



Agenda

<i>A leader in Power & Control</i>	<i>Henri Lachmann</i>
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We have a unique worldwide business model



➔ **We have a complete geographic coverage**

➔ **We have a strong partnership policy**

Notes

- To describe this model in a simple and factual way, its principal component is its strategy of partnership.
- We provide our customers with solutions thanks to an offer that is designed to be comprehensively integrated by a partner called an integrator, who will endow it with different business forms.
- This approach through the partner is the feature that makes our model different.
- The second component of our model is better known – it is our complete geographic cover.

We have a unique worldwide business model

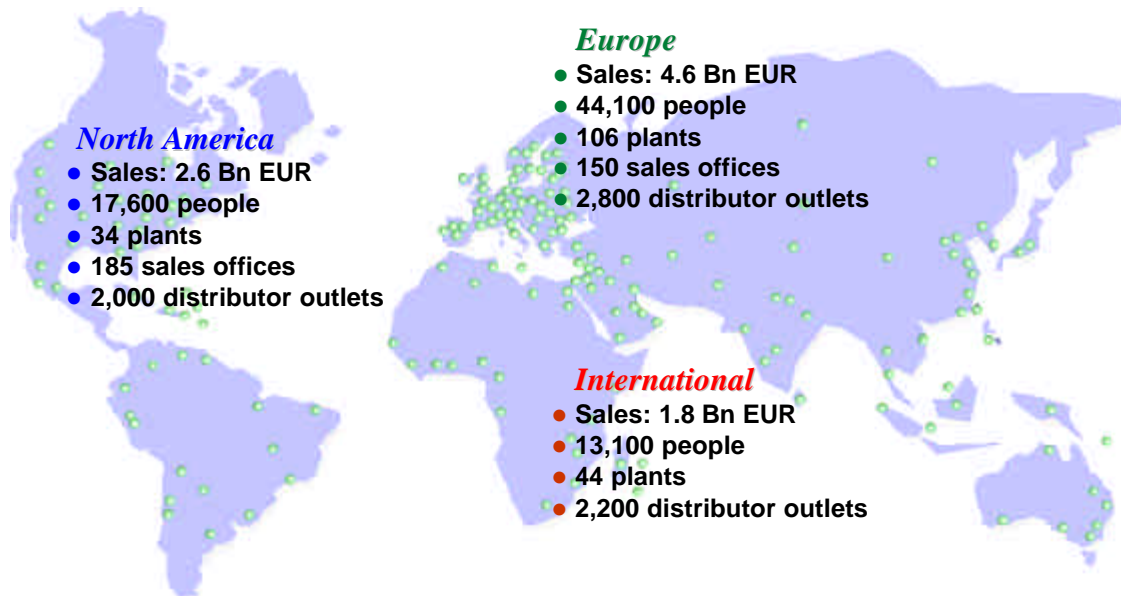


➔ **We have a complete geographic coverage**

- We have successfully deployed our business model worldwide and adapted locally in 130 countries
- Our standard products are available around the world
- For global customers, we have set a specific organization providing a unique interface for sales and services:
 - **Schneider Global Business Development (SGBD)**

➔ **We have a strong partnership policy**

We succeeded in deploying and adapting in 130 countries



Source: 2002 figures

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Electric

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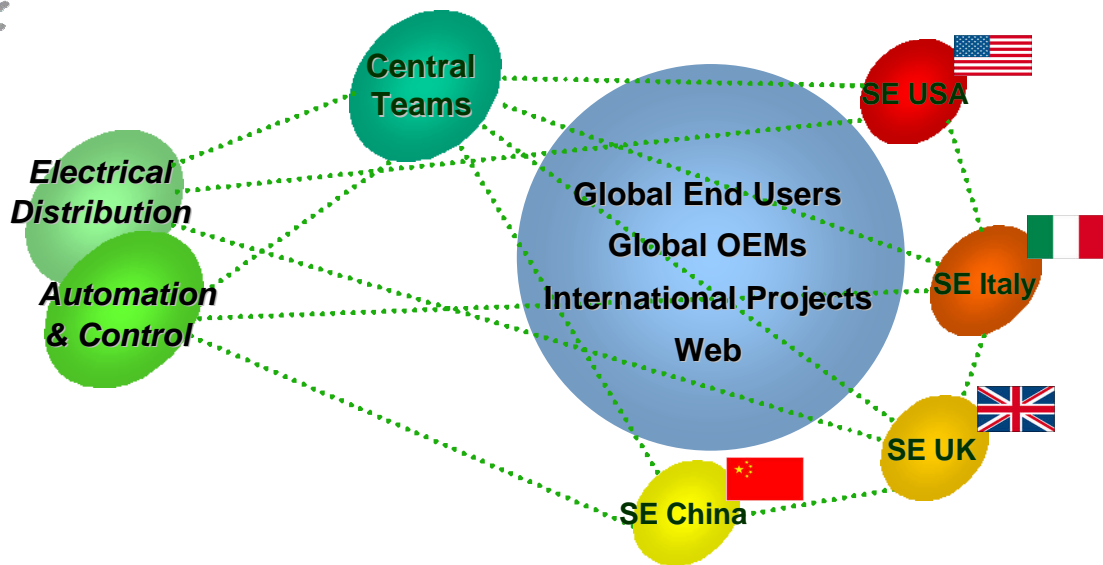
Notes

