2008 annual report

Registration document
Schneider Electric SA

Make the most of your energy™

Schneider Electric

Contents

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Interview with Jean-Pascal Tricoire

Chairman of the Management Board & Chief Executive Officer

In 2008 and going forward, two subjects were on everyone's minds: the shrinking global economy and the energy challenge. What do they mean for Schneider Electric?

The economic crisis we face is brutal and unprecedented. But it also opens lots of opportunities for the most agile companies, especially in the field of energy.

In the energy business, the current situation and the prospective are the following: there is an urgent need to tackle CO_2 emissions to limit global warming; meanwhile, the demand for electricity will double by 2030. There are many powerful drivers behind this inflationary consumption.

- A massive middle class is emerging from the development of new economies. They want to take their place in the world and get their rightful share of world's energy. This brings additional energy consumption.
- A large part of the world's population is still "off the grid" and unable to benefit from the virtuous circle of energy. We believe this must and will change.

● Each keystroke that interfaces with the Internet drives kilowatts of energy in a data centre. The rise of this machine-to-machine Internet will dwarf the human-to-human Internet and will accelerate this phenomenon.

Despite short-term fluctuations, we assume the cost of energy will continue to increase for businesses and consumers alike. Most business leaders I talk to recognize that energy will be at the forefront of their concerns again, sooner rather than later.

Efficient use of energy will shift from an afterthought to a primary competitive vector for businesses worldwide. This will be only accelerated by the awakening of the world to the urgency to dramatically decrease CO_2 emissions.

Most of the governments' stimulus packages already include significant investments in the areas of energy efficiency, renewable energies, and infrastructure. These investments represent growth and resilience opportunities for us.

The unyielding mathematics of this equation demands new solutions and new thinking from new types of companies. Schneider Electric is in the unique position to bring customers innovative solutions to help them make the most of their energy.

What are the main growth drivers of Schneider Electric's positioning in energy management?

We don't generate energy. We don't make products directly meant to use energy. Our business is to make energy safe, reliable, efficient, productive, and green "from plant to plug™". In a world more and more digital, energy and information technology converge. We believe new market opportunities will drive the creation of a new category of company with new technologies and new services that deliver *Intelligent Energy.* With our portfolio at the nexus of energy management and IT, our recent investments and ongoing execution are focused on establishing the leadership position in this new space.

I'm also excited about new economies and how Schneider Electric can make the most profound difference in these markets. We're looking at the opportunity to broaden our global presence, make energy accessible and safe to populations that have gone without, and welcome the talent of untapped markets—all of which benefit our stakeholders as well as our host countries.

The potential of increased efficiency we still have in our company is extremely exciting. From simplification to better control of process to cost efficiency, we are paying more attention to efficiency. After many years of growth (the company size doubled in the last four years. *editors note*), we have to challenge our ways of working. This is keeping the global management teams focused on our potential.

How have you managed to leverage Schneider Electric's acquisitions and focus them on the big picture?

I'm thrilled that employees, investors, and customers alike are recognizing the value that each individual organization brings to the Schneider Electric universe today.

I'm particularly impressed with how recent acquisitions bring with them best practices that challenge our traditional thinking and create a much more dynamic organisation. Some key positions in the organisation have been taken by managers coming from acquisitions.

You have recently launched a new company programme, "One Schneider Electric". What do you expect from it?

Our new company programme is designed to drive progress and transformation in the company. We invest in two fundamentals: customer satisfaction as the number one priority; and building one unified team. We also focus on three key transformations: providing the most innovative solutions; being a leader in new economies; and becoming one simple and global company.

We have also used a focus on "inter-connectivity" to bring our entities together into integrated solutions for our customers. This can range from "soft" solutions, like compatibility guides, to full market-facing offers such as the architecture of our upcoming EcoStruXure™ solution set.

I also believe that "One" is setting a new standard in driving overall morale and the equally important "emotional" integration among our teams. Our talented employees are thinking of the Schneider Electric parent first and focusing on ways to optimize the whole, whether they come from historic business or recent acquisitions.

What role does sustainable development play in Schneider Electric's business practices?

Sustainable development is embedded in our strategy. It is a motivation of choice for our customers, of pride for our employees, and of security for our shareholders and environment. Sustainable development pervades every business practice, from governance, to ecological footprint, to social responsibility. We are proactive and committed to it. As proof, we have been listed for many years in three investment indexes that rank socially responsible corporations.

What are you most looking forward to in the year to come? What can customers, employees, and investors expect from Schneider Electric?

We will overcome this crisis of unexpected magnitude by managing the direction of our day-to day tactics. And this period will also not be short of opportunities, as our customers will pay more attention to every cost—this includes their energy bill—and try to make their energy management capabilities more efficient. It will also accelerate our own internal transformation for more efficiency.

Our mission to help customers make the most of their energy provides us with strategic and tactical guidance. While the short-term landscape is replete with uncertainty, the long-term trends are clear: energy is more important and more expensive; and technology is more powerful and more pervasive. When do these trends intersect? When does technology allow us to achieve more with our energy while consuming less of the earth's fixed resources? We believe we are within striking distance of that intersection and that it will create business opportunities much larger than the previous IT and energy markets combined. Our customers, partners, employees, suppliers, and shareholders can rest confident that we have made the decision not to simply participate in the new world of *Intelligent Energy*, but to lead it.

Message from

Henri Lachmann

Chairman of the Supervisory Board

Schneider Electric's 2008 performance demonstrated once again the efficiency and appropriateness of the two-pronged corporate governance system adopted in 2006. The Supervisory Board, which advises and oversees, and the Management Board, which is responsible for day-to-day management, work together in full transparency, each respectful of the other's role and duties. This system is based on mutual trust, dialogue and vigilance.
Two new members joined the Supervisory Board in 2008: Claude Briquet, who represents employee shareholders, and Leo Apotheker, Co-CEO of SAP AG.

With organic growth of 6.6% and an operating margin of 15%, Schneider Electric's solid fundamentals and business model were more than apparent in a situation of global financial and economic crisis. These remarkable results enhance Schneider Electric's leadership position in what is a promising industry: energy management. We are meeting this collective challenge for our planet with a solid strategy designed and deployed by a motivated team of high quality.

Energy, environmental and social responsibility are at the heart of Schneider Electric's culture and strategy. What's more, sustainable development offers a real opportunity for unleashing our employees' enthusiasm and speeding our growth. Schneider Electric is committed to identifying innovative and efficient pathways to bring:

- Products and solutions to the market that waste less energy and promote environmentally sound production and consumption.
- Clean, treated water, electricity and sustainable economic development to the 1.6 billion people who have no access to energy.

The Supervisory Board congratulates the Executive Committee and its Chairman for their excellent performance in 2008, for meeting or exceeding the commitments and objectives of the new^2 program for 2005-2008, and for launching the new company program One in January 2009. Both shareholders and financial market observers have saluted the quality of this new company program, and Schneider Electric's team members have made it their own. The Supervisory Board would like to take this opportunity to thank our 114,000 team members, who made the year's results possible through their hard work and committed involvement.

We all know that the years ahead—and 2009 in particular—will be difficult. Nonetheless, we are extremely confident in Schneider Electric's and its teams ability to overcome difficulties, make the most of opportunities and continue to delight our shareholders, customers, employees and host communities.

Leadership team

Executive Committee (as of March 1, 2009)

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

Global functions

Pierre Bouchut,
Chief Financial Officer
and Member of
the Management Board

Hervé Coureil,
Chief Information Officer

Aaron Davis,
Chief Marketing Officer

Karen Ferguson,
Executive Vice President
Global Human Resources

Serge Goldenberg,
Senior Vice President
Quality

Hal Grant,
Executive Vice President
Global Supply Chain

Eric Pilaud,
Executive Vice President
Strategy, Customers,
Innovation & Technology

Operating divisions

Chris Curtis,
Executive Vice President
North America

Julio Rodriguez,
Executive Vice President
Europe

Russell Stocker,
Executive Vice President
Asia-Pacific

Christian Wiest,
Executive Vice President
International

Businesses

Michel Crochon,
Executive Vice President
Process & Machine

Chris Curtis,
Executive Vice President
Buildings

Hal Grant,
Executive Vice President
Custom Sensors
& Technologies

Eric Rondolat,
Executive Vice President
Power

Laurent Vernerey,
Executive Vice President
IT

For more information, see page 28

Supervisory Board

Henri Lachmann
Chairman of the Supervisory Board

Serge Weinberg*
Vice Chairman of the Supervisory Board

Léo Apotheker*
Co - CEO SAP AG

Claude Briquet
Member of the Supervisory Board of the "Schneider Actionnariat" corporate mutual fund

Gérard de La Martinière*
Corporate Director

Noël Forgeard*
Corporate Director

Jérôme Gallot*
Chairman of CDC Entreprises SAS

Willy R. Kissling*
Corporate Director

Cathy Kopp*
Human Resources
General Manager, Accor

James Ross*
Corporate Director

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

G. Richard Thoman*
Corporate Director

Non-voting Directors

Claude Bébéar
Corporate Director

Board Secretary

Philippe Bougon

Management Board

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

Pierre Bouchut
Member of the Management Board and Chief Financial Officer

Audit Committee

Gérard de La Martinière*, Chairman

Jérôme Gallot*

James Ross*

Piero Sierra*

Serge Weinberg*

Remunerations and Appointments & Corporate Governance Committee

Henri Lachmann, Chairman

Claude Bébéar

Léo Apotheker*

Willy R. Kissling*

Auditors

Statutory Auditors

Ernst & Young et Autres

Mazars

Substitute Auditors

Charles Vincensini

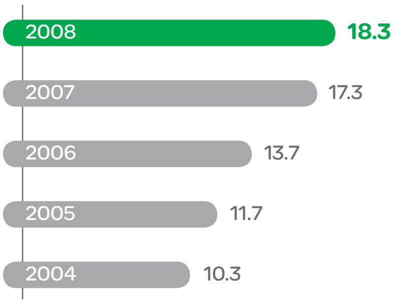
Philippe Diu

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

Key figures
Schneider Electric

Consolidated revenue (€ billion)

Up 5.8%

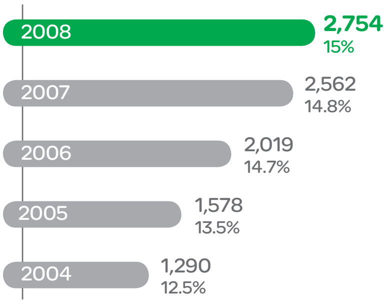


Schneider Electric again increased its consolidated revenue, achieving organic growth of 6.6% Average annual organic growth came to 10% for the period covered by the new² programme (2005-2008). New activities proved to be strong growth drivers, with revenue from services up 20%, critical power and cooling services up 8% and building automation up 12%. Revenue from emerging economies rose 14%, while acquisitions added 3.1%, thanks in particular to Pelco, the world leader in video security systems, and Xantrex, a major player in solutions for renewable energies. Reported revenue rose 5.8%.

€18.3 billion in consolidated revenue

EBITA (1) (€ million and as a % of revenue)

Up 7.5%



EBITA margin widened to 15.0%, at the high end of the new² programme's targets. The 0.2-point increase from 2007 reflects industrial productivity gains and greater pricing discipline, with selling prices up 2% during the year. The APC-MGE business unit achieved an EBITA margin of 14.6%, close to the consolidated average, as continued growth and efficiency gains delivered above-target savings that have driven a strong recovery since 2007.

(1) EBITA: operating profit before amortization and impairment of purchase accounting intangibles.

€2,754 million in EBITA

new²: A successful transformation (2005-2008)

Organic growth
10% annual average

EBITA margin
15%

Percentage of revenue from new activities
Around 50% of consolidated revenue

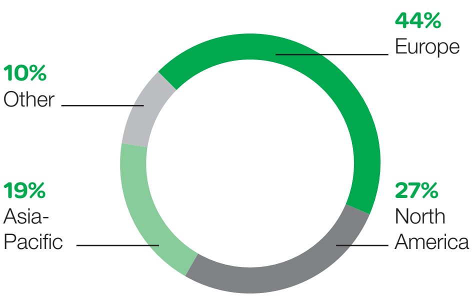
Increase in customer satisfaction
Very satisfied customer rate up 30%

The new² company programme represented a decisive step forward for Schneider Electric. During the period covered by the program, the lineup was renewed (now nearly 50% from new activities), productivity improved by 4.4% a year and production costs located in emerging economies rose to 41%. Lastly, customer satisfaction increased sharply, with a more than 30% jump in the rate of very satisfied customers.

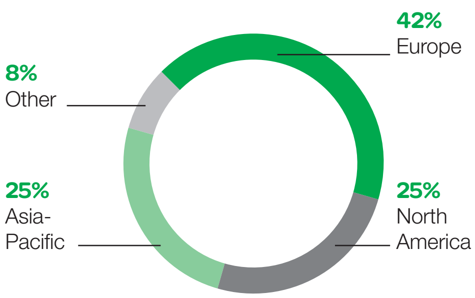
2008 was shaped by organic growth of 6.6%, a solid EBITA margin of 15% and robust cash generation.

All of the financial targets for 2005-2008 have been met. Now, Schneider Electric will take its strategic transformation to the next level with a new company program for 2009-2011 entitled "One". The Group is committed to achieving its efficiency objectives despite reduced short-term visibility for the global outlook. Backed by a solid balance sheet and resilient business model, Schneider Electric is confident in its ability to emerge from the recession in an even stronger competitive position.

2008 consolidated revenue by region



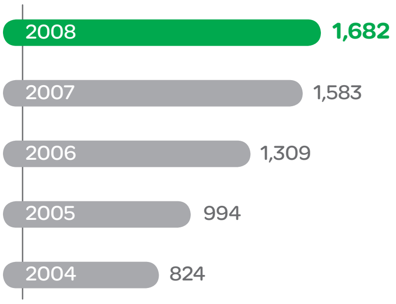
Workforce by region
113,904 employees*



Fixed-term and open-ended contracts (see page 87)

Profit attributable to equity holders of the parent (€ million)

Up 6.3%

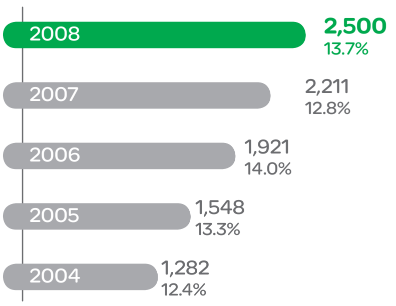


Profit attributable to equity holders of the parent rose again in 2008, with earnings per share coming to €7.02. Thanks to its strong ability to generate cash, Schneider Electric reduced its net debt-to-equity ratio by 7 points from the year before to 41%.

€1,682 million in net profit attributable to equity holders of the parent

Operating cash flow (€ million and as a % of revenue)

Up 13%



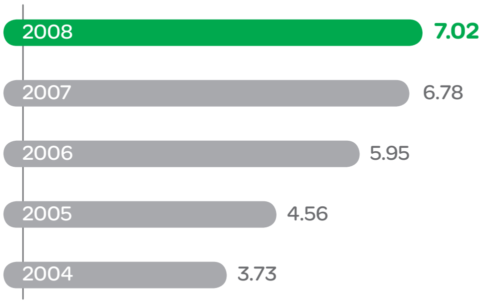
Operating cash flow increased 13% to €2,500 million in 2008. Working capital requirement rose slightly, to €72 million, despite the difficult business environment at the end of the year.
Net capital spending totalled €693 million, or 3.8% of revenue.
Free cash flow also grew by 13%, to €1,735 million.

€2,500 million in operating cash flow

Key figures (continued)

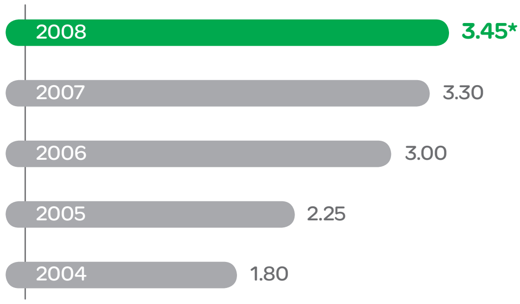
Earnings per share
(in euros)

7.02 €



Dividend per share
(in euros)

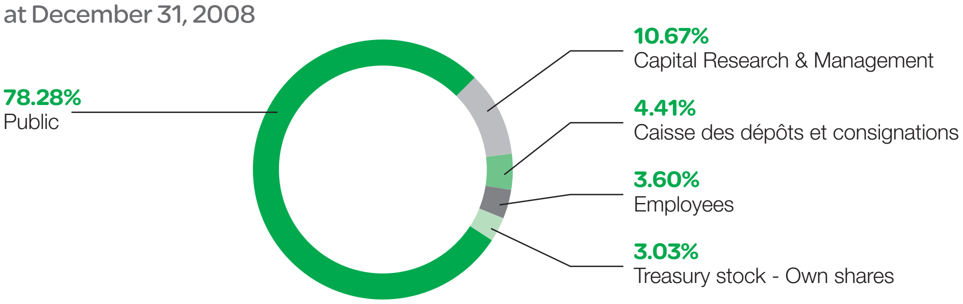
3.45 €



** Recommended for shareholder approval at the Annual Meeting of April 23, 2009. The dividend will be paid on May 29, 2009.*

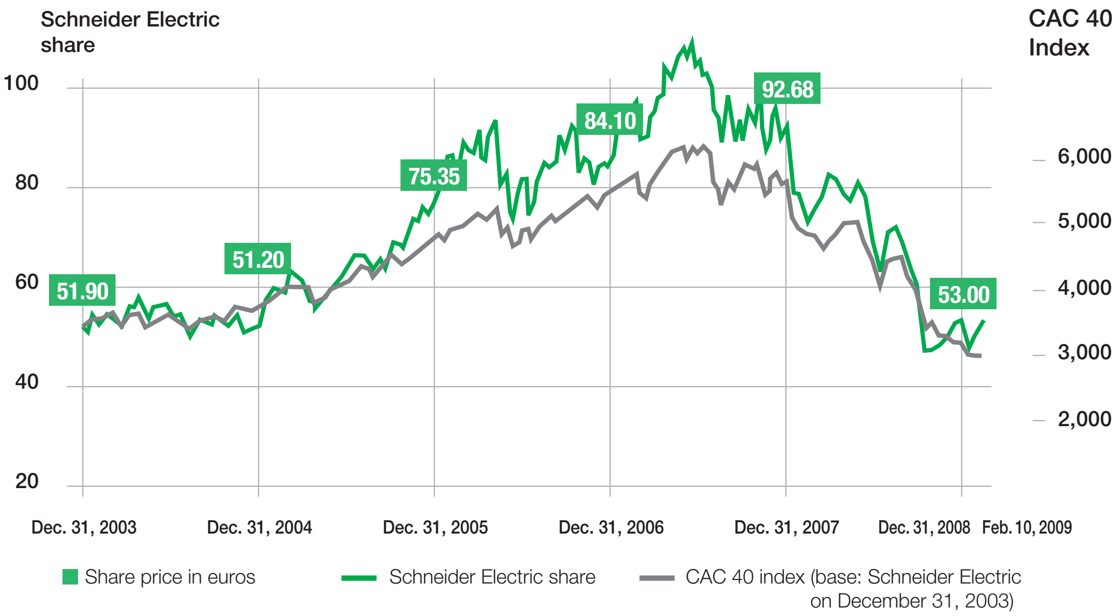
Ownership structure

at December 31, 2008



The Schneider Electric SA share vs. the CAC 40 index over 5 years

(Source NYSE)



2008 **in brief**

> Growth and acquisitions

Business was very strong in the first half, with organic growth of 10.6%. Later in the year, the financial crisis led to a global economic slowdown that impacted certain of Schneider Electric's end markets, resulting in lower sales.

Services

On March 27, 2008, Schneider Electric acquired ECP Tech Services (ECP), a US-based company that is a provider of power system testing, maintenance and commissioning services to industrial, utility and commercial customers throughout the United States. ECP reported revenue of $36 million in 2007.
This acquisition has strengthened the Group's presence in the Gulf of Mexico and deepened its penetration in oil and gas and petrochemicals.

Wiring systems

On April 17, 2008, Schneider Electric acquired Wessen, a leading Russian manufacturer of wiring accessories—primarily switches and sockets—with 2007 revenue of nearly €24 million. This addition has enhanced the Group's position low voltage solutions in Russia.

Installation systems and control

On May 7, 2008, the Group acquired Marisio, a Chilean company with 2007 revenue of €11 million that manufacturers and markets installation systems and control components. A forefront player, Marisio ranks second in Chile's residential wiring market. The resulting portfolio synergy has strengthened the Group's position in high-growth emerging economies.

Automation & Control

On January 11, 2008, the Group acquired US-based IMS, a company that designs and manufactures integrated motor and drive products. In 2007, IMS generated revenue of around $20 million. This move has given Schneider Electric an innovative opening in the promising integrated motor and drive products market.

On June 10, 2008, Schneider Electric acquired RAM Industries, a company that engineers, designs and manufactures control solutions for OEMs in the HVAC & R industry. This acquisition has enhanced Schneider Electric's OEM lineup and broadened its presence in the vibrant energy-efficiency market.

Renewable energies

On July 28, 2008, the Group acquired Canada-based Xantrex Technology Inc., one of the world's top three providers of inverters for solar and wind power systems. This addition has raised Schneider Electric's stature as a solutions provider for the renewable energies market and enabled it to respond even more effectively to the global need for energy efficiency.

Electrical Distribution and Industrial Control

On August 28, 2008, Schneider Electric and Fuji Electric Holdings of Japan formed a 37%-63% joint venture in electrical distribution and industrial control called Fuji Electric FA Components & Systems Co. Fuji Electric contributed its electrical distribution and industrial control operations in Japan, China and other Asian countries to the joint venture, while Schneider Electric contributed its electrical distribution and industrial control operations in Japan and €60 million in cash.

> Organization

During the year, a Global Marketing Department was created led by Aaron Davis. The new Chief Marketing Officer, formerly CMO and President, North America for APC, is responsible for marketing and for internal and external communication.

Chris Curtis was appointed Executive Vice President of the North American Division to replace Dave Petratis, who has left the Group.

> Employees

Schneider Electric's values: passionate, open, straightforward and effective

In 2008, following Schneider Electric's strategic repositioning, the Human Resources Department conducted a PeopleScope survey of the Group's employees and stakeholders to redefine its employer brand.

Four key values were identified based on the results of this in-depth study on how the Group's identity is broadly perceived and on internal discussions with the Executive Committee. These values sum up and clarify who Schneider Electric is today and who it wants to be tomorrow:

- **Open:** Inside and outside the Company, this means listening to needs, taking the necessary measures to assimilate new team members and contributing to all types of diversity.
- **Passionate:** This means being passionate about serving customers and doing everything possible to satisfy them day after day. It also means providing real career opportunities and helping team members make the most of their talent.
- **Straightforward:** This means clearly expressing ideas and impressions, explaining dysfunctions in practical terms and proposing solutions to resolve them. In short, it means walking the talk.
- **Effective:** This means helping the Group grow and rationalize its costs, and performing effectively as individuals on a daily basis.

2008 in brief (continued)

Defining these values and encouraging all team members to make them their own is an important process for Schneider Electric's Human Resources. It's up to the Group's managers to embody these values and to leverage them so they can lead their teams constructively and courageously.

For external audiences, a communication campaign has been implemented to express these values, as well as Schneider Electric's new identity as an international, green, vibrant and efficient enterprise with a commitment to continuous improvement.

A revamped website was unveiled in February 2009 to heighten this visibility. Carried out in partnership with the Marketing Department, the website renewal project allowed the Group to present a more consistent image and approach as brand that is both global and local.

Description of the Group, its markets and its businesses

Schneider Electric, the global specialist in energy management with operations in more than 100 countries, offers integrated solutions that make energy safer and more reliable, efficient and productive for the Residential, Buildings, Data Centers & Networks, Industry and Energy & Infrastructure markets.

The Group has gone through many changes since it was founded 173 years ago.

1. From steel to energy management

1836 – 1980: From family business to world leader

In 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.

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 19^{th} century.

1981 – 2001: Refocusing on electricity

In 1988, Schneider Electric acquired France's Telemecanique, a pioneer in remote control systems for electric motors.

In 1991, the Group made a major acquisition in the United States by bringing in Square D, the US electrical equipment market leader with sales of $1.65 billion.

Schneider Electric completed its refocusing on electricity in 1997 with the sale of building and public works company Spie Batignolles.

In 1999, the Group acquired Lexel, Europe's second largest supplier of installation systems and control solutions.

This was followed in 2000 with the acquisitions of Crouzet Automatismes, a French leader in electronic control, small automation devices and customized sensors, and Positec, a European leader in motion control.

Also in 2000, Schneider Electric created a 60-40 joint venture with Toshiba called Schneider Toshiba Inverter (STI) to develop, manufacture and market both partners' industrial speed drives. STI now leads the global industrial speed drive market.

That same year, the Group launched the Schneider Electric Ventures fund with a capital of €50 million to acquire interests in innovative start-ups with technologies that can enhance the lineup.

In 2001, Schneider Electric deployed its first three-year company program, NEW2004.

The Group acquired installation systems and control leader Legrand, but the European Commission vetoed the merger. As a result, Schneider Electric had to sell its interest in Legrand even though the Court of First Instance of the European Communities overruled the Commission's decisions in October 2002.

2002-2008: Strategic transformation

The Group decided to completely revamp its growth profile to break free of the cyclical nature of its mature markets and traditional businesses (electrical distribution, automation and industrial control) and to anticipate the future energy needs of businesses and individuals.

Schneider Electric is currently reaping the rewards of the profound strategic transformation carried out between 2002 and 2008. Successful industrial and geographic redeployment has given rise to new growth drivers and the resources to meet the current and future energy challenges of energy efficiency, interoperability, critical power and cooling and renewable energies.

In carrying out this strategic, assertive transformation, the Group focused on developing in the most promising markets (emerging economies) and in vibrant businesses with strong growth potential (energy efficiency, critical power and cooling and value-added services). Between 2005 and 2008, it acquired 56 companies for a total outlay of more than €10 billion.

Within 6 years, Schneider Electric doubled in size. Revenue jumped from €9.06 billion in 2002 to €18.3 billion in 2008, reflecting annual average growth of 12%. The workforce grew from 70,000 to 114,000. In 2008, emerging economies accounted for 32% of sales. Energy efficiency solutions represented 30% of the business, and the newly acquired Data Center & Networks customer base generated 17% of sales.

Schneider Electric now has an unrivaled lineup in terms of breadth, synergy and related services. The Group has promoted and enhanced its leadership in its historical businesses and gained a forefront position in energy management in less than five years. Thanks to a loosely integrated business model, it can act quickly to keep ahead of economic and environmental changes.

For a world leader, growth goes hand in hand with environmental responsibility. Mindful of this, Schneider Electric works actively to reduce its environmental footprint, while making energy easier to use, safer, more reliable, sustainable and accessible.

The Group confirmed its commitment to corporate social responsibility by creating a Sustainable Development Department in 2002 and setting up a quarterly Planet & Society barometer in 2005 to track and report on its performance in this area.

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).

With the 2008 acquisition of Xantrex, the world leader in inverters for solar and wind power installations, the Group added to its stature as a major player in renewable energy solutions and its ability to meet the world's urgent need for energy efficiency.

Electrical Distribution

In 2005, Schneider Electric acquired Canada's Power Measurement Inc., a leader in metering systems, software and services for managing energy supply and consumption.

In 2007, the Group finalized the creation of Delixi Electric, a 50-50 joint venture with Delixi Group that manufacturers, markets and distributes low voltage products in China. This new partnership coincided with Schneider Electric's 20th anniversary China.

In August 2008, Schneider Electric and Fuji Electric Holdings formed a 37%-63% joint venture in electrical distribution and industrial control called Fuji Electric FA Components & Systems Co. The venture has 3,000 employees worldwide and revenue of more than ¥70 billion (around €450 million). Fuji Electric Holdings contributed its electrical distribution and industrial control operations in Japan, China and other Asian countries, while Schneider Electric contributed its operations in Japan and €60 million in cash. The partners also contributed their circuit breaker manufacturing joint venture in China, which they have successfully co-managed since 2004.

Automation & Control

Schneider Electric gained world leadership positions in human-machine interface (HMI) with the 2002 acquisition of Digital Electronics Corporation in Japan and in automation solutions for packaging machines with the 2005 acquisition of Elau AG in Germany.

In 2006, it expanded its lineup of high power speed drives with the acquisition of Austria's VA Tech Elin EBG Elektronik. The Group also broadened its industrial automation portfolio with the acquisition of Citect, an Australian manufacturer of Supervision Control and Data Acquisition (SCADA) solutions and Manufacturing Execution Systems (MES).

Schneider Electric offers the most comprehensive lineup of customized sensors in the market after bringing in Hyde Park Electronics, the North American leader in ultrasonic sensors, in 2003; US-based Kavlico and France's Dinel, manufacturers of sensing and optoelectronics devices, in 2004; and US-based BEI Technologies, in 2005.

The 2008 acquisition of RAM Industries, a US-based company that engineers, designs and manufactures control solutions, enhanced Schneider Electric's OEM lineup and broadened its presence in the vibrant energy-efficiency market.

The Group also broadened its presence in motion control by acquiring Intelligent Motion System (IMS), a US company that designs and manufacturers integrated motor and drive products. Schneider Electric intends to become the leader in this market by extending its product lineup for OEMs in North America and developing its technical support internationally.

Installation systems and control

Schneider Electric ranks second worldwide in installation and control thanks to the acquisitions of Clipsal, the Asia-Pacific market leader, in 2003; Juno Lighting, America's leading manufacturer of trac and recessed lighting, in 2005; and Clipsal Asia, Merten (Germany), OVA Bargellini (Italy), AEM S.A. (Spain) and GET (UK), in 2006. In 2007, the Group enhanced its presence in Germany and expanded its lineup by acquiring Ritto GmbH & Co KG.

Building Automation and Security

The Group is a major player in this market. In 2003, it acquired Sweden's TAC, which was joined in 2004 by Tour Andover Control and Abacus Engineered Systems in the US. ABS (Advanced Buildings Systems) EMEA, which operates in Europe and the Middle East, came on board in 2005, followed by IBS (US and Asia) in 2006.

In 2007, Schneider Electric enhanced the security side of the business by acquiring Pelco Inc. the world leader in video security systems.

Critical Power & Cooling Services

In 2004, Schneider Electric became the European leader in critical power with the acquisition of MGE UPS Systems in France. With the 2007 acquisition of US-based American Power Conversion, Schneider Electric became a major player in critical power and cooling, offering the world's broadest portfolio of products, solutions and services.

APC's successful integration has made Schneider Electric a world leader in the very promising critical power and cooling market, tripling its business in this area. The Group has also considerably expanded its product portfolio and accessible market while enhancing its presence in less cyclical segments such as infrastructure and data centers.

The brand, now known as APC by Schneider Electric, is the only player in the market that can offer energy savings of 30-40% by leveraging breakthrough technologies and innovative architectures and management systems. The unmatched performance achieved by these products will play an important role in delivering the energy savings needed to build the world of tomorrow.

Emerging markets

In April 2008, Schneider Electric significantly broadened its exposure to the Russian low voltage market by acquiring Wessen, a leading Russian manufacturer of switches, sockets and other wiring devices. Wessen's lineup provides an attractive addition to Schneider Electric's wiring portfolio.

In May 2008, the Group expanded its presence in Latin America by acquiring Marisio, a Chilean company that manufactures and sells installation system and control components. Marisio ranks second in Chile's residential wiring market and operates in several other Latin American countries. Its comprehensive, innovative portfolio of electrical wiring products and residential systems enhances the Group's existing low voltage lineup.

These two acquisitions reflect Schneider Electric's strategy of expanding in high-growth emerging economies.

2. A strategic focus on energy management

Responding to a fast-changing global environment

A shared world vision

Schneider Electric carefully analyzed the profound changes taking place in today's world when defining its new roadmap for 2009-2011.

A survey of employees and other stakeholders in 2008 revealed two key messages shared by the majority of recurring or daily partners:

- The Group is recognized for its competence in energy management.
- There is a need for greater cohesion among all the units, including recent acquisitions.

Similarly, a review of the world's new economic, social and environmental situation led the Group to identify six underlying trends that it intends to leverage to drive sustainable growth:

● **Energy's critical role in the future of our planet.** By 2030, global electricity consumption is expected to double, while CO_2 emissions are to be halved. This will clearly result in extremely strong demand for energy management and energy efficiency.

● **The emergence of new economies.** The world's center of gravity is shifting. Mature markets are being supplanted by new economies that provide significant growth opportunities.

● **Increased connectivity.** From wireless telephones to the Internet to home automation, technology is constantly making communication easier and faster.
The networking trend is growing worldwide, offering a promising technological environment for companies that can deliver the necessary solutions, products and services.

● **Globalization of economies and trade.** In the last two decades, people have completely changed the way they trade, think of economic development and collaborate with stakeholders. A global company like Schneider Electric can leverage decisive strengths to meet these new challenges.

● **Focus on simple solutions.** No matter how technical products or solutions may be, users want them to be easy to install, use and maintain. Over the past five years, Schneider Electric has broadened its business portfolio and lineup to make life easier for its customers.

● **Demand for security.** Customers and stakeholders want to have access to reliable and safe energy that keeps their installations, infrastructure and equipment operating at an optimal level. To meet their demands and requirements, manufacturers must have innovative, high performance products, solutions and services.

In light of these structural and environmental trends, Schneider Electric offers a realistic, yet optimistic vision of today's world: As natural resources become scarcer, economic development is not only possible, but indispensable. That said, it will require new ground rules that everyone will have to follow.

In this situation, Schneider Electric intends to position itself as the benchmark in energy management in its markets.

The Group's mission is to help customers and stakeholders make the most of the world's energy by ensuring that it is delivered and used efficiently, safely, reliably, productively and cleanly.

In response to these needs and challenges, Schneider Electric has been aggressively repositioning its business portfolio and profile since the beginning of the decade to take advantage of the numerous growth opportunities they provide.

The Group has strengthened its leadership in its core electrical distribution and automation businesses while developing dominant positions in new, high-growth markets and segments such as critical power and cooling services, connection to renewable energy sources and services. It has also enhanced its presence in markets that are less sensitive to economic cycles, such as infrastructure and data centers. Lastly, Schneider Electric has made customer satisfaction—a key driver of growth and profitability—an integral part of its organization.

Today, Schneider Electric offers a unique lineup that covers the entire installation lifecycle, meets local requirements and complies with national and international standards.

The Group's new business model also involves simplifying to be faster and more responsive.

Schneider Electric now produces close to customers to ensure top quality service. This very finely networked organization also allows each country to take advantage of best practices and leading-edge solutions and deploy them in record time.

To support this multi-local approach, the Group has rationalized its support functions and supply chain, developed continuous improvement programs for processes and deployed a single IT system for all units worldwide.

In 2008, a large-scale program was introduced to unify methods, optimize base costs and integrate new acquisitions more quickly. This essential approach will continue in the years ahead, supported by measures to optimize the supply chain, reduce the number of suppliers and globalize purchasing with the goal of further enhancing industrial productivity (see One Company Program, page 18).

Enhancing competitiveness, globally and locally

Setting the standard as the leader in energy management

The Group has completed its drive to broaden and balance the business portfolio both geographically and by market.

In 2008, its growth strategy continued in the direction set over the past few years but with a sharper focus on the key concept of energy management.

The explanation is simple: from now on, we will all have to do more with less to preserve our planet. For Schneider Electric, this challenge represents a fantastic opportunity for each of us to fully realize our potential while reducing our environmental impact.

Schneider Electric intends to do its part by helping businesses and individuals make the most of their energy by delivering solutions that make their operations more effective and sustainable.

The worldwide specialist in safe, reliable, efficient, productive and green energy

Schneider Electric helps make energy:

● **Safe,** to protect people and property (the Group's historical business).

● **Reliable,** with the guarantee of ultra-secure, ultra-pure and uninterrupted power for critical applications.

● **Efficient,** with energy efficiency solutions and the ability to deploy installations that offer an optimal trade-off between initial investment and operating cost.

● **Productive,** with easier-to-install, simplified automation architectures and networked solutions wherever feasible, along with the guarantee of installation tracking across the lifecycle.

● **Green,** with innovative solutions for renewable energies.

Solutions for strategic segments to drive growth

As a recognized provider of simple, integrated and interconnectable solutions that leverage the latest technological advances to help customers boost their profitability and performance, Schneider Electric has identified strategic segments in which it intends to become a top-tier player.

● Energy & Infrastructure
- Electric power
- Oil & Gas
- Marine

● Industry
- OEMs
- Water
- Mining and metals

● Data centers and networks
- Data centers
- Finance

● Buildings
- Retail
- Hotels
- Hospitals
- Office buildings.

With its comprehensive, interconnected lineup and highly skilled teams, Schneider Electric is able to devise tailored solutions for these areas of application, which in turn offer substantial potential for growth and differentiation.

The US real estate crisis, which ushered in a profound global economic and financial crisis in the autumn of 2008, has spared no one. Yet thanks to its diversified business portfolio, Schneider Electric can draw on a number of strengths to navigate this uncertain environment. The first is its know-how and strategic positioning in energy efficiency and green energy solutions. The second is its presence in services, an area that is resilient by nature since customers have to maintain their installations, even if they don't buy new equipment. The third is its expansion into segments such as energy production and water, where businesses and public officials will continue to invest in both good times and bad. Lastly, Schneider Electric has a balanced geographic spread, with around one-third of 2008 revenue coming from the new economies.

3. Company program

The new^2 company program: From good to great

Schneider Electric deployed its new^2 program for 2005-2008 to drive a strategy of assertive growth.

The program was designed to implement the necessary transformations for growth by profoundly changing the Group's growth profile. With new^2, Schneider Electric reaffirmed its ambition to be a great company to do business with, a great world partner, a great investment and a great place to work.

Targets

To achieve these goals, Schneider Electric set ambitious targets for 2005-2008.

● Customers
- Improve the very satisfied customer rate by 30%.

● Employees
- Reduce the number of days lost due to work accidents by 20% per employee per year.
- Develop competencies through three-year plans.
- Produce a quarterly report on progress plans implemented in response to employee satisfaction surveys.

● Planet and society
- Improve the Group's social, environmental, societal and corporate governance performance to 8/10 by end-2008.

● Shareholders*
- Achieve organic revenue growth of more than 6%.
- Deliver an EBITA (EBIT before amortization of purchase accounting intangibles) margin of between 13% and 15% throughout the business cycle.
- Improve return on capital employed (ROCE) after tax by two points between 2004 and 2008.
- Achieve a payout rate of 50%.

** Targets revised upwards in February 2007.*

Results

Thanks to disciplined execution, the Group either met or exceeded all of the new^2 program's commitments and targets. In particular, Schneider Electric has:

● Become a customer-focused enterprise. The very satisfied customer rate has increased by 30%, reflecting the success of this assertive, cross-functional approach.

● Doubled in size. Acquisitions and organic growth to enhance the Group's product lines and historical skills contributed equally to this performance. Schneider Electric achieved average annual growth of around 10% between 2005 and 2008.

● Substantially enhanced its profitability, with an EBITA margin of 15% at end-2008.

● Transformed its growth profile by adding new businesses to its portfolio (energy efficiency, critical power and cooling, renewable energies) and expanding its geographic footprint (emerging economies accounted for 32% of revenue at end-2008).

● Taken significant steps to globalize its operations by deploying an integrated management software system. Known as Bridge, this project concerns both IT and a commitment to aligning processes with a focus on quality and customer satisfaction. Adopted a more cross-functional organization to optimize and enhance its industrial practices.

● Created five global business lines that manage products globally. For example, different markets share technological building blocks used worldwide, such as the Masterpact power circuit breaker lineup.

● Focused sharply on developing talent, workplace health and diversity. In the first quarter of 2008, the Group articulated four core values that define who it is: passionate, open, straightforward and effective. These values are expressed daily on the job and inform the Group's human resources management.

- Made sustainable development an integral part of its strategic transformation. Since 2005, the Group has tracked its sustainable development performance according to ten indicators. The sustainable development community has recognized this barometer as a good practice that guides Schneider Electric's responsible actions.

More information is available at www.barometer.schneider-electric.com

One: Schneider Electric's new company program

A company program has several missions: 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 stimulate action both inside and outside the company.

Two fundamentals

Schneider Electric remains committed to two key fundamentals developed by new[2]:

- **Customer One:** Develop customer delight.
- **One Team:** Develop people and performance.

Three strategic transformations

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

- **One Solution Provider:** Shift from a business model based on products to one based on products and solutions.
- **One Leader in New Economies:** Remain the leader in mature markets and enhance the Group's leadership in emerging economies.
- **One Company:** Evolve from being multi-local and complex to being a global, simplified organization. More specifically, Schneider Electric intends to reduce its support function costs by €600 million between 2009 and 2011.

The Group has drawn up scenarios to increase the savings to €1 billion by 2011 depending on the severity of the current global recession. It is also looking for productivity gains of €600-800 million over the same period.

Although 2009 will be a difficult year for all industries worldwide, Schneider Electric remains confident. The Group can leverage decisive strengths to navigate the economic crisis and drive the strategic transformations that will be needed to ensure future growth.

4. Achieving more with less to preserve the planet

Schneider Electric has built a comprehensive, balanced business portfolio to deliver integrated energy management solutions so that its customers can focus on their core business. It is an uncontested global leader in Electric Distribution, Critical Power and Cooling Services and Automation & Control.

In 2008, Schneider Electric broadened its area of expertise to include access to and optimized management of renewable energies.

Energy production	Schneider Electric Energy management	Energy usage
• Thermal • Nuclear • Genset • Hydroelectric • Solar • Wind	Energy must be: • Safe • Reliable • Efficient • Productive • Green	• Appliances • HVAC • Lifts • Motors • Machines • Conveyor • IT servers

Electrical distribution

Number 1 worldwide in low voltage

Number 2 worldwide in medium voltage

Number 1 worldwide in energy metering and management

The solutions in this category transform and manage high voltage electricity from the distribution grid. The medium voltage power is then sent directly to end users in industrial buildings and large commercial installations or transformed into low voltage power. The lineup includes a very wide range of circuit breakers, transformers, and busbar trunking for industrial, commercial and residential buildings.

In August 2008, Schneider Electric and Fuji Electric Holdings signed a joint venture agreement in electrical distribution and industrial control to serve Japan, China and other Asian markets.

The 2005 acquisition of Power Measurement Inc. strengthened the Group's position in electricity distribution and management. The lineup combines intelligent measurement and monitoring devices with Internet-interface software to manage complex energy contracts in real time.

Critical power and cooling services

Number 1 worldwide

Critical power and cooling is a market experiencing strong, lasting growth as an increasing number of applications and industries require a reliable energy supply and impeccable quality at all times. There is huge demand in both mature and emerging economies for products, services and solutions that are innovative, easy to use and effective.

The February 2007 acquisition of American Power Conversion (APC) allowed Schneider Electric to expand even further in this market and become the world leader. By combining APC with subsidiary MGE UPS Systems, a Group member since 2004, Schneider Electric has put together an unparalleled portfolio of products and services and gained unrivalled geographic exposure and sales channels—plus the possibility of leveraging the two units' powerful innovation capabilities.

APC/MGE has been reorganized to achieve greater efficiency and offer more effective solutions. The unit now has a single leadership team and a sales organization divided into four regions.

Renamed "APC by Schneider Electric" in April 2008, the brand offers UPS systems up to 1.6 MW, with the possibility of linking to reach 4.8 MW.

In 2005, an IT network used 3 megabytes of bandwidth per month. In 2008, that rose to 3 megabytes of bandwidth per day.

A UPS system is a little box that protects equipment from all types of electrical disturbances. A critical item in data centers, operating rooms and the refrigerated aisles of supermarkets, UPS systems are set to become a standard feature in homes as consumers acquire more and more electrical equipment.

Installation systems and control

Number 2 worldwide

Schneider Electric offers comprehensive solutions for the residential market, with protection devices like circuit breakers and contactors; switches, sockets, drives and thermostats; control systems for doors, gates and shutters; and security, fire alarm and intruder alert systems. The Group's Voice-Data-Image networks also bring telephone, television and Internet capabilities into each room.

Automation & control

Number 1 worldwide in industrial control

Number 3 worldwide in automation devices

Schneider Electric has constantly strengthened its presence in automation and industrial control. The Group has pursued an active policy of partnerships and acquisitions to broaden its lineup, which comprises speed drives, human-machine interface (HMI) terminals, supervision, control and data acquisition (SCADA) software, packaging machine automation systems and motion control solutions.

Schneider Electric supplies programmable logic controllers and automation platforms, as well as specialized configuration, programming, operating assistance and supervision software.

Its vast industrial control lineup ranges from contactors, overload relays and motor circuit breakers to speed drives, motion controllers, sensors, control units and operator terminals.

Schneider Electric offers the market's broadest lineup of customized sensors, with leadership positions in angular speed sensors (number one worldwide in leading-edge quartz gyro technology), and in position and pressure sensors for the automobile, aeronautic and manufacturing industries. The 2008 acquisition of RAM Industries extended Schneider Electric's catalog of products and solutions for OEMs.

Building automation and security

Number 4 worldwide

In the past five years, Schneider Electric has created one of the world's leading players in this market.

The Group has put together a comprehensive, innovative range of automation solutions backed by design and supervision software to manage building utilities. The range is based on open, integrated systems that address operators' real needs. These solutions make it possible to optimize installations, modernize them cost effectively, reduce maintenance costs and energy consumption and enhance comfort and security.

In October 2007, Schneider Electric strengthened the security side of the business by acquiring Pelco, a worldwide leader in the design, development and manufacture of video security systems.

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 lineup of lifecycle services. These include:

- **Audits 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 renovations to enhance the reliability of existing equipment and processes).
- **Job training** (personalized or general at the customer's site or in one of the Group's fifty training centers).

Schneider Electric's ability to industrialize 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 needs and constraints to project completion.

Schneider Electric is able to provide safe, reliable and efficient services that help customers enhance performance throughout their installations' lifecycle.

Renewable energy solutions

One way to improve a building's energy performance is to produce green energy, such as photovoltaic power. This type of environmentally friendly solution makes profitable use of rooftops, buildings and fields. It also contributes to the European Union (and French) objective of increasing the percentage of renewables in the energy mix by 20% by 2020. In addition, numerous incentives considerably speed the return on investment of photovoltaic arrays. Schneider Electric is developing dedicated solutions for projects of all types and sizes to protect these installations and ensure that they operate effectively, at optimum efficiency.

With the 2008 acquisition of Canada-based Xantrex, the world leader in inverters for solar and wind power installations, the Group added to its stature as a major player in renewable energy solutions.

Energy efficiency solutions

Taken together, industry, infrastructure and buildings account for more than half of the world's energy consumption.
At a time when energy use is growing exponentially, when CO_2 emissions must be drastically reduced and when the cost of energy is constantly rising, energy efficiency is clearly of critical importance. To reduce energy's cost and environmental impact, it is urgent that we learn how to use it more efficiently and manage its cost and related pollution more effectively.

In 2005, Schneider Electric launched an energy efficiency program to focus all of its talent on this issue. Thanks to this major strategic initiative, the Group now has the know-how, skills and technologies to meet the energy challenge of the 21st century.

The Group offers products and solutions that can deliver energy savings of up to 30% without compromising on safety, comfort, performance or reliability.
Schneider Electric's lineup for this market comprises solutions for energy audits and metering (to establish a baseline and assess the potential for energy savings), management of fundamentals (low energy use devices, current control and reliability), automation (to manage building utilities, electricity use, motors and lighting), and monitoring (surveillance and consulting).

To help its customers preserve, optimize and renew their energy sources, Schneider Electric:

- Joined the Energy Management Company Association (EMCA) and China Building Electricity Efficiency Committee (CBEEC) in 2007.
- Became a member of the Alliance To Save Energy in 2008. This international organization, founded in 1977, brings together corporate leaders, politicians, environmental protection advocates and consumers with the goal of promoting energy efficiency worldwide to achieve a healthier economy, a cleaner environment, and greater energy security.

An unparalleled business portfolio

Schneider Electric has many rivals, but who are often limited to one area of business. The competition breaks down into three broad categories:

- **Large non-specialist manufacturers with diversified business bases,** such as General Electric, Mitsubishi Electric, Emerson, Honeywell, Panasonic (ex Matsushita) and Eaton.
- **Multinational specialist manufacturers,** such as Omron, Rockwell Automation, ABB, Legrand, Tyco and Cooper.
- **Medium-sized companies**—primarily in electrical distribution—with a more regional presence, such as Hager.

New players have emerged in recent years for:

- **Low-price products—notably in medium voltage—for indirect markets** (Chint, Legend, etc.).
- **Solutions,** particularly in the areas of energy efficiency in buildings and data centers (Cisco, HP, IBM) and equipment and services (EDF, Veolia Environnement).

Market-leading brands

The Group has begun to converge its brands by migrating the Merlin Gerin and Telemecanique brands towards the Schneider Electric name.

Since the end of 2008, product packaging has sported the Schneider Electric colors.

Measures to strengthen the Schneider Electric brand will continue in the years ahead. This is a key component of the One company program that responds to a request from both customers and the Group's various distribution channels. Schneider Electric will be the brand name for solutions from the world's energy management specialist.

Since Schneider Electric's products comply with the dominant standards in its host markets, the Group is able to meet most all of its customers' needs. The majority of its lineup complies with world-recognized 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). Products in the UK, Australia and Asia comply with British Standards, while those in China and Japan meet the China Compulsory Certification (CCC) and Japan Industrial Standard (JIS).

Forefront positions worldwide

	Low and medium voltage	Installation systems and control	Critical power & cooling services	Industrial automation & control	Building automation & security	Renewable
No. 1	Schneider Electric	Legrand	Schneider Electric	Siemens	Honeywell	SMA
No. 2	ABB	Schneider Electric	Emerson	Schneider Electric Rockwell	Siemens	Fronius
No. 3	Siemens	Panasonic	Eaton		JCI	Schneider Electric
No. 4				Mitsubishi	Schneider Electric	

Leader in energy efficiency

5. Uncontested global leadership in five main markets

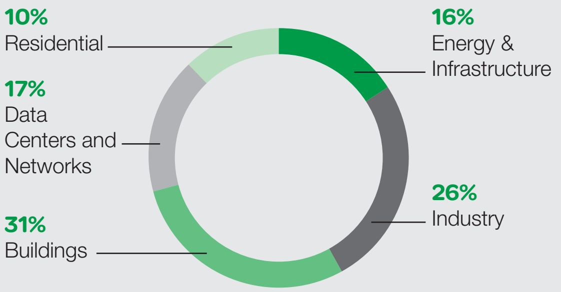
After strategically repositioning its business portfolio, Schneider Electric now enjoys global leadership in five key markets:

- Energy & infrastructure
- Industry
- Buildings
- Data centers and networks
- Residential.

This new geographic and market balance has allowed the Group to enhance and develop its dialogue with customers, notably by moving closer to end users. Schneider Electric has solutions to meet the needs of energy and water suppliers; manufacturers; managers of IT, transportation and communication infrastructure; builders and operators of single family homes, apartment buildings, stores, offices, hotels, hospitals, schools, cultural and sports facilities; and consumers.

These moves have allowed the Group to devise a unique array of products, solutions and services to optimize electrical energy, with the promise of efficiency, innovation, safety, comfort and ease of use.

2008 revenue by market



Energy & Infrastructure: Ensuring a safe, reliable power supply and controlling operating costs

The Energy & Infrastructure market offers enormous business prospects with long-term growth opportunities fueled by population growth, economic development, the expansion of renewable energies, deregulation of energy markets, increasing remote operation of infrastructure via the Internet, growing security needs, and outsourcing of numerous services.

The Energy & Infrastructure market includes energy networks; shipping; transportation; water, gas and oil distribution; water treatment and waste management.

Schneider Electric's lineup for this market comprises solutions for:

- Transformation and electrical distribution.
- Energy management, metering and quality.
- Creation and management of smart electric networks.
- Utility management (access control, lighting, HVAC, etc.).
- Process control and supervision.
- Decentralized management of one or several sites.
- Critical power and cooling services.
- Prepayment systems that bring electricity to disadvantaged customers.

Main customers in this market include:

- Energy companies.
- Water treatment plant operators.
- Oil and gas infrastructure.
- Marine sector.
- Public sector investors.

Water and electricity: Immense needs

- 1.6 billion people do not have access to electricity.
- Power consumption is expected to double by 2030.
- Renewable energies are expected to account for 13% of electricity generation in 2030.
- 1.2 billion people do not have access to clean drinking water.
- Investment in water production, distribution and treatment amounts to €80 billion a year.

Source: IEA, World Water Council

Industry: Enhancing productivity, flexibility, security and traceability

Business in the Industry market is being driven by the massive expansion of automation, tighter requirements for energy savings, traceability and environmental protection, outsourcing of electrical installation management and demand for value-added services.

Schneider Electric designs energy optimization solutions for all sectors of this buoyant market, from food and beverage, packaging and automobiles to pharmaceuticals, electronic components and chemicals. Schneider Electric works closely with customers to get a thorough understanding of their applications and to help enhance productivity, flexibility, process and installation safety and worldwide product traceability.

The Group offers electrical installations that are both energy efficient and highly reliable, as well as flexible, open and easy-to-install automation solutions and remote management services via the Internet.

The Industry market lineup includes solutions for:

- Process automation.
- Machine control and monitoring.
- Transformation and electrical distribution.
- Energy management, metering and quality.
- Utility management (access control, lighting, HVAC, etc.).
- Decentralized management of one or several sites.
- Critical power and cooling services.

Main customers in this market include:

- Engineering firms.
- Systems integrators.
- OEMs.
- Panelbuilders.
- Electrical equipment distributors.
- End users.

Buildings: Reducing operating costs while offering greater comfort and safety

Over the past ten years, users have become much more demanding when it comes to comfort, security, communication capabilities and energy savings. Building automation and centralized building management have developed significantly in response to this global trend.

This market covers all types of service, commercial and industrial buildings, including offices, hotels, hospitals, shopping centers, manufacturing facilities, schools, sports and cultural centers and ships. Customers are looking for products and services that can optimize maintenance and energy costs and consumption while enabling simultaneous management of several sites via the Internet.

Available everywhere, the lineup complies with local standards and practices. The Group offers networkable products that are easy to install and operate.

Schneider Electric's lineup for the Building market includes solutions for:

- Transformation and electrical distribution.
- Utility management (access control, lighting, HVAC, etc.).
- Data exchange (Voice-Data-Image, radio technologies).
- Energy management, metering and quality.
- Decentralized management of one or several sites.
- Critical power and cooling services.
- Surveillance and security

Main customers in this market include:

- Developers.
- Engineering and design firms.
- Systems integrators.
- Panelbuilders and installers.
- Electrical equipment distributors.
- Operators.
- End users.

● 50% of the world's people live in cities

● In 2015, 36 mega-cities will have populations of more than 10 million (compared with 23 in 1996).

● Cities in developing nations will be home to 4 billion people by 2030.

Source: UN World Urbanization Prospects, October 2006.

Data centers and networks: Guaranteed reliability, availability and efficiency

Metaphorically, data centers, which process and store millions on millions of bytes of information, are the central nervous systems of small businesses, multinational corporations and government services. Physically, they are buildings filled with servers in secure, air-conditioned rooms.

Given the growing digitalization of social, professional and personal activities, data centers represent a market destined for exponential growth. By 2010, there should be some 45 million servers worldwide—nine times more than in 1996. This will lead to a substantial increase in electrical consumption for their operation and cooling, to prevent overheating. The cost of cooling server rooms will exceed that of the equipment itself.

With its APC by Schneider Electric solutions, the Group offers a unique lineup to meet the ethical and financial imperatives of energy efficiency in data centers and networks. Schneider Electric leverages its global leadership position, backed by unparalleled advanced technological expertise, to guarantee a 30% reduction in consumption. The energy savings result in a substantial reduction in operating costs—up to several million euros per year—and several thousand metric tons less of CO_2 released into the atmosphere.

Solutions, products and services in this market include:

- Electrical distribution.
- Energy monitoring and management.
- Architecture design and installation audits.
- UPS systems for critical power supply.
- Cooling, with a unique thermal containment system.
- Online supervision and analysis.
- Training and maintenance.
- Surveillance and security.

Main customers in this market include:

- CIOs in large and small companies.
- Data center managers.
- Software publishers and server manufacturers.

In April 2007, Gartner estimated that the global information and communications technology (ICT) industry accounts for approximately 2 percent of global carbon dioxide (CO_2) emissions, a figure equivalent to aviation.

Residential: Making technology available to all and facilitating access to all communication resources

The market for single-family homes and apartment buildings is extremely diverse in terms of standards and local characteristics. It offers significant growth prospects that vary from region to region.

Demand for comfort, safety and energy savings dominates, which is why renovation and home improvement represent more than two-thirds of the market. The emerging economies have huge needs.

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

Solutions, products and services in this market include:

- Electrical distribution.

- Electrical wiring.
- Home automation (supervision, energy metering and monitoring, lighting and HVAC management, etc.).
- Voice-Data-Image networks.
- Critical power and cooling services.
- Surveillance and security.

Main customers include:

- Architects
- Prime contractors.
- Homebuilders.
- Electricians.
- Electrical equipment distributors.
- DIY superstores.

6. Customers as partners

Backed by its unique business model, Schneider Electric reaches its customers through diversified channels, unlike most of its competitors. The Group makes a large portion of sales through intermediaries, such as distributors, systems integrators, contractors and specifiers. These partners provide strategically related value and expertise that extend and amplify the Group's commercial and technical resources.

Quality and customer satisfaction: A strategic priority

Customer satisfaction is the key of Schneider Electric's growth strategy. Every contact with Schneider Electric should be a positive experience that leaves all customers, no matter where they are located, feeling acknowledged, understood and satisfied. This commitment is a key differentiating factor from our competitors. Surveys are conducted regularly in all countries to measure progress in customer satisfaction. The rate of very satisfied customers improved by 30% between 2005 and 2008.

To enhance its team members' competencies, the Group has set up a sales and marketing institute within Schneider Electric University.

In 2007, a customer satisfaction training program was rolled out worldwide for the Group's team members. This large-scale initiative testifies to the importance Schneider Electric places on customer relations.

Schneider Electric's customers also have access to online diagnostics and support services, an e-catalog, downloadable software and online information and training. To forge close contacts with customers and present the extremely diverse range of solutions offered by Schneider Electric and its partners, the Group organizes private professional trade shows called Initi@tive. The shows feature Schneider Electric's main products and solutions, as well as those of its partners, demonstrations, and an "à la carte" schedule of conferences. In 2008, three Initi@tive shows were held in Las Vegas, Antalya and Monaco (the last one for OEMs).

Distributors: A daily partnership

Electrical equipment distributors account for more than 50% of the Group's total sales and 75% of catalog product sales. They offer a tight-knit network of 16,000 sales outlets worldwide.

Schneider Electric works with a wide range of distributors, including local distributors, wholesalers, non-specialized professional distributors and large international groups such as Rexel and Sonepar in France and Graybar and Grainger in the United States for electrical equipment, and US-based Tech Data and Igram for IT equipment. In the residential renovation market, 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.

To maintain a high performance network, the Group works hand in hand with distributors on supply chain issues, technical training and marketing. Distributors have numerous resources at their fingertips, including the new "eShop" that allows them to link Schneider Electric's product data base to their eCommerce sites so that customers have 24/7 access to complete, updated and helpful information.
As part of a program to develop energy efficiency solutions with distributors, the Group has published a catalog of available solutions that suit the needs of different markets and customer segments.

Schneider Electric nurtures close relationships with distributors to provide end users with unparalleled local service, advice and product availability in 190 countries.

Panelbuilders: Experts in their area

Panelbuilders make and sell electrical distribution or control/monitoring switchboards, primarily for the Buildings, Energy and Infrastructure markets. Their main customers are contractors. Panelbuilders mostly buy low and medium voltage devices, such as circuit breakers and contactors, and increasingly, prefabricated systems.

There are more than 20,000 panelbuilders around the world with specific expertise and areas of specialization.
Schneider Electric serves them with a tailored set of products and services that can help enhance their end product.
Selected panelbuilders, chosen for their professionalism and ability to promote Schneider Electric's quality and safety values, receive advanced technical and marketing support.

Contractors: Indispensable partners for building dedicated solutions

To devise customized solutions to end-users' specific needs, Schneider Electric works closely with contractors.

These partners add unique value by turning customers' ideas into effective, working systems. They also often advise customers about the different possible solutions before a project begins.

Contractors range from specialized or general electricians to large companies that implement equipment and systems, to OEMs.

Schneider Electric works actively with contractors by offering technical training and advice to help them devise the best response for a given project, from simple to complex applications.

The Group adds measurable value to contractor's projects and creates relations based on mutual trust.

Systems integrators: An effective local alliance

General and specialist systems integrators design, develop and support automation systems to meet customers' process needs for performance, reliability, precision and efficiency.

The Schneider Electric Alliance global partnership with systems integrators has more than 800 members in 30 countries, all of them carefully selected for their professionalism, expertise and ability to align with the Group's strategy.

The partnership is designed to meet customer needs with the broadest possible range of solution capabilities.

Under the Group's approach, systems integrators are Schneider Electric's main customers and partners for reaching the automation market, providing great flexibility in offering solutions to end users. Customers get the best of both worlds, with global coverage and local contacts.

Schneider Electric has considerably expanded its automation lineup, giving systems integrators access to a powerful platform covering the entire automation pyramid, from field control to manufacturing execution systems (MES).

The Group's objective is to develop and strengthen this partnership with a view to enhancing its partners' competitiveness and creating new, shared resources to grow business.

Schneider Electric provides these partners with:

- Dedicated technical, commercial and promotional cooperation and support.
- Advanced engineering resources, including specialized training and application libraries.
- Exclusive access to project opportunities, resources and knowledge.

OEMs: Partners in performance

Original Equipment Manufacturers (OEMs) continuously seek to improve machine performance and maintenance to meet their customers' needs in areas ranging from packaging to textiles, elevators to conveying, and materials handling and hoisting to HVAC.

Schneider Electric works closely with nearly 30,000 OEMs, leveraging its expertise and know-how to nurture their special partnership. Its strengths include:

- Extensive knowledge of OEMs' applications.
- Dedicated centers of excellence that offer the most competitive solutions for new machines.
- Customer International Support to deliver high-performance after-sales service worldwide.
- A dedicated program for multi-site and global OEMs that enhances their ability to offer superior solutions on an international level.

Energy suppliers: Great growth potential

There are some 11,000 electric 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 marketing (pre-payment meters, related services, peak management).

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

Global strategic accounts: A dedicated organization

Schneider Electric has a dedicated organization for global companies interested in developing special relationships with their key suppliers. The Group's preferred supplier contracts ensure high-level contacts for these global strategic accounts.

Thanks to shorter communication and decision-making circuits, this organization can leverage resources across the Group and around the world very quickly. Dedicated teams and direct senior executive-level involvement offer tangible value added that sets Schneider Electric apart in its relationship with major accounts. The goal is to provide the right solutions and services at each stage of a company's international expansion and achieve the highest level of customer satisfaction.

Some 60 global customers benefit from this organization, including Air Liquide, Glaxo Smith Kline, IBM, Lafarge, Nestlé, Total, Toyota, Veolia Environnement and Wal Mart.

They are able to tap into the Group's deep knowledge of process automation (automobile manufacturing, cement production, etc.), energy management in large industrial and commercial buildings, data center protection and electrical distribution and monitoring for water treatment.

In 2008, BHP Billiton Mitsubishi Alliance (BMA) recognized Schneider Electric's Australian software subsidiary Citect for its contribution to a key application with an award for Business Excellence and Innovation.

Specifiers: Critical partners

Specifiers, including engineers, architects and design firms, play a key role in meeting growing demands for comfort, ergonomy and design. They are critical partners for Schneider Electric's growth, notably in the promising Buildings and Residential markets, which include newbuilding, renovation, single-family homes and apartment buildings.

For this reason, the Group keeps them informed of all innovations and solutions that improve installation performance, safety and comfort.

To do this, Schneider Electric organizes reserved exhibits, prepares electrical installation guides, develops installation design software and sets up training centers.

7. Innovation and R&D: Making the most of the energy

The in-depth technological changes of today's world that are revolutionizing lifestyles and work habits are also having a profound impact on research, development and innovation.

As energy efficiency becomes indispensable and automation, information and communication technologies converge, innovation for innovation's sake is no longer a valid response to today's energy issues. Customers are looking less for bells and whistles than for integrated solutions that will make their lives easier and optimize costs. To be successful, innovation must be multidisciplinary, and its results quickly and effectively deployed. It also requires the ability to design and manage collaborative innovation processes.

The Schneider Business Innovation System

Schneider Electric's Innovation Department has taken a comprehensive, worldwide approach since it was created in 2006, with the twin objectives of unleashing the Group's creativity and responsiveness so that it can deliver the necessary breakthroughs in its core markets and putting customer satisfaction at the center of innovation.

This led to the launch of the Schneider Business Innovation System in 2007. The system is designed to select cross-functional projects more effectively, increase their number and make innovative, integrated and interoperable solutions available more quickly. It serves as a framework for all innovation and R&D initiatives, providing a shared template for observing and analyzing Schneider Electric's ecosystem from four angles:

- Changes in customer expectations and anticipation of their future needs.
- Major sociological trends (mobility, permanent connectivity to new communication and IT resources, etc).
- Technological breakthroughs that could influence Schneider Electric's businesses.
- New ways of doing things at Schneider Electric and benchmark industries.

After continuously monitoring innovation-rich topics and markets, Schneider Electric articulated an R&D approach in 2008 based on four federating objectives—all of them related to energy efficiency:

- Reduce energy consumption.
- Optimize connectivity.
- Make Group products and solutions easy to install, use and maintain.
- Integrate all of the lineups offered by Schneider Electric's various units to form a consistent whole.

2008 highlights

Thanks to its strategy of acquisitions, Schneider Electric has built a unique portfolio of expertise. To maximize the impact in terms of innovations that serve customers' current and future needs, various measures were introduced or pursued in 2008, with the goal of fostering greater consistency in the product and services lineups and in R&D skills management.

Notable examples include:

- **The formation of a cross-functional working group on solutions architectures.** The objective here is to integrate Schneider Electric's lineups more effectively following the extremely synergistic acquisitions of the last five years. Research topics are selected on the basis of needs in Schneider Electric's targeted market segments. The results of the working group's deliberations are being used to devise a differentiating portfolio of comprehensive energy management solutions.
- **The continued deployment of the Schneider Business Innovation System (SBIS)** along two key paths:

  \- **The development and management of an "innovation community"** trained in SBIS principles and tools.
  These innovation carriers can support innovation products locally in the Operating Divisions, Business Units and Global Functions. The innovation community grew to more than 300 members in 2008.

  \- **Operational implementation of SBIS through 15 targeted innovation initiatives** covering such strategic challenges as energy efficiency, services and solutions.
- **Continuation of the Boost Patents program** to encourage the filing of patents in technological areas that are important to Schneider Electric's future in a consistent and coordinated manner. Patent filings rose by more than 30% in 2008, to 344 from 264 in 2007.
- **Various measures to foster even more effective and high-quality R&D across Schneider Electric.**
  These include the definition of a robust design process called RADAR applicable to the entire electromechanical lineup. This process, designed to improve product quality, is currently being used in nine pilot projects.

Innovation and R&D: Facts and figures

Around 100 units divided among more than 70 sites in 25 countries.

7,300 team members directly involved in R&D or technical engineering.

82% of these team members work in Schneider Electric's Business Units, with the mission of creating new generations of products and services.

15% work for the Operating Divisions, with the mission of defining and adapting the lineup to local markets or carrying out specific developments for a given customer.

