

Investor Day

February 20, 2014

Group Strategy

Jean-Pascal Tricoire
Chairman & CEO



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. For a detailed description of these factors and uncertainties, please refer to the section "Risk Factors" in our Annual Reference 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 the 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 the global
specialist in energy
management and
efficiency technologies



The world in the next 40 years



Energy consumption
will double



CO2 emissions
need to be halved

↑ 4

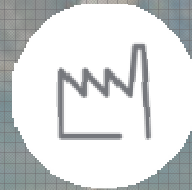
Become 4 times more efficient

Urbanization, Industrialization and Digitalization bring efficiency opportunities

Urbanization



Industrialization



Digitization

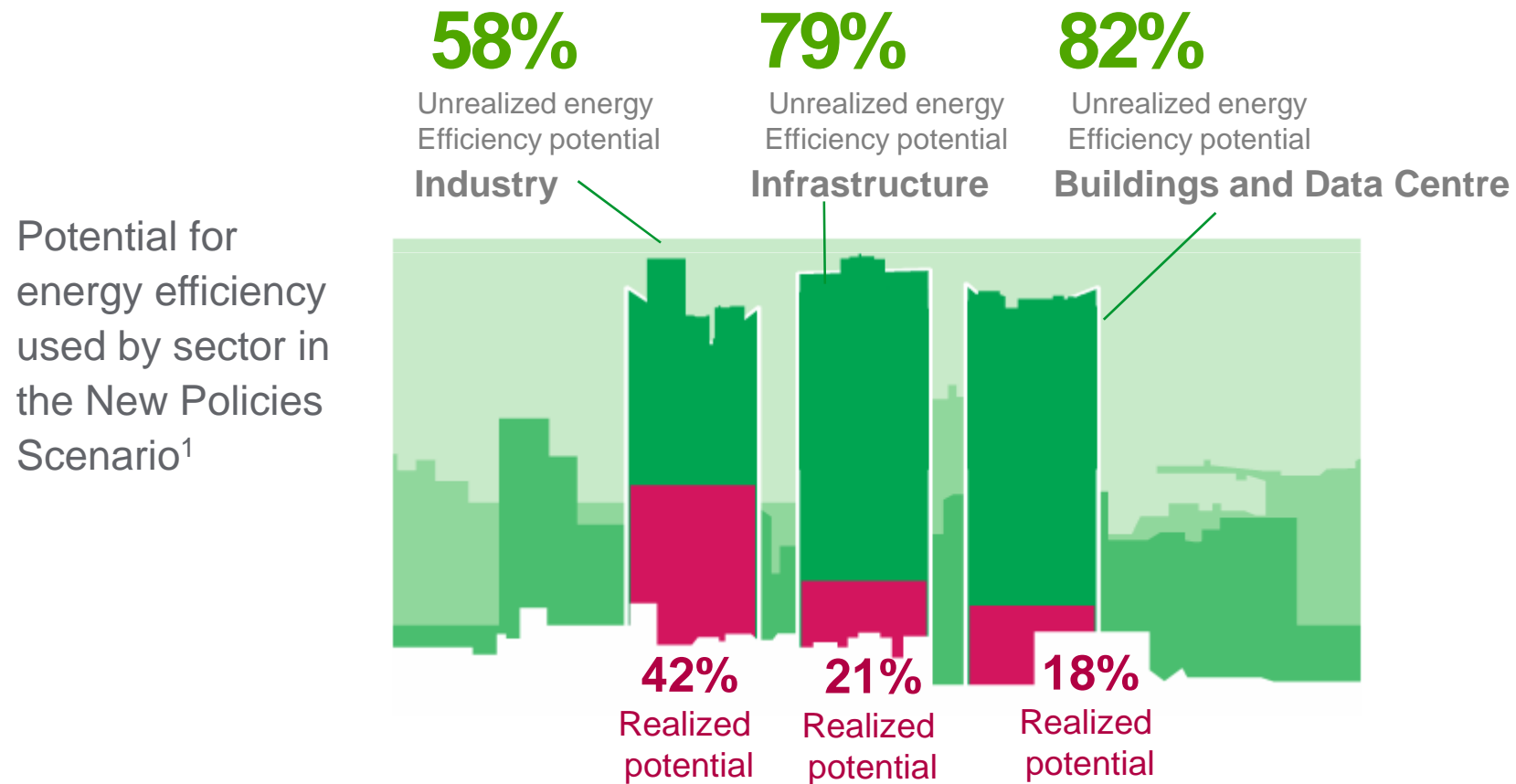


Challenges

- Peak demand
- Underutilized generation
- Increasing energy prices
- Pollution
- Traffic congestion
- Changing public opinion
- Climate disorder
- Water scarcity

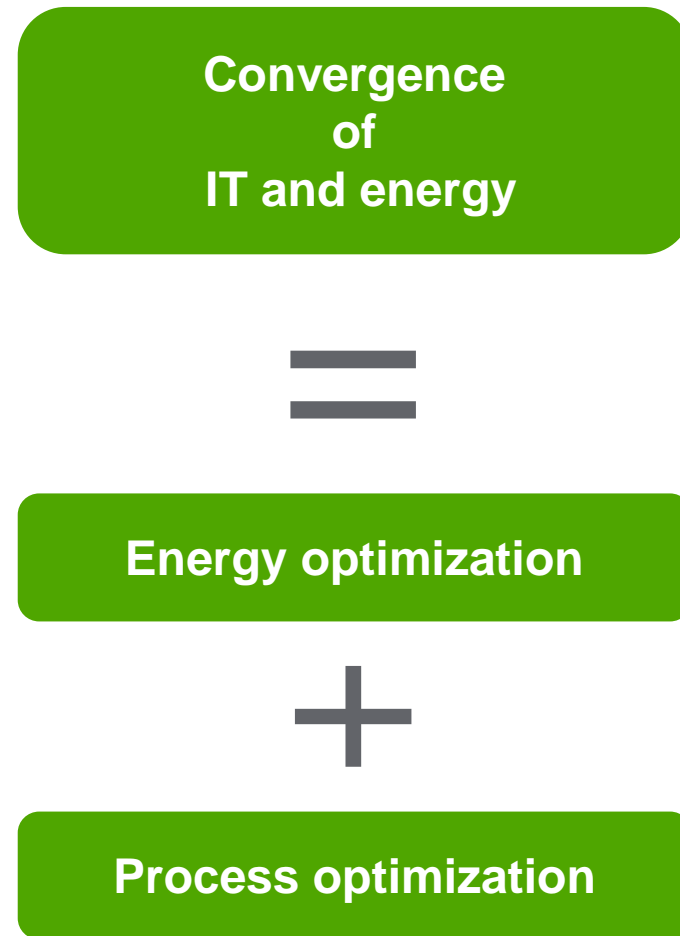
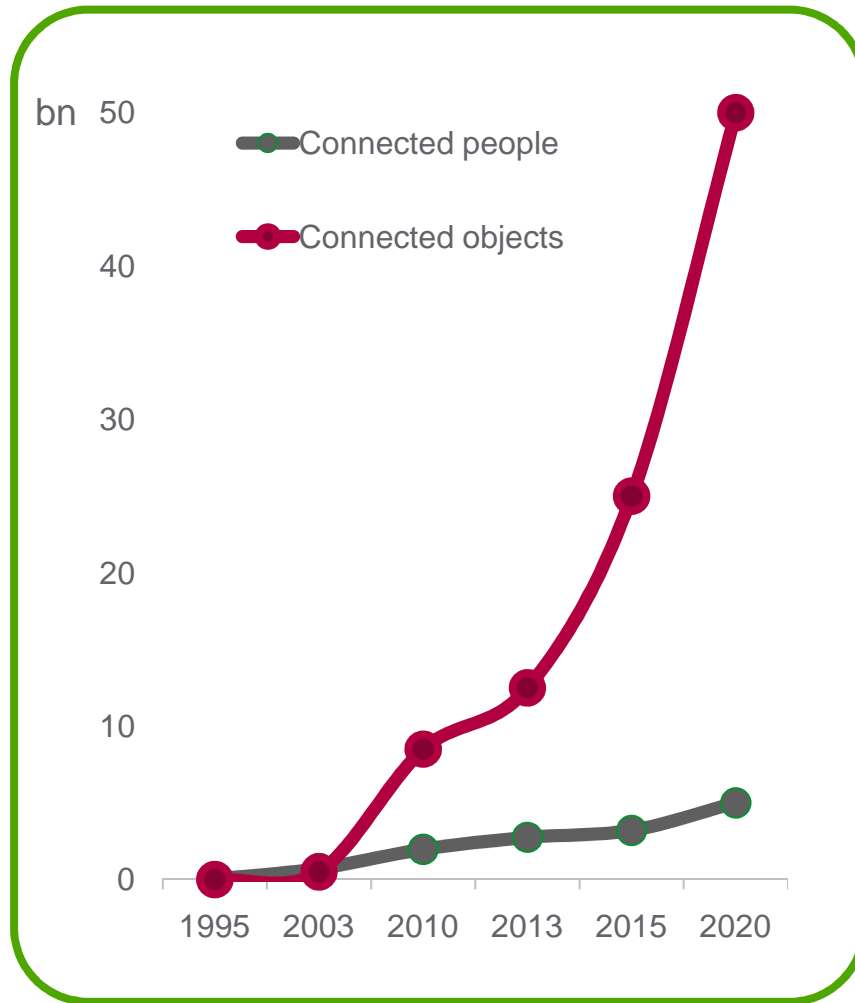
The efficiency entitlement is massive

