

Letter

to the Shareholders



Dear Shareholder,

I am particularly pleased to announce that François Grappotte, Chairman and CEO of Legrand, and I have decided to join our two companies in order to take full advantage of our highly complementary businesses and geographic spread in low voltage. This alliance will create a worldclass

player with a leadership position in electrical distribution and industrial control and automation.

Schneider Electric will make a public exchange offer for all Legrand outstanding shares.

The alliance has been unanimously supported and approved by both Boards of Directors, as well as by Legrand's family shareholders, who have irrevocably committed to tendering their shares (40% of the issued capital) to the offer.

This link-up makes good business sense for three key reasons: the increasing **convergence** of our companies' strategies; their **successful performance** over the past years, which has allowed them to meet their objectives; and the need to **compete** with powerful, aggressive rivals to serve globalized customer demand. This alliance will give us the resources we need to expand and **speed our growth**.

A world leader in electrical distribution, industrial control and automation

The new group, with sales of EUR 12.4 billion (pro forma 2000 figure) and more than 90,000 employees, will offer a unique product line-up thanks to its **depth, quality** and **brand awareness**. The geographical presence of the new group will be remarkably well-balanced, with business in Europe (outside France) amounting to 37% of sales, North America representing 29%, France 20% and the rest of the world 14%. In each of these markets, the new group will hold forefront positions.

An enhanced growth dynamic

The amical nature of the transaction will provide the new group with the best foundation for enhanced growth. From the start, Schneider Legrand will benefit from **exceptional strengths**: world presence, entrepreneurial spirit, capacity to innovate, reactivity, service to customers, relationship with contractors, quality partnerships with distributors. These assets, thanks to considerable financial leeway, will enable the new group to expand more quickly into markets with high growth potential, such as building automation and control, voice-data-image (VDI), industrial control and automation, web automation, services, etc.

This alliance will rapidly generate revenue and cost **synergies** that will have an estimated impact of EUR 210 million on operating income in 2003.

**Creation
of a world
leader:
Schneider
Legrand**

Merlin Gerin

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Square D

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Schneider
 **Electric**

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(1) Legrand plans to pay its dividend as interim dividends for a total amount of EUR 1.87 per share (excluding tax credit), representing a 10% increase, before the closing date of the offer.

(2) Legrand plans to pay its dividend as interim dividends for a total amount of EUR 2.99 per preferred share (excluding tax credit) before the closing date of the offer.

An attractive offer that will create value

Legrand shareholders will be offered 7 Schneider Electric shares cum dividend as from January 1st, 2001 for 2 ordinary Legrand shares⁽¹⁾ and 2 Schneider Electric shares cum dividend as from January 1st, 2001 for 1 Legrand preferred share.⁽²⁾

This offer represents a premium of 19.8% on the ordinary shares closing price on January 12, 2001 and 29.5% on the one month trading average. It also represents a premium of 25.5% on the preferred shares closing price on January 12, 2001 and 33% on the one month trading average.

This operation will **create value** for Schneider Electric shareholders due to the synergies generated by the alliance and the ensuing stock market appreciation. The market status of the new group will be reinforced by its size and weight in the stock indexes, as well as by the steady performance and profile of its income and cash flow situation. This operation will be accretive on Schneider Electric earning per share as of 2003.

A shared commitment to working together

The creation of the new group will be facilitated by their joint experience in acquisitions and well-balanced corporate governance, which illustrates the willingness to work together.

The new group's Supervisory Board will have sixteen members, including four representatives of Legrand shareholders. I will serve as Chairman of the Executive Board and François Grappotte will be Vice-Chairman. In addition, three executives from Legrand will join the new group's Executive Committee.

The industry reference

With pro forma market capitalization of EUR 17 billion at January 12, 2001, the new group will rank among the highest market capitalizations on the Paris Stock Exchange, moving up from 28th to 19th position on the CAC 40 Index. It will also improve its ranking on major European indices.

With net income of around EUR 840 million in 2000 (according to the market consensus on both groups), cash flow of EUR 1.4 billion and shareholders' equity of EUR 5.9 billion, the group's new financial position will enable it to grow all its businesses, particularly in high growth markets.

Indicative timetable

Schneider Electric's public offer of exchange for Legrand shares was filed with the market authorities on Monday January 15, 2001. Pending their approval, the offer should be open from January 25 to February 28, 2001. It will be submitted to the antitrust authorities and the employee representative bodies of both groups are currently being informed.

We would like to thank you, Dear Shareholder, for your confidence, and assure you that we will keep you informed about this **exceptional opportunity** for Schneider Electric and Legrand. Schneider Legrand's enhanced scope will give us the resources to better satisfy our customers, our employees and you, our Shareholders.

Henri Lachmann
Chairman and Chief Executive Officer



News

Shareholder Relations Committee

You now have until March 20 to send in your application if you would like to be a member of our new Shareholder Relations Committee. The application form is available from the Investor Relations Department (toll-free number in France) and on the internet.

Investor Calendar 2001

January 24	2000 Annual sales
March 1	2000 Annual results
May 3	Annual Shareholders' meeting
May 7	Dividend payment

Want to know more?
www.schneider-electric.com



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