

Annual Report 1999



Merlin Gerin

Telemecanique

Square D

Modicon

Merlin Gerin

Modicon

Square D

Telemecanique

Information about the Company

- **Legal form:**
Société Anonyme (joint-stock corporation) governed by the French Companies Act of July 24, 1966.
- **Nationality:**
French.
- **Head office:**
43/45, boulevard Franklin-Roosevelt
92500 Rueil-Malmaison.
- **Registered** in Nanterre **under no. 542 048 574.**
- **Business identifier code (APE):** 741J.
- **Founded:** in 1871. (This 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).
- **Term:** up to July 1, 2031.
- **Corporate purpose (summarized):**
To operate, directly or indirectly, in France and abroad, any and all businesses related to electricity, industrial control and general contracting, and to carry out any and all commercial, securities, real estate and financial transactions (Article 2 of the bylaws).
- **Fiscal year:**
January 1 to December 31.
- **Capital stock:**
The Company's capital at December 31, 1999 amounted to FF 8,071,178,900 represented by 161,423,578 shares with a par value of FF 50 each. The capital was converted into euros on January 14, 2000 and the par value was rounded up to the nearest euro. As a result, the Company's capital amounted to EUR 1,291,388,624, represented by 161,423,578 shares with a par value of EUR 8 each.
- **Total number of voting rights:**
163,779,689 (information published in the BALO legal gazette on May 19, 1999).
- Legal documents concerning the Company (bylaws, minutes of General Shareholders' Meetings, Auditors' reports, etc.) are available for consultation at the Company's head office (Investor Relations department) located at 43/45 boulevard Franklin-Roosevelt, 92500 Rueil Malmaison, France.

1999 Annual Report

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General legal and financial information

Background

Industrial background

Schneider Electric SA is a *société anonyme* (joint-stock corporation) incorporated in France on December 2 and 4, 1871. However, the Company traces its history back to 1836, when Adolphe and Joseph-Eugène Schneider acquired steel foundries in Le Creusot, France, that were experiencing financial difficulties. In 1838, they formed Schneider & Cie.

From that point on, up until the mid-twentieth century, the Company steadily built a presence in heavy mechanical engineering and transportation equipment, with interests in shipbuilding, railroad equipment and bridge and tunnel building. By the end of the nineteenth century, Schneider had also established a position in electricity.

Gradually, the Company grew into a huge conglomerate that lacked strategic direction. From 1981 to 1997, it refocused on electricity and pulled out of a number of businesses, including steel, machine tools, shipbuilding, railways, private telephone systems and engineering. At the same time, it pursued a strategy of acquisitions in electricity, bringing in Telemecanique in 1988 and Square D in 1991.

The sale of Spie Batignolles in 1997 marked the end of the refocusing program. Schneider Electric now manufactures and sells equipment for electrical distribution, industrial control and automation, with operations in 130 countries.

Ownership structure

In 1981, SPEP, the parent company, was separated from its industrial subsidiaries by a long chain of holding companies with numerous cross-shareholdings, representing the legacy from the previous decade.

Over the next fourteen years, the structure was rationalized by merging the various holding companies to create a single parent company, Schneider SA. In 1999, the Company changed its name to Schneider Electric SA, which holds all the shares of Schneider Electric Industries SA.

Current business

Schneider Electric is present at all stages in the electricity generation, transmission and distribution process, with specialist skills in high and medium voltage equipment, final low voltage and consumer final low voltage equipment, industrial control and programmable logic controllers.

Schneider Electric manufactures electrical switchgear and equipment under the Merlin Gerin, Modicon, Square D and Telemecanique brand names, as well as under the Lexel name (since 1999).

Schneider Electric is involved in two core businesses: electrical distribution and industrial control and automation. These sectors have already undergone considerable consolidation worldwide.

Schneider Electric is not dependent on any single patent, license or supply contract.

The Company ranks first worldwide in areas representing around 60% of its sales and second and third in areas representing around 20%. The competition breaks down into two categories:

- Large non-specialist manufacturers with diversified business bases that offer little synergy. These include ABB, General Electric, Mitsubishi Electric and Siemens.
- Smaller specialist manufacturers. These include Alstom, Eaton, Hager and Legrand in electrical distribution and Omron and Rockwell in industrial control and automation.

Schneider Electric is the largest player in this category.

Financial highlights	1999		1998		1997
Investments	EURbn	FFbn	EURbn	FFbn	FFbn
Total investments	1.54	10.1	0.48	3.1	1.9
<i>including gross capital spending</i>	<i>0.44</i>	<i>2.9</i>	<i>0.38</i>	<i>2.5</i>	<i>1.9</i>
Research and development expenditure	0.44	2.9	0.40	2.6	2.5
Average number of employees	67,500		60,800		61,500
Sales by business segment	EURbn	FFbn	EURbn	FFbn	FFbn
Electrical distribution	5.9	39.0	5.11	33.5	31.8
Industrial control and automation	2.5	16.0	2.42	15.9	15.2
Other and eliminations	-	-	0.10	0.6	0.4
	8.4	55.0	7.63	50.0	47.4
Sales by geographic area	EURbn	FFbn	EURbn	FFbn	FFbn
France	1.5	9.7	1.50	9.8	9.9
Western Europe	2.9	19.0	2.31	15.2	14.4
North America	2.6	16.9	2.28	15.0	13.9
Middle East	0.3	2.0	0.29	1.9	1.7
Asia	0.7	4.4	0.53	3.4	3.7
Africa and Latin America	0.4	3.0	0.60	3.9	3.0
Rest of world	-	-	0.12	0.8	0.8
	8.4	55.0	7.63	50.0	47.4

Capital at December 31, 1999

Capital and voting rights

The Company's capital at December 31, 1999 amounted to EUR 1,291,388,624, represented by 161,423,578 shares with a par value of EUR 8, all fully paid up.

As of May 6, 1999, a total of 163,779,689 voting rights were attached to the 156,849,593 shares outstanding (information published in the BALO legal gazette dated May 19, 1999).

Changes in capital

The following table shows changes in Schneider Electric SA's capital, taking into account the merger with Spie Batignolles in 1995, the exercise of stock options and the conversion of share equivalents. Prior to being merged into Spie Batignolles, Schneider SA (formerly SPEP) had a share capital of FF 1,251,920,140, represented by 62,596,007 shares.

	No. of shares	Capital (in FF)
Number of Spie Batignolles shares outstanding prior to the merger in 1995	5,108,704	255,435,200
Capital increase in connection with the merger: 62 596 007 x 2 =	125,192,014	6,259,600,700
Cancellation of Spie Batignolles shares held by Schneider SA	(3,016,056)	(150,802,800)
Capital after the merger	127,284,662	6,364,233,100

Since the merger, capital stock and additional paid in capital have increased as follows through the exercise of warrants and stock options, the conversion of bonds, the issuance of shares to

the Employee Stock Ownership Plan, the payment of stock dividends and the merger of Telemecanique into Schneider SA in June 1997:

	Number of shares issued	Total number of shares	New capital
Post-merger capital		127,284,662	EUR 970,221,081 FF 6,364,233,100
Bond conversions	1,367		
Square D bond conversions	984,909		
Exercise of warrants	2,994,664		
Exercise of stock options	1,445,740		
ESOP	260,344		
Capital at December 31, 1995 (1)		132,971,686	EUR 1,013,570,142 FF 6,648,584,300
Bond conversions	67,021		
Square D bond conversions	567,894		
Exercise of warrants	12,794		
Exercise of stock options	308,360		
Stock dividends	1,744,414		
ESOP	1,250,000		
Capital at December 31, 1996 (2)		136,922,169	EUR 1,043,682,505 FF 6,846,108,450
Bond conversions	2,615,808		
Square D bond conversions	1,220,770		
Exercise of warrants	8,562,022		
Exercise of stock options	56,740		
Schneider SA/ Telemecanique merger	117,840		
ESOP	2,672,748		
Capital at December 31, 1997 (3)		152,168,097	EUR 1,159,893,842 FF 7,608,404,850
Bond conversions	759,848		
Square D bond conversions	247,273		
Exercise of stock options	241,900		
Capital at December 31, 1998 (4)		153,417,118	EUR 1,169,414,443 FF 7,670,855,900
Bond conversions	3,495,796		
Square D bond conversions	2,272,282		
Exercise of stock options	704,300		
ESOP	1,534,082		
Capital at December 31, 1999* (5)		161,423,578	EUR 1,291,388,624 FF 8,071,178,900

(1) EUR 43.35 million increase in issued capital, EUR 90.75 million increase in additional paid-in capital.

(2) EUR 30.11 million increase in issued capital, EUR 82.33 million increase in additional paid-in capital.

(3) EUR 116.21 million increase in issued capital, EUR 320.82 million increase in additional paid-in capital.

(4) EUR 9.52 million increase in issued capital, EUR 33.72 million increase in additional paid-in capital.

(5) EUR 121.97 million increase in issued capital, EUR 252.72 million increase in additional paid-in capital.

*The capital was converted into euros on January 14, 2000. The FF 399.8 million difference arising on conversion was charged against additional paid-in capital.

Potential capital

The second and final tranche of the 6.5% June 1990 convertible bond issue was redeemed in advance in July 1999.

Share equivalents outstanding at December 31, 1999 (excluding stock options)

Securities	Redemption date	Rate %	No. of shares outstanding	Conversion parity	No. of shares to be created	Conversion price (in USD)
Square D November 1992 bonds	Jan. 2, 2003	2	1,474	232.84	343,206	(1) 10,000

(1) At maturity in 2003. The redemption value increases over time, through the capitalization of the difference between the 7% internal rate of return and the 2% interest rate paid.

Authorizations

At the Combined Annual and Extraordinary Shareholders' Meeting of June 10, 1997, the Board of Directors was authorized to issue shares to Group employees who are members of the Employee Stock Ownership Plan. The number of shares issued per year may not exceed 1% of the Company's capital.

At the Combined Annual and Extraordinary Shareholders' Meeting of May 6, 1999, the Board of Directors was authorized to carry out share issues governed by Article 180-III of the Companies Act and to grant stock options.

The authorizations currently in force are as follows:

	Maximum aggregate par value of shares that may be issued (in EUR millions)	Date of the authorization	Expiration date of the authorization
I - Issues with pre-emptive subscription rights			
Shares, warrants and other securities convertible, exchangeable, redeemable or otherwise exercisable for shares	750 (1)	May 6, 1999	July 6, 2001
II - Issues without pre-emptive subscription rights			
Shares, warrants and other securities convertible, exchangeable, redeemable or otherwise exercisable for shares, including shares issued in connection with a tender offer initiated by the Company	750 (1)	May 6, 1999	July 6, 2001
III - Employee share issues			
Share issues restricted to employees (Government order of 1986) (2)	1% of the capital per year	June 10, 1997	June 10, 2002
Stock options	5% of the capital	May 6, 1999	May 6, 2004

(1) The ceilings of EUR 750 million (FF 4,919 million) for issues with and without pre-emptive subscription rights are not cumulative.

(2) At the Annual Shareholders' Meeting of May 5, 2000, a resolution will be proposed renewing the authorization to issue shares to employees who are members of the Employee Stock Ownership Plan, subject to a limit of 5% of the capital over five years.

Only the authorizations concerning employee share issues have been partially used.

Ownership structure

	Dec. 31, 1999				Dec. 31, 1998		Dec. 31, 1997	
	%	Interest Number of shares	Voting rights %	Number of voting rights	Interest %	Voting rights %	Interest %	Voting rights %
Groupe AGF	1.99	3,216,115	3.59	5,887,716	2.77	4.37	2.10*	2.12*
Groupe Axa	6.24	10,078,512	10.55	17,273,400	6.57	10.64	4.74*	8.78*
Groupe BNP-Paribas	2.79	4,496,875	5.37	8,789,920	2.85	5.38	2.87*	5.33*
Groupe Société Générale	1.91	3,076,295	2.12	3,468,419	1.70	2.37	1.55	2.20
Caisse des Dépôts et Consignations	4.61	7,436,586	4.54	7,436,586	4.85	4.58		
Employee mutual funds	4.50	7,265,270	5.98	9,800,895	4.18	4.79	4.30	4.33
Treasury stock (1)	1.34	2,155,558	–	–	1.36	–	1.38	–
Intragroup cross shareholdings	7.15	11,542,630	–	–	3.46	–	0.50	–
Public	69.47	112,155,737	67.85	111,122,753	72.26	67.87	82.56	77.24
Total	100.00	161,423,578	100.00	163,779,689	100.00	100.00	100.00	100.00

* Within the framework of a shareholders' pact

(1) Primarily via Cofibel.

Ownership structure at December 31, 1999

• Historical shareholders	12.93%
• Treasury stock - Intragroup cross shareholdings	8.49%
• Employee mutual funds	4.50%
• Public (France)	42.08%
• Public (Rest of world)	32.00%

As of December 31, 1999, Schneider Electric had approximately 120,000 shareholders.

Disclosure thresholds

To the best of the Company's knowledge, no shareholders other than those listed above hold more than 5% of Schneider Electric's capital directly or indirectly (disclosure threshold laid down in Articles 356-1 and 356-2 of the French Companies Act).

Shareholders' pact

Under the terms of the shareholders' pact signed on September 16, 1993 by Axa, AGF, Comipar, Compagnie Financière de Paribas, Elf, Euris and Société Générale (Société des Bourses Françaises, notice no. 93-3184 dated November 15, 1993), as amended on October 19, 1995 (Société des Bourses Françaises, notice no. 95-3069 dated October 27, 1995), the signatories of the pact gave each other pre-emptive rights to acquire their respective shareholdings. Three of the initial signatories – AGF, Axa and Paribas (formerly Compagnie Financière de Paribas) – have renewed the pact for a further two-year period expiring September 16, 2000. The other shareholders have either withdrawn from the pact or sold their Schneider Electric SA shares.

The interests in Schneider Electric SA's capital held by the current members of the pact, over which the other signatories have pre-emptive rights, were as follows at February 15, 2000:

	% interest	% voting rights
AGF	0.72	1.42
Axa	4.47	8.80
BNP-Paribas	2.03	4.00
Total	7.22	14.22

Employee profit sharing, stock ownership and stock option plans

For many years Schneider Electric has been implementing programs to promote employee share ownership.

Profit-sharing plans

Profit-sharing and other incentive plans have been in operation since 1994. The amounts allocated to these plans have been as follows:

EUR 29.1 million in 1995
EUR 32.6 million in 1996
EUR 32.6 million in 1997
EUR 27.3 million in 1998
EUR 24.8 million in 1999

The Schneider Electric corporate mutual fund

Schneider Electric has promoted employee stock ownership for many years.

Employees who are members of the Employee Stock Ownership Plan have an opportunity to subscribe Schneider Electric SA shares through corporate mutual funds.

The last employee share issue took place in 46 countries in 1999. Within this program, 1.5 million shares were subscribed by around 16,000 employees, of which 3,000 outside France.

As of December 31, 1999, employees held a total of 7,265,270 Schneider Electric SA shares, representing 4.50% of the capital and 5.98% of the voting rights.

Stock option plans

Policy

Stock option plans are determined by the Board of Directors following a review of the plans by the Remunerations and Appointments Committee. In 1999, two stock purchase plans were decided:

- Plan no. 16 is a results-based option plan. The options are exercisable for existing shares purchased for this purpose. A total of 1,259,300 options were granted to 337 executives and employees of the Group. The grantees include members of senior management worldwide, high potential executives and employees who performed exceptionally well in 1998. The number

of options granted in each case depends on the grantee's position within the organization and his or her personal performance. One half of the options granted vest at the end of 2001, provided that cumulative value creation targets for the period 1999, 2000 and 2001 are met.

- Plan no. 17 is an exceptional plan based on the Schneider 2000+ program objectives. The options are exercisable for existing shares purchased for this purpose. A total of 2,123,100 options were granted to 542 Group employees who will play a decisive role in meeting the Schneider 2000+ objectives. The proportion of options that vest will range from 0% to 100%, based on the level of Group sales, base costs and operating income in 2001.

The options granted under the two plans are not exercisable at a discount to the average Schneider Electric SA share price prior to the date of grant of the options by the Board of Directors.

The options have an eight-year life and are exercisable either as from the 3rd year or from the 5th year.

Persons concerned

The following information concerns stock options granted to employees, including members of the Executive Committee.

Outstanding options

(at December 31, 1999)

	Plan no. 7	Plan SB	Plan no. 8	Plan no. 9	Plan no. 10	Plan no. 11	Plan no. 12	Plan no. 13	Plan no. 14*	Plan no. 15*	Plan no. 16*	Plan no. 17*
Date of Shareholders' Meeting	Oct. 7, 92	Dec. 21, 92	Oct. 1, 93	April 7, 95	April 7, 95	June 13, 96	Jan. 24, 97	June 10, 97	Jan. 28, 98	Dec. 22, 98	June 27, 95	June 27, 95
Date of Board Meeting	Feb. 3, 88	June 26, 90	June 29, 93	June 29, 93	June 29, 93	June 27, 95	June 27, 95	June 27, 95	June 27, 95	June 27, 95	April 1, 99	April 1, 99
Number of shares that may be subscribed including by the General Management team in place at the time of grant	78,000	29,500	975,600	560,920	339,560	510,600	1,360,000	713,500	1,039,700	60,000	1,257,800	2,123,100
Number of shares that remain to be subscribed including by the current Executive Committee	60,000	-	516,000	513,400	121,600	148,100	1,103,000	238,500	468,000	60,000	236,000	540,000
Starting date of exercise period**	Oct. 7, 92	Dec. 22, 92	Oct. 1, 95	April 7, 98	April 7, 00	June 13, 01	Jan. 24, 02	June 10, 02	Jan. 28, 03	Dec. 22, 03	April 1, 2004	April 1, 2004
Exercise price (in euro)***	20.35	39.64	27.44	24.92	24.92	35.37	35.67	44.52	50.76	50.86	50.73	50.73
No. of shares subscribed at Dec. 31, 1999	76,000	27,500	845,000	15,960	9,300	9,500	60,000	12,800	5,200	-	-	-

* Plans no. 14 through no. 17 are share purchase plans.

** Except in the case of exercise before the ban on resale expires.

*** The 5% discount to the average stock price granted for Plans 7-13 was included in Plans no. 14, 15, 16 and 17.

The exercise periods were changed by the Board of Directors on March 25, 1997 and December 8, 1999. All options are now exercisable after five years and within eight years of the date of grant.

As from plan no. 11, part of the options vest only if earnings or value creation targets are met.

Out of the 7,987,020 options outstanding, 1,197,400 were granted to the ten members of the current Executive Committee.

Authorization to trade in the Company's shares

At the combined Annual Shareholders' Meetings of June 12, 1998 and May 6, 1999, the Board of Directors was authorized to trade in the Company's shares within a limit of 10% of the capital.

The Board of Directors used these authorizations in 1999 to purchase 6,416,519 shares at an average price of EUR 54.01 and to sell 180,143 shares. The related transaction costs amounted to EUR 524,805. At December 31, 1999, the Company held 11,542,630 shares in treasury stock.

To limit the dilutive impact of the 1999 bond conversions and employee share issues, which led to the issuance of 8 million new shares, a resolution is being proposed at the Annual Shareholders' Meeting providing for the cancellation of 6 million shares.

The Annual Shareholders' Meeting will also be asked to authorize the Board of Directors to cancel shares representing up to 10% of the Company's capital, including the 6 million shares referred to above, and to continue buying back shares on the open market.

Stock market data

In France, the Company's shares are traded on the monthly settlement market of the Paris Bourse. They are traded in lots of one share under Sicovam code 12197.

Outside France, the shares are traded on the SEAQ in London.

The Schneider Electric SA share is included in the CAC 40 index established by Parisbourse^{SBF} SA.