From now until 2035, two thirds of the economic potential to improve energy efficiency remains **untapped**



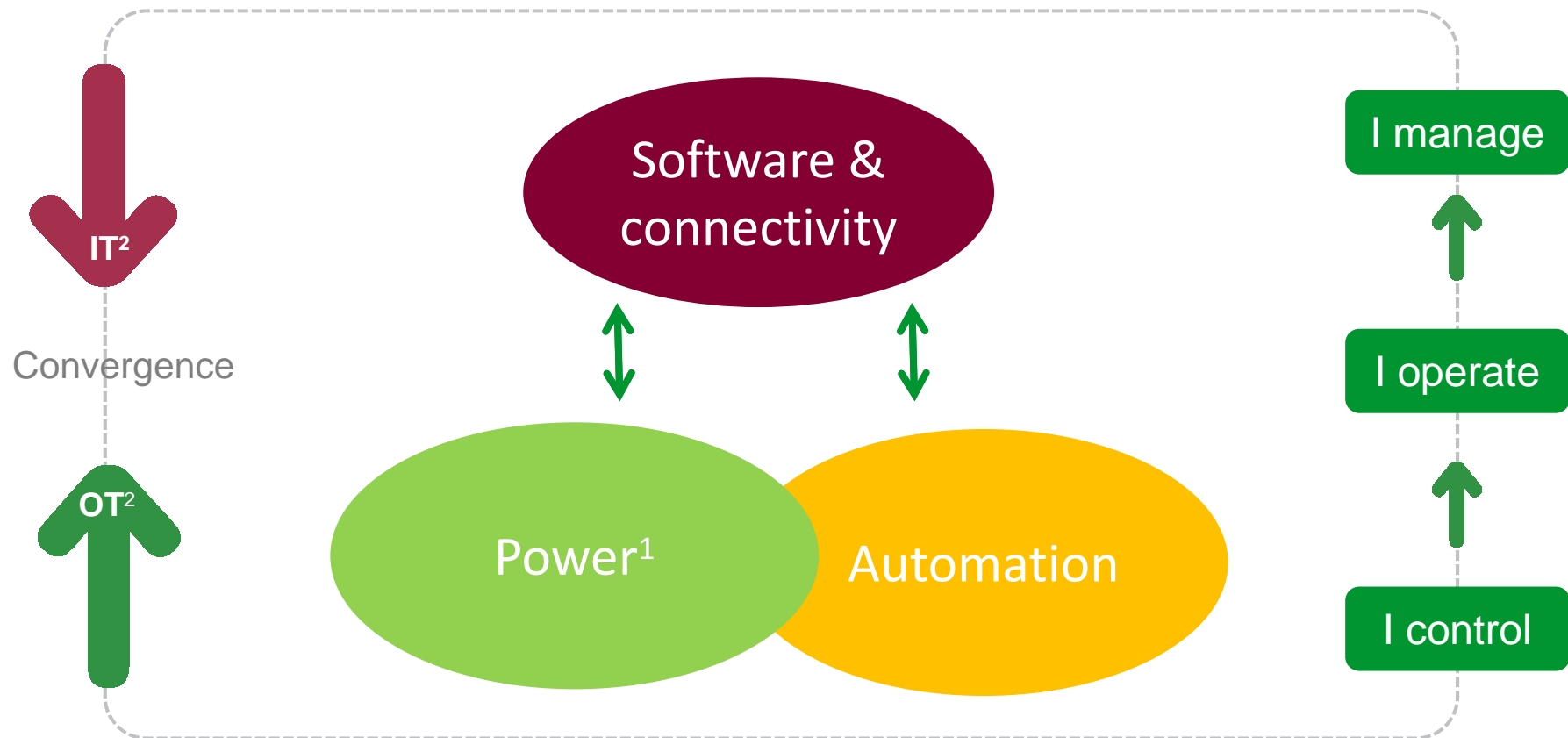
¹: World Energy Outlook 2012, OECD / IEA,, Internal analysis

Technology enables new levels of efficiency



Source: Cisco IBSG April 2011 / Internet World Statistics

We integrate power with automation to support our customers' need for efficiency



1: Supported by low voltage, medium voltage and critical power technologies

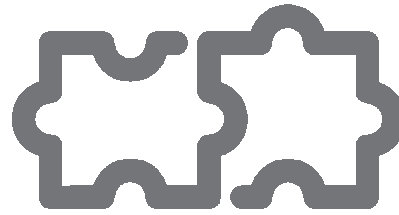
2: IT = Information Technology, OT = Operational Technology

Our approach to efficiency



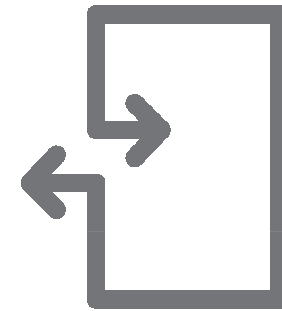
Save

+



Connect

+



Share

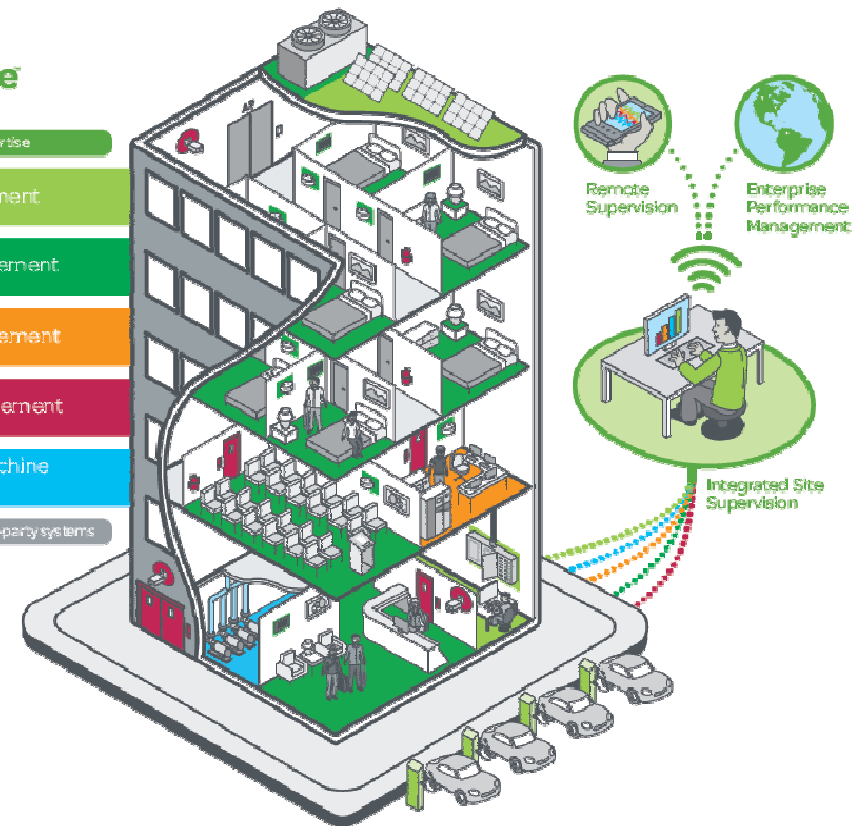
“Save” is the first step ...

