

# *Half Year Results*

September, 2001

**Merlin Gerin**

**Modicon**

**Square D**

**Telemecanique**

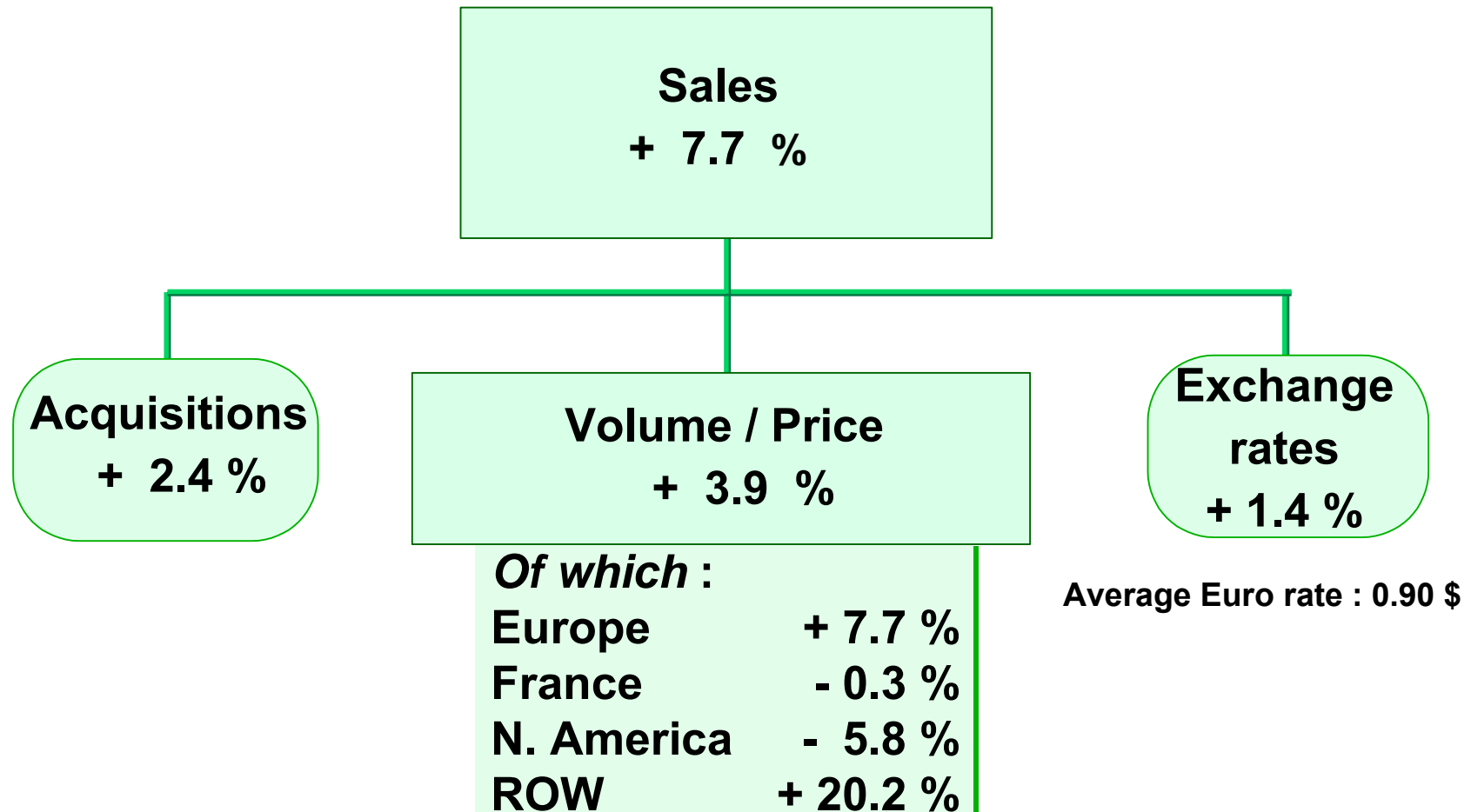


**Schneider Electric  
business activity and  
financial results  
at June 30, 2001**

# Depressed economy in the 1st half

- **Extremely sharp slowdown in the American economy**
- **Drop in industrial investment**
- **Destocking by distributors** (United States, France)
- **Macroeconomic difficulties in several countries** (Turkey, Argentina, etc)
- **Adverse mix impact** (in products, markets)

# Schneider Electric growth was fueled by Europe and the rest of the world



# Stringent action aimed at reducing costs and improving productivity

## ■ North America: sharp reduction in base costs

- 8% reduction in headcount (1,200 people)
- Industrial rationalization (closure of Middle Town, Ohio)
- Reduction of SG&A

## ■ Operational adjustments in :

- Turkey
- Australia
- Argentina

## ■ On-going Schneider 2000+ cost-control program

## Continued innovation in products & services

- **Extension of the "Transparent Factory" concept to the Building and Energy markets** (web automation)
- **Creation of a new research center in the US** (beginning 2002) **to target new innovative markets** (micro-generation, panelboards, motor starters,...)

