

EPG 2005 Conference

May 16, 2005

Merlin Gerin

Square D

Telemecanique



Schneider
 **Electric**
Building a New Electric World

Disclaimer

All forward-looking statements are Schneider Electric management's present expectations of future events and are subject to a number of factors and uncertainties that could cause actual results to differ materially from those described in the forward-looking statements.

Overview

Actions plans

Outlook



A pure player in Power & Control

Electrical Distribution

Make electricity safe, available and reliable

 Merlin Gerin

 SQUARE D



Automation & Control

Control and monitor industry, buildings, homes and infrastructures

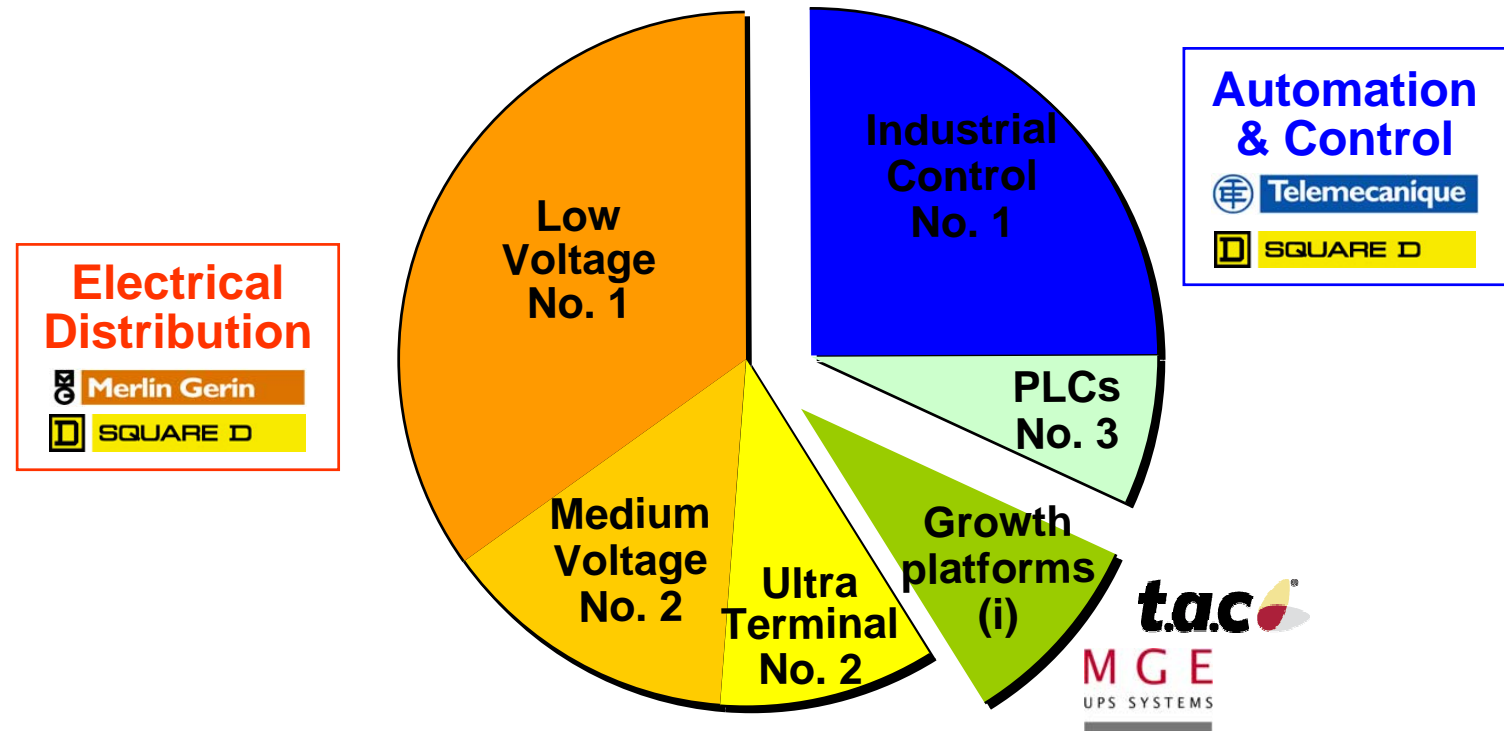
 SQUARE D

 Telemecanique

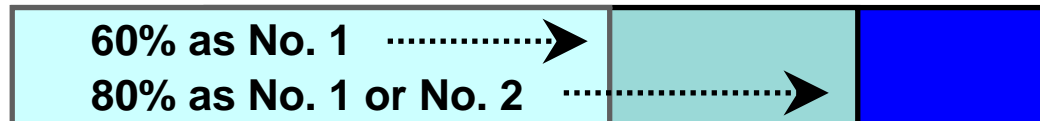




A worldwide leader in Power & Control



Schneider Electric: a leader in most of its businesses





A strategy to enlarge accessible markets

- **Balance** business **portfolio** between
 - High market share & high growth businesses
 - Software, Electronic & Electromechanical
 - Residential, Infrastructures & Buildings, Industry

- **Boost new businesses**
 - Energy Management
 - Automation Everywhere
 - Ultra Terminal
 - Services

- Reinforce market share in the **Industry**
 - Global accounts
 - OEMs for targeted applications