- Connected products
- Active efficiency system
- Local control
- Reduced consumption
- Optimized process
- Connectivity

Control your facilities processes, optimize your operations and assets, and conserve your enterprise resources by **combining the worlds of energy & IT**

EcoStruxure

- Five domains of expertise
- Power Management
- Building Management
- IT Room Management
- Security Management
- Process and Machine Management
- Interoperable and open to third-party systems



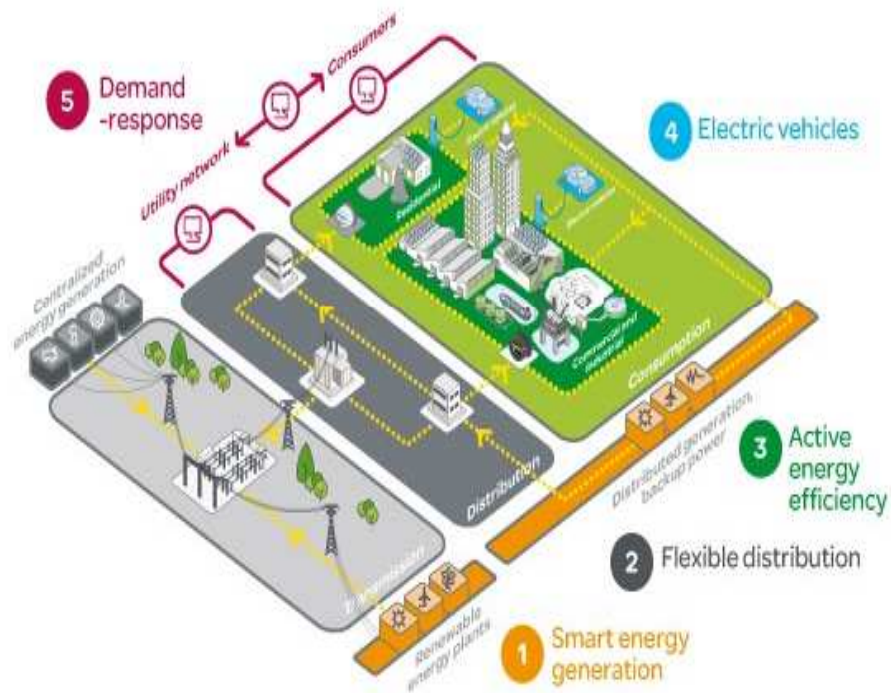
... then “Connect”

- Open platform
- Connection to user and stakeholders
- Real time data and analytics
- Plug into ERPs



By accessing smart, real time data and information, optimized and delivered across integrated systems through open platforms. **We connect all people, points and devices,** enabling insight and action for a sustainable future

... to “Share” across the grid and cities



Across the grid



Across cities

We have strong
foundations



We are the global specialist in energy management and efficiency technologies

25

billion € revenue
(FY 2013¹)

4-5%

of sales devoted to R&D

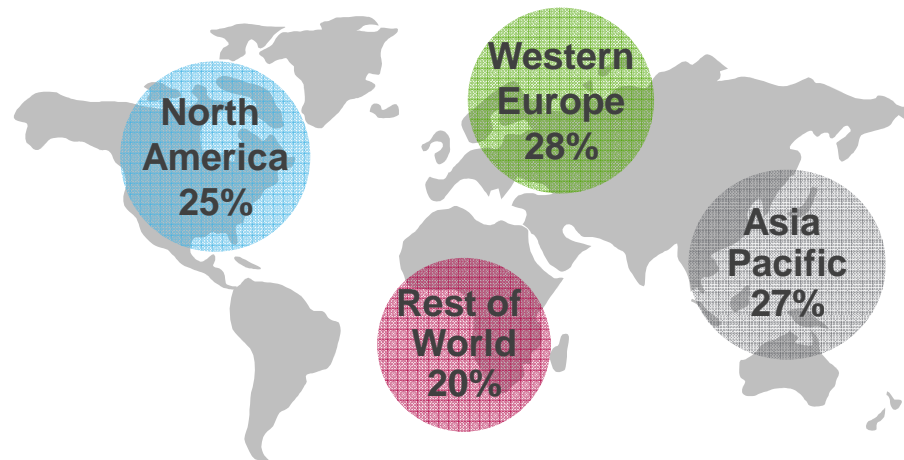
43%

of revenue in new economies
(FY 2013¹)

