

# Letter

## to the Shareholders



### Dear Shareholder,

As our interim financial results show, 2000 looks like it will be a very good year. In the first six months, our sales rose 14.3%, operating income increased 24.8% and net income gained 27.2%. This **performance** stems from a strong, ongoing **commitment** over the last several years, that has led to the implementation of a carefully crafted strategy and disciplined action plans.

We have devoted considerable energy to expanding our lineup and to **innovation**, with new product launches, new customer services and a technology-driven transformation in our organization. At present, products introduced less than 18 months ago account for 20% of our sales.

The group has forged a strategic partnership with MGE UPS, a world leader in large and medium-size uninterruptible power supplies. We have also joined forces with Thomson Multimedia to offer a complementary lineup in the voice-data-communication market (VDC).

Schneider Electric pursued its international expansion during the period by making targeted acquisitions in India, Australia, South Africa and other countries. Already, we make 84% of our sales outside France, thanks to our broad and balanced geographic coverage. In the first half, our **growth** rates improved in all regions around the world.

Thanks to these accomplishments, we are **ahead** of our Schneider 2000+ objectives. The operating margin reached 13.2% in the first half, compared with 12.1% the year before, putting us close to our end — 2001 target of 13.4% — a target we are **confident** of reaching. Already, Schneider Electric is one of the most profitable manufacturing companies in France.

The full-year outlook is very favorable. In the second half, the high level of business in all regions suggests **strong growth**, on a par with the first half. In addition, the operating margin should widen further for the full 12-month period.

Schneider Electric intends to take advantage of all new **growth** opportunities. That is why, for example, we are currently looking at acquiring Crouzet Automatismes from Thomson CSF. Crouzet, which generates sales of more than FRF 1 billion, would make us the European leader in switching, sensors and electronic controls, while broadening our industrial control lineup.

Our first-half performance validates our strategies and the way we have carried them out. It will also motivate our people to continue investing their energy in meeting our wealth-creation objectives.

Henri Lachmann

Chairman and Chief Executive Officer

### Half-year 2000 results

Sales

up **14.3%**

to EUR 4.58 billion

Net income

up **27.2%**

to EUR 0.29 billion

Merlin Gerin

Modicon

Square D

Telemecanique

**Schneider**  
 **Electric**

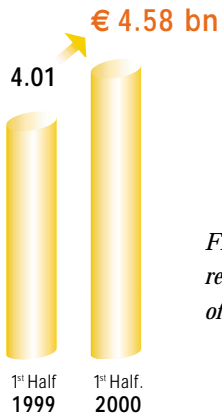
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# Half-year 2000 results

## Sales: up 14.3%

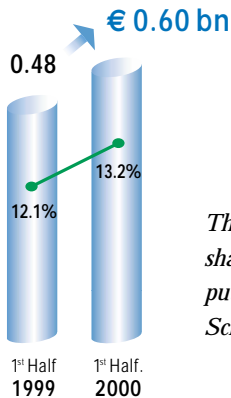
(in EUR billion)



*First-half sales growth reflects the high level of business in all regions.*

## Operating income: up 24.8%

(in EUR billion)

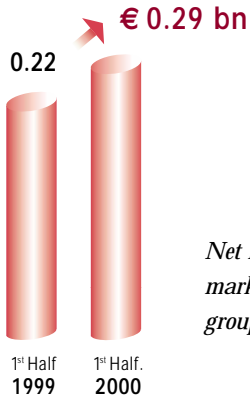


*The operating margin rose sharply in the first half, putting us ahead of the Schneider 2000+ target.*

● Operating margin as a percentage of sales

## Net income: up 27.2%

(in EUR billion)



*Net income increased 27.2%, marking a new upswing in the group's profitability.*



# Interview with...



**Antoine Giscard d'Estaing** joined Schneider Electric as Executive Vice-President, Finance and Control, in June 1999. A graduate of France's Hautes Etudes Commerciales and Ecole Nationale d'Administration, he began his career as a finance inspector in the French civil service. In 1995, he joined Lyonnaise des Eaux, which later became Suez Lyonnaise. Since June 1999, he has been a member of Schneider Electric's Executive Committee.

### After more than a year with Schneider Electric, what is your analysis of the group?

Schneider Electric is in excellent health and has great growth potential. With the Schneider 2000+ program, the group has set clear ambitions that place it in a strong growth dynamic. We have successfully integrated new technologies at all levels of the value chain, both in our working methods and relationships with customers and in our products.