- It is true that we are unique in the world for the spread of our cover and the balance of our market shares. With regard to the spread amongst Schneider Electric's three major geographic entities, we are present in Europe (certainly a historic presence), we have a significant presence in North America, including leadership positions, while, for us, the international entity is mainly China, South-East Asia and Australia. We are the only constructor with such a well-balanced presence in terms of market share as well as in terms of our presence in 130 countries.

We leverage our complete geographic coverage to serve our customers everywhere



SGBD: an international network to ensure customer satisfaction



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Notes

- Our customers are global customers and, beyond dividing the world into three zones, we want to give some of them a specific organization dedicated to their needs.
- We were pioneers in creating SGBD, Schneider Global Business Development, an organization that goes beyond geographical divisions.
 - ✦ SGBD has identified 80 global customers, outstanding for their leadership and their capacity to produce and invest throughout the world, as well as international OEMs.
 - ✦ SGBD follows this global customers and offers them a unique interface and correspondents in countries all over the world. The network that we created now includes between 400 and 500 people spread throughout the world, working for these major accounts.

We have a unique worldwide business model

➔ We have a complete geographic coverage



➔ We have a strong partnership policy

- Our business model relies on long term and loyal relationships with our partners
- We share common goals
 - We build together the tools to answer customer needs
 - We enrich each other by sharing our expertise
 - We accelerate innovation for the benefit of our customers
- We maximize our access to customers and to decision makers

Notes

- I briefly mentioned our balanced geographic presence throughout the world. I'd now like to speak in greater detail about what we call our partnership strategy, which is really the key-factor in our business model.

We have a strong partnership policy to better serve our customers

- **We have unique competencies in developing state-of-the-art and innovative products**
- **Our products are designed to integrate into comprehensive solutions that meet our customers complex needs**
- **No one can be the specialist in every application or process**
- **We leverage our partners specific expertise to enhance the added-value for the final customer**



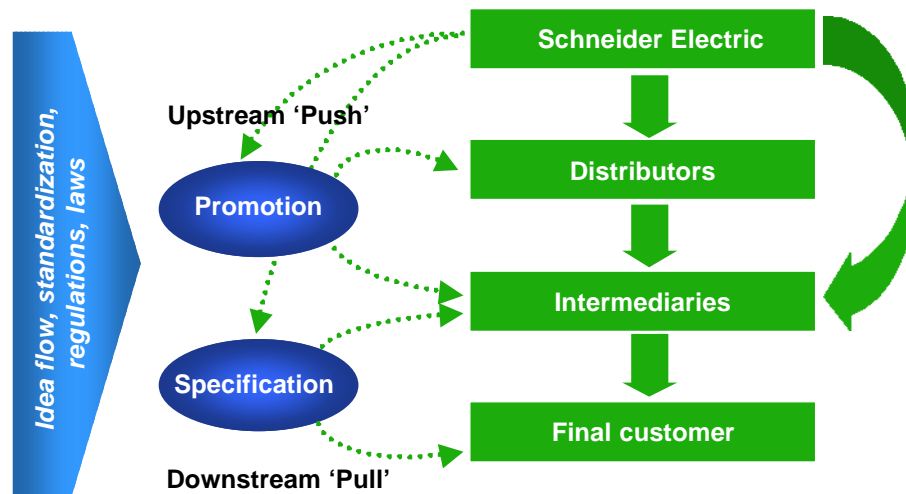
Our solution: the combination of our partners expertise on customer needs and our very complete, ready to integrate, set of products and software

Notes

- To understand this strategy, you have to realize that we can have the best offer in the world, but if we don't bring this intelligently to our customers to transform into solutions, and our customers need solutions, we won't have done our job properly.
- We have competencies, expertise in designing products and extremely innovative software. Our products are designed to integrate into comprehensive solutions that meet our customers' needs, and this phase is very important.
- The model that consists of bringing customer a solution through a partner implies that, upstream, we have concepts of our offers that correspond with this and ensure that our offers are easy to use for the integrator, who will be a specialist.
- They are designed with this in view.
 - ✦ We can't be specialists in everything.
 - ✦ Our customers, spread across the entire industrial spectrum, have extremely varied needs.
 - ✦ So, we deliberately choose not to be integrators ourselves, but, whenever we can, we use a specialized integrator, specialized in the customers needs.
- Our choice is to capitalize on the specific expertise of our partners. This also implies that we have chosen our partners. We have chosen a few stands showing slightly particular expertise but this means that our choice is to take customers solutions with a certain number of partners and to choose these partners in an extremely precise manner.