3% work within the Global Functions, with the mission of innovating and anticipating in leading-edge areas, assessing the advantages and robustness of new materials, and designing innovative methods to make buildings more energy efficient.

Around 45% work in Europe, 26% of them in France. Another 28% are located in North America (Canada, US and Mexico), while 27% are in the Asia-Pacific region. This division, 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-Oceania, North America or Europe.

Similarly, a new version of the Pro Mechanism simulation software has been made available throughout the Group. Pro Mechanism allows developers to study the kinematic and dynamic characteristics of mechanisms more effectively in the design phase.

● **The identification of components covered by the European Reduction of Hazardous Substances Directive (RoHS),** as part of the Group's contribution to sustainable development. These components have been described and listed in a Groupwide database. Thanks to this inventorying work, the Group will be able to replace existing components with parts that are considered less hazardous or completely innocuous.

● **The launch of a global program to recognize experts.** This program is designed to facilitate the career growth of high level experts in technologies, products and services, raise their profiles and ensure that the Group knows where they are and uses their knowledge in defining its strategy. Led by Human Resources, the Innovation Department and the Group's main R&D executives, the program identified 70 experts in 2008. Their areas of expertise include the design of solutions and architectures to control basic technologies for materials, electrotechnologies, mechanics, electronics and software. The program also allowed Schneider Electric to review its map of technical skills sets. It will be used as the framework for global R&D competencies management in 2009.

An active R&D partnership policy

In addition to its innovation and R&D initiatives, Schneider Electric pursues an active R&D partnership policy, notably at the European level, locally and within France's competitiveness clusters.

European projects

Schneider Electric is involved in more than 25 collaborative projects (including eight European projects) to develop new technologies while ensuring that the solutions adopted by the major European players in each area work together. An example of a desired outcome would be the ability to connect an electrical device or PLC to a communication network (wired or wireless) using a leading-edge solution that also enables maximum interactivity among the various components supplied by Schneider Electric and its competitors.

The Service Oriented Device Architecture (SODA) and Service Oriented Cross-layer infRAstructure for Distributed smart Embedded devices (SOCRADES) projects have demonstrated that it is possible to integrate Web Services in low-cost devices while guaranteeing effective networking and operation.

● Partners in SOCRADES have developed a test rig provided by Ford Motor Company with Schneider Electric control devices linked to an SAP management application.

● Partners in SODA have devised a comprehensive ecosystem that makes it possible to use Web Services throughout an application's lifecycle in the automation, buildings and residential markets. Building on this work, Web Services have been combined with Web 2.0 gadgets to monitor the electrical consumption of various devices.

Schneider Electric also helps assess the European Commission's R&D projects and participates in strategic reviews by various research financing institutions. Lastly, two Schneider Electric team members were involved in developing the Information Technology for European Advancement's (ITEA) Roadmap 3.

Competitiveness clusters

Schneider Electric also plays an active role in France's competitiveness clusters. The Group chairs two clusters involved in research topics that are critical to its businesses and customers:

● Minalogic, specialized in microtechnologies, nanotechnologies and embedded software.

● Tenerrdis, devoted to new energy technologies and renewable energies.

At both clusters, Schneider Electric either leads or partners a dozen of collaborative projects, including one on Smart Electricity. This program, led by the Group and involving more than ten partners in the Grenoble region, comprises a number of projects ranging from the design of new current sensors that can be used in a wide variety of environments (AC or DC, LV or HV) to the development of an experimental platform for energy efficiency in the residential market. The platform is currently being tested in seven households thanks to close cooperation with the local utility, Gaz et Electricité de Grenoble. It is designed to help all consumers identify sources of excess electricity use.

HOMES (Optimized Housing for Energy Management and Services)

After two years of preparation, the HOMES program was officially launched on September 1, 2008. The program is financed by the French Agency for Innovation (OSEO) and led by Schneider Electric, in partnership with 14 manufacturers and research groups. With a budget of €88 million, 26 work packages, 170 tasks and 287 deliverables over four years, HOMES is the largest innovation program ever introduced in Europe for energy management in commercial and residential buildings.

The program's goal is to define new system architectures that will allow significant improvements in a building's energy efficiency (up to 20%) by integrating innovative technologies for sensors, power electronics and software. The idea is to optimize active energy efficiency along with contributing to better insulation and more efficient energy use.

HOMES will drive the development of key technologies and products defined to be integrated in a comprehensive energy management system. The program's partners bring together the necessary skills, technology and market access to design and sell the products and solutions for tomorrow's electrical distribution, lighting, HVAC, building modeling, etc..

Other collaborative projects

FlexWARE (Flexible Wireless in Real-Time Environment): This four-year European project is designed to deploy a new real-time communication platform based on wireless local area networks, compatible with IEEE 802.11. It will focus in particular on security, flexibility and mobility to enable the dynamically reconfigurable factory of the future.

MIND: Technology for assembly of embedded software components that is fundamental, effective, robust and adaptable to the business line issues of the sector. The objective of this two-year Minalogic project is to industrialize a development environment for firmware based on a component approach and designed for applications that are critical for operating safety.

NanoPOP (Nano-composites with optical and piezoelectric properties): Financed by the French national research agency, this three-year project aims to develop hybrid nano-structured materials with optical and piezoelectric properties for potential applications in sensors, frequency conversion, displays and ferroelectric memories.

SAMEE (Smart Advanced display Monitoring Energy Efficiency): This three-year Minalogic project is part of the Smart Electricity program. Its primary goal is to redefine human-machine interface in electrical distribution using technological innovations. The field of application is energy efficiency, with the idea of making operating, consumption or alert data available anywhere. The project will build on innovative display and wireless technologies, lead to new data capture architectures and contribute to the necessary evolution of standards in this area.

SiCHT^2 (SiC power components for high temperature, high voltage applications): A joint project of the ASTECH, PEGASE and AEROSPACE Vallée competitiveness clusters, this three-year project will study and develop the different stages required in manufacturing silicon carbide (SiC)-based components that can withstand high temperatures and high voltage.

Silicon carbide (SiC) could be an attractive replacement for silicon in terms of electrical consumption and the amount of material needed to produce a component.

Schneider Electric Ventures: Technology intelligence and source of partnerships

Schneider Electric Ventures, the Group's venture capital fund for start-ups in areas related to energy management, is another source of highly productive partnerships.

Since 2003, the fund has forged contacts with more than a thousand small and mid-sized businesses around the world. It invests 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.

In 2008, Schneider Electric Ventures invested in Tiempo, a French company with an integrated circuit technology that allows semi-conductor companies to design complex chips with ultra low power consumption and ultra low electromagnetic emission. Tiempo's portfolio includes asynchronous cores of microcontrollers, microprocessors, crypto-processors and miscellaneous communication and sensor interfaces.

In the area of photovoltaic solutions, the Group has benefited from an earlier investment in SolaireDirect. In 2008, this partnership delivered a complete solution for France's first 4MW solar power plant.

Innovation and standardization

In a logical extension of its R&D and numerous technological partnerships, Schneider Electric is deeply involved in efforts to standardize and certify materials, equipment, methods and resources at the international level (IEC and ISO) and as a member of several consortiums.

It has chosen this active approach to ensure that Schneider Electric's solutions are interoperable with those offered by competitors and to protect customers from low-cost products that could compromise on safety, security, availability, durability, energy efficiency or environmental protection.

The Group suggests standards and defends its positions in host countries and internationally on such key topics as basic physical safety (e.g., fire resistance), functional safety (how software and automation are integrated in a function), electromagnetic compatibility (the ability for devices to work side by side without disturbing each other), interoperability, energy efficiency and environmental protection. For example:

- Schneider Electric is working with a number of partners, including Microsoft, to ensure DPWS (Device Profiles for Web Services) standardization within the Organization for the Advancement of Structured Information Standards (OASIS).
- In the area of radio communication, Schneider Electric's participation in the ZigBee alliance, which defines standards for wireless sensor and actuator networks, led to significant advances in 2008. A Smart Energy profile was published that describes the language used to deploy solutions for controlling and monitoring a facility's energy consumption. The Group has also created a working group with the Alliance to define wireless, battery-free ZigBee sensors that comply with the standard. These breakthroughs will make it easier to design more energy efficient solutions for users and also help energy suppliers smooth consumption peaks.

Recognition and awards

Schneider Electric's innovations garnered several nominations and awards during the year.

In the United States, Square D's 240V NQ panelboards received Electrical Contracting Products' prestigious Innovation Award for 2008. The award recognizes outstanding companies whose products or services respond to market challenges with creativity and innovation. Each entry is judged on inventiveness, as well as on cost, quality, ease of use and ease of maintenance. The NQ panelboard was also a finalist in Plant Engineering's Product of the Year awards. Defined in response to comments and suggestions from electricians, this new panelboard is easier to transport and install on site than competing products, making for significant savings in equipment and installation time.

In Europe, the Information Technology for European Advancement (ITEA) program granted a special award to the European ANSO project for its significant contribution to the construction of a new flexible, interoperable service platform and for demonstrating the platform's usefulness in designing new and innovative applications. The goal of the project was to create innovative applications in the residential market by developing techniques to speed the development and packaging of new home automation services that network and operate with household appliances and utilities. Already in 2006, ITEA attributed its Achievement Award to the SIRENA project led by Schneider Electric, which demonstrated that Web Services could be applied to devices.

Lastly, the Smart HOme Payment Services (SHOPS) project was one of six European projects for 2005-2006 nominated for the Lillehammer Environment Prize in light of its significant contribution to environmental protection. SHOPS resulted in the deployment of a dynamic model that can manage future changes in the distribution, sale and payment of energy in homes while enabling detailed analysis and optimized use.

8. Group organization

Schneider Electric has 114,000 employees in more than 100 countries around the world.

In 2008, the organization comprised:

- **4 Operating Divisions**
  - North America
  - Asia-Pacific
  - Europe
  - International.
- **8 Business Units**
  - Automation & Control
  - Building Automation & Security
  - Customized Sensors
  - Power
  - Renewable Energies
  - Critical Power & Cooling
  - Services and Projects
  - Installation Systems and Control.
- **6 Corporate Functions**
  - Finance
  - Information, Process & Organization
  - Quality
  - Human Resources
  - Strategy, Customers & Technology
  - Marketing.

In March 2009, the organisation evolved:

- **4 Operating Divisions**
  - North America
  - Asia-Pacific
  - Europe
  - International.
- **5 Businesses**
  - Process & Machine
  - Buildings
  - Power
  - IT
  - Custom Sensors & Technologies.
- **7 Global Functions**
  - Finance
  - Information, Process & Organization
  - Marketing
  - Human Resources
  - Quality
  - Supply Chain
  - Strategy, Customers, Innovation & Technology.

Global, selective purchasing

Purchases correspond to around 50% of consolidated revenue and play a crucial role in the Group's technical and business performance. To use this lever to the fullest, the Group has decided to globalize 70% of purchases from strategic suppliers and 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 globalization 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.

** Launched by former UN Secretary General Kofi Annan at the 1999 World Economic Forum in Davos, Switzerland, the Compact encourages businesses to adopt, support and apply ten fundamental values in the areas of human rights, labor and environmental standards and the fight against corruption.*

Worldwide redeployment of production and supply chain resources

Schneider Electric has more than 200 production sites and 140 distribution centers 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 delivered product costs and keep productivity high.

3. Optimize 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 centers are dedicated to the global market. The other units are located as close as possible to their end markets. Although design or esthetic features may be adapted to meet local requirements, the Group standardizes key components as much as possible to maximize economies of scale. This global/local approach helps Schneider Electric optimize profitability and service quality. Drawing on its global scope, the Group has re-balanced and optimized its manufacturing and supply chain resources.

In Western Europe, the United States, Japan and Australia, rightsizing plans have been deployed with a focus on specializing units and reducing the number of sites. At the same time, the Group has developed production in emerging economies by increasing capacity in Eastern Europe, Mexico, India, China and Southeast Asia. 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 optimization 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 and 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 logistics centers.

A major IT systems project

In November 2004, Schneider Electric signed a contract to outsource all of the functions of its IT department in Europe to Capgemini. The contract was revised in 2007 after the partners identified areas for improvement with a view to making the agreement more efficient. As a result, nearly one third of the initial contract's annual value was re-allocated and 130 Capgemini employees joined Schneider Electric at the end of first-quarter 2008.

At the same time, the global SAP-based ERP system known as Bridge was finalized and tested in India in 2007. The latest version of the Core System was successfully launched in October 2008 among a second pilot group of host countries comprising Hungary, Austria, Croatia, Romania, Slovakia and Slovenia. At the end of 2008, the system was found to be sufficiently robust and exhaustive. Schneider Electric will now deploy and support Bridge across its organization with the help of its IT partners around the world. This Core System global deployment will confirm Schneider Electric's ambition to improve customer satisfaction and become even more efficient. A dedicated governance organization has been set up to manage and track this project.

9. Human Resources

A global system for managing talent

Schneider Electric's strategic transformation has had a decisive impact on its size. The number of employees has grown substantially over the last few years and diversified its business base, know-how and expertise, notably in innovation and solutions.

The Group's human resources departments have had to adapt to this new situation, especially in 2006 and 2007 when many acquisitions were made. Their policies have been designed to support this growth, attract and develop talent, anticipate changes in the Group's businesses and create an attractive and stimulating working environment.

Human Resources pursued its strategy of global management in 2008, with the goal of helping employees from recent acquisitions become full-fledged Schneider Electric team members, stepping up geographic and functional mobility and defining Schneider Electric's values for progress. These values serve as a framework for evaluating skills and identifying new talent.

Schneider Electric's values: open, passionate, straightforward and effective

Following its strategic repositioning, the Group realized that it needed to redefine its employer brand. The Human Resources Department conducted a survey of employees and stakeholders to find ideas to make the Group's employment offer attractive to candidates and align job profiles and career possibilities with the type of talent Schneider Electric wants to recruit.

Four key values were identified based on the results of this in-depth study on how the Group's identity is broadly perceived and on internal discussions with the Executive Committee. These values sum up and clarify who Schneider Electric is today and who it wants to be tomorrow:

- **Open:** Inside and outside the Company, this means listening to needs, taking the necessary measures to assimilate new team members and contributing to all types of diversity.
- **Passionate:** This means being passionate about serving customers and doing everything possible to satisfy them day after day. It also means providing real career opportunities and helping team members make the most of their talent.
- **Straightforward:** This means clearly expressing ideas and impressions, explaining dysfunctions in practical terms and proposing solutions to resolve them. In short, it means walking the talk.
- **Effective:** This means helping the Group grow and rationalize its costs, and performing effectively as individuals on a daily basis.

Defining these values and encouraging all team members to make them their own is an important process for Schneider Electric's Human Resources. It's up to the Group's managers to embody these values and to leverage them so they can lead their teams constructively and courageously.

For external audiences, a communication campaign has been implemented to express Schneider Electric's new identity as an *international, green, vibrant and efficient enterprise with a commitment to continuous improvement.*

A revamped website was unveiled in February 2009 to heighten this visibility. Carried out in partnership with the Marketing Department, the website renewal project allowed the Group to present a more consistent image and approach as a brand that is both global and local.

Attracting and developing talent

The diversity of the countries, markets and customers served by Schneider Electric is reflected in its workforce. The Group is committed to developing and promoting multi-cultural teams with managers from different countries who are able to take on major responsibilities within a streamlined organization. This policy helps Schneider Electric attract, lock-in and develop the best people in all of its host countries.

The 2008 media campaign on Schneider Electric's employer brand image brought in new talent that fulfills current and future needs. By "talent", the Group means professionals with a recognized, steady level of performance. The idea is to enable each team member to become a "talent".

One way the Group helps talent emerge is to identify "high potentials" or HPs—individuals who have demonstrated the ability and motivation to do more and take on higher responsibilities. In 2008, a Development Assessment was deployed in all the large host countries to carefully evaluate HPs' know-how and room for growth.

This equitable human resources management approach goes hand in hand with the Competency Master Plan and the Career & Competency Review, two systems based on a set shared set of job classifications and competencies. Designed with input from HR managers and team members around the world, the Competency Master Plans allow the country organizations and various departments to define the skills sets they will be needing in three years' time based on business plans and analyses of changes in the business. This information can then be used to establish the necessary hiring, training and mobility programs. The competency plans are used in all the Group's units. Similarly, the Career & Competency Review gives all employees the opportunity to map out their career paths with their managers. In this way, they can discuss possible directions for development and identify useful training programs to build their future.

Encouraging all types of mobility

Schneider Electric encourages mobility among countries, departments and businesses. The Development Assessment, Competency Master Plan and Career & Competency Review all contribute to this goal, as does the Marco Polo international hiring program. Each year, this program gives high potential graduates interested in international mobility the opportunity to kick off their Schneider Electric careers with a job in a foreign country.

Fostering all types of diversity

Part of adapting human resources to the Group's new configuration has involved broad measures to develop all types of diversity. In 2008, the Group focused in particular on bringing in more women and international talent.

Schneider Electric's commitment to promoting women was demonstrated in several ways during the year.

Inside the Company:

- The Group has committed to filling 30% of its key positions around the world with women engineers and managers in the next four years.
- Two programs have been deployed to help high-potential women emerge and accelerate their careers:

- First, 100 high-potential women were identified in an extension to the People Review process. This allows the Group to identify key women in all Schneider Electric units worldwide and track them throughout their careers.

- Second, a brainstorming group was set up to formulate ten major measures that will be deployed within the Group to enhance promotion of women.

- The Group renewed the Talent and Performance Management program, which encourages mobility for women among Schneider Electric's units and host countries.

Outside the Company:

- The Group sponsored the first Women's Forum in Asia in May 2008. More than 700 decision makers and high-profile representatives attended to discuss economic and social issues.
- The Group organized a new Schneider Electric Women's Forum in September 2008 at which some sixty Schneider Electric employees from all career horizons discussed professional development opportunities for women within the Group.
- In France, the Group partnered again with *Institut National des Sciences Appliquées (INSA)* in Lyon and *Ecole Nationale Supérieure des Techniques Appliquées (ENSTA)* in Paris on a program called "*Choisis ta Vie*" (Choose Your Life) to assist 20 women engineering students in planning their career paths. The participants attended a three-month collective training program at Schneider Electric and received personalized mentoring from women managers at the Group.

(See Chapter 5, page 91).

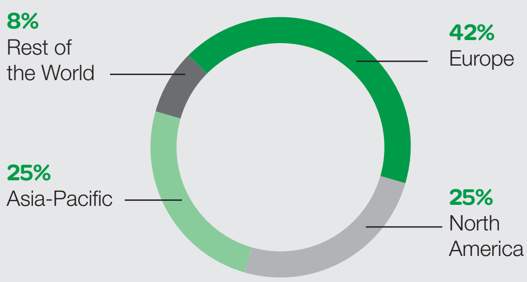
Training: The key to employability

Training is a key success factor at all levels of the organization. Schneider Electric has developed partnerships with prestigious business and engineering schools and targeted universities around the world. In 2008, Schneider Electric University considerably expanded its programs on customer focus, continuous change, leadership skills and attitudes and professional expertise through several specialized institutes.

More than 3,000 employees benefited from e-learning and more than 6,000 received training through the Schneider Electric institutes' global and local programs (see Training, Chapter 5, p. 91).

The Group is also deeply committed to keeping its employees' competencies fresh through regular evaluations, appropriate information and training and skills certification programs. When units have to reduce headcount, they work tirelessly to find new positions or provide support for business start-ups while maintaining an ongoing dialogue with employee representatives (see indicators, page 87).

Workforce by region in 2008



Anticipating the skills/jobs/professions of tomorrow

On March 11, 2008, Schneider Electric signed a forward-looking jobs and skills agreement (GPEC) with six labor unions representing all French units. The idea is to share a common vision of the Group's strategy and its consequences with Schneider Electric's 20,000 French employees, as well as the necessary resources to help each team member adapt to a constantly changing environment. The GPEC expands on an earlier agreement on anticipating change signed in July 2007 with the European Metalworkers' Federation.

Diversity: Facts and figures

- Total workforce: 114,000
- Percentage of women in the workforce: 35% worldwide

10. Risk factors

Risk factors related to the Company's business

The Group operates worldwide, in competitive and cyclical markets

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. The Group is exposed to cyclical fluctuations in the rate of economic growth of and level of capital expenditures in the various countries in which it operates, though the impact of downturns in a particular market may be limited by the diversified nature of its end user markets.

As the Group also operates in emerging or developing countries for approximately 30% of its business, 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.

The Group has implemented procedures designed to protect it from the effects of these risks, which are generally beyond its control, and to manage them as effectively as possible. The protection provided by these measures may nevertheless prove to be inadequate.

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

The markets 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 that at more than 4% of revenue, is among the highest in the industry. R&D and forward-looking engineering involves some 7,300 employees around the world, a number of them in development centers located in 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 its lineup 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 centers 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 with a particular customer. Its ten largest customers represent less than 25% of total revenue.

Increasingly high customer satisfaction rates represent an important source of competitive advantage for the Group. It closely tracks the results of the quarterly surveys conducted in 55 countries among customers representing some 96% of its annual revenue. Improvement targets are set for each country, backed by specific action plans and progress monitoring procedures.

The Group'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.

External growth projects are examined in detail by the business units, country organizations and corporate functions (Strategy, Finance, Legal Affairs 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 validation committee reviews the results. 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.

The Group has therefore developed a process for integrating newly-acquired businesses that extends over a period of 6 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 lineup or penetrate a new segment. All told, there are five scenarios ranging from total integration to separate organization. Depending on the strategic objective, a matrix is drawn up showing the required level of integration for each of the newly-acquired business's core functions, i.e., front office (sales force and brand), back office, R&D, corporate functions and management reporting. 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 Group 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 (8.2% at December 31, 2008 and 7.5% at December 31, 2007), plus a risk premium depending on the region in question. The perpetuity growth rate was 2% in 2008, unchanged from the previous year.

Goodwill is allocated to a Cash Generating Unit (CGU) when initially recognized. 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 conducted by the CGUs, which at Schneider Electric correspond to the Operating Divisions (Europe, North America, International and Asia-Pacific) and Business Units (Critical Power & Cooling Services (CPCS), Building Automation (BA) and Customized Sensors & Technologies (CST)).

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

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. These design faults and defects could result in product liability claims, loss of revenue, warranty claims, litigation, a fall-off in demand or harm to Schneider Electric's reputation for safety and quality. To prevent or limit these risks, the Group recalls products if there are any doubts about a component, even if the defect is random and does not pose a safety risk.

Schneider Electric is covered by a global liability insurance program. Insured values under these programs adequately cover the Group's exposure to liability claims in connection with its businesses.

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, a project was launched in 2005 to design, develop and build a Group-wide SAP-based ERP system. The initial vision and detailed design phases were completed in July 2005 and the core system was built and deployed at several pilot sites in 2008. The system will be rolled out to the entire Group from 2009 onwards.

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.

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 and other qualified personnel.

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 and compensation. The Group's expatriates help prepare the future of its business, build local teams and assemble the necessary skill-sets in targeted regions. The Group places considerable emphasis on training to deepen its skills base and retain employees.

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.

Since 2005, the Group has decided to combat violations of industrial property rights more vigorously, taking legal action against patent counterfeiters in China, Germany, Italy, France and other jurisdictions.

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, which was recently redefined to take account of changes both inside and outside Schneider Electric.

The policy is designed to improve manufacturing processes, promote eco-design and integrate customer concerns in the area of environmental protection. It 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. 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. 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.

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 British 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 19 to the consolidated financial statements for fiscal year 2008, pages 142 to 144 below.

In 2008, revenue produced in foreign currencies came to around €13 billion.

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 actual structure of its operations, a 10% increase of the euro compared to the US dollar would have a negligible impact on operating margin.

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 optimize overall borrowing costs. Most bond debt is fixed rate. At December 31, 2008, 74% of gross debt was fixed rate.

Maturities of financial assets and liabilities are presented in note 19 to the consolidated financial statements.

A 1% change in interest rates would have an impact of around €1 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 19.1 to the consolidated financial statements for fiscal year 2008 on page 142 below.

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.

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, 2008, the Group had access to cash and cash equivalents and commercial paper programs totaling €1.7 billion. In addition, the Group recently renegotiated a one-year extension to a €1.6 billion line of credit expiring in November 2009, bringing total lines of credit expiring after November 2010 to €2.3 billion.

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 (upgraded in November 2008) and an A3 credit rating from Moody's. The Group's liabilities and their terms and conditions are described in note 16, pages 140 to 141 below.

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. At December 31, 2008, no financing or confirmed lines of credit were subject to covenants requiring compliance with financial ratios.

The loan agreements for some of its liquidity facilities nevertheless include cross-default clauses whereby if the Group were to default on any of its liquidity facilities, it would immediately be considered as having defaulted on all such facilities.

Moreover, anticipated reimbursement provisions exist for certain financing and lines of credit in case of change of control.

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 plastic). If the Group is not able to hedge, compensate or pass on 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 Treasury Center. 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 increases in raw material prices are described in note 19.1 to the consolidated financial statements for fiscal year 2008, page 142 below.

In 2008, purchases of raw materials totaled around €1.3 billion, including around €711 million for non-ferrous metals, of which more than 59% were for copper. The Group enters into swap and options agreements in order to hedge all or part of its raw material purchases. Decisions to hedge such purchases, mostly of non-ferrous metals, depend on Group forecasts of changes of raw material market prices. As of December 31, 2008, Group hedges for non-ferrous metal purchases amounted to €175 million, of which €119 million for copper.

Equity risk

Exposure to equity risk primarily relates to treasury stock and shares in AXA. These positions are not hedged. At December 31, 2008, the AXA shares' market value exceeded their acquisition cost.

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 lineup complies with world-recognized 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.

Since the Group's products comply with the dominant standards in its host markets, the Group is able to meet most all of its customers' needs.

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 prejudice caused, estimated at €1.6 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.
The Luxembourg Court is expected to hand down a decision in 2009 following an appeals hearing held on December 3, 2008.

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 *(tribunal correctionnel)* ruled that some of the defendants were responsible for certain of the alleged offenses. The court also appointed an expert to assess the loss suffered by those plaintiffs whose claims were ruled admissible. 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. 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.

In China, Schneider Electric was ordered to pay Chint RMB330 million (around €31 million) in compensation for patent infringement by one of its Chinese subsidiaries. Schneider Electric has appealed this decision. The appeal, which has resulted in a stay of judgment, is still outstanding. The dispute concerns production of a circuit breaker that uses technology for which Chint filed a utility model patent in 1997. The patent has since expired. Schneider Electric had already used this technology for more than 15 years on products sold in numerous countries, including China, before the Chint filing. Schneider Electric contests the validity of Chint's utility model and has appealed to the Beijing High People's Court following the Beijing Intermediate People's Court's rejection of its request that the utility model be ruled nul and void.

Schneider Electric SA, along with other companies in the industry, was involved in an investigation concerning Gas Insulated Switchgear launched by New Zealand's Commerce Commission. The Group, which was implicated through two former subsidiaries sold in 2001, decided to settle amicably and has signed an agreement with New Zealand's Commerce Commission that calls for the payment of a fine capped at NZD1,100,000. Schneider Electric has also been notified that a class-action type proceeding in Israel concerning the same equipment manufactured by the same former subsidiaries and other competitors has been abandoned.

The Group is not aware of any other governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Group is aware) during the previous 12 months that may have significant effects on the Group's business, assets, financial position or profitability.

Insurance

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

This strategy entails:

- Identifying and quantifying the principle areas of risk.
- Preventing risks and protecting manufacturing through site audits, hazard and vulnerability studies and safety management for people and equipment.
- Organizing and deploying crisis management resources, notably for technical and political risks and natural disasters.
- 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 solvability.

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 Group is covered by an integrated global liability insurance program set up on January 1, 2007 and extended until December 31, 2010. Insured values under this "all risks except" program total €230 million per claim and per year, representing 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 and casualty/business interruption insurance

This global property and casualty/business interruption insurance program was renewed for a two-year period on July 1, 2008. An "all risks except" contract, it covers fire, explosion, natural disaster, machine damage 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 €350 million per claim and specific limits apply to certain risks, such as natural disasters and machine damage. These limits were determined on the basis of claims scenarios established by specialists and available capacity in the insurance market.

Assets are insured at replacement value. Specialized engineers from the program's main insurance companies visit the Group's largest sites.

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 €15.2 million per convoy. The two-year program covers Group's subsidiaries that had previously been insured under local, non-integrated contracts.

Self insurance

To optimize 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 €11 million per year.
- In North America, a captive reinsurance company is used to align deductibles and self-insured retentions imposed by the insurers of primary layer automobile, liability and workers' compensation insurance. Self-insured retentions range from USD 0.5 million to USD 5 million per claim, depending on the risk.

The cost of the Group's main insurance programs has declined since 1996. In 2008, it was equivalent to 2.95‰ of consolidated revenues.

Corporate Governance

This report includes the Chairman's report on the operations of the Supervisory Board and internal control.

*Paragraphs 1, 2 through 4, 8, 9 (Management Board, Supervisory Board and Executive Committee Compensation Policy), 12 (Annual Shareholders' Meetings and Voting Rights), 13 and 14, indicated by **, make up the Chairman's report prepared in accordance with article L.225-68 of the French Commercial Code.*

A Management Board/Supervisory Board system**

The Company applies AFEP-MEDEF corporate governance guidelines, with a few exceptions described in paragraph 13, below.

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 eighteen 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 or were replaced at the Annual Meeting called in 2008 to approve the financial statements for the 2007 fiscal year.

The age limit for holding office as a member of the Supervisory Board is 74 and no more than one third of the members may be aged over 70.

The Supervisory Board has twelve members and one non-voting member. Nine qualify as independent members according to the definition contained in the AFEP-MEDEF corporate governance guidelines. Five are foreign nationals (from the United States, the United Kingdom, Italy, Switzerland and Germany). One member, elected by shareholders from a pool of nominees recommended by the Supervisory Boards of the corporate mutual funds, represents employee shareholders. The average age of Supervisory Board members is 61.

Supervisory Board

(as of December 31, 2008)

Chairman of the Supervisory Board

Henri Lachmann

Age: 70

Business address: Schneider Electric,
35 rue Joseph Monier, 92500 Rueil-Malmaison, France

21,497 Schneider Electric SA shares [(1)]

First elected: 1996 / Term ends: 2010

Other directorships and functions in French or foreign companies

- Currently: Chairman of the Supervisory Board of **Schneider Electric SA**; Member of the Supervisory Boards of **Vivendi**, **AXA** and **Norbert Dentressangle**; Director of various AXA subsidiaries; Non-voting director of **Fimalac** and Tajan; Chairman of the Board of Directors of Centre Chirurgical Marie Lannelongue; Chairman of Fondation pour le Droit Continental; Member of Conseil des Prélèvements Obligatoires; Member of the Steering Committee of Institut de l'Entreprise; 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.
- Previous directorships and functions held in the past five years: Chairman and Chief Executive Officer of **Schneider Electric SA**; Chairman of **Schneider Electric Industries SAS**; Director of a number of Schneider Electric Group subsidiaries, **Vivendi Universal**, Etablissements **de Dietrich & Cie**, **Finaxa** and Fimalac Investissements.

Expertise and experience

A graduate of Hautes Etudes Commerciales (HEC), Henri Lachmann began his career in 1963 with Arthur Andersen. In 1970, he joined Compagnie Industrielle et Financière de Pompey. In 1971 he became Chief Executive Officer of Financière Strafor (later Strafor Facom), where from 1981 to 1997 he served as Chairman and Chief Executive Officer. He was elected to the Schneider Electric SA Board of Directors in 1996 and was appointed Chairman on February 25, 1999. On May 3, 2006, he became Chairman of the Supervisory Board of Schneider Electric SA.

Vice Chairman of the Supervisory Board

Serge Weinberg*

Age: 58

Business address: Weinberg Capital Partners -
40 rue de la Boëtie - 75008 Paris, France

500 Schneider Electric SA shares

First elected: 2005 / Term ends: 2010

Other directorships and functions in French or foreign companies

- Currently: Vice Chairman of the Supervisory Board of **Schneider Electric SA**; Chairman of the Board of Directors of **Accor**; Chairman and Chief Executive Officer of Weinberg Capital Partners; Vice Chairman and Director of Financières SASA ; Member of the Supervisory Board of Gucci Group; Director of FNAC, RASEC (since February 2006), Team Partners Group (since November 20, 2006), Alliance

Industrie (since October 5, 2006), Financière Poinsetia (since September 11, 2006), VL Holding and SASA Industrie; General Manager of Adoval and Maremma.

- Previous directorships and functions held in the past five years: Chairman of the Management Board of **Pinault-Printemps-Redoute**; Chairman of the Supervisory Boards of France Printemps, Conforama Holding, Guilbert SA, and Redcats; Member of the Supervisory Boards of Yves Saint-Laurent Parfum, Boucheron Holding and PPR Interactive (PPR's permanent representative); Director of **Schneider Electric SA**, **Rexel** and PPR Asia; Tennessee's permanent representative on the Board of Directors of **Bouygues**; General Manager of Serole.

Expertise and experience

After graduating from France's Ecole Nationale d'Administration, Serge Weinberg held several positions in the civil service and ministerial offices. He then served as Chief Operating Officer of French television channel FR3, Chief Executive Officer and then Chairman of the Management Board of Havas Tourisme, and Managing Director of Pallas Finance. In 1990, Serge Weinberg joined what would become Pinault-Printemps-Redoute (PPR) when he became Chief Executive of CFAO. Within PPR, he served as Chairman of Rexel (formerly CDME), an electrical equipment distributor. In 1995, he was appointed Chairman of the PPR Management Board, a position he held until early 2005. In March 2005 he founded Weinberg Capital Partners, a company that manages an investment fund specialized in leveraged buy outs and real estate. In 2006, he was appointed Chairman of the Board of Directors of Accor.

Members of the Supervisory Board

Léo Apotheker*

Age: 55
Business address: SAP - Immeuble Capital 8 - 32, rue de Monceau - 75008 Paris, France
250 Schneider Electric SA shares
First elected: 2007 / Term ends: 2012

Other directorships and functions in French or foreign companies

- Currently: Member of the Supervisory Board of **Schneider Electric SA**; Co-CEO of **SAP AG**; Director and Member of the Boards of **AXA**, 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 s.p.a. (Italy), SAP Hellas Systems Application and Data Processing SA (Greece) and SAP (Beijing) Software System Co. Ltd. (China).

- Previous directorships and functions held in the past five years: Non-voting member of the Supervisory Board of **Schneider Electric SA**; Director of Ginger SA, Enigma Inc. (USA), SAP Manage Ltd. (Israel), SAP Finland Oy (Finland) and SAP Danmark 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 President and CEO between 1988 and 1991. Mr. Apotheker was founding president and COO of ECsoft. In 1995, he came back to SAP as President of SAP France. After serving in various capacities within SAP as president of regional operations, he became a member of the SAP AG Executive Board and President of Global Customer Solutions & Operations in 2002. In 2007, Mr. Apotheker was appointed President CSO and Deputy CEO of SAP AG.

Claude Briquet

Age: 48
Business address: Schneider Electric Industries SAS, Boulevard Salvador Allende – Zone Industrielle – BP 660 – 16340 L'Isle d'Espagnac, France
617 Schneider Electric SA shares (1)
First elected: 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 Actionnariat" corporate mutual fund; responsible for trading in Europe within the Industry department of Schneider Electric's European Operating Division

- Previous directorships and functions held in the past five years: General Manager of Alombard.

Expertise and experience

An engineering graduate of Ecole 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 General Manager 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.

Gérard de La Martinière*

Age: 65
Business address: 18 allée du Cloître – 78170 La Celle Saint-Cloud, France
3,176 Schneider Electric SA shares
First elected: 1998 / Term ends: 2010

Other directorships and functions in French or foreign companies

- Currently: Member of the Supervisory Board of **Schneider Electric SA**; Director of **Air Liquide** and Banque d'Orsay, Member of the Supervisory Board of EFRAG.

- 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); Member of the Management Board of **AXA**; Director of **Schneider Electric SA**;

Note: Boldface type indicates companies whose shares trade 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.*

Director of **Crédit Lyonnais**, Chairman of the Board of LCH. Clearnet Group Ltd., London; Member of the Supervisory Board of **Air Liquide**; Member of the Supervisory Board of European Financial Reporting Advisory Group (EFRAG).

Expertise and experience

A graduate of Ecole Polytechnique and Ecole Nationale d'Administration, Gérard de La Martinière held several positions in the French Finance Ministry before serving as Secretary General of Commission des Opérations de Bourse and General Manager of Société des Bourses Françaises. In 1989, he joined AXA, where he was appointed Executive Vice-President, Holding Companies and Corporate Functions in 1993, member of the Management Board in 1997 and Executive Vice-President, Finance, Budget Control and Strategy in 2000. 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.

Noël Forgeard*

Age: 62
Business address: 85 Avenue Wagram, 75017 Paris, France
250 Schneider Electric SA shares
First elected: 2005 / Term ends: 2010

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.
- Previous directorships and functions held in the past five years: Chairman and Chief Executive Officer of Airbus SAS; Chairman of the Board of Directors of Airbus France; Chairman or Director of various Airbus subsidiaries; Director of **EADS (Netherlands)**, **Schneider Electric SA**, **Arcelor** and IMS SA; Director of Ecole Polytechnique; Chief Executive Officer of EADS.

Expertise and experience

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

Jérôme Gallot*

Age: 49
Business address: CDC Entreprises, 137 rue de l'Université – 75007 Paris, France
250 Schneider Electric SA shares
First elected: 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; Director of **Nexans SA**, **Icade SA**, Caixa Seguros SA (Brazilian subsidiary of CNP), **Plastic Omnium** and Caisse Nationale de Prévoyance **(CNP Assurances SA)**; Non-voting director of OSEO (EPIC) and **NRJ Group SA**.
- Previous directorships and functions held in the past five years: Senior Executive Vice President, Caisse des Dépôts et Consignations; Director of **Schneider Electric SA**, Crédit Foncier de France, Galaxy Fund and Galaxy Management Services; Chairman of Sicav Austral; Member of the Supervisory Board of Compagnie Nationale de Rhône (CNR).

Expertise and experience

Jérôme Gallot is a graduate of Institut d'Etudes Politiques de Paris and Ecole Nationale d'Administration. After three years with the Cour des Comptes, he served as an advisor to the Secretary General of the interministerial committee for European economic cooperation (SGCI), from 1989 to 1992, and then moved the Budget department. He was then Chief of Staff in a number of French ministries, from 1993 to 1997. In 1997, he was appointed Director of the Competition, Consumer Affairs and Anti-Fraud Division of the Ministry of the Economy and Finance. He left this position in 2003 to become Senior Executive Vice President at Caisse des Dépôts et Consignations. He was appointed Chairman of CDC Entreprises and Member of the Management Board of Caisse des Dépôts in September 2006.

Willy R. Kissling*

Age: 64
Business address: Poststrasse no. 4 - BP 8808 Pfaeffikon, Switzerland
724 Schneider Electric SA shares
First elected: 2001 / Term ends: 2012

Other directorships and functions in French or foreign companies

- Currently: Member of the Supervisory Board of **Schneider Electric SA**; Director of **Kühne + Nagel International AG** (logistics); Chairman of the Board of Directors of Grand Resort Bad Ragaz AG; Member of European Advisory Board & Co.
- Previous directorships and functions held in the past five years: Director of **Schneider Electric SA** and **Holcim Ltd** (cement); Chairman of the Board of Directors of **Unaxis Corporation** (renamed **OC Oerlikon** Corp.); Vice Chairman and later Chairman of **Forbo Holding AG** and **SIG Holding Ltd.**

Expertise and experience

Willy Kissling, a Swiss citizen, holds diplomas from the University of Bern and Harvard University. He began his career at Amiantus Corporation and then joined Rigips, a plasterboard manufacturer, in 1978. He was appointed to the Rigips Executive Committee in 1981 and subsequently became Chairman. From 1987 to 1996, Mr. Kissling served as Chairman and Chief Executive Officer of Landis & Gyr Corporation, a provider of services, systems and equipment for building technology, electrical contracting and pay phones. From 1998 to 2005, he was Chairman of Unaxis Corporation (since renamed OC Oerlikon Corp.).

Cathy Kopp*

Age: 59

Business address: Accor, Immeuble Odyssey -
110 avenue de France - 75210 Paris cedex 13, France

250 Schneider Electric SA shares

First elected: 2005 / Term ends: 2010

Other directorships and functions in French or foreign companies

● Currently: Member of the Supervisory Board of **Schneider Electric SA**; Director of **Dexia** (as from February 2008); Executive Vice President, Human Resources and Sustainable Development, **Accor**; Member of the Board of Ecole Normale Supérieure (Paris); Member of the Board of Fondation SNCF.

● Previous directorships and functions held in the past five years: Non-voting Director of **Schneider Electric SA**; Vice-President, Corporate Human Resources and member of the Executive Committee of **LVMH**; member of the board of Haute Autorité de Lutte contre les Discriminations (Halde), France's equal opportunities commission.

Expertise and experience

After earning a degree in mathematics, Cathy Kopp joined IBM France in 1973. In 1992, she became Human Resources Director at IBM France. In 1996, she was appointed Vice-President Human Resources at IBM Corp.'s Storage Systems Division. In 2000, Ms. Kopp became Chairman and CEO of IBM France. She joined Accor in 2002 as Human Resources General Manager. Ms. Kopp is Chairman of the employee relations commission of the Service Industry Group of the French employers' federation (Medef). She led the Medef's inter-industry negotiations on diversity in 2006 and on modernizing the labor market in 2007.

James Ross*

Age: 70

Business address: Flat 4, 55 Onslow Square -
London SW7 3LR, England

300 Schneider Electric SA shares

First elected: 1997 / Term ends: 2010

Other directorships and functions in French or foreign companies

● Currently: Member of the Supervisory Board of **Schneider Electric SA**; Director of **McGraw-Hill Inc.** and **Prudential plc**; Chairman of Leadership Foundation for Higher Education; Chairman of Liverpool School of Tropical Medicine.

● Previous directorships and functions held in the past five years: Director of **Schneider Electric SA** and of Datacard Inc.; Chairman of Littlewoods plc; Chairman of **National Grid**; Vice-Chairman of **National Grid Transco**.

Expertise and experience

James Ross, a British subject, is a graduate of Oxford University. In 1959 he joined BP, where he held several positions before becoming a Managing Director in 1991. He was appointed Managing Director of Cable & Wireless plc in 1992, Chairman of Littlewoods plc in 1996 and Chairman of National Grid plc in 1999.

Note: Boldface type indicates companies whose shares trade on a regulated market.

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

G. Richard Thoman*

Age: 64

Business address: Corporate Perspectives, LLC -
126 East 56th Street, 9th Floor - New York NY 10022, USA

250 Schneider Electric SA shares

First elected: 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, McGill University School of Management and the Fletcher School; Adjunct Professor at Columbia University and the Fletcher School; Member of the Trilateral Commission and the Council on Foreign Relations.

● Previous directorships and functions held in the past five years: Member of the Supervisory Board of Daimler-Chrysler; Member of the Board of Directors of Union Bancaire Privée (Geneva); Senior Advisor of Evercore Patners; Member of the Advisory Board of Deutsche Bank Capital Partners.

Expertise and experience

G. Richard Thoman has a unique background as one of the top five CEOs of four 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 (a partnership between Tufts University and Harvard). After working with Exxon Finance and McKinsey, he became Chairman and co-CEO of American Express Travel Related Services. In 1992, he was appointed President and CEO of Nabisco International. In 1993, he joined IBM as Senior Vice President, Personal Systems Group, later becoming CFO. He served as President and CEO 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.

Piero Sierra*

Age: 74

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

1,000 Schneider Electric SA shares

First elected: 1997 / Term ends: 2009

Other directorships and functions in French or foreign companies

● Currently: Member of the Supervisory Board of **Schneider Electric SA**; Director of Pirelli Group companies: Alexandria Tire Corp., Pirelli Deutschland AG, Pirelli UK Tyres and Turk Pirelli Lastikleri AS.

● Previous directorships and functions held in the past five years: Director of **Schneider Electric SA**, Pirelli Cables et Systemes SA, Pirelli Armstrong Tire Corp, Pirelli Cable Corporation, Pirelli Cables Ltd, Pirelli Cables Saic, Pirelli Cabos SA, Pirelli Canada Inc, Pirelli Tyre Holding NV, Pirelli UK Tyres and Turk Pirelli Lastikleri AS.

Expertise and experience

Piero Sierra, an Italian citizen with a degree in humanities from the University of Lyon, joined the Pirelli Group in 1962. He held management positions in Italy and abroad before becoming Director and Chief Executive Officer of Pirelli SpA from 1991 to 1995. Since then he has served as a Director for Pirelli's international companies. Mr. Sierra is also Chairman of A.I.R.C. (Italian Association for Cancer Research) and F.I.R.C. (Italian Foundation for Cancer Research).

Non-voting member

Claude Bébéar

Age: 73
Business address: AXA, 25 Avenue Matignon, 75008 Paris, France
264 Schneider Electric SA shares
First elected: 2004 / Term ends: 2010

Other directorships and functions in French or foreign companies

● Currently: Non-voting member of the Supervisory Board of **Schneider Electric SA**; Chairman of the Supervisory Board of **AXA**; Director of various **AXA** subsidiaries and **BNP-Paribas**; Member of the Supervisory Board of **Vivendi**.

● Previous directorships and functions held in the past five years: Chairman and Director of various **AXA** subsidiaries, including AXA Financial; Chairman and Chief Executive Officer of **Finaxa**; Director of **Schneider Electric SA** and **Vivendi Universal**.

Expertise and experience

A graduate of Ecole Polytechnique, Claude Bébéar joined in 1958 the mutual insurance company that would become AXA in 1985. He was appointed Chairman and Chief Executive Officer of the company in 1975.

From late 1996, when AXA merged with UAP, until 2000, when he was appointed Chairman of the Supervisory Board, Mr. Bébéar served as Chairman of AXA's Management Board and Chairman of its Executive Committee.

Note: Boldface type indicates companies whose shares trade on a regulated market.

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

2. Organizational and operating procedures of the Supervisory Board**

Missions and powers

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 to allow it to fulfill its duties.

Specific powers are vested in the Supervisory Board under French law and the Company's bylaws. These include the power to:

● Appoint the Management Board, determine the number of members and their compensation and designate the Chairman.

● If necessary, remove Management Board members from office.

● Authorize debt and equity financing and other financing transactions that will have a substantial effect on the Company's balance sheet structure.

● Authorize material business acquisitions and disposals, as well as strategic partnerships.

● Authorize the creation of stock option plans or stock grant plans, with or without performance criteria.

● Authorize the signature of regulated related party agreements.

● Authorize the issuance of bonds and other guarantees, subject to compliance with French law.

The Supervisory Board also authorizes recommendations made to shareholders in General Meeting concerning the dividend, Board membership and changes in the bylaws.

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 and procedures covering its activities, and decides the allocation of the total attendance fees awarded to the Supervisory Board by the shareholders in General Meeting.

Internal rules and procedures

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. The document, which was amended in 2008 to extend the missions of the Audit Committee, comprises 13 articles:

Article 1 defines the Board's role and powers (see above). It also specifies the Management Board decisions that require the prior approval or consultation 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 each year and enabling representation of employee shareholders.

Article 3 defines the procedures for organizing 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 and 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. Corresponding to 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.
- Comply with strict rules governing transactions in Company stock (in particular, no transactions may be carried out during the month before the annual or interim results are announced).
- 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 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 authorization.

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. In the case of the interim financial statements, the deadline is two days before the meeting date. A supplementary file may also be provided at the meeting.

Supervisory Board meetings are attended by the members of the Management Board and 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.

3. Supervisory Board meetings in 2008**

Six meetings were held in 2008. The meetings lasted an average of 3 hours and 30 minutes and the average participation rate 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

The Supervisory Board discussed the issue of its membership and that of its committees, based on advice from the Remunerations and Appointments & Corporate Governance Committee. It decided to recommend that shareholders in Annual Meeting re-elect Jérôme Gallot, Willy Kissling, Piero Sierra and Richard Thoman and elect Léo Apotheker to replace René de La Serre, who did not wish to stand for re-election for personal reasons. It appointed Léo Apotheker to the Remunerations and Appointments & Corporate Governance Committee and Jérôme Gallot to the Audit Committee.

As recommended by the Audit Committee, the Supervisory Board amended its internal rules and procedures to expand the Audit Committee's missions in accordance with IFA good practices. The Audit Committee's missions now include reviewing the external audit plan and the Company's internal control procedures.

After discussing the Remunerations and Appointments & Corporate Governance Committee's report, the Supervisory Board approved the compensation package for the members of the Management Board, including the degree to which their personal targets were met in 2007, the rules governing their fixed and variable compensation for 2008 and the number of stock options and stock grants attributed under the 2009 plan.

Benefits granted to the members of the Management Board have been brought into compliance with the provisions of France's "TEPA" law. The principles and rules used by the Supervisory Board in determining compensation and benefits for corporate officers are presented on pages 54 and 55.

The Supervisory Board also carried out its three-year self-evaluation during the year. The Board Secretary assisted with this assessment in the fall of 2008 by administering a questionnaire to the Board Members provided by the Remunerations and Appointments & Corporate Governance Committee. The questions concerned the Supervisory Board's membership, missions and operating procedures; its relations with the Management Board and its Committees' organization and operating procedures. At its meeting of February 18, 2009, the Supervisory Board analyzed the conclusions provided in a report prepared by the Remunerations and Appointments & Corporate Governance Committee. In addition to deeming the shift to a two-tier governance system a success, the members praised the Board for its transparency, efficiency and commitment to dialogue. Transparency, dialogue and respect are key to the Supervisory Board's relationship with the Management Board, as well as to the relationship between the two Boards' Chairmen. Information provided by the Management Board to the Supervisory Board was also found to be transparent. Members described the Supervisory Board's discussions as "frank" and "in-depth". Continuous improvement measures over the past three years have helped create this situation. Avenues for improvement primarily concern the development of contacts with management and deeper discussion of issues related to changing technologies, the Group's image and communication, and human resources. Lastly, members suggested that the Remunerations and Appointments & Corporate Governance Committee provide the minutes of their meetings to the Supervisory Board when topics reviewed by the Committee are on the Supervisory Board's agenda, in addition to the Committee Chairman's oral report.

Strategy

The Supervisory Board conducted an in-depth review of the Group's strategy in a one-day meeting devoted entirely to this topic. At each meeting, the Board was informed about the status of acquisition projects.

The Supervisory Board also reviewed the Company's financial strategy. As part of this review, it authorized bond issues, including a €750 million bond issue in January 2009. It also authorized the Management Board to buy back shares.

Agenda

At its meeting on February 19, 2008, the Supervisory Board reviewed the 2007 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 €3.30 per share. At its meeting on July 31, 2008, the Board reviewed the interim financial statements for the six months ended June 30, 2008 based on the Audit Committee's report and after seeking the opinion of the external auditors.

The Supervisory Board was informed of the Group's 2008 targets.

The Supervisory Board was given the Management Board's quarterly reports. At each meeting, the Board also devoted time to monitoring business performance and the Company's financial performance. It reviewed the Group's investor relations strategy and the communication campaign to support the "One" company program.

It ensured consistent compliance with market disclosure requirements, notably through an analysis of market consensus and the issuance of press releases.

The Supervisory Board authorized the Management Board to set up, for 2009, the annual stock option plan (plan 31) and stock grant plans (plans 5 and 6) and to carry out an employee share issue (2009 worldwide ESPP).

The Audit Committee reported to the Board on the work carried out by the internal auditors. The Supervisory Board also monitored major risks, including those related to IT systems.

The Supervisory Board carried out the procedures required by law, which include reviewing budgets and business plans.

Lastly, the Supervisory Board decided to transfer the Group's headquarters to 35 rue Joseph Monier in Rueil-Malmaison, France, pending approval by shareholders at the Annual Meeting.

2008 Annual Shareholders' Meeting

The Supervisory Board reviewed the agenda and draft resolutions to be tabled in Annual Meeting and prepared its report to shareholders. It was informed of the Chairman's report on the operations of the Supervisory Board and internal control and examined and approved the replies to written questions submitted by shareholders under the procedure provided for in article L.225-108 of the French Commercial Code. Twelve of the thirteen members were present at the Annual Shareholders' Meeting, which adopted all the resolutions tabled.

The Supervisory Board decided to transfer the Group's headquarters to 35 rue Joseph Monier in Rueil-Malmaison, France, pending approval by shareholders at the Annual Meeting.

4. Committees of the Supervisory Board (members, operating procedures and meetings)**

The Supervisory Board has drafted internal rules governing the operating procedures and missions of the Audit Committee and the Remunerations and Appointments & Corporate Governance Committee. Their members are appointed by the Supervisory Board, based on recommendations from the Remunerations and Appointments & Corporate Governance Committee. After checking with the Chairman of the Supervisory Board, the Committees may commission research from outside 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 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 these standards and producing financial statements.

Jérôme Gallot joined the Audit Committee during the year. The five members - Gérard de La Martinière (Chairman), Jérôme Gallot, James Ross, Piero Sierra and Serge Weinberg, are all independent and have the necessary accounting experience to perform their duties.

Meetings

The Audit Committee meets at least four times a year. Meetings are called by the Committee Chairman, the Supervisory Board Chairman or the Management Board Chairman.

The external auditors attend the meetings devoted to examining the annual and interim financial statements and the Committee may also invite any other persons of its choice to answer its questions.

The Audit Committee may ask the Management Board for copies of any and all documents that it considers relevant or useful. It may also commission studies from outside consultants.

Responsibilities

A key component of the Company's internal control system, the Audit Committee is responsible for preparing the decisions of the Supervisory Board, making recommendations to the Board and issuing opinions on financial, accounting and risk management issues. In line with these terms of reference, it:

● Prepares the Supervisory Board's review of the annual and interim financial statements presented by the Management Board, in particular by:

- Ensuring that accounting policies used to prepare the consolidated and parent company financial statements are appropriate and applied consistently, that all material transactions are properly reflected in the consolidated financial statements and that the rules governing the scope of consolidation are correctly applied.

- Analyzing risks, off-balance sheet commitments and the cash position.

● Reviews the annual registration document and any comments by the *Autorité des Marchés Financiers* (AMF), as well as the interim reports.

● Makes recommendations, based on a review of service proposals, concerning the appointment or re-appointment of the external auditors.

● Examines the scope of audit engagements and the results of audits. It verifies the auditors' independence, in particular by reviewing fees paid by the Group to their firm and network and by giving prior approval for missions that fall outside the tightly defined scope of auditing the financial statements.

● Reviews the internal audit organization and resources, as well as the internal audit program and the executive summary of the internal auditors' reports and actions taken to implement the internal auditors' recommendations.

● Reviews hedging of risks based on reports requested from the internal auditors.

● Reviews the Company's internal control system and reads the Chairman's draft report on the operations of the Supervisory Board and internal control.

● Reviews behavior guidelines, notably concerning fair trade and ethics and examines the measures taken to ensure the guidelines are cascaded and applied.

● Examines proposed dividend distributions and the amount of financial authorizations submitted for shareholder approval at the Annual Meeting.

The Audit Committee examines all financial, accounting and risk management issues referred to it by the Management Board, or by the Supervisory Board or its Chairman.

In addition, prior to the Committee's review of the annual and interim financial statements, the Audit Committee Chairman meets with the external auditors alone, without any Company representatives present.

The Audit Committee Chairman also meets with the head of Internal Audit four times a year without any other Company representative present.

The Audit Committee presents its findings and recommendations to the Supervisory Board and distributes the minutes of its meetings to the Supervisory Board members.

Meetings in 2008

In 2008, the Audit Committee met four times. The average duration of the meetings was 2 hours and 40 minutes and the average attendance rate was 89%.

Each meeting was attended by members of the Finance Department and the head of Internal Audit. The external auditors were also present when the interim and annual financial statements were reviewed. Representatives of the Finance Department were not present during the auditors' presentation. In addition, the Committee interviewed the heads of the Operating Divisions. The Chairman of the Management Board did not attend any of the Audit Committee's meetings.

The Audit Committee reviewed the annual and interim financial statements and the management reports. It also reviewed the goodwill recognized on recent business combinations.

It reviewed the internal audit program, which is based on risk mapping presented to the Committee, and the results of the major audits. It asked for an update on how Internal Audit's recommendations were being implemented. The Committee also reviewed the work of the external auditors and their program for the end of the 2008 financial year and for 2009. In connection with its risk review, the Committee monitored changes in the Group's balance sheet structure and cash position. It also focused on the status of the contract with Capgemini to build and deploy a core system and outsource a portion of facilities management in Europe. As concerns environmental risks, the Committee reviewed the Group's application of the European REACH directive. It was informed of action plans to reduce the Group's carbon footprint and reviewed the draft ethics charter.

The Committee made recommendations to the Supervisory Board concerning the 2007 dividend and analyzed the financial authorizations requested at the Annual Meeting.

It verified the external auditors' independence, in particular by reviewing fees paid by the Group to their firm and network.

The Audit Committee reported to the Supervisory Board on its activities in 2008 at the Board meetings held on February 19, July 31 and December 17, 2008.

Remunerations and Appointments & Corporate Governance Committee

Members

The Supervisory Board's internal rules stipulate that the Remunerations and Appointments & Corporate Governance Committee must have at least three members. It is chaired by the Chairman of the Supervisory Board.

Mr. René Barbier de La Serre left the Remunerations and Appointments & Corporate Governance Committee in April 2008. The Committee now comprises Henri Lachmann, Chairman, Claude Bébéar, Léo Apotheker and Willy Kissling.

Meetings

The Remunerations and Appointments & Corporate Governance Committee meets at least three times a year. Meetings are called by the Committee Chairman, after consulting the Management Board Chairman.

The Committee may make enquiries of any persons of its choice.

Responsibilities

The Committee makes recommendations to the Supervisory Board concerning candidates for appointment to the Management Board, the Supervisory Board and the Committees of the Supervisory Board. It also makes recommendations concerning the compensation to be paid to the members of the Management Board and to the Supervisory Board Chairman, as well as on stock options and stock grants with performance criteria for Management Board members.

Based on the proposals made by the Management Board, the Committee makes recommendations concerning the compensation to be paid to the Executive Committee members, the principles and methods for determining senior management compensation, as well as the creation of stock option, stock grant and employee stock ownership plans.

It is also responsible for examining succession planning solutions for members of the Management Board and Executive Committee.

It recommends the amount of attendance fees for approval at the Annual Meeting and their allocation among Supervisory Board members.

The Committee recommends processes and procedures to ensure shareholders and the market that the Supervisory Board carries out its missions objectively and independently.

The recommendations relate to:

- The terms of reference of the Committees of the Supervisory Board.
- The determination and review of independence criteria applicable to Supervisory Board members.
- Assessments of the Supervisory Board's organization and procedures.
- Application by the Company of national or international corporate governance practices.

The Remunerations and Appointments & Corporate Governance Committee presents its findings and recommendations to the Supervisory Board and distributes the minutes of its meetings to the Supervisory Board members.

Meetings in 2008

The Remunerations and Appointments & Corporate Governance Committee of the Supervisory Board met three times in 2008, with an attendance rate of 83%. It reported to the Supervisory Board on its activities at the Board meetings held on February 19, April 21, and December 17, 2008.

The Remunerations and Appointments & Corporate Governance Committee made recommendations to the Supervisory Board concerning:

- The membership of the Supervisory Board and its committees.
- The Management Board members' compensation (amount, structure and targets of the 2008 package and level of achievement of 2007 targets).
- The implementation of the 2009 stock option and stock grant plans and the granting of stock options and stock grants with performance criteria to members of the Management Board, in accordance with the AFEP-MEDEF recommendations of October 6, 2008.
- Compliance of the benefits granted to the members of the Management Board with the provisions of France's "TEPA" law and the AFEP-MEDEF recommendations of October 6, 2008.
- The launch of an employee share issue in 2009.

The Committee also reported to the Supervisory Board on:

- Its review of the Management Board's operations and its assessment of the Management Board members' performance.
- Its review of changes in compensation policy (long-term profit-based incentives) for senior executives.
- Its review of compensation of Executive Committee members.
- The succession plan for members of the Management Board and Executive Committee.

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—Jean-Pascal Tricoire (Chairman) and Pierre Bouchut—who were appointed by the Supervisory Board on May 3, 2006 for a three-year term expiring on May 2, 2009.

Chairman of the Management Board and CEO

Jean-Pascal Tricoire

Age: 45

Business address: Schneider Electric,
35 rue Joseph Monier, 92500 Rueil-Malmaison, France

6,653 Schneider Electric SA shares (1)

First elected: 2006 / Term ends: 2009

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 Square D (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 Management Board on May 3, 2006.

Member of the Management Board

Pierre Bouchut

Age: 54

Business address: Schneider Electric,
35 rue Joseph Monier, 92500 Rueil-Malmaison, France

42,570 Schneider Electric SA shares (1)

First elected: 2006 / Term ends: 2009

Other directorships and functions in French or foreign companies

- Currently: Member of the Management Board of **Schneider Electric SA** ; Chairman of the Board of Directors of Schneider Electric Services International; Director of Schneider Electric Industries SAS, Schneider Electric France, Square D, France Transfo, **Du Pareil au Même** and **Magnit**.
- Previous directorships and functions held in the past five years: Director of **Havas**, **Casino** (and various other functions within the Group), Laurus (Netherlands), Smart & Final (USA), CBD (Brazil) and Big C (Thailand).

Expertise and experience

A graduate of Hautes Etudes Commerciales and holder of a masters degree in applied economics from Paris Dauphine University, Pierre Bouchut began his career in 1979 with Citibank Paris, before moving to Bankers Trust France SA in 1987 as Vice President, Finance. In 1988, he joined McKinsey & Company as a consultant. In 1990, he accepted the position of Chief Financial Officer of the Casino Group, subsequently becoming the Group's Chief Executive Officer. In May 2005, he joined Schneider Electric as Executive Vice-President Finance & Control - Legal Affairs He has been a member of the Management Board since May 3, 2006.

Note: Boldface type indicates companies whose shares trade on a regulated market.
(1): Held directly or through a corporate mutual fund.

6. Organizational 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 authorization of the Supervisory Board.

Under French law and pending, when necessary, the Supervisory Board's authorization, 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 authorization given by shareholders in Extraordinary Meeting.
- Grants stock options and makes stock grants, pursuant to an authorization given by shareholders in Extraordinary Meeting.
- Decides to carry out bond issues.

The Management Board has adopted internal rules and procedures that organize 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 2008.

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.

Pierre Bouchut has service contracts with Schneider Electric Industries SAS and Schneider Electric Services International.

Alain Burq, whose term ended on April 21, 2008, and Claude Briquet, his replacement, have service contracts with Schneider Electric Industries SAS.

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.

No related-party agreements have been entered into between the Company and the members of the Supervisory Board or Management Board.

In the last five years, none of the members of the Supervisory Board or Management Board have 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.

None of the members of the Supervisory Board or Management Board are related to each other.

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.

There are no conflicts of interests between any duties to Schneider Electric SA of the members of the Supervisory Board or Management Board and their private interests.

8. Internal Control**

In its operations, Schneider Electric faces a number of external and internal risks presented in the description of the Company and its businesses (see pages 31 to 35).

The Group has set up procedures and processes to identify, quantify and reduce these risks in order to prevent and manage them effectively. It has also established procedures at Group level to anticipate and control the risk of accounting and other errors and fraud.

The purpose of these internal control procedures is 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.
- Reliable financial information.

More generally, internal control helps the Group manage its businesses, run efficient operations and use its resources efficiently.

Because it is designed to prevent and control risks that could keep the Company from achieving its targets, internal control plays a key role in management of operations.

No system of internal control designed to fulfill the above objectives is capable of providing absolute assurance that the objectives will be met due to the inherent limitations of procedures, however well conceived. The internal control process is a work in progress; procedures are adapted to reflect changes in the business and regulatory environment, as well as in the Group's organization. The different participants in the process ensure that procedures are regularly updated and circulated throughout the Group.

This report was prepared on the basis of discussions among these participants, in particular Finance & Control - Legal Affairs, senior management and the Audit Committee. It is supported by a review of the internal control resources and procedures deployed by the Group.

Internal Control Organization

Control environment: key participants and responsibilities

a) Supervisory Board, Audit Committee and Remunerations and Appointments & Corporate Governance Committee

In accordance with article L.225-68 of the French Commercial Code, the Supervisory Board exercises permanent oversight over the Company's management by the Management Board, which has the broadest powers in relation to third parties to act in all circumstances in the Company's name.

In addition to performing ex-post controls as part of its oversight activities, the Supervisory Board also performs ex-ante controls, particularly in the areas of financing and the implementation of Group strategy. The Company's bylaws and the Supervisory Board's internal rules state that the Management Board must obtain the Supervisory Board's prior authorization before carrying out any debt or equity financing transactions that would significantly alter the Company's balance sheet structure, or before deciding any material business acquisitions or disposals.

The Supervisory Board's ex-post controls include reviewing the financial statements approved by the Management Board. As part of its review, the Supervisory Board obtains assurance as to whether the accounting policies used are appropriate and have been applied consistently from one period to the next, whether transactions that are material at Group level have been properly accounted for and whether the rules governing the inclusion of companies in the scope of consolidation have been properly applied.

The Supervisory Board also obtains assurance concerning the reliability of the system of internal control. The Audit Committee reports to the Supervisory Board on its review of the internal audit organization, programs and findings, as well as on any examination of financial or accounting risk management issues performed at the Committee's own initiative or at the request of the Supervisory Board, the Supervisory Board Chairman or the Management Board Chairman.

The Supervisory Board ensures that the Management Board functions efficiently and effectively. It sets the compensation of Management Board members, based on a report drawn up by the Remunerations and Appointments & Corporate Governance Committee. Through the Remunerations and Appointments & Corporate Governance Committee, it obtains information about the senior management compensation policy decided by the Management Board and authorizes the creation of stock option and stock grant plans.

b) Senior Management

The senior management team consists of the Management Board, assisted by the Executive Committee. The fifteen-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 four Operating Divisions (Europe, North America, Asia-Pacific and International).
- The Executive Vice Presidents of the Business Units (Power, Automation & Control, Building Automation & Security, Renewable Energies and Critical Power & Cooling Services).
- The Executive Vice President, Globalization & Industry, the Executive Vice President, Strategy, Customers & Technology, Services & Projects, the Executive Vice President, Global Human Resources, the Executive Vice President, Marketing, and the Executive Vice President, Quality.

The Executive Committee regularly reviews the development outlook of the Group's core businesses, opportunities for bolt-on acquisitions and the business case for divestments. It reviews the Group's overall strategies, its innovation, geographic expansion and human resources policies and policies governing relations with research and training establishments.

The Executive Committee reviews the profit centers' business and financial performance at each of its meetings. It tracks progress on major projects to improve IT management processes and deals with all issues related to production management, supply chain optimization and relations with partners and distributors. It performs ex-post reviews of product launches and monitors technological advances that are likely to be of interest to the Group.

c) Internal Audit

The Vice President in charge of the seventeen member Internal Audit Department reports to the Management Board and the Audit Committee.

The internal auditors are responsible for ensuring at the level of each unit that:

- Risks are appropriately identified and managed.
- Material financial, management and operating information is accurate, reliable and timely.
- Employees' actions comply with the Group's policies, standards, procedures and the applicable laws and regulations.
- Resources are acquired economically, used efficiently and adequately protected.

The internal auditors carry out their work according to an adjustable annual plan.

Internal audit plans are drawn up based on risk and control concerns identified by management, taking into account the results of past audits, the work performed by the external auditors and control self-assessments by the units. When necessary, the audit plan is adjusted during the year to include special requests from senior management. In light of Schneider Electric's main businesses, internal audits focus mainly on revenue recognition and contracts, cash and asset management processes, wages and benefits, financial reporting, information systems, manufacturing operations, purchasing and operating expenses. The internal auditors also review newly-acquired units to assess their level of integration and ensure that Group rules and guidelines are properly applied.

