

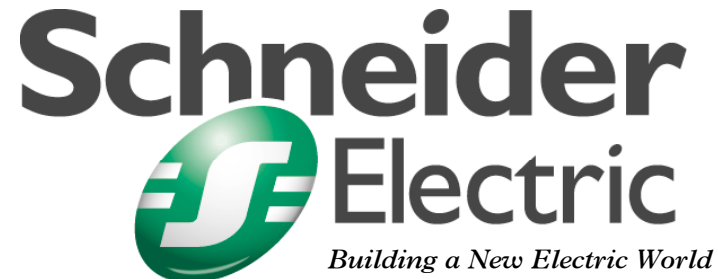
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Telemecanique

# Schneider Electric becomes a major player in Building Automation & Control

*Paris, June 12, 2003*



## The Building Automation market

- The door to building applications
- A new growth platform
- A perfect fit
- A key step in our strategy

## T.A.C, the right partner for Schneider Electric

- Description of the Company
- A successful acquisition strategy
- Key figures and financial performances
- Business units and offering
- Prestigious references

## Description of the transaction

## The Building Automation market

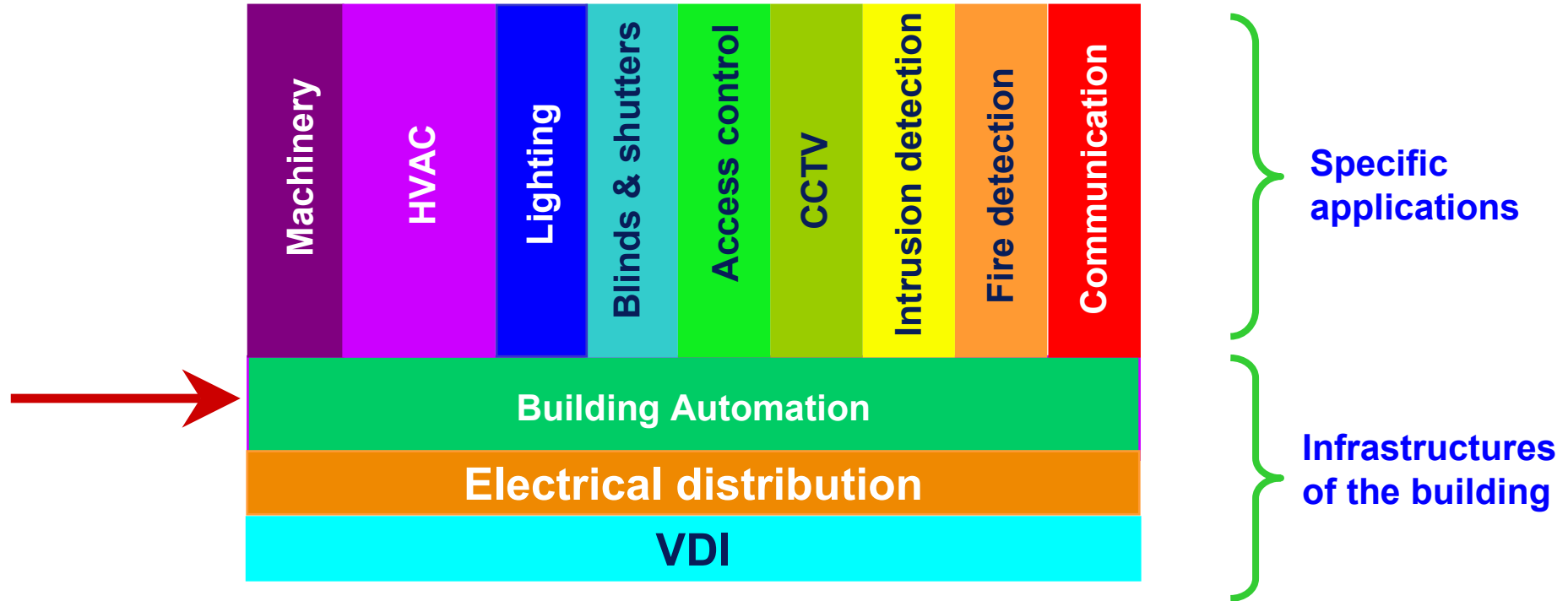
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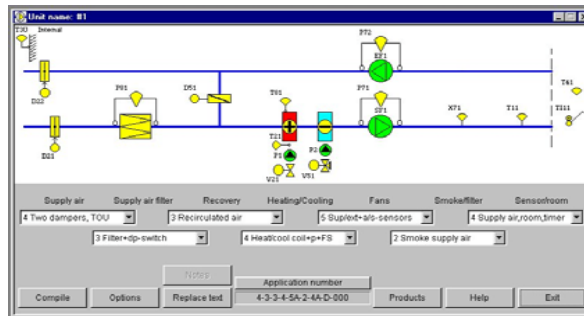
## The answer to customers' needs: comfort, efficiency, security



