processes, thanks to:

- mandatory monthly reporting since mid-2010 rather than twice a year in 2009;
- systematic risk analysis started on all European sites;
- process improvements in certain sites, in particular issuers.

CO₂ performance linked to energy consumption in 2010 was calculated based on a 2008 benchmark to "absorb" the effect of the economic crisis in 2009, which saw a drastic fall in production and the associated energy consumption. Furthermore, efficiency metering is impacted by the variation in temperatures which did not change, as 2010 saw very harsh winters in the northern hemisphere. Moreover, some of our more energy intensive sites saw significant growth in 2010, thus increasing their CO₂ emissions.

Overall, in 2009 and 2010, Schneider Electric reduced its emissions of CO₂ equivalent by 110,156 tons and has therefore significantly exceeded its objective of a 30,000 ton reduction per year over three years.

In 2011, Schneider Electric is working on defining its next objective for the reduction of carbon emissions for the Planet & Society Barometer in the Company's next program. The Group's approach is based on measuring, controlling and reducing CO₂ emissions, starting with the most direct ones upon which the Group has most impact and greater reliability in terms of metering (these correspond to scopes 1 and 2 defined in the GHG Protocol) followed by our more indirect emissions (corresponding to scope 3 of the GHG Protocol).

Schneider Electric publishes on its website (www.barometre.schneider-electric.com, Environment section) its response to the challenges posed by climate change, by responding to surveys from the Carbon Disclosure Project (CDP) each year. This project is a global initiative led by investors and asset managers. The CDP is designed to help members make informed investment decisions by explaining the consequences of the carbon constraint and climate change for companies.

Schneider Electric CDLI and CPLI Score in 2010

Schneider Electric Score	2010	2009	2008
CDLI	52	60	69
CPLI	B		

(1) Source: Carbon Disclosure Project 2008, survey of French companies in the SBF120.

(2) The Greenhouse Gas Protocol (GHG Protocol) is the world's most widely used system for measuring CO₂ emissions. Scope 1 covers direct GHG emissions from sources that are owned or controlled by the Company. Scope 2 accounts for GHG emissions from the generation of electricity consumed by the Company. Scope 3 covers all other indirect emissions from sources not owned or controlled by the Company (transport, use of products and services, etc.).

(3) Long distance freight comprises air freight and maritime freight.

The CDP publishes a score for transparency in companies' communication regarding their strategy to combat climate change (Carbon Disclosure Leadership Index – CDLI) and, since 2010, it has included a score for the integration of climate change challenges into the Company's strategy and activities in this area (Carbon Performance Leadership Index – CPLI).

- Schneider Electric's score on the CDLI (out of 100) has fallen continuously over the last three years. In its action plan, the Group has prioritised the significant reduction of carbon emissions within a defined scope (scope 1 and 2 as defined in the GHG Protocol and a small part of scope 3), perhaps to the detriment of extensive reporting work on scope 3 of the GHG Protocol: measurement of emissions from transport and purchases, measurement of the carbon impact of our green services and products for our customers, measurement of our emissions by activity or Group entity. The requirements of the CDP increase from one year to the next, while the number of companies publishing information on their carbon programs also increases.
- The Carbon Disclosure Leadership Index assesses the quality of the strategy, governance, communication with stakeholders and actions related to climate change on an A (maximum) to D (minimum) scale. Only businesses that score over 50 on the CDLI can feature on the CPLI. The B score is attributed to businesses which "are rapidly adapting".

For further information see www.cdproject.net

Main Plans of Action in 2010

Actions to reduce emissions at the Group's sites (SF₆ gas + energy consumption)

To fulfill the objective of the Planet & Society Barometer to reduce our emissions of CO₂ equivalent by 30,000 tons per year, we must reduce industrial SF₆ gas leaks to a rate of 1.2% of gas bought (the objective for 2011 is to further reduce this to 1%) and energy consumption in our sites by 4% per year and per employee between 2009 and 2011. To this end, the following actions were conducted in 2010:

- specific objectives to reduce the carbon footprint for the Schneider Electric industrial scope were defined and taken into account to calculate the variable share of the salary of all employees involved in industrial operations who received a bonus;
- monthly reporting of the indicators for the reduction of the industrial carbon footprint for all sites concerned, compared with twice yearly in previous years. The carbon footprint of scopes 1 and 2, as defined in the GHG Protocol, is calculated monthly, as is the performance of each site concerned;
- since 2010, the carbon performance has been presented monthly to the Management of the Industrial Operations Management by the Group's Environmental Director and the three SERE Directors;

- a Failure Modes, Effects and Criticality Analysis (FMECA) has been deployed for manufacturing processes that involve SF₆ gas;
- the Energy Action program, which included the deployment of the EEM system (*Energy Efficiency Monitoring*) in more energy intensive sites, was implemented in 2010 (see pages 66-67).

Actions to reduce emissions linked to freight

Actions were conducted in 2010 to reduce the proportion of air freight in long distance freight to 20% between 2009 and 2011 :

- the scope of monitoring of tons transported by long distance freight was extended to 76% (compared to 40% in 2009).
- the importance of the reduction of CO₂ emissions was the subject of an awareness campaign among the Group's transport community. Work is being carried out with the suppliers to prepare a global carbon assessment of transport in 2011.
- the respective proportions of air and sea freight are monitored monthly by the Global Supply Chain Management.
- the key managers of the supply chain receive a share of their annual bonus based on the fulfillment of objectives for air/sea freight ratios.

Despite a 40% increase in long-distance flows due to localised problems of a shortage of electronic components worldwide, the share of tons transported by air remained stable at 20%.

Goods transportation is the second largest source of CO₂ emissions at Schneider Electric (37% of CO₂ emissions based on the Company's 2006 carbon assessment).

In addition to the Company's actions to fulfill the objective of the *One* program, 2010 also saw other commitments and actions to extend measurements and reduce emissions of CO₂ linked to the transportation of goods and prepare the next company program beyond 2011.

Two significant commitments were undertaken in 2010:

- the systematic evaluation of the CO₂ impact linked to transport for all designs to modify industrial infrastructures;
- the systematic evaluation of the Group's capacity to measure CO₂ emissions linked to transport when auditing our logistics sites.

In addition, the constant streamlining of logistics, which helps reduce CO₂ emissions due to goods transportation continued to provide a focus within the Schneider Electric entities in 2010. The various actions conducted included the following: the closure of 10 distribution centers, the identification and constant simplification of complex historical flows linking several levels of stock in our supply chain, the transfer of the regional distribution center for the Asia Pacific zone from Hong Kong to Singapore, the barycenter for our international flows in the zone, and the consolidation of flows from different activities in the same city and under the same roof when this makes sense.





3 Energy Savings

Schneider Electric's Approach

In general, Schneider Electric sites are average consumers of energy, compared with more energy intensive industries. However, Schneider Electric wishes to set an example in the reduction of energy consumption by applying its own solutions. Around 5% of our total emissions come from energy consumption in our sites (according to the carbon assessment of our business in 2007). Energy efficiency in our sites, with an objective of a 4% decrease in 2010 compared to 2009 and a 4% decrease in 2011 compared to 2010, helps us fulfill our objective for the reduction of CO₂ emissions for the Planet & Society Barometer (see page 64 - Reduction of CO₂ Emissions).

Since 2005, Schneider Electric has fixed annual objectives for reduction and publishes (internally) the energy consumption of each of its production and logistics sites each year, as part of the continual improvement program called Energy Action. Energy consumption includes electricity, heating fuel, natural gas and, in rare cases, heat from urban hot water networks, essentially for heating requirements.

The Group met and in some cases exceeded its objective of reducing energy consumption per production site employee by 10% between 2005 and 2008.

The Planet & Society Barometer for the One program (2009-2011) extended the monitoring of consumption to tertiary sites with more than 300 employees, including these into the objectives for ISO 14001 certification of sites. The Group's head office in France was therefore certified according to the ISO 14001 environmental management standard and the EN 16001 energy management standard in 2010. The sites' energy consumption is monitored on a monthly basis by the Management Board of the Industrial Operations Management since 2010. Global Supply Chain Management is responsible for all of the Group's sites. Schneider Electric continued the deployment of the *Energy Efficiency Monitoring* (EEM) program in its main energy consuming sites to ensure accurate measurement of the actual reduction in consumption, eliminating the effects of changes in climate and activity level from one year to the next.

Measures to reduce energy consumption have also been implemented in Schneider Electric's data centers, but have not been published at Group level.

Main Plans of Action in 2010

Energy Action program

Energy Action is a program for the continual reduction in energy consumption in all of the Group's sites. The objectives are:

- cutting out waste of electricity, natural gas and oil, and thereby reducing costs;
- deploying Schneider Electric's energy efficiency solutions at its own sites;
- raising employees' awareness about new energy efficiency devices and their own contribution to product development.

The program focuses on such key areas as HVAC, certain equipment (such as air compressors), lighting and specific industrial processes.

Many initiatives are implemented internally to improve understanding of the short and long term benefits of energy efficiency: awareness campaigns, the election of "energy champions" in each country, creation of local work groups to deploy *Energy Action* measures, the appointment of the best employee and best site in terms of energy efficiency. There is also a dedicated intranet site. This provides information on progress and the results obtained as part of *Energy Action*. Events and symposiums have been organised in France, the UK, South Korea, Turkey, South Africa, Singapore, and the US for customers and partners.

The program resulted in the following achievements in 2010:

- 256 sites published their energy data and 75 sites centralised monitoring of consumption using remote monitoring tools; 60% of these are Schneider Electric's more energy intensive sites;
- 100 sites conducted formal internal audits of their energy consumption;
- EUR11 million were invested in energy efficiency projects, the majority of which with a return on investment of less than three years;
- 26,000 lights were replaced, 350 speed drives were used, 1,600 meters in 110 sites, hundreds of sensors, regulators, and building management systems were installed.

Examples in 2010

1] Light management in industrial sites (examples)

In France:

- the Evreux distribution center replaced its 3,000 T8 tubes with T5 tubes with a 30% to 45% electricity saving;
- sites have deployed Schneider Electric's Lubio solution to reduce night and day voltage for external lighting. The saving is estimated at around 20%;
- the majority of installations contain natural light sensors, which control lighting based on natural light. By way of example, this represents a 14% saving in one year in the MGA factory.

In the Chennai factory in India, mercury vapor bulbs were replaced in warehouses, movement sensors were installed in the server room and the rest rooms, and lighting was added to each work station in the production zones. The EUR3300 investment will see a return in two to three years.

2] Energy Action in the United States

- The Columbia site, with more than 550 employees, is a factory which assembles smart transformers and includes engineering offices. A Schneider Electric building automation system was installed to reduce losses from air conditioning, heating, compressed air, and lighting with a return on investment of two years (a saving of almost EUR220,000): replacement of lighting equipment, repair of compressed air leaks, reduction of the pressure system, optimisation of the use of regulator filter stations, etc. ;
- Schneider Electric lighting control US head office in La Vergne obtained LEED (Leadership in Energy and Environment Design) certification (silver program) in 2010, awarded by the US Green Building Council (USGBC). This certification is awarded to buildings designed and constructed to reduce their environmental impact. The following energy management devices were installed: movement sensors, Powerlink lighting control systems, programmed based on the building's hours of use, PowerLogic monitoring systems to establish a profile of use for the energy consumed. The Andover Continuum building management system is used to directly monitor energy consumption and compare this with previous consumptions. Other solutions include the C-Bus lighting control network, Juno lighting products, Integrated Power and Control Solutions (IPaCS).

The following actions are planned for 2011 to fulfill the objective of an additional 4% efficiency saving compared to 2010:

- implement centralised monitoring of consumption with remote monitoring tools in the 100 Schneider Electric sites that consume most energy (in the framework of the EEM program – see below);
- continue with the energy audits and projects launched, in particular the construction of a solar plant of approximately 1 MW, including more than 3,500 panels, at Smyrna in the United States, and solar charging stations for electric vehicles in Paris in France.

The Energy Efficiency Monitoring (EEM) program

Energy Efficiency Monitoring is a centralised energy performance monitoring program (excluding changes in temperature and production). The objective is to provide the various levels of management with a single scorecard that displays the energy performance of all sites in the scope of environmental reporting to:

- accurately manage energy costs;
- compare site performance to identify inefficiency;
- help fulfill the Group's environmental objectives.

At the end of 2010, close to 60 of the most energy intensive factories in North America and Europe deployed EEM to accurately measure their energy consumption. The objective for 2011 is to deploy EEM in 100 factories covering at least 75% of the Group's total energy consumption.

The Green IT program

Green IT is a program to reduce the energy consumption of our IT infrastructure (data centers, servers, and IT devices). It also aims to use IT solutions to reduce travel using telepresence/HD videoconferencing systems.

The main objectives are:

- optimise the number of data centers and their energy efficiency using Schneider Electric products and solutions;
- train all IT employees on best efficiency and carbon practices;
- ensure that more than 80% of the equipment that we buy is *Energy Star* qualified.

The following measures were implemented in 2010:

- consolidation of more than 500 servers in the Saint Louis data center (United States), which should generate almost 1.5 GWh of savings in 2010;
- deployment of a Green IT Playbook, which is a reference for the best practices that IT employees can use to reduce energy consumption;
- leadership of a study on the typical energy consumption of a PC (covering 400 PCs) in the Latin America region, which could result in annual savings of almost 14 tons of CO₂ equivalent.





4 Eco-Design

Schneider Electric products are mostly made of plastics (such as thermosetting plastics) and metals (such as copper) bought on the world's markets. Their manufacture however does require the use of components and substances considered by some to be damaging to health and the environment, such as phthalates or brominated flame retardants. Their use consumes little energy in comparison with the motors and final applications they operate in. Most of the products are dumped at the end of their lives. However, certain products or by-products (such as batteries or the medium voltage SF₆ circuit breakers) which are more dangerous for the environment, require particular treatment. The life of the products is very variable depending on their use.

Schneider Electric is subject to European environmental regulation, with particular emphasis on the use of toxic substances:

- most of the Group's offer is subject to the REACH directive, which requires the traceability of dangerous substances;
- about 1% of Schneider Electric's offer is subject to the RoHS directive, which requires the elimination of six dangerous substances : lead, mercury, cadmium, hexavalent chromium, polybrominated biphenyls (PBBs) and polybrominated diphenyl ethers (PBDEs).

Schneider Electric is very marginally subject to the WEEE waste directive and the EuP directive on the energy consumption of products.

An important point: Schneider Electric applies these European rules on a world scale.

In addition, the Group's customers are increasingly asking for environmental information on the products they buy from us.

Schneider Electric's Approach In order to meet these expectations, Schneider Electric has set out to

- provide its customers with environmental information;
- control the use of dangerous substances;
- bring a high level of innovation to its products.

With this in mind the Group has set up the following programs:

- to respond to regulation: a traceability program for the substances listed by the REACH directive contained in all its products and a program to eliminate the six substances listed by the RoHS directive above the set levels, for all of the Group's offer;
- to meet the expectations of its customers: a environmental information program on most of its offer via product environmental profiles (PEPs) and end-of-life guides;
- Schneider Electric has created the *Green Premium* label to communicate this information to its clients. Within the framework of the Planet & Society Barometer, Schneider Electric has set itself the target of generating two thirds of its turnover from *Green Premium* products by the end of 2011.

Green Premium products provide its customers with environmental product profiles: environmental impacts throughout the lifecycle (energy consumption, carbon footprint, consumption of raw materials, pollution to the air, water and ground etc.), the identification and elimination of potentially harmful substances and the conditions for their recycling, and their manufacture in environmentally friendly sites.

Main Plans of Action in 2010

A *Green Premium* product has four major characteristics:

- REACH information put online;
- the absence of dangerous substances according to the prescriptions of the RoHS directive;
- the publication of the product's environmental profile, particularly useful in determining its carbon footprint;
- the publication of an end-of-life instruction form if necessary.

REACH directive

The European REACH regulation compliance program, started in 2008, aims to:

- ensure that substances used by Schneider Electric and its subsidiaries are registered and authorised for the applications in question, in accordance with REACH requirements;
- formalise the information to be provided to customers about the presence of hazardous substances;
- take account of the information to be supplied under the REACH directive and the technical constraints of the RoHS directive in the process of developing new products;
- anticipate the substitutes that will certainly be needed for certain chemical substances, avoiding any impact on Schneider Electric product performance.

This program was strengthened in 2010:

- to anticipate the deadline of December 1, 2010, Schneider Electric launched a program to verify that its suppliers have registered substances used in applications with the European Chemicals Agency, in accordance with the demands of the REACH regulation. The substances concerned are those which are consumed in or imported into Europe at the rate of over 1,000 tons per year, and all category 1 and 2 reprotoxic, carcinogenic, mutagenic substances consumed in or imported into Europe at the rate of over one ton per year, as well as R50/53 substances which are very toxic for aquatic organisms, and consumed in or imported into Europe at the rate of over 100 tons per year. This verification is accompanied by the updating, on Schneider Electric production sites, of the procedures for using chemical substances, as shown on the new safety data forms of Schneider Electric suppliers.

- The communication of information on the presence of hazardous substances continued in 2010, to take account of the extension of the list of substances needing authorisation. The number of these substances went from 30 on January 1, 2010 to 46 on December 15, 2010. This need for communication is taken into account before marketing offers: all new products are now designed to comply with RoHS's technical constraints and provide the necessary information required by REACH.
- This information is centralised and published on a database which can be accessed free online ⁽¹⁾, making it possible to immediately obtain a REACH certificate for one or several articles, and this same information is exported into a spreadsheet, thus facilitating its manipulation. Several thousand visitors look at this database every month worldwide; in addition to the English and French versions, it has been translated into Spanish and German; in addition to the corporate site, the country sites copy and distribute this information for their clients, partners, and clients of their clients, wherever their location.
- Schneider Electric is a member of a technical consortium along with other large companies and research laboratories. Schneider Electric's objective is to be able to validate the technical feasibility of replacing chemical substances its products.
- The Group has continued its policy of exchanging methodology and good practice within European and international seminars. On the back of its excellent positioning in relation to the implementation of REACH, Schneider Electric is now working on its information systems with a view to automating REACH analysis of its products, in order to guarantee that information is updated as often as required.

RoHS directive

Whilst the Schneider Electric products directly covered by the RoHS directive are extremely limited, a larger proportion is concerned indirectly. This is the case for Schneider Electric equipment integrated into products covered by the directive and sold by other companies, which are the Group's clients. That is why since July 1, 2006 Schneider Electric brought the products directly concerned by the regulation into compliance, and it has also gradually done the same for its other products. Although the RoHS Europe directive only applies to products sold in Europe, Schneider Electric has decided to bring its entire product offer into compliance worldwide. By deciding to eliminate these substances in all its products, Schneider Electric has gone far beyond the directive's requirements.

For every product which complies, Schneider Electric specifies the date from which the production of the RoHS compliant version was effective. For products which still do not comply and with significant production volumes, Schneider Electric indicates the provisional date for the production of an RoHS version. This information is available on the Schneider Electric website, and on a certain number of the Group's country websites.

At the end of 2009, only part of the local product offers specific to a particular country, and products due to be withdrawn from the market in the short term or manufactured in very small quantities were not RoHS compliant.

In 2010, efforts to bring products into compliance continued, particularly for the new entities to have recently joined the Group. However, for certain entities whose products have little to do with the scope of the RoHS directive, such as the medium voltage equipment of the former AREVA Distribution, the RoHS compliance decision has been deferred.

> POINT OF VIEW ON ROHS DEVELOPMENTS

On November 24, 2010, the European Parliament passed a draft revision of this directive called "RoHS2". This new text was the subject of long discussions throughout 2010 between the European Commission, the Parliament and the industrial federations. Schneider Electric actively participated in these talks as French representative in Orgalime, the European working group. This new directive is expected to be published in the Official Journal of the European Union at the start of 2011.

Directives similar to the RoHS European directive are now in force or being discussed in several countries. There are very strong similarities with the European directive, even if the implementations may be different. Schneider Electric's decision to generalise the application of the RoHS to all its products has helped anticipate developments in regulations all over the world. Consequently, Schneider Electric is able to offer products which comply with the RoHS directives on all its markets.

This is notably the case in China where an RoHS directive has been in force since March 1, 2007, and in South Korea and Japan. New RoHS regulations are currently being discussed in India, the USA, Serbia, etc.

Product environmental profiles (PEP)

A dedicated program has been set up to publish product environmental profiles (PEPs) for all products sold by Schneider Electric. At the end of 2010, 344 PEPs had been published.

The analysis of each product's environmental characteristics looks at:

- the materials used;
- the presence of hazardous substances as defined by RoHS;
- 10 environmental impacts during the four lifecycle stages, i.e. the consumption of raw materials and energy, the carbon footprint, the damage to the ozone layer, the production of photochemical ozone, the acidification of the air, the production of dangerous waste, the eutrophication of the water, the toxicity of the air and the rate of recyclability.





The majority of these PEPs will be brought into compliance with the demands of the PEP Ecopassport program, an environmental declaration program which complies with the ISO 14025 standard launched in 2010. The program, which covers all electrical and HVAC equipment for buildings, infrastructure and industry, attests compliance with prevailing standards and practices. Schneider Electric is chairing the program and its Steering Committee, and has led the drafting of the governance rules and the PEPs, the articles of association managing by the program.

Schneider Electric's product development process complies with "IEC 62430 – *Environmentally Conscious Design for Electrical and Electronic Products*" – and is based on a multi-criteria lifecycle analysis.

5 Eco-Production

Schneider Electric's Approach

Schneider Electric wants to have more sites with an environmental management and reporting system, contributing to the Group's objectives. Priority objectives for 2009-2011 to increase the number of employees working in ISO 14001 certified sites and to reduce its energy consumption were set within the framework of the Planet & Society Barometer for the whole Group. The certification objective helps focus continuous efforts to reduce the main environmental impacts of the sites, shown in the table on pages 97-98:

- amount of waste produced;
- percentage of waste recovered;
- consumption of energy;
- consumption of water;
- CO₂ emissions;
- VOC emissions (Volatile Organic Compounds).

Main Plans of Action in 2010

ISO 14001 certification of Group sites

As soon as the ISO 14001 environmental management standard was published in 1996, Schneider Electric decided to certify its sites. For several years the Group has demanded that all industrial and logistic sites with more than 50 people be ISO 14001 certified within two years of their acquisition or creation.

The extension of this internal directive to all tertiary sites with more than 300 people was enacted in the One program from 2009 onwards and actually launched in 2010. The headquarters of the Group in France, in Rueil-Malmaison, was thus certified in 2010.

The Group's priority objective, as set out in the Planet & Society Barometer, is to enable two thirds of employees to work in ISO 14001 certified sites. In 2010 the objective was exceeded: 69% of employees worked on ISO 14001-certified sites.

In 2010, the rate of certified industrial sites is nearly achieved: 251 sites covering 82,373 people (including all the people working for Schneider Electric on the site) were ISO 14001 certified at the end of 2010.

End-of-life guides

Schneider Electric takes end-of-life environmental impact into account when designing products, going beyond the simple calculation of potential recovery rates provided by Environmental Impact and Management Explorer (EIME) software. The Group has developed a guide of good design practices to optimise end-of-life costs and the potential recyclability rate.

In 2010, Schneider Electric included recommendations and good practices for environmentally friendly end-of-life processing in its product instruction manuals. At the end of 2010, about 40% of the turnover generated from global commercial products was from products whose end-of-life information is available online.

For 2011 the challenge is to certify the new sites within two years of their acquisition or creation and to continue the new certifications of large tertiary sites.

Management of industrial consumption

Water consumption

The Group provides a detailed breakdown of water consumption that takes into account groundwater and water from the public network. Water used solely for cooling and then immediately released without any change can also be included in the statistics.

Schneider Electric reports on the quantities of water consumed by its sites on a six-monthly basis and monitors the *per capita* consumption of water on a like-for-like basis in order to evaluate its performance from one year to the next.

The overall eco-production approach allowed the Group to reduce its *per capita* consumption of water by 6.5% in 2010 in relation to 2009 on a like-for-like basis. The Group has not deployed any specific Group action plan in this area in 2010.

Energy consumption

See Reduction of CO₂ emissions, page 64, and Energy savings, page 66.

Raw material consumption

Schneider Electric focuses on making its devices more compact to conserve natural resources so that customers have more environmentally friendly products to choose from. The Group has developed design tools for managing thermal and electrical constraints so that it can optimise the amount of materials required in production. Each device's Product Environmental Profile lists the materials used. To facilitate end-of-life processing, Schneider Electric chooses materials that are easy to recycle and clip-together systems that are easy to disassemble. Life cycle analyses and recyclability assessments also help the Group identify areas for improvement.

Schneider Electric has not had any specific Group action plan in this area in 2010.

Management of waste, emissions and industrial pollution

Waste

Because waste is a major source of pollution but also a potential source of raw materials, waste management is a priority in environmental protection.

Most of the Group's waste is solid waste. Continuous improvement plans have been deployed to manage this waste. This approach fits in fully with the ISO 14001 approach that all Schneider Electric production and logistics sites worldwide are required to follow.

Because classification systems vary widely from country to country, the Group does not consolidate global data by category (hazardous and non-hazardous). Data is processed to ensure local traceability. In France, for example, hazardous industrial waste accounts for around 14% of total waste. All waste is channeled to the appropriate treatment facility.

Schneider Electric notes the quantities of waste produced and recycled on a six monthly basis and monitors this production *per capita*, on a like-for-like basis in order to evaluate its performance from one year to the next.

The overall eco-production approach helped reduce our production of waste by 4.8% *per capita* in 2010 compared with 2009 on a comparable basis and to increase the proportion of waste recycled from 80% in 2009 to 84% in 2010 on a comparable basis. The Group has not deployed any specific Group action plan in this area in 2010.

Conditions of use and soil contamination

Virtually all Schneider Electric sites are located in urban or industrial areas and do not affect any notable biotopes. None of the Group's businesses involve extraction or land farming.

No substances are purposely released into the soil in the course of site operation. Workshop flooring is specially treated to prevent any leakage. Hazardous substances are systematically stored and handled in areas equipped with retention tanks. Retention systems are designed to compensate in the event of malfunctions or emergencies, such as fires.

In 2010 Schneider Electric conducted its annual review of pollution risks at all manufacturing sites as part of ISO 14001 tracking. No major incident was reported in 2010.

Discharge into the water and air

Because Schneider Electric is mainly an assembler, its discharge into the air and water is very limited. Mechanical component production workshops are carefully monitored, in keeping with their ISO 14001 certification. Their releases are tracked locally as required by current legislation. No major spills or discharges were reported in 2010.

Noise and odors

All Schneider Electric sites comply with noise and odor limits.

Environmental risk management and prevention

The ISO 14001 environmental management system covers management of environmental risks. No Schneider Electric sites are Seveso classified. Aside from the voluntary prevention measures discussed above for sites with a soil contamination history, no amounts have been paid out in connection with a legal ruling.

All of the Group's industrial sites, which are ISO 14001 certified, have procedures in place to prevent emergencies and respond effectively if necessary. Preventive and corrective action plans are based on an analysis of non-standard situations and their potential impact. This analysis draws in part on hazard reviews for classified installations.

In France, for example, certain sites that handle large amounts of chemical compounds, such as Le Vaudreuil, MGA and 38TEC, are equipped with balloon-type containment systems to avoid any pollution through the water network. Others, located next to a river, have floating beams.

Drills are held regularly throughout the year to ensure that supporting procedures are ready and effective.

A national organisation has been set up to track sensitive sites. Their managers systematically receive training in environmental crisis management. Directives, procedures and national guidelines concerning environmental crisis management, historical and current operations management, pollution risk prevention and other topics are available on the intranet. Internal audits verify that these procedures are applied correctly.



> 5. Committed to and on behalf of employees

1 Overview

Challenges and Commitments

Schneider Electric's people are critical to its success. The Group motivates its employees and promotes involvement by making the most of diversity, supporting professional development, and ensuring safe, healthy working conditions.

Schneider Electric's HR policy is founded on a strong sense of commitment and shared services:

- all of the Group entities participate in the drawing up of HR policies and in their application. This guarantees coherence and facilitates consideration for local economic, legislative and cultural realities;
- all employees are treated equally, notably with regard to job vacancies, mobility, training, remuneration, safety and healthcare;
- particular emphasis is placed on communicating the Group's broad strategic plans to the employees in order to enhance individual participation;
- training is also a priority so that employees have the opportunity to adapt to developments within the Company.

A key part of the Group's overall transformation is the development within the HR department in 2010. To ensure flexibility and accompany the changing requirements of the Group's activity (growth, acquisitions, restructuring, etc.), the HR division was

reorganised in 2009 into three broad categories: HR Business Partner, HR Solutions and HR Operations (see page 73 Organisation).

These three units are linked to the centralised information system, Bridge HR, which aligns all of the HR processes worldwide and provides a global database for shared talent management. Bridge HR was rolled out for the Group's white collar employees in 2010. All Group employees are to be covered by the end of 2011.

Schneider Electric encourages each employee to actively manage their own career in collaboration with their line manager, their HR manager and using the tools provided on the Group's intranet. This allows each employee to play a key role in their own performance and in their advancement.

One of the HR Department's goals is to promote efficiency and productivity (over 20% of productivity between 2008 and 2010): this involves reducing costs while providing efficient services and meeting the needs of the employees and their managers.

Objectives and Results 2010

Three priority objectives were set in the **Planet and Society Barometer** for the duration of the One program (2009-2011):

Objectives for Year-End-2011	2010	2009	2008
1. 10% annual decrease in the frequency rate of occupational accidents	-44% ▲	-32%	-
2. 14 points increase in the company's employee recommendation score	+16 ▲	0	-
3. 2,000 employees trained on energy management solutions	239 ▲	40*	0

* In the previous Annual Report, the indicator measured the people having attended energy management solution courses (2,655 at the end of 2009). Since the beginning of 2010, only the people having completed the entire educational course officially recognised by a certification are recorded by the indicator.

The 2008 performance serves as a starting value for the Planet & Society Barometer One Program between 2009 and 2011.

▲ 2010 Audited Indicators

Please refer to pages 88 to 90 for the methodological presentation of indicators and the following pages for the analysis of the results (pages 74 for indicator 1, 75 for indicator 2 and 76 for indicator 3).

End 2010:

- Schneider Electric reduces by 44% the rate of work accidents, compared with end-2009;
- the recommendation score given to the Company by employees rises by 16 points, compared with the starting score;

- the Group trains 239 experts in energy management.

The analysis of results is presented in the sub-chapters "Safety and health of employees", "Employee commitments" and "Talent development and training", below.

Organisation

Over the last two years, the HR department has been operating on the basis of three essential concepts:

- HR Business Partner assists managers on a day-to-day basis in setting out their business strategies and in assessing the human resource requirements needed to meet their business targets. HR Business Partner also plays a pivotal role in anticipating skill requirements and employee development, and in the management of employee relations;
- HR Solutions creates and develops comprehensive solutions to the organisation's strategic challenges in key areas, such as compensation, benefits, human capital development, training and performance management. Regional teams are leveraged to effectively shadow the Group's globalised operations;
- HR Operations handles the logistics and administrative responsibilities relating to payroll, sourcing, mobility and training programs, mainly through shared service centers designed to optimise efficiency and costs.

In 2010, HR services were further enhanced, as follows:

- further improvements and quality enhancement in the services available to managers and employees: better advice, clearer processes, more rapid response times (including for blue collar workers based at the industrial plants). The HR Operations shared service centers were further extended – 30,000 employees were served in 2009, 70,000 in 2010.

These improvements had a direct impact on the employees' quality of work and job satisfaction. The *PeopleLink* desk service and call center concept gives employees direct contact with the HR department for all questions. The platform exists in the US, Mexico, Canada, the U.K. and France. It will be rolled out to the Philippines and Poland in 2011 with the goal of reaching 100,000 employees. The overall aim is for a comprehensive service in terms of wages, administration, recruitment, IT, training, call center, etc. The employee approval rating of these call centers is already over 80%;

- the HR division was also reorganised to take account of geographical changes within the Group. In 2010, over 45% of HR staff was located in new economies and so supporting talent in these areas was a real priority. Such diversity is now evident

at all levels of the HR division: 50% of the HR Solutions and HR Operations managers now come from new economies and talent management incorporates the entire geographic scope of the Group's Businesses.

This extended organisation was accompanied by the standardisation of HR processes for sourcing talent, and for recruitment, mobility and training within all countries in order to give employees equal opportunity and equal access to HR services.

- Recruitment capacity was an objective of the businesses in order to underpin growth. The forecasts were well below the real requirement notably in new economies. In 2010, HR Operations in China externally recruited over 1,700 white collar employees while in India it recruited over 1,000. The work in China to attract talent and recognition on the market and in universities brought Schneider Electric from 41st to 36th place among the most attractive companies to work for in the country (Universum survey). This was further amplified in Europe and the US where growth was not as strong but was more selective, notably among those universities that are considered most appropriate to the Group's future expertise needs;
- a Strategic Workforce Planning division is currently being set up to better define the skills required by the Group over the medium and long term. Schneider Electric has been working on this concept for nearly 10 years, notably garnering knowledge of and codifying those businesses that are essential to its continuity. This division will also assess know-how requirements in the area of Energy Management Solutions, a key factor in more mature countries. A capacity to estimate its expertise requirements over the long term is a very important competitive advantage;
- in order to facilitate employability and career management, mobility has become a very important factor in mature countries such as France. The new HR organisation and HR tools provide good visibility of job vacancies, facilitate individual meetings with real professionals and enable greater equality of opportunity. In France in 2010, there were over 500 successful cases of internal mobility. Through the "TGV employment operation", Schneider Electric was able to present the Group's businesses and vacancies in all regions, at every stage of which key business professionals participated to attract suitable candidates.



2 Employee health and safety

In the area of employee health, Schneider Electric takes reference from the highest level. Its policy is built around the World Health Organisation's definition "Health is a state of complete physical, mental and social wellbeing and not merely the absence of disease or infirmity". The health and safety of its employees and of external collaborators therefore is a concept that Schneider Electric is committed to promoting within the Group. Its goal is to become a model of health and safety in the work place.

The Group's policies and main commitments are defined at global level and are adapted by each Country President to local requirements in order to take account of diverse needs and implement individual resources.

Its goals in this area are as follows:

- promote good physical and mental health throughout the professional career of each employee;
- improve the quality of life in the work place;
- anticipate events that could have an impact on the health of the employees.

In safety, it aims to continue working to ensure the best protection of its employees through the prevention of accident and the detection of risks.

Schneider Electric Approach

Safety

Schneider Electric provides its employees with safety information and tools to ensure a safe, clean and healthy working environment notably through safety training and the implementation of safety practices both at a professional and personal level.

Health

One way that Schneider Electric ensures the best physical and mental health of its employees is through the prevention of illnesses that could hamper their efficiency, creativity and well being. Increasingly ergonomic work stations within its production system, for example, are an ongoing measure to prevent muscular and bone problems. In France, the Group participates in programs to promote the employment and integration of disabled persons.

Emphasis is placed on anticipating professional risks and on integrating preventive measures into company policies and projects to enhance the overall quality of life. For example, the Group already has in place a system for measuring employee satisfaction in which all employees worldwide can participate (its OneVoice survey, see

page 75). In France, measures are in place to assess and prevent working situations that carry psychosocial risks.

Lastly, Schneider Electric has integrated a Health section into its Emergency Plan and Business Continuity Plan in order to ensure the highest degree of responsiveness. It also has a plan in place for the prevention of H1N1 swine flu.

Main Plans of Action 2010

Safety

As part of the Planet & Society Barometer, Schneider Electric set a goal for 2009-2011 to reduce the annual rate of accidents in the work place by 10%.

End-2010, the accident rate had fallen by 44% in relation to the average rate in 2009. It currently stands at 2.51 (see page 90).

The number of day's work lost due to accident fell by 25% in 2010 in relation to 2009, while the target had been 10%. In 2009 it had fallen by 32% in relation to 2008.

As part of the *One* program, Schneider Electric set up three regional organisations in 2010 (incorporating North America, EMEAS Europe, Middle East, Africa, South America and Asia Pacific) which will report to the Industrial Operation Department. Their mission is to support the Group's plans in three areas, Safety, Environment and Property. In 2010 the Group focused on building the new organisation in all three regions, on strengthening the management's commitment to safety, on creating teams responsible for coordinating and steering projects and on encouraging more employees to get actively involved in improving overall safety. The organisation also pursued risk assessment, training, internal audits and ongoing deployment at the plants of a security management system based on OHSAS 18001.

In 2011, Schneider Electric will pursue all of the activities that it began in 2010 and will also implement the MIR (Medical Incidence Rate), a work-based program related to long-term treatments. The Group plans to focus on serious injuries in order to identify and prevent the dangers that lead to these injuries and the resulting loss of working days.

Health

Employee health is treated at country level in accordance with local regulations. Schneider Electric has not set out a Group plan in this domain under its *One* program.

3 Employee commitment

Within the Group, Schneider Electric is working to become the “best company” to work for, as rated by its employees, and so every quarter it conducts a survey of employee satisfaction.

Externally, it is looking to establish a strong name as an employer.

Schneider Electric Approach

Internally

Set up in 2009, the One Voice internal satisfaction survey is carried out on a quarterly basis to take the organisation’s pulse worldwide. The survey methodology used is similar to that used to measure the Group’s customer satisfaction.

Specifically, all employees are asked to fill out a short, online questionnaire evaluating their commitment and their willingness to recommend Schneider Electric as a model employer. This process helps the Group identify key avenues for improving major employee commitment factors.

Analysed by country and by unit, the survey results help to steadily improve employees’ commitment to processes and projects, whose proper execution is crucial to both successfully implementing the Group’s strategy and satisfying its customers.

Externally

After launch in 2008 as part of the One program, the drive to deploy a strong employer brand was stepped up in 2009 and 2010. Its objective is to systematically promote Schneider Electric’s Employer Value Proposition through campaigns focusing on such themes as passion, action taking, global mindedness, career development, efficiency, and sustainable development.

Multiple partnerships have been set up with the world’s largest universities, including Moscow Power Engineering University, Cairo University, INSEAD, HEC, ParisTech, Supelec, BMS College of Engineering (Bangalore), South China University of Technology, University of Toronto and Virginia Tech. In 2010, other major universities were identified to better reflect the Group’s geographical footprint and the new skills that it needs to develop in the area of energy management. Partnerships with prestigious laboratories such as MIT were signed.

As part of the project to centralise the Group’s existing websites, a dedicated job opportunities section has been created to more effectively attract all categories of potential candidates. Particular emphasis is placed on the Group’s specialisation in energy management. Promoting a strong employer brand in this way has helped to position Schneider Electric as a globally recognised benchmark employer, capable of both attracting the best talent and mobilising all employees around a set of shared values that are aligned with the Group’s strategic development.

Main Plans of Action 2010

As part of the Planet & Society Barometer, Schneider Electric set a goal in 2009-2011 to increase the employee company recommendation rating by 14 points.

At the end of 2010, the employee engagement score was 16 points above the score recorded when the indicator was first launched. The score increased steadily throughout the year. The results are published and commented on each quarter and are communicated within the entities. Targeted action plans are implemented to work on areas that require improvement.

In 2010, 65,382 employees (54%) participated in the *One Voice* survey. This reflects a very high level of engagement (85% indicated they were willing to give extra effort to help the Company meet its targets).

4 Fostering talent and competence

Schneider Electric’s strategy in this area hinges on the continuous monitoring of a talent pool of thousands of employees worldwide and on identifying new talents, located in particular in new economies.

It no longer merely sells products to its clients but rather markets a comprehensive package of tailored products and solutions that demand ongoing adaptation and skill enhancement. Training therefore is at the heart of Schneider Electric’s HR policy.

Schneider Electric Approach

Fostering talent

The Group’s global Talent Acceleration program is designed to increase the Group’s talent pool and develop diversity, in accordance with the *One* program.

In 2009, this program focused primarily on new economies but also on enhancing managerial ability to identify and mentor employees that show exceptional potential.

To this end, performance management tools were deployed at all levels of the Group’s organisation. These include individual skill reviews, annual performance appraisals, mid-year reviews to assess progress and adjust targets, and “people reviews”. All of these resources help the Group continuously monitor and accurately evaluate individual as well as collective performance, and identify strong potential.

The use of these tools has made for more objective and individualised decision-making in the area of career management, remuneration and recognition. In 2009, a group-wide mentoring program was set up to facilitate employees’ professional and personal development, expose them to real-life management situations, promote a learning culture in the work place and encourage experience sharing.



Training

2009 saw the implementation of the Group's 3E program to foster optimal skills development. It involves relevant work experience (Experience), managerial coaching and feedback structures (Exposure) and appropriate training investment (Education).

The Group's aim is to give all employees the opportunity to draw up a personalised skills and career development plan in collaboration with their managers.

Schneider Electric offers its employees up-to-date training facilities: leadership programs at Schneider Electric University and through partnerships with prestigious universities and schools, including Harvard Business School, France's HEC, etc. Employees also have access to training in specific skill-sets through courses offered by the Group's global skill centers (marketing and sales, human resources, finance, industrial operations, logistics, energy solutions and management) as well as other general training courses.

All of this training is offered through a combination of class room and e-learning facilities. All training modules are assessed by the participants on the quality of the content, the teachers, the format and related logistics.

Six group campuses worldwide are dedicated to employee training: the US (Chicago and Boston), France (Rueil-Malmaison and Grenoble), China (Beijing), India (Bangalore).

As part of the One Team initiative, customised e-learning modules were launched in 2009 to provide employees and managers with training-on-demand for such strategic topics as energy efficiency,

the Group's values, gender diversity, health and safety, talent management and more. With one such module, the Group was able to develop the energy efficiency knowledge of 10,000 employees. Unique to the organisation, these modules represent a strong addition to an e-learning offering of more than 100 courses, all of which are adapted to the Group's specific needs.

In 2010 over 55,000 employees consulted these e-learning modules.

Main Plans of Action 2010

As part of the Planet & Society Barometer, Schneider Electric set a target for 2009-2011 to train 2,000 employees in energy management solutions.

At the end of 2010, 239 employees had received certification of training in energy management solutions.

Training developments in 2010:

- a training course in leadership skills (*One leadership*) was rolled out group-wide involving several skill enhancement modules. By the end of 2010, over 3,000 managers from all countries had participated;
- all of the main training programs include an efficiency rating module for the participants;
- all of the training provided as part of the Schneider Electric University was assembled under a single Group intranet portal accessible to all employees.

5 Diversity

Diversity drives performance at Schneider Electric. By promoting the integration of new talent and a wide range of skills, diversity represents a source of innovation, performance and competitiveness. Over and above this observation, Schneider Electric intends to move beyond its simple promotion to take a pragmatic approach to the management of diversity day by day.

In its diversity policy, Schneider Electric lays particular emphasis on equal employment opportunity for men and women as the best means to develop the values and skills required to meet the economic and societal challenges of the 21st Century. Schneider Electric shares the conviction that gender differences in the workplace (leadership style and personality amongst others) complement each other, foster innovation and provide a wealth of benefits to our customers.

Diversity and equal employment opportunity are enshrined in the Company's *One* program, with two primary objectives:

- strengthen the role of managers in rolling out the Group's gender diversity strategy;

- consolidate the place of equal employment opportunity in HR management practices.

From an operational point of view, the strategy consists of:

- substantially increasing the recruitment of women;
- ensuring equal access to training and developing the conditions for genuine diversity in the workplace;
- curtailing average wage differentials by allocating a specific annual budget;
- promoting women in positions of key responsibility;
- creating favorable working conditions for both men and women by adopting measures designed to enhance work-life balance.

Schneider Electric Approach

Diversity

Since 2002, diversity has been an integral part of the Group's principles of social responsibility, formalised in 2004 by its signing of the Diversity Charter.

Schneider Electric takes a broad view encompassing all aspects of diversity:

- gender diversity:
 - Equal Employment Opportunity Agreement (since 2004),
 - Equality Label (since 2007 and renewed in 2010),
 - Parenthood Charter (launched in 2008);
- generational diversity:
 - Work-study Agreement,
 - Training Agreement,
 - Agreement on employment of older workers (since 2010);
- diversity of origin (social, cultural, etc.):
 - “*Espoir banlieue*” plan (promotion of employment opportunities for young people from underprivileged areas),
 - partnership with the “*Nos Quartiers ont du Talent*” (Our neighborhoods have talent) association,
 - “100 opportunities – 100 jobs” campaign (see page 87);
- disability:
 - Disability Agreement (eighth agreement signed in 2010).

Several programs have been developed to promote our diversity policy:

- People Review process to detect talent and promote equality and diversity at all levels of the Company, ensuring professional development based on equality for both men and women;
- development of the potential of men and women to grow Schneider Electric's pool of talent throughout the world;
- professional development of all socio-professional groups through providing training leading to diplomas and qualifications for OATAM employee categories (Manual Workers, Administrative Employees, Technicians and Foremen), with a major impact on employee promotion and remuneration, particularly manual workers and assistants;
- working session training for members of the Executive Committee and their management teams.

Equal employment opportunity

Since 2002, equal employment opportunity has been a core principle of responsibility for Schneider Electric. 2004 saw the Group formalise its commitments to equal employment opportunity in a first Company Agreement. In 2007, Schneider Electric was awarded France's Equal Employment Opportunity Label and signed the Parenthood Charter the following year. 2009 saw the global launch by Schneider Electric of an on-line training program dedicated to the promotion of diversity and equal employment opportunity.

The Group has undertaken a number of actions to promote greater gender diversity, including awareness sessions, on-line training, and appropriate recruitment and management policies.

- Gender diversity also forms the core of recruitment and talent management policies at Schneider Electric. Succession planning

for key positions in the Company must include at least one woman. The promotion of women is monitored, as is their participation in leadership development programs.

Disability

Schneider Electric focuses on training and adapting workstations to foster the independence of employees with a disability and to ensure that all are accorded the same opportunities to succeed. Schneider Electric is committed to ensuring maximum independence for employees by adapting the organisation and workstations and providing access to the best technologies available to compensate for their disabilities.

All its teams cooperate to change behavior, improve practices, and involve all personnel in actively providing equal opportunities for the disabled:

- the Recruitment and Mobility unit utilises partner firms and monitors compliance with equal treatment at all stages of the recruitment process;
- the Occupational Health Department is responsible for preventing individual and group disabling situations, retaining disabled employees and disability compensation;
- the Purchasing Department specifies its requirements to temporary employment agencies and ensures compliance with commitments in terms of subcontracting to the protected employment sector.

Schneider Electric subcontracts to the *Établissements et Services d'Aides par le Travail* (ESAT – Assistance through Employment Entities and Services) for industrial work, landscaping services, catering and seminars.

Main action plans for 2010

Diversity

In 2010, the People Review process was rolled out globally using dedicated information systems. 2011 will see this process extended to all Schneider Electric entities, including its latest acquisitions, enabling the Company to use a single process to develop talent and promote mobility and career development throughout the Group.

Particular attention is paid to the number of talented employees in new economies and women.

In 2010 more than 2,200 talented employees were identified across the Group, 30% of these in new economies (12% more than in 2009), and 21% women (10% increase on 2009).

Of the 507 talented employees identified in France in 2010, 422 men and 85 women are being tracked.

803 Schneider Electric employees received training in 2010 as part of our talent development programs; 469 took part in management training and 334 in job-oriented training.

In 2009 and 2010, six members of the Schneider Electric Executive Committee and 68 managers on their teams attended specific Executive Committee training on the subject.





Equal employment opportunity (France)

At end-2010, some 2,800 managers, 550 of these in France, were trained in gender diversity. The testimony we have received, in addition to the facts and figures, support the general focus of these training modules aimed at raising awareness and preventing the risk of discrimination, while informing participants on the positive impact of gender diversity.

The company's Equal Employment Opportunity seal of approval was renewed and Schneider Electric was awarded France's Diversity Award.

Schneider Electric took on the role of sponsor of a women's leadership development program, the EVE program, in partnership with six other major French companies.

Disability (France)

Schneider Electric signed its eighth Group Agreement in January 2010. The three-year Agreement (2010, 2011 and 2012) is managed and promoted globally and throughout the country by a core network with members from inside and outside the Company (Purchasing Department, Employment Management Department, Occupational Health Department, Communication Department, labor – management representatives and specialist agencies). "Disability Officers" are responsible for local deployment.

Schneider Electric recruits through work-study programs for positions that are predominantly technical, and also for service sector positions ranging from the *Certificat d'Aptitude Professionnelle* (skills training certificate) to engineering degree level. The company undertakes to recruit 15 people with disabilities each year on work-study contracts (training and/or strengthening professional standards) and at least five people on open-ended contracts.

In 2010, 13 people with disabilities were recruited on work-study contracts and five on open-ended contracts. In all, employees with disabilities accounted for 6.09% of employment at Schneider Electric in France in 2010, 3.09% of these in indirect employment (subcontracting to the protected sector) and 3.00% in direct employment. The mobilisation of internal actors and the creation of a network of responsible persons for disability, named by large managerial entity, led to an improvement of Group practices; thus, the objective of 6% set by the State was reached in 2010 for the first time in five years.

Schneider Electric was awarded the "private sector" award by the *Association des Paralysés de France* in 2010 for its role as "the private enterprise having created the most jobs for disabled employees".

6 Employee share ownership

Schneider Electric is convinced that employee share ownership is instrumental in strengthening companies' capital (both financial and human), and that employee shareholders are long-term partners.

Schneider Electric Approach

The Group has been building an international employee shareholder base since 1995 that is representative of the Group's diversity. The ultimate aim is for employees to hold roughly 7% of the capital.

Main action plans for 2010

Employee share ownership plan 2010

Schneider Electric has ramped up its in-house communication to employees to ensure that they have a clear understanding of the challenges facing the Company, its policy and its financial results. Against the backdrop of a clearly complex stock market, the "2010 Plan" was very well received, with 17,700 employees in 17 countries subscribing shares for a total of EUR144 million.

The employee shareholding at December 31, 2010 represented:

- 4.11% of Schneider Electric SA's capital and 6.14% of the voting rights;

- over 30,000 employee shareholders, representing more than 28% of employees worldwide.

The 2011 Plan will cover 83,000 employees in 14 countries (Australia, Belgium, Brazil, Canada, China, France, Germany, India, Italy, Mexico, New Zealand, Spain, Singapore and the United States).

Socially responsible investment fund

In November 2009, Schneider Electric created the *Fonds Schneider énergie FCPE* (corporate mutual fund). A number of information sessions were held on this special purpose fund providing the opportunity for employees to share in the ideas and actions of Schneider Electric outlined in its BipBop program.

Investment in this fund totaled in excess of EUR2 million as of December 31, 2010, thus enabling 1,500 of the Company's employees to take part in social welfare projects in France and abroad developed as part of the BipBop program.

Reward

Schneider Electric was recognised among France's CAC 40 companies with the 2009 special "communicating with employee shareholders" award by the French Federation of Employee Share Owners (FAS). This distinction is a tribute to the close, long-standing relationship established with employee shareholders over the years through regular, informative communication initiatives both in France and abroad.

7 Social dialogue and relations

Schneider Electric management and employee representatives agree on the place and importance of labor-management relations in Europe.

Schneider Electric approach

European Committee

Schneider Electric's European Committee was formed in January 1998 as a genuine forum for exchange and discussion. Its mission is to serve as a vehicle to inform employees, exchange views and promote labor – management dialog on economic, financial and social issues, which by virtue of their importance, global nature and impact across national borders, merit examination at this level to anticipate change.

The company's European Committee is also tasked with encouraging sharing of experience between employees working in different Schneider Electric subsidiaries in Europe.

There are currently 35 full members on the Committee and mandates have been renewed for a further four-year period.

Group Works Council, France

The Schneider Electric Group Works Council is a forum for economic, financial and social dialog between senior management and the representatives of employees of the French subsidiaries. Formed for a period of three years, the Group Works Council, France currently has 30 full members.

A five-day training session is provided for all new members at the beginning of their term of office covering a range of issues, such as strategy, finance and sustainable development.

To ensure personnel representatives fully understand the reality of the Group's operations, management organises two subsidiary and facilities tours annually.

Main action plans for 2010

European Committee

In 2010, the European Committee met five times: four restricted Committee meetings and one plenary meeting.

In view of the arrival of personnel from the Areva Distribution Division and upcoming legislative changes covering European Works Councils, the agreement will be amended during the first six months of 2011.

To ensure continuity of the labor – management discussions while preparing for the integration of Areva Distribution personnel a "temporary European dialog body" was formed with three members of the European Works Councils at Areva, Alstom and Schneider Electric. This body met four times in 2010.

European negotiation

The European Metalworkers' Federation (EFM), Alstom and Schneider Electric signed a European agreement on July 5, 2010 concerning the social undertakings of both industrial groups in the context of the joint acquisition of Areva T&D.

The agreement covers the substantial commitments made for the integration of Areva T&D employees by both Alstom and Schneider Electric, to ensure them of a future career and the best prospects to further their skills in the long term. During the Areva European Works Council meeting of December 17, 2009, Patrick Kron, Chairman and CEO of Alstom, and Jean-Pascal Tricoire, Chairman of the Board at Schneider Electric, confirmed their joint intention with respect to employment and training management and promoting good labor-management relations.

The three signatories agreed to meet once a year to monitor this agreement at the European level. Furthermore, the terms of its implementation will be closely monitored in the European Works Councils of both the Alstom and Schneider Electric groups, in addition to country-by-country monitoring in their respective employee bodies.

Group Works Council, France

Following two meetings with all French trade union organisations, the Council's mandates were renewed in September 2010.

Annual visits by the Group Works Council included the Electropole R&D Center at Eybens and the EMT plant at Fontanil in December 2010.



> 6. Schneider Electric, a responsible corporate citizen

Schneider Electric has consistently been committed to playing an active role in the economic development of the communities in which it has a presence. This is reflected in the substantial involvement of the Group and its employees in supporting communities, particularly

by helping people to enter the workforce, and through its access to energy program.

1 The BipBop energy access program

Schneider Electric Approach

Stakes

In today's world, 1.4 billion* people, approximately 300 million households, do not have access to electricity; 585 million of these live in Sub-Saharan Africa, 404 million in India, 100 million in Indonesia and in Bangladesh.

In general, these disadvantaged populations live on less than US\$2 per day.

While their families' energy costs may run to more than US\$15 a month. Improved access to energy not only improves quality of life, but also facilitates access to healthcare, education and development for those who need it most.

Through its energy access "BipBop" program created in 2008, Schneider Electric wants to play a major role in helping people at the base of the Pyramid to gain access to electricity.

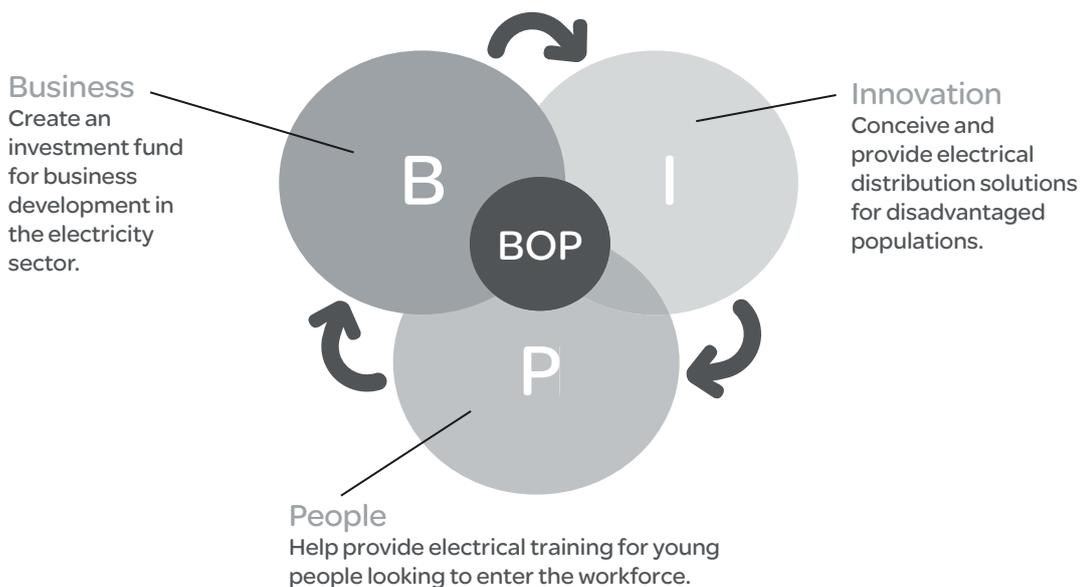
Ambition

Through its investments in disadvantaged communities or stakeholders, the Group is committed to three specific areas:

- **Business (Investment)** – manage an investment fund for business development in the electricity sector;
- **Innovation (Economic and Offers and Models)** – build and deliver electrical distribution solutions for disadvantaged populations;
- **People (Training)** – help provide electrical training for young people looking to enter the workforce. The Schneider Electric Foundation and Schneider Electric's team members support this focus through their collective and individual commitment.

Launched in 2009, the BipBop (Business, Innovation, People at the Base of the Pyramid) in-house energy access program illustrates Schneider Electric's desire to create a virtuous circle combining business, innovation and social responsibility.

The "BipBop" program



* Source: International Energy Agency – World energy poverty 2010.

> WHO IS A PERSON AT THE BASE OF THE PYRAMID?

“Base of the pyramid” is a term widely used today to refer to those with the lowest income either in the world or in a given country. Whether seen in absolute terms (income of less than US\$1.25 per day in “purchasing power parity” terms according to the World Bank) or in relative terms (income of less than 60% of the average income for the European Union), poverty affects people in marginalised situations (infrastructure, isolation, poor access to banking structures, etc.). Specific approaches are required to meet these challenges and to contribute to reducing poverty.

- a Training Programs Director;
- a Coordinator who leads stakeholders both within and outside the program.

The team is actively supported by Schneider Electric’s staff in the field.

Deployment

BipBop operates through its local presence in the countries concerned by the energy access problem to achieve its goals. With a few rare exceptions, all projects initiated benefit from monitoring by employees of Schneider Electric entities operating in the country. These employees constitute a network of key contact people for the design, management and monitoring of projects.

Their involvement may be part- or full-time. They contribute their knowledge of the local context (organisation of civil society, local authorities, the private sector) and guarantee that the project is aligned with local needs. Their presence is of crucial importance for the long-term oversight of projects in which Schneider Electric is involved.

The main areas targeted by BipBop are India, China, South Asia, Sub-Saharan Africa and South America.



Organisation

Management

The program is managed by the Sustainable Development Office. The BipBop program management team has been strengthened in 2010 in line with the ambitious objectives set for it in the One program. The team is now spread equally between France and India:

- a BipBop solutions Business Development Director;
- an Offer Creation Director based in Bangalore (India);
- a Welfare Investment Director, who manages the *Schneider Electric Energy Access* social welfare fund;

Two high-priority social performance community-oriented objectives were established in the Planet & Society Barometer for the duration of the One program (2009-2011):

Objectives for Year-End-2011	2010	2009	2008
1. 10,000 young people at the Base of the Pyramid trained in the energy management professions	4,742	2,150	0
2. 500 new entrepreneurs at the Base of the Pyramid set up their activities in the energy management field	209	125	0

The 2008 performance serves as a starting value for the Planet & Society Barometer within the One Program between 2009 and 2011. A third indicator of the Planet & Society barometer is monitored in the BipBop program: “1,000,000 households at the Base of the Pyramid have access to energy thanks to Schneider Electric solutions”. However, this indicator, although having a certain societal impact, follows a market approach, unlike the two other BipBop indicators, which have a philanthropic purpose. It is therefore presented in the chapter regarding economic performance on page 54. Please refer to pages 88 to 90 for the methodological presentation of indicators, and the following pages for the analysis of the results (pages 83 for indicator 1 and 87 for indicator 2).

Sustainable investment (Business)

In July 2009, Schneider Electric announced the creation of a global sustainable venture capital fund called Schneider Electric Energy Access (SEEA), with an initial capital of EUR3 million.

As of December 31, 2010, the following amounts were managed by the fund:

- EUR3,000,000 in capital invested by Schneider Electric;
- EUR500,000 in capital invested by *Schneider Energie Sicav Solidaire*, a sustainable mutual fund.

Schneider Energie Sicav Solidaire encompasses SEISAS, la *Caisse des Dépôts et Consignations* and the *Schneider Energie* corporate mutual fund. 1,500 Group employees evinced an interest in the BipBop project by investing a little in excess of EUR2 million.

Approach

Created with the support of the *Crédit Coopératif*, the fund’s mission is to support the development of entrepreneurial initiatives worldwide that will help the poorest among us obtain access to energy. It will invest in specific projects:

- help jobless individuals create businesses in electricity;
- promote the development of businesses that provide access to energy in rural or suburban areas in developing countries;
- support the deployment of innovative energy access solutions that use renewable energies for people at the Base of the Pyramid.



The SEEA fund brings together different stakeholders by encouraging Schneider Electric's employees and business partners around the world to play an active role in this commitment. This socially responsible fund structure, designed by Schneider Electric to promote responsible development, constitutes an original and innovative response to the new French legislation on employee savings schemes: a new societal commitment shared by the entire corporate community (see page 78 – Employee share ownership). In 2010, 1,500 employees of the France Group showed their interest in the Bipbop program, by investing a little over EUR2 million.

The aim of the SEEA fund is to promote development while protecting the assets under management. Accordingly, it has adopted strict management rules, such as:

- always invest in partnerships with recognised players;
- never take a majority shareholding;
- always ensure sustained company support (help develop a business plan, technical advice, etc.) to deliver the optimum social efficacy while minimising risk.

> **SEEA FUND INVESTMENT POLICY**

	International projects	France projects
Sectoral specialization	<ul style="list-style-type: none"> • Access to energy sector • Sector of micro finance institutions funding the abovementioned sector • Social impact of businesses funded 	<ul style="list-style-type: none"> • Job creation through electrical profession
Geographical targets	<ul style="list-style-type: none"> • Asia and Africa priority 	
Methodological rules	<ul style="list-style-type: none"> • Always through joint investment • Minority participation only • Always provide technical and management support 	<ul style="list-style-type: none"> • Always through joint investment • Minority participation only • Always provide technical and management support
Investment type	<ul style="list-style-type: none"> • Own funds • Ticket size: 100 to 400 thousand euros • Investment period: 5 to 7 years 	<ul style="list-style-type: none"> • Own funds • Ticket size: 200 to 1000 thousand euros • Investment period: 3 to 5 years

Main action plans in 2010

Investments in France

La Foncière Chenelêt is a Chenelêt Group employment opportunity company formed to counter energy precariousness by creating energy-efficient social housing. Moreover, construction sites bring together employment opportunity companies and conventional firms to promote rehiring of the unemployed.

The SIDI (International Solidarity for Development and Investment) is an investment fund that assigns priority to the impact on development relative to return. The fund is an important partner of SEEA and is particularly active in the microfinance sector.

Solasyst is a company of "La Varappe" employment opportunity group based in Aubagne, France. The company specialises in renewable energy solutions and has developed specific skills in integrated solar panel installation. Backed by SEEA's investment, Solasyst will open two new branches in the south of France.

Partnership with the ADIE

Schneider Electric set up a project two years ago in partnership with the *Association pour le Droit à l'Initiative Économique* (ADIE)

to help entrepreneurs start electricity-related businesses. The goal is three-fold:

- help individuals who have in some cases been out of the workforce for several years create their own jobs in a promising industry;
- contribute to the local economy;
- promote the electrical profession.

The project targets entrepreneurs who do not have access to bank loans, notably the unemployed and low-income individuals. Schneider Electric and *Schneider Initiatives Emploi*, an association that nurtures spin-offs, finance part of the microloans granted to electrical businesses through ADIE. Schneider Electric's French sales division has also created a pact with dedicated technical training resources combined with support from a local sales representative to help these entrepreneurs.

109 businesses received support in 2010.

Investments internationally

No transactions were concluded as part of the SEEA international portfolio in 2010; however the fund formed relationships with a number of companies through its partners. These relationships led to the acquisition of minority interests in a Senegalese company involved in the distribution of photovoltaic solar panels in rural areas (Kayer SARL, agreement signed on February 8, 2011).

Offers and economic models for the base of the pyramid (Innovation)

Innovation is reflected in the design and deployment of electricity distribution solutions for disadvantaged groups.

Approach

Innovation for Schneider Electric starts with the local needs and the socio-economic context of those with little or no access to electricity. With this in mind, the chief aims of its offers and economic models are to:

- meet the energy needs of residents to support sustainable economic and social activity;
- include and involve local populations in projects to guarantee their sustainability in the long term.

Schneider Electric sets out to provide comprehensive energy access solutions that support revenue-generating entrepreneurial activities, foster community services or meet domestic needs. Products and solutions are developed to meet a range of both individual and community needs across the energy chain, from lighting systems and battery charging stations to decentralised small power plants and water pumping systems.

Main achievements in 2010

Electrification of villages in Tanzania, Cambodia and Vietnam

After Madagascar in 2009, three similar projects were successfully initiated in 2010.

The first two, in Tanzania and Cambodia, are exact replicas of the system installed in Madagascar. They were established in partnership with training institutes invested in by Schneider Electric to provide electrical skills training in disadvantaged population groups.

In Vietnam, a decentralised, hybrid micro-grid brought electricity to Village 61. 35 households (151 inhabitants) and a border post benefit from this installation.

Launch of a collaborative project

The MiCST project consists of designing and manufacturing an innovative solar plant using sunlight to heat a thermal energy supply powering a thermodynamic machine coupled with a 10-kW alternator. The solution will be designed to supply off-grid areas. MiCST is aimed in particular at developing countries with strong sunlight. Simple to install and maintain, it can be easily adopted by local populations. A major technical and technological challenge, it will take high-strength, low-cost and eco-design criteria into consideration.

The project extends over 42 months and coordinates the expertise of 12 industrial and research partners. It is supported by the French Environment and Energy Management Agency (ADEME).

Low-consumption lighting system

In a program to extend access to energy, lighting is one of the first vital needs expressed by population groups denied access or reliable access to electricity. Lighting makes it possible to study after the sun has gone down and to extend entrepreneurial activities into the evening. Schneider Electric developed In-Diya, an innovative and very low-cost domestic lighting system. With two types of lamp made up of 90 or 45 low-consumption LEDs (4.5W for 90 LED) that can be

connected to a battery, which is in turn connected to a photovoltaic panel for charging.

This new system is now available practically everywhere in the world. Partnerships have been set up with local institutions and organisations to optimise deployment of the product and to target the poorest communities.

The lamps are sold through our distribution networks, subsidiaries, a number of NGOs and businesses in the sector developing access to electricity.

Training (People)

Approach

The key challenge of training in the electrical sector is to provide those at the "base of the pyramid" with the skills and know-how to be able to sell and maintain energy access services and, in time, to set up their own businesses. Without local skills there can be no sustainable development.

Schneider Electric's strategy for the training of disadvantaged groups at the base of the pyramid includes three key priorities:

- relatively short, undemanding and widely accessible basic training;
- training leading to qualifications in partnership with local Ministries of Education;
- training for trainers to support effective and quality roll-out of training down the line.

Training is funded by the Schneider Electric Foundation and is always deployed in partnership with local and national or international organisations (NGOs, government, etc.).

Main action plans in 2010

2010 saw the acceleration of our training drive by intensifying existing projects, including headline projects in India, Brazil and Lebanon, and the launch of new initiatives in Burkina Faso (working in partnership with the city of Grenoble), Cameroon, India (in coordination with Degrémont), Kazakhstan and South Africa (in partnership with the French Ministry of Education (MEN)). The Group was also played an active role in relief efforts in Haiti and Chili, following the earthquakes. Projects seek to help reconstruction through professional training in electrical professions. They are supported by the Schneider Electric Foundation.

Launch of the training initiative in Haiti

In the context of the post-emergency situation in Haiti after the earthquake that struck the country in January 2010, Schneider Electric signed an agreement to support professional training in the Haitian construction sector. The agreement was signed on 1 July 2010 with the French Ministry of Education, the Haitian Department of Education, the training NGO, Aide et Action, and the private University of Quisqueya.

The agreement provides for the founding of three Centers of Training Excellence and an Educational Reference Center to provide training for jobs in the electricity, wood, construction and public works sectors. The program will train more than 2,000 young people in two years, as well as Haitian teachers. For its contribution to energy management training, Schneider Electric undertakes to supply electricity to training labs, contribute to fitting out 20 satellite centers and an additional mobile unit, provide technical support and expertise and to mobilise its network of technical and financial partners. The company's total contribution amounts to in excess of EUR500,000 over three years.





Partnership with Degrémont (Suez Environnement) for a water management systems training initiative in India

Established with the French Ministry of Education and the University of Mysore in India, the project looks to train students from modest social backgrounds who will go on to manage tomorrow's water treatment plants in India and further afield.

The first step in this partnership is the construction of a new building.

Collaboration, information and rewards

A policy of active communication

In 2010, Schneider Electric ramped up its communication on the program on the Web and through its participation in many events:

- creation of a dedicated Internet address, www.schneider-electric.com/bipbop/fr;
- participation in the Convergences event held on May 25 and 26 in Paris and bringing together social business players from around the world;

- Gold Sponsor of the *Lighting Africa* conference and trade show. Schneider Electric presented the BipBop program to 400 participants from around the globe during the second Lighting Africa event, organised jointly by the World Bank and the International Finance Corporation (IFC) from May 18 to 20, 2010 in Nairobi (Kenya);
- creation of an interactive map to access all projects supported as part of BipBop, accessible from the dedicated Internet address and the Group's Intranet;
- development of a *Facebook* site and a *Twitter* account.

Commitment to the Social Business Chair at HEC

On December 7, 2010 in Paris, Schneider Electric, committed to supporting the Social Business/Entreprise and Poverty Chair at HEC.

Schneider Electric rewarded by the Observatoire français de l'innovation

Schneider Electric was awarded the Prix de l'innovation citoyenne (socially responsible innovation award) for its In-Diya lighting solution for the poorest communities during the Observatoire's 2010 Trophées du management de l'innovation in Paris on December 16.

2 The Schneider Electric Foundation

Approach

Created in 1998 under the aegis of Fondation de France, the Schneider Electric Foundation is involved in practical and continuous projects that give priority to:

- training and employment opportunities for young people from the BoP trained primarily in the electrical profession.
- support emergency relief efforts after natural disasters.
- raising sustainable development awareness through innovative projects.

With an annual budget of EUR4 million, the Foundation carries out its work through a network of 120 voluntary employees, known as delegates. These volunteers, who are located in more than 50 countries, are responsible for identifying local partnerships, presenting them to employees in their units, and to the Foundation and tracking projects once they are launched. Each project is subject to a review process based on administrative and financial data by the Schneider Electric Foundation and by Fondation de France before funds are released.

A Network of Employees Around the World: The delegates

The Foundation's network structure is an original and very suitable means for engaging local, humane, and lasting sponsorship. It also reinforces the energy of the people involved. In each site, the choice of delegates is made based on recognised and formalised participation via a letter of engagement signed by the head of the site and that of the Foundation for a duration of two years. In 2010, the Foundation had 120 delegates in 75 countries for a mission, which includes:

- selecting an association dedicated to employing young people and supporting this partnership;
- organising local events adapted to the country's culture, to better boost employee morale;
- informing employees of Foundation activities at their site.

Organisation and governance:

The Schneider Electric Foundation **Board of Directors** meets two times per year. It defines and encourages significant strategic directions for the Foundation. It is composed of Schneider Electric managers, employee representatives, and important people from outside of the company.

Requests received, responding to the foundation's criteria, are systematically sent to the delegate of the country concerned for the proposed project. If the project is selected and supported locally, it can then be studied on the corporate level by the **selection committee** if a supplementary budget is necessary.

This committee is composed of three members: the Foundation Managing Director, the Foundation Program Director, and the Access to Energy Program Formation Director. They meet every month.

Field of intervention

To promote the professional integration of young people by training them in energy management professions.

To facilitate the integration and professional training of the most under-privileged young people, the Schneider Electric Foundation

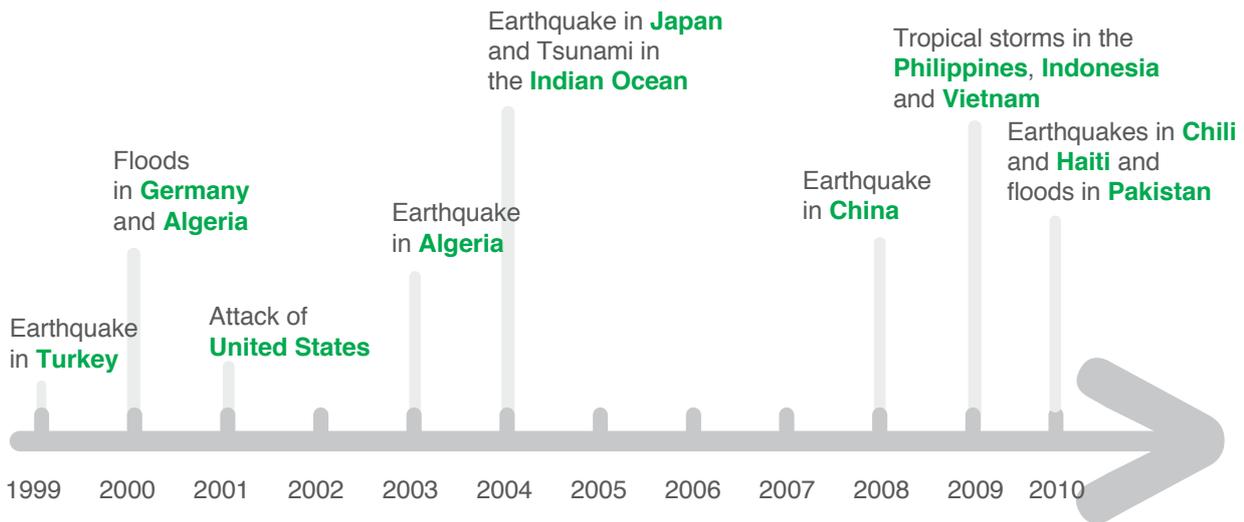
continually encourages and supports national and international integration associations or electrical profession educational organisations. This is supplemented by educational projects in the BipBop Energy Access program, Ensemble, they are monitored and measured on a quarterly basis in the framework of the Planet and Society barometer. One indicator is devoted to education. The objective of this progress plan is to train 10,000 young people in electrical professions – see page 83).

