

Letter

to the Shareholders

Number 6 - January 2000



Ph. : Bruno Paget

Dear Shareholder,

After a difficult beginning, 1999 was a good year for Schneider Electric which benefited from a significant improvement in economic conditions. The group will thus once again register a growth rate of around 10% in sales and show a very significant increase in its results.

Over the year, your Group did not stand still. It quickly implemented the Schneider 2000+ plan whose key ingredients are growth – organic and acquisition - a 2-billion franc cost cutting package over the next three years and changes in team attitudes towards more autonomy, responsibility and customer orientation. Though it was launched during the first half of 1999, this plan has already enabled us to exceed our targets for the year, in particular with respect to cost-cutting. On the whole, the progress in our results in '99 will be at least in line with the targets we announced at the beginning of the year, enabling your Group to publish one of the highest rates of industrial profitability in France. **Our share price gained more than 50% in '99.**

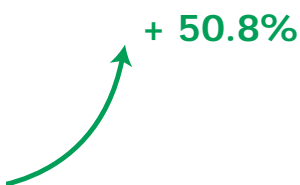
In 2000, the Group would like to strengthen this trend. A continued good economic climate and further implementation of Schneider 2000+ are positive signs for the coming year.

I would like to ask all our personnel for a major effort to enable Schneider Electric to create a growth surplus in relation to its markets and its competitors.

Allow me, in the name of all the employees of Schneider Electric to wish you a very good and happy year 2000 and to thank you for the trust you have placed in us.

Henri Lachmann

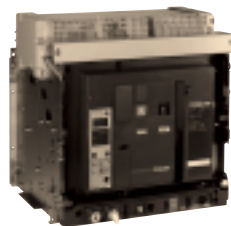
Rise in Schneider Electric share in 1999:



In the news

The new Masterpact circuit breaker: The most important development project ever undertaken

With the launch of the new Masterpact on the French and American markets, Schneider Electric is revamping its power and switchboard circuit breaker product line to cater for needs of up to 6300A. All of the products will be launched internationally between the end of 1999 and September 2000. This project is of strategic significance for Schneider Electric. It is the largest development project ever undertaken by world-wide teams with a total of 1 billion francs invested. With very short



development deadlines, it led to a rationalisation of the product line. In 1996, Schneider Electric carried 9 product ranges and more than 10,000 components. From now

on, our offering will comprise 2 ranges and less than 2000 components. With this new product line structure, we expect a growth rate of 8.5%+ over 5 years on these segments (which currently represent 1.9 billion francs).

The major accounts policy: efforts rewarded

Globalisation is gaining speed. The major industrial users, as traditional customers of Schneider Electric, continue to implement a policy of concentration of their core activities and consequently link up with strategic partners such as major suppliers.

Accordingly, companies as varied as Daimler Chrysler, IBM, SmithKline Beecham, and Danone call increasingly upon Schneider Electric for the "electrification" of their industrial complexes. This means that in the electrical distribution and industrial automatic control system fields, Schneider Electric plays a leading role in the design and implementation of efficient, fast and cost-effective solutions.

Merlin Gerin

Modicon

Square D

Telemecanique

Schneider
 **Electric**

Who does as much for electrical progress?

These important developments on the part of major industrial customers led Schneider Electric to develop a competitive "major accounts" approach - Schneider Global Business Development - a transversal organisation for managing these major accounts at world-wide level.

This approach represents a major competitive edge, enabling the Group to win market share all over the world, often to the detriment of more "local" competitors.

In 1999, five new partnership agreements were signed with major world-wide corporations.

Schneider Electric strengthens its position in low voltage products and systems for the UK market

Lexel (Schneider Electric subsidiary) has just acquired MITA Holdings Ltd., a British company specialised in PVC wiring systems for low voltage electrical installations (cable ducting, mopboards...).

MITA, the market leader in the UK for PVC wiring and composite equipment, generates sales of 31 million Euros (i.e. 200 million francs) with a workforce of 180. Its products are targeted at the construction market (office, residential and industrial) and sold through the main electrical equipment distributors.