The internal audit process complies with international audit guidelines established by the Institute of Internal Auditors.

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, the Management Board and the Audit Committee. The external auditors also have access to the reports. Specific audits are conducted to monitor implementation of recommendations.

In 2008, the internal auditors performed 38 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.

d) Internal Control Department

An Internal Control Department was formed in 2008. Its first mission was to define a list of key internal controls in close cooperation with the corporate functions. In 2009, the Internal Control Department will circulate the key internal control processes and train the Management Control Units, who will be responsible for front-line deployment. To ensure the key internal controls are deployed properly, the Department will set up an Internal Control Committee comprising experts from the Operating Divisions and corporate functions.

e) Finance & Control - Legal Affairs Department

The Finance & Control - Legal Affairs Department is actively involved in organizing the control environment and ensuring compliance with procedures.

It is responsible for consolidating and analyzing monthly, quarterly and annual financial data.

As part of this mission, the department drafts and updates statutory and management accounting procedures (see below) designed to ensure that statutory and management accounting practices are consistent throughout the Group and in compliance with applicable regulations.

f) Operating Divisions and Business Units

The Operating Division and Business Unit management teams play a critical role in effective internal control. All Group units report to one of the four Operating Divisions or one of the Business Units, which are managed by an Executive Vice President, supported by a financial controller. Within each Division and Business Unit, the management team organizes control of operations, ensures that appropriate strategies are deployed to achieve objectives and tracks the performance of the Division's or Business Unit's entities.

The Division and Business Unit Executive Vice Presidents sit on the Executive Committee and report to the Management Board Chairman. The financial controllers report to the Finance & Control - Legal Affairs department. A Management Committee reviews the transactions of the Divisions and Business Units on a monthly basis.

Thanks to frequent contacts with the corporate functions, this matrix organization guarantees a high level of responsiveness as concerns operations-related risks, through the presence of local managers, understanding of local environments and business models, and effective application of Group guidelines.

g) Human Resources Department

The Human Resources department is responsible for deploying and overseeing the application of procedures concerning employee development, occupational health and safety and professional ethics. These procedures are presented to all employees in a document entitled *Our Principles of Responsibility*. Compliance is verified through the annual evaluation process and tracking of new[2] indicators (see below).

Internal benchmarks

a) Principles of Responsibility

The *Principles of Responsibility* are a set of guidelines for decisions and actions that have an impact on stakeholders—employees, customers, vendors, shareholders, the community—or the environment. A copy of the *Principles* is given to all new employees along with their employment contract.

b) 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 price-sensitive information and sets permanent restrictions on purchases and sales of Schneider Electric shares by persons who have access to price-sensitive information in the course of their work.

c) International Internal Auditing Standards

The Schneider Electric internal auditors are committed to complying with the international standards published by the Institute of Internal Auditors (I.I.A.) and other bodies.

d) Statutory and Management Reporting Principles (see below)

e) Key Internal Controls

The Internal Control Department, in liaison with the corporate functions, has established a list of 90 key internal controls. The document defines in practical terms the principal rules that each manager is expected to apply.

f) AMF Recommended Reference Framework

Schneider Electric has taken measures to align its internal control system with the reference framework recommended by *Autorité des Marchés Financiers* (AMF), notably by creating an Internal Control Department and defining a scorecard of Key Internal Controls. These two steps will allow the Group to align even more closely with the AMF framework in 2009.

Procedures

a) Operating procedures

Management of operational risks

As explained above, operational risks are managed first and foremost by the units in liaison with the Operating Divisions and Business Units, based on Group guidelines. General risks are covered by specific procedures described below.

Commitment limits

Commitment limits have been set for executives from Group level down to the individual units, whereby contracts for the purchase or sale of products or services may be signed or authorized only by line management when they exceed a certain amount which varies according to the type of contract, the unit and the division, up to a maximum of €10 million. In addition, all transactions that may affect the Group's fundamental interests, due to their size or nature, must be authorized in advance by the Management Board or, in some cases, the Supervisory Board. This rule applies in particular to all purchases and sales of shares in subsidiaries and affiliates whatever the amounts involved, as well as to subscriptions to share issues by these entities, purchases and sales of strategic assets, trademarks and patents, and off-balance sheet commitments.

Acquisitions Committee, New Products Committee

Proposed business acquisitions and development programs must be submitted to the Acquisitions Committee or the New Products Committee for review, prior to being presented for approval at the appropriate management level as described above. The two committees are made up of representatives of the main departments involved in the projects.

Quarterly management reviews

Group senior management (comprising the Chairman of the Management Board, the Executive Vice President, Finance & Control - Legal Affairs and the Executive Vice President, Human Resources) performs a comprehensive review of the activities and results of the Operating Divisions and corporate functions four times a year. The review covers the status of the main action plans in the areas of business growth, operational efficiency and human capital management, as well as year-to-date results and forecasts for the remaining quarters. Similar management reviews are carried out at each level beforehand (e.g., unit, country organization, zone).

Monthly management reporting

Group senior management holds monthly meetings to review the monthly management accounts of the Group and the individual units.

In addition, financial controllers from the Operating Divisions, Business Units and the Finance & Control - Legal Affairs department review the units' performance and principal transactions monthly.

Tracking of priorities set by the new² Company Program

The new² company program, which ran from January 1, 2005 to December 31, 2008, focused on three priorities for which the Group had identified significant potential for improvement: growth, efficiency and people.

The program's indicators, measured monthly, concerned:

- Growth achieved by new activities and new products.
- The efficiency of such critical processes as customer satisfaction, supply chain, IT and purchasing and production localization.
- Employee development (training, occupational health and safety, etc.).

new²'s priorities corresponded to major processes in terms of management and performance for which the Group had committed to a maximum level of efficiency and quality.

Senior management tracked these indicators monthly. Action plans were deployed immediately when areas of risk or improvement were identified.

A new company program has been set up for the period from January 1, 2009 to December 31, 2011 with even higher tracking and deployment targets.

Financial review meetings

The financial position of all Group companies is reviewed once a year by Group Finance & Control - Legal Affairs.

The process includes, for each unit:

- An analytical review of the balance sheet and of capital employed.
- An analytical review of working capital and customer credit.
- An analysis of financial risks (liquidity, currency, counterparty and credit risks).
- A review of compliance with internal rules governing intercompany payments and transfer pricing.
- A review of the membership of the unit's Board of Directors or equivalent.

Monthly Treasury Committee meetings

This Committee, chaired by the Executive Vice President, Finance & Control - Legal Affairs, reviews the Group's monthly cash position, foreign currency position and financing capacity.

Foreign currency transactions for all entities are managed at Group level, except for those involving soft currencies. Schneider Electric has established internal control rules governing foreign exchange exposure—only the operating receivables and payables of each entity and intercompany financial receivables and payables (dividends, loans and borrowings) are hedged—and the accounting treatment of foreign currency transactions.

b) Specific procedures applicable to certain types of risks or transactions

Integration of newly-acquired businesses

The integration of newly-acquired businesses is a process that extends over a period of 6 to 24 months depending on the type and size of the new entity.

The integration scenario for each acquisition varies depending on whether the business was acquired to strengthen the Group's existing lineup, extend the lineup or penetrate a new segment.

All told, there are five scenarios ranging from total integration to separate organization reporting to senior management. Depending on the strategic objective, a matrix is drawn up showing the required level of integration for each of the newly-acquired business's core functions, i.e., front office (sales force and brand), back office, R&D, corporate functions and management reporting.

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.

New product development

The New Products Committee allocates resources among new product development, range management and technological research.

Management processes for technological projects have been harmonized throughout the Group to allow more effective tracking of resource allocation and return on investment.

Industrial property

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 around the world. The same procedure is followed for trademarks.

Purchases

A key process in Group operations, purchases represent around half of consolidated revenue.

Rules governing purchases mainly concern purchasing department organization and procedures, relationships between buyers and vendors, levels of signature authority, and compliance with environmental standards. Internal audit plans for individual subsidiaries or units systematically cover the purchasing function and include productivity and cost of non-quality analyses, compliance reviews and analyses of the vendor portfolio.

Internal control procedures governing the production and processing of accounting and financial information

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), to comply with European Union regulation 1606/2002.

Internal control procedures to confirm the existence and value of assets and liabilities

Internal control procedures generally consist of defining levels of responsibility for authorizing 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.

Each subsidiary is responsible for implementing procedures providing an adequate level of internal control.

Operating Division management teams assist the units in this process and represent a first level of control in the application of procedures.

Intangible assets

The process for valuing software and product development costs is designed to monitor and analyze expenses, identify the portion of those expenses that meet the definition of an asset and may be capitalized, and track the asset's use over time. IT systems have been deployed to track project development costs and measure the profitability of new products more accurately.

The carrying value of trademarks is determined based on an assessment of the economic value of the underlying business at the time of acquisition and, for the most significant, on an independent valuation of the trademark.

Contractual customer relationships are recognized in certain business combinations, based on independent valuations.

In accordance with IFRS, goodwill and non-amortizable intangible assets recognized in business combinations are tested yearly (and sooner if there is an indication of impairment) to ensure that the recoverable amount is higher than the carrying amount. Internally generated intangible assets related to R&D, information systems, etc., are amortized. They are, however, tested if there is any indication of impairment.

Property, plant and equipment

Land and buildings are tracked by the Property department and stated at historical cost net of accumulated depreciation and any accumulated impairment losses. Manufacturing assets are tracked by the Globalization & Industry department.

Property, plant and equipment are recognized in the accounts on the basis of title deeds, an invoice or a finance lease accompanied by documentary evidence that the asset has been put into service.

Equity investments

Investments in consolidated companies and available-for-sale financial assets are tracked and verified by the Finance & Control – Legal Affairs Department.

Inventories

Inventories are verified at least once a year in each subsidiary through physical inventories or cycle counts. Inventories are written down to net realizable value where appropriate.

Customers

When sales are recorded in the accounts by the subsidiaries, this automatically generates an entry in a trade receivables account. Receivables are valued and—where appropriate—written down by the subsidiaries in accordance with Group policies.

A credit management charter prepared by the Customer Credit Department provides guidelines for new customer acceptance, credit limits, credit insurance, dunning and recovery procedures.

Tax assets and liabilities

The subsidiaries are responsible for calculating, accruing and managing their taxes, except in those cases where the subsidiary concerned is a member of a tax group.

The Tax unit within the Finance & Control - Legal Affairs Department reviews the current tax charge in countries that represent a significant portion of the Group's total tax charge. The Tax unit is also responsible for overseeing the resolution of tax claims.

The Operating Divisions generally have their own tax departments, which ensure compliance with local regulations.

The Statutory and Management Accounting unit within the Finance & Control – Legal Affairs Department reviews the Group's current and deferred tax position during each quarterly consolidation process. The procedure includes performing analytical reviews of the main subsidiaries' tax position, preparing the tax proof validating the Group's effective tax rate, and analyzing changes in deferred tax assets and liabilities by category of tax basis.

Provisions for contingencies

Provisions are recorded for contingencies. Claims and litigation are generally managed jointly by the subsidiary in question and the Finance & Control - Legal Affairs Department. Provisions for contingencies are adjusted to reflect any changes in the estimated risk. Movements recorded by subsidiaries are required to be evidenced and are checked for compliance with the applicable accounting standards. When necessary, the Group uses independent experts to assess risks.

Employee benefits

The subsidiaries are responsible for managing their employee benefit obligations under compulsory and company-sponsored plans. Group policy consists of systematically recording provisions for statutory length-of-service awards due to employees on retirement, pensions and healthcare costs paid on behalf of retired employees in all countries where the Group has an obligation under the related plans.

Long- and short-term debt

Net debt is managed at Group level by the Finance & Control - Legal Affairs Department. Where appropriate, cash pooling agreements and currency position management agreements are set up to optimize flows, profit from economies of scale and minimize financing costs.

Decisions concerning the financing of subsidiaries are made by the Finance & Control - Legal Affairs Department. The bulk of their financing needs are met by short-term intercompany loans in their functional currency, but in some cases the Corporate Treasury Center may decide to obtain external financing. Long-term debt is managed at Group level.

Bond issues are submitted to the Supervisory Board for approval.

Off-balance sheet commitments

The off-balance sheet commitments of newly-acquired subsidiaries are reviewed and analyzed when the company joins the Group. Financial guarantees are issued by the Finance & Control – Legal Affairs Department. A consolidated statement of off-balance sheet commitments is produced at six-month intervals by the Corporate Management Control and Accounting unit, which performs analytical reviews to check the data. Other legal commitments are tracked by the Legal Affairs unit.

Procedures for the production of accounting and financial information

System design, database and accounting standards

The Group has prepared its financial statements in accordance with International Financial Reporting Standards (IFRS) since January 1, 2005.

The Group applies the IFRSs adopted by the European Union as of December 31, 2008.

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. Qualitative characteristics include understandability, relevance, reliability and comparability. These characteristics rely on information that is neutral, prudent and complete and that represents transactions and events in accordance with their substance and economic reality and not merely their legal form.

The management reporting and consolidation packages of all Group entities are prepared strictly in accordance with Group accounting principles and policies.

The accounting and reporting system

The Corporate Management Control and Accounting unit of the Finance & Control - Legal Affairs Department has launched a project to standardize management reporting processes among the various subsidiaries by rolling out an integrated SAP system across the entire Group. Subsidiaries in France, Spain, certain other European countries, China and India have already migrated their statutory and management accounting systems to SAP. An SAP core model for use by all Group entities has been developed and is being implemented in phases.

The accounts of the subsidiaries are prepared in accordance with Group accounting policies. The data are then adjusted, where necessary, to produce the local statutory and tax accounts.

Consolidation and reporting software is used to report monthly actual and forecast data and also to produce the Group financial statements.

A new reporting and consolidation system was deployed on January 1, 2006. In connection with the migration to the new system, reporting systems were reorganized (reporting entities, indicators and deadlines), completing the process of aligning statutory and management reporting processes.

Account closing and verification process

a) Consolidating data from operating units

The reporting entities produce monthly income statements, which are used to determine the Group's monthly operating profit.

The consolidated financial statements are produced 16 working days after the annual or half-yearly period-end. To meet this deadline, 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.

The majority of subsidiaries are consolidated at Group level; however, the Square D and APC subgroups (USA) submit a consolidated reporting package.

b) Role of the Corporate Management Control and Accounting Department

The Corporate Management Control and Accounting unit includes a reporting team that is responsible for producing and distributing reporting packages throughout the Group and a performance analysis team that tracks the operating units' performance in relation to their targets.

The list of entities to be consolidated or accounted for by the equity method is drawn up by the Corporate Management Control and Accounting unit, which then uses this list to determine with the Legal Affairs unit the consolidation method to be applied to each entity, as well as the percentage of the entity's capital and voting rights held by the Group.

The unit issues instructions for the closing process, including reporting deadlines, required data and any necessary adjustments.

It checks the quality of the reporting packages submitted by the subsidiaries, focusing primarily on intercompany eliminations, the accounting treatment of non-recurring transactions for the period, and movements between the opening and closing balance sheet used to prepare the statement of cash flows.

The unit also checks the results of programmed procedures, including conversions, intercompany eliminations, transfers to minority interests and recognition of the effects of changes in scope of consolidation.

At the same time, the Group's consolidated financial statements are analyzed 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.

Lastly, the Corporate Management Control and Accounting unit analyzes consolidated data and the contribution of each Group unit.

The Corporate Management Control and Accounting unit is responsible for providing assurance concerning:

- The proper application of Group accounting principles and policies.
- The integrity of the consolidation system database, which the unit is responsible for administering and maintaining.
- The quality of accounting processes and data.
- Training for finance staff in the form of specific seminars.

The unit drafts and updates the financial reporting procedures and guidelines required to produce high quality information and posts them on the Group intranet. They include:

- 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 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.
- Schedules and account closing instructions.

Report of the statutory auditors on the internal control procedure

Report of the Statutory Auditors on the Chairman's Report, prepared in accordance with Article L.225-235 of the French Commercial Code

This a free translation into English of the statutory auditors' report issued in the French language and is provided solely for the convenience of English speaking readers.

This statutory auditors' report addressing financial and accounting information in the Chairman's report on internal control should be read in conjunction with, and is construed in accordance with French law and professional auditing standards applicable in France.

To the Shareholders,

In our capacity as Statutory Auditors of Schneider Electric SA (the Company) and as required by Article L.225-235 of the French Commercial Code (Code de Commerce), we hereby present our report on the report prepared by the Chairman of your Company in accordance with Article L.225-68 of the Code de Commerce for the year ended December 31, 2008.

In his report to the Supervisory Board, the Chairman is responsible for commenting on the internal control and risk management procedures implemented by the Company and for providing other information required by Article L.225-68 of the Code de Commerce, notably concerning the Corporate Governance system.

Our responsibility is to:

- Report to shareholders our comments on the information contained in the Chairman's report concerning the internal control procedures related to the preparation and processing of accounting and financial information.
- Attest that the report contains the other information required by Article L.225-68 of the Code de Commerce. We are not, however, responsible for verifying the fairness of said information.

We performed our work in accordance with French professional standards.

Information concerning internal control procedures governing the production and processing of accounting and financial information

Those standards require that we perform procedures to verify the information provided in the Chairman's report on the internal control procedures covering the preparation and processing of accounting and financial information.
In particular, this entailed:

- Obtaining an understanding of the internal control procedures related to the preparation and processing of accounting and financial information, as set out in the Chairman's report, as well as of existing documentation.
- Obtaining an understanding of the work performed to support the information given in the report and existing documentation.
- Determining if any major failures we may have detected in internal control procedures related to the preparation and processing of accounting and financial information have been disclosed properly in the Chairman's report.

Based on our procedures, we have no comments to make on the information provided concerning the Company's internal control procedures covering the preparation and processing of accounting and financial information, as contained in the report of the Chairman of the Supervisory Board, prepared in accordance with the provisions of article L.225-68 of the Code de Commerce.

Other information

We attest that the report of the Chairman of the Supervisory Board includes the other information required by Article L.225-68 of the Code de Commerce.

Courbevoie and Neuilly Sur Seine, February 18, 2009

The Statutory Auditors

Mazars	Ernst & Young et Autres
Pierre Sardet	Pierre Jouanne

9. 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 & Corporate Governance 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 basic principles consist of competitively positioning Schneider Electric in relation to market compensation rates for senior executives of comparable industrial groups in each country concerned, as follows:

- Cash compensation, comprising a fixed salary and a variable bonus, is set at level close to the market median with the salary portion below the market median.
- Total compensation (cash compensation, stock options or stock grants) is set above the market median.

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 120% of salary for members of the Executive Committee and 0 to 200% for the Chairman of the Management Board, establishing a close link between performance and compensation.

Depending on their responsibilities, Executive Committee members' variable bonuses are determined as follows:

- 30 to 40% of the bonus is determined by reference to the Group's overall performance, as measured in terms of operating margin, organic growth and customer satisfaction rates.
- 20 to 40% is based on the performance of the executive's unit, as measured on the basis of business targets and return on capital employed.
- 30 to 40% depends 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 & Corporate Governance 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 and return on capital employed.
- 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. The main characteristics of the plans are as follows:

- The options have a ten-year life (since 2006).
- The options are granted at an exercise price that does not include any discount to the Schneider Electric SA share price at the time of grant.
- Half of the options (performance options) vest only if certain targets are met (organic revenue growth and operating margin). The Statutory Auditors verify the level to which these targets are met.

For the annual plan set up in December 2007 for 2008, 30% of the stock options were replaced by stock grants for non-American members of the Management Board and Executive Committee, on the basis of one stock grant for four stock options. Half of the stock grants are subject to the same performance targets as options.

The vesting period is three years followed by a lock-up period of two years, except for residents of countries other than France, for whom a vesting period of four years applies, with no lock-up period.

Pension benefits **

French members of the Management Board and Supervisory Board are covered by the Group's top hat pension plan for senior executives, which provides for the payment of pension benefits corresponding to up to 60% (50% plus 1% per year from the sixth to the fifteenth year of service) of their average compensation for the three calendar years preceding their retirement (corresponding to the sum of (i) their gross basic salary and (ii) their variable bonus for the reference years) less the total benefits received under external plans*, with a cap of 25% of the reference average compensation. On the death of the executive, the plan provides for the payment of a 60% reversionary pension to his or her spouse. At December 31, 2008, the capitalized amount of pension plans in connection with all the management came to €12.5 million.

Non-French members are covered by funded pension plans in line with local practice in their respective countries.

(*) Basic French social security, ARRCO and AGIRC supplementary retirement plans, civil servant retirement plans, internal defined-contribution plans, etc.

Compensation of the Supervisory Board members

Compensation of the Chairman of the Supervisory Board

Based on the recommendation of the Remunerations and Appointments & Corporate Governance Committee, at its meeting on May 3, 2006, the Supervisory Board decided to set the annual compensation of its Chairman at €500,000 not including his attendance fees paid as Supervisory Board Member.

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 his capacity as Chairman of the Supervisory Board, Henri Lachmann was paid gross compensation of €500,000 in 2008.

In addition, in 2009 Mr. Lachmann was paid attendance fees for 2008 of €60,000 by Schneider Electric SA.

Lastly, Mr. Lachmann received total payments of €543,468 under the Company’s pension plan for senior executives.

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 2008 fiscal year at €5,090.

Compensation of the Supervisory Board members

The Annual Shareholders' Meeting set total attendance fees at €800,000. In May 2006, the Supervisory Board decided to allocate these fees as follows:

a) Board members and non-voting members resident in France receive a basic fee of €15,000 and members resident outside France receive double this amount.

b) All Board members also receive a variable fee of up to €30,000 based on their attendance rate at Supervisory Board meetings.

c) Members who sit on the Committees of the Board receive a fixed fee of €15,000, with the Audit Committee chairman receiving double this amount.

On this basis, attendance fees paid in respect of 2007 and 2008 were as follows:

Supervisory Board Members	Amount paid for 2007 (1)	Amount paid for 2008 (1)
Henri Lachmann		
Attendance fees	€60,000	€60,000
Other	-	-
Léo Apotheker		
Attendance fees	€7,400	€40,450
Other	-	-
Claude Bébéar (2)		
Attendance fees	€15,000	€15,000
Other	-	-
Alain Burq (3)		
Attendance fees	-	-
Other	-	-
Claude Briquet (3)		
Attendance fees	-	-
Other	-	-
Noël Forgeard		
Attendance fees	€45,000	€45,000
Other	-	-
Jérôme Gallot		
Attendance fees	€45,000	€55,400
Other	-	-
Willy Kissling		
Attendance fees	€75,000	€75,000
Other	-	-
Cathy Kopp		
Attendance fees	€35,000	€45,000
Other	-	-
Gérard de La Martinière		
Attendance fees	€75,000	€75,000
Other	-	-
René de la Serre		
Attendance fees	€55,000	€19,100
Other	-	-
James Ross		
Attendance fees	€70,000	€70,000
Other	-	-
Piero Sierra		
Attendance fees	€75,000	€75,000
Other	-	-
Richard Thoman		
Attendance fees	€50,250	€60,000
Other	-	-
Serge Weinberg		
Attendance fees	€55,000	€55,000
Other	-	-

(1) Attendance fees are paid at the beginning of the following year.

(2) Non-voting member.

(3) Alain Burq and Claude Briquet, who both have service contracts with Schneider Electric Industries SAS, waived payment of their attendance fees. Schneider Electric will donate the amount waived for 2008 to the Schneider Electric Foundation.

Compensation, benefits and stock options of Management Board members

Based on the recommendation of the Remunerations and Appointments & Corporate Governance Committee, at its meetings on December 18, 2007 and February 18, 2008, the Supervisory Board set the annual compensation for the members of the Management Board.

Chairman of the Management Board - Jean-Pascal Tricoire

The Supervisory Board decided to set the annual salary of the Chairman of the Management Board at €765,000 and his target variable bonus at 100% of this amount, with a maximum of 200%.

The variable bonus is based on Group performance targets in terms of organic revenue growth, operating profit and return on capital employed, and on personal targets, including the development of solutions, the achievement of APC's and Pelco's business plans, deployment of the plan to simplify the Company and the deployment of the energy efficiency program. At its meeting of February 18, 2009, the Supervisory Board set Mr. Tricoire's variable bonus at 69% of the maximum, or €1,063,350.

As part of the 2008 annual stock option plan (plan 30), Mr. Tricoire received 63,000 options with an exercise price of €92 and expiring in 2017. Half of these are contingent on the achievement of Group performance targets. He also received 6,750 stock grants under plan 3, half of which are subject to the achievement of Group performance targets.

As of December 31, 2008, Mr. Tricoire held 507,241 options, including 143,787 performance options, and 11,750 performance stock grants.

Based on the recommendation of the Remunerations and Appointments & Corporate Governance Committee, at its meeting on December 17, 2008, the Supervisory Board decided to maintain Mr. Tricoire's target compensation for 2009 at the same level as 2008. The Supervisory Board also granted Mr. Tricoire 45,000 options under plan 31 and 11,250 performance stock grants under plan 5. All of these options and stock grants are subject to performance criteria, in accordance with the AFEP-MEDEF recommendations of October 6, 2008.

Member of the Management Board – Pierre Bouchut

As Chief Financial Officer, Pierre Bouchut has maintained his service contract with Schneider Electric Industries SAS.

For 2008, the Supervisory Board decided to set Mr. Bouchut's fixed annual salary at €401,100 and his target variable bonus at 60% of this amount, with a maximum of 120%. The target variable bonus is based on Group performance targets in terms of organic revenue growth, operating profit and return on capital employed, and on measurable personal targets set with Jean-Pascal Tricoire. At its meeting of February 18, 2009, the Supervisory Board set Mr. Bouchut's variable bonus at 59% of the maximum, or €282,375.

As part of the 2008 annual stock option plan (plan 30), Mr. Bouchut received 25,200 performance options with an exercise price of €92 and expiring in 2017. He also received 2,700 stock grants under plan 3.

As of December 31, 2008, Mr. Bouchut held 128,203 options, including 57,515 performance options, and 4,700 performance stock grants.

Based on the recommendation of the Remunerations and Appointments & Corporate Governance Committee, at its meeting on December 17, 2008, the Supervisory Board decided to maintain Mr. Bouchut's target compensation for 2009 at the same level as 2008. The Supervisory Board also granted Mr. Bouchut 23,500 options under plan 31 and 5,875 performance stock grants under plan 5. All of these options and stock grants are subject to performance criteria, in accordance with the AFEP-MEDEF recommendations of October 6, 2008.

Overview of Management Board compensation

Compensation, stock options and stock grants received by members of the Management Board

Jean Pascal Tricoire	2007	2008
Compensation due for the year	1,964,233	**1,833,295**
Value of stock options received during the year	1,650,478	**1,067,220**
Value of performance stock grants received during the year	350,400	**488,835**
Total	**3,965,111**	**3,389,350**
Pierre Bouchut	**Exercice 2007**	**Exercice 2008**
Compensation due for the year	764,502	**687,849**
Value of stock options received during the year	660,195	**426,888**
Value of performance stock grants received during the year	140,160	**195,534**
Total	**1,564,857**	**1,310,271**

Summary of compensation paid to each member of the Management Board

Jean Pascal Tricoire	2007		2008	
Chairman	Amount due	Amount paid	Amount due	Amount paid
Fixed salary	700,000	700,000	**765,000**	**765,000**
Variable bonus	1,260,000	1,073,403	**1,063,350**	**1,260,000**
Exceptional bonus	0	0	**0**	**0**
Attendance fees	0	0	**0**	**0**
Benefits (car)	4,233	4,233	**4,945**	**4,945**
Total	**1,964,233**	**1,777,636**	**1,833,295**	**2,029,945**
Pierre Bouchut	**2007**		**2008**	
Member	**Amount due**	**Amount paid**	**Amount due**	**Amount paid**
Fixed salary	378,400	378,400	**401,100**	**401,100**
Variable bonus	381,427	377,188	**282,375**	**381,427**
Exceptional bonus	0	0	**0**	**0**
Attendance fees	0	0	**0**	**0**
Benefits (car)	4,675	4,675	**4,374**	**4,374**
Total	**764,502**	**760,263**	**687,849**	**786,901**

Options to subscribe new shares or purchase existing shares granted to members of the Management Board during the year by the issuer and by any other Group affiliate

	Plan no. (1)	Plan date	Unit value IFRS2	Number of options	Exercise price	Exercise period	Type of option (2)
Jean Pascal Tricoire	28	Dec. 21, 06	20.43	80,787	81.34	Dec. 21, 2010 / Dec. 20, 2016	P / S
	30	Dec. 19, 07	16.94	63,000	92.00	Dec. 19, 2011 / Dec. 18, 2017	P / S
Pierre Bouchut	28	Dec. 21, 06	20.43	32,315	81.34	Dec. 21, 2010 / Dec. 20, 2016	P / S
	30	Dec. 19, 07	16.94	25,200	92.00	Dec. 19, 2011 / Dec. 18, 2017	P / S

(1) Plan 28 corresponds to 2007 and plan 30 to 2008.

(2) The nature of plans (subscription or purchase) will be determined before the beginning of the exercise period at the latest.

	Plan 28	Plan 30
Performance criteria	50% of options – 2007 and 2008 operating margin and revenue	50% of options – 2008 and 2009 operating margin and revenue

Performance stock grants received by members of the Management Board

	Plan no. (1)	Plan date	Number of shares	Unit value IFRS2	Vesting date	End of lock-up period
Jean Pascal Tricoire	1 3	Dec. 21, 06 Dec. 19, 07	5,000 6,750	70.08 72.42	Dec. 21, 09 Dec. 19, 10	Dec. 21, 11 Dec. 19, 12
Pierre Bouchut	1 3	Dec. 21, 06 Dec. 19, 07	2,000 2,700	70.08 72.42	Dec. 21, 09 Dec. 19, 10	Dec. 21, 11 Dec. 19, 12

(1) Plan 1 corresponds to 2007 and plan 3 to 2008.

	Plan 1	Plan 3
Performance criteria	50% of shares – 2007 and 2008 operating margin and revenue	50% of shares – 2008 and 2009 operating margin and revenue

Benefits received by members of the Management Board

Management Board member	Service contract		Supplementary retirement		Payments or benefits may be due in the event of termination or change in function		Payments in relation to a non-compete agreement	
	Yes	No	Yes	No	Yes	No	Yes	No
Jean Pascal Tricoire Chairman May 3, 2006 - May 2, 2009	See below "Chairman of the Mgt. Board"	-	See above "Pension benefits"	-	See below "Chairman of the Mgt. Board"	-	See below "Chairman of the Mgt. Board"	-
Pierre Bouchut Member May 3, 2006 - May 2, 2009	See below "Member of the Mgt. Board"	-	See above "Pension benefits" (1)	-	See below "Member of the Mgt. Board"	-	See below "Member of the Mgt. Board"	-

(1) The amount paid in 2008 to the defined contribution plan came to €21,296.

Chairman of the Management Board - Jean-Pascal Tricoire

At its meeting on May 3, 2006, the Supervisory Board decided that Mr. Tricoire should continue to be entitled to all the employee benefits provided for in his service contract with Schneider Electric Industries SAS. He is therefore covered by the Schneider Electric Industries employee benefit plan and pension plan for French senior executives (see above, except for the defined-contribution plan). In addition, under the procedure applicable to related party agreements, the Supervisory Board authorized the signature of an addendum to his service contract stipulating that:

- His service contract will resume when he ceases to be an officer *(mandataire social)* of Schneider Electric SA and Schneider Electric Industries SAS, with compensation equal to what he received as Chairman of the Management Board and CEO plus a variable bonus calculated on the basis of his average target bonus for the two previous years.
- His period as an officer *(mandataire social)* of Schneider Electric SA will be taken into account for the calculation of the termination benefit payable under his service 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 evaluated at December 31, 2008 at two years of his target annual compensation (salary plus target variable bonus).
- He will receive the equivalent of two years of his last target annual compensation in the event he should resign following a material change in Schneider Electric SA's shareholder structure that could substantially modify the membership of the Supervisory Board and lead him to determine within one year that he can no longer carry out his mission.
- Should he 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)* that 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.

Shareholders approved these benefits and the addendum to Mr. Tricoire's contract at the Annual Meeting of April 26, 2007.

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 €4,945.

Member of the Management Board – Pierre Bouchut

Under his service contract with Schneider Electric Industries SAS, Pierre Bouchut 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 evaluated at December 31, 2008 at two years of his target annual compensation (salary plus target variable bonus).

Should Mr. Bouchut 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)* that 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. Bouchut'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 €4,675.

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 fourteen-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 four Operating Divisions: Europe, North America, Asia-Pacific and International.
- The Executive Vice President, Globalization & Industry, the Executive Vice President, Strategy, Customers & Technology, Services & Projects Business Unit and the Executive Vice President, Renewable Energies.
- The Executive Vice Presidents of the Power, Automation, Critical Power & Cooling Services and Building Automation Business Units.
- The Executive Vice President, Global Human Resources.

Senior management compensation in 2008

In 2008, total gross compensation, including benefits in kind, paid to the members of senior management other than the Management Board members amounted to €9,603,361, including €4,558,733 in variable bonuses for 2007.

Variable bonuses are based on the attainment of business targets set at the level of the Group and the managed entity and of personal targets. For 2008, the Group targets were as follows:

- Organic growth, with no bonus being paid if the Group's 2007 revenue represented 107% or less of 2006 revenue.
- Operating margin, with no bonus being paid if the 2007 margin rate was 14% or less.
- Customer satisfaction, with no bonus being paid if the customer satisfaction rate was 39.6% or less.

Stock options and stock grants

Members of senior management other than Management Board members received a total of:

- 98,000 stock options under plan 30, with an exercise price of €92, expiring in 2017.
- 56,500 SARs under plan 30 for US citizens (same conditions as the plan’s options).
- 6,526 stock grants under plan 3.
- 3,975 stock grants under plan 4.

All of the options and stock grants are subject to performance criteria.

As of December 31, 2008, members of senior management held:

- 687,707 options, including 215,632 subject to the attainment of Group performance criteria.
- 121,300 SARs, including 81,500 subject to performance criteria.
- 15,301 stock grants, all of which subject to performance criteria.

During 2008, the members of senior management exercised a total of 24,614 stock options granted under plans 18 to 24 at a weighted average price of €55.82.

Transactions in Schneider Electric shares in 2008 by senior management and members of the Supervisory Board and Management Board

Transactions disclosed in application of article 621-18-2 of the French Monetary and Financial Code:

Date M/D	Name	Type of transaction	Number of shares	Price per share
03/14	Henri Lachmann	Share purchase	46,452	€65.24
07/17	Henri Lachmann	Subscription via a corporate mutual fund	2,563	€67.00
07/17	Jean-Pascal Tricoire	Subscription via a corporate mutual fund	1,817	€67.00
07/17	Pierre Bouchut	Subscription via a corporate mutual fund	138	€67.00
07/17	Pierre Bouchut	Subscription via a corporate mutual fund*	291	€67.00
07/17	Claude Briquet	Subscription via a corporate mutual fund	115	€67.00
07/17	Claude Briquet	Subscription via a corporate mutual fund*	1,804	€67.00
12/11	Gérard de la Martinière	Share sale/purchase	3,176	€53.33

** As part of a leveraged plan (x10).*

10. Regulated agreements

At its meeting of January 6, 2006, the Board of Directors authorized 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. 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 at the Annual Meeting of April 26, 2007.

At its meeting on May 3, 2006, the Supervisory Board decided that Jean-Pascal Tricoire should continue to be entitled to all the pension and other benefits provided for in his service contract with Schneider Electric Industries SAS, which was suspended on his appointment to the Management Board as Chairman. The Supervisory Board also authorized the signature of an addendum to his service contract defining the terms under which it will resume or be terminated. This agreement was approved by shareholders at the Annual Meeting of April 26, 2007. At its meeting of February 19, 2008, the Supervisory Board approved the signature of another addendum to Jean-Pascal Tricoire's service contract which, in accordance with the provisions of France's "TEPA" law, details the compensation payable to Mr. Tricoire in the event of termination or resignation due to a material change in Schneider Electric SA's shareholder structure that could substantially modify the membership of the Supervisory Board. This agreement was approved by shareholders at the Annual Meeting of April 21, 2008.

11. Auditors

	Appointed	Appointment expires
Statutory Auditors		
Ernst & Young et Autres 41, rue Ybry - 92576 Neuilly-sur-Seine Cedex Represented by Pierre Jouanne	1992	2010
Mazars Tour Exaltis - 61, rue Henri Regnault - 92576 Neuilly-sur-Seine Cedex Represented by Pierre Sardet	2004	2010
Substitute Auditors		
Charles Vincensini	2004	2010
Philippe Diu	2004	2010

12. Shareholders' rights and obligations

Annual Shareholders' Meetings (article 23 of the bylaws)**

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 downloading.

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 in paper form 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 authorize shareholders to fill out and sign these forms electronically through a secure site set up by the General Meeting organizer 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 may be certified 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 bylaws)

Voting rights attached to shares are proportionate to the equity in the capital represented by each share, 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 capitalizing 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 bylaws)

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 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 bylaws accordingly. The ceiling on voting rights was approved by the combined the 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 bylaws 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 bylaws)

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.

Disclosure thresholds (article 7 paragraph 2 of the bylaws)

In addition to the legal disclosure thresholds, the bylaws stipulate that any individual or legal entity that owns or controls (as these terms are defined in article L.233-9 of the 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 said interest to the Company by registered letter with return receipt requested, within five trading days of the disclosure threshold being crossed.

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 and May 5, 2000.

Identifiable holders of bearer shares (article 7 paragraph 3 of the bylaws)

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.

13. 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
● **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.	At Schneider Electric, the Audit Committee reviews the financial statements the day before the Board meeting because two of the Committee members live outside France. However, the Committee members receive a meeting file with the financial statements four to five days before the meeting.
● **Membership of Appointments and Remunerations Committees** These committees should comprise a majority of independent members. However, the current Chairman takes part in the Appointments Committee's work.	The Committee comprises four members: Henri Lachmann, Chairman of the Supervisory Board (non-managing corporate officer), Claude Bébéar (non-voting member), Léo Apotheker and Willy Kissling (both independent members as defined by the AFEP-MEDEF guidelines). Independent members of the Supervisory Board represent more than half of the Board members on the Committee.
● **Compensation and benefits paid to corporate officers** Fixed salary should be revised only after a relatively long period, such as three years.	The Management Board members' fixed salary is revised each year. When Jean-Pascal Tricoire became Chairman of the Management Board 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. The same applies to Pierre Bouchut. In light of the economic situation, the Supervisory Board decided to freeze the fixed salaries of the Management Board members on Mr. Tricoire's recommendation for 2009.
● **Top hat pension plan** The increase in potential rights should correspond to a limited percentage of the beneficiary's compensation.	Under the top hat pension plan for Schneider Electric senior executives (see page 55), most rights are acquired in a five-year period. However, the plan complies with the recommendation's intention, given that: - 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.

14. 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 page 60).
- Agreements entered into by the Company with change of control clauses (see page 67 for information on the exercise of stock options and stock grants).
- Restrictions in the bylaws on the exercise of voting rights (see page 61 on the non-application of the ceiling on voting rights when a public tender offer is in process).

General presentation of Schneider Electric SA

1. General information

Schneider Electric SA is a Société Anonyme (joint-stock corporation) governed by the French Commercial Code, with issued capital of €1,979,405,032. 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) 6420Z.

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 (formerly SPEP) in 1995, and then to Schneider Electric SA in May 1999.

Its summarized corporate purpose is to operate, directly or indirectly, in France and abroad, any and all businesses related to electricity, industrial control and general contracting, as well as to carry out any and all commercial, securities, real estate and financial transactions (Article 2 of the bylaws). Schneider Electric's fiscal year runs from January 1 to December 31.

The bylaws, 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 bylaws, regulated information, registration document, sustainable development reports, calls to meeting and other documents are also available on the corporate website (www.schneider-electric.com).

2. Capital

Share capital and voting rights

The Company's share capital at December 31, 2008 amounted to €1,979,405,032, represented by 247,425,629 shares with a par value of €8.00, all fully paid up. At December 31, 2008, 264,864,134 voting rights were attached to the 247,425,629 outstanding shares.

Potential capital

At December 31, 2008, stock options granted under stock option plans 19-26 represented 5,108,888 shares. Plans 27-30 represented another 3,862,501 shares corresponding to options to either subscribe new shares or purchase existing shares (the precise type of such options has not been determined so far). Stock grants made or to be made under plans 1-4 concerned 176,818 shares. The type of options (options to subscribe new shares or purchase existing shares) and 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 34,764 share subscription warrants. Together, these plans represent a total of 9,182,971 shares.

In early January 2009, the Management Board set up stock option plan 31, with the type of options (options to subscribe new shares or purchase existing shares) to be determined at a later date. The stock options granted under this plan represent 679,000 shares.

The Management Board also made stock grants and performance-based grants under plans no. 5 and 6. The type of grants (exercisable for existing or new shares) will be determined at a later date by the Management Board. These plans represent 356,066 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 and performance-based grants would be:

- 3.71% December 31, 2008.
- 4.12% January 31, 2009.

Authorizations to issue shares

The following authorizations were given to the Management Board at the Annual Shareholders' Meeting of April 21, 2008:

1 - To issue new shares to members of the Employee Stock Purchase Plan, within a limit of 5% of the Company's share capital over 5 years.

2 - To issue new shares to entities set up to purchase shares of the Company under programs to promote stock ownership among employees in non-French subsidiaries, within a limit of 0.5% of the Company's share capital as of April 21, 2008 over 18 months.

The following authorizations were given to the Management Board at the Annual Shareholders' Meeting of April 26, 2007:

3 - To increase the share capital by a maximum of €500 million (62.5 million shares) by issuing shares or share equivalents. In the case of an issue without pre-emptive subscription rights, the ceiling stands at €300 million (37.5 million shares). The Management Board is also authorized to increase the number of common shares or securities to be issued, with or without pre-emptive subscription rights, if an issue is oversubscribed.

4 - To increase the capital by a maximum of €300 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.

5 - 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.

Lastly, the following authorization was given to the Management Board at the Annual Shareholders' Meeting of May 3, 2006:

6 - 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.

At its meeting on December 17, 2008, the Supervisory Board authorized the Management Board to issue new shares to members of the Employee Stock Purchase Plan within a limit of 1% of the Company's issued capital. This limit may be raised to 1.2%. The Management Board intends to use this authorization in June 2009 to issue new shares to employees under a non-leveraged and leveraged stock ownership plan.

At the Annual Shareholders' Meeting to be held in April 2009, the Management Board will ask shareholders to renew authorizations to:

• Increase the capital with or without pre-emptive subscription rights.

• Grant options to subscribe or purchase new or existing shares.

• Make stock grants, including grants with performance criteria, if appropriate.

• Issue new shares to members of the Employee Stock Purchase Plan and entities set up to purchase shares of the Company under programs to promote stock ownership among employees in non-French subsidiaries.

The authorizations currently in force are as follows:

	Maximum aggregate par value of authorized share issues	Number of shares (in millions)	Authorization date/ Authorization expires	Used at Dec. 31, 2008	Used at Jan. 31, 2009 (1)
I - Issues with pre-emptive subscription rights:					
Shares, warrants and other securities convertible, exchangeable, redeemable or otherwise exercisable for shares	€500 million (2)	62.5	April 26, 2007 June 25, 2009	–	–
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	€300 million (2)	37.5	April 26, 2007 June 25, 2009	–	–
b) In payment of unlisted shares	10% of the capital (2)	22.8	April 26, 2007 June 25, 2009	–	–
III - Employee share issues					
Share issues restricted to employees (ESPP)	5% of the capital	12.2	April 21, 2008 April 20, 2013	– (3)	– (3)
Share issues to entities set up to promote stock ownership among employees in non-French subsidiaries	0.5% of the capital (4)	1.2	April 21, 2008 October 20, 2009	– (3)	– (3)
Stock options	3% of the capital (5) (6)	6.8	May 3, 2006 July 2, 2009	0.99% (7)	1.3% (7)
Stock grants or performance-based grants	0.5% of the capital (6)	1.1	April 26, 2007 June 25, 2010	0.05% (8)	0.2% (8)

(1) Each December, the Management Board sets up the annual stock option and stock grant plan for the following year. However, following the Group's revised forecast of December 17, 2008, implementation of the 2009 plan was postponed until early January in accordance with article L.225-117 of the French Commercial Code.

(2) The ceilings for issues with and without pre-emptive subscription rights are not cumulative and are capped at €500 million in the aggregate.

(3) At its meeting on December 17, 2008, the Supervisory Board authorized the Management Board to issue new shares to members of the Employee Stock Purchase Plan in 2009 within a limit of 1% of the Company's issued capital. This limit may be raised to 1.2%. The Management Board intends to use this authorization in early June 2009 to issue new shares to employees under a non-leveraged and leveraged stock ownership plan.

(4) 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.

(5) 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.

(6) 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.

(7) The Management Board will determine the nature of Plans 28, 29, 30 and 31 (subscription or purchase) before the beginning of the exercise period at the latest.

(8) The nature of stock grant plans (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, 2005 through share issues and the exercise of stock options:

	Number of shares issued or cancelled	Aggregate number of shares	Share capital
Capital at December 31, 2005 (1)		226,619,227	€1,812,953,816
Exercise of stock options	1,079,121		
Capital at December 31, 2006 (2)		227,698,348	€1,821,586,784
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 (3)		245,299,366	€1,962,394,928
Employee share issue	1,999,846		
Exercise of stock options	126,417		
Capital at December 31, 2008 (4)		**247,425,629**	**€1,979,405,032**

(1) €3.40 million increase in share capital, €19.04 million increase in additional paid-in-capital.
(2) €8.63 million increase in share capital, €52.06 million increase in additional paid-in-capital.
(3) €140.8 million increase in share capital, €1,133 million increase in additional paid-in-capital.
(4) €17.01 million increase in share capital, €123.9 million increase in additional paid-in-capital.

Share buybacks

The Annual Shareholders' Meeting of April 26, 2007 authorized the Management Board to buy back shares on the open market. This authorization was renewed by the Annual Shareholders' Meeting of April 21, 2008.

Pursuant to this authorization, the broker in charge of managing the liquidity contract purchased 4,317,497 shares at an average unit price of €66.40 and sold 3,873,024 shares at an average unit price of €68.04 between January 1, 2008 and December 31, 2008.

Also pursuant to this authorization, the Company purchased 877,586 Schneider Electric shares at an average unit price of €69.18 between January 1, 2008 and December 31, 2008. Trading fees paid in 2008 totaled €91,127.08.

3. Ownership structure

Three-year summary of changes in capital

	Dec. 31, 2008				Dec. 31, 2007		Dec. 31, 2006	
	Capital %	Number of shares	Voting rights %	Number of voting rights	Capital %	Voting rights %	Capital %	Voting rights %
Capital Research & Management	**10.67**	**26,405,879**	**9.97**	**26,405,879**	5.40	5.03	-	-
CDC	**4.41**	**10,921,925**	**5.32**	**14,096,925**	4.37	5.27	4.42	5.36
Employees	**3.60**	**8,902,608**	**5.32**	**14,100,423**	3.32	5.07	3.09	5.22
Own shares (1)	**0.92**	**2,277,107**	**-**	**-**	0.93	-	0.94	-
Treasury stock	**2.11**	**5,231,782**	**-**	**-**	1.66	-	2.08	-
Public	**78.28**	**193,686,328**	**76.55**	**202,752,018**	84.33	82.23	89.47	86.64
Total	**100.00**	**247,425,629**	**100.00**	**264,864,134**	**100.00**	**100.00**	**100.00**	**100.00**

(1) Via Cofibel / Cofimines.
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, listed above, hold, either directly or indirectly, more than 5% of Schneider Electric's capital or voting rights.

Pledges on Schneider Electric shares

81,375 shares are pledged.

Pledges on subsidiaries' shares

Schneider Electric has not pledged any shares in significant subsidiaries.

4. Employee profit-sharing, stock ownership, stock option and stock grant plans

Profit-sharing plans

Profit-sharing and other profit-based incentive plans have been in effect at Schneider Electric Industries SAS and Schneider Electric France SAS since 1994.

The amounts allocated over the past five years were as follows:

€ million	2004 *	2005	2006	2007	2008
Profit-based incentive plans and profit-sharing plans	35.2	36.4	45.1	42.-	47.3

**Profit-based incentive plans only in 2004.*

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 2008. A total of 2 million shares were subscribed.

As of December 31, 2008, employees held a total of 8,902,608 Schneider Electric SA shares through the corporate mutual funds or directly, representing 3.60% of the capital and 5.32% 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.

Stock option and stock grant plans with performance criteria

Grant policy

Stock option and stock grant plans with performance criteria are decided by the Management Board with the authorization of the Supervisory Board, following a review of the plans by the Remunerations and Appointments & Corporate Governance Committee.

Grantees include members of senior management, top managers in all countries, high-potential managers and employees who performed exceptionally during the year. US citizens or residents may be granted stock appreciation rights (SARs) that match option or grant characteristics.

Grants to members of senior management, including the Chairman and CEO and members of the Management Board (around 15 people), represent between 17% and 14% of the total, depending on the plan.

In 2005, the decision was made to set up annual plans at the end of the fiscal year so that grantees will be informed of stock option grants and stock grants at the same time that their bonus targets are determined.

The annual plan for 2008 was therefore set up in December 2007. Stock options were replaced by stock grants according to the following rule:

- Grantees receiving more than 1,500 options: 30% of the number of options,
- Grantees receiving 1,500 options or less: 50% of the number of options,
- On the basis of one stock grant for four stock options.

The following plans were set up:

- Stock option plan 30, covering 542 grantees and representing 944,926 shares.
- Stock grant plan 3, covering 268 grantees (residents of France) and representing 66,394 shares.
- Stock grant plan 4, covering 274 grantees (residents of countries other than France) and representing 57,250 shares.
- A Stock Appreciation Right (SAR) plan covering 165 grantees and representing 431,125 SARs.

Description of the stock option plan

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, options have a ten year life. Options granted under plan 19 are exercisable as from the fourth year and the shares (to be held in registered form) are subject to a five-year lock-up. Options granted under plans 20, 21, 24 and 26 through 30 vest automatically and are exercisable as from the fourth year or, in certain cases (plans 20 through 24), as from the third year. Options granted under plans 24 and 26 through 30 may also 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.

Options may only be exercised by Group employees. In addition, the exercise of options granted under plans 26 through 30 is fully or partially dependent on specific targets being met concerning revenue and operating margin.

Because these targets were only partially achieved, 1,089,600 options granted under plans 18 through 28 were cancelled.

Description of the stock grant plan

The vesting and lock-up periods for stock grants made under plans 1 through 3 are 3 years and 2 years respectively. The vesting period for stock grants made under plan 4 is 4 years, with no lock-up period.

Half of each grant is subject to performance targets, based on operating margin and organic growth.

Description of Stock Appreciation Rights (SARs)

SARs have the same vesting period and expiration date as the corresponding options or grants. The grantee receives the proceeds in cash.

Lock-up arrangements applicable to Members of the Management Board

At its meeting of December 19, 2007, the Supervisory Board set the following shareholding targets for the 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 Pierre Bouchut. 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.

To facilitate compliance, the Supervisory Board approved the following lock-up arrangements:

- A certain number of shares arising from the exercise of options granted under plan 30 must be locked-up in a registered account. The number corresponds to a percentage (25% for Jean-Pascal Tricoire and 15% for Pierre Bouchut) of the capital gain realized 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 Pierre Bouchut) of vested stock grants under plan 3 must be held beyond the initial lock-up period.

Stock option plan details at December 31, 2008

Plan no.	Plan date	Initial number of grantees	Initial number of options	Options granted to corporate officers	Exercise price (in €)	Vesting conditions	% of target met	Cancelled options (1)	Options outstanding at Dec. 31, 2008 (2)
18	March 24, 2000	1,038	1,421,200	126,000	65.24	50% - value creation 2000-2002	0	686,600	0 (3)
19	April 4, 2001	1,050	1,557,850	205,500	68.13	None	NA	NA	561,430
20	Dec. 12, 2001	180	1,600,000	100,000	51.26	100% - 2004 sales and operating profit	89.0	166,800	345,769
21	Feb. 5, 2003	433	2,000,000	150,000	45.21	50% - 2005 operating profit and return on capital employed	84.0	141,900	521,906
22	Feb. 5, 2003	111	111,000	-	45.21	None – reserved for winners of the NEW2004 trophies	NA	NA	23,311
23	May 6, 2004	107	107,000	-	55.55	None – reserved for winners of the NEW2004 trophies	NA	NA	42,454
24	May 6, 2004	402	2,060,700	150,000	55.55	50% - operating margin. 1/3 per year over 2004, 2005 and 2006	88.9	94,300	1,622,713
25	May 12, 2005	157	138,500	-	56.47	None – reserved for winners of the NEW2004 trophies	NA	NA	46,656
26	June 28, 2005	458	2,003,800	200,000	60.19	50% - 2005 and 2006 revenue and operating margin	100	0	1,944,649
27	Dec. 1, 2005	419	1,614,900	150,000	71.40	50% - 2006 and 2007 revenue and operating margin	100	0	1,600,313
28	Dec. 21, 2006	489	1,257,120	112,000	81.34	50% - 2007 and 2008 revenue and operating margin	100	0	1,249,722
29	April 23, 2007	43	83,150	-	97.05	50% - 2007 and 2008 revenue and operating margin	100	0	76,150
30	Dec. 19, 2007	542	944,926	88,200	92.00	50% - 2008 and 2009 revenue and operating margin	-	-	936,316
			14,900,146	1,281,700				1,089,600	**8,971,389**

(1) Number of options cancelled because the targets were not met (plans 16 to 27).
(2) Number of options outstanding after deducting all options cancelled and exercised since the plan's inception.
(3) 19,035 non-exercised options expired at the end of the plan's life.

Details on outstanding options (2008)

Plan no.	Plan date	Plan type (1)	Expiration date	Exercise price (in €) (2)	Total number of shares that may be subscribed or purchased (3)	Options granted to corporate officers (3)	Options exercised during the year	Options cancelled during the year	Options outstanding at Dec. 31 2008
18	March 24, 2000	P	March 23, 2008	65.24	177,514	46,452	158,479	19,035	0
19	April 4, 2001	S	April 3, 2009	68.13	571,240	169,653	7,537	2,273	561,430
20	Dec. 12, 2001	S	Dec. 11, 2009	51.26	345,769	89,869	0	0	345,769
21	Feb. 5, 2003	S	Feb. 4, 2011	45.21	536,557	139,344	14,651	0	521,906
22	Feb. 5, 2003	S	Feb. 4, 2011	45.21	24,631	-	1,320	0	23,311
23	May 6, 2004	S	May 5, 2012	55.55	42,454	-	0	0	42,454
24	May 6, 2004	S	May 5, 2012	55.55	1,717,509	143,078	94,796	0	1,622,713
25	May 12, 2005	S	May 11, 2013	56.47	46,856	-	200	0	46,656
26	June 28, 2005	S	June 27, 2013	60.19	1,993,764	201,961	7,913	41,202	1,944,649
27	Dec. 1, 2005	S/P	Nov. 30, 2013	71.40	1,613,644	151,471	0	13,331	1,600,313
28	Dec. 21, 2006	S/P	Dec. 20, 2016	81.34	1,260,226	113,102	0	10,504	1,249,722 (4)
29	April 23, 2007	S/P	April 22, 2017	97.05	83,150	-	0	7,000	76,150 (4)
30	Dec. 19, 2007	S/P	Dec. 18, 2012	92.00	944,926	88,200	0	8,610	936,316 (4)
					9,358,240	1,143,130	284,896	101,955	**8,971,389**

(1) S = Options to subscribe new shares. P = Options to purchase existing shares.
(2) Equal to the average share price of the twenty trading days prior to the date of grant. No discount or premium is applied.
(3) As of January 1, 2008.
(4) Assuming vesting conditions are met.

Options held by corporate officers, by plan, at December 31, 2008

18	Henri Lachmann	46,452
19	Henri Lachmann	169,653
20	Henri Lachmann	89,869
21	Henri Lachmann	139,344
24	Henri Lachmann	143,078

26	Henri Lachmann	201,961
27	Henri Lachmann	151,471
28	Jean Pascal Tricoire Pierre Bouchut	80,787 32,315
30	Jean Pascal Tricoire Pierre Bouchut	63,000 25,200

Stock grant plan details at December 31, 2008

Plan no.	Plan date	Initial number of grantees	Initial number of grants	Vesting period	Lock-up period	Vesting conditions	% of target met	Cancelled grants (1)	Grants made to corporate officers (2)	Total grants cancelled	Grants outstanding at Dec. 31, 2008
1	Dec. 21, 2006	221	52,006	3 years	2 years	50% - 2007 and 2008 revenue and operating margin	100	0	7,000	60	51,946
2	April 23, 2007	13	2,214	3 years	2 years	50% - 2007 and 2008 revenue and operating margin	100	0	0	0	2,214
3	Dec. 19, 2007	268	66,394	3 years	2 years	50% - 2008 and 2009 revenue and operating margin	-	-	9,450	563	65,831
4	Dec. 19, 2007	274	57,250	4 years	0	50% - 2008 and 2009 revenue and operating margin	-	-	0	423	56,827
			177,864					**0**	**16,450**	**1,046**	**176,818**

(1) Number of grants cancelled because the targets were not met. *(2) Number of grants after cancellations because the targets were not met.*

Stock grants held by corporate officers, by plan, at December 31, 2008

1	Jean Pascal Tricoire Pierre Bouchut	5,000 2,000
3	Jean Pascal Tricoire Pierre Bouchut	6,750 2,700

Options granted and exercised and stock grants made to the top ten employee grantees during the year

Options granted to and exercised by the top ten employee grantees (not including corporate officers) during the year

	Number	Exercise price/ Weighted average price	Plan no.
Highest number of options granted (*)	100,100	92.00	30
Highest number of options exercised (*)	68,877	56.63	18-21-22-24-26

(*) For 2008 (actual grant took place in December 2007).

Share grants made (*) to the top ten employee grantees (not including corporate officers) during the year

	Number	Plan no.
Highest number of grants made to the top ten employee grantees (residents of France)	8,297	3
Highest number of grants made to the top ten employee grantees (residents of countries other than France)	7,637	4

(*) For 2008 (actual grant took place in December 2007).

Plans set up in early 2009

Acting on the authorization granted by the Supervisory Board on December 17, 2008, the Management Board set up the following plans on January 5, 2009:

- Plan 31: 679,900 options/328 grantees. The options expire after ten years and may be exercised at the end of the fourth year at a price of €52.12.
- Stock Appreciation Rights (SAR) plan: 654,800 SARs/324 grantees. This plan's expiration date and exercise price match those of stock option plan 31.
- Stock grant plan 5: 143,715 shares/341 grantees (residents of France). The vesting and lock-up periods are 3 years and 2 years respectively.
- Stock grant plan 6: 212,351 shares/722 grantees (residents of countries other than France).
The vesting period is four years; there is no lock-up period.

In these four plans, half of each grant (the entire grant in the case of corporate officers) is subject to performance targets for 2009-2011.

5. 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

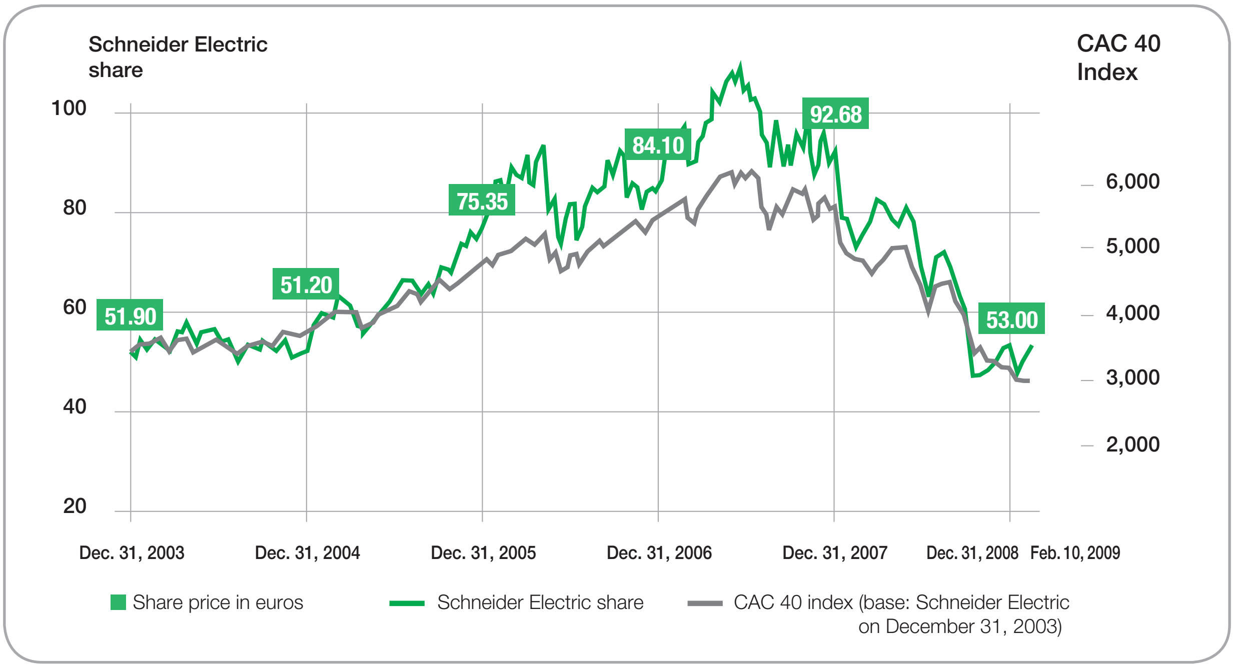
	2008	2007	2006	2005	2004
Average daily trading volume Euronext Paris					
- Thousands of shares	**1,691.19**	1,587.79	1,058.43	947.34	942.82
- Millions of euros	**115.18**	152.00	88.86	59.31	50.49
High and low share prices (in euros)					
- High	**94.29**	110.26	93.40	77.15	58.25
- Low	**38.84**	83.51	70.85	51.15	49.20
Year-end closing price (in euros)	**53.00**	92.68	84.10	75.35	51.20
Yield including tax credit (%)	**6.5%**	3.56	3.57	2.99	3.52

18-Month trading data

Year	Month	Trading volume (in thousands of shares)	Value (in millions of euros)	Price (in euros)	
				High	Low
2007	August	32,848	3,087	100.49	87.00
	September	52,425	4,848	99.00	87.10
	October	39,324	3,701	97.60	86.00
	November	38,935	3,591	100.91	84.19
	December	24,522	2,274	97.21	88.20
2008	January	48,294	3,800	94.29	69.01
	February	40,605	3,100	82.38	69.46
	March	37,198	2,940	84.65	73.41
	April	36,946	3,020	86.31	77.43
	May	27,620	2,190	83.96	74.91
	June	28,924	2,200	83.30	67.51
	July	34,056	2,270	72.40	60.11
	August	26,284	1,830	73.83	66.00
	September	38,745	2,500	72.35	56.26
	October	56,574	2,740	62.00	38.84
	November	32,193	1,520	52.30	41.16
	December	26,733	1,380	55.44	44.30
	Total 2008	**434,172**	**29,490**		
2009	January	40,744	1,980	58.00	41.30

The Schneider Electric SA share vs. the CAC 40 index over 5 years

(Source NYSE)



Monep

Options on Schneider Electric SA shares have been traded on the MONEP market since December 20, 1996.

Ordinary bonds

Schneider Electric SA has made several bond issues as part of its Euro Medium Term Notes (EMTN) program over the past few years. Issues that had not yet come due as of January 31, 2009 were as follows:

● In January 2009, Schneider Electric issued €750 million worth of 6.75% bonds due January 16, 2013. These bonds are traded on the Luxembourg stock exchange under code number FR0010709378.

● In July 2008, Schneider Electric issued €100 million worth of bonds indexed to the Constant Maturity Swap (CMS) rate, due July 31, 2013. These bonds are traded on the Luxembourg stock exchange under code number XS0379556557.

● In April 2008, Schneider Electric issued €180 million worth of bonds to top up the €600 million twelve-year tranche at 4% issued in August 2005, raising the total issue to €780 million. These bonds, treated as a separate tranche of the 2005 issue, are traded on the Luxembourg stock exchange under code number FR0010224929.

● In October 2007, Schneider Electric issued €600 million worth of 5.375% bonds due October 8, 2015. These bonds are traded on the Luxembourg stock exchange under code number FR0010526178.

● In July 2006, Schneider Electric issued €500 million worth of variable rate bonds, due July 2011. Also in July 2006, Schneider Electric issued €500 million worth of 4.5% bonds due January 2014.
These bonds are traded on the Luxembourg stock exchange under code numbers XS0260903348 and XS0260896542.

● In August 2005, Schneider Electric issued €1.5 billion worth of bonds. The issue comprises a €900 million five-year tranche at 3.125% and a €600 million twelve-year tranche at 4%. These bonds are traded on the Luxembourg stock exchange under code numbers FRF0010224337 and FR0010224929.

In addition, in July 2008, Schneider Electric issued €177 million worth of variable rate bonds due July 2016. The bonds were privately placed and are not traded on a stock exchange.

6. Investor relations

Investor Relations Officer

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Contacts

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Carina Ho, Vice President Financial Communication and Investor Relations

at +33 (0)1 41 29 87 50.

Toll-free number for individual investors in France:
0 800 20 55 14.

Shareholders' Relations Committee

The Committee is made up of five 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. The Committee met three times in 2008 to discuss various topics, including:

● Ways to strengthen the Company's strategy for individual shareholders.

● Proposals on changes in financial advertising.

● 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.

Shareholder documents

In addition to the annual report, the business review and the sustainable development report, the Company also publishes:

● A Letter to Shareholders.

● General, business and financial information (presentations, press releases).

● A corporate website (www.schneider-electric.com).

Business review

1. 2008 highlights

Growth and acquisitions

Business was very strong in the first half, with organic growth of 10.6%. Later in the year, the financial crisis led to a global economic slowdown that impacted certain of Schneider Electric's end markets, resulting in lower sales.

Services

On March 27, 2008, Schneider Electric acquired ECP Tech Services (ECP), a US-based company that is a provider of power system testing, maintenance and commissioning services to industrial, utility and commercial customers throughout the United States. ECP reported revenue of $36 million in 2007. This acquisition has strengthened the Group's presence in the Gulf of Mexico and deepened its penetration in oil and gas and petrochemicals.

Wiring systems

On April 17, 2008, Schneider Electric acquired Wessen, a leading Russian manufacturer of wiring accessories—primarily switches and sockets—with 2007 revenue of nearly €24 million. This addition has enhanced the Group's position low voltage solutions in Russia.

Installation systems and control

On May 7, 2008, the Group acquired Marisio, a Chilean company with 2007 revenue of €11 million that manufacturers and markets installation systems and control components. A forefront player, Marisio ranks second in Chile's residential wiring market. The resulting portfolio synergy has strengthened the Group's position in high-growth emerging economies.

Automation & Control

On January 11, 2008, the Group acquired US-based IMS, a company that designs and manufactures integrated motor and drive products. In 2007, IMS generated revenue of around $20 million. This move has given Schneider Electric an innovative opening in the promising integrated motor and drive products market.

On June 10, 2008, Schneider Electric acquired RAM Industries, a company that engineers, designs and manufactures control solutions for OEMs in the HVAC/R industry. This acquisition has enhanced Schneider Electric's OEM lineup and broadened its presence in the vibrant energy-efficiency market.

Renewable energies

On July 28, 2008, the Group acquired Canada-based Xantrex Technology Inc., one of the world's top three providers of inverters for solar and wind power systems. This addition has raised Schneider Electric's stature as a solutions provider for the renewable energies market and enabled it to respond even more effectively to the global need for energy efficiency.