18-month trading data

Year	Month	Trading volume (in thousand shares)	Value (in millions of euros)	Share price (in euros)	
				High	Low
1998	September	16,874	806.46	53.81	39.18
	October	11,950	557.96	52.59	39.10
	November	11,802	611.32	56.71	47.59
	December	11,255	560.56	52.59	47.03
1999	January	11,917	602.20	56.90	44.40
	February	12,851	691.85	57.90	50.70
	March	15,118	763.26	53.40	47.73
	April	12,637	705.86	62.20	49.71
	May	9,380	546.82	63.00	55.35
	June	12,319	687.78	59.85	53.80
	July	16,175	946.95	62.80	54.20
	August	9,938	609.88	66.00	56.40
	September	15,481	1,051.96	72.60	62.90
	October	11,692	801.94	74.40	64.65
	November	11,275	762.07	71.00	64.15
	December	11,718	794.50	78.00	65.65
Total 1999		150,501	8,965.07		
2000	January	10,830	821.50	81.00	68.40
	February	12,542	863.97	81.00	59.20

Share performance

5-year performance record

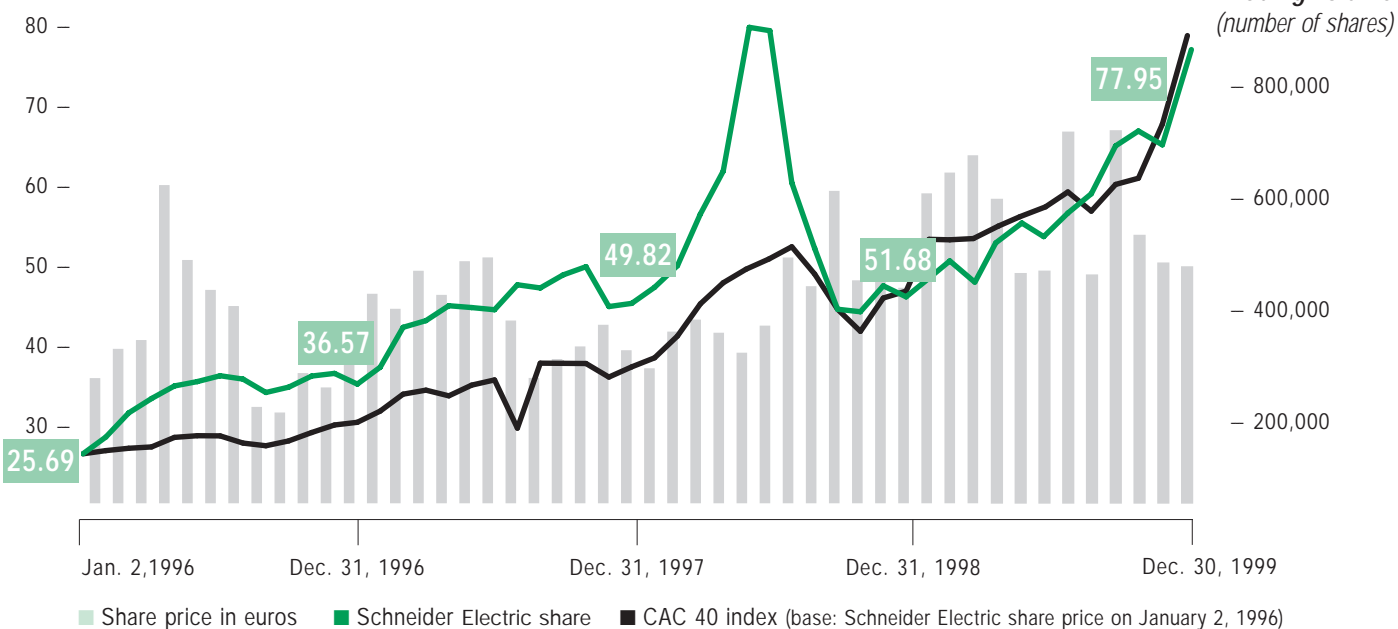
	1999	1998	1997	1996	1995
Average daily trading volume on the Paris Bourse					
- number of shares (thousands)	590.42	517.23	472.89	515.82	215.24
- in EUR millions	35.31	30.09	22.67	18.54	8.22
High and low share prices (in euros)					
- High	78.00	80.65	59.15	41.22	66.77
- Adjusted high (1)	-	-	-	-	33.39
- Low	44.40	39.10	35.67	25.34	49.16
- Adjusted low (1)	-	-	-	-	24.58
Year-end price (in euros)	77.95	51.68	49.82	36.57	51.04
Adjusted year-end price	-	-	-	-	25.52
Total yield (%)	2.58	3.34	2.98	3.13	3.58

(1) In 1995, Schneider SA shares were exchanged for Spie Batignolles shares on a 1 for 2 basis. The shares then changed their name to Schneider Electric SA.

Performance of Schneider Electric SA shares compared with the CAC 40 index over the past three years

Share price

(in euros)



MONEP

Options on Schneider Electric SA shares have been traded on the Monep since December 20, 1996.

Straight bonds

On April 14, 1999, Schneider Electric SA issued EUR 750 million worth of 3.75% bonds due April 14, 2004. On May 28, 1999, a further EUR 250 million 3.75% bond issue was carried out, also due April 14, 2004. The second issue is treated as an extension of the first issue.

The bonds are traded on the Paris and Luxembourg bond markets.

Information policy

Person responsible for information

Antoine Giscard d'Estaing
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92500 Rueil-Malmaison, France
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Contacts

Information and documents are available on request from Sébastien Desarbres at the Investor Relations department:

Institutional investors and analysts:

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Private shareholders:

Toll-free number in France: 0 800 20 55 14
Fax: +33 (0)1 41 29 71 42

Documentation

In addition to the annual report, the following documents are produced for shareholders:

- A shareholders' guide.
- A shareholders' letter (four per year).
- General, economic and financial information concerning the Company, available at the Schneider Electric website (www.schneider-electric.com). Schneider Electric press releases are also available at www.prline.com.

Corporate governance

Board of Directors (at February 29, 2000)

Honorary Chairman and Director

Didier Pineau-Valencienne
First elected: 1981
Due to retire in 2001

69 years old

Other major directorships and functions:

Chairman of AFEP; Vice-Chairman of Credit Suisse First Boston; Director of Booz Allen & Hamilton, CGIP, The Equitable, Fondation de France and Sema Group PLC; Member of the Supervisory Boards of Aventis, Axa and Lagardère.

A graduate of Hautes Etudes Commerciales (HEC), Didier Pineau-Valencienne headed Banque Parisienne pour l'Industrie and Carbonisation et Charbons Actifs (CECA) before joining Rhône-Poulenc in 1974, where he served as President of Organic Chemicals and member of the Executive Committee. He was appointed Chairman and Chief Executive Officer of Schneider SA in 1981 and became Honorary Chairman in 1999.

Mr. Pineau-Valencienne is also Chairman of the Schneider Electric Youth Opportunities Foundation. He owns 304,179 Schneider Electric SA shares.

Chairman and Chief Executive Officer

Henri Lachmann
First elected: 1996
Due to retire in 2005

61 years old

Other major directorships and functions:

Director of CNRS, Etablissements de Dietrich & Cie, Facom and Vivendi; Member of the Supervisory Board of Axa.

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), and from 1981 to 1997 he served as Chairman and Chief Executive Officer.

Mr. Lachmann has served as a Director of Schneider Electric SA since 1996. He was appointed Chairman on February 25, 1999. Mr. Lachmann owns 13,000 Schneider Electric SA shares.

Vice-Chairman and Chief Operating Officer

Jean-Paul Jacamon
First elected: 1998
Due to retire in 2004

52 years old

Other major directorships and functions:
Vice-Chairman and Chief Operating Officer of Schneider Electric Industries SA.

A graduate of Ecole Polytechnique and Ecole des Mines, Jean-Paul Jacamon began his career at the French Ministry of Industry and the regional land-use planning commission (DATAR). He joined Schneider Electric in 1981, first serving as Chairman and Chief Executive Officer of Spie-Trindell and Spie-Enertrans, then as Managing Director of Spie Batignolles in 1993. He was appointed Executive Vice-President of the European Division in 1995 and Vice-Chairman and COO of Schneider Electric Industries SA in 1996. Mr. Jacamon became Vice-Chairman and COO of Schneider Electric SA in February 1999.

Mr. Jacamon owns 2,600 Schneider Electric SA shares.

Director

Claude Bébéar
First elected: 1986
Due to retire in 2005

64 years old, President of the Management Board of Axa

Other major directorships and functions:
Chairman and Director of a number of Groupe Axa companies, Member of the Supervisory Board of Paribas, Vice-Chairman of Fédération Française des Sociétés d'Assurances, Chairman of Fondation pour le Mécénat Humanitaire.

A graduate of Ecole Polytechnique, Claude Bébéar joined Groupe Ancienne Mutuelle—later re-named Mutuelles Unies and then Groupe Axa—in 1958. He was appointed Chairman and CEO in 1975. Mr. Bébéar has served as President of the Management Board and Chairman of the Executive Committee of Groupe Axa since 1996, when Axa merged with UAP.

Mr. Bébéar is Chairman of Schneider Electric SA's Remunerations and Appointments Committee. He owns 142 Schneider Electric SA shares.

Daniel Bouton
First elected: 1995
Due to retire in 2004

50 years old, Chairman and Chief Executive Officer of Société Générale

Other major directorships and functions:
Director of Canal+ and Total-Fina.

A graduate of Ecole Nationale d'Administration and a Finance inspector, Daniel Bouton held several positions within the French Finance Ministry, including Budget Director, from 1988 to 1991. He joined Société Générale in 1991, becoming CEO in 1993 and Chairman in 1997.

Mr. Bouton owns 250 Schneider Electric SA shares.

Jean-René Fourtou*
First elected: 1991
Due to retire in 2001

60 years old, Vice-Chairman of the Aventis Board of Management

Other major directorships and functions:
Vice-Chairman of the Supervisory Board of Axa; Director of Pernod-Ricard and The Equitable.

A graduate of Ecole Polytechnique, Jean-René Fourtou joined Bossard et Michel in 1963. He became CEO of Bossard Consultants in 1977 and served as Chairman from 1977 to 1986. Mr. Fourtou was appointed Chairman of Rhône-Poulenc in 1986 and Vice-Chairman of the Aventis Management Board in 1999 following the merger between Rhône-Poulenc and Hoechst.

Mr. Fourtou owns 2,449 Schneider Electric SA shares.

Michel François-Poncet
First elected: 1986
Due to retire in 2000⁽¹⁾

65 years old, Chairman of the Supervisory Board of Paribas

Other major directorships and functions:
Chairman of Paribas (Suisse) SA; Director of Eridania Beghin-Say, COMIT, LVMH and Total-Fina; Member of the Supervisory Board of Axa.

A graduate of Institut d'Etudes Politiques and Harvard Business School, Michel François-Poncet joined Banque Paribas in 1961. He became Chairman of Compagnie Financière de Paribas in 1986 and Chairman of the Supervisory Board of Compagnie Financière de Paribas and Banque Paribas in 1990.

Mr. François-Poncet owns 282 Schneider Electric SA shares.

Hans Friderichs*
First elected: 1997
Due to retire in 2001

68 years old, Corporate Director

Other major directorships and functions:
Chairman of the Supervisory Boards of Goldman Sachs Investment Management GmbH, Leica Camera AG and Swatch Deutschland GmbH; Vice-Chairman of the Management Board of Adidas-Salomon AG.

* Independent non-executive director, as defined in the Viénot report on corporate governance.
(1) Shareholders will be asked to re-elect these directors at the 2000 meeting.

Hans Friderichs, a German national, holds degrees in Law and Political Science. Soon after graduating, he joined Germany's Free Democratic Party (FDP), serving as Deputy Chairman from 1974 to 1977. Mr. Friderichs was a member of parliament from 1965 to 1969, then secretary of state for the Rhineland Palatinate Agriculture and Environment Ministry. In 1972, he was appointed Minister of the Economy. He left the federal government in 1997 and joined the Management Board of Dresdner Bank AG in 1978. In 1985, he became a consultant and corporate director.

Mr. Friderichs owns 50 Schneider Electric SA shares.

Jean Gandois*

First elected: 1998

Due to retire in 2000

69 years old, Vice-Chairman of the Supervisory Board of Suez Lyonnaise des Eaux

Other major directorships and functions:

Director of Danone; Member of the Supervisory Boards of Akzo Nobel NV, Paribas, Peugeot SA, Siemens AG, and Vallourec.

A graduate of Ecole Polytechnique and Ecole des Ponts et Chaussées, Jean Gandois began his career at Groupe de Wendel in 1961. In 1976, he joined Rhône-Poulenc, where he served as Chairman and CEO until July 1982. Mr. Gandois was appointed Chairman and CEO of Pêchiney in 1986 and of Cockerill Sambre in 1987. He left Pêchiney in 1994.

Mr. Gandois was Chairman of France's employers' union, CNPF, from 1994 to 1997. He owns 400 Schneider Electric SA shares.

James F. Hardymon*

First elected: 1998

Due to retire in 2004

65 years old, Corporate Director

Other major directorships and functions:

Director of Air Products & Chemicals Inc., American Standard Inc., Circuit City Stores Inc., Fleet Financial Group and Lexmark International Inc.

James F. Hardymon, an American national, has an engineering degree from the University of Kentucky. He spent most of career at Emerson Electric Co., where he held several positions before becoming Director and CEO. In 1989, Mr. Hardymon joined US-based Textron Inc., which has a worldclass reputation in aviation and automation devices. He served as Chairman and CEO of Textron from January 1993 to January 1999.

Mr. Hardymon owns 394 Schneider Electric SA shares.

Henri Hottinguer*

First elected: 1998

Due to retire in 2004

65 years old, Managing Partner of Hottinguer & Cie Zurich

Other major directorships and functions:

Chairman of the Supervisory Board of Crédit Suisse Hottinguer; Chairman and Chief Executive Officer of SOFIBUS; Member of the Supervisory Board of Axa; Director of Finaxa.

A graduate of Ecole de Préparation aux Affaires, Henri Hottinguer joined the family-owned Hottinguer bank in 1962. He was appointed Managing Partner in 1965. Mr. Hottinguer served as Chairman and CEO from 1990, when the bank was transformed into a Société Anonyme, until October 1997, when the French subsidiary of Crédit Suisse acquired 70% of the capital.

Mr. Hottinguer owns 4,037 Schneider Electric SA shares.

Robert Jeanteur

First elected: 1992

Due to retire in 2000

68 years old, Corporate Director

A graduate of Ecole Polytechnique, Robert Jeanteur began his career at Etablissements Jeanteur in Charleville-Mézières, where he was appointed Chairman in 1968. At the same time, he worked as an engineering consultant at SEMA. Mr. Jeanteur was a founding partner of GM2 in 1974. He joined Groupe Schneider in 1992, serving as Executive Vice-President until 1998.

Mr. Jeanteur owns 53,350 Schneider Electric SA shares.

Gérard de La Martinière

First elected: 1998

Due to retire in 2000 ⁽¹⁾

56 years old, Executive Vice-President, Finance, Budget Control and Strategy, of Groupe Axa

Other major directorships and functions: Member of the Management Board of Axa; General Manager of Finaxa.

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

Mr. de La Martinière owns 606 Schneider Electric SA shares.

* Independent non-executive director, as defined in the Viénot report on corporate governance.

(1) Shareholders will be asked to re-elect these directors at the 2000 meeting.

David de Pury*
First elected: 1997
Due to retire in 2003

56 years old, Chairman of De Pury Pictet Turrettini & Cie. SA

Other major directorships and functions: Chairman and publisher of the Swiss daily Le Temps; Chairman of Electrowatt Engineering; Director of Nestlé, Zurich Financial Services and Jaakko Pöyry in Helsinki.

David de Pury, a Swiss national, began his career as a lawyer and then became a diplomat. From 1986 to 1991, he served as the Swiss government's ambassador for trade agreements. From 1991 to 1996, he was Chairman of the Board of Directors of BBC Brown Boveri and Co-Chairman of ABB Asea Brown Boveri. Mr. de Pury is currently Chairman of De Pury Pictet Turrettini & Cie. SA, Chairman and publisher of the Swiss daily Le Temps, and Director of several multinational corporations.

Mr. de Pury is Chairman of Schneider Electric SA's Audit Committee. He owns 1,600 Schneider Electric SA shares.

James Ross*
First elected: 1997
Due to retire in 2003

61 years old, Chairman of The National Grid Group

Other major directorships and functions: Chairman of The Littlewoods Organisation; Director of McGraw-Hill Inc. and Datacard Inc. James Ross, a British national, is a graduate of Oxford. In 1959 he joined BP, where he held several positions before becoming a Managing Director in 1991. Mr. Ross served as CEO of Cable & Wireless plc from 1992 to 1995.

James Ross owns 300 Schneider Electric SA shares.

Amaury-Daniel de Seze
First elected: 1994
Due to retire in 2001

53 years old, Member of the Management Board of Paribas

Other major directorships and functions: Director of Eiffage, Groupe Bruxelles Lambert, Groupe Industriel Marcel Dassault, La Poste, and Sema Group plc; Member of the Supervisory Boards of Atos, Gras Savoye and Publicis.

A graduate of Stanford, Amaury-Daniel de Seze joined Groupe Volvo in 1978. He became Chairman of Volvo France in 1986 and then Chairman of Volvo Europe and member of the Executive committee of Volvo Group in 1990. In 1993, he joined the Management Board of Compagnie Financière de Paribas and of Banque Paribas, with responsi-

bility for equity interests and industrial affairs.

Mr. de Seze owns 51 Schneider Electric SA shares

Piero Sierra*
First elected: 1997
Due to retire in 2003

65 years old, Special Advisor for the administration of Pirelli's international companies.

Piero Sierra, an Italian national with a degree in humanities from the University of Lyon, joined Pirelli in 1962. He held management positions in Italy and abroad before becoming Director and CEO of Pirelli SpA from 1991 to 1995.

Piero Sierra owns 1,000 Schneider Electric SA shares

Philippe Bougon is Board Secretary.

Board of Directors' organizational and operating procedures

Five Board meetings are scheduled each year, but in practice, the Board meets more regularly. In 1999, six meetings were held with an attendance rate of 89%.

The Board has drafted internal rules governing the operating procedures and missions of the Audit Committee and the Remunerations and Appointments Committee.

As recommended in the Viénot report on corporate governance, the Board of Directors of Schneider Electric SA regularly reviews the way that it is organized and operates.

The directors and officers of the Company hold 0.24% of the capital and 0.24% of the voting rights.

No agreements have been entered into between the Company and its directors or officers.

No loans or guarantees have been granted to directors or officers by the Company.

Committees of the Board of Directors

Audit Committee

In 1999, the Audit Committee comprised:

David de Pury, Chairman;
Michel François-Poncet,
Gérard de la Martinière,
Didier Pineau-Valencienne
and Piero Sierra.

The Audit Committee is responsible for:

- Verifying that the accounting methods used to prepare the financial statements of the Company and the Group are appropriate and applied consistently and that all significant transactions are properly reflected in the consolidated financial statements.

* Independent non-executive director, as defined in the Viénot report on corporate governance.

- Reviewing the scope of the work performed by the Auditors and the results of their audits.
- Making recommendations concerning the renewal or appointment of the Auditors.
- Reviewing internal audit programs and the summarized reports of the internal auditors.
- Examining all financial and accounting issues submitted to the Audit Committee by the Chairman of the Board.
- Presenting the results of the Committee's work, together with recommendations concerning any action to be taken.

In 1999, the Audit Committee met three times, with an attendance rate of 87%. During these meetings, it reviewed the annual and interim financial statements, current risks and related provisions, the impact of the new accounting methodology on the consolidated financial statements, the operations and scope of internal and external audit programs, external audit fees and preparations for Y2K. The Board of Directors was provided with details of the Audit Committee's work on February 25, September 8 and December 8, 1999.

Remunerations and Appointments Committee

In 1999, the Remunerations and Appointments Committee comprised

Claude Bébéar, Chairman;
Jean-René Fourtou,
Michel François-Poncet,
Henri Lachmann
and Didier Pineau-Valencienne.

