

Letter to the Shareholders

Annual Shareholders' Meeting, June 11, 2001

The Combined Annual and Extraordinary Meeting was held on June 11 under the chairmanship of Henri Lachmann.

After being informed of financial results for the year, when net income rose 30% to € 625 million, shareholders approved all the proposed resolutions, including:

- Approval of the accounts for the year and the payment of a single interim dividend of € 1.60 per share (to be paid as from May 7, 2001) or € 2.40 per share including the associated 50% tax credit.
- Renewal of financial authorizations to:
 - Proceed with share buybacks.
 - Issue bonds.
 - Increase the share capital, with or without preferential subscription rights.
- Approval of Schneider-Legrand's new corporate governance structure:
 - Changing the Company name to Schneider-Legrand.
 - Eliminating double voting rights.
 - Transforming the corporate governance system from a Board of Directors to an Executive Board and a Supervisory Board.
 - Electing the 15 members of the Supervisory Board, which will be chaired by Edouard de Royère.

These provisions will come into force within 45 days of the successful completion of the public exchange offer for Legrand and approval of the merger by the European Commission in Brussels.

Quorum of 39.8% was obtained. The resolutions were passed by majorities ranging from 80.7% to 99.8%.

Questions from shareholders

You presented the Company's results. What were some of the other highlights of 2000?

2000 saw strong growth in sales and significantly improved profitability, making Schneider Electric one of the best performers in its industry. We also finalized a large number of alliances and acquisitions designed to enhance our leadership positions. Shorter product introduction cycles have revitalized our lineup and improved our ability to meet customer needs.

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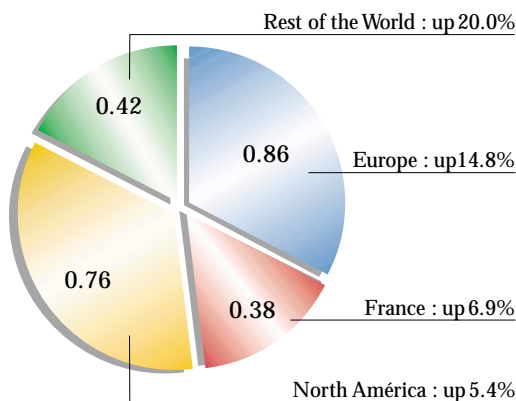
First-quarter sales

Sales rose 11.2%* to
€ 2.4 billion
in the first-quarter of 2001.

*6.4% at constant scope of consolidation
and exchange rates.

Sales by region

(in € billions)



Schneider Electric reported sustained growth in the first three months of 2001, when sales rose an organic 6.4% thanks to the **balanced geographic spread** of the business base and the large number of new orders booked in the final quarter of 2000.

Sales grew strongly in **Europe** and the rest of the world, particularly **Asia**. Demand is firmer in the **electrical distribution** business than in **industrial automation and control**, but in general, the business environment is being shaped by the global economic slowdown.



...Questions from shareholders

Could you briefly review the benefits of the Schneider Electric-Legrand merger?

The merger will create a benchmark company, a world leader in all its markets, with a unique product lineup and a stronger balance sheet. It will allow Schneider Electric to gain new mass while improving margins. The merger offers significant potential to create value and will help speed up

our growth, by product and by country, in markets where there is considerable room to expand. This is a major project, whose business and financial benefits will not be affected by the fact that the offer has been delayed by legal proceedings instituted by a small number of holders of Legrand preferred shares.

Schneider Electric's markets are not as strong as they were last year.

What's the outlook for 2001?

Our economic environment has indeed deteriorated significantly over the past several months. Sales have slowed sharply in the United States, where future trends are difficult to ascertain. But business remains strong in Europe and Asia. In this challenging context, we have set conservative objectives for 2001 and are anticipating only slight growth in sales.



The Schneider Legrand Combination: an amended offer

Reflecting their belief in the strategic benefits of the project and the merger process, Schneider Electric and the Legrand family shareholders have decided to improve the parity offered to holders of Legrand preferred shares and will bear the additional cost equally. The new parities filed with the Conseil des Marchés Financiers on June 7 were as follows:

- For **Legrand common shares**, seven Schneider Electric shares for two Legrand shares. The parity is unchanged and represents a premium of 29.5% over the average share price for the month ended on January 12, 2001.
- For **Legrand preferred shares**, two Schneider Electric shares plus a cash payment of €55 for one Legrand preferred share. This represents a premium of 81% over the average share price for the month ended on January 12, 2001 and a discount of 20% in relation to common shares, versus the 43% proposed initially.

