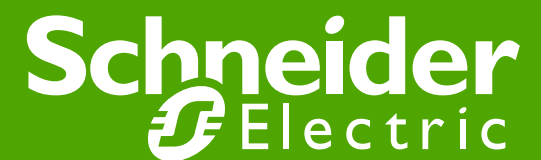


# EPG Conference

May 18, 2009



# Disclaimer

All forward-looking statements are Schneider Electric management's present expectations of future events and are subject to a number of factors and uncertainties that could cause actual results to differ materially from those described in the forward-looking statements.



# Our vision



# Energy is a key challenge to our planet

Energy need  
is booming

- If per capita energy consumption in China & India reaches US level, **world consumption would triple**
- **1.6 billion** people have no access to electricity

Mobilisation on  
climate change

- By 2030, ~3/4 of energy sources will remain **CO<sub>2</sub>-related**
- Grave consequences expected if global temperature rises by **3°C**

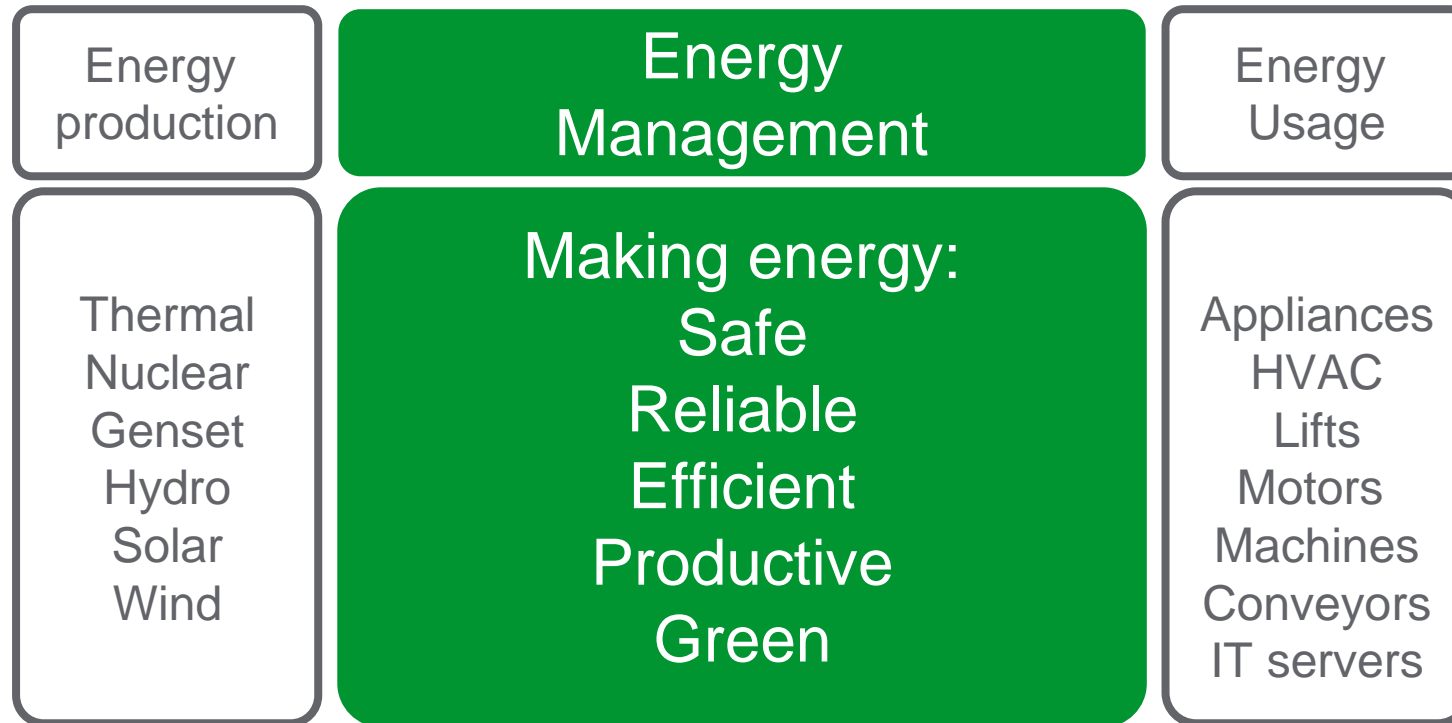
Important need for  
reliable energy

Cost of 1 hour downtime = up to **\$10 million**  
(depending on the industries)

