

General Overview

Henri Lachmann, Chairman and CEO



**A challenging environment...
Strong fundamentals to rebound**



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Strong fundamentals to rebound

- **Legrand disposal : optimising shareholders interests**
- **Business : ready for challenging markets**
- **Strategy : straight and consistent**
- **Management structure : reorganised to better deliver the strategy**

Legrand : commitment to find an exit in the best interest of Schneider's shareholders

- **We assume EC's decision to block the merger**
 - Although we made our best efforts to address its concerns
 - We are preparing all the appropriate means of appealing the decision
 - **We are exploring every divestiture options with a view to optimise Schneider's shareholders interests**
 - Standard conditions expected to be imposed by Bruxelles
 - Minimal business disruption as Legrand is still a separate entity
 - A trustee (Mandataire) will be appointed to manage the stake
 - **Two main families of scenarii are actively being reviewed...**
 - A split of Schneider Electric into 2 new companies
 - A sale of Legrand
 - **Priority will be given to shareholder value**
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Business : challenging markets

■ Mixed trading environment

○ Sharp slowdown in the US

- Weak industry market since Q4 2000
- Downward trend in Sept/Oct after a flat 4-month (May to August)
- Short-term visibility is currently reduced

○ Late weakening of demand in Europe and Asia

○ Still fast-growing activity in China, Eastern Europe, Spain

■ FY 2001: a slightly negative organic growth is expected

Adequate measures taken to reduce costs

■ Strong actions taken in the US

- Three successive programs of work force adjustment (-2,200 people as of end of September, ie -11% of total)
- 2 Factories closed down
- Reduction of SG&A

■ Ongoing adaptation of structure worldwide

- Restructuring programs in countries facing economic slowdown (Turkey, Australia, Argentina) : -1,000 people as of end of September
- New-hiring freeze in most countries
- Reduction of SG&A

■ Cost-cutting program (Schneider 2000+):

- Base costs as a percentage of sales 9m 2001 : 39.6% vs 43.2% in 1998
- Cumulative base cost reduction at the end of 2001 should exceed the EUR 305 million target

■ Capex : down -12% vs 2000

A straight strategy...

Still about leadership and growth

- **Alliance with Legrand was a compelling opportunity, but not a final goal**
- **Be a global leader in an industry of the future**
 - Leading Power & Control global specialist
 - Leveraging the complementarity of our two activities
 - Leveraging our sound market positions (strong names, strong distributors relationship) extensive geographic spread and financial health and performance
- **"Push back our limits" to sell more to our customers**
 - Through innovation (focus on R&D and client's new needs)
 - Through development in promising markets (VDI, building control, secured power, services, industrial automation)
 - Through geographic expansion
 - Through targeted acquisitions and through alliances

A new management organisation to be more proactive and customer-oriented

- **Key principle** : put the client at the center of the organisation
- **Key objective**: leverage company support for its ongoing growth strategy by making the structure more proactive
- **Structure**: a tightened organisation
 - 3 operational divisions
 - 2 central divisions
 - 2 functional divisions
 - 1 project division
- **The new organisation was approved by the board on October 19, 2001**

A new management organisation to be more reactive and customer-focused