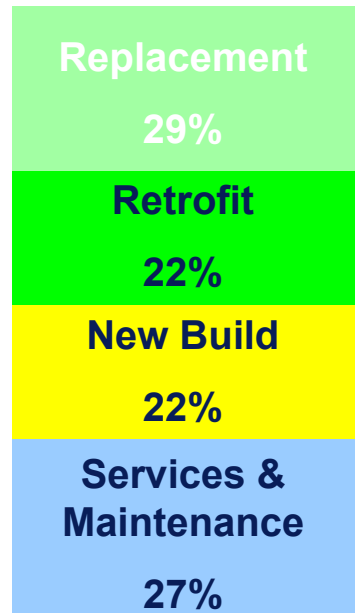
## The answer to customers' needs: comfort, efficiency, security

### ➔ The business consists in:

- Products installation in buildings to measure, control, detect faults, report information:
  - Sensors, actuators, controllers, supervisors
- Software configuration to analyse and help operators to manage buildings: cost savings, maintenance



## A new growth platform



### ➔ Building Automation is a large and attractive market

- Estimated size of the market 11 Bn EUR (i)
- Average growth +6% per year (ii)
- Low cyclical
- Key for services in Buildings

(i) Worldwide size for 2001 of the Building Automation and Controls Systems market, excluding Security and Residential.

(ii) Source: Frost & Sullivan

## **A perfect fit with Schneider Electric**

- ➔ Building Automation represents the convergence between the world of electrical distribution and the world of automation**
- ➔ It is the opportunity to enrich the electrical distribution offering (Intelligent Breakers, Transparent Building™)**
- ➔ Energy management (savings and reliability) is a key feature of Building Automation**
- ➔ Common segments targeting: offices, hospitals, schools, hotels**
- ➔ Complementarity of channels (electrical, automation and mechanical channels)**

## A key step in our strategy

- ➔ **Entering an intrinsically attractive sector (size, cycle and growth)**
- ➔ **Enriching our presence in the building:**
  - Answering to global customers needs: comfort, security, efficiency, flexibility, communication
  - Getting closer to end users, to specify Schneider Electric products
  - Services: seizing in direct & through partners part of the profitable service business.
  - Acquiring the applicative competencies and skills
- ➔ **Opening the door to specific specialists (HVAC, security,...)**