Green energy  
is an opportunity

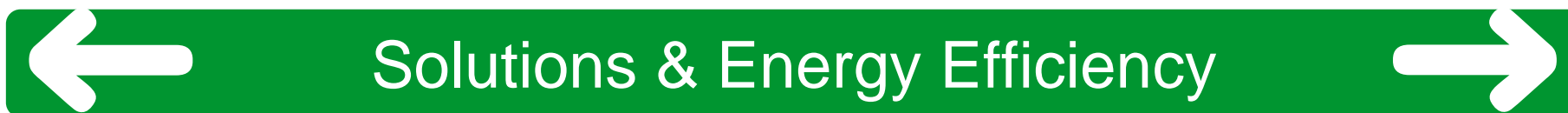
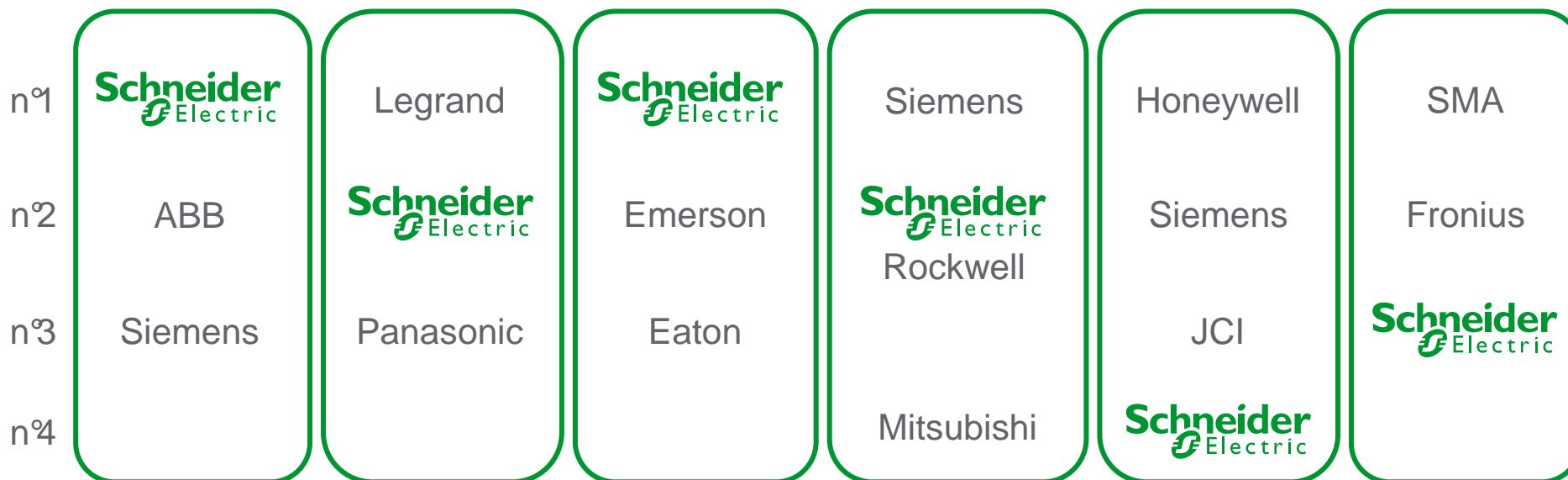
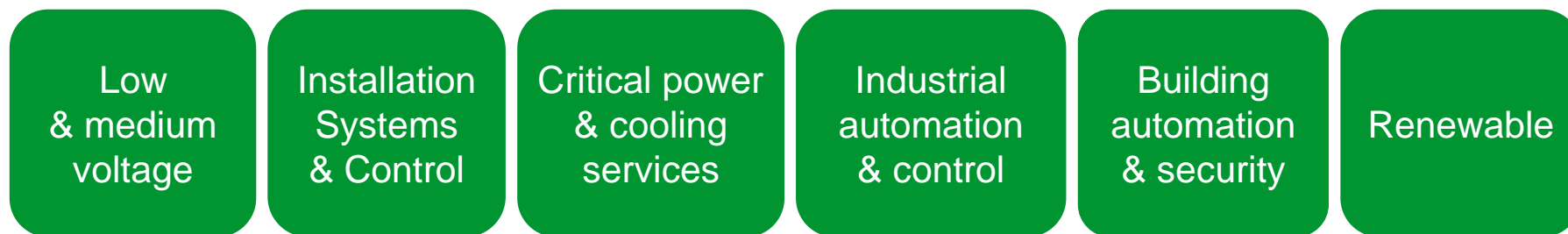
**Share of renewable** in energy mix could  
double in the next 20 years

# We are the global specialist in energy management



We help our customers **achieve more**  
**while using less** of our common planet

# We have the most comprehensive and integrated portfolio in energy management



# A successful transformation of Schneider Electric



# We have transformed our company

	2004	2008
Size		<b>x2</b>
New businesses	36%	<b>+ ~ 50% Solutions capability</b>
Global footprint		
% of production costs in new economies	18%	<b>41%</b>
No. of employees in new economies	26,500	<b>46,500</b>
Productivity		<b>+4.4% p.a.</b>

# Our footprint is now global and diversified



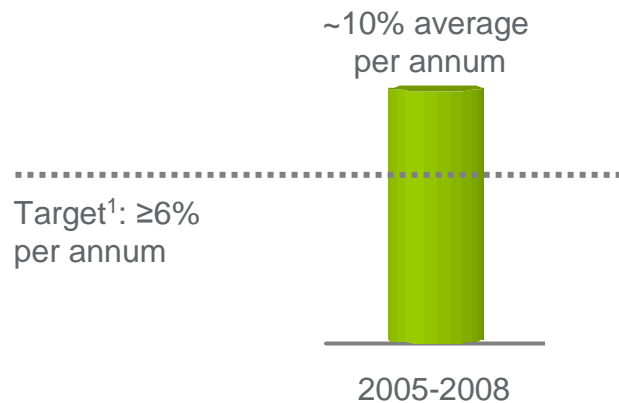
# We are today closer to our customers and our cost structure is flexible

- **58%** of manufacturing headcount in low cost countries
- **41%** of COGS in low cost countries
- **61%** of COGS outsourced and up to 70% variable