Electrical Distribution and Industrial Control

On August 28, 2008, Schneider Electric and Fuji Electric Holdings of Japan formed a 37%-63% joint venture in electrical distribution and industrial control called Fuji Electric FA Components & Systems Co. Fuji Electric contributed its electrical distribution and industrial control operations in Japan, China and other Asian countries to the joint venture, while Schneider Electric contributed its electrical distribution and industrial control operations in Japan and €60 million in cash.

Organization

During the year, a Global Marketing Department was created led by Aaron Davis. The new Chief Marketing Officer, formerly CMO and President, North America for APC, is responsible for marketing and for internal and external communication.

Chris Curtis was appointed Executive Vice President of the North American Division to replace Dave Petratis, who has left the Group.

Employees

Schneider Electric's values: passionate, open, straightforward and effective

In 2008, following Schneider Electric's strategic repositioning, the Human Resources Department conducted a PeopleScope survey of the Group's employees and stakeholders to redefine its employer brand.

Four key values were identified based on the results of this in-depth study on how the Group's identity is broadly perceived and on internal discussions with the Executive Committee. These values sum up and clarify who Schneider Electric is today and who it wants to be tomorrow:

- **Open:** Inside and outside the Company, this means listening to needs, taking the necessary measures to assimilate new team members and contributing to all types of diversity.
- **Passionate:** This means being passionate about serving customers and doing everything possible to satisfy them day after day. It also means providing real career opportunities and helping team members make the most of their talent.
- **Straightforward:** This means clearly expressing ideas and impressions, explaining dysfunctions in practical terms and proposing solutions to resolve them. In short, it means walking the talk.
- **Effective:** This means helping the Group grow and rationalize its costs, and performing effectively as individuals on a daily basis.

Defining these values and encouraging all team members to make them their own is an important process for Schneider Electric's Human Resources. It's up to the Group's managers to embody these values and to leverage them so they can lead their teams constructively and courageously.

For external audiences, a communication campaign has been implemented to express these values, as well as Schneider Electric's new identity as an international, green, vibrant and efficient enterprise with a commitment to continuous improvement.

A revamped website was unveiled in February 2009 to heighten this visibility. Carried out in partnership with the Marketing Department, the website renewal project allowed the Group to present a more consistent image and approach as brand that is both global and local.

2. Operating Performance

Trends in Schneider Electric's core markets

Industry

After experiencing several years of strong growth that continued through mid-2008 across all regions, the Industry market slowed in the third quarter and contracted in the fourth.

The slowdown was first felt in mature markets, as capital spending and machine exports shrank in Europe, Japan and the United States.

The worsening financial crisis, which reached a new milestone in September with Lehman Brothers' bankruptcy, led to even tighter credit and a cautious attitude among businesses towards investment and inventories. Economic growth in these countries and the Industry market were further affected by reduced world trade, lower raw material prices, the withdrawal of capital from emerging markets and currency devaluation.

Non-residential building

The non-residential building market continued to enjoy robust growth until the third quarter, when the worsening financial crisis caused it to decelerate.

Over the year as a whole, growth was strong in the United States, led by industrial and office buildings.

In Europe, the slowdown was more noticeable, with the market contracting slightly in Spain and France and continuing to expand in Germany and the Nordic countries. Healthcare facilities and schools were the most vibrant sectors. Growth was sustained in the emerging markets overall, although demand declined during the year in China, the Pacific region and Eastern Europe.

Residential

Worldwide, the residential market contracted for the first time in years. The US market declined sharply for the second year in a row. After stabilizing in 2007, the European market turned downwards in 2008 as a result of over-production in earlier years in Spain, Ireland and other countries, price levels that were increasingly unattainable for consumers, and tighter credit following the initial phase of financial crisis in the summer of 2007.

Energy and infrastructure

Demand for electricity continued to rise despite the global financial crisis.

Management of peak demand, transmission grid interconnection capacity and the development of electricity generation from renewable sources were again a key focus. Smart Grid initiatives also flourished during the year.

Environmental issues have become a major concern for the entire industry, both for producers, who want to limit CO_2 emissions, and for consumers, who want to use energy as efficiently as possible.

The water treatment market continued to expand in 2008. Urban development and environmental and climate constraints have increased demand for both water production and water treatment. Investment in new and upgradeable infrastructure continued during the year, including for desalination units in the Middle East, the Mediterranean rim, Asia-Pacific and United States. Environmental legislation has resulted in spending on water treatment plants in Eastern Europe and compliance upgrades in Western Europe, Asia and the United States.

In Oil & Gas, global investment in exploration and production again rose sharply, even in the fourth quarter. The same was true for refining and petrochemicals. This expenditure was driven by the growing demand for reserves and the urgent need to reduce toxic and greenhouse gas emissions.

Data centers and networks

The market was busy in all major regions, due primarily to the digitalization of all economic sectors worldwide. This has sharply increased bandwidth use and the need to modernize, expand and build data centers while ensuring reliability, high density and scalability.

At the same time, growing environmental concerns about data center energy use have created new opportunities in energy efficient cooling solutions and in real-time management and optimization of IT and non-IT power consumption.

Growth remained strong until the third quarter. Investments declined, however, in the last months of the year despite continuously increasing demand driven by digitalization, bandwidth use, Web 2.0, etc.

Consolidated financial statements

Business and statement of income highlights

Changes in the scope of consolidation

The dates below correspond to the dates on which the Group gained control of the acquired companies.

On January 11, 2008, the Group completed the acquisition of US-based IMS, a company that designs and manufactures integrated motor and drive products. In 2007, IMS generated revenue of around $20 million.

On February 1, 2008, the Group acquired Arrow in Japan, a world leading manufacturer of signaling products (indicating banks, sirens and rotating lights) with 2007 revenue of around €15 million.

On April 13, 2008 Schneider Electric acquired ECP Tech Services (ECP), a US-based company that is a provider of power system testing, maintenance and commissioning services to industrial, utility and commercial customers. ECP reported revenue of around $36 million in 2007.

On May 7, 2008, the Group acquired Marisio, a Chilean company with 2007 revenue of €11 million that manufacturers and markets installation systems and control components.

On June 15, 2008, Schneider Electric acquired Wessen, a leading Russian manufacturer of wiring accessories—primarily switches and sockets—with 2007 revenue of nearly €24 million.

On August 12, 2008, Schneider Electric acquired RAM Industries, a US manufacturer of control solutions for OEMs with 750 employees worldwide.

On September 29, 2008, the Group completed the acquisition of Canada-based Xantrex, a world leader in inverters for solar and wind power systems, for $412 million. As agreed, Xantrex divested its programmable power business prior to the acquisition.

These companies have been fully consolidated from their respective acquisition dates.

On September 30, 2008, Schneider Electric contributed its electrical distribution and industrial control operations in Japan and €60 million in cash to its new Fuji Electric FA Components & Systems joint venture with Fuji Electric, for a stake of 37%. For its part, Fuji Electric contributed its electrical distribution and industrial control operations in Japan and other Asian countries to the joint venture. Fuji Electric FA Components & Systems is accounted for by the equity method.

The following companies acquired in 2007 and consolidated over the full year in 2008 had an impact on the scope of consolidation in relation to 2007:

- American Power Conversion (APC), consolidated as from February 15, 2007.
- Ritto, consolidated as from July 16, 2007.
- Atos, Grant and Yamas, consolidated as from August 1, 2007.
- Pelco, consolidated as from October 16, 2007.

The divestment of MGE Office Protection Systems (less than 10kVA) to Eaton Corp. on October 31, 2007 also had an impact on the scope of consolidation in 2008.

Together, these changes in scope of consolidation added €538 million, or 3.1%, to revenue and €45 million, or 1.8%, to EBITA for the year.

Exchange rate changes

Changes in the euro exchange rate had a significant impact in 2008, reducing consolidated revenue by €623 million and EBITA by €89 million. However, exchange rate changes had no impact on EBITA margin

Revenue

Consolidated revenue totaled €18,311 million for the year ended December 31, 2008, up 5.8% on a current structure and currency basis from the year before.

Organic growth accounted for 6.6%, acquisitions net of disposals 3.1% and the currency effect a negative 3.9%.

Breakdown by region

Revenue from Europe increased 3.3% to €8,101 million on a reported basis. On a constant structure and currency basis, the increase came to 6.0%.

Revenue from Europe was boosted by sharply higher demand for data center and energy efficiency solutions. Growth was led by services and projects, while product sales contracted in most countries in the second half. In Western Europe, the downturn in residential markets dampened growth, as expected, in Spain, the United Kingdom and Scandinavia. Revenue from Russia was up by more than 15%, despite a sharp loss of momentum at the end of the year.

In North America, revenue totaled €5,053 million, an increase of 5.9% including 1.5% organic growth. The region's performance was weakened by the 14% fall in CST revenue over the year, while revenue from data center solutions was up slightly on 2007. Canada and Mexico reported close to double-digit growth and demand for projects and services remained strong across the region.

Revenue from the Asia-Pacific region totaled €3,395 million, up 5.0% on a current basis and 9.6% on a constant structure and currency basis. Revenue grew by over 15% in China and over 10% in Australia and India, despite the slowdown observed from the end of the third quarter.

Revenue from the Rest of the World rose 20.7% on a current basis, to €1,762 million, and 19.2% on a constant basis. Business remained strong in every region, notably in the Middle East and Africa, thanks to the vibrant trend in oil and gas, as well as in construction and infrastructure.

Breakdown by business

Electrical Distribution generated revenue of €10,343 million, or 57% of the consolidated total. This represents an increase of 4.8% on a current basis and 7.9% like-for-like.

Automation & Control revenue rose 7.6% on a reported basis to €5,313 million. Like-for-like growth came to 3.3%.

Revenue from Critical Power and Cooling Services totaled €2,655 million, up 6.1% on a current basis and 7.8% on a constant basis.

EBITA and operating profit

EBITA (Earnings Before Interest, Taxes and Amortization of purchase accounting intangibles) rose a reported 7.5% to €2,754 million from €2,562 million in 2007. On a constant structure and currency basis, the increase came to 9.3%. EBITA margin widened 0.2 points over the year to 15.0% from 14.8%.

In 2008, operating profit (EBIT) included a €174 million charge for amortization and impairment of purchase accounting intangibles, compared with €79 million in the year-earlier period. The increase was primarily attributable to a €70 million impairment loss on assets allocated to the CST cash-generating unit, and to the amortization of purchase accounting intangibles recognized on business combinations carried out in the past two years (APC, Pelco, EPC and Xantrex).

The €255 million increase in raw material costs over the year was amply offset by higher selling prices (impact of €375 million) and productivity gains in manufacturing operations (impact of €331 million). Changes in exchange rates and higher support function costs had negative impacts of €159 million and €199 million, respectively. Strong growth in low-margin product lines resulted in a negative mix effect of €145 million.

Operating profit included €173 million in non-recurring impairment losses (€9 million) and restructuring costs (€164 million). Restructuring costs primarily stemmed from ongoing reorganization in Europe, for €102 million, North America, for

€14 million, and Asia-Pacific, for €14 million, as well as the integration of Pelco, for €13 million. In 2007, non-recurring impairment losses and restructuring costs totaled €138 million.

Other operating income and expense also included a capital gain of €15 million on the assets transferred to the new Fuji Electric FA Components & Systems joint venture in Japan and €11 million received in settlement of a dispute with Panasonic during the year.

In 2008, capitalization of development costs had a positive net impact on operating profit of €134 million, up from €89 million in 2007.

EBITA margin by region

The ratio of EBITA to revenue does not include general management and corporate function expenses that cannot be allocated to a particular segment.

Europe reported an EBITA margin of 17.4% in 2008, up 0.2 points from the previous year.

North America reported an EBITA margin of 16.3% at year-end, down 0.2 points from December 31, 2007.

EBITA margin in the Asia-Pacific region improved by 2.3 points to end the year at 15.9%.

EBITA margin in the Rest of the World rose by 0.6 points to 16.5%.

EBITA margin by business

EBITA margin in the Electrical Distribution business rose by 0.5 points to 18.6%.

The Automation & Control business achieved an EBITA margin of 14.5%, down 0.3 points from 2007.

In Critical Power and Cooling Services, EBITA margin widened by 1.5 points from the year-earlier period to 14.2% (including MGE's small systems until October 31, 2007).

Finance costs and other financial income and expense, net

Finance costs and other financial income and expense, net represented a net expense of €314 million compared with a €266 million net expense in 2007.

Net finance costs amounted to €246 million, virtually unchanged from the €247 million recorded in 2007. Net finance costs are stated after deducting interest income of €25 million corresponding to interest on a tax receivable.

Changes in exchange rates after hedging added €87 million to financial expense in 2008 compared with €21 million in 2007, reflecting the exceptional volatility of exchange rates in the last months of the year and the reimbursement of long-term internal financing, which had a non-recurring negative impact of €13 million.

Changes in the fair value of financial instruments did not have any impact on this item in 2008.

Income tax

The effective tax rate stood at 24.5% compared with 27.1% in 2007.

Share of profit/(losses) of associates

The Group's share of profits of associates came to €12 million in 2008 versus €4 million the year before, thanks to the contribution from Delixi Electric, which was accounted for by the equity method from November 1, 2007.

Minority interests

Minority interests totaled €41 million in 2008. Minority interests mainly correspond to the share of profit attributable to minority shareholders of Feller, STIE and a number of Chinese companies.

Profit attributable to equity holders of the parent

Profit attributable to equity holders of the parent grew 6.3% to €1,682 million.

Earnings per share

The 3.5% increase to €7.02 from €6.78 reflects growth in profit for the period, partially offset by dilution from the employee share issue.

3. Change in financial situation

Balance sheet and cash flow statement items

Total assets stood at €24,807 million at December 31, 2008, up 7% from the previous year-end. Non current assets amounted to €16,029 million and represented 65% of total assets.

Goodwill

Goodwill rose by €401 million over the period to €8,542 million, or 34% of total assets.

Acquisitions in 2008 added €415 million.

An impairment test on CST led to a €53 million write-down of the related goodwill at December 31, 2008.

Property, plant and equipment and intangible assets

Property, plant and equipment and intangible assets came to €5,961 million, or 24% of total assets, up 7% from end-2007.

Intangible assets

Trademarks rose by €84 million over the year to €2,331 million. The currency effect had a positive impact of €74 million and the acquisition of the Xantrex trademark added €26 million, while the recognition of an impairment loss on a CST trademark had a negative impact of €11 million.

Gross capitalized development costs totaled €637 million (€477 million net), reflecting the capitalization of costs related to current projects in an amount of €195 million.

Other intangible assets, net, consisting primarily of customer lists recognized on business combinations, software and patents, rose by €72 million over the year. Year-on-year changes included the recognition of Xantrex customer lists (€70 million), capitalization of SAP system development costs (€39 million), amortization and impairment expense (€114 million) and translation adjustments (€51 million).

Property, plant and equipment

Property, plant and equipment came to €1,970 million versus €1,856 million the year before. Acquisitions added €435 million, while depreciation reduced the total by €330 million.

Investments in associates

Investments in associates rose by €109 million to €281 million. This includes €84 million from the creation of 37%-owned Fuji Electric FA Components & Systems on September 30, 2008.

Non-current financial assets

Non-current financial assets, primarily equity instruments quoted in an active market and loans and receivables related to investments, totaled €313 million at December 31, 2008, down from €447 million at end-2007. The decrease was mainly due to a €113 million decline in the fair value of AXA shares.

Cash and net debt

Net cash provided by operating activities before changes in operating assets and liabilities rose 13.0% to €2,500 million, representing 13.7% of revenue.

Changes in operating working capital represented a negative €72 million, reflecting well-managed business growth over the year. Working capital to revenue declined by 1.0 points to 20.8%.

Net cash provided by operating activities totaled €2,428 million, up 16.1% from €2,090 million in 2007.

Net capital expenditure, which includes capitalized development projects, represented an outlay of €693 million, or 3.8% of revenue, compared with €560 million in 2007.

Acquisitions used a total of €598 million, net of the cash acquired.

The sale of treasury stock on exercise of stock options represented a net outflow of €70 million compared with a net inflow of €15 million in 2007 related to disposals. Dividends paid totaled €832 million, of which €36 million to minority interests.

At December 31, 2008, net debt totaled €4,553 million or 41.2% of equity attributable to equity holders of the parent. This represents a decrease of €383 million from the year before.

The Group ended the period with cash and cash equivalents of €1,652 million, of which €642 million in cash, €997 million in cash equivalents and €13 million in short-term instruments such as commercial paper, money market mutual funds and equivalents.

Total current and non-current financial liabilities amounted to €6,205 million. Of this, bonds represented €3,477 million, bank loans €1,318 million and drawdowns on lines of credit €752 million. Three new bond issues, in an aggregate amount of €305 million, were launched in 2008 and €750 million worth of bonds were redeemed.

Equity

Equity attributable to equity holders of the parent came to €10,906 million, or 44% of the balance sheet total.
The €721 million increase over the year was the net result of the following:

- Payment of the 2007 dividend, in an amount of €796 million.
- Profit for the year of €1,682 million.
- The employee share issue, which increased equity by €134 million.
- Changes in treasury stock, which reduced equity by €70 million.
- The recognition of a €152 million tax receivable.
- Fair value adjustments to hedging instruments and available-for-sale financial assets, which reduced equity by €147 million.
- Changes in actuarial gains and losses on employee benefit obligations, which reduced equity by €271 million.

Minority interests rose by €16 million to €145 million, reflecting the €41 million of minority interests in profit for the period and translation adjustments of €10 million, partially offset by dividend payments of €36 million.

Provisions for contingencies

Current and non-current provisions totaled €2,303 million, or 9% of the balance sheet total. Of this, €538 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 €1,463 million.
The €499 million increase over the period corresponds to changes in actuarial assumptions (€436 million) and translation adjustments (€24 million).

Other provisions totaled €839 million at December 31, 2008. These provisions cover product risks (warranties, disputes over identified defective products), for €207 million, economic risks (tax risks, financial risks generally corresponding to seller's warranties), for €324 million, customer risks (customer disputes and losses on long-term contracts), for €28 million, and restructuring, for €132 million.

The year's acquisitions added €24 million to provisions in the balance sheet.

Deferred taxes

Deferred tax assets came to €932 million, reflecting unused tax losses, in an amount of €282 million, future tax savings on provisions for pensions, in an amount of €486 million, and non-deductible provisions and accruals in an amount of €164 million.

Deferred tax liabilities totaled €888 million and primarily comprised deferred taxes recognized on trademarks, customer lists and patents acquired in connection with business combinations.

The €266 million change over the year stemmed primarily from a €183 million increase in provisions for pensions and the use of €56 million in tax loss carryforwards.

Parent company financial statements

Schneider Electric SA posted total portfolio revenues of €952 million in 2008 compared with €21 million the previous year. Schneider Electric Industries SAS, the main subsidiary, paid dividends of €902 million in 2008 compared with zero in 2007. Interest income amounted to €431 million versus €403 million the year before. Profit before tax came to €1,080 million versus €134 million in 2007.

Net profit stood at €1,148 million versus €227 million in 2007.

Equity before appropriation of net profit amounted to €8,613 million at December 31, 2008 versus €8,120 million at the previous year-end, after taking into account 2008 profit, dividend payments of €796 million, and share issues in an amount of €141 million.

Subsidiaries

Schneider Electric Industries SAS

Revenue totaled €3.5 billion versus €3.3 billion in 2007.

Operating profit increased to €124 million from €87 million in 2007.

Net profit came to €550 million compared with €443 million in 2007.

Cofibel

Cofibel's portfolio consists entirely of Schneider Electric SA shares.

Profit before tax came to €5.2 million compared with €5.4 million in 2007.

Cofibel posted an after-tax profit of €5.2 million, compared with an after-tax loss of €2.5 million in 2007.

Cofimines

Profit before tax came to €2.5 million compared with €2.0 million in 2007.

After taking into account corporate income tax, net profit stood at €1.6 million versus €1.8 million in 2007.

Compensation and benefits paid to corporate officers

Details on compensation and benefits paid to corporate officers are provided in paragraph 9 of Chapter 2 (Corporate Governance).

Principal risks

The principal risks are presented in paragraph 10 of Chapter 1 (Risk Factors).

4. Outlook

Launch of the One company program

The purpose of the new company program for 2009-2011 is to set the potential EBITA margin between 13% and 16% in an ordinary course of business, as well as to achieve potential growth equivalent to worldwide GDP plus 3 points, also in an ordinary course of business.

Outlook for 2009

Because of the lack of visibility stemming from the global economic crisis, it is difficult to provide an estimate for organic growth in 2009. Our various scenarios point to negative organic growth of between 5% and 15%, with a minimum EBITA margin in the worst-case scenario of 12% before restructuring costs thanks to stepped-up reductions in support function costs. Conservative cash management should allow the Group to achieve a free cash flow to net profit ratio of 100%.

5. Sustainable development

See Chapter 5.

Sustainable development

1. Introduction

A global situation at the turning point

Today, an unprecedented situation is haunting the world. After two centuries of exponential growth in consuming cheap and abundant fossil fuels, the world has plunged into a period in which they are increasingly scarce. At the same time, emerging economies have been expanding at a prodigious rate in recent years with growing energy demands. Furthermore, 1.6 billion people do not at present have access to energy and legitimately aspire to the same facilities, services and quality of life as the inhabitants of developed areas.

We must therefore produce more with less. We must also produce more effectively to optimise consumption and reduce the impact of human activity on the environment. Energy, both public and private, lies well and truly at the core of global development challenges, and conditions all or part of economic growth balanced between mature and emerging countries.

Schneider Electric's sustainable development approach

Responsible commitment: concrete actions, effective results

How can we produce better, improve energy efficiency and facilitate energy access for all?

A new balance must be struck between often contradictory objectives: population increases, economic growth and preserving the environment.

Schneider Electric expertise, its worldwide presence and the exceptional cultural diversity of its workforce confer special responsibility on the Group in these matters.

The Group's objective always to do better everywhere whilst consuming less takes concrete form in its company programs (new^2 for 2005-2008 and its One for 2009-2011). On the strength of the strategic position of its portfolio of activities, its R&D, marketing and sales policy, Schneider Electric is committed to providing innovative and efficiency responses to two major challenges:

● Marketing products and solutions that lead to waste less energy and to generation and promote environmentally sound production and consumption

● Serving as an involved party to provide energy access to the 1.6 billion people currently without electricity and contribute to sustainable economic development.

Finally, thanks to the implementation of the **Planet & Society Barometer** in 2005 as part of the company program, Schneider Electric has developed the resources to both mobilise all its staff members in the pursuit of major sustainable development commitments and to share analyses of its action plans with all its stakeholders (cf. page 83, Sustainable development organization).

2008: sustainable development tied into Group strategy

Schneider Electric had already made sustainable development a core aspect of its strategy in incorporating objectives and indicators in successive company programs. In 2008, the Group took a step further in embedding activities, innovation and responsibility to an even greater degree.

For example, the Sustainable Development Department was integrated in the Strategy Direction. Such a change means that sustainable development is an approach that both conditions the Group's internal policy and sets a direction in its external strategy.

Missions:

● Further improve the overall level of responsibility in Schneider Electric

● Implement new social, community and environmental responsibility commitments

● Guarantee that in-house and external commitments are correctly implemented

● Devise and steer innovative programs

- Access to energy (BipBop program)
- Carbon assessment
- New code of conduct

● And, more globally, all actions which have a positive impact on society.

A Sustainable Development strategy committee was established in 2008 to coordinate the above actions (cf. page 83, A dedicated organisation).

2. Framework

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

Principles of Responsibility

In adopting its Principles of Responsibility in 2002, the Group developed a collective and individual reference framework to enable everyone to find guidance for his/her decisions and actions. The principles outline the Group's commitments to each of its stakeholders (employees, business partners, shareholders, community and the planet). The principles were developed by six hundred company employees working in some fifteen international work groups and service as the individual and collective framework of reference.

Failure to comply with the Principles of Responsibility is deemed a serious breach of professional conduct.

Policies

All of the Group's policies are aligned with the *Principles of Responsibility*.

Environment issues

First published in 1992 and updated in 2004, Schneider Electric's environmental policy was confirmed in 2007. It is designed to improve manufacturing processes, promote eco-design and integrate customer concerns in the area of environmental protection by fostering effective product and service solutions.

Social level

In it, the Group clearly states that "All employees are entitled to express their cultural diversity and are managed without discrimination. Team members are encouraged to develop new skills and team spirit. At the same time, they are recognized for their initiatives and risk taking in contributing to the Company's growth."

Across the Group, human resources policies are deployed governing diversity, hiring, international mobility, training, leadership competencies, total compensation and health.

3. Sustainable development organization

Planet & Society Barometer

Schneider Electric created the Planet & Society Barometer in 2005 to measure its responsibility performance. With criteria covering people, community, environment and corporate governance issues, the Barometer expresses the Group's commitment to promoting sustainable development with all stakeholders.

The tool meets the following objectives:

- Disclose our progress plans
- Provide a quarterly measurement of our performance
- Incorporate sustainable development in the company mission statement
- Provide a historical context for our actions.

Sound results in 2008 are indicative not only of progress in all Schneider Electric sustainable development activities, but also of the high degree of staff motivation and persistent Group goals to do better everywhere whilst consuming less. (See page 84, Planet and Society Barometer.)

The Planet & Society Barometer grows in line with the One mission statement. The barometer consists of thirteen progress plans and takes account of the Group's responsibility commitments with more importance attached to the business contribution to sustainable development through energy efficiency and access.

For more information, please refer to ww.barometer.schneider-electric.com

A dedicated organisation

Formed in 2002, the Sustainable Development Department joined the Strategy Direction in 2008.

In the Schneider Electric SA Supervisory Board, James Ross pays specific attention to sustainable development and factoring in environmental and social risks.

Four working groups

Four working groups impel and track action plans.

The Sustainable Development Strategy Committee

The committee was set up in 2008 and is chaired by the Sustainable Development director. Members represent the following functions and programs: Health/Safety, Diversity, Social Innovation, Environmental Management, Sustainable Offerings, in RoHS and REACH programs, Procurement and Logistics, Ethics, Energy Access program, Communication and Stakeholder Relations.

The Environmental Council

The Council is made up of representatives from all the corporate departments who meet quarterly to discuss crossfunctional issues and promote deployment of appropriate measures across the Group. The Council also devotes significant time to monitoring environmental issues at both the eco-design and eco-production levels (see page 97, Environmental performance).

The Health and Safety Committee

Committee members include representatives from each Businesses and Operating Divisions (North America, Europe, International and Asia-Pacific). Each quarter, the Committee meets to guide the Group's health and safety strategy and validate action plans. It leads the Group's health and safety approach and manages the network of local health and safety correspondents. An ad hoc committee met during the year to address risks related to a potential pandemic set off by avian flu. (see Social performance– Health/Safety, page 86).

The Diversity Committee

Made up of all the Human Resources managers in France, this Committee is responsible for promoting diversity awareness in hiring and employee management. It validates strategy and action plans (see Social performance – Diversity, page 91).

In 2007, a dedicated steering committee was created in France as part of the first Group Handicap agreement signed in July 2007. The committee meets three times a year and comprises the manager of the Engagement Handicap mission, the Diversity manager and two representatives from each of the five unions that signed the agreement.

Other working groups, such as the social policies committee chaired by the Executive Vice President, Global Human Ressources, also address corporate social responsibility issues.

Networks

Numerous culture carriers cascade Schneider Electric's sustainable development approach throughout the Company.

- **Concerning the environment,** a network of more than 200 correspondents oversees environmental management at production, supply chain and administrative sites. They are supported by an Environmental Director within the Globalization & Industry department. The Strategy, Customers, Innovation & Technology department coordinates the deployment of eco-design policy among product environment managers.

- **In the area of social policy,** each Operating Division or Business Unit Executive Vice President is responsible for ensuring effective human resources management within his or her area, implementing the new^2 company program, deploying human resources policies (including those covering health and diversity) and ensuring compliance with Our Principles of Responsibility.

- **As for community,** and notably youth opportunities, a worldwide network of 200 volunteer team members leads local projects. These correspondents, appointed for two years, are responsible for managing relationships with targeted associations involved in education and training. This entails selecting the organization, submitting the project to the Schneider Electric Foundation for validation and monitoring the partnership, as well as managing campaigns locally.

Improvement plans and indicators

New Reporting

As part of new^2, each unit determines improvement paths aligned with both the program's vision and the unit's local reality. To ensure overall consistency and measure performance effectively, new^2's New Reporting system expresses each initiative in terms of strategic goals, target results and resources. Ten of its tracking indicators directly concern sustainable development and make up the Planet & Society Barometer.

Planet and Society Barometer

The Barometer tracks these ten indicators on a quarterly basis.

At 31 January 2005, the Group achieved a 5.2 out of 10 performance. The target for 2008 was 8 out of 10.

At the end of 2008, the Group achieved an 8 out of 10 score.

Consolidation

All of the quantitative data, with the exception of the Barometer indicators provided in this section, have been consolidated using two Group-wide methods:

- **Social data:** A global human resources scorecard, established annually over the past nine years based on a bottom-up reporting process.

- **Environmental data:** Reporting tables from the Group Environmental Affairs department, based on an annual manufacturing site survey.

The ten Planet & Society Barometer progress indicators

Targets at end of 2008	Performances 2006	2007	2008
People			
● Reduce the number of lost days from work accident by 20 % per employee and per year	8.60	9.12	10
● Ensure that all employees have basic health insurance	10	10	9
● Ensure that 20 % of the participants in annual international mobility programs are women	4.5	5.3	4.8
Environment			
● Ensure that all manufacturing and logistics sites are certified ISO14001	6.86	5.03	6.8
● Provide an environmental profile for 120 products	5.4	8.10	10
● Reduce energy consumption per production site employee by 10 % (in MWh per year)	7.5	10	10
Community			
● Donate EUR 1 million worth in Schneider Electric equipment	10	10	10
● Ensure that 90 % of our sites have a lasting commitment with Schneider Electric Foundations in the area of youth opportunities	7	7	7
Corporate governance			
● Make 60 % of total purchases from suppliers who support the Global Compact	2.6	4.16	5.2
● Ensure that Schneider Electric is included in the four major socially responsible investment index families	7.5	7.5	7.5
Overall performance at 31.12	**7.01**	**7.62**	**8.0**

www.barometer.schneider-electric.com

This data is then reconciled with information from accountingand purchasing reporting systems to ensure consistency.

All Group units are included, except in specific identified cases.

Audit

Ernst & Young verifies 18 environment, safety and social indicators. Verification work continued on from the work carried out in 2006 and 2007. The methodology used by Ernst & Young highlighted the relevance, comprehensiveness, objectiveness and clarity of the reference system, which includes all definitions, procedures for measurement and methods for collecting data adopted by Schneider Electric (cf. page 105).

4. A responsible corporate citizen

In devising its strategy, Schneider Electric constantly includes improvement targets for business, social and environmental performance and sets up indicators to measure its achievements objectively, as well as areas for further progress. The Group demonstrates day in, day out that business, environmental, societal and social interests all converge.

Action plans to consume less and more efficiently are challenging Schneider Electric and its customers to significantly improve the energy efficiency of production processes and infrastructure and, more generally to reduce the environmental impact of CO_2 emissions generated by industrial and human activity.

5. Social performance

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.

Framework

Scope of social data consolidation

Global scope

All data published in the following section covers the Group's global scope (including APC).

All workforce data excludes temporary employees, except for the average workforce figure.

- Consolidated entities:

> Corporate Functions, Operating Divisions and Businesses (for all data).

- Non-consolidated entities:

> Corporations in which the Group's stake is less than 51%

> Senior management for compensation data.

France

Some data concern France and therefore focus on more than 80% of the workforce in France. They are accordingly flagged as "French Data".

Progress plans in the Planet & Society Barometer

Health / Safety

- Reduce the number of lost days from work accidents by 20 % per employee and per year

	2006	2007	**2008**
Performance	8.6/10	9.12/10	**10/10**

- Ensure that all employees have basic health insurance

	2006	2007	**2008**
Performance	10/10	10/10	**9/10**

Diversity

- Ensure that 20 % of the participants in annual international mobility programs are women

	2006	2007	**2008**
Performance	4.5/10	5.3/10	**4.8/10**

Health and safety conditions

Health and safety

In 2006, Schneider Electric defined and deployed its health policy throughout the Group. The policy uses the definition provided by the WHO: "health is a state of complete physical, mental and social well-being and not merely the absence of disease or infirmity".

Schneider Electric considers health a factor to be shared by all its staff members and partners. The Group also considers that welfare protection is a decisive factor in the level of health and believes in implementing local approaches to ensure it.

In 2008, the number of days lost as a result of occupational accidents monitored on a monthly basis by each Group entity fell by 33% compared to 2007, thereby exceeding the progress target of 20% by 13 points.

The following action plans contributed to the improvement in the indicator, which is included in corporate programs and is considered a major priority by entities.

A commitment reasserted at the highest level

- A health/safety department was established at corporate level in 2008. The department reports to the human resources general direction and is designed to enhance leadership and global expertise. The appointment of health and safety coordinators in each operating division who meet each quarter at the health/safety committee meetings further strengthens the structural organisation of the department.

- Although overall results were sound and a marked improvement over the past, positions and performance levels remain unequal. The Group launched actions and tools to correct this and thus reduce discrepancies. Among the initiatives taken, for example, is the appointment of a member of the executive committee to monitor the most accident-prone entities.

Active employee participation

Regular communication about risky situations helps make employees more aware.

- In 2008, the Group launched a worldwide prevention campaign aimed at employees and managers. The aim was to demonstrate Schneider Electric commitment on a day-to-day basis to health and safety. The campaign has been tailored to address various issues (safety, health and stress management) and has been deployed in the various operating divisions as well as being tailored to local situations on occasion.

- Safety is now part of the short-interval management system implemented in all production sites, which helps improve adherence to health and safety-related situations in the field. Each employee can submit a subject or raise a problem and provide his or her solution.

Tools

It is a credo at Schneider Electric that implementing a health and safety culture is part of the continuous improvement process supported by a management system. At the end of 2008, 50% of Group entities implemented a health and safety management system in line with worldwide standards, compared to 15% in 2007. The deployment of these standards (ILO-OSH or OHSAS 18001) is a priority for Schneider Electric. These standards guarantee compliance with legislation and, in identifying hazardous situations and assessing risks, help enhance our health performance.

Examples in 2008

Singapore – Reward. Schneider Electric Singapore was awarded a gold medal by the national organisation for promoting health at work. The award heralds the 12-week program implemented for company employees (discussions, marathons, physical exercise, etc.), which was initiated in 2005. Actions focused generally on health, life hygiene and diet.

USA – Health. A program to assist employees was set up. The program features a toll-free number and several sessions offered to each employee managed by an independent firm. The service provides information, advice and also help for personal and professional problems.

Europe – Management system. The industry department at the Europe operating division set up a team to make deploying the health and safety management system easier. Various functions (human resources, safety and quality) fielded 45 managers who were trained in 2008, each of whom conducted two or three audits in other entities over the year.

India - Awareness. A program called "Aayush" was deployed in industrial teams in Bangalore, Hyderabad, Chennai and Nashik which features clearly identified priorities: safety – driving and electricity, but also hygiene and stress management. Each employee and members of his or her family also received a medical check-up along with recommendations and even access to health professionals through the company.

Denmark – Striking a balance between family life and one's career. A project was deployed to focus on health and stress management featuring a training seminar for all employees and staff representatives with theory, a stress management charter developed by employees and an individual annual check-up by an external firm (to identify shared issues to consider such as obesity). The project was intended to highlight employees' overall state of health and direct actions to be implemented by the company.

The above examples of best practice have been posted on the health intranet which all managers and employees at Schneider Electric can access.

Accident by category	2006	2007	2008
Overall number of accidents	1,936	2,335	929 ▲
- o/w Schneider Electric employees	N/A	N/A	740
- o/w temporary staff	N/A	N/A	189
Fatalities	3	4	0

Frequency rate / Severity*	2006	2007	2008
Frequency rate	9.8	9.5	4.48 ▲
Schneider Electric employees	N/A	N/A	3.88
Temporary staff	N/A	N/A	11.24
Severity	0.10	0.08	0.09 ▲
Schneider Electric employees	N/A	N/A	0.08
Temporary staff	N/A	N/A	0.12

The number of days lost owing to occupational accidents (per employee per year) fell to 0.167 days in 2007 compared to 0.112 days in 2008 ▲, i.e., a 33% drop.

** Frequency rate is the number of accidents with work stoppage exceeding one day occurring in a 12-month period per million hours of work, whereas the severity rate is the number of calendar days lost resulting in at least one day off leave, per thousand hours worked.*

▲ 2008 audited indicators

Indicators

Workforce

Total workforce

	2006	2007	2008
Average headcount*	100,078	119,340	**126,481** ▲
Fixed-term and open-ended contracts	96,529	111,858**	**113,904** ▲
Average production headcount*	46,135	52,360**	**59,960** ▲
Average non production headcount*	53,943	66,980	**66,522** ▲
New hires***	21,092	26,972	**20,995**
Departures***	15,764	21,117	**21,504**

** Including temporary staff.*
*** Data from 2007 have been restated at temporary headcount level.*
**** Acquisitions / sales and temporary staff were not included in the calculation of the number of new hires and departures.*

Breakdown by region
(based on end-year spot count)

(percentage)	2006	2007	2008
Asia-Pacific	22%	25%*	**25%**
Europe	46%	42%*	**42%**
North America	25%	26%*	**25%**
Rest of the World	7%	7%*	**8%**

** Data from 2007 have been restated at temporary headcount level.*

Countries with the most employees

(percentage)	2008	Headcount% change / 2007*
France	**17%**	- 2%
USA	**17%**	- 7%
China	**10%**	+ 8%
Mexico	**6%**	- 2%
India	**4%**	- 5%
Spain	**3%**	- 1%
Australia	**3%**	0%
Germany	**3%**	0%
Russia	**3%**	+ 153%
United Kingdom	**3%**	- 1%
Italy	**2%**	0%
Indonesia	**2%**	+ 7%

** Data have been restated at temporary headcount level to calculate 2007/2008 trends.*

Breakdown by gender
(based on year-end spot count)

(percentage)	2006	2007	2008
Men	64%	66%	**65%***
Women	36%	34%	**35%***

** Data concerning 81% of the overall headcount in 2008.*

Breakdown by gender and category
(based on year-end spot count)

(percentage)	2006	2007	2008
White collar	56.9%	56.3%**	**55.6%** ▲
- Men	72.5%	72.6%	**72.6%***
- Women	27.5%	27.4%	**27.4%***
Blue collar	43.1%	43.7%**	**44.4%** ▲
- Men	53%	57%	**57.4%***
- Women	47%	43%	**42.6%***

** Data concerning 81% of the overall headcount, of which 86.5% blue collar and 77.2% white collar.*
*** Data from 2007 restated at function level.*

Breakdown by age percentage
(based on year-end spot count)

(percentage)	2006	2007	2008
14 / 24 years old	11.2%	12.3%	**10.7%***
25 / 34 years old	29.6%	31.3%	**32.1%***
35 / 44 years old	27.7%	26.5%	**27.2%***
45 / 54 years old	21.8%	20.8%	**21.1%***
55 / 64 years old	9.2%	8.6%	**8.5%***
Over 64 years old	0.5%	0.5%	**0.4%***

** Data concerning 81% of the overall headcount.*

Breakdown by seniority
(based on year-end spot count)

(percentage)	2006	2007	2008
< 5 years	43.4%	49.5%	**50%***
5 / 14 years	27.5%	26.6%	**27.2%***
15 / 24 years	15.1%	12.8%	**12.1%***
25 / 34 years	10.6%	8.7%	**8%***
> 34 years	3.4%	2.4%	**2.7%***

** Data concern 81% of the headcount.*

Breakdown by function
(based on year-end spot count)

(percentage)	2006	2007	2008
Marketing	4.4%	4.3%**	**4.1%**
Sales	18.3%	17.4%**	**16.9%**
Services and projects*	N/A	4.9%**	**7.7%**
- Of which N-DVC	N/A	2.2%**	**2.7%**
- Of which DVC (direct variable costs)	N/A	2.7%**	**5%**
Support	15.7%	16.1%**	**16.4%**
Technical	8.3%	7.1%**	**7.1%**
Production	10.2%	9.2%**	**8.4%**
Direct variable costs / employees linked directly to production of products range core and adapted	43.1%	43.7%**	**44.4%**

** In 2006, the services function was allocated primarily among sales and technical functions.*
*** Data from 2007 have been restated at function level.*

▲ *2008 audited indicators*

Breakdown by contract type
(based on year-end spot count)

(percentage)	2006	2007	2008
Flexibility rate (**temporary staff / overall headcount)	19.5%	22.0%*	**18.7%**

Data from 2007 have been restated at temporary staff level.
*** Spot headcount.*

Workforce (France)

Workforce

	2006	2007	2008
Spot headcount	20,364	20,150	**19,776**
New hires	1,624	1,811	**1,503**
Departures	1,611	1,787	**1,973**

Breakdown by contract type

(percentage)	2006	2007	2008
Open-ended contracts	94.4%	95%	**95.2%**
Fixed-term contracts	5.6%	5%	**4.8%**

Breakdown by category

(percentage)	2006	2007	2008
Line employees	34.4%	32.6%	**32.4%**
Supervisors	1.1%	1.2%	**1.0%**
Administrative and technical staff	33.1%	32.5%	**30.9%**
Engineers and managers	27.5%	29.7%	**31.9%**
Work-study participants	3.9%	4%	**3.8%**

Breakdown by gender

(percentage)	2006	2007	2008
Men	64.8%	64.8%	**64.5%***
Women	35.2%	35.2%	**35.5%***

* *Data concerning 77% of the region's workforce.*

New hires

Breakdown by contract type
(based on year-end spot count)

(percentage)	2006	2007	2008
Open-ended contracts	68%	63%	**65%**
Fixed-term contracts	32%	37%	**35%**

Breakdown by category
(based on year-end spot count)

(percentage)	2006	2007	2008
White collar	48%	52%	**47%**
Blue collar	52%	48%	**53%**

Breakdown by region
(based on year-end spot count)

(percentage)	2006	2007	2008
Asia-Pacific	29%	36%	**34%**
Europe	28%	28%	**31%**
North America	34%	27%	**25%**
Rest of the World	9%	9%	**10%**

Dismissals

Trend
(based on year-end spot count)

	2006	2007	2008
Number	3,795	4,543	**5,053**
Of which lay-offs for economic reasons	620	944	**N/A**

Breakdown by contract type
(based on year-end spot count)

(percentage)	2006	2007	2008
Open-ended contracts	88.5%	83.5%	**84.3%**
Fixed-term contracts	11.5%	16.5%	**15.7%**

Breakdown by category
(based on year-end spot count)

(percentage)	2006	2007	2008
White collar	35.4%	45.1%	**46.7%**
Blue collar	64.6%	54.9%	**53.3%**

Breakdown by region
(based on year-end spot count)

(percentage)	2006	2007	2008
Asia-Pacific	15%	19%	**8%**
Europe	27%	30%	**32%**
North America	50%	44%	**51%**
Rest of the World	8%	7%	**9%**

Reasons for dismissals

As part of the Group's strategy of geographic re-balancing, involving the redeployment manufacturing resources, workforce has risen noticeably in countries like China.

At the same time, plans have been deployed in Europe and the United States, for example, to rightsize the Group's manufacturing and supply chain base. In certain cases, these plans led to headcount reductions. The Group took assertive steps going beyond its legal obligations to assist employees in re-directing their careers at all concerned sites.

Examples in 2008

Europe : in 2007, Schneider Electric and the European Metalworkers Federation (EMF) signed a pan-European agreement on anticipating change. The agreement was drawn up under the auspices of the European Committee and is part of the Group's strong commitment to supporting

Schneider Electric employees and enabling them to develop skills throughout their careers.

In 2008, the agreement led to a deployment. A dedicated information kit was sent out to all the European countries concerned. Specific meetings were held in the United Kingdom, Italy and Hungary.

France: in March 2008, Schneider Electric signed a forward planning agreement on jobs, skills and businesses with its six union partners for applicable to all entities in France. The aim was to provide and share with the 20,000 French employees the same viewpoint on strategy and its consequences and appropriate resources to adapt to a constantly changing environment. Under the terms of this agreement, signatories undertake to:

- Discuss matters in advance and inform employees about developments in the Group's strategy and the consequences for the company
- Coordinate and optimise tools and resources in an individual and group approach in order to guarantee more effective management of jobs and skills
- Take account of lengthening careers better to meet the situation facing seniors
- Establish minimum rules to ensure solidarity among all French families in the Group.

The agreement entered into effect in April 2008. Application conditions will be outlined and progressively enhanced. The agreement will supplement the July 2007 agreement with the European Metalworkers Federation concerning forward planning for changes.

Schneider Electric has supported its industrial restructuring programs for several years and has signed agreements to the authorities to revitalise areas with job creation schemes in the catchment areas.

Other job preservation plans had to be implemented in 2008, in particular in Grenoble, Passy-sur-Eure and Angoulême. As these sites were not subject to revitalisation agreements, the employees concerned received specific, personalised support with voluntary redundancies. Various measures included seniority departures, personal projects, company set-ups and acquisitions and geographic mobility.

Contractors – Temporary staff

Number of temporary staff (based on year-end spot count)	**2006**	**2007**	**2008**
Total	N/A	9,610	**12,365**
White collar (%)	N/A	24.7%	**27.7%**
Blue collar (%)	N/A	75.3%	**72.3%**

Breakdown by region (based on year-end spot count) *(percentage)*	**2006**	**2007**	**2008**
Asia-Pacific	N/A	39%	**53%***
Europe	N/A	50%	**32%***
North America	N/A	5%	**7%***
Rest of the World	N/A	6%	**8%***

** In 2008, the calculation was made using the spot headcount.*

Number of temporary staff members (French data)	**2006**	**2007**	**2008**
Total	2,810	2,412	**1,460***
Of whom white collar	11%	13.6%	**14.5%***
Blue collar	89%	86.4%	**85.5%***

** In 2008, the calculation was made using the spot headcount.*

Working week organisation and management

Proportion of part-time or flex-time employees (French data)	**2006**	**2007**	**2008**
Total	1,387	1,234	**1,224**
As a percentage of employees	6.81%	6.12%	**6.5%**
Breakdown by gender / headcount			
Men	1.48%	2.47%	**1.5%**
Women	17.46%	15.25%	**16.6%**

Payroll and compensation

Information concerning profit-based incentive and profit-sharing programs and/or employee share ownership *(percentage)*	**2006**	**2007**	**2008**
Variable compensation	8.1%	9.5%	**8.9%***

** Data from 2008 concern 81% of the overall headcount.*

For many years, French staff members have benefited from variable compensation accounting for up to 9% of total pay (depending on the Group's financial results) through profit-based incentive or profit sharing programs.

Average cost per employee	**2006**	**2007**	**2008**
Gross salary + payroll expenses + individual and collective benefits	37.2 K€	37.3 K€	**37.9 K€***

** Data from 2008 concern 81% of the overall headcount.*

Employee share ownership

Schneider Electric makes every effort to motivate staff members to achieve objectives and include them in the Group's performance. Measures include profit-sharing, share ownership, stock options and bonuses.

Examples in 2008

In 2008, Schneider Electric launched an employee share ownership program through a capital increase operation restricted to employees. Twenty thousand employees worldwide took part in the operation which concerned 0.8% of the capital. Given the high degree of market volatility at present, a working group consisting of employees from several countries will be set up. One of its priority assignments will be to improve communication with employee shareholders.

At the end of 2008, employee share ownership in Schneider Electric accounted for 3.60% of the capital, with one quarter of the Group's employees owning stock in the company.

Social dialogue and relations

Sites declaring employee representation (percentage)	2006	2007	2008
Unions	51%	46%	**59%***
Works council	55%	67%	**69%***
Health and safety committee	69%	54%	**82%***

** Data from 2008 concern 81% of the overall headcount.*

European Committee

The Schneider Electric European Committee keeps employee representatives informed of changes within the Group. Committee members have their own training and information resources (internet, a database, an on-line discussion area and a quarterly e-newsletter).

In 2008, the European Committee met four times (two plenary sessions and two officers' meetings).

Group Works Council, France

The Group Works Council, France, was established in 1997 as a body catering to the various works councils in subsidiaries. For Schneider Electric, the Group Works Council is a forum for information and training for staff representatives from Group entities in France with the aim of ensuring understanding of the Group's operations.

Each Council member receives five-day training on the company's global vision and its economic environment at the start of the member's term of office.

In 2008, the Council met three times and attended a study trip to China. Representatives from the Group Works Council, France, visited the main facilities in China and talked with local managers and employees.

Review of collective labour agreements

Three agreements were signed in 2008 with unions:

- An agreement on forward planning for jobs, businesses and skills within the Schneider Electric Group in France
- An agreement on compensation schemes in 2008
- An orientation agreement concerning profit-sharing and bonuses within the Schneider Electric Group in France.

There were also six amendments to previous agreements in 2008 including:

- Membership of the Group savings plan
- Bonuses and profit-sharing within the Schneider Electric Group in France
- Overall proportion of employee profit-sharing in the Schneider Electric Group in France
- Bonuses at 29 June 2006 for Schneider Electric France SAS employees
- and jobs for differently abled workers.

Some fifty meetings were held to negotiate and supervise agreements throughout the year (i.e., the equivalent of 38.5 days).

PeopleScope

PeopleScope is the tool used by the company to pay close attention to our staff and develop action plans based on results.

A satisfaction survey was commissioned for the first time in June 2008 focusing on all our staff members the world over. The survey, which boasted a participation rate of 82%, ranked Schneider Electric in the category of 'best global companies' in this field and sent out a clear message that staff members are committed their company and to making it progress.

Training

Cost breakdown by training type (percentage)	2006	2007	2008
Health, safety, environment	7%	6%	**8.2%***
Technical	30%	26%	**27.5%***
Foreign languages, IT	13%	17%	**17.8%***
Management and leadership	31%	30%	**25.6%***
Other	19%	21%	**20.9%***

** Data for 2008 concern 81% of the overall headcount.*

Breakdown by category (percentage)	2006	2007	2008
By cost			
White collar	77%	79%	**77%***
Blue collar	23%	21%	**23%***
By number of hours			
White collar	68%	72%	**74%***
Blue collar	32%	28%	**26%***

** Data for 2008 concern 81% of the overall headcount.*

Average number of hours of training per employee (hours)	2006	2007	2008
White collar	33*	34	**36****
Blue collar	22*	17	**19****

** Data for 2006 were restated in light of reporting discrepancies. Data for 2006 tracked in days were restated in hours according to the following ratio: 1 day = 8 hours .*

*** Data for 2008 concern 81% of the overall headcount.*

The average number of hours of training per employee stood at 28.6 hours ▲ in 2008 compared to 27 hours in 2007.

Training policy

The Schneider Electric training policy is intended to develop and boost the loyalty of high-quality staff members whose skills help the Group meet its strategic objectives in line with the economic requirements of its markets. The main vectors of the training policy include:

- Developing skills and changing behaviour
- Enabling staff members to plan ahead for and manage continuous change
- Strengthening staff member integration in their position and company
- Monitoring and assessing the return on training investment
- Meeting current and subsequent needs to improve performance.

Schneider Electric University

The deployment of a shared vision in people development within the Group is one of the priorities of our corporate program.

Schneider Electric University is one of the main factors in deploying this vision to develop talent and key functional skills. The university offering was significantly enhanced in 2008.

● For example, for key Group talent we offer 50% more programs with specific academic partners offering worldwide references (e.g. Harvard Business School in the USA has trained 100 of our managers between November 2008 and May 2009) and discussions with executives in major international corporations

● We have continued to extend the functional skills development offering in the group in five key fields of expertise with a range of global and local offers.

For example, to develop skills in our industrial sector we have a locally deployed global offer (in each industrial facility) featuring *Lean Six Sigma* programs along with a global offer aimed at plant directors which is deployed centrally. The latter approach enables plant directors to both develop industrial management skills and to develop a group-wide network in the community of industrial leaders.

In sum, 1,397 staff members from 80 nationalities attended global seminars by the university in 2008 (with participation up by 12% from new nationalities). Global contents are also reused by countries for local events. For example, in just one of the five fields of functional expertise (commercial: sales and marketing), over 5,903 staff members received local training using global content.

Finally, 3,390 Group employees pursued e-learning focusing on global content or as a package involving e-learning and a class seminar. The global offering is available in standard e-learning in management and in a combination approach for language skills (such as English, for example).

Training (France)

Main training fields (percentage)	2006	2007	2008
Health, safety, environment	8.5%	8.7%	**10%**
Technical	19.0%	17.3%	**12.5%**
Foreign languages, IT	13.5%	13.4%	**18.8%**
Management and leadership	12.1%	13.7%	**21.5%**
Industrial	9.9%	9.6%	**10.7%**

Breakdown (percentage)	2006	2007	2008
By gender			
Women	28%	32%	**27.2%**
Men	72%	68%	**72.8%**
By category			
Engineers and managers	28%	33%	**42.5%**
Supervisors, administrative and technical staff	40%	38%	**34.5%**
Line employees	32%	29%	**23.0%**

In 2008, 63% of the headcount in France received training, i.e., 9,446 employees.

Examples in 2008

France: several industrial sites enabled women to pursue training leading to a CQPM (metalworking professional qualification) as drivers and operations (some women even continued with training leading to a professional baccalaureate). The aim is to enable women line employees to access more qualified and more technical positions and thus reduce the wage gap between the sexes in this category of workers

Diversity

"Men and women at Schneider Electric can express their cultural diversity and are managed without discrimination". This commitment is the first of the Group's Principles of Responsibility in which diversity is the cornerstone of its history, culture and identity.

When we know we are respected, we are more motivated and more effective. Schneider Electric therefore implements actions to foster professional equality between men and women, age diversity, employment for the differently-abled and recruitment for persons from visible minorities. The Group acts at three levels: recruitment, career integration and career development.

Schneider Electric wishes to make diversity a strength, an asset and a lever to develop creativity and competitiveness. The Diversity Charter adopted by the Group is a reflection of this commitment.

In 2008 and in the years to come, the emphasis has and will be on the role of women in the company.

The proportion of women in international mobility programs was 14.8% ▲ at the end of 2008.

Gender equality at the workplace

"Gender equality is a strategic challenge for the development of the company and of people". This vital concept also lies at the heart of the diversity issue which increases innovation, enhances efficiency with regard to clients and takes account of natural developments in society.

The Group is pursuing three main paths to promote gender equality:

● Significantly increase the percentage of female hires

● Promote women in key positions of responsibility

● Foster working conditions that are favourable for both men and women.

Examples in 2008

Group: a working group was instigated in September 2008 to address the issue of gender equality at the workplace. Featuring 27 high-potential women and seven executives, the group's main objectives are to define a specific development model for Schneider Electric and its strategy directions, identify the risks and opportunities in gender equality, share best practice and develop action plans.

Other initiatives

● France/China: Schneider Electric sponsored the Women's Forum in Asia which was held in May 2008. The event featured 700 guests and participants, including 350 from the People's Republic of China and 90 renowned speakers from all over the world. Core issues included economic development, micro-finance, leadership and sustainable development.

▲ *2008 audited indicators*

● France: Schneider Electric signed the first charter for parenting in the company. The charter sets out three major objectives:
- ensure developments in representation relating to parenting in the company
- create a positive environment for employee parents and pregnant employees in particular
- comply with the principle of non-discrimination in career developments for employee parents.

Handicap

France: Schneider Electric deepened its commitment by signing a preliminary Group agreement on 12 July 2007. The three-year agreement, which for the first time concerns all Group entities in France, complies with new social regulations arising from the handicap law dated 11 February 'to ensure equal rights and opportunities, participation and citizenship for handicapped persons'.

In this agreement Schneider Electric is committed to:

● Recreating an influx of handicapped workers and maintaining or strengthening job levels for such employees

● Giving priority to direct employment whilst continuing its policy of sub-contracting to the protected sector

● Addressing the issue of career integration as a whole for handicapped persons and maintaining jobs to take account of diversity in impairments according to the origin and extent of deficiencies.

Many actions were implemented in 2008 to meet objectives to:

● Ensure each year on a global level and at least the minimum statutory requirement of 6% of the payroll (5.8% in 2008)

● Hire 45 differently abled employees and welcome 45 alternating, differently-abled workers during the term of the agreement.

Examples in 2008

The following examples can be given with regard to the various sections of the agreement:

Hiring: signature of a partnership agreement between AGEFIPH, CESI and Schneider Electric to foster business integration for differently-abled persons using alternating approaches.

Sub-contracting: signature of a 'charter for sub-contracting in protected environments' to strengthen the commitment made to worked-related aid establishments and services and tailored companies, but also with the wish to commission assembly services and sub-contracting to employees in the protected sector

Maintained job levels: implementation of 'unit projects' developed jointly with the Health at Work department, Human Resources and directors of units or subsidiaries with the contribution in particular of training in 'job level maintenance methodology' to ensure better practice in dealing with individual situations and preventing handicapped situations.

Diversity of origins

France – In February 2008, Schneider Electric signed a national agreement to help integrate young people from underprivileged neighbourhoods with the French Economy Finance and Employment Ministry.

Under the terms of the agreement, Schneider Electric is committed to:

● implementing specific programs or teaming up with specific current programs to promote company start-ups each year by people from such neighbourhoods

● inform and promote company businesses

● use alternating programs to consider finding jobs

● increase the "100 chances - 100 emplois" system throughout France (see page 96).

At the end of 2008, 9% of persons hired (in open-ended, fixed-term, alternating and internship positions) came from underprivileged or sensitive neighbourhoods covered by urban renewal and social cohesion contracts.

Relations with subcontractors and suppliers

Framework

Sustainable development is the expression of companies' exposure to stakeholders' expectations. As a Global Compact signatory, Schneider Electric takes sustainable development issues into account in the global process of supplier certification and encourages suppliers and subcontractors to join the Global Compact themselves. This approach, inviting Schneider Electric's suppliers to meet its direct requirements and make a public commitment, allows the Group to extend the principles of sustainable development to all its partner suppliers.

It also reflects Schneider Electric's wish to promote human rights in accordance with Global Compact Principle 1 (businesses should support and respect the protection of internationally proclaimed human rights in their sphere of influence) and Principle 2 (businesses should ensure that they are not complicit in human rights abuses).

In 2008, Schneider Electric made 80% of its purchases from 2,300 suppliers and subcontractors. Purchasing volumes for the Group were approximately €10 billion in 2008.

Location of main new suppliers in 2008	2008
China	88
South America	31
India	13

Monitoring working conditions among subcontractors and suppliers

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

Improvement Plans - Planet & Society Barometer

● Make 60% of total purchases from suppliers who support the Global Compact

	2006	2007	2008
Rating	2.66/10	4.16/10	5.2/10
Performance	16%	25%	30.6% ▲

sustainable development. Schneider Electric evaluates social aspects, suppliers' performance vis-à-vis the community (SA8000), their environmental performance (ISO14001), their compliance with Restriction of Hazardous Substances (RoHS) directives and their situation vis-à-vis the Global Compact. In 2008, 248 new suppliers were evaluated, mainly in emerging markets (China, India, and South America).

Improving working conditions among subcontractors and suppliers

Support for the Global Compact is a major criterion for becoming one of Schneider Electric's main suppliers.
A panel of 350 key partners incorporating new acquisitions in 2007 and 2008 has been set up for the entire Group.

Since joining the Global Compact is one form of leverage on suppliers, communication on the importance of this public commitment vis-à-vis the United Nations was made by the purchasing pilot. At the end of 2008, 34% of these 350 partners were signatories of the Global Compact or the EICC.

Training for purchasing teams

As part of its programme to internationalize the purchasing function, in 2008, the Group continued measures initiated in 2006 to develop the competence of new team members from emerging markets mainly Asia and Eastern Europe.

Training new team members in internal processes and methods is critical to maintaining a uniform purchasing strategy worldwide. New agents have followed a course to introduce them to and promote the approach.

In 2008, 31% of purchases came from Global Compact signatory suppliers compared with 25% in 2007.

6. Community

The Schneider Electric Foundation

The Schneider Electric Foundation sponsors associative projects in support of disadvantaged young people in their training and professional insertion projects for jobs in electricity.

It encourages projects close to its sites worldwide enabling employees to participate throughout the project's duration.
It is involved for example in:

- training courses for jobs in electricity
- fitting-out training premises
- supporting the creation of companies in our area.

Relaying this local mobilisation, it also develops specific partnerships in the framework of emergency campaigns following natural catastrophes.

With a €4 million budget per year, the Foundation is based on a network of 200 volunteer employees, also known as delegates. Their task, and they are spread throughout more than 80 countries, is to choose partnerships locally, propose them to the employees in their company then to the Foundation and monitor the progress of the project. Based on administrative and financial information, each project is the subject of an investigative procedure by the Schneider Electric Foundation then by the "*Fondation de France*" where it is based before any support payments are made.

Illustrations for 2008

China: In May 2008, the Szechuan province situated in the central part of Western China was struck by a terrible earthquake, the worst the country had known since the Tangshan (near Beijing) 'quake in 1976. In the light of this catastrophe, Schneider Electric via its Foundation, set up a 3-million Yuan aid programme (approximately €275,000).

The Group made an initial donation of one million Yuan for emergency aid in particular in the context of projects undertaken by the Chinese Red Cross. An additional donation of 2-million Yuan followed for the reconstruction of schools and the repair of electricity networks.

World: Finally, as in the previous eight years, the Luli 2008 campaign, aimed at helping disadvantaged young people to get a start, mobilised Schneider Electric's employees on some local associative projects. As the Foundation has evolved, the projects have been aimed more and more at training young people in the Group's professions via training bodies, intervention by employees in courses, participation in building training centres or professional institutes, student exchanges, fitting-out premises...

**Improvement plans -
Planet & Society Barometer**

- Donate €1 million worth of Schneider Electric equipment

	2006	2007	**2008**
Performance	10/10	10/10	**10/10**

- Ensure that 90% of our sites have a lasting commitment to the Schneider Electric Foundation's action on behalf of young people

	2006	2007	**2008**
Performance	7/10	7/10	**7/10**

A few figures

Results for Luli 2008

- 200 delegates in 74 countries
- 70 participating countries
- 150 associations supported.

Foundation/Square D Results

One of the key programmes of Schneider Electric Foundation/Square D - the "matching gift program" – consists of matching workers' donations to the association of their choice. 2,374 donations were matched in North America in 2008.

An initiative was also undertaken in North America by Schneider Electric Canada in partnership with Habitat For Humanity. In order to support the construction of a series of a low-cost housing in Victoria (capital of the Canadian province of British Columbia), the Group's subsidiary offered €65,000 together with a donation of electrical equipment.
This programme will enable low-income families to have access to housing at a reasonable cost.

Programme for access to BipBop* energy

**Business Investment People at the Bottom of the Pyramid*

Framework

Today, 1.6 billion people*, i.e. approximately 300 million households have no access to electricity. 550 million live in Sub-Saharan Africa, 500 million in India, 100 million in Indonesia, the same in Bangladesh, 70 million in Nigeria.

These underprivileged people live in general on less than 2 dollars a day.

Energy costs represent more than 15 dollars a month for these families.

Stakes

Encourage access for the entire world population to energy without imperilling the climate or ecosystems.

Two key questions can be asked:

- how to market products and solutions which waste as little energy as possible, producing and consuming by respecting the environment
- and be the actor for access to energy for this population which is today deprived of clean water, electricity and ongoing economic development.

This is the aim of the Schneider Electric programme for access to energy known as BipBop. With three specific fields of action, BipBop expresses the Group's wish to become the player in a virtuous circle involving activity, innovation and responsibility.

Key figures and illustrations for 2008

- Every day, 1,300 households throughout the world had access to electricity thanks to pre-payment Conlog meters.
- 50 new companies in the electricity field were sponsored by Schneider Electric.
- More than 2,300 young people were trained for jobs in the electricity field in 22 countries.

Business

Madagascar : in a country in which only 20% of the population has access to electricity, Schneider Electric supports Jirano.

The aim of this association is to design and implement solutions and train local populations to encourage access to energy. It is active in particular in a mining area where the implementation of a major project means relocating of local people and consequently the creation of villages and infrastructures. Jirano is proposing an innovative photovoltaic solution for this project comprising in particular long-distance management of the electricity distribution board by GSM.
It combines the know-how of several Schneider Electric entities and its partner clients:

- Xantrex, subsidiary of Schneider Electric, for inverters
- BP Solar, for solar panels
- SAFT, for batteries
- Socotec, control bureau (design of the technical premises in accordance with cyclone regulations)
- Ambatovy, partner in the social management of villagers.

In 2008, a first step was taken with the electrification of 100 households and training for and creation of 12 jobs in the electricity field.

In 2009, the programme envisages the electrification of 1,000 households, training for 100 people and the creation of 50 additional jobs.

Investment

France : Set up a year ago, the Schneider Electric project "Create your own company in the electricity field", the fruit of a partnership with the "Association pour le Droit à l'Initiative Economique" (ADIE) has a threefold aim:

- to enable people not close to the professional world and who have been so for a number of years to create their own jobs in a buoyant sector
- to contribute to local economic life
- to promote jobs in the electricity field.

This project targets the business creators and project initiators with no access to bank credit in particular the unemployed but also people receiving minimum welfare payments and the low paid.

Schneider Electric is actively involved at each key stage of a project of creating a business via its association, Schneider Electric Initiatives Emploi (feasibility study, realisation of business plan). It then monitors the project via the Commercial management in France which proposes a "pack créateur" comprising tools dedicated to technical accompaniment and commercial back-up.

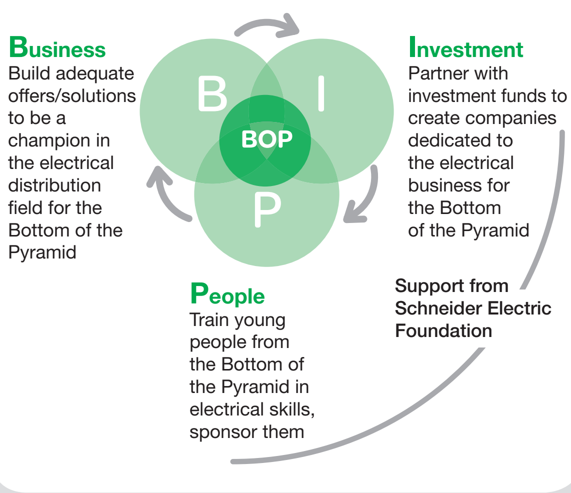
In October 2008, Schneider Electric won the trophy entitled "Soutien à la création d'activité" for this project. Awarded by the IMS – Entreprendre dans la Cité for its project entitled "Créer son entreprise dans les métiers de l'électricité" – it was presented by Fadela Amara, Secretary of State responsible for urban policy and Claude Bébéar, President of IMS – Entreprendre pour la Cité.

People

Egypt: Schneider Electric and its contributors are supporting the electricity department of Galal Fahmi School, a well known Egyptian State school which trains technicians.
It is part of one of the oldest technical schools in Cairo.
The action undertaken in the framework of an agreement with the Egyptian Ministry of Education comprises:

- renovation of the workshop
- the establishment of a specific training programme for young graduates of the school in order to ensure their employment in the electricity sector
- training of teaching staff.

The "BipBop" programme



NB: the initials Bop are currently used to designate populations whose income is the lowest in a given country.

**Source: French national Energy Agency – 2006.*

7. Compliance with international law and other commitments

New in 2008

In 2008, Schneider Electric confirmed its commitment to and participation in the joint effort of the actors in the civil society on behalf of sustainable development.

