Industry Business

Clemens Blum
Executive Vice President – Industry BU
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. For a detailed description of these factors and uncertainties, please refer to the section “Risk Factors” in our Annual Registration Document (which is available on www.schneider-electric.com). Schneider Electric undertakes no obligation to publicly update or revise any of these forward-looking statements.

This presentation includes information pertaining to our markets and our competitive positions therein. Such information is based on market data and our actual revenues in those markets for the relevant periods. We obtained this market information from various third-party sources (industry publications, surveys, and forecasts) and our own internal estimates. We have not independently verified these third-party sources and cannot guarantee their accuracy or completeness and our internal surveys and estimates have not been verified by independent experts or other independent sources.
We are a global leader in automation
We are a global leader in automation

A solid business
One of the broadest software and hardware offers covering discrete and continuous process industries, with a formidable installed base

Our value proposition
We are driving the convergence of energy and automation, with deep domain expertise and standards-based solutions

Future ready
IIoT-ready with smart connected products, edge control, cloud-enabled software and analytics
## BUSINESS FACTS

€5.7bn

21% of Group 2015 revenues

17.1%

Adj. EBITA margin

#2

Worldwide
Discrete automation

#4

Worldwide
Process and discrete automation

#1

Worldwide
Safety systems

(% OF REVENUE)

### BUSINESS MODELS

<table>
<thead>
<tr>
<th>Products</th>
<th>Systems</th>
<th>Software &amp; Services</th>
</tr>
</thead>
<tbody>
<tr>
<td>58%</td>
<td>25%</td>
<td>17%</td>
</tr>
</tbody>
</table>

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KEY SEGMENTS

- OEMs
- Oil & Gas
- Water & Wastewater
- Mining, Minerals, Metals
- Power generation
- Petrochemical
- Food & Beverage

GEOGRAPHIES (% OF REVENUES)

<table>
<thead>
<tr>
<th>Mature</th>
<th>New economies</th>
</tr>
</thead>
<tbody>
<tr>
<td>58%</td>
<td>42%</td>
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</table>
Schneider Electric’s industrial innovation is everywhere

20 of the largest Oil & Gas companies

9 of the 10 largest Mining, Metals & Minerals companies

11 of the top brands within Food & Beverage

100+ Water & Wastewater plants

10 of the world’s top electric utilities

8 of the top 10 packaging machine builders
We have fundamental strengths in products, OEM solutions, and process automation.

Products

#1 in drives & motor control

#2 in HMI operator panels

#1 in control & signaling

Machines

Growing 4x faster than the market* in the MachineStruxure business

Application knowledge for greater conversion of machines from packaging to hoisting to HVAC

Plant automation

The Invensys acquisition reinforced our position in Operations Technology (OT) software and continuous process control

#1 in Safety Instrumented Systems

#1 in SCADA/HMI software

A successful acquisition for Schneider

• Cost synergies achieved
• Revenue synergies on target in year 3 of the business plan

(*) Machine CAGR = 4.1% (source IHS)
Invensys integration strengthened our portfolio’s combination of energy, automation, software, and analytics.

By combining Foxboro Evo, Altivar, and Okken, Schneider Electric provides fully integrated solutions, saving both development time and energy costs by up to 15%.
Our open-architecture-based offers bring highly differentiated and flexible solutions to our customers.

Open architecture provides greater interoperability with specialized third-party hardware and software, a competitive advantage in a fast-moving IIoT environment.

Wide collaborative partner network

Partnership Program with 40+ hardware and software technology partners

Tested, Validated, and Documented Architectures (TVDA)
ENI PETROBEL ZOHR PROJECT IN EGYPT
New gas treatment platform

Solution integrating power and control

- Foxboro DCS and Triconex safety systems
- LV/MV power, UPS, and security systems
- Industry software

Customer benefits:
- Integrated power and control, solutions and experience
- Faster project design, startup, and commissioning
- Reduced project risk, running costs, and downtime

ENTRADE, GERMANY
Decentralized electricity, heating and cooling from biomass & waste products

Smart Machine Solution leveraging the IIoT to maximize asset performance

- Full design and manufacturing of the automation cabinet
- Cloud solution using MachineStruxure with our Resource Advisor online sustainability and energy management software

Customer benefits:
- Easy remote monitoring
- Optimal performance against energy and sustainability goals
We adjust to short-term market headwinds and see favorable long-term opportunities in the Industrial Internet of Things (IIoT)
In a difficult short-term environment we are focused on selective growth and cost optimization.