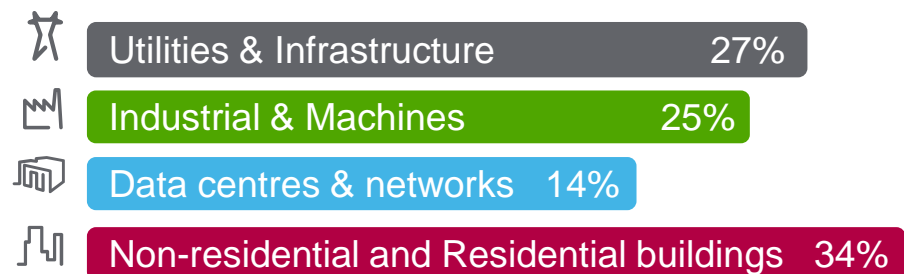
160 000+

people in 100+ countries

Balanced geographies – FY 2013 revenue¹

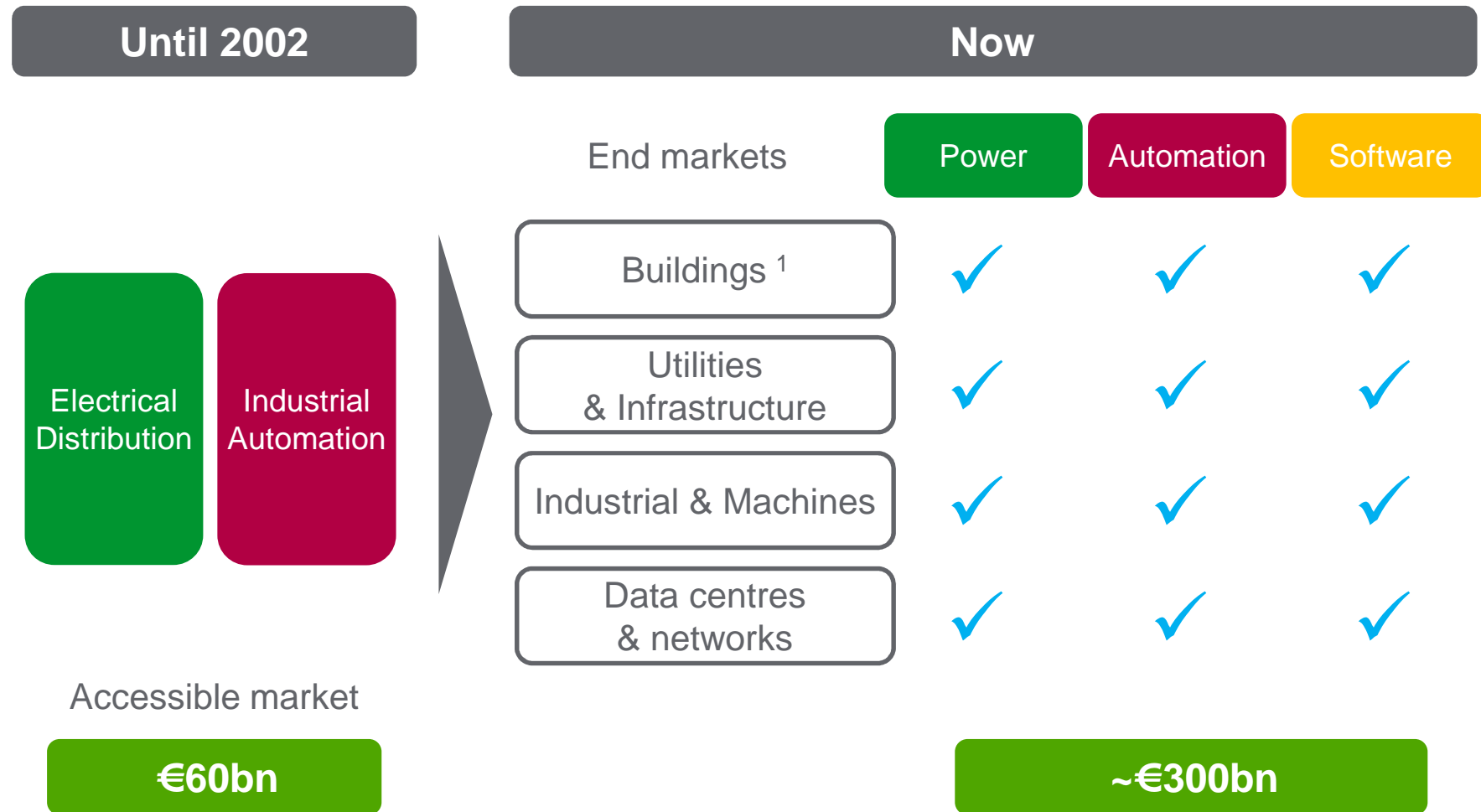


Balanced end markets – FY 2013 revenue¹



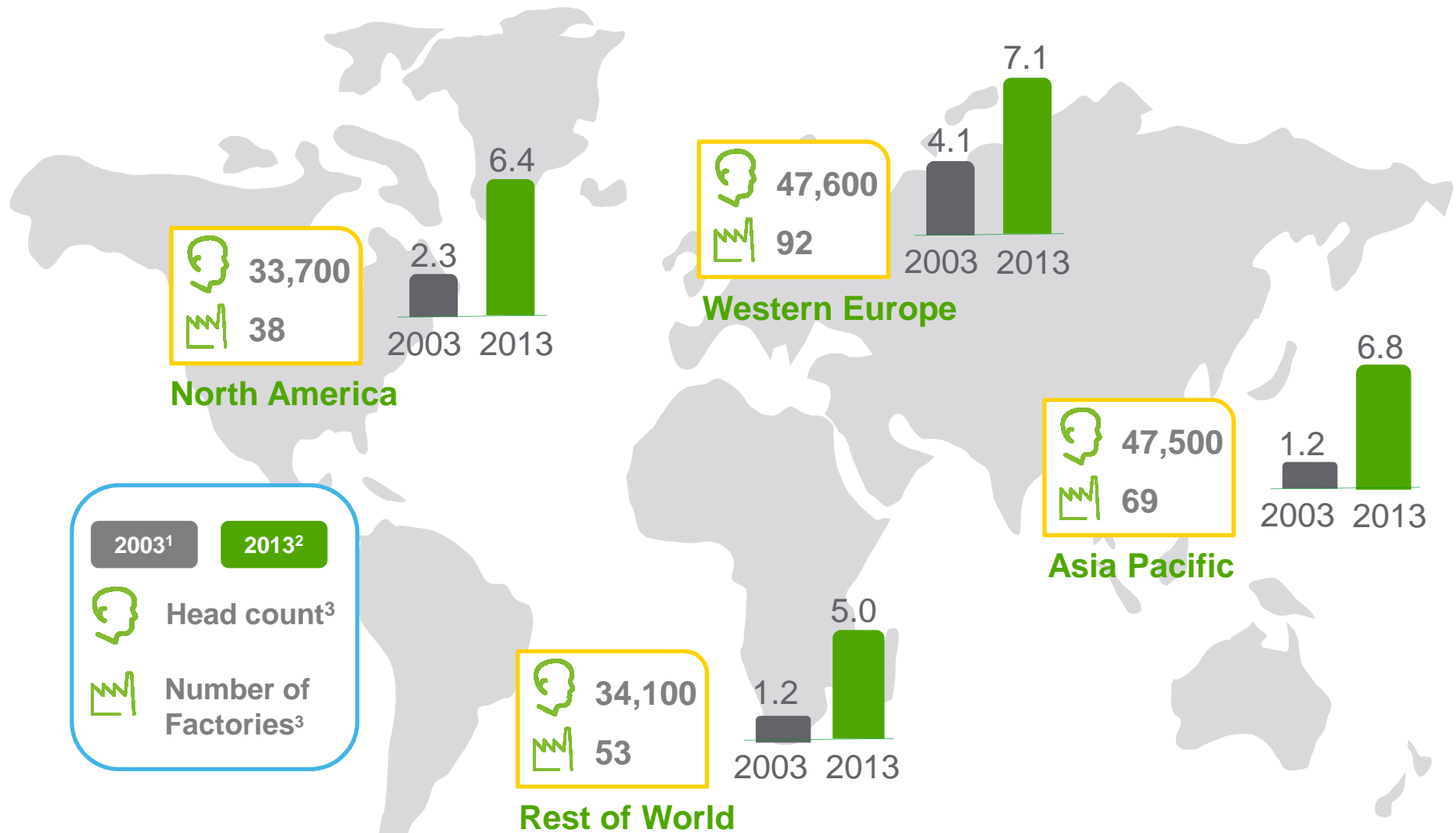
¹: Pro-forma basis including LTM Sep 2013 revenue from Invensys

We have built an integrated portfolio...



1: Including residential and non residential buildings

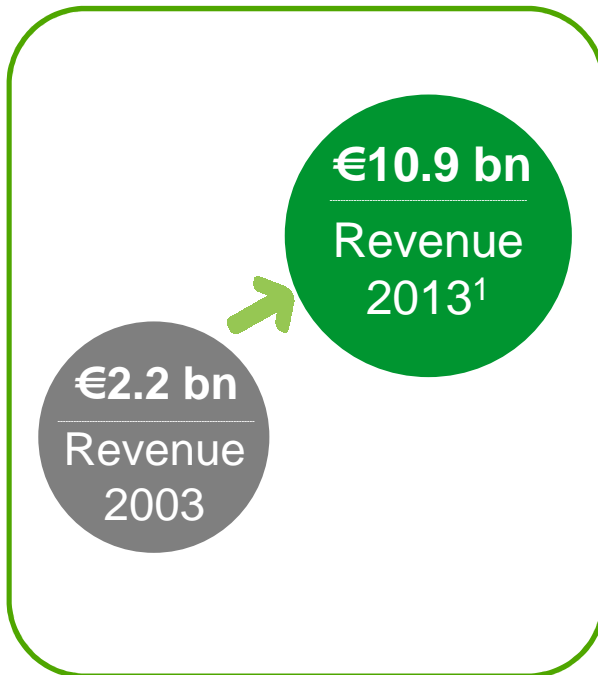
... and a balanced global footprint ...



1:Published figures in Billion € restated to reflect country-market view;
 2:Billion € Pro-forma basis including LTM Sep 2013 revenue for Invensys
 3:IncludiInvensys, excludi Delixi and Fuji

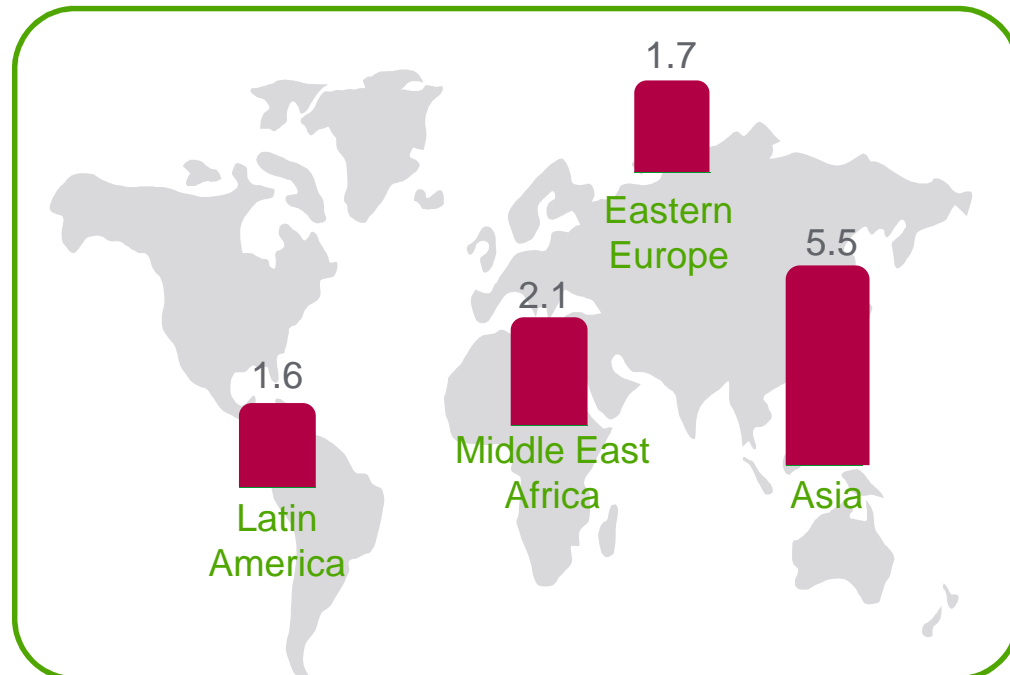
with a strong presence in new economies

Revenue in new economies



Revenue breakdown in new economies

FY2013 revenue¹ (billion €)