### What were the main highlights of the first half?

Schneider Electric's priority objective is growth,

and our financial results show that we're meeting this objective. Our sales were up 14.3% in the first six months to EUR 4.58 billion.

We also made several acquisitions (see below) that have helped us push back our geographic limits and extend our lineup in all of our businesses. And we signed two major cooperation agreements, with Toshiba and Thomson Multimedia (see here-after).

### What is Schneider Electric's strategy for the future?

We will continue to expand in our two businesses through organic growth and by acquiring specialties that

offer an attractive fit with our current lineup. As part of the Schneider 2000+ program, we also intend to lift our growth rate two points above the market's and reduce our base costs, with an operating margin target of 13.4% in 2001.

### What do you think about the share price?

Although the price has risen over the last few weeks, the market does not seem to have fully integrated our medium-term growth potential, our high operating margin and, more generally, our excellent fundamentals.



# During the first 2000 semester...

**Schneider Electric made a number of acquisitions** that will extend the product lineup (in low and medium voltage, voice-data-communication and industrial automation devices) and strengthen our geographic coverage in high-growth regions (India, South Africa and Australia...).

### ...and signed two major cooperation agreements...

With Thomson Multimedia to develop power-line carrier technologies that make it possible to transmit digital data through electric lines. With Toshiba to create an industrial speed drive joint venture called Schneider Toshiba Inverter SAS. The company will be operational in 2001 and will rank first worldwide in its business.



### Spotlight on...

### VDC Voice-Data-Communication



The rapidly growing popularity of the Internet and the continued development of digital technology in both consumer and professional products are driving strong demand for communication networks in residential, commercial and industrial buildings.

Schneider Electric positioned itself very early on in the fast-growing market for voice-data-communication networks by leveraging its market access through contractors and its dedicated product lineup under the Lixel and Infra+ brand names. Lixel (see above) already

offers end-to-end solutions that can simplify an electrical and voice-data-communication installation (TV, phone, computer, etc.) by using standard sockets, or provide centralized and optimized management of building functions such as fire alarms, lighting and video.

Schneider Electric is giving itself the resources to pursue its development in this area, both by offering high value-added communication products and by forging partnership agreements (such as with Thomson Multimedia) and investing in start-ups through its investment fund.

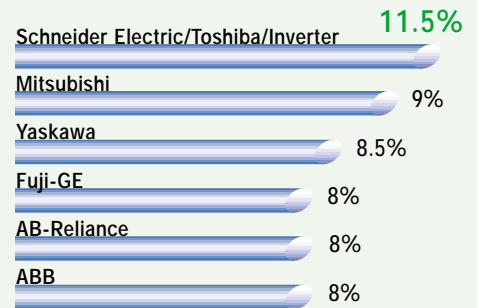
## Schneider Electric and Toshiba *Join Forces in Speed Drives*

*In June 2000, Schneider Electric and Toshiba Corporation announced their intention to jointly develop and manufacture industrial speed drives — the devices that automatically start and stop motors and production lines.*

*The new joint venture will rank number one worldwide in its business, with estimated unit sales of EUR 400 million. Ultimately, the company's products will be connected to the Internet, which will make configuration and maintenance easier.*

*This fast-growing market, worth EUR 3 billion, offers numerous opportunities.*

### 1999 market share in industrial speed drives



## Using the Internet to Serve *our Shareholders*

Our new Investors' Corner came on line in June 2000. This section is regularly updated with Schneider Electric highlights and news.

From the Investors' Corner, you may consult our key figures, download the annual report, financial statements, presentations made to

financial analysts and letters to shareholders, look at the agenda, check out our share price in real time and read our press and financial releases.

You have also the possibility to contact us at any time, thanks to the "Financial Analyst" link, "Agenda and Contacts".