# Continued acquisitions and alliances

- **Launch of Easy Plug** (powerline carrier JV with Thomson Multimedia)
- **Operational start of the JV with Toshiba**
- **Acquisition of PDL** (LV final dist.)
  - N°1 in Malaysia and New Zealand, N°2 in Singapore ; 2000 sales: EUR 80 M
- **Voltimum European portal with ABB, Legrand, Nexans, Osram, Philips, Pirelli**

## Schneider Electric simplified statement of income (EUR million)

|   | 1st half 01                 | 1st half 00                | Δ 01/00        |
|---|-----------------------------|----------------------------|----------------|
| <b>Sales</b>  | <b>4,933</b>                | <b>4,579</b>               | <b>+ 7.7 %</b> |
| <b>EBITDA</b><br><i>as % of sales</i>   | <b>796</b><br><b>16.1 %</b> | <b>733</b><br><b>16.0%</b> | <b>+ 7 %</b>   |
| <b>Operating income</b><br><i>as % of sales</i>                                 | <b>604</b><br><b>12.2 %</b> | <b>604</b><br><b>13.2%</b> | <b>-</b>       |
| <b>Net interest expense</b>   | <b>(40)</b>                 | <b>(35)</b>                |                |
| <b>Income from continuing<br/>operations before tax</b><br><i>as % of sales</i> | <b>564</b><br><b>11.4 %</b> | <b>569</b><br><b>12.4%</b> | <b>- 1 %</b>   |

# Schneider Electric simplified income statement (cont..) (EUR million)

|   | 1st half 01  | 1st half 00  | Δ 01/00      |
|---|--------------|--------------|--------------|
| <b>Income from continuing operations before tax</b> | <b>564</b>   | <b>569</b>   | <b>- 1 %</b> |
| <b>Net non-recurring items</b>                      | <b>(23)</b>  | <b>(15)</b>  |              |
| <b>Income taxes</b>                                 | <b>(165)</b> | <b>(193)</b> |              |
| <b>Other</b><br>(minority interests, affiliates)    | <b>(14)</b>  | <b>(10)</b>  |              |
| <b>Net income before amortization of goodwill</b>   | <b>362</b>   | <b>351</b>   | <b>+ 3 %</b> |
| <b>Amortization of goodwill</b>                     | <b>(83)</b>  | <b>(66)</b>  |              |
| <b>Net income after goodwill</b>                    | <b>279</b>   | <b>285</b>   | <b>- 2 %</b> |

## Trend in Schneider Electric operating income (EUR million)

|  |                   |
|--|-------------------|
| <b>Operating income 1st half 2000</b>                                  | <b>604</b>        |
| <b>Scope and currency effect</b>                                       | <b>+ 45</b>       |
| <b>Decrease in North America results</b>                               | <b>(75)</b>       |
| <b>Other profitability improvements<br/>(International and Europe)</b> | <b>+ 30</b>       |
| <b>Operating income 1st half 2001</b>                                  | <b><u>604</u></b> |

## Schneider Electric net earnings per share (euros)

|  | 1st half 01                 | 1st half 00  |
|--|-----------------------------|--------------|
| <b>Avg. number of shares outstanding(millions)</b> | <b>149.1</b>                | <b>149.3</b> |
| <b>EPS <u>before</u> amortization of goodwill</b>  | <b>2.43</b><br><b>+ 3 %</b> | <b>2.35</b>  |
| <b>EPS <u>after</u> amortization of goodwill</b>   | <b>1.87</b><br><b>- 2 %</b> | <b>1.91</b>  |

# Schneider Electric statement of cash flow (EUR million)

|   | 1st half 01       | 1st half 00         |
|---|-------------------|---------------------|
| <b>Operating cash flow</b>                        | <b>570</b>        | <b>500</b>          |
| <b>Payment of early retirement plan in France</b> | <b>-</b>          | <b>(40)</b>         |
| <b>Net capital expenditure</b>                    | <b>(213)</b>      | <b>(198)</b>        |
| <b>Change in working capital</b>                  | <b>(161)</b>      | <b>(380)</b>        |
| <b>Free cash flow</b>                             | <b><u>196</u></b> | <b><u>(118)</u></b> |

# **Strategic outlook**

# Strategic focus: push back our limits

- **Through innovation** : more than EUR600million and 2600 people devoted to R&D
- **Through the development of promising markets** :
  - Building control and VDI networks
  - Secure power supply
  - Services
  - Industrial control and automation
  - Distributed power generation
- **Through the geographic extension of our businesses** : Asia, Latin America, Eastern Europe...
- **Through a policy of regular targeted acquisitions**

