

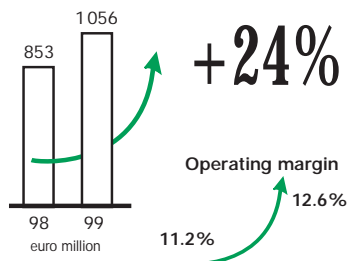
Letter

to the Shareholders

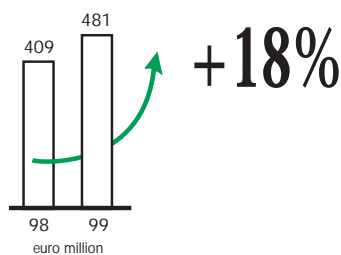
N ° 7 - March 2000

1999 Year-end Results

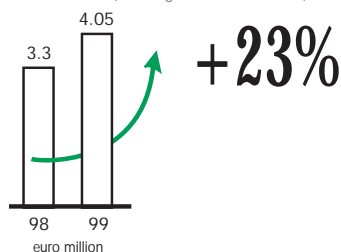
Operating income



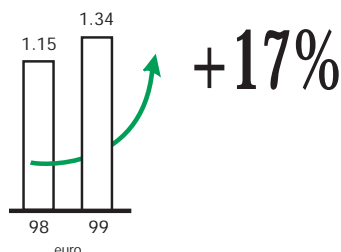
Net income Group share



Net earnings per share (before goodwill amortization)



Net dividend proposed



Ph.: Bruno Paget

Dear Shareholder,

1999 was an excellent year for Schneider Electric. Your Group exceeded its objectives, in spite of the difficult

economic climate in the first six months of the year. Schneider Electric's teams demonstrated a strong capacity to react and mobilized considerable efforts in the implementation of the Schneider 2000+ plan, in a framework of growth and competitiveness.

This fostered a sharp increase in our operating margin and net income for 1999, with this performance placing us at the leading edge of the sector.

Priority given to growth and new technology

Our absolute priority in years to come is growth. Your Group's effort to maintain its technological advance for the benefit of its customers is an integral part of this objective. In 1999, Schneider Electric stepped up the pace of new product launches including, in particular, the new Masterpact circuit-breaker, the introduction of the Internet into our control and automation products and the new push-buttons. 12 product families are to be renewed in 2000, representing around 20% of sales.

Schneider Electric — via its subsidiary Lexel — is expanding fast on the VDC market (Voice, Data, Communication). Schneider Electric products have been fitted in over 100 million buildings worldwide and constitute a significant installed equipment base which, combined with our acknowledged know-how, will enable us to quickly achieve positioning on this rapid-growth market.

We also intend to pursue the expansion of our e-business. We are already able to provide on-line services from 60 Internet sites in 40 different countries.

Schneider Electric uses the Internet at all levels of the value chain: on-line catalogues, special product offers and on-line sales. Hence, 20% of sales in 1999 were handled on-line. Schneider Electric is going to step up this trend considerably in the coming years. We have, in fact, decided to set up a 50 million Euro (328 MF) investment fund for "start-up" technologies.

Finally, Schneider Electric has now achieved the leading position in what we call "Web Automation" (network automation). Your Group's performance in this field (see the article overleaf) is a further illustration of our strong desire to increase our technological progress. Your Group has all the features of a leader. It achieves 60% of its sales with products for which it is the world leader and 20% with products for which it is number two or three worldwide.

Outlook

2000 started with sustained growth in all our sectors of business.

Schneider Electric is able to benefit from the favorable worldwide economic climate which, alongside the action taken within the Schneider 2000+ plan, should bring about a significant increase in group earnings.

I am confident in our capacity to exceed the 13.4% operating margin objective set for the Group for 2001.

Henri Lachmann



Get more with the world's Power & Control specialist.

News

A new advertising campaign

Who can you trust more than the world's Power & Control specialist ?