**SHORT-TERM HEADWINDS**

Lower commodity prices affecting Oil & Gas and Mining

- Oil & Gas
- Mining, Minerals, Metals

Market weakness in some new economies

**COUNTERED BY EXECUTING OPERATIONAL PRIORITIES**

Expanding footprint in growing segments

- Water & Wastewater
- Food & Beverage
- Petrochemical

Continuous innovation on new products

Easy-line product range developed and produced in China for China and other developing countries
We are focused on levers for margin improvement

**Transactional business:**
- Drive volume initiatives through robust Distribution Policy execution and ramp-up of our Hero Offers (M580 and Altivar Process)
- Medium offer for reduced product costs in highly competitive markets
- Leverage digital go-to-market (PRM)
- Continued efforts on pricing up

**Project/Solutions business:**
- Continued focus on project execution to drive margin improvement
- Leverage System Integrator channel to optimize growth and margin execution

**Across the business:**
- Leverage low-cost engineering centers for both project execution and R&D rebalancing
- Strong focus on continued SFC reduction through simplification and allocation of resources
Customer imperatives driving long-term growth

Faster, better, cheaper, real-time

- Evolving and more digital workforce
- Quick adaptation to volatile markets
- Cost reduction, productivity
- Increased variants and shorter life cycles
- Cybersecurity
IIoT has unleashed huge potential for industrial customers

Unprecedented operational efficiency

Transformative business models

New levels of safety and cybersecurity
We apply Industrial IoT initiatives to each business model to drive the performance of our portfolio

IIoT initiatives from connected products to edge control to software and services

Products
Driving connected products business

Machine solutions
Growing machine solutions through smart machines

End-user systems
Providing safe and secure end-user systems

Services
Monetizing new services through digital services offer

Software
Expanding reach of software platforms and closed-loop applications
Driving connected products business
We improve efficiency and save installation and energy costs with our connected drives and wireless sensors.

Altivar Process drives reduce downtime and save energy.

Our wireless and battery-free switches save installation costs.
Growing machine solutions through smart machines

IIoT innovations for augmented operators bring productivity

Customers avoid costly downtime by looking inside the machine without opening the cabinet door.

Customers reduce time spent on searching by accessing digital specs, user manuals, and troubleshooting guidelines.

Vijeo 360 helps new-generation operators to operate and diagnose complex machinery easily and safely.
Providing safe and secure end-user systems
From connected products to advanced services for data management and cybersecurity

The Modicon M580 is the first programmable logic controller designed from the ground up to be cybersecurity

Providing services to address an organization's safety and cybersecurity challenges
Monetizing new services through digital services offer

Eurotherm simplifies regulatory compliance through online accreditation and data recording management

Eurotherm EOS Advisor is a unique online solution for managing calibration and accreditation information

Eurotherm EOS Director secures storage of process data and easy access to historical process information

“If you think compliance is expensive, try non-compliance”
Former Deputy U.S. Attorney General Paul McNulty
Software
Ravi Gopinath – Executive Vice President, Software Business
The industrial software business addresses two complementary objectives:

1. **Industrial Software Digital Services**
   - **Industry-specific applications**
     - Engineering efficiency
     - Supply chain, operations excellence
     - Asset performance
   - **Multi-industry platforms**
     - Real-time control and information management

2. **Grow a hardware-agnostic software business**
   - Depth and breadth of footprint across a wide range of industry segments
   - Global partner ecosystem to enable reach and scale
   - Market leading real-time platform to enhance system functionality
   - Applications to differentiate integrated systems
   - Enable SE business differentiation through software

**Key Features**:
- **Apps, Analytics, Services**
- **Edge Control**
- **Connected Products**
  - Unifying systems architecture
  - Modular deployment, seamless integration
  - Lower TCO, maximize ROI

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Our strength lies in our installed base, global reach, partner network, and the diversity of our customers

Wide industry coverage

We work with
19 of the top 20 petroleum companies
22 of the top 40 chemical companies
10 of the top 15 mining and minerals companies
25 of the top 50 food and beverage companies

Installed base strength
Over 100,000 sites
Over 2 million licenses
Over 20 billion operating parameters monitored
Over 12,000 terabytes of operating data processed annually

Scale
3,000 people
10 R&D centers
24 project centers

Partner ecosystem
4,000 SI partners
160 technology partners
Our portfolio addresses key value chain issues across multiple industries

