Schneider Electric: Finance Presentation

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Disclaimer

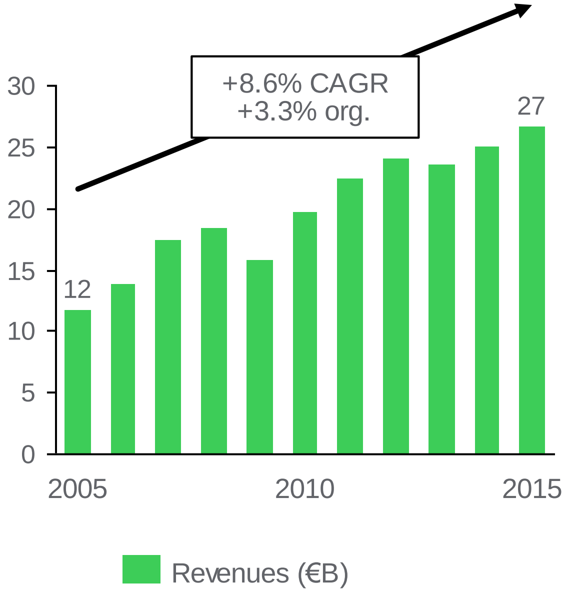
All forward-looking statements are Schneider Electric management's present expectations of future events and are subject to a number of factors and uncertainties that could cause actual results to differ materially from those described in the forward-looking statements. For a detailed description of these factors and uncertainties, please refer to the section "Risk Factors" in our Annual 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.

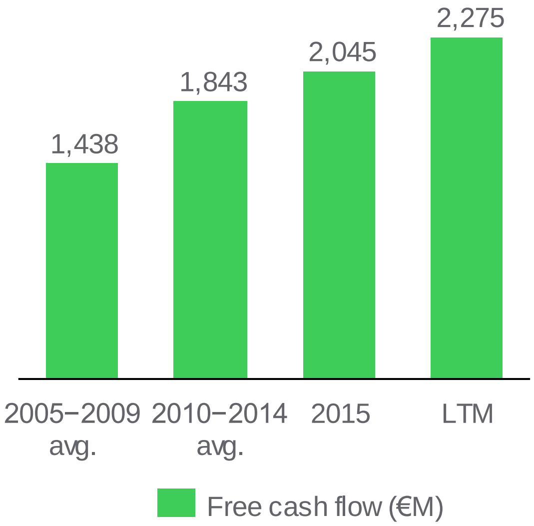
We have delivered consistently sustained revenue growth and cash generation over the past 10 years

We have delivered sustained revenue growth, strong cash generation, and resilient profitability over the past 10 years

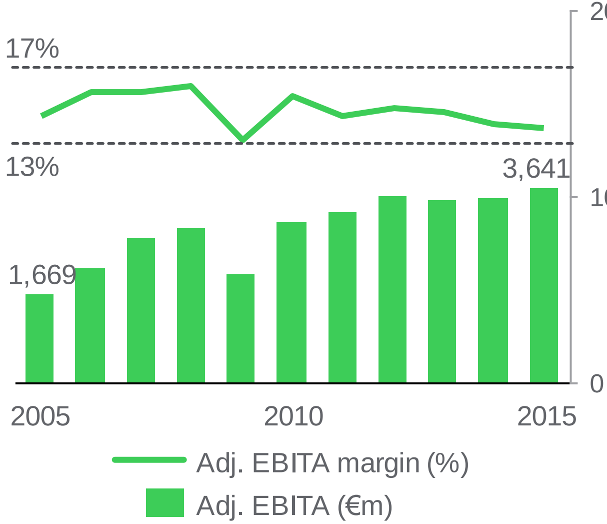
SUSTAINED REVENUE GROWTH



STRONG CASH GENERATION THROUGH THE YEARS



GROWTH IN ADJ. EBITA. MARGIN ABOUT STABLE, NOTABLY IMPACTED BY INVESTMENTS



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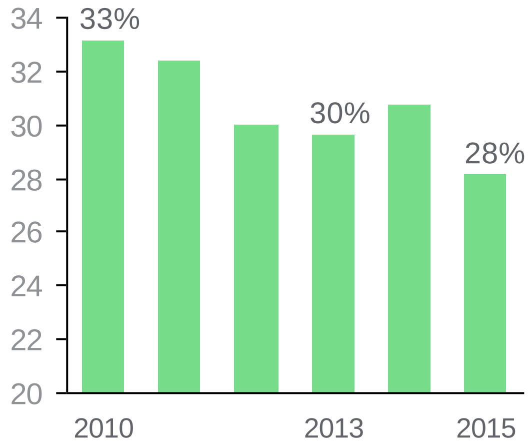
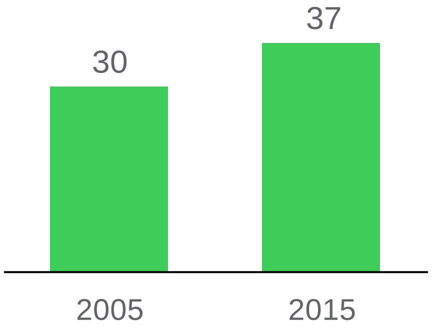
Organic growth brings a compelling return on operational assets but M&A has been limiting improvements in return on capital employed (ROCE)

