

BEI Technologies: Schneider Electric enhances its position in Customized Sensors

Paris, July 22, 2005

- Merlin Gerin
- Square D
- Telemecanique



Schneider
 **Electric**
Building a New Electric World

Acquisition rationale

- Build up a **sizeable** and **valuable leading** customized sensors **platform** in a **fast growing** market
- Offer a **comprehensive range** of **products** relying on cutting-edge **technologies**
- **Reinforce** our market share in the **US industry market**
- Bring significant **cross-fertilization** potential with Crouzet and Kavlico across **technologies**, **geographies** and **markets**
- Position for further **opportunity** for future **market consolidation**

BEI Technologies

**Enhancing our position in
Customized Sensors**

BEI Technologies: a leading specialist in customized sensors

→ BEI Technologies provides customized sensors and encoders to the transportation, industry and aero-defense markets, with a strong emphasis on technology and innovation

Customized sensors (83%)



Automation & Control sensors (14%)



Electrical actuators (3%)



	2005 Estimate*
→ Sales	\$ 326 million
→ Operating profit	\$ 28 million
→ Employees	1,700 employees

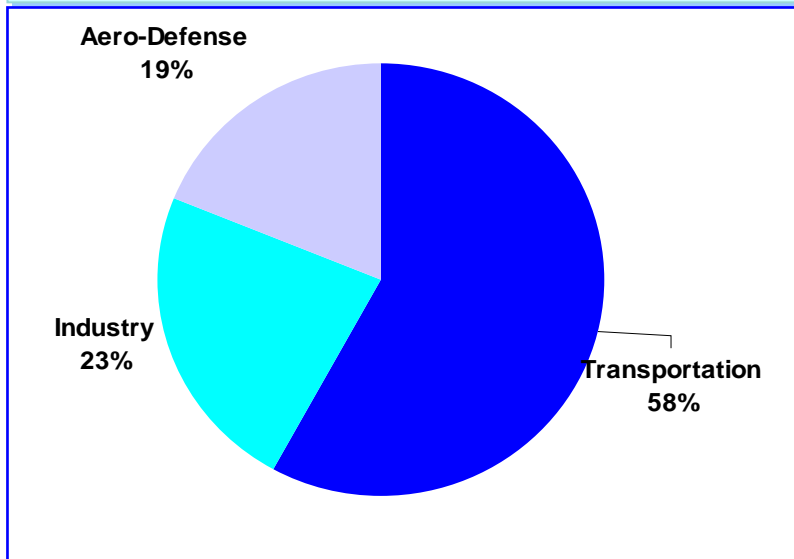
A cutting-edge range of products

Customized sensors	Inertial Sensors		→ The Systron Donner GyroChip® sensor is a unique, reliable and high quality technology used in transportation (ESC* systems) and aerospace navigation systems
	Position Sensors		→ The Duncan portfolio offers a wide range of position sensing technologies for industrial, aerospace and transportation applications
Automation & Control sensors	Rotary Encoders		→ Ideacod and IED cutting-edge rotary optical encoders
	Linear Encoders		→ Newall technology for the machine shop and other dirty environments
Electrical actuators	Actuators & Motors		→ Kimco voice coil actuators and electrical motors are engineered to fit high performance motion control needs

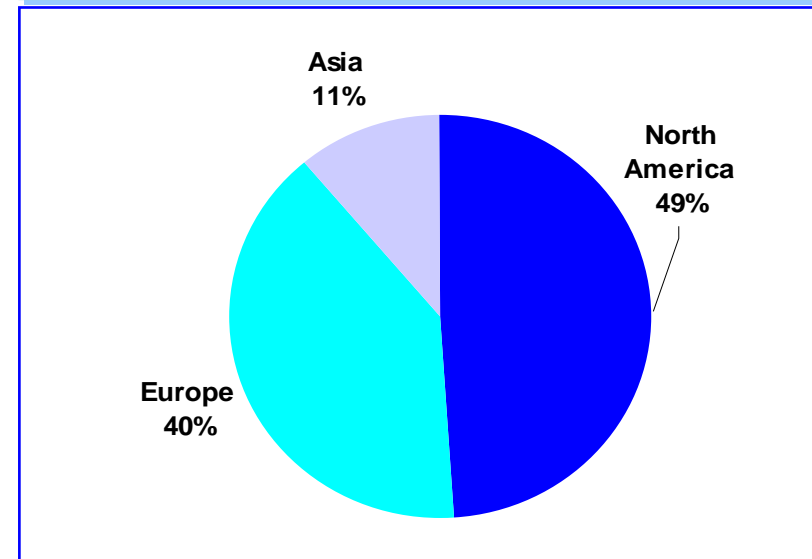
A diversified business exposure

- **Balanced end markets** with a strong exposure to automotive
- **Leadership** position in the **US** and solid base in Europe
- Headquarters in San Francisco (California)