- Invest in **fast-growing countries**



A new ambitious programme : Three operational priorities

growth

efficiency

people

Boost
growth and
innovation

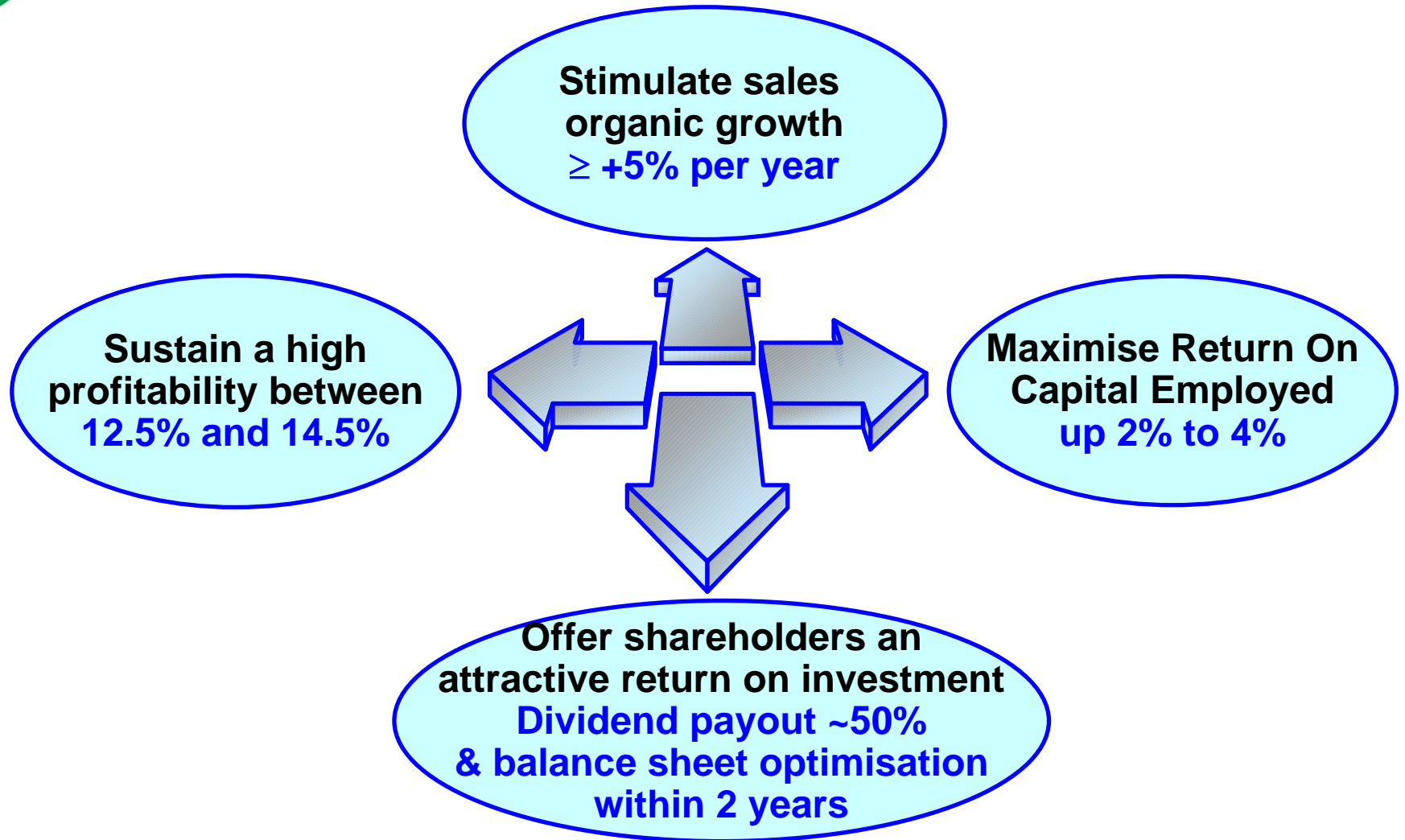
Enhance
operational
efficiency

Develop
our
people



A new ambitious programme : Four financial targets

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Schneider Electric's key strengths in the industry

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- A worldwide **leading** and **pure** player in Power & Control
- Deep presence and wide coverage in **emerging markets**
- Strong **innovation** thanks to high **R&D** investments
- On-going development in **high-growth businesses**
- Solid **financials** and sustainable **operating performance**
- Low capital intensive **business model**
- New efficient **organisation**, young international **management**