Act as intermediary in emergency relief efforts

Acting as intermediary in rallying its employees, the Schneider Electric Foundation regularly brings its support during natural disasters. The Foundation above all wishes to maintain long term involvement. After a first contribution linked to the emergency, the Rebuilding division summons all of its resources. It focuses on construction projects, rebuilding, and renovating the technical education programs centered on energy management professions.



> HISTORY OF EMERGENCY AID CAMPAIGNS





To support innovative projects that raise awareness regarding sustainable development.

By supporting innovative projects, the Schneider Electric Foundation voluntarily helps raise awareness to different parties participating in the challenges of climate change. The company invests in emblematic and international programs by making its knowledge, notably in energy systems management, available through donations in resources and/or knowledge.

Main achievements in 2010

<p>Training in Energy-Related Professions (see the Access to Energy Program > Education page 83)</p>	<p>Costa Rica: Colegio Tecnico Don Bosco (Don Bosco Technical School) Supporting the implementation of electrical occupational training by equipping laboratories and getting employees involved in various school activities.</p> <p>Egypt: Galal Fahmy Specialised Technical School As part of an agreement with the Egyptian Ministry of National Education, supporting this school's professional training for our profession (several sections: electrical renovation of the laboratory, training teachers, youth program for recent graduates, etc.).</p>
<p>Sending Emergency Relief</p>	<p>Chile: Program Established Following the Earthquake</p> <ul style="list-style-type: none"> • young people from the Professional Training Center CEDUC Lebu, which is supported by the Foundation, supplied electricity to 550 houses; • installation of electricity in elementary schools. <p>Pakistan: Program Established Following the Flood</p> <ul style="list-style-type: none"> • participation in cholera prevention programs; • collection and transportation of 3 tons of necessary raw materials; • identification of two reconstruction/renovation projects for professional training centers (in progress). <p>Haiti: Program Established Following the Earthquake</p> <ul style="list-style-type: none"> • support for two emergency relief programs (Dominican Red Cross and Association Fraternité Universelle); • implementation of a professional training program partnered with the French and Haitian Ministries of Education, the NGO Aide et Action, and the University of Quisqueya with the goal of educating 2,000 young people by the end of 2012.
<p>Supporting Sustainable Development Awareness.</p>	<ul style="list-style-type: none"> • Sponsor of the ICM Brain and Spine Institute; • Pursuing partnership with the International Polar Foundation for the "zero-emission" scientific research station called the Princess Elisabeth Antarctica; • Financing an INES (Institut National de l'Energie Solaire) project for the 2010 <i>Solar Decathlon</i>.

Initiatives in North America

American culture gives a lot of importance to community involvement. Schneider Electric North America has the following commitments:

- One of the Schneider Electric/Square D Foundation's flagship programs is the "matching gift program", through which the Company matches employee donations to the associations of their choice. In 2009, the Company matched 2,578 donations in North America, compared with 2,674 in 2010;

- Pelco by Schneider Electric, the group entity specialised in building security and video surveillance, is developing a program called Pelco Community Partnership Program which encourages employees to get involved and volunteer in selected associations for up to 40 hours per employee per year;
- Every year, APC by Schneider Electric implements a program called Community Impact which gathers employees from the head office and others to support local associations with community service (donating or recycling computer equipment, assisting handicapped people, etc.).

3 Impact on regional development and civil society relations

Wherever it operates, the Group makes a strong commitment to community partners. This is indispensable for a global enterprise that wants to keep in touch with real-life conditions in its local markets. Numerous projects under way and on the drawing board demonstrate Schneider Electric's desire to be engaged, notably in the area of employment, and to contribute fully to local economic development.

Business creation in France – support to create businesses with *Schneider Initiatives Emploi (SIE)*

Approach

For more than 15 years, Schneider Electric has supported employee projects in France to create businesses or buy going concerns through *Schneider Initiatives Emploi (SIE)*, a dedicated structure demonstrating the Group's commitment to its mobility, employment and regional economic development responsibilities.

SIE also illustrates Schneider Electric's efforts to encourage the development of entrepreneurial values within its units.

The association provides confidential support for Schneider Electric employees during all stages of business creation, as well as afterwards, with a follow-up period of three years.

SIE's dedicated team of seasoned managers is responsible for reviewing the financial, legal, technical and commercial aspects of business creation projects to ensure they are viable and sustainable.

SIE is represented directly or indirectly in local business networks. To enhance the quality of services offered, it has teamed up with various local associations involved in job and business creation such as the EGEE, ECTI, Management Boutiques, ALIZE, local Undertake networks and other local associations.

Objectives and results in 2010

More than 900 project sponsors (100 in 2010) were supported across a rich and varied range of professions, including electrician, baker, consultant, graphic designer, asset manager, florist, etc.

Specific support is offered for energy-related projects, which accounted for in excess of 20% of all projects in 2010:

- 85%: after three years, SIE boasts a success rate of 85% for the projects it supports.
- 1,850 jobs were created: as each business created or taken over generates two jobs on average.

Main achievements in 2010

For the past two years, SIE has organised a national competition among project sponsors. In 2010, the judges panel chaired by Emmanuel Babeau, Executive Vice-President Finance and member of the Board of Schneider Electric, awarded eight prizes of EUR500 to EUR6,000.

In 2010, Schneider Electric was selected at the head of the job creation network of French businesses "DIESE" (the association for the development of initiative and entrepreneurship among company employees).

The Group is also an active member of the APCE (Agence pour la création d'entreprises).

Economic development in the overseas territories

Support for the Association pour le Droit à l'Initiative Economique (ADIE – Association for the Right to Economic Initiative) (see the access to energy program, page 82).

Revitalisation of local labor markets in France

Entrepreneurial teams in France are directly involved in local economic development actions by leading and structuring revitalisation initiatives undertaken in the framework of the forward-looking jobs and skills agreement (GAEMC) or revitalisation agreements under the *Plan de sauvegarde de l'emploi (PSE – Plan to save jobs)*.

The Schneider staff's involvement in local economic communities works to optimise the allocation of resources under these agreements where they are needed most.

Seven local labor markets were involved in 2010. Our actions included managing local agreements to generate employment and to contribute to the development of SMEs (small and medium enterprises).

Job creation for youths in difficulties in France

Approach

In each host country, the Group looks for the most effective way to make a difference, from apprenticeships and partnerships with schools and associations to financial support for young students and participation in technical or general training courses (see page 84).

In France, the annual "100 opportunities - 100 jobs" campaign targets low-skilled residents of depressed neighborhood, aged 18 to 30, who are motivated to take part in a job opportunity program.

The objective is to open the door to long-term employment within a period of 36 months by offering personalised skills-qualification paths with the help of 30 companies brought together and led by Schneider Electric.

A positive outcome **target** of 60% has been set, meaning that participants obtain a fixed-term contract of more than six months, an open-ended contract or a skills-qualification training contract.

The French government launched the first "100 opportunities - 100 jobs" campaign in January 2005 in Chalon sur Saône.

Main achievements in 2010

More than 400 participants had obtained a fixed-term contract of more than six months, an open-ended contract or a skills-qualification training contract, i.e. 57% of participants. 200 other youths are supported by the program.

The "100 opportunities - 100 jobs" campaign targeted cities of Aubervilliers, Saint Denis, Chalon sur Saône, Grenoble, Chambéry, Dieppe, Lyon, Nice and Rouen.



> 7. Methodology and audit of indicators

1 Methodology elements on the published indicators

In the absence of any recognised and meaningful benchmark for companies involved in manufacturing and assembling electronic components, Schneider Electric has drawn up a frame of reference with reporting methods for the Planet & Society Barometer's indicators and for Human Resources, safety and environment data.

This referential includes the boundaries, the collection and consolidation procedures and the definitions of this information. As it is engaged in a process of constant improvement, Schneider Electric is gradually supplementing this work to adapt its referential of sustainable development indicators to changes in the Group. This document is regularly updated and additional information can be consulted on www.barometer.schneider-electric.com.

In keeping with its commitment to continuous improvement, Schneider Electric asked Ernst & Young to conduct a review in order to obtain a moderate level of assurance for certain human resources, safety and environment indicators. The audit work is entered along with that conducted since 2006 and was broadened to a larger number of key performance indicators from the Planet & Society Barometer (See Auditor's report page 95).

Human Resources, safety and environment indicators

Collection and consolidation

The Human Resources and safety data comes from several dedicated reporting tools, available on the Group's Intranet, including the *One* reporting tool for the Human Resources and safety data. Its consolidation is placed respectively under the Global Human Resources Division and the Group's Industrial Operations Division. Data reliability checks are conducted at the time of consolidation (review of variations, inter-sites comparison).

Workforce data (concerning the breakdown by gender and category, age, seniority, function and type of contract), sites declaring employee representation, the number of collective agreements and training programs cover 80% of the total workforce.

This data is consolidated over all fully integrated companies within the scope of financial consolidation, when the Group has more than a 50% stake in the subsidiary.

Units that belong to Group companies which are fully consolidated are included on a 100% basis into the reporting of this data. Units belonging to proportionally consolidated companies are also fully integrated. Companies accounted for by the equity method are not included in the reporting.

Workforce data concerning the breakdown by gender, gender and category, age, seniority, function and type of contract cover 80% of the total workforce.

All the ISO 14001 certified entities must report the environment data. All production and supply chain sites with 50 or more employees must obtain ISO 14001 certification before the end of the third full calendar year of operation or membership in the Group. Administrative, R&D and sales sites with 300 employees or more must obtain ISO 14001 certification by the end of 2011. Other sites may seek certification and/or report on a voluntary basis.

Indicators from the Planet & Society barometer

The following Human Resources, safety and environment data is used by indicators from the Planet & Society Barometer and verified by Ernst & Young: total staff, average number of staff present on the production sites, accident frequency rate, energy use, equivalent CO₂ emissions, percentage of sites ISO 14001 certified.

Other data is used and consolidated under departments directly concerned by the indicators (Human Resources, environment, the Foundation, etc) and each represented by a driver.

The global performance of the Planet & Society Barometer is calculated by the Group's Sustainable Development Department. The indicators from the Planet & Society Barometer have a Group scope with specific levels of coverage per indicator.

30,000 T annual reduction of our CO₂ equivalent emissions

This indicator includes:

- direct greenhouse gas emissions, i.e. emissions of SF₆ in the industrial sites concerned;
- indirect emissions associated with energy use of industrial and logistics sites and a part of the most significant tertiary sites (electricity, gas, fuel, diesel, urban heating);
- indirect emissions, related to long distance freight.

The emissions associated with these activities are converted into CO₂:

- in the ratio of 23,900kg of CO₂ for 1kg of SF₆ used by the International Energy Agency (IAE);
- in energy to CO₂ ratios of the IEA. Figures are taken for the One program period (2009-2011). These conversion factors can be global (gas, fuel, diesel) or national (electricity, urban heating).

In 2010, this scope was extended:

- the number of sites reporting their energy use increased from 244 sites in 2009 to 251 in 2010;
- air and sea flows tracked cover 76% of all air and sea flows from the Group, as opposed to around 40% previously.

These changes will take effect to compare the emissions of 2011 with those of 2010.

The indicator compares the equivalent CO₂ volume released in year n with the equivalent CO₂ volume that the Group would have released on a comparable basis without making any effort to cut its emissions. For instance, the effort made to make the industrial processes safe that use SF₆ enabled the leakage rates of SF₆ to be cut in year n compared with year n-1; without this effort, it is considered that the leakage rates would have been equivalent in year n and in year n-1.

Each of the three indicator components above were audited by Ernst & Young. The indicator was not audited because the comparison of energy use over two years, to calculate a cut in emissions, requires temperature variations to be neutralised on a comparable basis, which we are not yet in a position to calculate precisely: an action plan to do so is currently being prepared for 2011.

2/3 of our products revenues achieved with Green Premium products

A *Green Premium* product is defined by the following four criteria:

- an Environmental Product Profile available online;
- an end-of-life instruction manual available online;
- the list of substances of concern according to the European Directive REACH available online;
- the observance of the content limits imposed for some substances by the RoHS EU Directive.

The indicator measures the share of sales made with a *Green Premium* offer from sales figures for 2008; and sales made by "core" offers from the Group representing around 50% of product sales. The indicator does not measure, therefore, products adapted to local

market requirements and for which the environmental impacts could vary from those of the core range.

This indicator was audited by Ernst & Young.

2/3 of our employees work on ISO 14001 certified sites

ISO 14001 is an international standard certifying the environmental management systems of sites.

The sites purchased in 2010 after the purchase of the Areva Distribution business are not included.

The indicator's denominator recognises those under contract with Schneider Electric (fixed-term and open-ended contracts) and temporary staff (all of the Group employees) and its numerator those under contract with Schneider Electric (fixed-term and open-ended contracts), the temporary staff and subcontractors from the ISO 14001 certified sites. The indicator is thus increased.

This indicator was audited by Ernst & Young.

Exceeding the Group's growth by 7 points per year with our energy efficiency activities

The energy efficiency activities are products, services and solutions sold by the Group contributing to at least one of the four stages of active energy efficiency (measure, optimise, monitor, improve). Their choice in the Group's offer is validated in Executive Committee.

The 2010 exchange rate is applied to sales achieved in 2009 to calculate the growth in sales of the Group and energy efficiency activities untouched by exchange rate effect. This method is also used by Schneider Electric to publish its growth figures. This restatement is achieved each year identically over the entire period of the Company's *One* program (2009-2011).

The turnover achieved by the Areva Distribution business purchased by the Group in 2010 is not included.

Quarterly sales are calculated year to date over the year: the sales from the first quarter of the year are compared with sales from the first quarter of the previous year, then the sales of the first two quarters of the year are compared with the sales of the first two quarters of the previous year, and so on. The sales figures are reset to 0 on January 1.

This indicator was audited by Ernst & Young.

Implement a recovery process for SF₆ gas in 10 countries

SF₆ is one of the six greenhouse gases targeted by the Kyoto Protocol.

A SF₆ recovery process is characterised by:

- the existence of a technical recovery solution and disposal or recycling of SF₆;
- the existence of a commercial recovery offer for equipment containing SF₆ which are at their end-of-life;
- the recovery and processing of equipment.



1,000,000 households at the Base of the Pyramid have access to energy thanks to Schneider Electric solutions

Households at the base of the pyramid taken into account by this indicator are those that have incomes under USD3,000 per annum in purchasing power parity.

The indicator measures the sales of prepayment meters sold by Conlog, a subsidiary of Schneider Electric, to electrical distribution companies in Africa, enabling households to connect to the grid who were not able to do so previously. A drop of 20% to this figure is applied to remove the new connections due to new housing constructions for households not belonging to the base of the pyramid.

60% of our purchases from suppliers who support the Global Compact

The Global Compact is a United Nations initiative aimed at involving businesses in observing the ten universal principles, in the areas of human rights, labor, environment and anti-corruption.

Businesses which support the Global Compact publicly undertake with the United Nations to constantly improve their actions in favor of the ten Principles and to annually communicate the efforts made during the year.

This indicator measures the share of the volume of purchases from suppliers listed by Schneider Electric, along with those who support the Global Compact or equivalent. For electronic businesses, the *Electronic Industry Code of Conduct* (EICC) is considered as equivalent to the Global Compact and is incorporated as such into the indicator. The suppliers listed by Schneider Electric represent x% of total purchases of the Group in 2010.

This indicator was audited by Ernst & Young.

4 major ethical stock indexes select Schneider Electric

The indicator measures the presence of Schneider Electric in the following four ethical stock market indices:

- the Dow Jones Sustainability Index (DJSI) World;
- the Dow Jones Sustainability Index (DJSI) Europe;
- the Advanced Sustainable Performance Index (ASPI) Eurozone;
- the FTSE4Good.

This indicator was audited by Ernst & Young.

10% annual decrease in the frequency rate of occupational accidents

The lost time injury frequency rate corresponds to the number of accidents resulting in more than one day of lost work over a period of twelve months per millions hours worked. All accidents reported on Schneider Electric sites are counted (including therefore accident affecting subcontractors on site and temporary workers).

This indicator was audited by Ernst & Young.

14 points increase in the Company's employee recommendation score

This indicator measures the results of quarterly surveys among a quarter of the Group's partners (those on fixed-term contracts – including work-study participants – and on open-ended contracts). The Partners Recommendation Score (*Employee Net Promoter Score*) is measured with the question "To what extent would you recommend Schneider Electric to your friends as being a business where it is pleasant to work?" Polls are considered as "in favor of", "undecided" or "against", depending on the rating they select on a scale from 0 to 10. The indicator measures the difference between those who are for and those who are against. This methodology is also used for the *Customer Net Promoter Score*.

This indicator was audited by Ernst & Young.

2,000 employees trained on energy management solutions

The indicator counts the employees haven taken one of the internal or external training courses aimed at training specialists in energy management:

- a generalist training on energy efficiency (in-class and *e-learning*). The CEM certification program (Certified Energy Manager) issued by an external certification body is accepted as equivalent and included in the indicator;
- a training path including a general phase on energy efficiency, then a specialisation phase (marketing, sales, customer projects management, etc.) requiring functional skills, a knowledge of solution segments and experience with customers.

In 2009, the indicator counted solely employees taking part in the courses offered.

This indicator was audited by Ernst & Young.

10,000 young people at the Base of the Pyramid trained in the energy management professions

Young people from the base of the pyramid taken into account by this indicator are those that come from a household with an income under USD3,000 per annum in purchasing power parity.

The indicator counts students undergoing training by Schneider Electric (supplying equipment or equipment with added technical and teaching expertise).

A student is only counted once in the indicator.

500 new entrepreneurs from the Base of the Pyramid start their own business in the area of energy management

Entrepreneurs from the base of the pyramid are people with no access to the banking system and traditional credit organisations to finance the creation of their business.

The indicator counts people creating their business in the area of energy management (electricians, small fitters, etc.) who avail themselves of microcredit and support in business creation and management by a specialised association financed by Schneider Electric. Schneider Electric also offers support to its vendors including in particular equipment and technical and marketing support.

An entrepreneur is only counted once in the indicator.

2 Concordance of our indicators with the NRE Act (new economic regulations, France) and the Global Reporting Initiative³

Concordance Table with the NRE Act

The new economic regulations act (Article 116) requires French listed companies to give an account of the social and environmental

management of their business in their annual report. The table below indicates the numbers of the pages in this report in which the various indicators are mentioned.

Article 148-2 of the implementing order	Social information	Pages
1.1.a	Total staff, fixed-term/open-ended contracts, recruitment, layoffs and grounds, overtime, labor from outside the Company	99
1.1.b	Cutting staff and job saving, regarding reorientation efforts, re-employment and supporting measures	87
1.2	Work schedule, total hours for full-time and part-time employees, absenteeism and grounds	1999 Agreements
1.3	Remuneration and development, social charges, application of the provisions of Title IV of Book IV of the French Labor Code, gender equality	77-78, 121-129
1.4	Professional relations and statement of collective agreements	102
1.5	Health and safety conditions	74, 102
1.6	Training	76, 102
1.7	Employment and integration of disabled persons	78
1.8	Social works	80-87, 104
1.9	Size of subcontracting	59, 77, 99

Article 148-3 of the implementing order	Environmental information	Pages
2.1	Water, raw materials and energy use. Steps taken to improve energy efficiency, use of renewable energy, conditions of land use, airborne, water borne and soil borne releases, noise, odor and waste pollution	62-71, 97-98
2.2	Steps taken to restrict harm to biological balance, to natural environments, to protected animal and plant species	71
2.3	Evaluation approaches or company environment certification	39, 62-71, 97
2.4	Steps taken to ensure the Company business conforms to the applicable laws and regulations	39, 62-71, 97
2.5	Expenses incurred to prevent the consequences of the Company business on the environment	62, 66
2.6	Internal department for environment management, training and informing employees about them, the resources devoted to environment risk reduction, organisation and set up to contend with accidental pollution with an impact beyond the sites	62-71
2.7	Amount of provisions and cover for environmental risks except if this is likely to cause serious harm to the Company in a pending litigation	39
2.8	Amount of compensation paid out during the financial year implementing an environmental court decision and cases brought for damages caused to the environment	42
2.9	All the items on the objectives that the Company assigns to its subsidiaries abroad on points 1 – 6 above	62-71, 97-98



Concordance Table with the Global Reporting Initiative

In order to strengthen the quality of its extra-financial reporting, Schneider Electric uses the Global Reporting Initiative, a recognised international reference to help organisations and their stakeholders to evaluate their business' performance in terms of economic, social, environmental and societal impacts.

This reference rests on six extra-financial indicators: the direct and indirect economic impacts; the impacts on the environment; practices in terms of employment and labor; respect for human rights; relations with civil society; responsibility associated with product quality and safety.

The table below indicates the numbers of the pages in this report in which the various indicators are mentioned.

GRI Index	Pages
Strategy and analysis	
1.1 CEO Declaration	2
1.2 Description of main risks and opportunities	20-22, 37-41
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2.1 Name of the organisation	244
2.2 Products and/or services	25-26
2.3 Operational Structure	20-25, 34-35, 209-221, 240-244
2.4 Registered office	26,81,83-84,84-86
2.5 Countries based in	244
2.6 Ownership structure and legal form	16-28
2.7 Markets	8, 99, 152-153, 154-155
2.8 Size of the organisation	23-25
2.9 Significant decisions concerning the location and changes during the operational period	11
2.10 Awards	78, 84
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3.1 Reporting period	95-96
3.2 Date of the most recent report	1
3.3 Reporting cycle	95-96
3.4 Person(s) to contact	104
3.5 Process relating to report content	46-47
3.6 Scope	209-221, 240
3.7 Restriction of report boundary	88
3.8 Basis of reporting for joint-ventures, etc., which can affect the year-on-year comparison	97
3.9 Data estimation techniques, calculation bases	88-90
3.10 Reformulation	UA
3.11 Changes of reporting method	UA
3.12 Standard information	92-93, 97-104
3.13 Insurance policy	88
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4.3 Members independent of the highest managing authority	107, 112
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4.5 Remuneration of members of management	121-123, 47
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4.8 Codes of conduct, missions, values, created internally	46, 48-49
4.9 Process at Board of Directors level	47, 50, 130
4.10 Performance evaluation of the highest managing authority	121-123, 47
4.11 Explanation of the precautionary principle	64, 68-70, 71
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4.15 Basis of identification and selection of stakeholders	72, 80, 81, 14
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EC3 Cover of obligations arising from benefit plans	164, 191-192
EC8 Investments in infrastructure development	21
EC9 Description of significant indirect economic impacts	16-26, 80-88
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EN3 Direct use of energy by primary energy source	97
EN4 Indirect use of energy by primary energy source	97
EN5 Energy saved thanks to energy efficiency	97
EN6 Initiatives aimed at increasing the energy return or the use of renewable energy	25-26, 30-32, 54-58
EN7 Initiatives to reduce the use of indirect energy and reductions obtained	66-67
EN8 Total water use by source	97
EN16 Direct and indirect emissions of greenhouse gas	98
EN17 Other indirect emissions of greenhouse gas	98
EN18 Initiatives to reduce greenhouse gas emissions	64-65
EN19 Emissions of ozone depleting substances	97
EN20 Airborne emissions of NOx, Sox by type and weight	97
EN22 Total mass of waste by type and by processing method	97
EN23 Total and volume of accidental waste	71
EN26 Initiatives to reduce environmental impact	62-71
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PR4 Non-compliance incidents concerning information on products and services and their labeling, by result type	39
PR5 Customer satisfaction	26, 37-38





Statement GRI Application Level Check

GRI hereby states that **Schneider Electric SA** has presented its report "Registration Document 2010" to GRI's Report Services which have concluded that the report fulfills the requirement of Application Level B.

GRI Application Levels communicate the extent to which the content of the G3 Guidelines has been used in the submitted sustainability reporting. The Check confirms that the required set and number of disclosures for that Application Level have been addressed in the reporting and that the GRI Content Index demonstrates a valid representation of the required disclosures, as described in the GRI G3 Guidelines.

Application Levels do not provide an opinion on the sustainability performance of the reporter nor the quality of the information in the report.

15 March 2011, Amsterdam

Nelmara Arbex
Deputy Chief Executive
Global Reporting Initiative



The Global Reporting Initiative (GRI) is a network-based organization that has pioneered the development of the world's most widely used sustainability reporting framework and is committed to its continuous improvement and application worldwide. The GRI Guidelines set out the principles and indicators that organizations can use to measure and report their economic, environmental, and social performance. www.globalreporting.org

Disclaimer: Where the relevant sustainability reporting includes external links, including to audio visual material, this statement only concerns material submitted to GRI at the time of the Check on 7 March 2011. GRI explicitly excludes the statement being applied to any later changes to such material.

3 Statutory Auditors' Report

This is a free translation into English of the original report issued in French language and is provided solely for the convenience of English-speaking readers.

Year ended December 31, 2010

Statutory Auditors' Report on a selection of environmental, safety, Human Resources and Planet & Society Barometer indicators



Dear Sir or Madam,

Further to your request and as statutory auditors of Schneider Electric, we have performed a review allowing us to express limited assurance that the 21 indicators about environment, safety, human resources and Planet & Society Barometer for the 2010 fiscal year, identified with the ▲ symbol in the tables presented on pages 47, 54, 62, 72 and 97 to 104 of the annual report ("the Indicators»), have been prepared, in all material respects, in accordance with Schneider Electric 2010 reporting guidelines ("the Guidelines"), summarised on pages 88 to 90.

It is the responsibility of Schneider Electric's management team to prepare the Indicators, draw up the Guidelines and ensure that the Guidelines are available for consultation at the group's head office.

Our responsibility is to express a conclusion on the Indicators, based on our review. Our review was carried out in accordance with the international standard ISAE 3000 (International Standard on Assurance Engagement, December 2003). Our independence is defined by the legislative and statutory texts as well as the ethics code of the profession.

The conclusion formulated below concerns only the specified Indicators and not the entire sustainability report included in the annual report. A higher level of assurance would have required more extensive work.

Nature and scope of our review

In order to be able to express our conclusion on the Indicators, we performed the following review:

- We conducted interviews with the persons responsible for the reporting on these Indicators as well as a risk and materiality analysis at Group level. For EMEAS and North America regions, extended works were performed on safety Indicators.
- We also assessed compliance with the Guidelines and performed analytical procedures and consistency checks, as well as verified, based on sample surveys, data processing for the calculation of the Indicators and their aggregation.
- We selected a sample of four operational units according to their activities, their geographic locations, and their contribution to the group's Indicators and the results of prior risk analyses.
- The selected sites represent on average 7% of the total value of the Indicators (from 5% to 14% depending on the Indicators). At the selected sites level, we verified the understanding and application of the Guidelines, and verified, on a test basis, compliance with the calculation formula and reconciliation with supporting documents.
- We reviewed the presentation of the Indicators in the annual report 2010 on pages 47 to 78 and 97 to 104.

In view of the work carried out over the last six years, we consider that our verification work concerning the Indicators provide a sufficient basis on which to formulate our conclusion, presented hereafter.

Information and comments

Regarding the reporting Guidelines defined by Schneider Electric for the selected data, we wish to make the following comments:

- The reporting tool *One* is now fully in use within North America region which removes an intermediate manual consolidation level that was a source of errors in the past.
- Operational units have reporting perimeters not always homogeneous between Indicators and from one year to another. Specific attention should be provided to the homogeneity of those perimeters and to the traceability of reported data.
- Improvements have been made regarding Guidelines formalisation and verification procedures implemented at Group level for environmental Indicators. Nevertheless, the definition of "training hours" indicators should precise all types of training that must be taken into consideration.
- At Group, sites and operational units' levels, the formalisation of controls to be performed on all security and Human Resources data as well as their implementation could be reinforced.
- With respect to the information detailed in the methodology note presented on pages 88 to 90 and in the comments to the published Indicators, we would like to highlight that since 2010 energy consumption and SF₆ leaks data are reported monthly instead of bi-annually. Other environmental data are gathered in June and December based on estimates (at least for the last month of each semester) and is not systematically readjusted at year's end.

Conclusion

We express a qualification about the indicators “Lost-Time Injury Frequency Rate (LTIFR)”, “Lost-Time Injury Severity Rate (LTISR)” and “Percentage of workplace accident ratio reduction” due to the impossibility of reconciling the safety data with the human resources ones, as well as on the indicator “Percentage of purchases from suppliers engaged with the Global Compact”, due to the unjustified inclusion of suppliers that did not joined the Global Compact.

We also express a qualification on the indicator “Revenue achieved with Green premium products” that could not be audited due to the unavailability of the supporting data.

Based on our review and except for these above qualifications, nothing has come to our attention that causes us to believe that the Indicators were not established, in all material respects, in accordance with the Guidelines.

Neuilly-sur-Seine, March 15, 2011

French original signed by
The Statutory Auditors

Ernst & Young et Autres

Yvon SALAÜN

Ernst & Young

Environment and Sustainable

Éric DUVAUD

> 8. Indicators

Environmental indicators

The indicators below illustrate our industrial and logistics sites' environmental consumption, emission, and waste in addition to certain major tertiary sites. They have a Group scope. All of the Group's entities are included, except the businesses from the Areva Distribution acquisition, a company acquired in 2010.

Schneider Electric provides readers two pieces of information so that environmental performance can be compared from one year to another.

- one part publishing constant scope indicators;

- and another part publishing individual indicators to correct the changes in the company's activities. The sites' workforce includes Schneider Electric employees (Fixed-term, Open-ended, Work-study participants), temporary staff, and on-site subcontractors.

Comments on the indicators are included in the corresponding chapters and indicated in the tables below.

The table below indicates how the indicators correspond with the Global Reporting Initiative.



ISO 14001 certification of sites

	2010	2009	2008
Number of ISO 14001 Certified Sites	251 ▲	244	NP
Industrial and Logistics sites	236	233	216
Tertiary Sites	15	11	NP
New Sites Certified this Year	22	25	15
Certified Sites that have Closed or Consolidated this Year	15	8	1

NP = not published

▲ 2010 Audited Indicators

Group sites consumption, emissions, and waste

GRI indicators	Current Scope			Constant Scope	
	2010	2009	2008	2010	2009
Number of Participating Sites	255 ▲	240	234	227	227
Number of Employees	87,371 ▲	78,078	80,846	78,550	74,769
EN22 Amount of Waste Produced (in metric tons)	113,684 ▲	101,535	144,888	105,675	94,105
EN22 Waste Produced per Employee (in metric tons/p)	1.3 ▲	1.3	1.8	1.3	1.3
EN22 Recovered Waste (in metric tons)	95,092 ▲	80,255	113,182	88,704	75,816
EN22 Percentage of Waste Recovered	84% ▲	79%	78%	84%	81%
EN8 Water Consumption (m ³)	2,664,824 ▲	2,493,351	2,374,035	2,341,287	2,473,583
EN8 Water Consumption/employee (m ³ /p)	30.5 ▲	31.9	29.4	29.8	33.1
EN19-20 VOC Emissions (in kg) (estimates)	492,192 ▲	409,219	479,172	449,243	397,492
EN19-20 VOC Emissions per Employee (kg/p) (estimates)	5.6 ▲	5.2	5.9	5.7	5.3
EN3 Energy Consumption (MWh equivalent)	1,186,864 ▲	1,066,173	1,124,638	1,101,183	1,032,775
EN4 Electricity (indirect consumption)	790,829	711,815	NP	725,917	689,156
EN4 Heating (indirect consumption)	32,231	27,899	NP	31,300	27,084
EN3 Fuel Oil (direct consumption)	28,128	28,926	NP	25,358	23,976
EN3 Gas (direct consumption)	331,010	292,917	NP	313,942	287,943
EN3 Coal (direct consumption)	4,641	4,594	NP	4,641	4,594
EN3 Renewable Energy (direct consumption)	25	22	NP	25	22
EN5 Energy consumption per employee (MWh)	13.6 ▲	13.7	13.9	14.1	13.8

GRI indicators		Current Scope			Constant Scope	
		2010	2009	2008	2010	2009
EN16	CO ₂ emissions linked to energy consumption (in metric tons) (estimates)	411,177	357,513	388,125	370,882	341,991
EN17	Electricity (indirect emission)	323,429	278,809	NP	287,818	266,042
EN17	Heating (indirect emission)	10,995	9,570	NP	10,530	9,121
EN16	Fuel Oil (direct emission)	7,313	7,520	NP	6,593	6,234
EN16	Gas (direct emission)	67,857	60,048	NP	64,358	59,028
EN16	Coal (direct emission)	1,583	1,566	NP	1,583	1,566
EN16	Renewable Energy	0	0	NP	0	0
EN16	CO ₂ /Employee (in metric tons/person)	4.7	4.6	4.8	4.7	4.6
EN16	SF ₆ Emissions (in CO ₂ equivalent metric tons)*	60,491	135,895	178,700	60,491	135,895
EN16	Direct and Indirect CO ₂ Emissions (SF ₆ energy consumption and emissions in metric tons)	471,668	493,408	566,825	431,373	477,886

▲ 2010 Audited Indicators

NP = Not Published

* The CO₂ emissions linked to energy consumption are considered estimates, because the indirect emissions are calculated on the conversion factors per country.

** 9 sites used SF₆ in 2009 and 2010.

Social indicators

The indicators below have a Group scope. To respond to the French NRE, some indicators are given for France only. The precisions on the variations of scope are contributed at the end of the tables below and indicated by footer notes.

The social indicators count the people with fixed-term contracts, on work-experience and on open-ended contracts. The indicators that also include temporary workers and / or subcontractors on site are indicated by footer notes.

The comments on the indicators are given in the matching chapters and indicated in the tables below.

The table below indicates the matching of indicators with the Global Reporting initiative.

Workforce

GRI	Indicators	2010	2009	2008
	Workforce			
LA1	Average number ⁽⁴⁾	123,482 ▲	116,065	126,481
	Of which production ⁽⁴⁾	61,913	55,125	59,964
	Of which structure ⁽⁴⁾	61,569	60,940	66,518
LA1	Average temporary personnel	12,049 ▲	8,463	12,365
LA1	Fixed-term contract and open-ended contract personnel ⁽⁵⁾	118,819 ▲	104,853	113,904
	Of which open-ended contract	88.4%	UA	UA
	Of which fixed-term contract	11.6%	UA	UA
LA1	Share of temporary personnel (interim and fixed-term contracts) ⁽⁵⁾	20.8%	18.9%	18.7%
LA1	Hiring ⁽⁶⁾	17,590	8,977	20,995
LA1	Departures ⁽⁶⁾	14,968	17,663	21,504
	Of which layoffs	3,976	6,331	5,053
LA1	Breakdown of personnel by geographic area ⁽⁵⁾			
	Asia-Pacific	27%	25%	25%
	Europe	42%	43%	42%
	North America	22%	24%	25%
	Rest of the world	9%	8%	8%
LA1	Breakdown of personnel by country (the most significant countries) ⁽⁵⁾			
	France	17%	18%	UA
	United States of America	15%	17%	UA
	China	10%	10%	UA
	Mexico	6%	6%	UA
	India	6%	5%	UA
	Germany	4%	3%	UA
	Spain	3%	3%	UA
	Australia	3%	3%	UA
	Russia	3%	3%	UA
	United Kingdom	3%	3%	UA
	Brazil	3%	2%	UA
LA1	Annual breakdown of workforce by country (the most significant countries) ⁽⁵⁾			
	France	+9%	-6%	UA
	United States of America	-1%	-10%	UA
	China	+24%	-9%	UA
	Mexico	+14%	-16%	UA
	India	+38%	+2%	UA
	Germany	+57%	-8%	UA



GRI	Indicators	2010	2009	2008
	Spain	+6%	-20%	UA
	Australia	+2%	-13%	UA
	Russia	+6%	-6%	UA
	United Kingdom	+11%	-11%	UA
	Brazil	+40%	+16%	UA
LA13	Breakdown of workforce by gender ⁽²⁾			
	Men	66%	66%	65%
	Women	34%	34%	35%
LA13	Breakdown of workforce by gender and by category ⁽²⁾			
	White collar	53.6%	54.6%	55.6%
	Men	71%	72%	72.6%
	Women	29%	28%	27.4%
	Blue collar	46.4%	45.4%	44.4%
	Men**	60%	60%	57.4%
	Women	40%	40%	42.6%
LA13	Breakdown of workforce by age ⁽²⁾			
	14/24 years	8.7%	7.9%	10.7%
	25/34 years	31.4%	30.7%	32.1%
	35/44 years	27.5%	27.9%	27.2%
	45/54 years	22.3%	23.3%	21.1%
	55/64 years	9.7%	9.8%	8.5%
	> 64 years	0.4%	0.5%	0.4%
LA1	Breakdown of workforce by seniority ⁽²⁾			
	< 5 years	43.9%	44.7%	50%
	5/14 years	30.4%	29.2%	27.2%
	15/24 years	13.7%	13.9%	12.1%
	25/34 years	8.6%	9%	8%
	> 34 years	3.4%	3.2%	2.7%
LA1	Breakdown of workforce by function ⁽²⁾			
	Marketing	3.8%	3.9%	4.1%
	Sales	14.9%	17.2%	16.9%
	Services and projects**	12.9%	9.5%	7.7%
	Support	16.8%	16.3%	16.4%
	Technical	7.6%	7.2%	7.1%
	Industrial	6.6%	7.6%	8.4%
LA1	Direct variable costs (cost of employees under production or business costs)	46.4%	45.4%	44.4%
	Workforce (France)			
LA1	Spot workforce	20,311	18,698	19,776
LA1	Number of hirings	793	379	1,503
LA1	Number of departures	1,228	1,330	1,973
LA1	Breakdown by type of contract			
	Open-ended contract	95.6%	96.6%	95.2%
	Fixed-term contract	4.4%	3.4%	4.8%

GRI	Indicators	2010	2009	2008
LA1	Breakdown by occupational category			
	Manual workers	30.2%	31.1%	32.4%
	Foremen	1.3%	1.3%	1.0%
	Administrators and technicians	31.9%	32.0%	30.9%
	Engineers and executives	32.7%	32.7%	31.9%
	Work experience	3.9%	2.9%	3.8%
	Breakdown by gender ⁽⁷⁾			
	Men	66.8%	66.2%	64.5%
	Women	33.2%	33.8%	35.5%
	Hiring ⁽⁶⁾			
LA2	Breakdown by type of contract			
	Open-ended contract	58.5%	56.6%	65%
	Fixed-term contract	41.5%	43.4%	35%
LA2	Breakdown by category			
	White collar	41.1%	40%	47%
	Blue collar	58.9%	60%	53%
LA2	Breakdown by geographic area			
	Asia-Pacific	45%	43%	34%
	Europe	20%	20%	31%
	North America	12%	13%	25%
	Rest of the world	23%	24%	10%
	Layoffs ⁽⁶⁾			
LA2	Breakdown by type of contract			
	Open-ended contract	75%	91%	84.3%
	Fixed-term contract	25%	9%	15.7%
LA2	Breakdown by category			
	White collar	39%	44%	46.7%
	Blue collar	61%	56%	53.3%
LA2	Breakdown by geographic area			
	Asia-Pacific	11%	12%	8%
	Europe	31%	37%	32%
	North America	42%	40%	51%
	Rest of the world	16%	11%	9%
	Resignations ^{(6) (8)}			
LA2	Breakdown by seniority ⁽²⁾			
	< 1 year	33.8%	UA	UA
	1/4 years	45%	UA	UA
	5/14 years	18.1%	UA	UA
	15/24 years	2.2%	UA	UA
	25/34 years	0.7%	UA	UA
	> 34 years	0.2%	UA	UA
	Average temporary workforce			
LA1	Breakdown by category			
	White collar	12.5%	19.5%	23.5%
	Blue collar	87.5%	80.5%	76.5%



GRI	Indicators	2010	2009	2008
LA1	Breakdown by geographic area			
	Asia-Pacific	59.4%	61%	49.5%
	Europe	29.5%	24.2%	38.1%
	North America	7%	6%	5.3%
	Rest of the world	4.1%	8.8%	7.1%
	Average temporary workforce (France)			
LA1	Total	2,202	1,190	2,591
	Breakdown by category			
	White collar	10%	13%	11%
	Blue collar	90%	87%	89%

Dialogue and social relations

Dialogue and social relations ⁽⁶⁾				
LA4-6	Sites stating they avail of staff representation bodies ⁽²⁾			
	Unions	60.6%	55.1%	59%
	Works Council	63.1%	63.5%	69%
	Health and Safety Committee	85.9%	83.1%	82%
LA7	Number of collective agreements ⁽²⁾	261	UA	UA

Health and safety of employees

Health and safety of employees				
LA7	Number of accidents ⁽¹⁾	612	609	929
	of which Schneider Electric employees	507	544	740
	of which temporary workforce	104	65	189
LA7	Number of fatal accidents	1	2	0
	of which Schneider Electric employees	1	UA	UA
	of which temporary workforce	0	UA	UA
LA7	Frequency rate	2.51 ▲	3.06	4.48
	of which Schneider Electric employees	2.37	2.99	3.88
	of which temporary workforce	3.50	3.11	11.24
LA7	Injury rate	0.06 ▲	0.08	0.09
	of which Schneider Electric employees	0.06	0.08	0.08
	of which temporary workforce	0.05	0.08	0.12
LA7	Number of lost days	14,624	15,678	UA
	of which Schneider Electric employees	13,007	14,574	UA
	of which temporary workforce	1,617	1,104	UA
LA7	Number of hours worked	243,999,107	199,050,694	UA
	of which Schneider Electric employees	214,588,490	182,034,089	UA
	of which temporary workforce	29,410,617	17,016,605	UA

GRI	Indicators	2010	2009	2008
Talent development and training ⁽⁶⁾				
LA10	Number of training hours	2,088,144 ▲	UA	UA
LA10	Average hours of training per person ⁽²⁾	22.6	24.3	28.6
	White collar	30.8	28.9	36.5
	Blue collar	14.3	19.4	19.9
LA10	Breakdown of hours by category ⁽²⁾			
	White collar	68.6%	61.8%	68%
	Blue collar*	31.4%	38.2%	32%
LA10	Breakdown of hours by training type ⁽²⁾			
	Health, safety, environment	11.9%	12.5%	15.1%
	Technical	32.7%	35.6%	35.5%
	Languages, IT	18.2%	17.7%	20.4%
	Management and leadership	16.7%	15.1%	13.6%
	Other	20.6%	19.1%	15.4%
LA10	Breakdown of costs by training type ⁽²⁾			
	Health, safety, environment	11.8%	9.9%	8.2%
	Technical	43.2%	33.5%	27.5%
	Languages, IT	10.5%	14.9%	17.8%
	Management and leadership	18.4%	26.2%	25.6%
	Other	16.1%	15.5%	20.9%
LA10	Breakdown of costs by category ⁽²⁾			
	White collar	68.0%	75.5%	77.5%
	Blue collar	32.0%	24.5%	22.5%
Talent development and training (France) ⁽⁸⁾				
LA10	Breakdown of costs by training type			
	Health, safety, environment	11.8%	11.5%	10%
	Technical	16.7%	18.1%	12.5%
	Languages, IT	17.8%	7.1%	18.8%
	Management and leadership	14.2%	25.6%	21.5%
	Other	9.9%	13.1%	10.7%
LA10	Breakdown of costs by gender			
	Women	27.2%	25.0%	27.2%
	Men	72.8%	75.0%	72.8%
LA10	Breakdown of costs by category			
	Engineers and executives	37.7%	45.6%	42.5%
	Administrators, Technicians and Foremen	39.1%	38.4%	34.5%
	Manual workers	23.2%	16.0%	23.0%
LA12	Employees having had a performance interview in 2010 ⁽³⁾	46.7%	UA	UA
	Employees having had a career interview in 2010 ⁽³⁾	32.0%	UA	UA

(1) Includes business travel, excludes home/workplace travel.

(2) The data relates to over 80% of the Group's workforce.

(3) The data relates to close to 80% of the Group's workforce on Dec. 31, 2010.

(4) Includes temporary.

(5) Based on spot workforce year end.

(6) Acquisitions/disposals and temporary staff are not taken into account in the calculation.

(7) The data relates to over 94% of the Group's workforce on French territory.

(8) Excludes Areva Distribution workforce.

* Data includes service VDC headcount, or 19% of all VDC in 2010, 16% in 2009, 11% in 2008.

** Of which 8.9% in Services in 2010, 7.1% in 2009 and 5.2% in 2008.

UA= Unavailable.

UP= Unpublished.

Blue collars are Schneider Electric partners whose costs impact directly on the completion of business. The VDC are variable direct costs.

▲ Audited 2010 indicators.



Societal indicators

This data has been consolidated for the first time this year. It is distributed based on declarative information submitted by Foundation employees.

It highlights the importance of company and employee participation in the Foundation's approach to involvement, as close to the local communities as possible.

This information covers 80% of Schneider Electric employees.

Breakdown of The Schneider Electric Foundation's 2010 Financial Commitments

	2010
Breakdown per Operational Unit	
Professional Training	48%
Emergency	25%
Raising Awareness about Sustainable Development	21%
Other (mainly involving employee/sponsorship expertise)	6%
Breakdown by Region	
France	5%
Outside of France	95%
Donations in Kind (in Euros)	
Product or service donations to a Foundation partner/project	2,946,360

Contributions from employees and entities to the Foundation

	2010
Total Financial Contribution (in Euros)	
From Employees	1,030,942
From Schneider Electric	3,299,101
Dons en produits ou en services au profit d'un partenaire/projet de la Fondation (<i>en euros</i>)	2,946,360

More info

- www.schneider-electric.com (> *sustainable development*)
- www.barometer.schneider-electric.com
- www.environment.schneider-electric.com
- www.foundation.schneider-electric.com

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Corporate governance

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This report includes the Chairman's report on the conditions applicable for the preparation and organisation of the work carried out by the Supervisory Board, the membership of the Supervisory Board, and the internal control and risk management procedures implemented within the Company.

The paragraphs below (A Management Board/Supervisory Board system), 1, 2, 3, 4, 8 (Remuneration Policy for corporate officers and members of the Management Board and Pension Plans), 10 and 11, and paragraphs 2 (Shareholder's Meeting and Voting Rights) and 7 of Chapter 7 constitute the Chairman of the Supervisory Board's report provided for in article L. 225-68 of the French Commercial Code. They are indicated with **.

A Management Board/Supervisory Board system**

Application of the AFEP-MEDEF corporate governance guidelines. There are a few exceptions, which are described below (see paragraph 11).

The guidelines are available online at www.medef.fr.

At the Annual Shareholders' Meeting of May 3, 2006, shareholders approved a recommendation to adopt a two-tier management structure, with a Management Board and a Supervisory Board.

1. Supervisory Board**

The Supervisory Board may have between three and 18 members, all of whom must be natural persons.

Throughout their term, Supervisory Board members must hold at least 250 Schneider Electric SA shares.

Supervisory Board members are elected for a four-year term and are eligible for re-election. However, in line with the AFEP-MEDEF recommendation that Supervisory Board members should retire by rotation, one half of the members of the first Supervisory Board were elected for an initial term of two years. As a result, half of the members stood for re-election at the Annual General Meeting called in 2008. The other half stood for re-election at the Annual Meeting called in 2010.

The age limit for holding office as a member of the Supervisory Board is 74. At the Annual General Meeting of April 21, 2011, shareholders will be asked to remove this age limit (see page 278). No more than one third of the members of the Supervisory Board may be aged over 70.

The Supervisory Board has 11 members and two non-voting members.

There are nine independent members according to the definition contained in the AFEP-MEDEF corporate governance guidelines for listed companies. These members are Serge Weinberg, Léo Apotheke, Gérard de La Martinière, Noël Forgeard, Jérôme Gallot, Willy R. Kissling, Cathy Kopp, Anand Mahindra and G. Richard Thoman. Each year, the Supervisory Board reviews its members' status, based on a report from the Remunerations, Appointments

and Human Resources Committee. Members' directorships and functions in other companies that have business relations with Schneider Electric (primarily AXA), do not, by their nature, affect the said members' independence in light of the types of transactions involved. These transactions are carried out on arms-length terms and are not material for either party. Moreover, as regards Mr de La Martinière, who has been a member of the Schneider Electric SA Board for more than 12 years, his seniority is not considered as a hindrance to his independence due notably to his personality and involvement in the world and discussions on the operation of the Audit Committees.

Four members are of non-French origin or nationality: Mr Thoman, American; Mr Apotheke, German; Mr Mahindra, Indian; Mr Kissling is Swiss.

One member, Claude Briquet, represents the employee shareholders in accordance with article L. 225-71 of the French Commercial Code. He is nominated by the Shareholders' Meeting, on the recommendation of the Supervisory Boards of the corporate mutual funds.

The average age of Supervisory Board members is 61.

The Supervisory Board has made it a goal to increase its diversity with respect to nationality, age, and gender. With this in mind, the 2011 Annual General Meeting is asked to ratify the co-opting of Mr. Anand Mahindra and to appoint as members of the Supervisory Board Ms. Betsy Atkins, Ms. Dominique Sénéquier, and Mr. Jeong H. Kim (see page 264).

Supervisory Board (as of December 31, 2010)

Chairman of the Supervisory Board

Mr Henri Lachmann

Age: 72

Business address:
Schneider Electric
35, rue Joseph Monier – 92500 Rueil Malmaison – France

28,936 ⁽¹⁾ **Schneider Electric SA shares**

First appointed: 1996 / Term ends: 2012

Other directorships and functions in french or foreign companies

- Currently:
Chairman of the Supervisory Board of **Schneider Electric SA**;
Vice Chairman of the Supervisory Board of **Vivendi**; member of the Supervisory Boards of **Groupe Norbert Dentressangle**; Director of **Carma**; Director of AXA Assurances IARD Mutuelle; Non-voting Director of **Fimalac**; Chairman of the Board of Directors of Centre Chirurgical Marie Lannelongue; Chairman of Fondation pour le Droit Continental; Member of the Steering Committee of Institut de l'Entreprise; Director of *Association Nationale des Sociétés par Actions*; Chairman of Institut Telémaque; Vice Chairman and Treasurer of Institut Montaigne; member of CODICE; Director of Solidarités Actives, Planet Finance and *Fondation Entreprendre*, Chairman of the Advisory Council of *Campus d'Excellence au Commissariat Général à l'Investissement (Grand Emprunt)*.
- Previous directorships and functions held in the past five years:
Chairman and CEO of **Schneider Electric SA**; Chairman of **Schneider Electric Industries SAS**, Member of the Supervisory Board of **AXA**, Director of a number of Schneider Electric Subsidiaries; Director of **Finaxa** and various AXA subsidiaries; Member of *Conseil des Prélèvements Obligatoires*, Non-voting Director of Tajan.

Expertise and experience

A graduate of Hautes Études Commerciales (HEC), Henri Lachmann began his career in 1963 with Arthur Andersen. In 1970, he joined Compagnie Industrielle et Financière de Pompey. In 1971 he became Executive Vice-President of Financière Strafor (later Strafor Facom), where from 1981 to 1997 he served as Chairman and Executive Vice-President. He was elected to the Schneider Electric SA Board of Directors in 1996 and was appointed Chairman on February 25, 1999. On May 3, 2006, he became Chairman of the Supervisory Board of Schneider Electric SA.

Note: companies in bold type are those whose securities are listed on a regulated market.

(1) Held directly or through a corporate mutual fund.

* Independent member according to the definition contained in the AFEP-MEDEF corporate governance guidelines for listed companies.

Vice Chairman of the Supervisory Board

Mr Léo Apotheker *

Age: 57

Business address:
Hewlett-Packard Company,
3000 Hanover Street, Palo Alto,
CA 94304-1112 (USA)

250 Schneider Electric SA shares

First appointed: 2007 / Term ends: 2012

Other directorships and functions in french or foreign companies

- Currently:
Vice Chairman of the Supervisory Board of **Schneider Electric SA**; CEO and President of **Hewlett-Packard**; member of the Board of Directors of **Hewlett-Packard**.
- Previous directorships and functions held in the past five years:
CEO of **SAP AG**; Non-voting Director of **Schneider Electric SA**; Director of Ginger SA, GTNexus (USA), SAP America Inc. (USA), SAP Global Marketing Inc. (USA), SAP Asia Pte. Ltd (Singapore), SAP Japan Co. Ltd (Japan), SAP France SA, SAP Italia Sistemi, Applicazioni, Prodotti in Data Processing SpA (Italy), SAP Hellas Systems Application and Data Processing SA (Greece) and SAP (Beijing) Software System Co. Ltd (China), SAP Manage Ltd (Israel), SAP Finland Oy (Finland) and SAP Denmark A/S (Denmark).

Expertise and experience

Léo Apotheker began his career in 1978 in management control after graduating with a degree in international relations and economics from the Hebrew University in Jerusalem. He then held management and executive responsibilities in several IT firms including SAP France and SAP Belgium, where he was Chairman and Executive Vice-President between 1988 and 1991. Mr Apotheker was founding Chairman and Executive Vice-President of ECsoft. In 1995, he came back to SAP as Chairman of SAP France. After working in SAP as Director of various geographical regions, he became a member of the Executive Committee and Chairman of Customer Solutions and Operations, before being nominated Chairman and CSO and Deputy CEO of SAP AG in 2007 and CEO of SAP AG in 2008, a position he held until 2010. In November 2010, he was appointed CEO and President of Hewlett-Packard.



Members of the Supervisory Board

Mr Claude Briquet

Age: 50

Business address:
Schneider Electric Industries SAS
boulevard Salvador Allende – Zone Industrielle – BP 660
–16340 L'Isle d'Espagnac - France

1,767 ⁽¹⁾ **Schneider Electric SA shares**

First appointed: 2008 / Term ends: 2012

Other directorships and functions in french or foreign companies

- Currently:
Member of the Supervisory Boards of **Schneider Electric SA** and the “Schneider France-Germany” corporate mutual fund; Responsible for trading in Europe within the Industry Department of Schneider Electric's European Operating Division; Director of the “Schneider Énergie, Sicav Solidaire” socially responsible mutual fund.
- Previous directorships and functions held in the past five years:
Executive Vice-President of Alombard.

Expertise and experience

An engineering graduate of École Nationale d'Ingénieurs in Tarbes and ENSEEIHT in Toulouse, Claude Briquet joined Schneider Electric in 1985. He began his career in development, quality and production. Mr Briquet managed the Pacy I plant from 1992 to 1996 and the Vaudreuil plant from 1996 to 1999. He was appointed Executive Vice-President of Mafelec in 1999 and of Alombard in 2001. Mr Briquet is currently responsible for trading in Europe within the Industry Department of Schneider Electric's European Operating Division.

Mr Gérard de La Martinière *

Age: 67

Professional address:
18, allée du Cloître – 78170 La Celle-Saint-Cloud - France

3,428 Schneider Electric SA shares

First appointed: 1998 / Term ends: 2014

Other directorships and functions in french or foreign companies

- Currently:
Member of the Supervisory Board of **Schneider Electric SA**; Director of **Air Liquide**; member of the Supervisory Board of European Financial Reporting Advisory Group (EFRAG – a Belgian association); Director of Poor's Credit Market Services France SAS; Director of Allo Finance.

- Previous directorships and functions held in the past five years:
Chairman of *Fédération Française des Sociétés d'Assurances* (F.F.S.A) and Chairman of the European Insurance Committee (CEA); Vice Chairman of the European Insurance Committee (CEA); Director of **Schneider Electric SA**; Chairman of the Board of LCH. Clearnet Group Ltd, London; member of the Supervisory Board of **Air Liquide**; Director of Banque d'Orsay.

Expertise and experience

A graduate of *École Polytechnique* and *École Nationale d'Administration*, Gérard de La Martinière held several positions in the French Finance Ministry before serving as Secretary General of Commission des Opérations de Bourse and General Manager of Société des Bourses Françaises. In 1989, he joined AXA, where he was appointed Executive Vice-President for Holding Companies and Corporate Functions in 1993, member of the Management Board in 1997 and Executive Vice-President, Finance, Budget Control and Strategy in 2000. Mr de La Martinière left AXA in 2003 to become Chairman of *Fédération Française des Sociétés d'Assurances* (F.F.S.A), a position he held until October 2008.

Mr Noël Forgeard *

Age: 64

Professional address:
85, avenue de Wagram – 75017 Paris – France

250 Schneider Electric SA shares

First appointed: 2005 / Term ends: 2014

Other directorships and functions in french or foreign companies

- Currently:
Member of the Supervisory Board of **Schneider Electric SA**;
Member of the Committee of *France Galop*; Principal shareholder of Carbone forgé.
- Previous directorships and functions held in the past five years:
Chairman and Executive Vice-President of Airbus SAS; Chairman of the Board of Directors of *Airbus France*; Chairman or Director of various Airbus subsidiaries; Director of **EADS** (Netherlands), of **Schneider Electric SA**, of **Arcelor**, of **Dassault aviation**, of the *École Polytechnique*; Chief Executive Officer of **EADS**.

Expertise and experience

A graduate of *École Polytechnique* and *École des Mines*, Noël Forgeard began his career in the French civil service before joining Usinor's subsidiary *Compagnie Française des Aciers Spéciaux*. In 1986, he served as an advisor on industrial issues in Prime Minister Jacques Chirac's office. In 1987, he joined Lagardère, where he headed **Matra**'s defense and space divisions. Five years later, he became Chairman and Executive Vice-President of **Matra Haute Technologie** and joint Vice-President of the **Lagardère** Group. In 1998, he was appointed Director and general manager of GIE Airbus-Industrie, and in 2000, CEO of Airbus SAS (an Airbus integrated company). From July 1, 2005 to July 1, 2006 he was co-Executive Chairman of EADS.

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(1) Held directly or through corporate mutual fund.

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Mr Jérôme Gallot *

Age: 51

Business address:
CDC Group Entreprises
137, rue de l'Université – 75007 Paris, France

250 Schneider Electric SA shares

First appointed: 2005 / Term ends: 2012

Other directorships and functions in french or foreign companies

- Currently:
Member of the Supervisory Board of **Schneider Electric SA**;
Chairman of CDC Entreprises SAS, CDC Entreprises Elan PME, FSI PME Portefeuille and Consolidation et Développement Gestion; Member of the Management Board of CDC Group; Member of the Executive Committee of Fonds Stratégique d'Investissement; Director of **Nexans SA**, of **Icade SA**, Caixa Seguros SA (Brazilian subsidiary of CNP), **Plastic Omnium**; Non-voting Director of **NRJ Group SA**.
- Previous directorships and functions held in the past five years:
Senior Executive Vice-President of *Caisse des Dépôts et Consignations*; Director of **Schneider Electric SA**, Crédit Foncier de France, Galaxy Fund, Galaxy Management Services and Caisse Nationale de Prévoyance (**CNP Assurances SA**); Chairman of Sicav Austral; Member of the Supervisory Board of Compagnie Nationale de Rhône (CNR), Non-voting Director of OSEO (EPIC).

Expertise and experience

Jérôme Gallot is a graduate of *Institut d'Études Politiques de Paris* and *École Nationale d'Administration*. After three years with the Cour des Comptes, he served as an advisor to the Secretary General of the interministerial committee for European economic cooperation, from 1989 to 1992, and then moved to the Budget Department. He was then Chief of Staff in a number of French ministries, from 1993 to 1997. In 1997, he was appointed Director of the Competition, Consumer Affairs and Anti-Fraud Division of the Ministry of Economy and Finance. He left this position in 2003 to become Senior Executive and member of the Management Board at *Caisse des Dépôts et Consignations*. He was appointed Chairman of CDC Entreprises and member of the Management Board of Caisse des Dépôts in September 2006. In January 2009, he was appointed member of the Executive Committee of Fonds Stratégique d'Investissement.

Mr Willy R. Kissling *

Age: 67

Professional address:
Poststrasse n° 4 BP – 8808 Pfaeffikon (Switzerland)

1,832 Schneider Electric SA shares

First appointed: 2001 / Term ends: 2012

Other directorships and functions in french or foreign companies

- Currently:
Member of the Supervisory Board of **Schneider Electric SA**;
Member of the Board of Directors of **Cleantech Invest AG**;
Member of European Advisory Board of Booz & Co.
- Previous directorships and functions held in the past five years:
Director of **Schneider Electric SA**, Director of **Kühne + Nagel International AG** (logistics), Director of **Holcim Ltd**; Chairman of the Board of Directors of **Oerlikon Bühle Holding AG** (renamed **OC Oerlikon Corp.**); Chairman of the Board of Directors of Grand Resort Bad Ragaz AG.

Expertise and experience

Willy Kissling, a Swiss citizen, holds diplomas from the University of Bern and Harvard University. He began his career at Amiantus Corporation and then joined Rigips, a plasterboard manufacturer, in 1978. He was appointed to the Rigips Executive Committee in 1981 and subsequently became Chairman. From 1987 to 1996, Mr Kissling served as Chairman and Executive Vice-President of Landis & Gyr Corporation, a provider of services, systems and equipment for building management, electrical contracting and pay phones. From 1998 to 2005, he was Chairman of the Board of Directors of Oerlikon Bühle Holding AG (since renamed OC Oerlikon Corp.).



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Ms Cathy Kopp*

Age: 61

Business address:
22, square de l'Alboni – 75016 Paris – France

250 Schneider Electric SA shares

First appointed: 2005 / Term ends: 2014

Other directorships and functions in french or foreign companies

- Currently:
Member of the Supervisory Board of **Schneider Electric SA**;
Director of **Dexia**; Member of the appointments and Remunerations Committee of **Dexia**; Member of the Board of *École Normale Supérieure (Paris)*; Member of the Board of Fondation SNCF; Member of *Haut Conseil de l'Intégration*.
- Previous directorships and functions held in the past five years:
Non-voting member of **Schneider Electric SA**; Executive Vice-President for Human Resources and member of the Executive Committee of **Accor**; member of the Board of *Haute Autorité de Lutte contre les Discriminations (Halde)*.

Expertise and experience

After earning a degree in mathematics, Cathy Kopp joined IBM France in 1973. In 1992, she became Human Resources Director at IBM France before being appointed Vice-President of Human Resources, Storage Systems Division of IBM Corp. In 2000, Ms. Kopp became Chairman and Executive Vice-President of IBM France. From 2002 to 2009, she served as Executive Vice-President for Human Resources at Accor. Ms. Kopp was Chairman of the employee relations commission of the Service Industry Group of the French employers' federation at MEDEF up to 2009. She led MEDEF's inter-industry negotiations on diversity in 2006 and on modernising the labor market in 2007.

Mr Anand Mahindra*

Age: 55

Business Address:
Mahindra Towers, 6th floor, Dr 6M b Hosle Road,
Mumbai 400 018, India

250 Schneider Electric SA shares

First appointed: 2010 / Term ends: 2012

Other directorships and functions in french or foreign companies

- Currently:
Member of the Supervisory Board of **Schneider Electric S.A.**;
Deputy Chairman and Chief Executive Officer of **Mahindra & Mahindra Ltd**; Deputy Chairman of **Mahindra Ugine Steel Co. Ltd**; Chairman of **Tech Mahindra Ltd**, Mahindra Navistar Automotives Ltd and Mahindra Two Wheelers Ltd; Director of **National Stock Exchange of India Ltd**, **Kotak Mahindra Bank Ltd**, Mahindra First Choice Wheels Limited, Araku Originals Ltd, **National Aviation Company of India Ltd**, Tech Mahindra Foundation, Avion Aerosols Private Limited, M.A.R.K. Hotels Private Limited and Prana Holdings Inc.; member of the Executive Committee of The Mahindra United World College of India, the Association of Indian Automobile Manufacturers, the Nehru Center and the National Council of Confederation of Indian Industry; Trustee of K.C. Mahindra Education Trust, Mahindra Foundation, Breach Candy Hospital Trust, Naandi Foundation and Award Programme Foundation Board.
- Previous directorships and functions held in the past five years:
Director of Mahindra & Mahindra Financial Services Ltd; of Mahindra Lifespace Developers Ltd; of Tech Mahindra (Americas) Inc.; of Mahindra (China) Tractor Co. Ltd; of MW.Com India Pvt. Ltd; and of Mahindra Intertrade Ltd

Expertise and experience

Mr Anand G. Mahindra graduated from Harvard College. In 1981, he joined Mahindra Ugine Steel Company Limited (MUSCO), as Executive Assistant to the Finance Director. In 1989 he was appointed President and Deputy Managing Director of the Company. In 1991, he was appointed Deputy Managing Director of Mahindra & Mahindra Limited, the Indian dominant producer of off-road vehicles and agricultural tractors. In April 1997, he was appointed Managing Director of Mahindra & Mahindra Limited and in January 2003 given the additional responsibility of Vice Chairman. Mr Mahindra was a co-promoter of Kotak Mahindra Finance Limited, which in 2003 was converted into a bank. Kotak Mahindra Bank is one of the foremost private sector banks today. He takes a keen interest in matters related to education and apart from being a Trustee of the KC Mahindra Education Trust, which provides scholarships to students, he is member of the Board of Governors of the Mahindra United World College of India.

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Mr G. Richard Thoman*

Age: 66

Business address:
Corporate Perspectives, LLC
126 East 56th Street, 9th Floor – New York NY 10022
(United States)

250 Schneider Electric SA shares

First appointed: 2007 / Term ends: 2012

Other directorships and functions in french or foreign companies

- Currently:
Member of the Supervisory Board of **Schneider Electric SA**;
Managing Partner of Corporate Perspectives (consulting); member of the Board of Advisors of INSEAD, the French American Foundation, the Americas Society, the Council of the Americas, Committee for Economic Development, McGill University School of Management, the Fletcher School and the heritage committee of the *Institut des Hautes Études Internationales*, "IHEID" (Geneva); Adjunct Professor at Columbia University and the Fletcher School; member of the Trilateral Commission, the Council on Foreign Relations; Business Executives for National Security, New York Economics Club.
- Previous directorships and functions held in the past five years:
Member of the Board of Directors of *Union Bancaire Privée* (Geneva).

Expertise and experience

G. Richard Thoman has a unique background. He was one of the top five CEOs for four of the top Fortune 75 companies, in three different industries: financial services, food and beverages and technology.

Mr Thoman began his career at Citibank after receiving his BA from McGill University in Montreal and MA, MALD and PhD from Fletcher School of Law and Diplomacy which resulted from a partnership between Tufts University and Harvard. He also graduated from *Hautes Études Internationales* in Geneva. After working with Exxon Finance and McKinsey, he became Chairman and co-Executive Vice-President of American Express Travel Related Services. In 1992, he was appointed Chairman and Executive Vice-President of Nabisco International. In 1993, he joined IBM as Senior Vice-President, Personal Systems Group, later becoming Financial Director. In 1997, he rejoined Xerox. He served as Chairman and Executive Vice-President of Xerox from April 1999 to May 2000. Mr Thoman is currently Managing Partner of Corporate Perspectives and is on the faculty of several US universities.

Mr Serge Weinberg*

Age: 60

Business address:
Weinberg Capital Partners
20, rue Quentin Bauchart – 75008 Paris – France

500 Schneider Electric SA shares

First appointed: 2005 / Term ends: 2014

Other directorships and functions in french or foreign companies

- Currently:
Member of the Supervisory Board of **Schneider Electric SA**; Chairman of Weinberg Capital Partners, Financière Piasa, Piasa Holding, Piasa, Team Partners Group, VL Holding, Alret and Maremma; Member of the Supervisory Board of Amplitude Group and Financière BFSA; Vice-President and Director of Financière Poinsetia and Financière Sasa; member of the Supervisory Board of Alfina since February 16, 2010; Permanent representative of Weinberg Capital Partners, member of the Board of Alliance Industrie and Sasa Industrie; Chairman of Corum (Switzerland); Director of Sanofi-Aventis since December 16, 2009 and Chairman of the Board of directors of **Sanofi-Aventis** since May 17, 2010.
- Previous directorships and functions held in the past five years:
Vice Chairman of the Supervisory Board of **Schneider Electric SA** (from May 2006 to May 2010); Chairman of the Board of Directors of **Accor** (January 2006 to February 2009); Director of Alliance Industrie (from October 2006 to November 2008), of Road Holding (from March 2007 to May 2008) and Rasec (from February 2006 to January 2010); Member of the Management Board of Pharma Omnium International (from June 2006 to January 2010); Director of **Schneider Electric SA**; Director of FNAC (from July 1995 to May 2010), of Rothschild Concordia SAS (from March 2008 to October 2010), of Rothschild & Cie (from June 2005 to October 2010), of the Gucci Group (from March 1999 to April 2010).

Expertise and experience

After graduating from France's *École Nationale d'Administration*, Serge Weinberg held several positions in the French civil service and ministerial offices. He then served as Deputy Vice-President of French television channel FR3, Executive Vice-President and then Chairman of the Management Board of Havas Tourisme, and Director of Pallas Finance. In 1990, Serge Weinberg joined what would become Pinault-Printemps-Redoute (PPR) when he became Executive Vice-President of CFAO. Within this group, he served as Chairman of Rexel (formerly CDME), an electrical equipment distributor. In 1995, he was appointed Chairman of the PPR Management Board, a position he held until early 2005. In March 2005 he founded Weinberg Capital Partners, a company that manages an investment fund specialised in leveraged buyouts and real estate. From 2006 to 2009, he was Chairman of the Board of Directors of Accor. He has been Chairman of the Board of Directors of Sanofi-Aventis since May 17 2010.



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Non-voting members

Mr Claude Bébéar

Age: 75
Business address:
GIE AXA
25, avenue Matignon – 75008 Paris – France
264 Schneider Electric SA shares
First appointed: 2004 / Term ends: 2012

Other directorships and functions in french or foreign companies

- Currently:
Non-voting member of the Supervisory Board of **Schneider Electric SA**;
Director of *AXA Assurances Vie Mutuelle*, *AXA Assurances IARD Mutuelle* and **BNP-Paribas**; Member of the Supervisory Board of **Vivendi**.
- Previous directorships and functions held in the past five years:
Chairman of the Supervisory Board of **AXA**, Chairman and Director of various AXA subsidiaries, including AXA Financial; Chairman and Executive Vice-President of **Finaxa**; Director of **Schneider Electric SA**.

Expertise and experience

A graduate of *École Polytechnique*, Claude Bébéar joined *Groupe Ancienne Mutuelle* in 1958, the mutual insurance company that would become *Mutuelles Unies*, then AXA in 1985. He was appointed Chairman and Executive Vice-President of the Company in 1975.

From late 1996, when AXA merged with UAP, until 2000, Claude Bébéar served as Chairman of AXA's Management Board and Chairman of its Executive Committee. In 2000 he was appointed Chairman of the AXA Supervisory Board. Mr Bébéar resigned as Chairman of the Supervisory Board in April 2008 to become Honorary Chairman of AXA.

Ms Dominique Sénéquier

Age: 56
Business address:
AXA Private Equity
20, place Vendôme – 75001 Paris – France
First appointed: 2010 / Term ends: 2011

Other directorships and functions in french or foreign companies

- Currently:
Non-voting Director of **Schneider Electric SA**
Director of AXA Investment Managers Private Equity SA, of AXA Investment Managers Private Equity Europe SA; Chairman of the Supervisory Committee of AXA Private Equity US LLC; Chairman of the Supervisory Board of AXA Private Equity Germany GmbH; Director of AXA Private Equity Asia Pte Ltd; Chairman of the Board of Directors of AXA Private Equity Italy S.r.l.; of AXA Private Equity UK Ltd; of AXA Private Equity of Switzerland AG; of AXA Private Equity Eastern Europe GmbH; Chairman, Member of the Management Board and of the Investment Committee of Matignon Développement 1 SAS; of Matignon Développement 2 SAS; of Matignon Développement 3 SAS; of Matignon Développement 4 SAS France; Chairmane, Member of the Management Board and of the Coordination Committee of *AXA Infrastructure Investissement SAS*; Director of the *Théâtre des Champs-Élysées SA*; Non-voting Director of Nakama SA; Non-voting Director of **Groupe Bourbon SA**; Chairman of Pikanter 9 SAS.
- Previous directorships and functions held in the past five years:
Vice-President of the Supervisory Board of **Linedata Services SA**; Chairman of Pikanter 4 SAS; Chairman of AXA Chile Private Equity and member of the Board of Groupe AXA.

Expertise and experience

A graduate of *École Polytechnique* with a postgraduate diploma in banking and finance. Dominique Sénéquier joined the insurance supervisory body in 1975. She joined GAN in 1980 as head of acquisitions before setting up *GAN Participations* in 1987, the development of which she oversaw until 1995. In 1996, she joined AXA and set up AXA Private Equity, and is Chairman of its Management Board.

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> 2. Organisational and operating procedures of the Supervisory Board**

Missions and powers of the Supervisory Board

The Supervisory Board exercises ongoing control over the Management Board's management of the Company, in accordance with French law. To this end, it performs all the checks and controls that it considers appropriate and obtains copies of any and all documents that it considers necessary in order to fulfill its duties.

Specific powers are vested in the Supervisory Board under French law and the Company's articles of association. These include the power to:

- appoint the Management Board, designating the number of members that compose it as well as its Chairman. Establish the compensation of the members of the Management Board;
- if necessary, remove Management Board members from office;
- authorise debt and equity financing and other financing transactions that will have a substantial effect on the Company's balance sheet structure;
- authorise material business acquisitions and disposals, meaning strategic transactions amounting to more than EUR250 million, as well as strategic partnerships;
- authorise the creation of stock option plans or stock grant plans, with or without performance criteria;
- authorise the signature of regulated related party agreements;
- authorise the issuance of bonds and other guarantees, subject to compliance with French law.

The Supervisory Board also authorises recommendations made to shareholders at the Shareholders' Meeting concerning the dividend, Board membership and changes to the articles of association.

The Supervisory Board may appoint one or two non-voting members to assist it and decide to create Committees of the Board. It draws up internal rules. It decides the allocation of the total attendance fees awarded to the Supervisory Board by the shareholders at the Shareholders' Meeting.



Internal rules and procedures of the Supervisory Board

The Supervisory Board's internal rules and procedures, adopted on May 3, 2006, include the internal rules and procedures of the Board committees (the Remunerations and Appointments & Corporate Governance Committee and the Audit Committee) as well as the directors' Charter recommended under AFEP-MEDEF corporate governance guidelines. It has been amended on several occasions. In 2010, it was amended to extend the remit of the Remunerations, Appointments & Corporate Governance Committee to include Human Resources issues. The committee was named the Remunerations, Appointments and Human Resources Committee at this time.