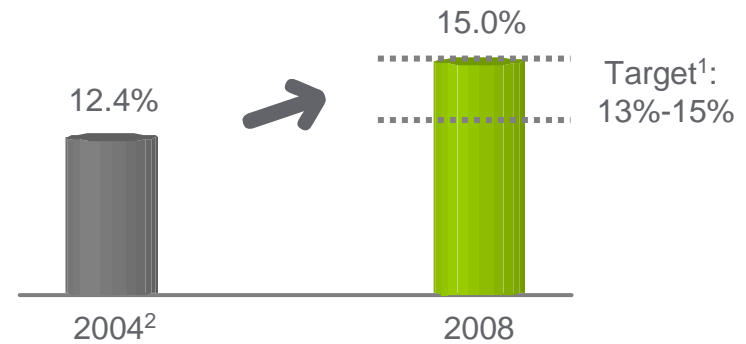


# We have met all new<sup>2</sup> financial targets

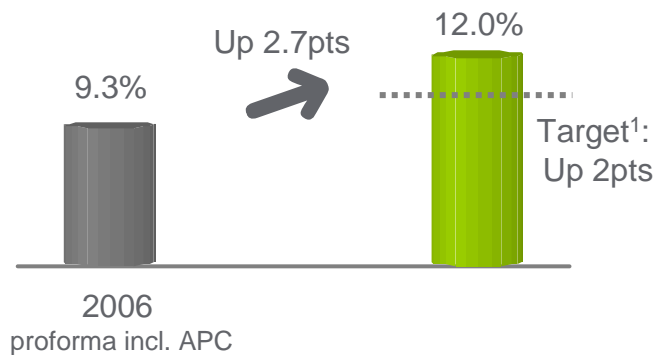
## Organic growth



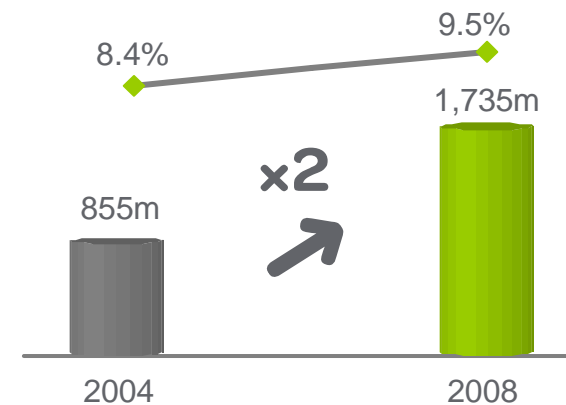
## EBITA margin



## ROCE



## Cash generation (Free cash flow in €m & as % of sales)



<sup>1</sup> Targets upgraded in Feb. 2007. Initial targets issued in Jan. 2005 were >5% | 12.5%-14.5% | up 2 to 4pts vs. 2004

<sup>2</sup> EBIT margin

One: our new company program for  
2009-2011



# Strategic initiatives supported by 2 strong fundamentals and 3 key transformations...



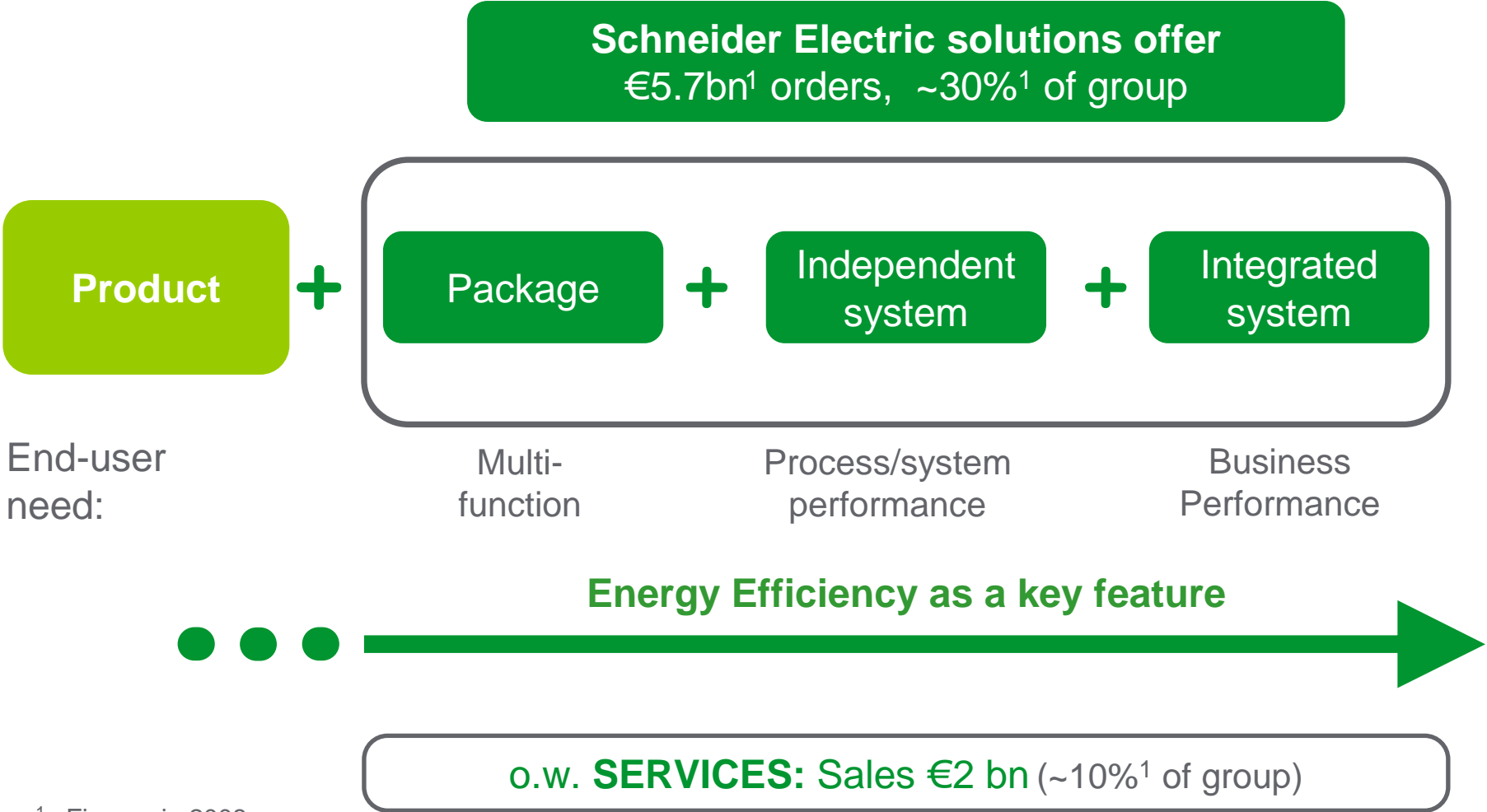
... leading to :