IMPROVING CAPITAL EFFICIENCY



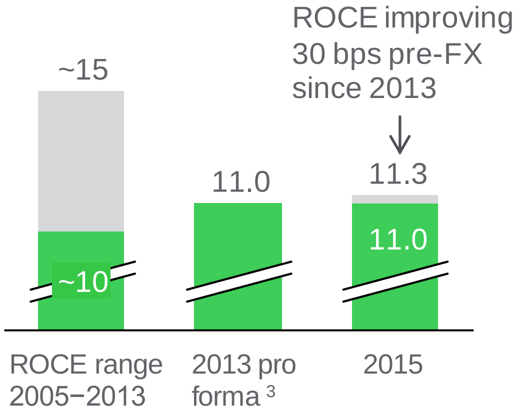
Operational Assets / Revenues (%)[1]

HIGH LEVEL OF RETURN ON OPERATIONAL ASSETS



Return on Operation Assets (Post-tax)

ROCE IMPROVED BEFORE FX

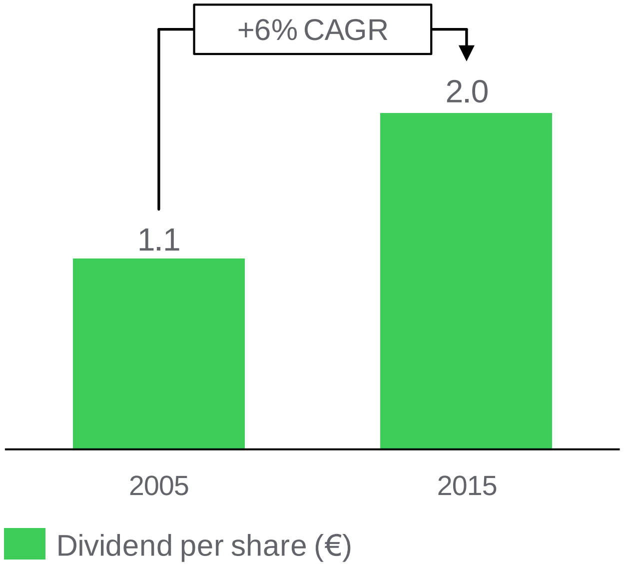


ROCE

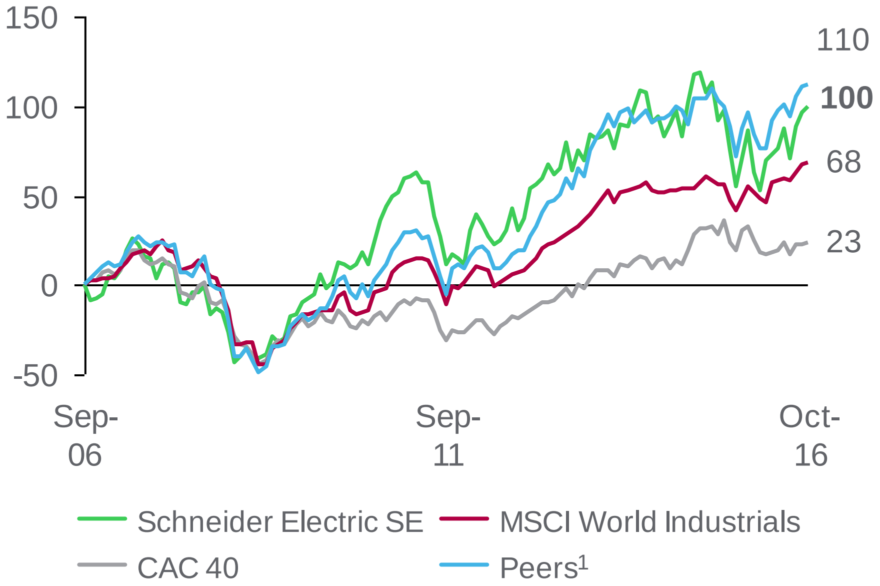
1. Operational assets: Tangible assets + Net working capital (Inventories + Accounts receivables less payables)
2. Adjusted EBITA / Operational assets (year-average)
3. Pro forma including Invensys

We generated returns for our shareholders

PROGRESSION IN DIVIDEND



TSR ABOVE INDEX, CLOSE TO PEERS (TOTAL SHAREHOLDER RETURN)



1. Average peers index made of average TSR performance of ABB, Siemens, Legrand, Eaton, Emerson, Honeywell, JCI, Rockwell, Omron, Fuji Electric, Yokogawa

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We have an efficient model to create attractive shareholder value over the next years

We have an efficient model to create attractive shareholder value over the next years

1. Our portfolio is capable of delivering superior organic growth
2. We have several levers to deliver significant margin improvement
3. We have learned from our M&A activities in past years
4. We remain focused on creating value for shareholders

We have an efficient model to create attractive shareholder value over the next years

Solid organic revenue growth

Operational margin improvement

Efficient capital allocation & use of cash

We have an efficient model to create attractive shareholder value over the next years