The internal rules and procedures of the Supervisory Board are made up of 13 articles:

Article 1 defines the role and powers of the Supervisory Board (see above). It specifies the Management Board decisions that require the prior approval or consultation of the Supervisory Board. In particular, acquisitions amounting to more than EUR250 million require the prior approval of the Supervisory Board.

Article 2 defines the principles applied by the Board concerning the renewal of its membership. These include assuring international representation by maintaining a significant number of non-French members, maintaining independence through a majority of independent members as defined in the AFEP-MEDEF corporate governance guidelines, ensuring continuity through the re-election of

a certain proportion of the members at regular internals and enabling representation of employee shareholders.

Article 3 defines the procedures for organising and conducting Board meetings. (notice of meeting, methods of participation, minutes, etc.).

Article 4 defines the role and powers of the Supervisory Board's Chairman. The Chairman leads the work of the Board. He is regularly informed by the Management Board's Chairman of material events and developments in the life of the Group.

Article 5 concerns the information received by the Supervisory Board. It stipulates that Supervisory Board members shall receive any and all information required to enable them to fulfill their duties and that they may request any and all necessary or relevant documents prior to any meeting of the Board. The article also describes the content of the Management Board's quarterly reports to the Supervisory Board, to be drawn up in accordance with article L. 225-68 of the French Commercial Code.

Article 6 defines the status of Supervisory Board members. In compliance with the Director's charter contained in the AFEP-MEDEF corporate governance guidelines.

It states that Supervisory Board members must:

- represent all shareholders and act in the corporate interest;
- resign from the Board when they have not participated in more than half the Board meetings;



- comply with an overall obligation of confidentiality;
- report any and all conflicts of interest;
- hold at least 250 shares of Company stock;
- strict rules of compliance are required regarding their transactions on Schneider Electric SA securities (they are prohibited to transact them in the month preceding the publication of the annual or semi-annual financial statements and the fifteen days preceding the publication of the quarterly reports);
- attend Shareholders' Meetings.

Article 7 states that non-voting members, who attend Supervisory Board meetings in a consultative capacity, are subject to the same ethical rules as voting members.

Articles 8 to 10 apply to the Board Committees apply to the Board Committees and are described in the corresponding section below.

Articles 11 and 13 define the scope of the internal rules and procedures.

Article 12 allows for the Management Board to allocate management tasks among its members, with the Supervisory Board's authorisation.

Information required by the Supervisory Board and its members

To ensure that Board members are fully prepared, the Company sends them the meeting agenda ten days before upcoming Board meetings, along with draft minutes of the previous meeting. Four to five days beforehand, the members also receive a meeting file. The file includes the Management Board's report, notes or the text of presentations scheduled on the agenda and, for the meeting held to approve the annual or interim financial statements, the financial statements approved by the Management Board. A supplementary file may also be provided at the meeting.

Supervisory Board meetings are attended by the members of the Management Board. Executive Committee members may be invited to make presentations on major issues within their area of responsibility. The external Auditors attend the Board meetings held to approve the annual and interim financial statements.

Between meetings, aside from conversations they may have with the Chairman of the Management Board, Supervisory Board members receive a monthly letter to Supervisory Board members, a weekly press review, all of the Company's press releases, financial analysts' reports and other documents.

Members also have the opportunity to meet informally with key members of Senior Management prior to Board meetings. New members attend training and information sessions dealing with the Company's strategy and businesses.

Schneider Electric has adopted a code of ethics for Supervisory Board members and employees designed to prevent insider trading. Under the terms of this code, both Supervisory Board members and employees are barred from trading Schneider Electric SA shares and shares in companies for which they have information that has not yet been made public. In addition, they may not trade Schneider Electric SA shares during the 30 days preceding publication of the annual and interim financial statements, nor may they engage in any type of speculative trading involving Schneider Electric SA shares. This includes margin trading, and purchasing and re-selling shares in a period of less than four months. To take into account *Autorité des marchés financiers* (AMF) recommendations, the code was modified in order to set 15 day windows during which no operations may be conducted on Schneider Electric SA shares prior to the publication of quarterly information.

> 3. Supervisory Board meetings**

Six meetings were held in 2009. The meetings lasted an average of about four and a half hours and the average participation rate of members of Supervisory Board was 95%. They were primarily

devoted to discussing the Company's corporate governance and strategy, reviewing operations and the financial statements and preparing the Annual Shareholders' Meeting.

Corporate Governance

Based on advice from the Remunerations, Appointments & Human Resources Committee, the Supervisory Board:

- discussed the issue of its membership and that of its committees. Renewed Mr Henri Lachmann's term as Chairman of the Supervisory Board and named Mr Léo Apotheker Vice-Chairman. Renewed Mr Claude Bébéar's mandate as Non-voting Director and designated Ms Dominique Sénéquier as a second Non-voting Director, pending her nomination to the Supervisory Board at the Shareholders' Meeting. Equally, it co-opted Mr Anand Mahindra to replace Mr James Ross, who chose to resign for personal reasons. It made Ms Cathy Kopp responsible for ensuring that particular attention is given to monitoring sustainable and social development on behalf of the Board, a role previously played by Mr James Ross;
- reviewed the Management Board's operations and assessed the Management Board members' performance;
- approved the compensation package for the members of the Management Board, including the degree to which their personal targets were met in 2009, the rules governing their fixed and variable compensation for 2010, and the number of stock options and stock grants attributed to them. The principles and rules used by the Supervisory Board in determining compensation and

benefits for corporate officers are presented hereafter (pages 121 and 122);

- authorised the Management Board to set up performance stock option plans (plans 10 and 11, see pages 252) and to carry out an employee share issue in 2011;
- extended the remit of the research missions of its Remunerations and Appointments & Corporate Governance Committee related to Human Resources issues, which, as a consequence, has been named the Remunerations, Appointments and Human Resources Committee;
- examined the mechanism established by the Group to prevent insider trading, in response to the AMF recommendations on the subject.

Regarding the report of the Remunerations, Appointments and Human Resources Committee presented by Mr Willy R. Kissling, the Supervisory Board also debated (December 2010) the succession of its Chairman whose term comes to an end in 2012, due to the statutory age limit. The Board decided to propose to the Shareholders' Meeting, through a Statutory amendment, the extension Mr Henri Lachmann's mandate by two years, in order to allow him to take control of the issue of succession once again.



Strategy

As it does each year, the Supervisory Board conducted an in-depth review of the Group's strategy at a one-day meeting devoted entirely to this topic. In the framework of the implementation of the strategy, it, notably, authorised the acquisition of 50% of the Russian company Electroshield – TM Samara. At each meeting, the Board

was informed about the status of acquisition projects and notably of the Areva T&D Distribution business and its integration.

The Supervisory Board also reviewed the Company's financial strategy.

Agenda

The Supervisory Board was given the Management Board's quarterly reports. At each meeting, the Board also tracked business performance. It also tracked the Company's financial performance.

The Supervisory Board was informed of the Group's 2010 targets.

At its meeting on February 17, 2010, the Supervisory Board reviewed the 2009 accounts, based on the Audit Committee's report and after seeking the opinion of the external auditors who attended the meeting. It also approved the Management Board's recommendation to set the dividend to be submitted for shareholder approval at EUR2.05 per share, with a dividend reinvestment option. At its meeting on July 30, 2010, the Board reviewed the interim financial statements for the six months ended June 30, 2010 based on the Audit Committee's report and after seeking the opinion of the external auditors.

The Audit Committee reported to the Board on the work carried out by the internal auditors and on the results of internal control the entities' internal control self-evaluations. The Audit Committee also reported on its other work on the monitoring process of the preparation of financial information, on risk management and on the independence of the Statutory Auditors.

It ensured consistent compliance with market disclosure requirements, notably through an analysis of market consensus and the issuance of press releases.

The Board was informed of the cancellation of performance options (plan 30) and shares (plans 3 and 4) because of targets not met.

The Supervisory Board carried out the procedures required by law, which include reviewing budgets and business plans.

Shareholders' Meeting 2010

The Supervisory Board reviewed the agenda and draft resolutions to be tabled in Annual Meeting and prepared its report to shareholders. It approved the Chairman's report on the operations of the Supervisory Board and internal control. Almost all of the members of

the Board (11/12) were present at the Annual Shareholders' Meeting. The Meeting adopted all the resolutions tabled.

> 4. Supervisory Board Committees (members, operating procedures and meetings)**

In its internal rules and procedure, the Supervisory Board has set out the role, responsibilities and competences of its two committees: the Audit Committee and the Remuneration, Appointments & Human Resources Committee. Their members are appointed by the Supervisory Board, based on recommendations from the Remuneration, Appointments & Human Resources Committee.

After checking with the Chairman of the Supervisory Board, the committees may commission research from external consultants, and they may also invite any persons of their choice to attend their meetings, as required.

Audit Committee

Members

The Supervisory Board's internal rules and procedures stipulate that the Audit Committee must have at least three members. Two thirds of the members must be independent and at least one must have in-depth knowledge of accounting standards combined with hands-on experience in applying current accounting standards and producing financial statements.

The Audit Committee has had three members since the resignation of James Ross: Gérard de La Martinière, Chairman, Noël Forgeard and Jérôme Gallot. They are independent and have the necessary financial or accounting competence. In addition, Noël Forgeard offers particular expertise on industrial matters.

Operating procedures

Meetings are called by the Committee Chairman or at the request of the Chairman of the Supervisory Board or the President and CEO. The Committee decided, with the Supervisory Board's approval, to increase the number of Annual Meetings from four to five.

It may invite whomever it chooses to its meetings. The Statutory Auditors attend meetings discussing the financial statements and, depending on the agenda, all or some of the other meetings.

It can ask the Management Board to provide it with any documentation it feels necessary. It may also commission studies from external consultants.

Responsibilities

A cornerstone of the Group's internal control system, the Audit Committee is responsible for preparing the work of the Supervisory Board, making recommendations to the Board and issuing opinions on financial, accounting and risk management issues. Accordingly it:

- prepares the Supervisory Board's review of the annual and interim financial statements, and notably in this respect:
 - ensures that accounting policies used to prepare the consolidated and company financial statements are appropriate and applied consistently, that all significant transactions are properly reflected in the consolidated financial statements and that the rules governing the scope of consolidation are correctly applied,
 - analyses the scope of consolidation, risks, commitments given –including off-balance sheet commitments–, as well as the financial position and the cash position;
- reviews the draft Registration Document and takes on Board any comments by the AMF in this regard, as well as the reports on the interim financial statements;
- makes recommendations concerning the appointment or re-appointment of the Statutory Auditors;
- supervises the statutory auditing of the annual and consolidated financial statement, notably by examining the scope of the external audit schedule and the results of the reviews carried out by the Statutory Auditors;
- verifies the auditors' independence, in particular by reviewing fees paid by the Group to their firm and network and by giving prior approval for assignments that, strictly speaking, fall outside the scope of the auditing of the financial statements;
- monitors the effectiveness of internal control and risk management systems. In particular, the Committee:
 - reviews Internal Audit organisation and resources, as well as its annual audit schedule. Receives a quarterly summary report on the findings of the audits carried out,
 - reviews risk mitigation on the basis of presentations by the relevant managers or reports by Internal Audit,
 - reviews the Company's internal control system and the draft report of the Chairman of the Supervisory Board on internal control,
 - reviews codes of conduct, notably concerning fair trading and ethics and examines the measures taken to ensure they are circulated and applied.

The Audit Committee examines proposed dividend payouts and the amount of financial authorisations submitted to the Annual Shareholders' Meeting.

The Audit Committee examines all financial, accounting and risk management issues referred to it by the Management Board, the Supervisory Board or its Chairman.

The Audit Committee presents its findings and recommendations to the Board. The Chairman of the Audit Committee immediately informs the Chairman of the Supervisory Board of any difficulties encountered.

Meetings in 2010

In 2010, the Audit Committee met five times. The average duration of the meetings was 3 hours and the average attendance rate was 100%.

Each meeting was attended by the CFO, members of the Finance Department and head of Internal Audit. The Statutory Auditors were also invited to attend four of the five meetings. In line with the provisions of the AFEP/MEDEF Code, representatives of the Finance Department and Internal Audit were not present during the Statutory Auditors' presentation at meetings devoted to the financial statements. The President and CEO did not attend any of the Audit Committee's meetings.

The Committee looked at the following topics:

- 1) financial statements and financial disclosures:
 - review of the annual and interim financial statements and of the reports of the Management Board on the financial statements,
 - review of goodwill and retirement or assimilated obligations,
 - review of investor relations documents concerning the annual and interim financial statements,
 - review of the process for producing financial information,
 - review of AMF recommendations concerning the 2010 Registration Document,
 - examination of to what extent the reduction in overheads can be audited,
- 2) internal audit, internal control and risk management:
 - update on the internal control system's organisation and deployment,
 - review of the main audits carried out by Internal Audit,
 - review of the 2011/Q1 2012 Internal Audit schedule drawn up on the basis of risk mapping,
 - review of legal risks (contracts, industrial property, Compliance),
 - review of risk mitigation by means of insurance,
 - review of the establishment of *business continuity plans*,
 - update on how performance monitoring reflects organisational changes (*One*),
 - update on bridge,
 - update on the implementation of shared services,
 - update on the implementation of the principles of responsibility,
 - review of the draft report of the chairman of internal control,
- 3) Statutory Auditors:
 - review of the fees paid to the Statutory Auditors and their networks,
 - review of the 2010/2011 external audit schedule,
- 4) corporate governance:
 - drawing up of the 2010-2013 schedule covering the work of the Audit Committee and more specifically its risk review,
 - review of the financial authorisations presented to the 2010 Annual Shareholders' Meeting,
 - recommended dividend for 2010.

The Audit Committee reported to the Supervisory Board on its work in 2010 at the February 17, July 29, October 19 and December 15, 2010 meetings.



Remuneration, Appointments and Human Resources Committee

Members

The Supervisory Board's internal rules and procedures stipulate that the Remuneration, Appointments & Human Resources Committee must have at least three members. It is chaired by the Chairman of the Supervisory Board.

The Committee consists of Henri Lachmann – Chairman –, Claude Bébéar, Léo Apotheker, Willy R. Kissling and Serge Weinberg.

Operating procedures

Meetings are called by the Committee Chairman. The agenda is drawn up by the Chairman, after consulting the President and CEO. It meets at least three times a year.

The Committee may seek advice from any person it feels will help it with its work.

Responsibilities

The Committee makes recommendations to the Supervisory Board concerning candidates for appointment to the Management Board, the Supervisory Board and the Committees. It also makes recommendations concerning the remuneration of members of the Management Board and of the Chairman of the Supervisory Board, as well as concerning stock options and performance stock grants for Management Board members, and all other aspects of their remuneration "package".

Based on the proposals made by the Management Board, the Committee makes recommendations concerning the remuneration of Executive Committee members, the principles and methods for determining executive compensation, as well as the creation of stock option, stock grant and employee stock ownership plans.

It is also responsible for examining succession plan solutions for members of the Management Board and Executive Committee.

It examines human resource policies and in particular:

- the human resource strategy and major action plans, including those relating to the talent policy and key skills (high potential, experts, occupations...);
- the policy of giving employees a share in the Group's profits;
- the overall remuneration policy for managers and the remuneration packages of Executive Committee members.

It recommends the amount of attendance fees, which is established by the Annual Shareholders' Meeting, and the basis for their allocation.

The Committee recommends processes and procedures to reassure shareholders and the market that the Supervisory Board carries out its responsibilities objectively and independently.

It thus makes recommendations to the Supervisory Board regarding:

- the terms of reference of Supervisory Board Committees;
- the determination and review of independence criteria applicable to Supervisory Board members;
- the assessments of the Supervisory Board's organisation and procedures;
- application by the Company of national or international corporate governance practices.

The Remuneration, Appointments and Human Resources Committee presents its findings and recommendations to the Supervisory Board and distributes the minutes of its meetings to Supervisory Board members.

Meetings in 2010

In 2010, the Supervisory Board's Remuneration, Appointments & Human Resources Committee met seven times. The attendance rate by its members was 100%. It reported on its work to the Supervisory Board at the February 17, April 22, July 30, October 19 and December 15, 2010 meetings.

The Remuneration, Appointments & Human Resources Committee made recommendations to the Supervisory Board concerning:

- the membership of the Supervisory Board and of its committees and the classification of members on the basis of the independence criteria;
- the succession of the Chairman of the Supervisory Board;
- the remuneration of Management Board members (amount, structure of 2011 remuneration, 2010 targets, and level of achievement of 2009 targets);
- the changes to the top-up pension plan for senior executives;
- the implementation of the annual performance stock grant plans and the allocation of performance shares to members of the Management Board, in accordance with the AFEP-MEDEF recommendations of October 6, 2008;
- the launch in 2011 of a new employee share issue;
- the expansion of its terms of reference to include human resources issues;
- the recommendations of the AMF on the prevention of insider trading.

The Committee also reported to the Board on:

- the review of the work of the Management Board and the assessment of the performance of its members;
- the review of changes in remuneration policy (long-term profit-based incentives) for senior executives;
- the review of the performance of members of the Executive Committee;
- the review of the succession plan;
- the review of the remuneration of Executive Committee members;
- the development of employee share ownership;
- its review of the draft report of the Chairman on corporate governance.

> 5. Management Board members

The bylaws stipulate that the Management Board may have between two and seven members.

Members are appointed by the Supervisory Board—which also designates the Chairman—for a renewable three-year term.

The age limit for holding office as a member of the Management Board is 65. When a member reaches the age of 65, the Supervisory Board may extend his or her term several times provided that the total extension does not exceed three years.

The Management Board currently has two members—M. Jean-Pascal Tricoire (Chairman) and Emmanuel Babeau—who were appointed by the Supervisory Board for a three-year term expiring on May 2, 2012.

President and CEO

Mr Jean-Pascal Tricoire

Age: 47

Business address:
Schneider Electric
35, rue Joseph Monier – 92500 Rueil-Malmaison,
France

39,001⁽¹⁾ Schneider Electric SA shares

First appointed: 2006 / Term ends: 2012

Other directorships and functions in French or foreign companies

- Currently:
Chairman of the Management Board of **Schneider Electric SA**, Chairman and Chief Executive Officer of Schneider Electric Industries SAS, Director of Schneider Electric USA, Inc. (USA).
- Previous directorships and functions held in the past five years:
Director of Clipsal Asia Holding Limited, Digital Electronics Corporation, Schneider Electric (Australia) Pty. Limited, Schneider Electric New Zealand Holding Limited, PT Schneider Indonesia, Schneider Electric Japan Ltd, Schneider Electric Japan Holding Ltd, Schneider Electric Venezuela SA, Schneider Toshiba Inverter SAS and PDL Holding Ltd

Expertise and experience

After graduating from ESEO Angers and obtaining an MBA from EM Lyon, Jean-Pascal Tricoire spent his early career with Alcatel, Schlumberger and Saint-Gobain. He joined the Schneider Electric

Group (Merlin Gerin) in 1986. Between 1988 and 1999, he held a variety of line positions with international subsidiaries: in Italy (five years), China (five years) and South Africa (one year). On his return to France he joined the headquarters team, serving from 1999 to 2001 as Vice-President, Strategic Global Accounts with specific responsibility for the Schneider 2000 + program. From January 2002 to the end of 2003, he was Executive Vice-President of Schneider Electric's International Division. In October 2003, he was appointed Chief Operating Officer, before becoming Chairman of the **Schneider Electric SA** Management Board on May 3, 2006.

Member of the Management Board

Mr Emmanuel Babeau

Age: 44

Business address:
Schneider Electric
35, rue Joseph Monier – 92500 Rueil-Malmaison,
France

713⁽¹⁾ Schneider Electric SA shares

First appointed: 2009 / Term ends: 2012

Other directorships and functions in French or foreign companies

- Currently:
Chairman of the Board of Directors of Schneider Electric Services International, Director of Schneider Electric Industries S.A.S., Schneider Electric France and Schneider Electric USA.
- Previous directorships and functions held in the past five years:
Group Deputy Managing Director in charge of Finance at **Pernod Ricard**.

Expertise and experience

Emmanuel Babeau began his career at Arthur Andersen in late 1990 after graduating from *École Supérieure de Commerce de Paris* (ESCP). In 1993, he joined Pernod Ricard as an internal auditor. He was appointed head of Internal Audit, the Corporate Treasury center and consolidation in 1996. Mr Babeau subsequently held several executive positions at Pernod Ricard, notably outside France, before becoming Vice-President, Development in 2001, CFO in June 2003 and Group Deputy Managing Director in charge of Finance in 2006. He joined Schneider Electric in the first half of 2009.

(1) Held directly or through a corporate mutual fund.

> 6. Organisational and operating procedures of the Management Board

The Management Board has the broadest powers in relation to third parties to act in all circumstances in the Company's name within the limits of the corporate purpose, except for those powers that are specifically vested in the Supervisory Board and the Shareholders' Meeting under French law, and except for those matters that require the prior authorisation of the Supervisory Board.

Under French law and pending, when necessary, the Supervisory Board's authorisation, the Management Board:

- approves the annual and interim financial statements and related management reports;
- calls Shareholders' Meetings;

- decides share issues and capital reductions, pursuant to an authorisation given by shareholders in Extraordinary Meeting;
- grants stock options and makes stock grants, pursuant to an authorisation given by shareholders in Extraordinary Meeting;
- decides to carry out bond issues.

The Management Board has adopted internal rules and procedures that organise its activities and its relations with the Supervisory Board. These internal rules and procedures are invalid against claims from third parties.

The Management Board met 12 times in 2010.

> 7. Declarations concerning the situation of the members of the Supervisory Board and Management Board

The members of the Supervisory Board and Management Board together hold 0.03% of the Company's capital and 0.03% of the voting rights.

Emmanuel Babeau has a service contract with Schneider Electric Industries SAS and is Chairman of the Board of Directors of

Schneider Electric Services International. He receives compensation for these duties.

Claude Briquet has a service contract with Schneider Electric Industries SAS.

Service contracts

None of the members of the Supervisory Board or Management Board has a service contract with the Company or any of its subsidiaries providing for benefits upon termination of employment.

Conviction or incrimination

To the best of the Company's knowledge, in the last five years, none of the members of the Supervisory Board or Management Board has been:

- the subject of any convictions in relation to fraudulent offences or of any official public incrimination and/or sanctions by statutory regulatory authorities;

- disqualified by a court from acting as a member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct of the affairs of an issuer;
- involved, as a member of an administrative, management or supervisory body or a partner, in a bankruptcy, receivership or liquidation.

Family ties

To the best of the Company's knowledge, none of the members of the Supervisory Board or Management Board are related to each other.

Conflicts of interest

To the best of the Company's knowledge, there are no arrangements or understandings with major shareholders, customers, suppliers or others pursuant to which a member of the Supervisory Board or Management Board has been selected as a member of an administrative, management or supervisory body or a member of Senior Management.

To the best of the Company's knowledge, there are no conflicts of interest between any duties to Schneider Electric SA of the members of the Supervisory Board or Management Board and their private interests.

To the best of the Company's knowledge, the members of the Supervisory Board and Management Board have not accepted any restrictions on selling their Schneider Electric shares aside from those stipulated in stock option and stock grant plans (see page 252 *et seq.*) for members of the management Board and the 250 share-holding requirement for members of the Supervisory Board.



> 8. Management interests and compensation

Management Board and Executive Committee compensation policy**

The general principles underlying the Senior Management compensation policy and the situation of each executive are reviewed by the Remunerations and Appointments and Human Resources Committee and presented to the Supervisory Board.

The policy's aims are to:

- retain and motivate the best talents;
- reward individual and collective performance;
- align overall compensation with the Group's results.

The variable bonus depends on the degree to which objectives set at the beginning of the year are met and can range from 0% to 160% of salary for members of the Executive Committee and 0% to 200% for the Chairman of the Management Board, thus establishing a close link between performance and compensation.

The variable bonuses of Executive Committee members are determined as follows:

- 45% of the bonus is determined by reference to the Group's overall performance, as measured in terms of operating margin, organic growth, cash generation ratio and customer satisfaction rates;
- 55% is based on the performance of the executive's unit, as measured on the basis of business targets and on the attainment of measurable personal performance targets.

The compensation of the Management Board members is set by the Supervisory Board based on the recommendations of the Remunerations and Appointments and Human Resources Committee.

The variable bonuses of the Management Board members are determined as follows:

- 60% of the bonus is determined by reference to the Group's overall performance, as measured in terms of operating margin,

organic growth, cash generation ratio and customer satisfaction rates;

- 40% depends on the attainment of measurable personal performance targets set by the Supervisory Board.

Senior Management may also be granted stock options or stock grants. US citizens or residents may be granted stock appreciation rights (SARs) that match option characteristics - and performance shares (long-term vesting plans). In 2010, in the Framework of the long-term vesting plan the Group decided no longer to provide annual stock options as opposed to stock grants. However stock appreciation rights (SARs) have continued to be granted to US citizens or residents.

In the framework of the long-term incentive plan, income from 50% of the options and shares allocated - 100% for the members of the Management Board since January 2009- are subject to the performance criteria, the attainment of which is sanctioned by the Statutory Auditors.

The options have a ten-year life, and their exercise price is equal to the average share price of the twenty trading days prior to the date of grant. No discount is applied. Stock grants have a total vesting and/or lock-up period of four to five years (see page 256, Stock grant details).

Pension benefits**

French members of the Management Board and Supervisory Board are covered by the Group's top-hat pension plan for senior executives, (Article 39 defined benefits) and, with the exception of Jean-Pascal Tricoire of the top hat pension plan for Senior Management (defined contributions) . The benefits from article 83 (defined contributions) are deducted from the article 39 benefits (defined benefits).

Article 39 defined benefits plan foresee a pension of a maximum amount equal to 60%; that is, 50% plus 1% per year as of the sixth year of the acquisition of the senior manager status, of the difference between the average reference salary (i.e. the average of the base salary and of the variable portion of the three calendar years prior to departure) and the total sum for pensions granted under

external plans (CNAV, ARRCO, AGIRC and other pensions, where necessary). The annuity thus defined, plus the annuity that results, where necessary, from the article 83 defined contribution plan, cannot exceed 25% of the average reference salary. The defined benefits plan includes, subject to conditions, a right to 60% for the surviving spouse. Under the contingency section, an annuity for the spouse is paid if the executive passes away before the retirement age. In the event of disability occurring in the course of business, the executive has a right to a pension supplement as of his or her sixtieth birthday.

Non-French members are covered by funded pension plans in line with local practice in their respective countries.

Compensation of the Supervisory Board members

Chairman of the Supervisory Board

Based on the recommendation of the Remunerations, Appointments and Human Resources Committee, at its meeting on April 22, 2010, the Supervisory Board decided to set the annual compensation of its Chairman at EUR500,000 not including the attendance fees paid to Supervisory Board members.

The Chairman of the Supervisory Board does not receive any stock options or stock grants and will not be entitled to any payment on leaving the Board.

In 2010, Henri Lachmann was paid:

- in his capacity as Chairman of the Supervisory Board: EUR500,000;
- in attendance fees: EUR65,000;
- under the Company's pension plan for senior executives: EUR553,296.

Mr Lachmann has a Company car and may also use the chauffeur-driven Company cars made available to Group Senior Management. This benefit in kind can be estimated for the 2010 financial year at EUR5,090.

Supervisory Board members

The Annual Shareholders' Meeting set total attendance fees at EUR800,000. The Supervisory Board has decided to allocate these fees as follows:

- Board members and non-voting members resident in France receive a basic fee of EUR15,000 and members resident outside France receive double this amount;
- Board members receive a fee of EUR5,000 for each meeting they attend;
- members who sit on the Committees of the Board receive a fixed fee of EUR15,000, with the Audit Committee Chairman receiving double this amount.

On this basis, attendance fees paid in respect of 2009 and 2010 were as follows:

Supervisory Board members	Amounts paid for 2010 ⁽¹⁾	Amounts paid for 2009 ⁽¹⁾
Mr LACHMANN		
Attendance fees	EUR60,000	EUR65,000
Other	EUR500,000	EUR500,000
Mr APOTHEKER		
Attendance fees	EUR57,500	EUR55,000
Other		
Mr BÉBÉAR ⁽²⁾		
Attendance fees	EUR15,000	EUR15,000
Other		
Mr BRIQUET ⁽³⁾		
Attendance fees	-	-
Other		
Mr FORGEARD		
Attendance fees	EUR60,000	EUR60,450
Other		
Mr GALLOT		
Attendance fees	EUR60,000	EUR65,000
Other		
Mr KISSLING		
Attendance fees	EUR75,000	EUR80,000
Other		
Ms KOPP		
Attendance fees	EUR45,000	EUR50,000
Other		
Mr de LA MARTINIÈRE		
Attendance fees	EUR75,000	EUR80,000
Other		
Mr MAHINDRA		
Attendance fees	EUR11,100	-
Other		
Mr ROSS		
Attendance fees	EUR61,000	EUR70,000
Other		
Ms SÉNÉQUIER ⁽²⁾		
Attendance fees	EUR8,150	-
Other		
Mr THOMAN		
Attendance fees	EUR55,000	EUR60,000
Other		
Mr WEINBERG		
Attendance fees	EUR55,000	EUR65,000
Other		

(1) Attendance fees are paid at the beginning of the following year.

(2) Non-voting member.

(3) Claude Briquet, who has a service contract with Schneider Electric Industries SAS, waived payment of his attendance fees. Schneider Electric will donate the amount waived for 2009 to the Schneider Electric Foundation.



Compensation, benefits and stock options of Management Board members

Based on the recommendation of the Remunerations, Appointments and Human Resources Committee, at its meetings on December 17, 2009, February 17, 2010 and February 16, 2011 the Supervisory Board set the annual compensation for the members of the Management Board.

President and CEO – Jean-Pascal Tricoire

At its meeting of December 17, 2009 the Supervisory Board:

- decided to set the annual 2010 salary of Mr Jean-Pascal Tricoire at EUR850,000 and his target variable bonus at 100% of this amount, with a maximum of 200%. 60% of his bonus is based on Group performance targets, and 40% on measurable personal targets;
- granted Mr Tricoire 50,000 options under stock option plan 33 and 12,500 shares under stock grant plan 8. All of these options and stock grants are subject to performance criteria, in accordance with AFEP-MEDEF recommendations. These options are suspended to lock-up arrangements (see page 253).

At its meeting of February 17, 2010 the Supervisory Board set the following targets for Mr Tricoire's variable bonus.

- Group performance: organic revenue growth, growth in operating profit, cash generation ratio and customer satisfaction rates;
- Individual performance: implement the strategy, implement One, create the Energy business and integrate Areva Distribution, recruit and identify talent, and ensure transparency *vis-à-vis* the Supervisory Board.

Based on these elements, at its meeting of February 16, 2011 the Supervisory Board set Mr Tricoire's variable bonus for 2010 at 172,8% of his base salary, or EUR 1,468,800.

Member of the Management Board – Emmanuel Babeau

Emmanuel Babeau was appointed to the Management Board on May 3, 2009 and joined the Group as Executive VP Finance under a service contract for executives with Schneider Electric Industries SAS.

At its meeting of December 17, 2009, the Supervisory Board decided:

- to set Mr Babeau's total fixed annual salary for 2010 at EUR500,000 and his target variable bonus at 80% of this amount, with a maximum of 160%. Sixty percent of Mr Babeau's target variable bonus is based on Group performance targets and 40% is based and on measurable personal targets;
- granted, in the Framework the long-term vesting plan, Mr Babeau 15,000 options under stock option plan 33 and 3,750 shares under stock grant plan 8. All of these options and stock grants are subject to performance criteria, in accordance with AFEP-MEDEF recommendations. These options are also suspended to lock-up arrangements (see page 253).

60% of Mr Babeau's target variable bonus is based on Group performance targets in terms of organic revenue growth, operating profit, cash generation ratio and customer satisfaction rates and 40% is based and on measurable personal targets.

At its meeting of February 16, 2011 the Supervisory Board set Mr Tricoire's variable bonus for 2010 at 141.93% of his base salary, or 709,650EUR.

Overview of Management Board compensation

Summary of remunerations, stock options and shares granted to each corporate officer

Jean-Pascal TRICOIRE	2010	2009
Remuneration for the financial year	2,323,946	1,917,312
Valuation of options granted during the financial year	958,000	491,400
Value of performance shares granted during the financial year	867,500	504,000
TOTAL	4,149,446	2,912,712

Emmanuel BABAUE	2010	2009
Remuneration for the financial year	1,215,167	657,264
Valuation of options granted during the financial year	287,400	81,300
Value of performance shares granted during the financial year	260,250	56,400
TOTAL	1,762,667	794,964

Summary table of the remuneration of each Senior Management corporate officer

Jean-Pascal TRICOIRE	2010		2009	
	Amount due	Amount paid	Amount due	Amount paid
President and CEO				
Fixed remuneration	850,000	850,000	765,000	765,000
Variable remuneration	1,468,800	1,147,500	1,147,500	1,063,350
Exceptional remuneration	-	-	-	-
Attendance fees	-	-	-	-
Benefits in kind (company car)	5,146	5,146	4,812	4,812
TOTAL	2,323,946	2,002,646	1,917,312	1,833,162

Emmanuel BABEAU	2010		2009 (May-December)	
	Amount due	Amount paid	Amount due	Amount paid
Member of the Management Board				
Fixed remuneration	500,000	500,000	238,506	238,506
Variable remuneration	709,650	316,000	316,000	-
Exceptional remuneration	-	-	100,000	100,000
Attendance fees	-	-	-	-
Benefits in kind (company car)	5,517	5,517	2,758	2,758
TOTAL	1,215,167	821,517	657,264	341,264

Subscription or purchase options attributed during the financial year to each Management Board corporate officer by the issuer and by any company in the Group.

No options to subscribe new shares or purchase existing shares were granted to members of the Management Board in 2010.

For a complete understanding of the information reported in the summary of the compensation, stock options and stock grants received by each member of the Management Board (see page 124), the two allocations made in 2009 are disclosed hereafter.

	Plan number ⁽¹⁾	Plan date	Unit valuation IFRS 2	Number of options awarded	Exercise price	Exercise period	Type of options ⁽²⁾
Jean-Pascal TRICOIRE	31	Jan. 05, 2009	10.92	45,000	52.12	Jan. 05, 2013 - Jan. 04, 2019	P/S
	33	Dec. 21, 2009	19.16	50,000	75.84	Dec. 21, 2013 - Dec. 20, 2019	P/S
Emmanuel BABEAU	32 ⁽³⁾	Aug. 21, 2009	16.26	5,000	62.61	Aug. 21, 2013 - Aug. 20, 2019	P/S
	33	Dec. 21, 2009	19.16	15,000	75.84	Dec. 21, 2013 - Dec. 20, 2019	P/S

(1) Plan 31 for 2009, exceptional plan 32, plan 33 for 2010.

(2) Their type, purchase options (P) or subscriptions options (S) will be determined before the start of the financial year.

(3) Exceptional plan 32 with no performance conditions.

	Plan 31	Plan 33
Performance criteria	50% of options / 100% for the Management Board – 2011 operating margin and 2009 to 2011 EPS compared to a benchmark selection	100% of options – 2010 and 2011 operating margin and share of revenue generated in new economies



For a complete understanding of the information reported in the summary of the compensation, stock options and stock grants received by each member of the Management Board (see page 124),

the allocations made in 2010 (for 2011) and the allocations made in 2009 (for 2009 and 2010) are disclosed hereinafter.

Performance shares granted to each corporate officer

	Plan number ⁽¹⁾	Plan date	Number of shares awarded	Unit valuation IFRS 2	Date of acquisition	Date of availability
Jean-Pascal TRICOIRE	5	Jan. 05, 2009	11,250	44.80	Jan. 05, 2012	Jan. 05, 2014
	8	Dec. 21, 2009	12,500	69.40	Dec. 21, 2011	Dec. 21, 2013
	10	Dec. 17, 2010	25,000	102.60	Mar. 17, 2013	Mar. 17, 2015
Emmanuel BABEAU	7 ⁽²⁾	Aug. 21, 2009	1,250	45.12	Aug. 21, 2012	Aug. 21, 2014
	8	Dec. 21, 2009	3,750	69.40	Dec. 21, 2011	Dec. 21, 2013
	10	Dec. 17, 2010	10,000	102.60	Mar. 17, 2013	Mar. 17, 2015

(1) Plan 5 for 2009, exceptional plan 7, plan 8 for 2010, plan 10 for 2011.

(2) Exceptional plan 7 with no performance conditions.

	Plan 5	Plan 8	Plan 10
Performance criteria	100% of the shares – 2011 operating margin and share of revenue generated in new economies	100% of options – 2010 and 2011 operating margin and share of revenue generated in new economies	100% of the options – 2011 and 2012 operating margin and average revenue growth in 2011 and 2012 compared to changes in world GDP over the same period

Benefits received by members of the Management Board

Management Board corporate officers	Employment contract		Top-hat pension plan		Payments or benefits may be due in the event of termination or change of function		Payments in relation to a non-compete agreement	
	Yes	No	Yes	No	Yes	No	Yes	No
Jean-Pascal TRICOIRE								
President and CEO								
May 3, 2009		See hereafter	See above		See hereafter		See hereafter	
May 2, 2012		"President and CEO"	"Pension benefits"		"President and CEO"		"President and CEO"	
Emmanuel BABEAU	See hereafter				See hereafter		See hereafter	
Membre du Directoire	"Member of the Management Board"		See above		"Member of the Management Board"		"Member of the Management Board"	
May 3, 2009			"Pension benefits" ⁽¹⁾					
May 2, 2012								

(1) The contribution paid in 2010 to the defined contribution retirement plan was EUR22,157.

President and CEO – Jean-Pascal Tricoire

In accordance with AFEP-MEDEF guidelines, Jean-Pascal Tricoire resigned from his service contract when he was reappointed Chairman of the Management Board on May 3, 2009. The Supervisory Board has defined the benefits granted to him as Chairman of the Management Board. Under the terms of his new status, approved by the Annual Shareholders' Meeting of April 23, 2009, Mr Jean-Pascal Tricoire:

- 1) will continue to benefit from:
 - the Schneider Electric SA and Schneider Electric Industries SAS employee benefit plan, which offers health, disability and death coverage,
 - the supplementary health, disability and death coverage available to the Group's senior French executives,
 - the Top-hat Pension Plan for the Group's Senior Management described in the Supervisory Board Chairman's report in accordance with article L. 225-68 of the French Commercial Code (see page 122);

- 2) Mr Tricoire will be due compensation in the event of termination, capped at 2 years of his target remuneration (fixed salary and target bonus, maximum described below) taking into account compensation provided for in the non-compete agreement described below. The amount due will be subject to performance criteria;

Compensation will be due in the event that:

- (i) Mr Tricoire resigns, is terminated or is not reappointed as a member or Chairman of the Management Board in the 12 months following a material change in Schneider Electric's shareholder structure that could change the membership of the Supervisory Board;
- (ii) Mr Tricoire resigns, is terminated or is not reappointed as a member or Chairman of the Management Board following a reorientation of the strategy pursued and promoted by him until that time, whether or not in connection with a change in Schneider Electric's shareholder structure as described above;
- (iii) Mr Tricoire is asked to resign, is terminated or is not reappointed as a member or Chairman of the Management Board when the mathematical average of the rate of achievement of performance objectives used to calculate his variable bonus was 50% or higher in the four full financial years preceding his departure (or, if he has been a member and Chairman of the Management Board for less than four years, in the number of full financial years since his appointment).

Payment of compensation will depend on the mathematical average of the rate of achievement of performance objectives used to determine the variable portion of Mr Tricoire's remuneration for the three full years preceding the date of the Board meeting at which the decision is made.

If the mathematical average is:

- less than 50%, no compensation will be paid,
- equal to 50%, 75% of the compensation will be paid,
- equal to 100%, 100% of the compensation will be paid,
- between 50% and 100%, compensation will be calculated on a straight-line basis at a rate of between 75% and 100%.

The achievement rate of Group performance objectives for the last three years is, on average, 118%. These objectives were based on the Group's overall performance (organic growth, EBIT, ROCE, cash generation and customer satisfaction);

- 3) unless a mutually agreeable arrangement is found, should Mr Tricoire leave the Company it may evoke his non-compete agreement, which calls for monthly payment of an amount equivalent to 60% of the average monthly compensation for the last twelve months of presence: (salary plus paid bonus);
- 4) Mr Tricoire will retain all of the stock options, stock grants and performance stock grants allocated or to be allocated to him should he leave the Company, provided that the mathematical average of the rate of achievement of performance objectives used to determine the variable portion of Mr Tricoire's remuneration for the three full years preceding his departure is 50% or higher.

Mr Tricoire's travel and entertainment expenses are reimbursed by the Company. He has a company car and may also use the chauffeur-driven company cars made available to Group Senior Management. This benefit in kind can be estimated at EUR5,146.

Emmanuel Babeau

Under his service contract with Schneider Electric Industries SAS, Emmanuel Babeau is covered by the top-hat pension plan for senior executives in France (see above) and is also entitled to a termination benefit should the employer terminate the contract. This termination benefit, including the benefit provided for in the industry collective bargaining agreement (*Convention Nationale des Ingénieurs et Cadres de la Métallurgie*), is capped at two years of his target annual compensation (salary plus target variable bonus).

Should Mr Babeau leave the Company for any reason, the Company may evoke the non-compete agreement in his service contract and the provisions of the industry collective bargaining agreement (*Convention Nationale des Ingénieurs et Cadres de la Métallurgie*), which call for monthly payment of an amount equivalent to 50% to 60% of the average monthly compensation for the last twelve months of presence (salary plus paid bonus). This payment is due for one year, renewable once.

Mr Babeau's travel and entertainment expenses are reimbursed by the Company. He has a company car and may also use the chauffeur-driven company cars made available to Group Senior Management. This benefit in kind can be estimated for the period at EUR5,517.



Compensation paid to members of Senior Management other than Management Board members

Senior Management

The Senior Management team consists of the Management Board, assisted by the Executive Committee. The 14 member Executive Committee is chaired by the Chairman of the Management Board. In addition to the members of the Management Board, it comprises:

- the Executive Vice-Presidents of the Global Functions: Information Systems, Marketing, Strategy & Innovation, Global Human Resources and Industrial Operations;
- the Executive Vice-Presidents of the businesses: Power Global & EMEAS*, Power North America & Buildings, Power Asia Pacific, Industry, Energy, IT and Custom Sensors & Technologies.

Senior Management compensation in 2010

In 2010, total gross compensation, including benefits in kind, paid to the members of Senior Management other than the Management Board members amounted to EUR9,001,230, including EUR3,888,210 in variable bonuses for 2009.

- organic growth, with no bonus being paid if the Group's 2009 revenue represented 85% or less of 2008 revenue;
- operating margin, with no bonus being paid if the 2009 margin rate represented 95% or less of the 2008 margin;
- cash flow, with no bonus being paid if 2009 cash flow represented 98% or less of 2008 cash flow;
- customer satisfaction, with no bonus being paid if the increase in the customer satisfaction rate was 1% or less between 2008 and 2009;
- customer dissatisfaction, with no bonus being paid if the reduction in the dissatisfaction rate was 0.5% or less.

Stock options and stock grants

On December 21, 2009, members of Senior Management other than Management Board members were allocated (for 2010) a total of:

- 57,000 stock options under plan 33, with an exercise price of EUR75.84, expiring in 2019;
- 86,500 SARs under plan 33 for US citizens;
- 9,875 stock grants under plan 8 for residents of France;
- 26,000 stock grants under plan 9 for non-residents of France;

All of the options and stock grants are subject partially (50%) to performance criteria.

On December 17, 2010, members of Senior Management other than Management Board members were allocated (for 2011) a total of:

- 14,500 stock grants under plan 10 for residents of France;
- 44,000 stock grants under plan 11 for non-residents of France;
- 95,000 SARs for US citizens.

All of the options and stock grants are subject partially (50%) to performance criteria.

As of December 31, 2009, members of Senior Management other than Management Board members thus held:

- 352,003 stock options including 124,400 subject to the attainment of Group performance criteria;
- 381,050 SARs including 277,500 subject to performance criteria;
- 112,208 stock grants, including 107,217 subject to performance criteria.

During 2010 the members of Senior Management other than Management Board members exercised a total of 215,161 stock options granted under plans 21, 23, 24, 26, 27 and 28 at a weighted average price of EUR58.69.

* EMEAS = Europe, Middle East, Africa and South America.

Transactions in Schneider Electric SA shares by senior management and corporate officers in 2010

Transactions disclosed in application of article 621-18-2 of the French Monetary and Financial Code

Date	Name	Type of transaction	Trading volume	Price per share
July 08, 2010	Jean-Pascal Tricoire	Subscription through the corporate mutual fund	3,826	€67.44
July 08, 2010	Jean-Pascal Tricoire	Subscription through the corporate mutual fund	445	€67.44
November 05, 2010	Jean-Pascal Tricoire	Exercise of stock options	20,000	€49.30
November 05, 2010	Jean-Pascal Tricoire	Share sale	19,882	€104.85
November 05, 2010	Jean-Pascal Tricoire	Exercise of stock options	20,000	€55.55
November 22, 2010	Jean-Pascal Tricoire	Share sale	19,882	€111.90
November 22, 2010	Jean-Pascal Tricoire	Exercise of stock options	20,000	€55.55
December 20, 2010	Jean-Pascal Tricoire	Purchase of a two-year put option	20,000	€17.00
December 20, 2010	Jean-Pascal Tricoire	Sale of a two-year call option	20,000	€17.00
December 21, 2010	Jean-Pascal Tricoire	Exercise of stock options	1,998	€55.55
July 08, 2010	Henri Lachmann	Subscription through the corporate mutual fund	1,492	€67.00
October 22, 2010	Henri Lachmann	Exercise of stock options	50,000	€55.55
November 19, 2010	Henri Lachmann	Exercise of stock options	10,000	€55.55
December 03, 2010	Henri Lachmann	Exercise of stock options	20,000	€55.55
July 08, 2010	Emmanuel Babeau	Subscription through the corporate mutual fund	444	€67.44
December 17, 2010	Emmanuel Babeau	Purchased/sold	215	€117.40
July 08, 2010	Claude Briquet	Subscription through the corporate mutual fund	70	€67.44
July 08, 2010	Claude Briquet	Subscription through the corporate mutual fund	334	€ 67.44
October 20, 2010	Willy Kissling	Acquisition	500	€100.93
December 24, 2010	Anand Mahindra	Acquisition	250	€116.05



> 9. Regulated Agreements

At its meeting of January 6, 2006, the Board of Directors authorised the signature of a shareholders' agreement between AXA and Schneider Electric SA. The agreement calls for the continuation of stable cross-shareholdings between the two groups. In particular, Schneider Electric SA undertakes to hold no less than 8.8 million AXA shares, or 0.4% of AXA's capital, while AXA undertakes to hold no less than 2.6 million Schneider Electric SA shares or 1% of Schneider Electric SA's capital. Each group also holds a call option that may be exercised in the event of hostile takeover. The one-year agreement, which is automatically renewed each year unless it is expressly terminated, was approved by Shareholders' Meeting of April 26, 2007.

As Jean-Pascal Tricoire agreed to resign from his employment contract with the Schneider Electric Group (where he has 22 years' seniority) when his term as Chairman of the Board expired on May 2, 2009, the Supervisory Board defined his new status with his agreement. His new status took effect on May 3, 2009 and was approved by the Shareholders' Meeting. Under this agreement, set out on pages 126 and 127, Mr Tricoire:

- benefits from the Top-hat Pension Plan for Schneider Electric senior executives, the Schneider Electric SA employee benefit plan and the supplementary health, disability and death coverage available to the Group's senior executives;

- is bound by a non-compete agreement;
- is entitled to compensation in the event of termination, capped at 24 months of his target remuneration taking into account compensation provided for in the non-compete agreement described above and provided that he resigns, is terminated or is not re-appointed following a material change in Schneider Electric's shareholder structure or a re-orientation of the strategy pursued and promoted by him until that time;
- retains, subject to performance criteria, all unvested stock options, stock grants and performance stock grants should he leave the Company.

At its meetings of April 23 and December 17, 2009, the Supervisory Board agreed that Emmanuel Babeau would continue to benefit from the top-hat pension plan for senior executives provided under

his employment contract with Schneider Electric Industries SAS. The Shareholders' Meeting of April 22, 2010 approved this benefit.

The Supervisory Board, at its meeting of December 15, 2010, authorised the Management Board to outsource the "section 39" Top-Hat Pension Plan to which the Group's French senior executives are entitled. Since Mr. Henri Lachmann is a beneficiary of this regime, the principle for this outsourcing was authorised by the Supervisory Board under the terms of the regulated agreements. The agreement is being negotiated as part of a call for tenders. Its signature with the insurance firm being used will receive the prior authorisation by the Supervisory Board under the terms of the regulated agreements. Consequently, the terms for the application of this agreement shall be subject to the approval of the General Meeting called to approve the 2011 financial statements.

> 10. Internal control and risk management**

1. Definition and objectives of internal control and risk management

1.1. Definition and objectives

The Group's internal control procedures are designed to ensure:

- compliance with laws and regulations;
- application of instructions and guidelines issued by Senior Management;
- the proper functioning of the Company's internal processes, notably as concerns asset preservation;
- the reliability of financial reporting;
- more generally, internal control helps the Group manage its businesses, run efficient operations and use its resources efficiently.

Internal control aims to prevent and manage risks related to the Group's business. These include accounting and financial risks, the risk of fraud, as well as operating, financial and compliance risks. However, no system of internal control is capable of providing absolute assurance that these risks will be managed completely.

1.2. Scope of this report

The system is designed to cover the Group, defined as the Schneider Electric SA parent company and the subsidiaries over which it exercises exclusive control.

Jointly controlled entities are subject to all of the controls described below, with the exception of self-assessments of the implementation of Key Internal Controls (see "Operating Units" below).

1.3. Internal control reference documents

The Group's internal control system complies with the legal obligations applicable to companies listed on the Paris stock exchange. It is consistent with the reference framework laid down by France's *Autorité des Marchés Financiers* (AMF).

The internal control process is a work in progress; procedures are adapted to reflect changes in the AMF recommendations and the business and regulatory environment, as well as in the Group's organisation and operations.

1.4. Information used to prepare this report

This report was prepared using contributions from the Group's Internal Audit and Internal Control Departments, the Management Control and Accounting Departments, as well as the various participants in internal control. It was reviewed by the Audit Committee.

2. Internal control organisation and management: key participants

In 2010, the Group's organisational chart rests on Senior Management, of Global Functions, of Operating Divisions; defined in terms of businesses, geographical location, logistical or industrial responsibility.

The Group's corporate governance bodies supervise the development of the internal control and risk management systems. The Audit Committee has particular responsibility for monitoring the system's effectiveness (see Committees of the Supervisory Board, Chapter 3 § 4).

Each manager is responsible for monitoring internal control in his or her area, at the different levels of the organisation, as are all key internal control participants, in accordance with the tasks described below.

2.1. Senior Management

(See Committees of the Supervisory Board, Chapter 3 § 4).

Senior Management is responsible for designing and leading the overall internal control system, with support from all key participants and notably the Internal Audit and Group's Internal Control Departments.

It also monitors the Group's performance, during quarterly reviews with the Operating Divisions and Global Functions. These reviews cover business trends, action plans, current results and forecasts for the quarters ahead. Similar reviews are carried out at different levels of the Group prior to Senior Management's quarterly review.

2.2. Internal Audit Department

The Internal Audit Department reports to Senior Management. It had an average staff of 12 people in 2010. The internal auditors are responsible for ensuring that, at the level of each unit:

- risks are appropriately identified and managed;
- significant financial, management and operating information is accurate, reliable and timely;
- employees' actions are in compliance with the Group's policies, standards, procedures and the applicable laws and regulations;
- instructions issued by Senior Management are effectively applied;
- resources are acquired economically, used efficiently and protected adequately.

Annual internal audit plans are drawn up based on risk and control concerns identified by Senior Management, taking into account the results of past audits, the work performed by the external auditors and the results of internal control self-assessments returned by the units. When necessary, the audit plan is adjusted during the year to include special requests from Senior Management. These missions, which are not included in the initial audit plan, help the Group detect potential cases of fraud.

The internal audit process is described in Section 5 below.

After each internal audit, a report is issued setting out the auditors' findings and recommendations. Copies of the report are given to the head of the audited entity, Senior Management and the Audit Committee.

The external auditors also have access to the reports.

Measures are taken to monitor implementation of recommendations and specific audits are conducted if necessary.

2.3. Internal Control Department

The Internal Control Department, which was created in 2008 and reports to the Internal Audit Department, is responsible for:

- defining and updating the list of Key Internal Controls in close cooperation with the Global Functions and in line with the recommendation of the AMF reference framework;
- setting up and leading a network of internal controllers in the Operating Divisions, with responsibility for defining Key Internal Controls and ensuring their use in the operating units within their scope – notably through training sessions and annual self-assessments;
- analysing and critically reviewing the results of these self-assessments to identify areas that require an action plan at the Group, Operating Division or Global Function level;
- leading the Internal Control Committee, comprising internal controllers from the Operating Divisions, as well as internal control correspondents from the Global Functions. The Committee members work to improve internal control and adapt procedures in light of the results of self-assessments and changes in the business environment or organisation.

2.4. Finance and Control – Legal Affairs Department

The Finance and Control – Legal Affairs Department is actively involved in organising control and ensuring compliance with procedures.

Within the department, the Management Control and Accounting unit plays a key role in the internal control system by:

- drafting and updating instructions designed to ensure that statutory and management accounting practices are consistent throughout the Group and compliant with applicable regulations;
- organising period-end closing procedures;
- analysing performance and tracking the achievement of targets assigned to the operating units.

The Management Control and Accounting unit is responsible for:

- the proper application of Group accounting principles and policies;
- the integrity of the consolidation system database;
- the quality of accounting processes and data;
- training for finance staff in the form of specific seminars;



- drafting, updating and distributing the necessary documents for producing quality information.

The unit drafts and updates:

- a glossary of accounting terms used in the reporting package, including a definition of each term;
- the chart of accounts for reporting;
- a Group statutory and management accounting standards manual, which includes details of debit/credit pairings in the consolidation system;
- a Group reporting procedures manual and a system user's guide;
- a manual describing the procedures to be followed to integrate newly acquired businesses in the Group reporting process;
- an intercompany reconciliation procedure manual;
- account closing schedules and instructions.

The Management Control and Accounting unit monitors the reliability of data from the subsidiaries and conducts monthly reviews of the various units' primary operations and performance.

The Finance and Control – Legal Affairs Department oversees tax and legal affairs and insurance, to provide comprehensive management of these risks.

Treasury and financing management is almost completely centralised within the Corporate Treasury Center, which issues guidelines on financial risk management and payment security.

The Corporate Treasury Center also reviews balance-sheet changes and financial risks facing the Group's companies on an annual basis during formal financial review meetings.

Procedures for managing financial risk are described in "Risk Factors."

2.5. Operating Divisions and operating units

The Operating Division management teams play a critical role in effective internal control.

All Group units report to one of the Operating Divisions, which are headed by an Executive Vice-President, supported by a financial controller.

The Executive Vice-Presidents of the Operating Divisions sit on the Executive Committee, which is chaired by the Chairman of the Management Board. The financial controllers report to the Internal Audit and Internal Control Departments.

Within each division, the management team organises control of operations, ensures that appropriate strategies are deployed to achieve objectives, and tracks unit performance.

A Management Committee led by the corporate Management Control and Accounting unit reviews the transactions of the Divisions and businesses on a monthly basis.

The Operating Divisions have teams of internal controllers who organise training on Key Internal Controls for the units within their scope and analyse the quality of the internal control self-assessments (including ratings and action plans) returned by the units.

They detect internal control issues that require action plans in some or all of the units under their responsibility. They also identify units that need specific assistance and either implement or oversee the implementation of the appropriate support.

Lastly, the internal control teams offer suggestions for enhancing and updating the Key Internal Controls.

2.6. Global Functions (Human Resources, Purchasing, Manufacturing, Supply Chain, Information Systems, etc.)

Schneider Electric centralises decision-making and risk management at the corporate level through specific bodies such as the Group Acquisitions Committee (see "Risk Factors"), by combining certain functions within the Finance and Control – Legal Affairs Department (see above) and through dedicated Global Functions.

An Innovation and Technology Council meets monthly to ensure cross-functional coordination among the Global Function for innovation and new products.

The Human Resources Department is responsible for deploying and ensuring the application of procedures concerning employee development, occupational health and work safety.

The Purchasing Department is responsible for establishing guidelines concerning purchasing organisation and procedures; relationships between buyers and vendors; and procedures governing product quality, service levels, and compliance with environmental standards and Group codes of conduct.

The Global Functions also issue, adapt and distribute policies, target procedures and instructions to units and individuals assigned to handle specific duties.

The Global Functions have internal control correspondents who work with the Internal Control Department to establish and update the Key Internal Controls deployed across the Group.

They analyse the results of self-assessments concerning the Key Internal Controls that fall within their Function's scope, identify internal control issues that require action plans and either implement or oversee the implementation of these plans.

3. Distributing information: benchmarks and guidelines

The main internal control benchmarks are available to all employees, notably on the Group intranet. The Global Functions send updates of these Registration Documents to the appropriate units and individuals through their networks of correspondents.

In some cases, dedicated e-mails are sent out or messages are posted on the intranet portal to inform users about publications or updates.

Whenever possible, the distribution network leverages the managerial/functional organisation to distribute standards and guidelines.

3.1. Principles of Responsibility

The *Principles of Responsibility*, initially published in 2002, were updated in 2009. The *Principles of Responsibility* describe Schneider Electric's core values and each team member's responsibility in maintaining those values.

Translated into all the languages used within the Group, given to all new employees and available on the Group's intranet, they are designed to guide employees in their decisions and actions. They define the Group's essential values and set out individual responsibility in respect of these values. They also set out the interrogation and alert procedures.

A Committee on Ethics and Responsibility has been set up, and correspondents appointed to steer action in this area, to make updates and to validate changes. The Committee also answers employee questions that are not addressed in the companion guide to the *Principles of Responsibility*, or that employees' own managers are unable to answer. The Internal Audit Department has carried out work to assess the deployment of the *Principles of Responsibility* throughout the Group (see Sustainable development framework, Chapter 2 § 2)

3.2. Insider code

This code sets out the rules to be followed by management and employees to prevent insider trading. It imposes an obligation of confidentiality on all employees who have access to confidential information and sets permanent restrictions on purchases and sales of Schneider Electric SA shares by persons who have access to price-sensitive information in the course of their work (see "Organisational and operating procedures of the Supervisory Board", Chapter 3 § 2).

3.3. International internal auditing standards

The Schneider Electric internal auditors are committed to complying with the international standards published by the Institute of Internal Auditors (IIA) and other bodies.

3.4. International Financial Reporting Standards (IFRS)

The consolidated financial statements for all fiscal years commencing on and after January 1, 2005 have been prepared in accordance with International Financial Reporting Standards (IFRS), in compliance with European Union regulation 1606/2002.

The Group applies IFRS as adopted by the European Union as of December 31, 2010.

The Group's accounting principles reflect the underlying assumptions and qualitative characteristics identified in the IFRS accounting framework. This involves preparing the financial statements on the accrual basis of accounting and assuming that the business is a going concern. It also requires financial statements to provide a fair, neutral, prudent, complete, relevant and understandable view of the Group's accounts, with a preeminence of substance over form.

The application of Group accounting principles and methods is mandatory for all Group entities, for management reporting and statutory consolidation.

IFRS guidelines are available on the intranet, along with training modules covering the more technical aspects.

3.5. Commitment limits and authorisations

Commitment limits have been set for executives from Group level down to the individual units.

Thus, product purchase and sale contracts may only be signed by, or with the authorisation of, operations correspondents who benefit from ad-hoc authorisations which, in turn, are granted by their managers. Within this organisational framework, Business executives have the power to authorise the signature of product or service, purchase or sale contracts covering up to EUR10 million. Moreover, they enable their collaborators to authorise smaller amounts which they consider appropriate for the signature of such contracts.

Moreover, all transactions that may affect the Group's fundamental interests, due to their size or nature, must be authorised in advance by the Management Board or, in some cases, by the Supervisory Board. This rule applies in particular to all transactions affecting the scope of consolidation, purchases and sales of strategic assets, trademarks and patents, and off-balance sheet commitments.

3.6. Statutory and management reporting principles

An integrated reporting and consolidation system applicable to all Group companies and their management units has been in place since January 1, 2006. Statutory and management reporting principles and support tools are available on the Group intranet.

The subsidiaries record their transactions in accordance with Group standards. Data are then adjusted, where necessary, to produce the local statutory and tax accounts.

The reporting system includes consistency controls, a comparison of the opening and closing balance sheets and items required to analyse management results.

3.7. Key Internal Controls

A list of Key Internal Controls was drawn up in 2008 and is expanded annually. Its 103 items cover:

- the control environment (Principles of Responsibility, Delegation of Powers, Separation of Functions, Business Continuity Plans and Retention of Records);
- operating processes (purchases, sales, inventories, etc.);
- accounting and financial cycles;
- Human Resources, IT, Legal and Tax cycles.



The Key Internal Controls are available to all units on the Group intranet, along with appendices with more detailed information, links to full policy descriptions on the Functions' intranets, an explanation of the risks covered by each Key Internal Control and a self-assessment guide.

For each cycle, the Key Internal Controls cover compliance, reliability, risk prevention and management and process performance. The operating units fill out self-assessment questionnaires concerning the Key Internal Controls.

4. Risk identification and management

4.1. General risks at the Group level

The Internal Audit Department interviews the Group's 40 top managers to update the list of general risks at the Group level each year. The risks identified through these interviews are ranked by impact and probability of occurrence. The threat/opportunity aspect of each risk is also taken into account.

Risk factors related to the Company's business, as well as procedures for managing and reducing those risks, are described in "Risk Factors." These procedures are an integral part of the internal control system.

When drawing up the Internal Audit plan for the coming year, team members look closely at the risk matrix and the analysis of changes from one year to the next.

More than half of the major and general risks identified at end-2009 were addressed in audits carried out between 2008 and 2010 to assess action plans for managing and reducing risks.

4.2. Operating risks at the unit level

Operating risks are managed first and foremost by the units in liaison with the Operating Divisions, based on Group guidelines (notably the Key Internal Controls). Each subsidiary is responsible for implementing procedures providing an adequate level of internal control.

The Operating Divisions implement cross-functional action plans for operating risks identified as being recurrent in the units or as having a material impact at the Group level. The internal control system is adjusted to account for these risks as needed.

The Group's insurance programs cover the remaining portion of transferable risks.

4.3. Risk management by the Risk – Insurance Department

The Risk – Insurance Department contributes to internal control by defining and deploying a Group-wide insurance strategy, as defined in "Risk Factors." The insurance strategy identifies and quantifies the main insurable risks and defines and recommends measures to prevent risks and protect assets.

4.4. Risk management by the Safety Department

The Safety Department contributes to internal control by defining and deploying safety strategies. Like the Risk – Insurance Department, with which it works in close cooperation on recovery issues, the Safety Department helps identify and quantify the main risks within its scope and defines and recommends measures to prevent risks and protect people and assets. It is also involved in defining and deploying business continuity and crisis management plans.

4.5. Management of information system risks

An IT Security unit within the Information, Process and Organisation Department defines and implements specific security measures for information systems.

This Department was given responsibility for auditing the security of IT systems in 2010. Its first assignments were carried out in 2010; its recommendations resulted in remedial action plans.

5. Control procedures

This section describes specific measures taken in 2010 to improve the Group's control system.

5.1. Operating units

For internal control to be effective, everyone involved must understand and continuously implement the Group's general guidelines and the Key Internal Controls.

Training programs on the Key Internal Controls continued in all Operating Divisions in 2010. The operating units, trained by the Division to which they belong, carried out self-assessments in compliance with the Key Internal Controls governing their scope of operations.

The self-assessments conducted during the 2010 campaign covered 90% of consolidated revenue and made it possible to define improvement plans in the operating units, when necessary. The ultimate goal is that these evaluations should cover 80% of consolidated revenue each year.

The self-assessments are conducted in the units by each process manager. Practices corresponding to the Key Internal Controls are described and performance is rated on a scale of 1 (non compliance) to 4 (very good).

For all responses below 3 (compliance) on the scale, an action plan is defined and implemented to achieve compliance. These action plans are listed in the self-assessment report.

The unit's financial manager conducts a critical review of the self-assessments by process, and certifies the quality of the overall results.

5.2. Operating Divisions and business

To control the reliability of the financial statements and the alignment of performance with set targets, the Group relies on Senior Management's quarterly review process and procedures carried out by the Management Control and Accounting Unit to control the quality of accounting data provided by consolidated units (see "Internal Control organisation and Management – Senior Management" and "Internal control procedures governing the production and processing of accounting and financial information").

In 2010, the Operating Divisions continued to provide training for the operating units and received these units' internal control self-assessments. After analysing the results, improvement plans were developed either for certain units or for certain Key Internal Controls at the Division level.

The Division internal controllers conducted on-site missions to verify the reliability of the internal control self-assessments.

5.3. Global Functions

In 2010, the Global Functions continued to set guidelines, issue instructions and provide support.

During the year:

- the Information Process Organisation Department steers and coordinates the formulation and implementation "process One";
- the Risk Solutions Management Department, set up in 2010, defines and implements principles and applications designed to manage these risks;
- the Security Department developed an application centralising all Business Continuity Plans, as well as a specialised application for crisis management at country or Group level. It is used whenever SEECC (Schneider Electric – Emergency Coordination Center) is called upon;
- the IT Systems Security Department developed skills for auditing the security of IT systems, and conducted its first audits, which resulted in recommendations and the formulation of remedial action plans;
- the Corporate Treasury Center deployed the global payment system developed in 2009 in more than 30 European subsidiaries, in accordance with a rollout plan that will continue in 2011 and 2012.

5.4. Internal Control Department

In 2010, Internal Control continued to deploy the Key Internal Controls – training and requests for self-assessments – throughout the Operating Divisions, with the scope extended to cover new units: 50% of the weaknesses identified during the 2010 campaign were deemed settled in 2010.

By the end of 2010, Internal Control self-assessments had been received and analysed, allowing the identification of areas needing work in 2011 as part of the process of continuous improvement.

In addition to the analysis and action plans initiated by the Entities and Operating Divisions, similar work is being carried out in the Global Functions. On the basis of the results obtained in their field, the various functions define and implement improvement actions as needed.

In the meantime, the list of Key Internal Controls continues to grow.

In 2010, work aimed at adjusting the self-assessment questionnaires in line with the organisational principles of the *One* program *continue*.

5.5. Internal Audit Department

In addition to fine-tuning the general risk matrix and performing audits to ensure these risks are managed properly, the Internal Audit Department:

- monitors and reviews the way that Key Internal Controls are applied;
- critically reviews the audited unit's internal control self-assessment and related action plans.



The Department's audit assignments go beyond the Key Internal Controls, and include an in-depth review of processes and their effectiveness, focusing on compliance and/or performance, depending on the size of the audited unit and the identified risks and challenges.

The internal auditors also review newly acquired units to assess their level of integration and ensure that Group rules and guidelines are properly applied.

A summary overview of the department's audits makes it possible to identify any emerging or recurring risks that require new risk management tools and methodologies or adjustments to existing resources.

In 2010, Senior Management ordered unscheduled audits on emerging risks that led to the revision of certain internal procedures.

In 2010, the internal auditors performed 17 audits, including:

- full audits of medium-sized units;
- audits of a number of risks or operating processes;
- post-acquisition audits for newly acquired companies;
- analyses of control self-assessments by the units;
- follow-up audits to ensure recommendations are applied.

5.6. Committee on Ethics and Responsibility

The Committee on Ethics and Responsibility steers action in relation to the *Principles of Responsibility*, updates them and validates changes. It also answers employee questions that are not addressed in the companion guide to the *Principles of Responsibility*, or that employees' own managers are unable to answer.

(see "Sustainable development framework", Chapter 2 § 2)

5.7. Fraud Committee

In 2010, the Fraud Committee formalised the policy against fraud and the process of reporting and treating fraud and suspected fraud, including changes in procedures or practices to avoid recurrence.

5.8. 2010: further enhancement of the internal control system

In 2010, further efforts were made to improve the identification and control of general risks, to step up periodic reviews of results and performance, and to enhance auditing practices. The year was marked, for the internal control system, by the items set out above, in particular:

- the work of the Committee on Responsibility and Ethics and the Fraud Committee continued (see above);
- a process involving the systematic reporting and analysis of cases of fraud detected within the Group was established;
- internal control self-assessment questionnaires were sent out to cover 90% of the Group's consolidated revenue (training managers in internal control practices, defining and implementing remedial action plans if needed);
- the process of separating management tasks in IT systems through a pilot project conducted within the bridge project was rolled out on an industrial scale.

In 2011, further work will be done to strengthen the system:

- entities acquired with Areva Distribution will be brought into the self-assessment process;
- a dedicated software package for the management of self-assessment questionnaires and follow-up action plans will be ushered in to replace the "in-house" application used to date;
- local internal audit teams in the Operating Divisions will be reinforced.

6. Internal control procedures governing the production and processing of accounting and financial information

In addition to:

- its regulatory tasks;
- its responsibility for overseeing the close of accounts across the Group;
- its audits of the Group's performances with respect to targets (see "Internal Control Organisation and Management: Finance and Control – Legal Affairs").

The Management Control and Accounting unit is tasked with overseeing:

- the quality of reporting packages submitted monthly by the subsidiaries;
- the results of programmed procedures;
- the integrity of the consolidation system database.

The Management Control and Accounting unit ensures that:

- all of the subsidiaries perform a hard close at May 31 and November 30 of each year and the majority of consolidation adjustments for the period are also calculated at these dates so that the consolidated financial statements can be produced 16 working days after the annual or half-yearly period-end;
- the scope of consolidation is determined and, in cooperation with the Legal Affairs Department, the Group's interest and the type of control (exclusive control, joint control, significant influence) of each subsidiary, determined on the basis of the consolidation method;
- instructions are issued for the closing process, including reporting deadlines, required data and any necessary adjustments;
- the Group's consolidated financial statements are analysed in detail, to understand and check the main contributions by subsidiaries, as well as the substance of transactions reflected in the accounts;

- account classifications are checked. The key control points concern the preparation and validation of the statement of changes in equity and the statement of cash flows.

Internal control procedures confirm the existence and value of assets and liabilities. To this end:

- each subsidiary is responsible for implementing procedures providing an adequate level of internal control;
- internal control procedures generally consist of defining levels of responsibility for authorising and checking transactions, and segregating tasks to help ensure that all transactions are justified. In addition, integrated statutory and management reporting

systems have been developed to guarantee the completeness of transaction data recorded in the accounts;

- all of the subsidiaries apply International Financial Reporting Standards (IFRS) with regard to recognition principles, measurement and accounting methods, impairment and verification;
- the Management Control and Accounting unit performs checks and analyses.

7. Report of the Statutory Auditors on the internal control procedure

Statutory Auditors' report, prepared in accordance with article L. 225-235 of the French Commercial Code (Code de commerce), on the report prepared by the Chairman of the Supervisory Board of the Company Schneider Electric SA.

This is a free translation into English of a report issued in French and it is provided solely for the convenience of English-speaking users. This report should be read in conjunction with and construed in accordance with French law and professional standards applicable in France.

To the Shareholders,

In our capacity as statutory auditors of Schneider Electric S.A. and in accordance with article L. 225-235 of the French commercial code (*Code de Commerce*), we hereby report on the report prepared by the Chairman of your company in accordance with article L. 225-68 of the French commercial code (*Code de Commerce*) for the year ended December 31, 2010.

It is the Chairman's responsibility to prepare and submit for the Supervisory Board's approval a report on the internal control and risk management procedures implemented by the company and to provide other information required by article L. 225-68 of the French commercial code (*Code de Commerce*) relating to matters such as corporate governance.

Our role is to:

- report on any matters as to the information contained in the Chairman's report in respect of the internal control and risk management procedures relating to the preparation and processing of the accounting and financial information, and
- confirm that the report also includes the other information required by article L. 225-68 of the French commercial code (*Code de Commerce*). It should be noted that our role is not to verify the fairness of this other information.

We conducted our work in accordance with professional standards applicable in France.

Information on the internal control and risk management procedures relating to the preparation and processing of accounting and financial information

The professional standards require that we perform the necessary procedures to assess the fairness of the information provided in the Chairman's report in respect of the internal control and risk management procedures relating to the preparation and processing of the accounting and financial information. These procedures consist mainly in:

- obtaining an understanding of the internal control and risk management procedures relating to the preparation and processing of the accounting and financial information on which the information presented in the Chairman's report is based, and of the existing documentation;
- obtaining an understanding of the work involved in the preparation of this information and of the existing documentation;
- determining if any material weaknesses in the internal control procedures relating to the preparation and processing of the accounting and financial information that we would have noted in the course of our work are properly disclosed in the Chairman's report.

On the basis of our work, we have no matters to report on the information relating to the company's internal control and risk management procedures relating to the preparation and processing of the accounting and financial information contained in the report prepared by the Chairman of the Supervisory Board in accordance with article L. 225-68 of the French commercial code (*Code de Commerce*).

Other information

We confirm that the report prepared by the Chairman of the Supervisory Board also contains the other information required by article L. 225-68 of the French commercial code (*Code de Commerce*).