- superior organic growth across the cycles
- lower cost structure in the near term & beyond

Focus  
One Solution Provider



# We aim to leverage our solution capability to capture a bigger part of the value chain ...

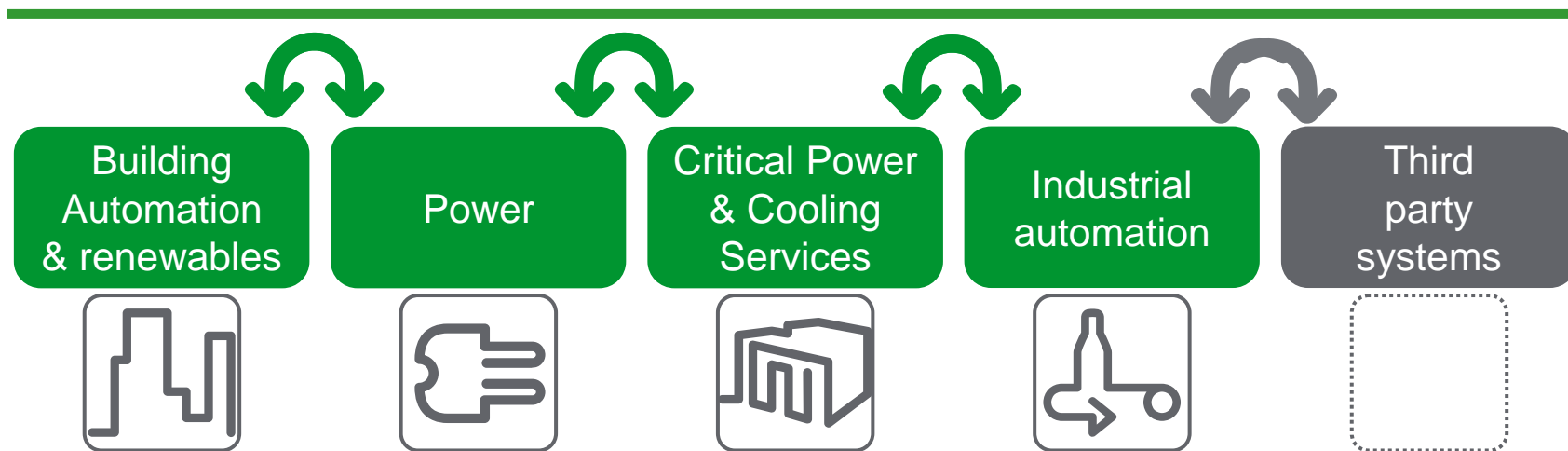


<sup>1</sup> Figures in 2008

# ... through our EcoStruxure<sup>®</sup> architecture that bridges our fields of expertise

- Provide interoperability & openness to third party systems
- Leverage connecting technologies
  - Standard communication low cost and pervasive
  - Supervision software using web 2.0 technology

