

APC acquisition: Schneider Electric becomes a global leader in Critical Power

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Square D

Telemecanique



October 30, 2006

Schneider
 **Electric**

Building a New Electric World

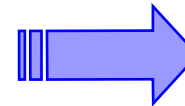
Acquisition of APC for \$31 per share corresponding to an enterprise value of around \$5.5 bn



Major Strategic Move

Gain global leadership in critical power
Strengthen leadership in electrical distribution

Attractive Critical Power Business



7-8% Long Term Growth
At the Heart of Strategy

Great Market Position



Global Leadership

Unique Fit



Complementarities
on all Dimensions

Turnaround Opportunity



6-7 pts EBIT margin gain

Significant Synergies



EBIT impact of \$220 m

Financial Accretion



EPS accretive from 2007

Value Creation Above \$3 bn

Strategic Intent

APC presentation

Unique fit

Value creation

Financing

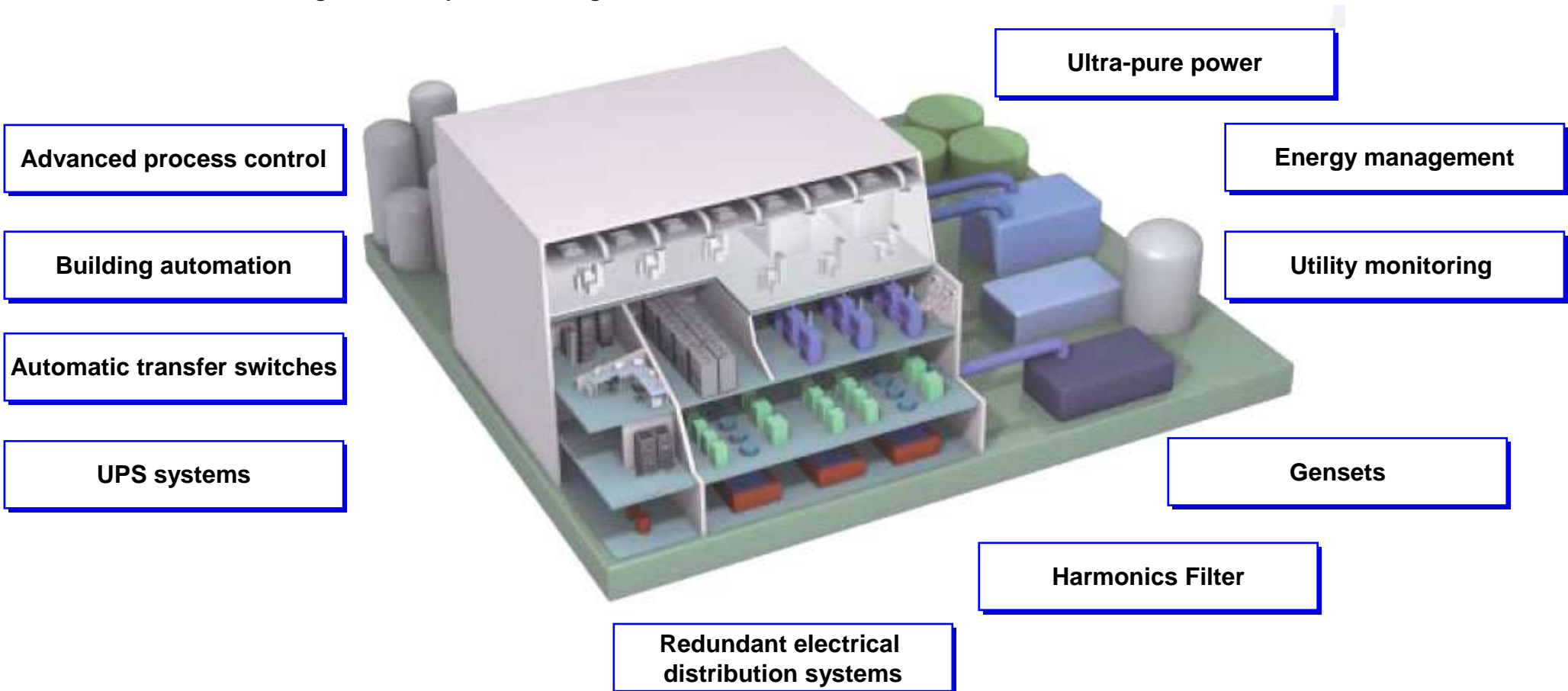
Transaction

Examples of customer application: Manufacturing: semiconductor plant



Services

architecture engineering, Installation auditing,
e-monitoring and analysis, training & maintenance

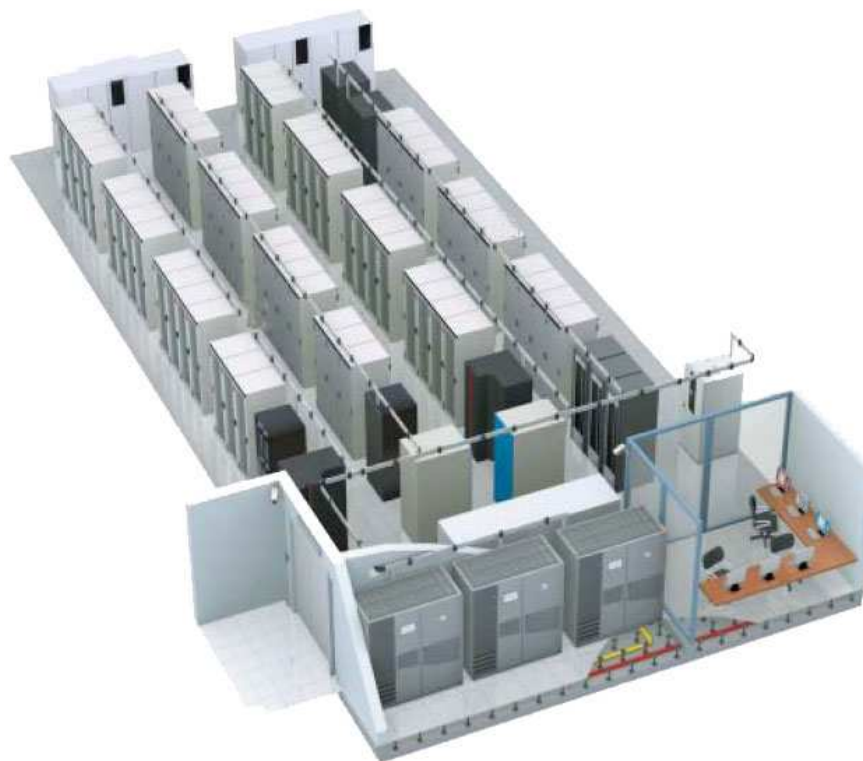


Examples of customer application: Data center



Services

architecture engineering, Installation auditing,
e-monitoring and analysis, training & maintenance



Utility
Switchgear

Emergency
Switchgear

UPS/Gear

PDU

Energy management

Harmonics Filter

SCADA interface

Transient Voltage
Surge Suppressor

Genset

Static Transfer
Switch

Automatic Transfer
Switch

Generator Paralleling
Switchgear

Examples of customer application: Hospital



Services

architecture engineering, Installation auditing,
e-monitoring and analysis, training & maintenance

Electrical distribution

Climate and lighting control

Security and access control

Multi-site remote
management

Cable management
& Ultra Terminal

Automatic transfer switches

UPS systems

Voice Data Image



Ward units systems

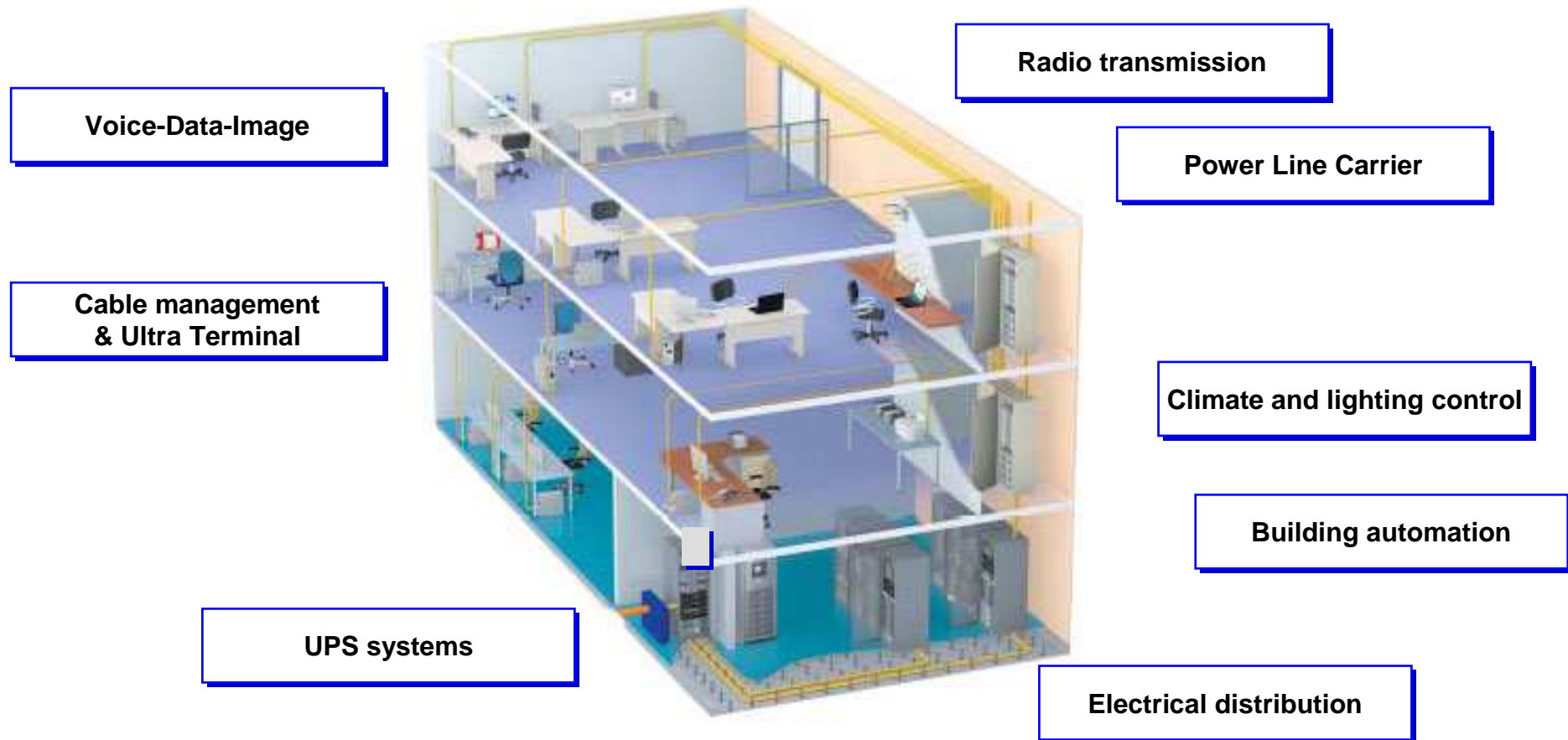
Nurse call systems

Examples of customer application: Entreprise networking



Services

Installation auditing, e-monitoring and analysis, maintenance



Critical Power is an increasing issue for a growing number of customers

→ Power supplied by utilities is insufficiently reliable

- Availability
- Quality



→ Power quality and reliability is more and more critical to an increasing number of applications

