

Letter

to the Shareholders



Dear Shareholder,

As you know, the European Commission has ruled that Schneider Electric's acquisition of full control of Legrand is incompatible with the Common Market. This decision comes at a time when the world economy is particularly fragile, which makes it all the more incomprehensible and prejudicial. I can assure you that all of the teams who worked on the project at both Schneider Electric and Legrand carried out their mission **seriously, professionally** and in compliance with EU

procedure. After ten months of intense work between our companies and the Commission's services and tens of thousands of pages of procedural documents, the Commission suddenly decided that the position held by distributors in France was too large. It then reversed the agreement in principle given on September 14 and refused the transaction at the last minute. Following this incomprehensible about-face, the Commission prohibited the merger. Top Management, the Board of Directors and I fully assume our responsibility in this setback.

However, we deeply regret this decision which affects a project with **considerable strategic and industrial value**. The merger would have created a very large European company - the world leader in its business - with the potential to generate jobs in our country and create wealth for customers and shareholders.

Now we must undo the capital ties between Schneider Electric and Legrand. Two solutions have emerged: a trade sale of Legrand, or a demerger and distribution of Legrand shares to Schneider Electric shareholders. In making our decision, we will focus on the solution that best serves our shareholders and ensures a solid future for both companies, in keeping with the conditions set by the European Commission.

At the same time, in light of the analyses on which the Commission based its decision and the various episodes that shaped the procedure, we will prepare an appeal to the Court of First Instance of the European Communities. The appeal will take several months and will not stop our separation from Legrand. However, we feel that it is necessary to protect our rights.

In term of business, the first nine months of 2001 were shaped by the deteriorating economic climate in North America, as well as by slower capital spending in Europe and the US. In this difficult market situation, Schneider Electric took **energetic measures** to cut costs and improve productivity in America, as well as in Argentina, Turkey and Australia. In Europe, despite a slowdown, aggregate sales growth remained strong, notably in southern and eastern Europe. This offset weaker sales in Germany and, to a lesser extent, the United Kingdom. Business in France is stable in a more difficult market environment.

The September 11 terrorist attacks have created additional uncertainty. They reduce our visibility and call for caution. **Our fundamentals remain good**. The quality of our teams, our healthy finances and our strategy will allow us to pursue our growth as a major global player in electrical distribution, industrial control and automation. We are in an industry of the future and we have the ability, I am convinced, to **generate profitable growth on a sustainable basis**. Even though current upheavals have excessively depressed our market value, we are a particularly solid and balanced enterprise that is more profitable than its competitors. The markets will recognize this over the long term.

I would like to take this opportunity to thank you, dear Shareholder, for your continued support and confidence.

Henri Lachmann
Chairman and Chief Executive Officer

Sales at
September 30, 2001

7.405

billion euros

up 5.9%

Merlin Gerin

Modicon

Square D

Telemecanique

Schneider
 **Electric**

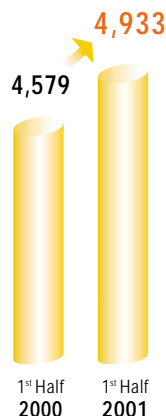
Get more with the world's Power & Control specialist



Half-year Financial Results

Sales : up 7.7%

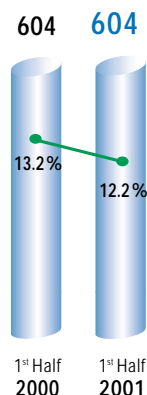
(in million euros)



Sales growth at June 30, 2001 revealed a significant slowdown in business in the US and a slight decline in France. Growth remained strong in Europe and the rest of the world.

Operating income stable

(in million euros)

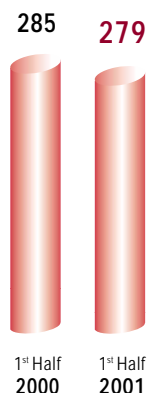


The decline in the operating margin stems primarily from an unfavorable product mix in the US and the impact of raw material price increases at the end of 2000.

● Operating income as a % of sales

Net income : down 2.0%

(after goodwill amortization - in million euros)



Despite the lower operating margin, net income was roughly stable over the first six months of the year.



Sales at the end of September 30, 2001

Since the beginning of 2001, Schneider Electric has been affected by the deteriorating global business environment. Nevertheless, sales rose by 5.9% to 7.4 billion euros at September 30, 2001. On a constant structural and currency basis, sales grew by 2.3%.

Breakdown by geographical region:

	Sales at Sept. 30, 2001 (in billion euros)	% change 9 months current basis	% change 9 months constant basis
France	1.10	+2.0	+0.3
Rest of Europe	2.56	+12.1	+5.3
North America	2.34	-2.7	-7.7
Rest of the world	1.40	+14.7	+18.4
Total	7.40	+5.9	+2.3

Sales grew at a slower pace than in the first half of the year, when they benefited from depletion of the order book. The continued deterioration in all markets observed since the beginning of the year appears to have accelerated since the end of the third quarter.