Alliance to Save Energy

In 2008, Schneider Electric became a member of the Alliance to Save Energy. This structure involves company heads, political decision-makers, leaders of associations for protecting the environment and consumers. Its aim: to promote energy efficiency throughout the world in order to contribute to a healthier economy, a cleaner environment and greater energy security.

Schneider Electric considers that energy efficiency is the quickest, the most reasonable and the most effective means of achieving the worldwide objectives of reducing emissions. This aim is an essential part of Alliance to Save Energy's mission. By joining the Alliance, the Group will be able to promote solutions for saving energy more effectively on the markets for industry, building, housing and data centres throughout the world.

Other commitments

Diversity Charter

In 2004, Schneider Electric signed the diversity charter launched by the Institut Montaigne. Going beyond France, the Group undertook to apply the charter's principles in all host countries or to update similar policies in certain countries.

Apprenticeship Charter (France)

Schneider Electric signed this charter as the initiator of the move to mobilise companies in order to develop apprenticeship in the framework of a specific mission entrusted to Henri Lachmann by Jean-Louis Borloo.

Clinton Climate Initiative

In 2007, Schneider Electric also joined the Clinton Climate Initiative, a major international initiative aimed at helping forty of the world's largest cities to manage energy consumption in buildings more effectively and thus reduce greenhouse gas emissions.

Bali International Conference

Schneider Electric took part – as a signatory – in the International Conference on the environment held in Bali (Indonesia) in December 2007 and involving representatives from 190 countries, i.e. more than 10,000 people.

Global Compact

Launched in 1999 by UN Secretary General Kofi Annan, the Global Compact brings companies and NGOs together under the aegis of the UN "to unite the power of market with the authority of universal ideals".

The signatories agreed to embrace ten fundamental principles in three areas: human rights, labour rights and the environment.

In joining the Global Compact in December 2002, Schneider Electric publicly expressed its support for universal values.

Since 2003, the Group has primarily worked to promote this commitment vis-à-vis its partners.

French Environmental Summit

France organised a national environmental summit to address today's environmental issues which brought together all stakeholders. Schneider Electric contributed in order to promote energy efficiency.

World Health Organisation

The definition of health by the WHO is the one used by Schneider Electric as its reference.

"Health is a state of complete physical, mental and social wellbeing and not merely the absence of disease or infirmity".

Observatoire Social International

Schneider Electric also takes part in the work of the Observatoire Social International (OSI). It signed on to the "right to lifelong education and training" which aims to develop a relationship of partnership and co-responsibility between companies and the other actors involved in initial and professional training.

Nicolas Hulot's Pact for the Environment

The Group was the first industrial company to sign Nicolas Hulot's Pact for the Environment with the firm intention of integrating the majority of the pact's ten proposed objectives in its corporate policy.

Standards Organisations

Schneider Electric plays a full role in the international standards bodies as an active partner in the drafting of standards guaranteeing the conformity of its products (UTE, Electrical Standards Board/Union Technique de l'électricité et de la communication - CENELEC, European Committee for Electro-technical Standardization/Comité européen de normalisation électrotechnique - IEC, International Electro-technical Commission et ISO, International Organisation of Standardization).

Schneider Electric is present on AFNOR (French Standards Association / Association Française de normalisation). It participates in the working group on sustainable development.

Lastly, since February 2007, Schneider Electric has been representing France on the ACEA - Advisory Committee for Environmental Aspects - of the IEC (International Electro-technical Commission).The task of the ACEA is to advise and coordinate the work of the IEC on problems relating to the environment.

Other non-profit organisations

The Group is a member of the Board of Directors of the French study centre for corporate responsibility (ORSE) and of the French Global Compact forum. It also actively supports, and has done so for many years, the Association pour le développement du mécénat, (Admical), a member of the European CERES network and of the IMS (Institut du mécénat social). Finally, the Group participates in work conducted by CSR Europe notably in the area of health and safety at work.

8. Impact on regional development and community relations

Wherever it operates, the Group makes a strong commitment to the community and its partners. This is vital for a global enterprise that wants to keep in touch with real-life conditions in its local markets.
There are several projects in development which demonstrate the Group's aim of being an active party (in particular in employment) and contribute fully to local economic development.

Business creation

Over the past ten years, Schneider Electric France has supported employee projects to create businesses or buy going concerns through Schneider Initiatives Emploi (SIE) – a dedicated structure that allows the Group to address its mobility, employment and regional development responsibilities. It also demonstrates Schneider Electric encouragement of entrepreneurial values within its entities.

SIE supports Schneider Electric employees in the utmost confidentiality and intervenes in every step resulting in the establishment or acquisition of a business and thereafter with monitoring lasting at least three years. This approach is fully integrated in the personal/professional development process for Group employees in France (participation in Horizon days in France; integration of specific training in the in-house training offering).

SIE boasts a dedicated team consisting of experienced managers whose mission to make business creation projects reliable and long-lasting in financial, legal, technical and sales terms. The facility is represented and active in local economic networks.

Highlights and awards

● Over 600 project originators (including 90 in 2008) have become heads of companies. With electricians, bakers, consultants, graphic artists, asset managers, florists, etc., the experience is rich, varied and innovative despite the difficulties encountered.

● 80%: this is the success rate of projects enjoying SIE support after three years of operations (compared to 50% nationally).

● 1,200 jobs created: each business start-up or acquisition generates on average two jobs.

● Awards: winner in the "Grandes Entreprises" category of the second *Trophée National de l'Entreprise Citoyenne:* the prize was awarded to the Group on Friday, 28 March 2008.

The honour was bestowed by Isabelle Debré, senator from the Hauts-de-Seine, and Gérard Mestrallet, CEO of Suez and chairman of the 2008 jury. It testifies to the commitment made by the group in Schneider Initiatives Emploi.

Youth opportunities

For many years Schneider Electric has been implementing actions with young people to make it easier for them to start their career. The contribution from Group staff members is one of the keys to the success of our commitment.

Apprenticeships, partnerships with schools and non-profit organisations, financial support for students and involvement in technical and general curricula are just part of the range of initiatives implemented in every country where Schneider Electric operates.

Such actions round out the partnerships developed through the Schneider Electric Foundation (cf. page 93 Community).

Example from 2008

In France, the "100 chances-100 emplois" operation concerns some 100 teenagers and young adults (18-30) per employment pool every year. These people do not have extensive qualifications and come from sensitive urban areas (known as ZUS's) and are ready to commit to a professional integration process.

The aim: make access to long-term employment easier thanks to personalised qualification curricula with the assistance of thirty federated companies coordinated by Schneider Electric within a 36-month timeframe.

Ambition: ensure a 60% success rate, i.e., a fixed-term job contract for month than six months, an open-ended job contract or a qualifying training course.

The "100 chances-100 emplois" system was first deployed in Chalon-sur-Saône in January 2005 by the state authorities working with SFG, a Schneider Electric subsidiary (over the 2005-2007 period).

Highlights:

● Chalon-sur-Saône (after four years)
147 young people concerned, of whom 75 are in long-term contracts (51%), 22 have had support in their approach (15%) and 50 left the operation before the end (34%).

● Grenoble (after three years)
106 young people concerned, of whom 58 are in long-term contracts (55%), 17 have had support (16%) and 31 left the operation before the end (29%).

● Rouen (after one year)
45 young people concerned, of whom 16 are in long-term contracts (36%), 23 supported (51%) and six left before the operation ended (13%).

The towns concerned by the "100 chances-100 emplois" program in 2008 are Chambéry, Le Havre and Dieppe.

Innovation

Schneider Electric allocates over 4% of its turnover to R&D investment to prepare tomorrow's solutions and has fielded a scientific council since 2005. The council's brief is to help Schneider Electric in taking account of scientific, technological and innovation developments, in particular in energy efficiency and sustainable development.

One of the main aims is to understand Schneider Electric approaches and submit recommendations in the following fields:

● Scientific and technological policy (products, product development, industry, services, etc.), in particular in emerging technologies and/or those from other industrial sectors which may have an impact on Schneider Electric activities

● Management of research and innovation programs (innovation practice, approach to scientific and technical cooperation, patenting policy, international deployment, customer involvement, suppliers, etc.) and the global skills strategy pursued by Schneider Electric.

The Group directs a large part of its research projects into energy efficiency. In medium tension, work focuses on new sensors and software intended to enhance products and advanced diagnostic functions. Research teams also work on product offers in electricity distribution which can integrate new forms of energy generation such as solar-powered energy, micro-turbines, wind-powered generators and fuel cells, as well as replacing equipment which may pose a risk to the environment with less hazardous or even completely inoffensive equipment.

9. Environmental performance

Schneider Electric fully assumes its environmental responsibility in its operations by participating in the definition of new regulations and applying them early; by making sites more energy efficient; by facilitating eco-design and by raising employee and partner awareness to environmental concerns.

Framework

Schneider Electric neither generates nor distributes electricity. Its business primarily relies on assembly and monitoring techniques and includes very few processes with a more significant environmental impact, such as metal processing and treatment.

The Group currently has **217 industrial facilities.**

It is committed to including all units in the reporting scope. Since 2005, environmental reporting for production facilities has been extended to logistics sites.

The scope expanded from 184 in 2006 to 201 in 2007 and 234 in 2008, despite consolidations and site closure this year.

The principles of environmental reporting were officially audited in early 2006, early 2007 and then at the end of 2007.

ISO 14001 certification
(number of industrial and logistics facilities)

	Total
Total at end of 2007	204
Target at end of 2008	38*
Achieved at end of 2008	15
Total at end of 2008	219** ▲

** By applying the consideration rule after two years thereafter.*
*** Including one site closure or consolidation in 2008.*

Progress plans in the Planet & Society Barometer

Sites

● Ensure that all manufacturing and logistics sites are certified ISO14001

	2005	2006	2007	**2008**
Performance	5/10	6.86/10	5.03/10	**6.8/10**

Clients

● Provide an environmental profile for 120 products

	2005	2006	2007	**2008**
Performance	2.3/10	5.4/10	8.1/10	**10/10**

Energy efficiency

● Reduce energy consumption per production site employee by 10 %

	2005	2006	2007	**2008**
Performance	6.7/10	7.5/10	10/10	**10/10**

Indicators

	Reported scope				2008 / 2007 like-for-like scope		
	2006	2007	2008		2007	2008	
Number of responding sites	184	201	234	▲	195	195	▲
Number of employees at manufacturing and logistics sites	60,462	65,931	80,846	▲	64,650	64,317	▲
Quantity of waste producted (tonnes)	105,502	119,239	144,888	▲	118,262	112,622	▲
Waste produced per employee (t/p)	1.74	1.81	1.79	▲	1.83	1.75	▲
Recovered waste (tonnes)	84,836	95,663	113,182	▲	95,154	93,650	▲
Percentage of recovered waste	80.4 %	80.2 %	78.1 %	▲	80.5 %	83.2 %	▲
Energy consumption (MWh equivalent)	918,024	968,491	1,124,638	▲	973,507	982,519	▲
Energy consumption / employee (MWh)	15.2	14.7	13.9	▲	15.0	15.3	▲
Water consumption (cubic metres) *	1,824,031	2,123,415	2,374,035	▲	2,097,798	1,980,530	▲
Water consumption / employee (m^3/p) *	30.2	32.2	29.4	▲	32.4	30.8	▲
Estimate							
● CO_2 emissions (tonnes)	285,655	321,823	388,125	▲	318,704	318,956	▲
● CO_2/headcount (t/p)	4.7	4.9	4.8	▲	4.9	5	▲
● COV emissions (kg)	337,548	413,731	479,172	▲	408,298	429,296	▲
● COV/headcount (kg/p)	5.6	6.3	5.9	▲	6.3	6.7	▲

▲ *Audited 2008 indicators*

** Following the audit conducted this year, a significant correction was made to the report for a site. Data from 2007 and 2006 were amended accordingly and in line with 2008.*

Data for 2008 included 234 sites compared to 201 in 2007.

Globally and on a like-for-like basis, all indicators improved with the exception of waste in 2008.

Several trends emerged in 2008 on a like-for-like basis: energy consumption per employee worsened slightly, although the objective set as part of the company program has been exceeded. Water consumption per employee improved very significantly. Waste generated per employee, as well as the proportion of recovered waste, also improved.

Water and energy consumption

Water consumption has been analysed in greater detail since 2006 with a distinction made between ground water and public facility water. Water used for cooling purposes only and which is immediate ejected without alteration is included in the indicators.

Water and energy consumption data are consolidated in the table of indicators.

Raw materials consumption

Schneider Electric works on making its products more compact to economise on natural resources in its aim to offer customers products which preserve the environment. It is therefore modifying its offering to cut down on electricity facility consumption.

To facilitate end-of-life processing, the Group chooses materials that are easy to recycle and clip-together systems that are easy to disassemble. Life cycle analyses and recyclability assessments are used to identify areas for improvement.

Logistics

Continuous streamlining in logistics, a clear source of carbon emission, was given particular attention in 2008 in Schneider Electric entities.

Some of the actions implemented included:

● Closing down 20 distribution centres in 2008

● Deploying monitoring for the filling rate of lorries used in Europe

● Launch of a global study project for a target network of some 80 distribution centres which should lead to significant reductions in CO_2 emissions

● Implementation of a plan to reduce air traffic and focus on maritime traffic by a more effective arbitration between stock ownership costs and transportation costs

● Overhaul of international traffic to and from Latin America and India

● Switch of €65 million in transport costs under the control of a service provider specialising in transport invoice checks with a more detailed database of our shipments within a given scope.

Hazardous materials

European Directives:
RoHS (restriction of hazardous substances)
and
REACH (Registration, Evaluation, Authorisation and Restriction of Chemicals)

Controlling and managing hazardous substances is a priority for the planet as a whole and in particular within the European Union. Such substances are a potential source of pollution and health risks during manufacturing, usage or at the end of their product life.

Schneider Electric has been concerned by this issue for many years and has included it in its environmental policy.

The Group's policy aimed at four vital objectives:

- Comply with current legislative requirements
- Plan ahead for subsequent regulations or restrictions in usage
- Help customers comply with current and subsequent legislation
- Promote the approach in the electricity industry with customers and stakeholders.

The RoHS directive and REACH regulations are taken into account in in-house actions programs in Schneider Electric and are applied in Europe and other countries as well.

Two programs were implemented in the Group to ensure regulatory compliance and meet our customers' expectations.

RoHS program

Although the Schneider Electric offering falling directly within the purview of the RoHS directive is very narrow, a broader proportion is indirectly concerned. Such is the case of equipment fitted in finished products. This is why Schneider Electric has ensured compliance since 1 July 2006 for products directly covered by regulations as well as those frequently incorporated in the equipment concerned. In deciding to extend the elimination of such substances to all its products, Schneider Electric has made a commitment far beyond the directive's requirements.

In addition, although the RoHS European Directive applies to products sold in Europe, Schneider Electric has decided to round out compliance in its offering to global coverage in the months to come.

In 2007 – 2008: a very large proportion of the product ranges distributed across the world has been made compliant with the Directive. Only some of the local offers specific to given countries, as well as products which must be withdrawn from the market over the short term do not comply with RoHS.

The decision made it possible to plan ahead for developments in regulations in various countries such as China where equivalent regulations have been in effect since 1 March 2007. In addition to South Korea, which has applied its own RoHS directive since 1 January 2008, new regulations are expected in the years to come in particular in the India, the USA and Australia, for example.

Further information on how to ensure a greater understanding of the Directive, implementation monitoring and the catalogue of compatible solutions is available on the dedicated web site, www.rohs.schneider-electric.com.

Schneider Electric publishes the RoHS production date for each compliant item. For other items, Schneider Electric issues a forecast compliance date.

REACH program

Schneider Electric implemented a system to ensure compliance with European REACH regulations with the aim of:

- ensuring that substances used by Schneider Electric and its subsidiaries are duly registered and authorised for use as per REACH regulation requirements
- documenting information to be disclosed to customers on the presence of substances referred to as 'hazardous' in its products.

Initially, the REACH focused on continuous supply in the group and all its subsidiaries with regard to chemicals (substances and preparations as defined by the regulations).

To do so, a comprehensive inventory was conducted of all substances and preparations purchased by the Group on a global scale. A commitment was sought from our suppliers in the chemicals sector (of which there are over a thousand in Europe) in order to guarantee preliminary registration by 1 October 2008 with the European Chemical Agency for all substances entering the composition of preparations used by the Group (products and industrial processes).

The action program deployed by Schneider Electric also defines the rules, processes and tools which entities with responsibility for bringing Group products to market must implement to guarantee the second regulatory requirement in REACH: disclosure to our customers of the contents of our products concerning 'candidate substances for authorisation'.

Two types of action have been implemented accordingly:

- documentation of data to be disclosed to our customers following information garnered by from our technical and materials experts, our suppliers as well as the extensions of our technical information systems
- creation of a communication tool featuring web access to enable our customers to consult the information required by REACH.

In addition to the work above, REACH has major implications in R&D and more generally in all industrial approaches.

- To use chemical preparations including as few substances as possible which require authorisation, the Group will change its development processes.
- Plans will have to be made for material replacements, which will entail teamwork with specific suppliers.

Measures to reduce energy consumption

Production sites

As a partner in the energy efficiency of its customers, Schneider Electric applies its own solutions in its program to reduce energy consumption in its site. The program is called Energy Action.

The target from 2005 to 2008 was to cut down energy consumption per employee in production sites by 10%. Five fields were targeted in particular: heating, air conditioning, equipment (data processing in particular), lighting and specific industrial processes.

Assessment of 2008

In December 2008, over 100 sites were committed to the Energy Action program. Major actions were implemented thanks in particular to solutions from Schneider Electric (speed variators, lighting controls, measuring and monitoring consumption, etc.).

Specific attention was given to the following regions: Asia, Europe, North and South America, Africa and Asia.

Examples in 2008

Greece: the Inofyta plant was built in 1969 and specialists in manufacturing medium tension transformers. At this production site, 50% of energy consumption concerns the baking process when manufacturing magnetic sheet metal. This was therefore where most of the actions implemented concentrated, in particular to reduce heat losses. Other initiatives were taken, for example the implementation of an automatic reactive energy compensation system, remote controls for the main doors in the plant, automatic heating controls and the adoption of low consumption lamps. The site reduced its energy consumption per employee by 27% in 2008 compared to 2007 (in kWh per person).

Brazil: production facilities in Brazil (Guararema, Jurubatuba and Sumaré) drew up an energy action plan. The sites are located throughout the country and focus on manufacturing contactors, switches, automation controls, modular circuit breakers and 'ultra-terminal' products.
Specific products and components were deployed with concentration on the following applications: energy management by a surveillance system linked to the internet, optimisation of energy supply contracts and reduction in the cost of reactive energy to improve the power factor.

Schneider Electric products

Most of the Group's products are installation components used in managing energy consumption. They do not directly consume energy, whilst dissipation losses are negligible in relation to the energy throughput. In contrast, they have a decisive energy efficiency role in downstream applications.

Schneider Electric is committed to an approach to factor in general environment considerations in its entire offering. By 2011, two third of its sales must be made using so-called "Green Premium" products, i.e., those which stipulate their environmental impact throughout their life cycle (energy and raw materials consumption, recycling, identification and even elimination of hazardous materials).

Furthermore, new impact targets must be developed in the development process for new products. For particularly energy-greedy products, such as for example electronic power products or control and command electronics, energy consumption improvement targets will be incorporated in the eco-design approach.

Examples and awards in 2008

USA: For the launch of the new Back-UPS ES 750 VA UPS, the priority was clearly to offer a solution with the lowest possible environmental impact. The result was a maximum reduction in energy consumption to enable the product to be five times more efficient that its market equivalents. The offer was awarded 'product of the year' labelling by Engineering Award and Electronic House 2008 in the USA.

France: in December 2008, Schneider Electric won the Jury Award for the "Eco-products for Sustainable Development" among the "Entreprises et Environnement" prizes awarded by the French Ecology, Energy, Sustainable Development and Town and Country Planning ministry. The award was given to its M340 platform of automation controls.

Awarded at Pollutec, the trade fair that sets the global standard in environment shows, these prizes are intended for companies which have instigated exemplary approaches to control and reduce the impact of their operations and/or products and services in the environment. Developed by the Process & Machine Business in the Group, the M340 range of products stands out through five key assets:

- Energy consumption is reduced by 25%
- 80% recycling rate (compared to 60% in the previous range)
- 70% reduction in the weight of the product and its packaging
- Compliance with the RoHS Directive
- The "Green Product" label for the Chinese market.

Promoting energy efficiency

Many initiatives have been launched in-house to improve understanding of the short and long-term benefits of energy efficiency. These include awareness campaigns, elections of 'energy champions' in each country, the creation of local working groups to deploy Energy Action measures and highlighting the best employee and site in energy efficiency. A dedicated intranet site is also on line and is used to monitor developments and results from Energy Action.

Specific events and seminars have also been held in Vietnam, Singapore, France and the USA for our customers and, more broadly our partners. In addition, partnerships have been signed as part of the Alliance.

Finally, many items of information concerning the environment are also available, for example on the APC site where a training guide on energy savings can be downloaded, along with a manual on eco-design for data centres.

Promoting renewable energy sources

In acquiring the Canadian firm Xantrex in 2008 (one of the top three companies on the UPS market used for solar and wind-power installations), Schneider Electric consolidated its role as a major player in solutions using renewable energy sources.

Schneider Electric has also been work with SolaireDirect since 2007. The company focuses on solar-powered electricity product which proposes the design and installation of photo-voltaic infrastructures of all sizes.

More generally, Renewable energies operations at Schneider Electric focusing more specifically on solar-powered energy meets the growing requirements of its customers who wish to combine solar and renewable energy sources. The aim is to offer solutions and services configured for specific needs on tertiary and domestic markets as well as solar farms.

Examples

France and Spain: Schneider Electric is also developing the user of renewable energy sources in its infrastructures. For example, the canteen at its R&D Electropole centre in Eybens (France) is powered by solar energy. The head office of the operations division in Europe, located in Barcelona (Spain), features a photo-voltaic system and a centralised heating, ventilation and temperature control system which cuts energy costs by 15%. Similarly, the recent head office of Schneider Electric in Rueil-Malmaison (France) meets high-quality environmental HQE standards, in particular in terms of energy consumption (divided by four, with a target of under 50 kWh per sq.m. per year). 1,700 staff members in the greater Paris region will eventually occupy this building where 20,000 visitors per year are expected.

Factoring in ecosystems

An innovative initiative was developed in 2008 in Spain where Schneider Electric took part in a reforesting program.

Managing emissions, pollution and waste

Land use conditions

Virtually all Schneider Electric sites are located in urban or industrial areas and do not affect any notable biotopes. No Group operations involve extraction or landfarming.

Air and water emissions

Because Schneider Electric is mainly an assembler, its releases into the air and water are very limited. Mechanical component production workshops are carefully monitored as part of their ISO 14001 certification. Emissions are monitored locally, as required by current legislation. No major spills or releases were reported in 2008.

Climate change is one of the major challenges facing our times in the belief held by Schneider Electric. The Group accordingly implements an action to identify and reduce greenhouse gas emissions from its operations.

Schneider Electric is thus a major partner in the International Polar Foundation. Since September 2007, the Group has been providing electricity and technical management at the station along with the remote controls for the Foundation's first 'zero emission' science research station (the "Princess Elisabeth") .

Schneider Electric also contributes to the International Polar Foundation missions in Antarctica:

- By completing for the last three years the questionnaires from the Carbon Disclosure Project, a global initiative implemented by investors and asset managers
- By joining the Clinton Climate Initiative, an initiative on a global scale to counter global warming and improve energy efficiency (since August 2007).

The action plan to reduce greenhouse gas emissions is implemented in steps by Schneider Electric:

- Measure carbon emissions over one year (2007-2008)
- Preliminary actions to reduce carbon emissions insofar as the Group has data consolidation tools which are sufficiently reliable and can be audited (from 2009 onwards)
- Implement carbon accounting to launch actions in the future to reduce carbon emissions (from 2009 onwards).

Conclusions of the Carbon Assessment

In 2007, Schneider Electric commissioned a specialist independent audit to conduct a carbon audit of its operations.

The entire cycle of operations was audited, from upstream activities by suppliers to downstream logistics to distribute our products to our customers.

The audit identified:

- The main "masses" of carbon emissions: half of these emissions stems from raw materials, components and services purchased from our suppliers. One third stem from logistics and the remainder from our own energy usage (travel by staff members, industrial procedures and the impact of our buildings)
- The potentially high impact of releasing SF_6 gases into the atmosphere from specific families of medium tension appliances. The type of gas can be released by appliances at the end of their life cycle when they are disassembled by waste processing companies.

Schneider Electric activities accordingly have the following characteristics:

- The Group assembles most of its products in plants of a relatively small size compared to heavy industry as a whole. It is therefore not subject to emission permits in any of its entities the world over. As SF_6 gas is a very powerful greenhouse gas, the USA and the European Union may be prompted to restrict SF_6 usage in the years to come. Some sectors such as shoe-making and double-glazing, have withdrawn SF_6 from production given its impact on climate change.
- Schneider Electric is, however, sensitive to major fluctuations in energy costs affecting its supply chain, as there is a directly relationship between carbon emissions and the quantity and type of energy used.

Action plans for the end of 2011

Five priority action plans have been defined:

- Reduce waste per employee by 7.5% and ensure a recovery rate of 84% in production, logistics and large service facilities
- Reduce energy consumption per employee to 13.5 MWh in production, logistics and large service facilities
- Reduce SF_6 gas losses occurring during the industrial process to 1.2% (4.6% in 2008)
- Cut down on the use of airborne traffic by 20% (compared to 35% in 2008)
- Implement SF_6 gas processing outlets in ten countries.

Soil emissions

Site operations do not result in planned soil emissions. Land in workshops is sealed using appropriate treatment. Hazardous products are systematically stored and handled using retention tanks. Retention systems also take account of breakdowns or incidents such as fires.

As in previous years, Schneider Electric reviewed pollution risks in all its industrial facilities as part of the follow-up for ISO 14001 certification. No site is Seveso classified. Thirteen sites, including seven in France, are continuously monitored, often as a result of previous production activities. Monitoring is ensured in conjunction with the authorities and, where applicable, preventive pollution control measures have been implemented. This was the case in former sites such as Yates (USA) and Maizières-Lès-Metz (France), where areas of land polluted by transformer oil were excavated.

No major incident occurred in 2008.

Odour and noise pollution

All sites operate in accordance with sound pollution regulations.

Waste

Waste is acknowledged as one of the main sources of pollution, but is also a potential resource for raw materials. Waste management is one of the Group's environmental protection priorities.

This priority is reflected is policy and regulatory commitments specifically aimed at electrical product waste, as per the European Directive on Waste Electrical and Electronic Equipment (WEEE), which has been transposed in each European Union state. Equivalent regulations already apply or are being developed in Japan, China, India and the USA.

The main aim of the WEEE directive is to increase recovery rates for leading electrical waste such as household appliances including television sets, refrigerators and lighting, as well as information and telecommunications hardware which has an extremely short life cycle. The Directive addresses industrial electrical and industrial equipment only in passing and makes the manufacturing of electrical equipment responsible for implementing and financing dedicated outlets for electrical equipment so that it can be collected and processed specifically. Recovery and recycling are clearly highlighted with minimum rates to be observed.

As for waste arising from manufacturing processes, the main emissions from Schneider Electric consist of solid waste. Management of solid waste is the subject of continuous improvement measures. This approach is fully part of the ISO 14001 certification process which Schneider Electric imposes on all its manufacturing sites worldwide.

In light of the disparities in classification from one country to the next, the Group cannot ensure global consolidation of type of special and general industrial waste. Data are traced at local level, however. In France, for example, the rate of special industrial waste is in the region of 14% of total waste. All waste is processed by specialist outlets according to type.

End-of-life management

The Group is actively involved in a responsible approach to managing waste generated by its products, even though the WEEE Directive covers virtually none of them.

As a responsible company, Schneider Electric must be able to demonstrate that it has organized end-of-life management. Solutions need to be financed and certified for collecting, processing and recycling end-of-life products in a way that preserves both human health and the environment.

Carried out in close cooperation with all Group partners, this approach must be deployed at national level in each State. It involves identifying, certifying and in some cases organizing solutions for processing waste from electrical equipment, with the application of appropriate indicators.

Defining responsibilities?

Waste management is the responsibility of the manufacturers of batters and other consumables. The Group policy supports this sharing of responsibility given that Schneider Electric retains information responsibility for any presence of such. Accordingly, Schneider Electric informs its customers about the impact of its products and their composition thanks to Product Environmental profiles (PEP's) which are included with them.

In Europe, Schneider Electric provides its customers with an offer to handle products at the end of their service life. This is the case, for example, with the subsidiary MGE UPS Systems. Since 2006, the "Swap pac" offer relieves owners of obsolete UPS's from managing how to process electrical and electronic waste. The offer includes a site audit (environmental audit of electricity consumption and the quality of the facility), processing equipment at the end of their service life (removal, recovery, issue of the destruction certificate) and the supply of new equipment.

Designing for recyclability

It should also be noted that Schneider Electric includes the environmental impact of the end of service life for its products from the design phase onwards and goes beyond calculating the potential EIME recovery rate (EIME is a software application that assesses environmental risks and management opportunities). The Group has developed a best practice guide for design to optimise end-of-life costs and the potential recyclability rate of its products.

In addition, Schneider Electric decided to include the requisite recommendations and best practice in its instruction manuals so that recycling occurs under environmental sound conditions.

Evaluation and compliance approaches

Environmental evaluation and certification

When the ISO 14001 environmental management standard was published in 1996, Schneider Electric immediately initiated a process to certify its sites. The Group's goal was to obtain certification for all manufacturing and logistics sites within two years after their acquisition or construction.

At the end of 2008, 90.5% of sites, i.e., 219 industrial and logistics facilities, had obtained ISO 14001 certification.

As part of its improvement plans in the Planet and Society Barometer, one of the ten objectives was to obtain ISO14001 certification for 100% of its industrial and logistics facilities by the end of 2008.

Fifteen new facilities obtained certification in 2008.

In addition, the planned deployment on an experimental basis of the environment management system in service systems continued in 2007. All sales offices in Germany and France are already certified.

Environmental management organisation and training

Organisation

The organisation comprises:

- An environment division at Group level

- A skills network consisting of:

- for sites: environment offices in all countries with significant operations and operations divisions and unit environment officers in each industrial or logistics entity

- for products: managers referred to as eco relays in each activity in charge of factoring in environmental aspects in managing the offering, and environment delegates in each department.

The network boasts tools for managing and sharing experience (directives, application guides, a dedicated intranet site and database, etc).

Employee training and information

Employee training and information are among the key assignments for country and unit managers. They are deployed in particular for site certification and are supported by e-learning training consisting of 28 specialised modules providing some 15 hours of training.

Example in 2008

Schneider Electric Columbia received an "Environmental Excellence" label as official government recognition of the quality of actions implemented by the Group in the field of environmental preservation. The environmental campaign launched in 2006 and aimed at employees and their families was one of the decisive factors.

Environmental risk management and prevention

Environmental risk management is part of the ISO 14001 environmental management system. No Schneider Electric sites are Seveso classified.

Aside from the voluntary prevention measures discussed above for sites with a soil contamination history, no compensation has been paid as a result of a legal ruling.

Organisation implemented to deal with pollution accidents with consequences outside the company's establishments

All of the Group's industrial sites, which are ISO 14001 certified, have organizations in place to prevent emergencies and respond effectively if necessary. Preventive and corrective action plans are based on an analysis of nonstandard situations and their potential impact. This analysis draws in part on hazard reviews for classified installations.

In France, for example, certain sites handling 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, like SDE, which is located next to a river, have floating beams.

All actions are supported by procedures and are regularly tested in drills throughout the year.

A national organisation has been set up to monitor sensitive sites. Managers systematically attend training in environmental crisis management. Directives, procedures and guides on a nation-wide basis are available on the intranet including environmental crisis management, management of former and current activities and pollution risk prevention, etc. Application is verified by internal audits.

In Europe, for example, a soil environment committee meets every quarter and signs off action plans to reduce the potential risk of pollution and eliminate any impact on the environment for sites under surveillance as a result of past industrial activity.

Example in 2008

A fuel leak occurred at the MG Ales facility in France in November 2008. The leak sprang from a generator tank and posed no risk to employees. Filter barrages were immediately installed to prevent pollution of river water and to capture fuel in a retention ditch within the site. As a precautionary measure, a retention basin was also installed at the site exit point. After informing the DRIRE environmental authorities, a crisis management team was set up to meet on daily basis at the site to contain any slippage and implement pollution control operations in the affected areas. No river water pollution was observed from the accident. Polluted earth was removed and biologically treated in a centre which has DRIRE authorisation. Security measures for the activities in question are under study with implementation scheduled for the first quarter of 2009.

10. Rating

This section outlines the grades awarded by the main specialist rating agencies and ethical fund managers. Ratings refer to the Group's performance in its reference sector.

Improvement plans in the Planet & Society Barometer

- Ensure that Schneider Electric is included in the four major SRI families

	2006	2007	**2008**
Performance	7.5/10	7.5/10	**7.5/10**

ASPI Eurozone index

Schneider Electric has been included in the Advance Sustainable Performance Indices' Eurozone 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 listed stock in accordance with ASPI Eurozone guidelines.

www.vigeo.com

Dow Jones Sustainability indices

First included in 2002, Schneider Electric was listed in the 2008 Dow Jones Sustainability Index World and the DJSI Euro Stoxx index. This family of indices bases its decisions on research provided by Sustainable Asset Management (SAM), an independent asset manager with headquarters in Switzerland.

www.sustainability-index.com

Ethibel Sustainability indices

Schneider Electric was selected in 2006 for the Ethibel investment register, which is used as the standard for socially responsible investment by a growing number of banks, fund managers and institutional investors in Europe. Ethibel offers investors two products based on the register, the Ethibel Sustainability Index (ESI) Excellence Europe and Ethibel Sustainability Index (ESI) Excellence Global.

www.ethibel.com

> For more information:

www.schneider-electric.com
(> group > sustainable development)

www.barometer.schneider-electric.com

www.rohs.schneider-electric.com

www.foundation.schneider-electric.com

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By e-mail: fr-developpement-durable@schneider-electric.com

By land mail: Schneider Electric Industries SAS
Sustainable Development Department –
35 rue Joseph Monier- 92500 Rueil-Malmaison – France

11. Methodology underlying human resources, safety and environmental indicators

Frame of reference and definitions

In the absence of any recognized 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 human resources, safety and environment indicators. The frame of reference includes all relevant definitions, measurement procedures and methods for collecting information. As part of its continuous improvement process, Schneider Electric is gradually adapting the sustainable development indicators as the Group evolves. The frame of reference is regularly updated.

Consolidation scope and methods

Human resources and safety indicators are consolidated at the worldwide level for all companies that are fully consolidated in the Group's financial statements.

As concerns environmental data, all units certified to ISO 14001 must report. Production and logistics sites with 20 or more employees are also included in the scope of consolidation after two full calendar years of operation. Administrative, R&D and sales sites may report on a voluntary basis. In 2008, the scope of environmental reporting expanded from 201 to 234 manufacturing and logistics sites, in keeping with the policy of covering the broadest possible base. Units belonging to fully consolidated companies are included on a 100% basis, as are units belonging to proportionally consolidated companies. Companies accounted for by the equity method are not included in the reporting.

Data collection and monitoring

Human resources, safety and environment indicators are drawn from several dedicated reporting sources available on the Group's intranet. Depending on their nature, the data are consolidated by the Human Resources or the Environmental Affairs departments. Data is checked during consolidation, with a review of changes from the previous year and inter-site comparisons. No estimates are used to replace inconsistent or missing data. 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.

Calculation methods

Environmental data

CO_2: The Group uses the method endorsed by the International Energy Agency in 2006 to convert energy consumption into CO_2 equivalent. The conversion factors may be global (natural gas, fuel oil, diesel) or national (electricity, urban heating, etc.).

Waste: the figures do not include exceptional waste, such as that from building demolition.

ISO 14001 certification: the ISO 14001 indicator covers 217 manufacturing and logistics sites compared with 211 for the other environmental indicators. ISO 14001 certification is one of the Planet & Society barometer's performance indicators.

Volatile Organic Compounds (VOCs): given the nature of the Group's business, an estimate was made of VOC emissions in 2006 and 2007 to provide a rough approximation.

Product Environmental Profiles (PEPs): This indicator corresponds to the number of PEPs compiled by Schneider Electric. It is one of the Planet & Society barometer's performance indicators.

Social data

Lost time injury rate per employee: this indicator is calculated monthly on the basis of working days and average workforce. It includes all injury-related time off exceeding one day during the past 12 months. The annual total corresponds to the sum of the monthly totals. Employees of units that do not report a lost time injury figure are not included in the denominator. The lost time injury rate is one of the Planet & Society barometer's performance indicators.

Health and retirement coverage: all units that provide benefits for the three following areas are considered to offer basic coverage: illness (benefits in cash or in kind), work accidents (benefits in cash or in kind) and disability. The indicator, which includes units acquired no less than two months previously, is one of the Planet & Society barometer's performance indicators.

Number of hours of training: this indicator does not include awareness-raising campaigns, which are not considered to be part of training. The data is accounted for in hours as of 2007.

Diversity: this indicator tracks the percentage of women participating in international mobility programs, which serve to identify high-potential talent within Schneider Electric. Diversity is one of the Planet & Society barometer's performance indicators.

Global Compact: this indicator, which tracks the percentage of unit purchases made from Global Compact signatories, covers the 2,000 largest referenced suppliers in the Group's supplier base. This tends to reduce the final amount, given that suppliers who comply with the Electronic Industry Code of Conduct (EICC) also meet the Global Compact's requirements. The volume of purchases from Global Compact signatories is one of the Planet & Society barometer's performance indicators.

Methodological limits

Methodologies used to establish environmental indicators may provide incomplete data due to current-month estimates made during reporting. These estimates, which represent a sixth of the period, are not adjusted afterwards.

12. Statutory auditor's report on a selection of environmental, safety and human resources information

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.

Dear Sir and Madame,

Further to your request and in our capacity as Statutory Auditor of Schneider Electric, we have performed a review to obtain limited assurance that the data of the Group for fiscal year 2008, as identified by the ▲ symbol in page 86 to 93 and 97-98 of the annual report ("the Information"), have been prepared in accordance with the Schneider Electric 2008 Guidelines ("the Guidelines"), summarized in page 104-105.

The responsibility of Schneider Electric's management is to prepare the Information and draw up the Guidelines. The Guidelines are available for consultation at the Group head office.

Our responsibility is to express an opinion on the Information, based on our review. Our review was carried out in accordance with professional standards applicable in France and international standard ISAE 3000 (International Standard on Assurance Engagement).

Nature and scope of our review

To express a conclusion on the Information, we performed the following tasks:

- We have assessed the Guidelines with respect to its completeness, neutrality, understandability and relevance compared to the Group's activities and reporting practices of the industry.
- At Group level, we have conducted interviews with the persons responsible for reporting. At this level, we have:
  - Conducted a risk and materiality analysis,
  - Assessed the application of the Guidelines, implemented analytical procedures and consistency checks and verified data processing and aggregation at Group level.
- We have selected a sample of seven business units sites [1] that are representative of the activities and the geographical localizations, on the basis of their contribution to the Group's consolidated data and the results of the prior risk analysis.
- The selected sites represent on average 29% of the data published by Schneider Electric (from 4% to 56% depending on information) [2]. At the level of the selected sites and entities, we have verified the understanding and application of the Guidelines, and verified, on a test basis, compliance with the calculation formula, as provided in the Guidelines, and reconciliation with supporting documents.
- We reviewed the presentation of data in the annual report 2008 in page 86 to 93 and 97-98.

To assist us in conducting our review, we referred to the environmental experts of our firms under the responsibility of Eric Duvaud.

In view of the review carried out on the Group's major locations over the last four years and the improvements made by Schneider Electric to enhance the sites' understanding of and compliance with the Guidelines, we consider that our verification tasks concerning the Data provide limited basis for our conclusion.

Information and comments

As regards the reporting Protocol defined by Schneider Electric for the selected data, we wish to make the following comments:

- Improvements have been made regarding reporting procedures formalization and internal controls implemented at Group level. Nevertheless the kind of controls to be performed on all environmental and social data as well as the persons in charge of those at site and operational units levels should be detailed, and their effectiveness reinforced in order to perpetuate reporting reliability.
- Efforts made in the operational units and sites to raise the awareness of the persons responsible for environmental, safety and human resources reporting about reporting stakes should be pursued; specific attention should be paid to the compliance with the Protocol regarding the distinction between "DVC and Non DVC Staff" and the calculation methodologies for indicators "Estimate of VOC emissions" and "Produced and recovered waste";

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(1) France (sites of Moirans, Carros and France Transfo) ; United States/Mexico – NAOD (sites of Rojo Gomez ans Seneca) et Scandinavia (sites of Stromfors and Nykoping).

(2) 33% of energy consumption; 14% of waste production and recovery; 28% of water consumption; 54% of CO_2 emissions; 3% of VOC emissions; 27% of industrial and logistics headcount; 43% of total headcount; 20% of training hours and 56% of number of days lost (NDL).

The Group provides detailed information about the methods used to prepare data in the methodological memorandum on pages 104-105 and in the comments to the data published. With respect to this information, we wish to underline that environmental data is gathered in June and December based on estimates for at least the last month of each semester and is not readjusted at year end.

Conclusion

During our review, we detected that the reporting of worked hours data, which is required to compute "Lost-Time Injury Frequency Rate (LTIFR)" and "Lost-Time Injury Severity Rate (LTISR)" infomation calculation, was not comprehensive.

Based on our review, and except for these above qualification, 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 Protocol.

Neuilly-sur-Seine, March 4th, 2009.

The Statutory Auditor Ernst & Young et Autres	Ernst & Young / Environnement et Développement Durable
Pierre Jouanne	Eric Duvaud

ERNST & YOUNG
Quality In Everything We Do

Consolidated financial statements at December 31, 2008

1. Consolidated statement of income

(in millions of euros except for earnings per share)		2008	2007
Revenue	*(note 21)*	**18,311**	**17,309**
Cost of sales		**(10,896)**	(10,210)
Gross profit		**7,415**	**7,099**
Research and development expenses	*(note 22)*	**(402)**	(417)
Selling, general and administrative expenses		**(4,120)**	(3,978)
Other operating income and expenses	*(note 24)*	**(139)**	(142)
EBITA (*)		**2,754**	**2,562**
Amortization and impairment of purchase accounting intangibles	*(note 25)*	**(174)**	(79)
Operating profit		**2,580**	**2,483**
Finance costs, net		**(246)**	(247)
Other financial income and expenses		**(68)**	(19)
Finance costs and other financial income and expense, net	*(note 26)*	**(314)**	**(266)**
Share of profit /(losses) of associates	*(note 6)*	**12**	4
Profit before tax		**2,278**	**2,221**
Income tax expense	*(note 11)*	**(555)**	(600)
Profit for the period		**1,723**	**1,621**
- Attributable to equity holders of the parent		**1,682**	1,583
- Attributable to minority interests		**41**	38
Basic earnings per share (in euros)	*(note 13.3)*	**7.02**	6.78
Diluted earnings per share (in euros)	*(note 13.3)*	**7.00**	6.70

** EBITA (Earnings Before Interest Taxes and Amortization of purchase accounting intangibles).*

The accompanying notes are an integral part of the consolidated financial statements.

2. Consolidated statement of cash flows

(in millions of euros)		2008	2007
I - Cash flows from operating activities:			
Profit attributable to equity holders of the parent		**1,682**	1,583
Minority interests		**41**	38
Share of (profit)/ losses of associates, net of dividends received		**(12)**	(4)
Adjustments to reconcile net profit to net cash provided by operating activities:			
Depreciation of property, plant and equipment		**328**	309
Amortization of intangible assets other than goodwill		**220**	185
Losses on non current assets		**72**	41
Increase/(decrease) in provisions		**93**	101
Change in deferred taxes		**(23)**	11
Losses/(gains) on disposals of assets		**18**	(81)
Other		**81**	28
Net cash provided by operating activities before changes in operating assets and liabilities		**2,500**	**2,211**
(Increase)/decrease in accounts receivable		**(31)**	(367)
(Increase)/decrease in inventories and work in process		**(50)**	(44)
Increase/(decrease) in accounts payable		**(5)**	151
Change in other current assets and liabilities		**14**	139
Change in working capital requirement		**(72)**	**(121)**
	Total I	**2,428**	**2,090**
II - Cash flows from investing activities:			
Purchases of property, plant and equipment		**(416)**	(403)
Proceeds from disposals of property, plant and equipment		**14**	79
Purchases of intangible assets		**(298)**	(233)
Proceeds from disposals of intangible assets		**7**	(3)
Net cash used by investment in operating assets		**(693)**	**(560)**
Purchases of financial investments - net	*(note 2)*	**(598)**	(5,291)
Purchases of other long-term investments		**(17)**	(1)
Increase in long-term pension assets		**28**	(25)
Sub-total		**(587)**	**(5,317)**
	Total II	**(1,280)**	**(5,877)**
III - Cash flows from financing activities:			
Issuance of long-term debt	*(note 16)*	**435**	708
Repayment of long-term debt		**(749)**	(5,160)
Sale/(purchase) of treasury shares		**(70)**	15
Increase/(reduction) in other financial debt		**366**	6,386
Issuance of shares		**144**	1,271
Dividends paid: Schneider Electric SA		**(796)**	(670)
Minority interests		**(36)**	(29)
	Total III	**(706)**	**2,520**
IV - Net effect of exchange rate :	**Total IV**	**(83)**	**(2)**
Net increase/(decrease) in cash and cash equivalents : I + II + III + IV		**359**	**(1,268)**
Cash and cash equivalents at beginning of period		**1,158**	2,426
Increase/(decrease) in cash and cash equivalents		**359**	(1,268)
Cash and cash equivalents at end of period	*(note 12)*	**1,517**	**1,158**

The accompanying notes are an integral part of the consolidated financial statements.

3. Consolidated balance sheet

Assets (in millions of euros)		Dec. 31, 2008	Dec. 31, 2007
Non-current assets			
Goodwill, net	*(note 3)*	8,542	8,141
Intangible assets, net	*(note 4)*	3,991	3,714
Property, plant and equipment, net	*(note 5)*	1,970	1,856
Total tangible and intangible assets		5,961	5,570
Investments in associates	*(note 6)*	281	172
Available-for-sale financial assets	*(note 7)*	200	323
Other financial assets	*(note 7)*	113	124
Total non current financial assets		313	447
Deferred taxes	*(note 11)*	932	688
Total non-current assets		**16,029**	**15,018**
Current assets			
Inventories and work in process	*(note 8)*	2,584	2,481
Trade accounts receivable	*(note 9)*	3,537	3,463
Other receivables and prepaid expenses	*(note 10)*	925	951
Assets held for sale		2	2
Current financial assets	*(note 7)*	78	84
Cash and cash equivalents	*(note 12)*	1,652	1,269
Total current assets		**8,778**	**8,250**
Total assets		**24,807**	**23,268**

The accompanying notes are an integral part of the consolidated financial statements.

Liabilities (in millions of euros)

		Dec. 31, 2008	Dec. 31, 2007
Equity	*(note 13)*		
Share capital		**1,979**	1,962
Share premium account		**5,378**	5,254
Retained earnings		**4,503**	3,931
Translation reserve		**(954)**	(962)
Equity attributable to equity holders of the parent		**10,906**	**10,185**
Minority interests		**145**	129
Total equity		**11,051**	**10,314**
Long-term provisions			
Provisions for pensions and other post-employment benefits	*(note 14)*	**1,463**	996
Provisions for contingencies	*(note 15)*	**302**	264
Total long-term provisions		**1,765**	1,260
Non-current liabilities			
Ordinary and convertible bonds	*(note 16)*	**3,367**	3,196
Other long-term debt	*(note 16)*	**1,272**	590
Total non-current financial liabilities		**4,639**	3,786
Deferred tax liabilities	*(note 11)*	**888**	910
Other non-current liabilities	*(note 17)*	**20**	77
Total non-current liabilities		**7,312**	**6,033**
Current liabilities			
Trade accounts payable		**2,312**	2,133
Accrued taxes and payroll costs		**1,320**	1,305
Short-term provisions	*(note 15)*	**538**	445
Other current liabilities		**708**	637
Short-term debt	*(note 16)*	**1,566**	2,401
Total current liabilities		**6,444**	**6,921**
Total equity and liabilities		**24,807**	**23,268**

The accompanying notes are an integral part of the consolidated financial statements.

4. Consolidated statement of changes in equity and minority interests

(in millions of euros except for number of shares)	Number of shares (thousands)	Share capital	Share premium account	Retained earnings	Treasury stock	Other reserves	Translation reserve	Equity attributable to equity holders of the parent	Minority interests	Total
December 31, 2006	**227,698**	**1,822**	**4,121**	**3,200**	**(265)**	**(9)**	**(152)**	**8,717**	**121**	**8,838**
Profit for the year				1,583				1,583	38	1,621
Valuation gains/(losses) taken to equity *(note 13)*						12		12		12
Exchange differences on translating foreign operations							(810)	(810)	(1)	(811)
Total recognized income and expense for the period (comprehensive income)				**1,583**		**12**	**(810)**	**785**	**37**	**822**
Issuance of shares	15,781	126	1,052					1,178		1,178
Exercise of stock options *(note 13)*	1,820	14	81					95		95
Dividends *(note 13)*				(670)				(670)	(29)	(699)
Change in treasury stock *(note 13)*					24			24		24
Stock options *(note 13)*					26			26		26
Other (1)				19	11			30		30
December 31, 2007	**245,299**	**1,962**	**5,254**	**4,132**	**(204)**	**3**	**(962)**	**10,185**	**129**	**10,314**
Profit for the year				1,682				1,682	41	1,723
Valuation gains/(losses) taken to equity *(note 13)*						(424)		(424)		(424)
Exchange differences on translating foreign operations							8	8	10	18
Total recognized income and expense for the period (comprehensive income)				**1,682**		**(424)**	**8**	**1,266**	**51**	**1,317**
Issuance of shares	2,000	16	118					134		134
Exercise of stock options *(note 13)*	127	1	6					7		7
Dividends *(note 13)*				(796)				(796)	(36)	(832)
Change in treasury stock *(note 13)*					(70)			(70)		(70)
Stock options *(note 13)*					26			26		26
Other (2)				152	2			154	1	155
December 31, 2008	**247,426**	**1,979**	**5,378**	**5,170**	**(246)**	**(421)**	**(954)**	**10,906**	**145**	**11,051**

(1) Of which €12 million in connection with the employee share purchase plan and €6.0 million from reclassification of capital gains on own shares.

(2) Of which €152 million in long term receivable on tax authorities, €5 million in connection with the employee share purchase plan and €(2) million from reclassification of capital gains on own shares.

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 consolidated financial statements for the year ended December 31, 2008 were reviewed by the Management Board of Schneider Electric on February 13, 2009 and by the Supervisory Board on February 18, 2009. They will be submitted to shareholders for approval at the Annual General Meeting of April 23, 2009.

The Group's main businesses are described in Chapter 1 of the Registration Document.

Note 1 - Summary of significant accounting policies

1.1 - Accounting standards

Schneider Electric's consolidated financial statements have been prepared in compliance with the international accounting standards adopted by the European Union as of December 31, 2008. The same accounting methods were used as for the consolidated financial statements for the year ended December 31, 2007, with the exception of the following standards and interpretations adopted in 2008, whose impact on the Group's accounts was not material:

- IFRIC 11 – *IFRS 2 Group and Treasury Share Transactions,*
- IFRIC 14 – *IAS 19 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction,*
- Amendments to IAS 39 and IFRS 7 – *Reclassification of Financial Assets.*

There are no differences in practice between the standards applied by the Group and the IFRSs issued by the International Accounting Standards Board (IASB), as the application from January 1, 2008 of the following standards and interpretations not yet adopted by the European Union would not have a material impact on the Group's accounts:

- IFRIC 12 - *Service Concession Arrangements,*
- Amendments to IFRIC 9 and IAS 39 – *Embedded Derivatives,*
- Amendment to IFRS 7 – *Investments in Debt Instruments.*

The Group did not early adopt the following standards and interpretations adopted by the European Union that are applicable after January 1, 2008:

- Amendment to IAS 1 – *Presentation of Financial Statements,*
- Amendment to IAS 23 – *Borrowing Costs,*
- IFRS 8 – *Operating Segments,*
- IFRIC 13 – *Customer Loyalty Programmes,*
- Amendment to IFRS 2 – *Share-based Payment: Vesting Conditions and Cancellations.*

Lastly, the Group did not apply the following standards and interpretations that had not been adopted by the European Union as of December 31, 2008:

- Amendment to IFRS 3 – *Business Combinations,*
- Amendment to IAS 27 – *Consolidated and Separate Financial Statements,*
- Amendment to IAS 39 – *Financial Instruments: Recognition and Measurement – Exposures Qualifying for Hedge Accounting,*
- Amendments to IAS 32 and IAS 1 – *Puttable Financial Instruments and Obligations Arising on Liquidation,*
- 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,*
- *IFRS improvements.*

The potential impact of these standards and interpretations on the consolidated financial statements is currently being assessed. At this stage of analysis, the Group does expect their impact to be material, except for:

- IFRS 8, which will modify the presentation of segment information,
- The amendment to IFRS 3, which will modify prospectively the accounting treatment of business combinations.

The financial statements present data prepared in accordance with IFRS for the years ended December 31, 2008 and December 31, 2007. The financial statements for the year ended December 31, 2006, presented in the Registration Document registered with Autorité des Marchés Financiers (AMF) under number D.07-223 on March 26, 2007, are incorporated by reference.

1.2 - Basis of presentation

The financial statements have been prepared on a historical cost basis, with the exception of derivatives and available-for-sale financial assets, which are measured at fair value. Financial liabilities are measured using the cost model. The carrying amount of hedged assets and liabilities and the related hedging instruments corresponds to their fair value.

1.3 - Use of estimates

The preparation of financial statements requires Group and subsidiary management to make estimates and assumptions that are reflected in the reported amounts of assets and liabilities at the date of the financial statements, revenues and expenses for the reporting period and related disclosures. Actual results could differ from those estimates.

These estimates mainly concern:

- The recoverable amount of goodwill, property, plant and equipment and intangible assets (described in note 1.10).
- The net realizable value of inventories and work in process (described in note 1.12).
- The recoverable amount of accounts receivable (described in note 1.13).
- The valuation of share-based payments (described in note 1.18).
- The calculation of provisions for contingencies, in particular for warranties (described in note 1.19).
- Pension and other post-employment benefit obligations (described in note 14).

1.4 - Consolidation principles

Companies 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.

Investments in operating entities controlled jointly with a limited number of partners, such as joint ventures and alliances, are accounted for by the equity method in accordance with the alternative treatment allowed under IAS 31 – *Interests in Joint Ventures.*

Companies over which the Group has significant influence ("associates") are accounted for by the equity method. Significant influence is presumed to exist when more than 20% of outstanding voting rights are held.

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.

Intragroup balances and transactions are eliminated in consolidation.

The list of the main consolidated subsidiaries and associates is provided in note 30.

All of the companies included in the scope of consolidation have a December 31 year-end.

1.5 - Business combinations

Business combinations are accounted for using the purchase 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.

All identified acquired assets, liabilities and contingent liabilities are recognized at their fair value as of the date of acquisition. Provisional fair values are adjusted within a maximum of twelve months following the date of acquisition.

If the cost of acquisition is higher than the fair value of assets acquired and liabilities assumed at the date of acquisition, the excess is recorded under goodwill. If the cost of acquisition is lower than the fair value of assets acquired and liabilities assumed at the date of acquisition, the negative goodwill is immediately recognized in the income statement.

Goodwill is not amortized, but tested for impairment at least annually and when there is an indication that it may be impaired (note 1.10 below). Any impairment losses are recognized under "Amortization and impairment of purchase accounting intangibles".

1.6 - Translation of the financial statements of foreign subsidiaries

The consolidated financial statements are drawn up in euros.

The financial statements of subsidiaries that use another functional currency are translated into euros as follows:

- Assets and liabilities are translated at official year-end exchange rates.
- Income statement and cash flow items are translated at weighted-average annual exchange rates.

Differences arising on translation are recorded in equity under "Translation reserve". 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.

1.7 - 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 year-end, foreign currency payables and receivables are translated into the reporting currency at year-end exchange rates or the hedging rate. Gains or losses on foreign currency conversion are recorded in the income statement under "Other financial income and expense, net". Foreign currency hedging is described below, in note 1.22.

1.8 - Intangible assets

Intangible assets acquired separately or as part of a business combination

Intangible assets acquired separately are initially recognized in the balance sheet at historical cost. They are subsequently measured using the cost model, in accordance with IAS 38 – *Intangible Assets.*

Trademarks, customer lists and other identifiable assets of acquired companies are recognized in the balance sheet at fair value, determined by qualified experts for the most significant assets and internally for the rest. The valuations are performed using generally accepted methods, based on expected future cash flows. The assets are regularly tested for impairment.

Intangible assets other than trademarks are amortized on a straight-line basis over their useful life or the period of legal protection. Amortized intangible assets are tested for impairment when there is any indication that their recoverable amount may be less than their carrying amount.

Amortization and impairment losses on intangible assets recognized on business combinations are presented under "Amortization and impairment of purchase accounting intangibles" in the income statement.

Trademarks

Trademarks acquired as part of a business combination are not amortized when they are considered to have an indefinite life.

This is determined on the basis of:

- Brand awareness.
- The Group's strategy for integrating the trademark into its existing portfolio.

Non-amortized trademarks are tested for impairment at least annually and when there is any indication that their recoverable amount may be less than their carrying amount. When necessary, an impairment loss is recorded.

Internally-generated intangible assets

Research and development costs

Research costs are recognized in the income statement when incurred.

Systems were set up to track and capitalize development costs in 2004. As a result, only development costs for new products launched since 2004 are capitalized in the IFRS accounts.

Development costs for new projects are capitalized 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 related products.
- 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 year in which they are incurred.

Capitalized development costs are amortized over the estimated life of the underlying technology, which generally ranges from 3 to 10 years. The amortization charge 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 for the programming, coding and testing of enterprise resource planning (ERP) applications are capitalized and amortized over the applications' useful lives.

1.9 - Property, plant and equipment

Land, buildings, plant and equipment are carried at cost, less accumulated depreciation and any accumulated impairment losses, in accordance with the cost model provided for in IAS 16 – *Property, plant and equipment.*

Each part of an item of property, plant and equipment with a useful life that is different 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
- Plant and equipment: 3 to 10 years
- Other: 3 to 12 years

The useful life of operating assets, such as production lines, reflects the related products' estimated life cycles.

Useful lives 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 charged to the income statement or included in the production cost of inventory or the cost of internally-generated intangible assets. It is recognized under "Cost of sales," "Research expenses" or "Selling, general and administrative expenses", depending on the case.

Property, plant and equipment are tested for impairment when there is any indication that their recoverable amount may be less than their carrying amount. Impairment losses are charged to the income statement under "Other operating income/(expense).

Leases

Finance leases, defined as leases that transfer substantially all the risks and rewards of ownership to the lessee, are recognized as an asset and a liability.

Leases that do not transfer substantially all the risks and rewards of ownership are classified as operating leases and the related payments are recognized as an expense on a straight-line basis over the lease term.

Borrowing costs

Borrowing costs incurred during the construction or acquisition of property, plant and equipment and intangible assets are expensed when incurred, in accordance with the recommended treatment under IAS 23 – *Borrowing Costs.*

1.10 - Impairment of assets

In accordance with IAS 36 – *Impairment of Assets* – the recoverable amount of long-lived assets is assessed as follows:

- All depreciable and amortizable property, plant and equipment and intangible assets are reviewed at each balance sheet date to determine whether there is any indication that the asset 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 less costs to sell and value in use.
- Non-amortizable intangible assets and goodwill are tested for impairment at least annually and when there is any indication that the asset may be impaired.

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 impacted by a risk premium depending on the region in question. The Group's WACC stood at 8.2% at December 31, 2008 compared with 7.5% at December 31, 2007. This rate is based on a long-term risk-free interest rate of 4.0%, corresponding to the average interest rate for 10-year OAT treasury bonds over the past few years, the average premium applied to financing obtained by the Group in the fourth quarter of 2008, and the weighted country risk premium for the Group's businesses in the countries in question.

The perpetuity growth rate was 2% in 2008, unchanged from the previous 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 those cash flows from other assets or groups of assets. CGUs generally correspond to the Operating Divisions (Europe, North America, International and Asia-Pacific) and Business Units Critical Power & Cooling Services (CPCS), Building Automation (BA), and Customized Sensors & Technologies (CST).

Goodwill is allocated to a CGU when initially recognized. 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.

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

1.11 - Non-current financial assets

Investments in non-consolidated companies are classified in available-for-sale financial assets. They are initially recorded at cost and subsequently measured at fair value, when fair value can be reliably determined.

The fair value of equity instruments quoted in an active market corresponds to the quoted price on the balance sheet date.

In cases where fair value can not be reliably determined, the instruments are measured at cost net of any accumulated impairment losses. The recoverable amount is determined by reference to the Group's equity in the entity's underlying net assets and the entity's expected future profitability and business outlook. This rule is applied in particular to equity instruments that do not have a quoted market price in an active market.

Changes in fair value are accumulated in equity under "Other reserves" up to the date of sale, at which time they are recognized in the income statement. Unrealized 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 financial assets", are carried at amortized cost and tested for impairment if there is any indication that their recoverable amount may be less than their carrying amount. Long-term financial receivables are discounted when the impact of discounting is material.

1.12 - Inventories and work in process

Inventories and work in process are stated at the lower of cost (generally determined by the weighted-average cost method) and estimated net realizable value.

Net realizable value corresponds to the estimated selling price net of remaining expenses to complete and/or sell the products.

Impairment losses on materials are recognized in "Cost of sales" and on finished products in "Selling, general and administrative expenses".

The cost of work in process, semi-finished and finished products includes direct materials and labor costs, subcontracting costs, production overheads based on normal capacity utilization rates and the portion of research and development costs related to the production process (corresponding to the amortization of capitalized projects in production and product and range maintenance costs).

1.13 - Trade accounts receivable

An allowance for doubtful accounts is recorded when it is probable that receivables will not be collected and the amount of the loss can be reasonably estimated. Doubtful accounts and the related allowances are identified and determined based on historical loss experience, the age of the receivables and a detailed assessment of related credit risks. Once it is known with certainty that a doubtful account will not be collected, the doubtful account and the related allowance are written off to the income statement.

Accounts receivable in more than one year are discounted in cases where the discounting adjustment is material.

1.14 - Assets held for sale

Assets held for sale are no longer depreciated and are recorded separately in the balance sheet under "Assets held for sale" at the lower of amortized cost and net realizable value.

1.15 - 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 recognized when it is probable that they will be recovered at a reasonably determinable date.

Future tax benefits arising from the utilization of tax loss carryforwards (including amounts available for carryforward without time limit) are recognized only when they can reasonably be expected to be realized.

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.

1.16 - 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 other liquid marketable securities. Substantially all marketable securities represent short-term instruments that can be easily converted into a determinable cash amount, such as commercial paper, mutual funds and equivalents. In light of their nature and maturities, these instruments carry virtually no risk of impairment. The Group treats them as cash equivalents.

1.17 - Schneider Electric SA shares

Schneider Electric shares held by the parent company or by fully consolidated companies are measured at cost and deducted from equity. They are held at their acquisition price until sold.

Gains and losses on the sale of treasury stock are recognized in equity, net of tax.

1.18 - Pensions and other post-employment 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 operating profit 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

The present value of defined benefit obligations is determined using the projected unit credit method.

Expenses recognized in profit or loss are recorded as a deduction from operating profit.

The amount recognized in the balance sheet corresponds to the present value of the obligation, adjusted for unrecognized past service cost and reduced by the fair value of plan assets at the balance sheet date.

If the plan has a surplus (i.e. the fair value of plan assets is greater than the present value of the obligation, as adjusted for unrecognized past service cost), the recognized asset is limited to the present value of available refunds and reductions in future contributions to the plan.

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 recognized in the Group's balance sheet and as a separate component of equity in "Other reserves".

Other commitments

Provisions are booked to cover the cost of providing healthcare benefits for certain retired employees 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 records for all its subsidiaries an obligation for seniority-related benefits (primarily long service awards in its French subsidiaries). Actuarial gains and losses on these benefit obligations are recognized directly in profit or loss.

1.19 - Share-based payments

The Group grants different types of share-based payment to senior executives and certain employees. These include:

- Stock options.
- Stock grants.
- Stock Appreciation Rights ("SARs").

IFRS 2 – *Share-based payment* – applies only to plans set up after November 7, 2002 that did not vest prior to January 1, 2005.

In accordance with IFRS 2, these plans are valued on the date of grant, using the Cox, Ross, Rubinstein binomial option pricing model, and are recognized as an expense over the vesting period, generally three to four years depending on the country.

A contra entry is posted to the treasury stock reserve for stock grants and stock options. In the case of SARs, a liability is recorded corresponding to the amount of the remeasured benefit at the closing date.

As part of its commitment to employee share ownership, Schneider Electric gave its employees the opportunity to purchase shares at a discount during the year (note 13.5).

1.20 - Provisions for contingencies

A provision is recorded when the Group has a present obligation as a result of a past event, and a reliable estimate can be made of the amount of the obligation. If the obligation is not probable and cannot be reliably estimated, but remains possible, it is classified as a contingent liability and disclosed in the notes to the consolidated financial statements. Provisions are calculated on a case-by-case or statistical basis. Long-term provisions (greater than one year) are discounted. Discounting adjustments to long-term provisions were calculated at a rate of 3.8% at December 31, 2008 and December 31, 2007.

Provisions are primarily set aside to cover:

Economic risks.

These include tax risks arising from tax audits performed by various local tax administrations and financial risks arising primarily on guarantees given to third parties in relation to certain assets and liabilities.

Customer risks.

These provisions primarily concern liability claims arising from alleged defects in products sold to customers and other third parties and are determined on a case-by-case basis.

Product risks.

These provisions comprise:

- Provisions recorded on a statistical basis for the residual cost of product warranties not covered by insurance. Such warranties may run up to 18 months.
- Provisions to cover disputes concerning defective products and recalls of clearly identified products.

Environmental risks.

These provisions are primarily set aside to cover potential reclamation costs.

Restructuring costs,

when the Group has prepared a detailed formal plan for the restructuring and has either announced or started to implement the plan at year-end.

1.21 - Financial liabilities

Financial liabilities primarily comprise bonds and short and long-term bank debt. These liabilities are initially recorded at fair value, taking into account any direct transaction costs, and subsequently measured at amortized cost based on their effective interest rate.

1.22 - Financial instruments and derivatives

Risk hedging management is centralized. 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. Derivative financial instruments are never used for speculative purposes. These risks are managed and hedged primarily through the use of swaps, options and futures, depending upon the nature of the Group's exposure.

Foreign currency hedges

The Group periodically enters into foreign currency contracts to hedge foreign currency transactions. Some of these contracts are designated as hedges of operating receivables and payables carried in the balance sheets of Group companies. The Group does not apply hedge accounting to these instruments because at year-end, foreign currency contracts are marked to market and gains or losses are recorded in "Other financial income and expense". These gains or losses offset the losses or gains arising from converting foreign currency payables and receivables into the reporting currency at year-end rates, in accordance with IAS 21 – *The Effects of Changes in Foreign Exchange Rates.*

The Group may also hedge recurring future transactions or planned acquisitions or disposals of investments. In accordance with IAS 39, these are treated as cash flow hedges. The hedging instruments are recognized in the balance sheet and are measured at fair value at the period-end. 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 recognized in the income statement when the hedged transaction affects profit or loss. The ineffective portion of the gain or loss on the hedging instrument is recognized in "Other financial income and expense".