# Shareholders' Agenda

## Schneider Electric Share / CAC 40 Index

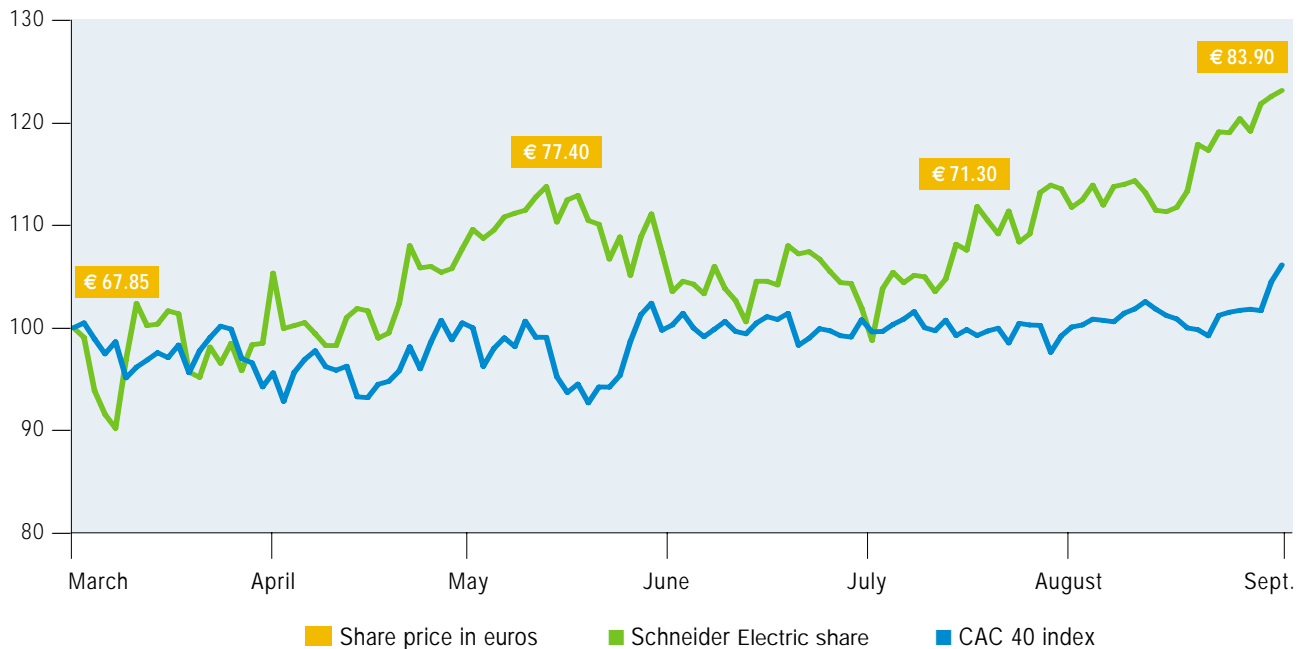
Base 100 = March 3, 2000

Financial analysts continue to prefer Schneider Electric\*, recommending the share as a buy. The share has gained 23.7% in the past six months and the price has more than doubled in five years, making for an average annual increase of more than 20%.

(\* La Tribune Placements, September 1, 2000)

### Share data - September 2000

- Number of shares outstanding: 155,423,578
- Sicovam Code: 12197
- Trades on: First Market of the Paris Bourse (deferred settlement service), London (SEAQ)
- Par value: EUR 8
- Market value: EUR 12.9 billion



## Schneider Electric ranks first in its class for EVA and MVA

In July 2000, French business magazine l'Expansion ranked Schneider Electric first among goods and equipment companies for Economic Value Added (EVA) and Market Value Added (MVA). The ranking was based on a study conducted by Stern Stewart.

### Definitions (Stern Stewart method)

EVA is a management performance indicator represented by the difference between operating income after tax and return on capital employed (i.e., shareholders' equity + debt).

MVA represents the wealth created and accumulated by a company for its shareholders. MVA equals the price at which the company could be sold minus its capital and debt.

### Goods and equipment

Rank	Company	EVA (FRFm)	MVA (FRFm)
		1999	1999
1	Schneider Electric	866	43,815
2	Lafarge	552	33,066
3	Saint Gobain	355	1,941
4	Legrand	317	25,190
5	Essilor International	296	12,134

(L'Expansion, July 6, 2000)

## Important Dates

### Actionaria trade fair

September 29-30 at Palais des Congrès in Lyon

November 17-18 at Palais des Congrès in Paris

Organized in partnership with Le Figaro and Investir, Actionaria is a trade fair for everyone involved in the stock market. More than 21,000 shareholders attended the first fair in Paris in 1998 and 30,000 participated in 1999, taking advantage of the opportunity to meet with companies and sit in on conferences and discussions. Schneider Electric will be attending both shows in Lyon and Paris. Our teams will be pleased answer your questions at our booth.

### Next press release

October 25, 2000: sales at September 30, 2000.

## Want to know more?

[www.schneider-electric.com](http://www.schneider-electric.com)



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A Société Anonyme incorporated in France

with issued capital of EUR 1,291,388,624

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