In this environment, Schneider Electric demonstrated its strong ability to adapt thanks to the deep commitment of its team members. We held up better than our competitors thanks to our balanced geographic exposure, our presence in four core markets (building, industry, infrastructure and energy), and the synergy of our electrical distribution and industrial control and automation businesses.

Nevertheless, September 2001 events and the global economy's current weakness create additional uncertainties and call for caution in forecasting sales trends for the full year.



During the first semester of 2001...

June 2001

- Acquisition of New Zealand-based PDL Holdings - Sales : 80 million euros in manufacturing final low voltage equipment and high power speed drives.
- Schneider Toshiba Inverter's plants began production (Schneider Toshiba Inverter is the world leader in industrial speed drives with sales of 200 million euros in 2000).

April 2001

- Launching of Easyplug joint venture with Thomson multimedia (Easyplug develops solutions using powerline carrier (PLC) technology for DSL, video,

Internet, interactive TV, home automation and other consumer applications).

March 2001

- KeyMRO is founded (joint e-procurement company for non-production goods and services), with Rhodia, Thomson multimedia and Usinor. The four partners commit themselves to channel at least 20% of their total maintenance, repair and operations (MRO) purchases to the new company, or an amount of around 12 billion euros.

February 2001

- Acquisition of EMIT Transformers (in Poland) - Sales : 5 million euros in LV/MV transformers.



Interview with...



Jean-Louis Andreu, a graduate of Paris' Ecole des Mines and Harvard Business School (MBA), joined Schneider in 1988 to lead Telemecanique.

He is now Executive Vice-President of the International Division and a member of Schneider Electric's Executive Committee.

What areas does the International Division cover?

All the countries that are not in North America or Europe. These countries are very diverse in terms of size, population, culture and development, and they offer major growth opportunities for us.

Where do you see the greatest growth potential?

In China, without a doubt. Our performance there has been particularly satisfactory over the past seven years. There's also good potential in India, where we've been present only a short while; in Brazil, even though we've been there for 54 years; in Turkey and in Southeast Asia. All of these countries and regions have large populations, the desire to grow and strong skills. Their demand for electrical power and production resources is developing quickly, or will do so in the near future. Also, we aren't underestimating the opportunities offered by more "advanced" countries such as Australia-New Zealand, South Korea and Japan.

What drives the Division's growth?

Our growth is primarily organic. In a given country, we start by setting up marketing teams and then move on to manufacturing and technical resources. The main thing is to develop skilled local teams to whom we can give substantial responsibility as quickly as possible.

Acquisitions play a supporting role. We turned to this solution recently to take over the businesses of certain longstanding partners, to gain faster access to markets in India, Brazil, Argentina and New Zealand, or to extend Schneider Electric's lineup, for example in Australia and South Africa.

What's been the Division's growth profile and profitability over the past few years?

On average, our sales growth has been higher than Schneider Electric's as a whole (13% versus 9% since 1993). China tops the list for long-term growth, but we've also performed well in Argentina, Turkey, Egypt, Thailand and India. All of these countries have been success stories that held up well in the midst of various crises.

How have you reacted to these crises?

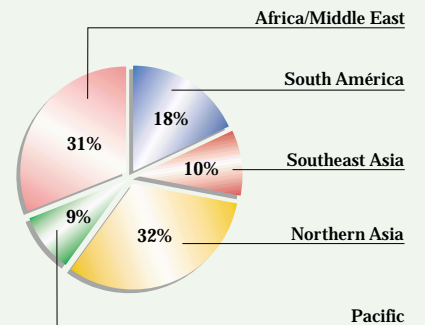
We've reacted locally, of course, with swift, determined measures. At the same time, we've taken care to preserve our goodwill and to respect our employees. In 1998, for example, we reduced our workforce in Southeast Asia by 50% in one year, but we did it faster and under better material conditions than other companies and we protected team members from minority populations. Workforce cuts were also carried

International Division

2000 sales

1.6 billion euros, or 18% of Group' sales, up 31% (on a current basis, excluding high voltage activities)

Breakdown by geographical region



2000 Workforce

9,700 employees, representing 13% of the Group's total workforce

out quickly at other times in South Korea, Turkey and Brazil. The flip side of this strategy is that we don't hesitate to hire once the environment improves.

We've been flexible and understanding with customers facing cash flow problems, while taking care to avoid payment defaults. In many cases, crises have given us the opportunity to review our processes, train our people better and improve efficiency. In Indonesia, for example, we ended up improving profitability after our sales plummeted by more than 50%.



Using the Internet to serve our Shareholders

The Schneider Electric share section in the Investor's Corner improved in August 2001. It provides the share ticker in real time, share price performance and key financial data.

The Investor's Corner is regularly updated to reflect important events and corporate highlights. In particular, you can check our key figures,

download the annual report, financial statements and presentations to journalists and financial analysts, or look at our corporate calendar.