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We confirm our long-term revenue growth objective of 3–6% and target around 3%[1] in average over the next 3 years excl. Infrastructure

Next 3 years: around 3% yearly average org. growth excl. Infrastructure with progressive ramp-up over the period

Long-term: Organic growth objective of 3–6%

Past headwinds beginning to ease:

- O&G & commodities industries
- China's investment pull back

Market mid-term in key geographies:

- Solid growth in residential, growth in non-res.
- Industry moderate recovery in 2017; O&G CapEx bottoming-out in 2017

- Continuation of gradual recovery with French construction improving from 2017
- Some uncertainties on short-term Brexit impact

- Construction recovery to moderate
- Industrial markets stabilizing in 2016; some overcapacity in heavy industries but opportunities in industrial automation

More Electric

- Mature economies: Sustainability driving electricity share
- New economies: Growing electricity consumption

Higher Efficiency

- Mature economies: Energy efficiency, industry of the future
- New economies: Automation for higher quality and efficiency

Decentralized Energy

- Mature and new economies: Decentralization of power generation with more renewable energy

1. Yearly average growth over the period

We have a strong model to create attractive shareholder value over the next years

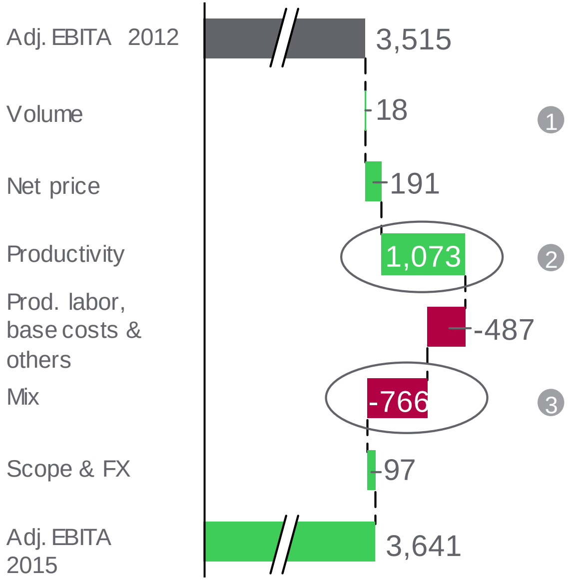
Solid organic revenue growth

Operational margin improvement

Efficient capital allocation & use of cash

In the coming years, we will focus on the positive levers to drive adjusted EBITA up

ADJ. EBITA BRIDGE 2012–2015 (€M)



MAIN ORG. DRIVERS FOR BRIDGE

1
- Growth impacted by slowdown in Europe, China, commodities markets
- Positive net price each year

2
- Strong industrial productivity
- Limited base costs increase

2
- Solutions: Main driver for negative mix

OUR OBJECTIVES

Target positive contribution from volume and net price

Keep delivering strong productivity and cost savings

Improve solutions and mix

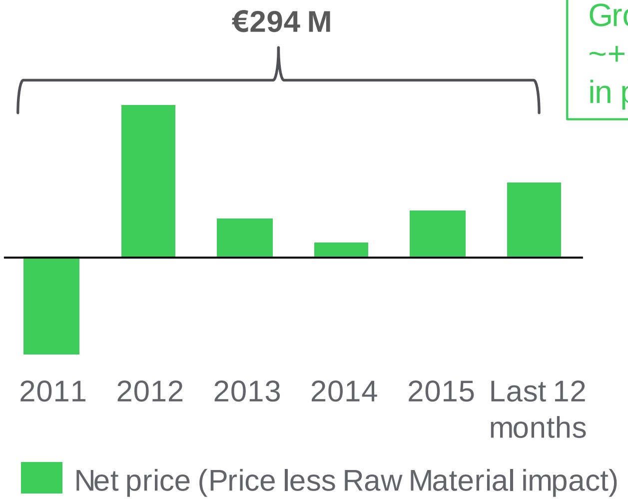
We target mix improvement from growth in higher-margin businesses and positive contribution from net price

TARGETED GROWTH IN HIGHER-MARGIN BUSINESS TO IMPROVE MIX

- Products
- Services
- Software

Driving positive mix

CONTINUING TO TARGET A CONSISTENT POSITIVE NET PRICE



Gross Price[1]
~+50 bps per year in past 5 years

1. Average gross price in 2011-2015 divided by average Products Revenues in 2010-2014

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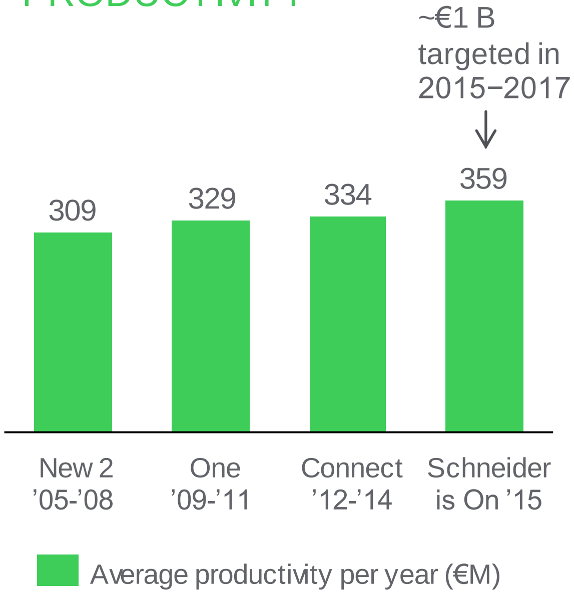
Productivity and cash efficiency targeted through our global supply chain