- Increasing number of sensitive applications: hospitals, industrial processes, IT & telecom
- Risk of significant business losses from a power interruption or quality default

Cost of 1 hour downtime	
Stock-market transactions	€6.5 m
Semi-conductors	€3.8 m
Banking-card transactions	€2.5 m
Automotive	€1.0 m

→ Data storage and digital information traffic are rising


→ A critical power installation is based on a sophisticated, reliable & redundant electrical distribution architecture

→ A set of professional services is key for customers during the life cycle

Critical Power addresses a growing number of diversified vertical segments

Segmentation of the UPS market (in 2005 and \$bn)

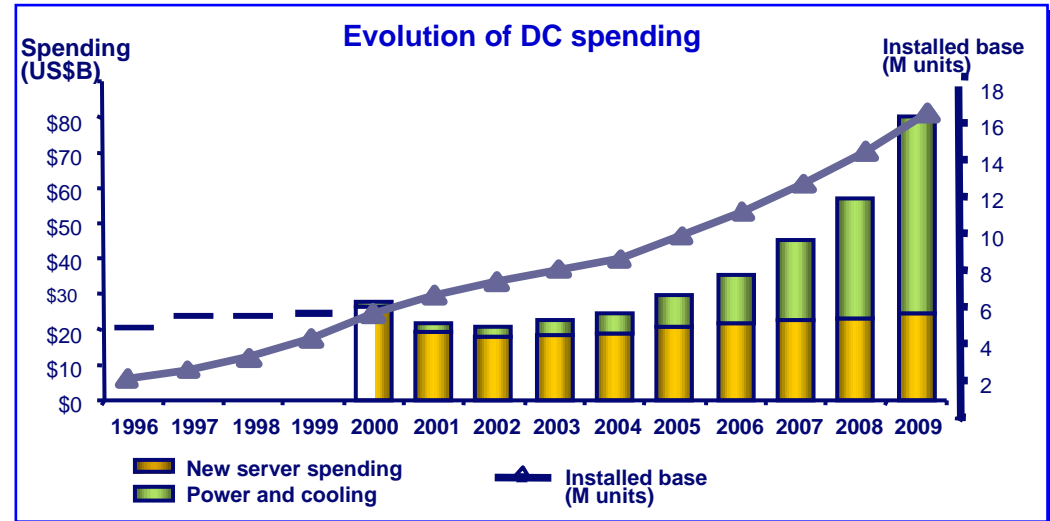
Market 2005
(Total \$7 bn)

	20 %	20 %	40 %	10 %	10 %
	Process & Infrastructures	Data Centers	Enterprise Networking	Telecom	Consumer
					
	Hospitals Semi-conductors Flat panels Electronics	Internet Data Centers, Corporate Data Centers	Servers, Storage, Networking equipment	Central Office Station Controller Base Station	Desktop PCs, VCR, Home Cinema
LT Growth	8 - 10%	6 - 8%	6 - 8%	5 - 7%	4 - 6%

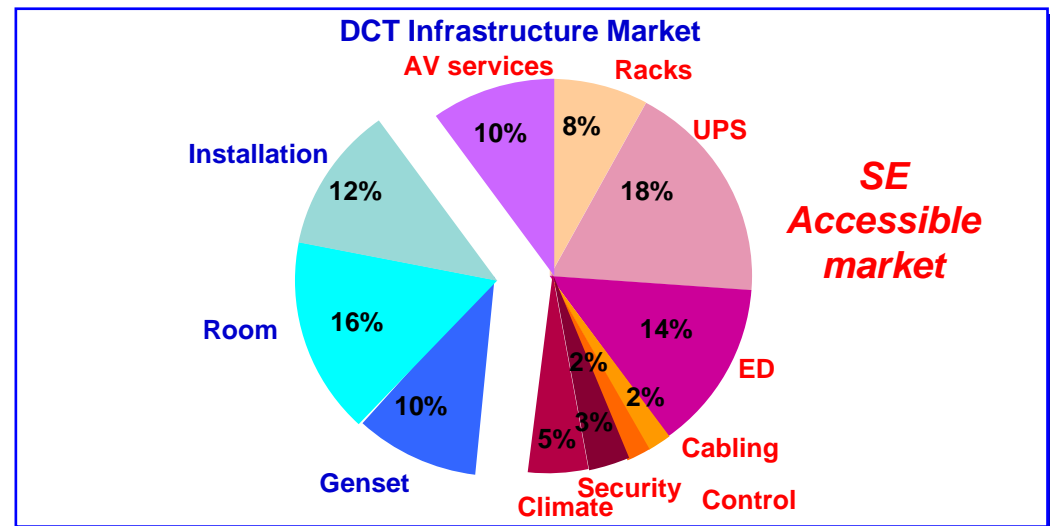
Data Centers market illustrates strong growth potential & complementarities with SE business



- Data Centers market is growing fast in number and size
- Power and cooling are becoming the biggest share of Data Centers spending



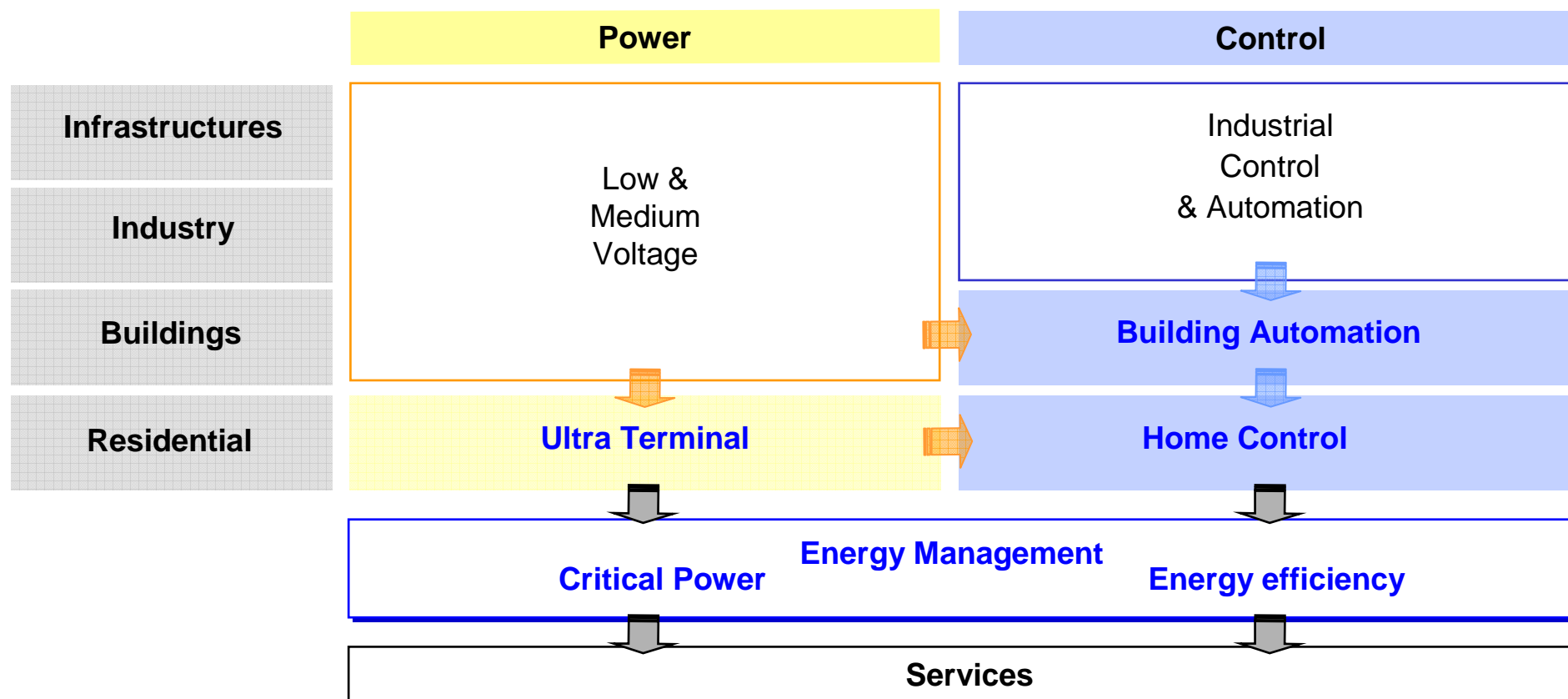
- Schneider Electric addresses 60% of the Data Centers Infrastructure market, ie. 3.5x the size of the UPS market



Critical power is at the heart of Schneider Electric's business and future prospects



→ Increase growth potential and reduce cycle sensitivity through new businesses



→ The move into UPS started in 2003 with the acquisition of MGE (\$717 m sales)

The combined offer of electrical distribution, building automation & critical power is unique

→ A **unique offer** to build integrated solutions for customers

- High quality electrical distribution



- Energy consumption monitoring



- Energy quality & availability



- Temperature control and security



→ A capacity to **tailor a solution** bringing value to each customer

- Engineering and software capabilities
- Comprehensive services throughout the life cycle
- Dedicated high skills teams

**Solving the equation of
total cost of ownership, availability & scalability**

Strategic Intent

APC presentation

Unique fit

Value creation

Financing

Transaction

A global leader in small systems & the fastest growing player in large systems

Key Product Lines

**A clear leader
 in Small Systems
 Sales: \$1,500 m (74%)**

- Uninterruptible Power Supply
- Surge arrest
- Power conditioners
- Distributed IT systems
- Sensitive electronics
- Telecom/ VOIP



**The fastest growing player
 in Large Systems
 Sales: \$400 m (22%)**

- High & Medium power UPS
- Cooling systems
- Software & Management
- Services
- Special products



**Spare Parts & Others
 Sales: \$100 m (4%)**

- Replacement batteries, ...