This Committee is provided with information concerning the Group's compensation policies, especially executive compensation. The Committee reviews stock option plans and employee stock ownership plans decided by the Board and makes recommendations to the Board concerning the remuneration of corporate officers and the appointment of directors and members of the Committees of the Board. It also examines solutions to permit a smooth succession in the case of departure of corporate officers.

The Remunerations and Appointments Committee met twice in 1999, with an attendance rate of 90%. The Board of Directors was provided with details of the Committee's work on February 25 and April 1, 1999.

Executive Committee remuneration

The ten members of the Group Executive Committee are paid a fixed salary plus a variable bonus representing a certain percentage of their fixed salary.

The total remuneration package of each member of the Executive Committee is set at a competitive level compared with the remuneration paid to members of senior management of sim-

ilar industrial groups in their respective countries. The amount of each package is determined based on analyses and comparisons performed by international consulting firms specialized in executive remuneration issues.

Executive bonuses are determined based on objectives set at the beginning of the year. They can therefore vary significantly, depending on the degree to which the objectives are met.

The objectives concern Group performance (consolidated sales) and stock market data (earnings per share and share performance), and they also include quantitative targets related to the entity headed by the executive concerned or qualitative targets based on personal performance.

Executive bonuses are paid following approval of the financial statements for the year to which they relate.

In order to involve senior executives more closely in the growth and development of Schneider Electric's business, their variable bonuses represent a greater proportion of their total remuneration package than is the practice among other industrial groups.

The total gross remuneration paid to members of the Executive Committee by Group companies in 1999 amounted to FF 27.5 million, including fixed salaries of FF 21.4 million and variable bonuses of FF 6.1 million.

At the combined Annual and Extraordinary Annual Shareholders' Meeting of June 10, 1997, the maximum attendance fees payable to directors were set at FF 2,700,000. The Board of Directors decided that attendance fees would be allocated among directors as follows:

- The total fees awarded to the Board are divided by the number of directors to determine the theoretical fee per director.
- Each director is awarded one half of the theoretical fee per director.
- Each director who is a member of one or more Committees of the Board of Directors is awarded an additional one-half of the theoretical fee.
- The balance of the total attendance fees is then shared among all the directors based on the number of Board Meetings attended during the year.

In application of these rules, attendance fees paid for the year ended December 31, 1999 totaled FF 2,554,840.

Agreements involving directors

No agreements involving directors were entered into during 1999 or after the close of the financial year.

Claims, litigation and other exceptional events

In connection with the divestment of Spie Batignolles, Schneider Electric SA booked contingency reserves to cover the risks associated with certain major contracts and projects. Most of the risks were extinguished during 1997. Reserves for the remaining risks will be deter-

mined on a case by case basis, to cover management's estimate of the risk involved.

To the best of the Company's knowledge, no other exceptional event has occurred and no claims or litigation are pending or in progress that are likely to have a material adverse impact on the Group's business, assets and liabilities, financial position or results.

Auditors

	Appointed in	Appointment expires
Statutory auditors		
Barbier Frinault et Autres/Arthur Andersen, 41, rue Ybry - 92576 Neuilly-sur-Seine Cedex represented by Aldo Cardoso and Pierre Jouanne	1992	2004
Befec-Price Waterhouse, Tour AIG Cedex 105 92908 Paris-La Défense 2 represented by Pascale Chastaing-Doblin and Daniel Chauveau	1995	2004
Substitute auditors		
Jean de Gaulle, 6, rue de Buzenval-92210 Saint-Cloud	1995	2004
Dominique Paul, 5, rue Alfred-de-Vigny 75008 Paris	1995	2004

Shareholders' rights and obligations

a) General Shareholders' Meetings (article 18 of the bylaws)

All shareholders are entitled to attend General Shareholders' Meetings whatever the number of shares held.

The notice of meeting is sent directly by the Company to holders of registered shares. Holders of bearer shares are sent the notice of meeting by the bank or broker that holds their share account. Holders of both registered and bearer shares are required to provide evidence of their ownership of the shares at the time of the Meeting.

The following represent proof of ownership:

- Registered shares: an entry in the Company's share register, made at least five days prior to the date of the Meeting.
- Bearer shares: a certificate issued by the custodian stating that the shares have been placed in a blocked account, to be deposited at the address indicated in the notice of meeting at least five days prior to the date of the Meeting.

The Board of Directors may shorten these deadlines up until the date of the Meeting.

General Shareholders' Meetings may be held at the Company's head office or at any other location indicated in the notice of meeting.

b) Voting rights (article 19 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:

1/ 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 addition, 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 minimum holding period to qualify for double voting rights was reduced from 4 to 2 years by decision of the combined Annual and Extraordinary Shareholders' Meeting of June 27, 1995.

2/ At the General Shareholders' 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 owns 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.

The above ceilings will no longer apply, without it being necessary to put the matter to the vote at a further General Shareholders' 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 Board of Directors will place on record the lifting of the above ceilings and will amend the bylaws accordingly.

c) Income appropriation (article 21 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 General Shareholders' 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.

d) Disclosure thresholds (article 7.2 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 356-1-2 of the Companies Act) directly or indirectly, shares or voting rights representing at least 0.5% 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 decided by the combined Annual and Extraordinary Shareholders' Meetings of June 27, 1995 and are pending approval by the Annual and Extraordinary Shareholders' Meeting of May 5, 2000.

e) Identifiable holders of bearer shares (article 7.3 of the bylaws)

The Company may request from Sicovam at any time details of the identity of holders of bearer shares carrying voting rights either immediately or in the future.

This article was approved by the combined Annual and Extraordinary Shareholders' Meetings of June 30, 1988 and May 5, 1999.

* A resolution will be proposed at the next Annual Shareholders' Meeting providing for the deletion of the statutory dividend provisions of the bylaws.

** A resolution will be proposed at the May 5, 2000 Annual Shareholders' Meeting providing for an amendment of the bylaws to lower the initial disclosure threshold from 2.5% to 0.5% of the capital or voting rights and to reduce the period within which disclosure must be made from 15 calendar days to 5 trading days.

Management report

Introduction

Economic review

Global economic growth picked up in the second half of 1999 at a faster-than-expected pace. Asia and Latin America quickly moved out of recession, but, with the exception of South Korea, did not reach their previous levels of expansion.

The upturn in world trade, combined with monetary easing, lifted industrial output in the Western economies, which had experienced a sharp slowdown between October 1998 and March 1999. The improved outlook prompted companies to step up their capital spending.

The global construction market was not affected by these trends and enjoyed sustained growth throughout the year.

In this environment, Schneider Electric took advantage of organic and external growth opportunities and recorded sales of EUR 8.38 billion (FF 55 billion). This represented an increase of 11.3% from the year before*, in line with the Company's forecasts.

Breakdown of Schneider Electric sales by region

	Sales at Dec. 31, 1999 (in EUR billion)	Aggregate growth over 12 months at current scope of consolidation*
Europe (excl. France)	2.90	25.4%
France	1.48	5.3%
North America	2.57	12.7%
Rest of the world	1.43	- 6.8%
Total	8.38	11.3%

* Restated for the real estate operations sold in 1999.

In **Europe** outside France, the increase in sales was primarily attributable to the consolidation of Lixel. At constant scope of consolidation and exchange rates, sales rose 1.8%. Spain, Portugal and central Europe again recorded strong growth. Sales in the UK, Italy and Germany, however, were affected the sluggish business environment in the first months of the year. New orders picked up in the second half, but the trend occurred too late to lift billings for 1999.

In **France**, sales rose 5.3%, or 1.3% at constant scope of consolidation (compared with 0.2% at September 30, 1999).

Demand remained very strong in **North America**, with sales rising 12.7%, or 6.6% at

constant scope of consolidation and exchange rates.

In the **rest of the world**, sales growth was affected by the decline in high voltage business. Excluding high voltage, all regions recorded growth, except South America, where sales were hurt by the monetary crisis at the beginning of the year. In northern Asia, sales rose 14.5% at constant scope of consolidation and exchange rates.

The sales trends seen in the fourth quarter reflect the significant upturn in business around the world.

1999 highlights

Schneider 2000+

The Schneider 2000+ program builds on a number of objectives set in the original Schneider 2000 program, launched in 1996, with ambitious targets for growth and profitability.

Schneider 2000+ also focuses on changing the way the Company works, with an emphasis on empowerment, responsiveness and entrepreneurial spirit. The program contains several action plans and aims to "make speed a competitive advantage", in the words of Chairman Henri Lachmann.

Specifically, Schneider Electric's target for organic growth is to exceed market growth by two points. The Company also intends to acquire businesses representing additional sales of EUR 1.5 billion over the next five years. The operating margin target for 2001 is 13.4%.

The Company's overheads were higher than most of its competitors' in 1998. In light of this situation, and to continue improving productivity, Schneider Electric plans to reduce its base costs by EUR 305 million from 1999 to 2001.

A look at the Company's 1999 performance shows that the Schneider 2000+ action plans are well under way.

More than ever, the customer is at the center of Schneider Electric's projects. This clearer focus on customer needs is what led the Company to extend its low voltage lineup into consumer final low voltage, an area in which it had a very weak market position. Consumer final low voltage covers all low voltage products that are visible to the end user, such as sockets, switches and baseboards.

Acquisition of Lexel

The June 1999 acquisition of Scandinavia-based Lexel has made Schneider Electric Europe's second largest manufacturer of consumer final low voltage equipment.

Lexel recorded sales of EUR 570 million in 1999 and had around 5,000 employees in Europe. It mainly operates in northern Europe and the Baltic countries, but is also present in Germany, France and the UK. Schneider Electric plans to pursue its expansion in low voltage, including through acquisitions, with Lexel playing a leading role.

Lexel acquired several medium-sized companies involved in consumer final low voltage in 1999, including MITA Holdings in the UK. MITA is the British market leader for PVC wiring and composite equipment.

Redeployment of the programmable logic controllers business

The programmable logic controllers (PLC) business recorded sales of EUR 530 million in 1999. It is part of Schneider Electric's industrial control and automation business, which accounted for 29% of total sales.

A manufacturing and marketing redeployment plan was initiated in May 1999 to extend the PLC lineup and leverage synergy with other Schneider Electric activities, as well as to restore profitability. Through this program, the Company has confirmed the key importance of PLC expertise in its overall strategy.

In 1999, the automation business was shaped by the success of Schneider Electric's Transparent Factory concept. This particularly innovative solution, which won an award at the Automation Europe trade show in Paris in October 1999, illustrates Schneider Electric's leadership in the new field of Web automation.

Launch of an ambitious e-business strategy

Schneider Electric is determined to be the leader in its industry in the area of e-business. To this end, it has implemented the following strategic measures:

- Install and maintain a reliable, open-ended technical infrastructure.
- Develop an e-business culture inside the Company.
- Develop e-transactions with distributors;
- Set up websites offering tailored services for each customer segment (technical support, online maintenance, software subscriptions, electronic catalog, etc.).
- Develop customized extranet services for customers.
- Develop e-procurement.
- Develop new online services.

The action plans completed in 1999 have given Schneider Electric a solid base from which to deploy its e-strategy:

- After investing FF 500 million over two years, Schneider Electric now has an effective operational infrastructure.
- With more than 50 intranet sites, the Company's internal operations are now supported extensively by new information and communication technologies. This move has contributed significantly to the advances made under the Schneider 2000+ program to cut costs and speed up processes.
- The Company now has 50 Internet sites in operation that are already offering online services to customers.
- 20% of sales were processed electronically.

High voltage

Conditions in the high voltage electrical equipment market were particularly difficult in 1999. The significant decline in activity for the year led the Company to deploy a restructuring plan designed to adapt these operations to a smaller volume of business than in 1998.

A cooperation agreement in high voltage was signed with Japan's Toshiba at the end of 1999. This accord, which does not involve any cross-shareholdings, covers marketing, research and development and production. It provides a flexible framework for increased cooperation with Toshiba. Schneider Electric has several other projects with the Japanese company in other areas, often in the form of joint ventures.

Research and development

Schneider Electric's research and development teams are committed to anticipating breakthrough technologies, reducing production costs and deadlines and continuously enhancing the functionalities of the Company's flagship ranges.

With more than 3,500 engineers and technicians worldwide and development facilities in some twenty countries, Schneider Electric has the resources to develop a fully international lineup. In addition, nearly 400 laboratory team members are involved in anticipatory research, in cooperation with the scientific community and other outside partners.

In 1999-2000, twelve product families representing 20% of total sales were completely renewed. The Company devoted EUR 444 million, or 5% of sales, to new product R&D.

Environmental protection

Schneider Electric sees environmental protection as an opportunity rather than as a constraint. In the early 1990s, the Company implemented a proactive sustainable development policy that covers its manufacturing operations and products around the world. At present, two-thirds of the production facilities have received ISO 14001 certification.

Environmental impact is factored into the product development process from the start thanks to E.I.M.E. decision-support software, which helps developers make the best choices concerning materials and design

Outlook for 2000

The overall situation for 2000 looks very positive. All of the regions in which Schneider Electric operates are experiencing growth. North America is embarking on its tenth straight year of expansion, laying to rest all forecasts of a sharp slowdown. At the same time, operations in France and the rest of Europe should benefit from the continued strength of the industrial and commercial building markets.

Schneider Electric's teams have made the growth and competitiveness objectives of the Schneider 2000+ program their own. This deep commitment produced tangible results in 1999 and will lay the foundation for a further improvement in performance in 2000.

Consolidated financial statements

Consolidated balance sheet

1) **Consolidated shareholders' equity** came to EUR 4.26 billion at December 31, 1999, compared with EUR 3.64 billion the year before. The increase stemmed from 1) earnings for the year, which rose to EUR 0.48 billion from EUR 0.41 billion in 1998; 2) the issuance of

EUR 0.31 billion worth of new shares in connection with the conversion of bonds, the employee share ownership plan and the exercise of stock options; and 3) the translation adjustment, in an amount of EUR 0.34 billion. It also reflects the dividend payment of EUR 0.17 billion and share buyback programs, in an amount of EUR 0.34 billion.

Minority interests stood at EUR 0.06 billion, including minority interests in 1999 net income.

2) **Net indebtedness** (borrowings less cash) amounted to EUR 1.17 billion at December 31, 1999, compared with a year-earlier figure of EUR 0.24 billion.

At December 31, 1999, the Company had cash and short-term investments of EUR 1.05 billion versus EUR 0.86 billion at end-1998, despite the EUR 0.34 billion worth of share buybacks. This situation was the result of various factors, including net income for the year, an increase in commercial paper issues and the proceeds of share issues.

Long-term debt increased by EUR 1.03 billion, primarily due to a EUR 1 billion bond issue to finance the acquisition of Lexel.

Short-term debt (bank overdrafts and current maturities of long-term debt) increased by EUR 0.09 billion due to business growth.

Cash and cash equivalents (cash and short-term investments less bank overdrafts) rose substantially to EUR 0.95 billion from EUR 0.74 billion at December 31, 1998.

3) **Working capital requirement** rose to EUR 1.14 billion at December 31, 1999 from EUR 0.90 billion at the previous year-end. The EUR 0.24 billion year-on-year increase reflects the impact of the Lexel acquisition (EUR 0.04 billion) and the currency effect, particularly with the steep rise in the dollar (EUR 0.06 billion). The good level of business in 1999, shaped by an especially strong fourth quarter, accounted for the remainder of the increase.

4) **Working capital** stood at EUR 1.49 billion at year-end 1999 versus EUR 1.14 billion the year before. The EUR 0.35 billion increase can be analyzed as follows:

<i>(in EUR billions)</i>	Change 1999/1998
Change in working capital	
Change in property, plant and equipment, net of depreciation and disposals	+ 0.30
Change in net goodwill and other intangible assets	+ 1.27
Change in investments at cost and other investments	- 0.17
Total changes in fixed assets	+ 1.40
Change in long-term debt	+ 1.03
Change in provisions for contingencies and pensions	+ 0.08
Change in net assets	
- issuance of shares	+ 0.31
- payment of dividends	- 0.17
- change in retained earnings (including net income for the year)	+ 0.50
Change in minority interests	-
Total changes in long-term liabilities and equity	+ 1.75
Net change in working capital	+ 0.35

Consolidated statement of income

Consolidated sales totaled EUR 8.38 billion in 1999, up 10% from EUR 7.63 billion the previous year. The bulk of sales growth was attributable to acquisitions, with Lexel alone adding EUR 0.57 billion. The Company's industrial

operations, supported by favorable exchange rates, also contributed to growth. At constant scope of consolidation, the year-on-year increase was 2.6%.

Sales

<i>(in EUR millions)</i>	1999	1998	Change 99/98
Schneider Electric	8,378.3	7,528.2	+ 11.3%
Other, eliminations and adjustments	-	97.3	- 1.3%
Total	8,378.3	7,625.5	+ 10.0%

Operating income increased by 23.8% (13.6% at constant scope of consolidation) to EUR 1.06 billion, reflecting generally improved perfor-

mances in all geographic markets and the impact of the Lexel acquisition.

Operating income

<i>(in EUR millions)</i>	1999	1998	Change 99/98
Schneider Electric	1,056.5	870.0	+ 21.4%
Other, eliminations and adjustments	-	(16.8)	+ 2.4%
Total	1,056.5	853.2	+ 23.8%

Net interest expense amounted to EUR 86.1 million, compared with EUR 58.1 million in 1998. This item takes into account the impact of the EUR 1 billion bond issue to finance the acquisition of Lexel, as well as the Lexel subgroup's interest expense of EUR 44.2 million. The total also reflects continued optimization of trading and position management, offset by a very poor performance in foreign exchange markets.

Income from continuing operations before tax, representing operating income less net interest expense, rose 22% to EUR 970.4 million from EUR 795.1 million the previous year.

In 1999, the Company had **net non-recurring expense** of EUR 34.6 million compared with EUR 20.3 million in 1998. The 1999 figure consists of gains on direct and indirect asset disposals, offset by losses, and provisions set aside to cover specific risks.

Net income of fully consolidated companies before amortization of goodwill breaks down as follows:

<i>(in EUR millions)</i>	1999	1998
Schneider Electric	618.1	497.8
Other, eliminations and adjustments	-	13.7
Total	618.1	511.5

Amortization of goodwill amounted to EUR 121.9 million compared with EUR 88.9 million in 1998. The breakdown by subgroup is as follows:

<i>(in EUR millions)</i>	1999	1998
Schneider Electric	121.9	86.6
Other	-	2.3
Total	121.9	88.9

The increase is primarily attributable to acquisitions during the year (Lexel: EUR 25.0 million) and the impact of the dollar exchange rate on Square D's goodwill amortization.

Current and deferred taxes for 1999 totaled EUR 317.7 million versus EUR 263.3 million the previous year, as follows:

<i>(in EUR millions)</i>	1999	1998
Schneider Electric	317.7	274.4
Other	-	(11.1)
Total	317.7	263.3

Net income before minority interests rose to EUR 496.2 million from EUR 421.8 million in 1998. **Net income attributable to Schneider Electric SA** totaled EUR 481 million versus EUR 408.6 million the previous year.

Company financial statement

Schneider Electric SA posted total portfolio revenues of EUR 248.2 million in 1999, compared with EUR 211.7 million the previous year. Income from continuing operations before tax rose to EUR 248.8 million from EUR 217.1 million in 1998.

The Company recorded net non-recurring income of EUR 16.7 million. Virtually all of this amount stemmed from the winding down of exceptional financial transactions. The full with-

drawal from the former Spie Batignolles' real estate operations did not have any impact, as it was booked in 1998.

In 1999, the Company had an income tax benefit of EUR 50.9 million versus EUR 43.1 million the previous year, primarily reflecting the positive effects of tax consolidation.

Net income for the year stood at EUR 316.6 million versus EUR 187 million in 1998.

Shareholders' equity before appropriation of net income rose to EUR 3,331.9 million at December 31, 1999 from EUR 2,876.4 million at the previous year-end, reflecting net income for the year and share issues during the period.