OUR GLOBAL SUPPLY CHAIN IS A KEY ADVANTAGE

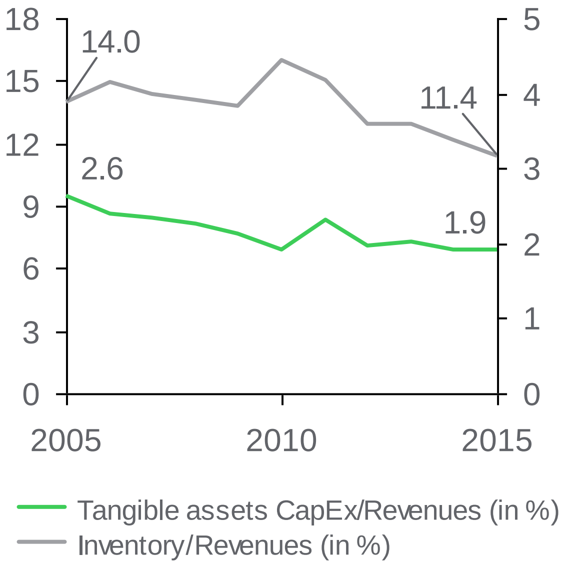
- **Purchasing efficiency**
- **Lean everywhere**
- **Industrial footprint optimization**
- **Logistics network expertise**
- **Transportation optimization**
- **Planning/Orchestration digitized**

Gartner Supply Chain Top 25

DELIVERING CONSISTENTLY A HIGH LEVEL OF INDUSTRIAL PRODUCTIVITY



AND EFFICIENCY IN OUR TANGIBLE ASSET BASE



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We are starting to improve our systems margin and full financial benefits forthcoming

GOOD PROGRESS ON SELECTIVITY AND PROJECT EXECUTION INITIATIVES

Hit rate improved >10 pts since 2014

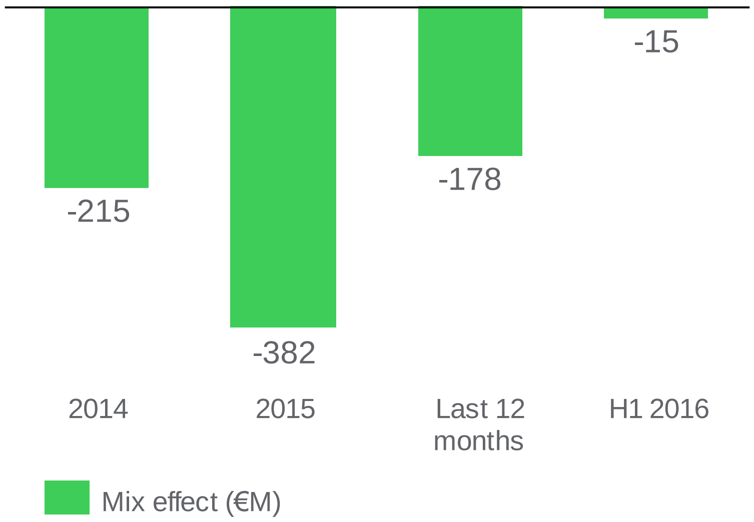
Systems (equipment + projects) Gross margin up ~+1 pt in H1 2016

H1 2016: No gross margin deviation for projects booked after 2014

Infrastructure

~2 pt improvement in Adj. EBITA margin before FX in H1 2016.
Strong improvement targeted before FX in 2016

MIX TREND IMPROVING



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Our Simplify initiative targets higher efficiency and improving SFC/Revenue ratio...

Simplify: 3 objectives

Simplify the organization

Optimize efficiency

Reduce costs

A 3-year road map (2015–2017)

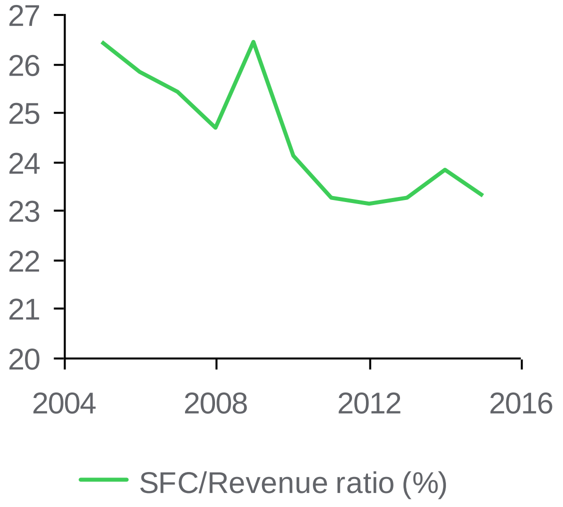
Re-engineering of 4 key functions…

- R&D (2015)
- Marketing (2015)
- Finance (2016)
- Sales (2017)

…supported by global enablers

- IT improvement
- Shared services deployment
- Span & Layers optimization

We aim to continue lowering our SFC/Revenue ratio



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...through a systematic review of our key functions supported by global enablers...