**Objective : offer shareholders
an attractive return on investment**

Overview

Actions plans

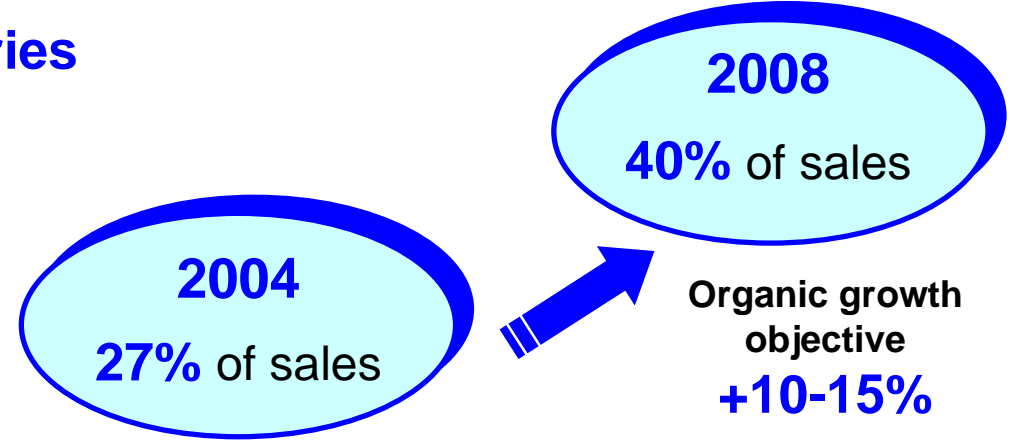
Outlook







Deep geographic and business repositioning

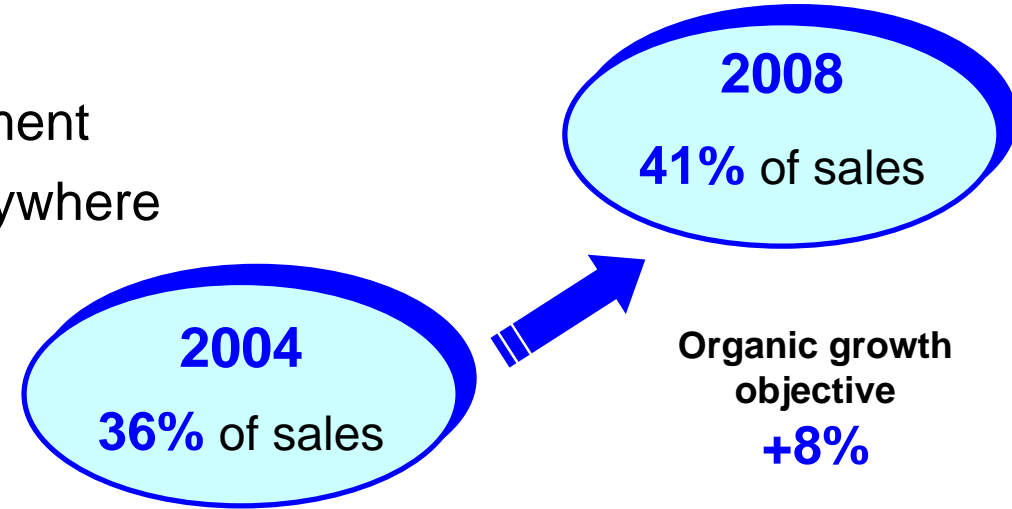


→ Emerging countries



→ New businesses

-  Energy Management
-  Automation Everywhere
-  Ultra Terminal
-  Services





Key differentiation advantages in emerging countries



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→ Efficient strategy of penetration

- Business portfolio adapted to country's maturity
- Progressive penetration : sales force, production sites
- Development based on partnerships with local actors

→ Well established market positions

- Early and sustainable presence despite crisis / risks
- Priority to organic sales growth : offering, sales force
- Optimisation of market coverage through local intermediaries

**Fast and profitable growth, far above end markets
leading to an increasing contribution to Group sales**

growth

Energy management : long term growth drivers

new²



→ A fast changing sector

- Decrease of available energy and rise of kwh price
- Deterioration of power grid quality
- Increasingly complex process : technicality, deregulation
- Loss in users' competencies
- Imperative respect of environment

→ Solutions adapted to customers' needs

- Running of critical applications
- Control of equipments
- Energy consulting services

**Objective : provide high quality energy
and increase energy efficiency**



Energy quality : Secured power



Surge suppressors



Single phase UPS



Three phase systems

- Increase the **availability** and **uptime** of mission critical applications
 - Power protection for the individual and professional users
 - Uninterrupted Power Supply (UPS) for PCs & servers
 - Enterprise protection systems

- Address **markets** sensitive to electrical disruptions
 - Company networks
 - Telecoms
 - Internet data centers
 - Infrastructures : hospitals, transports

- Guarantee the highest-level of **service** throughout the life-cycle of installations



Energy efficiency : Optimised consumption



- Acquisition of Power Measurement Inc to complement PowerLogic



- **Intelligent systems** for energy management
 - Monitoring and control devices of energy consumption
 - Metering and analysis of energy quality and reliability