The Legrand family shareholders, who own more than 40% of the company's issued capital, have agreed to tender all their shares to the **secondary offer** at a rate of 16 Schneider Electric shares for five Legrand common shares. The parity is 3.2, versus a parity of 3.5 in the primary offer.

On this basis, 86.5 million new Schneider Electric shares would be created, or 2.4 million fewer than in the initial offer. The overall cost of the transaction would increase by less than €200 million, or around 3%, over the initial offer. As a result, the new terms will not change the dilutive impact on Schneider Electric's earnings per share, as compared with the initial offer.



Highlights of first-quarter 2001

A new contract in Southeast Asia

A €10-million contract has been won to supply and install switchgear and transformers at the Tuas II CCGT power plant in Singapore.

A new manufacturing facility in China

Schneider Electric is continuing to invest in China, with the construction of a new plant near Tianjin. The facility, which produces the local Anjia range of circuit breakers, was built to meet demand in the country's fast-growing low voltage market. Construction lasted nine months and cost €5 million. The plant is located in the Tianjin Economic-Technological Development Area (TEDA), where a large number of international companies, such as Motorola, have set up operations.

Launch of Easyplug, a joint venture with Thomson multimedia

Schneider Electric and Thomson multimedia have launched Easyplug, a joint venture that will develop solutions that integrate Power Line Carrier technology in such consumer applications as DSL broadband Internet access, video, interactive TV and home automation systems. Easyplug targets the market for home and office communications solutions using electrical networks, which is estimated at more than €1 billion for 2003/2004. The company forecasts sales of €40 million in 2001 and more than €200 million in 2005. As a supplier of finished products, communication modules and expertise in applications using PLC technology, Easyplug will offer its services to companies that design or market consumer products and services or that sell infrastructure or communication products for business.

Rhodia, Schneider Electric, Thomson multimedia and Usinor create KeyMRO, an e-procurement joint venture

KeyMRO will purchase all types of maintenance, repair and operations (MRO) goods and services via the Internet. The four founding companies have agreed to contribute at least 20% of their aggregate non-bill of materials procurement to the new marketplace, or an amount of around €12 billion.



Focusing on OEMs as strategic customers

The original equipment manufacturer (OEM) market has strong growth potential and is one of Schneider Electric's priority targets over the next ten years. A dedicated organization, Schneider Electric Global Multisite OEM Development (SGOD), was set up to serve multinational OEMs and to meet their needs more efficiently worldwide. "A year after start-up, we had targeted 23 global multisite OEM customers and appointed three regional managers to track them in France, Europe and the United States," says Philippe Bertrand, who heads the unit. "Next we'll be looking at Northern Asia and Latin America."

By the end of last year, SGOD had already generated consolidated sales of €111 million and by 2002 expects to hit €200 million from 60 qualified OEMs, all industry leaders. Our application-oriented OEM solutions cover a wide range of activities, including packaging, mail and baggage sorting and transporting, printing, elevators and machine-tools.



Schneider Electric Shareholder Relations Committee *meets for the first time*

The Schneider Electric Shareholder Relations Committee held its first meeting on May 28 at our headquarters in Rueil-Malmaison. The Committee, whose ten members were selected from among the many candidates who applied, aims to bring the Company closer to individual investors by acting as a forum in which they can air their concerns and expectations regarding investor relations.

As an interface between individual shareholders and the Company, the Shareholder Relations Committee will be expected to:

- Improve, through its recommendations

and suggestions, the content and distribution of information to individual shareholders (Letter to Shareholders, Shareholder Guide, toll-free telephone numbers).

- Take part in meetings with shareholders, investor fairs and the Annual Shareholders' Meeting.



The members of the Shareholder Relations Committee:

Jean-Luc Cazaufranc, Yves Cognat, Fernand Harcaut, Gustave-Louis Houillon, Roger Marx, Alain Perdigau, Henri Pfeffer, Françoise de Saint Sernin, Jean-Claude Vachon and Dominique Vigneron.