WE CONTINUE TO SIMPLIFY KEY FUNCTIONS

R&D
- Refocus the portfolio on key offers
- Accelerate platforming
- Optimize R&D footprint
- Accelerate lean engineering deployment

Marketing
- Clean up overlaps in organization
- Rebalance resources from offers to channels
- Mutualize resources when relevant
- Optimize communication spend

Finance
- Simplify performance management framework
- Reinforce back-office capabilities
- Standardize and optimize the global setup

Sales
- Optimize our customer coverage
- Enhance back-office effectiveness

SUPPORTED BY GLOBAL ENABLERS

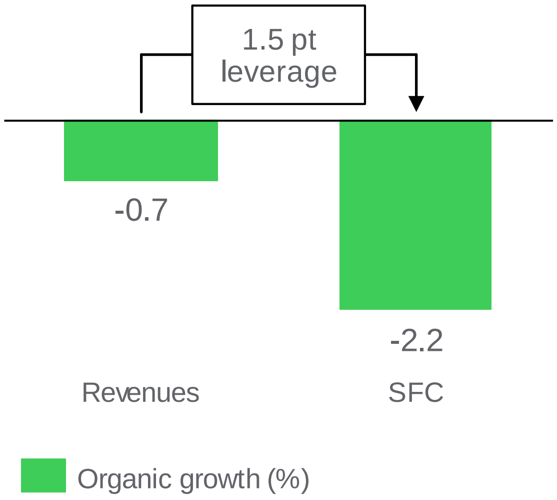
IT
- Optimize and globalize external works and IT purchases
- Implement a specific IT program for finance
- Reinforce the integration of our ERP

Shared services
- Reinforce finance shared services
- Finalize global HR coverage
- Mutualize customer care centers

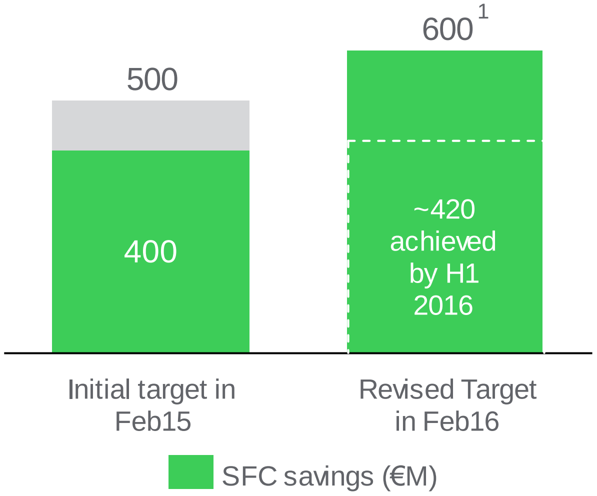
Span & Layers
- Set up a transversal governance
- Reduce layers and increase span

...yielding a reduction in our support function costs (SFC)

SFC LEVERAGE ON PAST 12 MONTHS



c. €420 M SFC SAVINGS[1] ACHIEVED IN THE FIRST 18 MONTHS OF OUR PROGRAM (2015–2017)



By H1 2016 (18 months later):
Non-manufacturing[1] headcount: -6%

1. 2015-2017 Gross SFC savings targeted before inflation and ~€200 M reinvestment notably in services, digital and marketing capabilities over the period

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We increase our efforts in Support Functions costs savings[1] to €700–800 M over 2015–2017

SFC SAVINGS TARGET 2015–2017 (€M)

WE HAVE INCREASED OUR OBJECTIVE FOR COST-SAVINGS TO ~€1.7–1.8 B FOR 2015–2017

~€1 B industrial productivity

+

€700-800 M in SFC savings[1]

Restructuring charge: around €900M expected over 2015–2017

1. 2015–2017 Gross SFC savings targeted before inflation and ~€200 M reinvestment notably in services, digital and marketing capabilities over the period

We target organic improvement in our adj. EBITA margin and solid organic growth in adj. EBITA over the next 3 years

WE TARGET A YEARLY ORGANIC IMPROVEMENT OF 20−50 BPS[1] IN ADJ. EBITA MARGIN OVER THE NEXT 3 YEARS

Positive topline org. growth

+

Positive net pricing

+

Improving mix

+

Industrial productivity

+

SFC savings

We confirm our 13–17% adjusted EBITA margin target across the economic cycle

13% to **17%**

&

We target an average yearly organic improvement of 20−50 bps in adj. EBITA margin over the next 3 years

WE TARGET A SOLID ORGANIC GROWTH IN ADJ. EBITA OVER THE NEXT 3 YEARS

Around 3% topline organic growth in the next 3 years outside Infrastructure

+

A +20–50 bps average yearly organic improvement in adj. EBITA margin

+4–7% yearly average organic growth in adj. EBITA over the next 3 years

1. BPS: Basis points

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We have an efficient model to create attractive shareholder value over the next years