End markets

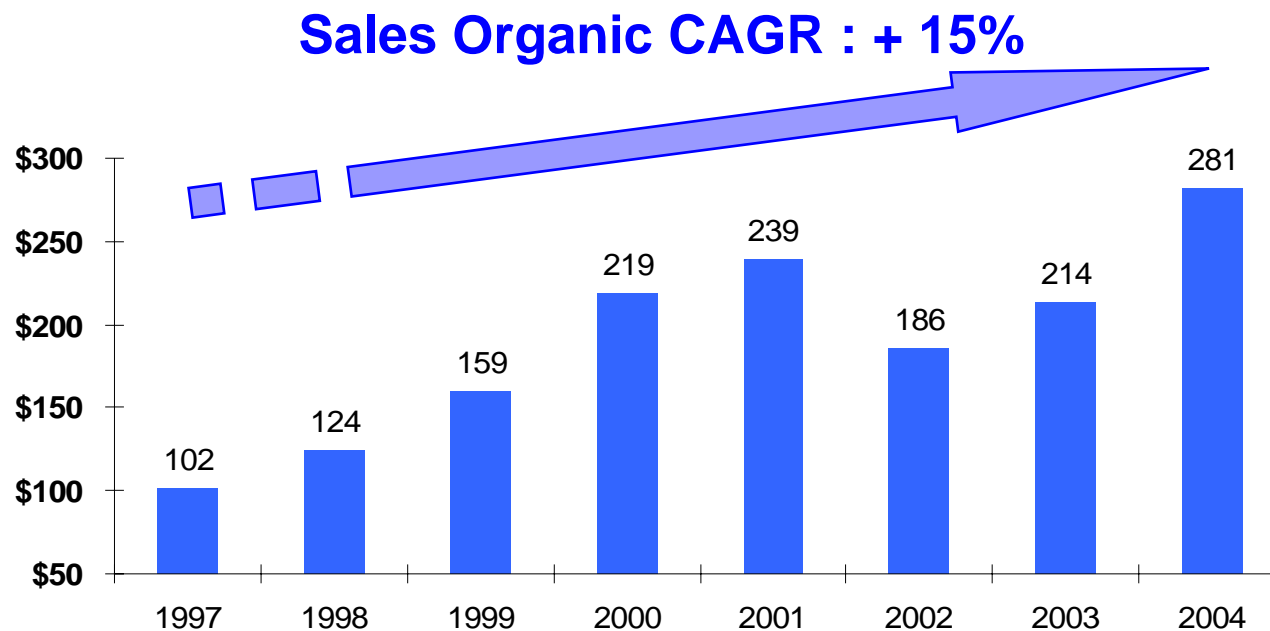


Geography



A solid growth track record

- ➔ Sustained organic sales growth
- ➔ Small bolt-on acquisitions to complete technology line-up



M\$	H1 2005
Sales	165
<i>Growth</i>	+16%
EBITDA	19
EBITA	14
<i>Margin</i>	8.4%
Net income	8
R&D	5.2%

Key strengths

- **Wide** range of **innovative** and reliable **products**
- **Strong brand** names recognized for quality and **performance**
- Advanced expertise in **emerging micro technologies** thanks to outstanding R&D capacities
- Strong **new products** pipeline focusing on next sensing generation
- Ability in **adapting technologies** to different end markets and applications
- Long term relationships with **large** and **diverse customers**

A large and diverse customer base

Transportation



DAIMLERCHRYSLER



Industry



Aero-Defense



BEI Technologies

**Enhancing our position in
Customized Sensors**

Customized sensors: an attractive growth potential

Growth drivers of the market

- Heightened focus on **security**, **guidance** and **control** of applications in automotive, aerospace and industry
- Increasing penetration of **automation** and embedded **intelligence** in applications with growing need for **high precision** sensors
- Development of control and diagnostic by **electronic measurement** (microprocessor)

**A \$10 bn targeted market
growing at 7% to 8% a year**

What BEI Technologies brings us?