We are not a specialist of everything but our wide range of partners certainly are

Our partnership policy aims at a 'Push-Pull' approach



Notes

- In our choice, we have particularly targeted the intermediaries.
- You have an image of what we call Schneider Electric's market access route, which mainly consists of passing via distributors to distribute our products, but in a certain number of cases we intervene directly with the intermediary – the case of supplying the most complex solutions implies that we should be present with the intermediary in dealing with the final customer.
- Of course, this also implies major promotion and specification operations. Customers don't just choose us because we have adapted solutions and products, but they need to have upstream knowledge of our solutions.
- So, we have important forces and were reinforcing these promotion and specification teams.

We have a specific strategy for OEMs

Machines play a key role in the industry market (50% of investments)

Machines manufacturers (OEMs) are our priority target

We focus on targeted applications to develop a leadership position

Our answer for OEMs: application centers

OEMs need to ...

- ➔ Reduce time to market
- ➔ Reduce overall machine cost
- ➔ Improve machine performance
- ➔ Increase revenues throughout the life cycle

They recognize Schneider Electric as...

- ➔ **A global firm**
 - Worldwide coverage with focus on selected applications /processes
- ➔ **With a large 'product' lineup**
 - One-stop shopping for automation functions
 - Innovative: Transparent Ready™
 - Broad: full machine coverage
 - Full automation catalog
- ➔ **Intimate with OEMs through design partnerships**
 - Innovation for next generation machines
 - Improvement of machine performance
 - Customization
 - Development of maintenance solutions

Notes

- We have a group of customers we particularly take care of – machine manufacturers or OEM's. Why are we so fond of them? Because they are integrators in their own right, as they manufacture machines for the industrial world and half of industrial investment is in machines.

Our answer for OEMs: application centers

➤ **An application center is a technical and marketing team dedicated to targeted applications**

- Be a growth vehicle
- Increase OEM loyalty
- Focus on machine performance

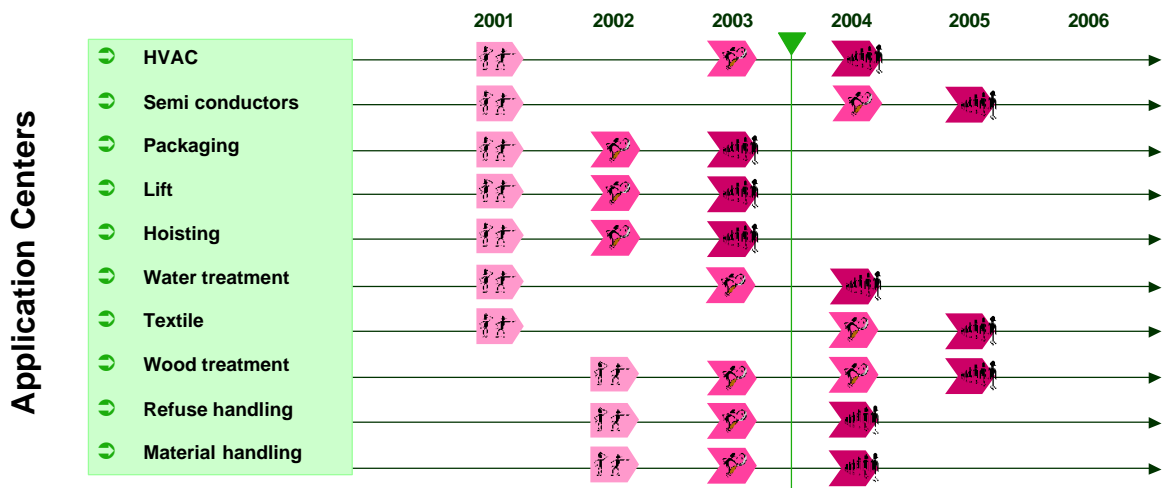
➤ **Three key success factors**

- Better understanding of customer needs
 - **identify changing customer needs**
 - **segment the market and understand its needs and values**
- Better ability to deal with OEMs
 - **local responsiveness**
 - **international follow up**
- Better lineup to meet OEMs needs
 - **solutions minded**
 - **product development and adaptation process**