Courbevoie and Neuilly-sur-Seine, February 16, 2011

The Statutory Auditors

French original signed by

Mazars
David CHAUDAT

Ernst & Young et Autres
Yvon SALAÜN



> 11. Application of the AFEP-MEDEF corporate governance guidelines**

Schneider Electric applies the AFEP-MEDEF corporate governance guidelines with the following exceptions:

Recommendation	Schneider Electric practice
<p>Deadline for Audit Committee review of the financial statements The Audit Committee should review the financial statements at least two days before they are reviewed by the Board.</p>	<p>At Schneider Electric, the Audit Committee which reviews the Financial Statements meets after the Management Board meeting that approves the Financial Statements and the day before the Board Director's meeting. However, the Committee members receive a meeting file with the draft Financial Statements four to five days before the meeting.</p>
<p>Compensation and benefits paid to corporate officers Fixed salary should be revised only after a relatively long period, such as three years.</p>	<p>The Management Board members' fixed salary is revised each year. When Jean-Pascal Tricoire became President and CEO, his compensation was not (and still is not) aligned with that of CEOs of comparable companies. The Board decided to reduce the gap gradually through annual salary revisions after reviewing Mr Tricoire's performance.</p>
<p>Top-hat pension plan The increase in potential rights should correspond to a limited percentage of the beneficiary's compensation.</p>	<p>Under the Top-hat Pension Plan for the Group's Senior Management and machine manufacturers (see page 122), most rights are acquired at the outset. However, the plan complies with the recommendation's intention, given that:</p> <ul style="list-style-type: none"> • the rights are capped at 25% of average compensation; • the current members still have many years of service to perform before they can benefit from the plan.



Business review

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> 1. Trends in Schneider Electric's core markets

Industries and Machine manufacturers

After the sharp contraction experienced between October 2008 and April 2009 after Lehman Brothers filed for bankruptcy, provoking a brutal stop to industrial investment in all sectors, the industry market and Machine Manufacturers rebounded as sharply in all our geographic zones.

The rebound began at the end of the second quarter of 2009 and continued and even accelerated in 2010. A mild increase in our clients' inventories amplified this growth during the first half of the year but had no major impact on the year as a whole given a renewed fall in inventories during the fourth quarter.

The upturn in the market had the greatest impact on OEMs (original equipments manufacturers) with strong but erratic growth for both low-end and high-end solutions. This pattern of recession followed by growth exerted strong pressure on our vendors, particularly of electronic components, with an increase of lead times during the first half of the year that had practically been absorbed by the end of the year.

The emerging markets have already grown beyond their level of before the crisis, notably throughout Asia and Latin America, in contrast with Europe, North America and Japan whose exports to

the emerging countries have boomed but whose domestic markets have remained sluggish.

In the water and mining, metals and minerals segments new investment materialised more slowly, with few new projects launched given the still-fragile context for financing them, but also with a strong upturn in the volume of requests for tender during the second half of the year which augurs well for growth in 2011.

Despite the restriction on new spending, notably in Africa and the Middle East, environmental constraints were a factor of resilience given the stimulus both to measure and report energy consumption and achieve actual reductions in consumption. In response to government policies, industrialists now seek to improve efficiency throughout the production cycle.

For example in the water segment, infrastructure needs helped prop up demand across the water cycle, from supply and desalination to distribution and wastewater treatment. Programs are being developed to optimise and reduce the energy consumption of these activities. These programs are driven by government policies and, most important, the obligation to control water prices. Water operators also increasingly aim to improve the management of their grids in terms both of security and reduction of waste.

Non residential buildings

Over 2010 as a whole, the Non-residential buildings market declined again both in the United States and in Western and Central Europe. In the mature countries, offices, stores and industrial buildings, which depend on corporate investment, saw the sharpest declines, while administrative buildings, hospitals and schools held up better.

Building permits and starts showed signs of improvement in the mature countries.

Market growth was stronger in the emerging Asian countries and South America and increased slightly in Africa and the Middle East.

Residential

After two years of sharp contraction, the Residential market improved worldwide in 2010 before stabilising during the course of the year in Europe and the United States. In Europe, only the "peripheral" countries (Spain, Portugal, Greece and Ireland) continued to pursue steep decline.

In the Asia-Pacific region the market, which only slowed during the global recession, managed two-digit growth in 2010. As for the new EMEAS economies, they remained in recession in Europe, stabilised in Russia and rose sharply in South America.

Utilities and Infrastructures

Electric power

After a year of contraction in the mature countries in particular, the Electric power market made significant progress in 2010 with estimated growth of between +6% and +8% in electric utilities mainly fueled by the emerging markets led by China and Asia with double-digit growth. The underlying growth factors remained the increase in demand in the emerging countries and work on improving electricity networks mainly in North America and Eastern Europe. Intelligent networks are also taking shape with the launch of pilot and experimental projects supported by national spending programs, in particular for automated distribution systems the market for which can be expected to experience average of double-digit annual growth by 2015.

The environment remains a leading preoccupation for the electric power segment. The commitments made by governments worldwide remain inadequate but will nevertheless have a sufficiently strong

impact on capital spending in the sector for them already to have been integrated to the scenarios elaborated by the International Energy Agency.

Oil and gas

After a return to growth in the second part of 2009, the price of oil continued to rise throughout 2010 (+26%) until it reached its level of January 2008, thereby triggering new investment in the sector in 2010 (+4%) compared with the sharp fall of 2009 (-7%). This trend in investment, albeit still below the level of 2008, is expected to continue in 2011 and beyond, particularly if the oil price remains high, thereby covering the high marginal cost of development of new oilfields linked to the extreme complexity of the exploration and production environments.

Data centres and Networks

2010 was a year of rebound for IT business with solid growth driven by Asia and the Americas.

The fundamental global drivers for data centre and network physical infrastructure continue to remain valid.

The strong 2010 growth in IT global markets will continue in 2011. As the cost of IT becomes more significant and visible, the industry is focused on efficiencies – energy costs, compute density and use of physical space. This is driving the market towards dynamic and modular infrastructure, integrated management and monitoring, and measuring the ROI of IT.

Power and Cooling remain the top challenges to IT managers as digitalisation increases around the world and extends to finance, healthcare, industry and hospitals. Outsourcing of IT services is fueling the growth in colocation facilities and cloud computing. Energy

efficiency of IT has also come to the attention of many governments, resulting in recommended standards and legal regulations.

According to Gartner (September 2010) "Leading-edge data centres today generally need three things: the ability to support high-density growth, the ability to support both the scaling out and scaling up of IT resources, depending on the needs of the business, and a design that accomplishes this in the most energy-efficient manner possible."

Schneider Electric's unique data centre solutions deliver on these three imperatives and guarantee customers a 30% reduction in energy consumption.

Schneider Electric solutions covers up to 60% of the total spend in the data centre including power, cooling, racks, software management, security and services.



> 2. Review of the consolidated financial statements

Review of business and consolidated statement of income

Changes in the scope of consolidation

Acquisitions⁽¹⁾

On January 21, 2010, Schneider Electric announced the signature of an agreement for the acquisition of Cimac, a leader in systems integration for industrial automation solutions in the Middle East Gulf region. Cimac implements complete automation, control and electrical distribution solutions, primarily for Water-Waste Water and Oil & Gas customers. As Gulf market leader with proven technologies and know-how in implementing solutions, it employs over 400 people and generates sales in excess of EUR40 million. With this acquisition, Schneider Electric will be able to capture new opportunities in the fast-growing automation market in UAE and across the Gulf countries, while offering geographical complementarities in other Middle East countries.

On March 5, 2010, Schneider Electric announced the signature of an agreement with Zicom Electronic Security Systems Limited to acquire the assets of their electronic security systems integration business, namely the Building Solutions Group and the Special Projects Group. The business recorded revenues of approximately EUR30 million in fiscal 2009 and has a headcount of about 200. The transaction excludes Zicom's other group companies, such as the retail business and Dubai-based joint-venture. Zicom is the largest independent electronic security systems integrator in India. It has completed to date more than 1,000 projects in infrastructure (city surveillance, railways, airports etc.), government facilities, commercial buildings and high-end hotels where it enjoys strong market positions.

On April 13, 2010, Schneider Electric announced the signature of an agreement to acquire SCADAgroup, an Australian based leading provider of telemetry products and solutions for the water and waste-water, oil & gas and electric power end-market segments. Telemetry is a key technology that allows the remote measurement, monitoring, control and data transfer of infrastructures scattered over a wide area or that are hard to access. SCADAgroup has operations throughout North America, the UK and Australia and employs over 500 staff. Its revenue for the financial year on June 30, 2010 was AUD102 million, or about EUR68 million. Through this acquisition, Schneider Electric further reinforces its presence in the water, waste-water, and oil & gas segments. With SCADAgroup, it acquires technologies and product offers to be pushed through its channels, and execution and service capabilities that are complementary to its own in these segments. The acquisition price, expressed in terms of enterprise value, is AUD200 million (around EUR140 million), or 11 times the

estimated EBITA for financial year 2010. This transaction should be accretive on earnings per share within the first year.

On June 7, 2010 (closing date), a consortium comprising Alstom and Schneider Electric acquired all of Areva T&D's capital for EUR2.29 billion. The two consortium partners also financed the repayment of Areva T&D's debt towards the Areva Group. As the buyer of the Distribution business, Schneider Electric financed the equity value in the amount of EUR815 million and the debt refinancing in the amount of EUR323 million. The transaction agreements specify no liability guarantee clause or earn-out payments. The Consortium agreement stipulates that, as of the transaction date, Schneider Electric immediately became the sole owner, with exclusive control, of the Distribution business previously held by Areva (and within the limit of Areva's holding) and acquired through the Consortium. Consequently, the Distribution business was fully consolidated as of June 7, 2010, whilst the Transmission business was entirely excluded from the scope of consolidation.

On November 23, 2010, Schneider Electric announced it had signed an agreement Uniflair SpA., the world number 3 manufacturer of in-room precision cooling systems and modular access floors primarily for data centers and telecommunications applications. Uniflair SpA is strong in Europe and has a good presence in new economies, in particular China and India. It employs approximately 500 people on a global basis and is expected to generate revenues in excess of EUR80 million for the current year. It has manufacturing facilities in Italy, India and China.

December 9, 2010 - Schneider Electric announced its acquisition of two French companies, pioneers in building management software: Vizelia, provider of software for real-time monitoring of building energy consumption and D5X, a company specialising in commercial space optimisation solutions. Vizelia has 12 employees and should generate EUR4 million in revenue for 2010. Its innovative software gives clients real-time data on their business' energy consumption, and on both maintenance and property management. It is designed both for new buildings and existing structures, particularly those in the education, commercial real estate and public administration building sectors. D5X has 27 employees and offers complete solutions in three areas: real-time building traffic and occupancy, environmental controls at room level (lighting, blinds and ventilation) and data network management. The company should generate revenue of EUR4 million for 2010.

(1) The dates correspond to when control is acquired in purchased companies.

The Group also acquired 50% of shares in the Russian group Electroschild-TM Samara. This entity is accounted for by the equity method with a delay of three months required to prepare its consolidated financial statements and ensure their compliance with IFRS standards.

Acquisitions and disposals that took place in 2009 and that had an impact on the 2010 financial statements

The following entities were acquired during financial year 2009 and their consolidation on a full-year basis for financial year 2010 had a scope effect compared to financial year 2009:

- Conzerv Systems, consolidated as of June 4, 2009,
- Microsol Tecnologia, consolidated as of June 19, 2009,
- Meher Capacitors, consolidated as of August 6, 2009.

Changes in revenue by operating segment

Power revenue (53% of Group revenue), totaled EUR10,318 million on December 31, 2010, an increase of 11.7% on an actual basis et de 5.7% at constant scope and exchange rates. Medium Voltage business decreased from previous year; business was adversely impacted by a slow construction market and decreased spending by electrical contractors. Low Voltage growth was very strong for the financial year, carried by the rise in industrial demand and dynamic new economies. Solutions and services are seeing growth again thanks to renewable energy solutions.

Industry revenue (18% of Group revenue), totaled EUR3,551 million on December 31, 2010, an increase of 33.3% on an actual basis et de 23.6% at constant scope and exchange rates. Growth continued in all regions, particularly in the Asia-Pacific region. Business was boosted by a strong global rise in industrial demand, specifically equipment manufacture, as well as building and infrastructure investment in new economies. The successful launch of new offers for equipment makers and the return to growth in the HVAC market in the United States contributed to solutions growth.

IT revenue (14% of Group revenue), totaled EUR2,646 million on December 31, 2010, an increase of 16.6% on an actual basis et de 9.6% at constant scope and exchange rates. Small systems saw continued demand in business networks and in new offer launches. Large systems also saw growth, carried by both the data centre and service markets.

Changes in foreign exchange rates

Changes in foreign exchange rates relative to the euro had a material impact over the year. Indeed, there was a positive effect of EUR869 million on consolidated revenue and EUR103 million on EBITA⁽²⁾ (effect of conversions only).

Revenue

On December 31, 2010, the consolidated revenue of Schneider Electric totaled EUR19,580 million, an increase of 24.0% at current scope and exchange rates compared to December 31, 2009.

This growth breaks down into 9.3% organic, a contribution of acquisitions net of disposals of 8.7% and a positive exchange rate effect of 6.0%.

Buildings revenue (7% of Group revenue), totaled EUR1,402 million on December 31, 2010, an increase of 10.6% on an actual basis and 3.3% at constant scope and exchange rates. The solutions businesses are seeing growth thanks to services tied to energy efficiency in North America and in Western Europe.

CST revenue (2% of Group revenue), totaled EUR433 million on December 31, 2010, an increase of 21.2% on an actual basis and 6.9% at constant scope and exchange rates. The business saw strong growth on the industrial markets, as well as the automotive and tractor trailer markets.

The Distribution business acquired from Areva on June 7, 2010 brought EUR1,230 million to Group revenue.

Operating income

Treatment of acquisition costs

Following the first time application in 2010 of IFRS 3 (revised), the acquisition costs incurred in 2009 on deals that it was felt were highly likely to be concluded in 2010, capitalised in 2009 in accordance with IFRS 3 applicable at the reporting date, were restated under Other operating income/(expense) for EUR26 million.

The comparative income statements reflect the impact of this change of accounting policy which is further commented on below.



(2) EBITA (Earnings Before Interests, Taxes and Amortisation of purchase accounting intangibles) corresponds to operating profit before amortisation and impairment of purchase accounting intangible assets from acquisitions, and before goodwill impairment.

EBITAR⁽¹⁾ totaled EUR3,027 million over the 2010 financial year, compared to EUR2,110 million in 2009, up 43.5% on an actual basis. The 2010 EBITAR includes a contribution of EUR85 million in the Areva Distribution business and non-recurring separation and integration expenses relating to this acquisition for EUR25 million. After adjustment for these non-recurring items, the Group's EBITAR operating margin amounts to 16.2% against 12.8% (also restated for non-recurring items bound to the United States pension for EUR92 million) in 2009, i.e. an increase of 3.4 points.

The increase in EBITAR can be explained mainly due to an increase in volumes (EUR630 million) and to industrial productivity (EUR505 million before the impact of the cost of materials). Raw material inflation has had a negative impact on EBITAR of EUR184 million, in addition to price effects (EUR41 million) and geographical and product mix (EUR 34 million). Finally, exchange rate effects

(conversion and transaction) have had a positive effect of EUR192 million.

At December 31, 2010, the capitalisation of costs relating to development projects net of amortisation expenses had a positive impact of EUR90 million on the operating income, down compared to 2009 (EUR126 million).

EBIT (Operating income after amortisation and impairment of intangible assets and acquisitions) comprises EUR96 million of restructuring costs (compared to EUR313 million in 2009) and EUR228 million of amortisation and impairment of purchase accounting intangibles relating to business combinations (compared to EUR231 million in 2009), of which EUR43 million correspond to the acquisition of Areva Distribution.

EBITAR per operating segment

Power achieved an EBITAR margin of 20.1%; excluding the non-recurring impact of the US pension plan modification in 2009, this rate is up 2.7 points compared to December 31, 2009.

Industry achieved an EBITAR margin of 18.8%; excluding the non-recurring impact of the US pension plan modification in 2009, this rate is up 8.9 points compared to December 31, 2009.

IT business achieved an EBITAR margin of 16.9%, up 0.9% compared to December 31, 2009.

Buildings achieved an EBITAR margin of 10.3%, stable compared to December 31, 2009 (10.4%).

CST achieved an EBITAR margin of 16.4%, compared with 5.6% 2009, thanks notably to a very strong volume impact from the automotive and industrial markets.

Distribution, bought from Areva on June 7, 2010, achieved an EBITAR margin of 6.9% over the seven-month period since its acquisition and 5.3% over the whole 2010 financial year.

Net financial income/loss

Net financial income/loss is a net loss of EUR347 million at December 31, 2010, compared to EUR384 million at December 31, 2009.

Net finance costs totaled EUR282 million, down EUR15 million compared to 2009. This decrease is mainly due to a drop in average Group interest rates on debt (especially regarding bonds).

Exchange gains and losses, including the impact of the Group's foreign currency hedges, was a positive effect of EUR25 million in 2010, compared to an expense of EUR1 million in 2009.

The financial component of pension plan and other post-employment benefit costs represents a net expense of EUR49 million compared to EUR56 million in 2009.

Finally, other net financial expense, in the amount of EUR53 million, can mainly be explained by a non-recurring expense of EUR36 million relating to the partial buyback of the 2013 bond bearing fixed-rate interest of 6.75%.

Tax

The effective tax rate at December 31, 2010 was 24.0% compared to 25.0% at December 31, 2009. It is worth remembering that the statement of income for 2009 presented for comparative purposes includes an EUR11 million income tax expense reflecting the recognition of deferred tax on the added value component of the territorial economic contribution (TEC) introduced in France by the 2010 Finance Act dated December 31, 2009 (see note 1.2 to the consolidated financial statements).

Share of profit/(losses) of associates

The share of profit/losses of associates represents income of EUR6 million at December 31, 2010. It principally comprises the share in net income of the Fuji Electric joint venture in Japan (EUR5 million).

Non-controlling interests

Minority interests in net income for financial year 2010 totaled EUR76 million, compared to EUR42 million in 2009. This represents the share in net income attributable mainly to the minority interests of certain Chinese companies.

(1) EBITAR (Earnings Before Interests, Taxes and Amortisation of purchase accounting intangibles and Restructuring costs) corresponds to operating profit before amortisation and impairment of purchase accounting intangible assets from acquisitions, and before goodwill impairment and restructuring expenses.

Profit for the period

Net income for the period attributable to the equity holders of the parent company amounted to EUR1,720 million, a steep increase over 2009 (EUR824 million).

Earnings per share

Earnings per share amounted to EUR6.59 in 2010 compared with EUR3.32 in 2009.

Review of balance sheet and cash flow statement items

Total consolidated balance sheet amounted to EUR31,051 million as at December 31, 2010, up 21% compared with December 31, 2009. Non-current assets amounted to EUR18,832 million or 61% of total assets.

Goodwill

Goodwill amounted to EUR10,213 million or 33% of total assets, up by EUR1,602 million compared with December 31, 2009.

The Group's acquisitions – mainly comprising Areva Distribution – in 2010 accounted for EUR938 million of the increase. Changes in foreign exchange rates accounted for EUR675 million of the increase.

EUR15 million of impairment losses have been recognised against two small businesses in the process of sale. The Group's impairment tests did not lead to the recognition of any additional impairment losses during the period.

Property, plant and equipment and intangible assets

Property, plant and equipment and intangible assets amounted to EUR6,595 million or 21% of total assets, up 12% compared with December 31, 2009.

Intangible assets

Trademarks amounted to EUR2,426 million at December 31, 2010, an increase of EUR138 million compared with December 31, 2009 mainly as a result of foreign exchange differences.

Gross capitalised development costs totaled EUR1,085 million (EUR718 million net), including the capitalisation of costs for current projects in an amount of EUR197 million.

Other intangible assets, net, consisting primarily of customer lists recognised on acquisition, software and patents, increased by EUR110 million over the year primarily due to the EUR164 million of intangible assets recognised in the balance sheet following the acquisition of Areva Distribution.

Property, plant and equipment

Net property, plant and equipment came to EUR2,337 million, an increase of EUR372 million compared with December 31, 2009.

Investments in associates

Investments in associates amounted to EUR447 million, a steep rise compared to the balance of EUR75 million as at December 31, 2009. The increase reflects:

- the acquisition of the 50% interest in Electroshield-TM Samara Group, in Russia, recognised for EUR266 million at the year-end,
- Areva Distribution's investment in Sunten Electric Equipment, in China, valued at EUR85 million at the year-end.

Non-current financial assets

Non-current financial assets totaled EUR554 million compared with EUR347 million as at December 31, 2009. They mainly comprised listed equity investments (Axa shares) for EUR132 million and shares from acquired companies at the end of the year and that will be consolidated at the beginning of 2011, for EUR 184 million.

Cash and net debt

Net cash provided by operating activities before changes in operating assets and liabilities came to EUR2,468 million versus EUR1,708 million in 2009, and represented 12.6% of revenue compared with 10.8% the year before.

Change in working capital requirement consumed EUR206 million in cash, reflecting the large increase in trade receivables and inventories generated by the corresponding rise in revenue.

In all, net cash provided by operating activities totalled EUR2,262 million in 2010 compared with EUR2,547 million in 2009.

Net capital expenditure, which includes capitalised development projects, represented an outlay of EUR528 million, or 2.7% of revenue, compared with EUR576 million, or 3.6% in 2009.

The year's acquisitions, negligible in 2009, represented a cash outflow of EUR1,754 million in 2010 net of cash acquired; the main acquisition of the period was Areva Distribution for EUR1,138 million.

The sale of treasury stock generated a net cash inflow of EUR249 million (EUR22 million in 2009), mainly relating to the sale of the Schneider Electric SA shares previously held by the Group's Cofibel and Cofimines subsidiaries. Dividends paid totaled EUR245 million, of which EUR46 million to minority interests, less than the EUR351 million paid in 2009, of which EUR34 million to minority interests, as a result of a reduction in the dividend per share.



Net debt at December 31, 2010 totaled EUR2,736 million or 18.2% of equity attributable to equity holders of the parent. This represents a small decrease of EUR76 million from the year before.

The Group ended the year with cash and cash equivalents of EUR3,389 million, of which EUR1,449 million in cash, EUR1,825 million in marketable securities and EUR115 million in short-term negotiable instruments such as commercial paper, money market mutual funds and equivalents.

Total current and non-current financial liabilities amounted to EUR6,125 million. Of this, bonds represented EUR4,348 million and bank loans EUR1,379 million. Three new bond issues, in an aggregate amount of EUR1,000 million, were launched in 2010, while EUR900 million worth of bonds were redeemed and EUR263 million worth of bonds were redeemed early.

Equity

As at December 31, 2010 equity attributable to equity holders of the parent company came to EUR14,785 million, or 48% of the balance sheet total. The EUR3,056 million increase over the period was the net result of the following:

- profit for the year of EUR1,720 million,
- payment of the 2009 dividend in an amount of EUR525 million,
- foreign exchange differences in an amount of EUR933 million,
- share issues for EUR474 million, of which EUR330 million in connection with the dividend reinvestment program,
- the exercise of stock options for EUR161 million,
- disposal of own shares for EUR249 million,

Minority interests amounted to EUR204 million, up EUR73 million compared with December 31, 2009 given the EUR76 million profit for the year, the minority interest in Areva Distribution (EUR36 million) and dividend payments of EUR46 million.

Provisions

Current and non-current provisions totaled EUR2,968 million, or 10% of the balance sheet total, of which EUR1,031 million covered items that are expected to be paid out in less than one year. This item primarily comprises provisions for pensions and healthcare costs in an amount of EUR1,504 million. The EUR125 million increase over the year principally corresponds to conversion differences (EUR69 million) and the acquisitions of the period (EUR63 million) including Areva Distribution.

Other provisions excluding employee benefits totaled EUR1,464 million at December 31, 2010. These provisions cover economic risks (tax risks, financial risks generally corresponding to seller's warranties) for EUR614 million, product risks (warranties, disputes over identified defective products) for EUR409 million, restructuring for EUR124 million, customer risks (customer disputes and losses on long-term contracts) for EUR86 million and environmental risks for EUR55 million. The EUR316 million increase over the year principally corresponds to the acquisitions of the period (EUR299 million), the most important of which was Areva Distribution.

Deferred taxes

Deferred tax assets came to EUR1,023 million as at December 31, 2010, reflecting unused tax losses of an amount of EUR387 million, future tax savings on provisions for pensions of an amount of EUR423 million, and non-deductible provisions and accruals of an amount of EUR317 million.

Deferred tax liabilities totaled EUR957 million and primarily comprised deferred taxes recognised on trademarks, customer lists and patents acquired in connection with business combinations.

> 3. Review of the parent company financial statements

Schneider Electric SA posted total portfolio revenues of EUR691 million in 2010 compared with EUR541 million the previous year. Schneider Electric Industries SAS, the main subsidiary, paid dividends of EUR672 million in 2010 compared with EUR527 million in 2009. Interest income amounted to EUR143 million versus EUR183 million the year before and interest expense came to EUR320 million compared with EUR321 million in 2009. Profit before tax amounted to EUR497 million versus EUR386 million in 2009.

Net profit stood at EUR703 million compared with EUR476 million in 2009.

Equity before appropriation of net profit amounted to EUR9,738 million at December 31, 2010 versus EUR8,930 million at the previous year-end, after taking into account 2010 profit, dividend payments of EUR199 million and share issues in an amount of EUR304 million.

All trade payables are due before end-January.

> 4. Review of subsidiaries

Schneider Electric Industries SAS

Revenue totaled EUR3.4 billion versus EUR2.8 billion in 2009.

The subsidiary posted an operating profit of EUR22 million compared with an operating loss of EUR58 million in 2009.

Net profit came to EUR1,502 million compared with EUR672 million in 2009.

Cofibel

The company's portfolio historically comprised shares in Schneider Electric SA; they were sold in 2010, producing a capital gain of EUR152 million.

Cofibel posted a net profit of EUR154 million, compared with EUR6.7 million in 2009.

Cofimines

The company also disposed of its Schneider Electric SA shares, making a capital gain of EUR29 million. Cofimines posted a net profit of EUR34.4 million, compared with EUR1.4 million in 2009.

Remuneration and benefits of corporate officers

The remuneration and other benefits paid to corporate officers are disclosed in chapter 3, "Corporate Governance", paragraph 8, "Management interests and compensation".



> 5. Outlook

Schneider Electric expects the overall conditions of its end-markets to improve in 2011. Momentum of shorter cycle Industry and IT businesses is expected to stay solid, but will face more demanding year-on-year comparison. Power should continue to see progressive improvement. On the longer-cycle businesses, Energy is expected to grow in 2011 aided by gradually improving utility end-market while energy efficiency and better trends in mature markets should be a support to the Buildings business.

The Group will continue to drive strong industrial productivity which is expected to deliver about EUR400 million of savings. It will also invest

for growth in areas related to energy efficiency, the smart grid and in the new economies, but at the same time keep support function costs increase at a rate below the organic sales growth. The Group expects raw material input cost headwind of about EUR250 million, to be partly offset by price increases of ~1% in 2011.

Consequently, Schneider Electric targets for 2011 a solid organic sales growth of 6% to 9% and an EBITA margin of 15.0% to 15.5% of sales, a raise from the 14.5% level in 2010 on pro-forma basis.



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> 1. Consolidated statement of income

<i>(in millions of euros except for earnings per share)</i>	Note	Full year 2010	Full year 2009*
Revenue	3	19,580	15,793
Cost of sales		(11,842)	(9,572)
Gross profit		7,738	6,221
Research and development	4	(450)	(403)
Selling, general and administrative expenses		(4,269)	(3,770)
Other operating income and expenses	6	8	62
EBITAR**		3,027	2,110
Restructuring costs	7	(96)	(313)
EBITA***		2,931	1,797
Amortisation and impairment of purchase accounting intangibles	8	(228)	(231)
Operating income		2,703	1,566
Interest income		24	26
Interest expense		(306)	(323)
Finance costs, net		(282)	(297)
Other financial income and expense	9	(65)	(87)
Net financial income/loss		(347)	(384)
Profit before tax		2,356	1,182
Income tax expense	10	(566)	(295)
Share of profit/(losses) of associates		6	(21)
PROFIT FOR THE PERIOD		1,796	866
<ul style="list-style-type: none"> • Attributable to owners of the parent • Attributable to non-controlling interests 		1,720	824
		76	42
Basic earnings per share (in euros)	21.3	6.59	3.32
Diluted earnings per share (in euros)		6.55	3.31

* The 2009 figures are restated for the items mentioned in note 1.2 (acquisition costs and CVAE).

** EBITAR (Earnings Before Interests, Taxes, Amortisation of purchase accounting intangibles and Restructuring costs).
EBITAR corresponds to operating profit before amortisation and impairment of purchase accounting intangible assets, before goodwill impairment and before restructuring costs.

*** EBITA (Earnings Before Interests, Taxes and Amortisation of purchase accounting intangibles)
EBITA corresponds to operating profit before amortisation and impairment of purchase accounting intangible assets and before goodwill impairment.

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

Other comprehensive income

<i>(in millions of euros)</i>	Note	Full year 2010	Full year 2009*
Profit for the period		1,796	866
Other comprehensive income:			
Translation adjustment		944	(2)
Cash-flow hedges		31	117
Available-for-sale financial assets		(32)	24
Actuarial gains (losses) on defined benefits		(6)	(15)
Income tax relating to components of other comprehensive income	21.7	3	(37)
Other		-	14
Other comprehensive income for the period, net of tax		940	101
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		2,736	967
Attributable:			
• to owners of the parent		2,649	929
• to non-controlling interests		87	38

* The 2009 figures are restated for the items mentioned in note 1.2 (acquisition costs and CVAE).
The accompanying notes are an integral part of the consolidated financial statements.



> 2. Consolidated statement of cash flows

<i>(in millions of euros)</i>	Note	Full year 2010	Full year 2009*
I - Cash flows from operating activities:			
Profit for the period		1,796	866
Share of (profit)/losses of associates, net of dividends received		(6)	21
<i>Adjustments to reconcile net profit to net cash provided by operating activities:</i>			
Depreciation of property, plant and equipment		358	339
Amortisation of intangible assets other than goodwill		387	257
Impairment losses on non-current assets		29	132
Increase/(decrease) in provisions		(51)	131
Change in deferred taxes		(50)	(114)
Losses/(gains) on disposals of assets		(21)	39
Other		26	37
Net cash provided by operating activities before changes in operating assets and liabilities		2,468	1,708
Decrease/(increase) in accounts receivable		(405)	543
Decrease/(increase) in inventories and work in process		(515)	450
(Decrease)/increase in accounts payable		487	(176)
Change in other current assets and liabilities		227	22
Change in working capital requirement		(206)	839
Total I		2,262	2,547
II - Cash flows from investing activities:			
Purchases of property, plant and equipment		(376)	(337)
Proceeds from disposals of property, plant and equipment		84	27
Purchases of intangible assets		(239)	(268)
Proceeds from disposals of intangible assets		3	2
Net cash used by investment in operating assets		(528)	(576)
Net financial investments	2	(1,754)	(63)
Purchases of other long-term investments		5	(40)
Increase in long-term pension assets		-	0
Sub-total		(1,749)	(103)
Total II		(2,277)	(679)

CONSOLIDATED FINANCIAL STATEMENTS
CONSOLIDATED STATEMENT OF CASH FLOWS

<i>(in millions of euros)</i>	Note	Full year 2010	Full year 2009*
III - Cash flows from financing activities:			
Issuance of long-term debt	24	1,000	1,141
Repayment of long-term debt		(1,160)	(110)
Sale/(purchase) of own shares		249	22
Increase/(reduction) in other financial debt		(273)	(881)
Issuance of shares		305	158
Dividends paid: Schneider Electric SA**		(195)	(317)
Non-controlling interests		(46)	(34)
Total III		(120)	(21)
IV - Net effect of exchange rate:		6	61
Increase/(decrease) in cash and cash equivalents: I + II + III + IV		(129)	1,908
Cash and cash equivalents at beginning of period		3,425	1,517
Increase/(decrease) in cash and cash equivalents		(129)	1,908
CASH AND CASH EQUIVALENTS AT END OF PERIOD	20	3,296	3,425

* The 2009 figures are restated for the items mentioned in note 1.2 (acquisition costs and CVAE).

** Dividends paid in 2010 totalled EUR525 million, of which EUR330 million were returned by shareholders who decided to reinvest their dividend.

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



> 3. Consolidated balance sheet

Assets

<i>(in millions of euros)</i>	Note	Dec. 31, 2010	Dec. 31, 2009*
Non-current assets			
Goodwill, net	11	10,213	8,611
Intangible assets, net	12	4,258	3,919
Property, plant and equipment, net	13	2,337	1,965
Total tangible and intangible assets		6,595	5,884
Investments in associates	14	447	75
Available-for-sale financial assets	15.1	410	245
Other non-current financial assets	15.2	144	102
Non-current financial assets		554	347
Deferred tax assets	16	1,023	1,010
Total non-current assets		18,832	15,927
Current assets			
Inventories and work in progress	17	3,139	2,174
Trade accounts receivable	18	4,441	3,071
Other receivables and prepaid expenses	19	1,212	871
Current financial assets	15.3	38	77
Cash and cash equivalents	20	3,389	3,512
Total current assets		12,219	9,705
TOTAL ASSETS		31,051	25,632

* The 2009 figures are restated for the items mentioned in note 1.2
The accompanying notes are an integral part of the consolidated financial statements.

Liabilities

<i>(in millions of euros)</i>	Note	Dec. 31, 2010	Dec. 31, 2009*
Equity	21		
Share capital		2,176	2,102
Additional paid-in capital		6,495	5,934
Retained earnings		6,133	4,645
Translation reserve		(19)	(952)
Equity attributable to owners of the parent)		14,785	11,729
Non-controlling interests		204	131
Total equity		14,989	11,860
Total long-term provisions			
Pensions and other post-employment benefit obligations	22	1,504	1,378
Other long-term provisions	23	588	375
Total long-term provisions		2,092	1,753
Non-current financial liabilities			
Bonds	24	3,845	3,608
Other long-term debt	24	1,165	1,305
Non-current financial liabilities		5,010	4,913
Deferred tax liabilities	16	957	927
Other non-current liabilities	25	128	17
Total non-current liabilities		8,187	7,610
Current liabilities			
Trade accounts payable		3,432	2,203
Accrued taxes and payroll costs		1,760	1,266
Short-term provisions	23	876	773
Other current liabilities		692	509
Short-term debt	24	1,115	1,411
Total current liabilities		7,875	6,162
TOTAL EQUITY AND LIABILITIES		31,051	25,632

* The 2009 figures are restated for the items mentioned in note 1.2
The accompanying notes are an integral part of the consolidated financial statements.



> 4. Consolidated statement of changes in equity

<i>(in millions of euros except for number of shares)</i>	Number of shares <i>(in thousands)</i>	Capital	Additional paid-in capital	Treasury shares	Retained earnings	Translation reserve	Equity attributable to owners of the parent	Non-controlling interests	Total
Dec. 31, 2008	247,426	1,979	5,378	(352)	4,855	(954)	10,906	145	11,051
Profit for the period					824		824	42	866
Other comprehensive income					103	2	105	(4)	101
Comprehensive income for the period					927	2	929	38	967
Capital increase	14,456	116	516				632		632
Exercise of stock options	870	7	40				47		47
Dividends					(837)		(837)	(35)	(872)
Change in treasury shares				25			25		25
Stock options					21		21		21
Other ⁽¹⁾				3	3		6	(17)	(11)
Dec. 31, 2009*	262,752	2,102	5,934	(324)	4,969	(952)	11,729	131	11,860
Profit for the period					1,720		1,720	76	1,796
Other comprehensive income					(4)	933	929	11	940
Comprehensive income for the period					1,716	933	2,649	87	2,736
Capital increase	6,497	52	422				474		474
Exercise of stock options	2,710	22	139				161		161
Dividends					(525)		(525)	(46)	(571)
Change in treasury shares ⁽²⁾				249			249		249
Stock options					30		30		30
Other ⁽³⁾				1	17		18	32	50
Dec. 31, 2010	271,959	2,176	6,495	(74)	6,207	(19)	14,785	204	14,989

* Data at December 31, 2009 restated for the items mentioned in note 1.2

(1) Of which EUR3 million from reclassification of capital gains on own shares, EUR3 million in connection with the employee share purchase plan and a negative EUR17 million for the JV East no longer consolidated in the Group perimeter.

(2) Disposal of Cofimines and Cofibel own shares.

(3) Of which of the Group's share, EUR3 million tied to employee shareholder plans and 14 million euros of capital gains from the South Africa disposal.

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

> 5. Notes to the consolidated financial statements

All amounts in millions of euros unless otherwise indicated.

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

The Schneider Electric Group's consolidated financial statements for the financial year ended December 31, 2010 were drawn up by the Management Board on February 14, 2011 and reviewed by the Supervisory Board on February 16, 2011. They will be submitted to shareholders for approval at the Annual General Meeting of April 21, 2011.

The Group's main business activities are described in Chapter 1 of the Registration Document.

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Note 1 Accounting Policies

1.1 - Accounting standards

The consolidated financial statements have been prepared in compliance with the international accounting standards (IFRS) as adopted by the European Union as of December 31, 2010. The same accounting methods were used as for the consolidated financial statements for the year ended December 31, 2009, with the exception, notably, of the first application of the revised IFRS 3 - *Business Combinations* and revised IAS 27 - *Consolidated and Separate Financial Statements* norms

IAS 27 (revised) presents the consolidated financial statements of a group as those of a single economic entity with two categories of owners: firstly the equity holders of the parent (Schneider Electric SA shareholders) and secondly non-controlling interests (minority shareholders in the subsidiaries). A non-controlling interest is defined as the equity in a subsidiary not attributable, directly or indirectly, to a parent (hereinafter "minority interests"). Under this new approach, changes in a parent's ownership interest in a subsidiary not resulting in a loss of control are accounted for as equity transactions since there is no change in control within the economic entity. Thus, from January 1, 2010, when increasing its interest in a consolidated subsidiary, the Group recognises the difference between the acquisition cost and the book value of the minority interests as a change in equity attributable to the shareholders of Schneider Electric SA. Conversely, the Group recognises any gains or losses generated on share sales resulting in a loss of control of the subsidiary in the statement of income.

IFRS 3 (revised) introduced a series of changes to the acquisition method as defined in IFRS 3 prior to the revision, notably including:

- the option to measure the minority interests in the acquiree either as their proportionate interest in the identifiable net assets of the acquiree or at fair value. This option is available on a case by case basis for each acquisition;
- the recognition of any adjustment to the purchase price at fair value from the acquisition date;
- the recognition as an expense for the period of costs directly associated with the acquisition;
- in the case of a business combination achieved in stages (step acquisition), the fair value measurement on the acquisition date of the interest previously held in the acquiree and the recognition of any resulting gain or loss in the statement of income.

The impact on the statement of income of the application of IFRS 3 (revised) and IAS 27 (revised) is recognised under other operating income/(expense). EUR31 million in acquisition-related costs were recognised in the statement of income in 2010.

The main areas of impact of the adoption of IFRS 3 (revised) and IAS 27 (revised) on Schneider Electric's consolidated financial statements as of December 31, 2010 were as follows:

- the treatment of the sale of shares in Schneider Electric South Africa without a loss of control, recognised in equity and thus not resulting in any gain on disposal being recognised in the statement of income;
- the restatement in the 2009 comparative statement of income of the EUR25.8 million in acquisition costs incurred in 2009 on deals concluded in 2010; these costs were previously capitalised whereas they must be recognised as an expense for the period under the new standard (see below: reconciliation between the published 2009 statement of income and balance sheet as of December 31, 2009 and those presented for comparative purposes).

The following standards and interpretations that were applicable during the period did not have a material impact on the consolidated financial statements as of December 31, 2010:

- amendment to IFRS 1 - *First-time Adoption of International Financial Reporting Standards*;
- amendment to IFRS 2 - *Share-based Payment (Group cash-settled share-based payment transactions)*;
- amendment of IAS 39 - *Financial instruments: Recognition and Measurement - Exposures Qualifying for Hedge Accounting*;
- *IFRS improvements* (May 2008); amendment to IFRS 5;
- *IFRS improvements* (April 2009);
- IFRIC 12 - *Service Concession Arrangements*;
- IFRIC 15 - *Agreements for the Construction of Real Estate*;
- IFRIC 16 - *Hedges of a Net Investment in a Foreign Operation*;
- IFRIC 17 - *Distributions of Non-cash Assets to Owners*;
- IFRIC 18 - *Transfers of Assets from Customers*.

There are no differences in practice between the standards applied by Schneider Electric as of December 31, 2010 and the IFRSs issued by the International Accounting Standards Board (IASB), since the application of standards and interpretations that are mandatory for reporting periods beginning on or after January 1, 2010 but not yet adopted by the European Union would not have a material impact.

Lastly, the Group did not apply the following standards and interpretations that had not yet been adopted by the European Union as of December 31, 2010 or that are mandatory at some point subsequent to December 31, 2010:

- standards adopted:
 - IAS 24 - *Related party disclosures*,
 - amendment to IAS 32 - *Classification of rights issues*,
 - amendment to IFRIC 14 - *Prepayments of a Minimum Funding Requirement*,
 - IFRIC 19 - *Extinguishing Financial Liabilities with Equity Instruments*;
- standards not yet adopted:
 - improvements to IFRSs (May 2010),
 - IFRS 9 - *Financial Instruments*,
 - amendment to IFRS 7 - *Disclosures - Transfers of financial assets*,
 - amendments to IFRS 1 - *Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*,
 - amendments to IAS 12 - *Deferred Tax: Recovery of Underlying Assets*.

Schneider Electric is currently assessing their potential impact on the Group's consolidated financial statements. At this stage of analysis, the Group does not expect the impact on its consolidated financial statements to be material, except for IFRS 9 for which an impact analysis has not yet begun, due to its incomplete nature and uncertainties surrounding the adoption process in Europe.

The financial statements provide data prepared in accordance with IFRS for the years ended December 31, 2010 and December 31, 2009. The financial statements for the year ended December 31, 2008, presented in the Registration Document registered with *Autorité des Marchés Financiers* (AMF) under number D 09-0124 on March 17, 2009, are incorporated by reference.

1.2 - Reconciliation between the published 2009 statement of income and balance sheet as of December 31, 2009 and those presented for comparative purposes

Treatment of acquisition costs

Following the first time application in 2010 of IFRS 3 (revised) (see above), the acquisition costs incurred in 2009 on deals that it was felt were highly likely to be concluded in 2010, capitalised in 2009 in accordance with IFRS 3 applicable at the reporting date, were restated under Other operating income and expenses for EUR25.8 million.

Presentation of the CVAE

As of the reporting date (see note 30.3 to the 2009 consolidated financial statements), the Schneider Electric Group still hadn't taken a position regarding the press release by the CNC (France's national accounting board) on January 14, 2010 concerning the accounting treatment of the added value component (CVAE) of the CET levy introduced in France by the 2010 Finance Act of December 31, 2009.

Following an analysis of the implications for the Group and having regard to its characteristics, the Group elected to classify as income tax the CVAE added value component in order to be consistent with

the classification as income tax of similar levies in Italy and Germany (*IRAP* and *Gewerbesteuer* respectively). This decision is also based on an IFRIC position from 2006, which notes that the term "taxable profit" implies a notion of a net rather than a gross amount, without necessarily being the same as the accounting profit.

Further to IAS 12, the chosen option gave rise to the recognition of deferred taxes at December 31, 2009 at a rate of 1.5% on the temporary differences comprised of:

- assets producing economic benefits that are subject to the CVAE whereas consumption of their book value isn't deductible from the added value: it relates to the net book value as of December 31, 2009 of the property, plant and equipment subject to depreciation and intangible assets subject to amortisation;
- asset impairment or provisions that are not deductible from the CVAE but which relate to expenses that will be deductible from added value at a later date.

As the CVAE is a deductible tax for income tax purposes, deferred tax is recognised at the standard rate (34.43%) on the deferred tax assets and liabilities recognised with respect to the CVAE as described in the above section.

As it is a regulatory change, the deferred taxes recognised with respect to the CVAE are offset in the statement of income. The impact on the 2009 financial statements represented an EUR11 million tax expense.

	Published	Acquisition costs	CVAE	Restated
Revenue	15,793			15,793
Gross profit	6,221			6,221
Research & development	(403)			(403)
Selling, general and administrative expenses	(3,770)			(3,770)
Other operating income and expenses	88	(26)		62
EBITAR	2,136	(26)		2,110
Operating income	1,592	(26)		1,566
Net financial income/loss	(384)			(384)
Profit before tax	1,208	(26)		1,182
Income tax expense	(293)	9	(11)	(295)
Share of net income of associates	(21)			(21)
PROFIT FOR THE PERIOD	894	(17)	(11)	866



Assets

	Published	Acquisition costs	CVAE	Restated
Goodwill on property, plant and equipment and intangible assets	14,495			14,495
Investments in associates	75			75
Non-current financial assets	347			347
Deferred tax assets	1,001	9		1,010
Total non-current assets	15,918	9		15,927
Inventory, trade accounts receivable	5,245			5,245
Other receivables and prepaid expenses	897	(26)		871
Current financial assets	77			77
Cash and cash equivalents	3,512			3,512
Total current assets	9,731	(26)		9,705
TOTAL ASSETS	25,649	(17)	-	25,632

Liabilities

	Published	Acquisition costs	CVAE	Restated
Share capital	2,102			2,102
Additional paid-in capital	5,934			5,934
Retained earnings	4,673	(17)	(11)	4,645
Translation reserve	(952)			(952)
Equity (share attributable to owners of the parent)	11,757	(17)	(11)	11,729
Non-controlling interests	131			131
Total equity	11,888	(17)	(11)	11,860
Total long-term provisions	1,753			1,753
Non-current financial liabilities	4,913			4,913
Deferred tax liabilities	916		11	927
Other non-current liabilities	17			17
Total non-current liabilities	7,599	-	11	7,610
Total current liabilities	6,162			6,162
TOTAL LIABILITIES	25,649	(17)	-	25,632

1.3 - Basis of presentation

The financial statements have been prepared on a historical cost basis, with the exception of derivative instruments and available-for-sale financial assets, which are measured at fair value. Financial liabilities are measured using the amortised cost model. The book value of hedged assets and liabilities and the related hedging instruments corresponds to their fair value.

1.4 - Use of estimates and assumptions

The preparation of financial statements requires Group and subsidiary management to make estimates and assumptions that are reflected in the amounts of assets and liabilities reported in the consolidated balance sheet, the revenues and expenses in the statement of

income and the obligations created during the reporting period. Actual results may differ.

These assumptions mainly concern:

- the measurement of the recoverable amount of goodwill, property, plant and equipment and intangible assets (note 1.11);
- the realisable value of inventories and work in process (note 1.13);
- the recoverable amount of accounts receivable (note 1.14);
- the valuation of share-based payments (note 1.20);
- the calculation of provisions for contingencies, in particular for warranties (note 1.21);
- the measurement of pension and other post-employment benefit obligations (note 22).

1.5 - Consolidation principles

Subsidiaries over which the Group exercises exclusive control, either directly or indirectly, are fully consolidated. Exclusive control is control by all means, including ownership of a majority voting interest, significant minority ownership, and contracts or agreements with other shareholders.

Group investments in entities controlled jointly with a limited number of partners, such as joint ventures and alliances, are proportionally consolidated in accordance with the recommended treatment under IAS 31 - *Interests in Joint Ventures*.

Companies over which the Group has significant influence ("associates") are accounted for by the equity consolidation method. Significant influence is presumed to exist when more than 20% of voting rights are held by the Group.

Companies acquired or sold during the year are included in or removed from the consolidated financial statements as of the date when effective control is acquired or relinquished.

Intra-group balances and transactions are eliminated.

The list of consolidated subsidiaries and associates can be found in note 32.

The reporting date for all companies included in the scope of consolidation is December 31, with the exception of certain associates accounted for by the equity method. For the latter however, financial statements up to September 30 of the financial year have been used (maximum difference of three months in line with the standards).

1.6 - Business combinations

Business combinations are accounted for using the acquisition method, in accordance with IFRS 3 - *Business Combinations*. In accordance with the option provided by IFRS 1 - *First-Time Adoption of IFRS* - business combinations recorded before January 1, 2004 have not been restated. Material acquisition costs are presented under "Other operating income and expenses" in the statement of income.

All acquired assets, liabilities and contingent liabilities of the acquiree are recognised at their fair value, following a measurement period that can last for up to twelve months from the date of acquisition.

The excess of the cost of acquisition over the Group's share in the fair value of assets and liabilities at the date of acquisition is recognised in goodwill. Where the cost of acquisition is lower than the fair value of the identified assets and liabilities acquired, the negative goodwill is immediately recognised in the statement of income.

Goodwill is not amortised, but tested for impairment at least annually and whenever there is an indication that it may be impaired (see note 1.11 below). Any impairment losses are recognised under "Amortisation and impairment of purchase accounting intangibles".

1.7 - Translation of the financial statements of foreign subsidiaries

The consolidated financial statements are prepared in euros.

The financial statements of subsidiaries that use another functional currency are translated into euros as follows:

- assets and liabilities are translated at the official closing rates;
- income statement and cash flow items are translated at weighted-average annual exchange rates.

Gains or losses on translation are recorded in consolidated equity under "Cumulative translation adjustments". In accordance with IFRS 1 - *First Time Adoption of IFRS* - cumulative translation adjustments were reset to zero at January 1, 2004 by adjusting opening retained earnings, without any impact on total equity.

1.8 - Foreign currency transactions

Foreign currency transactions are recorded using the official exchange rate in effect at the date the transaction is recorded or the hedging rate. At the balance sheet date, foreign currency payables and receivables are translated into the functional currency at the closing rates or the hedging rate. Gains or losses on translation of foreign currency transactions are recorded under "Net financial income/(loss)". Foreign currency hedging is described below, in note 1.23.

1.9 - Intangible assets

Intangible assets acquired separately or as part of a business combination

Intangible assets acquired separately are initially recognised in the balance sheet at historical cost. They are subsequently measured using the cost model, in accordance with IAS 38 - *Intangible Assets*.

Intangible assets (mainly trademarks and customer lists) acquired as part of business combinations are recognised in the balance sheet at fair value, appraised externally for the most significant assets and internally for the rest. The valuations are performed using generally accepted methods, based on future inflows. The assets are regularly tested for impairment.

Intangible assets are amortised on a straight-line basis over their useful life or, alternatively, over the period of legal protection. Amortised intangible assets are tested for impairment when there is any indication that their recoverable amount may be less than their carrying amount.

Amortisation and impairment losses on such intangible assets are presented on a separate statement of income line item, "Amortisation and impairment of purchase accounting intangibles".



Trademarks

Trademarks acquired as part of a business combination are not amortised when they are considered to have an indefinite life.

The criteria used to determine whether or not such trademarks have indefinite lives and, as the case may be, their lifespan, are as follows:

- brand awareness;
- outlook for the brand in light of the Group's strategy for integrating the trademark into its existing portfolio.

Non-amortised trademarks are tested for impairment at least annually and whenever there is an indication they may be impaired. When necessary, an impairment loss is recorded.

Internally-generated intangible assets

Research and development costs

Research costs are expensed in the statement of income when incurred.

Systems were set up to track and capitalise development costs in 2004. As a result, only development costs for new products launched since 2004 are capitalised in the IFRS accounts.

Development costs for new projects are capitalised if, and only if:

- the project is clearly identified and the related costs are separately identified and reliably tracked;
- the project's technical feasibility has been demonstrated and the Group has the intention and financial resources to complete the project and to use or sell the resulting products;
- the Group has allocated the necessary technical, financial and other resources to complete the development;
- it is probable that the future economic benefits attributable to the project will flow to the Group.

Development costs that do not meet these criteria are expensed in the financial year in which they are incurred.

Capitalised development projects are amortised over the lifespan of the underlying technology, which generally ranges from 3 to 10 years. The amortisation of such capitalised projects is included in the cost of the related products and classified into "Cost of sales" when the products are sold.

Software implementation

External and internal costs relating to the implementation of enterprise resource planning (ERP) applications are capitalised when they relate to the programming, coding and testing phase. They are amortised over the applications' useful lives. In accordance with paragraph 98 of IAS 38, the SAP bridge application currently being rolled out within the Group is amortised using the unit method to reflect the pattern in which the asset's future economic benefits are expected to be consumed. Said units of production correspond to the number of users of the rolled-out solution divided by the number of target users at the end of the roll-out.

1.10 - Property, plant and equipment

Property, plant and equipment is primarily comprised of land, buildings and production equipment and is carried at cost, less accumulated depreciation and any accumulated impairment losses, in accordance with the recommended treatment in IAS 16 – *Property, plant and equipment*.

Each component of an item of property, plant and equipment with a useful life that differs from that of the item as a whole is depreciated separately on a straight-line basis. The main useful lives are as follows:

Buildings:	20 to 40 years
Machinery and equipment:	3 to 10 years
Other:	3 to 12 years

The useful life of property, plant and equipment used in operating activities, such as production lines, reflects the related products' estimated life cycles.

Useful lives of items of property, plant and equipment are reviewed periodically and may be adjusted prospectively if appropriate.

The depreciable amount of an asset is determined after deducting its residual value, when the residual value is material.

Depreciation is expensed in the period or included in the production cost of inventory or the cost of internally-generated intangible assets. It is recognised in the statement of income under "Cost of sales", "Research and development costs" or "Selling, general and administrative expenses", as the case may be.

Items of property, plant and equipment are tested for impairment whenever there is an indication they may have been impaired. Impairment losses are charged to the statement of income under "Other operating income and expenses".

Leases

The assets used under leases are recognised in the balance sheet, offset by a financial debt, where the leases transfer substantially all the risks and rewards of ownership to the Group.

Leases that do not transfer substantially all the risks and rewards of ownership are classified as operating leases. The related payments are recognised as an expense on a straight-line basis over the lease term.

Borrowing costs

In accordance with IAS 23 R – *Borrowing costs* (applied as of January 1, 2009), borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of the asset when it is probable that they will result in future economic benefits to the entity and the costs can be measured reliably. Other borrowing costs are recognised as an expense for the period. Prior to January 1, 2009, borrowing costs were systematically expensed when incurred.

1.11 - Impairment of assets

In accordance with IAS 36 – *Impairment of Assets* – the Group assesses the recoverable amount of its long-lived assets as follows:

- for all property, plant and equipment subject to depreciation and intangible assets subject to amortisation, the Group carries out a review at each balance sheet date to assess whether there is any indication that they may be impaired. Indications of impairment are identified on the basis of external or internal information. If such an indication exists, the Group tests the asset for impairment by comparing its carrying amount to the higher of fair value minus costs to sell and value in use;
- non-amortisable intangible assets and goodwill are tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

Value in use is determined by discounting future cash flows that will be generated by the tested assets, generally over a period of not more than five years. These future cash flows are based on Group management's economic assumptions and operating forecasts. The discount rate corresponds to the Group's weighted average cost of capital (WACC) at the measurement date plus a risk premium depending on the region in question. The WACC stood at 8.4% at December 31, 2010, a slight increase on the 8.1% at December 31, 2009. This rate is based on (i) a long-term interest rate of 3.8%, corresponding to the average interest rate for 10 year OAT treasury bonds over the past few years, (ii) the average premium applied to financing obtained by the Group in the fourth quarter of 2010, and (iii) the weighted country risk premium for the Group's businesses in the countries in question.

The perpetuity growth rate was 2%, unchanged on the previous financial year.

Impairment tests are performed at the level of the cash-generating unit (CGU) to which the asset belongs. A cash-generating unit is the smallest group of assets that generates cash inflows that are largely independent of the cash flows from other assets or groups of assets. The cash-generating units correspond to the Power, Industry, IT, Buildings, CST businesses, which have operated as divisions since the reorganisation on January 1, 2010. Entities were reallocated to the new CGUs at the lowest possible level on the basis of their business activities; in the case of mixed entities, their assets were allocated to each business (Power and Industry mainly) pro-rata to their revenue in that business.

At end-2010, the Distribution business acquired from Areva on June 7, 2010 wasn't allocated to any specific CGU and hadn't yet been tested given the recent date of acquisition. Nevertheless, as 2010 results were slightly ahead of the forecasts in the business plan used for the purposes of the acquisition, the Group does not feel there that there are impairment risks with respect to these assets at the balance sheet date.

The WACC used to determine the value in use of each CGU was 9.0% for Power and Industry, 9.2% for IT, 8.6% for Buildings and CST.

Goodwill is allocated when initially recognised. The CGU allocation is done on the same basis as used by Group management to monitor operations and assess synergies deriving from acquisitions. As a result of the organisational changes effective January 1, 2010, the allocation of goodwill has been changed to reflect the new operating segments defined in accordance with the newly issued IFRS 8. This modification did not have an impact on asset impairment.

Where the recoverable amount of an asset or CGU is lower than its book value, an impairment loss is recognised. Where the tested CGU comprises goodwill, any impairment losses are firstly deducted therefrom.

1.12 - Non-current financial assets

Investments in non-consolidated companies are classified as available-for-sale financial assets. They are initially recorded their cost of acquisition and subsequently measured at fair value, when fair value can be reliably determined.

The fair value of equity instruments quoted in an active market may be determined reliably and corresponds to the quoted price on the balance sheet date (Level 1 input as described in the amendment to IFRS 7 – *Improving Disclosures about Financial Instruments*).

In cases where fair value cannot be reliably determined (Level 3 inputs), the equity instruments are measured at net cost of any accumulated impairment losses. The recoverable amount is determined with reference to the Group's share in the entity's net assets along with its expected future profitability and outlook. This rule is applied in particular to unlisted equity instruments.

Changes in fair value are accumulated in equity under "Other reserves" up to the date of sale, at which time they are recognised in the income statement. Unrealised losses on assets that are considered to be permanently impaired are recorded under "Finance costs and other financial income and expense, net".

Loans, recorded under "Other non-current financial assets", are carried at amortised cost and tested for impairment where there is an indication that they may have been impaired. Long-term financial receivables are discounted when the impact of discounting is considered significant.

1.13 - Inventories and work in process

Inventories and work in process are stated at the lower of their entry cost (acquisition cost or production cost generally determined by the weighted average price method) or of their estimated net realisable value.

Net realisable value corresponds to the estimated selling price net of remaining expenses to complete and/or sell the products.

Inventory impairment losses are recognised in "Cost of sales" for the material component and in "Selling, general and administrative expenses" for the finished products.

The cost of work in process, semi-finished and finished products, includes the cost of materials and direct labor, subcontracting costs, all production overheads based on normal capacity utilisation rates and the portion of research and development costs related to the production process (corresponding to the amortisation of capitalised projects in production and product and range maintenance costs).



1.14 - Trade accounts receivable

Provisions for doubtful accounts are recorded when it is probable that receivables will not be collected and the amount of the loss can be reasonably estimated. Doubtful accounts are identified and the related provisions determined based on historical loss experience, the age of the receivables and a detailed assessment of the individual receivables along with the related credit risks. Once it is known with certainty that a doubtful account will not be collected, the doubtful account and the related provision are written off via the statement of income.

Accounts receivable are discounted in cases where they due in over one year and the impact of adjustment is significant.

1.15 - Assets held for sale

Assets held for sale are no longer amortised or depreciated and are recorded separately in the balance sheet under "Assets held for sale" at the lower of amortised cost and net realisable value.

1.16 - Deferred taxes

Deferred taxes, corresponding to temporary differences between the tax basis and reporting basis of consolidated assets and liabilities, are recorded using the liability method. Deferred tax assets are recognised when it is probable that they will be recovered at a reasonably determinable date.

Future tax benefits arising from the utilisation of tax loss carryforwards (including amounts available for carryforward without time limit) are recognised only when they can reasonably be expected to be realised.

Deferred tax assets and liabilities are not discounted. Deferred tax assets and liabilities that concern the same unit and are expected to reverse in the same period are netted off.

1.17 - Cash and cash equivalents

Cash and cash equivalents presented in the balance sheet consist of cash, bank accounts, term deposits of three months or less and marketable securities traded on official exchanges. Generally, all marketable securities are short-term, highly-liquid investments that are readily convertible to known amounts of cash at maturity. They notably consist of commercial paper, mutual funds and equivalents. In light of their nature and maturities, these instruments represent insignificant risk of changes in value and are treated as cash equivalents.

1.18 - Schneider Electric SA shares

Schneider Electric SA shares held by the parent company or by fully consolidated companies are measured at acquisition cost and deducted from equity. They are held at their acquisition cost until sold.

Gains (losses) on the sale of own shares are added (deducted) from consolidated reserves, net of tax.

1.19 - Pensions and other employee benefit obligations

Depending on local practices and laws, the Group's subsidiaries participate in pension, termination benefit and other long-term benefit plans. Benefits paid under these plans depend on such factors as seniority, compensation levels and payments into mandatory retirement programs.

Defined contribution plans

Payments made under defined contribution plans are recorded in the income statement, in the year of payment, and are in full settlement of the Group's liability.

In most countries, the Group participates in mandatory general plans, which are accounted for as defined contribution plans.

Defined benefit plans

Defined benefit plans are measured using the projected unit credit method.

Expenses recognised in the statement of income are split between operating income (for current service costs) and net financial income/(loss) (for financial costs and expected return on plan assets).

The amount recognised in the balance sheet corresponds to the present value of the obligation, adjusted for unrecognised past service cost and net of plan assets.

Where this is an asset, the recognised asset is limited to the present value of any economic benefit due in the form of plan refunds or reductions in future plan contributions.

Changes resulting from periodic adjustments to actuarial assumptions regarding general financial and business conditions or demographics (i.e., changes in the discount rate, annual salary increases, return on plan assets, years of service, etc.) as well as experience adjustments are immediately recognised in the balance sheet and as a separate component of equity in "Other reserves".

Other commitments

Provisions are funded and expenses recognised to cover the cost of providing health-care benefits for certain Group retirees in Europe and the United States. The accounting policies applied to these plans are similar to those used to account for defined benefit pension plans.

The Group also funds provisions for all its subsidiaries to cover seniority-related benefits (primarily long service awards in its French subsidiaries). Actuarial gains and losses on these benefit obligations are fully recognised in profit or loss.

1.20 - Share-based payments

The Group grants different types of share-based payments to senior executives and certain employees. These include:

- Schneider Electric SA stock options;
- stock grants;
- stock appreciation rights, based on the Schneider Electric SA stock price.

Only plans set up after November 7, 2002 that did not vest prior to January 1, 2005 are affected by the application of IFRS 2 – *Share-based payments*

Pursuant to this standard, these plans are measured on the date of grant and an employee benefits expense is recognised on a straight-line basis over the vesting period, in general three or four years depending on the country in which it is granted.

The Group uses the Cox, Ross, Rubinstein binomial model to measure these plans.

For stock grants and stock options, this expense is offset in the own share reserve. In the case of stock appreciation rights, a liability is recorded corresponding to the amount of the benefit granted, re-measured at each balance sheet date.

As part of its commitment to employee share ownership, Schneider Electric gave its employees the opportunity to purchase shares at a discount (note 21.5).

1.21 - Provisions for contingencies and pension accruals

A provision is recorded when the Group has an obligation to a third party prior to the balance sheet date, and where the loss or liability is likely and can be reliably measured. If the loss or liability is not likely and cannot be reliably estimated, but remains possible, the Group discloses it as a contingent liability. Provisions are calculated on a case-by-case or statistical basis and discounted when due in over a year. The discount rate used for long-term provisions was 2.75% at December 31, 2010 versus 3.6% at December 31, 2009.

Provisions are primarily set aside to cover:

- economic risks.

These provisions cover tax risks arising from tax audits performed by local tax authorities and financial risks arising primarily on guarantees given to third parties in relation to certain assets and liabilities;

- customer risks.

These provisions are primarily established to covers risks arising from products sold to third parties. This risk mainly consists of claims based on alleged product defects and product liability;

- product risks.

These provisions comprise:

- statistical provisions for warranties: the Group funds provisions on a statistical basis for the residual cost of Schneider Electric product warranties not covered by insurance.
- provisions to cover disputes concerning defective products and recalls of clearly identified products;
- environmental risks.

These provisions are primarily funded to cover cleanup costs;

- restructuring costs, when the Group has prepared a detailed plan for the restructuring and has either announced or started to implement the plan before the end of the year.

1.22 - Financial liabilities

Financial liabilities primarily comprise bonds and short and long-term bank borrowings. These liabilities are initially recorded at fair value, taking into account any direct transaction costs. Subsequently, they are measured at amortised cost based on their effective interest rate.

1.23 - Financial instruments and derivatives

Risk hedging management is centralised. The Group's policy is to use derivative financial instruments exclusively to manage and hedge changes in exchange rates, interest rates or prices of certain raw materials. The Group never uses derivative financial instruments for speculative purposes. The Group accordingly uses instruments such as swaps, options and futures, depending on the nature of the exposure to be hedged.

Foreign currency hedges

The Group periodically buys foreign currency derivatives to hedge the currency risk associated with foreign currency transactions. Some of these instruments hedge operating receivables and payables carried in the balance sheets of Group companies. The Group does not apply hedge accounting to these instruments because gains and losses on this hedging is immediately recognised. At year-end, the hedging derivatives are marked to market and foreign exchange gains or losses are recognised in "Net financial income/ (loss)", offsetting the gains or losses resulting from the translation at end-of-year rates of foreign currency payables and receivables, in accordance with IAS 21 – *The Effects of Changes in Foreign Exchange Rates*.

The Group also hedges future cash flows, including recurring future transactions, intra-group foreign currency loans or planned acquisitions or disposals of investments. In accordance with IAS 39, these are treated as cash flow hedges. These hedging instruments are recognised in the balance sheet and are measured at fair value at the end of the year. The portion of the gain or loss on the



hedging instrument that is determined to be an effective hedge is accumulated in equity, under “Other reserves”, and recognised in the statement of income when the hedged item affects profit or loss. The ineffective portion of the gain or loss on the hedging instrument is recognised in “Net financial income/(loss)”.

In addition, certain long-term receivables and loans to subsidiaries are considered to be part of the net investment, as defined by IAS 21 – *The Effects of Changes in Foreign Exchange Rates*. In accordance with the rules governing hedges of net investments, the impact of exchange rate fluctuations is recorded in equity and recognised in the statement of income when the investment is sold.

Interest rate swaps

Interest rate swaps allow the Group to manage its exposure to interest rate risk. The derivative instruments used are financially adjusted to the schedules, rates and currencies of the borrowings they cover. They involve the exchange of fixed and floating-rate interest payments. The differential to be paid (or received) is accrued (or deferred) as an adjustment to interest income or expense over the life of the agreement. The Group applies hedge accounting as described in IAS 39 for interest rate swaps. Gains and losses on re-measurement of interest rate swaps at fair value are recognised in equity (for cash flow hedges) or in profit or loss (for fair value hedges).

Commodity contracts

The Group also purchases commodity derivatives including forward purchase contracts, swaps and options to hedge price risks on all or part of its forecast future purchases. Under IAS 39, these qualify as cash flow hedges. These instruments are recognised in the balance sheet and are measured at fair value at the period-end. The effective portion of the hedge is recognised separately in equity (under “Other reserves”) and then recognised in income (gross margin) when the hedged item affects consolidated income. The effect of this hedging is then incorporated in the cost price of the products sold. The ineffective portion of the gain or loss on the hedging instrument is recognised in “Net financial income/(loss)”.

Cash flows from financial instruments are recognised in the consolidated statement of cash flows in a manner consistent with the underlying transactions.

Put options granted to minority shareholders

In line with the AMF’s recommendation of November 2010 and in the absence of a specific IFRS rule, the Group elected to retain the accounting treatment for minority put options applied up to December 31, 2009 (involving puts granted to minority shareholders prior to this date). In this case, the Group elected to recognise the difference between the purchase price of the minority interests and the share of the net assets acquired as goodwill, without re-measuring the assets and liabilities acquired. Subsequent changes in the fair value of the liability are recognised by adjusting goodwill.

In the absence of any new put options granted to minority shareholders since January 1, 2010, the Group hasn’t had to decide on an accounting treatment for them.

1.24 - Revenue recognition

The Group’s revenues primarily include merchandise sales and revenues from services and contracts.

Merchandise sales

Revenue from sales is recognised when the product is shipped and risks and benefits are transferred (standard shipping terms are FOB).

Provisions for the discounts offered to distributors are set aside when the products are sold to the distributor and recognised as a deduction from revenue.

Certain Group subsidiaries also offer cash discounts to distributors. These discounts and rebates are deducted from sales.

Consolidated revenue is presented net of these discounts and rebates.

Service contracts

Revenue from service contracts is recorded over the contractual period of service. It is recognised when the result of the transaction can be reliably determined, by the percentage of completion method.

Long-term contracts

Income from long-term contracts is recognised using the percentage-of-completion method, based either on the percentage of costs incurred in relation to total estimated costs of the entire contract, or on the contract’s technical milestones, notably proof of installation or delivery of equipment. When a contract includes performance clauses in the Group’s favor, the related revenue is recognised at each project milestone and a provision is set aside if targets are not met.

Losses at completion for a given contract are provided for in full as soon as they become probable. The cost of work-in-process includes direct and indirect costs relating to the contracts.

1.25 - Earnings per share

Earnings per share are calculated in accordance with IAS 33 – *Earnings Per Share*.

Diluted earnings per share are calculated by adjusting profit attributable to equity holders of the parent and the weighted average number of shares outstanding for the dilutive effect of the exercise of stock options outstanding at the balance sheet date. The dilutive effect of stock options is determined by applying the “treasury stock” method, which consists of taking into account the number of shares that could be purchased, based on the average share price for the year, using the proceeds from the exercise of the rights attached to the options.

1.26 - Statement of cash flows

The consolidated statement of cash flows has been prepared using the indirect method, which consists of reconciling net profit to net cash provided by operations. The opening and closing cash positions include cash and cash equivalents, comprised of marketable securities, (note 1.17) net of bank overdrafts and facilities.

Note 2 Changes in the scope of consolidation

The Group's consolidated financial statements for the year ended December 31, 2010 include the accounts of the companies listed in note 32. The scope of consolidation at December 31, 2010 can be summarised as follows:

	France	Dec. 31, 2010 International	France	Dec. 31, 2009 International
Parent company and fully consolidated subsidiaries	57	492	60	477
Proportionally consolidated companies	-	1	-	1
Companies accounted for by the equity method	1	5	1	3
Sub-total by region	58	498	61	481
TOTAL		556		542

2.1 - Acquisition of Areva T&D's Distribution business

On June 7, 2010 (closing date), a consortium comprising Alstom and Schneider Electric acquired all of Areva T&D's capital for EUR2.29 billion. The two consortium partners also financed the repayment of Areva T&D's debt towards the Areva Group. As the buyer of the Distribution business, Schneider Electric financed the equity value in the amount of EUR815 million and the debt refinancing in the amount of EUR323 million. The transaction agreements specify no liability guarantee clause or earn-out payments.

The Consortium agreement stipulates that, as of the transaction date, Schneider Electric immediately became the sole owner, with

exclusive control, of the Distribution business previously held by Areva (and within the limit of Areva's holding) and acquired through the Consortium. Consequently, the Distribution business was fully consolidated as of June 7, 2010, whilst the Transmission business was entirely excluded from the scope of consolidation.

In accordance with standard IFRS 3 R, Schneider Electric valued the assets acquired and liabilities assumed at their fair value on the date of acquisition. This resulted in preliminary goodwill, which may be adjusted over a maximum period of 12 months starting from the acquisition date, according to new information relating to the facts and circumstances existing on the acquisition date. The provisional allocation of the acquisition price breaks down as follows:

	Before allocation (provisional) of acquisition price	PPA	After allocation (provisional) of acquisition price
Acquisition price			1,138
Non-current assets	437	170	607
Current assets (excluding cash and cash equivalents)	992	-	992
Cash and cash equivalents	33	-	33
Total assets	1,462	170	1,632
Financial liabilities	45	-	45
Non-current liabilities excluding debt	167	121	288
Current liabilities excluding debt	799	54	853
Non-controlling interests	34	2	36
Total liabilities	1,045	177	1,222
GOODWILL			727

The valuation of the assets acquired at their fair value led principally to the recognition of intangible assets in the amount of EUR164 million (technology, backlog, inventories and customer relationships) and to revaluations of property, plant and equipment in the amount

of EUR54 million; these assets were valued by independent experts. Contingent liabilities were recognised for a total amount of EUR155 million. The goodwill is not tax-deductible.



The impact of the acquisition of Areva's Distribution business on the Group's 2010 consolidated statement of income is as follows:

	Group excluding Areva Distribution	Contribution of Areva Distribution since acquisition	Group published	Areva Distribution from January 1 to Jun. 7	Group including Areva Distribution since January 1
Revenue	18,350	1,230	19,580	648	20,228
EBITAR	2,942	85	3,027	14	3,041
<i>EBITAR margin</i>	16.0%	6.9%	15.5%	2.2%	15.0%
EBITA	2,846	85	2,931	9	2,940
<i>EBITA margin</i>	15.5%	6.9%	15.0%	1.4%	14.5%

2.2 - Other acquisitions during the year

Over the period the Group finalised the acquisitions of SCADAgroup in Australia, CIMAC in the United Arab Emirates and Zicom in India. These entities are fully consolidated since their acquisition date. In addition, the acquisitions of Uniflair in Itlay and Vizelia and D5X in France were finalised at end 2010 and will be consolidated in 2011.

Their consolidation did not have a material impact on the consolidated financial statements at December 31, 2010.

The Group also acquired 50% of shares in the Russian group Electroshield TM Samara. This entity will be accounted for by the equity method with a delay of three months required to prepare its consolidated financial statements and ensure their compliance with IFRS standards.

The total amount of acquisitions during the year came to EUR1,762 million, net of cash and cash equivalents acquired, including EUR1,085 million for Areva's Distribution business and EUR201 million relating to Electroshield TM Samara.

	2010	2009
Acquisitions	(1,762)	(95)
<i>Cash and cash equivalents paid</i>	(1,800)	(94)
<i>Cash and cash equivalents acquired</i>	38	(1)
Disposals	8	24
Other operations	0	8
NET FINANCIAL INVESTMENTS	(1,754)	(63)

The impact of changes in the scope of consolidation in 2009 and 2010, excluding Areva Distribution, on the Group's income statement as of December 31, 2010 is not material.

Note 3 Segment information

The Group changed its internal structure with effect from January 1, 2010. The new divisions are organised by business (Power, Industry, IT, Buildings, CST). The comparative segment information relating to the 2009 financial year has been restated to take account of this organisation, in accordance with paragraph 29 of IFRS 8.