- Create a **leading customized sensors platform** with **critical size**
- Enlarge significantly **products range**, notably in **inertial sensors**
- Bring **new products** with additional **technology** capabilities
- Benefit from a solid reputation for **innovation** and **performance**
- Enhance positions with **OEMs** and their tier suppliers
- Increase exposure to the **US industry** market

A comprehensive & complementary products range

- ➔ BEI Technologies is a leader in the fast growing inertial sensors market with a 40% market share in ESC* systems
- ➔ BEI Technologies brings complementary products to Schneider Electric (Crouzet & Kavlico) in position sensors
- ➔ Schneider Electric has a good offering in pressure sensors

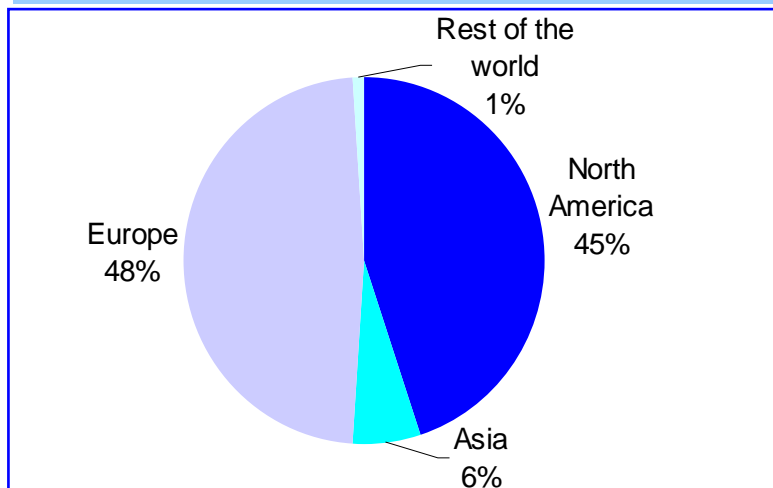
	Schneider Electric (Crouzet + Kavlico)	BEI Technologies	SE + BEI
Inertial sensors		★ ★ ★	★ ★ ★
Position sensors	★ ★	★	★ ★ ★
Pressure sensors	★ ★		★ ★

A leading customized sensors platform with doubled size and earnings growth prospects

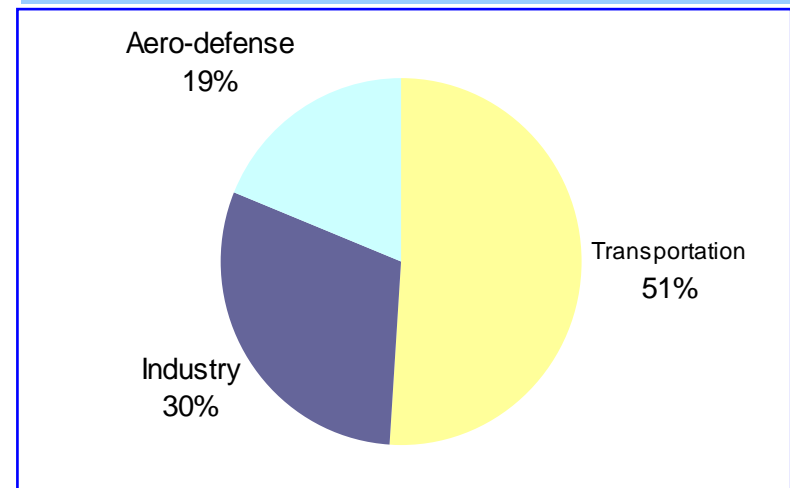
→ Total customized sensors sales: ~\$600 M —→ X 2

→ Expected earnings growth over 5 years —→ X 2

Geography



End markets



A window of opportunity with a good timing

→ BEI Technologies is currently **investing** in new product **offering**

- Develop next generation of gyro sensors and new products for vehicles
- Focus on the core critical component of gyros in place of fully assembled gyros' sensors resulting in lower invoicing in 2006 but same profit

→ **Synergies** implementation is correlated to end-markets **lead-time**

- It takes 2 to 3 years for customized sensors to be adopted on a new program in automotive and aerospace markets
- Visibility is then high on the program's lifetime (~7 years)

**High and predictable growth prospects for the medium term
given the current investment in new products
and the significant potential of synergies**

Synergies

Sales synergies

- Increase sales through cross-fertilization of customer base
- Enlarge product offer through leverage of complementary technologies

Cost synergies

- Purchasing
- Back office
- Research and Development
- Lean manufacturing

Target 

Impact on operating income: \$25 million in 2010

Description of the transaction

- Tender offer on 100% of the shares at a price of \$35 cash per share i.e. 15% premium over the July 20th share price of \$30,38
- Transaction recommended by the board of directors of BEI
- Agreement of the largest shareholder, the Chairman & CEO, to tender its shares
- Transaction subject to regulatory approvals and other customary conditions
- Closing expected by the 4th quarter 2005

Acquisition price of \$562 million * (enterprise value)
Targeted value creation for Schneider Electric
shareholders: \$141 million

Building a New Electric World