Notes

- Throughout our history, we have always made a particular effort for this clientele.
- Within this population of machine manufacturers we also have particular points of interest. Above all, these machine manufacturers want us to move swiftly in putting products on the market, to offer solutions that reduce overall machine costs and increase their productivity and revenues throughout the life cycle

Today's applications coverage



Further development from 2004

- Target new applications: plastic injection and extension machines in China, primary wood machines in Canada
- Continue geographic deployment

Notes

- I'd like to take a closer look at what we have done in particular.
- We have chosen a certain number of sectors set to experience particularly significant development in the world of machine manufacturing – particular sectors where we have developed application centers. These are technical and commercial teams localized all over the world and intended to be very close to machine manufacturers to understand what they want and speak their language.
- We have targeted applications: the field of HVAC air-conditioning, semi conductors, packaging, lifts, hoisting, water treatment, textiles, wood treatment, refuse handling and material handling.
- As these sectors were targeted for growth, we decided to create these application centers, where we have teams of competent people, and then seed these centers all over the world.

Our hoisting application centers: a recognized expertise

- Resources: Marketing & Technical team
- Locally a country team of 25 members covering sales force & product activities
- Globally a community of 10 countries in 3 continents, sharing tools, expertise and solutions to better serve our customers
- Deliverables
 - Promotional tools: leaflets - solution guide & promotional presentations (references)
 - Technical tools: software for product selection, expertise book, machine & function description



**2002 results: market down 5%,
Schneider Electric sales up 5%**



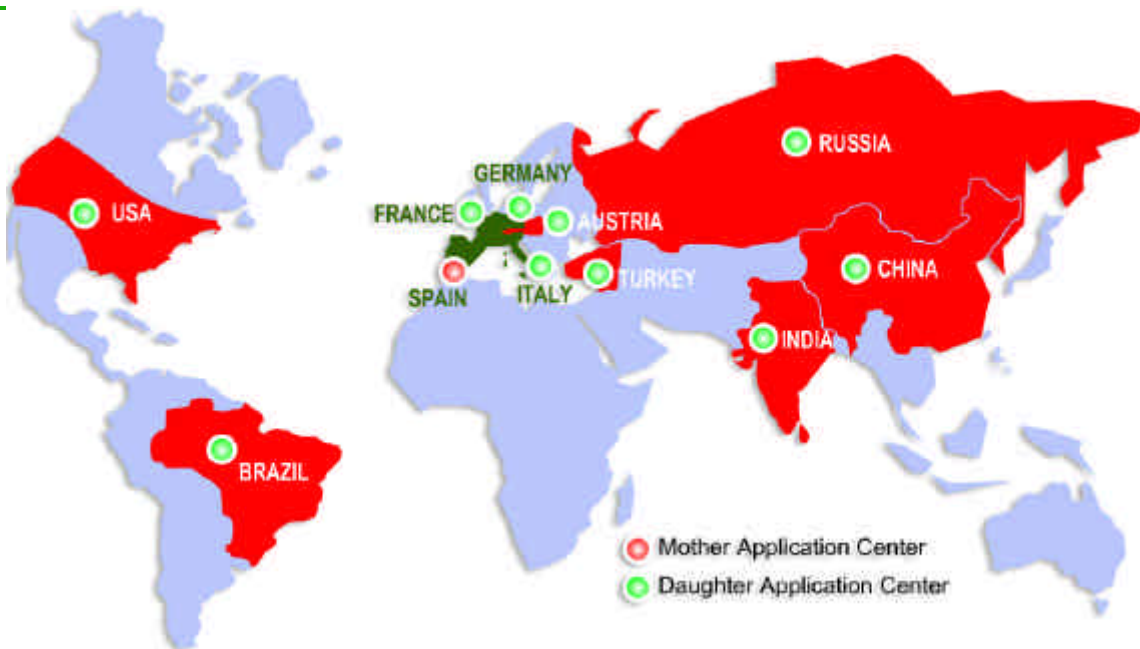
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Notes

- We started deploying this two or three years ago. Today, for example, we have a 25-strong central team sited in Spain, which has successfully engendered a hoisting network in some other countries – hoisting is an attractive sector

Our hoisting application centers: a worldwide network



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Notes

- We created a mother application center in Spain and we call the different units spread across other countries daughter application centers: slightly smaller teams scattered in a certain number of countries where the hoisting business is a significant business.
- We set up networks of communities that are experiencing strong development. We think that this is a good way of getting closer to our machine-manufacturing customers.