<table>
<thead>
<tr>
<th>Portfolio areas</th>
<th>Offerings</th>
<th>Primary industries served</th>
</tr>
</thead>
<tbody>
<tr>
<td>How do I design and commission my assets at the lowest possible cost?</td>
<td>Process Engineering</td>
<td>Oil &amp; Gas, Power Generation, Metals &amp; Minerals</td>
</tr>
<tr>
<td>How can I plan production to maximize profit?</td>
<td>Operations Planning &amp; Scheduling</td>
<td>Refining, Mining</td>
</tr>
<tr>
<td>How can I produce safely and profitably and meet regulatory norms?</td>
<td>Operations Management</td>
<td>Oil &amp; Gas, Power Generation, Metals &amp; Minerals</td>
</tr>
<tr>
<td>How do I ensure availability and reliability of assets?</td>
<td>Asset Management</td>
<td>Oil &amp; Gas, Power Generation, Metals &amp; Minerals</td>
</tr>
<tr>
<td>How can I enable better decision making?</td>
<td>Information Management</td>
<td>All manufacturing and infrastructure</td>
</tr>
<tr>
<td>How can I monitor and control operations better?</td>
<td>Operations Control</td>
<td>All manufacturing and infrastructure</td>
</tr>
</tbody>
</table>

- **Process Engineering**: • Process Design & Simulation, • Training Simulators
- **Operations Planning & Scheduling**: • Trading, Feedstock Management, • Planning & Scheduling
- **Operations Management**: • Manufacturing Execution, • Real-time Optimization
- **Asset Management**: • Asset Performance Management, • Mobile Workforce Management
- **Information Management**: • Enterprise Historian, • Intelligence & Analytics
- **Operations Control**: • HMI, • Supervisory Control
Over the past 3 years we have created a fully integrated business that is set up for growth in a challenging market environment.

- Headwinds in Oil & Gas and commodities markets
- Portfolio integration and platforming to leverage domain expertise and best-in-class IP
- C. +4% organic CAGR

**2013**
- Invensys Software
- Citect SCADA
- ClearSCADA SW
- Telvent O&G

**2015**
- Industry-specific applications
- Multi-industry platforms

**Outlook**
- New normal established in Oil & Gas and commodity markets
- Vertical market diversity is starting to offset drag effects
- Integration activities are complete and a growth strategy for the integrated business is defined
- Mid-to-high single-digit organic revenue growth across the economic cycle

SCADA components for specific types of applications
Industry-specific domain expertise and applications
Our growth strategy is focused on three key dimensions, based on a foundation of innovation

Core Innovation Foundation

- Leading-edge NextGen programs in each of our 6 portfolio areas
- R&D spend focused on NextGen technology programs
- R&D capacity of over 1,000, spread globally
- Over 160 technology partners enrich portfolio

Industry Specialization

- Integrated solutions targeting industry-specific problems
- Implementation templates ensure consistent and rapid delivery
- Easier deployment, faster time to value

IIOT Leadership

- The world’s #1 real-time industrial control platform provides an unmatched foundation to manage new connected points
- Integrated, advanced applications drive ‘closed-loop’ business value
- Global ecosystem enriches portfolio, enables reach

Cloud Strategy

- Cloud-based applications enable enterprise collaboration, lower TCO
- Hybrid deployment enables adjustment to usage needs
- Subscription models for flexible consumption
We have delivered measurable value, addressing a wide range of industry imperatives through our comprehensive portfolio.

<table>
<thead>
<tr>
<th>Real-time optimization of refinery units</th>
<th>Predictive diagnostics for power plant machinery</th>
<th>Product quality management in food &amp; beverage</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Determine optimal operating targets</td>
<td>• Predictive failure warning and fault diagnostics</td>
<td>• Ensure compliance with process standards</td>
</tr>
<tr>
<td>• Rigorous first principles models of units</td>
<td>• Centralized asset performance monitoring</td>
<td>• Prediction of quality issues using real-time data</td>
</tr>
<tr>
<td>• Interfaces to any control system</td>
<td>• Predictive models, condition profiles</td>
<td>• Optimize production yield and quality compliance</td>
</tr>
<tr>
<td>• Deployed in 80 refineries globally</td>
<td>• Deployed in over 1000 sites</td>
<td>• Over 250,000 industrial assets managed</td>
</tr>
<tr>
<td>• Avg. $4−6M annual benefit, &lt; 6-month ROI</td>
<td>• Avg. $1M savings for each predicted failure</td>
<td>• Avg. 20% productivity, 30% quality improvement</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Unified supply chain management for refineries</th>
<th>Liquids management in oil pipelines</th>
<th>Mine planning and inventory management</th>
<th>VR-based operator training</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Dynamic assessment of crude characteristics</td>
<td>• Dynamic models to simulate oil pipeline behavior</td>
<td>• Unified planning and scheduling environment</td>
<td>• Enhance operational efficiency of new workforce</td>
</tr>
<tr>
<td>• Dynamic adjustment of plans and schedules</td>
<td>• Real-time, high-fidelity pipeline leak detection</td>
<td>• Reconciliation of plant target performance and inventory with schedules</td>
<td>• Hi-fidelity immersive training system</td>
</tr>
<tr>
<td>• Integrated with operational scheduling</td>
<td>• Enable regulatory compliance for pipeline operations</td>
<td>• Mine operational analytics for decision support</td>
<td>• Powerful VR technology for effective training</td>
</tr>
<tr>
<td>• Components deployed in 200 refineries globally</td>
<td>• Managing 210,000 miles of pipeline globally</td>
<td>• Deployed in over 50 sites</td>
<td>• 14 deployments globally</td>
</tr>
<tr>
<td>• Avg. $25−30M annual benefit</td>
<td></td>
<td>• Avg. ROI within 12 months</td>
<td>• Avg. ROI within 12 months</td>
</tr>
</tbody>
</table>