The five Businesses are:

- **Power**, which includes Medium and Low Voltage, Installation Systems and Control, Renewable Energies and four end-customer segments: Utilities, Marine, Residential and Oil & Gas;
- **Industry**, which includes Automation & Control and three end-customer segments: OEMs, Water Treatment and Mining, Minerals & Metals;
- **IT**, which covers Critical Power & Cooling Services and two end-customer segments: Data Centers and Financial Services;

- **Buildings**, which includes Building Automation and Security and four end-customer segments: Hotels, Hospitals, Office Buildings and Retail Buildings;
- **Custom Sensors & Technologies**, a mainly technological business focused on customers in the Automotive, Aeronautic and Manufacturing industries.

Areva's Distribution business acquired on June 7, 2010 has not yet been allocated to an operating segment or to a Cash Generating Unit. It is therefore presented temporarily as a separate segment. With effect from January 1, 2011, the group's Medium Voltage businesses (currently presented under the Power business) will be combined with the aforementioned acquired businesses in order to form a new operating segment known as **Energy**.

Data concerning General Management that cannot be allocated to a particular segment are presented under "Holding".

Operating segment data is identical to that presented to the Management Board, which has been identified as the main decision-making body for allocating resources and evaluating segment performance. Performance assessments used by the Management Board are notably based on Earnings Before Interest, Taxes, amortisation of purchase accounting intangibles and Restructuring costs (EBITAR). Share-based payment is presented under "Holding".

The Management Board does not review assets and liabilities by Business.

The same accounting principles governing the consolidated financial statements apply to segment data.

Details are provided in Chapter 4 of the Registration Document (Business Review).

3.1 - Information by operating segment

Dec. 31, 2010

	Power Business	Industry Business	IT Business	Buildings Business	CST	Holding	Total excluding Areva Distribution	Areva Distribution	Total
Revenue	10,318	3,551	2,646	1,402	433	-	18,350	1,230	19,580
EBITAR	2,074	668	448	144	71	(463)	2,942	85	3,027
%	20.1%	18.8%	16.9%	10.3%	16.4%	-	16.0%	6.9%	15.5%
EBITA	2,032	634	443	135	64	(462)	2,846	85	2,931
%	19.7%	17.9%	16.7%	9.6%	14.8%	-	15.5%	6.9%	15.0%

Dec. 31, 2009

	Power Business	Industry Business	IT Business	Buildings Business	CST	Holding	Total
Revenue	9,233	2,665	2,270	1,268	357	-	15,793
EBITAR*	1,683	275	363	132	20	(363)	2,110
%	18.2%	10.3%	16.0%	10.4%	5.6%	-	13.4%
EBITA*	1,535	198	334	121	(4)	(387)	1,797
%	16.6%	7.4%	14.7%	9.5%	(1.1)%	-	11.4%

* Including a non recurring gain on pension plan modification:

81	11
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The costs of the Holding for 2009 that were previously published (EUR297 million without restructuring) were restated:

- with EUR40 million in costs included for the global IT function created with the new organisation of the company effective January 1, 2010;
- with EUR26 million in previously-capitalised acquisition costs (see note 1).

The amount of the 2010 financial year includes the impairment of EUR15 million on a SAP module (see note 5) and separation and integration costs of Areva Distribution in the amount of EUR25 million.

It should be noted that due to a change of responsibility in one of the units, full-year 2009 figures of the Power and IT businesses have been modified compared to the data set provided in the notes to the 2009 financial statements.

3.2 - Information by region

The geographic regions covered by the Group are:

- Western Europe;
- North America: United States, Canada and Mexico;
- Asia-Pacific;
- Rest of the World (Eastern Europe, Middle East, Africa, South America).

Non-current assets include net goodwill, net intangible assets and net property, plant and equipment.



Dec. 31, 2010

	Western Europe	of which France	North America	of which USA	Asia- Pacific	of which China	Rest of the world	Total
Revenue by country market	6,568	1,777	4,704	3,952	4,792	2,269	3,516	19,580
Non-current assets	6,022	1,869	6,391	6,141	3,590	703	805	16,808

Dec. 31, 2009

	Western Europe	of which France	North America	of which USA	Asia- Pacific	of which China	Rest of the world	Total
Revenue by country market	5,546	1,528	4,190	3,635	3,306	1,642	2,751	15,793
Non-current assets	5,499	1,707	5,860	5,592	2,695	530	440	14,494

3.3 - Degree of dependence in relation to main customers

No single customer accounts for more than 10% of consolidated revenue.

Note 4 Research and development

Research and development costs break down as follows:

	2010	2009
Research and development costs in cost of sales	171	143
Research and development costs in commercial expenses	-	7
Research and development costs in R&D costs ⁽¹⁾	450	403
Capitalised development costs	197	211
TOTAL RESEARCH AND DEVELOPMENT COSTS OF THE YEAR	818	764

(1) Of which EUR21 million research and development tax credit in December 2010 and EUR19 million in December 2009.

Amortisation of capitalised development costs amounted to EUR107 million for the 2010 financial year, compared with EUR85 million in 2009. Exceptional impairment losses of EUR6 million were recorded on capitalised development costs in 2010, compared with EUR4 million in 2009.

Note 5 Depreciation, amortisation and provision expense

Depreciation, amortisation and provision expenses recognised in operating expenses were as follows:

	2010	2009
Included in cost of sales:		
Depreciation and amortisation	(373)	(343)
Provisions	(44)	(10)
Included in selling, general and administrative expenses:		
Depreciation and amortisation	(131)	(130)
Provisions	(13)	(90)
DEPRECIATION, AMORTISATION AND PROVISION EXPENSE	(561)	(573)

In 2010, provisions in an amount of EUR30 million were recorded in other operating income and expenses.

(note 8), and EUR15 million in other operating income and expenses (note 6).

The net amount of impairment losses on non-current assets totaled EUR30 million, of which EUR15 million in goodwill impairment

Note 6 Other operating income and expenses

Other operating income and expenses break down as follows:

	2010	2009
Impairment losses on assets	(34)	(12)
Gains on asset disposals	25	11
Losses on asset disposals	(5)	(17)
Costs of acquisitions	(31)	(26)
Pension plan curtailments	8	92
Others	45	14
OTHER OPERATING INCOME AND EXPENSES	8	62

Impairment losses on tangible and intangible assets break down as follows:

- an SAP application module currently being replaced for EUR15 million;
- a property for EUR12 million;
- research and development projects for EUR5 million.

Costs relating to acquisitions refer to the acquisition of the Areva Distribution business for an amount of EUR25 million.

The line "Others" includes mainly a reversal of provision for EUR22 million due to changes in paid vacation modalities in the US and an insurance claim for EUR17 million.



Note 7 Restructuring costs

Restructuring costs totaled EUR96 million over the period. They mainly relate to industrial and support function reorganisations in Europe (approximately EUR54 million) and in North America (approximately EUR22 million).

Note 8 Amortisation and impairment of purchase accounting intangibles

	2010	2009
Amortisation of purchase accounting intangibles	(213)	(109)
Impairment of purchase accounting intangibles	-	(32)
Goodwill impairment	(15)	(90)
AMORTISATION AND IMPAIRMENT OF PURCHASE ACCOUNTING INTANGIBLES	(228)	(231)

The amortisation of purchase accounting intangibles, which totaled EUR213 million over the period, includes EUR43 million that correspond to the Areva Distribution business.

The migration of the Group's brands towards the Schneider Electric brand (One Brand project) has led to the amortisation from January 1, 2010 of the Xantrex, TAC and MGE brands over a six-year period. The corresponding amortisation expense totaled EUR56 million over the year. Impairment losses totaling EUR15 million are recognised on

goodwill relating to two small businesses in Europe currently being sold.

Impairment tests performed on all the Group's CGUs have not led to impairment losses being recognised. Analysis of the test's discount rate sensitivity shows impairment losses would not be recognised in the case of a 0.5 point increase in the discount rate.

Note 9 Other financial income and expense

	2010	2009
Exchange gains and losses, net	25	(1)
Financial component of defined benefit plan costs	(49)	(56)
Dividends	9	7
Net gains/(losses) on disposal of long-term investments	3	(3)
Other financial expense, net	(53)	(34)
OTHER FINANCIAL INCOME AND EXPENSE	(65)	(87)

Dividends are mainly received on AXA shares.

In July 2010, Schneider Electric partially bought back its July 2013 bond. This transaction generated a one-off expense of EUR36 million, presented under Other financial expense, net.

Note 10 Income tax expense

Whenever possible, Group entities file consolidated tax returns. Schneider Electric SA has chosen this option for the French subsidiaries it controls directly or indirectly through Schneider Electric Industries SAS.

10.1 - Analysis of income tax expense

	2010	2009
Current taxes		
France	(23)	(13)
International	(598)	(398)
Total	(621)	(411)
Deferred taxes		
France	6	151
International	49	(35)
Total	55	116
INCOME TAX (EXPENSE)/BENEFIT	(566)	(295)

10.2 - Tax proof

	2010	2009
Profit attributable to owners of the parent	1,720	824
Income tax (expense)/benefit	(566)	(295)
Non-controlling interests	(76)	(42)
Share of profit of associates	6	(21)
Profit before tax	2,356	1,182
Statutory tax rate	34.43%	34.43%
Income tax expense calculated at the statutory rate	(811)	(407)
Reconciling items:		
Difference between French and foreign tax rates	196	122
Tax credits and other tax reductions	62	89
Impact of tax losses	1	(21)
Other permanent differences	(14)	(78)
Income tax (expense)/benefit	(566)	(295)
EFFECTIVE TAX RATE	24.0%	25.0%



Note 11 Goodwill

11.1 - Main items of goodwill

As a result of the organisational changes effective January 1, 2010, the allocation of goodwill to Cash-Generating Units (CGU) has been changed to reflect the new operating segments defined in accordance with the newly issued IFRS 8.

Square D goodwill was allocated to each CGU in proportion to operating income:

	Power Business	Industry Business
Square D Company	82%	18%

The Group's goodwill is presented below.

	Year of acquisition	CGU ⁽¹⁾	Dec. 31, 2010 Net	Dec. 31, 2009 Net
APC	2007	IT	2,263	2,070
Square D Company	1991	Power	1,026	951
Groupe Lixel	1999	Power	876	842
Areva Distribution	2010	-	727	-
Telemecanique	1988	Industry	463	463
TAC/Andover/Abacus/Applied Control Technology/ Yamas/HGA	2003 to 2007	Buildings	456	419
Pelco	2007	Buildings	381	353
Clipsal	2004 to 2006	Power	350	282
MGE UPS	2000 to 2007	IT	345	334
IBS	2006	Buildings	320	299
Juno Lighting Inc.	2005	Power	297	275
Xantrex	2008	Power	214	198
Crouzet Automatismes	2000	CST	156	156
Power Measurement Inc.	2005	Power	143	133
Delixi	2007	Power	143	128
BEI Technologies	2005	CST	140	130
Scada Group	2010	Industry	134	-
Positec	2000	Industry	107	105
Digital Electronics	2002	Industry	103	84
ABS	2005	Buildings	98	105
Merlin Gerin	1992	Power	87	87
Kavlico	2004	CST	81	76
OVA	2006	Power	80	80
Citect	2006	Industry	72	59
Federal Pioneer	1990	Power	61	55
Ritto	2007	Power	60	60
Elau	2004 and 2005	Industry	56	56
Crydom	2006	CST	51	48
RAM	2008	Industry	45	38
Wessen	2008	Power	43	41
Infra +	2000 to 2004	Power	43	43
PDL	2001	Power	37	32
Cimac	2010	Industry	35	-
Zicom	2010	Buildings	31	-
Marisio	2008	Power	31	26

	Year of acquisition	CGU ⁽¹⁾	Dec. 31, 2010 Net	Dec. 31, 2009 Net
AEM	2006	Power	30	30
ECP	2008	Power	29	27
Mita Holding	1999	Power	29	28
IMS	2008	Industry	27	25
GET	2006	Power	27	27
Microsol	2009	IT	26	23
Conzerv	2009	Power	22	20
Meher	2009	Power	18	16
ITG	2010	Buildings	16	-
Crockett	2009	Buildings	11	10
Dataletta	2009	Power	5	4
Grant	2007	Buildings	2	2
Others			416	371
TOTAL			10,213	8,611

(1) Cash Generating Unit to which goodwill has been allocated.
CST: Customized Sensors & Technologies.

11.2 - Movements during the year

The main movements during the year are summarised in the following table:

	2010	2009
Net goodwill at opening	8,611	8,542
Acquisitions*	938	66
Disposals	(1)	(2)
Impairment	(15)	(90)
Translation adjustments	675	(26)
Reclassifications	5	121
Net goodwill at year end	10,213	8,611
Cumulative impairment	(172)	(157)

* On the basis of the exchange rate on the acquisition date.

Acquisitions

There is a 12 month period after the date of acquisition for the Group to finalise the allocation of goodwill to these entities. The corresponding goodwill is therefore provisional.

Goodwill generated by acquisitions made during the year totaled EUR938 million and correspond principally to Areva Distribution (EUR727 million), the Australian group Scada (EUR110 million) and the United Arab Emirates group Cimac (EUR33 million).

Impairment

Impairment recorded over the year totals EUR15 million and concerns two small businesses in Europe that are currently being sold.

Impairment tests performed on all the Group's CGUs have not led to impairment losses being recognised.

Other changes

Translation adjustments concern principally goodwill on US dollars.



Note 12 Intangible assets

12.1 - Change in intangible assets

	Trademarks	Software	Development projects (R&D)	Other	Total
GROSS VALUE					
Dec. 31, 2008	2,452	559	637	1,384	5,032
Acquisitions	-	24	211	32	267
Disposals	(1)	(15)	(3)	(5)	(24)
Translation adjustments	(27)	-	-	(40)	(67)
Reclassification	-	156	(4)	(170)	(18)
Changes in scope of consolidation and other	(4)	-	1	12	9
Dec. 31, 2009	2,420	724	842	1,213	5,199
Acquisitions	-	15	197	27	239
Disposals	(4)	(8)	(10)	(5)	(27)
Translation adjustments	205	20	39	95	359
Reclassification	-	20	8	(33)	(5)
Changes in scope of consolidation and other	-	29	9	213	251
Dec. 31, 2010	2,621	800	1,085	1,510	6,016
ACCUMULATED AMORTISATION AND IMPAIRMENT					
Dec. 31, 2008	(121)	(444)	(159)	(317)	(1,041)
Depreciation and impairment	(15)	(60)	(90)	(128)	(293)
Recapture	-	13	-	1	14
Translation adjustments	1	1	2	10	14
Reclassification	-	1	4	16	21
Changes in scope of consolidation and other	3	-	-	2	5
Dec. 31, 2009	(132)	(489)	(243)	(416)	(1,280)
Depreciation and impairment	(60)	(73)	(115)	(160)	(408)
Recapture	4	7	6	3	20
Translation adjustments	(7)	(14)	(20)	(35)	(76)
Reclassification	-	(1)	2	5	6
Changes in scope of consolidation and other	-	(23)	3	-	(20)
Dec. 31, 2010	(195)	(593)	(367)	(603)	(1,758)
NET VALUE					
Dec. 31, 2008	2,331	115	478	1,067	3,991
Dec. 31, 2009	2,288	235	599	797	3,919
Dec. 31, 2010	2,426	207	718	907	4,258

The allocation of the acquisition price of Areva Distribution has given rise to the recognition of several intangible items totalling EUR164 million (technology, backlog and inventories, customer relationship).

In addition, client portfolios relating to Cimac and Scada acquired at the beginning of 2010 were recognised for EUR30 million.

All these items are recognised in "Other intangible assets".

12.2 - Trademarks

At December 31, 2010, the main trademarks recognised were as follows:

	Dec. 31, 2010	Dec. 31, 2009
APC	1,382	1,277
Pelco	370	343
Clipsal	194	159
MGE	167	200
TAC	101	108
Juno	86	79
Digital	50	41
Xantrex	21	25
Merten	18	18
Kavlico	12	11
BEI	9	8
Other	16	19
NET	2,426	2,288

The migration of the Group's brands towards the Schneider Electric brand (*One Brand project*) has led to the amortisation from January 1, 2010 of the Xantrex, TAC and MGE brands over a six-year period. The corresponding amortisation expense totaled EUR56 million over the year.



Note 13 Property, plant and equipment

13.1 - Change in tangible assets

	Land	Buildings	Machinery and equipment	Other	Total
GROSS VALUE					
Dec. 31, 2008	155	1,182	3,162	724	5,223
Acquisitions	5	42	139	158	344
Disposals	(4)	(24)	(154)	(86)	(268)
Translation adjustments	(2)	(2)	14	2	12
Reclassification	-	34	44	(66)	12
Changes in scope of consolidation and other	2	2	3	3	10
Dec. 31, 2009	156	1,234	3,208	735	5,333
Acquisitions	1	54	171	145	371
Disposals	(8)	(53)	(132)	(65)	(258)
Translation adjustments	11	61	144	47	263
Reclassification	2	35	91	(121)	7
Changes in scope of consolidation and other	69	149	196	91	505
Dec. 31, 2010	231	1,480	3,678	832	6,221
ACCUMULATED DEPRECIATION AND IMPAIRMENT					
Dec. 31, 2008	(15)	(553)	(2,309)	(376)	(3,253)
Depreciation and impairment	(1)	(57)	(225)	(60)	(343)
Recapture	3	12	166	52	233
Translation adjustments	-	1	(11)	(2)	(12)
Reclassification	-	(2)	4	(2)	-
Changes in scope of consolidation and other	1	2	3	1	7
Dec. 31, 2009	(12)	(597)	(2,372)	(387)	(3,368)
Depreciation and impairment	(1)	(65)	(240)	(55)	(361)
Recapture	1	41	140	36	218
Translation adjustments	(1)	(23)	(93)	(28)	(145)
Reclassification	-	3	(9)	5	(1)
Changes in scope of consolidation and other	(1)	(61)	(123)	(42)	(227)
Dec. 31, 2010	(14)	(702)	(2,697)	(471)	(3,884)
NET VALUE					
Dec. 31, 2008	140	629	853	348	1,970
Dec. 31, 2009	144	637	836	348	1,965
Dec. 31, 2010	217	778	981	361	2,337

Reclassifications primarily correspond to assets put into use.

13.2 - Finance leases

Tangible assets primarily comprise the following finance leases:

	Dec. 31, 2010	Dec. 31, 2009
Land	3	3
Buildings	74	69
Machinery and equipment	32	32
Other tangible assets	3	2
Accumulated depreciation	(83)	(78)
ASSETS UNDER FINANCE LEASE, NET	29	28

Future minimal rental commitments on finance lease properties at December 31, 2010 break down as follows:

	Minimum payments	Discounted minimum payments
Less than one year	12	12
Between one and five years	4	4
Five years and more	1	1
TOTAL COMMITMENTS	17	17
Discounting effect	0	
Discounted minimum payments	17	

13.3 - Operating leases

Rental expense breaks down as follows:

	Dec. 31, 2010	Dec. 31, 2009
Minimum rentals	118	104
Conditional rentals	1	1
Sub-lease rentals	(4)	(4)
TOTAL RENTAL EXPENSE	115	101

Operating lease commitments break down as follows at December 31, 2010:

	Minimum payments	Discounted minimum payments
Less than one year	92	88
Between one and five years	204	183
Five years and more	104	80
TOTAL COMMITMENTS	400	351
Discounting effect	(49)	
Discounted minimum payments	351	



Note 14 Investments in associates

Investments in associates can be analysed as follows:

	% interest at Dec. 31		Share net assets at Dec. 31		Share in net profit at Dec. 31	
	2010	2009	2010	2009	2010	2009
Delta Dore Finance	20.0%	20.0%	13	12	1	1
Electroshield – TM Samara	50.0%	N/A	266	-	-	-
Sunten Electric Equipment	50.0%	N/A	85	-	(1)	-
Fuji Electric FA Components & Systems	36.8%	36.8%	76	58	5	(22)
Other	N/A	N/A	7	5	1	-
TOTAL	-	-	447	75	6	(21)

Sunten Electric Equipment is a joint venture set up by Areva Distribution.

Note 15 Financial assets

15.1 - Available-for-sale financial assets

Available-for-sale financial assets, primarily comprising investments, are detailed below:

		Dec. 31, 2010			Dec. 31, 2009
		Gross value	Revaluation/ impairment	Fair value	Fair value
I – Listed available-for-sale financial assets					
AXA	0.5%	111	21	132	175
Gold Peak Industries Holding Ltd	4.4%	6	(3)	3	4
Total listed AFS		117	18	135	179
II – Unlisted available-for-sale financial assets					
Uniflair, Vizelia, D5X, H'Dev ⁽¹⁾	100.0%	184	-	184	-
FCPR SEV1	100.0%	34	24	58	49
FCPR SESS	70.6%	10	-	10	-
Simak ⁽²⁾	99.4%	6	(1)	5	5
Easy Plug SAS ⁽³⁾	N/A	-	-	-	-
SE Venture	100.0%	7	(7)	-	-
Other ⁽⁴⁾		25	(7)	18	12
Total unlisted AFS		266	9	275	66
TOTAL AVAILABLE-FOR-SALE FINANCIAL ASSETS		383	27	410	245

(1) Companies purchased in 2010, consolidated in 2011.

(2) Removed from the scope of consolidation – in liquidation.

(3) Liquidated in 2010.

(4) Gross unit value of less than EUR5 million.

The fair value of investments quoted in an active market corresponds to the price on the balance sheet date. The revaluation of listed investments over the year has had a negative impact on other equity reserves of EUR33 million.

15.2 - Other non-current financial assets

The Clipsal acquisition contract stipulates retaining part of the acquisition price as a liability guarantee. This amount of EUR9 million

appears on the balance sheet under "Other long-term debt". This amount has been placed in an escrow account by the Group and appears under "Other non-current financial assets".

15.3 - Current financial assets

Current financial assets total EUR38 million at December 31, 2010 and comprise short-term investments.

Note 16 Deferred taxes by type

Deferred taxes by type can be analysed as follows:

	Dec. 31, 2010	Dec. 31, 2009
Deferred tax assets		
Tax credits and tax loss carryforwards	387	387
Provisions for pensions and other post-retirement benefit obligations	423	448
Impairment of receivables and inventory	183	123
Non-deductible provisions for contingencies and accruals	134	189
Other	392	269
Deferred tax assets set off against deferred tax liabilities	(496)	(406)
DEFERRED TAX ASSETS	1,023	1010
Deferred tax liabilities		
Differences between tax and accounting depreciation	(107)	(89)
Trademarks and other intangible assets	(897)	(861)
Capitalised development costs (R&D)	(56)	(46)
Other	(393)	(337)
Deferred tax assets set off against deferred tax liabilities	496	406
TOTAL DEFERRED TAX LIABILITIES	(957)	(927)

Deferred tax assets recorded in respect of tax loss carryforwards at December 31, 2010 essentially concern France (EUR207 million) and Belgium (EUR144 million).



Note 17 Inventories and work in progress

Inventories and work in process changed as follows:

	Dec. 31, 2010	Dec. 31, 2009
Cost:		
Raw materials	1,461	947
Work in progress	559	317
Semi-finished and finished products	1,384	1,124
Goods	84	67
INVENTORIES AND WORK IN PROGRESS AT COST	3,488	2,455
Impairment:		
Raw materials	(169)	(124)
Work in progress	(20)	(15)
Semi-finished and finished products	(147)	(131)
Goods	(13)	(11)
IMPAIRMENT	(349)	(281)
Net:		
Raw materials	1,292	823
Work in progress	539	302
Semi-finished and finished products	1,237	993
Goods	71	56
INVENTORIES AND WORK IN PROGRESS, NET	3,139	2,174

Note 18 Trade accounts receivable

	Dec. 31, 2010	Dec. 31, 2009
Accounts receivable	4,276	2,923
Notes receivable	265	231
Advances to suppliers	98	57
Accounts receivable at cost	4,639	3,211
Impairment	(198)	(140)
Accounts receivable, net	4,441	3,071
Of which:		
On time	3,658	2,499
Less than one month past due	326	257
One to two months past due	126	113
Two to three months past due	100	59
Three to four months past due	79	42
More than four months past due	152	101
ACCOUNTS RECEIVABLE, NET	4,441	3,071

Accounts receivable result from sales to end-customers, who are widely spread both geographically and economically. Consequently, the Group believes that there is no significant concentration of credit risk.

In addition, the Group takes out substantial credit insurance and uses other types of guarantees to limit the risk of losses on trade accounts receivable.

Changes in provisions for impairment of short and long-term trade accounts receivable were as follows:

	Dec. 31, 2010	Dec. 31, 2009
Provisions for impairment on January 1	(140)	(120)
Additions	(47)	(37)
Utilisations	23	18
Reversals of surplus provisions	3	2
Translation adjustments	(10)	1
Other	(27)	(4)
PROVISIONS FOR IMPAIRMENT ON DECEMBER 31	(198)	(140)

Note 19 Other receivables and prepaid expenses

	Dec. 31, 2010	Dec. 31, 2009
Other receivables	236	217
Other tax credits	698	438
Derivative instruments	118	57
Prepaid expenses	160	159
TOTAL	1,212	871

Note 20 Cash and cash equivalents

	Dec. 31, 2010	Dec. 31, 2009
Marketable securities	1,825	2,681
Negotiable debt securities and short-term deposits	115	23
Cash and cash equivalents	1,449	808
Total cash and cash equivalents	3,389	3,512
Bank overdrafts	(93)	(87)
NET CASH AND CASH EQUIVALENTS	3,296	3,425

Note 21 Equity

21.1 - Capital

Share capital

The Company's share capital at December 31, 2010 amounted to EUR2,175,672,728, represented by 271,959,091 shares with a par value of EUR8, all fully paid up.

At December 31, 2010, a total of 287,955,220 voting rights were attached to the 271,959,091 shares outstanding.

Schneider Electric's capital management strategy is designed to:

- ensure Group liquidity;
- optimise its financial structure;
- optimise the weighted average cost of capital.

The strategy must also ensure the Group has access to different capital markets under the best possible conditions. Factors taken into account for decision-making purposes include objectives expressed in terms of earnings per share, ratings or balance sheet stability. Finally, decisions may be implemented depending on specific market conditions.



Changes in share capital

Changes in share capital since December 31, 2009 were as follows:

	Cumulative number of shares	Total (in euros)
Capital at Dec. 31, 2009	262,752,025	2,102,016,200
Exercise of stock options	2,709,882	21,679,056
Payment of dividend in shares	4,345,794	34,766,352
Employee share issue	2,151,390	17,211,120
CAPITAL AT DEC. 31, 2010	271,959,091	2,175,672,728

The share premium account increased by EUR561,261,528 following the exercise of options, the increases in capital and the payment of dividend in shares.

21.2 - Ownership structure

	Dec. 31, 2010				Dec. 31, 2009	
	Capital	Number of shares	Voting rights	Number of voting rights	Capital	Voting rights
	%		%		%	%
Capital Research & Management Company ⁽¹⁾	8.2	22,227,572	7.7	22,227,572	5.1	4.8
CDC	4.2	11,514,008	5.1	14,689,008	4.3	5.2
Employees	4.1	11,170,161	6.1	17,683,757	4.3	6.3
Own shares ⁽²⁾	-	529	-	-	0.9	-
Treasury shares	1.7	4,582,476	-	-	1.8	-
Public	81.8	222,464,345	79.4	228,771,878	83.6	81.2
TOTAL	100.0	271,959,091	100.0	287,955,220 ⁽³⁾	100.0	100.0

(1) To the best of the Company's knowledge.

(2) In October 2010, Cofibel and Cofimines sold all the own shares held by them. The remaining 529 shares held at December 31, 2010 are held by Electro Porcelaine SAS.

(3) Number of voting rights as defined in Article 223-11 of the AMF general regulations, which includes shares stripped of voting rights.

No shareholders' pact was in effect as of December 31, 2010.

21.3 - Earnings per share

Determination of the share base used in calculation

	Dec. 31, 2010		Dec. 31, 2009	
	Basic	Diluted	Basic	Diluted
<i>(in thousands of shares)</i>				
Common shares*	260,893	260,893	248,616	248,616
Stock options		1,090		203
Stock grants		592		
Average weighted number of shares	260,893	262,575	248,616	248,819

* Net of treasury shares and own shares.

Earnings per share

	Dec. 31, 2010		Dec. 31, 2009	
	Basic	Diluted	Basic	Diluted
Profit before tax	9.03	8.97	4.76	4.75
EARNINGS PER SHARE	6.59	6.55	3.32	3.31

21.4 - Dividends paid and proposed

In 2010, the Group paid out the 2009 dividend of EUR2.05 per share, for a total of EUR525 million. In 2009, the Group paid out the 2008 dividend of EUR3.45 per share, for a total of EUR837 million.

At the Shareholders' Meeting of April 21, 2011 shareholders will be asked to approve a dividend of EUR3.20 per share for 2010. At December 31, 2010 Schneider Electric SA had distributable reserves in an amount of EUR257 million (versus EUR322 million at the previous year-end), not including profit for the year.

21.5 - Share-based payments

Current stock option and stock grant plans

The Board of Directors of Schneider Electric SA and later the Management Board have set up stock option and stock grant plans for senior executives and certain employees of the Group. The main features of these plans were as follows at December 31, 2010:

Stock option plans

Plan no.	Date of Board meeting	Type of plan ⁽¹⁾	Starting date of exercise period	Expiration date	Price (in euros)	Number of options initially granted	Options cancelled because targets not met
18	Mar. 24, 2000	P	Mar. 24, 2003	Mar. 23, 2008	65.24	1,421,200	686,600
19	April 4, 2001	S	April 4, 2005	April 3, 2009	68.13	1,557,850	N/A ⁽²⁾
20	Dec. 12, 2001	S	Dec. 12, 2005	Dec. 11, 2009	51.26	1,600,000	166,800
21	Feb. 5, 2003	S	Feb. 5, 2007	Feb. 4, 2011	45.21	2,000,000	141,900
22	Feb. 5, 2003	S	June 5, 2003	Feb. 4, 2011	45.21	111,000	N/A ⁽²⁾
23	May 6, 2004	S	Oct. 1, 2004	May 5, 2012	55.55	107,000	N/A ⁽²⁾
24	May 6, 2004	S	May 6, 2008	May 5, 2012	55.55	2,060,700	94,300
25	May 12, 2005	S	Oct. 1, 2005	May 11, 2013	56.47	138,500	N/A ⁽²⁾
26	June 28, 2005	S	June 28, 2009	June 27, 2013	60.19	2,003,800	-
27	Dec. 1, 2005	S	Dec. 1, 2009	Nov. 30, 2013	71.40	1,614,900	-
28	Dec. 21, 2006	S or P	Dec. 21, 2010	Dec. 20, 2016	81.34	1,257,120	-
29	April 23, 2007	S or P	April 23, 2011	April 22, 2017	97.05	83,150	-
30	Dec. 19, 2007	S or P	Dec. 19, 2011	Dec. 18, 2017	92.00	944,926	490,463
31	Jan. 5, 2009	S or P	Jan. 5, 2013	Jan. 4, 2019	52.12	679,000	-
32	Aug. 21, 2009	S or P	Aug. 21, 2013	Aug. 20, 2019	62.61	5,000	-
33	Dec. 21, 2009	S or P	Dec. 21, 2013	Dec. 20, 2019	75.84	826,343	-
TOTAL						16,410,489	1,580,063

(1) S = Options to subscribe new shares. P = Options to purchase existing shares.

(2) Not applicable because no vesting conditions were set.

Rules governing the stock option plans are as follows:

- to exercise the option, the grantee must be an employee or corporate officer of the Group. Vesting is also conditional on the achievement of performance criteria;
- the options expire after eight to ten years;
- the vesting period is three or four years in the United States and four years in the rest of the world.



Stock grants

Plan no.	Date of Board meeting	Vesting Date	Expiration Date	Number of shares granted originally	Grants cancelled because targets not met
1	Dec. 21, 2006	Dec. 21, 2009	Dec. 21, 2011	52,006	-
2	April 23, 2007	April 23, 2010	April 23, 2012	2,214	-
3	Dec. 19, 2007	Dec. 19, 2010	Dec. 19, 2012	66,394	34,717
4	Dec. 19, 2007	Dec. 19, 2011	Dec. 19, 2011	57,250	29,088
5	Jan. 5, 2009	Jan. 5, 2012	Jan. 5, 2014	143,715	-
6	Jan. 5, 2009	Jan. 5, 2013	Jan. 5, 2013	212,351	-
7	Aug. 21, 2009	Aug. 21, 2012	Aug. 21, 2014	1,250	-
8	Dec. 21, 2009	Dec. 21, 2011	Dec. 21, 2013	159,753	-
9	Dec. 21, 2009	Dec. 21, 2013	Dec. 21, 2013	390,095	-
10	Dec. 17, 2010	Mar. 17, 2013	Mar. 17, 2015	332,762	-
11	Dec. 17, 2010	Dec. 17, 2014	Dec. 17, 2014	580,848	-
TOTAL				1,998,638	63,805

Rules governing the stock grant plans are as follows:

- to receive the stock, the grantee must be an employee or corporate officer of the Group. Vesting is also conditional on the achievement of performance criteria;
- the vesting period is two to four years;
- the lock-up period is zero to two years.

Outstanding options and grants

Change in the number of options

Plan no.	Number of options outstanding Dec. 31, 2009	Number of options exercised and/or created 2010	Number of options cancelled 2010 ⁽¹⁾	Number of options outstanding Dec. 31, 2010
21	427,781	(383,555)		44,226
22	18,570	(12,100)		6,470
23	39,598	(24,432)		15,166
24	1,321,048	(898,226)		422,822
25	45,316	(15,846)		29,470
26	1,742,754	(793,009)	(4,646)	945,099
27	1,548,404	(456,128)	(8,080)	1,084,196
28	1,191,661	(126,586)	(12,252)	1,052,823
29	76,150			76,150
30	445,853		(4,633)	441,220
31	645,700		(2,250)	643,450
32	5,000			5,000
33	826,343		(3,300)	823,043
TOTAL	8,334,178	(2,709,882)	(35,161)	5,589,135

(1) Including potential cancellations due to targets not being met or options being granted to employees without being exercised.

To exercise the options granted under plans 26 to 33, and the SARs, the grantee must be an employee or corporate officer of the Group. In addition, exercise of some options is generally conditional on the achievement of annual objectives based on financial indicators.

In respect of subscription vesting conditions for current stock option plans, Schneider Electric SA has created 2,709,882 shares in 2010.

Change in the number of stock grants

Plan no.	Number of stock grants at Dec. 31, 2009	Number of existing or new shares grants in 2010	Number of shares cancelled in 2010	Number of shares outstanding Dec. 31, 2010
2	2,214	(2,214)	-	-
3	31,115	(30,860)	(255)	-
4	27,740	-	(697)	27,043
5	137,590	-	(250)	137,340
6	208,401	-	(2,888)	205,513
7	1,250	-	-	1,250
8	159,753	-	-	159,753
9	390,095	-	(4,000)	386,095
10	-	332,762	-	332,762
11	-	580,848	-	580,848
TOTAL	958,158	880,536	(8,090)	1,830,604

For stock grants to vest, the grantee must be an employee or corporate officer of the Group. In addition, vesting of some stock grants is conditional on the achievement of annual objectives based on financial indicators.

21.5.1 Valuation of share-based payments

Stock option valuation

In accordance with the accounting policies described in note 1.20, the stock option plans have been valued on the basis of an average estimated life of between seven and ten years using the following assumptions:

- expected volatility of between 20% and 28%, corresponding to capped historical volatility;
- a payout rate of between 3.0% and 4.5%;
- a discount rate of between 2.9% and 4.5%, corresponding to a risk-free rate over the life of the plans (source: Bloomberg).

Based on these assumptions, the amount recorded under "Selling, general and administrative expenses" for stock grant plans set up after November 7, 2002 breaks down as follows:

	2010	2009
Plan 26	-	2
Plan 27	-	5
Plan 28	5	6
Plan 29	1	1
Plan 30	2	-
Plan 31	2	2
Plan 32	-	-
Plan 33	4	-
	14	16

Valuation of stock grants

In accordance with the accounting policies described in Note 1.20, the stock grant plans have been valued on the basis of an average estimated life of between four and five years using the following assumptions:

- a payout rate of between 3.0% and 4.5%;
- a discount rate of between 2.4% and 4.5%, corresponding to a risk-free rate over the life of the plans (source: Bloomberg).



Based on these assumptions, the amount recorded under "Selling, general and administrative expenses" for stock grant plans set up after November 7, 2002 breaks down as follows:

	2010	2009
Plan 1	-	1
Plan 2	-	-
Plan 3	-	-
Plan 4	-	1
Plan 5	2	2
Plan 6	2	2
Plan 7	-	-
Plan 8	5	-
Plan 9	6	-
Plan 10	1	-
Plan 11	-	-
	16	6

21.5.2 Worldwide Employee Stock Purchase Plan

Schneider Electric gives its employees the opportunity to participate in employee share issues reserved for them. Employees in countries that meet legal and fiscal requirements have the choice between a nonleveraged and a leveraged plan.

Under the nonleveraged plan, employees may purchase Schneider Electric shares at a 15% to 17% discount (depending on the country) to the price quoted for the shares on the stock market. Employees must then hold their shares for five years except in certain cases provided for by law. The share-based payment expense recorded in accordance with IFRS 2 is measured by reference to the fair value of the discount on the locked-up shares. The lock-up cost is defined as the cost of a two-step strategy that involves first selling the locked-up shares on the forward market and then purchasing the same number of shares on the spot market (i.e. shares that may be sold at any time) using a bullet loan.

This strategy is designed to reflect the cost the employee would incur during the lock-up period to avoid the risk of carrying the shares subscribed under the nonleveraged plan. The borrowing cost corresponds to the cost of borrowing for the employees concerned, as they are the sole potential buyers in this market. It is based on the average interest rate charged by banks for an ordinary, non-revolving personal loan with a maximum maturity of five years granted to an individual with an average credit rating.

Under the leveraged plan, employees may also purchase Schneider Electric shares at a 15% to 17% discount (depending on the country) to the price quoted on the stock market. However, these plans offers a different yield profile as a third-party bank tops up the

employee's initial investment, essentially multiplying the amount paid by the employee. The total is invested in Schneider Electric shares at a preferential price. The bank converts the discount transferred by the employee into funds with a view to securing the yield for the employee and increasing the indexation (by a factor of 3.4 in 2010) on a leveraged number of directly subscribed shares.

As with the nonleveraged plan, the IFRS 2 expense, like the share-based payment expense, is determined by reference to the fair value of the discount on the locked-up shares (see above). In addition, it includes the value of the benefit corresponding to the issuer's involvement in the plan, which means that employees have access to share prices with a volatility profile adapted to institutional investors rather than to the prices and volatility profile they would have been offered if they had purchased the shares through their retail banks. The volatility differential is treated as a discount equivalent that reflects the opportunity gain offered to employees under the leveraged plan.

In 2010, as part of its commitment to employee share ownership, Schneider Electric gave its employees the opportunity to purchase on June 8 shares at a price of EUR65.85 or EUR67.44 per share, depending on the country. This represented a discount of 15% to 17% to the average opening price of EUR79.34 quoted for the share during the 20 days preceding the Management Board's decision to launch the employee share issue.

In all, 2.2 million shares were subscribed, increasing the Company's capital by EUR143 million as of July 8, 2010. The issue represented a total cost of EUR3.4 million, taking into account the five year lockup period.

The tables below summarise the main characteristics of the plans, the amounts subscribed, the valuation assumptions and the cost of the plans for 2010 and 2009.

Nonleveraged plans	2010		2009	
	%	Value	%	Value
Plan characteristics				
Maturity (<i>years</i>)		5		5
Reference price (<i>euros</i>)		79.34		53.59
Subscription price (<i>euros</i>):				
between		67.44		45.55
and		65.86		44.48
Discount:				
between	15.0%		15.0%	
and	17.0%		17.0%	
Amount subscribed by employees		37.8		28.6
Total amount subscribed		37.8		28.6
Total number of shares subscribed (millions of shares)		0.6		0.6
Valuation assumptions				
Interest rate available to market participant (<i>bullet loan</i>) ⁽¹⁾	4.1%		5.0%	
Five year risk-free interest rate (euro zone)	2.1%		3.0%	
Annual interest rate (<i>repo</i>)	1.0%		1.0%	
(a) Value of discount:				
between	15.0%	6.2	15.0%	4.8
and	17.0%	0.6	17.0%	0.3
(b) Value of the lock-up period for market participant				
	15.0%	6.7	14.9%	5.0
Total expense for the Group (a – b)	0.01% to 2.01%	0.1	0.15% to 2.15%	0.1
Sensitivity				
• decrease in interest rate for market participant ⁽²⁾	(0.5%)	1.2	(0.5%)	0.9

Amounts in millions of euros, unless otherwise stated.

(1) Average interest rate charged on an ordinary, non-revolving personal loan, with a five-year maturity to an individual with an average credit rating.

(2) A decline in the interest rate for market participants reduces the lock-up cost and increases the expense booked by the issuer.



	2010		2009	
	%	Value	%	Value
Leveraged plans				
Plan characteristics				
Maturity (<i>years</i>)		5		5
Reference price (<i>euros</i>)		79.34		53.59
Subscription price (<i>euros</i>):				
between		67.44		45.55
and		65.86		44.48
Discount ⁽⁵⁾ :				
between	15.0%		15.0%	
and	17.0%		17.0%	
Amount subscribed by employees		9.9		8.5
Total amount subscribed		105.4		85.7
Total number of shares subscribed (<i>millions of shares</i>)		1.6		1.9
Valuation assumptions				
Interest rate available to market participant (<i>bullet loan</i>) ⁽¹⁾	4.1%		5.0%	
Five year risk-free interest rate (euro zone)	2.1%		3.0%	
Annual dividend rate	3.0%		3.0%	
Annual interest rate (<i>repo</i>)	1.0%		1.0%	
Retail/institutional volatility spread	5.0%		5.0%	
(a) Value of discount:				
between	15.0%	11.7	15.0%	9.4
and	17.0%	8.0	17.0%	5.9
(b) Value of the lock-up period for market participant	15.0%	18.8	14.9%	14.4
(c) Value of the opportunity gain ⁽²⁾	1.9%	2.4	1.7%	1.7
Total expense for the Group (a - b + c)	1.89% to 3.89%	3.3	1.85% to 3.85%	2.5
Sensitivity				
• decrease in interest rate for market participant ⁽³⁾	(0.5%)	3.3	(0.5%)	2.5
• increase in retail/institutional volatility spread ⁽⁴⁾	0.5%	0.2	0.5%	0.2

Amounts in millions of euros, unless otherwise stated.

(1) Average interest rate charged on an ordinary, non-revolving personal loan, with a five-year maturity to an individual with an average credit rating.

(2) Calculated using a binomial model.

(3) A decline in the interest rate for market participants reduces the lock-up cost and increases the expense booked by the issuer.

(4) An increase in the retail/institutional volatility spread increases the opportunity gain for the employee and increases the expense booked by the issuer.

(5) In some countries, due to local law, employees subscribe for undiscounted sums while the bank subscribes at a discount to provide the leverage.

21.6 - Schneider Electric SA shares

At December 31, 2010, the Group held 4,583,005 Schneider Electric shares in treasury stock, which have been recorded as a deduction from retained earnings.

21.7 - Tax on equity

Total income tax recorded in Equity amounts to EUR200 million as of December 31, 2010 and can be analysed as follows:

	Dec. 31, 2010	Dec. 31, 2009	Change in tax
Cash-flow hedges	69	72	(3)
Available-for-sale financial assets	(14)	(19)	5
Actuarial gains (losses) on defined benefits	146	145	1
Other	(1)	(1)	-
TOTAL	200	197	3

Note 22 Pensions and other post-employment benefit obligations

The Group has set up various post-employment benefit plans for employees covering pensions, termination benefits, healthcare, life insurance and other benefits, as well as long-term benefit plans for

active employees, primarily long service awards and similar benefits, mainly in France.

Actuarial valuations are generally performed each year. The assumptions used vary according to the economic conditions prevailing in the country concerned, as follows:

	Weighted average rate		Of which US plans	
	2010	2009	2010	2009
Discount rate	5.0%	5.2%	5.5%	5.8%
Rate of compensation increases	2.0%	3.1%	NA	4.5%
Expected return on plan assets ⁽¹⁾	7.0%	7.1%	8.3%	8.3%

(1) Corresponding to the 2009 and 2010 rates.

The discount rate is determined on the basis of the interest rate for investment-grade (AA) corporate bonds or, in the event a liquid market does not exist, government bonds with a maturity that matches the duration of the benefit obligation (reference: Bloomberg). In the United States, the average discount rate is determined on the basis of a yield curve for investment-grade (AA and AAA) corporate bonds.

These benchmarks, which are the same as those used in previous years, comply with IAS 19.

The expected return on plan assets is determined on the basis of the weighted average expected return of the total asset value.

The discount rate currently stands at 4.33% in the euro zone, 5.5% in the United States and 5.4% in the United Kingdom.

A 0.5 point increase in the discount rate would reduce pension and termination benefit obligations by around EUR130 million and the service cost by EUR1 million. A 0.5 point decrease would increase pension and termination benefit obligations by EUR146 million and the service cost by EUR1 million.

The post-employment healthcare obligation mainly concerns the United States. A one point increase in the healthcare costs rate would increase the post-employment healthcare obligation by EUR45 million and the sum of the service cost and interest cost by EUR3 million. A one point decrease in healthcare costs rate would decrease the post-employment healthcare obligation by EUR38 million and the sum of the service cost and interest cost by EUR2 million.

In 2010, the rate of healthcare cost increases in the United States is based on a decreasing trend from 9% in 2011 to 5% in 2015. This compares with the previous year's forecast of 9% in 2010 to 5% in 2014. The rate in France was estimated at 4% in 2010 as in 2009.



Pensions and termination benefits

Pension obligations primarily concern the Group's North American and European subsidiaries. These plans feature either a lump-sum payment on the employee's retirement or regular pension payments after retirement. The amount is based on years of service, grade and end-of-career salary. They also include top-hat payments granted to certain senior executives guaranteeing supplementary retirement income beyond that provided by general, mandatory pension schemes.

The majority of benefit obligations under these plans, which represent 78% of the Group's total commitment or EUR1,828 million at December 31, 2010, are partially or fully funded through payments to external funds. These funds are not invested in Group assets.

External funds are invested in equities (around 51%), bonds (around 35%) and real estate or cash (around 14%).

Contributions amounted to EUR21 million in 2010 and are estimated at EUR12 million for 2011.

At December 31, 2010, provisions for pensions and termination benefits totaled EUR1,032 million, compared with EUR944 million in 2009. These provisions have been included in non-current liabilities, as the current portion was not considered material in relation to the total liability.

Payments made under defined contribution plans are recorded in the income statement in the year of payment and are in full settlement of the Group's liability. Defined contribution plan payments totalled EUR59 million in 2010 and EUR39 million in 2009. The increase is primarily attributable to the transformation of plans in the United States in 2009 from a defined benefit to a defined contribution basis.

Other post-employment and long-term benefits: including healthcare, life insurance and long service awards

The North American subsidiaries pay certain healthcare costs and provide life insurance benefits to retired employees who fulfill certain criteria in terms of age and years of service. These post-employment benefit obligations are unfunded.

Healthcare coverage for North American employees represents 90% of this obligation.

The assumptions used to determine post-employment benefit obligations related to healthcare and life insurance are the same as those used to estimate pension benefit obligations in the country concerned.

Other long-term benefit obligations include healthcare coverage plans in Europe, for EUR44 million, and long-service awards due by subsidiaries in France, for EUR9 million.

At December 31, 2010 provisions for these benefit obligations totaled EUR472 million, compared with EUR435 million at December 31, 2009. These provisions have been included in non-current liabilities, as the current portion was not considered material in relation to the total liability.

22.1 - Changes in provisions for pensions and other post-employment benefit obligations

Changes in provisions for pensions and other post-employment benefit obligations (net of plan assets) were as follows:

	Pensions and termination benefits	Of which SE USA	Other post-employment and long-term benefits	Of which SE USA	Provisions for pensions & other post-employment benefits
Dec. 31, 2008	1,027	401	436	370	1,463
Net cost recognised in the statement of income	(2)	(66)	22	18	20
Benefits paid	(64)	-	(25)	(21)	(89)
Plan participants' contributions	(18)	(1)	-	-	(18)
Actuarial items recognised in equity*	5	(31)	11	2	16
Translation adjustment	(2)	(11)	(9)	(12)	(11)
Changes in the scope of consolidation	-	-	-	-	-
Other changes	(2)	1	-	1	(2)
Dec. 31, 2009	944	293	435	358	1,379
Net cost recognised in the statement of income	63	2	25	18	88
Benefits paid	(58)	(1)	(26)	(21)	(84)
Plan participants' contributions	(21)	(1)	2	2	(19)
Actuarial items recognised in equity	4	(18)	-	4	4
Translation adjustment	40	23	29	26	69
Changes in the scope of consolidation	58	-	5	-	63
Other changes	2	1	2	-	4
Dec. 31, 2010	1,032	299	472	387	1,504

* Of which in 2009, a EUR2 million asset ceiling effect.

Changes in gross items recognised in equity were as follows:

	Pensions and termination benefits	Other post-employment and long-term benefits	Provisions for pensions & other post-employment benefits.
Dec. 31, 2008	455	(64)	391
Actuarial (gains)/losses on projected benefit obligation	75	11	86
Actuarial (gains)/losses on plan assets	(71)	-	(71)
Effect of the asset ceiling	(1)	-	(1)
Dec. 31, 2009	458	(53)	405
Actuarial (gains)/losses on projected benefit obligation	42	-	42
Actuarial (gains)/losses on plan assets	(38)	-	(38)
Effect of the asset ceiling	-	-	-
Dec. 31, 2010	462	(53)	409

22.2 - Provisions for pensions and termination benefit obligations

Annual changes in obligations, the market value of plan assets and the corresponding assets and provisions recognised in the consolidated financial statements can be analysed as follows:

	Dec. 31, 2010		Dec. 31, 2009	
	Of which SE USA		Of which SE USA	
1. Reconciliation of balance sheet items				
Pension assets	-	-	-	-
Provisions for pensions and other post-employment benefit	(1,032)	(299)	(944)	(293)
NET ASSET/(LIABILITY) RECOGNISED IN THE BALANCE SHEET	(1,032)	(299)	(944)	(293)

	Dec. 31, 2010		Dec. 31, 2009	
	Of which SE USA		Of which SE USA	
2. Components of net cost recognised in the statement of income				
Service cost	43	2	55	18
Interest cost (effect of discounting)	109	56	109	57
Expected return on plan assets	(82)	(56)	(74)	(50)
Past service cost	0	-	-	-
Curtailments and settlements	(7)	-	(92)	(91)
NET COST RECOGNISED IN THE STATEMENT OF INCOME	63	2	(2)	(66)



	Dec. 31, 2010		Dec. 31, 2009	
	<i>Of which SE USA</i>		<i>Of which SE USA</i>	
3. Change in projected benefit obligation				
Projected benefit obligation at beginning of year	2,055	937	2,036	1,013
Service cost	43	2	55	18
Interest cost (effect of discounting)	109	56	109	57
Plan participants' contributions	4	-	3	-
Benefits paid	(134)	(48)	(132)	(43)
Actuarial (gains)/losses recognised in equity	42	14	75	16
Past service cost	5	-	1	-
Changes in the scope of consolidation	87	-	-	-
Translation adjustments	130	73	1	(33)
Curtailments and settlements	(7)	-	(92)	(92)
Other	6	-	(1)	1
PROJECTED BENEFIT OBLIGATION AT END OF YEAR	2,340	1,034	2,055	937

Actuarial gains and losses have been fully recognised in Other reserves.

They stem mainly from changes in actuarial assumptions (primarily discount rates) used to measure obligations in the United States, the United Kingdom and the euro zone.

At December 31, 2010, actuarial gains relative to the effects of experience on pension and termination benefit obligations totaled EUR49 million for the Group.

At December 31, 2009, actuarial gains relative to the effects of experience totaled EUR64 million for the Group. At December 31, 2008, actuarial losses relative to the effects of experience totaled EUR445 million. At December 31, 2007, actuarial losses relative to the effects of experience totaled EUR2 million.

	Dec. 31, 2010		Dec. 31, 2009	
	<i>Of which SE USA</i>		<i>Of which SE USA</i>	
4. Change in fair value of plan assets				
Fair value of plan assets at beginning of year	1,112	643	1,010	611
Expected return on plan assets	82	56	74	50
Plan participants' contribution	4	-	4	-
Employer contributions	21	1	18	1
Benefits paid	(76)	(47)	(68)	(43)
Actuarial gains/(losses) recognised in equity	38	32	71	47
Changes in the scope of consolidation	29	-	-	-
Translation adjustments	90	50	3	(22)
Curtailments and settlements	-	-	-	-
Other	4	-	-	(1)
FAIR VALUE OF PLAN ASSETS AT END OF YEAR	1,304	735	1,112	643

The actual return on plan assets was EUR120 million.

Actuarial gains and losses have been fully recognised in Other reserves.

They stem mainly from the differential between the effective and expected return on plan assets in the US, UK and Canada.

	Dec. 31, 2010		Dec. 31, 2009	
		<i>Of which SE USA</i>		<i>Of which SE USA</i>
5. Funded status				
Projected benefit obligation	(2,340)	(1,034)	(2,055)	(937)
Fair value on plan assets	1,304	735	1,112	643
Surplus/ (Deficit)	(1,036)	(299)	(943)	(294)
Effect of the asset ceiling	-	-	(1)	-
<i>Deferred items:</i>				
Unrecognised past service cost	4	-	-	1
(LIABILITIES)/NET ASSET RECOGNISED IN THE BALANCE SHEET	(1,032)	(299)	(944)	(293)

Amounts related to pensions and termination benefit obligations as of 2010 and the four previous periods are as follows:

	Dec. 31, 2010	Dec. 31, 2009	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2006
6. Historical data					
Projected benefit obligation	(2,340)	(2,055)	(2,036)	(1,958)	(2,035)
Fair value on plan assets	1,304	1,112	1,010	1,402	1,418
Surplus/ (Deficit)	(1,036)	(943)	(1,026)	(556)	(617)
Effect of the asset ceiling	-	(1)	(2)	(10)	
<i>Deferred items:</i>					
Unrecognised past service cost	4	-	1	1	1
(LIABILITIES)/NET ASSET RECOGNISED IN THE BALANCE SHEET	(1,032)	(944)	(1,027)	(565)	(616)

22.3 - Provisions for healthcare costs, life insurance benefits and other post-employment benefits

Changes in provisions for other post-employment and long-term benefits were as follows:

	Dec. 31, 2010	Dec. 31, 2009
1. Components of net cost recognised in the statement of income		
Service cost	7	4
Interest cost (effect of discounting)	22	22
Expected return on plan assets	-	-
Past service cost	(4)	(4)
Curtailments and settlements	-	-
Amortisation of actuarial gains & losses	-	-
NET COST RECOGNISED IN THE STATEMENT OF INCOME	25	22

Amortisation of actuarial gains and losses concerns long-term benefits for active employees, notably long service awards in France.



	Dec. 31, 2010	Dec. 31, 2009
2. Change in projected benefit obligation		
Projected benefit obligation at beginning of year	406	401
Service cost	7	4
Interest cost (effect of discounting)	22	21
Plan participants' contribution	2	2
Benefits paid	(26)	(25)
Actuarial (gains)/losses recognised in equity	-	11
Past service cost	-	-
Changes in the scope of consolidation	5	-
Translation adjustments	29	(9)
Other (including curtailments and settlements)	-	1
PROJECTED BENEFIT OBLIGATION AT END OF YEAR	445	406

Actuarial gains and losses have been fully recognised in Other reserves except for long-term benefits for active employees, notably long service awards in France, for which all actuarial gains and losses are recognised in the income statement. Actuarial gains and losses stem from changes in actuarial assumptions (primarily discount rates).

At December 31, 2010, actuarial gains relative to the effects of experience on healthcare costs, life insurance and other post-employment benefits totaled EUR26 million for the Group.

At December 31, 2009, actuarial losses relative to the effects of experience totaled EUR18 million for the Group. They totaled EUR10 million at December 31, 2008. And at December 31, 2007, actuarial gains relative to the effects of experience totaled EUR59 million.

	Dec. 31, 2010	Dec. 31, 2009
3. Funded status		
Projected benefit obligation	(445)	(406)
<i>Deferred items:</i>		
Unrecognised past service cost	(27)	(29)
PROVISION RECOGNISED IN BALANCE SHEET	(472)	(435)

Amounts related to healthcare costs and other post-employment obligations as of 2010 and the four previous periods are as follows:

	Dec. 31, 2010	Dec. 31, 2009	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2006
4. Historical data					
Projected benefit obligation	(445)	(406)	(401)	(366)	(477)
<i>Deferred items:</i>					
Unrecognised past service cost	(27)	(29)	(35)	(33)	(40)
PROVISION RECOGNISED IN BALANCE SHEET	(472)	(435)	(436)	(399)	(517)

Note 23 Provisions

	Economic risks	Customer risks	Products risks	Environmental risks	Restructuring	Other risks	Provisions
Dec. 31, 2008	324	28	207	43	132	106	840
<i>Long-term portion</i>	<i>121</i>	<i>24</i>	<i>49</i>	<i>30</i>	<i>11</i>	<i>67</i>	<i>302</i>
Additions	64	63	109	2	182	48	468
Discounting effect	-	-	(1)	-	-	-	(1)
Utilisations	(21)	(2)	(41)	(2)	(96)	(11)	(173)
Reversals of surplus provisions	(31)	(8)	(22)	-	(7)	(12)	(80)
Translation adjustments	(3)	(1)	(1)	1	2	(1)	(3)
Changes in the scope of consolidation and other	85	-	13	-	(3)	2	97
Dec. 31, 2009	418	80	264	44	210	132	1,148
<i>Long-term portion</i>	<i>131</i>	<i>31</i>	<i>79</i>	<i>27</i>	<i>28</i>	<i>80</i>	<i>375</i>
Additions	117	18	150	3	39	75	402
Discounting effect	-	-	1	-	-	(4)	(3)
Utilisations	(36)	(9)	(95)	(2)	(124)	(34)	(300)
Reversals of surplus provisions	(75)	(9)	(17)	-	(19)	(8)	(128)
Translation adjustments	16	4	16	2	5	3	46
Changes in the scope of consolidation and other	174	2	90	8	13	12	299
Dec. 31, 2010	614	86	409	55	124	176	1,464
<i>Long-term portion</i>	<i>275</i>	<i>35</i>	<i>104</i>	<i>26</i>	<i>21</i>	<i>127</i>	<i>588</i>

(a) Economic risks

These provisions cover, in particular, tax risks arising from audits performed by local tax authorities and financial risks arising primarily on guarantees given to third parties in relation to certain assets and liabilities.

Variations in scope of consolidation and others amount to EUR174 million and are principally related to the introduction of Areva Distribution into the Group.

(b) Customer risks

These provisions are primarily established to covers risks arising from products sold to third parties. This risk mainly consists of claims based on alleged product defects and product liability.

Provisions for customer risks also integrate the provisions for losses at completion for a number of long term contracts, for EUR17 million.

(c) Product risks

These provisions comprise:

- statistical provisions for warranties: the Group funds provisions on a statistical basis for the residual cost of Schneider Electric product warranties not covered by insurance;
- provisions for disputes over defective products;
- provisions to cover disputes related to recalls of clearly identified products.

Changes in the scope of consolidation amount to EUR90 million and are principally related to the acquisition of Areva Distribution.

(d) Environmental risks

These provisions are primarily funded to cover cleanup costs.



Note 24 Total (current and non-current) financial liabilities

Non-current financial liabilities break down as follows:

	Dec. 31, 2010	Dec. 31, 2009
Bonds	4,348	4,508
Bank and other borrowings	1,379	1,386
Lease liabilities	15	16
Employees profit sharing	10	7
Short-term portion of convertible and non-convertible bonds	(503)	(900)
Short-term portion of long-term debt	(239)	(104)
NON-CURRENT FINANCIAL LIABILITIES	5,010	4,913

Current financial liabilities break down as follows:

	Dec. 31, 2010	Dec. 31, 2009
Commercial paper	-	46
Accrued interest	110	116
Other short-term borrowings	170	158
Drawdown of funds from lines of credit	-	-
Bank overdrafts	93	87
Short-term portion of convertible and non-convertible bonds	503	900
Short-term portion of long-term debt	239	104
SHORT-TERM DEBT	1,115	1,411
TOTAL CURRENT AND NON-CURRENT FINANCIAL LIABILITIES	6,125	6,324

24.1 - Breakdown by maturity

	Dec. 31, 2010			Dec. 31, 2009
	Nominal	Interests	Swaps	Nominal
2010				1,411
2011	1,115	246	45	734
2012	104	237	35	60
2013	1,085	210	19	1,316
2014	767	134	3	748
2015	980	85	3	971
2016 and beyond	2,074	164	-	1,084
TOTAL	6,125	1,076	105	6,324

24.2 - Breakdown by currency

	Dec. 31, 2010	Dec. 31, 2009
Euro	5,182	5,450
US dollar	521	500
Indian rupee	22	73
Japanese yen	153	141
Brazilian real	75	43
Russian rouble	34	20
Colombian peso	23	-
Other	115	97
TOTAL	6,125	6,324

24.3 - Bonds

	Dec. 31, 2010	Dec. 31, 2009	Effective interest rate	Maturity
Schneider Electric SA 2010		900	3.125% fixed	August 2010
Schneider Electric SA 2011	500	500	Euribor +0.200% variable	July 2011
Schneider Electric SA 2013	608	866	CMS 10+1.000% variable and 6.750% fixed	July 2013
Schneider Electric SA 2014	498	498	4.500% fixed	January 2014
Schneider Electric SA 2015	748	748	5.375% fixed	January 2015
Schneider Electric SA 2016	519	22	Euribor +0.600% variable and 2.875% fixed	July 2016
Schneider Electric SA 2017	981	974	4.000% fixed	August 2017
Schneider Electric SA 2020	494	-	3.625% fixed	July 2020
TOTAL	4,348	4,508		

Schneider Electric SA has made several bond issues as part of its Euro Medium Term Notes (EMTN) programme over the past few years. Issues that were not yet due as of December 31, 2010 were as follows:

- EUR300 and EUR200 million worth of bonds issued successively in July and October 2010, at a rate of 2.875%, due on July 20, 2016;
- EUR500 million worth of bonds issued in July 2010, at a rate of 3.625%, due on July 20, 2020;
- EUR150 million worth of bonds issued in May 2009 to top up the EUR600 million twelve-year tranche, due January 8, 2015, at a rate of 5.375% issued on October 2007, raising the total issue to EUR750 million;
- EUR250 million worth of bonds issued in March 2009 to top up the EUR780 million twelve-year tranche, at a rate of 4%, issued in August 2005, raising the total issue to EUR1.03 billion;
- EUR750 million worth of bonds issued in January 2009 at a rate of 6.75%, due on July, 16 2013; in July 2010, this borrowing was partially repayed with EUR263 million;
- EUR100 million worth of bonds issued in July 2008 indexed to the 10-year Constant Maturity Swap (CMS) rate, due July 31, 2013;
- EUR26 million corresponding to the discounted present value of future interest payments on a EUR177 million 8 year bond issue (July 25, 2008 to July 25, 2016) indexed to the 3 month Euribor. The nominal value of the bonds is not recognised in debt because the bond holder has waived its right to repayment of the principal in exchange for the transfer, on a no-recourse basis, of the future cash flows corresponding to the requested refund of a tax receivable;
- EUR180 million worth of bonds issued in April 2008 to top up the EUR600 million twelve-year tranche, at a rate of 4%, issued in August 2005, raising the total issue to EUR780 million;
- EUR600 million worth of bonds issued in October 2007, at a rate of 5.375%, due on January 8, 2015;
- EUR1 billion worth of bonds issued in July 2006, comprising a EUR500 million 5-year variable rate tranche indexed to the 3 month Euribor and a EUR500 million 7 1/2-year tranche at 4.5%.
- EUR600 million worth of bonds issued in August 2005, at a rate of 4%, due on August 2017.



These bonds are traded on the Luxembourg stock exchange. The issue premium and issue costs are amortised according to the effective interest method.

Finally, the company brought back its EUR900 million, August 2005 bond, due on August 11, 2010.

24.4 - Other information

At December 31, 2009, Schneider Electric had confirmed credit lines of EUR2.7 billion, all unused.

Loan agreements and committed credit lines do not include any financial covenants nor credit rating triggers.

Note 25 Other non-current liabilities

	Dec. 31, 2010	Dec. 31, 2009
Clipsal acquisition debt	9	8
Debt related to 2010 acquisitions*	53	-
Electroshield TM Samara acquisition debt	50	-
Other	16	9
OTHER NON-CURRENT LIABILITIES	128	17

* Acquisition of Cimac, ITG, D5X, Vizelia and H'Dev.

The Clipsal acquisition contract stipulates retaining part of the acquisition price as a liability guarantee. This amount has been placed in an escrow account (note 15.2).

Note 26 Financial instruments

The Group uses financial instruments to manage its exposure to fluctuations in interest rates, exchange rates and metal prices. Exposure to these risks is described in the chapter on risk factors in the Registration Document.

26.1 - Carrying amount and nominal amount of derivative financial instruments

	Dec. 31, 2009					Dec. 31, 2010 Carrying amount	Dec. 31, 2010	
	IFRS designation	Carrying amount	Change over the period				Nominal amount	
			Statement of income ⁽¹⁾	Equity ⁽²⁾	Other		Sale	Purchase
Foreign exchange								
Futures - cash flow hedges	CFH*	(6)	(82)	(7)	-	(95)	-	(1,158)
Futures - net investment hedges	NIH*	(1)	-	10	-	9	627	-
Futures - hedges of balance sheet items	Trading/FVH*	(27)	2	(1)	2	(24)	1,849	(1,583)
Metal prices								
Futures and options	CFH*	9	-	5	-	14	-	(51)
Share-based payment								
Call options	CFH*	-	13	12	28	53	-	(79) ⁽³⁾
Interest rates								
Swaps on credit lines	CFH*/FVH*	(41)	3	14	-	(24)	-	(1,399)
DERIVATIVES FINANCIAL INSTRUMENTS		(66)	(64)	33	30	(67)		

* Cash flow hedge/ Fair value hedge/ Net investment hedge.

(1) Gains and losses on hedging instruments for the period are offset by changes in the fair value of the underlying items, which are also recognised in net result.

(2) Reported in equity under "Other Comprehensive Income".

(3) 1,121,990 Schneider Electric stocks are hedged in relation to Stock Appreciation Rights granted to US employees.

The market value of financial instruments, which their carrying amount reflects, is estimated either internally by discounting future differential cash flows at current market interest rates or by third party banks.



26.2 - Carrying amount and market value of financial instruments other than derivatives

	Dec. 31, 2010		Dec. 31, 2009	
	Notional amount ⁽¹⁾	Fair value	Notional amount ⁽¹⁾	Fair value
Available-for-sale financial assets	410	410	245	245
Other non-current financial assets	144	144	102	102
Marketable securities	1,825	1,825	2,681	2,681
Bonds	(4,348)	(4,614)	(4,508)	(4,746)
Other short and long-term debt	(1,777)	(1,777)	(1,816)	(1,816)
FINANCIAL INSTRUMENTS EXCLUDING DERIVATIVES	(3,746)	(4,012)	(3,296)	(3,534)

(1) The notional amount corresponds to either amortised cost or fair value.

26.3 - Currency risk

Forward hedging positions by currency

	Dec. 31, 2010		
	Sales	Purchases	Net
AED	63	(46)	17
AUD	187	(14)	173
CHF	19	(7)	12
CZK	1	(14)	(13)
DKK	54	(1)	53
GBP	131	(113)	18
HKD	57	(87)	(30)
HUF	28	(2)	26
JPY	-	(70)	(70)
NOK	5	(43)	(38)
RUB	58	-	58
SEK	6	(154)	(148)
SGD	89	(2)	87
USD	1,732	(973)	759
Other	46	(57)	(11)
TOTAL	2,476	(1,583)	893

Forward currency hedging positions include EUR502 million in hedges of loans and borrowings of a financial nature (net sales) and EUR391 million in hedges of operating cash flows (net sales).

26.4 - Impact of financial instruments

	Impact on financial income and expense	Impact on equity		
		Fair value	Translation adjustment	Other
Dec. 31, 2010				
Available-for-sale financial assets	12	(32)	6	-
Loans and accounts receivable	24	-	372	-
Financial liabilities measured at amortised cost	(306)	-	(561)	-
Derivative instruments	(64)	31	2	-
TOTAL	(334)	(1)	(181)	-

	Impact on financial income and expense	Impact on equity		
		Fair value	Translation adjustment	Other
Dec. 31, 2009				
Available-for-sale financial assets	5	25	(2)	-
Loans and accounts receivable	26	-	52	-
Financial liabilities measured at amortised cost	(323)	-	(55)	-
Derivative instruments	(16)	117	9	-
TOTAL	(308)	142	4	-

The impact of financial instruments, by category, on profit and equity was as follows:

- the main impact on profit concerned interest income and expense;
- the impact on equity primarily stemmed from the measurement of available-for-sale financial assets and derivative instruments at fair value and from translation adjustments to foreign currency loans, receivables and liabilities.

26.5 - Maturities of financial assets and liabilities

	Up to 1 year	1 to 5 years	> 5 years
Financial liabilities	(1,115)	(2,936)	(2,074)
Financial assets	3,389	135	-
NET POSITION BEFORE HEDGING	2,274	(2,801)	(2,074)



26.6 - Balance sheet amounts for financial instruments by category

<i>(in millions of euros)</i>	Dec. 31, 2010		Breakdown by category			
	Carrying amount	Fair value	Fair value through P&L	Available-for-sale financial assets	Loans, receivables and financial liabilities at amortised cost	Derivative instruments
ASSETS						
Non-current assets :						
Available-for-sale financial assets	410	410	-	410	-	-
Other non-current financial assets	144	144	-	-	144	-
TOTAL NON-CURRENT ASSETS	554	554	-	410	144	-
Current assets:						
Trade accounts receivable	4,441	4,441	-	-	4,441	-
Other receivables	118	118	-	-	-	118
Current financial assets	38	38	38	-	-	-
Marketable securities	1,825	1,825	1,825	-	-	-
TOTAL CURRENT ASSETS	6,422	6,422	1,863	-	4,441	118
LIABILITIES						
Non-current liabilities:						
Other long-term debt	5,010	5,276	-	-	5,276	-
TOTAL NON-CURRENT LIABILITIES	5,010	5,276	-	-	5,276	-
Current liabilities						
Trade accounts payable	3,432	3,432	-	-	3,432	-
Other	204	204	-	-	19	185
Short-term debt	1,115	1,115	-	-	1,115	-
TOTAL CURRENT LIABILITIES	4,751	4,751	-	-	4,566	185

<i>(in millions of euros)</i>	Dec. 31, 2009		Breakdown by category			
	Carrying amount	Fair value	Fair value through P&L	Available-for-sale financial assets	Loans, receivables and financial liabilities at amortised cost	Derivative instruments
ASSETS						
Non-current assets :						
Available-for-sale financial assets	245	245	-	245	-	-
Other non-current financial assets	102	102	-	-	102	-
TOTAL NON-CURRENT ASSETS	347	347	-	245	102	-
Current assets:						
Trade accounts receivable	3,071	3,071	-	-	3,071	-
Other receivables	57	57	-	-	-	57
Current financial assets	77	77	77	-	-	-
Marketable securities	2,681	2,681	2,681	-	-	-
TOTAL CURRENT ASSETS	5,886	5,886	2,758	-	3,071	57
LIABILITIES						
Non-current liabilities:						
Other long-term debt	4,913	5,151	-	-	4,913	-
TOTAL NON-CURRENT LIABILITIES	4,913	5,151	-	-	4,913	-
Current liabilities						
Trade accounts payable	2,203	2,203	-	-	2,203	-
Other	143	143	-	-	20	123
Short-term debt	1,411	1,411	-	-	1,411	-
TOTAL CURRENT LIABILITIES	3,757	3,757	-	-	3,634	123

26.7 - Fair value hierarchy

The split of financial instruments by fair value level is as follows:

	Dec. 31, 2010			
	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets	135	-	275	410
Net derivative instruments	-	(67)	-	(67)
Marketable securities	1,825	-	-	1,825
NET ASSETS AT FAIR VALUE	1,960	(67)	275	2,168

	Dec. 31, 2009			
	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets	179	-	66	245
Net derivative instruments	-	(66)	-	(66)
Marketable securities	2,681	-	-	2,681
NET ASSETS AT FAIR VALUE	2,860	(66)	66	2,860

Note 27 Employees

27.1 - Employees

The average number of permanent and temporary employees was as follows in 2009 and 2008:

<i>(number of employees)</i>	2010	2009
Production	61,911	55,125
Administration	61,571	60,940
TOTAL AVERAGE NUMBER OF EMPLOYEES	123,482	116,065
<i>By region:</i>		
EMEAS*	60,937	57,360
North America	26,324	26,510
Asia-Pacific	36,221	32,195

* Europe, Middle-East, Africa, South America.

The change in the average number of employees is primarily linked to the acquisition of the Areva Distribution businesses.

27.2 - Employee benefits expense

	2010	2009
Payroll costs ⁽¹⁾	(4,649)	(4,330)
Profit-sharing and incentive bonuses	(65)	(46)
Stock options	(31)	(22)
WESOP	(3)	(3)
EMPLOYEE BENEFITS EXPENSE	(4,748)	(4,401)

(1) Of which EUR63 million relating to pensions and post-retirement obligations and EUR25 million relating to employee benefit obligations (note 22).



27.3 - Benefits granted to senior executives

In 2010, the Group paid EUR0.64 million in attendance fees to the members of its Supervisory Board. The total amount of gross remuneration, including benefits in kind, paid in 2010 by the Group to the members of Senior Management excluding members of the Management Board totaled EUR9 million, of which EUR3.9 million corresponded to the variable portion.

During the last three periods, 279,500 stock options and 185,000 stock grants have been allocated to members of Senior Management.

