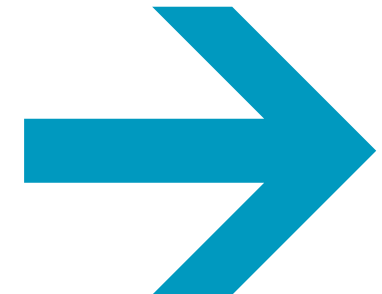
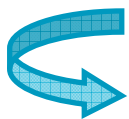
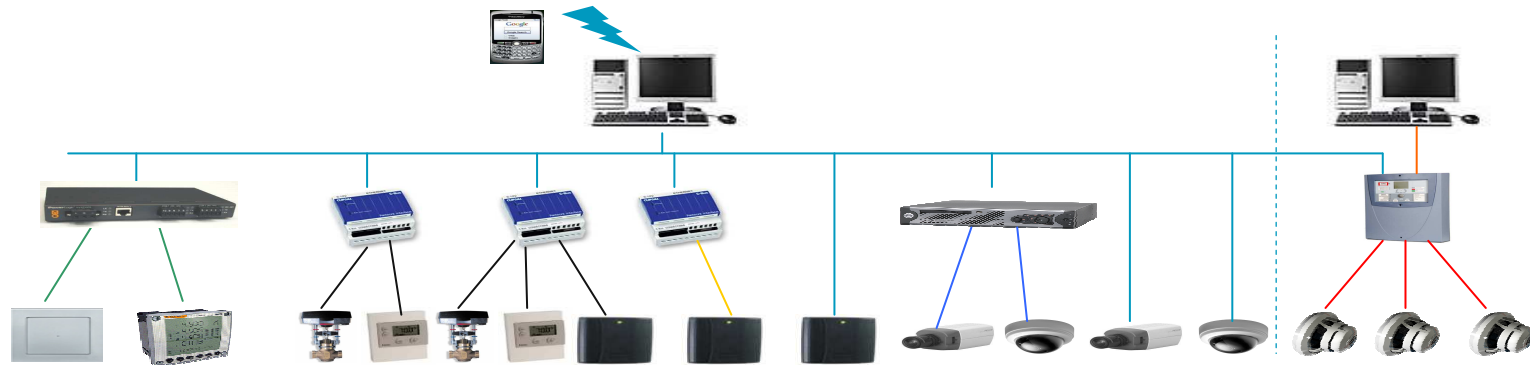
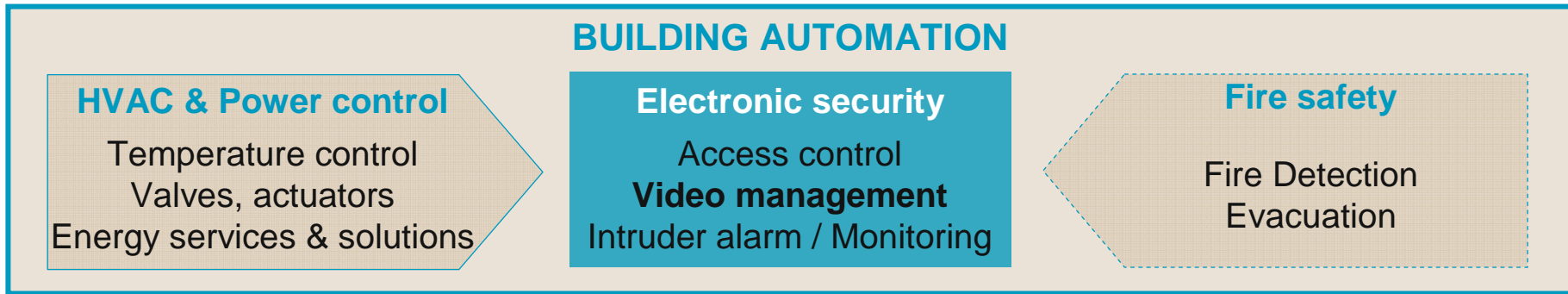


**PELCO acquisition**  
**August 1<sup>st</sup>, 2007**

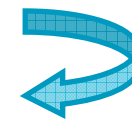


# Building Automation is more and more integrated into a unique system to answer customers' needs

- Building is a significant market for Schneider Electric (52% of sales)
- Building Automation addresses 2 growing needs: Security & Energy Efficiency