The Schneider 2000+ program is designed to enhance our growth, competitiveness and performance. All of our teams are deeply committed to this program, as you'll see in our 1999 financial results.

www.schneider-electric.com

Schneider Electric
Get more with the world's Power & Control specialist.

Merlin Gerin
Modicon
Square D
Telemecanique

A new press advertising campaign was launched on March 1, 2000 in several countries of the world.

The purpose of the campaign is to highlight Schneider Electric and its four main brand names (Merlin Gerin, Modicon, Square D, Telemecanique).

Each ad places clear emphasis on the Group's major strengths: dynamics, creativity, innovation, constant adaptation to new technology, anticipation of customer requirements, local and international facilities.

There is a new slogan under our logo. It reflects Schneider Electric's position as a **worldwide specialist** in power and control, as opposed to groups with more diversified activities.

In brief

- **The Schneider Electric Foundation** for the insertion of young people is now one-year old: this is a joint enterprise run by Schneider Electric staff volunteers in the 130 countries where the Group has facilities. This year, it is participating in a major worldwide operation, "Children's hour, give the children of the world a future", along the following lines: staff in each country choose an association whose objective is to assist children and young people in difficulty. Staff volunteers take part by offering their time and skills. The Foundation will provide its contribution by paying the equivalent of one hour's salary for each and every employee, amounting to a total of 500,000 Euros (3.28 MF); employees, customers and shareholders will also be given the opportunity of doubling this contribution by participating personally.

New technology

Schneider Electric, Web Automation leader

Web Automation, commercialized under the name of "Transparent Factory TM" enables an automated production line to be monitored, maintained and verified by remote control via PLCs connected to the Internet network. For example, an operator using a simple laptop computer can check that the Lyon subway (where the system is installed), some 10,000 kilometers away, is functioning correctly. Schneider Electric achieved this degree of success by opting, in the very early stages, for Internet network technology.

1999 sales of PLCs containing Web servers totaled 1,000 units. In 2000, our offer will be expanded to include products fully integrating Web servers. **Schneider Electric is already positioned as the world leader in Web Automation**, an activity which has extremely high growth prospects.

Internet: a priority for Schneider Electric

Schneider Electric invested 76 million Euros (500 MF) in 1998 and 1999 in developing an architecture already capable of handling numerous on-line services. The expansion of e-business will undoubtedly **be a source of growth and competitive edge**.

Why not visit our Internet site right away? The site gives complete general information on Schneider Electric, its 1999 accounts, recent press releases and a **real-time share price update**.

www.schneider-electric.com

Shareholder calendar

This year's key dates

- 04.26.2000: 1st quarter sales
- 05.05.2000: Annual General Shareholders Meeting
- 06.09.2000: Payment of dividend
- 07.26.2000: 1st half-year sales
- 09.08.2000: Results of 1st half-year
- 10.25.2000: Sales as at end Sept. 2000

The Annual General Shareholders Meeting will be held on Friday May 5, 2000 at 10 am at the Carrousel du Louvre. The agenda is as follows:

- the Group's activity and results,
- distribution of a dividend per share of 1.34 Euros (8.79 F), making a total yield of 2.01 Euros (13.18 F) inclusive of the 50% tax credit, which will be available for payment as of June 9,
- partial renewal of the Board of Directors, with, in particular, the appointment of Thierry Breton, Chairman & General Manager of Thomson Multimedia, and a Board Member representing employee shareholders,
- modification to the Articles of Incorporation to reflect enhanced shareholder transparency and improve corporate governance by reducing the maximum number of Board Members,
- authorization to cancel shares and continue with the share buyback plan.

Schneider Electric will be present at the Investir-l'Union event in Reims on March 17 and 18 next. We will be pleased to welcome you to our stand and answer any questions you may have.

You can find full information on Schneider Electric on our Internet site: www.schneider-electric.com

SCHNEIDER ELECTRIC SA
43-45, boulevard Franklin Roosevelt
92500 Rueil Malmaison

Public corporation with 1,291,388,624 Euros capital
Nanterre Corporate Register N° 542 048 574