Pension obligations with respect to members of Senior Management amounted to EUR73 million at December 31, 2010 versus EUR68 million at December 31, 2009.

Please refer to Chapter 3 section 8 of the Registration Document for more information regarding the members of Senior Management.

Note 28 Related party transactions

28.1 - Associates

Companies over which the Group has significant influence, accounted for by the equity consolidation method. Transactions with these related parties are carried out on arm's length terms.

Related party transactions were not material in 2010.

28.2 - Related parties with significant influence

No transactions were carried out during the year with members of the Supervisory Board or Management Board.

Compensation and benefits paid to the Group's top senior executives are described in note 27.3.

Note 29 Commitments and contingent liabilities

29.1 - Guarantees and similar undertakings

	Dec. 31, 2010	Dec. 31, 2009
Market counter guarantees ⁽¹⁾	880	469
Pledges, mortgages and sureties ⁽²⁾	17	16
Endorsements and guarantees	6	10
Other commitments given ⁽³⁾	175	176
GUARANTEES GIVEN	1,078	671
Endorsements and guarantees received	80	64
GUARANTEES RECEIVED	80	64

(1) On certain contracts, customers require a guarantee from a bank that the contract will be fully executed by the Group. For these contracts the Group gives a counterguarantee to the bank. If a claim occurs, the risk linked to the commitment is assessed and a provision for contingencies is recorded when the risk is considered probable and can be reasonably estimated.

(2) Certain loans are secured by property, plant and equipment and securities lodged as collateral.

(3) Other guarantees given comprise guarantees given in rental payments.

In 2010, the consolidation of Areva Distribution assets contributed to an increase in commitments given of EUR256 million.

29.2 - Purchase commitments

Shares in subsidiaries and affiliates

Commitments to purchase equity investments correspond to put options given to minority shareholders in consolidated companies or relate to earn-out payments. The amount of these commitments was not material at December 31, 2010.

Information technology services

The Group is party to an agreement with Capgemini providing for outsourcing (facilities management) of certain of its information technology functions in Europe and deployment of a system of shared SAP management applications. The first pilot version of the global system was implemented in India in April 2007 and the second version was deployed in mid-2008 in several European pilot countries. At the end of 2010, Schneider Electric had capitalised total costs (net of impairment) of EUR142 million. The costs are progressively amortised with effect from 2009, over a 7-year rolling calendar and based on the number of users connected worldwide as the system is deployed.

For 2010, the contractual facilities management costs amount to EUR103 million including the volume and indexing factors provided for by the contract (EUR119 million for 2009).

29.3 - Contingent liabilities

Senior Management believes that the provisions recognised in the balance sheet, in respect of the known claims and litigation to which the Group is a party, should be adequate to ensure that such claims and litigation will not have any substantial impact on the Group's financial position or results. This is notably the case for the potential consequences of a current dispute in Belgium involving former senior executives and managers of the Group.

The Group has entered into a company-wide agreement in respect of individual training entitlement. It has applied the French accounting treatment recommended by opinion 2004-F issued by the CNC's urgent issues committee. Expenditure on individual training is written off as an expense during the period and therefore no provision is made for it. As of December 31, 2010, rights accrued but not used by employees of French entities of the Group corresponded to around 1,417,000 hours.

Note 30 Subsequent events

Acquisition of APW in India

On January 7, 2011 the Group announced the signature of an agreement for the acquisition of the majority of the share capital of APW President Systems Limited, a company specialising in the design and manufacture of standard or custom-built electric bays and cabinets for use in particular by telecom and information technology end customers in India. APW President Systems Limited

employs around 380 people and achieved estimated revenue of INR1.08 billion (about EUR17 million) for the twelve month period to end September 2010. The company has manufacturing facilities in Bangalore and Pune, a large customer portfolio and a network of sales offices in India.



Note 31 Statutory Auditors' fees

Fees paid by the Group to the Statutory Auditors and their networks:

<i>(in thousands of euros)</i>	Dec. 31, 2010				Total
	Ernst & Young	%	Mazars	%	
Audit					
Statutory auditing	8,463	87%	6,578	99%	15,041
<i>o/w Schneider Electric SA</i>	100		100		
<i>o/w subsidiaries</i>	8,363		6,478		
Related services	1,046	11%	80	1%	1,126
<i>o/w Schneider Electric SA</i>	-		-		
<i>o/w subsidiaries</i>	1,046		80		
Audit sub-total	9,509	98%	6,658	100%	16,167
Other services					
Legal, tax	211	2%	3	0%	214
TOTAL FEES	9,720	100%	6,661	100%	16,381

<i>(in thousands of euros)</i>	2009				Total
	Ernst & Young	%	Mazars	%	
Audit					
Statutory auditing	8,208	89%	4,980	97%	13,188
<i>o/w Schneider Electric SA</i>	100		100		
<i>o/w subsidiaries</i>	8,108		4,880		
Related services	670	7%	129	3%	799
<i>o/w Schneider Electric SA</i>	-		-		
<i>o/w subsidiaries</i>	670		129		
Audit sub-total	8,878	97%	5,109	99%	13,987
Other services					
Legal, tax	299	3%	34	1%	333
TOTAL FEES	9,177	100%	5,143	100%	14,320

Note 32 Consolidated companies

The main companies included in the Schneider Electric Group scope of consolidation are listed below.

		% interest Dec. 31, 2010	% interest Dec. 31, 2009
Europe			
<i>Fully consolidated</i>			
Areva T&D Austria AG (Distribution business only)	Austria	100.0	-
Berger Lahr Positec Ges. m.b.H. & Co. KG	Austria	-	51.0
Merten Ges. m.b.H. & Co. KG	Austria	-	100.0
MGE UPS Systems Vertriebs GmbH	Austria	100.0	100.0
Schneider Electric Austria GmbH	Austria	100.0	100.0
Schneider Electric Buildings Austria GmbH	Austria	100.0	100.0
Schneider Electric Power Drives GmbH	Austria	100.0	100.0
STI Power Drives GmbH	Austria	60.0	60.0
Cofibel SA	Belgium	100.0	100.0
Compagnie Financière, Minière et Industrielle SA - Cofimines	Belgium	100.0	100.0
Établissements Crouzet NV	Belgium	100.0	100.0
Schneider Electric Energy Belgium SA	Belgium	100.0	-
Schneider Electric SA	Belgium	100.0	100.0
Schneider Electric Services International SPRL	Belgium	100.0	100.0
Delixi Electric SEE EOOD	Bulgaria	100.0	100.0
Schneider Electric Bulgaria EOOD	Bulgaria	100.0	100.0
Schneider Electric d.o.o.	Croatia	100.0	100.0
Merten Czech s.r.o.	Czech Republic	100.0	100.0
Schneider Electric A.S.	Czech Republic	98.3	98.3
Schneider Electric CZ s.r.o.	Czech Republic	100.0	100.0
JO-EL Electric A/S	Denmark	100.0	100.0
rbaekvej 280 A/S	Denmark	100.0	100.0
Schneider Electric Buildings Denmark A/S	Denmark	100.0	100.0
Schneider Electric Danmark A/S	Denmark	100.0	100.0
Schneider Electric IT Denmark ApS	Denmark	100.0	100.0
Schneider Nordic Baltic A/S	Denmark	100.0	100.0
Schneider Electric EESTI A.S.	Estonia	100.0	100.0
Elari Oy	Finland	100.0	100.0
Elko Suomi Oy	Finland	100.0	100.0
I-Valo Oy	Finland	100.0	100.0
JO-EL Electric Oy	Finland	100.0	100.0
Oy Lexel Finland Ab	Finland	100.0	100.0
Pelco Finland Oy	Finland	100.0	100.0
Schneider Electric Buildings Finland Oy	Finland	100.0	100.0
Schneider Electric Finland Oy	Finland	100.0	100.0
Strömfors Electric Oy	Finland	100.0	100.0
Vamp Oy	Finland	100.0	-
Alombard SAS	France	100.0	100.0
American Power Conversion Europe SARL	France	-	100.0
American Power Conversion France SARL	France	-	100.0
Areva T&D Austria SA (Distribution business only)	France	100.0	-
Areva T&D SAS (Distribution business only)	France	100.0	-
Areva T&D Protection & Contrôle SA (Distribution business only)	France	100.0	-
Ateliers de Constructions Électriques de Grenoble SA - ACEG	France	-	100.0





		% interest Dec. 31, 2010	% interest Dec. 31, 2009
BCV Technologies SAS	France	100.0	100.0
Behar-Sécurité SARL	France	100.0	100.0
BEI Ideacod SAS	France	100.0	100.0
Berger Lahr Positec SAS	France	-	100.0
Boissière Finance SNC	France	100.0	100.0
Construction Électrique du Vivarais SAS	France	100.0	100.0
Crouzet Automatismes SAS	France	100.0	100.0
Dinel SAS	France	100.0	100.0
Distrelec SA	France	100.0	100.0
Elau SARL	France	100.0	100.0
Electro Porcelaine SAS	France	100.0	100.0
Epsys SAS	France	100.0	100.0
France Transfo SAS	France	100.0	100.0
Infraplus SAS	France	100.0	100.0
Machines Assemblage Automatique SAS	France	100.0	100.0
Merlin Gerin Alès SAS	France	100.0	100.0
Merlin Gerin Alpes SAS	France	100.0	100.0
Merlin Gerin Loire SAS	France	100.0	100.0
MGE Finances SAS	France	100.0	100.0
MGE UPS Systems SAS	France	100.0	100.0
Muller & Cie SA	France	100.0	100.0
Newlog SAS	France	100.0	100.0
Normabarre SAS	France	100.0	100.0
Prodipact SAS	France	100.0	100.0
Rectiphase SAS	France	100.0	100.0
Sarel - Appareillage Électrique SAS	France	99.0	99.0
SCI Auxibati	France	100.0	100.0
SCI Usibati	France	100.0	100.0
Scanelec SAS	France	100.0	100.0
Schneider Automation SAS	France	100.0	100.0
Schneider Electric Consulting SAS	France	100.0	100.0
Schneider Electric Energy France SAS	France	100.0	-
Schneider Electric Foncière SAS - S.E.L.F.	France	100.0	100.0
Schneider Electric France SAS	France	100.0	100.0
Schneider Electric Holding Amérique du Nord SAS	France	100.0	100.0
Schneider Electric Holding Asie Pacifique SAS	France	100.0	100.0
Schneider Electric Holding Europe SAS	France	100.0	100.0
Schneider Electric Industries SAS	France	100.0	100.0
Schneider Electric International SAS	France	100.0	100.0
Schneider Electric Manufacturing Bourguebus SAS	France	100.0	100.0
Schneider Electric SA (Holding Company)	France	100.0	100.0
Schneider Electric Telecontrol SAS	France	100.0	100.0
Schneider Toshiba Inverter Europe SAS	France	60.0	60.0
Schneider Toshiba Inverter SAS	France	60.0	60.0
SCI du Pré Blanc	France	-	100.0
Société d'Application Électrique et Électronique SAS - SA2E	France	-	100.0
Société d'Appareillage Électrique Gardy SAS	France	100.0	100.0
Société d'Application et d'Ingénierie Industrielle et Informatique SAS - SA3I	France	100.0	100.0
Société du Rebauchet SAS	France	-	100.0
Société Électrique d'Aubenas SAS	France	100.0	100.0

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		% interest Dec. 31, 2010	% interest Dec. 31, 2009
Société Française de Construction Mécanique et Électrique SA	France	100.0	100.0
Société Française Gardy SA	France	100.0	100.0
Société pour l'équipement des industries chimiques SA	France	100.0	100.0
Société Rhodanienne d'Études et de Participations SAS	France	100.0	100.0
Spie Capag SA	France	100.0	100.0
Systèmes Équipements Tableaux Basse Tension SAS	France	100.0	100.0
Transfo Services SAS	France	100.0	100.0
APC Deutschland GmbH	Germany	100.0	100.0
Berger Lahr Positec GmbH	Germany	100.0	100.0
Crouzet GmbH	Germany	100.0	100.0
Elau GmbH	Germany	100.0	100.0
Elso GmbH	Germany	100.0	100.0
Kavlico GmbH	Germany	-	100.0
Kavlico GmbH (formerly Kavlico Technology GmbH)	Germany	100.0	100.0
Merten GmbH	Germany	100.0	100.0
Merten Holding GmbH	Germany	100.0	100.0
MGE USV-Systeme GmbH	Germany	100.0	100.0
Ritto GmbH	Germany	100.0	100.0
Schneider Electric Automation Deutschland GmbH	Germany	100.0	100.0
Schneider Electric Automation GmbH	Germany	100.0	100.0
Schneider Electric Buildings Germany GmbH	Germany	100.0	100.0
Schneider Electric Deutschland Energy GmbH	Germany	100.0	-
Schneider Electric Deutschland GmbH	Germany	100.0	100.0
Schneider Electric Energy GmbH	Germany	100.0	-
Schneider Electric GmbH	Germany	100.0	100.0
Schneider Electric Motion Deutschland GmbH	Germany	100.0	100.0
Schneider Electric Motion Real Estate GmbH	Germany	100.0	100.0
Schneider Electric Sachsenwerk GmbH	Germany	100.0	-
Svea Building Control System GmbH & Co. KG	Germany	-	100.0
Verwaltung SVEA Building Control Systems GmbH	Germany	100.0	100.0
Vitrum Beteiligungs GmbH	Germany	-	100.0
Xantrex Technology GmbH	Germany	-	100.0
Schneider Electric AE	Greece	100.0	100.0
Schneider Electric IT Greece ABEE	Greece	100.0	100.0
BEI Automative Hungary Manufacturing Inc	Hungary	100.0	100.0
CEE Schneider Electric Közép-Kelet Europai Korlatolt Felelősségű Társaság	Hungary	100.0	100.0
Schneider Electric Energy Hungary Ltd	Hungary	100.0	-
Schneider Electric IT Hungary Kft	Hungary	100.0	100.0
Schneider Electric Hungaria Villamassagi ZRT	Hungary	100.0	100.0
APC (EMEA) Ltd	Ireland	100.0	100.0
APC Dublin Ltd	Ireland	-	100.0
Schneider Electric Buildings Ireland Ltd	Ireland	100.0	100.0
Schneider Electric Ireland	Ireland	100.0	100.0
Schneider Electric IT Logistics Europe Ltd	Ireland	100.0	100.0
Square D Company Ireland Ltd	Ireland	100.0	100.0
Thorsman Sales Ireland Ltd	Ireland	100.0	100.0
Controlli Srl	Italy	100.0	100.0
Crouzet Componenti Srl	Italy	100.0	100.0
Elau Systems Italia Srl	Italy	-	100.0
Schneider Electric IT Italia Srl	Italy	100.0	100.0



		% interest Dec. 31, 2010	% interest Dec. 31, 2009
Motion Srl In Liquidazione	Italy	100.0	100.0
OVA Bargellini SpA	Italy	100.0	100.0
SAIP & Schyller SpA	Italy	100.0	100.0
Schneider Electric Energy Manufacturing Italia Srl	Italy	100.0	-
Schneider Electric Industrie Italia SpA	Italy	100.0	100.0
Schneider Electric SpA	Italy	100.0	100.0
Lexel Fabrika SIA	Latvia	100.0	100.0
Schneider Electric Baltic Distribution Center	Latvia	100.0	100.0
Schneider Electric Latvija SIA	Latvia	100.0	100.0
UAB Schneider Electric Lietuva	Lithuania	100.0	100.0
COC Luxembourg S.à r.l.	Luxembourg	100.0	-
Comodot S.à r.l.	Luxembourg	100.0	100.0
Industrielle de Réassurance SA	Luxembourg	100.0	100.0
SGBT European Major Investments SA	Luxembourg	100.0	100.0
SHL Luxembourg S.à r.l.	Luxembourg	100.0	-
American Power Conversion Corp (A.P.C.) B.V.	Netherlands	100.0	100.0
APC Benelux B.V.	Netherlands	100.0	100.0
APC Europe B.V.	Netherlands	100.0	100.0
APC Holdings B.V.	Netherlands	100.0	100.0
APC International Corporation B.V.	Netherlands	100.0	100.0
APC International Holdings B.V.	Netherlands	100.0	100.0
Citect B.V.	Netherlands	100.0	100.0
Control Microsystems B.V.	Netherlands	100.0	-
Crouzet B.V.	Netherlands	100.0	100.0
Elau B.V.	Netherlands	100.0	100.0
Pelco Europe B.V.	Netherlands	100.0	100.0
Pro-Face HMI B.V. (sub-group)	Netherlands	99.9	99.9
Sandas Montage B.V.	Netherlands	100.0	100.0
Schneider Electric B.V.	Netherlands	100.0	100.0
Schneider Electric Energy Netherlands B.V.	Netherlands	100.0	-
Schneider Electric Logistic Centre B.V.	Netherlands	100.0	100.0
Schneider Electric Manufacturing The Netherlands B.V.	Netherlands	100.0	100.0
U.P.S. Systems MGE B.V.	Netherlands	100.0	100.0
ELKO A.S.	Norway	100.0	100.0
JO-EL Electric A.S.	Norway	100.0	100.0
Lexel Holding Norgue A.S.	Norway	100.0	100.0
Schneider Electric IT Norway A.S.	Norway	100.0	100.0
Schneider Electric Norge A.S.	Norway	100.0	100.0
Schneider Electric Buildings Norway A.S.	Norway	100.0	100.0
APC Poland Sp. z.o.o.	Poland	-	100.0
Elda Eltra S.A. (ex Eltra SA)	Poland	100.0	100.0
Schneider Electric Buildings Polska Sp. z.o.o.	Poland	100.0	100.0
Schneider Electric Energy Poland Sp. z.o.o.	Poland	100.0	-
Schneider Electric Industries Polska Sp	Poland	100.0	100.0
Schneider Electric IT Poland Sp. z.o.o	Poland	100.0	100.0
Schneider Electric Polska Sp	Poland	100.0	100.0
APC Portugal, LDA	Portugal	-	100.0
Schneider Electric II IT Portugal LDA	Portugal	100.0	100.0
Schneider Electric Portugal LDA	Portugal	100.0	100.0
Schneider Electric Romania SRL	Romania	100.0	100.0

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		% interest Dec. 31, 2010	% interest Dec. 31, 2009
DIN Elektro Kraft OOO	Russia	100.0	100.0
LLC Merten Russland OOO	Russia	-	100.0
LLC Schneider Electric Zavod ElectroMonoblock	Russia	100.0	75.0
OOO Schneider Electric Buildings (Russia)	Russia	100.0	100.0
OOO Lexel Elektromaterialy (SPB)	Russia	100.0	100.0
OOO RusEl	Russia	100.0	100.0
OOO Schneider Electric Kaliningrad	Russia	100.0	100.0
OOO UralElektroKontaktor	Russia	100.0	100.0
OOO Wessen	Russia	100.0	100.0
OOO Wextro	Russia	100.0	100.0
Relay Protection Vamp CJSC	Russia	100.0	-
Schneider Electric Equipment Kazan Ltd	Russia	100.0	100.0
ZAO Potential	Russia	100.0	100.0
ZAO Schneider Electric	Russia	100.0	100.0
Schneider Electric Srbija doo Beograd	Serbia	100.0	100.0
Schneider Electric Slovakia Spol s.r.ø.	Slovakia	100.0	100.0
Schneider Electric d.o.o.	Slovenia	100.0	100.0
APC Spain SL	Spain	-	100.0
EFI Electronics Europe SL	Spain	100.0	100.0
Hispano Mecano-Elctrica SA	Spain	100.0	100.0
Manufacturas Electricas SA	Spain	100.0	100.0
Schneider Electric IT, Spain SL	Spain	100.0	100.0
Schneider Electric Energy Spain, SL	Spain	100.0	-
Schneider Electric España SA	Spain	100.0	100.0
Telemantenimiento de Alta Tension, SL	Spain	100.0	-
Xantrex Technology SL	Spain	100.0	100.0
AB Crahftere 1	Sweden	100.0	100.0
AB Wibe	Sweden	100.0	100.0
AB Wibe Telescopic Masts	Sweden	100.0	100.0
Elau AB	Sweden	100.0	100.0
Elektriska AB Delta	Sweden	100.0	100.0
Elko AB	Sweden	100.0	100.0
JO-EL Electric AB	Sweden	100.0	100.0
Lexel AB	Sweden	100.0	100.0
Pelco Sweden AB	Sweden	100.0	100.0
Pisara AB	Sweden	100.0	100.0
Schneider Electric Buildings AB	Sweden	100.0	100.0
Schneider Electric Buildings Sweden AB	Sweden	100.0	100.0
Schneider Electric Distribution Centre AB	Sweden	100.0	100.0
Schneider Electric IT Sweden AB	Sweden	100.0	100.0
Schneider Electric Powerline Communications AB	Sweden	100.0	100.0
Schneider Electric Sverige AB	Sweden	100.0	100.0
Thorsman & Co AB	Sweden	100.0	100.0
Areva T&D AG (Distribution business only)	Switzerland	100.0	-
Crouzet AG	Switzerland	100.0	100.0
Elau AG	Switzerland	-	100.0
Feller AG	Switzerland	83.7	83.7
Gutor Electronic GmbH	Switzerland	100.0	100.0
Schneider Electric IT Switzerland AG	Switzerland	100.0	100.0
Sarel AG	Switzerland	-	97.8





		% interest Dec. 31, 2010	% interest Dec. 31, 2009
Schneider Electric Finances SA	Switzerland	100.0	100.0
Schneider Electric Motion AG	Switzerland	-	100.0
Schneider Electric (Schweitz) AG	Switzerland	100.0	100.0
Schneider Electric Ukraine	Ukraine	100.0	100.0
Smart Electric	Ukraine	-	100.0
Advance Cayson Ltd	United Kingdom	-	100.0
Advance Dormant No. 1 Ltd	United Kingdom	-	100.0
Ajax Electrical Ltd	United Kingdom	100.0	100.0
APC DC Network Solutions UK Limited	United Kingdom	100.0	100.0
APC Holdings (UK) Limited	United Kingdom	100.0	100.0
APC Power and Cooling, UK Limited	United Kingdom	100.0	100.0
APC UK Ltd	United Kingdom	100.0	100.0
Areva T&D UK Ltd (Distribution business only)	United Kingdom	100.0	-
Berger Lahr Positec Ltd	United Kingdom	100.0	100.0
Capacitors Ltd	United Kingdom	100.0	100.0
CBS Group Ltd	United Kingdom	100.0	100.0
Citect Ltd	United Kingdom	100.0	100.0
Crouzet Ltd	United Kingdom	100.0	100.0
Crydom SSR Ltd	United Kingdom	100.0	100.0
E-GETIT Ltd	United Kingdom	100.0	100.0
Elau Ltd	United Kingdom	100.0	100.0
Electric City Ltd	United Kingdom	100.0	100.0
GET Group PLC	United Kingdom	100.0	100.0
GET Pension Scheme Ltd	United Kingdom	100.0	100.0
GET PLC	United Kingdom	100.0	100.0
Grawater Ltd	United Kingdom	-	100.0
Intelligent Motion Systems UK Ltd	United Kingdom	90.0	90.0
JO EL Electric Ltd	United Kingdom	100.0	100.0
JO JO (UK) Ltd	United Kingdom	100.0	100.0
Lexel Holdings (UK) Ltd	United Kingdom	100.0	100.0
MITA (NW) Ltd	United Kingdom	100.0	100.0
MITA (UK) Ltd	United Kingdom	100.0	100.0
Nestfarm Ltd	United Kingdom	100.0	100.0
Newall Measurement Systems Ltd	United Kingdom	100.0	100.0
Pelco UK Ltd	United Kingdom	100.0	100.0
Powerman Ltd (formerly Grawater of Wakefield Ltd)	United Kingdom	100.0	100.0
Sarel Ltd	United Kingdom	100.0	100.0
Satchwell Controls Systems Ltd	United Kingdom	-	100.0
Schneider Electric (UK) Ltd	United Kingdom	100.0	100.0
Schneider Electric Buildings UK Ltd	United Kingdom	100.0	100.0
Schneider Electric Energy Holdings UK Ltd	United Kingdom	100.0	-
Schneider Electric Energy UK Ltd	United Kingdom	100.0	-
Schneider Electric IT UK Ltd	United Kingdom	100.0	100.0
Schneider Electric Ltd	United Kingdom	100.0	100.0
Serck Control and Safety Ltd	United Kingdom	100.0	-
Serck Controls Ltd	United Kingdom	100.0	-
Tac Satchwell (Northern Ireland) Ltd	United Kingdom	100.0	100.0
Thorsman Ltd	United Kingdom	100.0	100.0
Tower Forged Products Ltd	United Kingdom	100.0	100.0
Tower Manufacturing Ltd	United Kingdom	100.0	100.0

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		% interest Dec. 31, 2010	% interest Dec. 31, 2009
Yorkshire Switchgear Group Ltd	United Kingdom	100.0	100.0
<i>Accounted for by equity method</i>			
Delta Dore Finance SA (sub-group)	France	20.0	20.0
Møre Electric Group A/S	Norway	34.0	34.0
Electroshield TM Samara (sub-group)	Russia	50.0	-
North America			
<i>Fully consolidated</i>			
Cofimines Overseas Corp.	Canada	-	100.0
Control Microsystems Inc.	Canada	100.0	-
Inde Electronics Inc.	Canada	-	99.9
Juno Lighting Ltd	Canada	100.0	100.0
Novasena 1 ULC	Canada	100.0	100.0
Novasena 2 ULC	Canada	100.0	100.0
Power Measurement Ltd	Canada	100.0	100.0
Schneider Electric Canada Inc.	Canada	100.0	100.0
Trio Datacom Inc.	Canada	100.0	-
Xantrex Technology Inc.	Canada	-	100.0
APC Mexico, S.A. de C.V.	Mexico	100.0	100.0
Automatismo Crouzet de Mexico, S.A. de C.V.	Mexico	100.0	100.0
Custom Sensors & Technologies Aerospace de México, S.A. de C.V.	Mexico	100.0	100.0
Custom Sensors & Technologies Mexico, S.A. de C.V.	Mexico	100.0	100.0
Custom Sensors & Technologies Transportation de México, S.A. de C.V.	Mexico	100.0	100.0
Industrias Electronicas Pacifico, S.A. de C.V.	Mexico	100.0	100.0
MGE Systems Mexico, S.A. de C.V.	Mexico	100.0	100.0
Ram Tech Manufacturing de Mexico S de R.L. de C.V.	Mexico	100.0	100.0
Ram Tech Services de Mexico S de R.L. de C.V.	Mexico	100.0	100.0
Schneider Electric Administracion, S.A. de C.V.	Mexico	100.0	100.0
Schneider Electric Mexico, S.A. de C.V.	Mexico	100.0	100.0
Schneider Industrial Tlaxcala, S.A. de C.V.	Mexico	100.0	100.0
Schneider Mexico, S.A. de C.V.	Mexico	100.0	100.0
Schneider R&D, S.A. de C.V.	Mexico	100.0	100.0
Schneider Recursos Humanos, S.A. de C.V.	Mexico	100.0	100.0
Square D Company Mexico, S.A. de C.V.	Mexico	100.0	100.0
Adaptive Instruments Corp.	USA	100.0	-
American Power Conversion Federal Systems, Inc.	USA	100.0	100.0
APC America Inc.	USA	100.0	100.0
APC Corp.	USA	100.0	100.0
APC Holdings Inc.	USA	100.0	100.0
APC Sales & Service Corp.	USA	100.0	100.0
BEI Precisions Systems & Space Co. Inc.	USA	100.0	100.0
BEI Sensors & Systems Company, Inc.	USA	100.0	100.0
Control Microsystems U.S. Inc.	USA	100.0	-
Crydom, Inc.	USA	100.0	100.0
Custom Sensors & Technologies, Inc.	USA	100.0	100.0
Delsena 1, LLC	USA	100.0	100.0
Delsena 2, LLC	USA	100.0	100.0
Juno Lighting LLC	USA	100.0	100.0
Juno Manufacturing Inc.	USA	100.0	100.0
Kavlico Corp.	USA	100.0	100.0
Neovasys Inc.	USA	100.0	100.0





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		% interest Dec. 31, 2010	% interest Dec. 31, 2009
Netbotz Inc.	USA	100.0	100.0
Newall Electronics Inc.	USA	100.0	100.0
Nu Lec LLC	USA	-	100.0
P.H.L. Four, Inc.	USA	80.0	80.0
P.H.L. One, Inc.	USA	80.0	80.0
P.H.L. Three, Inc.	USA	80.0	80.0
Pacsena LP	USA	100.0	100.0
Palatine Hills Leasing Inc.	USA	80.0	80.0
Pelco, Inc.	USA	100.0	100.0
Power Measurement Inc.	USA	100.0	100.0
Pro-face America, LLC	USA	100.0	100.0
Schneider Electric Buildings Americas, Inc.	USA	100.0	100.0
Schneider Electric Buildings Critical Systems, Inc.	USA	100.0	100.0
Schneider Electric Buildings, LLC	USA	100.0	100.0
Schneider Electric Engineering Services, LLC	USA	100.0	100.0
Schneider Electric Holdings Inc.	USA	100.0	100.0
Schneider Electric Investments 2, Inc.	USA	100.0	-
Schneider Electric Motion USA, Inc.	USA	100.0	100.0
Schneider Electric USA, Inc.	USA	100.0	100.0
Schneider Electric Vermont Ltd	USA	100.0	100.0
SNA Holdings Inc.	USA	100.0	100.0
Square D Investment Company	USA	100.0	100.0
Veris Industries LLC	USA	100.0	100.0
Xantrex Technology Inc.	USA	100.0	100.0
Xantrex Technology USA Inc.	USA	100.0	-
Asia-Pacific			
<i>Fully consolidated</i>			
APC Australia Pty. Limited	Australia	100.0	100.0
Australian Electrical Supplies Pty. Limited	Australia	-	100.0
Citect Corporation Limited	Australia	100.0	100.0
Citect Pty. Limited	Australia	100.0	100.0
Clipsal Australia Holdings Pty. Limited	Australia	-	100.0
Clipsal Australia Pty. Limited	Australia	100.0	100.0
Clipsal Integrated Systems Pty. Limited	Australia	100.0	100.0
Clipsal Pacific Holdings Pty. Limited	Australia	-	100.0
Clipsal Technologies Australia Pty. Limited	Australia	100.0	100.0
Control Microsystems Asia Pacific Pty. Ltd	Australia	100.0	-
CSI Control Systems International Pty. Limited	Australia	100.0	100.0
CSI Pacific (Australia) Pty. Limited	Australia	100.0	100.0
Dataletta Pty. Limited	Australia	100.0	100.0
Efficient Energy Systems Pty. Limited	Australia	100.0	100.0
Invensys Building Systems Pty. Limited	Australia	100.0	100.0
MGE-UPS Systems Australia Pty. Limited	Australia	100.0	100.0
Moduline Holdings Pty. Limited	Australia	-	100.0
Moduline Pty. Limited	Australia	-	100.0
Nu-Lec Industries Pty. Limited	Australia	100.0	100.0
PDL Holdings Australia Pty. Limited	Australia	-	100.0
PDL Industries Australia Pty. Limited	Australia	-	100.0
Pelco Australia Pty. Limited	Australia	100.0	100.0
Pro-face Australia Pty. Limited	Australia	100.0	100.0

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		% interest Dec. 31, 2010	% interest Dec. 31, 2009
Scadagroup Pty. Ltd	Australia	100.0	-
Schneider Electric (Australia) Pty. Limited	Australia	100.0	100.0
Schneider Electric Australia Holdings Pty. Limited	Australia	100.0	100.0
Schneider Electric Buildings Australia Pty. Limited	Australia	100.0	100.0
Serck Controls Pty. Ltd	Australia	100.0	-
Tarway Pty. Limited	Australia	-	100.0
Three Products Pty. Limited	Australia	-	100.0
Trio Datacom Pty. Ltd	Australia	100.0	-
Two Plastics Pty. Limited	Australia	-	100.0
APC (Suzhou) Uninterrupted Power Supply Co., Ltd	China	100.0	100.0
APC (Xiamen) Power Infrastructure Co., Ltd	China	100.0	100.0
APC Gutor Power & Cooling Shanghai Co., Ltd	China	-	100.0
Areva T&D (Guangdong) Switchgear Co. Ltd. (Distribution business only)	China	51.0	-
Areva T&D (Xiamen) Switchgear Co. Ltd (Distribution business only)	China	100.0	-
Areva T&D Beijing Switchgear Co. Ltd (Distribution business only)	China	100.0	-
Areva T&D Huadian Switchgear (Xiamen) Co. Ltd (Distribution business only)	China	55.0	-
Areva T&D Shanghai Power Automation Co. Ltd (Distribution business only)	China	58.0	-
Areva T&D Suzhou High Voltage Switchgear Co. Ltd (Distribution business only)	China	80.0	-
Beijing Merlin Great Wall Computer Room Equipment & Engineering Co. Ltd	China	75.0	75.0
Citect Controls Systems (Shanghai) Ltd	China	100.0	100.0
Clipsal China Company Limited	China	-	100.0
Clipsal Manufacturing (Huizhou) Ltd	China	100.0	100.0
Custom Sensors & Technologies Asia (Shanghai) Ltd	China	100.0	100.0
Foshan Gaoming TAC Electronic & Electrical Products Company Ltd	China	100.0	100.0
Foshan Wilco Electrical Trading Co. Ltd	China	100.0	100.0
MERTEN Shanghai Electric Technology Co. Ltd	China	100.0	100.0
MGE Manufacturing Shanghai Co. Ltd	China	100.0	100.0
Proface China International Trading (Shanghai) Co. Ltd	China	99.9	99.9
RAM Electronic Technology and Control (Wuxi) Co., Ltd	China	100.0	100.0
Schneider (Beijing) Medium & Low Voltage Co., Ltd	China	95.0	95.0
Schneider (Beijing) Medium Voltage Co. Ltd	China	95.0	95.0
Schneider (Shaanxi) Baoguang Electrical Apparatus Co. Ltd	China	70.0	70.0
Schneider (Shanghai) Supply Co. Ltd	China	100.0	100.0
Schneider (Suzhou) Drives Company Ltd	China	90.0	90.0
Schneider (Suzhou) Enclosure Systems Co. Ltd	China	100.0	100.0
Schneider (Suzhou) Transformers Co. Ltd	China	100.0	100.0
Schneider Automation Solutions (Shanghai) Co., Ltd	China	100.0	100.0
Schneider Busway (Guangzhou) Ltd	China	95.0	95.0
Schneider Electric (China) Investment Co. Ltd	China	100.0	100.0
Schneider Electric Devices (Dong Guan) Co. Ltd	China	-	100.0
Schneider Electric International Trading (Shanghai) Co., Ltd	China	100.0	100.0
Schneider Electric IT (China) Co., Ltd	China	100.0	100.0
Schneider Electric Low Voltage (Tianjin) Co. Ltd	China	75.0	75.0
Schneider Shanghai Apparatus Parts Manufacturing Co. Ltd	China	100.0	100.0
Schneider Shanghai Industrial Control Co. Ltd	China	80.0	80.0
Schneider Shanghai Low Voltage Term. Apparatus Co. Ltd	China	75.0	75.0
Schneider Shanghai Power Distribution Electric Apparatus Co. Ltd	China	80.0	80.0
Schneider Wingoal (Tianjin) Electric Equipment Co. Ltd	China	100.0	100.0





		% interest Dec. 31, 2010	% interest Dec. 31, 2009
Suzhou Areva T&D Switchgear Ltd (Distribution business only)	China	58.0	-
Tianjin Merlin Gerin Co. Ltd	China	75.0	75.0
Wuxi Proface Electronic Co. Ltd	China	99.9	99.9
APC Hong Kong Limited	Hong Kong	-	100.0
Clipsal Asia Holdings Limited	Hong Kong	100.0	100.0
Clipsal Asia Limited	Hong Kong	100.0	100.0
Clipsal Hong Kong Limited	Hong Kong	-	100.0
Clipsal Industries Hong Kong Limited	Hong Kong	100.0	100.0
Custom Sensors & Technologies Asia (Hong Kong) Limited	Hong Kong	100.0	100.0
CVH Industries Limited	Hong Kong	100.0	100.0
Full Excel (Hong Kong) Limited	Hong Kong	100.0	100.0
GET Asia Limited	Hong Kong	-	100.0
GET Santai Limited	Hong Kong	-	100.0
Invensys Building Systems (Hong Kong) Limited	Hong Kong	100.0	100.0
Schneider Electric IT Hong Kong Limited	Hong Kong	100.0	100.0
Schneider Electric (Hong Kong) Limited	Hong Kong	100.0	100.0
Schneider Electric Asia Pacific Limited	Hong Kong	100.0	100.0
SWC Technology Limited	Hong Kong	100.0	-
APC India Private Ltd	India	100.0	100.0
Areva T&D India Ltd (Distribution business only)	India	72.2	-
Cimac Automation Private Ltd	India	85.0	-
Cimac Software Systems Private Ltd	India	85.0	-
Schneider Electric Conzerv India PTE Ltd	India	100.0	100.0
CST Sensors India Private Limited	India	100.0	100.0
LK India Private Ltd	India	100.0	100.0
MGE UPS Systems India Private Ltd	India	-	100.0
Schneider Electric India Private Ltd	India	100.0	100.0
PT Areva T&D (Distribution business only)	Indonesia	67.7	-
PT Bowden Industries Indonesia	Indonesia	100.0	100.0
PT Clipsal Manufacturing Jakarta	Indonesia	100.0	100.0
PT Schneider Electric IT Indonesia	Indonesia	100.0	100.0
PT Merten Intec Indonesia	Indonesia	100.0	100.0
PT Schneider Electric Indonesia	Indonesia	100.0	100.0
PT Schneider Electric Manufacturing Batam	Indonesia	100.0	100.0
PT Unelec Indonesia (Distribution business only)	Indonesia	100.0	-
APC Japan, Inc.	Japan	100.0	100.0
Arrow Co., Ltd	Japan	100.0	100.0
Digital Electronics Corporation	Japan	99.9	99.9
Schneider Electric Japan Holdings Ltd	Japan	100.0	100.0
Toshiba Schneider Inverter Corp.	Japan	60.0	60.0
Clipsal (Malaysia) Sdn Bhd	Malaysia	100.0	100.0
Clipsal Integrated Systems (M) Sdn Bhd	Malaysia	100.0	100.0
Clipsal Manufacturing (M) Sdn Bhd	Malaysia	100.0	100.0
DESEA Sdn Bhd	Malaysia	100.0	100.0
Gutor Electronic Asia Pacific Sdn Bhd	Malaysia	100.0	100.0
Huge Eastern Sdn Bhd	Malaysia	100.0	100.0
KSLA Energy & Power Solutions (M) Sdn Bhd	Malaysia	100.0	100.0
PDL Electric (M) Sdn Bhd	Malaysia	100.0	100.0
Schneider Electric (Malaysia) Sdn Bhd	Malaysia	30.0	30.0
Schneider Electric Energy Malaysia Sdn Bhd	Malaysia	100.0	-

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		% interest Dec. 31, 2010	% interest Dec. 31, 2009
Schneider Electric Industries (M) Sdn Bhd	Malaysia	100.0	100.0
Schneider Electric IT Malaysia Sdn Bhd	Malaysia	100.0	100.0
Schneider Electric Manufacturing (M) Sdn Bhd	Malaysia	100.0	100.0
Citect NZ 2005 Ltd	New Zealand	100.0	100.0
Schneider Electric (NZ) Ltd	New Zealand	100.0	100.0
American Power Conversion Land Holdings Inc.	Philippines	100.0	100.0
Clipsal Philippines	Philippines	100.0	100.0
MGE UPS Systems Philippines Inc.	Philippines	100.0	100.0
Schneider Electric (Philippines) Inc.	Philippines	100.0	100.0
Clipsal International Pte. Ltd	Singapore	100.0	100.0
KSLA Energy & Power Solution Pte. Ltd	Singapore	100.0	100.0
Merten Asia Pte. Ltd	Singapore	100.0	100.0
MGE Logistic South Asia Pacific Pte. Ltd	Singapore	100.0	100.0
Pelco Asia Pacific Pte. Ltd	Singapore	100.0	100.0
Schneider Electric Buildings Singapore Pte. Ltd	Singapore	100.0	100.0
Schneider Electric Export Services Pte. Ltd	Singapore	100.0	100.0
Schneider Electric ISC (S) Pte. Ltd	Singapore	100.0	100.0
Schneider Electric IT Logistics Asia Pacific Pte. Ltd	Singapore	100.0	100.0
Schneider Electric IT Singapore Pte. Ltd	Singapore	100.0	100.0
Schneider Electric Logistics Asia Pte. Ltd	Singapore	100.0	100.0
Schneider Electric Overseas Asia Pte. Ltd	Singapore	100.0	100.0
Schneider Electric Singapore Pte. Ltd	Singapore	100.0	100.0
Schneider Electric South East Asia (HQ) Pte. Ltd	Singapore	100.0	100.0
TAC (IBS) Pte. Ltd	Singapore	100.0	100.0
TAC Control Asia Pte. Ltd	Singapore	100.0	100.0
Pro Face Korea Co. Ltd	South Korea	99.9	99.9
Schneider Electric Korea Ltd (ex Samwha EOCR Co. Ltd)	South Korea	100.0	100.0
Schneider Electric IT Korea	South Korea	-	100.0
Schneider Electric Korea Ltd	South Korea	-	100.0
Schneider Electric Lanka (Private) Limited	Sri Lanka	100.0	100.0
Pro Face Taiwan Co. Ltd	Taiwan	99.9	99.9
Schneider Electric Taiwan Co. Ltd	Taiwan	100.0	100.0
Clipsal (Thailand) Co. Ltd	Thailand	95.1	95.1
MGE UPS Systems SA (Thailand) Co. Ltd	Thailand	100.0	100.0
Pinnacle Supplier Company Limited	Thailand	-	100.0
Pro Face South East Asia Pacific Co. Ltd	Thailand	100.0	99.9
Schneider (Thailand) Ltd	Thailand	100.0	100.0
Schneider Electric CPCS (Thailand) Co. Ltd	Thailand	100.0	100.0
Square D Company (Thailand) Ltd	Thailand	100.0	100.0
Clipsal Vietnam Co. Ltd	Vietnam	100.0	100.0
MGE UPS Systems Viet Nam Limited	Vietnam	100.0	-
Schneider Electric Vietnam Co. Ltd	Vietnam	100.0	100.0
<i>Accounted for by proportionate method</i>			
Delixi Electric Ltd (sub-group)	China	50.0	50.0
<i>Accounted for by equity method</i>			
Sunten Electric Equipment	China	50.0	-
Fuji Electric FA Components & Systems Co., Ltd (sub-group)	Japan	37.0	37.0
Schneider Electric Engineering Ltd	Japan	40.0	40.0





		% interest Dec. 31, 2010	% interest Dec. 31, 2009
Rest of the world			
<i>Fully consolidated</i>			
Delixi Electric Algérie	Algeria	100.0	-
SARL Schneider Electric Algérie	Algeria	100.0	100.0
MGE UPS Systems Argentina SA	Argentina	100.0	100.0
Schneider Electric Argentina SA	Argentina	100.0	100.0
Clipsal Middle East	Bahrain	80.0	80.0
Xantrex International SRL	Barbados	-	100.0
Palatine Ridge Insurance Company Ltd	Bermuda	-	100.0
Standard Holdings Ltd	Bermuda	-	100.0
APC Brasil Ltda	Brazil	100.0	100.0
Areva Transmissao & Distribuicao de Energia Ltda (Distribution business only)	Brazil	100.0	-
CST Latino America Comercio E Representacao de Produtos Electricos E Electronicos Ltda	Brazil	99.8	99.8
MGE UPS Systems Do Brasil Ltda	Brazil	100.0	100.0
Microsol Tecnologia SA	Brazil	100.0	100.0
Ram Do Brasil, Ltda.	Brazil	100.0	100.0
SB Soluções Tecnológicas Ltda	Brazil	100.0	-
Schneider Electric Brasil Ltda	Brazil	100.0	100.0
Schneider Electric Participações Ltda	Brazil	-	100.0
Softbrasil Automação Ltda	Brazil	100.0	-
Waltec Equipamentos Electricos Ltda	Brazil	100.0	-
Xantrex Technology (BVI) Inc.	British Virgin Islands	-	100.0
Inversiones Schneider Electric Uno Limitada	Chile	100.0	100.0
Marisio SA	Chile	100.0	100.0
Schneider Electric Chile SA	Chile	100.0	100.0
Areva T&D S.A. (Distribution business only)	Colombia	100.0	-
Dexson Electric SA	Colombia	100.0	-
Schneider de Colombia SA	Colombia	80.0	80.0
Schneider Centroamerica SA	Costa Rica	100.0	100.0
Delixi Electric Egypt s.a.e	Egypt	98.0	98.0
Schneider Electric Distribution Company	Egypt	87.4	87.4
Schneider Electric Egypt SA	Egypt	91.0	91.0
Schneider Electric Industries Iran	Iran	89.0	89.0
Telemecanique Iran	Iran	100.0	100.0
Schneider Electric LLP	Kazakhstan	100.0	100.0
Schneider Electric East Mediterranean SAL	Lebanon	96.0	96.0
Crouzet SA	Morocco	100.0	100.0
Delixi Electric Maroc SARL AU	Morocco	100.0	100.0
Schneider Electric IT Morocco, SA	Morocco	100.0	100.0
Schneider Electric Maroc	Morocco	100.0	100.0
Delixi Electric West Africa Ltd	Nigeria	100.0	100.0
Schneider Electric Nigeria Ltd	Nigeria	100.0	100.0
Schneider Electric Oman LLC	Oman	100.0	-
Areva T&D Pakistan Privated Limited (Distribution business only)	Pakistan	80.0	-
Schneider Electric Peru SA	Peru	100.0	100.0
Cimac Electrical and Automation W.L.L	Qatar	75.0	-
Areva T&D Saudi Arabia (Distribution business only)	Saudi Arabia	100.0	-
EPS Electrical Power Distribution Board & Switchgear Ltd	Saudi Arabia	51.0	51.0

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		% interest Dec. 31, 2010	% interest Dec. 31, 2009
Alight Investment Holdings (Pty) Ltd	South Africa	74.9	100.0
Citect (Pty) Ltd	South Africa	74.9	100.0
Clipsal Industries (Pty) Ltd	South Africa	74.9	100.0
Clipsal Manufacturing (Pty) Ltd	South Africa	74.9	100.0
Clipsal South Africa (Pty) Ltd	South Africa	74.9	100.0
Clipsal Electronic Systems (Pty) Ltd	South Africa	74.9	100.0
Delixi Electric South Africa (Pty) Ltd	South Africa	100.0	100.0
Hoist-Tec (Pty) Ltd	South Africa	74.9	100.0
Merlin Gerin SA (Pty) Ltd	South Africa	80.0	80.0
Nu-Lec Africa (Pty) Ltd	South Africa	74.9	49.0
Pelco Video Security South Africa (Pty) Ltd	South Africa	100.0	100.0
RBF Technology (Pty) Ltd.	South Africa	74.9	74.0
Schneider Electric IT South Africa (Pty) Ltd	South Africa	100.0	100.0
Schneider Electric South Africa (Pty) Ltd	South Africa	74.9	100.0
Schneider Investment Holdings (Pty) Ltd	South Africa	100.0	100.0
Valortrade 27 (Pty) Ltd trading as SMSVend	South Africa	80.0	80.0
Areva T&D Enerji Endustrisi A.S. (Distribution business only)	Turkey	100.0	-
DMR Demirbag Elektrik Malzemeleri Ticaret Anonim Sirketi	Turkey	100.0	100.0
Metesan Elektrik Malzemeleri Ticaret Ve Pazarlama A.S.	Turkey	100.0	100.0
Schneider Electric Bilgi Teknolojileri Ticaret Ve Pazarlama A.S	Turkey	100.0	100.0
Schneider Elektrik Sanayi Ve Ticaret A.S.	Turkey	100.0	100.0
Cimac Electrical and Control Systems LLC	United Arab Emirates	80.0	-
Cimac FZCO	United Arab Emirates	100.0	-
Cimac LLC	United Arab Emirates	49.0	-
Clipsal Middle East FZC	United Arab Emirates	100.0	80.0
Clipsal Middle East FZCO	United Arab Emirates	100.0	100.0
CLS Systems FZCO	United Arab Emirates	100.0	-
Delixi Electric FZE	United Arab Emirates	100.0	100.0
Hunter Watertech Middle East FZE	United Arab Emirates	100.0	-
Schneider Electric DC MEA FZCO	United Arab Emirates	100.0	-
Schneider Electric FZE	United Arab Emirates	100.0	100.0
Schneider Electric RAK FZE	United Arab Emirates	100.0	100.0
APC Uruguay SA	Uruguay	100.0	100.0
Schneider Electric Venezuela SA	Venezuela	91.9	91.9



> 6. Statutory Auditors' report on the consolidated financial statements

This is a free translation into English of the Statutory Auditors' report on the consolidated financial statements issued in French and it is provided solely for the convenience of English speaking users. The Statutory Auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the audit opinion on the consolidated financial statements and includes an explanatory paragraph discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the consolidated financial statements taken as a whole and not to provide separate assurance on individual account balances, transactions, or disclosures. This report also includes information relating to the specific verification of information given in the management report and in the documents addressed to shareholders. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Shareholders,

In compliance with the assignment entrusted to us by your annual shareholders' meeting, we hereby report to you, for the year ended December 31, 2010, on:

- the audit of the accompanying consolidated financial statements of Schneider Electric S.A.;
- the justification of our assessments;
- the specific verification required by French law.

These consolidated financial statements have been approved by the Management Board. Our role is to express an opinion on these consolidated financial statements based on our audit.

I - Opinion on the consolidated financial statements

We conducted our audit in accordance with professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Company as at December 31, 2010 and of the results of its operations for the year then ended in accordance with IFRS, as adopted by the European Union.

Without qualifying our opinion, we draw your attention to note 1 "Accounting Policies" to the consolidated financial statements referring to the presentation of the consolidated financial statements and the new applicable accounting standards.

II - Justification of assessments

In accordance with the requirements of article L. 823-9 of French Commercial Code (Code de commerce) relating to the justification of our assessments, we bring to your attention the following matters:

- Note 1.9 to the consolidated financial statements explains the method for recognising research and development costs and describes the criteria under which development costs may be capitalised. We reviewed the data and assumptions used to identify projects that qualify for capitalisation, as well as the group's calculations, and verified that adequate disclosure is made in the notes to the consolidated financial statements.

- As explained in notes 1.11 and 8 to the consolidated financial statements, intangible assets and goodwill are tested for impairment at least once a year and when factors exist indicating that the related assets may have suffered a loss of value. We analysed, on a test basis, the indicators of a loss of value and the other information evidencing the absence of any loss of value. We reviewed the data, assumptions used, and calculations made, and verified that adequate disclosure is made in the notes to the consolidated financial statements.
- As indicated in notes 1.16 and 16 to the consolidated financial statements, future tax benefits arising from the utilisation of tax loss carry forwards are recognised only when they can reasonably be expected to be realised. We verified the reasonableness of the assumptions used to produce estimate of future taxable income used to support assessments of the recoverability of these deferred tax assets.
- Notes 1.19 and 22 describe the method for valuing pensions and other post-employment obligations. Actuarial valuations were performed for these commitments. We reviewed the data, assumptions used, and calculations made, and verified that adequate disclosure is made in the notes to the consolidated financial statements.
- Note 7 "Restructuring costs" states the amount of restructuring costs recorded in 2010. We verified that, based on currently available information, these costs concern restructuring measures initiated or announced before December 31, 2010, for which provisions have been recorded based on an estimate of the costs to be incurred. We also reviewed the data and assumptions used by the group to make these estimates.

These assessments were made as part of our audit of the consolidated financial statements taken as a whole and therefore contributed to the opinion we formed which is expressed in the first part of this report.

III- Specific verification

As required by law we have also verified in accordance with professional standards applicable in France the information presented in the Group's management report.

We have no matter to report as to its fair presentation and its consistency with the consolidated financial statements.

Courbevoie and Neuilly-sur-Seine, February 16, 2011

The statutory Auditors

French original signed by

Mazars
David CHAUDAT

Ernst & Young et Autres
Yvon SALAÜN



Company financial statements

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> 1. Balance sheet

Assets

<i>(in thousands of euros)</i>	Notes	Gross	A. & D. or Prov.	Dec. 31, 2010 Net	Dec. 31, 2009 Net	Dec. 31, 2008 Net
Non-current assets:						
<i>Intangible assets</i>						
Intangible rights	1.1	27,474	(27,474)	-	-	-
<i>Property, plant and equipment</i>						
Land	1.2	2,964		2,964	2,965	2,965
Buildings		48	(48)	-	-	-
Other		1,469	(243)	1,226	1,226	1,218
		31,955	(27,764)	4,190	4,191	4,183
<i>Investments</i>						
Shares in subsidiaries and affiliates	2.1	4,608,104	(17,897)	4,590,207	4,590,203	4,589,388
Other investment securities	2.2	160,081	(77)	160,004	160,004	176,386
Advances to subsidiaries and affiliates	2.3	3,140,038	(61)	3,139,977	3,139,107	3,928,808
Other		-	-	-	-	10,366
		7,908,223	(18,035)	7,890,188	7,889,315	8,704,949
Total non-current assets		7,940,178	(45,799)	7,894,378	7,893,505	8,709,132
Current assets:						
<i>Accounts receivable</i>						
Accounts receivable - trade		58	-	58	136	49
Other	3	230,307	(45,260)	185,047	2,394	43,938
		230,365	(45,260)	185,105	2,529	43,987
<i>Cash and cash equivalents</i>						
Marketable securities	4	217,284	-	217,284	219,240	192,779
Advances to the Group cash pool	5	6,481,885	-	6,481,885	6,065,867	4,859,208
Other		981	-	981	15	49
		6,700,150	-	6,700,150	6,285,122	5,052,036
Total current assets		6,930,515	(45,260)	6,885,255	6,287,651	5,096,022
Accruals and other assets:						
Prepaid expenses	6.1	1,696	-	1,696	1,616	2,714
Deferred charges	6.2	8,943	-	8,943	8,952	7,601
Call premiums	6.3	49,995	-	49,995	53,593	30,298
Translation losses		-	-	-	-	24,730
TOTAL ASSETS		14,931,328	(91,059)	14,840,268	14,245,318	13,870,496

The notes form an integral part of these company financial statements.

Equity and liabilities

<i>(in thousands of euros)</i>	Note	Dec. 31, 2010	Dec. 31, 2009	Dec. 31, 2008
Equity:				
Share capital	7.1	2,175,673	2,102,016	1,979,405
Additional paid-in capital	7.2	6,392,899	5,831,637	5,276,257
Reserves and retained earnings				
Legal reserve		210,202	197,941	196,239
Retained earnings	7.3	256,681	322,373	13,567
Net income for the financial year		702,982	475,753	1,147,592
Untaxed provisions		2	425	425
Total equity		9,738,439	8,930,145	8,613,485
Provisions for contingencies and pension accruals:				
Provisions for contingencies	8	45	959	992
Provisions for pension accruals		31,704	31,779	31,809
Total provisions for contingencies and pension accruals		31,749	32,738	32,801
Non-current liabilities:				
Bonds	9	4,544,565	4,707,565	3,667,565
Other borrowings	10	510,369	514,487	1,325,706
Amounts payable to subsidiaries and affiliates		13	13	13
Borrowings and financial liabilities	11	3	46,678	189,889
		5,054,951	5,268,743	5,183,173
Current liabilities:				
Accounts payable - trade		288	251	91
Accrued taxes and payroll costs		5,148	3,363	3,009
Other		9,694	10,013	12,275
		15,130	13,626	15,375
Total non-current and current liabilities		5,070,081	5,282,369	5,198,548
Deferred income		-	66	961
Translation gains		-	-	24,701
TOTAL EQUITY AND LIABILITIES		14,840,268	14,245,318	13,870,496

The notes form an integral part of these company financial statements.



> 2. Statement of income

<i>(in thousands of euros)</i>	Note	2010	2009	2008
Sales of services and other		2,379	2,455	1,964
Reversals of provisions, depreciation and amortisation and expense transfers		1,992	2,424	2,681
Operating revenues		4,371	4,879	4,645
Purchases and external expenses		5,549	8,533	8,610
Taxes other than on income		1,726	2,063	2,334
Payroll expenses		8,198	5,862	5,750
Depreciation, amortisation and provision expense		200	1,973	2,140
Other operating expenses and joint-venture losses		1,005	1,257	1,757
Operating expenses		16,678	19,689	20,590
Operating profit/loss		(12,307)	(14,810)	(15,946)
Dividend income		691,233	540,925	951,827
Interest income		142,631	182,775	431,325
Reversals of impairment provisions for long-term receivables and other		0	103	0
Financial income		833,864	723,803	1,383,152
Interest expense		319,904	321,229	285,563
Provision expense		4,484	1,926	1,835
Financial expenses		324,388	323,155	287,398
Net financial income/(loss)	14	509,476	400,649	1,095,754
Proceeds from fixed asset disposals		192	294	11,187
Provision reversals and expense transfers		1,499	32,433	17,460
Other		1,230	8,861	5,775
Non-recurring income		2,921	41,588	34,423
Carrying amount of fixed asset disposals		2,273	2,962	23,356
Provisions, depreciation and amortisation		0	0	31,494
Other		56	410	12,335
Non-recurring expenses		2,329	3,372	67,184
Net non-recurring income/(expense)	15	592	38,216	(32,762)
Net income tax benefit	16	205,221	51,700	100,546
NET INCOME		702,982	475,753	1,147,592

The notes form an integral part of these company financial statements.

3. Notes to the financial statements *(All amounts in thousands of euros unless otherwise indicated)*

Significant events of the financial year

During the financial year, Schneider Electric SA carried out EUR635 million in share capital increases, as follows:

- the payment of the 2009 dividend in stock, for EUR330 million;
- the employee share issue carried out on July 8, 2010 as part of the worldwide Employee Stock Purchase Plan, for EUR144 million;
- the exercise of stock options, for EUR161 million.

The Company carried out several bond issues during the financial year for a nominal aggregate of EUR1 billion, and redeemed EUR900 million worth of bonds issued in 2005 upon maturity on August 11, 2010.

Furthermore, on July 21, 2010 the Company carried out a partial redemption of the EUR750 million bond issue maturing on July 16, 2013 for a nominal amount of EUR263 million on the basis of a purchase price of EUR299 million. This deal gave rise to the recognition of EUR36 million in financial expenses.

Lastly, the Company redeemed the outstanding EUR46 million in commercial paper.

Accounting principles

As in the prior financial year, the financial statements for the financial year ended December 31, 2010 have been prepared in accordance with French generally accepted accounting principles.

Non-current assets

Non-current assets of all types are stated at cost.

Intangible assets

Intangible rights are amortised over a maximum of five years.

Property, plant and equipment

Items of property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives, ranging from 3 to 10 years.

Shares in subsidiaries and affiliates

Shares in subsidiaries and affiliates are stated at acquisition cost.

Provisions for impairment may be funded where the carrying amount is higher than the estimated value in use at the end of the financial year. This estimate is primarily determined on the basis of the underlying net assets, earnings outlook and economic forecasts. For the more recently-acquired investments, the analysis also takes account of the acquired business goodwill.

For listed securities, the average stock price over the previous month is used. Unrealised gains resulting from such estimates are not recognised.

Own shares

Treasury stock is stated at weighted average cost.

In the case of treasury stock held for allocation on the exercise of stock options, a provision is recorded if the exercise price is lower than the carrying value of the related treasury shares or if the average stock price for the month of December is lower than the weighted average cost.

Pension obligations

The present value of termination benefits is determined using the projected unit credit method.

Provisions are funded for the supplementary pension benefits provided by the Company on the basis of the contractual terms of top-hat agreements.

The Company applies the corridor method to actuarial gains and losses arising from changes in estimates. Under this method, the portion of net cumulative actuarial gains and losses exceeding 10% of the projected benefit obligation is amortised over 10 years.

Currency risk

Where necessary, a contingency provision is in place for unrealised exchange losses. However, where there are unrealised exchange gains and losses on back-to-back transactions in the same currency and with the same maturity, the amount of the provision is then limited to the net loss.

Bonds

Redemption premiums and issue costs are amortised over the life of the bonds.



Note 1 Non-current assets

1.1 - Intangible assets

This item primarily consists of share issue and merger expenses, which are fully amortised.

1.2 - Tangible assets

Tangible assets	Dec. 31, 2009	Additions	Disposals	Dec. 31, 2010
Cost	4,481	-	(1)	4,480
Depreciation	(290)	-	-	(290)
NET	4,191	-	(1)	4,190

Note 2 Investments

2.1 - Shares in subsidiaries and affiliates

Shares in subsidiaries and affiliates	Dec. 31, 2009	Additions	Disposals	Dec. 31, 2010
Cost	4,608,100	4	-	4,608,104
Provisions	(17,897)	-	-	(17,897)
NET	4,590,203	4	-	4,590,207

The main changes over the financial year stemmed from participation in capital increases at Cofibel and Cofimines.

The main investments at December 31, 2010 were as follows:

Shares in subsidiaries and affiliates	Carrying value
Schneider Electric Industries SAS	4,344,481
Cofibel	136,943
Cofimines	82,614
Digital Holdings Co Ltd	21,249
Other (less than EUR20 million)	4,920
TOTAL	4,590,207

2.2 - Other investment securities

Other investment securities	Dec. 31, 2009	Increases	Decreases	Dec. 31, 2010
Schneider Electric SA shares	48,778	-	-	48,778
Other	111,303	-	-	111,303
Provisions for other shares	(77)	-	-	(77)
NET	160,004	-	-	160,004

Other investment securities primarily include Schneider Electric SA shares acquired for allocation on the exercise of certain stock options. Schneider Electric SA has not reclassified own shares allocated to this line item as of December 31, 2004. However, since then, all purchases made for allocation to stock option plans have been classified as marketable securities.

At both December 31, 2010 and December 31, 2009, 997,077 own shares were recognised under "Other investment securities", representing a gross value of EUR49 million.

"Other" shares primarily consist of EUR111 million of AXA shares. The other investments included in this item have been fully written down.

2.3 - Advances to subsidiaries and affiliates

Advances to subsidiaries and affiliates	Dec. 31, 2009	Increases	Decreases	Dec. 31, 2010
Cost	3,139,168	90,850	(89,980)	3,140,038
Provisions	(61)	-	-	(61)
NET	3,139,107	90,850	(89,980)	3,139,977

At December 31, 2010, this item mainly consisted of two loans totaling EUR3 billion granted to Schneider Electric Industries SAS, repayable in 2011 and 2015, as well as accrued interest of EUR39 million.

Note 3 Other receivables

Other receivables	Dec. 31, 2010	Dec. 31, 2009
Cost	230,307	47,671
Provisions	(45,260)	(45,277)
NET	185,047	2,394

"Other receivables" primarily consist of the EUR207 million in group relief, net of EUR54 million in advances to subsidiaries, representing a net amount of EUR153 million.

As of December 31, 2010, line item still included EUR45 million in disputed receivables, all fully written down.

Note 4 Marketable securities

	Dec. 31, 2009		Aquisitions	Disposals	Dec. 31, 2010	
	Number of shares	Value	Value	Value	Value	Number of shares
Plan 26	761,313	45,129		(1,829)	43,300	730,453
Plan 27	948,241	54,255		(127)	54,128	946,027
Plan 28	1,000,000	57,348			57,348	1,000,000
Plan 29	31,333	1,797			1,797	31,333
Plan 30	877,586	60,711			60,711	877,586
Cost	3,618,473	219,240	-	(1,956)	217,284	3,585,399
Provisions		-		-	-	
TOTAL NET		219,240	-	(1,956)	217,284	

Marketable securities primarily represent own shares held by the Company for allocation to stock option plans.



Note 5 Advances to the Group cash pool

This item consists of interest-bearing advances by Schneider Electric SA to the Group cash pool (Boissière Finance) that are recoverable on demand.

Note 6 Accruals and other assets

6.1 - Prepaid expenses

This circa EUR1 million line item consists of the expenses incurred in arranging a rate swap in connection with the EUR600 million bond issue of October 8, 2007.

6.2 - Bond issue expenses

Bond issue expenses	Dec. 31, 2009	Increases	Decreases	Dec. 31, 2010
August 11, 2005 due 2010 (€900 million)	215		(215)	-
August 11, 2005 due 2017 (€600 million)	991		(113)	878
July 17, 2006 due 2011 (€500 million)	62		(40)	22
July 17, 2006 due Jan. 2014 (€500 million)	101		(23)	78
Oct. 8, 2007 due 2015 (€600 million)	1,074		(214)	860
Feb. 16, 2007 due 2014 (€4,500 million) (bridge loan)	2,642		(526)	2,116
May 21, 2008 due 2013 (€18 million)	45		(14)	31
May 21, 2008 due 2013 (€183 million)	447		(129)	318
May 21, 2008 due 2015 (€55 million)	157		(31)	126
May 21, 2008 due 2015 (€129 million)	359		(64)	295
June 11, 2008 due 2013 (€12 million)	30		(9)	21
July 25, 2008 due 2016 (€177 million)	131		(16)	115
March 20, 2009 due 2018 (€250 million)	104		(11)	93
April 30, 2009 due 2014 (€150 million)	201		(37)	164
January 16, 2009 due 2013 (€750 million)	2,394		(1,231)	1,163
July 20, 2010 due 2016 (€300 million)		808	(55)	753
July 20, 2010 due 2016 (€200 million)		504	(19)	485
July 20, 2010 due 2020 (€500 million)		1,475	(49)	1,426
	8,952	2,787	(2,796)	8,943

6.3 - Redemption premiums

Redemption premiums	Dec. 31, 2009	Increases	Decreases	Dec. 31, 2010
Aug. 11, 2005 due 2010 (€900 million)	199		(199)	-
Aug. 11, 2005 due 2017 (€600 million)	3,208		(367)	2,841
July 17, 2006 due 2011 (€500 million)	306		(197)	109
July 17, 2006 due Jan. 2014 (€500 million)	1,856		(413)	1,443
Oct. 8, 2007 due 2015 (€600 million)	353		(71)	283
April 11, 2008 due 2018 (€55 million)	6,256		(672)	5,584
April 11, 2008 due 2018 (€125 million)	14,605		(1,566)	13,039
March 20, 2009 due 2018 (€250 million)	30,275		(3,234)	27,041
April 30, 2009 due 2014 (€150 million)	(3,734)		674	(3,060)
Jan. 16, 2009 due 2013 (€750 million)	270		(139)	131
July 20, 2010 due 2016 (€300 million)		2,031	(139)	1,892
July 20, 2010 due 2016 (€200 million)		(3,698)	138	(3,560)
July 20, 2010 due 2020 (€500 million)		4,400	(146)	4,254
	53,593	2,733	(6,331)	49,995

The increases in this line item were due to the 2010 bond issues (see note 9).

Note 7 Shareholders' equity and retained earnings

<i>(in millions of euros)</i>	Share capital	Additional paid-in capital	Reserves and retained earnings	Net income for the year	Untaxed provisions	Total
December 31, 2008 before allocation of net income for the year	1,979	5,276	210	1,148	1	8,614
Change in share capital	27	132				159
Allocation of 2008 net income			2	(2)		-
2008 dividend	96	423	309	(1,146)		(318)
2009 net income				476		476
December 31, 2009 before allocation of net income for the year	2,102	5,831	521	476	1	8,931
Change in share capital	39	265				304
Allocation of 2009 net income			12	(12)		0
2009 dividend	35	296	(66)	(464)		(199)
Other changes during the period					(1)	(1)
2010 net income				703		703
DECEMBER 31, 2010 BEFORE ALLOCATION OF NET INCOME FOR THE YEAR	2,175	6,393	467	703	0	9,738

7.1 - Capital

Share capital

The Company's share capital at December 31, 2010 amounted to EUR2,175,672,728, consisting of 271,959,091 shares with a par value of EUR8, all fully paid up.

Changes in share capital

During the financial year, 2,709,882 new shares were issued on the exercise of 9,207,066 stock options, increasing the share capital by EUR74 million.

Shareholders who chose the 2009 stock dividend option subscribed for 4,345,794 shares representing EUR35 million. A



further 2,151,390 shares were issued as part of the EUR17 million employee share issue while 2,709,882 stock options were exercised for EUR22 million.

Own shares

In 2010, Schneider Electric SA transferred to employees 33,074 own shares, acquired at a cost of EUR2 million. The total number of own shares held at the reporting date stood at 4,582,476, representing a total of EUR266 million.

7.2 - Additional paid-in capital

Additional paid-in capital rose by EUR561 million over the financial year, including EUR295 million from the 2009 stock dividend, EUR127 million from the employee share issue and EUR139 million from the exercise of stock options.

7.3 - Retained earnings

Pursuant to the third resolution of the Annual and Extraordinary Shareholders' Meeting of April 23, 2010, EUR12 million of the EUR476 million in 2009 distributable earnings was allocated to the legal reserve. EUR529 million was paid out in dividends (including EUR66 million deducted from retained earnings), EUR199 million of which was in cash.

Note 8 Provisions for contingencies and pension accruals

	Dec. 31, 2009	Increases	Decreases	Dec. 31, 2010
Provisions for contingencies				
Disputes	929	-	(914)	15
Other	30	-	-	30
	959	-	(914)	45
Provisions for pension accruals				
Pension accruals	31,779	1,900	(1,975)	31,704
	32,738	1,900	(2,889)	31,749

8.1 - Contingencies

Management is confident that overall the balance sheet provisions for disputes of which it is currently aware and in which the Company is involved should be sufficient to ensure that these disputes do not have a material impact on its financial position or income. This is particularly true of the provisions set aside to cover the potential consequences of a current dispute in Belgium involving former senior executives and managers of the Company.

In February 2010, the Company reversed a EUR1 million contingency provision funded in 2002 with respect to a non-trading real-estate company.

8.2 - Pension accruals

The Company has various obligations towards its current and retired senior executives and managers. Following an actuarial valuation carried out in 2010, the provision for these obligations was increased to EUR32 million.

The Company applied the corridor method to the actuarial gains and losses arising from this valuation (see "accounting principles"). At December 31, 2010, cumulative actuarial gains and losses totaled EUR5 million. From 2010, a total of EUR1.3 million, exceeding 10% of the obligation, is being amortised over 10 years.

Note 9 Bonds

	Share capital		Interest rate	Maturity
	Dec. 31, 2010	Dec. 31, 2009		
Schneider Electric SA 2010		900,000	3.125% Fixed	Aug. 11, 2010
Schneider Electric SA 2017	600,000	600,000	4.00% Fixed	Aug. 11, 2017
Schneider Electric SA 2011	500,000	500,000	Euribor +0.20% Floating	July 18, 2011
Schneider Electric SA 2014	500,000	500,000	4.50% Fixed	Jan. 17, 2014
Schneider Electric SA 2015	600,000	600,000	5.375% Fixed	Jan. 08, 2015
Schneider Electric SA 2017	125,000	125,000	4.00% Fixed	Aug. 11, 2017
Schneider Electric SA 2017	55,000	55,000	4.00% Fixed	Aug. 11, 2017
Schneider Electric SA 2016	177,565	177,565	Euribor +0.60% Floating	July 25, 2016
Schneider Electric SA 2013	100,000	100,000	CMS +1% Floating	July 31, 2013
Schneider Electric SA 2013	487,000	750,000	6.75% Fixed	July 16, 2013
Schneider Electric SA 2015	150,000	150,000	5.375% Fixed	Jan. 08, 2015
Schneider Electric SA 2017	250,000	250,000	4.00% Fixed	Aug. 11, 2017
Schneider Electric SA 2016	300,000	-	2.875% Fixed	July 20, 2016
Schneider Electric SA 2016	200,000	-	2.875% Fixed	July 20, 2016
Schneider Electric SA 2020	500,000	-	3.625% Fixed	July 20, 2020
	4,544,565	4,707,565		

Legend:

Fixed: fixed rate.

Floating: floating rate.

Schneider Electric SA has made a series of bond issues as part of its Euro Medium Term Notes ("EMTN") program over the past few years. The issues that had not matured as of December 31, 2010 were as follows:

- EUR300 and EUR200 million worth of 2.875% bonds successively issued in July and October 2010 and maturing on July 20, 2016;
- EUR500 million worth of 3.625% bonds issued in July 2010 and maturing on July 20, 2020;
- EUR150 million worth of bonds issued in May 2009 to top up the EUR600 million tranche at 5.375% maturing on January 8, 2015 and issued in October 2007, thereby raising the total issue to EUR750 million;
- EUR250 million worth of bonds issued in March 2009 to top up the EUR780 million twelve year tranche at 4% issued in August 2005, thereby raising the total issue to EUR1.03 billion;
- EUR750 million worth of 6.75% bonds issued in January 2009 and maturing on July 16, 2013. In July 2010, this bond was partly redeemed to the amount of EUR263 million, reducing the bond to EUR487 million;
- EUR100 million worth of bonds issued in July 2008 at a floating rate indexed to the 10 Year CMS (Constant Maturity Swap) and maturing on July 31, 2013;

- EUR177 million worth of floating-rate bonds issued in July 2008 and maturing on July 25, 2016;
- EUR180 million worth of bonds issued in April 2008 to top up the EUR600 million twelve year tranche at 4% issued in August 2005, thereby raising the total tranche to EUR780 million;
- EUR600 million worth of 5.375% bonds issued in October 2007 and maturing on January 8, 2015;
- EUR1 billion worth of bonds issued in July 2006, comprising a EUR500 million 5-year floating rate tranche and a EUR500 million 7 1/2-year 4.5% tranche;
- EUR600 million worth of 4% bonds issued in August 2005 and maturing in August 2017;

These bonds are traded on the Luxembourg stock market. The issue premiums and issue costs are amortised in line with the effective interest method.

Lastly, the Group redeemed EUR900 million worth of August 2005 bonds at maturity on August 11, 2010.



Note 10 Other borrowings

Other borrowings at December 31, 2010 included accrued interest on bonds and other debt issued by the Company. Following the issue of EUR1 billion worth of bonds in 2010, accrued interest amounted to EUR113 million, compared to EUR117 million at end-2009 .