2005 figures

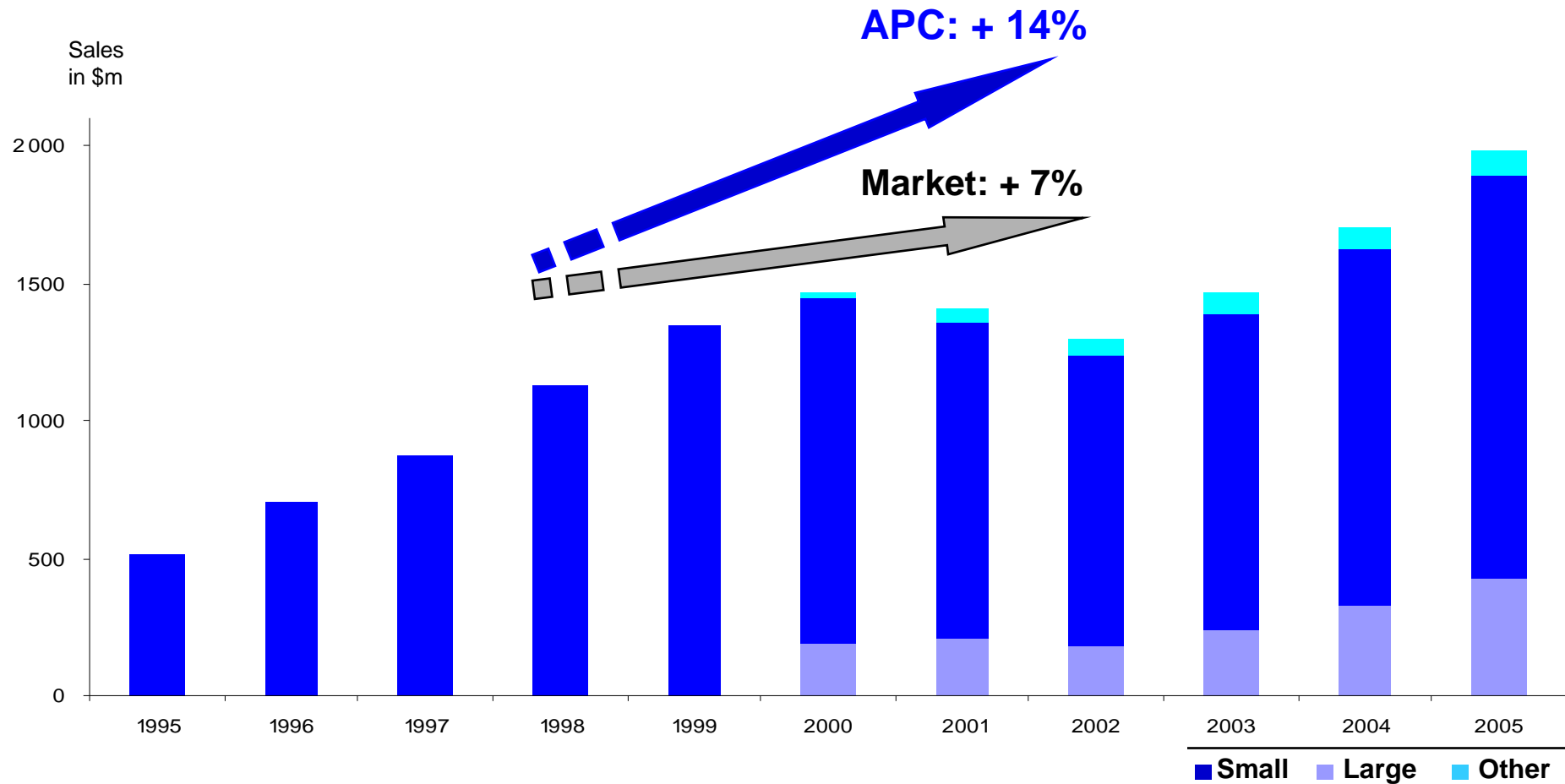
APC Acquisition - October 2006

Strong and diversified customer portfolio base



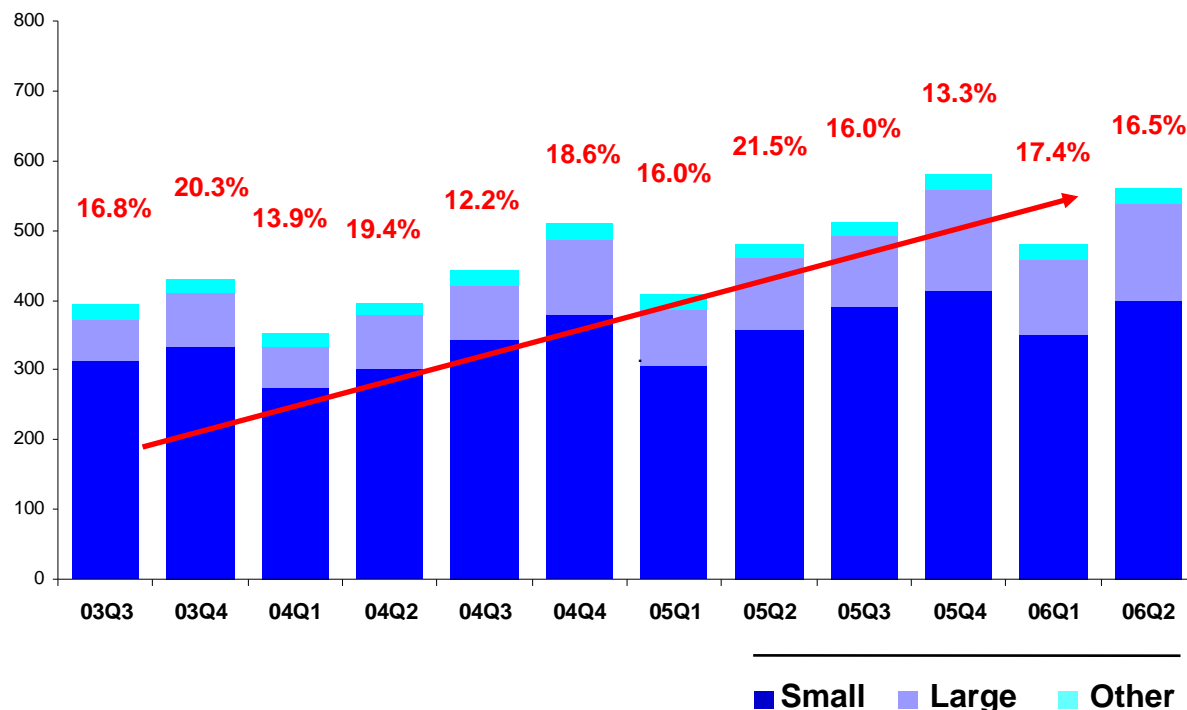
An impressive growth track record

A 14% average sales growth over the last 10 years
2x outperforming the market



12 consecutive quarters of double digit growth

Sales Growth Evolution Year-on-Year (In %)



→ Small Systems

- Strong sales growth with an average of 14% yoy

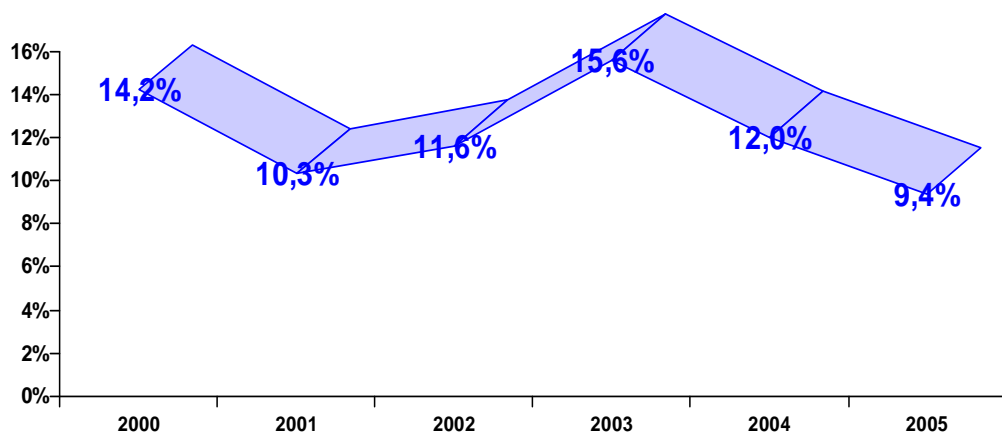
→ Large Systems

- Impressive growth momentum of > 30% yoy
- Driven by continued investment in network critical infrastructure markets

APC delivered 12 consecutive quarter of double-digit growth

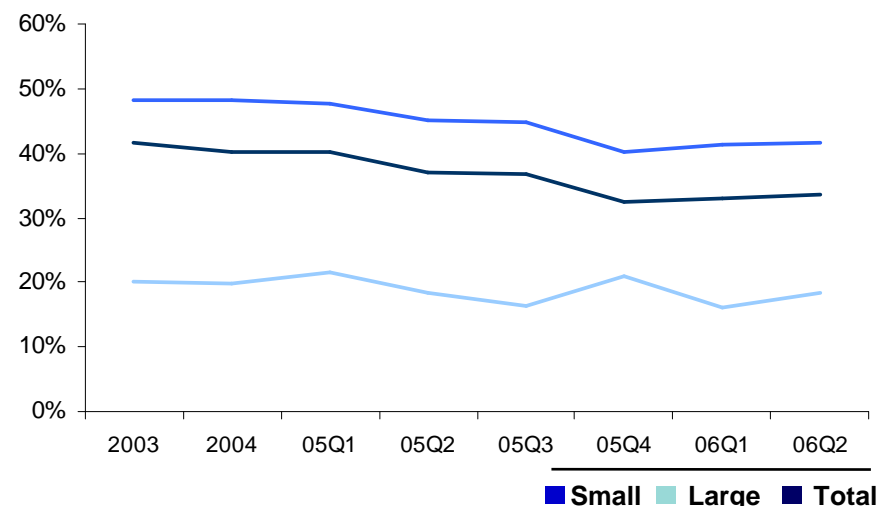
APC gross margin provides significant opportunities for recovery