Subsidiaries

Schneider Electric Industries SA

The high voltage business was spun off into a separate subsidiary in 1999, and the resulting decrease in sales was partially offset by a higher contribution from the other businesses. Sales totaled EUR 2.77 billion versus EUR 3 billion in 1998. Operating income rose 14% to EUR 155.2 million from EUR 135.8 million and represented 5.6% of sales. Net income came to EUR 294.6 million compared with EUR 291.8 million the year before.

Cofibel

Cofibel's portfolio consists entirely of Schneider Electric SA shares. During the year, the Company sold its remaining interest in Electrafina, realizing a net gain of BEF 271 million. Income from continuing operations before tax came to BEF 244 million compared with BEF 233 million in 1997. Income after tax stood at BEF 419 million.

COFIMINES

In 1999, income from continuing operations before tax amounted to BEF 47 million compared with BEF 28 million in 1998. After taking into account corporate income tax and non-recurring items, net income stood at BEF 40 million versus BEF 36 million in 1998.

Consolidated financial statements

Consolidated Statement of Income

<i>(in EUR millions for the year ended December 31)</i>	1999 (2)	Impact Lexel	1999 (1)	1998	1997
Sales	8,378.3	566.2	7,812.1	7,625.5	7,225.8
Cost of sales	(4,766.0)	(338.1)	(4,427.9)	(4,344.8)	(4,081.9)
Research and development expenses	(443.5)	(17.9)	(425.6)	(401.5)	(375.3)
Selling, general and administrative expenses (3)	(2,112.3)	(123.2)	(1,989.1)	(2,026.0)	(2,010.8)
Total operating expenses	(7,321.8)	(479.2)	(6,842.6)	(6,772.3)	(6,468.0)
<i>Including depreciation and amortization</i>	<i>(263.9)</i>	<i>(26.5)</i>	<i>(237.4)</i>	<i>(211.3)</i>	<i>(212.8)</i>
Operating income (3)	1,056.5	87.0	969.5	853.2	757.8
Interest expense - net (note 18)	(86.1)	(35.8)	(50.3)	(58.1)	(93.4)
Income from continuing operations before tax (3)	970.4	51.2	919.2	795.1	664.4
Non-recurring items (note 19)	(34.6)	-	(34.6)	(20.3)	7.7
Income taxes (note 10)	(317.7)	(15.2)	(302.5)	(263.3)	(239.3)
Net income of fully consolidated companies before amortization of goodwill	618.1	36.0	582.1	511.5	432.8
Amortization of goodwill	(121.9)	(25.0)	(96.9)	(88.9)	(89.3)
Net income of fully consolidated companies	496.2	11.0	485.2	422.6	343.5
Group's share of income/(loss) of companies accounted for by the equity method	-	-	-	(0.8)	(1.4)
Net income before minority interests	496.2	11.0	485.2	421.8	342.1
Minority interests	(15.2)	0.6	(15.8)	(13.2)	(6.9)
Net income (attributable to Schneider Electric SA)	481.0	11.6	469.4	408.6	335.2
Primary earnings per share (note 20) (in EUR)	3.23		3.15	2.71	2.30
Diluted earnings per share (note 20) (in EUR)	3.19		3.12	2.63	2.24

(1) At constant scope of consolidation.

(2) Including the acquisition of Lexel as of January 1, 1999.

(3) Including employee profit sharing plan which was presented separately in previous years.

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated Statement of Cash Flows

<i>(in EUR millions for the year ended December 31)</i>	1999 <i>(b)</i>	Impact Lexel	1999 <i>(a)</i>	1998	1997
I - Operating activities:					
Net income before minority interests	496.2	11.0	485.2	421.8	342.1
Group share of (income)/loss of companies accounted for by the equity method (net of dividends received)	2.8	-	2.8	2.4	1.4
Adjustments to reconcile net income to net cash provided by operations:	400.8	49.5	351.3	368.5	323.8
Depreciation, amortization and provisions	30.2	(0.4)	30.6	(51.4)	1.5
Losses (gains) on disposal of assets - net	(1.2)	-	(1.2)	(0.6)	(2.4)
Other					
Net cash provided by operating activities before changes in operating assets and liabilities	928.8	60.1	868.7	740.7	666.4
(Increase) decrease in accounts receivable	(107.6)	(11.3)	(96.3)	(154.0)	(311.3)
(Increase) decrease in inventories and work in process	(48.3)	(8.7)	(39.6)	153.4	(38.4)
Increase (decrease) in accounts payable	29.7	(1.7)	31.4	(42.2)	(6.7)
Change in other current assets and liabilities	(73.9)	(11.7)	(62.2)	49.1	36.7
Change in working capital requirement	(200.1)	(33.4)	(166.7)	6.3	(319.7)
Total I	728.7	26.7	702.0	747.0	346.7
II - Investing activities:					
Disposals of property, plant and equipment and intangible assets	47.4	24.2	23.2	57.9	26.2
Purchases of property, plant and equipment and intangible assets <i>(note 3)</i>	(442.9)	(52.0)	(390.9)	(381.3)	(285.1)
Net cash used by investment in operating assets	(395.5)	(27.8)	(367.7)	(323.4)	(258.9)
Financial investments - net	(851.0)	(865.1)	14.1	54.4	21.9
Other long-term investments	(295.3) (c)	-	(295.3) (c)	(206.4) (c)	(52.6)
Sub-total	(1,146.3)	(865.1)	(281.2)	(152.0)	(30.7)
Total II	(1,541.8)	(892.9)	(648.9)	(475.4)	(289.6)
III - Financing activities:					
Increase (reduction) in long-term debt	1,077.3	924.5	152.8	(125.0)	(149.1)
Common stock issued	85.2	-	85.2	6.9	336.7
Dividends paid: Schneider Electric SA	(164.0)	-	(164.0)	(148.2)	(104.4)
Minority interests	(17.8)	-	(17.8)	(11.9)	(5.9)
Total III	980.7	924.5	56.2	(278.2)	77.3
IV - Net effect of exchange rate and other changes:					
Total IV	46.3	-	46.3	30.8	39.0
Net increase/(decrease) in cash and cash equivalents: I + II + III + IV	213.9	58.3	155.6	24.2	173.4
Cash and cash equivalents at beginning of year	738.9	-	738.9	714.7	541.3
Increase/(decrease) in cash and cash equivalents	213.9	58.3	155.6	24.2	173.4
Cash and cash equivalents at end of year	952.8	58.3	894.5	738.9	714.7

(a) At constant scope of consolidation.

(b) Including the acquisition of Lexel.

(c) Including the purchase of Schneider Electric SA shares for EUR 335.7 million in 1999 and EUR 225.6 million in 1998.

Consolidated Balance Sheet

Assets <i>(in EUR millions at December 31)</i>	1999	1998 <i>(1)</i>	Impact Lexel	1998	1997
Current assets:					
Cash and short-term investments <i>(note 11)</i>	1,050.5	924,6	68,7	855,9	849,0
Accounts receivable - trade	1,933.1	1,709.0	62,7	1,646,3	1,489,7
Other receivables and prepaid expenses <i>(note 9)</i>	730.2	726.6	29,7	696,9	860,1
Deferred taxes	291.1	280.6	4,9	275,7	297,6
Inventories and work in process <i>(notes 1 and 8)</i>	1,090.2	1,086.6	95,3	991,3	1,178,0
Total current assets	5,095.1	4,727,4	261,3	4,466,1	4,674,4
Non-current assets:					
Property, plant and equipment, at cost <i>(note 3)</i>	3,627.1	3,278.6	344.7	2,933.9	2,830.4
Accumulated depreciation	(2,085.2)	(1,911.9)	(222.6)	(1,689.3)	(1,649.5)
Property, plant and equipment – net	1,541.9	1,366.7	122.1	1,244.6	1,180.9
Goodwill - net <i>(note 4)</i>	3,374.06	3,132.4	986.3	2,146.1	2,334.0
Other intangible assets - net <i>(note 3)</i>	85.5	44.2	2.1	42.1	23.0
Investments accounted for by the equity method <i>(note 5)</i>	2.7	8.1	-	8.1	9.9
Investments at cost <i>(note 6)</i>	112,5	154.6	5.2	149.4	214.0
Other investments <i>(note 7)</i>	80.2	214.6	2.7	211.6	182.2
Total investments	195.4	377.0	7.9	369.1	406.1
Total non-current assets	5,197.4	4,920.3	1,118.4	3,801.9	3,944.0
Total assets	10,292.5	9,647.7	1,379.7	8,268.0	8,618.4

*(1) Including Lexel's opening balance sheet at January 1, 1999.
The accompanying notes are an integral part of the consolidated financial statements.*

Liabilities and shareholders' equity

(in EUR millions at December 31)

	1999	1998 (1)	Impact Lexel	1998	1997
Current liabilities:					
Accounts payable – trade	1,348.6	1,186.8	36.4	1,150.4	1,096.1
Taxes and benefits payable	749.7	686.0	29.6	656.4	683.9
Other payables and accrued liabilities	699.3	845.4	87.5	757.9	855.8
Short-term debt (note 15)	700.4	700.4	90.2	610.2	365.1
Customer prepayments (note 1)	107.3	147.1	-	147.1	234.3
Total current liabilities	3,605.3	3 565.7	243.7	3 322.0	3 235.2
Provisions for contingencies (note 14)	274.4	272.6	12.2	260.4	275.9
Provisions for pensions (note 13)	569.5	510.2	8.7	501.5	463.0
Long-term debt (note 15)	1,320.0	1,376.5	1,112.2	264.3	681.7
of which: ordinary and convertible bonds	1,020.8	1,014.5	929.5	85.0	335.7
Perpetual bonds (note 15)	202.1	224.2	-	224.2	244.8
Total long-term debt	1,522.1	1,600.7	1,112.2	488.5	926.5
Capital stock	1,230.4	1,169.4	-	1,169.4	1,160.0
Retained earnings	3,030.0	2,467.7	-	2,467.7	2,485.0
Shareholders' equity (note 12)	4,260.4	3,637.1	-	3,637.1	3,645.0
Minority interests	60.8	61.4	2.9	58.5	72.8
Total liabilities and shareholders' equity	10,292.5	9,647.7	1,379.7	8,268.0	8,618.4

(1) Including Lexel's opening balance sheet at January 1, 1999.

The accompanying notes are an integral part of the consolidated financial statements

Consolidated Statement of Changes in Shareholders' Equity

	Shares outstanding (thousands) (1)	Capital stock (EUR m)	Additional paid-in capital (EUR m)	Retained earnings (EUR m) (2)	Cumulative translation adjustment (EUR m)	Share- holders' equity (EUR m)	Minority interests (EUR m)	Total (EUR m)
At January 1, 1997	136,922	1,043.8	766.8	1,138.2	(128.9)	2,819.9	59.0	2,878.9
Exercise of warrants	8,562	65.3	192.5			257.8		257.8
Exercise of stock options	2,729	20.7	58.2			78.9		78.9
Conversion of bonds	3,837	29.3	106.7			136.0		136.0
Appropriation to legal reserve			(2.8)	2.8		–		–
Dividends				(104.4)		(104.4)	(5.9)	(110.3)
Increase in treasury stock				(36.9)		(36.9)		(36.9)
Translation adjustment				(11.8)	157.6	145.8	0.1	145.9
Change in scope of consolidation and other	118	0.9	12.7	(0.9)		12.7	12.7	25.4
1997 net income				335.2		335.2	6.9	342.1
At December 31, 1997	152,168	1,160.0	1,134.1	1,322.2	28.7	3,645.0	72.8	3,717.8
Exercise of stock options	242	1.7	5.0			6.7		6.7
Conversion of bonds	1,007	7.7	28.7			36.4		36.4
Appropriation to legal reserve			(11.6)	11.6		–		–
Dividends				(148.2)		(148.2)	(11.9)	(160.1)
Increase in treasury stock				(175.9)		(175.9)		(175.9)
Translation adjustment				(13.1)	(122.4)	(135.5)	(2.4)	(137.9)
Change in scope of consolidation and other						–	(13.3)	(13.3)
1998 net income				408.6		408.6	13.3	421.9
At December 31, 1998	153,417	1,169.4	1,156.2	1,405.2	(93.7)	3,637.1	58.5	3,695.6
Exercise of stock options	2,239	17.1	68.1			85.2		85.2
Conversion of bonds	5,768	43.9	184.6			228.5		228.5
Appropriation to legal reserve			(0.9)	0.9		–		–
Dividends				(173.2)		(173.2)		(173.2)
Increase in treasury stock				(337.2)		(337.2)	(17.8)	(355.0)
Translation adjustment				(13.6)	352.6	339.0	7.0	346.0
Change in scope of consolidation and other						–	(2.1)	(2.1)
1999 net income				481.0		481.0	15.2	496.2
At December 31, 1999	161,424	1,230.4	1,408.0	1,363.1	258.9	4,260.4	60.8	4,321.2

(1) Before elimination of treasury stock.

(2) Including EUR 592.7 million in treasury stock – intragroup cross shareholdings cancelled as of January 1, 1999.

Notes

to the Consolidated Financial Statements

1. Accounting principles

The consolidated financial statements of Schneider Electric SA have been prepared in accordance with French generally accepted accounting principles. In certain specific cases where no French accounting principles are appropriate, US principles have been applied.

The new consolidation principles prescribed by French Accounting Standards Board (CRC) standard 99-02 will be adopted as from fiscal 2000, as allowed under the standard. The Group has decided against early adoption. Based on the principles currently applied to produce the consolidated financial statements, the effect of applying the new standards will not be material.

The financial statements of consolidated subsidiaries, which are prepared in accordance with accounting principles generally accepted in the countries in which they operate, have been restated in accordance with the principles applied by the Group.

a) Consolidation principles

All significant companies that are controlled directly or indirectly by Schneider Electric SA have been fully consolidated. Companies over which Schneider Electric SA exercises significant influence have been accounted for by the equity method.

In accordance with French generally accepted accounting principles, joint-ventures in which the Group is the managing partner are fully consolidated by Schneider Electric SA after deducting the other partners' share in the income or loss of the joint-venture. In cases where the Group is not the managing shareholder, only Schneider Electric SA's share of the income or loss is accounted for.

Goodwill is amortized out of income over a maximum of forty years based on the estimated period of benefit, which is adjusted where necessary.

b) Translation of the financial statements of foreign subsidiaries

The financial statements of foreign subsidiaries are translated into French francs as follows:

- Assets and liabilities are translated at year-end exchange rates.
- Income statement and cash flow items are translated at average exchange rates.
- Differences arising on translation are recorded under shareholders' equity and minority interests.

c) Translation of foreign currency transactions

With the exception of the transactions described below, foreign currency debts and receivables are translated into French francs at year-end exchange rates. As allowed under French law, translation differences are recorded in the income statement under exchange gains or losses.

Exchange gains and premiums and discounts on forward purchases and sales of foreign currency used to hedge the Group's trading commitments are deferred and recognized at the same time as the gain or loss on the underlying transaction.

Gains and losses on unhedged forward currency transactions are credited or charged to income. The gain or loss corresponds to the difference between the forward exchange rate provided for in the contract and the exchange rate prevailing at year end for purchases and sales made in the same currency with the same term.

In cases where a speculative currency position is considered to exist due to the future interest on fixed to variable currency swaps, the interest is discounted on the basis of the fixed rate and stated at the exchange rate prevailing at year-end for cash transactions. The translation difference is credited or charged to income.

d) Financial instruments based on exchange and interest rates

The Group uses financial instruments based on exchange and interest rates (*note 16*). Where these instruments are qualified as speculative, their market value is determined at the year end, taking into account the volatility of interest rates. If this value is negative in relation to the instruments' historical value, a provision for contingencies is booked.

e) Marketable securities

Substantially all marketable securities represent conventional short-term instruments (commercial paper, mutual funds and equivalents). They are stated at the lower of cost and market. In the case of bonds and other debt instruments, cost includes accrued interest.

f) Property, plant and equipment

Land, buildings and equipment are stated at cost. Assets held at the time of a legal revaluation are stated at revalued cost; an equivalent amount is recorded in shareholders' equity,

under retained earnings or revaluation reserve, and is written back to income to match the corresponding depreciation and disposals, so that the revaluation has no impact on income.

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets, as follows:

Buildings	20 to 40 years
Other	3 to 12 years

Property, plant and equipment acquired under a capital lease are capitalized on the basis of the cost of the asset concerned and depreciated in accordance with the above principles. An obligation in the same amount is recorded on the liabilities side of the balance sheet.

g) Investments at cost (note 6) and other investments

Non-consolidated equity investments and other investments are stated at cost. Each year, the carrying value is compared to fair value and any difference is provided for. Fair value is determined by reference to the Group's equity in the underlying net assets, the expected future profitability and business prospects of the investee company and, in the case of listed securities, the market value of the stock.

h) Inventories and work in process

Inventories and work in process are stated at the lower of cost (determined by the FIFO method) and estimated net realizable value.

The cost of work in process, semi-finished and finished products includes direct materials and labor costs, sub-contracting costs incurred up to the balance sheet date and a percentage of production overheads.

i) Long-term contracts

Income from long-term contracts is recognized by the percentage-of-completion method, based on the financial status of the contract. Probable losses upon completion of a given contract are provided for in full as soon as they become known.

The cost of work in process includes costs relating directly to the contracts and a percentage of overheads.

j) Research and development expenditures

Internally-financed research and development expenditures are charged to income for the period.

k) Deferred taxes

Deferred taxes, corresponding to timing differences between the recognition of income and expenses for consolidated financial reporting and tax purposes, are accounted for by the liability method. Deferred tax assets are recognized in cases where they can reasonably be

expected to be realized within a short time frame. Otherwise, a provision is set aside to reflect the timing difference.

Extraordinary credits corresponding to the future tax benefits arising from the utilization of tax loss carryforwards (including amounts available for carryforward without time limit) are recognized only where they can reasonably be expected to be realized within a short time frame.

l) Provisions for pensions

- Provisions. The provision is calculated for all eligible employees based on the future liability discounted at a standard rate each year for all Group companies using this funding method.
- External funding under an insured plan. In this specific case, provision is made to cover any deficit between the fair value of plan assets and the estimated future liability.

The Group's policy concerning the recognition of changes in provisions for statutory retirement bonuses is as follows:

- Changes resulting from the recurring discounting of the liability and changes in certain variables (length of service, number of eligible employees, etc.) are recognized in full in the income statement when they arise.
- Changes resulting from periodic actuarial valuations (changes in the discount rate, future salary levels, staff turnover rates) are deferred and recognized over the remaining service lives of the employees concerned.

m) Provisions for post-retirement benefits

Under SFAS no. 106, companies are required to book provisions to cover the cost of providing healthcare benefits for retired employees and to make certain disclosures concerning the method used to calculate these provisions.

n) Perpetual bonds (note 15)

The perpetual subordinated bonds issued in 1991 by Merlin Gerin were originally accounted for as subordinated loans repayable over 15 years. In 1996, the subordination clause was canceled. All other terms and conditions remain unchanged.

o) Consolidated statement of cash flows

The consolidated statement of cash flows has been prepared using the "indirect method", showing the reconciliation of net income to net cash provided by operations.

Net cash and cash equivalents represent cash net of bank overdrafts plus cash equivalents (primarily marketable securities).

Changes in short-term assets and liabilities cannot be determined directly by comparing the amounts shown in the balance sheet, since these items are stated before effects of foreign cur-

rency translation, which are shown separately for their total amount.

p) Monetary unit

The tables below are presented in millions of euros, unless otherwise indicated.