Solid organic revenue growth

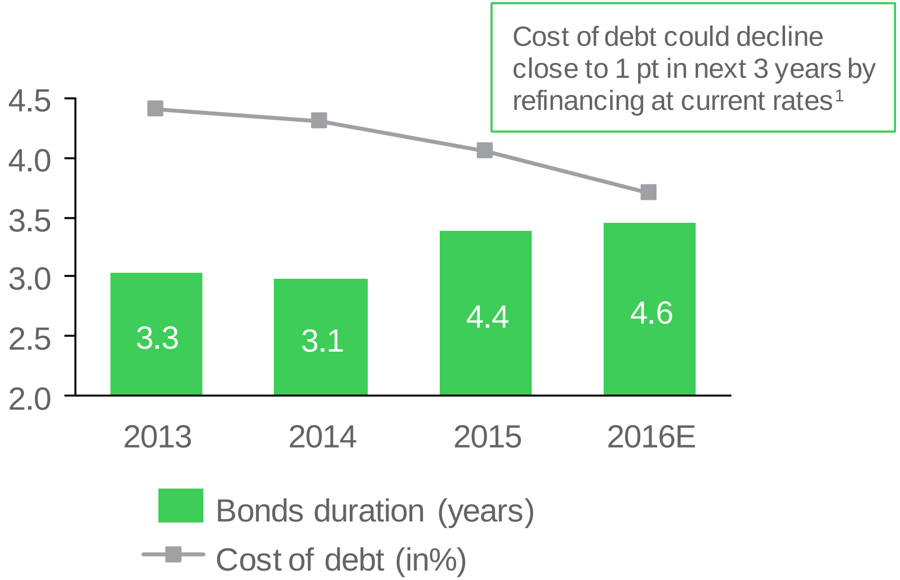
Operational margin improvement

Efficient capital allocation & use of cash

We will continue to take advantage of low financing costs while maintaining a solid balance sheet…

FINANCING CONDITIONS REMAIN ATTRACTIVE (Yield to Maturity (%))

WE CONTINUE TO INCREASE MATURITY AND IMPROVE OUR COST OF FINANCING



1. Compared to 2015 cost of debt. Assuming full refinancing at maturity of the financial debt outstanding at current market conditions

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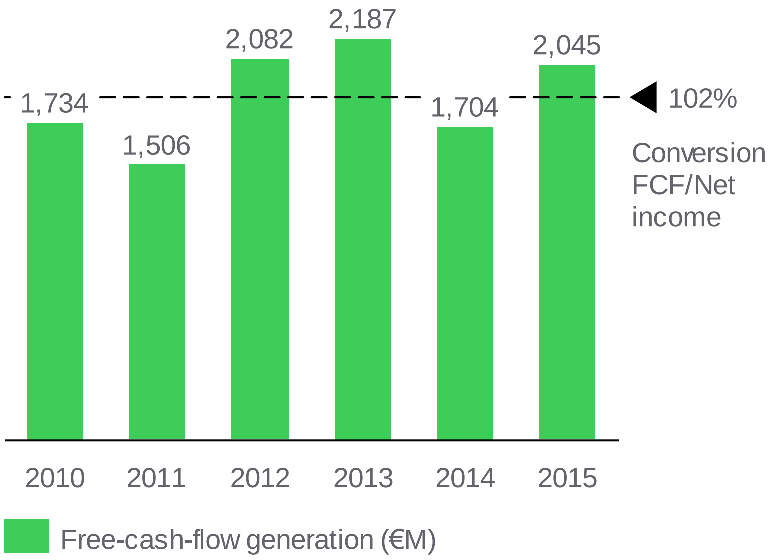
...and continue to target sustained cash generation



Cash generative business model

+

Strong working capital management

+

Improving fixed asset efficiency

Targeting an average 100% conversion from net income in free cash flow

We are targeting strong growth in underlying[1] earnings per share over the next years, driving growth in dividend

WE ARE TARGETING STRONG GROWTH IN UNDERLYING EPS IN THE NEXT 3 YEARS

Solid organic growth
in adj. EBITA targeted

+

Lower cost of financing

–

Invensys tax benefit reducing

+

Share buyback program
(confirming €1.5 B in 2015–2016)

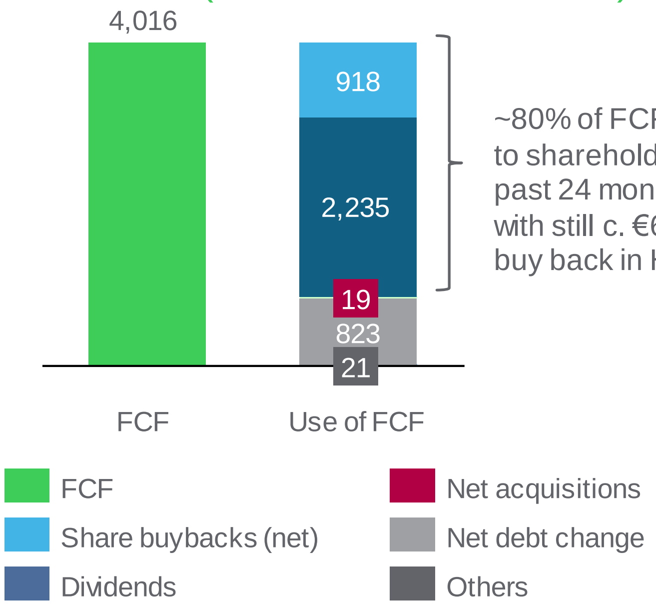
ATTRACTIVE DIVIDEND POLICY

- Dividend payout targeted at c. 50%, based on the net income excluding one-offs such as capital gains or losses and/or asset impairments
- Progressive dividend policy with no year-on-year decline