EBIT Margin Evolution



- ➔ **High EBIT Margin potential**
- ➔ **Strong downturn resilience**
- ➔ **Recently suffering margin**
 - Impacted gross margin
 - Large SG&A expenses to support growth in Large Systems

Gross Margin Evolution (1)



- ➔ **Discrepancies in gross margins**
 - Small systems benefit from global leadership
 - Large systems in strong investment phase
- ➔ **Recent negative impact**
 - Temporary supply chain cost linked to shifting to low cost countries
 - Delay in passing raw materials price increases
 - Full deployment of services coverage not yet amortised

(1) Before handling and shipping costs

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APC is a unique opportunity

- Global **leader** with a strong **brand** recognition
- High innovation capabilities thanks to a remarkable **R&D** organization
- Strong **complementarities**
 - Products and services
 - Routes to market
 - Geographical sales presence
 - Manufacturing footprint
 - Management skills
- **Great access** to new customers and applications for **Schneider Electric** solutions

A global leader and a brand of reference



RANK	COMPANY	GRADE
1	APC	90.0
2	Cisco Systems. Inc.	89.9
3	AMD	89.6
4	Intel	89.3
5	Adobe	89.2
6	Apple Computer Inc.	88.9
7	VeriSign	88.9
8	Polycom	88.5
9	Symantec Corp.	88.0
10	Broadcom	87.9

Source: CIO Magazine, September 06

APC is the most recommended Vendor by CIOs

- APC rated as the top vendor based on performance areas such as product quality and reliability; after sale support; and ability to deliver on promises and deadlines
- > 85% of CIOs were willing to recommend Apricot to other IT executives, second only to Cisco Systems
- More respondents said they have purchased or plan to purchase hardware and network equipment from APC rather than from any other vendor

Technological lead driven by an innovative vision and aggressive investments in R&D

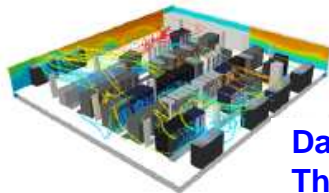
Research & Development Investments



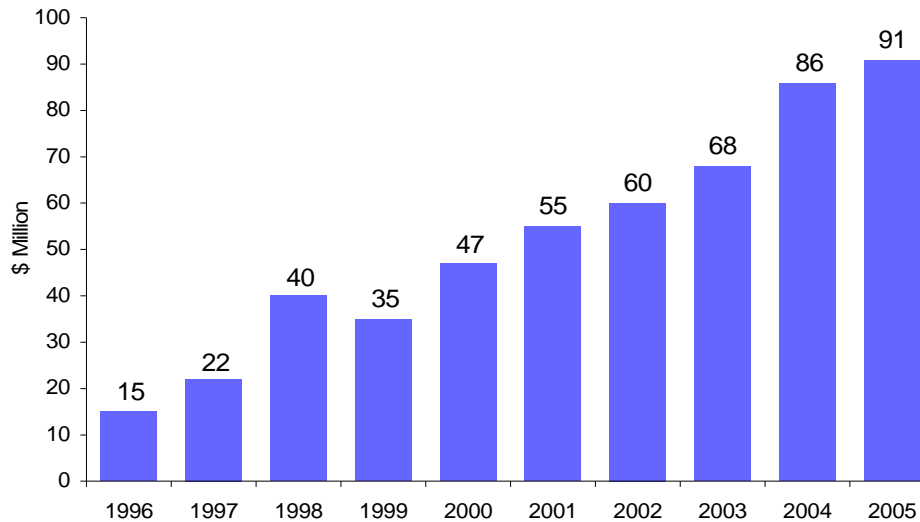
Row-oriented Cooling Systems



Data Center Design CAD Software



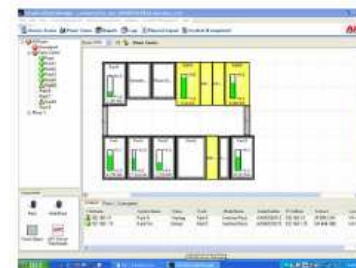
Data Center Thermal Modeling



Ultra-high Efficiency Symmetra® Megawatt UPS



Fuel-cell UPS



Capacity Management Software

Complementary products, services and channels

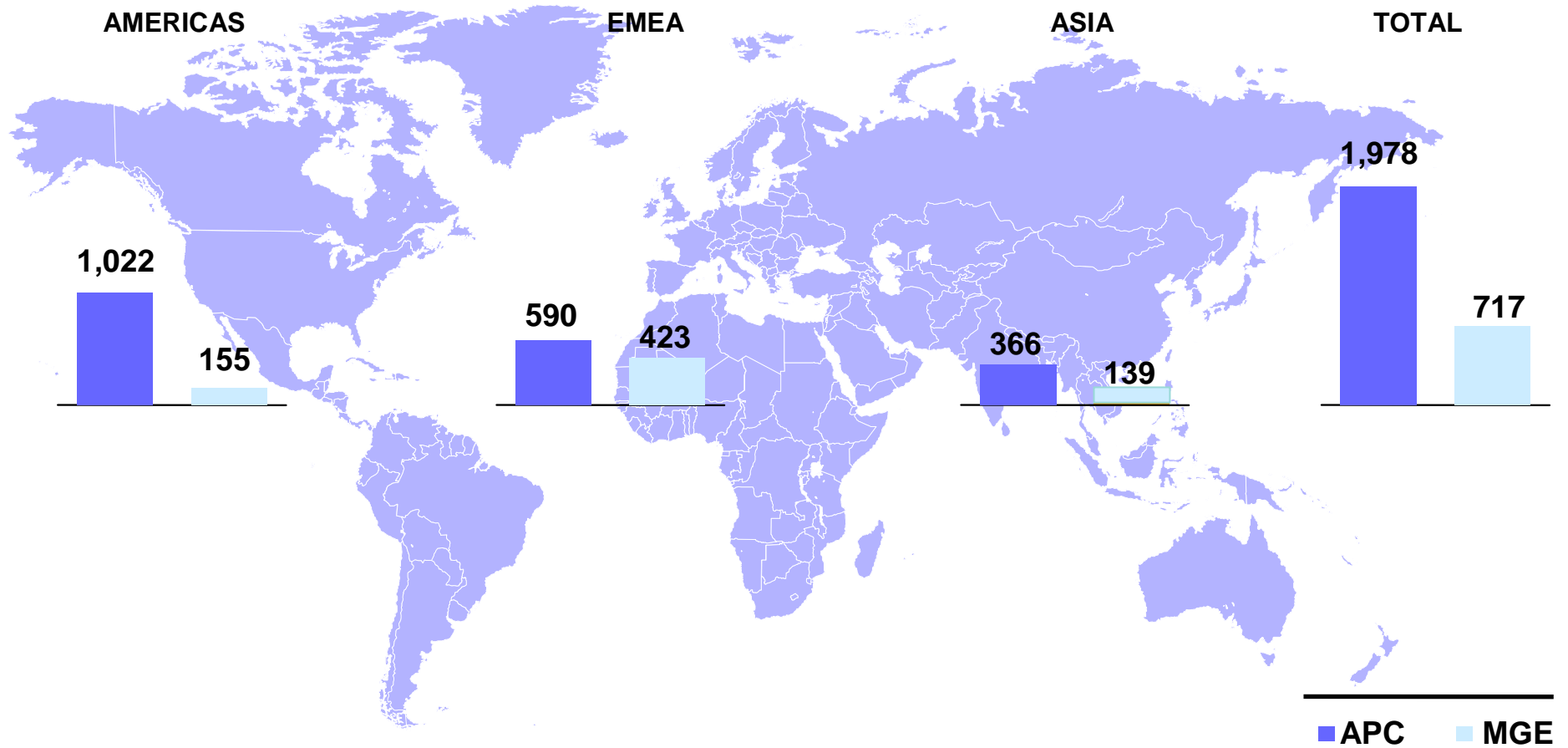
	APC	MGE / SE	Combined business
Small UPS	☆☆☆	★	☆☆☆☆
Large UPS	★	☆☆☆	☆☆☆☆
Racks	☆☆		☆☆
Cooling	☆☆		☆☆
Services	★	☆☆☆	☆☆☆☆
Cable management	★	☆☆	☆☆☆
Supervision	★	★	☆☆
Harmonic filtering		☆☆	☆☆
Power monitoring		☆☆☆	☆☆☆
Electrical & facility managers	★	☆☆☆	☆☆☆☆
CIOs	☆☆☆	★	☆☆☆☆