2. Changes in scope of consolidation

The consolidated financial statements of Schneider Electric SA and subsidiaries at December 31, 1999 include the financial statements of the companies listed in note 24. The scope of consolidation at December 31, 1999 can be summarized as follows:

Number of Companies	Dec. 31, 1999		Dec. 31, 1998	
	France	Abroad	France	Abroad
Parent company and fully consolidated subsidiaries	47	210	75	120
Companies accounted for by the equity method	-	2	1	2
Sub-total by geographic area	47	212	76	122
Total		259		198

The principal changes in 1999 were as follows:

Changes in scope of consolidation*

	Newly-consolidated	Deconsolidated
France:	Schneider Electric High Voltage (1) Mafelec SA (2) Materlignes SA (2)	Washington Immobilier-Ex-Schneider Capital Management and its subsidiaries (sold)
Rest of Europe:	Lexel (Denmark) (2) SAIP (Italy) (2) Schyller (Italy) (2) Schneider Electric Romania SRL (Romania) (1) Schneider Electric Slovakia Spol Sro (Slovakia) (1) Mita Holding SA Ltd (UK) (2)	
North America:	Veris Company (USA) (2)	Unahl Inc and its subsidiaries (Canada) (sold)
Rest of world:	Schneider Electric Alta Tensao (Brazil) (1) Schneider Electric High Voltage Sae (Egypt) (1) Toshiba Schneider Electric Ltd (Japan) (1) Plasnavi (Argentina) (2)	

*The impact of changes in the scope of consolidation (excluding Lexel) on the financial statements was not material

(1) New companies set up to acquire existing assets and business start-ups.

(2) Acquisition.

3. Property, plant and equipment, and intangible assets

Property, plant and equipment, including capital leases, and intangible assets can be analyzed as follows:

Intangible assets

	Dec. 31, 1998	Acquisitions/ Allocation	Disposals/ Recapture	Translation conversion	Other (a)	Dec. 31, 1999
At cost	114.9	56.9	(3.8)	5.0	2.4	175.4
Depreciation and amortization	(72.9)	(19.5)	3.2	(2.7)	2.0	(89.9)
Net values	42.0	37.4	(0.6)	2.3	4.4	85.5

Property, plant and equipment

At cost	Dec. 31, 1998	Acquisitions	Disposals	Translation adjustment	Other (a)	Dec. 31, 1999
Land and buildings	788.5	47.1	(48.6)	41.8	104.8	933.6
Plant and equipment	1,553.9	212.4	(80.5)	93.3	279.6	2,058.7
Others	591.5	126.5	(57.9)	45.6	(70.9)	634.8
Total	2,933.9	386.0	(187.0)	180.7	313.5	3,627.1
<i>Including leased assets</i>	<i>147.9</i>	<i>5.0</i>	<i>(12.7)</i>	<i>-</i>	<i>-</i>	<i>140.2</i>

Depreciation and amortization	Dec. 31, 1998	Allocation	Recapture	Translation adjustment	Other (a)	Dec. 31, 1999
Land and buildings	(366.3)	(34.8)	27.3	(12.9)	(23.1)	(409.8)
Plant and equipment	(1,044.2)	(160.8)	65.2	(51.7)	(151.4)	(1,342.9)
Others	(278.8)	(48.8)	41.0	(22.3)	(23.6)	(332.5)
Total	(1,689.3)	(244.4)	133.5	(86.9)	(198.1)	(2,085.2)
<i>Including leased assets</i>	<i>(81.4)</i>	<i>(6.7)</i>	<i>9.9</i>	<i>-</i>	<i>-</i>	<i>78.2</i>
Net values	1,244.6	141.6	(53.5)	93.8	115.4	1,541.9

(a) Including effect of changes in scope of consolidation and reclassifications.

4. Goodwill

	Amort. period	Gross	Amort.	Dec. 31, 1999 Net	Dec. 31, 1998 Net
Square D Company	40 years	1,925.4	(406.9)	1,518.5	1,347.5
Lexel	40 years	986.3	(24.5)	961.8	–
Telemecanique	40 years	802.0	(259.2)	542.8	562.8
Federal Pioneer Ltd	40 years	89.6	(23.0)	66.6	55.6
Merlin Gerin	30 years	160.7	(52.0)	108.7	114.0
Mita Holding Ltd	20 years	58.1	(0.2)	57.9	–
Schneider Automation	10 years	35.4	(14.2)	21.2	24.7
Others (a)	5-20 years	235.3	(138.2)	97.1	41.5
Total		4,292.8	(918.2)	3,374.6	2,146.1

(a) Approximately 25 companies.

The change in net values between December 31, 1998 and 1999 primarily reflects the EUR 121.9 million standard amortization for the year, the EUR 234.5 million positive effect of exchange rate fluctuations, and the impact of newly consolidated companies (Lexel: EUR 1,044 million, US companies: EUR 36 million, European companies: EUR 18.6 million).

5. Investments accounted for by the equity method

The Group's equity in the net assets of companies accounted for by the equity method amounted to EUR 2.7 million. Société pour l'Équipement des Industries Chimiques (SPEI) was fully consolidated in 1999.

6. Investments at cost

	Cost	Provisions	Dec. 31, 1999 Net	Dec. 31, 1998 Net
I - Listed companies				
Finaxa	51.1	–	51.1	48.2
Electrafina	–	–	–	14.9
Total listed investments (1)	51.1	–	51.1	63.1
II - Non-listed companies (2)				
COMIPAR	16.3	(16.3)	–	–
SIAP	8.1	–	8.1	8.1
Mafelec (2)	–	–	–	7.9
Schyller (2)	–	–	–	10.4
Other non-listed companies (3)	62.5	(9.2)	53.3	59.9
Total unlisted investments	86.9	(25.5)	61.4	86.3
Total investments at cost	138.0	(25.5)	112.5	149.4

(1) Estimated market value of listed investments at Dec. 31 (EUR million):

190.7

181.6

(2) Mainly investments in Group subsidiaries that either do not meet the criteria for consolidation or that were consolidated in 1999.

(3) Less than EUR 1.5 million each.

7. Other investments

	Cost	Provisions	Dec. 31, 1999 Net	Dec. 31, 1998 Net
Loans to non-consolidated companies	23.8	(3.7)	20.1	(1) 99.7
Other investments	109.8	(49.7)	60.1	111.9
Total	133.6	(53.4)	80.2	211.6

(1) Including the property operations at the end of 1998.

8. Inventories and work in process

	Dec. 31, 1999	Dec. 31, 1998
Raw materials	464.2	386.2
Work in process	336.2	405.4
Semi-finished and finished products	361.3	295.0
Goods	101.4	74.3
Inventories and work in process at cost	1,263.1	1,160.9
Allowances	(172.9)	(169.6)
Inventories and work in process - net	1,090.2	991.3

9. Other receivables and prepaid expenses

	Gross	Allowances	Dec. 31, 1999 Net	Dec. 31, 1998 Net
Operating receivables, tax credits and non-operating receivables	560.1	(31.1)	529.0	524.6
Prepaid expenses	181.1	-	181.1	149.6
Other	45.9	(25.8)	20.1	22.7
Total	787.1	(56.9)	730.2	696.9

10. Income taxes

Wherever possible, Group entities file consolidated tax returns, as allowed under French law. Schneider Electric SA files a consolidated tax return with its French subsidiaries held directly or indirectly through Schneider Electric Industries SA.

Analysis of the tax charge for the year	1999
Current taxes	
France	71.7
International	238.9
Use of tax loss carryforwards	(14.2)
Net	296.4
Deferred taxes	21.3
Total	317.7

The reconciliation of taxes payable and pre-tax income is as follows:

	1999
Net income (after minority interests)	481.0
Taxes payable	317.7
Minority interests	15.2
Less: net income of companies accounted for by the equity method	-
Pre-tax income	813.9
Income tax liability calculated at the statutory rate (40%)	325.6
Reconciliation items	
Amortization of goodwill	42.8
Other permanent differences	20.0
Tax credit	(6.9)
Difference between French and foreign tax rates	(44.8)
Income taxable at reduced rates	(5.3)
Tax losses arising in current year	4.1
Impact of fiscal consolidation	(5.6)
Use of tax loss carryforwards	(14.2)
Other	2.0
Net taxes payable	317.7

The actual tax charge for 1999 reflects the utilization of tax loss carryforwards, as was the case in prior years. The non-deductibility of goodwill amortization generated and will continue to generate an increase in the actual tax charge, which is currently partially offset by the tax benefits resulting from the utilization of tax credits and tax loss carryforwards.

Deferred taxes break down as follows:	1999
Tax loss carryforwards and tax credits	14.4
Provisions for pensions	99.7
Other provisions	150.7
Other deferred tax assets	126.7
Total deferred tax assets	391.5
Excess tax depreciation	66.2
Untaxed provisions	43.7
Other deferred tax liabilities	126.7
Total deferred tax liabilities	236.6
Deferred taxes are presented in the balance sheet at December 31, 1999 as follows:	
Deferred tax assets	291.1
Provision for deferred tax liabilities (included in taxes and benefits payable)	(136.2)
Net deferred tax assets	154.9

11. Cash and short-term investments

Marketable securities consist primarily of highly liquid mutual funds. Short-term investments in bonds are stated including accrued interest.

Marketable securities are stated at the lower of cost or market value. At December 31, 1999, marketable securities included the following

	1999	1998
Mutual funds and other pooled investments	280.5	300.6
Other	60.7	53.1
Short-term investments at cost	341.2	353.7
Allowances	-	-
Short-term investments - net	341.2	353.7
Own shares (stock option plans)	50.9	51.2
Money market instruments and short-term deposits	177.4	95.0
Other cash	481.0	356.0
Total cash	658.4	451.0
Total	1,050.5	855.9

12. Shareholders' equity

Changes in capital:

	Number of shares
At December 31, 1998	153,417,118
Shares issued in connection with:	
• Corporate savings plan	1,534,082
• Employee stock option plans	704,300
• Conversion of convertible bonds	3,495,796
• Conversion of Square D convertible bonds	2,272,282
At December 31, 1999	161,423,578

Square D bonds convertible into Schneider Electric SA shares

In November 1992, Square D issued 25,000 convertible bonds with a nominal value of USD 10,000 per bond. Each bond was originally convertible into 58.21 former Schneider shares. The parity was changed to 116.42 Schneider SA (formerly SPEP) shares per bond in September 1993 and to 232.84 shares per bond in July 1995 following the merger between Schneider SA (formerly SPEP) and Schneider SA (formerly Spie Batignolles).

The internal rate of return on the bonds is 7% per year (of which 5% is capitalized). Bonds not tendered for conversion will be redeemed by Square D, at par, on January 2, 2003.

During the year, 9,759 bonds were converted, leading to the creation of 2,272,282 Schneider Electric SA shares. At December 31, 1999, 1,474 bonds were outstanding.

13. Provisions for pensions

	Dec. 31, 1999	Dec. 31, 1998
Provisions for pensions	316.8	293.3
Provisions for post-retirement health care benefits (SFAS no. 106)	252.7	208.2
	569.5	501.5

Statutory retirement bonuses are payable to employees on the concerned unit's payroll at the time of retirement. The net charge for the period was EUR 43.9 million. This commitment is primarily covered by provisions.

Square D's commitments for post-retirement health care benefits are fully funded by way of provisions totaling EUR 252.8 million at December 31, 1999 (EUR 208.2 million at December 31, 1998). The

impact of these commitments on operating income for the year was a charge of EUR 10.8 million.

Square D's pension commitments represent a future liability of EUR 708.6 million. This commitment is covered by hedging instruments held and managed by a third party that represent assets with an estimated value of EUR 831.2 million at December 31, 1999.

Analysis of commitments and coverage:

	Dec. 31, 1999	Dec. 31, 1998
Statutory retirement bonuses and related commitments excluding Square D	316.5	293.3
Post-retirement health benefits (SFAS no.106)	252.8	208.2
Pension commitments	796.2	621.9
Future liability	1,365.5	1,123.4
Provisions for statutory retirement bonuses	316.8	293.3
Provisions for post-retirement health benefits (SFAS no.106)	252.7	208.2
Hedging instruments held and managed by third party	935.4	717.8
Coverage	1,504.9	1,219.3

Actuarial assumptions:

	31.12.99	31.12.98
Discount rate (1)	5.33%	4.07%
Rate of compensation increases	2.0-4.5%	2.0-4.5%
Rate of return on fund assets (2)	Variable	Variable

(1) The discount rate corresponds to the rate of return on the TEC 10 at November 30 of each corresponding year.

(2) The rate of return on fund assets is determined separately for each of the Group's Geographic Areas.

14. Provisions for contingencies

	Dec. 31, 1998	Allowances	Releases	Translation adjustment	Dec. 31, 1999
Economic risks	86.1	-	-	-	86.1
Financial risks	7.6	-	-	-	7.6
Customer risks	52.1	-	(1.6)	8.4	58.9
Technical risks	53.1	-	(1.1)	-	52.0
Other	61.5	1.6	-	6.7	69.8
Total	260.4	1.6	(2.7)	15.1	274.4

15. Long and short-term debt

	Dec. 31, 1999	Dec. 31, 1998
Bonds	1,012.9	294.2
Perpetual bonds	224.4	243.6
Bank borrowings	247.5	136.3
Commercial paper	415.0	152.4
Obligations under capital leases (<i>note 17</i>)	49.9	52.6
Bank overdrafts and short-term bank loans	207.0	182.6
Subtotal	2,156.7	1,061.7
Accrued interest	5.2	20.0
Employee profit-sharing	8.2	7.0
Other	52.4	10.0
Total	2,222.5	1,098.7

Breakdown by maturity	Dec. 31, 1999	Dec. 31, 1998
1999		610.1
2000	(1) 700.4	43.1
2001	79.4	38.3
2002	108.1	47.4
2003	149.5	125.6
2004	1,056.2	234.2
2005 and beyond	128.9	
Total	2,222.5	1,098.7

(1) Of which short-term bank loans (EUR 97.6 million) and overdrafts (EUR 109.4 million).

Breakdown by currency	Dec. 31, 1999	Dec. 31, 1998
Euro	1,864.3	863.6
US Dollars (1)	55.6	175.3
Canadian Dollars (1)	5.2	4.1
British Pounds	10.7	25.8
Swedish Krona (1)	195.6	-
Other	91.1	29.9
Total	2,222.5	1,098.7

(1) Mostly local borrowings.

The main consolidated borrowings, excluding short-term bank loans and overdrafts, are as follows:

	Outstanding Dec. 31, 1999	Rate	Earliest maturity
a) Perpetual bonds			
Schneider Electric SA (ex-Merlin Gerin) (1)	224.4	Pibor + 0.7% Fixed swapped	March 2006
b) Bonds			
Square D 1992 convertible (see note 12)	12.9	2% + 5% capitalized	Jan. 1, 2003
Schneider Electric SA	1,000.0	3.75% fixed rate	April 2004
Total	1,012.9		
c) Other bank borrowings			
Syndicated loan (Lexel)	209.0	Variable swapped	September 2003
Industrial Revenue Bonds (Square D Company)	20.7	Various	Various 2020
Other loans (less than FF 20 million per loan)	17.8	Various	
Total	247.5		
d) Commercial paper (2)	415.0	Various	Refinanced overnight
e) Obligations under capital leases	49.9	Various	Over periods ranging from 15 to 20 years

The balance of borrowings, EUR 17.8 million, is spread across more than 100 companies for amounts generally of less than EUR 3 million per company.

(1) Perpetual bonds correspond to perpetual subordinated bonds issued in 1991 by Merlin Gerin, for which the subordination clause has been canceled. The bonds were issued for EUR 0.457 billion, generating net proceeds of EUR 0.335 billion. Most of the bonds issued were originally swapped for a fixed rate.

(2) Since January 1991, Schneider Electric SA has issued commercial paper on behalf of the whole Group. The majority of these issues are backed by confirmed lines of credit.

Ordinary bonds

On April 14, 1999, Schneider Electric SA issued EUR 750 million worth of 3.75% bonds due April 14, 2004. On May 28, 1999, a further EUR 250 million worth of bonds were issued at the same interest rate and with the same life. The second issue is treated as an extension of the first issue.

The bonds are traded on the Paris and Luxembourg stock exchanges.

16. Contingent liabilities

a) Commitments given:

	Dec. 31, 1999	Dec. 31, 1998
Contract counter guarantees	398.7	381.0
Discounted notes (1)	55.2	56.7
Mortgages and collateral (2)	23.9	23.2
Guarantees (2)	3.2	49.1
Other commitments given	16.9	26.2
Total	497.9	536.2

(1) *Refinancing of receivables.*

Certain Group companies sell their receivables to financial institutions, for cash and working capital management purposes. The balance outstanding under these arrangements at December 31, 1999 for the Group as a whole was EUR 55.2 million (1998: EUR 56.7 million).

(2) *Mortgages and collateral.*

Certain loans are secured by securities lodged as collateral.

b) Commitments received:

	Dec. 31, 1999	Dec. 31, 1998
Guarantees	29.6	35.8
Total	29.6	35.8

c) Financial instruments used by the Group:

The Group uses financial instruments as a hedge against interest rate and currency risks. This hedging policy does not include the use of financial futures.

	Dec. 31, 1999	Dec. 31, 1998
Long-term interest rate swaps	316.0	304.7
Short-term interest rate swaps	290.0	-
Caps/floors	159.8	81.6
Forward purchases and sales of foreign currencies	449.4	238.0
Currency options	3.4	2.7
Metal price hedges	103.6	60.0
Total	1,322.2	727.0

The main interest rate hedges are as follows:

- Merlin Gerin: swap concerning perpetual bonds (EUR 315 million at December 31, 1999).
- Loxel: swaps and caps/floors to hedge interest rate risks on the debt taken on in 1998 to finance the acquisition of Thorsman (EUR 155 million at December 31, 1999).
- Schneider Electric SA: fixed rate of interest on commercial paper issues swapped for variable rate under short-term contracts (EUR 290 million at December 31, 1999).

The breakdown by interest rate of medium and long-term debt, totaling EUR 1,600 million at December 31, 1999, is as follows:

Less than 7%: EUR 1,404 million

7% to 11%: EUR 196 million.

The Group hedges currency risks on commercial transactions through forward purchases and sales of foreign currencies or through the purchase of currency options. Substantially all of these hedging transactions concern Schneider Electric Industrie SA. Currency hedges also include hedges set up by newly-acquired Loxel to cover currency risks on its investments in certain Nordic countries. The contracts concerned mature in February 2000.

Depending on the currency, forward purchases and sales and currency options cover between 30 percent and 100 percent of commercial transactions for the next 6 to 12 months.

d) Forward hedging positions by currency

Currency	Purchases	Sales
USD	54.0	175.9
AUD	–	11.3
CHF	1.1	0.9
SEK	21.3	24.9
GBP	0.2	110.7
SAR	–	17.7
JPY	–	7.9
HKD	1.2	12.5
NOK	–	47.5
CAD	–	14.0
EURO	6.8	75.9
Other	–	34.8
Total	84.6	534.0

e) Other commitments

In 1998, as part of a restructuring plan to optimize management of the Group's brands in North America, Schneider Electric Industries SA acquired preferred shares issued by Square D from Schneider Electric Holdings in an amount of \$250 million. Schneider Electric Holdings Inc. holds a call option on these preferred shares that can be exercised between October 2003 and October 2008. The minimum exercise price is \$250 million and the maximum exercise price is \$516 million.

17. Leases

The Group leases property and equipment under leases with noncancelable terms in excess of one year. Rentals payable under these leases are subject to periodic adjustments in accordance with contractual indexation and escalation clauses.

Minimum lease payments due under noncancelable leases at December 31, 1999:

Year	Finance lease
2000	10.2
2001	9.8
2002	7.6
2003	6.1
2004	5.8
2005 and beyond	33.5
Sub-total	73.0
Capitalized interest	(23.1)
Commitments under noncancelable leases	49.9

18. Interest expense - net

	1999	1998
Interest income	40.6	25.0
Interest expense	(119.1)	(85.2)
Other financial income and expenses - net	(7.6)	2.1
Total	(86.1)	(58.1)

Interest income and expense consist solely of income and expenses relating to financial debts and receivables (including cash and short-term investments). Other financial income and expenses can be analyzed as follows:

	1999	1998
Exchange losses - net	(13.4)	(1.7)
Dividend income	9.5	7.2
Net gains on sales of marketable securities	10.2	11.9
Other	(13.9)	(15.1)
Total	(7.6)	2.1

19. Non-recurring items

	1999
Net gains on disposals of assets, net of provision reversals	6.9
Other (1)	(41.5)
Total	(34.6)
<i>(1) Including:</i>	
– Provisions for restructuring costs	(28.4)

20. Earnings per share

As stated in *note 12*, the capital stock of Schneider Electric SA is subject to dilution.

