

## Press Release

### **Schneider Electric further expands its Building Automation offering with the acquisition of Pelco, a worldwide leader of video security**

**Rueil-Malmaison, France, August 1, 2007** – Schneider Electric announced today the acquisition of California-based Pelco Inc., a privately held company. Pelco is a worldwide leader in the design, development and manufacturing of video security systems.

#### **Pelco will further strengthen Schneider Electric's Building Automation offering**

Commercial, industrial and residential buildings represent more than 50% of Schneider Electric business. Building Automation, which encompasses power and HVAC control, electronic security and fire safety, is one of Schneider Electric's new businesses. The acquisitions of TAC, Andover Controls and Invensys Building Systems have enabled the Group to become a major player in that business.

Security management, power and HVAC control are increasingly integrated into a unique building automation system to answer growing customers' needs for security and energy efficiency. This integration provides customers with significant savings on both investment and operating costs.

Through the acquisition of Pelco, Schneider Electric rebalances its Building Automation solutions portfolio by reinforcing its already existing security platform (sales of €155 million in 2006) and strengthens its ability to offer fully integrated systems.

The video security industry is the most attractive segment of the security industry. It is shifting from pure analog communication protocols to more high value-added IP protocol and software based solutions. It complements/replaces other security systems such as intruder detection, fire alarm or access control.

#### **Pelco is the best possible fit for Schneider Electric to expand into building automation and security**

- Leader in the fast growing video security industry;
- Highest brand recognition in the industry;
- Broadest product line in the industry with the unique ability to offer full end-to-end solutions;
- Strong innovation capabilities with significant R&D investments representing 7.5% of sales;
- Premier customer base thanks to world-class technical support and customer service;
- Strong sales & marketing organization with a wide geographical coverage (130 countries);
- Solid track record of above industry growth with a CAGR of 21% over the period 1997-2006 (sales of \$506 million in 2006);
- Significant potential for profitability improvement through operational leverage (EBITDA of \$46 million and EBITA of \$30 million in 2006).

Pelco will report into Schneider Electric's Building Automation business unit, and will take the leadership of its present Fire & Security Product Division. Significant synergies will occur from the leveraging of Schneider Electric's Building Automation businesses, including their respective



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distribution networks and the possibility to offer complete solutions. The transaction is expected to generate revenue and cost synergies estimated at \$67 million on EBITDA in 2011.

### **Pelco contributes to Schneider Electric's strategy of growth**

David Mc Donald, President and Chief Executive Officer of Pelco, commented: "*Schneider Electric is an ideal partner for Pelco. Both companies share the same commitment to people, innovation and customer service that will make our combined enterprise an even stronger, more competitive player in the industry. We look forward to the unique benefits this partnership will bring to our customers and employees.*"

Arne Frank, Executive Vice President of Schneider Electric Building Automation business unit, said: "*The combination of our companies will create a unique portfolio of products, services and solutions in the building management industry. Pelco's unique position in IP-based video security represents a tremendous additional organic growth opportunity. With this acquisition, a very important additional step is made to further reinforce our leadership in Open & Integrated solutions for Building IT®.*"

Jean-Pascal Tricoire, Chief Executive Officer of Schneider Electric, commented: "*This acquisition significantly reinforces our building automation business unit. Pelco systems will integrate gradually in our Power and Control solutions for buildings and infrastructure. Security offers a highly attractive growth profile and video is becoming the key application in the building management market.*"

### **Transaction Overview**

The price to be paid for Pelco is \$1,220 million expressed as an enterprise value on a cash-free debt-free basis. In addition, Schneider Electric will pay to the sellers the net present value of a tax benefit resulting from the step-up of Pelco's assets, representing \$320 million. As a consequence, the total price paid in cash at closing will be \$1,540 million. The company had a net debt of roughly \$139 million at 30 June 2007.

This transaction is expected to be accretive to EPS from year 1 and the ROCE to cover Schneider Electric's cost of capital in year 3, in accordance with the Group's acquisition criteria.

The transaction is subject to anti-trust and other regulatory approval and is expected to close by October 2007.

### **About Pelco**

*Pelco is a world leader in the design, development and manufacture of video security systems and supporting equipment. The company is based in Clovis, US-California and has 2,200 employees worldwide. Its key products include Domes, IP Systems, Digital Video Recorders. It recorded sales of \$506 million in 2006, of which 36% outside the US, with an EBITDA of \$46 million and an EBITA of \$30 million. [www.pelco.com](http://www.pelco.com)*

### **Schneider Electric: Give the best of the New Electric World to everyone, everywhere, at any time**

*Schneider Electric is the world's power and control specialist. It anticipates and satisfies its customers' requirements in the residential, building, industry and energy and infrastructure markets. With 112,000 employees and operations in 190 countries, Schneider Electric generated sales of € 13.7 billion in 2006 through more than 15,000 distributor outlets. [www.schneider-electric.com](http://www.schneider-electric.com)*



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