In addition, certain long-term receivables and loans to subsidiaries are considered to be part of the Group's net investment in the companies concerned, as defined by IAS 21 – *The Effects of Changes in Foreign Exchange Rates.* In accordance with the rules governing hedges of net investments in foreign operations, the impact of exchange rate fluctuations is recorded in equity and recognized in the income statement when the investment is sold.

Interest rate swaps

Interest rate swaps, which synthetically adjust interest rates on certain indebtedness, 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 remeasurement of interest rate swaps at fair value are recognized 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. The hedging instruments are recognized in the balance sheet and are measured at fair value at the period-end. 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 reclassified into the income statement under "Cost of sales" when the hedged transaction affects profit or loss. The ineffective portion of the gain or loss on the hedging instrument is recognized in "Other financial income and expense".

Cash flows from derivative financial instruments are recognized in the statement of cash flows in a manner consistent with the underlying transactions.

Put options granted to minority shareholders

Under IAS 32 – *Financial Instruments: Disclosure and Presentation* – commitments to buy out minority shareholders (e.g. put options) must be recognized as a liability, in an amount corresponding to the exercise price of the put options.

In the absence of established accounting practice, the difference between the put options' exercise price and the share in the underlying net assets is posted to goodwill without remeasuring the acquired assets and liabilities at fair value. Subsequent changes in the fair value of the liability are recognized by adjusting goodwill.

1.23 - Revenue recognition

The Group's revenues primarily include sales of products and revenues from service and project contracts.

Sales of products

Revenue from sales is recognized when the product is shipped and title transferred (standard shipping terms are FOB).

Discounts offered to distributors are accrued when the products are sold to the distributor and recognized as a deduction from revenue.

Certain subsidiaries also offer cash discounts to distributors. These discounts are deducted from sales.

Total 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 recognized 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 recognized 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 recognized 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.

1.24 - 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 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.

1.25 - 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. Net cash and cash equivalents represent cash and cash equivalents as presented in the balance sheet (note 1.16) net of bank overdrafts.

Note 2 - Changes in the scope of consolidation

2.1 - Additions and removals

The consolidated financial statements for the year ended December 31, 2008 include the accounts of the companies listed in note 30. The scope of consolidation at December 31, 2008 and 2007 is summarized as follows:

Number of companies	Dec. 31, 2008 France	Dec. 31, 2008 Abroad	Dec. 31, 2007 France	Dec. 31, 2007 Abroad
Parent company and fully consolidated subsidiaries	69	503	65	507
Proportionally consolidated companies	-	-	-	-
Companies accounted for by the equity method	1	5	1	3
Sub-total by region	70	508	66	510
Total	578		576	

The principal changes in 2008 were as follows:

Main acquisitions

On September 29, 2008, the Group finalized the acquisition of Canada-based Xantrex, a world leader in inverters for solar and wind power systems, for $412 million in cash net of proceeds from the sale by Xantrex of its programmable business and excluding acquisition expenses. Xantrex was consolidated as from October 1, 2008. The acquisition cost was provisionally allocated as follows:

	Before temporary allocation of acquisition cost	After temporary allocation of acquisition cost
Acquisition price		280
Transaction costs		1
Total acquisition cost (1)		**281**
Non-current assets	44	102
Other current assets	60	56
Cash and cash equivalents	21	21
Total assets	**125**	**179**
Long and short-term debt	-	-
Other non-current liabilities (excluding long-term debt)	2	38
Other current liabilities (excluding short-term debt)	41	42
Total liabilities (excluding equity)	**43**	**80**
Goodwill		**182**

(1) acquisition price is net of proceeds from sale of progammable business.

Details of acquisition cost allocation are provided in note 3.2.

Other acquisitions

During the year, the Group acquired IMS, ECP Tech Services and RAM Industries in the United States; Arrow in Japan, Marisio in Chile and Wessen in Russia.

These companies have been fully consolidated from their respective acquisition dates.

Acquisitions during the period totalled €598 million, net of the cash acquired.

Other changes

On September 30, 2008, Schneider Electric contributed its electrical distribution and industrial control operations in Japan and €60 million in cash to its new Fuji Electric FA Components & Systems joint venture with Fuji Electric, for a stake of 37%. For its part, Fuji Electric contributed its electrical distribution and industrial control operations in Japan and other Asian countries to the joint venture.
Fuji Electric FA Components & Systems is accounted for by the equity method.

2.2 - Impact of changes in the scope of consolidation on the 2008 results

Changes in the scope of consolidation had the following impact:

Impact on 2008 revenue and profit

	2007	2008		
	Reported	Excluding acquisitions	Contribution from acquisitions & disposals	Reported
Revenue	17,309	17,774	537	**18,311**
EBITA	2,562	2,710	44	**2,754**
EBITA margin	*14.8%*	*15.2%*	*8.2%*	***15.0%***
Operating profit	2,483	2,560	20	**2,580**
Operating margin	*14.3%*	*14.4%*	*3.7%*	***14.1%***
Profit attributable to equity holders of the parent	1,583	1,669	13	**1,682**

The following table shows the pro forma full-year impact of acquisitions on 2008 revenue, operating profit and profit attributable to equity holders of the parent (i.e., as if the acquisitions had been made on January 1, 2008).

	2008 Reported	2008 Incl. acquisitions over the full year
Revenue	**18,311**	18,491
EBITA	**2,754**	2,760
EBITA margin	***15.0%***	*14.9%*
Operating profit	**2,580**	2,580
Operating margin	***14.1%***	*14.0%*
Profit attributable to equity holders of the parent	**1,682**	1,682

Impact on cash

Changes in the scope of consolidation reduced the Group's cash position by a net €598 million, as described below:

	2008
Acquisitions	(610)
Cash and cash equivalents paid	*(559)*
Cash and cash equivalents acquired	*(51)*
Disposals	12
Other operations	0
Net financial investments	(598)

Impact on the balance sheet at December 31, 2008

The impact of the year's acquisitions on the main balance sheet items at December 31, 2008 was as follows:

	Impact of acquisitions*	Dec. 31, 2008 Reported	%
Goodwill	400	8,542	4.7%
Property, plant & equipment and intangible assets	136	5,961	2.3%
Other non current assets	31	1,526	2.0%
Current assets (excluding cash and cash equivalents)	139	7,126	2.0%
Cash and cash equivalents	23	1,652	1.4%
Total assets	**729**	**24,807**	**2.9%**
Financial liabilities	126	6,205	2.0%
Non-current liabilities (excluding long-term debt)	46	2,673	1.7%
Current liabilities (excluding short-term debt)	81	4,878	1.7%
Total liabilities (excluding equity)	**253**	**13,756**	**1.8%**

** At closing exchange rates.*

Note 3 - Goodwill

3.1 - Breakdown of goodwill

The following table presents goodwill by company and the Cash Generating Unit (CGU) to which it is allocated:

	Year of acquisition	CGU (1)	Dec. 31, 2008 Net	Dec. 31, 2007 Net
APC	2007	CPCS	**2,131**	2,065
Square D Company	1991	(A)	**986**	934
Groupe Lexel	1999	EOD	**810**	875
Telemecanique	1988	(A)	**463**	463
TAC / Andover / Abacus / Applied Control Tech. / Yamas	2003 to 2007	BA	**417**	426
Pelco	2007	BA	**366**	352
MGE UPS	2000 to 2007	CPCS	**344**	333
IBS	2006	BA	**310**	293
Juno Lighting Inc.	2005	NAOD	**285**	269
Clipsal	2004 to 2006	APOD	**230**	264
BEI Technologies	2005	CST	**224**	264
Xantrex	2008	RE	**193**	-
Crouzet Automatismes	2000	CST	**156**	156
Power Measurement Inc.	2005	NAOD	**136**	130
Positec	2000	EOD	**106**	106
ABS	2005	BA	**104**	113
Digital Electronics	2002	APOD	**89**	68
Merlin Gerin	1992	(A)	**87**	87
OVA	2006	EOD	**80**	80
Kavlico	2004	CST	**78**	74
Ritto	2007	EOD	**60**	59
Wessen	2008	IOD	**58**	-
Elau	2004 and 2005	EOD	**56**	56
RAM	2008	NAOD	**54**	-
Federal Pioneer	1990	NAOD	**49**	57
Crydom	2006	CST	**49**	47
Citect	2006	APOD	**46**	56
Infra +	2000 and 2004	EOD	**43**	43
AEM	2006	EOD	**30**	30
ECP	2008	NAOD	**28**	-
PDL	2001	APOD	**26**	32
GET	2006	EOD	**25**	32
Mita Holding	1999	EOD	**25**	32
IMS	2008	EOD	**24**	-
Marisio	2008	IOD	**22**	-
Grant	2007	EOD	**2**	2
Other entities			**350**	343
Total			**8,542**	**8,141**

(1) Cash Generating Unit to which goodwill has been mainly allocated.

EOD: European Operating Division ; NAOD: North American Operating Division ; APOD: Asia-Pacific Operating Division ; IOD: International Operating Division ; RE : Renewable Energy ; CST: Customized Sensors & Technologies ; BA: Building Automation ; CPCS: Critical Power & Cooling System.

(A) Square D, Telemecanique and Merlin Gerin goodwill has been allocated on the basis of operating profit by region as of the acquisition date.

	Europe	North America	Asia-Pacific	International
Square D	9%	80%	10%	1%
Telemecanique	71%	-	20%	9%
Merlin Gerin	62%	10%	20%	8%

3.2 - Changes in goodwill

The main movements between December 31, 2007 and December 31, 2008 are summarized in the following table:

	2008	2007
Net goodwill at opening	**8,141**	**6,186**
Acquisitions*	**415**	2,885
Disposals	**-**	(221)
Impairment	**(59)**	-
Translation adjustment	**97**	(660)
Reclassifications	**(52)**	(49)
Net goodwill at year end	**8,542**	**8,141**
Cumulative impairment	**(67)**	**(8)**

** On the basis of the exchange rate on the acquisition date.*

Acquisitions

The Group has a period of 12 months from the acquisition date to finalize the purchase accounting. As a result, goodwill figures for 2008 acquisitions are provisional.

Acquisitions during the year primarily concerned Xantrex in Canada.

Application of purchase accounting to the Xantrex acquisition led primarily to the recognition of intangible assets of $135 million (€97 million), of which $36 million (€26 million) for the trademark, $32 million (€23 million) for customer lists and $67 million (€48 million) for technology. Details of the acquired assets and liabilities are provided in note 2.1.

Impairment

Impairment losses recognized during the year totaled €59 million, of which €53 million for CST (note 25).

Other changes

Adjustments to the provisional accounting for APC when the initial accounting was completed led to a €50 million reduction in deferred tax liabilities on intangible assets, with a corresponding deduction from goodwill.

The main exchange rate changes concerned goodwill in US dollars.

Note 4 - Intangible assets

4.1 - Change in intangible assets

	Trademarks	Software	Development projects (R&D)	Other	Total
Gross value					
Dec. 31, 2006	**766**	**438**	**315**	**495**	**2,014**
Acquisitions/Capitalization	0	28	129	76	233
Disposals	-	(14)	(1)	(31)	(46)
Translation adjustment	(189)	(12)	(9)	(104)	(314)
Reclassification	-	44	3	(38)	9
Changes in the scope of consolidation and other	1,776	35	(8)	786	2,589
Dec. 31, 2007	**2,353**	**519**	**429**	**1,184**	**4,485**
Acquisitions/Capitalization	1	31	192	71	295
Disposals	0	(6)	(1)	(4)	(11)
Translation adjustment	75	1	12	70	158
Reclassification	0	16	3	(19)	0
Changes in the scope of consolidation and other	23	(2)	2	82	105
Dec. 31, 2008	**2,452**	**559**	**637**	**1,384**	**5,032**
Accumulated amortization and impairment					
Dec. 31, 2006	**(5)**	**(340)**	**(51)**	**(125)**	**(521)**
Allocation and impairment	(1)	(66)	(48)	(82)	(197)
Recapture	0	17	3	1	21
Translation adjustment	0	8	3	11	22
Reclassification	-	(5)	(2)	1	(6)
Changes in the scope of consolidation and other	(100)	(2)	6	6	(90)
Dec. 31, 2007	**(106)**	**(388)**	**(89)**	**(188)**	**(771)**
Allocation and impairment	(17)	(62)	(63)	(114)	(256)
Recapture	0	7	(1)	1	7
Translation adjustment	(1)	(3)	(7)	(18)	(29)
Reclassification	1	1	0	3	5
Changes in the scope of consolidation and other	2	1	1	(1)	3
Dec. 31, 2008	**(121)**	**(444)**	**(159)**	**(317)**	**(1,041)**
Net value					
Dec. 31, 2006	**761**	**98**	**264**	**370**	**1,493**
Dec. 31, 2007	**2,247**	**131**	**340**	**996**	**3,714**
Dec. 31, 2008	**2,331**	**115**	**478**	**1,067**	**3,991**

The amounts reported in the above table for 2008 acquisitions correspond to the Xantrex trademark and other intangible assets, consisting primarily of patents and customer lists (notes 3.2 and 4.2).

Following impairment tests, impairment losses of €20 million and €11 million, respectively, were recorded on other intangible assets allocated to the CST CGU and on the trademark.

As of December 31, 2008, costs totaling €39 million were capitalized and classified under "Other intangible assets" in connection with an ongoing project to develop a Groupwide SAP system.

4.2 - Trademarks

Main trademarks recognized as of December 31, 2008 include:

	Dec. 31, 2008 net	Dec. 31, 2007 net
APC	**1,321**	1,249
Pelco	**369**	344
MGE	**200**	200
Clipsal	**126**	152
TAC/Andover	**104**	114
Juno	**82**	78
Digital	**43**	33
Xantrex	**26**	-
BEI	**19**	28
Merten	**18**	18
Kavlico	**11**	11
Other	**12**	20
Total	**2,331**	**2,247**

Trademarks are not amortized as they are considered to have indefinite lives.

Note 5 - Property, plant and equipment

5.1 - Change in property, plant and equipment

	Land	Buildings	Machinery and equipment	Other	Total
Gross value					
Dec. 31, 2006	**106**	**1,043**	**2,914**	**598**	**4,661**
Acquisitions	1	42	169	202	414
Disposals	(6)	(39)	(145)	(66)	(256)
Translation adjustment	(7)	(33)	(76)	(28)	(144)
Reclassification	(1)	46	45	(96)	(6)
Changes in scope of consolidation and other	26	98	86	65	275
Dec. 31, 2007	**119**	**1,157**	**2,993**	**675**	**4,944**
Acquisitions	4	42	182	208	436
Disposals	(1)	(20)	(91)	(75)	(187)
Translation adjustment	4	8	(9)	(5)	(2)
Reclassification	29	(11)	66	(92)	(8)
Changes in scope of consolidation and other	0	6	21	13	40
Dec. 31, 2008	**155**	**1,182**	**3,162**	**724**	**5,223**
Accumulated depreciation and impairment					
Dec. 31, 2006	**(15)**	**(506)**	**(2,186)**	**(339)**	**(3,046)**
Depreciation and impairment	(1)	(48)	(224)	(44)	(317)
Recapture	1	29	153	28	211
Translation adjustment	1	8	49	14	72
Reclassification	1	(3)	(3)	8	3
Changes in scope of consolidation and other	(1)	5	0	(15)	(11)
Dec. 31, 2007	**(14)**	**(515)**	**(2,211)**	**(348)**	**(3,088)**
Depreciation and impairment	(1)	(50)	(221)	(57)	(329)
Recapture	0	17	122	32	171
Translation adjustment	(1)	(3)	8	7	11
Reclassification	0	(1)	2	(1)	0
Changes in scope of consolidation and other	1	(1)	(9)	(9)	(18)
Dec. 31, 2008	**(15)**	**(553)**	**(2,309)**	**(376)**	**(3,253)**
Net value					
Dec. 31, 2006	**91**	**537**	**728**	**259**	**1,615**
Dec. 31, 2007	**105**	**642**	**782**	**327**	**1,856**
Dec. 31, 2008	**140**	**629**	**853**	**348**	**1,970**

Reclassifications primarily correspond to assets put into use.

5.2 - Finance leases

Property, plant and equipment include the following assets held under finance leases:

	Dec. 31, 2008	Dec. 31, 2007
Land	3	3
Buildings	69	69
Machinery and equipment	32	31
Other tangible assets	2	1
Accumulated depreciation	(76)	(73)
Assets under finance lease, net	**30**	**31**

Future minimum lease payments under finance leases as of December 31, 2008 are as follows:

	Minimum payments	Discounted minimum payments
Less than one year	4	4
Between one year and five years	8	7
Five years and more	7	6
Total commitments	**19**	**17**
Discounting effect	(2)	-
Discounted minimum payments	**17**	**-**

5.3 - Operating leases

Rental expenses for operating leases in 2008 and 2007 were as follows:

	2008	2007
Minimum rentals	104	98
Contingent rentals	1	1
Sub-lease rentals	(2)	(1)
Total rental expense	**103**	**98**

Future minimum lease payments under non-cancelable operating leases break down as follows at December 31, 2008:

	Minimum payments	Discounted minimum payments
Less than one year	88	88
Between one and five years	227	212
Five years and more	130	104
Total rental commitments	**445**	**404**
Discounting effect	(41)	-
Discounted minimum payments	**404**	**-**

Note 6 - Investments in associates

Investments in associates can be analyzed as follows:

	% interest at Dec. 31		Share in net assets at Dec. 31		Share in net profit at Dec. 31	
	2008	2007	2008	2007	2008	2007
Delta Dore Finance	20.0%	20.0%	11	14	1	1
Delixi Electric	50.0%	50.0%	182	152	11	2
Fuji Electric FA Components & Systems	37.0%	-	84	-	-	-
Others	N/A	N/A	4	6	0	1
Total	**-**	**-**	**281**	**172**	**12**	**4**

On September 30, 2008, Schneider Electric and Fuji Electric contributed their respective electrical distribution and industrial control operations in Japan to their new joint venture, Fuji Electric FA Components & Systems (note 2.1).

Schneider Electric's share of the joint venture's results for the period from October 1 to December 31, 2008 is not reflected in the consolidated income statement, as the joint venture's accounts were not yet available when the consolidated accounts were closed.

Note 7 - Financial assets

7.1 - Available-for-sale financial assets

Available-for-sale financial assets, corresponding mainly to investments in non-consolidated companies, break down as follows:

	Dec. 31, 2008				Dec. 31, 2007
	%	Gross value	Revaluation/ impairment	Fair value	Fair value
I – Listed available for sale financial assets					
AXA	0.5%	102	53	155	268
Gold Peak Industries Holding Ltd	6.3%	7	(5)	2	3
Other listed AFS	-	0	0	0	0
Total listed AFS	-	109	48	157	**271**
II – Unlisted available for sale financial assets					
Profiluks (1)	100.0%	-	-	-	12
Polam BV (2) (5)	100.0%	26	0	26	26
Thorsman Ireland (2)	100.0%	6	(6)	0	0
Simak (2)	98.5%	6	(1)	5	5
Senside (2)	100.0%	5	(5)	0	0
Easy Plug SAS (3)	50.0%	9	(9)	0	0
SE Venture	100.0%	7	(7)	0	0
Other unlisted AFS (4)	-	20	(8)	12	9
Total unlisted AFS	-	79	(36)	43	**52**
Financial assets available for sale	-	188	12	200	**323**

(1) Consolidated as from January 1, 2008.
(2) Removed from the scope of consolidation - in liquidation.
(3) Dormant companies.
(4) Investments with a unit value of less than €5 million.
(5) The Group had a debt towards Polam equal to the value of the shares held.

Fair value corresponds to the quoted price on the last trading day of the period for investments listed on an active market and the carrying amount for unlisted investments. Net losses arising from remeasurement at fair value of listed investments, recorded in equity under "Other reserves" (note 13.7), totaled €113 million.

7.2 - Other non-current financial assets

	Dec. 31, 2008			Dec. 31, 2007
	Cost	Impairment	Net	Net
Restricted cash on Clipsal acquisition (note 17)	12	-	12	54
Others	109	(8)	101	70
Other non current financial assets	121	(8)	113	**124**

7.3 - Current financial assets

	Dec. 31, 2008	Dec. 31, 2007
Short-term investments	78	52
Pension assets	0	32
Total current financial assets	78	**84**

Short-term investments primarily comprise available-for-sale financial assets.

Note 8 - Inventories and work in process

Inventories and work in process changed as follows:

	Dec. 31, 2008	Dec. 31, 2007
Cost:		
Raw materials	1,041	995
Work in process	344	340
Semi-finished and finished products	1,376	1,307
Goods	87	102
Inventories and work in process at cost	**2,848**	**2,744**
Impairment:		
Raw materials	(112)	(106)
Work in process	(15)	(15)
Semi-finished and finished products	(128)	(132)
Goods	(9)	(10)
Impairment loss	**(264)**	**(263)**
Net:		
Raw materials	929	889
Work in process	329	325
Semi-finished and finished products	1,248	1,175
Goods	78	92
Inventories and work in process, net	**2,584**	**2,481**

Note 9 - Trade accounts receivable

	Dec. 31, 2008	Dec. 31, 2007
Accounts receivable	3,203	3,049
Notes receivable	391	422
Advances to suppliers	63	85
Accounts receivable at cost	**3,657**	**3,556**
Impairment	(120)	(93)
Accounts receivable, net	**3,537**	**3,463**
Of which:		
On time	2,915	2,664
Less than one month past due	307	463
One to two months past due	119	154
Two to three months past due	62	57
Three to four months past due	48	50
More than four months past due	86	75
Accounts receivable, net	**3,537**	**3,463**

The Group's accounts receivable are generated from sales to customers operating in a wide range of businesses and geographic regions. 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, 2008	Dec. 31, 2007
Provisions for impairment on Jan. 1	**(93)**	**(99)**
Additions	(50)	(28)
Utilizations	27	20
Reversals of surplus provisions	3	6
Translation adjustment	0	5
Other	(7)	3
Provisions for impairment on Dec. 31	**(120)**	**(93)**

Note 10 - Other receivables and prepaid expenses

	Dec. 31, 2008	Dec. 31, 2007
Précompte Equalization tax credit	-	25
Carryback credit	-	97
Other receivables	204	239
Other tax credits	448	415
Derivative instruments	95	47
Prepaid expenses	178	128
Total	**925**	**951**

The remaining €25 million précompte equalization tax credit and €97 million carryback credit with the French Treasury were refunded in 2008.

Note 11 - Income tax

Whenever possible, Group entities file consolidated tax returns. Schneider Electric SA files a consolidated tax return with its French subsidiaries held directly or indirectly through Schneider Electric Industries SAS.

11.1 - Analysis of income tax expense for the year

	2008	2007
Current taxes		
France	2	(32)
International	(569)	(557)
Total	**(567)**	**(589)**
Deferred taxes		
France	53	(35)
International	(41)	24
Total	**12**	**(11)**
Income tax (expense)/benefit	**(555)**	**(600)**

11.2 - Tax proof

	2008	2007
Profit attributable to equity holders of the parent	**1,682**	**1,583**
Income tax (expense)/benefit	(555)	(600)
Minority interests	(41)	(38)
Share of profit of associates	12	4
Profit before tax	**2,266**	**2,217**
Statutory tax rate	34.43%	34.43%
Income tax expense calculated at the statutory rate	**(780)**	**(763)**
Reconciling items:		
Difference between French and foreign tax rates	149	123
Tax credits and other tax reductions	131	80
Impact of tax losses	(6)	-
Other permanent differences	(49)	(40)
Income tax (expense)/benefit	(555)	(600)
Effective tax rate	**24.5%**	**27.1%**

11.3 - Deferred taxes by type

Deferred tax assets recorded in respect of tax loss carryforwards at December 31, 2008 essentially concern Belgium (€168 million) and France (€92 million).

	Dec. 31, 2008	Dec. 31, 2007
Deferred tax assets		
Tax credits and tax loss carryforwards	282	226
Provisions for pensions and other post-retirement benefit	486	303
Impairment of receivables and inventory	143	62
Non deductible provisions for contingencies and accruals	164	138
Other deferred tax assets	257	288
Deferred tax assets set off against deferred tax liabilities	(400)	(329)
Deferred tax assets	**932**	**688**
Deferred tax liabilities		
Differences between tax and accounting depreciation	(95)	(76)
Trademarks and other intangible assets	(933)	(844)
Capitalized development costs (R&D)	(36)	(28)
Other deferred tax liabilities	(224)	(291)
Deferred tax assets set off against deferred tax liabilities	400	329
Total deferred tax liabilities	**(888)**	**(910)**

11.4 - Income tax recognized directly in equity

Tax on items recognized directly in equity amounted to €234 million at December 31, 2008 versus €18 million the year before.

Income tax recognized directly in equity primarily reflects the effect of tax increases or decreases for items initially recognized in equity (as part of the transition to IFRS) and the tax impact of increases or decreases in items recognized in "Other reserves" (note 13.7).

Note 12 - Cash and cash equivalents

	Dec. 31, 2008	Dec. 31, 2007
Mutual funds and equivalent	995	501
Other	2	10
Short-term investments	997	**511**
Money market instruments and short-term deposits	13	72
Cash	642	686
Total cash and cash equivalents	**1,652**	**1,269**
Short-term bank loans and overdrafts	(135)	(111)
Net cash and cash equivalents	**1,517**	**1,158**

Note 13 - Equity

13.1 - Capital

Share capital

The Company's share capital at December 31, 2008 amounted to €1,979,405,032, represented by 247,425,629 shares with a par value of €8, all fully paid up.

At December 31, 2008, a total of 264,864,134 voting rights were attached to the 247,425,629 shares outstanding.

Schneider Electric's capital management strategy is designed to ensure liquidity, optimize the balance sheet and the weighted average cost of capital, and ensure access to capital markets under the best possible conditions. Decisions may be based on EPS, rating or balance sheet targets. Their implementation may depend on specific market conditions.

Changes in share capital

Changes in share capital since December 31, 2007 were as follows:

	Cumulative number of shares	Total (in euros)
Capital at Dec. 31, 2007	**245,299,366**	**1,962,394,928**
Exercise of stock options	126,417	1,011,336
Issuance of shares	-	-
Employee share issue	1,999,846	15,998,768
Capital at Dec. 31, 2008	**247,425,629**	**1,979,405,032**

The share premium account increased by €123,906,581, following the exercise of options and increases in capital.

13.2 - Ownership structure

	Dec. 31, 2008				Dec. 31, 2007	
	Capital %	Number of shares	Voting rights %	Number of voting rights	Capital %	Voting rights %
Capital Research and Management Company	10.7	26,405,879	10.0	26,405,879	5.4	5.0
CDC	4.4	10,921,925	5.3	14,096,925	4.4	5.3
Employees	3.6	8,902,608	5.3	14,100,423	3.3	5.1
Own shares (1)	0.9	2,277,107	-	-	0.9	-
Treasury stock	2.1	5,231,782	-	-	1.7	-
Public	78.3	193,686,328	76.5	202,752,018	84.3	82.2
Total	100.0	247,425,629	100.0	264,864,134 (2)	**100.0**	**100.0**

(1) Held through Cofibel/Cofimines.
(2) 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, 2008.

13.3 - Earnings per share

Determination of the share base used in calculation

	Dec. 31, 2008		Dec. 31, 2007	
(in millions of shares)	Basic	Diluted	Basic	Diluted
Common shares*	239,444	239,444	233,671	233,671
Stock options	-	727	-	2,472
Average weighted number of shar	239,444	240,171	**233,671**	**236,143**

** Net of treasury stock and own shares.*

Earnings per share

	Dec. 31, 2008		Dec. 31, 2007	
(in euros)	Basic	Diluted	Basic	Diluted
Profit before tax	9.47	9.44	9.49	9.39
Earnings per share	7.02	7.00	**6.78**	**6.70**

13.4 - Dividends

In 2008, the Group paid out the 2007 dividend of €3.30 per share, for a total of €796 million. In 2007, the Group paid out the 2006 dividend of €3.00 per share, for a total of €670 million.

At the Annual Meeting of April 23, 2009, shareholders will be asked to approve a dividend of €3.45 per share for 2008. At December 31, 2008, Schneider Electric SA had distributable reserves in an amount of €14 million (versus €484 million at the previous year-end), not including profit for the year.

13.5 - Share-based payment

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.
The main features of these plans were as follows at December 31, 2008:

Stock option plans

Plan no.	Date of Board Meeting	Type (1)	Starting date of exercise period	Expiration date	Price (in euros) before adjustment	Number of options initially granted	Options cancelled because targets not met
18	Mar 24, 00	P	Mar 24, 03	Mar 23, 08	65.24	1,421,200	686,600
19	Apr 4, 01	S	Apr 4, 05	Apr 3, 09	68.13	1,557,850	NA (2)
20	Dec 12, 01	S	Dec 12, 05	Dec 11, 09	51.26	1,600,000	166,800
21	Feb 5, 03	S	Feb 5, 07	Feb 4, 11	45.21	2,000,000	141,900
22	Feb 5, 03	S	Jun 5, 03	Feb 4, 11	45.21	111,000	NA (2)
23	May 6, 04	S	Oct 1, 04	May 5, 12	55.55	107,000	NA (2)
24	May 6, 04	S	May 6, 08	May 5, 12	55.55	2,060,700	94,300
25	May 12, 05	S	Oct 1, 05	May 11, 13	56.47	138,500	NA (2)
26	Jun 28, 05	S	Jun 28, 09	Jun 27, 13	60.19	2,003,800	-
27	Dec 1, 05	S or P	Dec 1, 09	Nov 30, 13	71.40	1,614,900	-
28	Dec 21, 06	S or P	Dec 21, 10	Dec 20, 16	81.34	1,257,120	-
29	Apr 23, 07	S or P	Apr 23, 11	Apr 22, 17	97.05	83,150	-
30	Dec 19, 07	S or P	Dec 19, 07	Dec 18, 17	92.00	944,926	-
Total						**14,900,146**	**1,089,600**

(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. Exercise is also conditional on the achievement of performance criteria (note 13.5.2).
- 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	End of lock-up period	Number of shares initially granted	Grants cancelled because targets not met
1	Dec 21, 06	Dec 21, 09	Dec 21, 11	52,006	-
2	Apr 23, 07	Apr 23, 10	Apr 23, 12	2,214	-
3	Dec 19, 07	Dec 19, 10	Dec 19, 12	66,394	-
4	Dec 19, 07	Dec 19, 11	Dec 19, 11	57,250	-
Total				**177,864**	**-**

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 (note 13.5.2).
- The vesting period is three to four years.
- The lock-up period is zero to two years.

Outstanding options and grants as of December 31, 2008

Change in the number of options:

Plan no.	Number of options outstanding at Dec. 31, 2007	Options exercised and/or created in 2008	Options cancelled in 2008 (1)	Number of options outstanding at Dec. 31 2008
18	177,514	(158,479)	(19,035)	-
19	571,240	(7,537)	(2,273)	561,430
20	345,769	-	-	345,769
21	536,557	(14,651)	-	521,906
22	24,631	(1,320)	-	23,311
23	42,454	-	-	42,454
24	1,717,509	(94,796)	-	1,622,713
25	46,856	(200)	-	46,656
26	1,993,764	(7,913)	(41,202)	1,944,649
27	1,613,644	-	(13,331)	1,600,313
28	1,260,226	-	(10,504)	1,249,722
29	83,150	-	(7,000)	76,150
30	944,926	-	(8,610)	936,316
Total	**9,358,240**	**(284,896)**	**(101,955)**	**8,971,389**

(1) Including potential cancellations due to targets not being met or options being allowed to lapse without being exercised.

To exercise the options granted under plans 26, 27, 28, 29 and 30 and the SARs, the grantee must be an employee or corporate officer of the Group. In addition, exercise of half the options is conditional on the achievement of annual objectives based on revenue and on operating profit and EBITA margins.

In 2008, 284,694 new Schneider Electric SA shares were issued on the exercise of currently vested stock options.

Change in number of stock grants:

Plan no.	Number of stock grants at Dec. 31, 2007	Number of existing or new shares granted in 2008	Stocks cancelled in 2008	Number of grants outstanding at Dec. 31, 2008
1	51,946	-	-	51,946
2	2,214	-	-	2,214
3	66,394	-	(563)	65,831
4	57,250	-	(423)	56,827
Total	**177,804**	**-**	**(986)**	**176,818**

For stock grants to vest, the grantee must be an employee or corporate officer of the Group. In addition, vesting of half of the stock grants is conditional on the achievement of annual objectives based on revenue and on operating profit and EBITA margins.

Valuation of share-based payments

Stock options:

In accordance with the accounting policies described in note 1.19, 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 25%, corresponding to capped historical volatility.
- A payout rate of between 3.0% and 4.5%.
- A discount rate of between 3.1% 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 option plans set up after November 7, 2002 breaks down as follows:

	2008	2007
Plan 21	-	0
Plan 24	(1)	5
Plan 25	-	-
Plan 26	5	6
Plan 27	6	6
Plan 28	7	6
Plan 29	1	1
Plan 30	4	-
	22	24

Stock grants:

In accordance with the accounting policies described in note 1.19, 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 3.7% 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:

	2008	2007
Plan 1	1	1
Plan 2	0	0
Plan 3	2	-
Plan 4	1	-
	4	1

Worldwide Employee Stock Purchase Plan

Schneider Electric gives its employees the opportunity to participate in employee share issues. 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% discount 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% discount to the price quoted on the stock market. However, the leveraged plan 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 on a leveraged number of directly subscribed shares.

As with the nonleveraged plan, 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.

On May 30, 2008, as part of its commitment to employee share ownership, Schneider Electric gave its employees the opportunity to purchase shares at a price of €67.00 per share. This represented a discount of 15% to the average opening price of €78.82 quoted for the share during the 20 days preceding the Management Board's decision to launch the employee share issue.

In all, 2 million shares were subscribed, increasing the Company's capital by €134 million as of July 17, 2008. The issue represented a total cost of €4.8 million, taking into account the five-year lock-up period.

The tables below summarize the main characteristics of the plans, the amounts subscribed, the valuation assumptions and the plans' cost for 2008 and 2007.

Classic plan	2008		2007	
	%	€	%	€
Plan characteristics				
Maturity (years)		5		5
Reference price (euros)		78.82		103.59
Subscription price (euros)		67.00		88.06
Discount	15.00%		15.00%	
Amount subscribed by employees (millions of euros)		45.8		64.1
Total amount subscribed (millions of euros)		45.8		64.1
Total number of shares subscribed (millions of shares)		0.7		0.7
Valuation assumptions				
Interest rate available to market participant (bullet loan) (1)	6.90%		5.97%	
Five-year risk-free interest rate (euro zone)	5.20%		4.47%	
Annual interest rate (repo)	1.15%		0.95%	
(a) Value of discount	15.00%	8.1	15.00%	11.3
(b) Value of lock-up period for market participant	13.69%	7.4	11.85%	8.9
Total expense for the Group (a-b)	**1.30%**	**0.7**	**3.15%**	**2.4**
Sensitivity				
- Decrease in interest rate for market participant (2)	(0.50%)	1.35	(0.50%)	1.89

(1) 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.
(2) A decline in the interest rate for market participants reduces the lock-up cost and increases the expense booked by the issuer.

Leveraged plan	2008		2007	
	%	€	%	€
Plan characteristics				
Maturity (years)		5		5
Reference price (euros)		78.82		103.59
Subscription price (euros)		67.00		88.06
Discount	15.00%		15.00%	
Amount subscribed by employees (millions of euros)		8.9		14.2
Total amount subscribed (millions of euros)		88.6		142.2
Total number of shares subscribed (millions of shares)		1.3		1.6
Valuation assumptions				
Interest rate available to market participant (bullet loan) (1)	6.90%		5.97%	
Five-year risk-free interest rate (euro zone)	5.20%		4.47%	
Annual dividend rate	4.50%		3.00%	
Annual interest rate (repo)	1.15%		0.95%	
Retail/institutional volatility spread	5.00%		5.00%	
(a) Value of the discount	15.00%	15.6	15.00%	25.1
(b) Value of the lock-up period for market participant	13.69%	14.2	11.85%	19.8
(c) Value of the opportunity gain (2)	2.69%	2.8	2.54%	4.3
Total expense for the Group (a-b+c)	**3.99%**	**4.1**	**5.69%**	**9.5**
Sensitivity				
- Decrease in interest rate for market participant (3)	(0.50%)	1.35	(0.50%)	1.89
- Increase in retail/institutional volatility spread (4)	0.50%	0.22	0.50%	0.42

(1) 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.
(2) Calculated using a binomial model.
(2) 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.

13.6 - Treasury stock

A share buyback program was authorized by shareholders at the Annual Meeting on May 6, 1999, and renewed at the Annual Meetings held on May 5, 2000, June 11, 2001, May 27, 2002, May 16, 2003, May 6, 2004, May 12, 2005, May 3, 2006, April 26, 2007 and April 21, 2008. The latest authorized program provides for the purchase of a maximum of 10% of the share capital within a period of up to eighteen months from April 21, 2008.

The purpose of the program may be to reduce share capital,cover stock option and stock grant plans, achieve external growth transactions, or optimize the stock market.

The Company set up a liquidity contract under which the financial intermediary bought 4,317,497 shares at an average price of €66.40 and sold 3,873,024 shares at an average price of €68.04.

At December 31, 2008, the Group held 7,508,889 Schneider Electric shares in treasury stock, acquired at a cost of €354 million, which has been recorded as a deduction from retained earnings.

13.7 - Other reserves

Changes in other reserves were as follows:

	Gains and losses from remeasurement at fair value			Actuarial gains and losses	Total
	Currency instruments and interest	Hedges of metal purchases	Available-for-sale financial assets		
December 31, 2007	(173)	(6)	140	42	3
● Unrealized net gains (losses) on available-for-sale financial assets	-	-	(97)	-	(97)
● Net gains (losses) on currency instruments	44	-	-	-	44
● Net gains (losses) on interest rate hedges	(35)	-	-	-	(35)
● Net gains (losses) on metal purchases	-	(59)	-	-	(59)
● Net gains (losses) on post-retirement benefits	-	-	-	(271)	(271)
● Other	-	-	-	-	(6)
December 31, 2008	**(164)**	**(65)**	**43**	**(229)**	**(421)**

The main changes for the period stemmed from fair value adjustments to hedging instruments (note 19) and to AXA shares (note 7) and changes in actuarial gains and losses (note 14).

Note 14 - 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 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*	
	2008	2007	***2008***	*2007*
Discount rate	**5.4%**	5.6%	***5.8%***	*6.0%*
Rate of compensation increases	**3.9%**	3.8%	***4.5%***	*4.5%*
Expected return on plan assets (1)	**7.8%**	7.7%	***9.0%***	*9.0%*

(1) Corresponding to the 2008 and 2007 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 and the total asset value. In the United States, the expected return on plan assets for 2009 is 8.5%.

The discount rate currently stands at 5.3% in the euro zone, 5.8% in the United States and 6.4% in the United Kingdom.

A 0.5-point increase in the discount rate would reduce pension and termination benefit obligations by around €101 million and the service cost by €2 million. A 0.5-point decrease would increase pension and termination benefit obligations by €111 million and the service cost by €1 million.

The post-employment healthcare obligation mainly concerns the United States. A one-point increase in healthcare costs would increase the post-employment healthcare obligation by €44 million and the sum of the service cost and interest cost by €3 million. A one-point decrease in healthcare costs would decrease the post-employment healthcare obligation by €31 million and the sum of the service cost and interest cost by €2 million.

In 2008, the rate of healthcare cost increases in the United States was expected to decline from 9% in 2009 to 5% in 2013. This compares with the previous year's forecast of 9% in 2008 and 5% in 2012. The rate in France was estimated at 4.5% in 2008 and 2007.

Pension and termination benefit obligations

Pension and termination benefit 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 75% of the Group's total commitment or €1,523 million at December 31, 2008, 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 46%), bonds (around 33%) and real estate or cash (around 21%).

Contributions amounted to €18 million in 2008 and are estimated at €19 million for 2009. In 2008, the two funds in France refunded €46 million in contributions to the Group. These refunds are reported as a deduction from contributions for the period.

At December 31, 2008, provisions for pensions and termination benefits totaled €1,026 million, compared with €597 million in 2007. 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 totaled €42 million in 2008 and €43 million in 2007.

The Group has opted not to evaluate the possible impact of Article 11 of France's 2008 *Accord National Interprofessionnel* concerning the special termination benefit payable in the case of voluntary early retirement due to the various possible interpretations on its application. The expected potential effects of application are not material in relation to the Group's commitments.

Other post-employment benefits, including healthcare and life insurance, and other long-term benefits

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 84% of this obligation. In September 2008, one of these plans was amended by changing the contributions and terms of eligibility. The effect of this plan amendment, which reduced the obligation by around $9 million (€6 million), is being reflected in the income statement over the vesting period, with €2 million recognized in 2008 for vested rights and €4 million to be recognized over the next twelve years.

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 benefit obligations include healthcare coverage plans in Europe, for €38 million, and long-service awards due by subsidiaries in France, for €10 million.

At December 31, 2008, provisions for these benefit obligations totaled €436 million, compared with €399 million in 2007. These provisions have been included in non-current liabilities, as the current portion was not considered material in relation to the total liability.

14.1 - 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 US plans (Square D)*	Other post employment and long-term benefits	*Of which US plans (Square D)*	Provisions for pensions and other post-employment benefits
Dec. 31, 2006 *	**617**	***30***	**517**	***445***	**1,134**
Net cost recognized in the statement of income	47	*(7)*	23	*20*	70
Benefits paid	(42)	*0*	(26)	*(22)*	(68)
Plan participants' contributions	(26)	*(1)*	-	-	(26)
Items recognized in equity	(26)	*41*	(77)	*(60)*	(103)
Translation adjustment	(8)	*(5)*	(39)	*(39)*	(47)
Changes in the scope of consolidation	13	*0*	-	-	13
Other changes	(10)	*0*	1	*(1)*	(9)
Dec. 31, 2007 *	**565**	***58***	**399**	***343***	**964**
Net cost recognized in the statement of income	55	*1*	21	*15*	76
Benefits paid	(35)	*0*	(24)	*(19)*	(59)
Plan participants' contributions	28	*(1)*	0	*0*	28
Items recognized in equity**	415	*321*	21	*10*	436
Translation adjustment	7	*21*	17	*18*	24
Changes in the scope of consolidation	-	-	-	-	-
Other changes	(8)	*1*	2	*3*	(6)
Dec. 31, 2008	**1,027**	***401***	**436**	***370***	**1,463**

** Including €25 million and €32 million in pension assets recognized under "Other financial assets" in 2006 and 2007, respectively.*
*** Including €9 million and €(7) million of asset ceiling in 2007 and 2008, respectively.*

Changes in gross items recognized in equity were as follows:

	Pensions and termination benefits	Other post-employment and long-term benefits	Provisions for pensions and other post-employment benefits
Dec. 31, 2006	**66**	**(8)**	**58**
Actuarial (gains)/losses on projected benefit obligation	(39)	(77)	(116)
Actuarial (gains)/losses on plan assets	3	-	3
Effect of the asset ceiling	10	-	10
Dec. 31, 2007	**40**	**(85)**	**(45)**
Actuarial (gains)/losses on projected benefit obligation	28	21	49
Actuarial (gains)/losses on plan assets	385	-	385
Effect of the asset ceiling	2	-	2
Dec. 31, 2008	**455**	**(64)**	**391**

14.2 - Provisions for pensions and termination benefit obligations

Annual changes in obligations, the market value of plan assets and the corresponding assets and provisions recognized in the consolidated financial statements can be analyzed as follows:

	Dec. 31, 2008	*o/w US plans (Square D)*	Dec. 31, 2007	*o/w US plans (Square D)*
1. Reconciliation of balance sheet items				
Pension assets	0	*-*	32	*26*
Provisions for pensions and other post-employment benefit	(1,027)	*(401)*	(597)	*(84)*
Net Asset/(Liability) recognized in the balance sheet	**(1,027)**	***(401)***	**(565)**	***(58)***

	Dec. 31, 2008	*o/w US plans (Square D)*	Dec. 31, 2007	*o/w US plans (Square D)*
2. Components of net cost recognized in the statement of income				
Service cost	54	*17*	54	*18*
Interest cost (impact of discounting)	102	*52*	99	*50*
Expected return on plan assets	(104)	*(73)*	(106)	*(75)*
Past service cost	5	*5*	1	*0*
Curtailments and settlements	(2)	*-*	(1)	*-*
Net cost recognized in the statement of income	**55**	***1***	**47**	***(7)***

	Dec. 31, 2008	*o/w US plans (Square D)*	Dec. 31, 2007	*o/w US plans (Square D)*
3. Change in projected benefit obligation				
Projected benefit obligation at beginning of year	1,958	*879*	2,035	*918*
Service cost	54	*17*	54	*18*
Interest cost (impact of discounting)	102	*52*	99	*50*
Plan participants' contributions	3	*-*	5	*-*
Benefits paid	(94)	*(38)*	(101)	*(39)*
Actuarial (gains)/losses recognized in equity	28	*42*	(39)	*33*
Modification of pension plan	6	*5*	(1)	*-*
Changes in the scope of consolidation	-	*-*	41	*-*
Translation adjustments	(28)	*55*	(129)	*(101)*
Curtailments and settlements	(3)	*-*	(5)	*-*
Other	10	*1*	(1)	*-*
Projected benefit obligation at end of year	**2,036**	***1,013***	**1,958**	***879***

Actuarial gains and losses have been fully recognized in "Other reserves" (note 13.7).

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.

Actuarial losses related to experience adjustments amounted to €445 million for the Group at December 31, 2008 and €36 million at December 31, 2007. At December 31, 2006, actuarial gains and losses related to experience adjustments amounted to €2 million in the United States and the United Kingdom.

	Dec. 31, 2008	*o/w US plans (Square D)*	Dec. 31, 2007	*o/w US plans (Square D)*
4. Change in fair value of plan assets				
Fair value of plan assets at beginning of year	1,402	*820*	1,418	*887*
Expected return on plan assets	104	*73*	106	*75*
Plan participants' contributions	3	*-*	5	*-*
Employer contributions	(28)	*1*	26	*1*
Benefits paid	(59)	*(38)*	(59)	*(39)*
Actuarial gains/(losses) recognized in equity	(385)	*(279)*	(3)	*(8)*
Changes in the scope of consolidation	(1)	*-*	28	*-*
Translation adjustments	(35)	*34*	(121)	*(96)*
Curtailments and settlements	0	*-*	(4)	*-*
Other	9	*-*	6	*-*
Fair value of plan assets at end of year	**1,010**	***611***	**1,402**	***820***

The actual return on plan assets was a negative €281 million.

Actuarial gains and losses have been fully recognized in "Other reserves" (note 13.7).

They stem primarily from differences between the actual and expected return on plan assets in the United States, the United Kingdom and Canada.

	Dec. 31, 2008	*o/w US plans (Square D)*	Dec. 31, 2007	*o/w US plans (Square D)*
5. Funded status				
Projected benefit obligation	(2,036)	*(1,013)*	(1,958)	*(879)*
Fair value of plan assets	1,010	*611*	1 402	*820*
Effect of the asset ceiling	(2)	*-*	(10)	*-*
Deferred items:				
Unrecognized past service cost	1	*1*	1	*1*
Net Asset/(Liability) recognized in the balance sheet	**(1,027)**	***(401)***	**(565)**	***(58)***

14.3 - Provisions for other post-employment benefits

Changes in provisions for other post-employment and long-term benefits were as follows:

	Dec. 31, 2008	Dec. 31, 2007
1. Components of net cost recognized in the statement of income		
Service cost	6	6
Interest cost (impact of discounting)	21	21
Expected return on plan assets	-	-
Past service cost	(5)	(4)
Curtailments and settlements	-	-
Amortization of actuarial gains & losses	(1)	-
Net cost recognized in the statement of income	**21**	**23**

Amortization of actuarial gains and losses concern long-term benefits for active employees, notably long service awards in France.

	Dec. 31, 2008	Dec. 31, 2007
2. Change in projected benefit obligation		
Projected benefit obligation at beginning of year	366	477
Service cost	5	6
Interest cost (effect of discounting)	21	21
Plan participants' contribution	1	2
Benefits paid	(24)	(26)
Actuarial (gains)/losses recognized in equity	21	(77)
Past service cost	(6)	0
Changes in the scope of consolidation	-	-
Translation adjustments	17	(39)
Other (including curtailments and settlements)	-	2
Projected benefit obligation at end of year	**401**	**366**

Actuarial gains and losses have been fully recognized in "Other reserves" (note 13.7). The only exception concerns long-term benefits for active employees (notably long service awards in France), for which part of the actuarial gain or loss is recognized in the income statement. Actuarial gains and losses stem from changes in actuarial assumptions (primarily discount rates).

Actuarial gains related to experience adjustments amounted to €10 million at December 31, 2008 for the Group, compared with a €59 million loss at December 31, 2007.

	Dec. 31, 2008	Dec. 31, 2007
3. Funded status		
Projected benefit obligation	401	366
Deferred items:		
Unrecognized past service cost	35	33
Provision recognized in the balance sheet	**436**	**399**

Note 15 - Provisions for contingencies

	Economic risks	Customer risks	Product risks	Environmental risks	Restructuring	Other risks	Provisions
Dec. 31, 2006	**161**	**57**	**145**	**44**	**85**	**78**	**570**
Long-term portion	*84*	*50*	*35*	*32*	*15*	*67*	*283*
Additions	152	5	52	2	39	35	285
Discounting effect	0	-	0	0	0	0	0
Utilizations	(28)	(5)	(42)	(4)	(62)	(17)	(158)
Reversals of surplus provisions	(17)	-	(14)	(1)	(1)	(3)	(36)
Translation adjustments	-	(5)	(7)	(1)	(1)	(6)	(20)
Changes in the scope of consolidation and other	41	1	31	3	(4)	(3)	69
Dec. 31, 2007	**309**	**53**	**165**	**43**	**56**	**84**	**710**
Long-term portion	*85*	*45*	*25*	*30*	*7*	*72*	*264*
Additions	64	10	68	1	122	40	305
Discounting effect	0	-	0	0	0	1	1
Utilizations	(52)	(10)	(40)	(2)	(41)	(18)	(163)
Reversals of surplus provisions	(31)	(10)	(10)	-	(8)	(5)	(64)
Translation adjustments	2	1	2	(1)	(3)	1	2
Changes in the scope of consolidation and other	32	(16)	22	2	6	3	49
Dec. 31, 2008	**324**	**28**	**207**	**43**	**132**	**106**	**840**
Long-term portion	*121*	*24*	*49*	*30*	*11*	*67*	*302*

(a) Economic risks

These include tax risks arising from tax audits performed by various local tax administrations and financial risks arising primarily on guarantees given to third parties in relation to certain assets and liabilities.

During the year, the Group set aside provisions in an amount of €30 million to cover information systems contracts. At the same time, the Group used €21 million in provisions set aside in previous years and reversed a further €20 million, for a total of €41 million.

(b) Customer risks

These provisions primarily concern liability claims arising from alleged defects in products sold to customers and other third parties and are determined on a case-by-case basis. They also cover projected losses on various long-term contracts in an amount of €6 million.

Provision reversals primarily concerned customer rebates paid during the year and reassessments of customer risks in the United States.

(c) Product risks

These provisions comprise:

- Provisions recorded on a statistical basis for the residual cost of product warranties not covered by insurance. Such warranties may run up to 18 months.
- Provisions to cover disputes concerning defective products and recalls of clearly identified products.

(d) Environmental risks

These provisions are primarily set aside to cover potential reclamation costs.

(e) Restructuring

New provisions were set aside during the year to cover the costs of restructuring plans in Europe and the United States (note 24).

Note 16 - Long and short-term debt

Non current financial liabilities break down as follows:

	Dec. 31, 2008	Dec. 31, 2007
Convertible and non-convertible bonds	3,477	3,946
Bank and other borrowings	1,318	669
Lease liabilities	19	20
Employee profit sharing	6	5
Short-term portion of convertible and non-convertible bonds	(110)	(749)
Short-term portion of long-term debt	(71)	(105)
Non current financial liabilities	**4,639**	**3,786**

Current financial liabilities break down as follows:

	Dec. 31, 2008	Dec. 31, 2007
Commercial paper	190	-
Accrued interest	106	80
Drawdown of funds from lines of credit	752	1,158
Bank overdrafts	135	110
Other short-term borrowings	202	199
Short-term portion of convertible and non-convertible bonds	110	749
Short-term portion of long-term debt	71	105
Current financial liabilities	**1,566**	**2,401**
Total current and non current financial liabilities	**6,205**	**6,187**

16.1 - Breakdown by maturity

	Dec. 31, 2008			Dec. 31, 2007
	Nominal	Interest	Swaps	Nominal
2008	-	-	-	2,401
2009	1,566	205	22	142
2010	1,016	183	16	948
2011	778	156	10	549
2012	60	139	6	56
2013	548	132	4	2,091 *
2014 and beyond	2,237	192	2	-
Total	**6,205**	**1,007**	**60**	**6,187**

** 2013 and beyond.*

16.2 - Breakdown by currency

	Dec. 31, 2008	Dec. 31, 2007
Euro	4,749	4,907
US dollar	1,084	1,049
Indian rupee	53	72
New Zealand dollar	1	0
Japanese yen	159	24
Other	159	135
Total	**6,205**	**6,187**

16.3 - Ordinary bonds

	Dec. 31, 2008	Dec. 31, 2007	Effective interest rate	Maturity
Schneider Electric SA 2008	-	749	3.875% fixed	Oct 2008
Schneider Electric SA 2009	110	109	3.375% fixed	Jan 2009
Schneider Electric SA 2010	899	899	3.125% fixed	Aug 2010
Schneider Electric SA 2011	499	499	EUR + 0.2% variable	Jul 2011
Schneider Electric SA 2013	100	-	CMS 10+1%	Jul 2013
Schneider Electric SA 2014	498	497	4.500% fixed	Jan 2014
Schneider Electric SA 2015	593	598	5.375% fixed	Jan 2015
Schneider Electric SA 2016	26	-	EUR + 0.6% variable	Jul 2016
Schneider Electric SA 2017	752	595	4.000% fixed	Aug 2017
Total	**3,477**	**3,946**		

Schneider Electric SA has made several bond issues as part of its Euro Medium Term notes (EMTN) program over the past few years. Issues that were not yet due as of December 31, 2008 were as follows:

- €100 million worth of bonds indexed to the Constant Maturity Swap (CMS) rate, issued in July 2008 and due July 31, 2013.
- €180 million worth of bonds issued in April 2008 to top up the €600 million twelve-year tranche at 4% issued in August 2005, raising the total issue to €780 million.
- €26 million corresponding to the discounted present value of future interest payments on a €177 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 recognized in debt because the bond holder has waived its right to repayment of the principal in exchange for the transfer by Schneider Electric, on a no-recourse basis, of the future cash flows corresponding to the requested refund of a tax receivable.
- €600 million worth of 5.375% bonds issued in October 2007 and due October 8, 2015.
- €110 million worth of 3.275% bonds issued in January 2007 and due January 26, 2009.
- €1 billion worth of bonds issued in July 2006, comprising a €500 million 5-year variable rate tranche and a €500 million 7 ½-year 4.5% tranche.
- €1.5 billion worth of bonds issued in August 2005, comprising a €900 million 5-year tranche at 3.125 % and a €600 million 12-year tranche at 4%.

These bonds are traded on the Luxembourg stock exchange. The issue premium and issue costs are amortized according to the effective interest method.

Lastly, the Group redeemed €750 million worth of October 2003 bonds at maturity on October 31, 2008.

16.4 - Other information

At December 31, 2008, Schneider Electric had confirmed credit lines of €3 billion, of which €2.3 billion was unused. In addition, the Group has access to a $300 million in bank financing available from January 15, 2009.

Loan agreements and committed credit lines do not include any financial covenants nor credit rating triggers.

Note 17 - Other non-current liabilities

	Dec. 31, 2008	Dec. 31, 2007
Clipsal acquisition debt	12	54
Delixi Electric acquisition debt	-	15
Elite Engineering Limited acquisition debt	-	1
Din Elektro Kraft acquisition debt	-	1
Other	8	6
Other non-current liabilities	**20**	**77**

The agreement for the acquisition of Clipsal includes a seller's warranty providing for part of the acquisition price to be withheld. This amount has been placed in escrow (note 7.2).

Note 18 - Commitments and contingent liabilities

18.1 - Guarantees given and received

	Dec. 31, 2008	Dec. 31, 2007
Contract counterguarantees (1)	303	207
Mortgages and collateral (2)	23	24
Guarantees	0	2
Other commitments given (3)	123	189
Guarantees given	**449**	**422**
Other guarantees received	53	43
Guarantees received	**53**	**43**

(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 to certain lessors that rental payments will be made until the end of the lease.

18.2 - 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, 2008.

Information technology services

In 2004, the Group signed an agreement with Capgemini to outsource its European IT functions and to develop and deploy shared management applications using SAP in Europe. The first pilot version was deployed in India in April 2007 and a second version was rolled out in several European countries in mid-2008. The global system will be deployed across the Group from 2009 onwards.

Payments to Capgemini replace the cost of the IT function, which was previously managed internally. In early 2006, the duration of the reciprocal commitments between Capgemini and Schneider Electric was extended from ten to twelve years.

In 2008, IT operations in certain European countries and network operations were brought back in house with a view to continuously improving quality and cost effectiveness for both parties.

The 2008 expense related to this outsourcing agreement contractually amounted to €133 million, including volume and indexation effects provided for in the contract. This compares with €147 million in 2007.

Schneider Electric capitalized development costs relating to the SAP contract in a net amount of €155 million at end-2008.

18.3 - Contingent liabilities

Management is confident that balance sheet provisions for known disputes in which the Group is involved are sufficient to ensure that these disputes do not have a material impact on its financial position or profit. 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 also signed an agreement concerning statutory employee training rights in France (DIF). In accordance with French national accounting board (CNC) opinion 2004-F, the related costs are treated as an expense for the period when the training is received and no provision is set aside in the periods when the training rights accrue. As of December 31, 2008, accrued rights corresponded to around 900,000 hours.

Note 19 - 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.

19.1 - Carrying amount and nominal amount of derivative financial instruments

		Dec. 31, 2007		Dec. 31, 2008			Dec. 31, 2008	
	IFRS Designation	Carrying amount	Other income and expense (1)	Equity (2)	Other	Carrying amount	Nominal amount Purchase	Sale
Foreign exchange								
Futures - cash flow hedges	CFH*	16	(64)	-	9	(39)	1,018	-
Futures - hedges of balance sheet items	Trading	25	24	-	(24)	25	1,122	1,060
Metal prices								
Futures and options	CFH*	(9)	-	(89)	-	(98)	175	-
Interest rates								
Swaps on credit lines	CFH*/FVH*	(1)	(1)	(53)	-	(55)	1,178	-
Derivatives financial instruments		**31**	**(41)**	**(142)**	**(15)**	**(167)**	**-**	**-**

** Cash flow hedge / Fair value hedge.*

(1) Gains and losses on hedging instruments for the period are offset by changes in the fair value of the underlying, which are also recognized in "Other financial income and expense".

(2) Reported in equity under "Other reserves".

The market value of financial instruments, which corresponds to their carrying amount, is estimated either internally by discounting future differential cash flows at current market interest rates or by third party banks.

19.2 - Carrying amount and fair value of financial instruments other than derivatives

	Dec. 31, 2008		Dec. 31, 2007	
	Notional amount (1)	Fair value	Notional amount (1)	Fair value
Available-for-sale financial assets	200	200	323	323
Other non-current financial assets	113	113	124	124
Marketable securities	997	997	511	511
Bonds	(3,477)	(3,414)	(3,946)	(3,796)
Other short and long-term debt	(2,728)	(2,728)	(2,241)	(2,241)
Financial instruments excluding derivatives	(4,895)	(4,832)	**(5,229)**	**(5,079)**

(1) the notional amount corresponds to either amortized cost or fair value.

19.3 - Currency risk

Forward hedging positions by currency

Forward currency hedging positions include €222 million loss in hedges of intragroup loans and borrowings (net purchases) and €160 million in hedges of operating cash flows (net sales).

	Dec. 31, 2008		
	Sales	Purchases	Net
USD	500	(730)	(230)
SEK	82	(57)	25
DKK	194	(91)	103
RUB	24	(1)	23
HUF	77	(5)	72
AUD	17	(29)	(12)
CZK	25	(9)	16
JPY	-	(43)	(43)
AED	6	(14)	(8)
GBP	37	(46)	(9)
HKD	27	(17)	10
Other	71	(80)	(9)
Total	**1,060**	**(1,122)**	**(62)**

19.4 - Impact of financial instruments

December 31, 2008	Impact on financial income and expense	Impact on Equity		
		Fair value	Translation adjustment	Others
Available-for-sale financial assets	33	(113)	5	-
Loans and accounts receivable	59	-	(39)	-
Financial liabilities measured at amortized cost or fair value	(321)	-	(20)	-
Derivative instruments	(12)	(136)	(4)	-
Total	(241)	(249)	(58)	-

December 31, 2007	Impact on financial income and expense	Impact on Equity		
		Fair value	Translation adjustment	Others
Available-for-sale financial assets	12	(32)	1	-
Loans and accounts receivable	133	-	(50)	(5)
Financial liabilities measured at amortized cost or fair value	(380)	-	(150)	2
Derivative instruments	41	52	-	-
Total	**(194)**	**20**	**(199)**	**(3)**

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.

19.5 - Maturities of financial assets and liabilities

	Up to 1 year	1 to 5 years	> 5 years
Financial liabilities	(1,566)	(2,402)	(2,237)
Financial assets	1,652	157	-
Net position before hedging	**86**	**(2,245)**	**(2,237)**

19.6 - Balance sheet amounts for financial instruments by category

	Dec. 31, 2008		Breakdown by category			
	Carrying value	Fair value	Available-for sale financial assets (AFS)	Loans and receivables (LAR)	Financial liabilities at amortized cost (FLAC)	Derivative instruments
ASSETS						
Non-current assets						
Available-for-sale financial assets	200	200	200	-	-	-
Other non-current financial assets	113	113	-	113	-	-
Total non-current assets	**313**	**313**	**200**	**113**	**-**	**-**
Current assets						
Trade accounts receivable	3,537	3,537	-	3,537	-	-
Other receivables	95	95	-	-	-	95
Current financial assets	78	78	-	78	-	-
Cash and cash equivalents	1,652	1,652	-	1,652	-	-
Total current assets	**5,362**	**5,362**	**-**	**5,267**	**-**	**95**
LIABILITIES						
Non-current liabilities						
Other long-term debt	4,639	4,576	-	-	4,639	-
Total non-current liabilities	**4,639**	**4,576**	**-**	**-**	**4,639**	**-**
Current liabilites						
Trade accounts payable	2,312	2,312	-	-	2,312	-
Other current liabilities	271	271	-	-	14	257
Short-term debt	1,566	1,566	-	-	1,566	-
Total current liabilities	**4,149**	**4,149**	**-**	**-**	**3,892**	**257**

	Dec. 31, 2007		Breakdown by category			
	Carrying value	Fair value	Available-for sale financial assets (AFS)	Loans and receivables (LAR)	Financial liabilities at amortized cost (FLAC)	Derivative instruments
ASSETS						
Non-current assets						
Available-for-sale financial assets	323	323	323	-	-	-
Other non-current financial assets	124	124	-	124	-	-
Total non-current assets	**447**	**447**	**323**	**124**	**-**	**-**
Current assets						
Trade accounts receivable	3,463	3,463	-	3,463	-	-
Other receivables	45	45	-	-	-	45
Current financial assets	84	84	-	84	-	-
Cash and cash equivalents	1,269	1,269	-	1,269	-	-
Total current assets	**4,861**	**4,861**	**-**	**4,816**	**-**	**45**
LIABILITIES						
Non-current liabilities						
Other long-term debt	3,785	3,635	-	-	3,785	-
Total non-current liabilities	**3,785**	**3,635**	**-**	**-**	**3,785**	**-**
Current liabilites						
Trade accounts payable	2,133	2,133	-	-	-	-
Other current liabilities	22	22	-	-	-	14
Short-term debt	2,401	2,401	-	-	-	-
Total current liabilities	**4,556**	**4,556**	**-**	**-**	**-**	**14**

Note 20 - Related party transactions

20.1 - Associates

These are primarily companies over which the Group has significant influence. They are accounted for by the equity method. Transactions with these related parties are carried out on arm's length terms.

Related party transactions were not material in 2008.

20.2 - 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 21 - Segment information

First-level segment information is broken down according to the Group's four operating divisions on the basis of asset location. Performance assessments and management decisions are notably based on Earnings Before Interest, Taxes and Amortization of purchase accounting intangibles (EBITA).

Data concerning General Management that cannot be allocated to a particular segment are presented under "Holding company". Details are provided in Chapter 4 of the Registration Document (Business Review).

Segment assets include net goodwill; net intangible assets and property, plant and equipment; inventories and work in process; trade accounts receivable and other receivables.

Segment liabilities include long and short-term provisions, trade accounts payable and other current liabilities.

December 31, 2008	Europe	North America	Asia-Pacific	Rest of the World	Holding (1)	Total
Revenue	8,101	5,053	3,395	1,762	-	18,311
EBITA	1,412	824	539	290	(311)	2,754
Segment Assets	8,135	7,577	4,083	910	506	21,211
of which goodwill	*3,463*	*3,063*	*1,869*	*147*	*-*	*8,542*
Segment Liabilities	2,457	1,627	794	304	870	6,052
Capital employed, gross	426	108	101	6	86	727

(1) including a €155 million of asset and a €38 million of investment in the SAP core model.

December 31, 2007	Europe	North America	Asia-Pacific	Rest of the World	Holding (1)	Total
Revenue	7,846	4,770	3,233	1,460	-	**17,309**
EBITA	1,349	787	440	232	(246)	**2,562**
Segment Assets	7,956	7,347	3,667	792	423	**20,185**
of which goodwill	*3,379*	*2,867*	*1,767*	*128*	*-*	***8,141***
Segment Liabilities	2,328	1,204	738	261	891	**5,422**
Capital employed, gross	327	101	101	6	101	**636**

(1) including a €118 million of asset and a €54 million of investment in the SAP core model.

The second level of segment information is broken down according to the Group's three main businesses.

Revenue	2008	2007
Electrical Distribution	10,343	9,869
Automation & Control	5,313	4,937
Critical Power	2,655	2,503
Holding	-	-
	18,311	17,309

EBITA margin (%)	2008	2007
Electrical Distribution	18.6%	18.1%
Automation & Control	14.5%	14.2%
Critical Power	14.2%	12.7%
Holding	(1.7%)	(1.4%)
	15.0%	**14.8%**

Note 22 - Research and Development

Research and development costs break down as follows:

	2008	2007
Research and development costs recognised as an expense (1)	605	601
Capitalized development costs (2)	195	131
Total Research and Development costs - Gross value	**800**	**732**
Research and development Tax Credit	(26)	(9)
Total Research and Development costs of the year - Net	**774**	**723**

(1) Of which, €161 million recognised in cost of sales, €16 million in selling expenses and €428 million in R&D costs in 2008.
of which, €153 million recognised in cost of sales, €22 million in selling expenses and €426 million in R&D costs in 2007.
(2) Of which, in 2007, €2 million recognised in software and €0 million in 2008.

Amortization of capitalized development costs came to €61 million in 2008 and €42 million in 2007. In addition, exceptional impairment losses of €2 million were recorded on capitalized development costs in 2008, compared with €6 million in 2007.