Primary earnings per share are calculated in accordance with the method set forth in SFAS no. 128.

Fully diluted earnings per share are calculated by dividing net income, as adjusted for remuneration paid on quasi-equity, by the weighted average number of common shares (minus shares repurchased by the Company) and share equivalents (represented by convertible bonds, to the extent that their conversion is probable) outstanding during the year in question. The dilutive impact of stock options is determined by calculating the number of shares that could be purchased on the open market using the funds obtained from the exercise of the options.

Earnings per share:

(EUR per share)	1999		1998	
	Primary	Diluted	Primary	Diluted
Income from continuing operations	6.52	6.45	5.27	5.09
Non-recurring items	(0.23)	(0.23)	(0.13)	(0.12)
Income tax	(2.14)	(2.11)	(1.75)	(1.70)
Amortization of goodwill	(0.82)	(0.81)	(0.59)	(0.56)
Net income of fully consolidated companies	3.33	3.19	2.71	2.71
Net income (attributable to Schneider Electric SA)	3.23	3.19	2.71	2.63

Calculation of adjusted earnings per share:

(EUR millions)	1999		1998	
	Income from continuing operations	Net income attributable to Schneider Electric SA	Income from continuing operations	Net income attributable to Schneider Electric SA
Unadjusted	970.3	480.8	795.0	408.6
Remuneration of quasi-equity, net of tax	0.8	0.5	19.4	11.2
Adjusted	971.1	481.3	814.4	419.8

Determination of number of shares used in calculation:

(in thousands of shares)	1999		1998	
	Primary	Diluted	Primary	Diluted
Common stock (1)	148,759	148,759	150,819	150,819
Convertible bonds, stock options	–	1,844	–	9,043
Number of shares used	148,759	150,603	150,819	159,862

(1) Minus shares repurchased by the Company.

21. Geographic and business segment information

a) Breakdown by region

Sales	% 1999	% 1998
France	18	19
Europe (excluding France)	35	31
North America	30	30
International	17	20
Total	100	100

1999 operating margin	% 1999	% 1998
France	14.9	13.7
Europe (excluding France)	12.8	11.6
North America	13.8	13.2
International	7.7	6.0
Average margin	12.6	11.2

Obtained by dividing operating income by sales (average: EUR 1,056.5 million divided by EUR 8,378.3 million = 12.6%).

b) Breakdown by business

1999 sales	% 1999	% 1998
Electrical distribution	71	67
Industrial control and automation	29	32
Non-electrical activities	-	1
Total	100	100

1999 operating margin	% 1999	% 1998
Electrical distribution	13.1	11.8
Industrial control and automation	11.5	10.0
Non-electrical activities	-	NM
Average margin	12.6	11.2

22. Related party transactions

Significant transactions between Schneider Electric SA and its subsidiaries are as follows:

- I • Provision of services EUR 3.5 million
- Dividends received from consolidated subsidiaries EUR 243.5 million
- Net interest received on loans and advances to consolidated subsidiaries EUR 59.5 million

- II • EUR 1,595.4 million loan to Boissière Finance, repayable on demand.

23. Employees

Average number of Group employees	1999	1998
Production	31,823	27,452
Administrative	35,687	33,328
Total	67,510	60,780
France	22,150	22,144
Outside France	45,360	38,636

24. List of consolidated companies

SCHNEIDER ELECTRIC INDUSTRIES SA

	Percent interest at Dec. 31, 1999	Percent interest at Dec. 31, 1998
France		
<i>Fully consolidated companies</i>		
Schneider Electric SA (parent company)	100.00	100.00
Schneider Electric Industries SA	100.00	100.00
Boissière Finance SNC	100.00	100.00
SIFIR	100.00	100.00
Num SA	100.00	100.00
Normabarre SA	100.00	100.00
Manumeric	Sold	100.00
Auxibati SCI	100.00	100.00
Citef SA	100.00	100.00
Distrelec SA	100.00	100.00
Egic SA	100.00	100.00
Electro Porcelaine SA	100.00	100.00
Elkron France SARL	100.00	100.00
France Transfo SA	100.00	100.00
Jeumont-Schneider Transformateurs SA	100.00	100.00
Le Moule Métallique SARL	100.00	100.00
Merlin Gerin Alès SA	100.00	100.00
Merlin Gerin Alpes SA	100.00	100.00
SETBT SA	100.00	100.00
Merlin Gerin Loire SA	100.00	100.00
Modicon SA (Merged into Schneider Electric Industries SA)	Merged	100.00
Pré Blanc SCI	100.00	100.00
Prodipact SA	100.00	100.00
SAE Gardy SA	100.00	100.00
Saem SA	100.00	100.00
Sapem SA	100.00	100.00
Sarel SA	99.00	99.00
SFCME SA	100.00	100.00
Société Dauphinoise Electrique SA	100.00	100.00
Société Electrique d'Aubenas SA	100.00	100.00
Société Française Gardy SA	100.00	100.00
Sorhodel	100.00	100.00
SREP SA	100.00	100.00
Transformateurs BC SA	100.00	100.00
Transfo Services	100.00	100.00
Usibati SCI	100.00	100.00
Rectiphase SA	100.00	100.00
Schneider Automation SA	100.00	100.00
SIMELECTRO	100.00	100.00
ACEG	100.00	-
Materlignes SA	100.00	-
Schneider Electric High Voltage SA	100.00	-
Mafelec SA	100.00	-
Rest of Europe		
<i>Fully consolidated companies</i>		
Bub GmbH (Germany)	100.00	100.00
Num Guttinger GmbH (Germany)	100.00	100.00
Sarel GmbH (Germany)	99.00	99.00
Schneider Electric GmbH (Germany)	100.00	100.00
Schneider Factoring GmbH (Germany)	100.00	100.00

	Percent interest at Dec. 31, 1999	Percent interest at Dec. 31, 1998
Schneider Automation GmbH (Germany)	100.00	100.00
Schneider Electric Austria GmbH (Austria)	100.00	100.00
Schneider Electric Belgique NV (Belgium)	100.00	100.00
Schneider Electric Bulgaria (Bulgaria)	100.00	100.00
Schneider Electric AS Danmark (Denmark)	100.00	100.00
Himel SA (Spain)	100.00	100.00
Schneider Electric Espana (Spain)	100.00	100.00
Mesa SA (Spain)	100.00	100.00
Telenum (Spain)	100.00	–
Nokian Capacitors Oy (Finland)	100.00	100.00
Schneider Electric Oy (Finland)	100.00	100.00
Capacitors Ltd (UK)	100.00	100.00
Sarel Ltd (UK)	100.00	100.00
Ajax (UK)	51.00	51.00
Num UK (UK)	100.00	–
Schneider Electric UK Ltd (UK)	100.00	100.00
Schneider Ltd (UK)	100.00	100.00
Yorshire Switchgear Group Ltd (UK)	100.00	100.00
Westinghouse Systems Ltd (UK)	100.00	100.00
Schneider Electric AE (Greece)	100.00	100.00
Schneider Electric Hungaria Villamassagi RT (Hungary)	100.00	100.00
Merlin Gerin Zala (Hungary)	100.00	100.00
Schneider Electric Ireland (Ireland)	100.00	100.00
Square D Ireland (Ireland)	100.00	100.00
Schneider Electric Manufacturing Celbridge (Ireland)	100.00	100.00
Schneider Italia SPA (Italy)	100.00	100.00
Num SPA (Italy)	100.00	100.00
Nuova Magrini Galileo SPA (Italy)	100.00	100.00
Nuova Magrini Meridionale SPA (Italy)	100.00	100.00
SAIP (Italy)	90.00	–
Schyller SRL (Italy)	100.00	–
Stem Trento SPA (Italy)	100.00	100.00
Schneider Electric SPA (Italy)	100.00	100.00
Square D Italia (Italy)	100.00	100.00
Vanossi Sud SPA (Italy)	100.00	100.00
Schneider Electric Norge A/S (Norway)	100.00	100.00
Schneider Electric BV (Netherlands)	100.00	100.00
Schneider Electric Polska (Poland)	100.00	100.00
Schneider Electric Bukowno (Poland)	100.00	–
Schneider Electric Portugal (Portugal)	100.00	100.00
Schneider Electric Romania SRL (Romania)	100.00	–
Schneider Electric AS (Czech Republic)	100.00	100.00
Schneider Electric SRO (Czech Republic)	100.00	–
ZAO Schneider Electric (Russia)	100.00	100.00
Schneider Electric Slovakia Spol SRO (Slovakia)	100.00	–
Delta Elektriska AB (Sweden)	100.00	100.00
KL Industri AB (Sweden)	100.00	100.00
Num Norden (Sweden)	100.00	–
Schneider Electric AB (Sweden)	100.00	100.00
Feller AG (Switzerland)	83.70	100.00
Schneider Electric Finances (ex-GMGH SA) (Switzerland)	100.00	100.00
Num Guttinger AG (Switzerland)	100.00	100.00
Schneider Electric AG (Switzerland)	100.00	100.00

	Percent interest at Dec. 31, 1999	Percent interest at Dec. 31, 1998
North America		
<i>Fully consolidated companies</i>		
Schneider Canada Inc. (Canada)	100.00	100.00
FPE de Mexico SA de CV (Mexico)	100.00	100.00
Industrias Electronias Pacifico SA de CV (Mexico)	100.00	100.00
Num Corporation (USA)	100.00	-
Power Distribution Services Inc. (USA)	100.00	100.00
Schneider Electric Mexico SA de CV (Mexico))	100.00	100.00
Schneider Mexico SA de CV (Mexico)	100.00	100.00
Square D Company Mexico SA de CV (Mexico)	100.00	100.00
Palatine Hills Leasing Inc. (USA)	80.00	80.00
Schneider Automation Inc. (USA)	100.00	100.00
Schneider Electric Holdings Inc. (USA)	100.00	100.00
Schneider North America Holdings Inc. (USA)	100.00	100.00
Square D Company (USA)	100.00	100.00
Veris Company (USA)	100.00	-
Rest of World		
<i>Fully consolidated companies</i>		
Schneider Automation Pty Ltd (South Africa)	94.22	45.22
Schneider Electric South Africa Pty Ltd (South Africa)	88.19	88.19
EPS Ltd (Saudi Arabia)	49.00	49.00
Meepco (Saudi Arabia)	49.00	49.00
Schneider Electric Argentina (Argentina)	100.00	100.00
Plasnavi SA (Argentina)	100.00	-
Online Control Pty Ltd (Australia)	100.00	100.00
Schneider Pty Ltd (Australia)	100.00	100.00
Schneider Electric Brasil S/A (Brazil)	100.00	100.00
SEEP (Brazil)	Merger	100.00
Schneider Electric Alta Tensao (Brazil)	100.00	-
Schneider Beijing Low Voltage (China)	95.00	95.00
Schneider Beijing Medium Voltage (China)	95.00	95.00
Schneider Electric China Ltd (China)	100.00	100.00
Schneider Electric Supply Beijing Co Ltd (China)	100.00	-
Schneider Shanghai Power Distribution Electric (China)	80.00	60.00
Schneider Shanghai Low Voltage Apparatus (China)	60.00	60.00
Schneider Shanghai Industrial Control (China)	80.00	80.00
Schneider Shanghai Supply Components Ltd (China)	100.00	100.00
Schneider Swire Guangzhou Electrical Equipment Ltd (China)	48.94	48.94
Tianjin Merlin Gerin Ltd (China)	60.00	50.10
Schneider Electric Chile SA (Chile)	99.00	99.00
Schneider de Colombia (Colombia)	79.98	79.98
Schneider Control Product (South Korea)	Liquidation	100.00
Schneider Electric Korea Ltd (South Korea)	100.00	100.00
Square D Centro America SA (Costa Rica)	100.00	100.00
Schneider Electric Egypt (Egypt)	80.80	80.00
Schneider Electric High Voltage SAE (Egypt)	100.00	-
Schneider Electric (Hong Kong)	100.00	100.00
Schneider Swire Ltd (Hong Kong)	51.00	51.00
Schneider Electric India Ltd (India)	100.00	100.00
Schneider Electric Indonesia (Indonesia)	51.00	51.00
Schneider Electric Manufacturing Batam (Indonesia)	80.00	80.00
Telemecanique Iran (Iran)	100.00	100.00

	Percent interest at Dec. 31, 1999	Percent interest at Dec. 31, 1998
Schneider Electric Japan (Japan)	100.00	100.00
Toshiba Schneider Electric Ltd (Japan)	60.00	–
Schneider Electric Maroc (Morocco)	100.00	100.00
Schneider Pty Ltd (New Zealand)	100.00	100.00
Schneider Philippines (Philippines)	100.00	100.00
Haydenvale Pte Ltd (Singapore)	99.66	99.66
Schneider Electric Export Services Pte Ltd (Singapore)	100.00	100.00
Schneider Electric Logistic Asia Pte Ltd (Singapore)	100.00	100.00
Schneider Electric Industrial Development Singapore Pte Ltd (Singapore)	100.00	100.00
Schneider Electric Overseas Asia Pte Ltd (Singapore)	100.00	100.00
Schneider Electric Singapore Pte Ltd (Singapore)	100.00	100.00
Schneider Electric South East Asia HQ Ltd (Singapore)	100.00	100.00
Schneider Electric Taiwan Co Ltd (Taiwan)	100.00	100.00
Schneider Electric Thailand Ltd (Thailand)	94.88	94.88
Schneider Electric High Voltage Thailand Ltd (Thailand)	100.00	100.00
Schneider Thailand Ltd (Thailand)	100.00	100.00
Square D Company Thailand Ltd (Thailand)	100.00	100.00
Schneider Elektrik SA (Turkey)	100.00	100.00
Schneider MG SD TE SA (Venezuela)	91.58	91.58
Schneider Electric Vietnam (Vietnam)	100.00	100.00
<i>Companies accounted for by the equity method</i>		
Schneider Malaysia (Malaysia)	30.00	30.00
Schneider Scott & English Electric (Malaysia)	14.70	14.70
Lexel A/S		
ELSO GmbH (Germany)	100.00	–
LK Elektrotechnik GmbH (Germany)	100.00	–
Sandas Germany (Germany)	100.00	–
Thorsman GmbH (Germany)	100.00	–
Elmat ApS (Denmark)	100.00	–
JO JO A/S (Denmark)	100.00	–
Lexel A/S (Denmark)	100.00	–
Lexel Holding A/S (Denmark)	100.00	–
Lexinvest A/S (Denmark)	100.00	–
LK A/S (Denmark)	100.00	–
LK Engineering A/S (Denmark)	100.00	–
Polam Holding Danmark A/S (Denmark)	100.00	–
Thorsman & Co A/S (Denmark)	100.00	–
Wibe A/S (Denmark)	100.00	–
Lexel Elektrimaterjalid AS (Estonia)	100.00	–
Ahlström Sähkötarvikkeet Oy (Finland)	100.00	–
Elari Oy (Finland)	100.00	–
Oy Esmi AB (Finland)	100.00	–
Oy Lexel Finland AB (Finland)	100.00	–
Oy Thorsman & Co AB (Finland)	100.00	–
Oy Wibe AB (Finland)	100.00	–
Alombard Finance SA (France)	100.00	–
Ets Alombard SA (France)	100.00	–
Scanelec SA (France)	100.00	–
Foxford Eurofast Ltd (UK)	100.00	–
JO JO Products Ltd (UK)	100.00	–
JO JO (UK) Ltd (UK)	100.00	–

	Percent interest at Dec. 31, 1999	Percent interest at Dec. 31, 1998
Lexel Holding Ltd (UK)	100.00	-
MITA Holdings Ltd (UK)	100.00	-
Thorsman & Co (UK) Ltd (UK)	100.00	-
Walker Mainstay Ltd (UK)	100.00	-
LK India Private Ltd (India)	77.00	-
Thorsman Ireland Ltd (Ireland)	100.00	-
Ahlstrom – Remlr Elektra SIA (Latvia)	60.00	-
Lexel Elektropreces SIA (Latvia)	100.00	-
Eltra Baltic UAB (Lithuania)	100.00	-
Lexel Elektros Prekes UaB (Lithuania)	100.00	-
A/S Elektrokontakt (Norway)	90.00	-
Elko Holding AS (Norway)	100.00	-
ESMI AS (Norway)	100.00	-
Norwesco AS (Norway)	100.00	-
Thorsman & Co A/S (Norway)	100.00	-
Wibe A/S (Norway)	100.00	-
Polam Holding BV (Netherlands)	100.00	-
Polinsta Holding B.V. (Netherlands)	100.00	-
Sandas Montage BV (Netherlands)	100.00	-
Stago BV (Netherlands)	100.00	-
Stago Production BV (Netherlands)	100.00	-
Stago Thorsman BV (Netherlands)	100.00	-
Aktywa Sp.zo.o (Poland)	100.00	-
B.A.P.Z. Sp.zo.o (Poland)	100.00	-
ELDA Szczecinek SA (Poland)	99.00	-
El. Grand Sp.zo.o (Poland)	100.00	-
EI-Handel Sp.zo.o (Poland)	100.00	-
Eltra S.A. (Poland)	100.00	-
NEW.CO Poland (Poland)	100.00	-
Thorsman Polska S.z.p.o.o (Poland)	100.00	-
Lexel Amperie (Czech Republic)	51.00	-
Eltra Kaliningrad Sp.zo.o (Russia)	100.00	-
Lexel Elektromaterialy (SPB) (Russia)	100.00	-
ZAO Ahlstrom Elektromaterialy (Russia)	100.00	-
ZAO Ahlstrom Elektromaterialy (MOW) (Russia)	100.00	-
AB Elektrokontakt (Sweden)	100.00	-
AB Stockholms Brandskyddskonsulenter (Sweden)	100.00	-
ELJO AB (Sweden)	100.00	-
ELJO Forsäljning AB (Sweden)	100.00	-
Elmerks AB (Sweden)	100.00	-
ESMI AB (Sweden)	100.00	-
Exportvärden (Sweden)	100.00	-
Hebo-Verken AB (Sweden)	100.00	-
JO JO AB (Sweden)	100.00	-
Multisignal AB (Sweden)	100.00	-
Scanmast International AB (Sweden)	100.00	-
Thorsman & Co AB (Sweden)	100.00	-
Thorsman Industri AB (Sweden)	100.00	-
Thorsman Marknad Sverige AB (Sweden)	100.00	-
Thorsman Växjö AB (Sweden)	100.00	-
Wibe AB (Sweden)	100.00	-
Wibe Holding AB (Sweden)	100.00	-
Wibe Stegar AB (Sweden)	100.00	-
Wibe Stegar Holding AB (Sweden)	100.00	-

SCHNEIDER ELECTRIC SA (parent company)

	Percent interest at Dec. 31, 1999	Percent interest at Dec. 31, 1998
Former Empain Schneider		
<i>Fully consolidated companies</i>		
Muller & Cie	100.00	100.00
Unahl Inc. and its subsidiaries (Canada)	Sold	100.00
Sovalmo	100.00	100.00
Compagnie Financière SGTE	99.98	98.39
Société Industrielle et Agricole de la Pointe-à-Pitre	Sold	100.00
Gardel	Sold	19.90
Sis Patrimoine	Sold	100.00
Société Agricole de la Guadeloupe	Sold	100.00
SOFRATEP	Sold	100.00
Compagnie Française pour l'Industrie	Sold	100.00
SNC Claire Fontaine	Sold	100.00
Société Industrielle Commerciale et Artisanale	Sold	80.00
Cofibel	99.50	99.45
COFIMINES	99.76	99.71
Cofimines Overseas Corporation	99.76	99.71
Paramer	98.45	98.39
SHL	99.76	99.71
Simak	99.76	99.71
Former Spie Batignolles		
Property		
<i>Fully consolidated companies</i>		
Schneider Capital Management	Sold	100.00
Clément Gestion	Sold	100.00
Spie Loisirs	Sold	100.00
SNC Clément Foncier	Sold	100.00
Clément Aménagement	Sold	100.00
Clément Tourisme	Sold	100.00
Sofin Valmorel	Sold	100.00
SNC Financière de Promotion	Sold	55.50
Domaine Skiable Valmorel (ex-SRMV)	Sold	100.00
SAF de Valmorel	Sold	100.00
Sogeval SA	Sold	100.00
SNC Immo Valmorel	Sold	100.00
Semi Monaco	Sold	100.00
SNC Clément Immo	Sold	100.00
SCI Saint-Denis Ornano	Sold	53.75
SCI Les Revoires Monaco	Sold	98.57
SNC Buirette Jeanne-d'Arc	Sold	100.00
SCI B1 Monaco	Sold	100.00
SCI B2 Monaco	Sold	100.00
SCI RCA Monaco	Sold	100.00
SCI RCB Monaco	Sold	100.00
SCI Port Azur II Bis	Sold	100.00
SCI Port Azur Investissements IV	Sold	100.00
SCI Villa Ostende Monaco	Sold	100.00
Other		
<i>Fully consolidated companies</i>		
Spie-Capag	100.00	100.00
SPEI (accounted for by the equity method in 1998)	100.00	99.82

Auditors' Report on the Consolidated Financial Statements

Year ended December 31, 1999

To the Shareholders of Schneider SA

In accordance with the terms of our appointment at the Annual Shareholders' Meeting, we have examined the consolidated financial statements of Schneider Electric SA and its subsidiaries established in euros for the year ended December 31, 1999.