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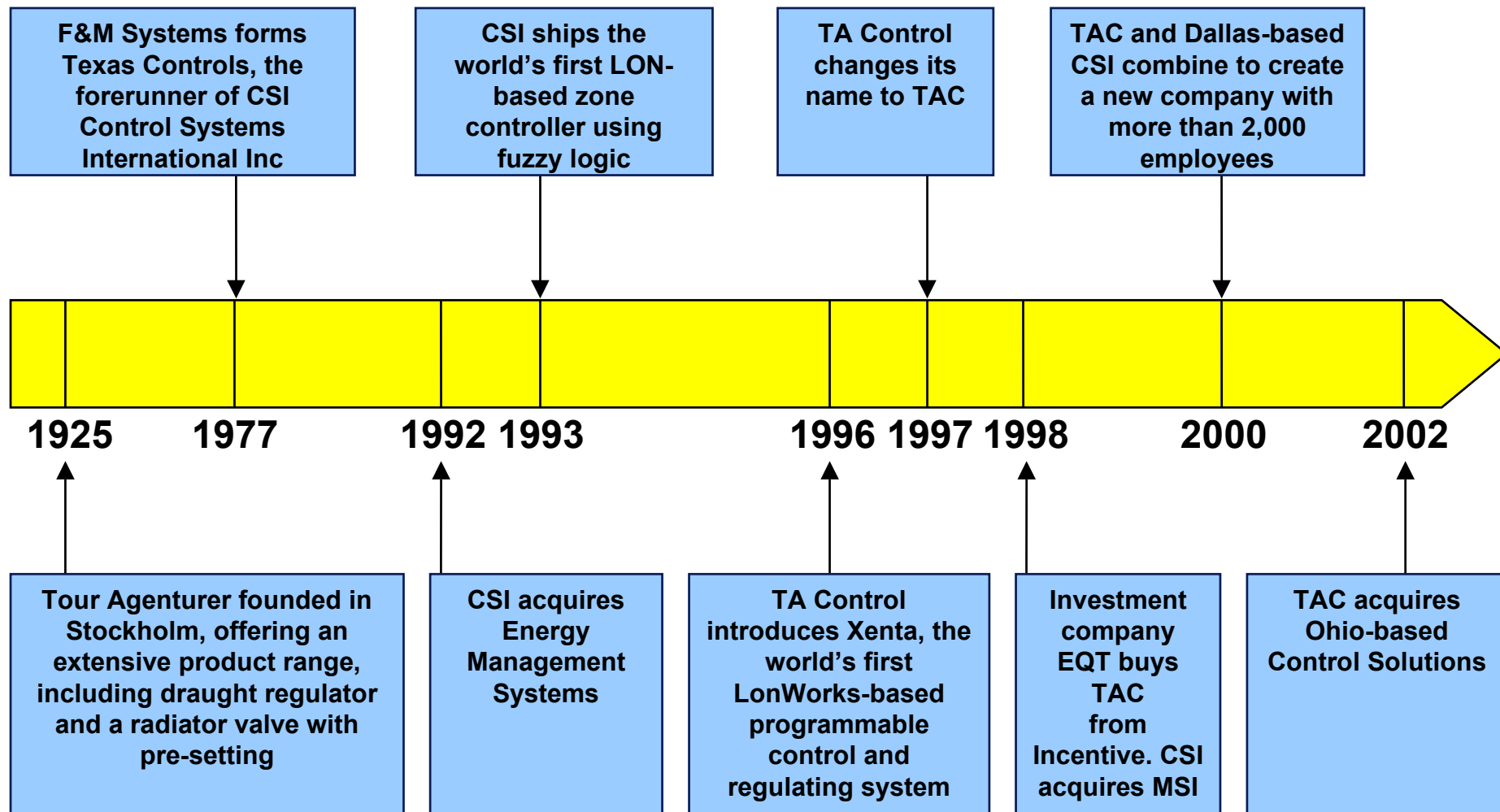
## T.A.C: the right partner

- ➔ **A Global Company**
- ➔ **Impressive track record in terms of growth and operational performance**
- ➔ **An open system for Building IT<sup>®</sup> philosophy which fits well with the Transparent Ready<sup>™</sup> philosophy of Schneider Electric**
- ➔ **A set of configuration tools which allows the commercial development with partners**
- ➔ **A focus on added value services rather than facility management services**

## **Description of the Company**

- ➔ T.A.C's principal business is providing interoperable control network systems and associated systems for commercial and public buildings**
- ➔ The Company is a major player in Open Systems standards for the development, marketing, installation and support of Building Automation with a significant installed base**
- ➔ The Company benefits from a high reputation and strong performance**
- ➔ T.A.C offers a complete range of products and tools to improve the productivity of its partners**
- ➔ Through its systems expertise, T.A.C is also able to deliver energy management and associated services**

## A successful acquisition strategy



## Key figures of the Company in 2002

➔ Revenues: 3,151 Mio SEK  
(346 Mio EUR)