Shareholders' Agenda

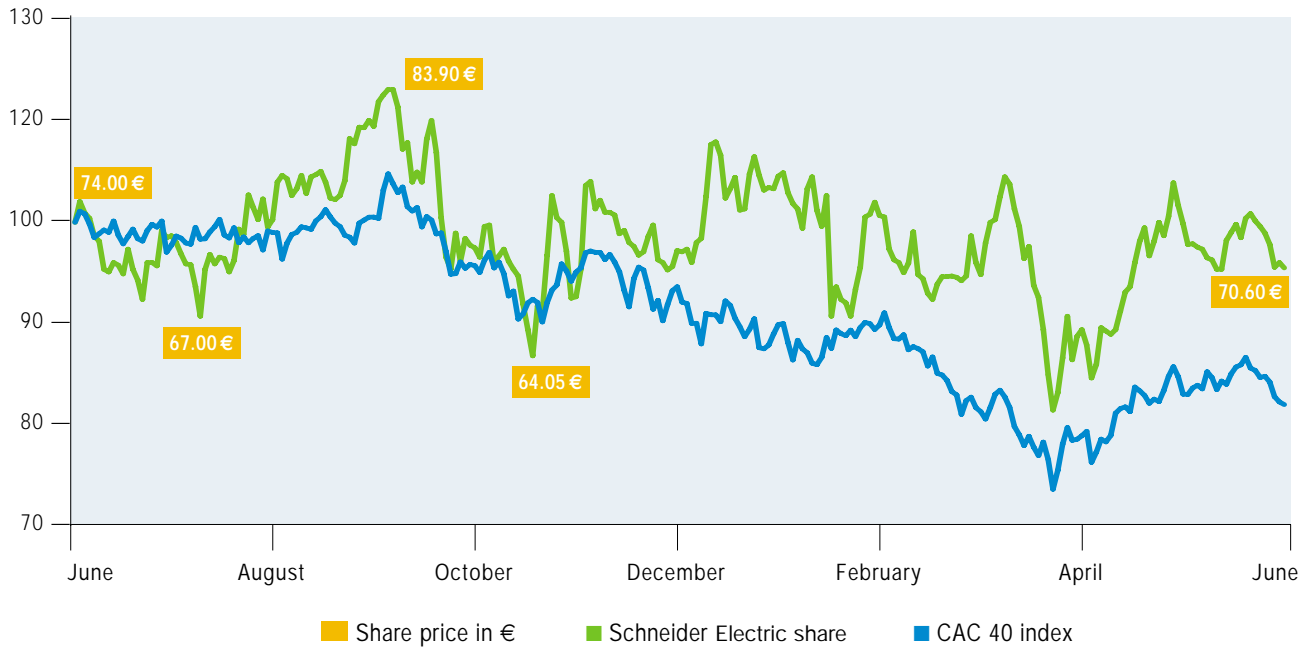
Schneider Electric Share/CAC 40 Index

Base 100 on June 1, 2001

At June 1, 2001, the Schneider Electric share was down by 4.6% year-on-year, in a depressed market that saw an 18.4% decline in the benchmark CAC 40 index.

Share data - June 1, 2001

- Shares outstanding: 155,787,643
- Sicovam Code: 12197
- Listed on: First Market of the Euronext Paris market (deferred settlement service)
- Par value: €8.00
- Market value: €11 billion



ARESE, a French agency that rates the social and environmental performance of listed companies, has released the marks given to Schneider Electric for its human resources, environmental protection, shareholder relations and corporate citizenship policies. The agency's favorable opinion recognizes the impact of Company initiatives, federated by the concept of "sustainable development." The rating also supports a more extensive presence for the Schneider Electric share in ethical investment funds.

Investor calendar 2001

July 24	Interim sales
September 12	Interim earnings
October 19 - 20	Actionaria Investor Fair, Lyon
October 23	Nine-month sales
November 8	Meeting with shareholders, Montpellier
November 16 - 17	Actionaria Investor Fair, Paris

Want to find out more?
www.schneider-electric.com

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Schneider
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 43-45 boulevard Franklin Roosevelt
 92500 Rueil-Malmaison, France
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