These financial statements are the responsibility of the Board of Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with French generally accepted auditing standards. Those standards require that we plan and perform our audit to obtain reasonable assurance that the financial statements are free from 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 consolidated financial statements give a true and fair view of the consolidated results of operations for the year ended December 31, 1999 and the consolidated assets and liabilities and financial position of Schneider Electric SA and its subsidiaries at that date.

We are satisfied that the information given in the report of the Board of Directors concerning the Group is fairly stated and agrees with the consolidated financial statements.

Neuilly-sur-Seine and Paris-La Défense, March 1, 2000

The Statutory Auditors

BARBIER FRINAULT & AUTRES
ARTHUR ANDERSEN

BEFEC-PRICE WATERHOUSE
A MEMBER OF PRICEWATERHOUSECOOPERS

Aldo Cardoso

Pierre Jouanne

Pascale Chastaing-Doblin

Daniel Chauveau

Report of the Board of Directors to the Annual and Extraordinary Shareholder's Meeting

Report of the Board of Directors to the Annual Shareholders' Meeting

Approval of the financial statements – 1st resolution

Shareholders will be invited to approve the transactions and financial statements for the year, as presented.

Transfer to the legal reserve – 2nd resolution

During the year, the Company's capital was increased by FF 400,323,000 following bond conversions and the exercise of stock options. The law requires companies to set up a legal reserve at least equal to 10% of the share capital. Shareholders will therefore be invited to raise the legal reserve to 10% of the capital at December 31, 1999 by transferring FF 40,032,300 from additional paid-in capital.

Income appropriation and dividend – 3rd resolution

The Board of Directors recommends that net income for the year, in an amount of	FF 2,077,444,261.10
Plus unappropriated retained earnings brought forward from prior years, in an amount of	FF 788,933,253.53
to which we recommend adding the fraction of <i>précompte</i> equalization tax on dividends distributed in accordance with the third resolution of the Annual Shareholders' Meeting of May 6, 1999 which has not been paid over to the French Treasury, in an amount of	FF 43,222,338.00
thereby raising unappropriated retained earnings to	FF 832,155,591.53
Representing total income available for distribution of Or	FF 2,909,599,852.63 EUR 443,565,638.00

should be appropriated as follows:

Dividends	EUR 208,267,594.52
<i>Précompte</i> equalization tax	EUR 62,005,133.80
Unappropriated retained earnings	EUR 173,292,909.68

If these appropriations are approved, Schneider Electric SA's shareholders' equity will be raised to EUR 3.06 billion from EUR 2.71 billion (after appropriation) at December 31, 1998.

The net dividend paid on each of the shares carrying rights to the 1999 dividend will amount to EUR 1.34 (FF 8.79), representing a total revenue per share of EUR 2.01 (FF 13.18) including the 50% *avoir fiscal* tax credit of EUR 0.67 (FF 4.39).

The number of shares used to determine the dividend per share excludes the shares that will be cancelled subject to adoption of the thirteenth resolution of this Meeting.

Dividends paid by Schneider Electric SA for the previous three years were as follows:

	Net dividend		Avoir fiscal tax credit		Total revenue	
	EUR	FF	EUR	FF	EUR	FF
1996	0.76	5.00	0.38	2.50	1.14	7.50
1997	0.99	6.50	0.50	3.25	1.49	9.75
1998	1.15	7.54	0.575	3.77	1.725	11.31

The dividend will be paid in cash as from June 9, 2000.

Board of Directors – 4th, 5th, 6th, 7th and 8th resolutions

Jean Gandois and Robert Jeanteur have informed the Board that they do not intend to seek re-election at the Annual Shareholders' Meeting and Henri Hottinguer and Amaury-Daniel de Seze have resigned from the Board.

The Board of Directors would like to thank them all for their support during the difficult and challenging period of Schneider Electric's reconstruction.

The Remunerations and Appointments Committee has recommended that only some of the seats left vacant by these retirements and resignations should be filled, in line with the Board's aim of reducing the number of directors. The Board of Directors concurs with the recommendation made by the Committee to propose the election of Thierry Breton, Chairman and Chief Executive Officer of Thomson Multimedia, as director and of Alain Burq, Chairman of the Supervisory Board of the Corporate Mutual Fund invested in Schneider Electric SA shares, as director representing employee shareholders, together with the re-election of Michel François-Poncet and Gérard de La Martinière.

According to the basic recommendation made in the Viénot report on corporate governance, the Board of Directors has reviewed its organization and operating methods. As a result of this review, shareholders will be invited to approve a certain number of changes to the bylaws, which are described below, including a reduction in the term of office of directors to four years. Consequently, the above persons would be elected or re-elected for a period of four years ending at the Annual Shareholders' Meeting to be called in 2004.

Biographical details of the candidates for election to the Board are presented below. Biographical details of Michel François-Poncet and Gérard de La Martinière are provided in the presentation of the Board of Directors.

Thierry Breton 45, Chairman and Chief Executive Officer of Thomson S.A. and Thomson Multimedia.

A graduate of SUPELEC, Thierry Breton was Chairman and Chief Executive Officer of Forma Systèmes between 1981 and 1986. From 1986 to 1988, he served as Advisor to the Minister of Education, with specific responsibility for computer science and new technologies, as well as Managing Director of the Poitiers Futuroscope Teleport, a position he held until 1990. He then went on to be Managing Director of CGI from

1990 to 1993. Mr. Breton left this position to become Executive Chairman of Groupe Bull, before being appointed Chairman and Chief Executive Officer of Thomson S.A. and Thomson Multimedia in March 1997.

Mr. Breton holds the distinction of Chevalier in the Ordre National de la Légion d'Honneur.

Alain Burq 47, Chairman of the Supervisory Board of the "Schneider Actionnariat" corporate mutual fund.

A graduate of Ecole Supérieure de Commerce de Paris, with an MBA from The Wharton School of the University of Pennsylvania, Alain Burq joined Groupe Schneider in 1982. He worked in several indirect subsidiaries as IT manager, head of international financing and head of administration and finance. In 1992, he was appointed Subsidiary Chairman (Valle Nevado ski resort in Chile). Since 1998, Mr. Burq has been responsible for special projects within the Schneider Electric Finance and Control Department.

"Article 101" agreements – 9th resolution

No new agreements governed by Articles 101 et seq. of the Companies Act were entered into during the year.

Shareholders will be invited to note the "Article 101" agreements entered into in prior years which remained in force during 1999.

Share buyback programs – 10th resolution

Shareholders will be invited to authorize the Company to purchase its own shares by any means, including through the use of derivatives, in accordance with article 217-2 of the Companies Act.

Share buyback programs would be implemented either to stabilize the share price or to reduce capital dilution or in connection with the management of the Company's capital base.

The shares purchased under the authorization could be sold or transferred by any appropriate method, as allowed by law, including as an addition or alternative to a share issue in the case of an acquisition.

They could also be attributed on exercise of employee stock options or under an employee share ownership scheme.

Lastly, the shares may be cancelled, subject to adoption of the fourteenth resolution to be presented at the Meeting.

Details of transactions carried out under the authorization given in 1999 are provided on page 8 of the Annual Report.

In accordance with Commission des Opérations de Bourse rule 98-02, the Company has produced an information memorandum approved by the Commission, which is available for consultation by shareholders.

Transfer of the registered office – 11th resolution

In order to bring Group senior management closer to the operating divisions based in the Paris area, the Board of Directors has decided to transfer the registered office and Group headquarters to Rueil-Malmaison. Shareholders will be invited to ratify this decision.

Report of the Board of Directors to the Extraordinary Shareholders' Meeting

Amendments to the bylaws – 12th resolution

To enhance the efficiency of the Board of Directors, shareholders will be invited to approve certain amendments to the Company's bylaws.

Two of the amendments concern a reduction in the maximum number of directors from 24 to 16 and a reduction in the directors' term of office to four years.

In addition, directors will be required to hold a minimum of 250 shares, as evidence of their personal commitment to the Company.

The provisions of the bylaws limiting the term of office of the Chairman and Vice Chairmen to one year will be deleted.

To allow the Company to track changes in its ownership structure more closely, the disclosure thresholds specified in the bylaws will be lowered and the period allowed to disclose interests will be shortened. In addition, the Company will be authorized to obtain greater information about identifiable holders of shares and share equivalents.

Lastly, in the interests of simplicity, the statutory dividend provisions of the bylaws will be deleted.

Cancellation of shares – 13th and 14th resolutions

At December 31, 1999, the Company held 11,542,630 Schneider Electric shares, repre-

senting 7.15% of its capital at that date. These shares were acquired under shareholder authorizations given in prior years.

To offset the dilutive impact of the exercise of stock options, bond conversions and employee share issues that took place in 1999, which involved the issuance of 8 million shares, shareholders will be invited to approve the cancellation of 6 million shares.

Shareholders will also be asked to authorize the Board of Directors to cancel additional shares, representing a maximum of 10% of the Company's capital after the cancellations referred to above, between now and the Annual Shareholders' Meeting to be called to approve the 2001 financial statements.

Employee Stock Ownership Plan – 15th resolution

In the 32nd resolution of the Extraordinary Shareholders' Meeting of June 10, 1997, the Board of Directors was authorized to issue shares to the employees of the Company and related companies, as this term is defined in Article 208-4 of the Companies Act of July 24, 1966, through the Employee Stock Ownership Plan.

The resolution stipulated that the number of shares issued to employees in any given year could not exceed 1% of the Company's capital.

The Board of Directors has decided to promote employee share ownership throughout the Group, however, and it would be very difficult to offer worldwide programs without exceeding this 1% ceiling.

Consequently, shareholders will be invited to renew the authorization, setting a ceiling of 5% of the capital per five-year period.

Issuance of shares and share equivalents while a takeover bid is in progress – 16th resolution

As allowed under Article 180-IV of the Companies Act, shareholders will be invited to authorize the Board of Directors to use the authorizations to issue shares and share equivalents other than to named investors that were given in the tenth and eleventh resolutions of the Combined Annual and Extraordinary Shareholders' Meeting of May 6, 1999 while a public offer for Schneider Electric SA shares is in progress. The authorization will be valid for a period of one year ending at the next Annual Shareholders' Meeting.

Merger with Compagnie Financière SGTE – 17th and 18th resolutions

This internal restructuring operation is designed to streamline and enhance Schneider Electric SA's legal structure.

Compagnie Financière SGTE was formerly a quoted company. It was delisted following Schneider Electric SA's compulsory buyout of minority interests in the fourth quarter of 1999.

Shareholders are now being asked to approve the merger of Compagnie Financière SGTE into Schneider Electric SA. Since Schneider Electric SA holds the entire capital of Compagnie Financière SGTE, the merger will be governed by the simplified rules contained in Article 378-1 of the Companies Act and will not result in any issuance of shares by Schneider Electric SA or the calculation of any exchange parity requiring shareholder approval.

The assets of Compagnie Financière SGTE will be transferred to Schneider Electric SA based

on their net book values at December 31, 1999. It is therefore planned to treat the merger as having been effective as of January 1, 2000.

The main assets to be transferred are as follows, at book value:

- Cash	FF 392,714,998.25
- Finaxa shares	FF 167,555,991.54

Net assets transferred FF 560,010,921.64

The eighteenth resolution provides for the reinstatement, in the Schneider Electric SA balance sheet, of the long-term capital gains reserve recorded in the Compagnie Financière SGTE balance sheet, by deducting the necessary amount from the merger premium. Similarly, the resolution provides for the taxes, fees and expenses related to the merger to be charged to this premium.

The Board of Directors recommends that shareholders adopt all of the above resolutions.

Resolutions

Resolutions voted on in Annual Shareholders' Meeting

First resolution

(1999 financial statements)

The General Meeting, having heard the reports of the Board of Directors and the Auditors, approves the transactions and financial statements for the year ended December 31, 1999, as presented by the Board and notes that consolidated financial statements for the year ended December 31, 1999 have also been presented.

Second resolution

(Transfer to the legal reserve)

The General Meeting resolves to transfer FF 40,032,300 from additional paid-in capital to the legal reserve, in order to raise this reserve to an amount equal to 10 percent of the issued capital at December 31, 1999.

Third resolution

(Appropriation of income and dividend payment)

The General Meeting approves the allocation to unappropriated retained earnings of FF 43,222,338, representing the unused portion of *précompte* equalization tax appropriated in the third resolution of the Combined Annual and Extraordinary Shareholders' Meetings of May 6, 1999. The General Meeting resolves to appropriate income available for distribution of FF 2,909,599,852.63 (EUR 443,565,638), representing net income for the year plus the newly increased unappropriated retained earnings brought forward from prior years, as follows:

Dividends	EUR 208,267,594.52
<i>Précompte</i> equalization tax	EUR 62,005,133.80
Unappropriated retained earnings	EUR 173,292,909.68
	EUR 443,565,638.00

The dividend will amount to EUR 1.34 per EUR 8 par value share, representing a total revenue per share of EUR 2.01 including the 50% tax credit.

Dividend payments for the last three years were as follows:

	Net dividend		Avoir fiscal tax credit		Total revenue	
	FF	EUR	FF	EUR	FF	EUR
1996	5.00	0.76	2.50	0.38	7.50	1.14
1997	6.50	0.99	3.25	0.50	9.75	1.49
1998	7.54	1.15	3.77	0.575	11.31	1.725

Dividends will be paid in cash as from June 9, 2000

Fourth resolution

(Resignation of a Director)

The General Meeting notes the resignation from the Board of Mr. Amaury-Daniel de Seze.

Fifth resolution

(Resignation and election of a Director)

The General Meeting notes the resignation from the Board of Mr. Henri Hottinguer and elects Mr. Thierry Breton to replace him as Director until the Annual Shareholders' Meeting to be called in 2004 to approve the 2003 accounts.

Sixth resolution

(Re-election of a Director)

The General Meeting re-elects Mr. Michel François-Poncet as Director for a period of four years expiring at the Annual Shareholders' Meeting to be called in 2004 to approve the 2003 accounts.

Seventh resolution

(Re-election of a Director)

The General Meeting re-elects Mr. Gérard Machet de La Martinière as Director for a period of four years expiring at the Annual Shareholders' Meeting to be called in 2004 to approve the 2003 accounts.

Eighth resolution

(Election of a Director representing employee shareholders)

The General Meeting elects as Director Mr. Alain Burq, in his capacity as member of the Supervisory Board of the corporate mutual fund invested in Schneider Electric SA shares, for a period of four years expiring at the Annual Shareholders' Meeting to be called in 2004 to approve the 2003 accounts

Ninth resolution

(Agreements governed by article 101 of the French Companies Act)

The General Meeting, having heard the Auditors' Special Report on agreements governed by article 101 of the French Companies Act of July 24, 1966, presented in accordance with article 103 of the Act, notes the information contained in the Auditors' Report.

Tenth resolution

(Authorization to trade in the Company's shares)

The General Meeting, having heard the report of the Board of Directors and the information memorandum prepared by the Company and approved by the Commission des Opérations de Bourse, authorizes the Board of Directors to purchase the Company's shares on the stock market by any appropriate means including through the use of derivatives, in connection with the management of its capital base or any acquisition transactions, or in order to reduce the dilution of capital or to stabilize the market price, as provided for in article 217-2 of the Companies Act.

The maximum number of shares that may be acquired pursuant to this authorization may not exceed 15,542,357 shares, or 10 percent of the issued share capital resulting from the approval of the thirteenth resolution.

Shares may not be acquired at a price in excess of EUR 120 and they may not be sold at a price of less than EUR 50, provided that, if all or some of the shares acquired pursuant to this authorization are intended to be allotted on exercise of stock options, in application of articles 208-1 et seq. of the Companies Act, the selling price of the shares in question will be determined in accordance with the provisions of the law governing stock options.

Share purchases may not exceed an aggregate maximum amount of EUR 1.8 billion.

All or some of the shares acquired pursuant to this authorization may be sold or otherwise transferred or canceled, subject to compliance with the provisions of articles 215 and 216 of the Companies Act. In particular, they may be transferred in payment for shares in another company tendered under a Public Exchange Offer initiated by the Company or on the exercise of warrants or other rights.

Shares may be acquired or sold at any time, including when a takeover bid is in progress.

In the case of financial transactions, the Board of Directors may adjust the maximum and minimum number and/or selling price of shares sold pursuant to this authorization.

This authorization will expire at the end of a period of eighteen months from the date of this meeting.

Eleventh resolution

(Ratification of the transfer of the Company's registered office)

The General Meeting ratifies the decision made by the Board of Directors on September 8, 1999 to transfer the Company's registered office from 64-70, avenue Jean-Baptiste-Clément, 92100 Boulogne-Billancourt to 43-45, boulevard Franklin-Roosevelt, 92500 Rueil-Malmaison, with effect from December 1, 1999, and resolves to amend the first paragraph of Article 5 of the bylaws to read as follows:

"The Company's registered office is located at 43-45 boulevard Franklin-Roosevelt, 92500 Rueil-Malmaison."

Resolutions voted on in Extraordinary Shareholders' Meeting

Twelfth resolution

(Lowering of disclosure thresholds, reduction in the period allowed to disclose changes in interests, extension of the rules concerning identifiable holders of shares and share equivalents, reduction to four years of the maximum term for which directors can be elected, reduction in the maximum number of directors to sixteen, increase in the minimum number of shares to be held by each director, elimination of the one year limit on the term of office of the Chairman and Vice-Chairmen, elimination of the statutory dividend provisions of the bylaws)

The General Meeting, having heard the report of the Board of Directors, resolves to:

- Lower the disclosure thresholds to 0.5% of the capital and any multiple thereof.
- Reduce from fifteen calendar days to five trading days the period allowed to notify the Company that a disclosure threshold has been crossed.
- Extend the rules concerning identifiable holders of shares and share equivalents.
- Reduce to four years the maximum term for which directors can be elected.
- Reduce the maximum number of directors from twenty-four to sixteen.
- Raise to two hundred and fifty the minimum number of shares to be held by each director.
- Eliminate the one-year limit on the term of office of the Chairman and Vice-Chairmen.
- Eliminate the statutory dividend provisions of the bylaws.

and accordingly to amend the bylaws as follows:

New wording

Article 7

Shares may be held in registered or bearer form, at the choice of shareholders. Ownership of both registered and bearer shares is evidenced by an entry recorded in an account opened in the holder's name, in accordance with the applicable laws and regulations.