➔ CAGR: 40% since 1998

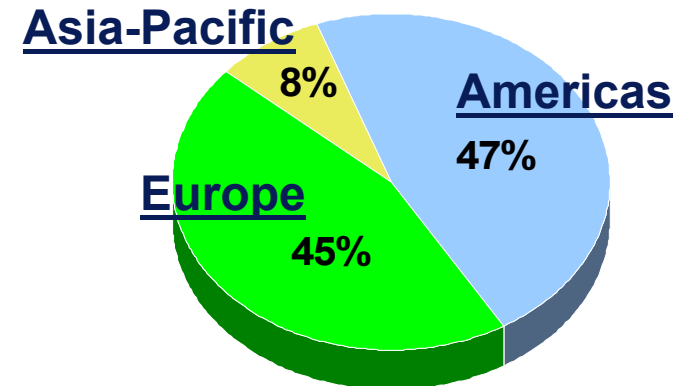
➔ Profitability: 12% EBITDA

➔ Employees: 2,100

➔ Main offices

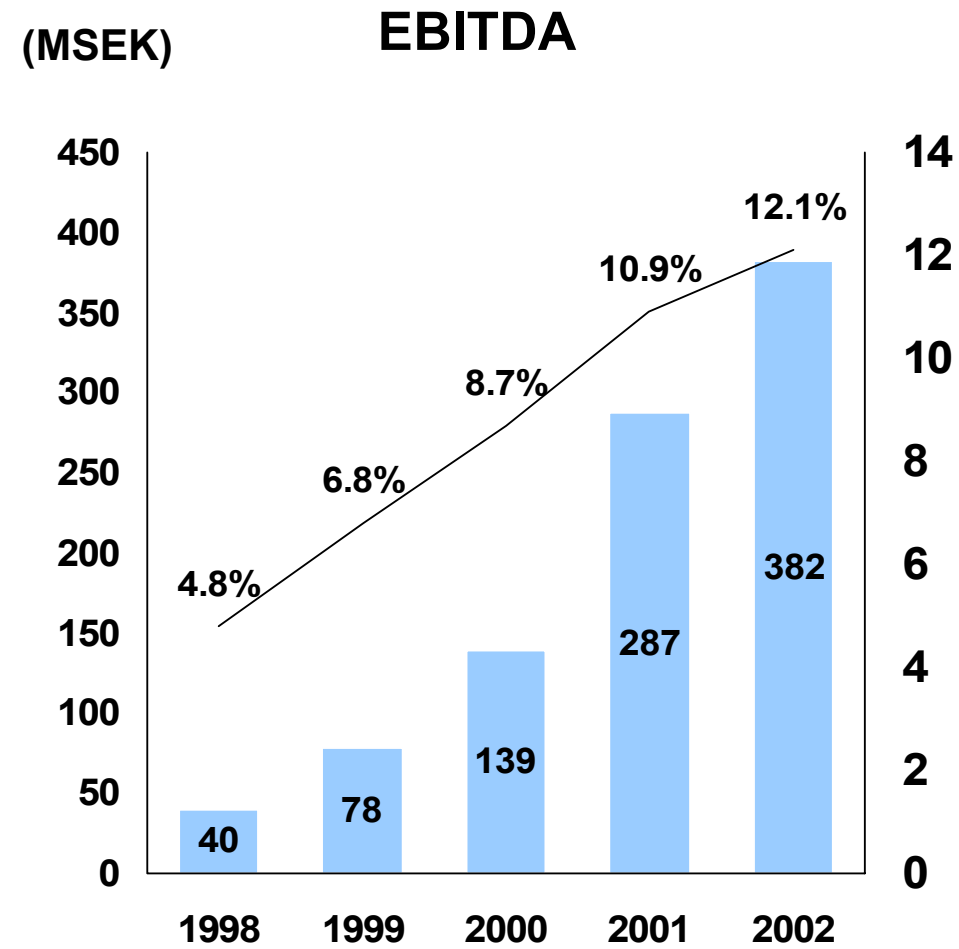
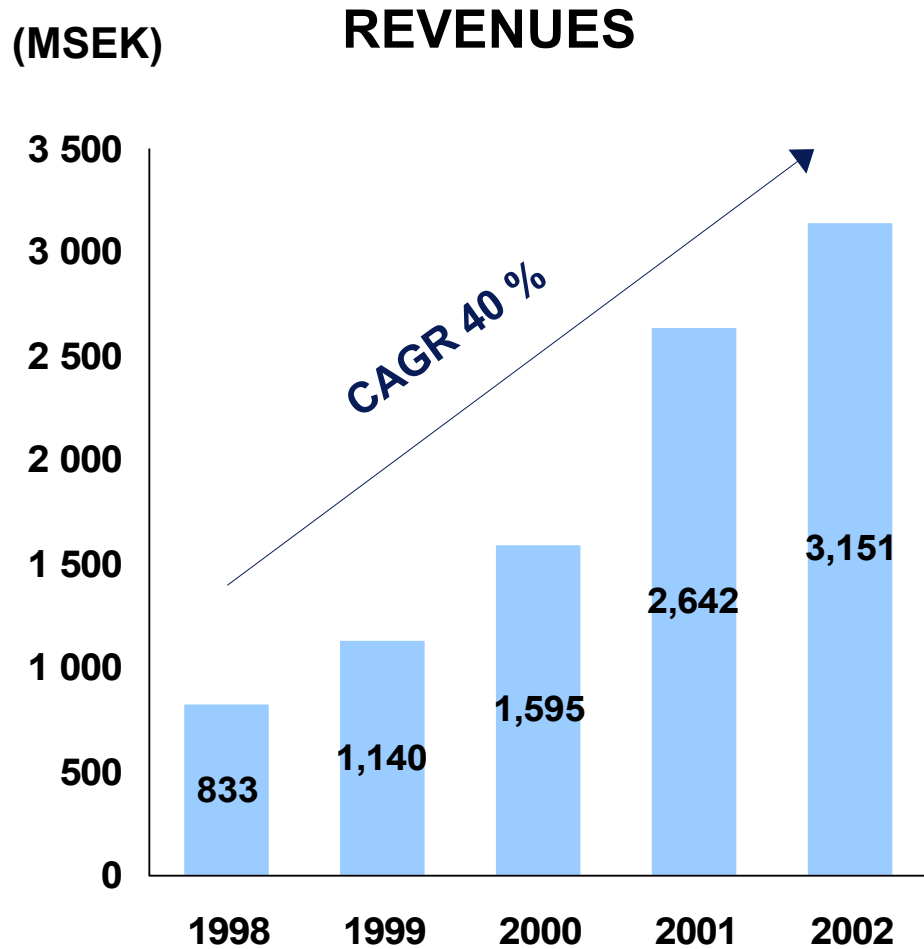
- Headquarters and European regional office: Malmö, Sweden
- Americas: Dallas, USA
- Asia Pacific: Perth, Australia