Based on skills and market position

APC Acquisition - October 2006

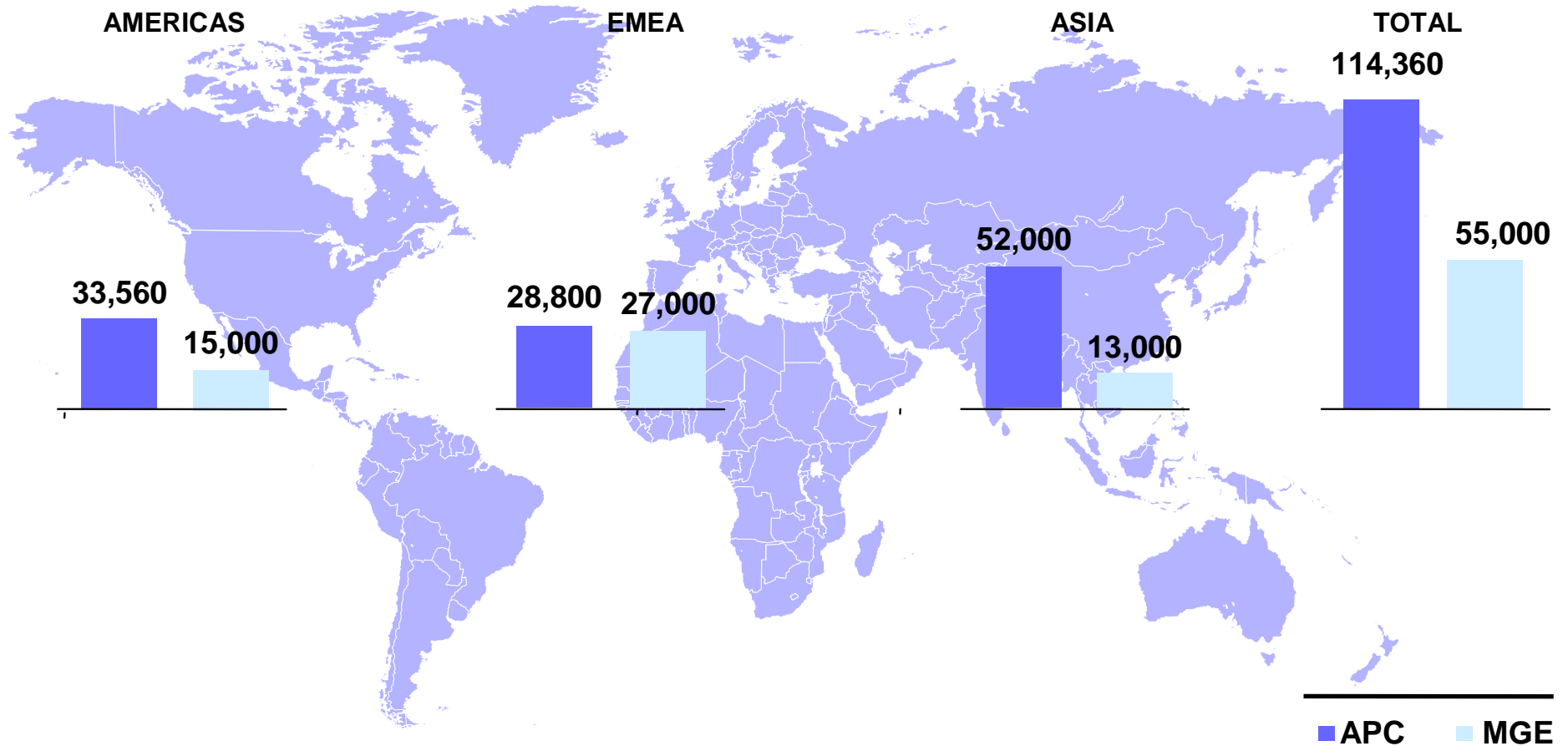
Complementary geographical exposure

2005 Sales (\$m)



Complementary manufacturing footprint

2005 Production capacity (m²)



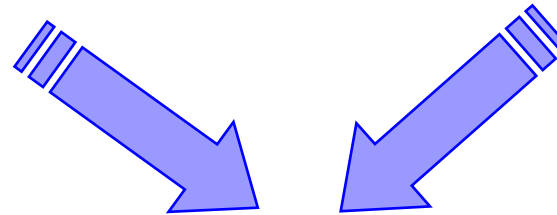
Complementary management skills

APC

- Entrepreneurial drive to global leadership
- Focus on products and innovation
- Intimacy with Information Technology
- Growth driven

MGE

- Best-in-class margins
- Focus on services
- Expertise in Electricity Technology
- Cash flow driven



Both management team are convinced of perfect match
They are supportive and excited to deliver above plan

Business case

- Capitalize on **small systems**
- Deploy **best practices** in large systems and services
- Streamline and rebalance **supply chain**
- Implement **synergies** between APC, MGE and Schneider Electric

Strategic Intent

APC presentation

Unique fit

Value creation

Financing

Transaction

The business case relies on 4 value creation drivers

The 4 building blocks of our value creation strategy

1. Capitalize on small systems leadership

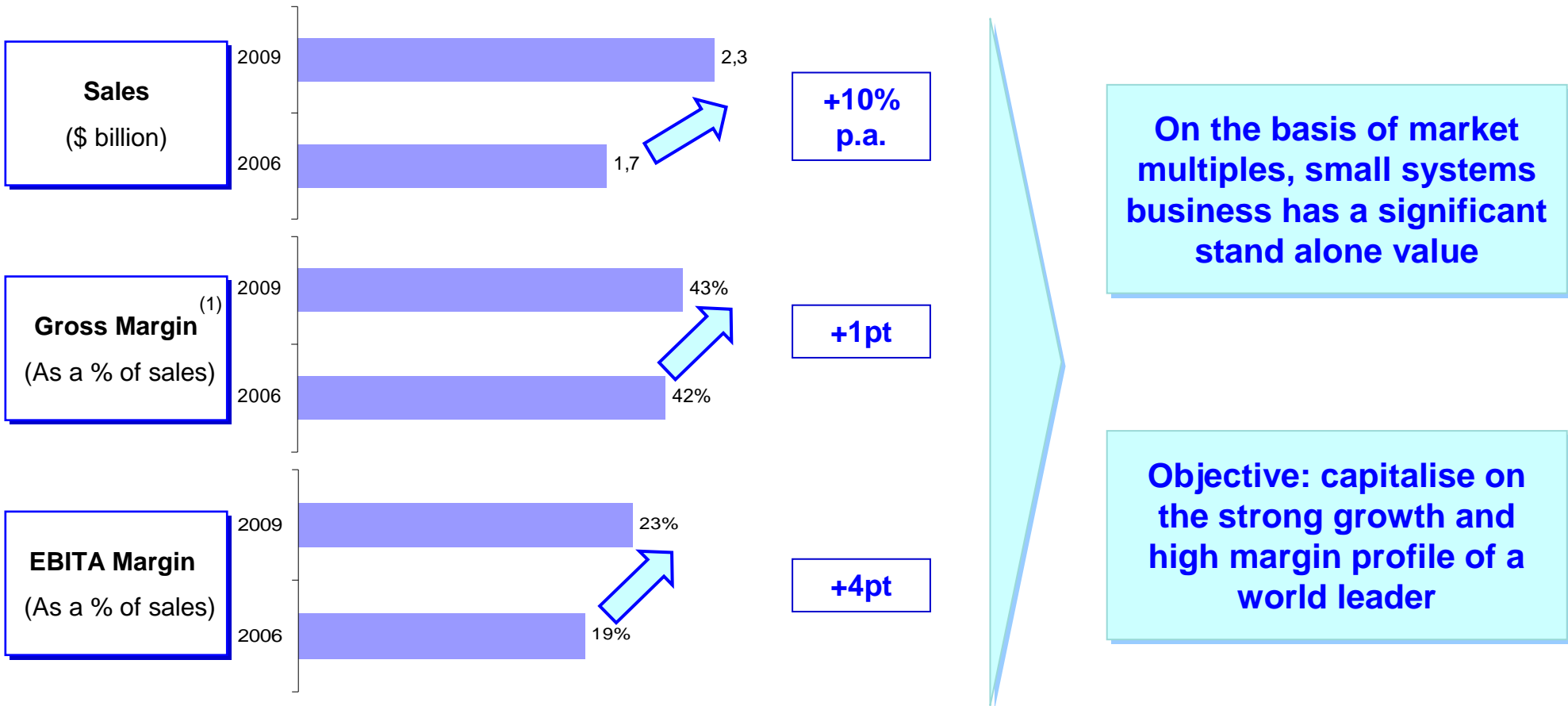
2. Turnaround large systems

3. Fix supply chain issues

4. Extract sizeable synergies

The objective is to marginally improve the performance of the small systems business

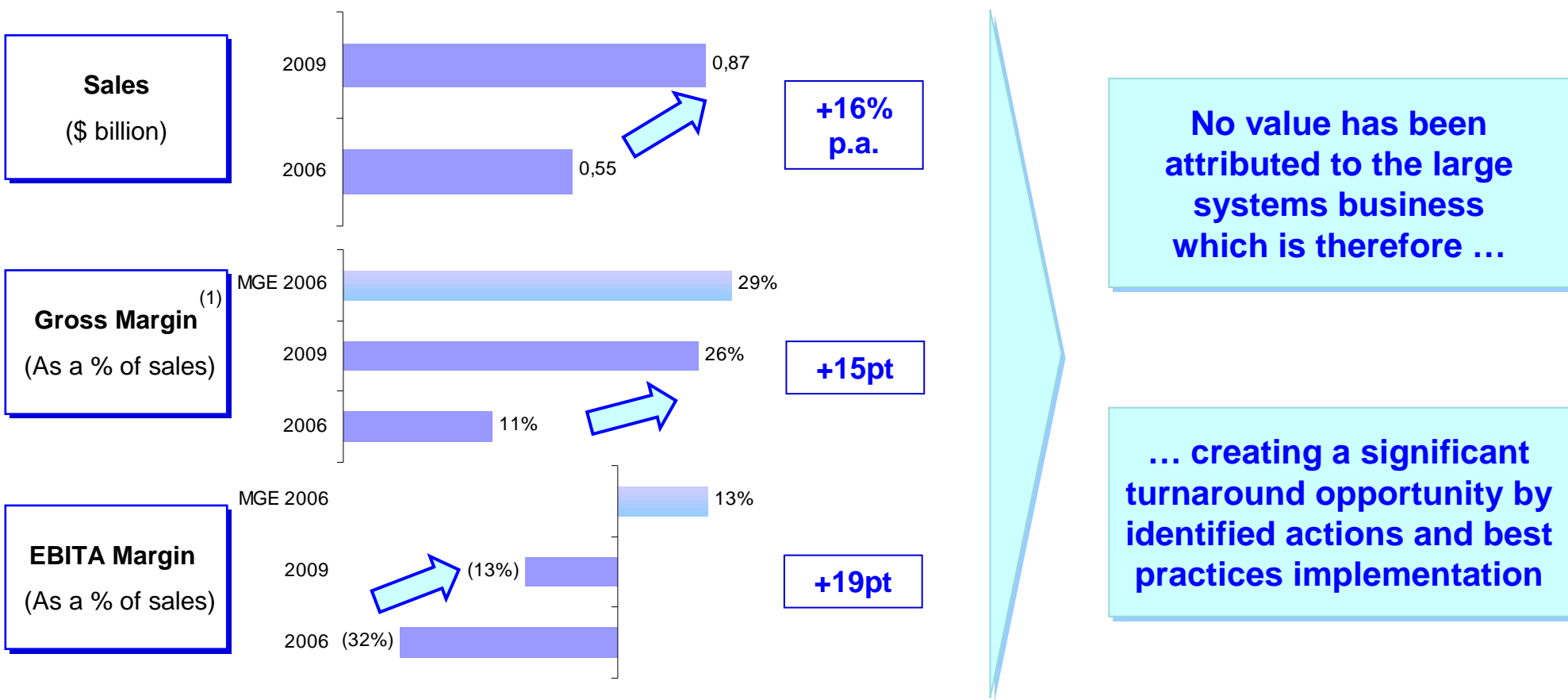
Small Systems performance improvement before synergies implementation (Schneider Electric proforma estimates)