For further information, feel free to contact us at any time through the special link in the Financial Analysts section (timetable and contact).



www.schneider-electric.com



Shareholders' Agenda

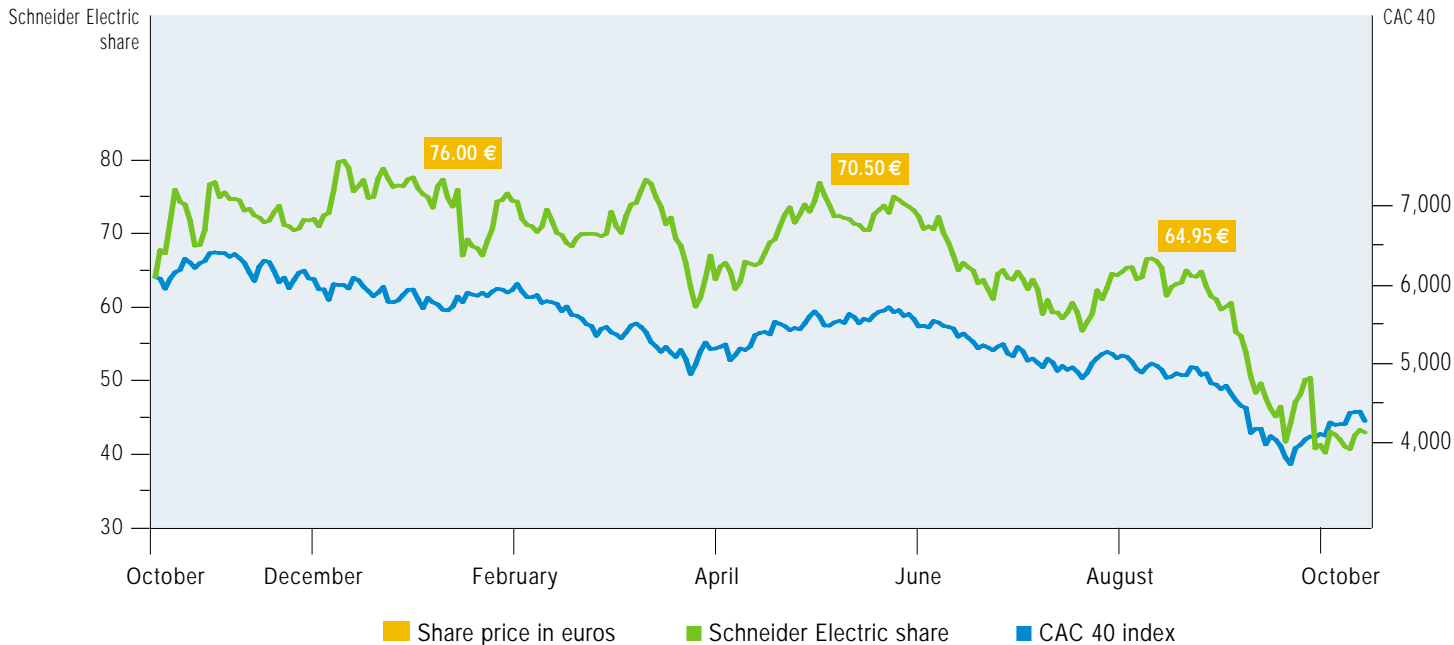
Schneider Electric Share/CAC 40 Index

from October 15, 2000 to October 15, 2001

At October 15, 2001, the Schneider Electric share was down 33.2% year-on-year, similar to the CAC 40 index evolution (down 30.8%). The share has suffered from the excessively depressed market environment since the beginning of the year and from the European Commission's negative opinion on the merger with Legrand.

Share data October 2001

- Shares outstanding: 240,149,864
- Euroclear code: 12197
- Listed on: First Market of the Euronext Paris market (deferred settlement service)
- Par value: 8 euros
- Market value: 10.3 billion euros



Shareholder Relations Committee

The Committee met on October 2 at Schneider Electric's offices in Rueil Malmaison. The Committee has ten members and is designed to bring the Group closer to individual investors by acting as a forum in which they can air their concerns and expectations regarding investor relations.

As the relay between shareholders and the Group, the Committee's missions are 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.

Contact

Send your questions and comments to:

Shareholder Relations Committee - Direction de la Communication Financière

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

Calendar 2002

November 8, 2001	Euronext conference (Montpellier)
November 16&17, 2001	Actionaria Trade Fair (Paris)
January 23, 2002	2001 Annual sales
February 27, 2002	2001 Annual results
April 23, 2002	First-quarter 2002 sales
May 27, 2002	Annual Shareholders' Meeting (Carrousel du Louvre, Paris)
May 31, 2002	Dividend payment

Actionaria Trade Fair : November 16 & 17, Paris

This annual must-attend event brings together the listed companies and all the involved in the stock market. Last year, the Paris Trade fair attracted nearly 33,000 shareholders. We look forward to seeing you this year in Paris. Contact us to receive your invitation.

Want to know more?

www.schneider-electric.com



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

Incorporated in France with limited liability and issued capital of €1,921,198,912
Registered in Nanterre B 542 048 574