- A large and diversified basis of customers
 - Reduction of costs through energy savings
 - Optimisation of equipments use

Energy suppliers



Industrial consumers



Critical power



growth

Building automation : Control of building operations and security

new²



Rockefeller Center, New York



Oriental Pearl Tower, Shanghai



Kremlin buildings, Moscow

→ Acquisition of Merger with



→ Growth **drivers** of the market

- Demand for energy cost savings
- Increasing needs for comfort and security
- Fast change of buildings usage

→ **Integrated** and **open** systems

- Integration of the different building utilities
- Adaptation to existing systems and IT evolution
- Added value services during buildings life cycle



Services



→ **Steady expansion** over the past 3 years

- Growth above 15%
- Workforce doubled

→ **8%** of total sales

→ Three-pronged **strategy**

- ① Optimise and upgrade installed base
- ② Enhance energy performance
- ③ Improve customers' industrial performance



Productivity plans



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→ Manufacturing Excellence

- “Lean Manufacturing”
- Quality & Value Engineering



→ Quality : Six Sigma

→ Industrial facilities rationalisation

→ Purchasing

- Globalisation and internationalisation
- Acceleration of suppliers consultations

→ Support functions rationalisation



Operational efficiency



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→ Costs re-balancing plans

- International sourcing teams
- Production closer to the customer
- New plants in emerging countries

→ Logistic costs down by -2pts

- Constant improvement in customer service quality
- Reduction in the number of logistics centers
- Opening of a distribution center for Asia-Pacific (Hong Kong)

→ IT costs down by -1pt

- Global management of IT systems
- Harmonisation of processes across the Group

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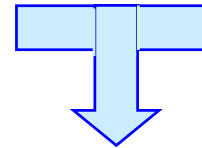
Outlook



First quarter 2005 sales : significant current growth

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**First-quarter 2005
sales growth
+ 6,7%**



North America

**Excellent
growth**

Western Europe

**Stable business
volumes**

Emerging countries

**Sustained
high growth**



Outlook 2005

Assuming current economic conditions,
we confirm our targets for 2005