(1) After shipping & handling costs allocation

The turnaround of large systems presents an outstanding value creation opportunity

Large Systems performance improvement before synergies implementation (Schneider Electric proforma estimates)



(1) After shipping & handling costs allocation

The supply chain optimisation will result in significant savings

Identified action plans

- Decrease number of references (SKUs)
- Rationalise manufacturing base
- Reduce number of distribution centers
- Optimise delivery time

Reduction in storage and transportation costs

Reduction in inventory turn by 25 days over 3 years

A thorough assessment of operating synergies results in a \$220 m EBIT impact in 2011

Identified synergies	Detailed implementation	Impact (\$m)
Purchasing savings	<ul style="list-style-type: none"> Combined purchasing power to grow from \$1.7 bn in 2007 to almost \$2.5 bn in 2011 Average productivity gains of 1.4% over the 2007-2011 period 	40
Research & Development	<ul style="list-style-type: none"> Combining resources in duplicate programs Optimizing level of R&D investment from 4.4% to 3.4% of sales 	35
Industrial rationalization	<ul style="list-style-type: none"> Further consolidation of selected manufacturing facilities 	15
Services	<ul style="list-style-type: none"> Leveraging APC installed base by applying MGE practices Optimizing services coverage within the combined structure 	35
Selling , General & Administrative	<ul style="list-style-type: none"> Redefining marketing & communication expenses (\$30 m) Rationalization of central functions and back offices (\$25 m) Elimination of listing costs (\$4 m) Optimization of commercial strategy (\$6 m) 	65
Sales (products)	<ul style="list-style-type: none"> Cross-selling between Schneider Electric market channels and APC products offering 	30
Total synergies in 2011		220

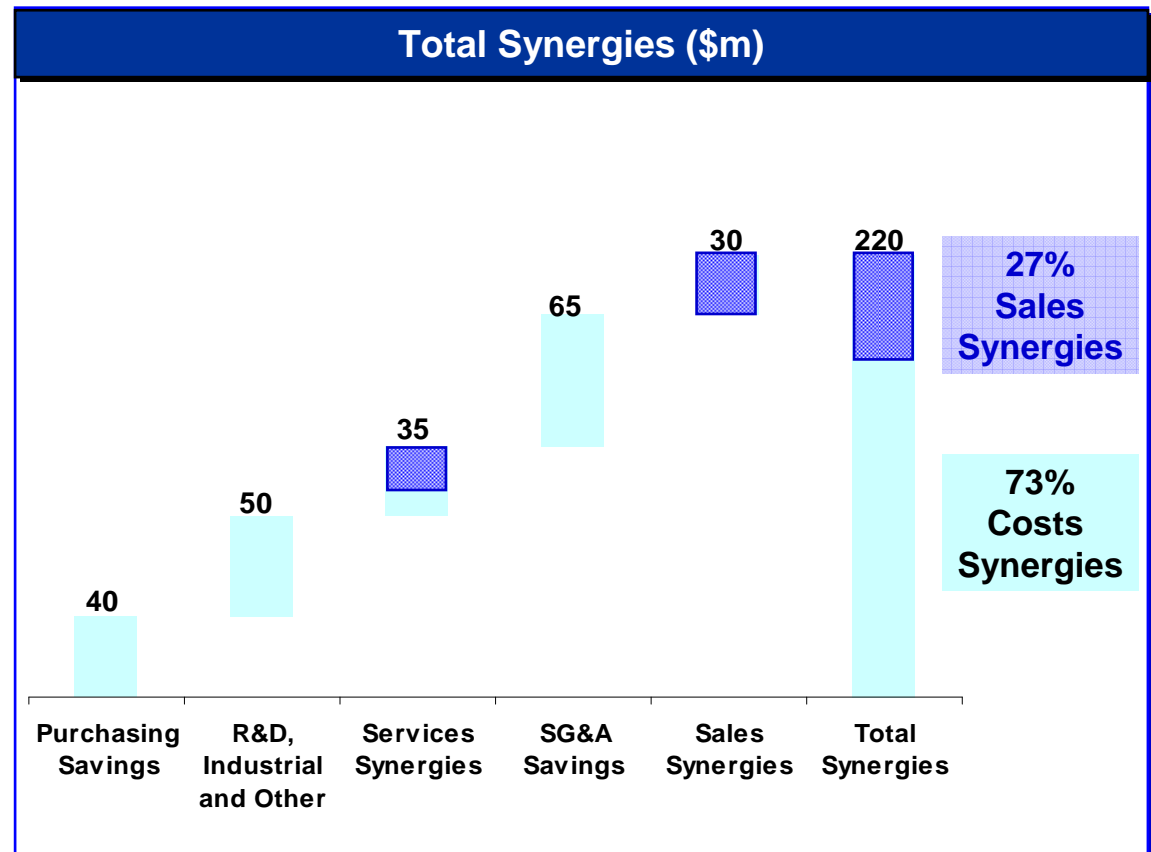
Costs synergies account for more than 70% of total synergies

Sales synergies

- Complete critical power solutions through combined offer
- Leveraging services business model

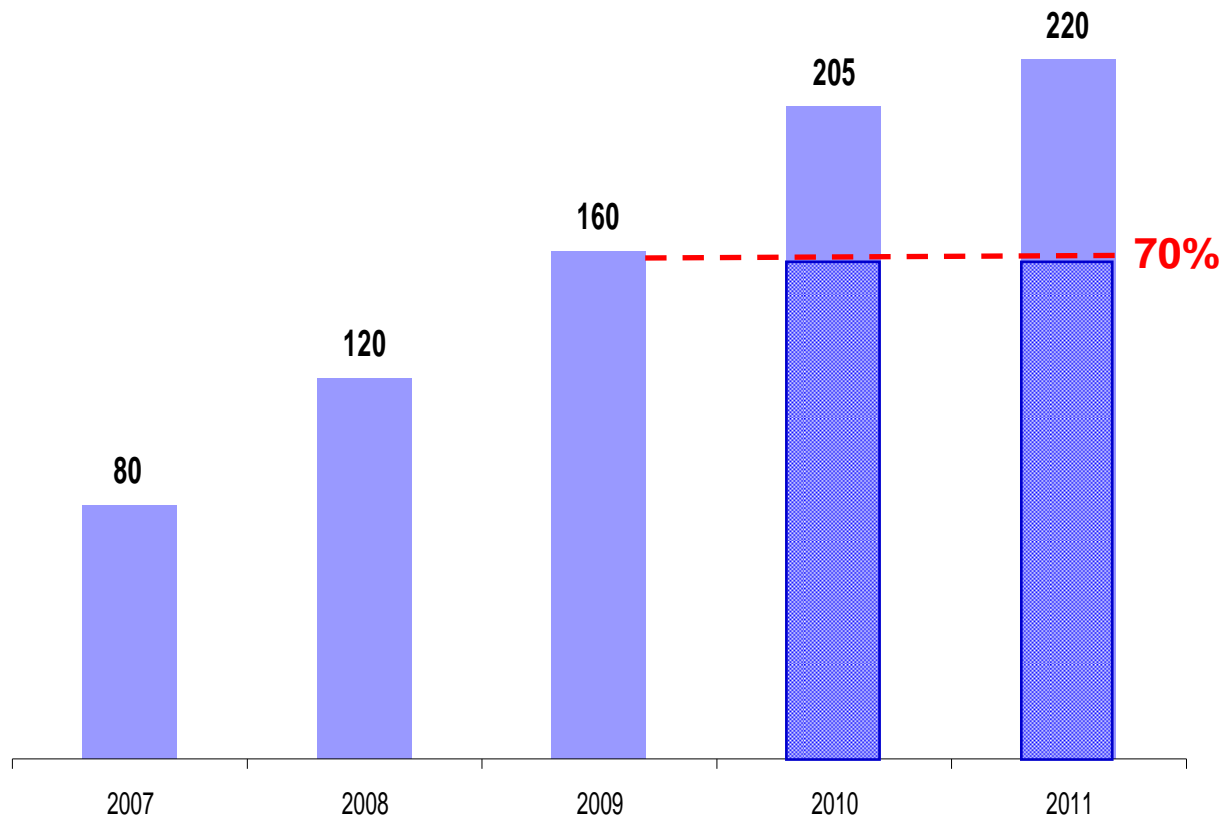
Costs synergies

- Purchasing
- Research and Development
- Marketing and sales expenses
- Back office



More than 70% of synergies will be achieved by 2009

Ramp up of estimated synergies (EBIT impact in \$m)



**Impact on EBIT:
\$220 m in 2011,
of which 70%
achieved in 2009**

Total implementation costs: \$82m (2007:\$51m, 2008: \$26m, 2009: \$5m)

APC Acquisition - October 2006

The critical power combined business will generate \$4 bn sales in 2009 with 15%-17% EBITA margin



Critical Power combined business plan including synergies

(\$ bn)	<u>2006E</u>		<u>2009E</u>
Sales	3.1	+10% per year	4.1 - 4.3
EBITDA Margin	0.3 10%	+7-9 pts over the period	0.7 - 0.8 17%-19%
EBITA Margin	0.3 8%	+7-9 pts over the period	0.6 - 0.7 15%-17%