EcoStruxure<sup>®</sup>

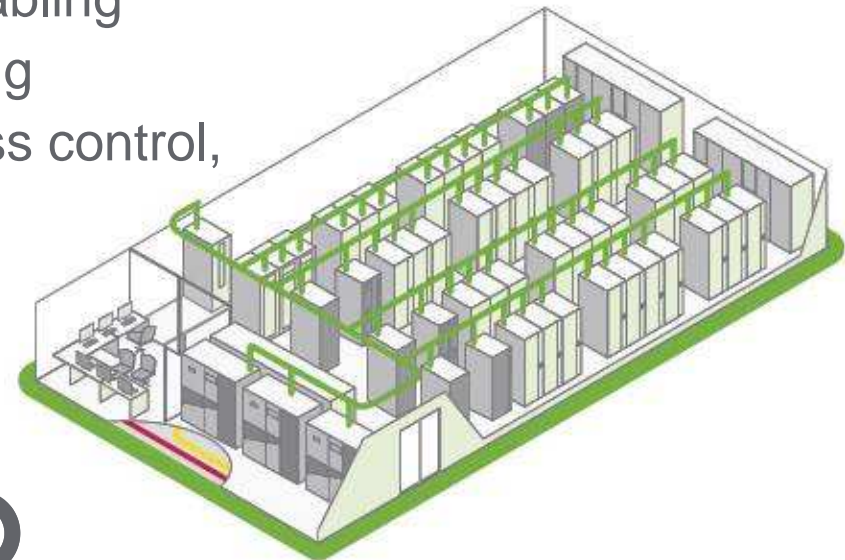


# Example: EcoStruXure® for datacenters

**Customer:** Bharti Airtel - Largest mobile telecom operator in India  
**Project:** 750 Racks on 30,000 sq. ft.

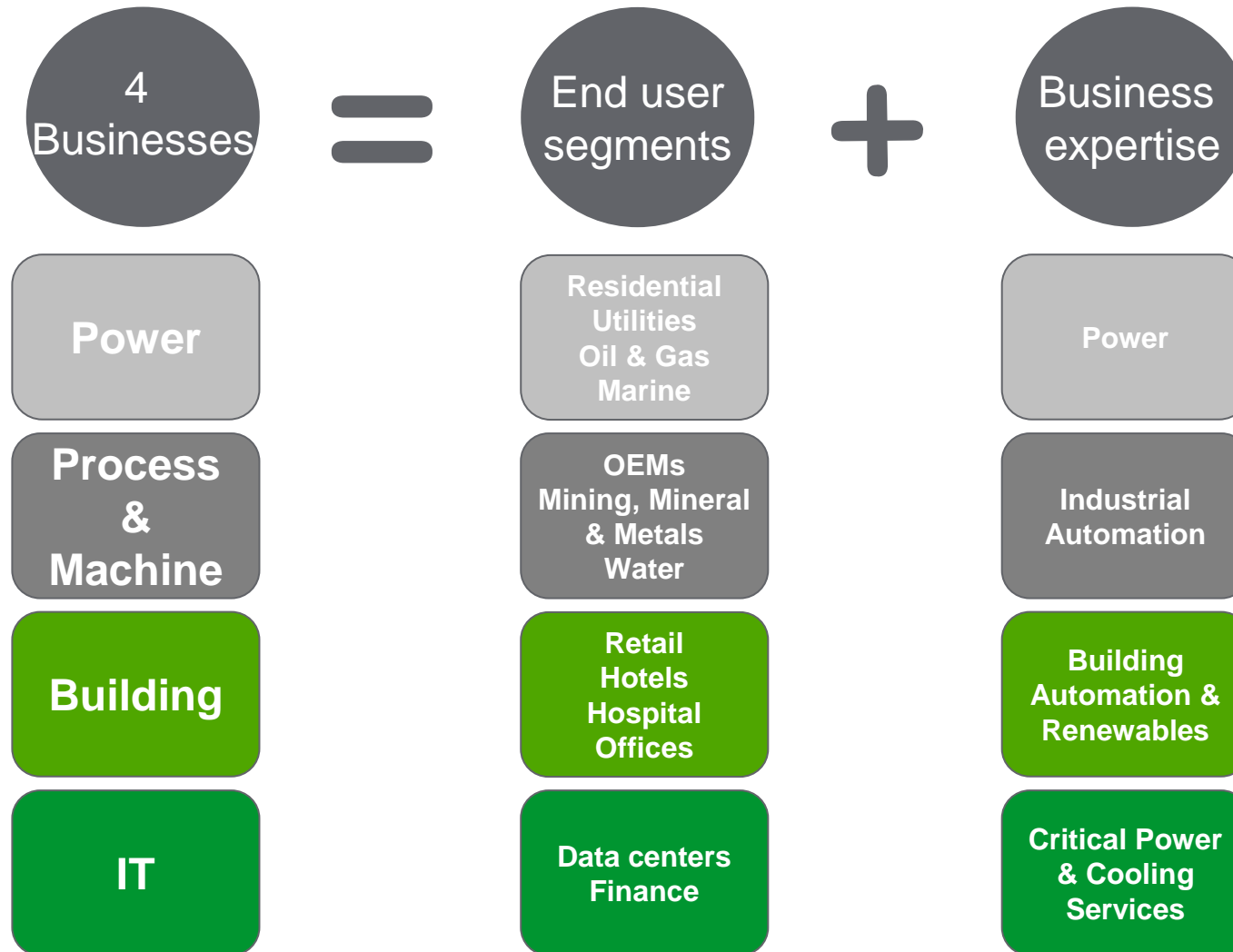
## Complete on-going turn key project with supply of :

- Electrical distribution + structured cabling
- Critical power: UPS & In-Row cooling
- Building management: chiller, access control, security, fire prevention
- Interior civil work



EcoStruXure®

# ... through a new end-user focused organization



... through a customer-centric marketing strategy

120 brands today



+ 10 brands

- Schneider Electric: the **strong brand to provide solutions and services**, making customers' life simpler



Schneider Electric

France [Change] |

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### Choose Your Energy Architect

These are the Top Three Architects we recommend for Data Center Projects.

Use the Calendars below to schedule a Free Consultation with one of our recommended Energy Architects or you can choose the architect you want.

Jane Smith

Jane has worked on Many diverse projects. Lorem ipsum dolor sit amet, consectetur adipiscing elit, sed do eiusmod tempor incididunt ut labore et dolore magna aliqua.



Read my Blog

5 out of 5



25 Customer

Location: Anywhere, UK

Trevor Jones

Trevor has worked on Many diverse projects. Lorem ipsum dolor sit amet, consectetur adipiscing elit, sed do eiusmod tempor incididunt ut labore et dolore magna aliqua.