➔ Manufacturing facilities: Stockholm, Sweden and Dallas, USA

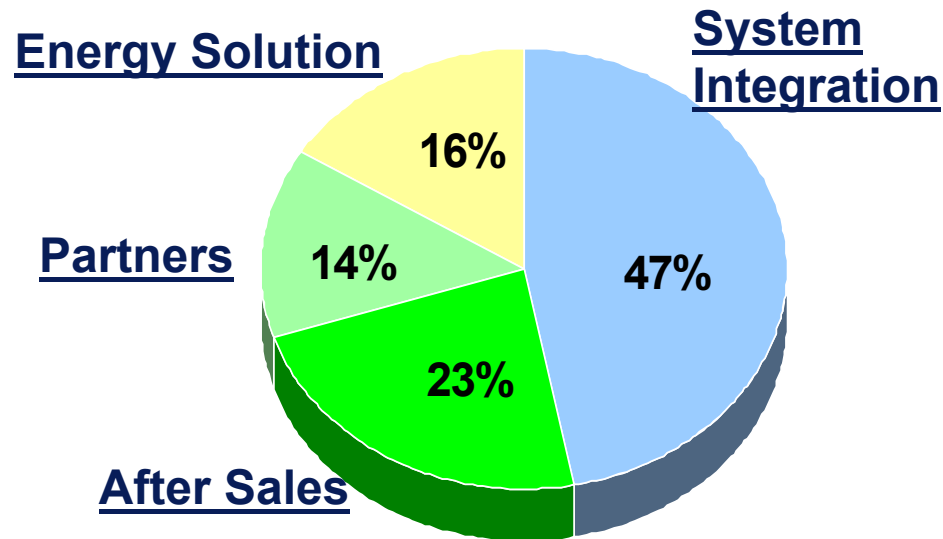


Breakdown of sales by geography

## Strong financial performances



## T.A.C: 4 business units to serve the market



Breakdown of sales by business

- **Solution and System Integration**
  - Complete Building Automation solutions based upon control and information systems integrated with other building systems
  - Access and security
  - Intelligent homes
- **After Sales**
  - Maintenance, service, retrofit
- **Partners**
  - Sales and marketing of software and hardware products through partners to optimize the geographical coverage
- **Energy solutions**
  - Performance contracts & audits to guarantee energy savings