Note 23 - Depreciation, amortization and provision expense

Depreciation, amortization and provision expenses recognized in operating expenses were as follows:

	2008	2007
Included in cost of sales:		
Depreciation and amortization	(305)	(283)
Provisions	(38)	(16)
Included in selling, general and administrative expenses:		
Depreciation and amortization	(147)	(139)
Provisions	(18)	(27)
Depreciation, amortization and provision expense	**(508)**	**(465)**

In 2008, provisions in an amount of €79 million were recorded in other operating income/expense (note 24). Impairment of other non-current assets represented a net charge of €72 million.

Note 24 - Other operating income and expenses

Other operating income and expenses break down as follows:

	2008	2007
Restructuring	(164)	(98)
Impairment losses on property, plant and equipment and intangible assets	(9)	(40)
Gains on asset disposals	17	38
Losses on asset disposals	(7)	(6)
Other	24	(36)
Other operating income and expenses	**(139)**	**(142)**

Operating profit included €173 million in non-recurring impairment losses (€9 million) and restructuring costs (€164 million). Restructuring costs primarily stemmed from ongoing reorganization in Europe, for €102 million, North America, for €14 million, and Asia-Pacific, for €14 million, as well as the integration of Pelco, for €13 million.

Gains on asset disposals mainly reflect assets transferred to the new Fuji Electric FA Components & Systems joint venture in Japan.

The Group received €11 million in settlement of a dispute with Panasonic during the year. This item, along with a €9 million reversal of a provision for IT contracts, is recorded in "Other" above.

Note 25 - Amortization and impairment of purchase accounting intangibles

	2008	2007
Amortization of purchase accounting intangibles	(93)	(73)
Impairment of purchase accounting intangibles	(22)	0
Goodwill impairment	(59)	(6)
Amortization and impairment of purchase accounting intangibles	**(174)**	**(79)**

In 2008, the CST Business Unit's management decided to discontinue the Systron Donner Automotive (SDA) business. An impairment loss of €43 million was recorded on SDA assets to align the carrying amount with their value in use, corresponding to expected cash flows until complete business termination of the business. In addition, an impairment test on CST's remaining business led to the recognition of an additional loss in an amount of €27 million.

Lastly, an impairment loss of €11 million was recognized on a non-material business in China.

As concerns the impairment loss of €27 million stemming from impairment tests on all CGUs, a 0.5-point increase in the discount rate would have increased the loss by €74 million, and a 0.5-point decrease would have reduced the loss to zero.

Note 26 - Finance costs and other financial income and expense, net

This item consists solely of income and expense relating to financial assets (including cash and cash equivalents) and debt.

	2008	2007
Interest income	95	93
Interest expense	(376)	(380)
Net gains/(losses) on the sale of marketable securities	35	40
Finance costs, net	*(246)*	*(247)*
Dividend income	18	11
Exchange gains and losses, net	(87)	(21)
Impairment losses on financial assets	4	12
Net gains/(losses) on disposal of long-term investments	11	(11)
Discounting adjustments to non-current assets and liabilities	(1)	(1)
Fair value adjustments	0	0
Other financial expense, net	(13)	(9)
Finance costs and other financial income and expense, net	**(314)**	**(266)**

In 2008, net interest expense included interest income of €25 million corresponding to interest on a tax receivable.

Note 27 - Employees

27.1 - Number of employees

The average number of permanent and temporary employees was as follows in 2008 and 2007:

(number of employees)	2008	2007
Production	59,963	52,360
Administration	66,518	66,980
Total average number of employees	**126,481**	**119,340**
By region:		
Europe	52,524	51,047
North America	29,909	28,179
Asia-Pacific	34,519	32,010
Rest of the world	9,529	8,104

The increase in employee numbers primarily reflects the effect of the acquisitions for the past two years.

27.2 - Employee benefits expense

	2008	2007
Payroll costs [(1)]	(4,814)	(4,506)
Profit-sharing and incentive bonuses	(86)	(79)
Stock options	(26)	(24)
WESOP	(5)	(12)
Total employee benefits expense	**(4,931)**	**(4,621)**

(1) Of which €55 million for pension and other post-employment benefit obligations and €21 million for other employee benefit obligations (note 14).

27.3 - Management compensation and benefits

In 2008, directors' fees of €0.7 million were paid to the members of the Board of Directors.

Total gross compensation paid to members of senior management (excluding corporate officers) amounted to €9.6 million, of which €4.6 million in variable bonuses.

A total of 1,649,100 stock options and 15,301 stock grants have been granted to members of senior management through plans set up since 2001.

Pension obligations with respect to members of senior management amounted to €62 million at December 31, 2008 versus €65 million at December 31, 2007.

More detailed information on senior management is provided in Chapter 2, Paragraph 9 of the Registration Document.

Note 28 - Subsequent events

28.1 - Bond issue

On January 7, 2009, Schneider Electric issued €750 million worth of bonds due July 2013.

28.2 - Stock option and stock grant plans and SARs

On January 5, 2009, the Management Board set up stock option plan no. 31, granting 679,000 options to subscribe new shares or purchase existing shares of Company stock at a price of €52.12 exercisable between January 5, 2013 and January 4, 2019. For US employees, the plan awards 654,800 Stock Appreciation Rights (SARs) with a benchmark price of €52.12, with the same vesting period and expiration date as the options in plan 31.

On January 5, 2009, the Management Board also set up stock grant plans no. 5 and no. 6. Plan no. 5 grants 143,710 shares to French employees, with a vesting period of three years and a lock-up period of two years. Plan no. 6 grants 212,351 shares, with a vesting period of four years and no lock-up period.

For stock options, stock grants and SARs to vest, the grantee must be an employee or corporate officer of the Group. In addition, vesting of half of the stock options, stock grants and SARs is conditional on the achievement of annual objectives based on revenue and EBITA margin (vesting of all the stock options and stock grants as far as the Management Board is concerned).

Note 29 - Auditors' Fees

Fees paid to the Auditors and members of their networks in 2008 and 2007 were as follows:

(€ thousand)	2008				
	Ernst & Young	%	Mazars	%	Total
Audit					
Statutory auditing	9,463	*85%*	5,534	*99%*	14,997
o/w Schneider Electric SA	*100*		*100*		
o/w subsidiaries	*9,363*		*5,434*		
Related engagements	1,230	*11%*	28	*1%*	1,258
o/w Schneider Electric SA	-		-		
o/w subsidiaries	*1,230*		*28*		
Sub-total	10,693	*96%*	5,562	*100%*	16,255
Other services					
Legal and tax	401	*4%*	-		401
Total	11,094	*100%*	5,562	*100%*	16,656

(€ thousand)	2007				
	Ernst & Young	%	Mazars & Guérard	%	Total
Audit					
Statutory auditing	8,981	*81%*	5,877	*89%*	14,858
o/w Schneider Electric SA	*100*		*100*		
o/w subsidiaries	*8,881*		*5,777*		
Related engagements	1,476	*13%*	643	*10%*	2,119
o/w Schneider Electric SA	*146*		*40*		
o/w subsidiaries	*1,330*		*603*		
Sub-total	**10,457**	***95%***	**6,520**	***99%***	**16,977**
Other services					
Legal and tax	594	*5%*	50	*1%*	644
Total	**11,051**	***100%***	**6,570**	***100%***	**17,621**

Note 30 - Consolidated companies

The main companies included in the Schneider Electric Group scope of consolidation are listed below.

		% interest Dec. 31, 2008	% interest Dec. 31, 2007
Europe			
Fully consolidated			
APC Deutschland GmbH	Germany	100.0	100.0
Asentics GmbH	Germany	-	80.0
Asentics GmbH & Co. KG	Germany	-	80.0
Berger Lahr Positec GmbH	Germany	100.0	100.0
Citect GmbH	Germany	100.0	100.0
Crouzet GmbH	Germany	100.0	100.0
Drive Tech Gmbh	Germany	-	100.0
Elau Elektronik Automations AG	Germany	100.0	100.0
Elau Engineering GmbH	Germany	-	100.0
Elau Systems GmbH	Germany	-	100.0
Elso GmbH	Germany	100.0	100.0
Kavlico GmbH	Germany	100.0	100.0
Merten GmbH	Germany	100.0	100.0
MERTEN Holding GmbH	Germany	100.0	100.0
Messner Gebäudetechnik GmbH	Germany	100.0	100.0
MGE USV-Systeme GmbH	Germany	100.0	100.0
Pulsotronic Merten GmbH & Co. KG	Germany	-	100.0
Ritto GmbH & Co.KG	Germany	100.0	100.0
Sarel GmbH	Germany	-	99.0
Schneider Electric Automation Deutschland GmbH	Germany	100.0	-
Schneider Electric Automation GmbH	Germany	100.0	-
Schneider Electric Beteiligungs GmbH	Germany	-	100.0
Schneider Electric Deutschland GmbH	Germany	100.0	100.0
Schneider Electric GmbH	Germany	100.0	100.0
Schneider Electric Motion Deutschland GmbH & Co KG	Germany	100.0	100.0
Schneider Electric Motion GmbH	Germany	100.0	100.0
Schneider Electric Motion Real Estate GmbH	Germany	100.0	100.0
Schneider Electric Motion Services GmbH & Co KG	Germany	100.0	100.0
Schneider Electric Power Drives Gmbh	Germany	-	100.0
Stago Deutschland GmbH	Germany	100.0	100.0
Svea Building Control System GmbH & Co. KG	Germany	100.0	100.0
Tac GmbH	Germany	100.0	100.0
Verwaltung SVEA Building Control Systems GmbH	Germany	100.0	100.0
Vitrum Beteiligungs GmbH	Germany	100.0	100.0
Xantrex Technology GmbH	Germany	100.0	-
Berger Lahr Positec GmbH	Austria	51.0	51.0
HGA Haus und Gebäudeautomation GmbH	Austria	100.0	-
Merten GmbH & Co. KG	Austria	100.0	100.0
MGE UPS Systems Vertriebs GmbH	Austria	100.0	100.0
Schneider Electric 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	Belgium	100.0	100.0
Cofimines	Belgium	100.0	100.0
Crouzet SA	Belgium	100.0	100.0
Sarel Belgique	Belgium	-	99.0
Schneider Electric NV/SA	Belgium	100.0	100.0
Schneider Electric Services International	Belgium	100.0	100.0
Delixi Electric SEE EOOD	Bulgaria	100.0	-

		% interest Dec. 31, 2008	% interest Dec. 31, 2007
Schneider Electric Bulgaria	Bulgaria	100.0	100.0
Schneider Electric d.o.o	Croatia	100.0	100.0
American Power Conversion Denmark ApS	Denmark	100.0	100.0
Elmat ApS	Denmark	-	100.0
JO-EL Electric A/S	Denmark	100.0	100.0
Schneider Electric Denmark A/S	Denmark	100.0	100.0
Schneider Nordic Baltic A/S	Denmark	100.0	100.0
Tac A/S	Denmark	100.0	100.0
AEM SA	Spain	-	100.0
APC Spain S.L.	Spain	100.0	100.0
EFI Electronics Europe SL	Spain	100.0	100.0
Hispano Mecano-Electrica SA	Spain	100.0	100.0
Manufacturas Electricas SA	Spain	100.0	100.0
MGE UPS Espana SA	Spain	100.0	100.0
Schneider Electric Espana SA	Spain	100.0	100.0
Xantrex Technology SL	Spain	100.0	-
Schneider Electric EESTI AS	Estonia	100.0	100.0
Elari Oy	Finland	100.0	100.0
I-Valo Oy	Finland	100.0	100.0
JO-ELElectric Oy	Finland	100.0	100.0
Pelco Finland Oy	Finland	100.0	100.0
Oy Lexel Finland AB	Finland	100.0	100.0
Elko Suomi Oy	Finland	100.0	100.0
Schneider Electric Finland Oy	Finland	100.0	100.0
Strömfors Electric Oy	Finland	100.0	100.0
Tac Finland Oy	Finland	100.0	100.0
Alombard	France	100.0	100.0
Analyse et Energie	France	100.0	-
APC Europe SARL	France	100.0	100.0
APC France SARL	France	100.0	100.0
Ateliers de Constructions Electriques de Grenoble - ACEG	France	100.0	100.0
Auxibati SCI	France	100.0	100.0
BCV Technologies	France	100.0	100.0
Behar-Sécurité Sarl	France	100.0	100.0
BEI Ideacod	France	100.0	100.0
Berger Lahr Positec	France	100.0	100.0
Boissière Finance	France	100.0	100.0
Citect Sarl	France	100.0	100.0
Construction Electrique du Vivarais	France	100.0	100.0
Crouzet Automatismes	France	100.0	100.0
DINEL	France	100.0	100.0
Distrelec	France	100.0	100.0
Elau SARL	France	100.0	100.0
Electro Porcelaine	France	100.0	100.0
Elkron France	France	100.0	100.0
Epsys	France	100.0	100.0
Euromatel	France	100.0	100.0
France Transfo	France	100.0	100.0
Infraplus	France	100.0	100.0
Machines Assemblage Automatique	France	100.0	100.0
Materlignes	France	100.0	100.0
Merlin Gerin Alès	France	100.0	100.0
Merlin Gerin Alpes	France	-	100.0
Merlin Gerin Loire	France	100.0	100.0
Merlin Gerin SAS	France	100.0	-
MGE Finances SAS	France	100.0	100.0
MGE UPS Systems	France	100.0	100.0
Muller & Cie	France	100.0	100.0
Newlog	France	100.0	100.0

		% interest Dec. 31, 2008	% interest Dec. 31, 2007
Normabarre	France	100.0	100.0
Prodipact	France	100.0	100.0
Rectiphase	France	100.0	100.0
SA2E	France	100.0	100.0
SAE Gardy	France	100.0	100.0
SAEI	France	100.0	100.0
Sarel Appareillage Electrique	France	99.0	99.0
Scanelec	France	100.0	100.0
Schneider Automation	France	100.0	100.0
Schneider Electric Consulting	France	100.0	100.0
Schneider Electric Foncière	France	100.0	100.0
Schneider Electric France	France	100.0	100.0
Schneider Electric Holding Amérique du Nord	France	100.0	100.0
Schneider Electric Holding Asie Pacifique	France	100.0	100.0
Schneider Electric Holding Europe	France	100.0	100.0
Schneider Electric Industries SAS	France	100.0	100.0
Schneider Electric International	France	100.0	100.0
Schneider Electric Manufacturing Bourguebus	France	100.0	-
Schneider Electric SA (Société mère)	France	100.0	100.0
Schneider Electric Telecontrol	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	100.0
SEP Le Guavio	France	100.0	100.0
Septra Tecame	France	100.0	-
Société Dauphinoise Electrique - SDE	France	-	100.0
Société du Rebauchet	France	100.0	100.0
Société Electrique d'Aubenas SA - SEA	France	100.0	100.0
Société Française Gardy SA	France	100.0	100.0
Société pour l'équipement des industries chimiques (SPEI)	France	100.0	100.0
Spie-Capag	France	100.0	100.0
Sté Française de Constructions Mécaniques et Electriques - SFCME	France	100.0	100.0
Sté Rhodanienne d'Etudes et de Participations - SREP	France	100.0	100.0
Systèmes Equipements Tableaux Basse Tension - SETBT	France	100.0	100.0
Tecame Nord Est	France	100.0	-
Transfo Services	France	100.0	100.0
Usibati SCI	France	100.0	100.0
Varilec	France	100.0	100.0
MGE UPS Systems Hellas Abe	Greece	100.0	100.0
Schneider Electric AE	Greece	100.0	100.0
Advance Power Elektronikai KFT	Hungary	100.0	100.0
BEI Automative Hungary Manufacturing Inc	Hungary	100.0	100.0
Merlin Gerin Zala	Hungary	-	100.0
MGE UPS Systems Hungary	Hungary	100.0	-
Prodax Elektromos	Hungary	-	100.0
Schneider Electric Hungaria Villamassagi RT	Hungary	100.0	100.0
Schneider Electric Közep-Kelet Europai Korlatolt Felelösségü Tarsasag	Hungary	100.0	-
APC (EMEA) Limited	Ireland	100.0	100.0
APC Distribution Limited	Ireland	100.0	100.0
APC Dublin Limited	Ireland	100.0	100.0
Schneider Electric Ireland	Ireland	100.0	100.0
Square D Company Ireland Ltd	Ireland	100.0	100.0
Tac Satchwell Ireland Ltd	Ireland	100.0	100.0
Thorsman Sales Ireland Ltd	Ireland	100.0	100.0
APC Italia S.r.l.	Italy	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	100.0

		% interest Dec. 31, 2008	% interest Dec. 31, 2007
Et.Ts. Entreprise Technologies Srl	Italy	70.0	70.0
MGE Italia SpA	Italy	100.0	100.0
OVA Bargellini SpA	Italy	100.0	100.0
Pamoco Srl	Italy	100.0	100.0
SAIP & Schyller Srl	Italy	100.0	100.0
Schneider Electric Industrie Italia Spa	Italy	100.0	100.0
Schneider Electric Spa	Italy	100.0	100.0
Schneider Italia Spa	Italy	100.0	100.0
Lexel Fabrika SIA	Latvia	100.0	100.0
Schneider Electric Baltic Distribution Center	Latvia	100.0	-
Schneider Electric Latvija SIA	Latvia	100.0	100.0
UAB Schneider Electric Lietuva (ex UAB Lexel Electric)	Lituania	100.0	100.0
Comodot	Luxembourg	100.0	100.0
SGBT European Major Investments SA	Luxembourg	100.0	100.0
Sté industrielle de réassurance (SIRR)	Luxembourg	100.0	100.0
ELKO A/S	Norway	100.0	100.0
ESMI A/S	Norway	-	100.0
JO-EL Electric AS	Norway	100.0	-
Lexel Holding Norway AS	Norway	100.0	100.0
Merten Norge AS	Norway	-	100.0
MGE UPS Systemer AS	Norway	100.0	100.0
Schneider Electric Norge A/S	Norway	100.0	100.0
TAC AS	Norway	100.0	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 BV	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 BV	Netherlands	100.0	-
Citect BV	Netherlands	100.0	100.0
Crouzet BV	Netherlands	100.0	100.0
ELAU BV	Netherlands	100.0	100.0
Pelco Europe B.V	Netherlands	100.0	100.0
Pro Face HMI (sous-groupe)	Netherlands	99.9	99.9
Sandas Montage BV	Netherlands	100.0	100.0
Sarel BV	Netherlands	-	99.0
Schneider Electric BV	Netherlands	100.0	100.0
Schneider Electric Logistic Centre BV	Netherlands	100.0	100.0
Stago BV	Netherlands	100.0	100.0
UPS Systems MGE B.V.	Netherlands	100.0	100.0
APC Poland Sp. Zoo	Poland	100.0	100.0
Elda Eltra S.A. (ex Eltra SA)	Poland	100.0	100.0
Merten Polska Sp. z o.o.	Poland	100.0	100.0
MGE UPS Systems Polska Sp.z.o.o	Poland	100.0	100.0
Schneider Electric Industries Polska SP	Poland	100.0	100.0
Schneider Electric Polska SP	Poland	100.0	100.0
TAC Sp zoo	Poland	100.0	100.0
APC Portugal, LTDA	Portugal	100.0	100.0
MGE Portugal Ondulatores	Portugal	100.0	100.0
Schneider Electric Portugal LDA	Portugal	100.0	100.0
Merten Czech s.r.o.	Czech Republic	100.0	100.0
Schneider Electric AS	Czech Republic	98.3	98.3
Schneider Electric CZ sro	Czech Republic	100.0	100.0
Schneider Electric Romania SRL	Romania	100.0	100.0
Advance Cayson Limited	United Kingdom	100.0	100.0
Advance Dormant No. 1 Ltd.	United Kingdom	100.0	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

		% interest Dec. 31, 2008	% interest Dec. 31, 2007
APC Power and Cooling, UK Limited	United Kingdom	100.0	100.0
APC UK Limited	United Kingdom	100.0	100.0
Berger Lahr Positec Ltd	United Kingdom	100.0	100.0
Capacitors Ltd	United Kingdom	100.0	100.0
CBS Group Limited	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 Limited	United Kingdom	100.0	100.0
Elau Ltd	United Kingdom	100.0	100.0
Electric City Limited	United Kingdom	100.0	100.0
GET Group PLC	United Kingdom	100.0	100.0
GET Pension Scheme Limited	United Kingdom	100.0	100.0
GET PLC	United Kingdom	100.0	100.0
Grawater Ltd	United Kingdom	100.0	100.0
Grawater of Wakefield Ltd	United Kingdom	100.0	100.0
Intelligent Motion Systems UK Ltd	United Kingdom	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) Limited	United Kingdom	100.0	100.0
MGE UPS Systems 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 Limited	United Kingdom	100.0	100.0
Newall Measurement Systems Ltd	United Kingdom	100.0	100.0
Pelco UK Limited	United Kingdom	100.0	100.0
Sarel Ltd	United Kingdom	100.0	100.0
Satchwell Controls Systems Ltd	United Kingdom	100.0	100.0
Schneider Electric (UK) Ltd	United Kingdom	100.0	100.0
Schneider Electric Ltd	United Kingdom	100.0	100.0
Tac Satchwell Northern Ireland Ltd	United Kingdom	100.0	100.0
TAC UK 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
Xantrex Technology Ltd.	United Kingdom	100.0	-
Yorkshire Switchgear Group Ltd	United Kingdom	100.0	100.0
DIN Elektro Kraft OOO	Russia	100.0	100.0
OOO "TAC"	Russia	100.0	100.0
OOO Lexel Elektromaterialy (SPB)	Russia	100.0	100.0
OOO Merten Russland	Russia	100.0	100.0
OOO RusEl	Russia	100.0	-
OOO Schneider Electric Kaliningrad	Russia	100.0	100.0
OOO UralElektroKontaktor	Russia	100.0	100.0
OOO Wessen	Russia	100.0	-
OOO Wextro	Russia	100.0	-
Schneider Electric Equipment Kazan Ltd	Russia	100.0	-
Schneider Electric Zavod ElectroMonoblock	Russia	75.0	75.0
ZAO Potential	Russia	100.0	-
ZAO Schneider Electric	Russia	100.0	100.0
Schneider Electric Srbija doo	Serbia	100.0	100.0
Schneider Electric Slovakia Spol SRO	Slovakia	100.0	100.0
Schneider Electric d.o.o.	Slovenia	100.0	100.0
AB Crahftere 1	Sweden	100.0	100.0
AB Wibe	Sweden	100.0	100.0
APC Sweden AB	Sweden	100.0	100.0
Elektriska Aktielbolaget Delta	Sweden	100.0	100.0
ELJO AB	Sweden	-	100.0
Elko AB	Sweden	100.0	100.0

		% interest Dec. 31, 2008	% interest Dec. 31, 2007
Informations System AB	Sweden	**100.0**	100.0
JO - EL ELECTRIC AB	Sweden	**100.0**	100.0
Lexel AB	Sweden	**100.0**	100.0
Merten Svenska AB	Sweden	**-**	100.0
MGE System AB	Sweden	**100.0**	-
Pelco Sweden AB	Sweden	**100.0**	100.0
Pisara AB	Sweden	**100.0**	-
ProAxess AB	Sweden	**100.0**	100.0
Schneider Electric Distribution Center 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
T.A.C. AB	Sweden	**100.0**	100.0
T.A.C. Holding AB	Sweden	**-**	100.0
TAC Svenska AB	Sweden	**100.0**	100.0
Thorsman & Co AB	Sweden	**100.0**	100.0
Crouzet AG	Switzerland	**100.0**	100.0
Elau AG	Switzerland	**100.0**	100.0
Feller AG	Switzerland	**83.7**	83.7
Gutor Electronic GmbH	Switzerland	**100.0**	100.0
MGE UPS Systems AG	Switzerland	**100.0**	100.0
Sarel AG	Switzerland	**97.8**	97.8
Schneider Electric Finances	Switzerland	**100.0**	100.0
Schneider Electric Motion AG	Switzerland	**100.0**	100.0
Schneider Electric Suisse AG	Switzerland	**100.0**	100.0
Selectron Systems AG	Switzerland	**100.0**	100.0
Schneider Electric Ukraine	Ukraine	**100.0**	100.0
Smart Electric	Ukraine	**100.0**	100.0
Accounted for by the equity method			
Delta Dore Finance SA (sous-groupe)	France	**20.0**	20.0
Möre Electric Group A/S	Norway	**34.0**	34.0

North America

Fully consolidated

Cofimines Overseas Corporation	Canada	**100.0**	100.0
Inde Electronics Inc.	Canada	**99.8**	99.8
Juno Lighting Ltd	Canada	**100.0**	100.0
Power Measurement Ltd	Canada	**100.0**	100.0
Schneider Canada Inc.	Canada	**100.0**	100.0
Xantrex Technology Inc.	Canada	**100.0**	-
APC Mexico, S.A. de C.V.	Mexico	**100.0**	100.0
Automatismo Crouzet De Mexico, SA de CV	Mexico	**100.0**	100.0
Custom Sensors & Technologies Mexico S.A de C.V	Mexico	**100.0**	100.0
Industrias Electronicas Pacifico SA de CV	Mexico	**100.0**	100.0
MGE Systems Mexico SA de CV	Mexico	**100.0**	100.0
Ram Tech Manufacturing de Mexico S. de R.L. de C.V.	Mexico	**100.0**	-
Ram Tech Services de Mexico S. de R.L. de C.V.	Mexico	**100.0**	-
Schneider Electric Administracion S.A. de C.V.	Mexico	**100.0**	100.0
Schneider Electric Mexico SA de CV	Mexico	**100.0**	100.0
Schneider Industrial Tlaxcala SA de CV	Mexico	**100.0**	100.0
Schneider Mexico SA de CV	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 SA de CV	Mexico	**100.0**	100.0
A.B.L. Electronics Corporation	USA	**-**	100.0
APC America Inc.	USA	**100.0**	100.0
APC Corporation	USA	**100.0**	100.0

		% interest Dec. 31, 2008	% interest Dec. 31, 2007
APC DC Network Solutions Inc.	USA	-	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
Berger Lahr Motion Technology Inc.	USA	-	100.0
Citect, Inc	USA	100.0	100.0
Crydom, Inc	USA	100.0	100.0
Custom Sensors & Technologies, Inc	USA	100.0	100.0
EFI Electronics Inc	USA	100.0	100.0
Elau Inc.	USA	100.0	100.0
Electrical South Inc	USA	100.0	100.0
Hyde Park Electronics LLC	USA	100.0	100.0
Indy Lighting Inc.	USA	100.0	100.0
Intelligent Motion Systems, Inc.	USA	90.0	-
Juno Lighting Inc.	USA	100.0	100.0
Juno Manufacturing Inc.	USA	100.0	100.0
Kavlico Corp	USA	100.0	100.0
MGE UPS Systems Inc	USA	100.0	100.0
Neovasys Inc	USA	100.0	100.0
Netbotz,Inc	USA	100.0	100.0
Newall Electronics Inc	USA	100.0	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	-
Palatine Hills Leasing Inc.	USA	80.0	80.0
Pelco, Inc	USA	100.0	100.0
Power Measurement Inc.	USA	100.0	100.0
Schneider Automation Inc.	USA	-	100.0
Schneider Electric Engineering Services, LLC	USA	100.0	100.0
Schneider Electric Holdings Inc.	USA	100.0	100.0
Schneider Electric Relays LLC	USA	100.0	-
Schneider Electric Vermont Ltd	USA	100.0	100.0
SNA Holdings Inc.	USA	100.0	100.0
Square D Company	USA	100.0	100.0
Square D Holdings One, Inc.	USA	100.0	100.0
Square D Investment Company	USA	100.0	100.0
ST Inverter Americas Inc	USA	60.0	60.0
TAC Americas Inc.	USA	100.0	100.0
TAC-Critical Systems, Inc.	USA	100.0	100.0
TAC LLC	USA	100.0	100.0
Veris Industries LLC	USA	100.0	100.0
Xantrex Technology Inc.	USA	100.0	-
Xycom Automation, LLC	USA	100.0	100.0

Asia-Pacific

Fully consolidated

APC Australia Pty Limited	Australia	100.0	100.0
Australian Electrical Supplies Pty Ltd	Australia	100.0	100.0
Citect Corporation Ltd	Australia	100.0	100.0
Citect Pty Ltd	Australia	100.0	100.0
Clipsal Australia Holdings Pty Ltd	Australia	100.0	100.0
Clipsal Australia Pty Ltd	Australia	100.0	100.0
Clipsal Integrated Systems Pty Ltd	Australia	100.0	100.0
Clipsal Pacific Holdings Pty Ltd	Australia	100.0	100.0
Clipsal Technologies Australia Pty Ltd	Australia	100.0	100.0
Efficient Energy Systems Pty Ltd	Australia	100.0	100.0

		% interest Dec. 31, 2008	% interest Dec. 31, 2007
MGE UPS Systems Australia Pty Ltd	Australia	100.0	100.0
Moduline Holdings	Australia	100.0	100.0
Moduline Pty Ltd	Australia	100.0	100.0
Nu-Lec Industries Pty Ltd	Australia	100.0	100.0
Parkside Laboratories Australia Pty Ltd	Australia	100.0	100.0
PDL Holdings Australia Pty Ltd	Australia	100.0	100.0
PDL Industries Australia Pty Ltd	Australia	100.0	100.0
Pelco Australia Pty. Limited	Australia	100.0	100.0
Power Measurement Ltd	Australia	-	100.0
Proface Australia Pty Ltd	Australia	100.0	100.0
Schneider Electric (Australia) Pty Ltd	Australia	100.0	100.0
Schneider Electric Australia Holdings Pty Ltd	Australia	100.0	100.0
TAC (IBS) Asutralia Pty	Australia	100.0	100.0
TAC Control Systems International Pty Ltd	Australia	100.0	100.0
TAC Pacific (Australia) Pty Ltd	Australia	100.0	100.0
TAC Pacific Pty Ltd	Australia	100.0	100.0
Tarway Pty Ltd	Australia	100.0	100.0
Three Products Pty Ltd	Australia	100.0	100.0
Two Plastics Pty Ltd	Australia	100.0	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 International Trade (Shanghai) Co. Ltd.	China	100.0	100.0
Beijing Merlin Great Wall Computer Room Equipment & Engineering	China	75.0	75.0
Citect Controls Systems (Shanghai) Ltd	China	100.0	100.0
Clipsal China Company Limited	China	100.0	100.0
Clipsal Manufacturing (Huizhou) Ltd	China	100.0	100.0
Custom Sensors & Technologies Asia (Shangai) Ltd	China	100.0	100.0
East Electric System Technology Co. Ltd	China	60.0	60.0
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 China Ltd	China	100.0	100.0
MGE Manufacturing Shanghai Co. Ltd	China	100.0	100.0
Proface China International Trading (Shanghaï) Co. Ltd	China	99.9	99.9
Schneider (Beijing) Medium & Low Voltage Co., Ltd	China	95.0	95.0
Schneider (Shaanxi) Baoguang Electrical Apparatus Co. Ltd	China	70.0	70.0
Schneider (Shanghaï) Supply Co. Ltd	China	100.0	100.0
Schneider (Suzhou) Drives Company Ltd	China	90.0	90.0
Schneider (Suzhou) Transformers Co. Ltd	China	100.0	100.0
Schneider Beijing Medium Voltage Co. Ltd	China	95.0	95.0
Schneider Busway (Guangzhou) Ltd	China	95.0	95.0
Schneider Electric (China) Investment Co. Ltd	China	100.0	100.0
Schneider Electric Building Systems (Shangai) Co., Ltd	China	100.0	100.0
Schneider Electric International Trading (Shanghai) Co., Ltd.	China	100.0	100.0
Schneider Electric Low Voltage (Tianjin) Co. Ltd	China	75.0	75.0
Schneider Electric Supply Beijing Co Ltd	China	100.0	100.0
Schneider Electric Devices (Dong Guan) Co. Ltd	China	100.0	100.0
Schneider Fuji Breakers (Dalian) Co. Ltd	China	-	60.0
Schneider Shanghaï Apparatus Parts Manufacturing Co. Ltd	China	100.0	100.0
Schneider Shanghaï Industrial Control Co. Ltd	China	80.0	80.0
Schneider Shanghaï Low Voltage Term. Apparatus	China	75.0	75.0
Schneider Shanghaï Power Distribution Electric Apparatus Co. Ltd	China	80.0	80.0
Schneider Suzhou Enclosure Systems Co. Ltd	China	100.0	100.0
Schneider Wingoal (Tianjin) Electric Equipment Co.	China	100.0	100.0
Silcon (qingdao) Power Electronics Co. Ltd.	China	-	100.0
Tianjin Merlin Gerin Co. Ltd	China	75.0	75.0
Wuxi Proface Electronic Co.Ltd	China	99.9	99.9
APC Korea Corporation	South Korea	100.0	100.0
Clipsal Korea Co. Ltd	South Korea	100.0	100.0

		% interest Dec. 31, 2008	% interest Dec. 31, 2007
MGE UPS Systems Korea Co. Ltd	South Korea	**100.0**	100.0
Pro Face Korea Co. Ltd	South Korea	**99.9**	99.9
Samwha EOCR Co. Ltd	South Korea	**100.0**	100.0
Schneider Electric Korea Ltd	South Korea	**100.0**	100.0
APC Hong Kong Limited	Hong Kong	**100.0**	100.0
Clipsal Asia Holdings Limited	Hong Kong	**100.0**	100.0
Clipsal Asia Limited	Hong Kong	**100.0**	100.0
Clipsal Electrical Limited	Hong Kong	**100.0**	100.0
Clipsal Hong Kong Limited	Hong Kong	**100.0**	100.0
Clipsal Industries HK Ltd	Hong Kong	**100.0**	100.0
Clipsal Integrated Systems (HK) Limited	Hong Kong	**100.0**	100.0
Custom Sensors & Technologies Asia (Hong Kong) Limited	Hong Kong	**100.0**	100.0
CVH Industries Ltd	Hong Kong	**100.0**	100.0
Full Excel (Hong Kong) Ltd	Hong Kong	**100.0**	100.0
GET Asia Limited	Hong Kong	**100.0**	100.0
GET Santai Limited	Hong Kong	**100.0**	100.0
Invensys Building System Hong Kong Ltd	Hong Kong	**100.0**	100.0
Jansweet Ltd	Hong Kong	**100.0**	100.0
Linkpoint Investments Ltd	Hong Kong	**-**	100.0
MGE China / Hong Kong Ltd	Hong Kong	**100.0**	100.0
Schneider Busway Limited	Hong Kong	**100.0**	100.0
Schneider Electric (Hong Kong) Ltd	Hong Kong	**100.0**	100.0
Schneider Electric Asia Pacific Limited	Hong Kong	**100.0**	100.0
TAC Pacific (Hong Kong) Ltd	Hong Kong	**100.0**	100.0
APC India Private Limited	India	**100.0**	100.0
CST Sensors India Private Limited	India	**100.0**	-
LK India Private Ltd	India	**100.0**	100.0
MGE UPS Systems India PVT. LTD	India	**100.0**	100.0
Schneider Electric India Private Ltd	India	**100.0**	100.0
PT Bowden Industries Indonesia	Indonesia	**100.0**	100.0
PT Clipsal Manufacturing Jakarta	Indonesia	**100.0**	100.0
PT Mega Gelar Elektronil Ometraco	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
APC Japan, Inc.	Japan	**100.0**	100.0
Arrow Co., Ltd	Japan	**100.0**	-
Digital Electronics Corporation	Japan	**99.9**	99.9
Schneider Electric Japan Holdings Ltd	Japan	**100.0**	100.0
Schneider Electric Japan Ltd	Japan	**-**	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
MGE UPS Systems Malaysia SDN BHD	Malaysia	**100.0**	100.0
PDL Electric (M) Sdn Bhd	Malaysia	**100.0**	100.0
PDL Electronics (Malaysia) Sdn Bhd	Malaysia	**100.0**	100.0
PDL Industries (Asia) Sdn Bhd	Malaysia	**100.0**	100.0
PDL Switchgear (Asia) Sdn Bhd	Malaysia	**100.0**	100.0
Schneider Electric (Malaysia) Sdn Bhd	Malaysia	**30.0**	30.0
Schneider Electric Industries (M) Sdn Bhd	Malaysia	**100.0**	100.0
Citect NZ 2005 Ltd	New-Zealand	**100.0**	100.0
Clipsal Industries (NZ) Ltd	New-Zealand	**-**	100.0
Schneider Electric (NZ) Limited	New-Zealand	**100.0**	100.0
American Power Conversion Land Holdings Inc.	Philippines	**100.0**	100.0

		% interest Dec. 31, 2008	% interest Dec. 31, 2007
American Power Conversion, Inc	Philippines	**100.0**	100.0
Clipsal Philippines	Philippines	**100.0**	100.0
MGE UPS Philippines Inc.	Philippines	**100.0**	100.0
Schneider Electric (Philippines) Inc.	Philippines	**100.0**	100.0
APC Singapore Pte Ltd	Singapore	**100.0**	100.0
Citect Pte	Singapore	**100.0**	100.0
Clipsal International PTE Ltd	Singapore	**100.0**	100.0
Clipsal Singapore Technology Pte Ltd	Singapore	**100.0**	100.0
Invensys Building Systems 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 Asia Pte Ltd	Singapore	**100.0**	100.0
MGE Logistics South East Asia pacific Pte Ltd	Singapore	**100.0**	100.0
PDL Electric (S) Pte Ltd	Singapore	**100.0**	100.0
Pelco Asia Pacific PTE Ltd	Singapore	**100.0**	100.0
Schneider Electric Export Services	Singapore	**100.0**	100.0
Schneider Electric Industrial Development Singapore Pte Ltd	Singapore	**100.0**	100.0
Schneider Electric ISC 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 Services Singapore 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 Control Asia Pte Ltd	Singapore	**100.0**	100.0
TAC Controls Pte Ltd	Singapore	**100.0**	100.0
Schneider Electric Lanka (Private) Limited	Sri Lanka	**100.0**	100.0
Clipsal (Taiwan) Co., Ltd	Taïwan	**82.0**	82.0
Pro Face Taïwan Co. Ltd	Taïwan	**99.9**	99.9
Schneider Electric Taïwan Co Ltd	Taïwan	**100.0**	100.0
Clipsal(Thailand) Co.Ltd	Thailand	**95.1**	95.1
MGE UPS Systems S.A. (Thailand) Co. Ltd	Thailand	**100.0**	100.0
Pinnacle Supplier Company Limited	Thailand	**100.0**	100.0
Pro Face South East Asia Pacific Co. Ltd	Thailand	**99.9**	99.9
Schneider (Thaïland) Ltd	Thailand	**100.0**	100.0
Square D Company (Thaïland) Ltd	Thailand	**100.0**	100.0
Clipsal Vietnam Co. Ltd	Vietnam	**100.0**	100.0
Schneider Electric Vietnam Co. Ltd	Vietnam	**100.0**	100.0
Accounted for by the equity method			
Delixi Electric Ltd	China	**50.0**	50.0
Fuji Electric FA Components & Systems Co., LTD.	Japan	**37.0**	-
Schneider Electric Engineering Ltd	Japan	**40.0**	40.0
Shanghai Electric Xantrex Power Electronics Co. Ltd.	China	**49.0**	-

Rest of the world

Fully consolidated			
Alight Investment Holding Pty Ltd	South Africa	**100.0**	100.0
Citect (PTY) Ltd	South Africa	**100.0**	100.0
Clipsal Industries Pty Ltd	South Africa	**100.0**	100.0
Clipsal Manufacturing (Pty) Ltd	South Africa	**100.0**	100.0
Clipsal South Africa (Pty) Ltd	South Africa	**100.0**	100.0
Clispal Electronics Systems (Pty) Ltd	South Africa	**100.0**	100.0
Hoist-Tec (Pty) Ltd	South Africa	**100.0**	100.0
Merlin Gerin SA (Pty) Ltd	South Africa	**60.0**	60.0
MGE UPS Systems (SA) Pty Ltd	South Africa	**100.0**	100.0
Nu-Lec Africa (Pty) Ltd	South Africa	**49.0**	49.0
Pelco Video Security South Africa Ltd	South Africa	**100.0**	100.0
RBF Technology (Pty) Ltd.	South Africa	**74.0**	-

		% interest Dec. 31, 2008	% interest Dec. 31, 2007
Schneider Electric South Africa Pty Ltd	South Africa	100.0	100.0
Valortrade 27 (Pty) Ltd	South Africa	52.0	52.0
Schneider Electric Algeria	Algeria	100.0	100.0
EPS Ltd	Saudi Arabia	51.0	51.0
MGE UPS Systems Argentina S.A	Argentina	100.0	100.0
Schneider Electric Argentina	Argentina	100.0	100.0
Clipsal Middle East	Bahrain	80.0	60.0
Xantrex Holding Ltd.	Barbados	100.0	-
Xantrex International Partnership	Barbados	100.0	-
Xantrex International SRL	Barbados	100.0	-
Palatine Ridge Insurance Company Ltd	Bermuda	100.0	100.0
Standard Holdings Ltd	Bermuda	100.0	100.0
APC Brasil Ltda.	Brazil	100.0	100.0
Atos Automacao Industrial Ltda	Brazil	-	100.0
CDI Power - Sistemas De Automacao Ltda	Brazil	100.0	100.0
CST Latino America Comercio E Representacao de Produtos Electricos E Elestronicos Ltda	Brazil	99.8	99.8
MGE UPS Systems Do Brasil Ltda	Brazil	100.0	100.0
Ram Do Brasil, Ltda	Brazil	100.0	-
Schneider Electric Brasil LTDA	Brazil	100.0	100.0
Inversiones Schneider Electric Uno Limitada	Chile	100.0	-
Marisio SA	Chile	100.0	-
Schneider Electric Chile SA	Chile	100.0	100.0
Schneider de Colombia SA	Colombia	80.0	80.0
Schneider Centroamerica SA	Costa Rica	100.0	100.0
Schneider Electric Distribution Company	Egypt	87.4	87.4
Schneider Electric Egypt SA	Egypt	91.0	91.0
Clipsal Middle East FZC	United Arab Emirates	80.0	60.0
Clipsal Middle East FZCO	United Arab Emirates	100.0	100.0
Delan Electric Fze	United Arab Emirates	100.0	-
Schneider Electric FZE	United Arab Emirates	100.0	100.0
Schneider Electric RAK FZE	United Arab Emirates	100.0	-
Xantrex Technology (BVI) Inc.	Virgin Islands	100.0	-
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 Maroc	Morocco	100.0	-
MGE UPS Maroc SA	Morocco	100.0	100.0
Schneider Electric Maroc	Morocco	100.0	100.0
Delixi Nigeria	Nigéria	100.0	-
Schneider Electric Nigeria	Nigéria	100.0	100.0
Schneider Electric Peru SA	Peru	100.0	100.0
Metesan Elektric Malzemeleri Ticaret Ve Pazarlama A.S	Turkey	100.0	100.0
Metesan Lexel Elektrik Malzemeleri Sanayi Ve Ticaret AS	Turkey	-	100.0
MGE UPS Systems Bilgisayar Sistemleri Ticaret A.S	Turkey	100.0	100.0
Profiluks Plastik ve Elektrik San. Tic. A.S	Turkey	100.0	-
Schneider Elektrik Sanayi Ve Ticaret A.S.	Turkey	100.0	100.0
APC Uruguay S.A.	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 issued in French language and is provided solely for the convenience of English-speaking readers. This report includes information specifically required by French law in all audit reports, whether qualified or not, and this is presented below the opinion on the financial statements. This information includes an explanatory paragraph discussing the auditors' assessments of certain significant accounting matters. These assessments were made for the purpose of issuing an opinion on the financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside the consolidated financial statements. This report also includes information relating to the specific verification of information in the group management report.

This report, should be read in conjunction with and is 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, 2008, 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 executive board. Our role is to express an opinion on these 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 includes verifying, by audit sampling and other selective testing procedures, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used, the significant estimates made by management and the overall financial statements presentation. We believe that the evidence we have gathered in order to form our opinion is adequate and relevant.

In our opinion, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and results of the consolidated group in accordance with the accounting rules and principles applicable under IFRS, as adopted by the EU.

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 1.8 to the consolidated financial statements explains the method for recognizing research and development costs and describes the criteria under which development costs may be capitalized. We reviewed the data and assumptions used to identify development costs that qualify for capitalization, as well as the group's calculations, and obtained assurance that adequate disclosure is made in the notes to the consolidated financial statements.
- As explained in notes 1.10 and 25 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 reviewed, on a test basis, the indicators of a loss of value and the other information evidencing the absence of any loss of value other than those indicated in note 25. We reviewed the data, assumptions used, and calculations made, and obtained assurance that adequate disclosure is made in the notes to the consolidated financial statements.
- As indicated in notes 1.15 and 11.3 to the consolidated financial statements, future tax benefits arising from the utilization of tax loss carry forwards are recognized only when they can reasonably be expected to be realized. We obtained assurance about the reasonableness of the assumptions used to produce the estimate of future taxable income used to support assessments of the recoverability of these deferred tax assets.
- Notes 1.18 and 14 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 obtained assurance that adequate disclosure is made in the notes to the consolidated financial statements.
- Note 24 ("Other operating income / expenses") states the amount of restructuring costs recorded in 2008. We verified that, based on currently available information, these costs concern restructuring measures initiated or announced before December 31, 2008, 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, served in forming our audit opinion expressed in the first part of this report.

III. Specific verification

We have also verified the information given in the group management report as required by French law.

We have no matters to report regarding its fair presentation and conformity with the consolidated financial statements.

Courbevoie and Neuilly-sur-Seine, February 18, 2009

The Statutory Auditors
French original signed by

Mazars	Ernst & Young et Autres
Pierre Sardet	Pierre Jouanne

Company financial statements at December 31, 2008

1. Balance sheet

Assets (€ thousands)

		Cost	Depreciation amortization and provisions	Dec. 31, 2008 Net	Dec. 31, 2007 Net	Dec. 31, 2006 Net
Non-current assets						
Intangible assets	*(note 1a)*					
Intangible rights		27,474	(27,474)	0	-	-
Property, plant and equipment	*(note 1b)*					
Land		2,965	(0)	2,965	3,225	3,281
Buildings		48	(48)	-	-	-
Other		1,730	(511)	1,218	1,219	1,219
		32,217	(28,033)	4,183	4,444	4,500
Investments						
Shares in subsidiaries and affiliates	*(note 2a)*	4,607,285	(17,897)	4,589,388	4,589,472	1,779,360
Other investments	*(note 2b)*	178,534	(2,148)	176,386	169,011	194,566
Advances to subsidiaries and affiliates	*(note 2c)*	3,928,973	(165)	3,928,808	3,855,400	2,980,675
Other	*(note 2d)*	10,366	(0)	10,366	32,667	30,200
		8,725,157	(20,209)	8,704,949	8,646,550	4,984,801
Total non-current assets		**8,757,374**	**(48,242)**	**8,709,132**	**8,650,994**	**4,989,301**
Current assets						
Accounts receivable						
Accounts receivable - trade		49	-	49	303	193
Other	*(note 3)*	89,533	(45,595)	43,938	52,152	304,417
		89,583	(45,595)	43,987	52,455	304,610
Cash and cash equivalents						
Marketable securities	*(note 4)*	222,202	(29,423)	192,779	161,770	169,012
Advances to the Group cash pool	*(note 5)*	4,859,208	-	4,859,208	4,475,389	5,666,443
Other		49	-	49	145	82
		5,081,459	(29,423)	5,052,036	4,637,304	5,835,537
Total current assets		**5,171,041**	**(75,018)**	**5,096,022**	**4,689,759**	**6,140,147**
Accruals and other assets						
Prepaid expenses	*(note 6c)*	2,714	-	2,714	2,506	496
Deferred charges	*(note 6a)*	7,601	-	7,601	7,945	3,826
Bond call premiums	*(note 6b)*	30,298	-	30,298	10,114	10,229
Translation losses		24,730	-	24,730	6,444	10
Total assets		**13,993,757**	**(123,260)**	**13,870,496**	**13,367,762**	**11,144,009**

The notes form an integral part of these financial statements.

Liabilities

and shareholders' equity (€ thousands)

		Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2006
Shareholders' equity				
Share capital	*(note 7a)*	**1,979,405**	1,962,395	1,821,587
Additional paid-in capital	*(note 7b)*	**5,276,257**	5,254,342	4,121,037
Reserves and retained earnings				
Legal reserve		**196,239**	192,650	192,650
Retained earnings	*(note 7c)*	**13,567**	483,792	275,145
Net income for the year		**1,147,592**	226,643	887,825
Untaxed provisions		**425**	425	425
Total shareholders' equity		**8,613,485**	**8,120,247**	**7,298,669**
Provisions for contingencies and pension accruals	*(note 8)*			
Provisions for contingencies		**992**	997	4,730
Accruals for pensions		**31,809**	31,699	31,226
Total provisions for contingencies and pension accruals		**32,801**	**32,696**	**35,956**
Non-current liabilities				
Bonds	*(note 9)*	**3,667,565**	3,960,000	3,700,000
Other borrowings	*(note 10)*	**1,325,706**	1,235,074	99,806
Amounts payable to subsidiaries and affiliates		**13**	13	13
Interest bearing liabilities	*(note 11)*	**189,889**	3,225	3,221
		5,183,173	5,198,312	3,803,040
Current liabilities				
Accounts payable - trade		**91**	86	52
Accrued taxes and payroll costs		**3,009**	4,007	3,972
Other liabilities		**12,275**	4,693	1,769
		15,375	8,786	5,793
Total non-current and current liabilities		**5,198,548**	**5,207,098**	**3,808,833**
Deferred income	*(note 12)*	**961**	1,313	551
Translation gains		**24,701**	6,408	-
Total liabilities and shareholders' equity		**13,870,496**	**13,367,762**	**11,144,009**

The notes form an integral part of these financial statements.

2. Statement of income

(€ thousands)		Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2006
Sales of services and other		1,964	986	1,769
Reversals of provisions, depreciation and amortization and expense transfers		2,681	2,079	1,711
Operating revenues		**4,645**	**3,065**	**3,480**
Purchases and external charges		8,610	9,341	8,944
Taxes other than on income		2,334	2,033	1,600
Payroll costs		5,750	6,897	4,842
Depreciation, amortization and provision expense		2,140	2,501	2,209
Other operating expenses and joint-venture losses		1,757	584	305
Operating expenses		**20,590**	**21,356**	**17,900**
Operating loss		**(15,946)**	**(18,291)**	**(14,420)**
Dividend income		951,827	20,930	557,104
Interest income		431,325	402,747	255,244
Reversals of impairment provisions for long-term receivables and other		0	322,137	24
Financial income		**1,383,152**	**745,814**	**812,372**
Interest expense		285,563	269,737	133,504
Provision expense		1,835	323,906	1,099
Financial expenses		**287,398**	**593,643**	**134,603**
Net financial income	*(note 15)*	**1,095,754**	**152,171**	**677,769**
Proceeds from fixed asset disposals		11,187	52,557	243,585
Provision reversals and expense transfers		17,460	5,860	2,830
Other		5,775	6,049	6,699
Non-recurring income		**34,423**	**64,466**	**253,114**
Carrying value of fixed asset disposals		23,356	49,468	232,719
Provisions, depreciation and amortization		31,494	2,100	4,042
Other		12,335	11,511	910
Non-recurring expenses		**67,184**	**63,079**	**237,671**
Net non-recurring income/(expense)	*(note 16)*	**(32,762)**	**1,387**	**15,443**
Net income tax benefit	*(note 17)*	**100,546**	**91,376**	**209,033**
Net income		**1,147,592**	**226,643**	**887,825**

The notes form an integral part of these financial statements.

3. Notes to the financial statements of Schneider Electric SA

(All amounts in thousands of euros unless otherwise specified)

Significant events of the year

On July 17, 2008, Schneider Electric SA carried out a €134 million employee share issue as part of the worldwide Employee Stock Purchase Plan.

The Company carried out several bond issues during the year, in an aggregate amount of €457 million, and redeemed €750 million worth of bonds issued in 2003 at maturity on October 31, 2008.

The Company also took out new bank loans totaling €472 million and issued €189.5 million worth of commercial paper due in 2009.

In December 2008, the Company obtained an extension of the €1.6 billion line of credit expiring in 2010 that was initially granted to finance the acquisition of APC.

Accounting principles

The financial statements for the year ended December 31, 2008 have been prepared in accordance with French generally accepted accounting principles, as in 2007.

Non-current assets

Non-current assets are stated at cost.

Intangible assets

Intangible rights are amortized over a maximum of five years.

Property, plant and equipment

Property, plant and equipment are depreciated by the straight-line method over their estimated useful lives, ranging from 3 to 10 years.

Equity investments

Shares in subsidiaries and affiliates are stated at cost.

Allowances for impairment in value are recorded if the carrying value is higher than the estimated value in use at the end of the financial year. Value in use is estimated primarily on the basis of underlying net assets, earnings outlook and economic forecasts. For recently-acquired investments, account is also taken of the acquired business goodwill.

For listed investments, value in use is also based on the average stock price over the last month. Unrealized gains on investments are not recognized.

Treasury stock

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 pension obligations is determined using the projected unit credit method. Supplementary pension benefits are accrued for based on 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 that exceeds 10% of the projected benefit obligation is amortized over 10 years.

Currency risk

Unrealized exchange losses are reserved for when necessary. Where unrealized exchange gains and losses exist on investments and the related financing in the same currency and with the same maturity, the amount of the reserve is limited to the net loss.

Ordinary bonds

Call premiums and issue costs are amortized over the life of the bonds.

Note 1 : Non-current assets

1a - Intangible assets

This item primarily comprises share issue and merger expenses, which are fully amortized.

1b - Property, plant and equipment

	Dec. 31, 2007	Additions	Disposals	Dec. 31, 2008
Cost	5,085	17	(359)	**4,743**
Depreciation	(641)	0	82	**(559)**
Net	**4,444**	**17**	**(278)**	**4,183**

Note 2 : Investments

2a - Shares in subsidiaries and affiliates

	Dec. 31, 2007	Additions	Disposals	Dec. 31, 2008
Cost	4,629,195	0	(21,910)	**4,607,285**
Provisions	(39,723)	-	21,826	**(17,897)**
Net	**4,589,472**	**0**	**(84)**	**4,589,388**

The main changes during the year concerned the January 1, 2008 merger of eBusiness@Schneider Electric into Schneider Electric SA, leading to the write-off of the shares in an amount of €20.7 million, and the write-off of the €1.1 million investment in Sorepark after this company was de-registered on July 16, 2008. Both of these investments had been written down in full. The principal investments at December 31, 2008 were as follows:

Shares in subsidiaries and affiliates	Carrying value
Schneider Electric Industries SAS	4,344,481
Cofibel	136,898
Cofimines	82,609
Digital Holdings Co Ltd	21,249
Other (less than €20 million)	4,151
Total	**4,589,388**

2b - Other investments

	Dec. 31, 2007	Increases	Decreases	Dec. 31, 2008
Schneider Electric SA	67,500	286,785	(277,339)	**76,946**
Other	117,943	-	(16,355)	**101,588**
Provisions for other shares	(16,432)	(2,071)	16,355	**(2,148)**
Net	**169,011**	**284,714**	**(277,339)**	**176,386**

Other investment securities primarily include Schneider Electric SA shares acquired for allocation on the exercise of certain stock options. Treasury stock listed under "Other investment securities" at December 31, 2004 was not reclassified at December 31, 2005. However, all Schneider Electric SA shares bought back since then for allocation on the exercise of stock options are recognized under "Marketable securities". On December 31, 2008, the Company set aside a €2 million provision for impairment of Schneider Electric SA shares acquired for allocation on the exercise of stock options.

Pursuant to the authorization granted by shareholders at the Annual Meeting of May 3, 2006, Schneider Electric SA continued to implement a liquidity contract during the year to maintain a liquid market for its shares. "Other changes in treasury stock" correspond to share purchases and sales by the contract manager.

At December 31, 2008, 1,561,550 Schneider Electric SA shares were recorded under "Other investment securities" at a total cost of €76.9 million, of which 564,473 shares assigned to the liquidity contract in an amount of €28.1 million.

The net increase reflects the exercise of options and transactions under the liquidity contract in an amount of €9.4 million in 2008.

"Other" shares primarily consist of AXA shares, in an amount of €101.5 million. Investments other than treasury stock and AXA shares classified under this item have been fully written down.

On November 30, 2008, the Company wrote off Comipar shares in an amount of €16.4 million. A corresponding provision had been set aside for the full amount.

2c - Advances to subsidiaries and affiliates

	Dec. 31, 2007	Increases	Decreases	Dec. 31, 2008
Cost	3,855,564	267,043	(193,635)	**3,928,972**
Provisions	(164)	-	-	**(164)**
Net	**3,855,400**	**267,043**	**(193,635)**	**3,928,808**

At December 31, 2008, this item mainly comprised two loans granted to Schneider Electric Industries SAS due 2011 and 2015, in an aggregate amount of €3.1 billion; a loan granted to Schneider Electric Holding Inc. in 2007 due 2012, in an amount of €531.1 million; a loan granted to Boissière Finance SNC in 2007 due 2010, in an amount of €221.3 million; as well as accrued interest of €76.3 million. The loans granted to Schneider Electric Holding Inc and Boissière Finance, totaling €752.4 million, are repayable on January 15, 2009, together with accrued interest of €8.6 million.

2d - Other

Other	Dec. 31, 2007	Increases	Decreases	Dec. 31, 2008
Cost	32,667	264,440	(286,741)	**10,366**
Provisions	-	-	-	**-**
Net	**32,667**	**264,440**	**(286,741)**	**10,366**

At December 31, 2008, this item primarily comprised cash transferred to the manager of the liquidity contract (see note 2b) and invested in mutual funds. The corresponding capital gain at December 31, 2008 came to €0.8 million.

Note 3 : Other receivables

	Dec. 31, 2007	Dec. 31, 2008
Cost	98,398	**89,533**
Provisions	(46,246)	**(45,595)**
Net	**52,152**	**43,938**

This item primarily comprises receivables from other members of the Schneider Electric tax group in France and Schneider Electric SA's own tax receivables. At December 31, 2008, €13.3 million was receivable from the other members of the French tax group compared with €89.3 million at end-2007, primarily corresponding to group relief for 2008 (see note 17).

This item also includes a €97 million carryback credit, reimbursed by the French Treasury on April 1, 2008, and the unrecovered balance of the exceptional 25% exit tax on dividends distributed in 2005 that was paid in that year in an original amount of €76 million. The exit tax gave rise to a tax credit in the same amount, which was utilizable or refundable in three equal installments over the three years following payment. The final €25.3 million installment was refunded to Schneider Electric SA on September 4, 2008.

As of December 31, 2008, this item still included receivables related to a contract under dispute, in an amount of €45.3 million. These receivables have been fully written down.

Note 4 : Marketable securities

	Dec. 31, 2007		Acquisitions	Disposals	Dec. 31, 2008	
	Number of shares	Value	Value	Value	Value	Number of shares
Plan 26	761,313	45,129	-	-	**45,129**	**761,313**
Plan 27	1,000,000	57,217	-	-	**57,217**	**1,000,000**
Plan 28	1,000,000	57,348	-	-	**57,348**	**1,000,000**
Plan 29	31,333	1,797	-	-	**1,797**	**31,333**
Plan 30	-	-	60,711	-	**60,711**	**877,586**
Total Schneider Electric SA shares	2,792,646	161,491	60,711	0	**222,202**	**3,670,232**
Other	12,190	279	-	(279)	**0**	**0**
Cost	2,804,836	161,770	60,711	(279)	**222,202**	**3,670,232**
Provisions	-	-	(29,423)	-	**(29,423)**	**-**
Net	**-**	**161,770**	**31,288**	**(279)**	**192,779**	**-**

Marketable securities primarily include Schneider Electric SA shares held in treasury for allocation on the exercise of stock options. At December 31, 2008, the Company set aside a €29.4 million provision for impairment of these shares.

Note 5 : Advances to the Group cash pool

This item corresponds to interest-bearing advances to the Group cash pool (Boissière Finance) that are recoverable on demand.

Note 6 : Deferred charges

6a - Bond issue expenses

Bond issue expenses	Dec. 31, 2007	Increases	Decreases	Dec. 31, 2008
Oct. 31, 2003 due 2008 (€750 million)	374	-	(374)	**0**
Aug. 11, 2005 due 2010 (€900 million)	890	-	(332)	**558**
Aug. 11, 2005 due 2017 (€600 million)	1,204	-	(104)	**1,100**
July 17, 2006 due 2011 (€500 million)	138	-	(37)	**101**
July 17, 2006 due Jan. 2014 (€500 million)	147	-	(24)	**124**
Oct. 8, 2007 due 2015 (€600 million)	1,500	-	(213)	**1,287**
Feb. 16, 2007 due 2015 (€4,500 million) (bridge loan)	3,692	-	(524)	**3,168**
May 21, 2008 due 2013 (€18 million)	-	63	(7)	**56**
May 21, 2008 due 2013 (€183 million)	-	641	(69)	**572**
May 21, 2008 due 2015 (€55 million)	-	193	(14)	**179**
May 21, 2008 due 2015 (€129 million)	-	452	(32)	**419**
June 11, 2008 due 2013 (€12 million)	-	42	(4)	**38**
	7,945	**1,390**	**(1,734)**	**7,601**

6b - Call premiums

Call premiums	Dec. 31, 2007	Increases	Decreases	Dec. 31, 2008
Oct. 31, 2003 due 2008 (€750 million)	445	-	(445)	**0**
Aug. 11, 2005 due 2010 €900 million)	824	-	(308)	**516**
Aug. 11, 2005 due 2017 (€600 million)	3,898	-	(338)	**3,560**
April 11, 2008 due 2018 (€55 million)	-	7,317	(427)	**6,890**
April 11, 2008 due 2018 (€125 million)	-	17,095	(1,014)	**16,081**
July 17, 2006 due 2011 (€500 million)	679	-	(179)	**500**
July 17, 2006 due Jan. 2014 (€500 million)	2,683	-	(431)	**2,252**
Jan. 26, 2007 due 2009 (€110 million)	1,091	-	(1,016)	**75**
Oct. 8, 2007 due 2015 (€600 million)	494	-	(70)	**424**
	10,114	**24,412**	**(4,228)**	**30,298**

Increases in deferred charges concern bond issues carried out in 2008 (see note 9).

6c - Prepaid expenses

This €2.7 million item includes €1.7 million in expenses incurred in implementing an interest rate swap on the €600 million bond issue of October 8, 2007 and bank fees of €1 million on the issue of commercial paper due between January and March 2009.

Note 7 : Shareholders' equity and retained earnings

All amounts in millions of euros	Share capital	Additional paid-in capital	Reserves and retained earnings	Net income for the year	Untaxed provisions	Total
Dec. 31, 2006 before allocation of net income for the year	**1,821.6**	**4,121.0**	**467.8**	**887.8**	**0.4**	**7,298.6**
Change in share capital	140.8	1,133.4	-	-	-	1,274.2
Allocation of 2006 net income	-	-	217.4	(217.4)	-	0.0
2006 dividend	-	-	(8.8)	(670.4)	-	(679.2)
2007 net income	-	-	-	226.6	-	226.6
Dec. 31, 2007 before allocation of net income for the year	**1,962.4**	**5,254.4**	**676.4**	**226.6**	**0.4**	**8,120.2**
Change in share capital	17.0	123.9	-	-	-	140.9
Allocation of 2007 net income	-	-	3.6	(3.6)	-	0.0
2007 dividend	-	(102.6)	(470.2)	(223.0)	-	(795.8)
2008 net income	-	-	-	1,147.6	-	1,147.6
Other changes during the period	-	0.6	-	-	-	0.6
Dec. 31, 2008 before allocation of net income for the year	**1,979.4**	**5,276.3**	**209.8**	**1,147.6**	**0.4**	**8,613.5**

7a - Capital

Share capital

The Company's share capital at December 31, 2008 amounted to €1,979,405,032, represented by 247,425,629 shares with a par value of €8.00, all fully paid up.

Changes in share capital

During the year, 126,417 shares were issued on the exercise of 2,126,263 stock options, increasing the share capital by €17 million.

Another 1,999,846 shares were issued as part of the employee share issue.

Schneider Electric SA shares

In 2008, Schneider Electric SA paid €60.7 million to buy back 887,586 of its own shares. Various transactions were carried out during the year under the liquidity contract set up to maintain a liquid market in the Company's shares pursuant to the authorization granted by shareholders at the Annual Meeting of May 3, 2006 and renewed at the Annual Meeting of April 26, 2007.

At December 31, 2008, 564,473 Schneider Electric SA shares were held under this contract (see note 2b).
The total number of shares held in treasury at year-end came to 5,231,782, with a cost of €299.1 million.

7b - Additional paid-in capital

Additional paid-in capital rose by €123.9 million, reflecting the issue of shares on the exercise of 2,126,263 stock options and the employee share issue, which accounted for €117.9 million of the increase.

7c - Retained earnings

Pursuant to the third resolution approved by shareholders at the Annual Meeting of April 21, 2008, €3.6 million of the €226.6 million in 2007 profit available for distribution was allocated to the legal reserve. The remainder plus retained earnings and funds from the share premium account were allocated to the payment of a dividend, in a total amount of €795.8 million.

Note 8 : Provisions for contingencies and pension accruals

	Dec. 31, 2007	Increases	Decreases	Dec. 31, 2008
Provisions for contingencies				
Disputes	929		0	**929**
Other	68	33	(38)	**63**
	997	**33**	**(38)**	**992**
Provisions for pension accruals				
Pension accruals	31,699	2,140	(2,030)	**31,809**
	32,696	**2,173**	**(2,068)**	**32,801**

8a - Contingencies

Management is confident that balance sheet provisions for known disputes in which the Company is involved are sufficient to ensure that these disputes do not have a material impact on assets or income. In particular, sufficient provisions have been set aside to cover the potential consequences of a current dispute in Belgium involving former senior executives and managers of the Company.

8b - Pension accruals

The Company has various obligations towards its current and retired senior executives and managers. Following an actuarial valuation performed in 2008, the provision for these obligations was increased to €31.8 million. The Company applied the corridor method to actuarial gains and losses arising from this valuation (see Accounting Principles).
At December 31, 2008, the amount to be recognized in the income statement over 10 years came to €1.4 million.

Note 9 : Bonds

	Amount		Interest rate	Maturity
	Dec. 31, 2007	Dec. 31, 2008		
Schneider Electric SA 2008	750,000	**0**	3.875% fixed	Oct. 31, 2008
Schneider Electric SA 2010	900,000	**900,000**	3.125% fixed	Aug. 11, 2010
Schneider Electric SA 2017	600,000	**780,000**	4.00% fixed	Aug. 11, 2017
Schneider Electric SA 2011	500,000	**500,000**	Euribor + 0.2% variable	July 18, 2011
Schneider Electric SA 2014	500,000	**500,000**	4.50% fixed	Jan. 17, 2014
Schneider Electric SA 2009	110,000	**110,000**	3.375% fixed	Jan. 26, 2009
Schneider Electric SA 2015	600,000	**600,000**	5.375% fixed	Jan. 8, 2015
Schneider Electric SA 2016		**177,565**	Euribor +1.60% variable	July 25, 2016
Schneider Electric SA 2013		**100,000**	CMS 10 + 1% variable	July 31, 2013
	3,960,000	**3,667,565**		

Schneider Electric SA has made several bond issues as part of its Euro Medium Term Notes (EMTN) program over the past few years. Issues that were not yet due as of December 31, 2008 were as follows:

- €100 million worth of bonds indexed to the Constant Maturity Swap (CMS) rate, issued in July 2008 and due July 31, 2013.
- €180 million worth of bonds issued in April 2008 to top up the €600 million twelve-year tranche at 4% issued in August 2005, raising the total issue to €780 million.
- €600 million worth of 5.375% bonds issued in October 2007 and due October 8, 2015.
- €110 million worth of 3.275% bonds issued in January 2007 and due January 26, 2009.