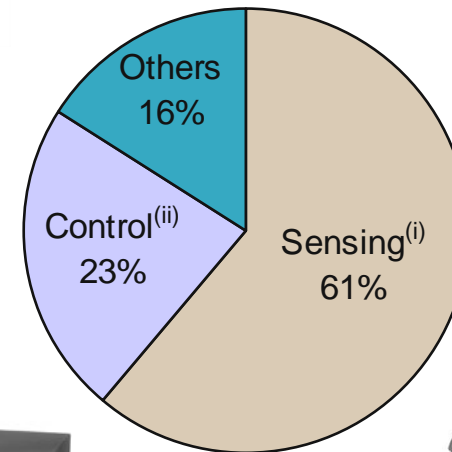
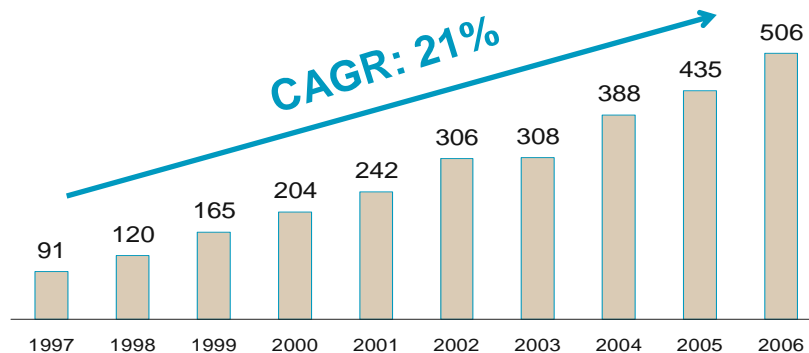
**Integration of HVAC and Security provides more than 25% savings on both Capex and Opex**



# Pelco is a key leader of video security industry

## Key Figures

Sales	\$506 m
Employees	2,200
Presence	130 countries



- Highest brand recognition in the industry
- A leader in the fast growing video security industry
- Strong innovation capabilities with R&D representing 7.5% of sales
- Premium customer base: world-class technical support and customer service
- Broadest product line and unique ability to offer a full end to end solution
- Strong sales & marketing organization

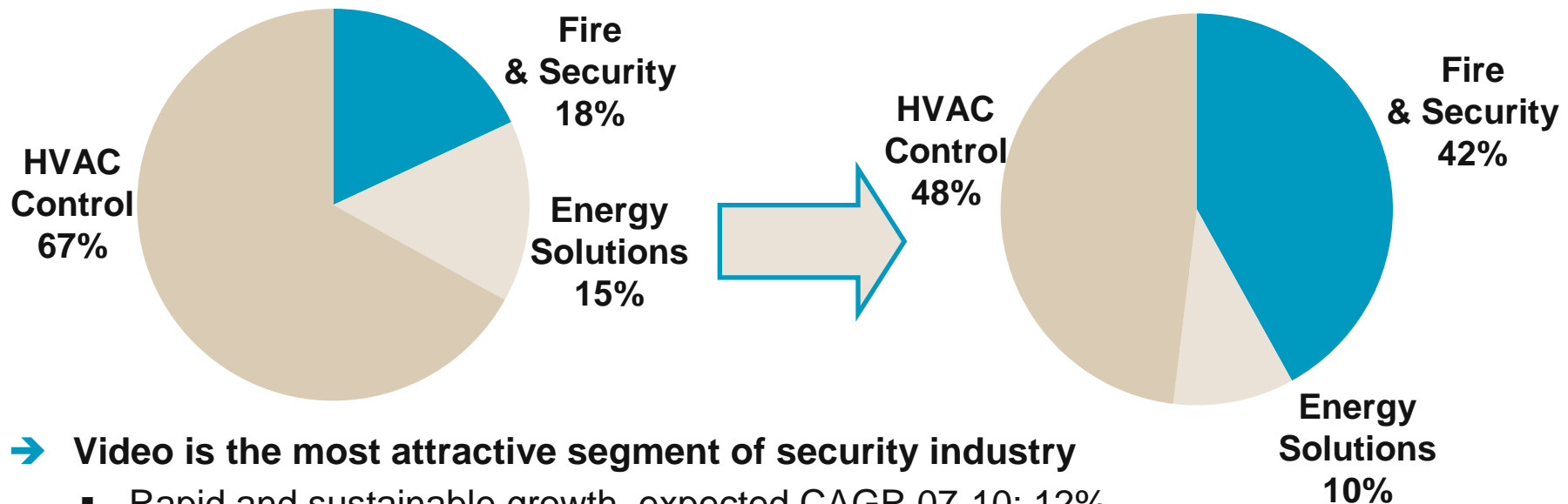
(i) Sensing include cameras and domes

(ii) Control include DVRs and NVRs

# Schneider Electric rebalances its Building Automation solution portfolio by reinforcing its security offering

Current Building Automation solutions portfolio : €1.0 bn\*

Building Automation solutions portfolio with Pelco acquisition: €1.4 bn\*



➔ **Video is the most attractive segment of security industry**

- Rapid and sustainable growth, expected CAGR 07-10: 12%
- Shift to high value added IP protocol and software based systems