Leveraging our partnership policy on an infrastructure project



New dam in Anseremme



➔ **From 1996 to 2005, supply of electrical distribution, control & monitoring equipment for 15 sites on the Meuse river**

- Meuse river cross Belgium over 125 km from France to the Netherlands
- 1 dam and up to 2 locks per site
- 6 sites have an hydroelectric power plant attached

➔ **For the Wallon Minister of Equipment & Transportation (M.E.T.)**

➔ **Led by Fabricom GTI**

- The largest technical contractor in Benelux with 9,000 people in Belgium



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Notes

- In another example of partnership, we produced a control and monitoring system for 15 dam and hydroelectric sites on the river Meuse.
- The final customer is the Wallon Ministry for Equipment and Transport (MET).
- The project realization remit was given to an integrator partner, Fabricom GTI, one of the biggest technical contractors in Benelux. This allows this group of dams on the Meuse to have much better supervision and control than before.

Leveraging our partnership policy on an infrastructure project (cont'd)



A «Power & Control» solution

➤ **Telemecanique products**

- 75 Premium PLCs, including 36 warm stand-by
- 16 Monitor SCADA servers and 55 web clients
- 8 sites with Fipio optic fiber ring, inter-PLC

➤ **LAN and WAN Ethernet TCP/IP networks**

- LAN per site with PLC & SCADA
- WAN inter-sites dedicated to the control system
 - Modems on private lines, copper & optic fiber, net topology for redundancy
 - Inter-site visualisation through Monitor web clients
 - 7 decentralised Monitor web clients (maintenance, operation, hydrology)

➤ **Merlin Gerin electrical distribution equipment**



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Notes

- So, our market access strategy is based on partnerships with people specialized in applications and processes.
- We are experts in the offer of products and software and it is the combination of manufacturer and partner integrator that is best suited to bring our final customers the solutions they are waiting for.

Leveraging our partnership policy on an infrastructure project (cont'd)



Customer benefits

- **Improved equipment availability**
- **Maintenance simplification**
 - Standardization of the site control systems (limited to 3 architectures thanks to simplification over the years)
- **Inter-site communication over Ethernet TCP/IP**
 - Improve data sharing between technical managers (hydrology, maintenance, operation)
 - Open new opportunities
 - **Build a database to make a mathematical model of the river, to manage overall flow regulation**
 - **Transfer of alarms to computer assisted maintenance management**

Notes

- This model enjoys real success, with a lot of customers feeling more confident with a specialized partner integrator near them, in tandem with a manufacturer present worldwide in a balanced manner.
- Of course, this model is developed in a perfectly homogeneous manner throughout the world. Today, in every country in the world, we find teams working in the same way.



Agenda



A leader in Power & Control

Henri Lachmann

*Our offer in Automation
& Control*

Alain Marbach

Our business model

Christian Wiest

Conclusion

Henri Lachmann

We have a unique winning position supported by a solid foundation



- **We balance our sales between Power & Control**
- **We favor innovation as part of our differentiation strategy**
 - We have a consistent and state-of-the-art offering
 - We are world leader in a growing number of product families
- **We give the power to our customers**
 - Our philosophy of Transparent Ready™ favors open systems
 - We design 'Simply Smart' products and solutions, easy to use

Notes

Our development is based on six fundamentals that we have tried to demonstrate – perhaps touching a little too rapidly.

- Firstly, we want to balance our sales and volume of activity between electrical distribution and industrial automation.
- Secondly, we invest enormously in innovation and research and development. We really place innovation at the center of our concerns and our investment. We can do this because of our model and our profitability.
- Thirdly we want to give power to our customers. This is fundamental, particularly in a technical business, where customers should have the power because they are the ones who use our products for their productivity.

We have a unique winning position supported by a solid foundation (cont'd)



- **We have a strong partnership policy**
 - Intermediaries and partners are key in our business model
 - We share common goals: customer needs, expertise, innovation
 - We optimize our market access
- **We have a complete geographic coverage with operations in 130 countries**
- **Our financials are among the best in class**
 - High profitability resilient through economic cycles
 - Strong cash flow generation and solid balance sheet

Notes

- Fourthly, we have a very strong partnership strategy and here, again, our model allows us to do this and I have to say that our partnerships, both in access to markets and technology, are rather successful.
- Fifthly, we are global. We have geographic coverage in 130 countries, where we are present with Schneider collaborators and not agents. Schneider Electric is everywhere and is local.
- Sixthly and finally, our financial performance and our healthy balance sheet are among the very best and form an important sound foundation for our development and redeployment.

Building
a **New Electric**
World