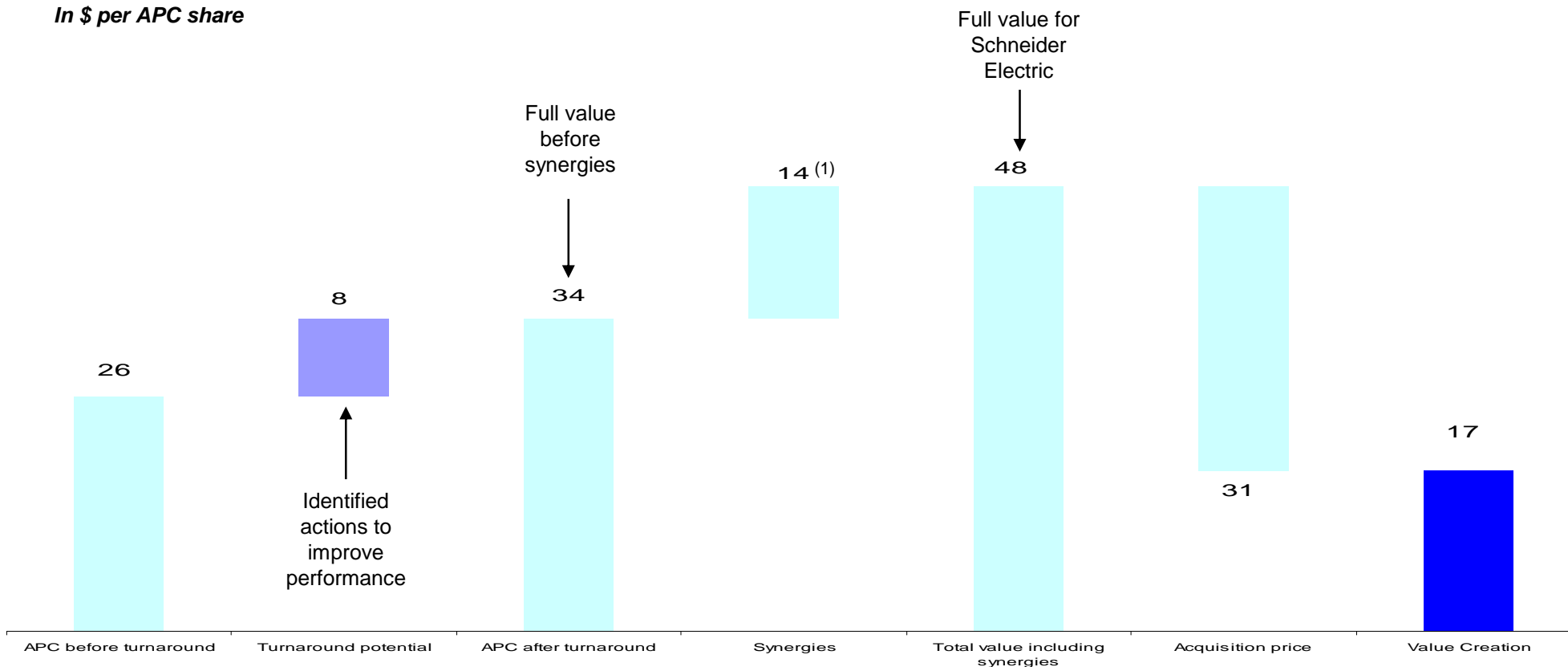
Return On Capital Employed criteria met in 2009

The APC acquisition will create substantial value of \$3.3 bn for Schneider Electric



Value creation analysis, including 100% of synergies, at Schneider Electric's WACC of 7.5%

In \$ per APC share



Return On Capital Employed criteria met in 2009

(1) Net of implementation costs

APC Acquisition - October 2006



Strategic Intent

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Unique fit

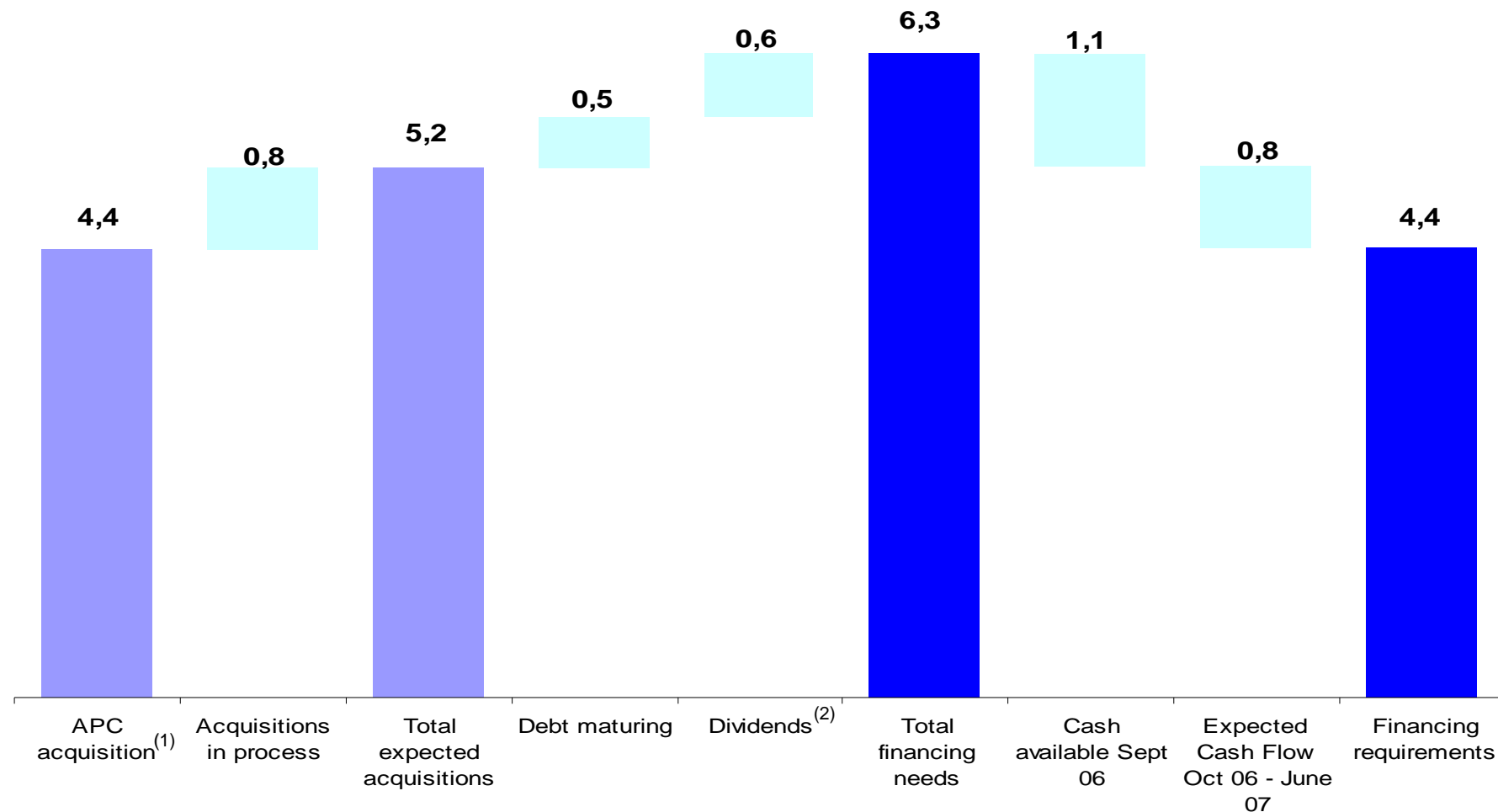
Value creation

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Financing requirements by June 2007 amount to €4.4 bn

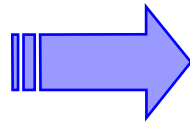
Determination of financing requirements (in € billions)



(1) Enterprise value including acquisitions costs, (2) 2006 net income market consensus with 50% pay out ratio

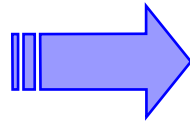
An about €1.2 bn capital increase is planned for the refinancing of the acquisition

Initial acquisition financing



- A €4.5 bn syndicated credit facility led by BNP Paribas

Contemplated refinancing



- A capital increase of around €1.2 bn with preemptive rights
- Bond issuance and other financing instruments

Schneider Electric will benefit from a releveraged but still solid financial structure

- Reinforced leadership position
- Balanced geographical exposure and business mix
- High and resilient profitability
- Strong and steady free cash flow (2007E €1.3 bn)
- Planned capital increase of about €1.2 bn

**Releveraging
the balance sheet
&
Maintaining a solid
investment grade
credit rating**

Strategic Intent

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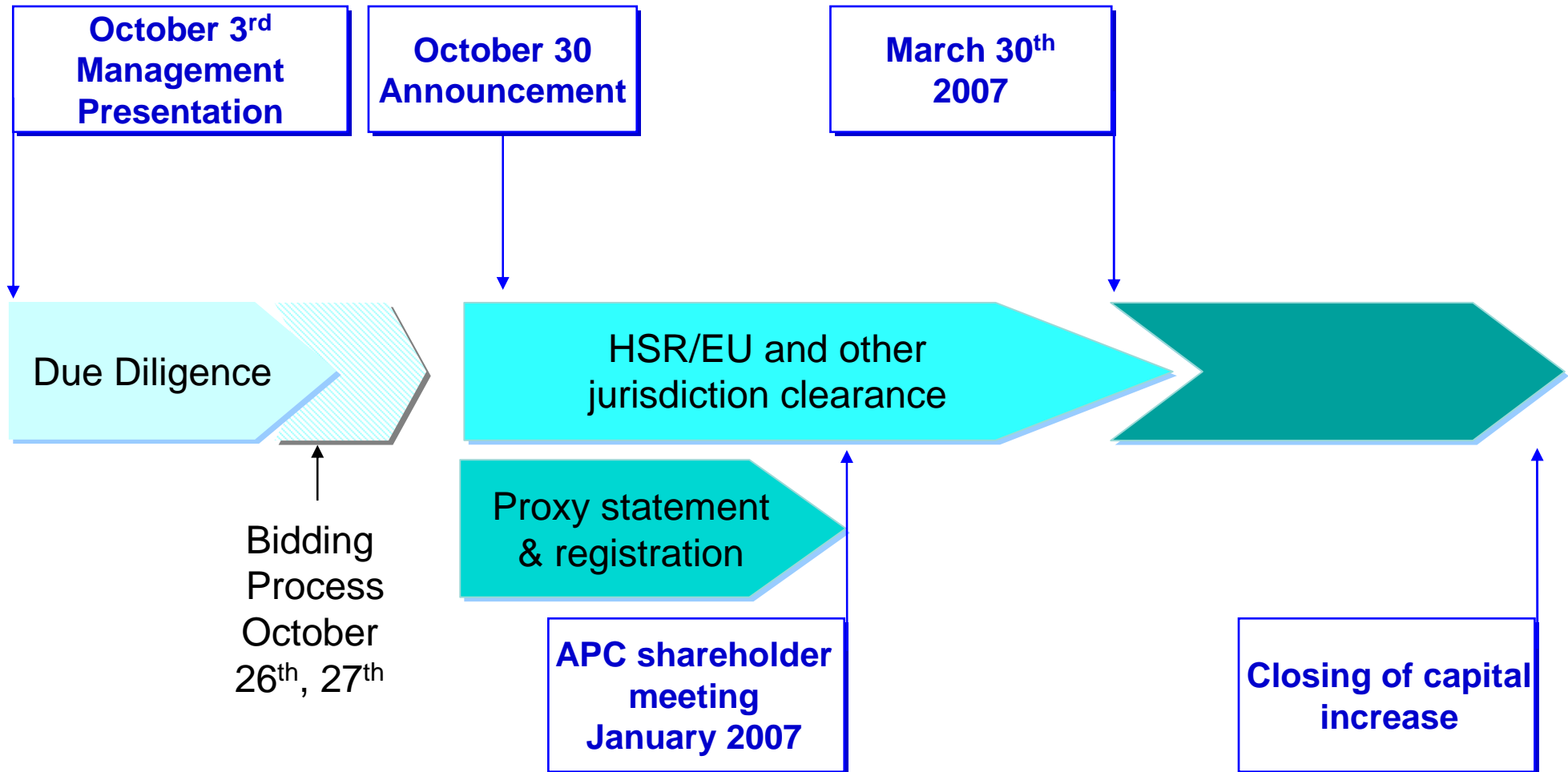
Transaction