1. Underlying EPS growth excluding impact of scope and one-offs such as capital gains or losses and/or asset impairments
2. 2015 pay out ratio based on adjusted net income (refer to FY2015 results financial release)

Potential for further buybacks or special dividends to complement shareholder returns

USE OF FCF OVER THE PAST 24 MONTHS (JUNE 2014–JUNE 2016)



~80% of FCF returned to shareholders over the past 24 months with still c. €600 M to buy back in H2 2016

SHAREHOLDER RETURNS REMAINS A PRIORITY

- Progressive dividend and c. 50% net income payout
- Employee share plans neutralization through share buybacks
- Potential for further buybacks or special dividends

Efficient capital allocation & use of cash

Solid organic topline growth

Operational margin improvement

Efficient capital allocation & use of cash

M&A Review

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What we got right: M&A on core activities and larger transactions

	STRONG RATIONALE	STRONG PERFORMANCE
invensys	• Global automation player with large installed base, strong process automation assets (Foxboro, Triconex) and strong electro-intensive customer base • Significant synergies: €140 M costs synergies and €300 M tax synergies delivered in 2 years. On-track revenues synergies despite O&G weakness.	• Revenues close to stability and adj. EBITA margin up c. 6 pts from 2013 to 2015 • Adjusted price[1] of €2.5 B (**10.1x 2014 adj. EBITA)** • Strong software portfolio (~40% Invensys 2014 adj. EBITA) acquired 7x below multiple from trading peers[2]
APC + MGE	• Created the leading player in secure power • Unique offer to build integrated solutions for customers • Strong synergies: ~€800 M revenues generated by other divisions in the data center segment in 2015	• Revenues increased ~50% and adj. EBITA margin up c. 12 pts since 2006 (pro forma incl. APC) • **ROCE of ~12% integrating synergies in data centers from other businesses**
STECK, GUNSAN, LUMINOUS, DELIXI	• 2011: Steck, Brazilian leader in F. Distri. • 2014: #2 in wiring devices in Turkey • 2011: Luminous #1 in inverters in India • 2007: Delixi #2 in good-enough market in China	• In aggregate, >€1 B revenues generated in 2015 • Double-digit growth rates since acquisition with successful synergies in distribution channels and offers • **Multiple of acquisition was ~17x EV/EBITA adj. and currently stands at ~9x adj. EBITA 2015**

1. Purchase price of €3.9 B adj. for the Invensys Appliance disposal, €500 M tax synergies from transaction, ~€700 M in cash acquired upon closing and trust fund release
2. Trading peers selected: AspenTech, PTC, SAP, Dassault Syst. – average trading multiple EV/EBITA adj. 2015 of c.17x (as of 4 Oct-2016)

Other significant acquisitions must still deliver value

	TRANSACTION RATIONALE AND PRICE	IMPROVING RETURN FROM THE ACQUISITION
Areva T&D AREVA	• Combination of Schneider Electric & Areva D created a specialist with a global reach in the field of medium voltage • Acquisition at 0.6x revenues and ~12x EV/EBITA 2010	• Combined business faced challenging market conditions in infrastructure markets (O&G, Mining, Utility among the customers) • Targeting solid double-digit adjusted EBITA for Infrastructure division in the coming years is set to improve return for transaction
TELVENT	• Leading and highly-recognized software provider of real-time management of smart infrastructures • Acquisition price of €1.4 B with multiple more in line with industrial sector: c. 12x EV/EBITDA 2011E	• Sold non-core IT and transport businesses • Exploring strategic options for DTN • Continue to drive growth in quality core portfolio of offers in smart grid (recognized by Gartner in ADMS), pipeline management solution, and SCADA (OASYS) and smart cities and waste water • Telvent acquisition has reinforced our portfolio and is set to create further value in the coming years

What we got wrong: businesses with different channels, customers, or adjacent technologies

PELCO

- Pelco Security Cameras and Surveillance Systems
- Acquisition by Schneider Electric in 2007

- Integration did not fully factor in specificities of the business model (faster technological cycle, different customers)
- Adjacent offer to our portfolio with limited synergies with the rest of the portfolio

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JUNO LIGHTING GROUP

- American supplier, which specialized in recessed and track lighting fixtures
- Acquisition by Schneider Electric in 2005

- Adjacent offer to our portfolio with limited synergies with the rest of the portfolio
- Business sold to Acuity Brands in 2015

CST
CUSTOM SENSORS & TECHNOLOGIES

- CST manufactured sensing, control and motion products, addressing several industrial, transportation, and aerospace end-markets