This acquisition confirms Schneider Electric's determination to strengthen its positions in the field of low voltage products and systems.

In short

■ **Transfer of head offices:** Continuing the regrouping of teams in the Paris area, the Group General Management and the Central Functions, currently in Boulogne Billancourt, will be transferred to Rueil-Malmaison during the first half of 2000. This operation also includes the transfer to Rueil-Malmaison of the head offices of Schneider Electric SA and Schneider Electric Industries SA, which are now

at 43/45 Boulevard Franklin Roosevelt and 89 Boulevard Franklin Roosevelt respectively in Rueil-Malmaison. The move will begin on 1st Dec.1999.

■ **Intranet:** Launched at the end of 1996, the intranet connects 47% of Schneider Electric's staff and has allowed a reduction in paper consumption of about 70%. It represents a costs saving of 45 million francs for the past four years and we forecast 16 million francs for next year.

Succes at the Actionaria Show

19 and 20 november (at the Paris Convention Centre)

Schneider Electric was once again present at the Actionaria show. 29,000 visitors attended: an increase of +33% compared with last year. During these two days many visitors were able to talk with our team members at the Schneider Electric stand, attend debates and meet the chairmen of the various listed companies.



Henri Lachmann spoke on 19 November during a briefing in which he presented the strategy and prospects of the Group and answered shareholders' questions.

Shareholder's diary

Important Dates for this year:

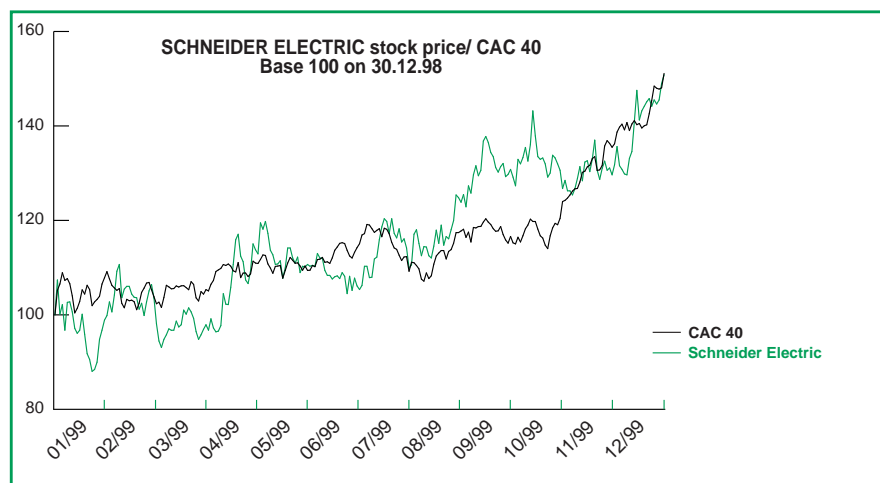
- 26.01.2000: '99 Annual sales
- 01.03.2000: '99 Annual results
- 26.04.2000: First quarter sales
- 05.05.2000: General Meeting
- 09.06.2000: Dividend payment
- 26.07.2000: First half of year sales
- 08.09.2000: First half results
- 25.10.2000: Sales at end of Sept.2000

Indicators as of 30.12.99:

- Shares in circulation: 161,122,084
- Sicovam code: 12 197
- Quota: 1
- Negotiation: monthly settlement
- Nominal value: 50 FF
- Market capitalisation on 30.12.99: 82 Billion FF, i.e. 12.5 million Euros
- CAC 40 index value: 1.17%
- Other markets: London (SEAQ)

The Schneider Electric share

- Price on 30.12.99: 77.95 Euros, i.e. +50.8% compared to 30.12.98
- CAC 40 variation compared to 30.12.98: +51.1%



Starting on 15 December, you can listen to Henri Lachmann presenting Schneider Electric interviewed by Jean-Pierre Gaillard. Just log on to the following Internet address: www.prline.com and navigate towards PrLineTV.

www.schneider-electric.com
www.prline.com

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