Read my Blog

4 out of 5



275 Customer

Location: Anywhere, UK

Bob Doe

Bob has worked on Many diverse projects. Lorem ipsum dolor sit amet, consectetur adipiscing elit, sed do eiusmod tempor incididunt ut labore et dolore magna aliqua.

Read my Blog

Location: Anywhere, UK


- Enhanced functions to make it a strong **'Go to Market'** tool
- Industry-leading support to leverage our **knowledge in energy management** and become a trusted advisor

Focus  
One Global Company



# Simplification is a pre-requisite for many of our strategic initiatives

Reduce complexity	2008	2011	vs.2008
Product references (SKUs)	800 000	400 000	÷ 2
Production suppliers	20,000	10,000	÷ 2
Active brands	120	10	÷ 12
Operating sites (industrial & commercial)	1,400	1,000	-30%
Reporting entities	560	350	-40%
Complexity Index	100	1	
	Reference base		



One simple way of doing business across the board

# We have launched initiatives leading to expected savings of €1.6 billion by 2011

€m savings\*

Total savings by 2011

**One simple way**



Structural savings

600

*(support function costs)*



Crisis adaptation

400

**One lean supply chain**

600



\* Before restructuring costs of €660m over 3 years

# Our ambition is to generate structural savings of a minimum of €600m per year by 2011

## Simplification streams

Finance & HR optimization

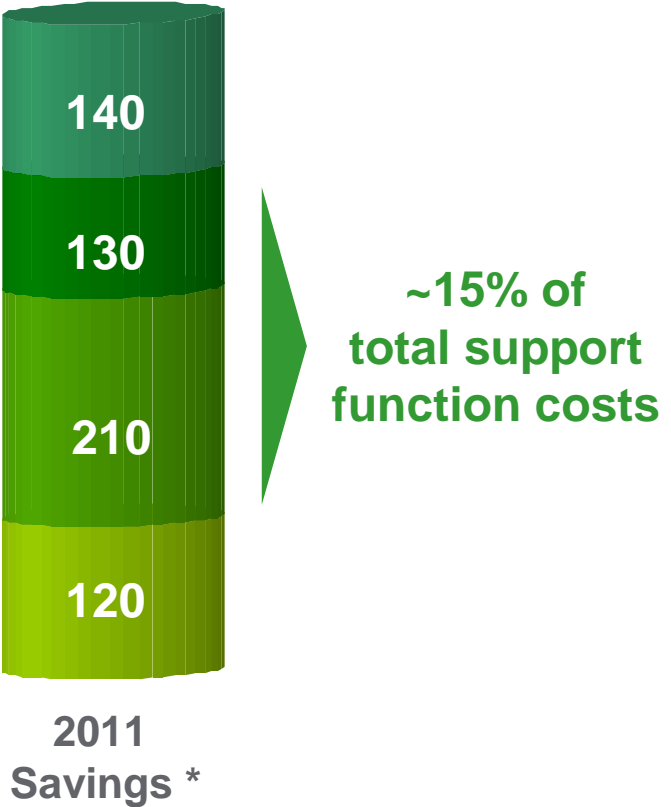
Marketing simplification

Sales Force effectiveness

**Other actions**

(Reduction of management entities, support for industry...)

## Structural savings ambition (in €m)



\* Before restructuring costs

# Additional cost savings up to €400M have been decided in response to lower sales trend

## Adaptation streams

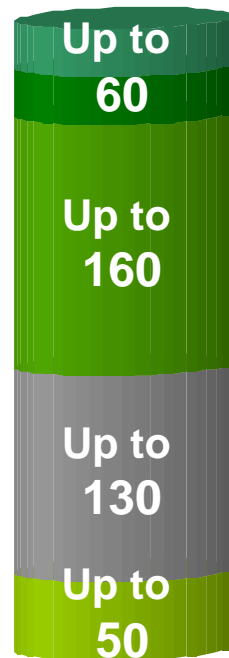
## Adaptation savings (in €m)

Finance, HR & Marketing

Sales Force

R&D and IT

Other actions



2011 Savings\*



Temporary savings as remedy to a further deterioration of environment

\* Before restructuring costs

# We also aim to boost productivity in our supply chain

- Continue to simplify our supply chain to drive improved services for our customers at lower cost

	2008	2011	
<b>Product references (SKUs)</b>	800,000	400,000	<b>2x</b> more efficient
<b>Production suppliers</b>	20,000	10,000	
<b>Distribution centers</b>	140	80	