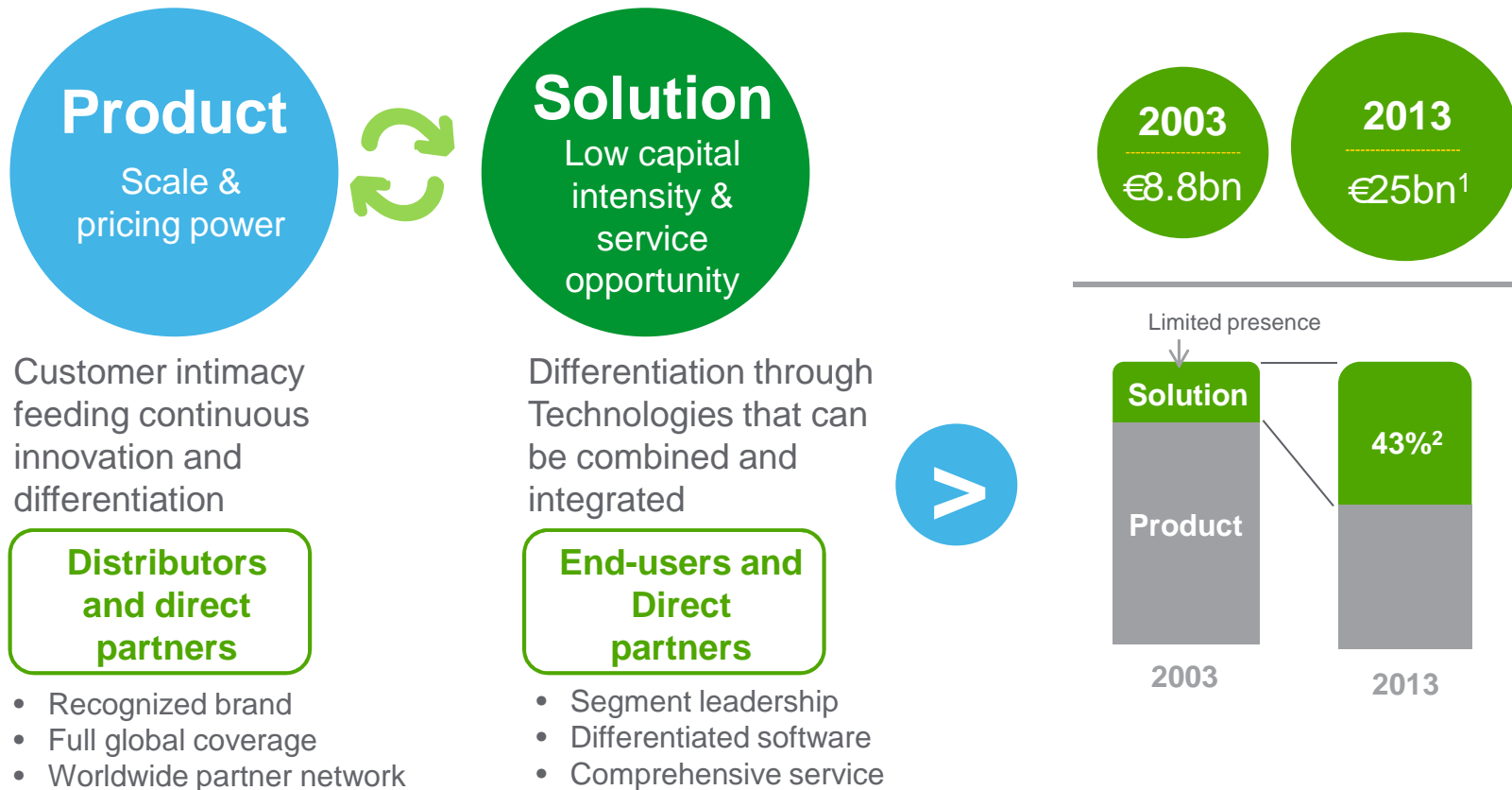
Investment in

Geographical coverage
width and depth

Local R&D and offer development

1: Pro-forma basis including LTM Sept 2013 revenue for Invensys

We maximize growth with two strong and complementary business models

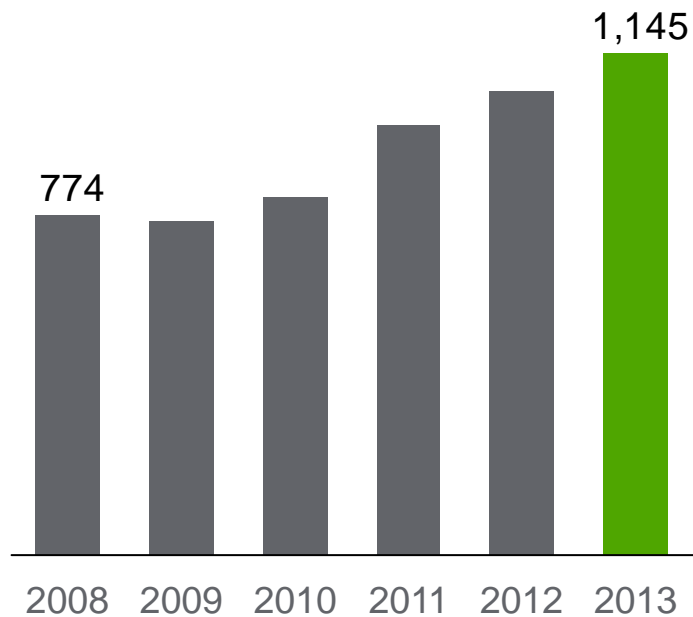


1: Pro-forma basis including LTM Sept 2013 revenue for Invensys
 2: Schneider Electric solution revenue only, pending Invensys solution split
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We continuously invest in innovation

R&D spend

In €m



4-5% Group Revenue

Product Innovation

- More connectivity
- Mid-market offers
- Energy efficiency

Solution Innovation

EcoStruxure
Connected hardware

StruxureWare
Connected software

- Embedding interoperability
- Leveraging connectivity and software to build our service offer
- Developing our platform strategy
- Operational intelligence

Sustainable development is part of our DNA

Solutions for Efficiency



Active Energy efficiency, Energy management & Sustainability services



Smart grid (renewable, flexible distribution, electric vehicle, demand response)



Smart cities

Ethics & Responsibility



Business practices



Products and sites



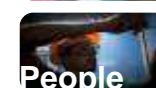
Employees



Communities

Solutions for the energy gap

Fostering energy access



Spreading access to reliable, affordable and clean energy through a combined approach of training, offers, business models and investment

Fighting fuel poverty

A measured commitment: The Planet & Society Barometer

- > **Measuring** sustainability
- > **Communicating** quarterly
- > **Auditing** annually by a third party