Finally, this line item includes a EUR397 million "Schuldschein" loan granted by international banks in first-half 2008, comprising four tranches: a EUR129 million 7-year floating-rate tranche, a EUR55 million 7-year fixed-rate tranche, a EUR195 million 5-year floating-rate tranche and an EUR18 million 5-year fixed-rate tranche.

Note 11 Interest-bearing liabilities

Interest-bearing liabilities	Dec. 31, 2009	Increase	Decrease	Dec. 31, 2010
Commercial paper	46,000		(46,000)	
Overdrafts	651		(650)	1
Other	27	20	(45)	2
NET	46,679	20	(46,695)	3

In 2010, the Company redeemed all commercial paper.

Note 12 Maturities of receivables and payables

	Total	Due within 1 year	Due in 1 to 5 years	Due beyond 5 years
Non-current assets				
Advances to subsidiaries and affiliates	3,140,038	2,539,975	600,063	
Other investment				
Current assets				
Accounts receivable - trade	58	58		
Other receivables	230,307	180,223	50,084	
Marketable securities	217,284			217,284
Prepaid expenses	1,696	555	1,141	
Debt				
Bonds	4,544,565	500,000	1,837,000	2,207,565
Bank loans	397,000		397,000	
Other borrowings	113,369	113,369		
Amounts payable to subsidiaries and affiliates	13		13	
Interest-bearing liabilities	3	3		
Accounts payable - trade	288	288		
Accrued taxes and payroll costs	5,148	5,148		
Other	9,694	9,694		
Deferred income				

Note 13 Related-party transactions (minimum 10% interest)

	Gross	Net
Shares in subsidiaries and affiliates	4,605,421	4,587,524
Advances to subsidiaries and affiliates	3,140,029	3,139,967
Accounts receivable	997	767
Cash and cash equivalents	6,481,885	6,481,885
Interest-bearing liabilities	0	0
Accounts payable	0	0
Revenues:		
• Dividends		685,395
• Interest rate		67,341

Note 14 Net financial income

	Dec. 31, 2010	Dec. 31, 2009
Dividends	691,233	540,925
Net interest income (expense)	(177,272)	(138,454)
Other	(4,484)	(1,822)
NET FINANCIAL INCOME	509,477	400,649

The main 2010 dividends received by Schneider Electric SA were paid by its subsidiaries Schneider Electric Industries SAS (EUR672 million), Cofibel (EUR7 million), Cofirmines (EUR1 million), Muller (EUR5 million) as well as by AXA (EUR6 million).

The Schneider Electric Industries SAS subsidiary paid a dividend of EUR527 million in 2009.



Note 15 Net non-recurring income/(expense)

	Dec. 31, 2010	Dec. 31, 2009
Net gains/(losses) on fixed asset disposals	(2,081)	(2,668)
Provisions net of reversals	1,499	32,433
Other non-recurring income/(expense)	1,173	8,451
NET NON-RECURRING INCOME/(EXPENSE)	592	38,216

EUR2 million in losses on asset disposals were generated as part of the sale of own shares to employees under stock grant plans.

In February 2010, the Company reversed a EUR1 million contingency provision funded in 2002 with respect to a non-trading real-estate

company. The EUR0.4 million in mandatory tax amortisation recognised in 1996 was fully reversed in 2010.

At December 31, 2010, the "Other non-recurring income/(expense)" item was mainly comprised of a EUR1 million insurance payout relating to a dispute.

Note 16 Net income tax benefit

The "income tax expense" line item in the statement of income mainly consists of the Group relief recorded by the tax group headed by Schneider Electric SA. Group relief totaled EUR207 million in 2010, up on the EUR55 million the prior financial year.

Schneider Electric SA is the parent company of the tax group comprising all French subsidiaries that are over 95%-owned. Tax loss carryforwards available to the Company in this capacity totaled EUR1,396 million at December 31, 2010.

Note 17 Off-balance sheet commitments

17.1 - Partnership obligations

The share of liabilities of "SC" non-trading companies attributable to Schneider Electric SA as partner is not material.

The share of liabilities of "SNC" flow-through entities attributable to Schneider Electric SA as partner is not material.

17.2 - Guarantees given and received

Commitments given:

Counter-guarantees of bank guarantees: None

Other guarantees given: EUR29 million

Commitments received:

Bank counter-guarantees: None

17.3 - Financial instruments

Schneider Electric Group hedging transactions, exchange guarantees and the establishment of financial instruments are carried out by the manager of the Group cash pool, Boissière Finance, a wholly-owned subsidiary of Schneider Electric Industries SAS, which in turn is wholly-owned by Schneider Electric SA. Nevertheless, Schneider Electric SA has arranged fixed-rate/floating-rate interest rate swaps to hedge certain bond issues, the market value of which is as follows:

Underlying	Face value <i>(in euros)</i>	Maturity	Hedging instrument <i>(in thousands of euros)</i>	
			Impact on net financial income	Market value
Bond issue	500,000,000	July 18 2011	(16,912)	(8,399)
<i>Schuldschein</i>	195,000,000	May 21 2013	(7,613)	(14,502)
<i>Schuldschein</i>	129,000,000	May 21 2015	(4,979)	(13,549)
Private placement (CMS)	100,000,000	July 31 2013	(4,159)	(8,540)
Private placement (CMS)	100,000,000	July 31 2013	3,312	6,517
Bond issue	475,000,000	July 16 2013	10,506	15,428
TOTAL			(19,845)	(23,044)

Note 18 Other information

18.1 - Workforce

At December 31, 2010, the Company had two employees.

18.2 - Consolidated financial statements

Schneider Electric SA is the parent company of the Group and accordingly publishes the consolidated financial statements of the Schneider Electric Group.



> 4. Statutory Auditors' report on the financial statements

This is a free translation into English of the Statutory Auditors' report on the Financial Statements issued in French and it is provided solely for the convenience of English speaking users.

The Statutory Auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the audit opinion on the financial statements and includes an explanatory paragraph discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the financial statements taken as a whole and not to provide separate assurance on individual account balances, transactions, or disclosures.

This report also includes information relating to the specific verification of information given in the management report and in the documents addressed to shareholders.

This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Shareholders,

In compliance with the assignment entrusted to us by your Annual Shareholders' Meeting, we hereby report to you, for the year ended December 31, 2010 on:

- the audit of the accompanying financial statements of Schneider Electric SA;

- the justification of our assessments;
- the specific verifications and information required by law.

These financial statements have been approved by the Management Board. Our role is to express an opinion on these financial statements based on our audit.

I – Opinion on the financial statements

We conducted our audit in accordance with professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall

presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of the Company as at December 31, 2010 and of the results of its operations for the year then ended in accordance with French generally accepted accounting principles.

II – Justification of assessments

In accordance with the requirements of article L. 823-9 of the French Commercial Code (*Code de commerce*) relating to the justification of our assessments, we bring to your attention the following matters:

As part of our assessment of the accounting principles and methods used by your company, we verified the appropriateness of the principles and methods used to value shares in subsidiaries and affiliates, described in the section on accounting principles and in

note 2 to the financial statements, and obtained assurance that they were correctly applied.

Our assessments were made in the context of the performance of our audit of the financial statements, taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

III – Specific verifications and information

We have also performed the specific verifications required by law, in accordance with professional standards applied in France.

We have no matters to report regarding the fair presentation and conformity with the financial statements of the information given in the Management Board's report and in the documents addressed to the shareholders with respect to the financial position and the financial statements.

Regarding the information provided in accordance with the requirements of article L. 225-102-1 of French Commercial Code relating to the compensation and benefits paid to the Corporate officers concerned and the engagement granted to them, we verified the conformity with the financial statements, or with the data used for the preparation of the financial statements; and, when applicable, with the information collected by the Company from the companies

which control your Company or are controlled by your Company. On the basis of the audit we performed, we attest that this information is true and fair.

In accordance with French Law, we have ensured that the required information concerning the purchase of investments and controlling interests and the names of the principal shareholders has been properly disclosed in the Management Board's report.

Neuilly-sur-Seine and Courbevoie, February 16, 2011,

The statutory Auditors

French original signed by

Ernst & Young et Autres

Yvon SALAÜN

Mazars

David CHAUDAT

5. List of securities held at December 31, 2010

Number amount <i>(in thousands of euros)</i>	Company	Carrying of securities
A. Major investments		
<i>(Carrying amounts over EUR15 thousand)</i>		
56,019,611	Schneider Electric Industries SAS	4,344,481
10,612,667	AXA	111,172
44,271	SELF	2,683
1,300	Vigéo SAS	53
997,077	Schneider Electric SA own shares	48,778
		4,507,167
B. Other investments		
<i>(Carrying amounts under EUR15 thousand)</i>		
		1,038
C. Investments in real estate companies		
		-
D. Investments in foreign companies		
		242,005
TOTAL		4,750,210
Marketable securities		
3,585,399	Schneider Electric SA own shares <i>(stock option plans 26, 27, 28, 29 and 30)</i>	217,284
TOTAL		217,284



> 6. Subsidiaries and affiliates

Company <i>(in thousands of euros)</i>	Capital	Reserves and retained earnings & retained earnings prior to appropriation of earnings*	Share interest held (%)
Detailed information on subsidiaries and affiliates with a carrying amount of over 1% of the share capital of Schneider Electric SA			
I. of over 1% of the share capital of Schneider Electric SA			
A. Subsidiaries (at least 50% owned)			
Schneider Electric Industries SAS 35, rue Joseph Monier – 92500 Rueil-Malmaison, France	896,313	5,052,947	100.00
Cofibel 18/20, avenue Winston Churchill - 1180 Brussels, Belgium	55,362	159,610	99.65
Cofimines 18/20, avenue Winston Churchill - 1180 Brussels, Belgium	41,522	66,482	99.81
B. Affiliates (10 to 50%-owned)			
Digital Holdings Co Ltd 8-2-52 Nanko-Higashi - 559 0031 Suminoe Osaka, Japan	3,580	106,644	16.07
II. Other subsidiaries and affiliates			
A. Subsidiaries not included in Section I: (+50%)			
a) French subsidiaries (aggregate)			
b) Foreign subsidiaries (aggregate)			
B. Affiliates not included in Section I: (0-50%)			
a) French companies (aggregate)			
b) Foreign companies (aggregate)			

* Including income or loss in prior financial year.

<u>Book value of securities held</u>		Loans and advances provided by the Company and still outstanding	Amount of guarantees given by the Company	Sales (ex. VAT) in the past financial year	Profit or loss (-) in the past financial year	Dividends received by the Company during the financial year	Comments
Gross	Net						
4,344,481	4,344,481	3,139,967	-	3,417,756	1,502,317	672,235	
136,943	136,943	-	-	Holding company	154,023	6,536	
82,614	82,614	-	-	Holding company	34,425	1,421	
21,249	21,249	-	-	-	(180)		
18,934	1,038	-	-	-	-	5,073	
-	-	-	-	-	-	-	
113,985	113,909	-	-	-	-	5,968	
1,200	1,200	-	-	-	-	-	



> 7. The Company's financial results over the last five years

Description	2010	2009	2008	2007	2006
Financial position at december 31					
Share capital <i>(in thousands of euros)</i>	2,175,672	2,102,016	1,979,405	1,962,395	1,821,587
Number of shares in issue	271,959,091	262,752,025	247,425,629	245,299,366	227,698,348
Number of convertible bonds in issue <i>(in thousands)</i>		-	-	-	-
Maximum number of shares to be created <i>(in thousands)</i> :					
• Through conversion of bonds		-	-	-	-
• Through exercise of rights	7,478	9,860	9,183	9,382	10,174
Results of operations <i>(in thousands of euros)</i>					
Sales (ex. VAT)	2,225	2,419	1,906	946	1,735
Investment revenue, interest income and other revenue	833,865	723,928	1,623,715	747,914	812,373
Earnings before tax, depreciation, amortisation and provisions	506,204	393,238	1,087,409	136,259	683,335
Income tax	9,922	13,244	10,883	11,099	4,304
Earnings after tax, depreciation, amortisation and provisions	702,982	475,753	1,147,592	226,643	887,825
Dividends paid ⁽¹⁾ excluding tax credit and withholdings	870,269 ⁽²⁾	538,642	853,618	809,488	683,095
Results of operations per share <i>(in euros)</i>					
Earnings before depreciation, amortisation and provisions	2.62	1.71	4.72	0.51	3.92
Earnings after tax, depreciation, amortisation and provisions	2.58	1.81	4.64	0.92	3.90
Net dividend per share	3.20 ⁽²⁾	2.05	3.45	3.30	3.00
Employees					
Average number of employees during the financial year	2	2	1	2	2
Total payroll for the financial year <i>(in thousands of euros)</i>	4,262	3,859	4,376	4,291	3,648
Total of employee benefits paid over the financial year (Social security, other benefits, etc.) <i>(in thousands of euros)</i>	3,936	2,004	1,374	2,606	1,194

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

(2) Pending approval by the Annual Shareholders' Meeting of April 21, 2011.



General presentation of Schneider Electric SA

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This report includes the Chairman's report on the conditions applicable for the preparation and organisation of the work carried out by the Supervisory Board and the internal control and risk management procedures implemented within the Company.

Paragraphs 2 (Shareholders' Meetings and Voting rights) and 7 below, as well as the paragraph entitled "A Management Board/Supervisory Board system", paragraphs 1, 2, 3, 4, 8 (Management Board and Executive Committee compensation policy and Pension benefits), 10 and 11 of Chapter 3 constitute the Supervisory Board Chairman's report prepared in accordance with article L. 225 -68 of the French Commercial Code. They are indicated with **.

> 1. General information

Schneider Electric SA is a French corporation (*Société Anonyme*) governed by the French Commercial Code, with issued capital of EUR2,175,672,728. Since May 3, 2006 it has had a two-tier management structure, with a Supervisory Board and a Management Board. Its head office is located at 35, rue Joseph Monier – 92500 Rueil-Malmaison, France (phone: +33 (0)1 41 29 70 00).

The Company is registered in Nanterre under no. 542 048 574, business identifier code (APE) 7010Z.

Schneider Electric SA was founded in 1871. Its term is up to July 1, 2031. The Company, which was called Spie Batignolles, changed its name to Schneider SA when it merged with Schneider SA in 1995, and then to Schneider Electric SA in May 1999.

As stated in Article 2 of its articles of association, the Company has the following objectives, directly or indirectly, engaged in any form, in France and elsewhere:

- (i) the design, development and sale of products, equipment and solutions related to the metering, management and use of energy in all its forms and delivering reliability, efficiency and productivity, in particular through the pursuance, whether by creating, acquiring or otherwise, of all activities related to:
 - electrical equipment manufacturing, electrical distribution and secure power supply;
 - building control, automation and safety;
 - industrial control and automation, including software;

- management of all types of data centers, networks, equipment and other infrastructure;
- (ii) the acquisition, purchase, sale and use of any intellectual or industrial property rights relative to these industries;
- (iii) involvement in any way in any enterprise, company or consortium, whatever the type, undertaking activities related to the Company's business or such as to encourage its industry and commerce, and, more generally, all industrial, commercial and financial, real estate and other operations related directly or indirectly in any way to the above objective.

The Company may perform any operations that fall within the scope of its objectives either alone for its own benefit or on behalf of third parties, either by having an interest in, or by the purchase, subscription, contribution or exchange of company shares, partnership shares and the purchase of any company, irrespective of type, in pursuance of a similar or related objective, or such as to encourage its extension or development.

The articles of association, minutes of Shareholders' Meetings, Auditors' reports and other legal documents concerning the Company are available for consultation at the Company's head office (Management Board secretariat) located at 35 rue Joseph Monier - 92500 Rueil-Malmaison, France.

The articles of association, regulated information, Registration Documents, sustainable development reports, calls to meeting and other documents are also available on the corporate website (<http://www.schneider-electric.com>).

> 2. Shareholders' rights and obligations

Annual Shareholders' Meetings (Article 23 of the articles of association)**

The procedures for calling and holding General Meetings are governed by French law.

The meetings are held at the head office or any other address provided in the call to meeting. When the decision is made to call a General Meeting, the Management Board may decide to make all or part of the meeting available for public viewing *via* videoconference or teletransmission.

All shareholders may attend personally or be represented at General Meetings after providing proof of their identity and share ownership in accordance with the applicable law and regulations.

When the decision is made to call a General Meeting, the Management Board may also decide to allow shareholders to participate or vote using videoconferencing facilities and/or any other telecommunication medium allowed under the applicable legislation.

Remote voting procedures are governed by the applicable laws and regulations. In particular, shareholders may send proxy and postal voting forms before General Meetings either on paper or, if approved by the Management Board and stated in the Meeting announcement and/or notice, electronically.

When the decision is made to call a General Meeting, the Management Board may authorise shareholders to fill out and sign these forms electronically through a secure site set up by the General Meeting organiser using a process that complies with Article 1316-4, paragraph 2, line 1 of the French Civil Code, for example by entering an ID and a password.

Proxies or votes submitted electronically before the General Meeting, as well as the related acknowledgements of receipt, will be considered irrevocable and binding documents. However, in the event that shares are sold before the applicable record date (i.e. midnight CET three days before the Meeting date), the Company will cancel or amend, as appropriate, any related proxies or votes submitted electronically before the General Meeting.

The Chairman of the Supervisory Board chairs the General Meetings. In his absence, he is replaced by the Vice Chairman or by another member of the Supervisory Board specifically designated for this purpose by the Supervisory Board. In the event that no Chairman has been selected, the General Meeting elects its Chairman.

The two shareholders with the largest number of voting rights present at the meeting or accepting the mission serve as scrutineers.

The meeting committee selects the secretary, who may or may not be a shareholder.

An attendance sheet is filled out in accordance with French law.

Copies or extracts of the Meeting's minutes are certified either by the Chairman or Vice Chairman of the Supervisory Board, a member of the Management Board or the General Meeting secretary.

Voting rights**

1 – Double voting rights (Article 24 of the articles of association)

Voting rights attached to shares are proportionate to the equity in the capital they represent, assuming that they all have the same par value. Each share carries one voting right, unless there are any unavoidable legal restrictions on the number of voting rights that may be held by any single shareholder. Notwithstanding the foregoing, double voting rights are attributed to fully paid-up shares registered in the name of the same holder for at least two years prior to the end of the calendar year preceding the one in which the General Meeting takes place, subject to compliance with the provisions of the law. In the case of a bonus share issue paid up by capitalising reserves, earnings or additional paid-in capital, each bonus share allotted in respect of shares carrying double voting rights will also have double voting rights.

The shares are stripped of their double voting rights if they are converted into bearer shares or transferred to another person, except in the case of an inheritance or family gift, with the transfer from one registered holder to another.

Double voting rights may also be stripped by a decision of the Extraordinary Shareholders' Meeting, ratified by a special meeting of shareholders benefiting from double voting rights.

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





2 – Ceiling on voting rights (Article 24 of the articles of association)

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

To apply these provisions:

- the total number of voting rights is calculated on the date of the Meeting and announced to shareholders when the Meeting is called to order;
- the number of voting rights held directly and indirectly include those attached to shares owned by a shareholder personally, those attached to shares held by a legal entity over which the shareholder exercises control, as defined in article L. 233-3 of the French Commercial Code, and those attached to shares assimilated to shares owned, as defined by article L. 233-7 *et seq.* of the French Commercial Code;

- proxies returned to the Company that do not appoint a representative are subject to the above ceilings. However, these ceilings do not apply to the Meeting Chairman voting on behalf of such proxies.

The above ceilings will no longer apply, without it being necessary to put the matter to the vote at a further Annual and Extraordinary Meeting, if any individual or legal entity, acting alone or jointly with one or other individuals or legal entities, acquires or increases its stake to at least two-thirds of the Company's capital through a public tender offer for all the Company's shares. In this case, the Management Board will place on record the lifting of the above ceilings and will amend the articles of association accordingly. The ceiling on voting rights was approved by the combined Annual and Extraordinary Shareholders' Meeting of June 27, 1995.

In accordance with article L. 225-96, paragraph 1 of the French Commercial Code, any amendment to the articles of association must be approved by shareholders in Extraordinary Meeting, by a majority of at least two-thirds of the voting rights represented by shareholders in attendance or participating by proxy.

Income appropriation (Article 26 of the articles of association)

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

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

- to the payment of a dividend.

The Annual Meeting may decide to offer shareholders the opportunity to receive the dividend in cash or in the form of new shares of common stock.

Dividends not claimed within five years from the date of payment become time-barred and are paid over to the State in accordance with the law.

Types of shares (Article 7 paragraph 1 of the articles of association)

Shareholders may elect to hold their shares in registered or bearer form. To establish proof of ownership, the shares must be recorded

in the shareholder's account in accordance with the procedures and conditions defined by current legislation and regulations.

Disclosure thresholds (Article 7 paragraph 2 of the articles of association)

The articles of association stipulate that any individual or legal entity that owns or controls (as these terms are defined in article L. 233-9 of the French Commercial Code) directly or indirectly, shares or voting rights representing at least 1% of the total number of shares or voting rights outstanding, or a multiple thereof, is required to disclose the total number of shares, voting rights and share equivalents held directly, indirectly or in concert to the Company by registered letter with return receipt requested, within five trading days of the disclosure threshold being crossed. In addition, effective November 1, 2009 the shareholder must notify the Company, in the disclosure letter, of the number of existing shares it is entitled to acquire by virtue of agreements or financial instruments referred to in point b) of the third

paragraph of article L. 233-7 of the French Commercial Code and of the number of existing shares covered by any agreement or financial instrument referred to in point c) of said paragraph. Shareholders are also required to notify the Company if the number of shares or voting rights held falls below one of the thresholds defined above. In the case of failure to comply with these disclosure obligations, the shares in excess of the disclosure threshold will be stripped of voting rights at the request of one or several shareholders owning at least 2.5% of the Company's capital, subject to compliance with the relevant provisions of the law. These disclosure thresholds were approved by the combined Annual and Extraordinary Shareholders' Meetings of June 27, 1995, May 5, 2000 and April 23, 2009.

Identifiable holders of bearer shares (Article 7 paragraph 3 of the articles of association)

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

Sale of shares (Article 8 of the articles of association)

The Company's shares are transferable and negotiable.

> 3. Capital

Share capital and voting rights

The Company's share capital at December 31, 2010 amounted to EUR2,175,672,728, represented by 271,959,091 shares with a par

value of EUR8, all fully paid up. At December 31, 2010, 287,955,220 voting rights were attached to the 271,959,091 outstanding shares.

Potential capital

At 31 December, 2010, stock options granted under:

- stock option plans 21-28 represented 3,600,272 shares;
- plans 29-33 represented another 1,830,863 shares corresponding to options to either subscribe new shares or purchase existing shares. The type of options (options to subscribe new shares or purchase existing shares) will be determined at a later date by the Management Board;

- stock grants made or to be made under plans 4-11 concerned 1,830,604 shares. The type of stock grants (exercisable for existing or new shares) will be determined at a later date by the Management Board;
- in addition, as part of employee share issues, the Company has issued 59,043 share subscription warrants;

Together, these plans represent a total of 7,478,782 shares.

The potential maximum dilution in case of issue of all the shares as a result of the exercise of options to subscribe, stock grants, performance-based grants and warrants would be 2.75% at December 31, 2010.





Authorisations to issue shares

The following authorisations were given to the Management Board at the Annual and Extraordinary Shareholders' Meetings of April 23, 2009 and April 22, 2010:

- 1) to increase the share capital by a maximum of EUR1,160 million (145 million shares) by issuing shares or share equivalents:
 - in the case of an issue with pre-emptive subscription rights, the ceiling stands at EUR800 million (100 million shares);
 - in the case of an issue without pre-emptive subscription rights, the ceiling stands at EUR360 million (45 million shares), with the additional possibility of private placements of shares subject to a ceiling of EUR100 million (12.5 million shares).The Management Board is also authorised to increase the number of common shares or securities to be issued, with or without preemptive subscription rights, if an issue is oversubscribed (subject to the overall limits defined above);
- 2) to increase the capital by a maximum of EUR360 million by issuing shares in payment for shares of another company tendered to a public exchange offer, or, within a limit of 10% of the Company's issued capital, in payment for shares or share equivalents of an unlisted company. The ceiling for such issues is not cumulative with the ceiling for issues without pre-emptive subscription rights;
- 3) to grant existing or new Schneider Electric SA shares to employees and corporate officers of the Company and its affiliates under the provisions of article L. 225-197-1 *et seq.* of the French Commercial Code, within a limit of 1% of the Company's issued capital as of April 23, 2009;

- 4) to grant options to purchase new or existing shares to employees and corporate officers of the Company and its affiliates under the provisions of articles L. 225-177 and L. 225-180 of the French Commercial Code, within a limit of 3% of the issued capital as of April 23, 2009;
- 5) to issue new shares to members of the Employee Stock Purchase Plan (ESPP), within a limit of 2% of the issued capital as of the date on which the authorisation is used;
- 6) to issue new shares under programs to promote stock ownership among employees in non-French subsidiaries, within a limit of 1% of the Company's share capital as of April 22, 2010.

At its meeting on December 15, 2010 the Supervisory Board authorised the Management Board to issue new shares of the Employee Stock Purchase Plan (ESPP) during 2011, within a limit of 1.1% of the Company's issued capital. The Management Board intends to use this authorisation in June 2011 to issue new shares to employees under a nonleveraged and leveraged stock ownership plan.

At the Annual Shareholders' Meeting to be held in April 2011 (see pages 279 to 281), the Management Board will ask shareholders to renew all the above authorisations for:

- the issue of new shares with or without pre-emptive subscription rights;
- the grant of options to purchase new or existing shares;
- stock grants or performance-based grants;
- the issue of new shares under programs to promote stock ownership among employees in French and foreign subsidiaries.

	Maximum aggregate par value of authorised share issues	Number of shares (in millions)	Authorisation date/authorisation expires	Used at Dec. 31, 2010
I – Issues with pre-emptive subscription rights: shares, warrants and other securities convertible, exchangeable, redeemable or otherwise exercisable for shares				
	EUR800 million ⁽¹⁾	100	Apr. 23, 2009 Jun. 22, 2011	–
II - Issues without pre-emptive subscription rights:				
a) Shares, warrants and other securities convertible, exchangeable, redeemable or otherwise exercisable for shares, for cash or in payment of listed shares	EUR360 million ⁽¹⁾	45	Apr. 23, 2009 Apr. 22, 2010 Jun. 21, 2011	–
b) To make private placements of shares	100 million ⁽¹⁾	12.5	Jun. 21, 2011	
c) To issue new shares as consideration for the shares of unlisted companies	10% of the Company's capital ⁽¹⁾	26	Apr. 23, 2009 Jun. 22, 2011	–
III - Employee share issues				
Share issues restricted to employees (ESPP)	2% of the Company's capital	6.6	Jun. 22, 2010 Jun. 22, 2011	– ⁽²⁾
Share issues to promote stock ownership among employees in non-French subsidiaries	1% of the Company's capital ⁽³⁾	1.2	Apr. 23, 2009 Nov. 22, 2010	– ⁽²⁾
Stock options	3% of the Company's capital ^{(4) (5)}	7.4	Apr. 23, 2009 Jun. 22, 2012	0.33% ⁽⁶⁾
Stock grants or performance-based grants	1% of the Company's capital ⁽⁵⁾	2.5	Apr. 23, 2009 Jun. 22, 2012	0.59% ⁽⁷⁾

(1) The ceilings for issues with and without pre-emptive subscription rights are not cumulative and are capped at EUR1,160 million in aggregate.

(2) At its meeting on December 15, 2010, the Supervisory Board authorised the Management Board to issue new shares to employees during 2011, within a limit of 1.1% of the Company's issued capital. The Management Board intends to use this authorisation in June 2011 to issue new shares to employees under a nonleveraged and leveraged stock ownership plan.

(3) Issues of shares to entities set up to hold shares on behalf of employees in non-French subsidiaries will be deducted from the ceiling for employee share issues (ESPP) without pre-emptive subscription rights.

(4) The number of options to subscribe new shares or purchase existing shares that have been granted and not yet exercised or cancelled may not exceed 3% of the issued capital.

(5) Stock grants (including those with performance criteria) and options to subscribe existing shares or purchase new shares may not exceed 3% of the issued capital.

(6) The Management Board will determine the nature of plans 32 and 33 (subscription or purchase) before the beginning of the exercise period at the latest.

(7) The nature of stock grant plans 7-11 (subscription or purchase) will be determined on the effective date of grant at the latest.





Three-year summary of changes in capital

The following table shows changes in Schneider Electric SA's share capital and share premium account since December 31, 2007 through share issues and the exercise of stock options:

	Number of shares issued or cancelled	Aggregate number of shares	Share capital
Share issue with pre-emptive subscription rights	13,412,969		
Employee share issue	2,367,827		
Exercise of stock options	1,820,222		
Capital at December 31, 2007 ⁽¹⁾		245,299,366	EUR1,962,394,928
Employee share issue	1,999,846		
Exercise of stock options	126,417		
Capital at December 31, 2008 ⁽²⁾		247,425,629	EUR1,979,405,032
Payment of dividend in shares	11,967,608		
Employee share issue	2,488,297		
Exercise of stock options	870,491		
Capital at December 31, 2009 ⁽³⁾		262,752,025	EUR2,102,016,200
Payment of dividend in shares	4,345,794		
Employee share issue	2,151,390		
Exercise of stock options	2,709,882		
CAPITAL AT DECEMBER 31, 2010 ⁽⁴⁾		271,959,091	EUR2,175,672,728

(1) Increase in share capital (140.8 million euros), increase in additional paid-in-capital (1,133 million euros).

(2) Increase in share capital (17.01 million euros), increase in additional paid-in-capital (123.9 million euros).

(3) Increase in share capital (122.61 million euros), increase in additional paid-in-capital (555.38 million euros).

(4) Increase in share capital (73.6 million euros), increase in additional paid-in-capital (561.2 million euros).

Share buybacks

The Annual Shareholders' Meeting of April 23, 2009 authorised the Company to buy back shares on the open market. This authorisation was renewed at the Annual Shareholders' Meeting of April 22, 2010.

Pursuant to these authorisations, the Company maintained its liquidity contract during the year but did not buy back any shares.

Details of the share buyback program submitted for approval at the Annual and Extraordinary Shareholders' Meeting of April 21, 2011 are as follows:

- number of shares and percentage of share capital held directly and indirectly by Schneider Electric SA as of January 31, 2010:
 - treasury stock: 4,582,476 shares, or 1.68% of the share capital;
 - own shares: 529 shares, or 0.00% of the share capital;
 - **total: 4,583,005 shares, or 1.68% of the share capital;**
- purpose:
 - the 4,582,476 shares held in treasury stock are held for allocation on the exercise of stock options and share grants;
- buyback plan objectives:
 - reduce the capital by canceling shares,
 - hold shares for allocation on the exercise of stock option plans or stock grant plans or to permit the conversion of convertible debt securities;
 - finance a future acquisition (rather than issue new shares at the time of the acquisition);

- market making under a liquidity agreement;
- maximum number of shares that may be acquired:
 - 10% of the issued share capital as of the date of the Annual Meeting, representing, on the basis of the issued share capital at January 31, 2011, 27,195,909 shares with a par value of EUR8;
 - taking into account treasury stock and own shares at January 31, 2010 (4,583,005 shares), the number of shares that could be bought back under the authorisation comes to 22,612,904, or 8.32% of the issued capital;
- maximum purchase price and maximum aggregate amount of share purchases:
 - the maximum purchase price is set at EUR150 per share;
 - share purchases may not exceed an aggregate maximum amount of EUR4,079,386,350;
- duration:
 - 18 months maximum, expiring on October 20, 2012;
- transactions carried out pursuant to the program authorised by the Annual Shareholders' Meeting of 2009 and renewed by the Annual Shareholders' Meeting of 2010 between January 1, 2010 and December 31, 2010:
 - transactions carried out by the Company:
 - number of shares acquired: 0
 - number of shares transferred since the beginning of the program: 30,860.

> 4. Ownership structure

Three-year summary of changes in capital

	Dec. 31, 2010				Dec. 31, 2009		Dec. 31, 2008	
	Capital %	Number of shares	Voting rights %	Number of voting rights	Capital %	Voting rights %	Capital %	Voting rights %
	%		%		%	%	%	%
Capital Research & Management Co. ⁽¹⁾	8.17	22,227,572	7.72	22,227,572	5.07	4.75	10.67	9.97
CDC	4.23	11,514,008	5.10	14,689,008	4.32	5.18	4.41	5.32
Employees	4.11	11,170,161	6.14	17,683,757	4.26	6.33	3.60	5.32
Own shares ⁽²⁾	0.00	529	-	-	0.92	-	0.92	-
Treasury shares	1.68	4,582,476	-	-	1.76	-	2.11	-
Public	81.81	222,464,345	79.45	228,771,878	83.67	81.23	78.28	76.55
TOTAL	100.00	271,959,091	100.00	287,955,220	100.00	100.00	100.00	100.00

(1) To the best of the Company's knowledge.

(2) Number of voting rights as defined in Article 223-11 of the AMF general regulations, which includes shares stripped of voting rights.

Disclosure thresholds

To the best of the Company's knowledge, no shareholders other than Caisse des Dépôts et Consignations and Capital Research & Management Co., listed above, hold, either directly or indirectly, more than 5% of Schneider Electric's capital or voting rights.

Changes in holdings (for stakes of more than 5%)

Date	Shareholder	Capital (%)	Voting rights (%)
Apr. 15, 2010	Société Générale	4.33	4.06
Apr. 14, 2010	Société Générale	5.50	5.16
Jan. 1, 2010	Capital Research & Management Co	8.02	7.55

Pledges on Schneider Electric shares

4,543 shares are pledged.

Pledges on subsidiaries' shares

Schneider Electric SA has not pledged any shares in significant subsidiaries.





> 5. Employee profit-sharing, stock ownership

Profit-sharing plans

Most of the Group's French companies have profit-sharing and other profit-based incentive plans.

The amounts allocated by Schneider Electric Industries SAS and Schneider Electric France SAS, the two largest French companies, were as follows:

<i>(in millions of euros)</i>	2010	2009	2008	2007	2006
Profit-based incentive plans and profit-sharing plans	37.0	38.6	47.3	42.0	45.1

The "Schneider Electric" corporate mutual fund

Schneider Electric SA has long been committed to developing worldwide employee stock ownership. Employees who are members of the Employee Stock Purchase Plan have an opportunity to purchase new or existing Schneider Electric SA shares through corporate mutual funds or directly.

The last employee share issue took place in July 2010. A total of 2.1 million shares were subscribed.

As of December 31, 2010, employees held a total of 11,170,161 Schneider Electric SA shares through the corporate mutual funds or directly, representing 4.11% of the capital and 6.14% of the voting rights, taking into account double voting rights.

Voting rights attached to shares held by corporate mutual funds are exercised by the funds' Supervisory Boards.

> 6. Stock option and stock grant plans with performance criteria

Stock option and stock grant plans with performance criteria

Grant policy

Schneider Electric uses stock options and stock grants with performance criteria as part of its overall compensation policy. Each year the Management Board, with the authorisation of the Supervisory Board, sets up a long-term plan which has three components: for US citizens or residents, the plan includes options or stock appreciation rights (SARs) that match option characteristics and stock grants. The Supervisory Board authorises the plan based on advice from the Remunerations and Appointments & Human Resources Committee.

Grantees include members of Senior Management, top managers in all countries, high-potential managers and employees who performed exceptionally during the year.

On December 2010, Schneider Electric decided to increase the total number of grantees from 1,575 to 2,360.

Grants to members of Senior Management, including corporate officers, represented 11.8% of the total in 2010 compared with 17% in 2006.

The annual plans are set up in December for the following fiscal year so that grantees will be informed of stock option and stock grant plans at the same time their bonus targets are determined.

The annual plan for 2011 was set up in December 2010. It comprises the following plans, all of them subject to performance criteria:

- stock grant plan 10, covering 658 grantees (residents of France) and representing 332,762 shares;

- stock grant plan 11, covering 1,702 grantees (residents of countries other than France) and representing 580,848 shares;
- a Stock Appreciation Right plan, covering 118 grantees and representing 328,153 shares.

Description of the stock option plans

The option exercise price is equal to the average share price of the twenty trading days prior to the date of grant by the Management Board. No discount is applied.

Since 2006, the options have a ten year life. They are exercisable as from the fourth year, but may be exercised early in the event of a public tender offer for the Company's shares. Exceptionally, options granted under plans 22, 23 and 25 may be exercised as from the first year. Similarly, US residents may exercise their rights as from the third year under certain plans.

Options may only be exercised by Group employees. In addition, the exercise of 50% of the options granted is dependent on specific targets being met (see page 254). Effective from January 2009, all of the options granted to members of the Management Board are subject to performance criteria.

Because targets were only partially achieved, 236,200 options granted under plans 21 and 24 were cancelled. Half of the options granted under plan 30 (or 443,976 options) were cancelled as well, because the minimum targets for operating margin (13%) and organic revenue growth (4%) in 2008 and 2009 were not met.

Description of the stock grant plan

The vesting and lock-up periods for stock grants made to residents of France under plans 1, 2, 3, 5 and 7 are three years and two years respectively. The vesting and lock-up periods for stock grants made under plans 8 and 10 are at least two years each.

The vesting period for stock grants made to residents of countries other than France under plans 4, 6, 9 and 11 is 4 years, with no lockup period.

Stock grants vest only if the grantee is a Group employee as of the vesting date and if certain targets are met (see page 256). With effect from January 2009, all of the stock grants made to members of the Management Board are subject to performance criteria.

In 2010, 50% of the stock grants made under plans 3 and 4 were cancelled, representing 58,700 shares, because the minimum targets for operating margin (13%) and organic revenue growth (4%) in 2008 and 2009 were not met.

Description of stock appreciation rights (SARs)

SARs have the same vesting period and expiration date as the corresponding options or grants and are subject to the same performance criteria. The grantee receives the proceeds in cash.

Lock-up arrangements applicable to members of the Management Board

The Supervisory Board has set the following shareholding targets for members of the Management Board:

- a number of shares equivalent to three years of base salary for Jean-Pascal Tricoire and two years of base salary for Emmanuel Babeau. The total holding is calculated on the basis of the number of Schneider Electric shares owned plus the share-equivalent of the corporate mutual fund units invested in Schneider Electric shares.

In accordance with the provisions of articles L. 225-185 and L. 225-197-1 of the French Commercial Code and the AFEF – MEDEF guidelines, the Supervisory Board has approved the following lockup arrangements:

- a certain number of shares arising from the exercise of options granted under plans 30 and following must be locked up in a registered account. The number corresponds to a percentage (25% for Jean-Pascal Tricoire and 15% for Emmanuel Babeau) of the capital gain realised on the exercise of options net of income and other taxes and any amounts required to finance the share purchase;
- a percentage (25% for Jean-Pascal Tricoire and 15% for Emmanuel Babeau) of vested stock grants under plan 3 and following must be held beyond the initial lock-up period;
- for vested performance stock grants under plans set up in 2009, 10% of the selling price net of income and other taxes must be reinvested in Schneider Electric SA shares.

These obligations are suspended once the shareholding targets described above are met.

Stock options and stock grants held by members of the Management Board

Mr Jean-Pascal Tricoire

As of December 31, 2010, Jean-Pascal Tricoire held 429,668 options (including 95,000 performance options), 48,750 performance stock grants and 8,669 vested stock grants received under stock grant plans 1 and 3. The lock-up period for the vested stock grants will end on December 21, 2011 (for plan 1) and December 19, 2012 (for plan 3).

In 2010, 50% of the stock grants made under plans 30 and 3 were cancelled, representing 31,500 options and 3,375 shares, given that the applicable performance criteria were not met.

During the year, Jean-Pascal Tricoire exercised 35,338 options granted under plan 21 at an exercise price of EUR45.21 and 75,000 options granted under plan 24 at an exercise price of EUR55.55.

Mr Emmanuel Babeau

As of December 31, 2010, Emmanuel Babeau held 20,000 options, including 15,000 performance options, and 15,000 stock grants, of which 13,750 performance stock grants.





Past option plans

Plan	Plan date	Number of beneficiaries at inception	Number of options at inception	o/w corporate officers	Exercise price (in euros)	Performance criteria	% of targets reached	Options cancelled by performance criteria ⁽¹⁾	Options outstanding at Dec. 31, 2010 ⁽²⁾
21	Feb. 5, 2003	433	2,000,000	150,000	45.21	50% of options - 2005 net operating profit and return on capital employed	84.0	141,900	44,226
22	Feb. 5, 2003	111	111,000	-	45.21	Without - plan reserved to winners of the trophy	NA	NA	6,470
23	May 6, 2004	107	107,000	-	55.55	Without - plan reserved to winners of the trophy	NA	NA	15,166
24	May 6, 2004	402	2,060,700	150,000	55.55	50% of options - operating margin on revenue - 1/3 per year on 2004, 2005 and 2006	88.9	94,300	422,822
25	May 12, 2005	157	138,500	-	56.47	Without - plan reserved to winners of the trophy	NA	NA	29,470
26	Jun. 28, 2005	458	2,003,800	200,000	60.19	50% of options - 2005 and 2006 operating margin and revenue	100	-	945,099
27	Dec 1, 2005	419	1,614,900	150,000	71.40	50% of options - 2006 and 2007 operating margin and revenue	100	-	1,084,196
28	Dec 21, 2006	489	1,257,120	112,000	81.34	50% of options - 2007 and 2008 operating margin and revenue	100	-	1,052,823
29	Apr. 23, 2007	43	83,150	-	97.05	50% of options - 2007 and 2008 operating margin and revenue	100	-	76,150
30	Dec. 19, 2007	542	944,926	88,200	92.00	50% of options - 2008 and 2009 operating margin and revenue	-	443,976	441,220
31	Jan. 5, 2009	328	679,000	68,500	52.12	50% of options/100% for the Management Board - 2011 operating margin ⁽⁴⁾ and 2009 to 2011 EPS compared to a benchmark selection ⁽³⁾	-	-	643,450
32	Aug. 21, 2009	1	5,000	5,000	62.61	without	-	-	5,000
33	Dec. 21, 2009	391	826,343	65,000	75.84	50% of options/100% for the Management Board - 2010 and 2011 operating margin ⁽⁴⁾ and 2011 share of revenue generated in the new economies	-	-	823,043
		11,831,439	988,700				-	680,176	5,589,135

(1) Number of shares cancelled for non-achievement of targets (plans 21 to 30).

(2) Number of options outstanding after deduction of all cancellations and exercises since the plan was initiated.

(3) On the basis of a pre-defined and fixed list of 11 competitor companies.

(4) Excluding restructuring costs.

Details on outstanding options (2010)

Plan	Plan date	Type of plan ⁽¹⁾	Expiry date	Exercise price (in euros) ⁽²⁾	Total number of shares that could be subscribed or purchased ⁽³⁾	o/w corporate officers ⁽³⁾	Number of options exercised during the financial year	Number of options cancelled during the financial year	Options outstanding at Dec. 31, 2010
21	Feb 5, 2003	S	Feb 4, 2011	45.21	427,781	-	383,555	-	44,226
22	Feb 5, 2003	S	Feb 4, 2011	45.21	18,570	-	12,100	-	6,470
23	May 6, 2004	S	May 5, 2012	55.55	39,598	-	24,432	-	15,166
24	May 6, 2004	S	May 5, 2012	55.55	1,321,048	63,078	898,226	-	422,822
25	May 12, 2005	S	May 11, 2013	56.47	45,316	-	15,846	-	29,470
26	Jun. 28, 2005	S	Jun. 27, 2013	60.19	1,742,754	201,961	793,009	4,646	945,099
27	Dec. 1, 2005	S	Nov. 30, 2013	71.40	1,548,404	151,471	456,128	8,080	1,084,196
28	Dec. 21, 2006	S/P	Dec. 20, 2016	81.34	1,191,661	80,787	126,586	12,252	1,052,823
29	Apr. 23, 2007	S/P	Apr. 22, 2017	97.05	76,150	-	-	-	76,150
30	Dec. 19, 2007	S/P	Dec. 18, 2017	92.00	891,706	31,500	-	450,486	441,220
31	Jan. 5, 2009	S/P	Jan. 4, 2019	52.12	-	-	-	2,250	643,450 ⁽⁴⁾
32	Aug. 21, 2009	S/P	Aug. 20, 2019	62.61	-	-	-	-	5,000
33	Dec. 21, 2009	S/P	Dec. 20, 2019	75.84	-	-	-	3,300	823,043 ⁽⁴⁾
					7,302,988	528,797	2,709,882	481,014	5,589,135

(1) S= subscription option plan / P = purchase option plan.

(2) Average of the 20 rates preceding the grant, with no discount or premium.

(3) As at January 1, 2010

(4) Subject to achievement of performance targets.

Situation of corporate officers, broken down by plan (at December 31, 2010) ⁽³⁾

(in italics, options still subject to performance conditions)

21	Henri Lachmann	-
24	Henri Lachmann	63,078
26	Henri Lachmann	201,961
27	Henri Lachmann	151,471
28	Jean-Pascal Tricoire	80,787
30	Jean-Pascal Tricoire	31,500 ⁽¹⁾
31	Jean-Pascal Tricoire	45,000
32	Emmanuel Babeau	5,000 ⁽²⁾
33	Jean-Pascal Tricoire	50,000
	Emmanuel Babeau	15,000

(1) Through application of the performance conditions 31,500 options were cancelled in 2010.

(2) Options attributed at the time of his/her recruitment as Chief Financial Officer.

(3) In his/her role as corporate officer at the date of attribution.





Past share plans (at December 31, 2010)

Plan	Plan date	Number of beneficiaries at inception	Number of shares at inception	Acquisition period	Holding period	Performance criteria	% of targets reached	Rights cancelled ⁽¹⁾	Corporate officers ⁽²⁾	Total rights cancelled	Rights outstanding at Dec. 31, 2010
2 ^(4a)	Apr. 23, 2007	13	2,214	3 years	2 years	50% of shares - 2007 and 2008 operating margin and revenue	100	-	-	-	2,214
3 ^(4b)	Dec. 19, 2007	268	66,394	3 years	2 years	50% of shares - 2008 and 2009 operating margin and revenue	-	31,003	6,750	4,165	62,229
4	Dec. 19, 2007	274	57,250	4 years	-	As plan 3	-	27,697	-	2,510	27,043
5	Jan. 5, 2009	342	143,715	3 years	2 years	50% of shares/100% for the Management Board - 2011 operating margin ⁽⁵⁾ and share of revenue generated in the new economies 2011	-	-	11,250	6,375	137,340
6	Jan. 5, 2009	721	212,351	4 years	-	As plan 5	-	-	-	6,838	205,513
7	Aug. 21, 2009	1	5,000	3 years	2 years	Without	-	-	1,250	-	1,250
8	Dec. 21, 2009	395	159,753	2 years	2 years	50% of shares/100% for the Management Board - 2010 and 2011 operating margin ⁽³⁾ and share of revenues generated in the new economies in 2011	-	-	16,250	-	159,753
9	Dec. 21, 2009	1,184	390,095	4 years	0	As plan 9	-	-	-	4,000	386,095
10	Dec. 17, 2010	658	332,762	2 years and 3 months	2 years	50% of shares/100% for the Management Board - 2011 and 2012 operating margin ⁽³⁾ and 2011 and 2012 average revenue growth compared to changes in world GDP over the same period	-	-	35,000	-	332,762
11	Dec. 17, 2010	1,702	580,848	4 years	-	As plan 10	-	-	-	-	580,848
2,005,206							58,700	75,794	26,953	1,895,047	

(1) Rights cancelled due to non-achievement of targets.

(2) Rights after cancellations for non-achievement of targets.

(3) Excluding restructuring costs.

(4a) The 2,214 shares in plan 2 were delivered to their beneficiaries on April 23, 2010; they will be available on April 23, 2012.

(4b) The 62,229 shares in plan 3 were delivered to their beneficiaries on April 19, 2010; they will be available on April 19, 2012.

(5) Application of the performance conditions has led to the cancellation in 2010, of 31,003 shares (plan 3) and 27,697 shares (plan 4).

Situation of corporate officers, broken down by plan (at December 31, 2010) ⁽³⁾

(in italics, shares still subject to performance conditions)

1	Jean-Pascal Tricoire	5,294
3	Jean-Pascal Tricoire	3,375 ⁽¹⁾
5	Jean-Pascal Tricoire	11,250
7	Emmanuel Babeau	1,250 ⁽²⁾
8	Jean-Pascal Tricoire	12,500
	Emmanuel Babeau	3,750
10	Jean-Pascal Tricoire	25,000
	Emmanuel Babeau	10,000

(1) Through application of the performance conditions 3,375 shares were cancelled in 2010.

(2) Shares attributed at the time of his/her recruitment as chief financial officer.

(3) In his/her role as corporate officer at the date of attribution.

Options granted and exercised and stock grants made to the top 10 employee grantees during the year

Subscription or purchase options awarded to the ten most highly paid non-corporate officer employees and options exercised by them

	Number	Exercise price/Average weighted price	Plans
Options exercised in 2010 o/w the number of options bought or subscribed is the highest	332,238	60.71	21-23-24-26-27-28

Shares awarded to the ten most highly paid non-corporate officer employees

	Number	Plans
Shares awarded for 2011 (attribution of December)	55,125	10 and 11

> 7. Disclosure of information required in accordance with article L. 225-100-3 of the French Commercial Code**

Items that could have an impact in the event of a public tender offer include:

- agreements calling for payments to the members of the Management Board or to employees if they resign or are terminated without real cause or if their employment ends due to a public tender offer (see pages 127);
- agreements entered into by the Company with change of control clauses: see page 253 for information on the exercise of stock

options and stock grants; see page 41 for information on certain loans and credit facilities;

- restrictions in the articles of association on the exercise of voting rights (see page 246) relating to the non-application of the ceiling on voting rights when a public tender offer is in process.





> 8. Stock market data

In France, Schneider Electric is listed on the Eurolist of the Euronext Paris market (compartment A), where it is traded in lots of one under ISIN code FR0000121972. It is part of the market's benchmark CAC 40 index of France's largest stocks.

Five-year trading summary

	2010	2009	2008	2007	2006
Average daily trading volume Euronext Paris ⁽¹⁾ :					
• thousands of shares	1,231.29	1,323.58	1,691.19	1,587.79	1,058.43
• millions of euros	108.23	77.12	115.18	152.00	88.86
High and low share prices (in euros):					
• high	120.00	81.85	94.29	110.26	93.40
• low	72.00	41.30	38.84	83.51	70.85
Year-end closing price (in euros)	112.00	81.78	53.00	92.68	84.10
Yield including tax credit (%)	2.86	2.51	6.50	3.56	3.57

(1) Corresponds to trading volume on NYSE Euronext.

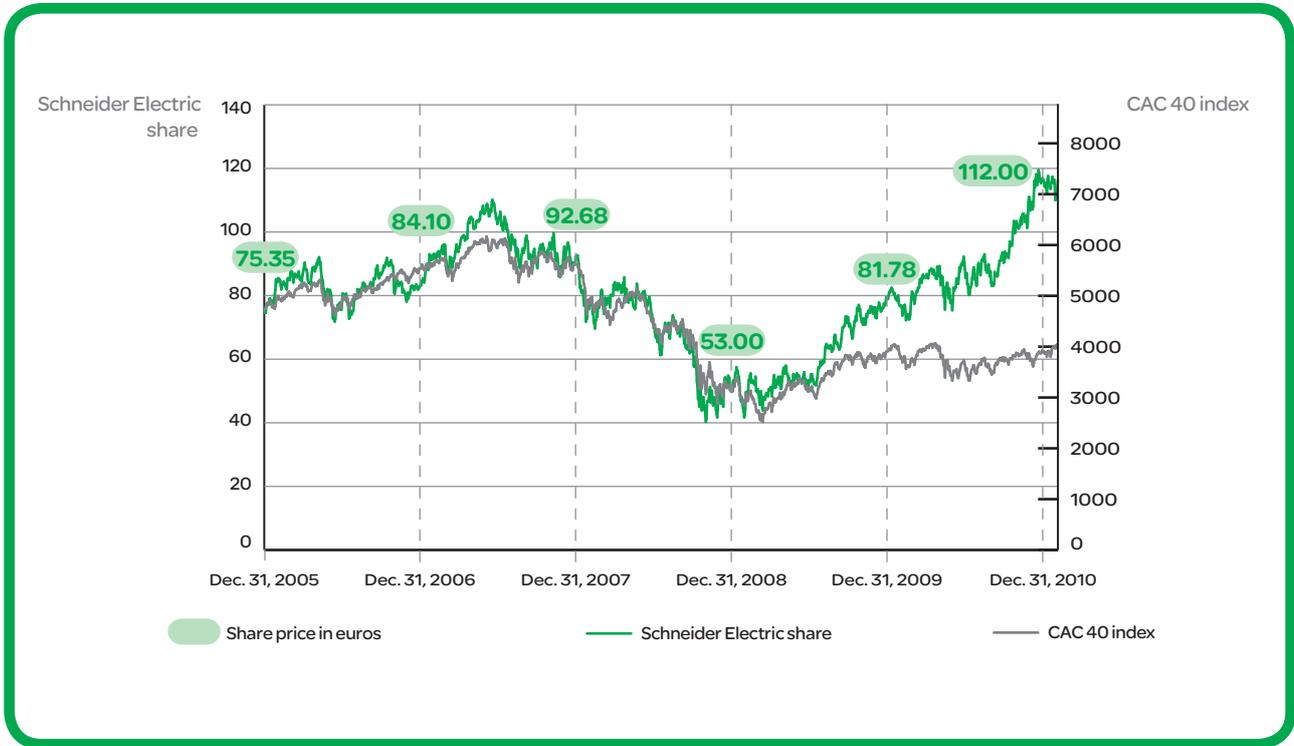
18-month trading data

Year	Month	Trading volume (in thousands) ⁽²⁾	Value (in millions of euros)	Highs and lows (in euros) ⁽³⁾	
				High	Low
2009	August	20,722	1,335	67.96	61.45
	September	26,642	1,844	74.05	61.98
	October	26,709	1,921	77.40	65.93
	November	19,586	1,455	76.97	69.61
	December	17,652	1,348	81.85	74.08
2010	January	19,965	1,569	82.74	73.75
	February	25,015	1,911	81.86	72.00
	March	24,979	2,093	87.45	78.58
	April	27,005	2,346	89.48	82.66
	May	50,144	4,029	86.47	73.95
	June	33,855	2,944	93.60	79.46
	July	27,571	2,358	90.70	79.70
	August	22,670	1,989	93.45	81.40
	September	25,932	2,338	94.95	81.60
	October	25,714	2,535	103.85	91.42
	November	17,837	1,899	113.75	100.85
	December	16,984	1,911	120.00	109.30
	TOTAL 2010	317,672	27,922		
2011	January	17,543	2,008	119.35	108.35

(2) Corresponds to trading volume on NYSE Euronext.

(3) During the trading session.

The Schneider Electric SA share versus the CAC 40 index over five years



(Source: Reuters)

Monep

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

Ordinary bonds

The information is disclosed in note 9 of the Company Financial Statements (page 233)





> 9. Investor relations

Person responsible for financial information

Emmanuel Babeau
Executive Vice President, Finance, member of the Management Board
35, rue Joseph Monier – CS30323
92506 Rueil-Malmaison cedex
Tel: +33 (0)1 41 29 71 19

Contacts

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

Carina Ho, Vice-President Financial Communication and Investor Relations

For institutional investors and financial analysts:

Tel: +33 (0)1 41 39 60 84

Toll-free number for individual investors in France: 0 800 20 55 14

Shareholders' Relations Committee

The Committee consists of eight individual shareholders appointed by Schneider Electric for a three-year term. Members may serve a maximum of two terms. The Committee is designed to reflect the geographical and professional diversity of the Group's shareholders and to relay their concerns to the Company. To fulfill this mission, the Committee is available at all times to pass on comments from shareholders to the Company. It gives an opinion and makes suggestions on investor relations actions and resources. In 2010, the Committee met to discuss various topics, including:

- ways to strengthen the Company's strategy for individual shareholders;
- proposals on changes in financial advertising, letters to shareholders and other individual-investor relations initiatives;
- the Committee's participation in the Q&A session with the Chairman at the Annual Shareholders' Meeting. In this capacity, Committee members present certain questions phoned in to the toll-free number.

In 2010, Committee members also took part in the following events:

- the Paris Motor Show, which was the occasion for Schneider Electric to reveal its range of electric vehicle charge ports;
- the Architect@Work trade fair at which Schneider Electric displayed its new range of home automation equipment.

Shareholder documents

In addition to the annual report, the Company also publishes:

- Annual report and a simplified
- a letter to shareholders;
- general, economic and financial information (presentations-press releases);
- a corporate website <http://www.schneider-electric.com>.



Annual and Extraordinary Shareholders' Meeting

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> 1. Management Board's report to the Annual and Extraordinary Shareholders' Meeting

Resolutions to be voted on in Ordinary Meeting

Approval of the parent company financial statements - first resolution -

We ask you to approve the transactions and financial statements for the year 2010, as presented, which show net profit of EUR702.9 million.

Approval of the consolidated financial statements - second resolution -

We ask you to approve the consolidated financial statements for the year 2010, as presented, which show net profit attributable to equity holders of the parent of EUR1,720 million.

Distribution: and payment of a dividend of EUR3.20 per share - third resolution -

We recommend a dividend of EUR3.20 per EUR8 par value share, representing a 50% payout of net profit. The dividend will be paid on the 271,959,091 shares carrying rights on January 1, 2010 that made up the share capital on December 31, 2010. No dividend will be paid on shares held in treasury on the payment date; the corresponding amounts will be allocated to retained earnings.

The dividend will be paid out of profit available for distribution, consisting of:

- retained earnings of EUR256,680,990.42;
- profit for the year of EUR702,982,338.39;
- less the statutory allocation to the legal reserve of EUR7,365,652.80;

and amounts to EUR952,297,676.01.

The dividend payment will total EUR870,269,091.20. The remaining profit available for distribution will be allocated to retained earnings.

For individual shareholders who pay income tax in France, a social security tax of 12.3% will be charged on the gross dividend.

After the standard 40% deduction, only 60% of the dividend after social security tax will be included in their taxable income, less:

- any deductible charges and expenses; and
- an annual tax deduction of EUR1,525 for single, widowed or divorced persons or couples filing separately or EUR3,050 for couples who file a joint tax return.

The full dividend will be eligible for the 40% deduction for individuals resident in France. No amounts eligible or not eligible for the 40% deduction provided for in Article 158-3-2 of the French Tax Code will be distributed, other than the dividend described above.

Shareholders may also choose to pay a 19% withholding tax on the dividend after social security tax. In this case, the deductions and tax credits described above will not apply.

We remind you that dividends paid by Schneider Electric SA for the last three years were as follows:

	2007	2008	2009
Dividend ⁽¹⁾	3.30	3.45	2.05

(1) Full dividend eligible for a 40% deduction for individuals resident in France as of January 1, 2007, 2008 and 2009. No non-eligible dividends were distributed in those years.

Agreements governed by articles L. 225-38 and L. 225-86 of the French Commercial Code - fourth resolution -

We ask you to note the following regulated agreements signed in 2010 or a previous year, governed by articles L. 225-38 and L. 225-86 of the French Commercial Code:

- the shareholders' agreement with AXA Group concerning cross-shareholdings between AXA and Schneider Electric authorised by the Board of Directors on January 6, 2006;
- measures defining Mr. Jean-Pascal Tricoire's new status. In accordance with AFEP/MEDEF guidelines, Mr Tricoire resigned from his service contract when he was reappointed Chairman of the Management Board. Mr Tricoire's new status, which took effect on May 3, 2009, was approved by the Shareholders' Meeting. Under the terms of the agreement (described in the report on corporate governance on pages 126 and 127), Mr Jean-Pascal Tricoire:
 - benefits from the top-hat pension plan for the Group senior executives, the Schneider Electric SA employee benefit plan and the supplementary health, disability and death coverage available to the Group's senior executives;
 - is bound by a non-compete agreement;
 - is entitled to compensation in the event of termination, capped at 24 months of his target remuneration taking into account compensation provided for in the non-compete agreement described above and provided that he resigns, is terminated

or is not reappointed following a material change in Schneider Electric's shareholder structure or a reorientation of the strategy pursued and promoted by him until that time. The amount due will be subject to performance criteria;

- retains, subject to performance criteria, all unvested stock options, stock grants and performance stock grants should he leave the Company;
- the decision to allow Emmanuel Babeau to join the top-hat pension plan for French senior executives provided for in his service contract with Schneider Electric Industries SAS. The plan is presented on page 127.

Appointment of members to the Supervisory Board - fifth to eighth resolutions -

The Supervisory Board, following a proposal to that effect by the Remunerations, Appointments and Human Resources Committee, has decided to aim to achieve younger and more international membership. Following the Committee's recommendation, the Board has appointed Dominique Sénéquier as a non-voting member pending her nomination to the Supervisory Board at the Shareholders' Meeting. The Board has also co-opted Anand Mahindra to replace Mr James Ross who has resigned his appointment for personal reasons. It has equally decided to propose that the Shareholders' Meeting appoint Betsy Atkins and Jeong H. Kim as Supervisory Board members.

Betsy Atkins, 56,

A graduate of the University of Massachusetts Phi Beta Kappa & Trinity College Oxford, Betsy Atkins began her career co-founding several successful high tech and consumer companies including Ascend Communications. In addition, she served as CEO and Chairman of NCI from 1991 to 1993 and as CEO of Key Supercomputer from 1987 to 1989.

Betsy Atkins is on the Board of Directors of **Chicos FAS Inc** (since January 2004), **Polycom Inc.** (since April 1999), and **SunPower Corp** (since October 2005). She is Chairwoman of the Board of Directors of Vantrix (Canada) (since January 2011). She is also a member of the Advisory Committee of **SAP** (since June 2009).

Jeong H. Kim, 49,

Jeong H. Kim holds a doctorate in reliability engineering from the University of Maryland and holds degrees from Johns Hopkins University in Technical Management, electrical engineering, and computer sciences.

A businessman, professor, and member of the National Academy of Engineering, Jeong H. Kim joined Lucent Technologies in 1998 when Lucent purchased Yurie Systems, the company he founded in 1992. He supervised the Lucent optic network group. He then went to work at the University of Maryland, where he taught in both the Electrical Engineering and Computer Sciences Department and the Mechanical Engineering Department. Before that, Jeong H. Kim held technical and managerial positions in computers, satellite systems, and data communications, and he spent seven years as an officer aboard a US Navy nuclear submarine.

In 2005, Jeong H. Kim was appointed the eleventh Chairman of Bell Laboratories (**Alcatel-Lucent**).

Jeong H. Kim is a professor at the University of Maryland, Chief Executive officer of Jurie Holding LLC, a Director of CINTT and GIV Global Private Equity, a Member of the Advisory Board of Royal Oak Capital, and a Member of the Listing and Review Council of NASDAQ.

Biographies for Dominique Sénéquier and Anand Mahindra are provided on pages 110 & 112.

Betsy Atkins, Dominique Sénéquier, Jeong Kim and Anand Mahindra are independent members as defined by the AFEP/MEDEF guidelines.

These appointments, over and above the benefit of each candidate's individual capabilities and experience, will contribute to younger and more international membership of the Board. The proportion of women members will rise above 20%, that of members of non-French origin or nationality above 40%, and the proportion of independent members will reach 85%.

The Management Board therefore recommends that you:

- ratify the cooptation of Anand Mahindra and elect him for the remaining year of office of his predecessor, expiring at the close of the Shareholders' Meeting to be called in 2012 to approve the 2011 financial statements;
- elect Betsy Atkins, Dominique Sénéquier and Jeong Kim for a four-year term, expiring at the close of the Shareholders' Meeting to be called in 2015 to approve the 2014 financial statements.

Determination of the amount of the total attendance fees awarded to members of the Supervisory Board - ninth resolution -

We ask you to increase the total amount of annual attendance fees to EUR1,000,000. We remind you that this amount represents a maximum, and that the current maximum of EUR800,000 has not been fully used. Payment of part of the attendance fees is governed by the number of Supervisory Board meetings and by attendance at the meetings. The overall increase is required to reflect both the increase in the number of members of the Board and its more international composition, given that Board members not resident in France receive additional fees of EUR15,000 (in 2010).

Share buybacks - tenth resolution -

We ask you to renew the authorisation given to the Company by shareholders at the Annual Meeting of April 22, 2010 to buy back its shares by any appropriate method, including through the use of derivatives, in accordance with the provisions of article L. 225-209 of the French Commercial Code.

The shares could be bought back to reduce the issued capital, or in connection with stock option plans, or plans to grant shares without consideration, or to permit the conversion of convertible debt securities, or to finance an acquisition, or for the purpose of market making under a liquidity agreement.

Shares bought back under this authorisation may be canceled in accordance with the twenty-fourth resolution tabled at today's meeting.

Further information on your Company's share buyback programs is provided on page 250.

You are asked to authorise the Company to buy back shares representing at most 10% of the issued capital as of the date of this Meeting (representing 27,195,909 shares on the basis of the number of shares outstanding at the last official count on December 31, 2010) The maximum purchase price is set at EUR150. This authorisation will not be available for use during takeover bids.

Note: companies in bold type are those whose securities are listed on a regulated market.





Resolutions to be voted on in Extraordinary Meeting

Statutory changes (suppression of the statutory age limit for members of the Supervisory Board, provision for appointing a third non-voting member and division by two of the par value of the Company's shares) - eleventh to thirteenth resolutions -

The following two statutory changes are presented for your approval at the request of the Supervisory Board:

Suppression of the statutory age limit for members of the Supervisory Board

The Company's articles of association currently provide for an age limit of 74 years for members of the Supervisory Board, as a result of which Henri Lachmann's appointment is due to expire at the end of the Annual General Meeting to be held in 2012 and Léo Apotheker, who was appointed as Vice-Chairman of the Supervisory Board on April 22, 2010, had been identified as his potential successor. Léo Apotheker's appointment as CEO and President of Hewlett-Packard in November 2010 has compromised this intention. Following the report prepared by the Remunerations, Appointments and Human Resources Committee, the Supervisory Board has decided to propose a statutory change that the Executive Board asks you to approve because it will make it possible to extend Henri Lachmann's appointment by two years.

The proposal is to remove the existing age limit of 74 years and limit the period of appointment of members aged over 70 to two years (renewable).

Possibility of appointing a third non-voting member

The Company's articles of association currently provide for the possibility of appointing two non-voting members, as a means of obtaining expert advice or input from persons that the Board wishes to have appointed as members of the Board at the following General Meeting. The latter option may be important as a means of securing personalities who might otherwise decide to take up engagements within other boards.

We therefore propose that you modify the Company's articles of association to allow for the appointment of a third non-voting member, whilst at the same time specifying that when there are three non-voting members, one such member at least may not be appointed for a period in excess of one year. It will also be specified, in accordance with the French Commercial Code, that non-voting members may not be members of the Audit Committee.

The Management Board asks you to approve this second statutory change.

The Management Board, with the agreement of the Supervisory Board, also proposes the following statutory change.

Division by two of the par value of the Company's shares

The Schneider Electric SA share price is currently one of the highest of the CAC 40 index, thereby potentially dissuading individual or employee shareholders from investing in the Company's share.

We therefore propose that you divide the share's par value by two as a means of increasing the share's accessibility and liquidity and as a corollary, double the total number of the Company's shares by creating shares with a par value of four (4) euros each. The holders of existing eight (8) euro par value shares would receive two new four (4) euro par value shares for each existing share held on the date of exchange. The date of exchange would be fixed by the Management Board but would not be before July 1, 2011.

The division of shares' nominal value, and the correlative attribution of new shares to the Company's shareholders, shall be without effect on the rights attached to the Company's shares as provided for by its articles of association.

Authorisations to increase the Company's capital with or without pre-emptive subscription rights - fourteenth to nineteenth resolutions -

We are tabling resolutions to renew authorisations granted to the Management Board to increase the Company's capital.

You have authorised the Management Board to issue shares, shares with equity warrants, convertible bonds, stand-alone equity warrants and other share equivalents, with or without pre-emptive subscription rights.

The Management Board did not use these delegations, which will expire this year.

Because the authorisations, which have not been used, will expire during the year, we ask you to renew authorisations to increase the capital with or without pre-emptive subscription rights for a period of 26 months, as provided for in article L. 225-129-2 of the French Commercial Code, but for lower amounts than before. The total amount of the issues authorised thus falls from 56% to 36.8% of the existing share capital.

In the fourteenth resolution, you are asked to authorise the Management Board to issue, in France or abroad, common shares or legally recognised securities that are convertible, redeemable, exchangeable or otherwise exercisable for shares, in all cases with pre-emptive subscription rights. In the fifteenth resolution, you are also asked to authorise the Management Board to increase the capital by capitalising reserves, earnings or additional paid-in capital.

The issued share capital may be increased during the period by a maximum aggregate amount of **EUR800 million** or **100 million shares (36.8% of the capital)**. This ceiling does not include an increase in the par value of existing shares paid up by capitalising reserves, earnings or additional paid-in capital, nor does it include the par value of any shares to be issued to prevent dilution of the rights of holders of share equivalents.

In the sixteenth resolution, you are asked to authorise the Management Board to issue, in France and abroad, the shares and share equivalents mentioned in the fifteenth resolution without pre-emptive subscription rights for existing shareholders. This authorisation may be used to issue shares of the Company on conversion, redemption, exchange or exercise of share equivalents issued by Schneider Electric SA's direct or indirect subsidiaries with the Management Board's agreement.

The issued share capital may be increased during the period by a maximum aggregate amount of **EUR217 million or 27.12 million shares (10% of the capital)**. The EUR217 million ceiling counts towards the EUR800 million ceiling provided for under the fourteenth resolution. It will not include the par value of any shares to be issued to prevent dilution of the rights of holders of share equivalents.

The authorisation to issue shares and share equivalents without pre-emptive subscription rights is designed to allow the Board to carry out issues quickly, in order to take immediate advantage of opportunities before they disappear, and to expand the shareholder base by placing the issues on foreign or international markets.

To protect shareholders' rights in this type of transaction:

- the Management Board would grant shareholders a non-transferable priority subscription right for a minimum of three days;
- in accordance with the French Commercial Code, the share issues would be carried out at a price at least equal to the weighted average price for the Company's shares over the three trading days preceding the date on which the share or share equivalent issues were decided by the Management Board. They may be issued with a maximum discount of 5%.

The seventeenth resolution authorises the Management Board to increase the number of shares to be issued in application of the fourteenth or sixteenth resolutions if the issues are oversubscribed. The supplementary capital increase that may be made within 30 days after the initial subscription period closes may not exceed 15% of the original increase and must be carried out at the same price. It also remains subject to the applicable ceilings mentioned above.

In the nineteenth resolution, you are asked to authorise the Management Board to issue, in France and abroad, shares and share equivalents by private placement. The issued share capital may be increased during the period by a maximum aggregate amount of EUR108 million or 13.5 million shares with a par value of EUR8 each (5% of the capital). We remind you that the French Monetary and Financial Code has made it possible for companies to carry out capital increases through private placements with the goal of optimising access to capital markets and obtaining the best possible market conditions. The private placements are issues without pre-emptive subscription rights that would exclusively concern (i) individuals or entities providing portfolio management services and (ii) qualified investors or a restricted group of investors, provided that these investors are acting on their own behalf. The issue price pursuant to this authorisation will be at least equal to:

- (i) the weighted average price quoted for the shares on the NYSE Euronext Paris stock exchange over a maximum period of six months preceding the issue pricing date; or
- (ii) the average price weighted by trading volume on the regulated NYSE Euronext Paris stock exchange on the trading day preceding the issue pricing date,

less in both cases and if appropriate, a discount of up to 5%. The Management Board will be authorised to select either (i) or (ii) at its discretion.

Any issues carried out pursuant to this authorisation will be included in the EUR217 million ceiling set in the sixteenth resolution.

The eighteenth resolution authorises the Management Board to issue shares or share equivalents within the ceilings set in the sixteenth resolution in payment of shares of another company tendered to a public exchange offer initiated by Schneider Electric. In accordance with the provisions of the French Commercial Code, the Management Board may also issue shares or share equivalents in payment for shares or share equivalents contributed to the Company.

The fourteenth, sixteenth and nineteenth resolutions also authorise the Management Board to issue securities providing for the attribution of debt securities. The securities may be issued subject to pre-emptive subscription rights (fourteenth resolution) or without such rights and either by a public offering (sixteenth resolution) or by private placement (nineteenth resolution). The upper limit for such issues is set at a nominal issue amount of EUR3 billion.

The purpose of these authorisations is to give the Management Board greater flexibility when it comes to selecting the type of issues to be carried out, depending on demand and the conditions prevailing in the French, foreign or international financial markets.

Authorisation given to the Management Board to grant stock options to officers and employees of the Company and its subsidiaries and affiliates - twentieth resolution -

In April 2009, the Shareholders' Meeting authorised the Management Board to grant to selected employees and officers of the Company and its subsidiaries and affiliates, as defined in article L. 225-180 of the French Commercial Code, options exercisable for new Schneider Electric SA shares or existing Schneider Electric SA shares. Under this authorisation, the total number of options granted and not yet exercised or cancelled shall not be exercisable for a number of shares representing more than 3% of the issued share capital.

Pursuant to this authorisation, the Management Board has granted 0.8 million options representing 0.3% of the capital. Because the exercise of all or part of these options is subject to revenue, operating margin and other performance criteria, some may be canceled. We inform you that half of the options granted under the Group's annual long-term incentive plan are subject to performance criteria. In addition, in accordance with the AFEP/MEDEF guidelines of October 6, 2008 all of the options granted in this framework to members of the Management Board are subject to performance criteria.

For this plan, which was implemented in December 2009:

- for 80% of the options allotted under condition of performance, an average level for 2010 and 2011 of EBITA excluding restructuring costs and the impact of acquisitions made after 31 December 2009: no options may be exercised for EBITAR of under 12.5%, 100% of options may be exercised for EBITAR of at least 13.5%, with a linear distribution between both points. However, the goal communicated to the market in early December 2009 was a 2009 EBITAR margin of around 12.5%;
- for 20% of the options allotted under condition of performance, a portion of the Group revenues earned in emerging economies (at constant exchange rates and excluding impacts from acquisitions made after 31 December 2009), 100% of options allotted under these conditions may be exercised for a percentage of at least 34%; no options may be exercised for a percentage under 32%, with a linear distribution between both points.