➔ **Video is one of the critical application in the building**

- Video provides the source data (location, movement, ...) transported via IT infrastructure
- Data is translated into meaningful information through video content analysis software
- Video complements/replaces other security systems: intrusion, detection

\* 2007 forecasts

## Pelco has a strong margin improvement potential

\$m	2006	2007E	Change	H1 2007	Change
<b>Sales</b>	<b>506</b>	<b>569</b>	<b>+12%</b>	<b>269</b>	<b>+13%</b>
EBITDA	46	65	+41%	27	+50%
<i>Margin %</i>	9.1%	11.4%	+2.3 pts	10.1%	+2.6 pts
EBITA	30	50	+67%	20	+100%
<i>Margin %</i>	6.0%	8.8%	+2.8 pts	7.3%	+3.0 pts
<b>R&amp;D</b>	<b>38</b>	<b>43</b>		<b>19</b>	

- **Strong sales growth track record, CAGR 00-06: 16%**
- **Significant investments achieved in the last few years**
  - \$100 million of R&D spending over the last 3 years to support the IP shift
  - Expansion of international commercial coverage in 130 countries
- **High operational leverage potential**
  - R&D spending has reached an adequate amount
  - Most of commercial resources have been deployed

# The objective is to reach a 19% EBITDA margin including synergies

→ Significant synergies will be extracted through the combination of Pelco and TAC

## Sales synergies: \$168 million

- Sale of video solutions into TAC channels
- Pelco & TAC integrated access and video solutions
- Pelco cameras/accessories sales into TAC channels

## Cost synergies: \$32 million

- Purchasing conditions
- Optimisation of back office
- Operating efficiencies

2011  
Synergies Target

EBITDA  
\$ 67 million

# Transaction

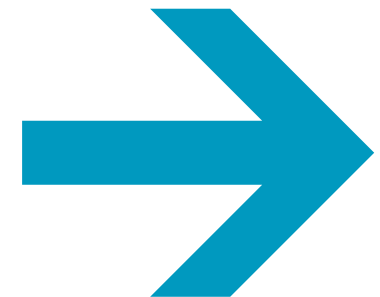
- **Total acquisition price: \$1,540 m**
  - Debt-free/cash-free basis
  - Approximately \$320 m of tax benefits<sup>(i)</sup>
  - Enterprise value of \$1,220 million
  
- **Expected Return On Capital Employed<sup>(ii)</sup> to exceed cost of capital<sup>(iii)</sup> in year 3**
  