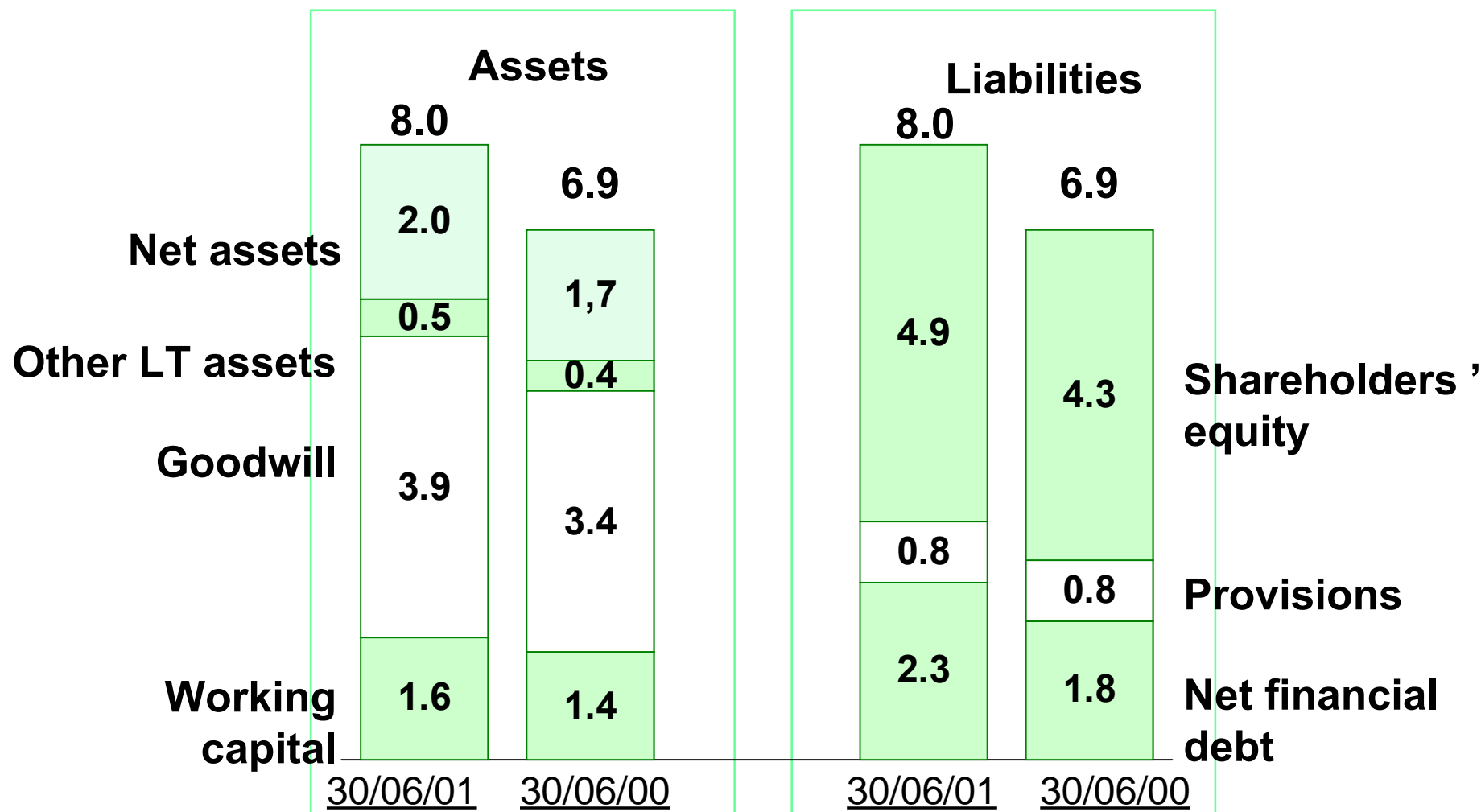
# Strategic focus: a great leader in the industry of the future

- A group focused on its two complementary businesses: power and control
- A group with a global outlook and leadership positions in growth markets
- A group concerned with reducing costs and increasing shareholder value

# Appendices

- **Schneider Electric balance sheets at 30.06.01**
- **Change in number of Schneider Electric shares outstanding**

# Schneider Electric simplified balance sheet at June 30, 2001 (EUR billions)



## Change in number of Schneider Electric shares outstanding (million)

|  | Number of shares |
|--|------------------|
|--|------------------|

|  |               |
|--|---------------|
| <b>30/06/01</b>  | <b>155.9</b>  |
| <b>Issued in connection with public exchange offer</b> | <b>+ 84.2</b> |
| <b>Number of shares after offer <sup>(1)</sup></b>     | <b>240.1</b>  |

(1) of which treasury shares and intragroup cross shareholdings : 11.4