The transaction is recommended by APC Board of Directors

Transaction highlights

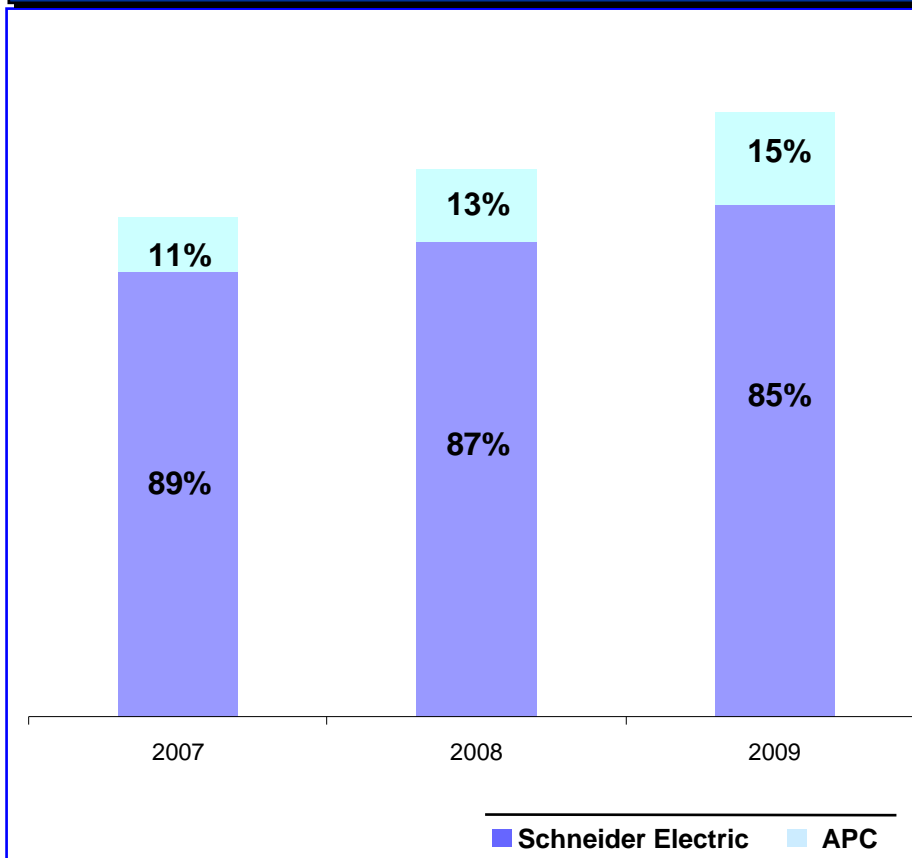
- Acquisition at a price of \$31 cash per share i.e. 30% premium over the October 27 share price of \$23.8
- One step merger, through a special acquisition vehicle in the US, controlled by Schneider Electric's US holding
- Unanimous recommendation from the APC Board of Directors
- Undertaking from Mr. Dowdell (Chairman, 6.3% of APC equity) and Mr. Rasmussen (CTO, 3.3% of APC equity)
- Transaction subject to regulatory approvals and the affirmative shareholders vote of at least 2/3 of the voting rights

The closing of the transaction is expected in the course of first quarter 2007

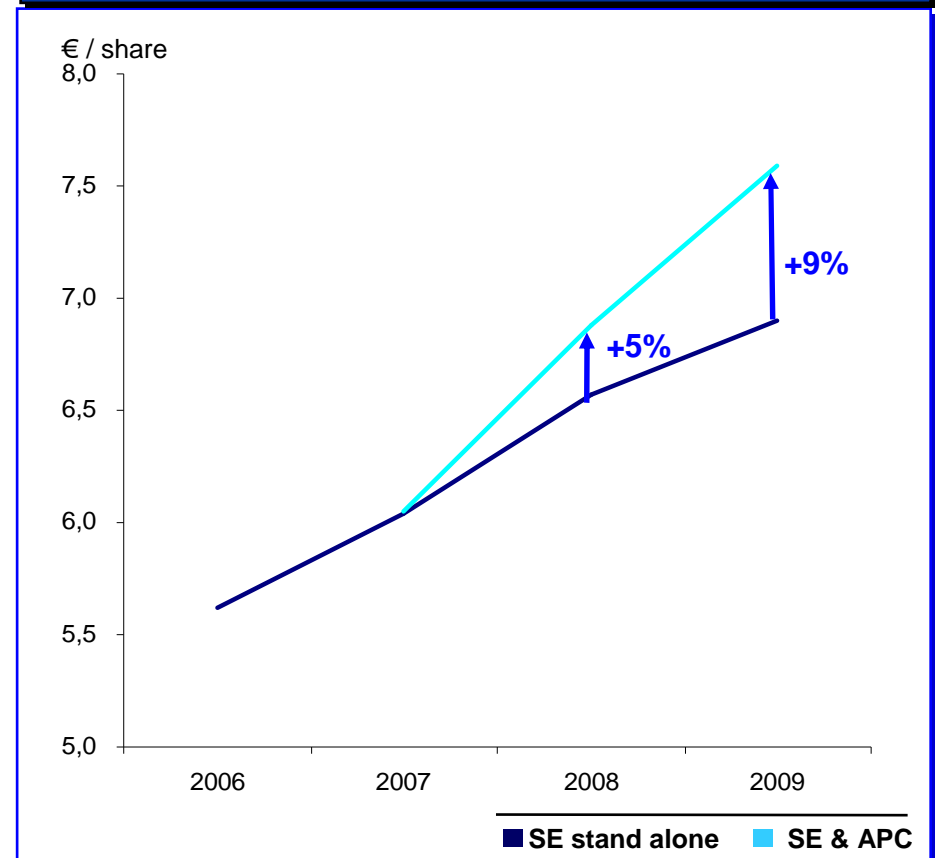


The APC acquisition will boost Schneider Electric's earnings in the coming years

Contribution of APC acquisition to total EBIT including synergies before implementation costs (In € millions)⁽¹⁾



EPS⁽¹⁾ accretion after capital increase including synergies before implementation costs (in €/share)



(1) Based on EBIT and EPS market consensus

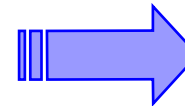
Acquisition of APC for \$31 per share corresponding to an enterprise value of approximately \$5.5 bn



Major Strategic Move

Gain global leadership in critical power
Strengthen leadership in electrical distribution

Attractive Critical Power Business



7-8% Long Term Growth
At the heart of Strategy

Great Market Position



Global Leadership

Unique Fit



Complementarities
on all dimensions

Turnaround Opportunity



6-7 pts EBIT margin gain

Significant Synergies



EBIT impact of \$ 220m

Financial Accretion



EPS accretive from 2007

Value Creation Above \$3bn

Additional information about the transaction and where to find it

APC will file a proxy statement with the U.S. Securities and Exchange Commission (SEC) in connection with the proposed transaction. Investors and security holders are urged to read the proxy statement regarding the proposed transaction referred to in this communication, when it becomes available, because it will contain important information. Investors and security holders may obtain a free copy of the proxy statement (when it is available) and other documents filed by APC with the SEC at the SEC's website at www.sec.gov. The proxy statement (when it is available) and these other documents may also be obtained for free from APC by directing a request to American Power Conversion Corporation, 132 Fairgrounds Road, West Kingston, Rhode Island 02892, Attention: Investor Relations (telephone 401-789-5735), or from APC's website at www.apcc.com. APC, Schneider and their respective directors, executive officers and other employees may be deemed to be participating in the solicitation of proxies from APC shareholders in connection with the approval of the proposed transaction. Information about APC's directors and executive officers is available in APC's proxy statement, dated April 19, 2006, for its 2006 annual meeting of shareholders. Information about Schneider's directors and executive officers is available from its 2005 Annual Report, which can be obtained for free from its website at www.schneider-electric.com, and will also be available in a Schedule 13D to be filed by Schneider with the SEC. Additional information about the interests of potential participants will be included in the proxy statement APC will file with the SEC.

FORWARD-LOOKING STATEMENTS

This document may contain forward-looking statements. Various known and unknown risks, uncertainties and other factors could lead to material differences between the actual future results, financial situation, development or performance of Schneider Electric or American Power Conversion and the estimates given here. These factors include the inability to obtain necessary regulatory approvals on anticipated terms; the inability to integrate successfully American Power Conversion within Schneider Electric or to realize synergies from such integration; costs related to the acquisition of American Power Conversion; the economic environment of the industries in which Schneider Electric and American Power Conversion operate; and other risk factors discussed in Schneider Electric's public reports registered with Autorité des Marchés Financiers and in American Power Conversion's public reports filed with the SEC (including American Power Conversion's Annual Report on Form 10-K). Schneider Electric assumes no liability whatsoever to update these forward-looking statements or to conform them to future events or developments.

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