- **EPS accretive in year 1**
  
- **Transaction subject to antitrust and other regulatory clearance**
  
- **Price to be paid in cash at closing expected by October 2007**

*(i) Discounted at 7.5%*

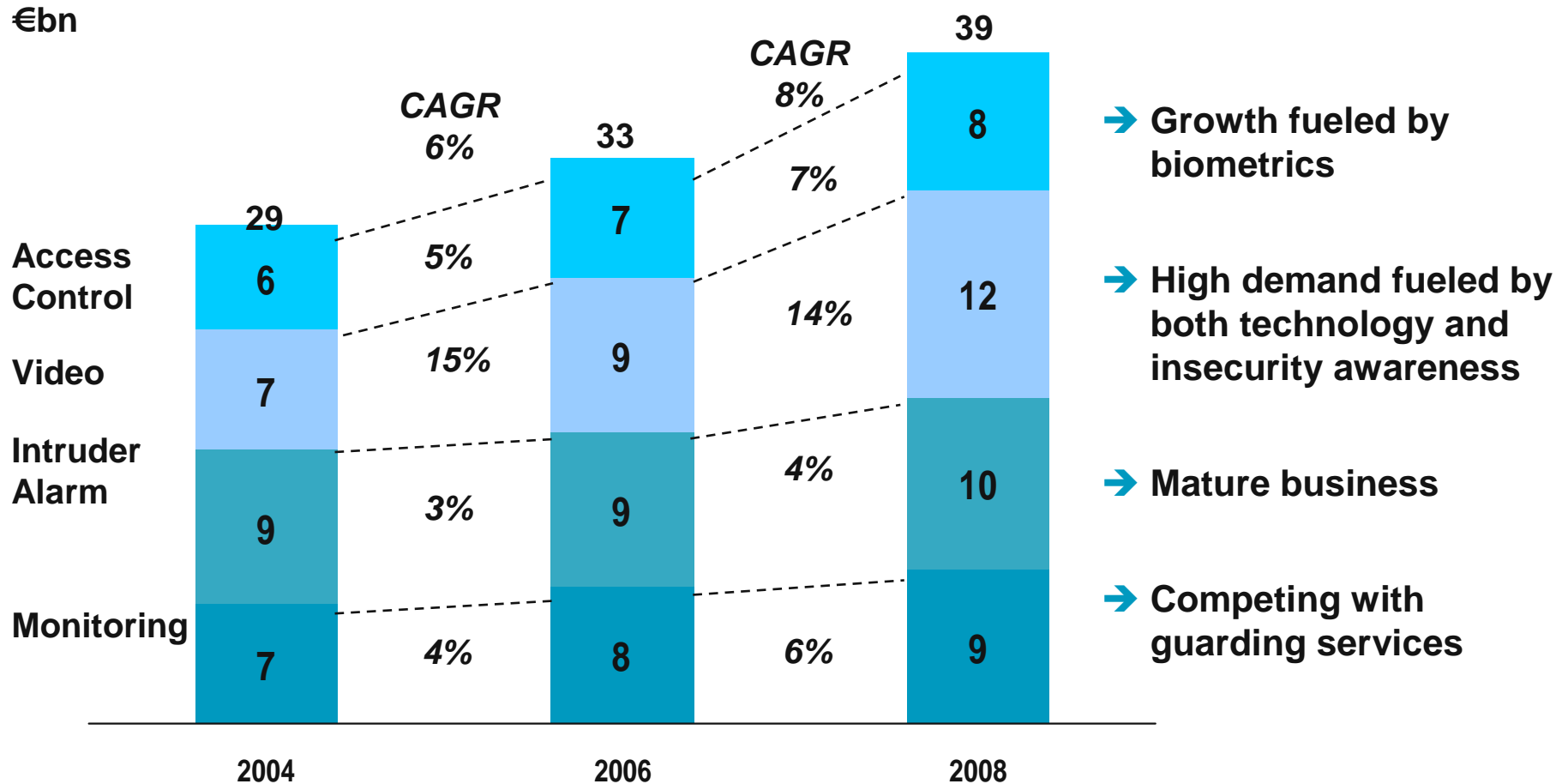
*(ii) After tax EBITA / Enterprise value*