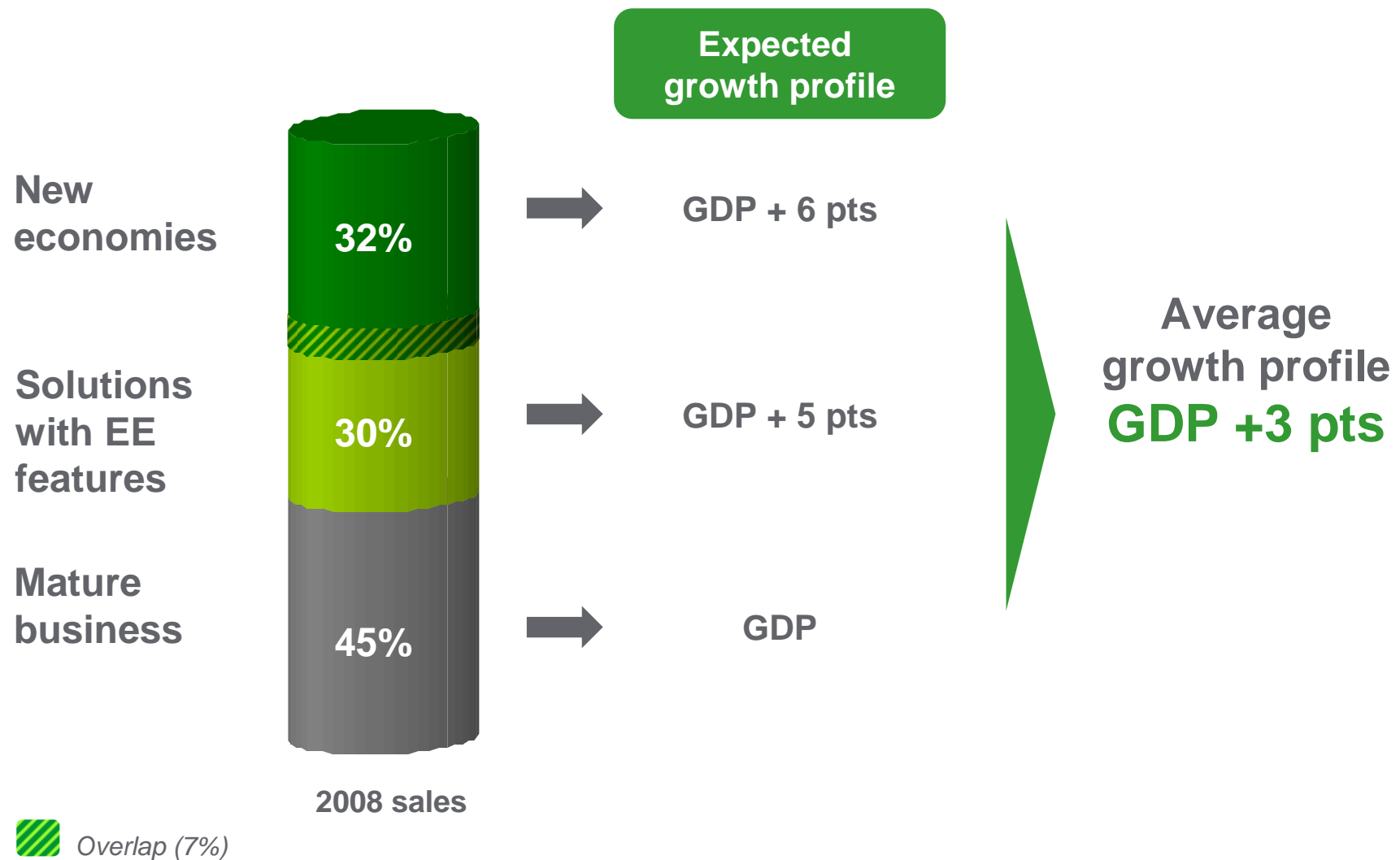
- Reduction of product cost by reinforcing the quality and value engineering
- Continue the rebalancing of our industrial footprint with suppliers and manufacturing sites