2013 awards



index

#10 in the Global 100
most Sustainable Corporations
in the world

We further strengthen
our fundamentals



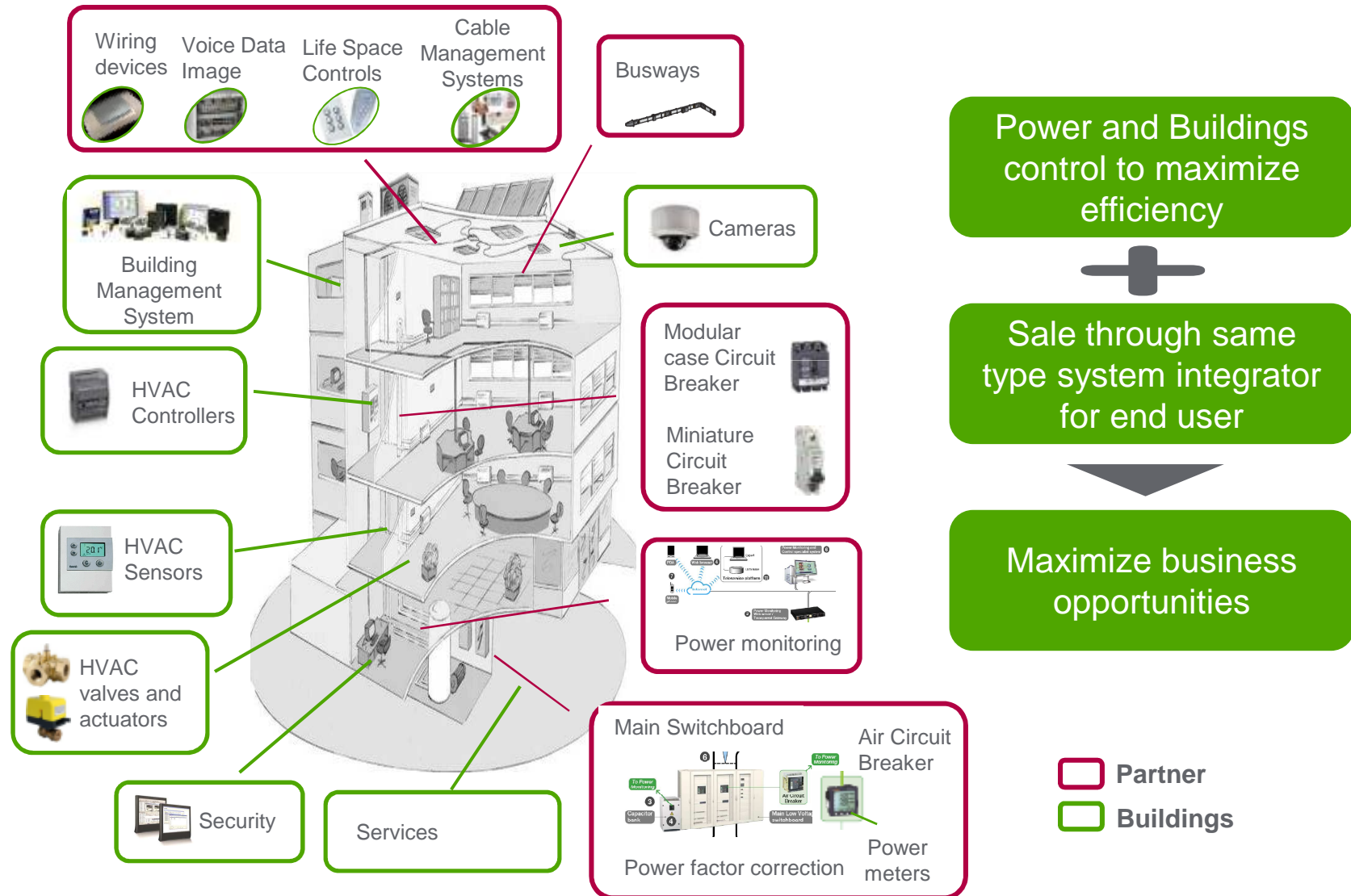
The Invensys acquisition extends and complements our portfolio

End markets	Power	Automation	Software
Buildings ¹	✓	✓	✓
Utilities & Infrastructure	✓	✓	✓
Discrete industries	✓	✓	✓
Process industries	✓	✓	✓
Data centres & networks	✓	✓	✓

Invensys

1: Include residential and non residential buildings

We combine Buildings and Partner to integrate our solutions and expand channels



Buildings & Partner Business is a strong global leader

Key Figures¹

€10.2bn

40% of Group
2013 revenue¹

The strengths of a leader

- > **Market leadership: X2** vs. the second largest player
- > **Comprehensive portfolio** for the buildings market
- > **Global distribution network** and strong **brand** recognition

A comprehensive portfolio

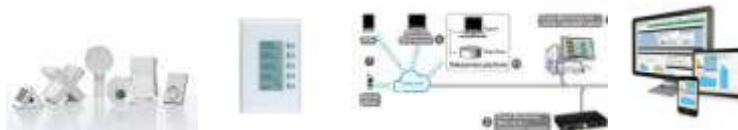
Final distribution
& Installation
materials



Low voltage



Building & Home
automation



Strong Global Channels

Distributors

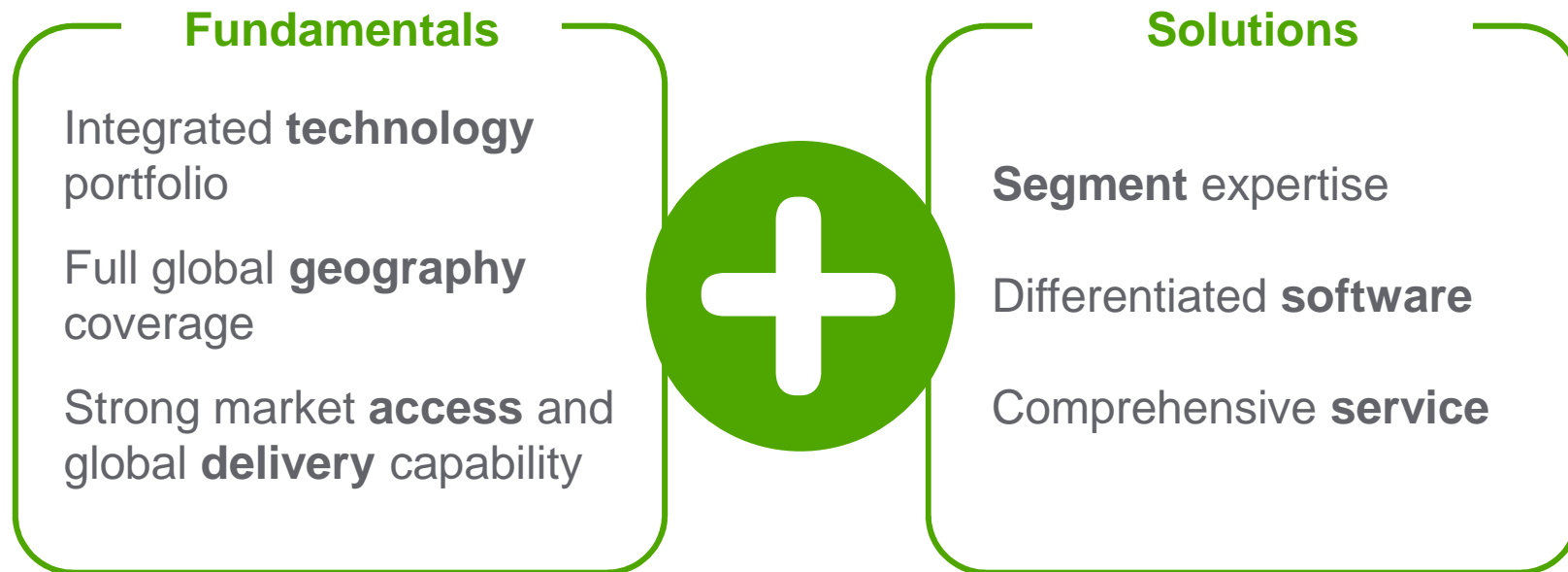
Panel Builders

System
Integrators

End-users

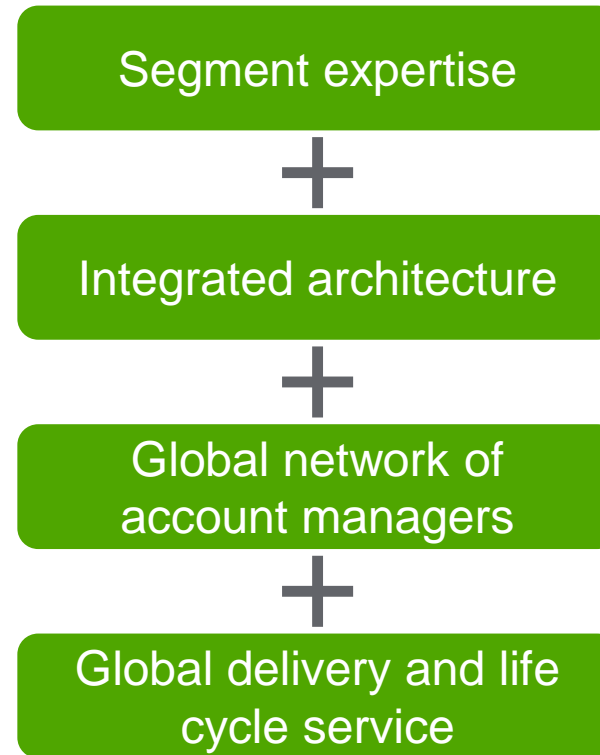
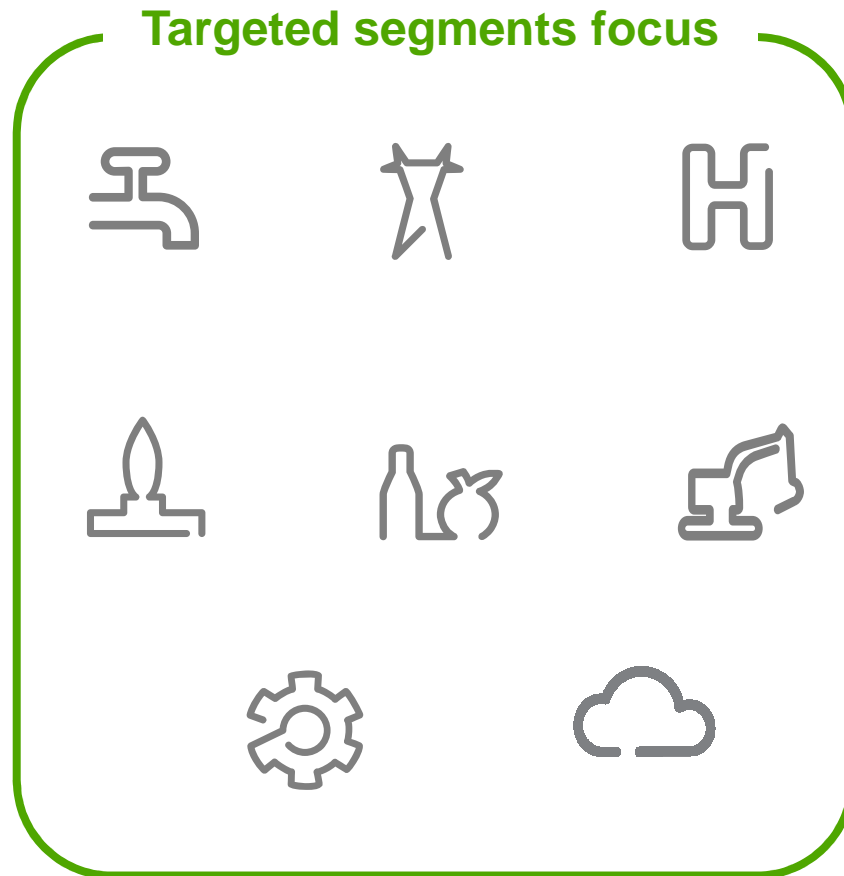
¹: Pro-forma basis including LTM Sep 2013 revenue from Invensys
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Focus on segment, software and service for solutions