Since 1995, almost all plans for long-term incentive options are subject to conditions of performance over all or part of the options granted. For the period 2000-2010 for plans whose conditions of performance expired, more than 20% of the options thus subject to conditions of performance were canceled due to the failure to meet these conditions. Fifty percent of the options granted under the 2008 long-term incentive plan have been canceled. The conditions of performance with which current plans are or were matched are presented on pages 124 and following.

The authorisation made in 2009 expires in 2012 but the Management Board nevertheless asks you to renew it forthwith for a period of 38 months, subject to the following conditions:

- the total number of options granted and not yet exercised or cancelled may not represent more than 1% of the Company's issued capital;
- the annual number of options granted, pursuant to this authorisation, to members of the Management Board may not represent more than 0.03% of the Company's issued capital;
- the options' period of validity may not exceed ten years;
- the exercise price may not be lower than the average of the opening prices quoted for the Company's shares over the twenty trading days preceding the decision of the Management Board to grant the options;
- all the options granted to members of the Management Board, in the framework of the Group's annual long-term incentive plans, will be subject to performance criteria and 50% of the options granted to other beneficiaries in this framework will be subject to performance criteria.

For 80% of the options subject to conditions, this will involve target operating margin (EBITA), including, on a constant basis in the target range, a margin of 13% to 16% of the Group through a normal business cycle.

The Management Board, which intends to locate itself dynamically in this range, will set the goal after approval of the Supervisory Board.

For 20% of options subject to conditions, this will involve criteria based on one of the Group's major transformation goals for the business program. As a result, it was used for the most recent long-term incentive plans, conditions based on the share of Group revenues in emerging economies.

We remind you, moreover, that the members of the Executive Board are bound by obligations to retain their shares as a result of the exercise of their options, which are presented on pages 124 and following.

Authorisation to grant existing or new shares to officers and employees of the Company and its subsidiaries and affiliates, subject to performance criteria if appropriate - twenty-first resolution -

The Shareholders' Meeting held on April 23, 2009 authorised the Management Board to grant shares without consideration to the officers and employees of Schneider Electric SA and its subsidiaries and affiliates, as defined in article L. 225-197-2 of the French Commercial Code.

Pursuant to this authorisation, the Management Board has granted 1.4 million shares, representing 0.53% of the capital, including:

- 546,000 shares under the 2010 long-term incentive plan (plans 8 and 9), awarded to 1,579 beneficiaries including 12,500 shares awarded to the two members of the Management Board;
- 913,600 shares under the 2011 long-term incentive plan (plans 10 and 11), awarded to 2,360 beneficiaries including 35,000 shares awarded to the two members of the Management Board.

Half of these share grants are subject to performance criteria. In accordance with the AFEP/MEDEF guidelines of October 6, 2008, all of the shares granted to members of the Management Board in this framework are subject to performance criteria. Half of the shares granted under the 2008 long-term incentive plan have been cancelled (see page 256).

For the last two long-term incentive plans, the defined performance criteria, which are in line with the Group's business plan objectives, are as follows:

a) For the 2010 annual plan implemented in December 2009

- for 80% of the options allotted under condition of performance, an average level for 2010 and 2011 of EBITA excluding restructuring costs and the impact of acquisitions made after 31 December 2009: no options may be exercised for EBITAR of under 12.5%, 100% of options are allotted for EBITAR of at least 13.5%, with a linear distribution between both points. However, the goal communicated to the market in early December 2009 was a 2009 EBITAR margin of around 12.5%;
- for 20% of the options allotted under condition of performance, a portion of the Group revenues earned in emerging economies (at constant exchange rates and excluding impacts from acquisitions made after 31 December 2009), 100% of options allotted under these conditions may be exercised for a percentage of at least 34%; no options may be exercised for a percentage under 32%, with a linear distribution between both points.

b) For the 2011 annual plan implemented in December 2010

- for 80% of the shares granted on condition of performance, a medium level, for 2011 and 2012, EBITA excluding restructuring costs and excluding the impact of acquisitions made after 31 December 2010. The target that was set is part of the margin target of 13% to 16% of EBITA for the *One* business program during a normal business cycle;
- 20% of the shares granted under conditions of performance, a positive growth differential for Group revenues related to worldwide GDP as part of the wider aim of the *One* business program of organic growth equal to worldwide GDP plus three points throughout the cycle.

In addition, in accordance with the law, the shares allocated to French tax residents include a vesting period of at least two years and a retention period of two years. Those granted to employees who are not tax residents of France include a vesting period of four years and no retention period.

We ask you to renew this authorisation forthwith subject to the following conditions:

- the total number of shares granted may not represent more than 1.3% of the Company's issued capital;
- the annual number of shares granted, pursuant to this authorisation, to members of the Management Board may not represent more than 0.03% of the Company's issued capital;
- the shares shall vest after a period set by the Management Board of no less than two years. The Management Board shall also set up a lock-up period, also of no less than two years. However, if the vesting period is four years, no lock-up period is required, excluding exceptions tied to tax or social charge obligations;
- all the shares granted to members of the Management Board, in the framework of the Group's annual long-term incentive plans, will be subject to performance criteria. and 50% of the shares granted to other beneficiaries in this framework will be subject to performance criteria.

For 80% of the options subject to conditions, this will involve target operating margin (EBITA), including, on a constant basis in the target range, a margin of 13% to 16% of the Group through a normal business cycle. The Management Board, which intends to locate itself dynamically in this range, will set the goal after approval of the Supervisory Board.

For 20% of options subject to conditions, this will involve criteria based on one of the Group's major transformation goals for the business program. As a result, it was used for the most recent long-term incentive plans, conditions based on the share of Group revenues in emerging economies, or a positive growth differential between organic Group growth and worldwide GDP (see above).

We remind you, moreover, that the members of the Executive Board are bound by obligations to retain their shares as a result of the exercise of their options, which are presented on pages 124 and following.

In accordance with the provisions of the French Commercial Code, it is the responsibility of the Management Board to determine the identity of beneficiaries of the allocations, as well as the conditions and, where appropriate, the criteria for allocation of shares.

Authorisation is granted for a period of 38 months.

Since the shares that may be so allocated may be shares to be issued, the authorisation by nature involves the waiver by shareholders of their pre-emptive right to shares to be issued allocated for free.

Authorisation to issue shares to employees - twenty-second and twenty-third resolutions -

The Annual and Extraordinary Meetings of April 23, 2009 and April 22, 2010 authorised the Management Board to issue shares to employees who are members of an employee stock purchase plan. In addition, the Meetings authorised the Management Board to issue shares to employees of non-French companies or to entities set up to purchase shares of the Company under programs to promote employee stock ownership in certain foreign countries whose local legislation is not wholly compatible with the rules governing the Company's existing plans.

In accordance with these authorisations:

- the Management Board decided on June 2, 2010 to issue shares to employees who are members of the Employee Stock Purchase Plan or to entities set up to purchase shares

on employees' behalf. The 2010 worldwide employee stock purchase program offered a choice between a non-leveraged plan and a leveraged plan (x 10), both of which offered shares at a discount of 15% or 17% depending on the country, with an investment ceiling of EUR 3,000 per employee. The plan was a resounding success. Almost 18,000 employees in the seventeen countries involved subscribed 0.8% of the capital at a price of EUR67.44 or EUR65.86 per share;

- at its meeting on December 15, 2010, the Supervisory Board authorised the Management Board to issue shares to members of the Employee Stock Purchase Plan or to entities set up to purchase shares on employees' behalf during 2011, within a limit of 3 million shares (almost 1.1% of the Company's issued capital). This program, which will include a non-leveraged and a leveraged plan (x10) with a discount of 15% (in France) or 20% (in other countries), will be offered in 14 countries representing 83,000 employees.

Under the "NRE" Act, if a company asks shareholders for an authorisation to issue shares, a separate resolution must be tabled at the meeting covering the issuance of shares to employees who are members of an employee stock purchase plan. Since the fifteenth to twentieth resolutions concern authorisations to increase the capital with or without pre-emptive subscription rights, we are therefore asking for the early renewal of the authorisation given in 2010.

The Management Board would have full powers to carry out employee share issues up to the equivalent of 2% of the Company's capital. Under the new authorisation, the maximum discount at which the shares could be offered is set at 20%.

This authorisation, which will cancel and replace the unused portion (as of midnight on July 31, 2011) of the existing authorisation given in the eighteenth resolution of the Shareholders' Meeting of April 22, 2010, effective August 1, 2011. This authorisation is valid for a period of 26 months.

In addition, as the authorisation to issue shares to entities set up to purchase shares of the Company on behalf of employees of non-French Group companies will expire in 2010, we ask you to renew it under the following conditions. The shares issued under the authorisation will not exceed 1% of the capital. They will be deducted from the ceiling of 2% of the capital set for the issuance of shares to employees who are members of the Employee Stock Purchase Plan. At the discretion of the Management Board, the issue price will be equal to either (i) the opening or closing price of the Company's shares quoted on the trading day the decision of the Management Board setting the issue price is made, or (ii) the average of the opening or closing prices quoted for the Company's shares over the twenty trading days preceding the decision of the Management Board setting the issue price under this resolution or under the twenty-second resolution. The Management Board may apply a maximum discount of 20% to the reference price. The discount will be determined by the Management Board taking into consideration any specific foreign legal, regulatory or tax provisions that may apply to any beneficiary governed by foreign law.

This authorisation will, as of August 1, 2011, cancel and replace the existing authorisation voted on by the Extraordinary Shareholders' Meeting of April 22, 2010 in its nineteenth resolution for the unused portion at July 31, 2011 inclusive (until midnight). This authorisation will take effect on August 1, 2011 and is being sought for a period of 18 months.





Authorisation given to the Management Board to cancel, where applicable, company shares purchased in accordance with the conditions determined by the Shareholders' Meeting, up to a maximum of 10% of capital - twenty-fourth resolution -

We ask you to give the Management Board full powers to cancel shares representing up to 10% of the Company's capital within the next 24 months, in order to reduce the dilutive impact of the share issues carried out recently or to be carried out, notably upon exercise of stock options or employee share issues.

We have not used the authorisation given by the Shareholders' Meeting of April 23, 2009, which expires on April 22, 2011.

Lastly, the twenty-fifth resolution concerns powers to carry out formalities.

> 2. Supervisory Board's comments on the Management Board's report, made in accordance with article L. 225-68 of the French Commercial Code

The Supervisory Board would like to take this opportunity to express its great appreciation of the Group's teams headed by the Management Board with which it has a relationship of considerable confidence.

The Group's results for 2010 reflect an impressive performance:

- sales of nearly EUR20 billion, an increase of 24% (or 9.3% like-for-like) over 2009;
- operating margin before restructuring costs and the cost of integrating Areva Distribution amounting to 15.6% (16.2% before the impact of the consolidation of Areva Distribution), up 2.8 points over 2009;
- net profit of EUR1,720 million, exceeding the Group's historical high point achieved in 2008.

These successes are the fruit of the Group's strategy focused on energy efficiency, developing solutions, strong presence in the new economies, a new customer-driven organisation and committed and capable teams.

The Supervisory Board salutes the hard work and commitment of the entire corporate community in achieving this performance.

It is pleased to be able to propose the appointment or ratification, as members of the Supervisory Board, of the following candidates who will provide the Board with a younger and more international composition and enhance its capabilities: Betsy Atkins, Dominique Sénéquier, Jeong H. Kim and Anand Mahindra.

In conclusion, the Supervisory Board recommends that shareholders approve the resolutions tabled by the Management Board.





> 3. Auditors' special reports

This is a free translation into English of the Statutory Auditors' special report on regulated agreements issued in French and it is provided solely for the convenience of English speaking users.

The Statutory Auditors' report includes information specifically required by French law in such reports, whether modified or not.

This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

Auditors' special report on regulated agreements

Shareholders Meeting to approve the financial statements for the year ended December 31, 2010

To the Shareholders,

In our capacity as Statutory Auditors of Schneider Electric SA, we present below our report on regulated agreements.

Our responsibility is to report to you, based on the information provided, on the main terms and conditions of agreements that have been disclosed to us or that we would have discovered at the time of our work, without commenting on their relevance or substance or researching the existence of other agreements. Under the provisions of article R. 225-58 of the French Commercial Code, it is the responsibility of shareholders to determine whether the agreements are appropriate and should be approved.

Furthermore, it is our responsibility, as appropriate, to inform you of the information set forth in the provisions of article R. 225-58 of the French Commercial Code pertaining to the signing during the past year of agreements already approved by the shareholders at the Shareholders Meeting.

We carried out our work in accordance with French professional standards. Those standards require that we perform procedures to verify that the information given to us agrees with the underlying documents.

Agreements submitted to the shareholders for approval at the shareholders meeting

We report to you that we were not notified of any agreements authorised during the past year to be submitted to the shareholders for approval at the Shareholders meeting pursuant to the provisions of Article L.225-86 of the French Commercial Code.

Agreements already submitted to the shareholders for approval at the shareholders meeting

We were informed of the status of the following agreements already approved by the shareholders at the Shareholders Meeting in prior years that were or were not entered into during the past year:

- Measures defining Jean-Pascal Tricoire's new status (authorised by the Supervisory Board on February 18, 2009 and approved by the shareholders at the Shareholders' Meeting of April 23, 2009)

Because of his resignation under his service contract with Schneider Electric Industries on May 3, 2009, Mr. Jean-Pascal Tricoire benefits from a new status. Under such agreement Mr. Jean-Pascal Tricoire:

1°) Will continue to benefit from:

- the Schneider Electric SA and Schneider Electric Industries SAS employee benefit plan, which offers health, disability and death coverage,
- the supplementary health, disability and death coverage available to the Group's senior executives,
- the top-hat pension plan for Schneider Electric senior executives described in the Supervisory Board Chairman's report in accordance with article L.225-68 of the French Commercial Code.

2°) the compensation due in the event of termination will be capped at 24 months of Mr. Tricoire's target compensation (fixed salary and target bonus) taking into account compensation provided for in the non-compete agreement described below. The amount due will be subject to performance criteria.

Compensation will be due in the event that:

- Mr. Tricoire resigns, is terminated or is not reappointed as a member or Chairman of the Management Board in the 12 months following a material change in Schneider Electric's shareholder structure that could change the membership of the Supervisory Board;
- Mr. Tricoire resigns, is terminated or is not reappointed as a member or Chairman of the Management Board following a reorientation of the strategy pursued and promoted by him until that time, whether or not in connection with a change in Schneider Electric's shareholder structure as described above;
- Mr. Tricoire is asked to resign, is terminated or is not reappointed as a member or Chairman of the Management Board when the mathematical average of the rate of achievement of performance objectives used to calculate his variable bonus was 50% or higher in the four full financial years preceding his departure (or, if he has been a member and Chairman of the Management Board for less than four years, in the number of full financial years since his appointment).

Payment of compensation will depend on the mathematical average of the rate of achievement of performance objectives used to determine the variable portion of Mr. Tricoire's compensation for the three full years preceding the date of the Board Meeting at which the decision is made.

If the mathematical average is:

- Less than 50%: no compensation will be paid;
- Equal to 50%: 75% of the maximum compensation will be paid;
- Equal to 100%: 100% of the maximum compensation will be paid;
- between 50% and 100%, compensation will be calculated on a straight-line basis at a rate of 75% to 100% of the maximum.

These terms and conditions are the same as those fixed by the Supervisory Board Meeting of February 19, 2008, in accordance with the provisions of France's "TEPA" law for the compensation payable to Mr. Tricoire in the event of termination;

- 3°) Unless a mutually agreeable arrangement is found, should Mr. Tricoire leave the Company it may invoke his non-compete agreement, which calls for monthly payment of an amount equivalent to 60% of the average monthly compensation for the last twelve months of presence;
- 4°) Mr. Tricoire will retain all of the stock options, stock grants and performance stock grants allocated or to be allocated to him should he leave the Company. Compensation will only be due if the mathematical average of the rate of achievement of performance objectives used to determine the variable portion of Mr. Tricoire's compensation for the three full years preceding prior to his departure is 50% or higher.

Benefit from the top-hat pension plan for Schneider Electric senior executives granted to Mr. Emmanuel Babeau.

The Supervisory Board, at its meetings held on April 23, 2009 and December 17, 2009, has authorised Mr. Emmanuel Babeau to benefit from the top-hat pension plan for Schneider Electric senior executives, as he is entitled under his service contract with Schneider Electric SA. In the event that Mr. Babeau is still in office at the date of his retirement, these plans (defined contribution plan, article 83, and defined benefit plan, article 39) will ensure him a pension equal to 25% of his average salaries over the last three years. Nevertheless, in the event that Mr. Babeau leaves the Group before his retirement, the contributions related to article 83 would be his. These contributions represent a capital constituting a guaranteed income, capital which increases by EUR 20 thousand euros per year.

Agreement with AXA (Board of Directors Meeting on January 06, 2006)

The shareholders' agreement between AXA and Schneider Electric SA, approved by the Board of Directors on January 6, 2006, calls for the continuation of stable cross-shareholdings between the two groups. Each group also holds a call option that may be exercised in the event of a hostile takeover.

Neuilly-sur-Seine and Courbevoie, March 18, 2011

The statutory Auditors

French original signed by

Ernst & Young et Autres

Yvon SALAÜN

MAZARS

David CHAUDAT



Statutory Auditors' special report on the attribution of stock options to corporate officers and employees from the company and its subsidiaries as defined by article L.225-180 of the French Commercial Code.

Extraordinary Shareholders' Meeting of April 21, 2011 (20th resolution)

To the Shareholders,

In our capacity as Statutory Auditors of Schneider Electric SA and pursuant to articles L.225-177 and R.225-144 of the French Commercial Code, we have established this report on the attribution of stock options to corporate officers and employees from the company and its subsidiaries and affiliates as defined by article L.225-180 of the French Commercial Code.

It is the Management Board's responsibility to establish a report on the reasons for the attribution of stock options, and on the methods used to set the purchase or subscription price of said options. Our role is to state our opinion on the methods proposed to set the subscription or purchase price.

We performed the procedures we deemed necessary to conduct this mission in accordance with the professional guidelines of the French Institute of Statutory Auditors (CNCC). These procedures consisted mainly in verifying: that the methods proposed to set the subscription and purchase price feature in the Management Board's report; that said methods comply with the provisions of the applicable texts, and inform the shareholders; and that they are not manifestly inappropriate.

We have nothing to report on the methods proposed.

Neuilly-sur-Seine and Courbevoie, March 18, 2011

The Statutory Auditors

French original signed by

Ernst & Young et Autres

Yvon SALAÜN

MAZARS

David CHAUDAT

Statutory Auditors' special report on the granting of free existing shares or shares to be issued to company officers and to employees of the company and of companies related to it

Extraordinary Shareholders' Meeting of April 21, 2011 (21st resolution)

To the Shareholders,

In our capacity as Statutory Auditors of your company and in compliance with the remit specified by Article L. 225-197-1 of the French Commercial Code, we have prepared this report on the project to grant free existing shares or shares to be issued to company officers and to employees of the company and of companies that are related to it, according to the meaning of Article L. 225-197-2 of the Commercial Code.

Your Board of Directors is asking you to authorise it to grant free existing shares or shares to be issued for a period of 38 months, with a power of delegation. It is the role of the Board of Directors to prepare a report on the transaction that it wishes to perform. It is our role, where applicable, to comment on the information that is being communicated to you regarding the proposed transaction.

We have performed the checks that we deemed necessary in accordance with the professional standards of the French National Institute of Statutory Auditors in relation to this remit. These checks consisted primarily in verifying that the proposed terms and conditions set out in the Board's report comply with the provisions provided for by law.

We have no comments to make on the information provided in the Board's report on the proposed transaction to grant free shares.

Neuilly-sur-Seine and Courbevoie, March 18, 2011

The statutory Auditors

French original signed by

Ernst & Young et Autres

Yvon SALAÜN

MAZARS

David CHAUDAT

Statutory Auditors' report on one or more proposed employee share issues without pre-emptive subscription rights for members of the Employee Stock Purchase Plan

Extraordinary Shareholders' Meeting of April 21, 2011 (22nd resolution)

To the Shareholders,

In our capacity as Statutory Auditors of Schneider Electric SA and pursuant to Articles L.225-135 et seq. and L.228-92 et seq. of the French Commercial Code, we present our report on the proposal to authorise the Management Board to issue shares or share equivalents, on one or several occasions, to employees who are members of an Employee Stock Purchase Plan set up by French or foreign related companies, without shareholders' pre-emptive subscription rights. The maximum amount by which the capital may be increased may not exceed 2% of the share capital as of the date on which this authorisation is used. The maximum discount at which shares may be offered is set at 20% of the average opening or closing prices quoted for Schneider Electric shares over the twenty days preceding the date on which the decision is made to launch the employee share issue. The amount of any capital increase carried out under this authorisation would be deducted from the aggregate amount by which the capital may be increased under the fourteenth and sixteenth resolutions of this Meeting. These authorisations are submitted for your approval in accordance with Article L.225-129-6 of the French Commercial Code and Articles L.3332-18 through L.3332-24 of the French Labor Code.

You are asked to authorise the Management Board, on the basis described in its report, to increase the Company's issued share capital directly or through a representative by issuing the securities described above without pre-emptive subscription rights, for a period of 26 months. If the resolution is adopted, the Management Board will set the terms and conditions of these share issues. This authorisation would not take effect until August 1, 2011.

The Management Board is responsible for reporting to shareholders on the proposed share issues in accordance with Articles R.225-113,

R.225-114 and R.225-117 of the French Commercial Code. Our responsibility is to express an opinion on the fairness of figures taken from the financial statements, on the proposal to cancel shareholders' pre-emptive subscription rights, and on certain other information included in this report.

We carried out our work in accordance with French professional standards. Those standards require that we perform procedures to check the content of the report drawn up by the Management Board concerning these transactions and the methods used to determine the share issue price.

We have no matters to report concerning the method for determining the issue price as described in the Management Board report, contingent upon our final review of the terms of the proposed capital increase.

Since the issue price has not yet been set, we cannot formulate an opinion on the final conditions under which the share issues will be carried out, and consequently have no opinion on the proposal to cancel shareholders' pre-emptive subscription rights contained in the seventeenth resolution.

Should this resolution be approved and as required by Article R.225-116 of the French Commercial Code, we will prepare an additional report at the time the capital increase(s) is (are) carried out by the Management Board.

Neuilly-sur-Seine and Courbevoie, March 18, 2011

The statutory Auditors

French original signed by

Ernst & Young et Autres

Yvon SALAÜN

MAZARS

David CHAUDAT





Report from the Statutory Auditors on one or several increases in capital without pre-emptive subscription rights, reserved for a category of named beneficiaries

Extraordinary Shareholders' Meeting of April 21, 2011 (23rd Resolution)

To the Shareholders,

In our capacity as statutory auditors of your Company, and pursuant to articles L. 225-135 et seq., L.225-138 et seq. and L. 228-92 et seq. of the French Commercial Code, we present below our report on the authorisation sought by the Management Board to increase the Company's capital by issuing, on one or several occasions, shares or share equivalents reserved for the employees of Schneider S.A.'s foreign companies, either directly or via the entities operating on their own account, without pre-emptive subscription rights. The maximum nominal amount by which the capital may be increased may not exceed 1% of the issued capital as of the date of the present Shareholders' Meeting and which you are asked to approve. The amount of any capital increase carried out under this authorisation is autonomous and separate from the aggregate amount by which the capital may be increased under the Fourteenth and Sixteenth Resolutions of this General Meeting.

You are asked to authorise the Management Board, on the basis described in its report, to increase the Company's issued share capital directly or through a representative on one or several occasions by issuing the securities described above without pre-emptive subscription rights, for a period of 18 months. If the resolution is adopted, the Management Board will set the terms and conditions of these transactions. This authorisation may only be used as and from August 1 2011.

The Management Board is responsible for reporting to shareholders on the proposed share issue in accordance with articles R.225-113, R.225-114 and R.225-117 of the French Commercial Code. Our responsibility is to express an opinion on the fairness of figures taken from the financial statements, on the proposal to cancel

shareholders' pre-emptive subscription right, and on certain other information included in this report.

We performed the procedures we deemed necessary to conduct the mission in accordance with the professional guidelines of the French Institute of Statutory Auditors (CNCC). Those standards require that we perform procedures to check the content of the report drawn up by the competent management authority concerning the transactions and the methods used to determine the share price.

We have no matters to report concerning the method for determining the issue price as described in the Management Report, contingent upon our final review of the terms of the proposed capital increase.

Since the share price has not yet been fixed, we cannot formulate an opinion on the final conditions under which the share issue will be carried out, and consequently have no opinion on the proposal to cancel shareholders' pre-emptive subscription right.

Should the resolution be approved as required by article R. 225-116 of the French Commercial Code, we will prepare an additional report at the time the capital increase(s) is (are) carried out by your Management Board.

Neuilly-sur-Seine and Courbevoie, March 18, 2011

The statutory Auditors

French original signed by

Ernst & Young et Autres

Yvon SALAÜN

MAZARS

David CHAUDAT

Statutory Auditors' report on the share capital reduction through cancellation of shares

Extraordinary Shareholders' Meeting of April 21, 2011 (24th Resolution)

To the Shareholders,

In our capacity as Statutory Auditors of Schneider Electric SA and pursuant to article L. 225-209 of the French Commercial Code in the event of a share capital reduction through cancellation of purchased shares, we have prepared this report in order to present you with our assessment of the reasons for and conditions of the planned capital reduction.

You are asked to grant the Management Board full powers, for a period of 24 months, to cancel, up to a maximum of 10% of its capital per 24-month period, the shares purchased under a share buyback program pursuant to the provisions of the aforementioned article.

We performed the procedures we deemed necessary to conduct this mission in accordance with the professional guidelines of the French Institute of Statutory Auditors (CNCC). These procedures require us to examine whether the reasons for and conditions of the planned capital reduction, which is not liable jeopardise equality among the shareholders, are in order.

We have no matters to report regarding the reasons for and conditions of the planned capital reduction.

Neuilly-sur-Seine and Courbevoie, March 18, 2011

The Statutory Auditors

French original signed by

Ernst & Young et Autres

Yvon SALAÜN

MAZARS

David CHAUDAT

Statutory auditors' report on the issuance of common stock and/or marketable securities giving access to equity with or without preemptive rights

Extraordinary Shareholders' Meeting of 21 April 2011 – resolutions 14, 16, 17, 18 and 19

To the Shareholders,

In our capacity as your company's statutory auditors and carrying out the mission stipulated by the French commercial code, particularly Articles L. 225-135, L. 225-136 and L. 228-92 thereof, we are submitting our report on the proposals to delegate to the Management Board with sub-delegation powers, various issues of common stock and marketable securities, transactions on which you are called upon to vote.

Based on its report, your Management Board proposes that you:

- empower it for a period of 26 months to decide on the following transactions and to set the final terms and conditions for these equity issues. It also proposes that you cancel your preemptive rights if necessary:
 - issuance of common stock for any marketable securities giving access to the company's common stock on one or several occasions or, in accordance with Article L. 228-93 of the French commercial code, of a company that it holds over one-half of the equity (either directly or indirectly with preemptive rights maintained (14th resolution)),
 - issuance through a public tender offer of common stock or any marketable securities giving access to the company's common stock, on one or several occasions, pursuant to Article L. 228-93 of the French commercial code, of a company in which it holds over one-half of the equity, either directly or indirectly, with preemptive rights canceled (16th resolution) it being understood that these securities may be issued to exchange for the securities that would be contributed to the company under a share exchange offer on securities meeting the terms and conditions set forth in Article L. 225-148 of the French commercial code (18th resolution),
 - issuance on one or more occasions under an offer stipulated in Section II of Article L. 411-2 of the French monetary and financial code of common stock or any other marketable security giving access to the company's share capital or in accordance with Article L. 228-93 of the French commercial code, of a company of which it holds over one-half of the share capital either directly or indirectly with preemptive rights canceled (19th resolution).
- to empower it for a period of 26 months to set the terms and conditions for issuance of common stock and marketable securities giving access to common shares so as to pay for the contributions in kind granted to the company and which consist of equity securities or marketable securities giving access to the share capital (18th resolution) up to the limit of 10% of the share capital.

The nominal amount of the capital increases to be conducted immediately or in the long-term may not exceed EUR800 million under the 14th resolution, EUR217 million under the 16th resolution with the upper limit stipulated in the 14th and 16th resolution for the 17th resolution, the upper limit stipulated in the 16th resolution for the 18th resolution and EUR108 million under the 19th resolution up to the upper limit stipulated in the 17th resolution. These amounts

will be deducted from the overall upper limit of EUR800 million set forth in the 14th resolution.

The Management Board also proposes that you empower it for a period of 26 months to decide to issue marketable securities, other than equity securities or those giving access to equity securities, giving access to debt securities with or without preemptive rights as part of public tender offers or of private placements (14th, 16th and 19th resolutions).

The overall nominal amount of debt securities that could be issued may not exceed EUR3 billion for the 14th, 16th and 19th resolutions.

The number of securities to create towards implementing the delegations of power stipulated in the 14th and 16th resolutions may be increased under the conditions stipulated in Article L. 225-135-1 of the French commercial code if you adopt the 16th resolution.

The Management Board is responsible for reporting to shareholders on the proposed share issues in accordance with Articles R.225-113, R.225-114 and R.225-117 of the French Commercial Code. Our responsibility is to express an opinion on the fairness of figures taken from the financial statements, on the proposal to cancel shareholders' pre-emptive subscription right, and on certain other information included in this report.

We carried out our work on the financial statements relating to this mission in accordance with the professional standards of the French Statutory Auditors Association. Those standards require that we perform procedures to check the content of the report drawn up by the Management Board concerning these transactions and the methods used to determine the share issue price.

We have no matters to report concerning the method for determining the issue price as described in the Management Board report, contingent upon our final review of the terms of the proposed capital increase under the 16th and 19th resolutions.

Furthermore, since this report does not explain the terms and conditions for determining the issue price of the equity securities to be issued towards implementing the 14th and 18th resolutions, we cannot give our opinion on the choice of the methods of calculating the issue price.

Since the issue price has not yet been set, we cannot formulate an opinion on the final conditions under which the share issues will be carried out, and consequently have no opinion on the proposal to cancel shareholders' pre-emptive right contained in the 17th and 19th resolutions.

In accordance with Article R. 225-116 of the French commercial code, we will submit an additional report if necessary at such time your Management Board uses these authorisations in the event it issues common stock with preemptive rights canceled and it issues marketable securities giving access to the share capital and/or giving right to an allocation of debt securities.

Neuilly-sur-Seine and Courbevoie, March 18, 2011

The Statutory Auditors

French original signed by

Ernst & Young et Autres

Yvon SALAÜN

MAZARS

David CHAUDAT



> 4. Resolutions

Resolutions to be voted on at Ordinary Meeting

First resolution (Approval of 2010 parent company financial statements)

The Shareholders' Meeting, acting with the quorum and majority required for Ordinary Shareholders' Meetings, having heard the reports of the Management Board and of the Statutory Auditors, and noting the Supervisory Board's comments on the Management Board's report and on the parent company financial statements, approves the transactions and parent company financial statements for the year ended December 31, 2010 as presented to it. These financial statements show a net profit for the year of EUR702.9 million.

Second resolution (Approval of 2010 consolidated financial statements)

The Shareholders' Meeting, acting with the quorum and majority required for Ordinary Shareholders' Meetings, having heard the reports of the Management Board and of the Statutory Auditors, and noting the Supervisory Board's comments on the Management Board's report and on the parent company consolidated financial statements, approves the parent company consolidated financial statements for the year ended December 31, 2010 as presented to it.

Third resolution (Appropriation of profit for the year, dividend)

The Shareholders' Meeting, acting with the quorum and majority required for Ordinary Shareholders' Meetings, resolves, on the basis of the number of shares as of December 31, 2010 of 271,959,091 shares, to appropriate as set out below income available for distribution, consisting of:

- (i) Retained earnings of EUR256,680,990.42;
- (ii) Net income for the year of EUR702,982,338.39;
- (iii) Less the statutory allocation to the legal reserve of EUR7,365,652.80;

representing a total amount to be appropriated of EUR952,297,676.01.

To the payment of a dividend	EUR870,269,091.20
Retained earnings	EUR82,028,584.81
Total	EUR952,297,676.01

The dividend will amount to EUR3.20 for each of the EUR8 par value shares carrying dividend rights from January 1, 2010.

The full dividend will be eligible for the 40% deduction for individuals resident in France provided for in Article 158-3-2 of the French Tax Code. This deduction will not apply if the shareholder has chosen to pay the flat-rate withholding tax on his or her dividends provided for in Article 117 quater of the French Tax Code.

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

Apart from the dividend described above, no other amounts eligible or not eligible for the 40% deduction provided for in Article 158-3-2 of the French Tax Code will be distributed.

Dividend payments for the last three years were as follows:

	2007	2008	2009
Dividend ⁽¹⁾	3.30	3.45	2.05

(1) The full dividend is eligible for a 40% deduction for individuals resident in France. No non-eligible dividends have been distributed.

Fourth resolution (Approval of the report on regulated agreements signed in previous years)

The Shareholders' Meeting, acting with the quorum and majority required for Ordinary Shareholders' Meetings and having heard the Statutory Auditors' special report on agreements governed by articles L. 225-38, L. 225-86, L. 225-90-1, and L. 225-79-1 of the French Commercial Code, notes the agreements signed and commitments made in previous years, as presented in this report.

Fifth resolution (Ratification of the co-optation of Mr Anand Mahindra and his appointment as a member of the Supervisory Board)

The Shareholders' Meeting, acting with the quorum and majority required for Ordinary Shareholders' Meetings, ratifies the co-optation of Mr Anand Mahindra as a member of the Supervisory Board with effect from October 19, 2010 and appoints him as a member of the Supervisory Board for the remaining period of his predecessor, expiring at the close of the Shareholders' Meeting to be called in 2012 to approve the 2011 financial statements.

**Sixth resolution
(Appointment of Ms Betsy Atkins as a member
of the Supervisory Board)**

The Shareholders' Meeting, acting with the quorum and majority required for Ordinary Shareholders' Meetings, appoints Ms Betsy Atkins as a member of the Supervisory Board for a period of four years expiring at the close of the Shareholders' Meeting to be called in 2015 to approve the 2014 financial statements.

**Seventh resolution
(Appointment of Mr Jeong H. Kim as a member
of the Supervisory Board)**

The Shareholders' Meeting, acting with the quorum and majority required for Ordinary Shareholders' Meetings, appoints Mr Jeong H. Kim as a member of the Supervisory Board for a period of four years expiring at the close of the Shareholders' Meeting to be called in 2015 to approve the 2014 financial statements.

**Eighth resolution
(Appointment of Ms Dominique Sénéquier as a
member of the Supervisory Board)**

The Shareholders' Meeting, acting with the quorum and majority required for Ordinary Shareholders' Meetings, appoints Ms Dominique Sénéquier as a member of the Supervisory Board for a period of four years expiring at the close of the Shareholders' Meeting to be called in 2015 to approve the 2014 financial statements.

**Ninth resolution
(Determination of the amount of attendance
fees awarded to the members of the
Supervisory Board)**

The Shareholders' Meeting, acting with the quorum and majority required for Ordinary Shareholders' Meetings and having heard the report of the Supervisory Board, decides to award, with effect from the current financial year, a total of EUR1,000,000 of attendance fees to the Supervisory Board.

**Tenth resolution
(Authorisation to trade in the Company's
shares: maximum purchase price EUR150)**

The Shareholders' Meeting, acting with the quorum and majority required for Ordinary Shareholders' Meetings, having heard the report of the Management Board, authorises the Management Board, in accordance with article L. 225-209 of the French Commercial Code, to buy back Company shares for cancellation, or for allotment upon exercise of stock options or share grants or upon conversion of convertible debt securities, or for delivery in exchange for shares in another company as part of an external growth transaction, or for the purpose of market making under a liquidity agreement.

- The maximum number of shares that may be acquired pursuant to this authorisation shall not exceed 10% of the issued share capital as of the date of this Meeting (representing 27,195,909 shares on the basis of the number of shares outstanding at the last official count on December 31, 2010).
- The maximum purchase price is set at EUR150. However, if all or some of the shares acquired pursuant to this authorisation are intended to be allotted upon exercise of stock options, in application of articles L. 225-177 *et seq.* of the French Commercial Code, the selling price of the shares in question will be determined in accordance with the provisions of the law governing stock options.
- Share purchases may not exceed an aggregate maximum amount of EUR4,079,386,350.
- The shares may be acquired, sold or otherwise transferred by any appropriate method on the market or over the counter, in compliance with current legislation, including through block purchases or sales, the use of all forms of derivatives traded on a regulated market or over the counter, or the use of put or call options including combined puts and calls.
- Shares acquired may also be canceled, subject to compliance with the provisions of articles L. 225-204 and L. 225-205 of the French Commercial Code and in accordance with the twenty-fifth resolution of the present Shareholders' Meeting.
- The Management Board may adjust the price(s) set above to take into account the effect of any of the following: (i) an issue of bonus shares or increase in the par value of existing shares paid up by capitalising reserves or earnings, (ii) a stock-split or reverse stock-split, or (iii) more generally, any transaction affecting equity, to account for the impact of such transactions on the share price. Said adjustment will be determined by multiplying the price by the ratio between the number of shares outstanding before and after the transaction.
- The Management Board shall have full powers to implement this resolution, directly or through a representative.
- This authorisation will expire at the end of a period of eighteen months from the date of this Meeting.



Resolutions to be voted on at Extraordinary Meeting

Eleventh resolution (Statutory changes: the statutory age limit for members of the Supervisory Board is replaced by a restriction to two years (renewable) of the period of appointment of members aged over 70)

The Shareholders' Meeting, acting with the quorum and majority required for Extraordinary Shareholders' Meetings and having heard the report of the Management Board, decides to modify the provisions of Article 11 of the Company's articles of association (dealing with the age limit for members of the Supervisory Board) by:

- 1°) removing the existing age limit of 74 years;
- 2°) limiting the period of appointment of members aged over 70 to two years (renewable).

Thus paragraph b of Article 11 of the Company's articles of association (dealing with the composition of the Supervisory Board) will henceforth read as follows:

- "Members of the Supervisory Board are appointed for terms of office of four years (renewable), with the exception of persons aged 70 or more who are appointed for terms of office of two years (renewable). Further, when appointment is made of a member of the Supervisory Board who will reach the age of 70 before the normal end of that appointment, its duration is limited to the period expiring at the close of the Shareholders' Meeting called to approve the previous year's financial statements and held in the year during which the said member of the Supervisory Board will reach the age of 70. That Ordinary Shareholders' Meeting may then reappoint the said member of the Supervisory Board for a two year (renewable) term of office.

In the event of the whole Supervisory Board being due for reappointment, the appointment of half the elected members, rounded down if necessary, will expire at the end of two years and that of the other members at the end of four years, based on a random draw to be performed at the first ensuing meeting of the Supervisory Board.

- The duties of members of the Supervisory Board cease at the close of the Ordinary Shareholders' Meeting called to approve the previous year's financial statements and held in the year during which their appointments expire.

No more than a third of the members of the Supervisory Board may be aged 70 or more. In the event of this limit being exceeded, and in the absence of any voluntary resignation of a member of the Supervisory Board aged 70 or more, the oldest member of the Supervisory Board shall be deemed to have resigned. However, should this limit be exceeded as a result of a fall in the total number of members of the Supervisory Board in office, the above requirement shall be waived in the event that, within three months, the departed members are replaced in such a manner as to enable the number of Supervisory Board members in office aged 70 or more to be maintained."

Twelfth resolution (Statutory changes: possibility of appointing a third non-voting member)

The Shareholders' Meeting, acting with the quorum and majority required for Extraordinary Shareholders' Meetings and having heard the report of the Management Board, decides to modify the provisions of Article 16 of the Company's articles of association (dealing with non-voting members of the Supervisory Board) by making provision for appointing a third non-voting member.

Thus Article 16 of the Company's articles of association (dealing with the composition of the Supervisory Board) will henceforth read as follows:

"The Supervisory Board may designate up to three non-voting members. They will be convened to and participate in meetings of the Supervisory Board on a consultative basis. They may participate in the committees created by the Supervisory Board with the exception of the Audit Committee. They may be chosen from amongst the Company's shareholders, or independently thereof, and receive remuneration as decided by the Supervisory Board.

Non-voting members are appointed for a maximum period of four years, subject to the proviso that no more than two non-voting members may simultaneously hold four year appointments. Non-voting members appointed for periods in excess of one year may always have their appointments renewed. Appointments may also be terminated at any time."

Thirteenth resolution (Statutory changes: division by two of the par value of the Company's shares)

The Shareholders' Meeting, acting with the quorum and majority required for Extraordinary Shareholders' Meetings and having heard the report of the Management Board, decides to divide the par value of the Company's shares by two (2), thereby reducing the par value of each share from eight euros (EUR8) to four euros (EUR4).

The Shareholders' Meeting notes that said division of shares' nominal value, and the correlative attribution of new shares to the Company's shareholders, shall be without effect on the rights attached to the Company's shares as provided for by its articles of association. The new shares will retain the same rights as the old shares for which they are substituted.

The Shareholders' Meeting decides that all the expense involved in dividing the shares' par value shall be borne by the Company.

The Shareholders' Meeting gives full powers to the Management Board, including the powers of delegation as provided for by law, to establish the date on which the division will come into effect, which will take place after June 2011, undertake any adjustments required as a result of this division, in particular as regards the stock option and stock grant plans in any form existing as of the date of the division, modify the Company's articles of association as required and carry out all legal filing and other formalities required as a result of this decision.

**Fourteenth resolution
(Authorisation to (i) increase the capital by a maximum of EUR800 million by issuing common shares or securities convertible, redeemable, exchangeable or otherwise exercisable for common shares of the Company or one of its subsidiaries, subject to preemptive subscription rights; or (ii) issue securities providing for the attribution of debt securities, subject to preemptive subscription rights)**

The Shareholders' Meeting, acting with the quorum and majority required for Extraordinary Shareholders' Meetings, having heard the report of the Management Board and the Statutory Auditors' special report and in accordance with articles L. 225-129-2, L. 225-132, L. 225-134, L. 228-92 and L. 228-93 of the French Commercial Code:

- decides to authorise the Management Board, directly or through a representative, to (i) increase the Company's issued share capital on one or several occasions by issuing, in France or abroad, common shares or securities convertible, redeemable, exchangeable or otherwise exercisable for new or existing common shares in the Company or in any other company in which it holds more than half of the issued capital either directly or indirectly (the securities may be denominated in euros or in any other currency or any monetary unit determined by reference to a basket of currencies); or (ii) issue, subject to the same conditions, securities providing for the attribution of debt securities governed by the provisions of articles L. 228-91 *et seq.* of the French Commercial Code, all the above securities may be paid up in cash or by capitalising debt;
- decides that this authorisation is given for a period of 26 months from the date of this Shareholders' Meeting;
- decides that the aggregate par value of shares issued under this authorisation shall not exceed EUR800 million (i.e. approximately 36.8% of the Company's share capital as of December 31, 2010). This ceiling does not include the par value of any shares to be issued to preserve, in accordance with the law and any applicable contractual stipulations, the rights of holders of marketable securities that give them access to the Company's capital, options to subscribe to existing shares or purchase new shares, or free or performance shares. Share capital increases carried out on the basis of the sixteenth, seventeenth, eighteenth, nineteenth and twenty-second resolutions adopted by this Meeting will be deducted from this amount, regardless of any adjustments necessary to preserve, in accordance with the law and any applicable contractual stipulations, the rights of holders of marketable securities that give them access to the Company's

capital, options to subscribe to existing shares or purchase new shares, or free or performance shares. This par value limit of EUR800 million shall not apply to any share capital increases by means of incorporation of share premium, other reserves, retained earnings or profit under the fifteenth resolution, nor to any share capital increases reserved for the benefit of the employees or corporate officers by virtue of the twentieth, twenty-first and twenty-third resolutions adopted by the present Meeting, which are subject to specific resolutions;

- decides that the aggregate par value of marketable securities that may be issued under this authorisation in accordance with articles L. 228-91 and L. 228-92 of the French Commercial Code is set at EUR3 billion or the exchange value of this amount. This ceiling is common to this resolution and to marketable securities payable against the Company based on the sixteenth and nineteenth resolutions adopted by this meeting;
- decides that securities convertible, redeemable, exchangeable or otherwise exercisable for new or existing common shares in the Company may notably take the form of debt securities or be associated with the issue of such securities, or serve as intermediate securities or equally have subordinated status or not, or determinable maturities or not;
- decides that holders of existing shares shall have a preemptive right to subscribe any securities issued pursuant to this resolution;
- decides that the Management Board shall fix the conditions and limits subject to which holders of existing shares may exercise their preemptive right to subscribe any securities issued pursuant to this resolution, and may institute for their benefit an additional right subject to allocation on a proportionate basis up to the amount of their requests;
- decides that if the above mentioned subscriptions have not sufficed to absorb the totality of any issue of shares or other securities as defined above, the Management Board shall be free to make use of the dispositions provided for under article L. 225-134 of the French Commercial Code and notably, to place all or part of the unsubscribed securities by means of public offerings or private placement as provided for by Article 411.2 of the French Monetary and Financial Code;
- recognises that this authorisation entails the waiver by shareholders of their preemptive right to subscribe any common shares issued on redemption, conversion, exchange or exercise of share equivalents issued in application of this resolution;
- decides that the Management Board shall have full powers to implement this authorisation;
- decides that this authorisation shall cancel and replace the unused portion of the authorisation given in the tenth resolution of the Shareholders' Meeting of April 23, 2009.





Fifteenth resolution (Authorisation to increase the Company's capital by capitalising reserves, earnings or additional paid-in capital)

The Shareholders' Meeting, acting with the quorum and majority required for Extraordinary Shareholders' Meetings, having heard the report of the Management Board and in accordance with articles L. 225-129-2 and L. 225-130 of the French Commercial Code:

- authorises the Management Board to increase the share capital on one or several occasions by capitalising paid-in capital, reserves, earnings or other items, the capitalisation of which is consistent with the application of the law and the Company's articles of association, whether by means of the allocation of free shares or of increasing the par value of the existing shares;
- decides that the aggregate par value of share capital increases liable to be performed under this authorisation, together with the par value of any shares to be issued to preserve, in accordance with the law and any applicable contractual stipulations, the rights of holders of marketable securities that give them access to the Company's capital, options to subscribe to existing shares or purchase new shares, or free or performance shares, shall not exceed the amount of the above mentioned reserves, share premium or profit existing at the time of each applicable share capital increase. The limit to which the present authorisation is subject is an autonomous one that is distinct from the limit defined by the fourteenth resolution;
- decides that the Management Board shall have full powers to implement this authorisation;

This authorisation is given for a period of twenty-six months from the date of this Meeting and cancels and replaces the unused portion of any prior authorisation.

Sixteenth resolution (Authorisation to (i) increase the capital by a maximum of EUR217 million, by issuing common shares or securities convertible, redeemable, exchangeable or otherwise exercisable for common shares of the Company or one of its subsidiaries; or (ii) issue securities providing for the attribution of debt securities; in both cases, by means of public offerings and subject to the waiver by existing shareholders of their preemptive subscription rights)

The Shareholders' Meeting, acting with the quorum and majority required for Extraordinary Shareholders' Meetings, having heard the report of the Management Board and the Statutory Auditors' special report and in accordance with articles L. 225-129-2, L. 225-135, L. 225-136, L. 228-92 and L. 228-93 of the French Commercial Code:

- decides to authorise the Management Board, directly or through a representative and by means of public offering, to (i) increase the Company's issued share capital on one or several occasions by issuing, in France or abroad, common shares or securities

convertible, redeemable, exchangeable or otherwise exercisable for new or existing common shares in the Company or in any other company in which it holds more than half of the issued capital either directly or indirectly (the securities may be denominated in euro or in any other currency or any monetary unit determined by reference to a basket of currencies); or (ii) issue, subject to the same conditions, securities providing for the attribution of debt securities governed by the provisions of articles L. 228-91 *et seq.* of the French Commercial Code, all the above securities may be paid up in cash or by capitalising debt.

In accordance with article L. 228-93 of the French Commercial Code, the issue of shares by the Company may occur as a result of securities issued by companies in which it holds more than half of the issued capital either directly or indirectly, and which securities provide access by any means to ordinary shares of the Company.

This authorisation is given for a period of 26 months from the date of this Meeting;

- decides that the aggregate par value of shares issued under this authorisation shall not exceed EUR217 million (i.e. approximately 10% of the Company's share capital as of December 31, 2010). This ceiling does not include the par value of any shares to be issued to preserve, in accordance with the law and any applicable contractual stipulations, the rights of holders of marketable securities that give them access to the Company's capital, options to subscribe to existing shares or purchase new shares, or free or performance shares; the EUR217 million shall be taken into account in computing the overall ceiling provided for in the fourteenth resolution adopted by this Meeting;
- and decides that the aggregate par value of debt securities issued under this authorisation and in accordance with articles L. 228-91 and L. 228-92 of the French Commercial Code shall not exceed EUR3 billion or its foreign currency equivalent. This ceiling is cumulative with the ceilings specified in the fourteenth and nineteenth resolutions adopted by the present Meeting;
- decides that securities convertible, redeemable, exchangeable or otherwise exercisable for new or existing common shares in the Company may notably take the form of debt securities or be associated with the issue of such securities, or serve as intermediate securities or equally have subordinated status or not, or determinable maturities or not;
- decides to suppress existing shareholders preemptive rights of subscription to these securities which will be issued as provided for by law on the basis that rights of priority will be instituted for subscription by existing shareholders as provided for by article L. 225-135 of the French Commercial Code;
- decides that the amount payable to the Company for shares issued, or liable to be issued, under this authorisation, after taking account of the price paid for any applicable share subscription or allocation rights, shall be at least equal to the minimum price payable under the applicable legal and/or regulatory provisions as of the date of each issue, whether or not the said shares are treated as fungible with the Company's existing shares;
- recognises that this authorisation entails the waiver by shareholders of their preemptive right to subscribe any common shares issued on redemption, conversion, exchange or exercise of share equivalents issued in application of this resolution;

- decides that the Management Board shall have full powers to implement this authorisation;
- decides that this authorisation shall cancel and replace the unused portion of the authorisation given in the eleventh resolution of the Shareholders' Meeting of April 23, 2009.

**Seventeenth resolution
(Authorisation to increase the amount of an initial share issue, with or without preemptive subscription rights, determined pursuant to the fourteenth and sixteenth resolutions respectively where an issue is oversubscribed).**

The Shareholders' Meeting, acting with the quorum and majority required for Extraordinary Shareholders' Meetings and having heard the report of the Management Board and the Statutory Auditors' special report, resolves as follows, in accordance with article L. 225-135-1 of the French Commercial Code:

- to authorise the Management Board, for a period of 26 months, directly or through a representative, for each issue determined pursuant to the fourteenth and sixteenth resolutions adopted by this Meeting, that the number of common shares and securities to be issued can be increased by the Management Board in accordance with statutory and regulatory provisions and within the ceilings set out in the fifteenth and seventeenth resolutions adopted by this Meeting;
- that the Management Board shall have full powers to use this authorisation and that this authorisation renders ineffective all prior authorisations with the same purpose.

**Eighteenth resolution
(Option to use the authorisation to increase the capital without preemptive subscription rights in payment for shares in the case of a public exchange offer or share equivalents relating to the shares of other companies)**

The Shareholders' Meeting, acting with the quorum and majority required for Extraordinary Shareholders' Meetings and having heard the report of the Management Board and the Statutory Auditors' special report, resolves that the capital issues provided for under the sixteenth resolution adopted by this meeting may, where applicable, be used in payment for shares of another company tendered to a public exchange offer in accordance with article L. 225-148 of the French Commercial Code.

Similarly, based on the Statutory Auditor's report, the Shareholders' Meeting authorises the Management Board for the same period of 26 months, to proceed, within the scope of the authorisation under the sixteenth resolution, with one or more capital increases up to a limit of 10% of share capital, in payment for share equivalents granted to the Company comprising shares or securities, where the provisions of article L. 225-148 do not apply.

In all cases, the amount of the share issues carried out under this resolution will be deducted from the ceiling provided for under the sixteenth resolution adopted by this Meeting.

Where necessary, the Shareholders' Meeting resolves to waive the preemptive subscription rights of existing shareholders to subscribe the shares and securities thus issued for the benefit of the holders of these shares or securities.

The Shareholders' Meeting notes that the Management Board shall have full powers, directly or through a representative, to carry out the transactions described in this resolution, to increase the capital and place the increase on record.

**Nineteenth Resolution
(Delegation of authority granted to the Management Board to decide, with cancellation of pre-emptive rights and as part of an offer mentioned in section II of Article L. 411-2 of the French Monetary and Financial Code to (i) increase the share capital within a limit of 108 million of par value (5% of capital, by way of indication) by issuing shares or any securities granting access to Company capital or any of its subsidiaries, whose issue price will be fixed by the Management Board in the manner determined by the General Meeting or (ii) issue securities granting rights to the allocation of debt securities)**

The General Meeting, having fulfilled the quorum and majority requirements required for Extraordinary General Meetings, and having considered the report of the Management Board and the special report of the Statutory Auditors, and in accordance with the provisions of the French Commercial Code, particularly Articles L. 225-127, L. 225-128, L. 225-129, L. 225-129-2 L. 225-135, L. 225-136, L. L. 228-92 and 228-93, and section II of Article L. 411-2 of the French Monetary and Financial Code:

1. delegates to the Management Board, with the option to subdelegate, the authority to decide with cancellation of preemptive rights through an offer referred to in section II of Article L. 411-2 of the French Monetary and Financial Code, in one or more stages, in the proportions and at the times that it shall determine, in France, abroad, or on the international market, in euros or in any other currency or monetary unit established by reference to several currencies:
 - (i) the capital increase by the issue of common shares or securities issued for consideration or at no cost, governed by Articles L. 228-91 et seq. of the French Commercial Code granting access to the capital of the Company or a company in which it owns more than half the capital directly or indirectly (a "Subsidiary") (either new shares or existing Company shares) or
 - (ii) under the same conditions, the issue of securities granting access to the allocation of debt securities governed by Articles L. 228-91 et seq. of the French Commercial Code, with the understanding that the subscription of shares and other securities may be either in cash or by compensation for claims;





2. decides that the total amount of share capital increases that may be carried out immediately and/or in the future on the basis of this resolution, may not exceed a nominal value of EUR108 million and that this amount is set without regard to the additional amount of shares to be issued to preserve, pursuant to the law and, where applicable, the contractual provisions providing for other cases of adjustment, the rights of holders of securities granting access to Company capital, or of stock options or bonus or performance shares, with the understanding that the amount of EUR108 million is allotted to the ceiling in the Seventeenth Resolution and the overall limit of the Fourteenth Resolution adopted by the this General Shareholders' Meeting;
 - decides that the maximum nominal amount of securities representing immediate or future Company debt that may be issued under this delegation in accordance with Articles L. 228-91 and L. 228-92 of the French Commercial Code is set at EUR3 billion euros or the equivalent value of this amount, and this ceiling is common to the present resolution and securities representing immediate or future Company debt issued on the basis of the Fourteenth and Sixteenth Resolutions adopted by this meeting.
3. sets at 26 months from the date of this General Meeting, the term of validity of the delegation of power covered by this resolution;
4. decides to waive the pre-emptive rights to securities covered by this resolution;
5. acknowledges the fact that this authorisation automatically entails the waiver by the shareholders of their pre-emptive right to subscribe to ordinary Company shares to which the securities to be issued on the basis of this delegation may grant access;
6. authorises, pursuant to Article L. 225-136 of the French Commercial Code, the Management Board, to waive the price-setting condition provided by the laws and regulations in force when this resolution this use and to freely set the issue price of ordinary shares or of securities granting access to capital, with the understanding, however, that the issue price must be at least equal to the choice of the Management Board:
 - (i) the weighted average share price on the NYSE Euronext regulated market in Paris of the shares over a maximum period of six months preceding the date that the the issue price is set, or
 - (ii) the average weighted by volumes on the regulated market of the NYSE Euronext regulated market in Paris on the day before the issue price is set, or possibly less, and in both cases, with a maximum discount of 5%;
7. decides that if the subscriptions do not absorb the entire issue of shares or securities, the Management Board may limit the issue to the amount of subscriptions under the conditions provided by law in effect at the time of use of this delegation;
8. notes that the Management Board has full authority to implement this delegation of powers.

Twentieth Resolution (Authorisation granted to the Management Board to grant stock options to corporate officers and employees of the Company and related companies)

The General Meeting, having fulfilled the quorum and majority requirements required for Extraordinary General Meetings, having considered the report of the Management Board and the special report of the Statutory Auditors:

- authorises the Management Board to grant, in one or more stages, to the benefit of those whom it shall designate from among the employees and corporate officers of the Company and the companies or groups linked to it, under the conditions referred to Article L. 225-180 of the French Commercial Code, options granting access to the subscription of new Schneider Electric SA shares or to the purchase of existing shares of the Company acquired by Schneider Electric SA in the manner provided by law;
 - with the understanding that the subscription or purchase price on the day that the option is granted shall not be less than the average share price over the twenty trading days preceding the date they were granted, with the understanding that the purchase price may not, moreover, be less than the average purchase price of the shares held by the Company pursuant to Articles L. 225-208 and L. 225-209 of the French Commercial Code,
 - with the understanding that:
 - (i) the total number of options granted by virtue of this authorisation and not yet exercised or canceled may not grant the right to subscribe to or purchase a number of shares exceeding 1% of capital at the date of this General Meeting excluding adjustments that may be made to preserve the rights of beneficiaries in accordance with the laws and regulations in force and applicable contractual provisions and within the 1% limit allocations to members of the Management Board shall not exceed an annual amount of 0.03% of capital at the date of this meeting (excluding adjustments),
 - (ii) the options have a term of between five and ten years,
 - (iii) all options granted to members of the Management Board as part of the the annual long-term incentive plans will be subject to the achievement of one or more conditions of performance and that some or all of the options granted to other beneficiaries under these terms will be subject to the achievement of one or more conditions of performance.

This authorisation automatically entails, for the beneficiaries of stock options, the express waiver by shareholders of their pre-emptive right to subscribe to shares to be issued when options are exercised.

- gives all powers to the Management Board, within the limits set above, to implement this authorisation, including the authority to:
 - determine all terms of operations, determine the conditions under which and to whom options will be granted and designate the recipients of options,
 - set the validity period of the options, and the date or dates or periods of exercise of options,
 - set the conditions under which the price and number of shares to be subscribed or purchased may be adjusted to reflect the financial transactions made by the Company,
 - perform or have performed all acts and formalities required to make permanent the capital increase or increases pursuant to this authorisation, amend the bylaws accordingly and generally do whatever is necessary,
 - all pursuant to the laws and regulations in force when the options are granted.

The General Meeting acknowledges that the Supervisory Board will establish the conditions for the exercise of options granted to Management Board members pursuant to Article L. 225-185 of the French Commercial Code.

The Executive Board shall annually inform the General Meeting of the transactions conducted pursuant to this authorisation.

This authorisation is valid for a maximum term of 38 months from the date of this meeting. It nullifies those amounts not used by the Management Board that were authorised by the General Meeting of 23 April 2009 in its Fourteenth Resolution.

**Twenty-First Resolution
(Authorisation given to the Management Board to proceed with the allocation of bonus shares (based on existing or future shares) subject, as necessary, to conditions of performance for corporate officers and employees of the Company and the companies)**

The General Meeting, having fulfilled the quorum and majority requirements required for Extraordinary General Meetings, having considered the report of the Management Board and the special report of the Statutory Auditors, in accordance with Articles L. 225-197-1 and following of the French Commercial Code:

- authorises the Management Board to conduct, in one or more stages, for employees or certain categories of them that it shall determine from among the employees and corporate officers of the Company or the companies related to it as defined by Article L. 225-197-2, which meet the conditions set forth in Article L. 225-197-1 of the French Commercial Code, allocations of existing or future bonus shares of the Company;
- decides that the Management Board will determine the identity of the beneficiaries of the allocations and the conditions and performance criteria to which shall be subject, where appropriate, all or part of the shares allocated as part of the annual long-term incentive plans, with the understanding that 100% of the shares allocated to members of the Management Board as part

- of the annual long-term incentive plans will be subject to the achievement of one or more conditions of performance;
- decides that the total number of shares allocated may not represent more than 1.3% of Company capital at the date of this meeting;
- decides that the shares granted annually to members of the Management Board pursuant to this authorisation may not represent a percentage higher than 0.03% of Company capital at the date of this meeting;
- decides that the allocation of shares to their beneficiaries shall be final, subject to the conditions and the achievement of the performance criteria established, if necessary, by the Management Board after a vesting period established by the Management Board. The Management Board has the power to fix, in accordance with the provisions of Article L. 225-197-1 of the French Commercial Code, the duration of vesting and share retention periods and thus provide for all or part of the shares for a minimum vesting period of four years with no retention period except for reasons related to tax and/or corporate obligations and/or a minimum vesting period of two years with a minimum retention period of two years;
- decides, notwithstanding the provisions of the above paragraph, that the final allocation of shares and the ability to transfer them freely will nevertheless be acquired by a recipient if it were to be hit by a disability mentioned in Article L. 225-197-1 of the French Commercial Code;
- authorises the Management Board to carry out, if necessary, during the vesting period, adjustments to the number of shares related to potential transactions in the capital of the Company so as to preserve the rights of beneficiaries;
- notes that this authorisation automatically entails, for the beneficiaries of free shares, an express waiver by shareholders of their pre-emptive right to subscribe for shares to be issued allocated for free. The corresponding capital increase will definitively be achieved solely by the final allocation of shares to beneficiaries;
- fixes at 38 months, starting today, the validity of this delegation, which nullifies, for amounts are not used by the Management Board, the authorisation granted by the General Meeting of 23 April 2009 in its Fifteenth Resolution.

The meeting delegates all powers to the Management Board, with power of delegation within the legal limits, to implement this authorisation, perform all acts, formalities and declarations and conduct, if necessary, the adjustments related to any transactions on Company capital, note the capital increase or increases pursuant to this authorisation, amend the bylaws accordingly and, in general, do whatever is necessary.

The General Meeting acknowledges that the Supervisory Board will determine the retention conditions applicable to the shares granted to the Management Board in accordance with the provisions of Article L. 225-197-1 of the French Commercial Code.





**Twenty-Second Resolution
(Delegation of authority granted to the
Management Board to carry out capital
increases reserved for employees
participating in the Employee Savings Plan)**

The General Meeting, having fulfilled the quorum and majority requirements required for Extraordinary General Meetings, having considered the report of the Management Board and the special report of the Statutory Auditors, pursuant to the provisions of Articles L. 3332-1 and following of the French Labor Code and Articles L. 225-129-2, L. 225-129-6 and L. 225-138-1 of the French Commercial Code and in accordance with the provisions of that code:

1. delegates to the Management Board with the option of subdelegation, for a period of 26 months from the date of this General Meeting, the power to decide a share capital increase in one or more stages, at its sole discretion, by issuing shares or securities granting access to the Company capital reserved for members of a company savings plan of the Company and the French or foreign companies related to the Company under the conditions of Article L. 225-180 of the French Commercial Code and L. 3344-1 of the French Labor Code, up to a maximum nominal amount of 2% of capital at the date of implementation of this authorisation, with the understanding that (i) this limit will be applied to the ceilings mentioned in the Fourteenth and Sixteenth Resolutions adopted by this meeting and (ii) this delegation may not be used until 1 August 2011;
2. decides to set the maximum discount offered under the company savings plan at 20% of the average opening or closing prices of the Company share on the regulated NYSE Euronext market in Paris during the twenty trading days preceding the date of the decision by the Management Board setting the opening date of subscriptions. However, the General Meeting explicitly authorises the Management Board to reduce the discount mentioned above within the legal and regulatory limits, or not to grant it, in particular to take into account the applicable regulations in countries where the offer will be implemented;
3. decides that the characteristics of other securities granting access to Company capital shall be determined by the Management Board under the conditions fixed by regulations;
4. decides to cancel in favor of members of a company savings plan, the pre-emptive rights of shareholders to shares and securities granting access to capital to be issued pursuant to this resolution;
5. decides to waive the pre-emptive right to subscribe to shares to which the securities issued pursuant to this resolution may grant access;
6. decides that this authorisation cancels starting 31 July 2011 the authorisation given by the General Meeting of 22 April 2010 in its Eighteenth Resolution, for its amounts unused by the Management Board;
7. the General Assembly acknowledges that the Management Board has full authority with the option to subdelegate to make the transactions referred to in this resolution and to make and note the resulting capital increases.

**Twenty-Third Resolution
(Capital increase reserved for a class of
beneficiaries: for employees of foreign group
companies, either directly or through entities
acting on their behalf)**

The General Meeting, having fulfilled the quorum and majority requirements required for Extraordinary General Meetings, having considered the report of the Management Board and the special report of the Statutory Auditors, in accordance with Articles L. 225-129-2 and L. 225-138 of the French Commercial Code:

1. delegates to the Management Board, with authority to delegate the powers necessary to effect the increase in one or more stages, at the times it shall set and in the proportions it shall determine, the share capital, within the limits of a maximum of 1% of capital at the date of this General Meeting, by issuing shares or securities granting access to Company capital that confer the same rights as existing shares, and such issue will be reserved for persons who meet the requirements of the category defined below, with the understanding that (i) the ceiling of 1% of capital set above will be applied to the 2% ceiling set in the Twenty-Second Resolution, but is instead autonomous and separate from the ceilings in the Fourteenth and Sixteenth Resolutions adopted by this meeting, (ii) that this resolution cannot be used until 1 August 2011;
2. decides to waive the pre-emptive rights of shareholders to the shares or other securities granting access to capital issued pursuant to this resolution and to reserve the right to subscribe to one and/or the other category of beneficiaries who meet the following characteristics: (i) employees and corporate officers of Groupe Schneider Electric companies related to the Company under the conditions of Article L. 225-180 of the French Commercial Code and Article L. 3344-1 of the French Labor Code that have their headquarters outside France, (ii) and/or mutual funds or other entities, whether or not they have legal personality, employee shareholdings invested in securities of a company whose holders of units or shareholders are the persons mentioned in (i) of this paragraph; (iii) and/or any banking institution or subsidiary of such an institution acting at the request of the Company for the purposes of implementation of an employee shareholding or savings plan for the benefit of the persons mentioned in (i) of this subsection insofar as the use of subscription of the person authorised under this resolution would allow employees of subsidiaries located abroad to benefit from share ownership or equivalent employee savings plans in terms of economic benefit to those enjoyed by other employees of the Group;
3. decides that the unit price of the shares to be issued pursuant to this resolution shall be fixed by the Management Board on the basis of the share price of the Company on the NYSE Euronext regulated market in Paris; the issue price will be determined at the discretion of the Management Board on the basis of either (i) the first or last trading price of the shares of the Company during the trading session the day of the decision of the Management Board fixing the issue price or (ii) the average opening or closing prices of the shares of the Company during the 20 trading days preceding the date of the decision of the

Management Board fixing the issue price under this resolution or fixing the issue price under the Twenty-Second Resolution adopted by the meeting; the Management Board may fix the issue price by applying a maximum discount of 20% to the share price of the Company shares determined by either of the methods described in (i) and (ii) of this paragraph, the percentage of this discount applied to the share price of the Company will be determined by the relevant Management Board, including legal, regulatory and tax provisions of foreign law applicable, as the case may be, to any persons who are beneficiaries of the issue;

4. Decides that the Management Board shall have all powers, under the conditions provided by law and within the limits set above, to implement this delegation and determine the list of beneficiaries within the categories established by this resolution and the number of securities to be offered to each of them, provided that the Management Board may decide that the capital increase will be realised for the amounts subscribed, provided that at least 75% of the shares or other securities granting access to capital offered have been subscribed, and in particular:
 - define the characteristics of the securities to be issued, setting the issue price, dates, times, terms and conditions of subscription, payment, delivery and possession of shares and securities, within legal or regulatory limits,
 - note the capital increase, issue shares and other securities granting access to capital, amend the corresponding bylaws,
 - and, more generally, enter into any agreement, in particular for achieving the successful completion of the proposed issues, take any measures and carry out all formalities for the issue, trading and servicing of the securities issued by virtue of this delegation and the exercise of the rights attached thereto, and generally do whatever is necessary;
5. decides that this delegation shall nullify as of 31 July 2011 the authorisation given by the General Meeting of 22 April 2010 in its Nineteenth Resolution for its amounts not used by the Management Board.

The delegation conferred by this resolution shall be valid for a period of 18 months from this General Assembly.

Twenty-Fourth Resolution (Authorisation to cancel, if necessary, the shares purchased under the conditions set by the General Meeting, to a maximum of 10% of capital)

The General Meeting, having fulfilled the quorum and majority requirements required for Extraordinary General Meetings, having considered the report of the Management Board and the special report of the Statutory Auditors, authorises the Management Board, in accordance with Article L. 225-209 of the French Commercial Code, to cancel the treasury shares of the Company acquired by virtue of the authorisations given by the General Meeting, in accordance with Article L. 225-209 of the French Commercial Code, as follows:

- the Management Board is authorised to cancel at its sole discretion, in one or more stages, all or part of the shares acquired under the repurchase authorisation of the treasury shares of the Company within 10% of capital over a period of 24 months after this meeting and to conduct proportional reductions of share capital;
- the difference between the purchase price of the shares and their par value will be deducted from the issue premium and, if necessary, the legal reserve up to 10% of the capital canceled.

This authorisation, which supersedes the authorisation granted by the General Meeting of 23 April 2009, is granted for a period of 24 months from this date to the Management Board, with the option of delegation, in order to accomplish all acts, formalities and declarations to cancel the shares and make final the reductions in capital and, accordingly, to amend the bylaws.

Twenty-Fifth Resolution (Powers for formalities)

The General Meeting gives full powers to the bearer of a copy or excerpts of the report stating these resolutions to accomplish all legal and administrative formalities.



ANNUAL AND EXTRAORDINARY SHAREHOLDERS' MEETING
RESOLUTIONS

Persons responsible for the Registration Document and audit of the accounts

> Person responsible for the document

Person responsible for the Registration Document

Jean-Pascal Tricoire, President and CEO

Attestation by the person responsible for the Registration Document

I hereby declare that, having taken all reasonable care to ensure that such is the case, the information contained in the registration document is, to the best of my knowledge, in accordance with the facts and contains no omission likely to affect its import.

I hereby declare that, to the best of my knowledge, the financial statements have been prepared in accordance with applicable accounting standards and that they present fairly, in all material respects, the assets, financial position and results of the company and the consolidated group at December 31, 2010. To the best of my knowledge, the business review presents fairly the changes in business, results and financial position of the company and the consolidated group, as well as a description of their principal risks and contingencies.

I obtained a statement from the Statutory Auditors at the end of their engagement affirming that they had read the whole of the registration document and examined the information about the financial position and the historical accounts contained therein. The Statutory Auditors produced reports on the historical financial information presented in the Registration Document, to be found on pages 222 and 238.

The report on the consolidated financial statements for the year ended December 31, 2009 contained an observation concerning the accounting standards and changes to the method of accounting.

The report on the consolidated financial statements for the period ended December 31, 2010 contains an observation referring to the presentation of the consolidated financial statements and the new applicable accounting standards.

Executed on March 21, 2011

President and CEO
Jean-Pascal Tricoire

Pursuant to Article 28 of Commission regulation 809/2004/EC, the following information is incorporated by reference in the present registration document:

- the consolidated financial statements and corresponding Auditors' Reports provided in Chapter 6 of the registration document for the ended December 31, 2008, registered with Autorité des Marchés Financiers (AMF) under number D09-0124 on March 17, 2009,
- the consolidated financial statements and corresponding Auditors' Reports provided in Chapter 5 of the registration document for the ended Thursday, December 31, 2009, registered with Autorité des Marchés Financiers (AMF) under number D10-0125 on March 19, 2010,
- the annual company financial statements and corresponding Auditors' Reports provided in Chapter 7 of the registration document for the ended December 31, 2008, registered with Autorité des Marchés Financiers (AMF) under number D09-0124 on March 17, 2009,
- the annual company financial statements and corresponding Auditors' Reports provided in Chapter 6 of the registration document for the ended Thursday, December 31, 2009, registered with Autorité des Marchés Financiers (AMF) under number D10-0125 on March 19, 2010,
- the business review provided in Chapter 4 of the registration document for the ended December 31, 2008, registered with Autorité des Marchés Financiers (AMF) under number D09-0124 on March 17, 2009,
- the business review provided in Chapter 4 of the registration document for the ended Thursday, December 31, 2009, registered with Autorité des Marchés Financiers (AMF) under number D10-0125 on March 19, 2010.

Passages not incorporated in this document are either irrelevant for the investor or covered in another section of the registration document.

> Persons responsible for the audit of the financial statements

	Date appointed	Appointment expires
Statutory Auditors		
Ernst & Young et <i>Autres</i> 41, rue Ybry - 92576 Neuilly-sur-Seine Cedex Represented by Yvon Salaün	1992	2016
Mazars Tour Exaltis - 61, rue Henri-Regnault - 92400 Courbevoie Represented by David Chaudat	2004	2016
Alternate Auditors		
Auditex	2010	2016
Thierry Blanchetier	2010	2016

Ernst & Young et *Autres* and Mazars are members of the Auditor's Regional Company of Versailles.

Financial Calendar

Investors relations

April 21, 2011	Shareholders' Annual Meeting (Paris)
April 29, 2011	Dividend ex-date

Financial releases

February 17, 2011	2010 Annual Results
April 20, 2011	Q1 2011 Sales
July 29, 2011	Half Year Results
October 20, 2011	Q3 2011 Sales

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Incorporated in France,

governed by a Management Board
and Supervisory Board,

with issued capital of EUR2,175,672,728

Registered in Nanterre, R.C.S. 542 048 574

Siret n°: 542 048 574 01 091