Cumulative gross savings  
of **€600m** by 2011

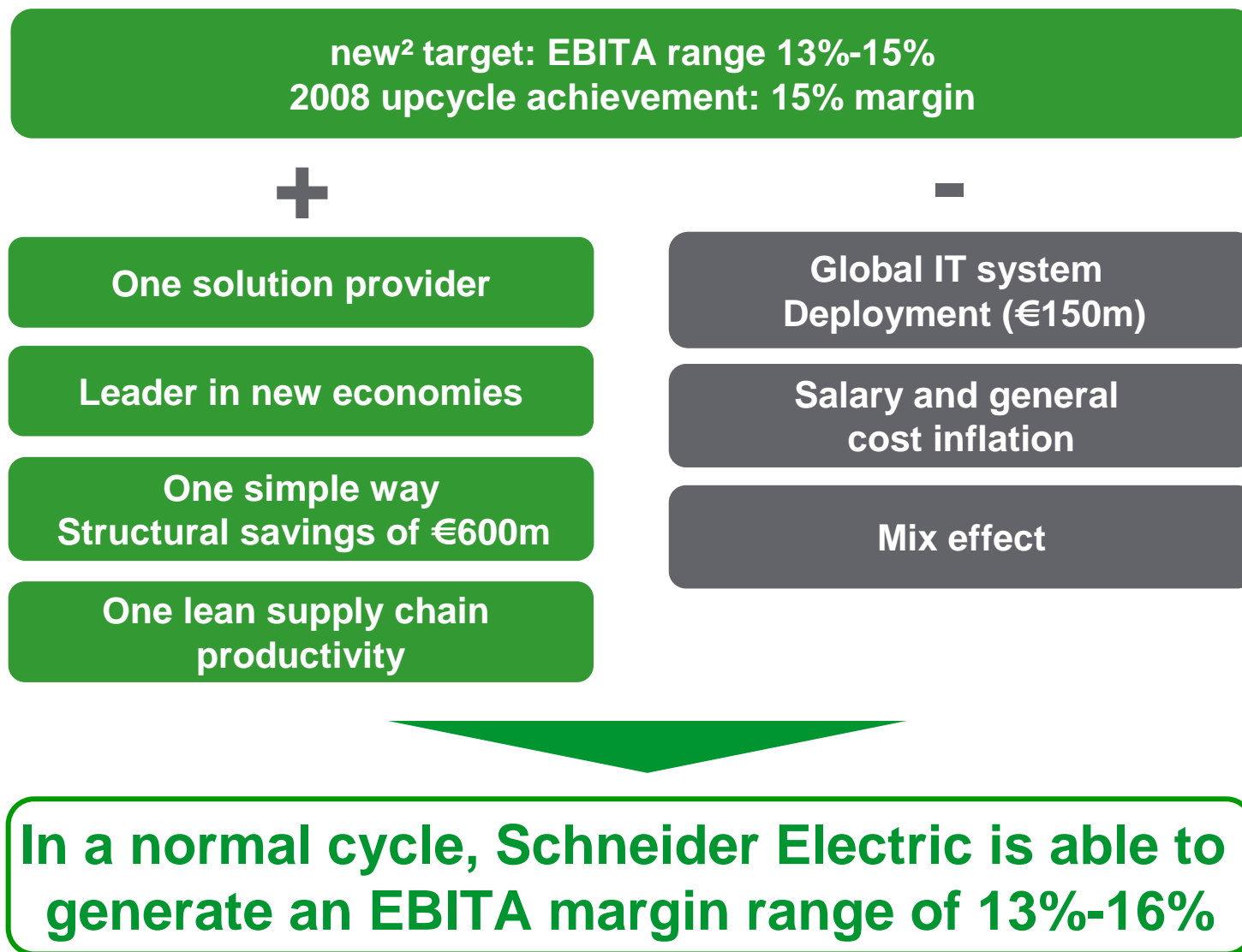
# Finance Presentation



# Across the cycle, Schneider Electric's profile is a growth rate at GDP +3 points



# Across the cycle, earnings drivers should support a continued improvement of profitability



# Q1 sales down 11.3%, organic growth -15.9%

## Sales organic growth by region

	Q1 2009
Europe	-15.4%
North America	-21.3%
Asia-Pacific	-15.5%
Rest of the World	-1.0%
<b>Group</b>	<b>-15.9%</b>

## Sales organic growth by division

	Q1 2009
Electrical Distribution	-9.8%
Automation & Control	-25.7%
Critical Power	-17.9%
<b><i>o.w. Solutions</i></b>	<b>-1%</b>

# In the short term we are prepared to manage a global economic downturn

Environment	Management Response	Outcome
Global downturn	Flexibility	Resilience
<p><b>2009 outlook</b> for organic growth remains within scenarios but <b>-15%</b> has become more and more probable</p>	<p>We are well prepared to manage the downturn:</p> <ul style="list-style-type: none"> <li>- <b>Intensification</b> of support function costs reduction by adding up to €400m over three years</li> <li>- <b>Conservative cash management</b> (capex reduction, active working capital management)</li> <li>- Restructuring costs <b>€660m</b> over 3 years</li> </ul>	<p>Under these conditions, we want to deliver:</p> <ul style="list-style-type: none"> <li>- Support function costs savings of <b>€1.0bn</b></li> <li>- <b>EBITA margin floor at 12%</b> before restructuring costs</li> <li>- a cash conversion of <b>100%</b> of net income</li> </ul>

# Strong liquidity has been achieved through the credit crisis

- Even in a worst case scenario, we have secured a minimum €3 billion liquidity by end 2011

## Commitments


- A- rating  
(FFO / net debt ratio > 35%)
- Dividend pay out ~50%

## Key assumptions

- Worst case volume scenario
- No acquisition / divestiture
- Restructuring costs of €660M

## Cash & available credit lines (€bn)



 Liquidity position could be higher with a payment of dividend in shares, at shareholder's option

# Schneider Electric's business model is resilient

## Markets

**Diversified end-markets**

**Diversified geographic exposure**

**Multiple accesses to markets**

## Activity

**Capture additional value in the market through solutions and services**

**Increased presence in new economies**

**Exposure to government stimulus plans**

## Structure

**Flexible cost structure (70% of COGS variable)**

**Production in low cost countries (41% of COGS)**

**Simplification (support function costs reduction) & lean supply chain**

# Contacts & agenda

Carina Ho - Head of IR - [carina.ho@schneider-electric.com](mailto:carina.ho@schneider-electric.com)  
Grégoire Rougnon - IR manager - [gregoire.rougnon@schneider-electric.com](mailto:gregoire.rougnon@schneider-electric.com)

31 July

22 October

2009 Half-Year  
Results

Conference call  
9:00am CET

Q3 2009 Sales

Conference call  
9:00am CET

# Definitions

- EBITDA: EBIT before net depreciation and amortization
- EBITA: EBIT before amortization and impairment of purchase accounting intangibles
- Capital Employed: Shareholders' equity + net debt + provisions
- Cash conversion: Free cash flow / net income
- Free cash flow: Operating cash flow – change in working capital – net capital expenditures
- ROCE: After tax EBITA / Capital Employed

# Key figures for 2008

In m€	FY 2008	Change
Sales	18,311	+5.8%
<i>Organic growth</i>		+6.6%
EBITA <sup>1</sup>	2,754	+7.5%
<i>Margin %</i>	15.0%	+0.2pt
Earnings per share	7.02	+3.5%
Dividend per share (payable in cash or shares)	3.45	+4.5%
Free cash flow	1,735	+13.4%
<i>Conversion of net income %</i>	103%	+6pts
Funds from operations / net debt <sup>2</sup>	42%	+4pts


 Strong cash generation and solid balance sheet

<sup>1</sup> Before amortization and impairment of purchase accounting intangibles of €174m in 2008 (€79m in 2007)

<sup>2</sup> According to S&P definition

**Help people make the most  
of their energy**



**Schneider**  
 **Electric**