Delivers higher customer value

We have a comprehensive approach on selected segments



Software enhances the value of all our offerings

Software augmented products



Power Meter



Power Monitoring Software

Software is a key differentiation of products

Software enabled systems



PLC Hardware



Software

Software is a critical component of systems

Cloud augmented products



Power Meter



Asset Performance Management

Software enables to create value beyond channel partners

Software enabled solutions



Software creates value at every point of the customer lifecycle

Our global service network delivers end to end care

Field Services



Global offer powered by **digitization**

12,000

Service delivery professionals

Cloud services



Software and connectivity provide digital services

250

Service centers

Energy and Sustainability services



Managed services built on **deep segment knowledge**

15

Service Bureaus

Priority is on execution
to capture growth and
improve return



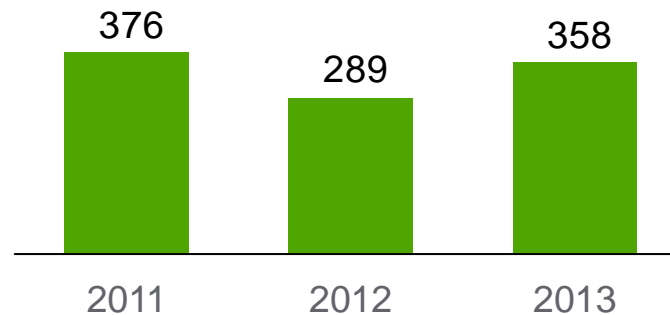
We improve global supply chain efficiency...

Key Focus

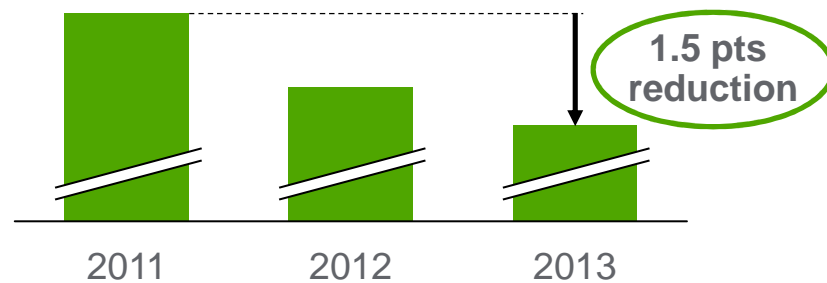
- Customer satisfaction
- Supplier network rationalization
- Inventory efficiency
- Rebalance footprint

Industrial performance

Industrial productivity, €m



Inventory to Revenue ratio, %

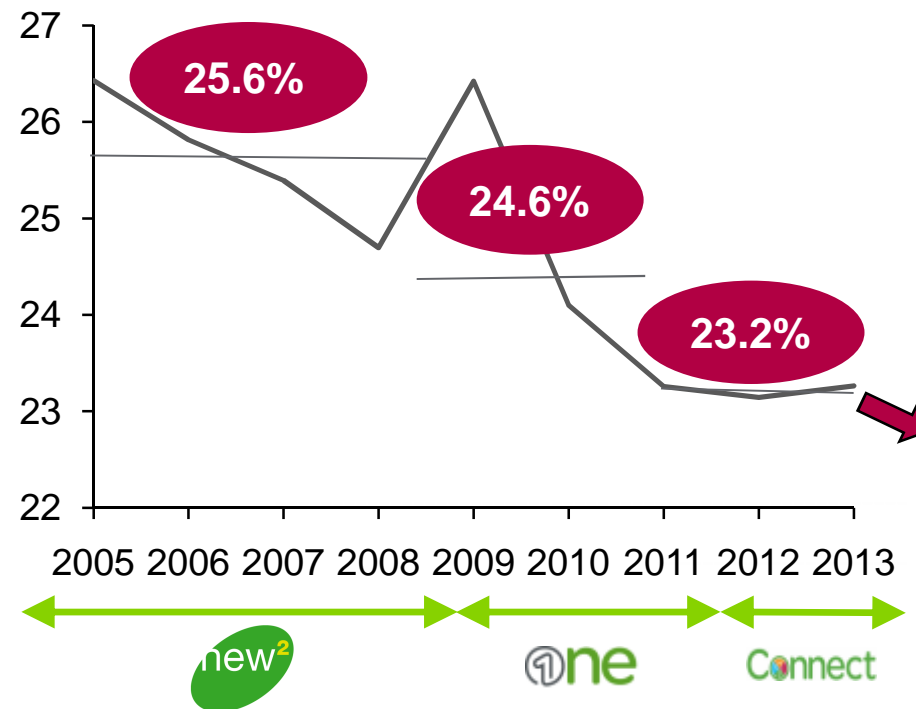


... continue to drive Support Function efficiency...

Key Focus

- Mutualization and globalization of back office
- Simplified infrastructure
- Non-production purchases
- Commercial efficiency
- Cross-selling

Support Function Costs to Revenue ratio



... optimize R&D resource allocation

Key Focus

- Prioritize programs
- Build common technology platforms
- Standardize process and tools
- Specialize R&D tasks by leveraging global R&D footprint



Key Objectives



✓ **Optimize resource allocation**



✓ **Reducing time to market**



✓ **Rationalize R&D footprint**

We focus on integration to drive value creation on acquisitions

Solid process

Integration typology aligned with strategic intent

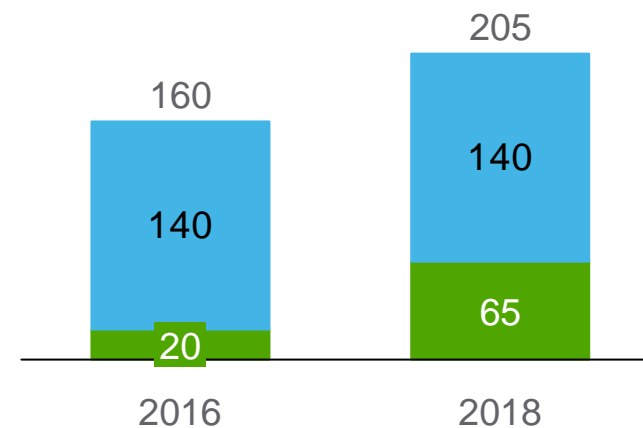
Clear guidelines on integration tasks and accountability

Regular performance tracking

Dedicated integration teams

Invensys synergies

■ Cost synergy (adj. EBITA impact)
■ Revenue synergy (adj. EBITA impact)



- 80% of synergies to be achieved by 2016, including all cost synergies
- Tax savings estimated at €500m, of which €400m over the first 5 years

We continue to focus on shareholders' return

Balance
sheet

Maintain a solid balance sheet and keep a strong credit rating with long-term target A-

Share count

Neutralization of dilution from employee and management share plan through share buy-back