- Adjacent offer to our portfolio with limited synergies with the rest of the portfolio
- Limited customers overlap with other businesses
- Business sold to a private equity consortium in 2014

Our experience and lessons from M&A drive our road map for future potential acquisitions

2 KEY LESSONS LEARNED FROM M&A

Investments in our core business with strong knowledge of technology, end-markets, customers, high level of synergies have been successful

Move to new areas, adjacencies, with lower knowledge of technology, customers, channels, or a road map for integration have resulted in difficulties and failures

ROAD MAP FOR POTENTIAL M&A

1

M&A not mandatory

2

Potential M&A:
- Strengthen our leading positions in **our core priorities** (power, automation, software)
- Profitability enhancing

3

Disciplined approach and value accretive M&A
- Particular focus on **highly synergetic** transaction
- **EPS accretive[1] in year 1**
- **ROCE > WACC after 3 years**

1. EPS before acquisition and integration costs

We continue to focus on core activities through constant portfolio optimization

DISPOSAL OF NON-CORE ACTIVITIES

CST CUSTOM SENSORS & TECHNOLOGIES

invensys

APPLIANCE

TELVENT Global Services

JUNO LIGHTING GROUP

TELVENT

TRANSPORTATION

~€1.4 B generated through disposals of non-core activities with an average multiple of ~11x EV/EBITA adj.

- We continue to review our portfolio and contemplate disposal of non-core, non-strategic businesses
- We announce a strategic review for DTN
- The disposal of potential non-core/ non-strategic assets might generate a capital loss or asset impairment of up to several hundred millions Euros
- Such potential one-offs from divestments would be adjusted in the dividend calculation

We target an improvement in our return on capital employed (ROCE) in the coming years

KEY DRIVERS FOR ROCE IN THE NEXT 3 YEARS

Strong return on operating assets

×

Org. growth in adj. EBITA
Adj. EBITA margin improvement

×

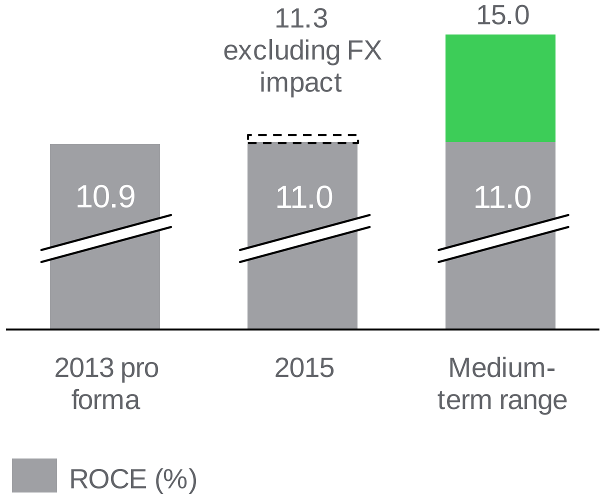
Further capital efficiency through working capital optimization

×

Disciplined approach and value accretive M&A

We target a regular improvement in pre-tax ROCE

OUR FOCUS IS ON IMPROVING THE ROCE



We have an efficient model to create attractive shareholder value over the next years

STRONG REVENUE GROWTH

- A leading technology company with a strong growth potential
- 3 years: around 3% yearly average org. growth excl. selectivity
- 3% to 6% organic growth across the cycle

OPERATIONAL MARGIN IMPROVEMENT

- Mix improvement from growth in higher-margin businesses
- Positive contribution from net price
- Improvement in systems margin
- Continuing efforts on efficiency: €1.7−1.8B cost-savings[1] targeted in 2015–2017
- Yearly org. improvement of 20–50 bps[2] in adj. EBITA margin in 3 years targeted

1. Industrial productivity and gross SFC savings
2. Average yearly improvement over the period

EFFICIENT CAPITAL ALLOCATION & USE OF CASH

- Strong free cash flow generation (goal of c.100% net income conversion in FCF across cycle)
- Optimized leverage to benefit from low cost of financing while maintaining solid rating
- Rewarding and predictable dividend, complemented by potential buybacks/special dividend
- Potential M&A only if highly synergetic to core and contributing to deliver clear extra value to shareholders

An efficient model to keep on generating attractive shareholder value over the next years

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Our model for continuing to generate attractive shareholder value over the next years

NEXT 3 YEARS: AROUND 3% AVERAGE YEARLY ORG. REVENUE GROWTH EXCL. INFRASTRUCTURE

+4–7% ORGANIC GROWTH IN ADJ. EBITA OVER THE NEXT 3 YEARS

IMPROVING MARGIN BY +20–50 BPS ORG. IN AVG. OVER 3 YEARS

STRONG GROWTH IN UNDERLYING EPS IN THE NEXT 3 YEARS

STRONG CASH GENERATION

Lower cost of financing
Working capital efficiency

ATTRACTIVE SHAREHOLDER VALUE OVER THE NEXT YEARS

EFFICIENT USE OF CAPITAL

Progressive dividend

Potential share buyback or special dividend

Potential M&A on core if clear value creation to shareholders

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