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<thead>
<tr>
<th>Loss management in water treatment plants</th>
<th>Mine planning and inventory management</th>
<th>VR-based operator training</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Dynamic simulation of water distribution network</td>
<td>• Unified planning and scheduling environment</td>
<td>• Enhance operational efficiency of new workforce</td>
</tr>
<tr>
<td>• Real-time monitoring and control</td>
<td>• Reconciliation of plant target performance and inventory with schedules</td>
<td>• Hi-fidelity immersive training system</td>
</tr>
<tr>
<td>• Network failure detection to minimize water loss</td>
<td>• Mine operational analytics for decision support</td>
<td>• Powerful VR technology for effective training</td>
</tr>
<tr>
<td>• Deployed in 450 water treatment plants</td>
<td>• Deployed in over 50 sites</td>
<td>• 14 deployments globally</td>
</tr>
<tr>
<td>• Avg. $1.5M reduction in operational costs</td>
<td></td>
<td>• Avg. ROI within 12 months</td>
</tr>
</tbody>
</table>
Tata Power improves operational efficiencies and moves to proactive maintenance

A leading integrated power company in India, with an over 10,000 MW generating capacity, driving technology-led improvements at its new 4000 MW Supercritical Ultra Mega Power Plant.

Challenges

- Enable quick and trouble-free commissioning of the control system for plant startup
- Move from reactive to proactive maintenance in the operating unit
- Quickly analyze large amounts of asset data for accurate equipment condition assessments
- Provide the right information to the right people at the right time

Solution

SimSci Operator Training Simulator integrated with the Foxboro DCS enabled rapid commissioning and startup. The Avantis PRISM predictive analytics coupled with value-added services for model building and training enabled Tata Power to address their key operational challenges.

Closing the loop to help Tata Power:

- Safely eliminate the need for field programming and all the accompanying errors
- Cut system commissioning time in half
- Reduce training time from months to weeks, saving an average of four weeks
- Implement native diagnostics and monitoring capabilities for two generating units of their ultra mega power project
- Predictive failure notifications and closed-loop maintenance actions on critical power equipment

Source: TechValidate
Anglian Water utilizes vast volumes of data to reduce leakage, energy bills, and streamline operations

Anglian Water’s supply and water recycling utility services approximately 6 million customers in England and Wales, over 10,000 square miles from Humber to the Thames estuary in England.

Challenges
- Maintain position as leading innovator in leakage control and water resource protection
- Detect leaks quicker and improve response times
- Reduce the cost of outsourced leak detection
- Ensure regulatory compliance
- Reduce Total Cost of Ownership

Solution
StruxureWare SCADA Expert ClearSCADA was used for telemetry and monitoring and the Water Management Suite was deployed as the solution for integrated leakage and pressure management.

Improved decision-making from 639,090 connected telemetry data points

10% planned reduction in leakage levels by 2020 vs. 2015 base

10% operational efficiency increase due to built-in alarm pressure logic

Closing the loop to help Anglian Water:
- Optimize water loss management process and resources to achieve and maintain a low non-revenue water level over time
- Provide real-time monitoring access
- Make the most of big data from 25 years of operations
Conclusion
Unique positioning, consistent strategy, strong execution, poised for profitable growth

GLOBAL LEADER – DISCRETE TO PROCESS INDUSTRIES

• Proven market leader in best-in-class products
• Consistent and above market growth in machine solutions
• Strong foundation in end-user business
• Software driving mindshare and pull-through
• Driving the convergence of power and automation

FAVORABLE MARKET TRENDS DESPITE SHORT-TERM HEADWINDS

• Industrial Internet of Things
• Speed and volatility requirements of customers
• Increasing regulatory compliance and safety focus

EXECUTION FOCUS FOR PROFITABLE GROWTH

• Continuing to innovate to deliver best-in-class products
• Expanding our footprint in growing segments
• Growing digital services
• Accelerating software growth
• Targeted mid-single-digit organic revenue growth across the cycle