Dividend

Attractive and sustainable dividend policy with 50% targeted payout ratio

M&A

Small acquisitions on an opportunistic basis

Conclusion

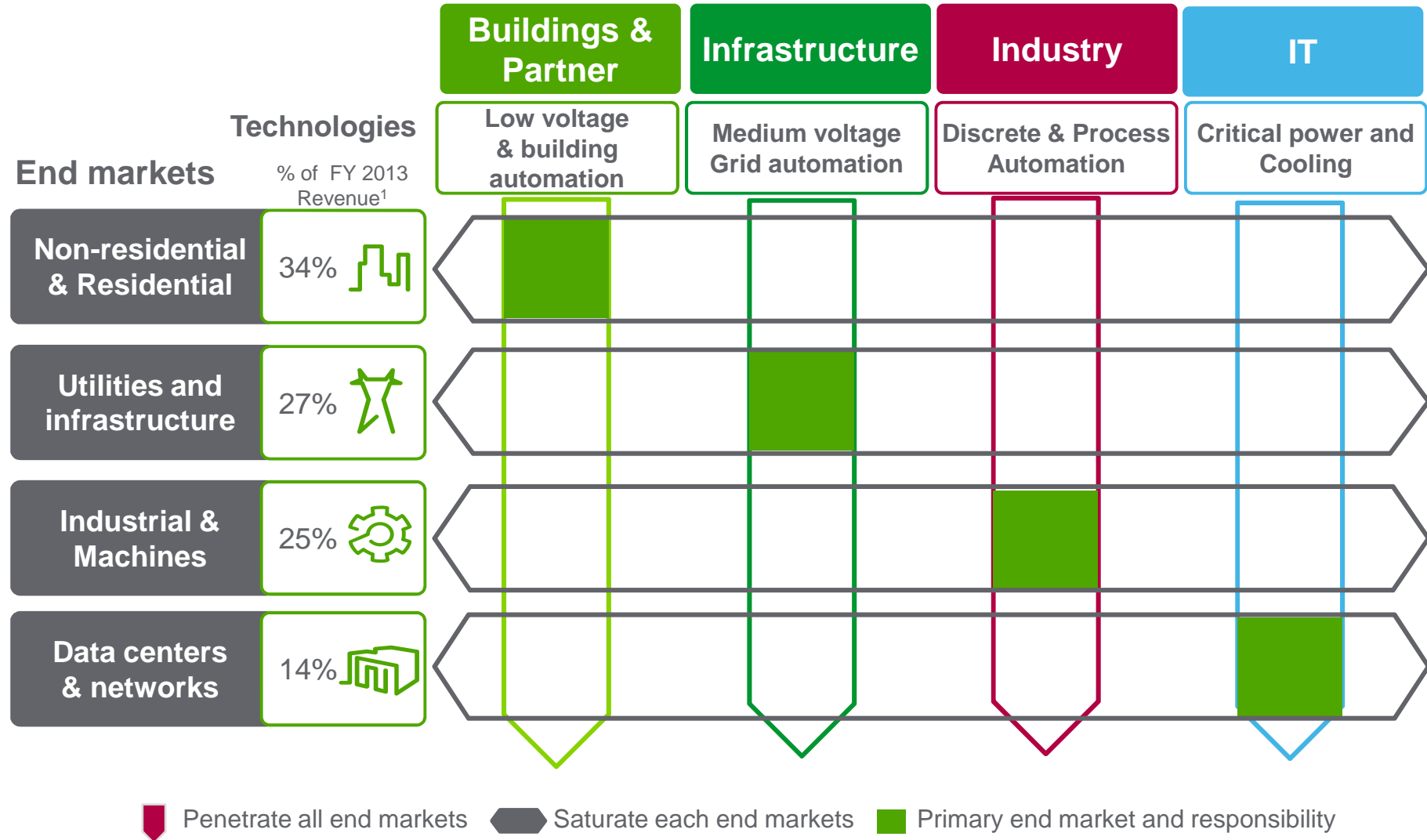


We have 4 sizable, globally leading and integrated businesses...

	Buildings & Partner	Infrastructure	Industry	IT
% of FY 2013 Revenue ¹	€10.2 bn (40%)	€5.7 bn (22%)	€6.0 bn (24%)	€ 3.4 bn (14%)
Key technology	Low Voltage & Building Automation	Medium Voltage Grid Automation	Discrete & Process Automation	Critical Power & Cooling
Worldwide Position	# 1	# 1	# 2 (Discrete) # 4 (Process)	# 1
Worldwide Competitors	ABB Eaton Legrand Siemens	ABB Siemens	ABB Emerson Rockwell Siemens	Eaton Emerson

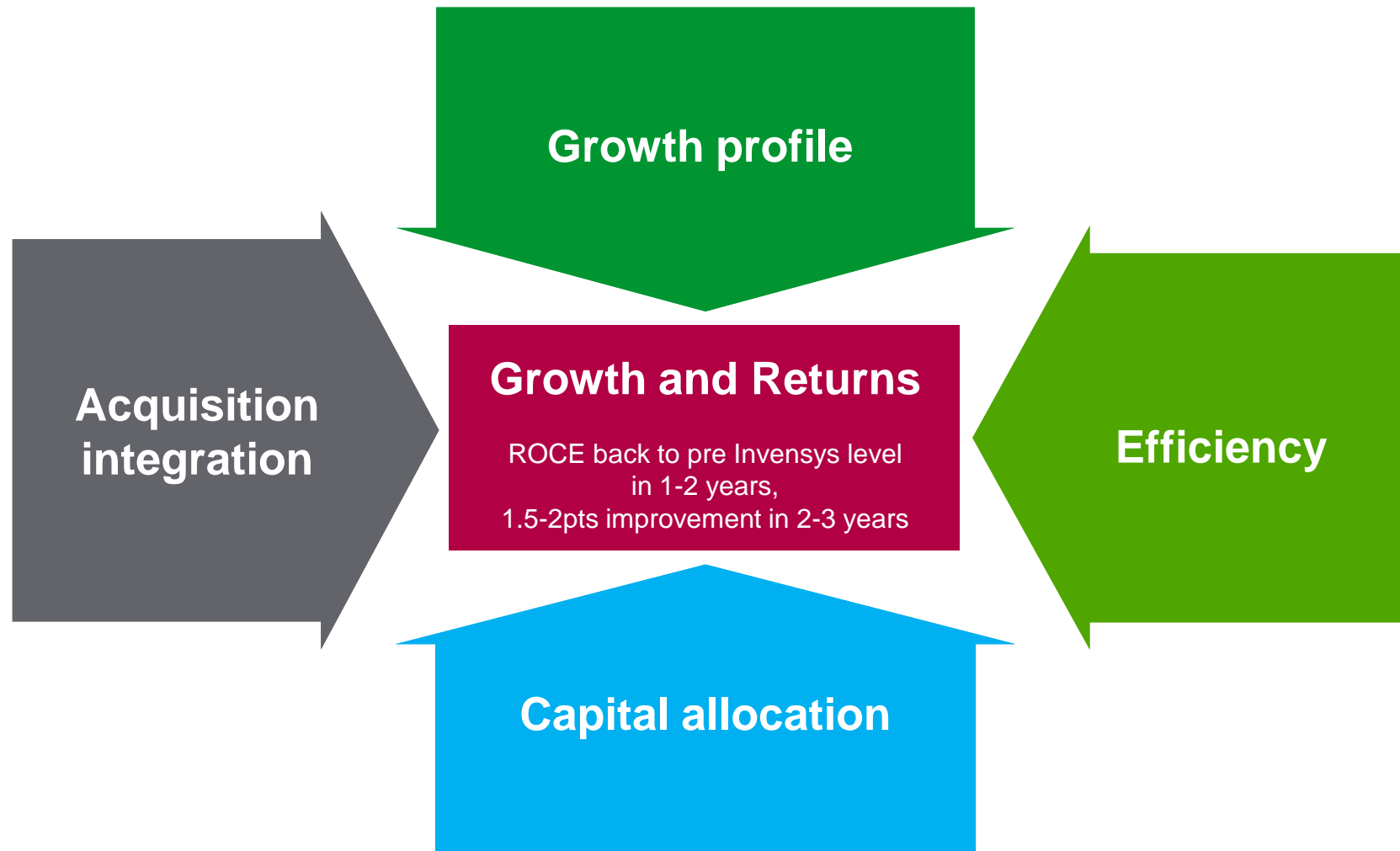
1: Pro-forma basis including LTM Sep 2013 revenue from Invensys

...and a solid operating model



¹: Pro-forma basis including LTM Sep 2013 revenue from Invensys

Focus on growth and returns



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