● €1 billion worth of bonds issued in July 2006, comprising a €500 million 5-year variable rate tranche and a €500 million 7.5-year 4.5% tranche.

● €1.5 billion worth of bonds issued in August 2005, comprising a €900 million 5-year 3.125% tranche and a €600 million 12-year 4.0% tranche.

These bonds are traded on the Luxembourg stock exchange. The issue premium and issue costs are amortized according to the effective interest method.

In addition, on July 25, 2008, Schneider Electric SA issued €177 million worth of bonds at the 3-month Euribor due July 25, 2016. The issue proceeds are equal to the discounted value of a requested refund of the précompte equalization tax. The bonds are repayable upon receipt of the refund.

Lastly, the Group redeemed €750 million worth of October 2003 bonds at maturity on October 31, 2008.

Note 10: Other borrowings

Other borrowings at December 31, 2008 included accrued interest on bonds issued by the Company. Accrued interest rose to €91.7 million from €73.9 million at end-2007 following the issue of €457 billion worth of bonds in 2008. This item also includes dollar drawdowns of confirmed lines of credit corresponding to €752.4 million at December 31, 2008, along with €8.3 million in accrued interest.

Lastly, this item includes two bank loans:

● A €397 million loan granted in first-half 2008, comprising a €129 million 7-year variable-rate tranche, a €55 million 7-year fixed-rate tranche, a €195 million 5-year variable rate tranche and an €18 million 5-year fixed rate tranche.

● A €75 million variable rate loan granted on October 10, 2008, due October 11, 2011.

Note 11 : Interest-bearing liabilities

	Dec. 31, 2007	Increase	Decrease	Dec. 31, 2008
Commercial paper	0	189,500	0	**189,500**
Overdrafts	21	29	-	**50**
Other	3,204	-	(2,865)	**338**
Net	**3,225**	**189,529**	**(2,865)**	**189,889**

Note 12 : Deferred income

This item primarily comprises accrued interest on commercial paper in an amount of €0.9 million.

Note 13 : 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	3,928,973	3,928,806	167	-
Other investments	10,366	10,366	-	-
Current assets				
Accounts receivable - trade	49	49	-	-
Other receivables	89,533	15,999	73,534	0
Marketable securities	222,202	-	-	222,202
Prepaid expenses	2,714	1,006	1,708	0
Debt				
Bonds	3,667,565	110,000	1,713,000	1,844,565
Bank loans	1,225,607	753,607	75,000	397,000
Other borrowings	100,099	100,099	-	-
Amounts payable to subsidiaries and affiliates	13	-	13	-
Interest-bearing liabilities	189,889	189,889	-	-
Accounts payable - trade	91	91	-	-
Accrued taxes and payroll costs	3,009	3,009	-	-
Other	12,275	12,275	-	-
Deferred income	961	961	-	-

Note 14 : Related party transactions (minimum 10% interest)

		Gross	Net
Shares in subsidiaries and affiliates		4,607,285	**4,589,388**
Advances to subsidiaries and affiliates		3,928,973	**3,928,808**
Accounts receivable		1,366	**801**
Cash and cash equivalents		4,859,208	**4,859,208**
Interest-bearing liabilities		0	**0**
Accounts payable		13	**13**
Revenues:	Dividends		**939,621**
	Interest		**386,401**

Note 15 : Net financial income

	Dec. 31, 2008	Dec. 31, 2007
Dividends	**951,827**	20,930
Net interest income	**145,762**	133,010
Other	**(1,835)**	(1,769)
Net financial income	**1,095,754**	**152,171**

The main 2008 dividends received by Schneider Electric SA were paid by subsidiaries Schneider Electric Industries SAS, in an amount of €901.9 million, Cofibel, in an amount of €34.7 million, Digital Holdings Japan, in an amount of €2.2 million, as well as by AXA, in an amount of €11.7 million. Schneider Electric Industries SAS paid no dividend in 2007.

Note 16 : Net non-recurring income/(expense)

	Dec. 31, 2008	Dec. 31, 2007
Net gains/(losses) on fixed asset disposals	**(12,169)**	3,089
Provisions net of reversals	**(14,034)**	3,760
Other non-recurring income/ (expense) - net	**(6,560)**	(5,462)
Net non-recurring income/(expense)	**(32,762)**	**1,387**

In 2008, capital losses stemmed primarily from the liquidation of Comipar, for €16.3 million, the sale of Géodis shares, for €1.4 million, and the de-registration of Sorepark, for €1.1 million.

Impairment provisions were recorded at December 31, 2008 for Schneider Electric shares held for allocation under stock option plan 26 (classified in "Other investments") in an amount of €2 million, and for Schneider Electric shares held for allocation under stock option plans 26 through 30 (classified in "Marketable securities") in an amount of €29.4 million. The €17.4 million in provision reversals resulted from the write-off of Sorepark shares in an amount of €1.1 million, and Comipar shares in an amount of €16.3 million.

The €6 million capital loss recorded in 2008 with respect to the liquidity contract was recognized in "Other non-recurring income/(expense) – net".

Note 17 : Net income tax benefit

In 2008, this item primarily included group relief recorded by the tax group headed by Schneider Electric SA. Group relief totaled €103.1 million, up from €79.4 million the year before.

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 €267 million at December 31, 2008.

Note 18 : Off-balance sheet commitments

18a - Partnership obligations

Share of the liabilities of "SC" non-trading companies attributable to Schneider Electric SA as partner of the companies concerned: Not material. Share of the liabilities of "SNC" flow-through entities attributable to Schneider Electric SA as partner of the entities concerned: Not material.

18b - Guarantees given and received

Commitments given:
- Counterguarantees of bank guarantees: None.
- Other guarantees given: €6.2 million.

Commitments received:
- Bank counterguarantees: None.

18c - Off-balance sheet instruments

Hedging transactions 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. However, Schneider Electric SA set up interest rate swaps during the year to hedge bond issues, as follows:

	Underlying		Hedging instrument (€ thousands)	
Type	Face value	Maturity	Impact on net financial income	Market value
Bond issue	€500,000,000	July 18, 2011	3,467	(17,738)
Private placement	€110,000,000	Jan. 26, 2009	(1,776)	(125)
Private placement	€195,000,000	May 21, 2013	145	(13,205)
Private placement	€129,000,000	May 21, 2015	143	(10,142)
Private placement	€100,000,000	July 31, 2013	(143)	(8,043)
Line of credit	€200,000,000	Oct. 30, 2009	(2,557)	(4,380)
Total			**(721)**	**(53,633)**

Note 19 : Other information

19a - Number of employees

At December 31, 2008, the Company had one employee.

19b - Consolidated financial statements

Schneider Electric SA is the parent company of the Group and therefore publishes the consolidated financial statements of the Schneider Electric Group.

Note 20 : Subsequent events

- On January 7, 2009, Schneider Electric SA issued €750 million worth of 6.75% bonds due July 2013 as part of its EMTN program.
- At its meeting of January 5, 2009, the Management Board set up a stock option plan and a stock grant plan for corporate officers and Group employees.
- In January 2009, the Company guaranteed a $300 million loan taken out by Group subsidiary Pelco.

4. Auditors' Report on the Financial Statements

This is a free translation into English of the statutory auditors' report issued in the French language and is provided solely for the convenience of English speaking readers.
This report includes information specifically required by French law in all audit reports, whether qualified or not, and this is presented below the opinion on the financial statements.
This information includes explanatory paragraphs discussing the auditors' assessment of certain significant accounting matters. These assessments were made for the purpose of issuing an opinion on the financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the consolidated financial statements. The report also includes information relating to the specific verification of information in the group management report. This report should be read in conjunction with, and is construed in accordance with French law and professional auditing standards applicable in France.

To the shareholders of Schneider Electric SA,

In compliance with the assignment entrusted to us by your shareholders' Annual General Meeting, we hereby report to you, for the year ended December 31, 2008, on:

- The audit of the accompanying financial statements of Schneider Electric S.A.
- The justification of our assessments.
- The specific verifications and information required by law.

These financial statements have been approved by the Management Board. Our responsibility is to express an opinion on the financial statements, based on our audit.

I - Opinion on the financial statements

We conducted our audit in accordance with the professional standards applied in France. Those standards require that we plan and perform our audit to obtain reasonable assurance that the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made in the preparation of the financial statements, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements give a true and fair view of the assets and liabilities and financial position of the Company at December 31, 2008 and the results of 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 French Commercial Code 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.

The assessments were thus made in the context of the performance of our audit of the financial statements, taken as a whole, and therefore contributed to the formation of our audit opinion 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 the 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.
- The fair information given in the Management Board's report relating to the compensation and benefits paid to the Corporate Officers concerned and the engagement granted to them on the occasion of the arrival, suspension or change of duties or subsequently to it.

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.

Courbevoie and Neuilly sur Seine, February 18, 2009

The Statutory Auditors

Ernst & Young et Autres	Mazars
Pierre Jouanne	Pierre Sardet

5. List of securities at December 31, 2008

(€ thousands)

Number of shares	Company	Carrying value
A. Investments with a carrying value of more than €15,000		
56,019,611	Schneider Electric Industries SAS	4,344,481
9,796,300	AXA	101,458
44,271	S.E.L.F.	2,683
1,300	Vigéo SAS	53
1,561,550	Schneider Electric SA treasury stock	74,874
		4,523,549
B. Investments with a carrying value of less than €15,000		1,038
C. Investments in real estate companies		-
D. Investments in foreign companies		241,187
Total		**4,765,774**
Marketable securities		
3,670,232	Schneider Electric SA shares (stock option plans no. 26, 27, 28, 29 and 30)	192,779
Total		**192,779**

6. Subsidiaries and affiliates

(€ thousands) Company	Capital	Reserves and retained earnings before appropriation of income for the year*	% interest
I. Subsidiaries and affiliates whose carrying value exceeds 1% of Schneider Electric SA's capital			
A. Subsidiaries (at least 50%-owned)			
Schneider Electric Industries SAS 35 rue Joseph Monier CS 30323 - 92506 Rueil-Malmaison Cedex	896,313	4,077,437	100.00
Cofibel 18/20, avenue Winston Churchill - 1180 Brussels	55,362	5,561	99.62
Cofimines 18/20, avenue Winston Churchill - 1180 Brussels	41,522	7,884	99.80
B. Affiliates (10 to 50% owned)			
Digital Holdings Co Ltd 8-2-52 Nanko-Higashi - 559 0031 Suminoe Osaka - Japan	3,084	82,755	16.07
II. Other subsidiaries and affiliates			
A. Other subsidiaries			
a) French subsidiaries (aggregate)	-	-	-
b) International subsidiaries (aggregate)	-	-	-
B. Other affiliates			
a) French companies (aggregate)	-	-	-
b) International companies (aggregate)	-	-	-

** Including prior-year income or loss.*

Book value of shares Cost	Book value of shares Net	Outstanding loans and advances	Guarantees	Net sales for the year	Income or loss for the year	Dividends received
4,344,481	4,344,481	3,167,791	-	3,518,019	550,383	901,916
136,898	136,898	-	-	Holding company	1,571	7,246
82,609	82,609	-	-	Holding company	5,154	-
21,249	21,249	-	-	-	10,366	2,219
18,934	1,038	-	-	-	-	-
-	-	-	-	-	-	-
104,271	104,195	-	-	-	-	10,995
431	431	-	-	-	-	-

7. Five-year Financial Summary

	2004	2005	2006	2007	2008
Capital and potential capital at december 31					
Capital stock *(in thousands of euros)*	1,809 553	1,812,954	1,821,587	1,962,395	**1,979,405**
Shares in issue	226,194,177	226,619,227	227,698,348	245,299,366	**247,425,629**
Convertible bonds in issue *(in thousands)*	-	-	-	-	**-**
Maximum number of shares to be created *(in thousands):*					
- Through conversion of bonds	-	-	-	-	**-**
- Through exercise of rights	7,140	10,126	10,174	9,382	**9,183**
Results of operations *(in thousands of euros)*					
Sales net of VAT	1,208	2,868	1,735	946	**1,906**
Investment revenue, interest income and other revenue	627,389	507,001	812,373	747,914	**1,623,715**
Income before tax, depreciation, amortization and provisions	547,381	411,950	683,335	136,259	**1,087,409**
Income tax	4,156	278	4,304	11,099	**10,883**
Net income	558,768	450,793	887,825	226,643	**1,147,592**
Dividends paid (1) excluding *précompte* equalization tax and tax credit	407,150	509,893	683,095	809,488	**853,618** (3)
Per share data *(in euros)*					
Net income before depreciation, amortization and provisions	2.51	2.12	3.92	0.51	**4.72**
Earnings per share	2.47	1.99	3.90	0.92	**4.64**
Dividend per share, net of tax credit	1.80	2.25	3.00	3.30	**3.45** (3)
Employees					
Average number of employees during the year	3	3	2	2	**1**
Total payroll for the year *(in thousands of euros)*	2,443	4,446	3,648	4,291	**4,376**
Total employee benefits paid over the year (payroll taxes, other benefits) *(in thousands of euros)*	534	690	1,194	2,606	**1,374**

(1) Dividends on shares held in treasury on the dividend payment date and the associated précompte tax are credited to retained earnings.

(2) In conjunction with the elimination of the avoir fiscal tax credit and précompte equalization tax, an exceptional 25% exit tax was due on dividends paid out in 2005. The exit tax gave rise to a tax credit in the same amount that was utilizable or refundable in three equal installments over the three years following the payment.

(3) Pending approval by shareholders at the Annual Meeting of April 23, 2009.

Annual and Extraordinary Shareholders' Meeting of April 23, 2009

1. Management Board's report to the Annual and Extraordinary Shareholders' Meeting

Resolutions to be voted on in annual meeting

Approval of the annual financial statements - first resolution -

We ask you to approve the transactions and financial statements for the year, as presented, which show net profit of €1,147.6 million.

Approval of the consolidated financial statements - second resolution -

We ask you to approve the consolidated financial statements for the year, as presented, which show net profit attributable to equity holders of the parent of €1,682 million, an increase of 6.3% from 2007.

Profit appropriation and payment of a dividend of €3.45 per share - third resolution -

We recommend a dividend of €3.45 per €8 par value share. The dividend will be paid on the 247,425,629 shares cum dividend January 1, 2008 that made up the share capital on December 31, 2008. 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 in an amount of €1,159,457,937.07, consisting of profit for the year of €1,147,591,627.57, less the statutory allocation to the legal reserve of €1,701,010.20, plus retained earnings of €13,567,319.70.

The dividend payment will total €853,618.4 million. The remaining profit available for distribution will be allocated to retained earnings.

If our recommendation is approved, shareholders will be given the option of reinvesting their dividend in Schneider Electric shares, on the basis of €3.45-worth of new shares for each share owned, by requesting reinvestment from their stockbroker or bank at any time between May 4, 2009 (the ex-dividend date) and the close of business on May 19, 2009.

Shareholders who elect to receive their dividend in cash will be paid in euros on May 29, 2009, after the close of the dividend reinvestment period.

If our recommendation is approved, in accordance with the law, the price of the shares purchased by reinvesting the dividend will be equal to 90% of the average opening price quoted on the NYSE-Euronext Paris stock exchange over the twenty trading sessions preceding the date of this Meeting, less the amount of the dividend.

If the amount of the reinvested dividend does not correspond to a whole number of shares, the shareholder may:

- Purchase the next higher whole number of shares by paying the difference in cash when the reinvestment option is exercised, or
- Purchase the next lower whole number of shares and receive the difference in cash.

Shares purchased under the reinvestment option will be settled on May 29 and carry dividend rights from January 1, 2009.

For individual shareholders who pay income tax in France, only 60% of the dividend will be included in their taxable income. In addition, they will be entitled to a tax credit on their total dividend income from all sources, capped at €115 for a single, divorced or widowed person and €230 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. This deduction will not apply if the shareholder has chosen to pay the flat-rate withholding tax on his or her dividends.

We remind you that dividends paid by Schneider Electric SA for the last three years were as follows:

	2005	2006	2007
Dividend (1)	€2.25	€3.00	€3.30

(1) Full dividend eligible for a 40% deduction for individuals resident in France as of January 1, 2005, 2006 and 2007. 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 and fifth resolutions -

We ask you to note the following regulated agreements signed in 2008 or a previous year:

- The shareholders' agreement with AXA concerning cross-shareholdings between AXA and Schneider Electric authorized by the Board of Directors on January 6, 2006.
- Measures decided by the Supervisory Board at its meeting on May 3, 2006 to ensure that Jean-Pascal Tricoire would continue to be entitled to all the pension and other benefits provided for in his service contract with Schneider Electric Industries SAS, which was suspended on his appointment to the Management Board as Chairman.
- An addendum to Mr. Tricoire's service contract defining the terms under which it will resume or be terminated.
- A new addendum to Jean-Pascal Tricoire's service contract which, in accordance with the provisions of France's "TEPA" law, details the compensation payable to Mr. Tricoire in the event of termination and makes such compensation contingent on performance.

We ask you to approve the regulated agreements presented in the Auditors' Special Report governed by articles L.225-86 *et seq.* of the French Commercial Code, presented in accordance with article L.225-88 of said Code, defining Jean-Pascal Tricoire's new status. In accordance with the AFEP-MEDEF guidelines of October 6, 2008, Mr. Tricoire has agreed to resign from his service contract if he is reappointed Chairman of the Management Board when his term expires on May 2, 2009. In agreement with Mr. Tricoire, the Supervisory Board decided on February 18, 2009 that Mr. Tricoire 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 (see page 55).

In addition, the compensation due in the event of termination will be capped at 24 months 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 re-appointed 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 modify the membership of the Supervisory Board.

(ii) Mr. Tricoire resigns, is terminated or is not re-appointed as a member or Chairman of the Management Board following a re-orientation 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 re-appointed as a member or Chairman of the Management Board when the mathematical average of the rate of achievement of performance objectives used to calculated 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%.

These terms and conditions are the same as those set by the Supervisory Board at its 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.

Third, unless a mutually agreeable arrangement is found, the Company may evoke the non-compete agreement in Mr. Tricoire's service contract should he leave the Company, that 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).

Fourth, 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 remuneration for the three full years preceding the date of the Board Meeting at which the decision is made is 50% or higher.

Share buybacks - sixth resolution -

We ask you to renew the authorization given to the Company by shareholders at the Annual Meeting of April 21, 2008 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 authorization may be canceled in accordance with the eighteenth resolution tabled at today's meeting.

Our report on the use of the authorization given by the Annual Meeting of April 21, 2008 is presented on page 182.

You are asked to authorize the Company to buy back shares representing at most 10% of the issued capital as of the date of this Meeting (representing 24,742,562 shares on the basis of the number of shares outstanding at the last official count on December 31, 2008). The maximum purchase price is set at €90 per share.

Transfer of the registered office - seventh resolution -

As part of a program to optimize the Group's sites, the Supervisory Board decided, at the Management Board's request, to transfer the registered office to 35 rue Joseph Monier in Rueil-Malmaison, France (92500). Ten sites located in the Paris region have been brought together at the new address. We ask you to ratify this decision.

Resolutions to be voted on in Extraordinary Meeting

Amendment to the bylaws to update the corporate purpose and concerning notification after disclosure thresholds are crossed - eight and ninth resolutions -

We ask you to amend the bylaws to update the corporate purpose to reflect the Group's development in the area of energy management.

Pursuant to a government order dated January 30, 2009, shareholders are required to provide additional information when they cross disclosure thresholds.

The additional disclosures concern both shares and voting rights that can be acquired through equity-settled agreements or financial instruments whose settlement is not decided solely at the shareholder's initiative and shares or voting rights representing the underlying for cash-settled agreements or financial instruments that that provide the shareholder with the same economic benefit as direct ownership of the shares or voting rights.

We therefore ask you to include this new requirement in the article concerning disclosure thresholds.

Authorizations to increase the capital with or without pre-emptive subscription rights - tenth through thirteenth resolutions -

We are tabling resolutions to renew authorizations granted to the Management Board to increase the capital.

You have authorized 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.

Because the authorizations, which have not been used, will expire during the year, we ask you to renew authorizations to increase the capital with or without pre-emptive subscription rights for a period of **26 months,** as provided for in article L.225-192-2 of the French Commercial Code.

In the tenth resolution, you are asked to authorize the Management Board to issue, in France or abroad, common shares or legally recognized securities that are convertible, redeemable, exchangeable or otherwise exercisable for shares, in all cases with pre-emptive subscription rights. This authorization would also cover the raising of the par value of existing shares, to be paid up by capitalizing reserves, earnings, or additional paid-in capital.

The issued share capital may be increased during the period by a maximum aggregate amount of €800 million, or **100 million shares (40% of the capital).** This ceiling does not include an increase in the par value of existing shares paid up by capitalizing 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 eleventh resolution, you are asked to authorize the Management Board to issue the above shares and share equivalents without pre-emptive subscription rights for existing shareholders on the French or international market. This authorization 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 €360 million, or **45 million shares (18% of the capital).** The €360 million ceiling will not include the par value of any shares to be issued to prevent dilution of the rights of holders of share equivalents. The authorization 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 may grant shareholders a non-transferable priority subscription right.
- In accordance with the French Commercial Code, the share issues would be carried out at a price at least equal to the average weighted 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 twelfth resolution authorizes the Management Board to increase the number shares to be issued in application of the tenth or eleventh 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.

The thirteenth resolution authorizes the Management Board to issue shares or share equivalents within the ceilings set in the eleventh 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 representing, in the aggregate, a maximum of 10% of the Company's issued capital, in payment for shares or share equivalents contributed to the Company.

The purpose of these authorizations 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.

Authorization given to the Management Board to grant stock options to officers and employees of the Company and its subsidiaries and affiliates - fourteenth resolution -

In May 2006, the General Meeting authorized 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 authorization, 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 authorization, the Management Board has granted 2.9 million options, representing 1.2% 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 are subject to performance criteria.
In addition, in accordance with the AFEP-MEDEF guidelines of October 6, 2008, all of the options granted to members of the Management Board in 2009 are subject to performance criteria.

Given the importance of stock options in motivating and rewarding employees, we ask you to authorize the Management Board to grant options exercisable for new shares or existing shares for a period of **38 months.** Under this authorization, 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.

- The options shall have a life of ten years.
- The option exercise price shall not be less than the average of the opening prices quoted over the twenty trading sessions preceding the grant date.
- Schneider Electric applies the AFEP-MEDEF guidelines of October 6, 2008 recommending that all options granted to members of the Management Board be subject to performance criteria.

Authorization to grant existing or new shares to officers and employees of the Company and its subsidiaries and affiliates, subject to performance criteria, if appropriate - fifteenth resolution -

The General Meeting held on April 26, 2007 authorized the Management Board to grant shares without consideration to the officers and employees Schneider Electric SA and its subsidiaries and affiliates, as defined in article L.225-197-2 of the French Commercial Code.

Pursuant to this authorization, the Management Board has granted 479 thousand shares, representing 0.2% of the capital. Half of these share grants are subject to performance criteria concerning revenue and operating margin. In accordance with the AFEP-MEDEF guidelines of October 6, 2008, all of the shares granted to members of the Management Board in 2009 are subject to performance criteria.

In addition, pursuant to French law, shares granted to individuals with France as their tax home are subject to a vesting period of three years and a lock-up period of two years. Shares granted to employees who do not have France as their tax home are subject to a vesting period of no less than four years, with no lock-up period.

We ask you to renew this authorization, which is covered by the ceiling in the fourteenth resolution, described above.

The total number of shares granted without consideration may not represent more than 1% of the Company's issued capital; furthermore, the sum of the shares that may be subscribed or purchased on exercise of options granted under the fourteenth resolution tabled at today's meeting, and the shares that may be granted without consideration under this resolution may not represent more than 3% of the Company's capital.

In accordance with the provisions of the French Commercial Code, the Management Board shall draw up the list of grantees, as well as the conditions and, if appropriate, the performance criteria on which the grants will be based.

In certain cases, the shares may vest only if performance criteria set by the Management Board are met.

In accordance with the AFEP-MEDEF guidelines of October 6, 2008, all of the shares granted to members of the Management Board in are subject to performance criteria.

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.

The authorization would be given for a period of 38 months.

Because new shares may be issued to fulfill the grant, the authorization shall entail the waiver by shareholders of their right to the portion of reserves, earnings or additional paid-in capital corresponding to the par value of the new shares.

Authorization to issue shares to employees - sixteenth and seventeenth resolutions -

The Annual and Extraordinary Meetings of April 26, 2007 and April 21, 2008 authorized the Management Board to issue shares to employees who are members of an Employee Stock Purchase Plan. In addition, the Meetings authorized the Management Board to issue shares 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 authorizations:

- The Management Board decided on May 26, 2008 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 2008 worldwide employee stock purchase program offered a choice between a nonleveraged and a leveraged plan (x 10), both of which offered shares at a discount of 15%, with a ceiling of €3,000. The plan was a resounding success. More than 20,000 employees in the sixteen countries involved subscribed 0.8% of the capital at a price of €67 per share.
- At its meeting on December 17, 2008, the Supervisory Board authorized the Management Board to issue new shares to members of the Employee Stock Purchase Plan during 2009, within a limit of 2.4 million shares (1% of the Company's issued capital). This ceiling may be raised to 2.9 million shares (1.2% of the capital). This program, which will include a nonleveraged and a leveraged plan with a discount of 15% (17% for employees outside France), will be offered in 14 countries.

Under the "NRE" Act, if a company asks shareholders for an authorization 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 tenth through thirteenth resolutions concern the renewal of authorizations to issue shares, a resolution must be tabled seeking an authorization to issue shares to employees. We are therefore asking for the early renewal of the authorization given in 2008.

The Management Board would have full powers to carry out employee share issues up to the equivalent of 2.5% of the Company's capital. Under the new authorization, the maximum discount at which the shares could be offered is set at 20%.

This authorization, which will cancel and replace the unused portion of the existing authorization effective June 30, 2009, is being sought for a period of 26 months.

In addition, as the authorization to issue shares to entities set up to purchase shares of the Company on behalf of non-French employees will expire in 2009, we ask you to renew it under the following conditions. The shares issued under the authorization will not exceed 0.5% of the capital. They will be deducted from the ceiling of 2.5% 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 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 sixteenth 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 authorization, which will cancel and replace the unused portion of the existing authorization effective June 30, 2009, is being sought for a period of 18 months.

Authorization to cancel shares purchased under the shareholder-approved buyback program, within the limit of 10% of the capital - eighteenth 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.

Although we have not used the authorization given by the General Meeting of April 21, 2008, which expires on April 20, 2010, we are asking you to renew the authorization today to bring the expiration dates of the various financial authorizations into alignment.

Lastly, the nineteenth resolution concerns powers to carry out formalities.

2. Management report on share buybacks

Report of the Management Board to the Annual Shareholders' Meeting of April 23, 2009 concerning share buyback programs and description of the share buyback program submitted for approval

The Annual Shareholders' Meeting of April 26, 2007 authorized the Company to buy back shares on the open market. This authorization was renewed at the Annual Shareholders' Meeting of April 21, 2008.

Pursuant to these authorizations, the Company maintained its liquidity contract and also purchased 877,586 shares at an average unit price of €69.18. These shares are held for allocation on the exercise of stock options.

Details of the share buyback program submitted for approval at the Annual and Extraordinary Shareholders' Meeting of April 23, 2009 are as follows:

● Number of shares and percentage of share capital held directly and indirectly by Schneider Electric SA as of January 31, 2009:

- Treasury stock:	5,237,309	shares, or 2.12% of the share capital
- Own shares:	2,277,107	shares, or 0.92% of the share capital
Total	7,514,416	shares, or 3.04% of the share capital

● Purpose:

- The 4,667,309 shares held in treasury stock (excluding the liquidity contract) are held for allocation on the exercise of stock options.

● 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, 2009, 24,742,674 shares with a par value of €8.
- Taking into account treasury stock and own shares at January 31, 2009 (7,514,416 shares), the number of shares that could be bought back under the authorization comes to 17,228,258, or 6.96% of the issued capital.

● Maximum purchase price and maximum aggregate amount of share purchases:

- The maximum purchase price is set at €90 per share.
- Share purchases may not exceed an aggregate maximum amount of €2,226,840,660.

● Duration:

- 18 months maximum, expiring on October 22, 2010.

● Transactions carried out pursuant to the program authorized by the Annual Shareholders' Meeting of 2007 and renewed by the Annual Shareholders' Meeting of 2008 between January 1, 2008 and January 31, 2009:

- Number of shares bought back by the Company: 877,586
- Number of shares transferred since the beginning of the program: 158,479
- Transactions carried out under the liquidity contract:
Number of shares acquired: 4,535,099
Number of shares sold: 4,085,099.

3. Supervisory Board’s comments

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 satisfaction as concerns its relationship with the Management Board and the straightforward manner in which the Management Board has performed its work.

The financial statements for the year ended December 31, 2008 and the events described in the management review reflect this commitment to excellence. The Group achieved organic revenue growth of 5.8% and an EBITA margin of 15%, corresponding to the high-end of the new^2 program’s target for this indicator. Solid cash generation and improved liquidity strengthened the balance sheet, confirming the year’s good performance.

The Supervisory Board would also like to commend the Management Board for the way in which it is preparing the future, notably with the launch of the One company program in early 2009. The program is designed to expand the Group’s market share in energy management by making Schneider Electric’s organization simpler and more efficient.

The Supervisory Board noted the broad strategic thinking that went into creating this program, which pursues two key Schneider Electric priorities: customer satisfaction and employee training. This approach will build on the success of the new^2 company program for 2004-2008, which allowed Schneider Electric to double in size and become a benchmark in energy management while achieving or exceeding all of its financial targets.

In conclusion, the Supervisory Board recommends that shareholders approve the resolutions tabled and approved by the Management Board.

4. Auditors' special reports

Auditors' special report on regulated agreements

To the Shareholders,

In our capacity as Statutory Auditors of Schneider Electric SA, we present below our report on regulated agreements that have been disclosed to us.

Our responsibility does not include identifying any undisclosed agreements. We are required to report to shareholders, based on the information provided, about the main terms and conditions of agreements that have been disclosed to us, without commenting on their relevance or substance. 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.

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 signed during the year

In accordance with article L.225-88 of the French Commercial Code, agreements that received the prior authorization of your Supervisory Board have been disclosed to us.

Agreements signed during the year

Addendum to Jean-Pascal Tricoire’s service contract with Schneider Electric Industries SAS

The purpose of this new addendum, in accordance with the provisions of France’s "TEPA" law, is to define compensation due to Mr. Tricoire in the event of termination of his service contract, either by the employer or on his own initiative, beyond the compensation due under the non-compete agreement in his service contract, and to make such compensation contingent on performance.

The Supervisory Board approved this addendum on February 19, 2008 and signed it on February 26, 2008.

Agreements entered into in prior years that remained in force during the year

In application of articles R.225-30 and R.225-57 of the French Commercial Code, we were also advised of the following agreements entered into in prior years, which remained in force during the year.

Shareholders’ agreement with AXA

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.

Arrangements concerning Jean-Pascal Tricoire (approved by the Supervisory board on May 3, 2006)

These arrangements include:

- Measures to ensure that Jean-Pascal Tricoire would continue to be entitled to all the pension and other benefits provided for in his service contract with Schneider Electric Industries SAS, which was suspended on his appointment to the Management Board as Chairman.
- An addendum to Mr. Tricoire's service contract defining the terms under which it will resume or be terminated.

Subsequent agreements

In accordance with article L.225-88 of the French Commercial Code, agreements that received the prior authorization of your Supervisory Board have been disclosed to us.

Measures defining Jean-Pascal Tricoire's new status. In accordance with the AFEP-MEDEF guidelines of October 6, 2008, Mr. Tricoire has agreed to resign from his service contract if he is reappointed Chairman of the Management Board when his term expires on May 2, 2009.

In accordance with articles L.225-90 and L.225-79-1 of the French Commercial Code, the Supervisory Board has authorized the terms and conditions of Mr. Tricoire's new status. Under the agreement:

1) Mr. Tricoire 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 remuneration (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:

(i) Mr. Tricoire resigns, is terminated or is not re-appointed 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 re-appointed as a member or Chairman of the Management Board following a re-orientation 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 re-appointed as a member or Chairman of the Management Board when the mathematical average of the level of attainment of Group targets used to calculated 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%.

These terms and conditions are the same as those set by the Supervisory Board at its meeting of April 21, 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, the Company may evoke the non-compete agreement in Mr. Tricoire's service contract should he leave the Company, that 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. 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 remuneration for the three full years preceding the date of the Board Meeting at which the decision is made is 50% or higher.

The Supervisory Board approved these terms and conditions on February 18, 2009.

Courbevoie and Neuilly sur Seine, February 23, 2009

The Statutory Auditors

Ernst & Young et Autres	Mazars
Pierre Jouanne	Pierre Sardet

Auditors' special report on the authorization to increase the capital and to issue shares or share equivalents with or without pre-emptive subscription rights

To the Shareholders,

In our capacity as Statutory Auditors of Schneider Electric SA and pursuant to articles L.225-135, L.225-136 and L.228-92 of the French Commercial Code, we present below our report on the authorizations sought by the Management Board to increase the Company's capital by issuing shares or share equivalents.

In its report, the Management Board asks you to:

- Authorize the Management Board, directly or through a representative, to decide the following issues and set the definitive terms and conditions for a period of 26 months. For certain issues, you may be asked to waive your pre-emptive subscription rights.

- The issuance of common shares or any form of security that is convertible, redeemable, exchangeable or otherwise exercisable for common shares, in all cases with pre-emptive subscription rights (tenth resolution).
- The issuance of common shares or securities convertible, redeemable, exchangeable or otherwise exercisable for common shares in the Company or one of its subsidiaries (in accordance with article L.228-93 of the French Commercial

Code), in all cases without pre-emptive subscription rights (eleventh resolution).

- The issuance of common shares or securities convertible, redeemable, exchangeable or otherwise exercisable for common shares in payment for shares tendered to a public exchange offer initiated by your Company, in accordance with article L.225-148 of the French Commercial Code (thirteenth resolution), on the basis of the authorization given in the eleventh resolution.

- The issue of common shares on conversion, redemption, exchange or exercise of securities issued by subsidiaries, in accordance with article L.228-93 of the French Commercial Code (eleventh resolution).

- Authorize the Management Board, for a period of 26 months, to set the terms and conditions for the issuance of common shares or securities convertible, redeemable, exchangeable or otherwise exercisable for common shares representing, in the aggregate, a maximum of 10% of the Company's issued capital, in payment for shares or share equivalents contributed to the Company (thirteenth resolution).

The aggregate par value of the shares issued on one or several occasions pursuant to the tenth resolution may not exceed €800 million and the aggregate par value of those issued pursuant to the eleventh and twelfth resolutions may not exceed €360 million. All together, the issued share capital may be increased by a maximum aggregate amount of €1,160 million pursuant to the authorizations granted in the tenth, eleventh, twelfth, thirteenth, sixteenth and seventeenth resolutions.

Should you approve the twelfth resolution, any shares issued to carry out the authorizations granted in the tenth and eleventh resolutions, in accordance with article L.225-135-1 of the French Commercial Code, would be governed by the above ceilings.

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 performed the procedures we deemed necessary to conduct this 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 body 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 right contained in the eleventh, twelfth and thirteenth resolutions.

Should the resolutions be approved and as required by article R.225-116 of the French Commercial Code, we will prepare an additional report at the time of the capital increase(s) carried out by the Management Board.

Courbevoie and Neuilly sur Seine, February 23, 2009

The Statutory Auditors

Ernst & Young et Autres	Mazars
Pierre Jouanne	Pierre Sardet

Auditors' report on the proposal to grant stock options to officers and employees of the Company and its subsidiaries and affiliates

To the Shareholders,

In our capacity as Statutory Auditors of Schneider Electric SA and pursuant to article L.225-177 and R.225-144 of the French Commercial Code, we present below our report on the proposal to grant stock options to the employees and corporate officers of the Company and related entities as defined by article L.225-180 of the French Commercial Code.

The Management Board is responsible for reporting to shareholders on the aims and objectives of the proposed stock option plans as well as on the method to be used to set the option exercise price. Our responsibility is to express an opinion on the proposed method of setting the option exercise 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). Those standards require that we perform procedures to verify that the proposed method of setting the option exercise price is described in the report of the Management Board, and that said method complies with the provisions of the relevant texts, is transparent for shareholders and does not appear to be manifestly inappropriate.

We have no matters to report concerning the proposed method.

Courbevoie and Neuilly sur Seine, February 23, 2009

The Statutory Auditors

Ernst & Young et Autres	Mazars
Pierre Jouanne	Pierre Sardet

Auditors' report on the proposal to grant existing or new shares without consideration to officers and employees of the company and its subsidiaries and affiliates

To the Shareholders,

In our capacity as Statutory Auditors of Schneider Electric SA and pursuant to article 225-197-1 of the French Commercial Code, we present below our report on the proposal to grant existing or new shares without consideration to officers and employees of Schneider Electric SA and its subsidiaries and affiliates, as defined in article L.225-197-2.

The Management Board is seeking authorization, for a period of 38 months, to grant existing or new shares without consideration. It is the Board's responsibility to draw up a report on the grant that it wishes to carry out. It is our responsibility to comment, if necessary, on the information given to you about the grant.

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). Those standards require that we perform procedures to verify that the methods being considered are in accordance with the law.

We have no matters to report concerning the information provided about the grant in the Management Board Report.

Courbevoie and Neuilly sur Seine, February 23, 2009

The Statutory Auditors

Ernst & Young et Autres	Mazars
Pierre Jouanne	Pierre Sardet

Auditors' report on the proposed employee share issue with cancellation of shareholders' pre-emptive subscription right

To the Shareholders,

In our capacity as Statutory Auditors of Schneider Electric SA and pursuant to article L.225-135 *et seq.* and L.228-92 *et seq.* of the French Commercial Code, we present below our report on the proposal to authorize 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, with cancellation of shareholders' pre-emptive subscription right. The maximum nominal amount by which the capital may be increased may not exceed 2.5% of the issued capital as of the date on which this authorization is used. The maximum discount at which shares may be offered is set at 20% of the average of the opening or closing prices quoted for Schneider Electric shares over the twenty trading sessions 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 authorization would be deducted from the aggregate amount by which the capital may be increased under the tenth and eleventh resolutions tabled at this Meeting.

These authorizations 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 authorize 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 common shares or share equivalents 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 transactions.

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 performed the procedures we deemed necessary to conduct this 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 body 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 issue will be carried out, and consequently have no opinion on the proposal to cancel shareholders' pre-emptive subscription right,

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.

Courbevoie and Neuilly sur Seine, February 23, 2009

The Statutory Auditors

Ernst & Young et Autres	Mazars
Pierre Jouanne	Pierre Sardet

Auditors' report on the proposal to issue shares to employees of foreign companies in the Group with cancellation of shareholders' pre-emptive subscription right

To the Shareholders,

In our capacity as Statutory Auditors of Schneider Electric SA and pursuant to article L.225-135 *et seq.* and L.228-92 et seq. of the French Commercial Code, we present below our report on the proposal to authorize the Management Board to issue shares or share equivalents, on one or several occasions, to employees of the foreign companies in the Group, with cancellation of shareholders' pre-emptive subscription right. The maximum nominal amount by which the capital may be increased may not exceed 0.5% of the issued capital as of the date on which this authorization is used. The Management Board may apply a maximum discount of 20% to the quoted price of Schneider Electric shares. The amount of any capital increase carried out under this authorization would be deducted from the aggregate amount by which the capital may be increased under the eleventh and sixteenth resolutions tabled at this Meeting.

The share issues would be restricted to employees of the foreign companies in the Group as described in the seventeenth resolution.

You are asked to authorize 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 common shares or share equivalents 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.

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 performed the procedures we deemed necessary to conduct this 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 body 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 issue will be carried out, and consequently have no opinion on the proposal to cancel shareholders' pre-emptive subscription right.

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.

Courbevoie and Neuilly sur Seine, February 23, 2009

The Statutory Auditors

Ernst & Young et Autres	Mazars
Pierre Jouanne	Pierre Sardet

Auditors' report on the proposal to reduce the capital by canceling shares

To the Shareholders,

In our capacity as Statutory Auditors of Schneider Electric SA and as required by article L.225-209, paragraph 7, of the French Commercial Code in the case of a capital reduction carried out by canceling shares bought back by the issuer, we present below our report on our assessment of the reasons for the proposed capital reduction and the terms and conditions of the operation.

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). Those standards require that we perform procedures to obtain assurance concerning the reasonableness of the decision to reduce the capital and of the terms and conditions of the proposed operation.

The proposed capital reduction will concern shares representing up to 10% of the Company's capital bought back pursuant to article L.225-209 of the French Commercial Code. In the sixth resolution tabled at the Annual Meeting, you will be asked to give a 18-month authorization to the Company to implement the buyback program.

The Management Board is asking you to grant it full discretionary authority over a period of 24 months to cancel shares purchased under the shareholder approved buyback program within a limit of 10% of the Company's capital.

We have no matters to report concerning the reasons for and the terms and conditions of the proposed capital reduction, the implementation of which is conditional upon shareholders authorizing the buyback program.

Courbevoie and Neuilly sur Seine, February 23, 2009

The Statutory Auditors

Ernst & Young et Autres	Mazars
Pierre Jouanne	Pierre Sardet

5. Resolutions

Resolutions to be voted on in annual meeting

First resolution

(2008 parent company financial statements)

The General Meeting, acting with the quorum and majority required for ordinary General Meetings, having heard the reports of the Management Board and the Auditors, and noting 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, 2008, as presented by the Management Board. These financial statements show a net profit for the year of €1,147,591,627.57.

Second resolution

(2008 consolidated financial statements)

The General Meeting, acting with the quorum and majority required for ordinary General Meetings, having heard the reports of the Management Board and the Auditors, and noting the Supervisory Board's comments on the Management Board's report and on the consolidated financial statements, approves the transactions and consolidated financial statements for the year ended December 31, 2008, as presented by the Management Board.

Third resolution

(Appropriation of profit for the year, dividend and dividend reinvestment option)

The General Meeting, acting with the quorum and majority required for ordinary General Meetings, approves the Management Board's recommendations and accordingly resolves to appropriate as set out below income available for distribution, consisting of:

(i) Retained earnings of €13,567,319.70

(ii) Net income for the year of €1,147,591,627.57

(iii) Less the statutory allocation to the legal reserve of €1,701,010.20

representing a total amount to be appropriated of €1,159,457,937.07

To the payment of a dividend	€853,618,420.05
To retained earnings	€305,839,517.02
Total	€1,159,457,937.07

The dividend will amount to €3.45 for each of the 247,425,629 €8 par value shares carrying rights to the 2008 dividend that were outstanding at December 31, 2008.

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.

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:

	2005	2006	2007
Dividend (1)	€2.25	€3.00	€3.30

(1) Full dividend eligible for a 40% deduction for individuals resident in France as of January 1, 2005, 2006 and 2007. No non-eligible dividends have been distributed.

Shareholders shall be given the option of reinvesting their dividend in Schneider Electric shares, on the basis of €3.45-worth of new shares for each share owned, by requesting reinvestment from their stockbroker or bank at any time between May 4, 2009 (the ex-dividend date) and the close of business on May 19, 2009.

Shareholders who elect to receive their dividend in cash will be paid in euros on May 29, 2009, after the close of the dividend reinvestment period.

In accordance with the law, the price of the shares purchased by reinvesting the dividend will be equal to 90% of the average opening price quoted on the NYSE-Euronext Paris stock exchange over the twenty trading sessions preceding the date of this Meeting, less the amount of the dividend.

If the amount of the reinvested dividend does not correspond to a whole number of shares, the shareholder may:

- Purchase the next higher whole number of shares by paying the difference in cash when the reinvestment option is exercised, or
- Purchase the next lower whole number of shares and receive the difference in cash.

Shares purchased under the reinvestment option will be settled on May 29 and carry dividend rights from January 1, 2009.

The Management Board shall have full powers to implement this resolution, to place the resulting capital increase on record and to amend the Company's articles of association to reflect the new capital.

Fourth resolution

(Approval of the report on regulated agreements signed in 2008 and previous years)

The General Meeting, acting with the quorum and majority required for ordinary General Meetings and having heard the Auditors' Special Report on agreements governed by articles L.225-38, 225-86, 225-90-1 and 225-79-1 of the French Commercial Code, presented in accordance with article L.225-40 of said Code, notes the agreements signed and commitments made in 2008 and previous years, as presented in this report.

Fifth resolution

(Approval of regulated agreements and commitments concerning benefits payable to Jean-Pascal Tricoire)

The General Meeting, acting with the quorum and majority required for ordinary General Meetings and having heard the Auditors' Special Report on agreements governed by articles L.225-86, L.225-90-1 and L.225-79-1 of the French Commercial Code, presented in accordance with article L.225-88 of said Code, approves the agreements and commitments presented in this report concerning the pension and death and disability benefits provided to Jean-Pascal Tricoire, as well as the termination benefits to which he would be entitled on leaving his current position.

Sixth resolution

(Authorization to trade in the Company's shares - maximum purchase price: €90)

The General Meeting, acting with the quorum and majority required for ordinary General Meetings, having heard the report of the Management Board prepared in accordance with article L.225-209 of the French Commercial Code, authorizes the Management Board, in accordance with said article, 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 authorization shall not exceed 10 percent of the issued share capital as of the date of this Meeting (representing 24,742,562 shares on the basis of the number of shares outstanding at the last official count on December 31, 2008).

- The maximum purchase price is set at €90. However, if all or some of the shares acquired pursuant to this authorization 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.

- The total amount invested in share buybacks shall not exceed €2,226,830,580.

- 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 pursuant to this authorization 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 eighteenth resolution tabled at this Annual 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 capitalizing 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 authorization will expire at the end of a period of eighteen months from the date of this Meeting.

Seventh resolution

(Ratification of the decision to transfer the registered office)

The General Meeting, acting with the quorum and majority required for ordinary General Meetings, ratifies the Supervisory Board's decision on October 21, 2008 to transfer the Company's registered office, effective December 1, 2008, from 43-45 boulevard Franklin Roosevelt, 92500 Rueil Malmaison to 35 rue Joseph Monier, 92500 Rueil Malmaison and to amend the first paragraph of article 5 of the articles of association as follows:

"The registered office of the Company is at 35 rue Joseph Monier, 92500 Rueil Malmaison."

Resolutions to be voted on in extraordinary meeting

Eighth resolution

(Amendment to the articles of association to update the corporate purpose)

The General Meeting, acting with the quorum and majority required for extraordinary General Meetings, having heard the report of the Management Board, resolves to amend article 2 of the articles of association concerning the corporate purpose to reflect the Group's development in the area of energy management.

Article 2 of the articles of association currently reads as follows:

"The Company has the following objectives, directly or indirectly, in any form, in France and elsewhere: the direct or indirect pursuance, whether by creating, acquiring or otherwise, of all activities related to electrical construction and distribution, industrial control (electromechanical goods), industrial construction and undertakings (construction, building, civil engineering, electrical undertakings, public works, etc.); all activities relative to the production and application of energy in all its forms, including the running of any industry related thereto, the granting or acquisition of any franchise or the acceptance on lease or as public service concessions any undertakings that fall within the scope of the company's objectives.

"The acquisition, purchase sale and use of any patents relative to the said industries.

"Involvement in any way in any enterprise or company, 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 assets 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 share and the purchase of any company, irrespective of their type, in pursuance of a similar or related objective."

The General Meeting resolves to amend article 2 to read as follows:

"The Company has the following objectives, directly or indirectly, 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 secured 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 assets 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 share and the purchase of any company, irrespective of their type, in pursuance of a similar or related objective, or such as to encourage its extension or development."

Ninth resolution

(Amendments to the articles of association: notification after disclosure thresholds are crossed)

The General Meeting, acting with the quorum and majority required for extraordinary General Meetings, having heard the report of the Management Board, resolves to amend article 7 of the articles of association concerning disclosure threshold notifications.

Accordingly, the following sentence shall be inserted between the first and second sentences of the second paragraph of article 7 of the articles of association.

"In addition, effective November 1, 2009, the shareholder shall 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."

Tenth resolution

(Authorization to increase the capital by up to €800 million by issuing common shares or any form of share equivalent, in all cases with pre-emptive subscription rights)

The General Meeting, acting with the quorum and majority required for extraordinary General Meetings and having heard the report of the Management Board and the Auditors' special report, resolves, in accordance with articles L.225-129-2, L.225-130, L.225-134 and L.228-92 of the French Commercial Code:

- To authorize the Management Board, directly or through a representative, to increase the Company's issued share capital on one or several occasions by issuing, in France or abroad, common shares or any form of security that is convertible, redeemable, exchangeable or otherwise exercisable for common shares, at any time or on fixed dates. The securities may be denominated in euros or in any other currency or any monetary unit determined by reference to a basket of currencies.

This authorization is given for a period of twenty-six months from the date of this Meeting.

- That:

(i) The issued share capital may be increased during the period by up to a maximum aggregate amount of €800 million. The €800 million ceiling shall not include the par value of any shares to be issued to prevent dilution of the rights of holders of share equivalents.

(ii) The aggregate par value of the shares issued pursuant to this resolution and those issued pursuant to the eleventh, twelfth, thirteenth, sixteenth and seventeenth resolutions may not exceed €1.16 billion. This ceiling shall not include the par value of any shares to be issued to prevent dilution of the rights of holders of share equivalents in accordance with the law.

- That the share equivalents may consist of or be attached to debt securities and may be issued as intermediate securities.
- That holders of existing shares shall have a pre-emptive right to subscribe securities issued pursuant to this resolution, pro rata to their existing holdings, and that the Management Board shall have the possibility of also offering them a pre-emptive right to subscribe any securities not taken up by other shareholders.
- That if all the common shares or securities offered are not taken up by shareholders exercising their pre-emptive rights, as provided for above, the Management Board may offer all or some of the remaining securities for subscription by the public, in accordance with article L.225-134 of the French Commercial Code.
- That this authorization shall automatically entail the waiver by shareholders of their pre-emptive right to subscribe any common shares issued on redemption, conversion, exchange or exercise of share equivalents issued in application of this resolution.
- To authorize the Management Board to increase the Company's issued share capital on one or several occasions over a period of twenty-six months by issuing bonus shares or raising the par value of existing shares to be paid up by capitalizing reserves, earnings, additional paid-in capital or other legally acceptable items in accordance with the articles of association.

- That the aggregate capital increases that may be carried out by issuing bonus shares or raising the par value of existing shares, combined with any additional increases to protect the rights of holders of share equivalents in accordance with the law, may not exceed the sum of retained earnings, additional paid-in capital and earnings before the capital increase.
- That the Management Board has full powers to implement this authorization.
- That this authorization cancels and replaces the unused portion of all similar authorizations given at previous General Meetings.

Eleventh resolution

(Authorization to increase the capital by a maximum of €360 million by issuing common shares or securities convertible, redeemable, exchangeable or otherwise exercisable for common shares of the Company or one of its subsidiaries, in all cases without pre-emptive subscription rights)

The General Meeting, acting with the quorum and majority required for extraordinary General Meetings and having heard the report of the Management Board and the Auditors' special report, resolves, in accordance with articles L.225-129-2, L.225-135, L.225-136, L.228-92 and L.228-93 of the French Commercial Code:

- To authorize the Management Board, directly or through a representative, to increase the Company's issued share capital on one or several occasions by issuing, in France or abroad, common shares or securities convertible, redeemable, exchangeable or otherwise exercisable for common shares in the Company or in any other company in which it holds more than half of the issued capital either directly or indirectly, at any time or on fixed dates. The securities may be denominated in euros or in any other currency or any monetary unit determined by reference to a basket of currencies. In accordance with article L.228-93 of the French Commercial Code, this authorization may be used to issue shares of the Company on conversion, redemption, exchange or exercise of securities issued by companies in which the Company holds more than half of the issued capital either directly or indirectly.
This authorization is given for a period of twenty-six months from the date of this Meeting.
- That the issued share capital may be increased during the period by a maximum aggregate amount of €360 million, taking into account the increase authorized in point (ii) of the 10th resolution. The €360 million ceiling will not include the par value of any shares to be issued to prevent dilution of the rights of holders of share equivalents in accordance with the law.
- That the share equivalents may consist of or be attached to debt securities and may be issued as intermediate securities.
- That holders of existing shares shall not have a pre-emptive right to subscribe any securities issued, as allowed under current legislation; however, the Management Board may grant shareholders a non-transferable priority subscription right in accordance with article L.225-135 of the Commercial Code.
- That the amount received by the Company for each share issued – including, where applicable, the issue price of any stand-alone warrants – shall be at least equal to the minimum price specified in the laws and/or regulations applicable on the date of issue, regardless of whether the shares or share equivalents rank pari passu with existing shares or share equivalents.
- That this authorization entails the waiver by shareholders of their pre-emptive right to subscribe any common shares issued on redemption, conversion, exchange or exercise of share equivalents issued in application of this resolution.
- That the Management Board shall have full powers to implement this authorization.
- That, effective June 30, 2009, this authorization shall cancel and replace the unused portion of the authorization given in the tenth resolution of the General Meeting of April 26, 2007.

Twelfth resolution

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

The General Meeting, acting with the quorum and majority required for extraordinary General Meetings and having heard the report of the Management Board and the Auditors' special report, resolves, in accordance with article L.225-135-1 of the French Commercial Code:

- To authorize the Management Board, directly or through a representative, to increase, for each issue, the number of common shares or securities to be issued in application of the tenth and eleventh resolutions as provided for by law and within the ceilings set out in the tenth resolution (point (i) of the second point) and the eleventh resolution. This authorization is given for a period of 26 months.
- That the Management Board shall have full powers to implement this authorization, which cancels and replaces all earlier authorizations to the same effect.

Thirteenth resolution

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

The General Meeting, acting with the quorum and majority required for extraordinary General Meetings and having heard the report of the Management Board and the Auditors' special report, resolves that the authorization given in the eleventh resolution may be used to issue shares in payment for shares of another company tendered to a public exchange offer governed by article L.225-148 of the French Commercial Code.

The General Meeting also gives the Management Board a 26-month authorization to use the authorization given in the eleventh resolution to carry out one or several share issues representing, in the aggregate, a maximum of 10% of the Company's issued capital, in payment for shares or share equivalents contributed to the Company in transactions not governed by article L.225-148, based on the values specified in the merger auditors' report.

In all cases, the amounts of any capital increases carried out pursuant to this resolution and the ceiling set in the eleventh resolution are not cumulative.

The General Meeting resolves to cancel existing shareholders' pre-emptive right to subscribe the common shares or share equivalents issued pursuant to this resolution, in favor of the holders of the target company's shares or share equivalents tendered to the Company.

The General Meeting notes that the Management Board, directly or through a representative, has full powers to carry out the transactions described in this resolution and, in consequence, to increase the capital and place the increase on record.

Fourteenth resolution

(Authorization given to the Management Board to grant stock options to officers and employees of the Company and its subsidiaries and affiliates)

The General Meeting, acting with the quorum and majority required for extraordinary General Meetings, and having heard the report of the Management Board and the Auditors' special report, resolves:

● To authorize the Management Board to grant to selected employees and officers of the Company and its subsidiaries and affiliates, on one or several occasions in accordance with article L.225-180 of the French Commercial Code, options exercisable for new Schneider Electric SA shares or existing Schneider Electric SA shares bought back in accordance with the law.

- That the option exercise price shall not be less than the average of the prices quoted over the twenty trading sessions preceding the grant date, and, in the case of options exercisable for existing shares, the average price paid for the Schneider Electric SA shares held in accordance with articles L.225-208 and L.225-209 of the French Commercial Code.

- That the total number of options granted pursuant to this authorization that have not been exercised or cancelled shall not be exercisable for a number of shares representing more than 3% of the issued share capital as of the date of this Meeting and that the options shall have a life of between five and ten years.

- That this authorization shall entail the waiver by shareholders of their pre-emptive right to subscribe the shares issued upon exercise of the stock options.

● The General Meeting gives full powers to the Management Board to use this authorization within the above limits and to:

- Set all the terms and conditions of the plans, the conditions governing the option grants and draw up the list of grantees,

- Set the life of the options and the exercise date(s) or period(s),

- Decide the circumstances in which the option exercise price and the number of shares that may be subscribed or purchased will be adjusted in the case of any financial transactions carried out by the Company,

- Carry out, directly or through a representative, any and all formalities required to complete the capital increase(s) effected pursuant to this authorization, amend the articles of association to reflect the new issued capital and generally do everything necessary,

in all cases in compliance with the laws and regulations applicable when the options are granted.

The General Meeting notes that the Supervisory Board will set the terms of exercise of any stock options granted to members of the Management Board in accordance with article L.225-185 of the French Commercial Code.

The Management Board shall report to the Annual General Meeting on all transactions carried out during the previous year under this authorization.

This authorization will expire at the end of a period of thirty-eight months from the date of this Meeting. It cancels and replaces the unused portion of the authorization given in the twenty-fourth resolution of the General Meeting of May 3, 2006.

Fifteenth resolution

(Authorization to grant existing or new shares to officers and employees of the Company and its subsidiaries and affiliates, subject to performance criteria, if appropriate.)

The General Meeting, acting with the quorum and majority required for extraordinary General Meetings, and having heard the report of the Management Board and the Auditors' special report, resolves, in accordance with articles L.225-197-1 *et seq.* of the French Commercial Code:

● To authorize the Management Board to grant to employees or to certain categories of officers and employees of the Company, as defined in article L.225-197-1 of the French Commercial Code, and its subsidiaries and affiliates, as defined in article L.225-197-2 of said Code, on one or several occasions, existing or new shares of the Company.

● That the Management Board shall draw up the list of grantees, as well as the conditions and, if appropriate, the performance criteria on which the grants will be based.

● That (i) the total number of shares granted under this resolution shall not represent more than 1% of the Company's issued capital as of the date of this Meeting and (ii) the sum of the shares that may be subscribed or purchased on exercise of options granted under the fourteenth resolution of this Meeting and the shares that may be granted under this resolution shall not represent more than 3% of the Company's capital.

● That rights to said shares shall vest after a period set by the Management Board, conditional on the achievement of the performance or any other criteria set by the Management Board. The Management Board shall set the vesting and lock-up periods for the shares grants in accordance with article L.225-197-1 of the French Commercial Code. This may include, for all or some of the shares granted, a vesting period of no less than four years with no lock-up period, and/or a vesting period of no less than two years with a lock-up period of no less than two years.

● That notwithstanding the foregoing, the said shares shall vest and be available for sale immediately if the grantee is declared disabled, as defined in article L.225-197-1 of the French Commercial Code.

● To authorize the Management Board to adjust the number of shares in the case of any corporate actions, in order to prevent any dilution of grantees' rights.

● That this authorization shall entail the waiver by shareholders of their pre-emptive right to subscribe the shares issued when the shares that are the subject of the grants vest.

● That this authorization is given for a period of thirty-eight months from the date of this Meeting and that it cancels and replaces the unused portion of the authorization given in the thirteenth resolution at the General Meeting of April 26, 2007.

The Management Board shall have full powers to carry out, directly or through a representative, any and all formalities required to use this authorization, and, where necessary, to adjust the number of shares to take into account the effects of any corporate actions, to place on record the capital increase or increases effected pursuant to this authorization, amend the articles of association to reflect the new capital and generally do everything necessary.

The Supervisory Board shall set the lock-up terms for shares granted to members of the Management Board, in accordance with the provisions of article L.285-197-1 II of the French Commercial Code.

Sixteenth resolution

(Authorization to issue shares to employees who are members of the Employee Stock Purchase Plan)

The General Meeting, acting with the quorum and majority required for extraordinary General Meetings, having considered the report of the Management Board and the Auditors' special report, resolves, pursuant to articles L.3332-1 et seq. of the French Labor Code and L.225-129-2, L.225-129-6 and L.225-138-1 of the French Commercial Code, and in accordance with said Commercial Code:

1. To give the Management Board a 26-month authorization from the date of this Meeting to increase the share capital, directly or through a representative, on one or several occasions at its discretion, by issuing shares and share equivalents to the members of an Employee Stock Purchase Plan set up by the Company and by French or foreign subsidiaries or affiliates in accordance with article L.225-180 of the French Commercial Code and article L.3344-1 of the French Labor Code. The maximum nominal amount by which the capital may be increased shall not exceed 2.5% of the issued capital as of the date on which this authorization is used. The amount of any capital increase carried out under this authorization shall be deducted from the aggregate amount by which the capital may be increased under the tenth and eleventh resolutions of this Meeting.

2. To set the maximum discount at which shares may be offered under the Employee Stock Purchase Plan at 20% of the average of the opening prices quoted for Schneider Electric shares on the NYSE Euronext Paris stock exchange over the twenty trading sessions preceding the date on which the decision is made to launch the employee share issue. However, the General Meeting specifically authorizes the Management Board to reduce the above discount, within legal and regulatory limits, or not to grant any discount, in particular to comply with local legislation in the countries where the shares will be offered.

3. That, in application of article L.3332-21-3 of the French Labor Code, the Management Board may offer share equivalents to plan participants, as a substitute for the discount.

4. That in the case of an issue of share equivalents, the characteristics of these securities will be determined in accordance with the applicable regulations by the Management Board.

5. That shareholders shall waive their pre-emptive right to subscribe the shares and share equivalents to be issued under this authorization.

6. That shareholders shall waive their pre-emptive right to subscribe the shares issued on redemption, conversion, exchange or exercise of share equivalents attributed in application of this resolution.

7. That, effective June 30, 2009, this authorization shall cancel and replace the unused portion of the authorization given in the twentieth resolution of the General Meeting of April 21, 2008.

8. 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.

Seventeenth resolution

(Authorization to carry out a share issue restricted to employees of the foreign companies in the Group)

The General Meeting, acting with the quorum and majority required for extraordinary General Meetings and having heard the report of the Management Board and the Auditors' special report, resolves, in accordance with articles L.225-129 to L. 225-129-2 and L. 225-138-1 of the French Commercial Code:

1. To authorize the Management Board, directly or through a representative, to increase the share capital on one or several occasions, at its discretion, by issuing shares or share equivalents to the persons falling into the category defined below. Said shares or share equivalents will rank pari passu with existing shares. The maximum nominal amount by which the capital may be increased shall not exceed 0.5% of the issued capital as of the date of this Meeting. The amount of any capital increase carried out under this authorization shall be deducted from the aggregate amount by which the capital may be increased under the eleventh and sixteenth resolutions tabled at this Meeting.

2. That shareholders shall waive their pre-emptive right to subscribe the shares and share equivalents issued under this resolution and that said shares and share equivalents shall be offered exclusively to persons in one or the other of the following categories: (i) employees and officers of Schneider Electric Group companies that qualify as related companies under article L.225-180 of the French Commercial Code and article L.3444-1 of the French Labor Code that have their headquarters outside France; and/or (ii) corporate mutual funds or other employee stock ownership vehicles, which may or may not be legal entities, whose assets are invested in Schneider Electric SA shares and whose units or shares are held by the persons defined in (i) above; and/or (iii) any bank or bank subsidiary retained by the Company to set up an employee stock ownership or stock purchase plan for the persons defined in (i) above where this enables employees of foreign subsidiaries to benefit from employee stock ownership or stock purchase formulas that are equivalent, in terms of economic benefits, as those available to other Group employees.

3. That the issue price of shares issued under this resolution will be set by the Management Board based on the price quoted for the Company's shares on the NYSE-Euronext Paris stock exchange. At the discretion of the Management Board, said 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 sessions preceding the decision of the Management Board setting the issue price under this resolution or under the sixteenth resolution.

When setting the issue price for these shares, the Management Board may apply a maximum discount of 20% to the quoted price of Schneider Electric shares as determined in accordance with either (i) or (ii) above. The discount will be determined by the Management Board taking into consideration any specific foreign legal, regulatory or tax provisions that may apply to any beneficiaries governed by foreign law.

4. That the Management Board shall have full powers to use this authorization as provided for by law, including the powers of delegation, subject to the limits and conditions described above. The Management Board shall draw up the list of beneficiaries within the categories defined in this resolution and set the number of shares or share equivalents to be offered to each beneficiary. It may decide to limit the issue to the number of shares subscribed, providing that no less than 75% of the shares or share equivalents offered have been subscribed. In particular, the Management Board shall have full powers to:

- Decide the characteristics of the securities to be issued, the issue price, the subscription date or period, the terms and conditions of subscription, payment and delivery of the securities, as well as the cum-dividend or cum-interest date, subject to compliance with the applicable laws and regulations.
- Place the share issue on record, issue shares and share equivalents and amend the bylaws to reflect the new capital.
- Generally, enter into any and all underwriting or other agreements, take any and all measures and perform any and all formalities related to the issue, quotation and servicing of the securities issued under this authorization and the exercise of the related rights.

5. That, effective June 30, 2009, this authorization shall cancel and replace the unused portion of the authorization given in the twenty-first resolution of the General Meeting of April 21, 2008.

This authorization is given for a period of eighteen months from the date of this Meeting.

Eighteenth resolution

(Authorization to cancel shares purchased under the shareholder-approved buyback program, within the limit of 10% of the capital)

The General Meeting, acting with the quorum and majority required for extraordinary General Meetings, and having heard the report of the Management Board and the Auditors' special report, resolves, in accordance with article L.225-209 of the French Commercial Code, to authorize the Management Board to cancel the shares of the Company acquired under the shareholder-approved buyback program, as provided for in article L.225-209 of the French Commercial Code, as follows:

- The Management Board shall have full discretionary authority to cancel, on one or several occasions, all or some of the shares purchased under the shareholder approved buyback program, provided that the total number of shares canceled in the 24 months following the date of this Meeting does not exceed 10% of the total number of shares outstanding, and to reduce the Company's capital accordingly.
- The difference between the purchase price of the shares and their par value will be charged against additional paid-in capital and, if appropriate, against the legal reserve for the portion of the difference representing 10% of the capital reduction.

This authorization is given for a period of 24 months from the date of this Meeting. It cancels and replaces the authorization given by the General Meeting of April 21, 2008. The Management Board shall have full powers to carry out any and all actions, formalities and filings required to cancel the shares, reduce the capital and amend the bylaws to reflect the new capital, either directly or through a duly authorized representative.

Nineteenth resolution

(Powers)

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

Attestation

Person responsible for the registration document

Jean-Pascal Tricoire, Chairman
of the Management Board 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, 2007. To the best of my knowledge, the business review provided on pages 74-79 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 have read the whole of the registration document and examined the information about the financial position and the historical accounts contained therein.

Rueil-Malmaison, March 17, 2009

Chairman of the Management Board and CEO

Jean-Pascal Tricoire

Pursuant to article 28 of 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 5 of the registration document for the year ended December 31, 2007, registered with *Autorité des Marchés Financiers (AMF)* under number D08-0112 on March 17, 2008.
- The consolidated financial statements and corresponding Auditors' Reports provided in Chapter 5 of the registration document for the year ended December 31, 2006, registered with *Autorité des Marchés Financiers (AMF)* under number D07-223 on March 26, 2007.
- The annual company financial statements and corresponding Auditors' Reports provided in Chapter 6 of the registration document for the year ended December 31, 2007, registered with *Autorité des Marchés Financiers (AMF)* under number D00-0112 on March 17, 2008.
- The annual company financial statements and corresponding Auditors' Reports provided in Chapter 6 of the registration document for the year ended December 31, 2006, registered with *Autorité des Marchés Financiers (AMF)* under number D07-223 on March 26, 2007.
- The business review provided in Chapter 4 of the registration document for the year ended December 31, 2007, registered with *Autorité des Marchés Financiers (AMF)* under number D08-0112 on March 17, 2008.
- The business review provided in Chapter 4 of the registration document for the year ended December 31, 2006, registered with *Autorité des Marchés Financiers (AMF)* under number D07-223 on March 26, 2007.

Passages not incorporated in this document are either irrelevant for the investor or covered in another section of the registration document.

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