Any individual or legal entity who acquires, within the meaning of Article 356-1-2 of the Companies Act, directly or indirectly, shares or voting rights representing 0.5% or more of the total shares or voting rights of the Company, or any multiple thereof, is required to notify the Company of the total number of shares, voting rights and share equivalents held, directly, indirectly or in concert with other shareholders, by registered letter with return receipt requested, within five trading days of the date on which the disclosure threshold is crossed. The same disclosure requirement applies in the case where the number of shares or voting rights held is reduced to below any such threshold. In the case of failure to comply with this requirement, the shares in excess of the disclosure threshold will be stripped of voting rights or the voting rights in excess of the threshold will be suspended, in accordance with the law and within legal limits, at the request of one or several shareholders owning at least 2.5% of the capital, made at the General Shareholders' Meeting.

The Company may request from any organization, bank or broker, details of the identity of shareholders and holders of share equivalents and the number of shares held.

Article 11

The Company is managed by a Board of Directors with at least three and no more than sixteen members. In the case of a merger, the number may be increased subject to compliance with the limits and other conditions specified by law.

Each Director is required to hold at least two hundred and fifty shares throughout his or her term of office.

Except as provided for below, directors elected after January 1, 2000 will be elected for a maximum term of four years ending at the close of the Annual Shareholders' Meeting held in the year in which the director's term expires. All directors may be re-elected without any limit on the number of successive terms.

Individuals who are aged 70 or over may not be elected as directors except as specified below:

In the case of election as director of an individual who will reach the age of 70 before the end of his or her term, the duration of said term will be limited to the period between the date of his or her election and the Annual Shareholders'

Old wording

Article 7

Shares may be held in registered or bearer form, at the choice of shareholders. Ownership of both registered and bearer shares is evidenced by an entry recorded in an account opened in the holder's name, in accordance with the applicable laws and regulations.

Any individual or legal entity who acquires, within the meaning of Article 356-1-2 of the Companies Act, directly or indirectly, shares or voting rights representing 2.5% or more of the total shares or voting rights of the Company, or any multiple of 0.5% of the total shares or voting rights in excess of 2.5%, is required to notify the Company of the total number of shares, voting rights and share equivalents held, directly, indirectly or in concert with other shareholders, by registered letter with return receipt requested, within fifteen days of the date on which the disclosure threshold is crossed. The same disclosure requirement applies in the case where the number of shares or voting rights held is reduced to below any such threshold. In the case of failure to comply with this requirement, the shares in excess of the disclosure threshold will be stripped of voting rights or the voting rights in excess of the threshold will be suspended, in accordance with the law and within legal limits, at the request of one or several shareholders owning at least 2.5% of the capital, made at the General Shareholders' Meeting.

The Company may request from any organization, bank or broker, details of the identity of shareholders and the number of shares held.

Article 11

The Company is managed by a Board of Directors with at least three and no more than twenty-four members. In the case of a merger, the number of directors will be fixed in accordance with the law.

Each Director is required to hold at least ten shares throughout his or her term of office.

Except as provided for below, directors will be elected for a maximum term of six years ending at the close of the Annual Shareholders' Meeting held in the year in which the director's term expires. All directors may be re-elected without any limit on the number of successive terms.

Individuals who are aged 70 or over may not be elected as directors except as specified below:

In the case of election as director of an individual who will reach the age of 70 before the end of his or her term, the duration of said term will be limited to the period between the date of his or her election and the Annual Shareholders'

ited to the period between the date of his or her election and the Annual Shareholders' Meeting held in the year in which the director reaches the age of 70.

However, the Annual Shareholders' Meeting at which the director's term expires, normally or in application of the above provisions may, on a motion tabled by the Board of Directors, re-elect said director for a single additional term of no more than four years, provided that the number of directors who have been re-elected in these special circumstances does not exceed one half of the directors in office, as rounded up if the Board comprises an odd number of directors. Consequently, if the re-election of directors who have reached the age limit results in more than half of the directors being aged over 70, the oldest director will be automatically considered as having resigned from the Board on the date of said re-election. If, following a reduction in the number of directors, the above percentage rounded up to the next whole number if appropriate, is exceeded, this will not result in the automatic resignation of the oldest director provided that the necessary replacements are made within three months so that the proportion of directors over the age limit is duly reduced. Failing that, the oldest director or directors will be automatically considered as having resigned from the Board.

A legal entity elected as director may not appoint or maintain as its permanent representative an individual who is over 74. If the legal entity fails to notify the Company of the termination of the appointment of its permanent representative, said permanent representative will automatically be considered as having resigned on his or her 74th birthday.

Article 14

The Board of Directors selects one of its members to act as Chairman for a period to be decided by the Board provided that it does not exceed his or her term as director. The Chairman has the broadest powers to manage the Company in accordance with its corporate purpose, except for the powers that are expressly vested in the General Meeting of Shareholders or the Board of Directors under the law. Any internal restrictions on the Chairman's powers are invalid against claims from third parties, except for any restrictions on the granting of guarantees and sureties that are decided in accordance with the provisions of the law.

The Chairman of the Board may be re-elected at any time but the term of his or her appointment may not extend beyond the Board Meeting held immediately after the Annual Shareholders' Meeting that takes place in the year in which he or she reaches the age of 68.

A director aged 65 or over may not be elected for the first time as Chairman.

Meeting held in the year in which the director reaches the age of 70.

However, the Annual Shareholders' Meeting at which the director's term expires, normally or in application of the above provisions may, on a motion tabled by the Board of Directors, re-elect said director for a single additional term of no more than six years, provided that the number of directors who have been re-elected in these special circumstances does not exceed one half of the directors in office, as rounded up if the Board comprises an odd number of directors. Consequently, if the re-election of directors who have reached the age limit results in more than half of the directors being aged over 70, the oldest director will be automatically considered as having resigned from the Board on the date of said re-election. If, following a reduction in the number of directors, the above percentage rounded up to the next whole number if appropriate, is exceeded, this will not result in the automatic resignation of the oldest director provided that the necessary replacements are made within three months so that the proportion of directors over the age limit is duly reduced. Failing that, the oldest director or directors will be automatically considered as having resigned from the Board.

A legal entity elected as director may not appoint or maintain as its permanent representative an individual who is over 76. If the legal entity fails to notify the Company of the termination of the appointment of its permanent representative, said permanent representative will automatically be considered as having resigned on his or her 76th birthday.

Article 14

Each year, during the meeting following the Annual General Meeting, the Board of Directors elects one of its members to act as Chairman. The Chairman must be an individual and not a legal entity. The Chairman has the broadest powers to manage the Company in accordance with its corporate purpose, except for the powers that are expressly vested in the General Meeting of Shareholders or the Board of Directors under the law. Any internal restrictions on the Chairman's powers are invalid against claims from third parties, except for any restrictions on the granting of guarantees and sureties that are decided in accordance with the provisions of the law.

The Chairman of the Board may be re-elected at any time but the term of his or her appointment may not extend beyond the Board Meeting held immediately after the Annual Shareholders' Meeting that takes place in the year in which he or she reaches the age of 68.

A director aged 65 or over may not be elected for the first time as Chairman.

The Board may also appoint one or more directors to act as Vice-Chairmen for a period to be decided by the Board provided that it does not exceed their term as director.

The Board appoints a person to act as secretary. This person need not be a shareholder.

Article 21

The net income or net loss for the year corresponds to net revenue for each year, determined after deducting overheads and other expenses of the Company, including depreciation, amortization and provision expense.

Five percent of net income for the year, less any losses brought forward from prior years, is allocated to the legal reserve until such time as the reserve is equal to one tenth of the share capital, or to raise the reserve to one tenth of the new share capital if required.

Income available for distribution corresponds to net income for the year, less any losses brought forward from prior years and any allocation to the legal reserve, plus any retained earnings brought forward from prior years. Appropriation of this amount is decided by the Annual Shareholders' Meeting based on recommendations made by the Board of Directors. The Annual Shareholders' Meeting may decide to carry forward all or part of the amount to the following year, or to appropriate all or part of the amount to general or special reserves or to pay all or part of the amount to shareholders in the form of dividends.

The Annual Shareholders' Meeting may also decide to deduct funds from revenue reserves to cover the payment of an ordinary dividend, or to increase the amount of the ordinary dividend or for distribution as an exceptional dividend. In all three cases, the Meeting is required to specify the reserve account(s) from which the funds are to be deducted.

The Annual Shareholders' Meeting may offer each shareholder the option of receiving the dividend either in cash or in shares, in accordance with the provisions of the law.

Reserves, contingency funds and capital repayment reserves, as well as additional paid-in capital, may be re-appropriated, whatever the account to which they were originally credited. In particular, they may be used to increase the legal reserve or to finance a partial return of capital or share buybacks, or allocated among the shareholders, by decision of the shareholders in Ordinary General Meeting.

During the meeting held immediately after the Annual Shareholders' Meeting, the Board may also appoint one or more directors to act as Vice-Chairmen. The Vice-Chairman or Chairmen may be re-elected at any time.

The Board appoints a person to act as secretary. This person need not be a shareholder.

Article 21

The net income or net loss for the year corresponds to net revenue for each year, determined after deducting overheads and other expenses of the Company, including depreciation, amortization and provision expense.

Five percent of net income for the year, less any losses brought forward from prior years, is allocated to the legal reserve until such time as the reserve is equal to one tenth of the share capital, or to raise the reserve to one tenth of the new share capital if required.

The balance plus any retained earnings brought forward from prior years constitutes income available for distribution. This amount is used to pay to shareholders a first dividend equal to 6% of the paid-up, unamortized par value of the shares held by each shareholder. This dividend is not cumulative and rights thereto cannot be carried forward to subsequent years.

The Annual Shareholders' Meeting may appropriate all or part of the remaining balance to any ordinary or extraordinary reserves or carry forward all or part of amount to the following year, in the proportions determined by the Meeting.

Any balance remaining after these appropriations is paid to shareholders in the form of a second dividend.

The Annual Shareholders' Meeting may also decide to deduct funds from revenue reserves to cover the payment of an ordinary dividend, or to increase the amount of the ordinary dividend or for distribution as an exceptional dividend. In all three cases, the Meeting is required to specify the reserve account(s) from which the funds are to be deducted.

The Annual Shareholders' Meeting may offer each shareholder the option of receiving the dividend either in cash or in shares, in accordance with the provisions of the law.

Reserves, contingency funds and capital repayment reserves, as well as additional paid-in capital, may be re-appropriated, whatever the account to which they were originally credited. In particular, they may be used to increase the legal reserve or to finance a partial return of capital or share buybacks, or allocated among the shareholders, by decision of the shareholders in Ordinary General Meeting.

Thirteenth resolution

(Cancellation of six million Schneider Electric SA shares representing 3.7% of the capital at December 31, 1999)

The General Meeting, having heard the report of the Board of Directors and the Auditors' special report, resolves to reduce the Company's capital by EUR 48 million and, accordingly, to cancel 6 million shares held in treasury stock that were acquired under the authorizations given at the Combined Annual and Extraordinary Shareholders' Meetings of June 12, 1998 and May 6, 1999.

Out of the total difference between the purchase price of these shares and their par value, an amount corresponding to 10% of the aggregate par value of the cancelled shares will be charged to the legal reserve and the balance will be charged to additional paid-in capital.

The share capital, as converted into euros on January 14, 2000, will be reduced from EUR 1,291,388,624 to EUR 1,243,388,624 and the number of shares in issue will be reduced from 161,423,578 to 155,423,578.

The General Meeting gives full powers to the Board of Directors to implement this decision and generally do everything necessary, either directly or through a duly authorized representative.

Fourteenth resolution

(Authorization given to the Board of Directors to cancel additional shares of the Company purchased under authorizations given by General Shareholders' Meetings, up to a maximum of 6.3% of the capital)

The General Meeting, having heard the report of the Board of Directors and the Auditors' special report, resolves, in accordance with article 217-2 of the Companies Act of July 24, 1966, to authorize the Board of Directors to cancel shares of the Company purchased under the authorization given in the seventh resolution of the Annual Shareholders' Meeting of May 6, 1999 or in the tenth resolution of this Meeting, as follows:

- The Board may, at its own discretion, cancel all or some of the shares purchased under the share buyback authorizations, on one or several occasions, provided that the number of shares cancelled in the period of 24 months from the date of this Meeting does not exceed 6.3% of the capital, and reduce the share capital accordingly.
- Out of the total difference between the purchase price of these shares and their par value, an amount corresponding to 10% of the aggregate par value of the cancelled shares will be charged to the legal reserve and the balance will be charged to additional paid-in capital.

This authorization is given to the Board of Directors for a period of twenty-four months as from the date of this Meeting and includes the authority to carry out any and all actions, formalities and filings required to cancel the shares and reduce the capital, as well as to amend the bylaws accordingly. The Board of Directors may delegate this authority to a duly authorized representative.

Fifteenth resolution (Employee Savings Plan)

The General Meeting resolves, in accordance with the provisions of Articles L 443-1 *et seq.* of the Labor Code and having heard the report of the Board of Directors and the Auditors' special report issued in application of Articles 186 and 186-3 of the Companies Act of July 24, 1966, to authorize the Board of Directors to issue shares on one or several occasions, at its discretion, for subscription by eligible employees as defined below, provided that the aggregate par value of the new shares does not exceed 5% of the capital. This resolution automatically implies the waiver, by shareholders, of their pre-emptive right to subscribe for said new shares.

The employees eligible to subscribe the share issues carried out under this authorization are the employees of Schneider Electric SA or related companies, as this term is defined in Article 208-4 of the Companies Act of July 24, 1966, who fulfill one or other of the conditions set by the Board of Directors as follows:

- Employees who are members of an Employee Savings Plan, or
- Employees who are members of an Employee Savings Plan and who subscribe employee share issues through a corporate mutual fund invested exclusively in Schneider Electric SA shares.

This authorization is given for a period of five years from the date of this Meeting.

The price paid by eligible employees for shares issued under this authorization may not be more than 20% below the average of the opening prices quoted for the shares over the twenty trading days preceding the date on which the Board of Directors decides to carry out the employee share issue nor may it exceed said average.

The General Meeting gives full powers to the Board of Directors to set the terms and conditions of the issues, within the limits and subject to the conditions set out above, as well as any provisions of the employee savings plan rules. In particular, the Board of Directors has full powers to:

- Specify a minimum period of service that employees will have to complete before being eligible to subscribe shares issued under this authorization,

- Determine the opening and closing dates of the subscription period,
- Set the period allowed to employees to pay up their shares, not to exceed three years,
- Place on record the capital increase corresponding to the aggregate par value of the shares subscribed,
- Take all necessary measures to carry out the capital increases, perform all related formalities and amend the bylaws after each such increase to reflect the new capital.

This resolution cancels and replaces the unused portion of the thirty-second resolution of the Extraordinary Shareholders' Meeting of June 10, 1997.

Sixteenth resolution

(Use of authorizations to issue Schneider Electric SA shares or share equivalents given at the Combined Annual and Extraordinary Shareholders' Meeting of May 6, 1999 while a takeover bid is in progress)

The General Meeting, having heard the report of the Board of Directors, authorizes the Board of Directors to utilize, in full or in part, the authorizations given in the tenth and eleventh resolutions of the Combined Annual and Extraordinary Shareholders' Meeting of May 6, 1999 when a bid to purchase or exchange Schneider Electric SA securities is in progress, subject to compliance with the law.

This authorization will be valid until the General Meeting to be called to approve the accounts for the year ended December 31, 2000.

Seventeenth resolution

(Approval of the merger with Compagnie Financière SGTE)

The General Meeting, having heard the report of the merger auditor and reviewed the terms and conditions of the merger agreement dated March 8, 2000 with Compagnie Financière SGTE, a *société anonyme* with a share capital of FF 8,132,700, which has its principal place of business at 40 avenue André Morizet 92100 Boulogne-Billancourt, registered in Nanterre under no. 542 033 675, whereby Compagnie Financière SGTE agrees to transfer to Schneider Electric SA its total assets, valued at FF 560,271,989.79 in exchange for the assumption by Schneider Electric SA of Compagnie Financière SGTE's total debt, in an amount of FF 261,068.15,

- Approves the merger, as described above, the transfer of the assets described in the merger agreement dated March 8, 2000 and the value attributed thereto.

- Resolves, in view of the date used to value the assets (December 31, 1999) to treat the merger as have been effective as of January 1, 2000.
- Having noted that the various conditions precedent specified in the said merger agreement have been fulfilled, resolves that the merger of Compagnie Financière SGTE into Schneider Electric SA has been completed and that Compagnie Financière SGTE has been dissolved as of the date of this Meeting, without prior liquidation of its assets.

Since Schneider Electric SA owns the entire capital of Compagnie Financière SGTE, the merger does not result in any issuance of shares by Schneider Electric SA, according to the provisions of Article 378-1 of the Companies Act of July 24, 1966.

The General Meeting further resolves that the difference between the total value of the assets transferred by Compagnie Financière SGTE (FF 560,010,921.64) and the book value of the Compagnie Financière SGTE shares in the balance sheet of Schneider Electric SA (FF 375,244,877.10), representing an amount of FF 184,766,044.54, will constitute the merger premium and will be recorded in Schneider Electric SA's balance sheet under "Additional paid-in capital".

Eighteenth resolution

(Deductions from additional paid-in capital)

Pursuant to the adoption of the seventeenth resolution, the General Meeting resolves to deduct from the merger premium credited to additional paid-in capital in accordance with the terms of said resolution, an amount of FF 291,197,890.72 to set up a long-term capital gains reserve in replacement of the reserve carried in the balance sheet of Compagnie Financière SGTE.

The General Meeting further authorizes the Board of Directors to charge to the merger premium or any other premiums recorded under additional paid-in capital all of the taxes, fees and expenses incurred in connection with the merger.

Resolution voted on in combined annual and extraordinary meeting

Nineteenth resolution

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.

Persons responsible for the reference document and the audit of the accounts

1 - Person responsible for the reference document

To the best of my knowledge, the information contained in this reference document is correct and includes all the information required to permit an investor to reach an informed opinion concerning the assets and liabilities, business, financial position, results and outlook of

Schneider Electric. No information has been omitted that would be likely to alter an investor's opinion.

Boulogne-Billancourt, March 27, 2000

Chairman and Chief Executive Officer

Henri Lachmann

2 - Statement by the auditors

We have examined the financial and accounting information presented in this Reference Document and performed all the procedures that we considered necessary, in accordance with professional standards.

We also audited the financial statements of the Company and the Group for the years ended December 31, 1997, 1998 and 1999.

We have no matters to report concerning the fairness of the financial and accounting information presented.

Neuilly-sur-Seine, March 27, 2000

The Auditors

BARBIER FRINAULT & AUTRES
ARTHUR ANDERSEN

BEFEC-PRICE WATERHOUSE

Aldo Cardoso

Pierre Jouanne

Pascale Chastaing-Doblin

Daniel Chauveau

Cross-references to COB regulations (COB regulation no. 98-01)

The annual report has been registered as a Reference Document approved by the Commission des Opérations de Bourse. The following table shows, for each section provided for in the COB regulations governing reference documents, the numbers of the pages on which the corresponding information is supplied.

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1.3 Name and address of the auditors	–	15
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3.1 General information about the issuer	1	Inside cover 15 and 16
3.2 General information about the issuer's capital	27	3 to 5
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4.1 Presentation of the Company and the Group	9 to 21 and 28 to 43	2 and 3
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This reference document was registered with the Commission des Opérations de Bourse on March 27, 2000 under no. R. 00-088. It may not be used in connection with any financial transactions unless it is accompanied by an Offering Circular approved by the Commission.

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