## Offering: a full range of hardware and software for Open Systems



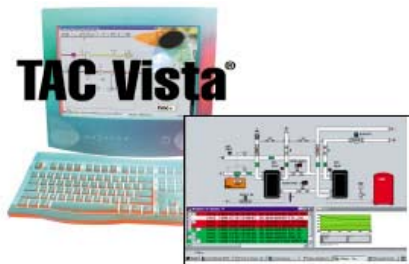
### ➔ Main ranges

- General purpose controllers: TAC Xenta
- Programmable controllers: TAC Xenta
- Actuators & sensors
- Monitoring and supervision: TAC Vista
- Software tools: TAC Menta, TAC Design, TAC ToolPack, LonMaker for Windows



### ➔ Customers values

- Simplicity: information with the operation in focus
- Openness: designed around open standards like Windows and LonWorks
- Modularity: adaptable to each customer's needs



## Prestigious References



**Rosenbad, the Swedish Government Offices  
in Stockholm**

**Goldenes Haus, Frankfurt  
Port of Liverpool Building  
Kremlin, Moscow**



**Mass Transit Railway, Hong Kong  
Oriental Pearl Tower, Shanghai  
The Bicentennial Conservatory,  
Adelaide  
ANZ Bank, Melbourne**



**Rockerfeller Center, New York  
Texas Woman's University  
Carnegie Hall, New York  
Chicago Board of Trade**

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## The transaction

- ➔ Schneider Electric has signed on June 11, 2003 a Share and Purchase Agreement for the acquisition of 100% of T.A.C shares
- ➔ Due Diligence already performed with satisfactory results
- ➔ Price will be paid at closing after antitrust clearances from National Authorities of Sweden, Finland, Germany, Austria, Romania, and USA
- ➔ Price: 422 Mio EUR (Enterprise Value)

	Mio SEK	Mio EUR
Equity	3,376	371
Net Financial Debt	469	51
Value	3,845	422

1 EUR = 9.11 SEK

## Synergies

### ➔ Revenues

- Leverage Schneider Electric's presence worldwide: market share development for T.A.C in France, Italy, Spain, China...: additional sales of +40 Mio EUR to +50 Mio EUR
- Share customer bases : additional sales for both Schneider & T.A.C
- Project coordination : improve hit rate, reduction of commercial costs

### ➔ Purchases

- T.A.C and its partners to source up to 20 Mio EUR of Schneider Electric's products (drives, enclosures, HMI...)
- Common purchasing of key components (example: 2 Mio EUR savings identified in electronics)



**Additional Sales Y3**  
**Incremental EBITA**

**45/50 Mio EUR**  
**5/6 Mio EUR**

## Acquisition impact on Schneider Electric

- ➔ Expected internal growth of T.A.C.: 6 to 8% per year
- ➔ Synergies implementation
- ➔ Goodwill  $\approx$  400 Mio EUR - Amortization on 20 years
- ➔ Impact on Schneider Electric net earnings

Mio EUR	Y2	Y3
Before Goodwill	+15	+20
After Goodwill	-5	+1

## T.A.C. Key Figures

	2002 (Mio SEK)	2002 (Mio EUR)
<b>Sales</b>	<b>3,151</b>	<b>346</b>
<b>EBITDA</b>	<b>381</b>	<b>42</b>
<b>EBITA</b>	<b>331</b> <b>(10.5%)</b>	<b>36</b> <b>(10.5%)</b>
<b>Cash Flow from Operating Activities</b>	<b>277</b> <b>(8.8%)</b>	<b>30</b> <b>(8.8%)</b>