*(iii) Schneider Electric cost of capital estimated at 7.5%*

# Appendices

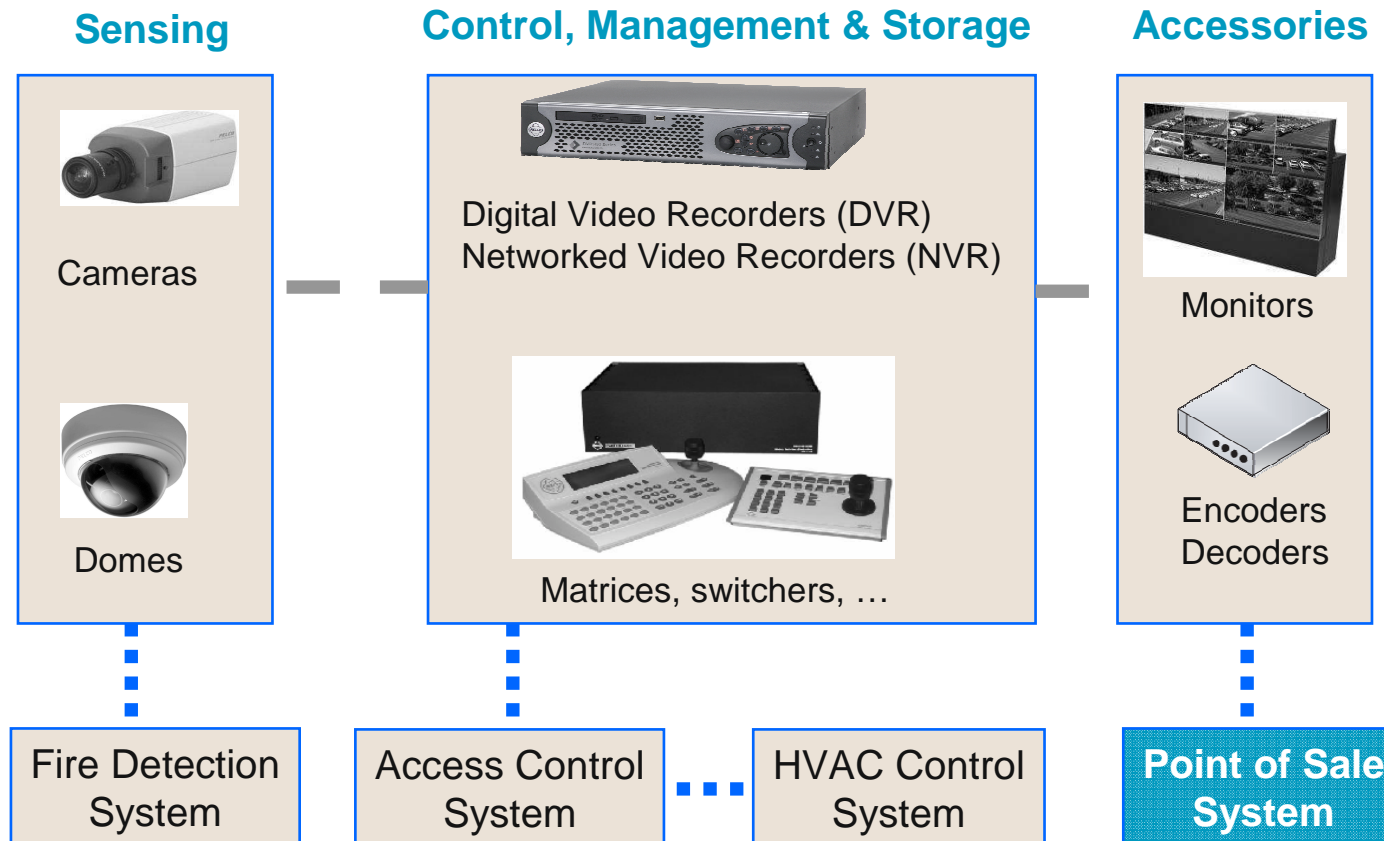


# Video is the fastest growth business in the field of Electronic Security



# A video surveillance management system

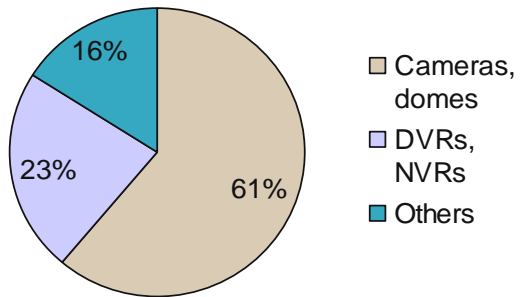
## Digital Video Surveillance Management System



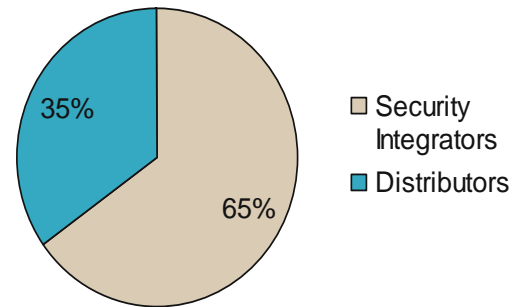
# Pelco sales split

Total sales in 2006 = \$506m

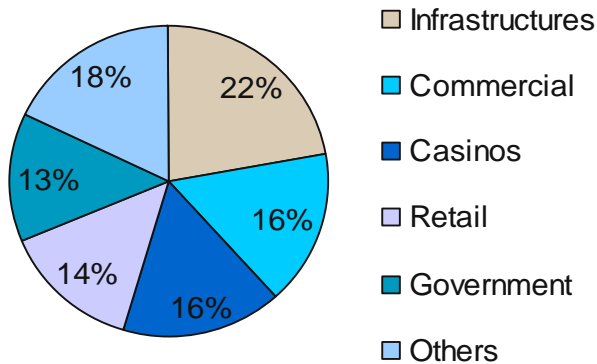
A Full System Offer



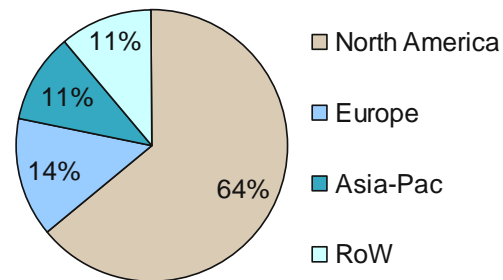
Distributed through integrators/distributors



In all Verticals



In most countries of the world



# *Building a New Electric World*

