

# Schneider is n

Engaging customers. Empowering possibility.

February 19, 2015

**Schneider**  
 Electric™

# GROUP STRATEGY

Jean-Pascal Tricoire, Chairman and CEO

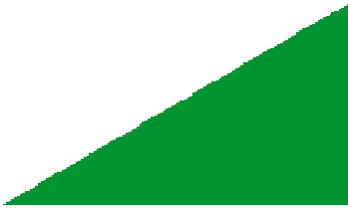
February 19, 2015

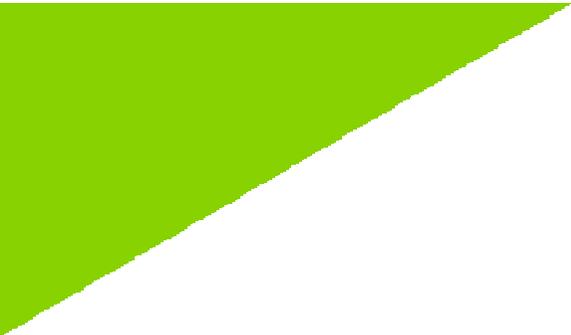


# Disclaimer

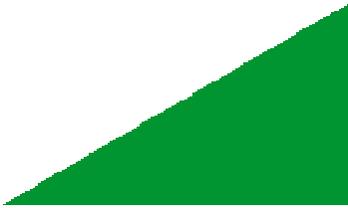
All forward-looking statements are Schneider Electric management's present expectations of future events and are subject to a number of factors and uncertainties that could cause actual results to differ materially from those described in the forward-looking statements. For a detailed description of these factors and uncertainties, please refer to the section "Risk Factors" in our Annual Registration Document (which is available on [www.schneider-electric.com](http://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.





Successful transformations through  
company programs



# We consistently executed our long-term growth strategy through company programs

## KEY MARKET TRENDS

Global demand for energy, productivity, and sustainability



Rise of new economies and rebuild opportunities in mature countries



Customers' increasing demand for integrated solutions



Digitization of the economy, more connectivity, more data, more analytics



## OUR STRATEGY

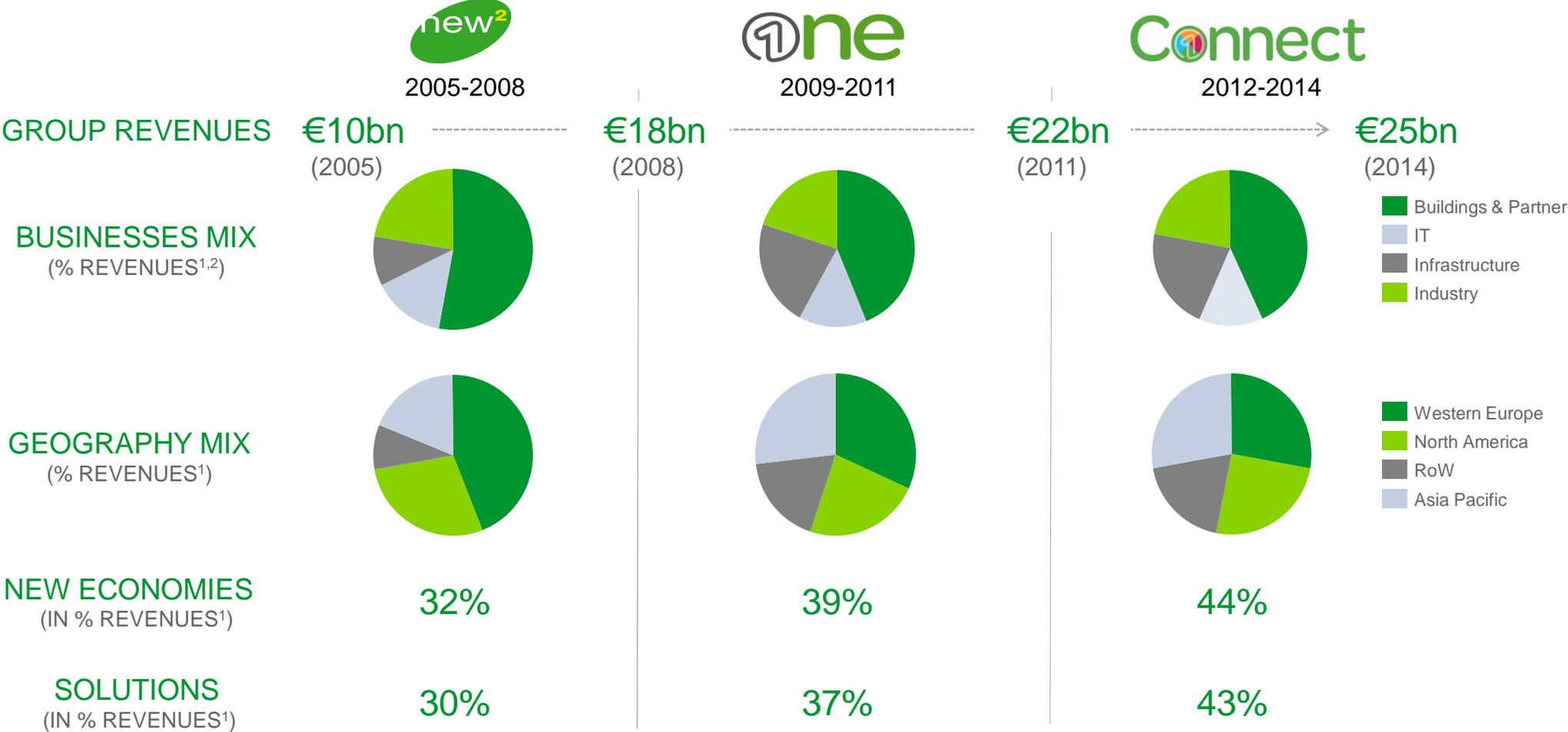
Technology leader in energy management and automation

Balance geographic footprint and increase presence in new economies

Develop and grow solutions business, including services

Convergence of IT/OT, focus on connected devices, software, IT infrastructure

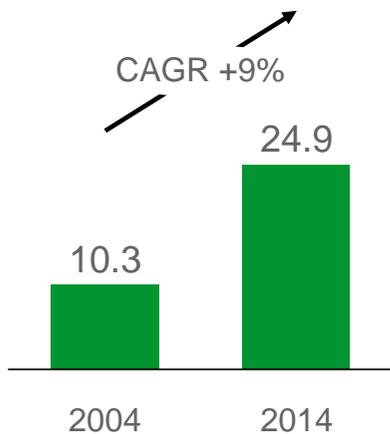
# We significantly transformed our company



1 End of program  
2 Proforma for New2 and One

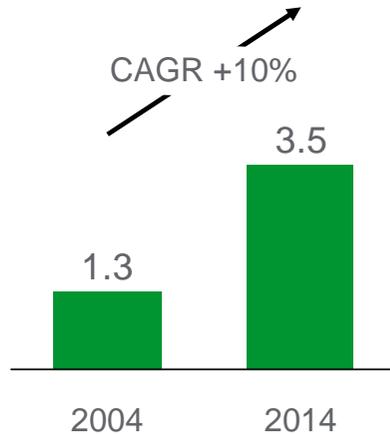
# We kept profitable growth at the center of these transformations...

**REVENUES**  
(Billion €)



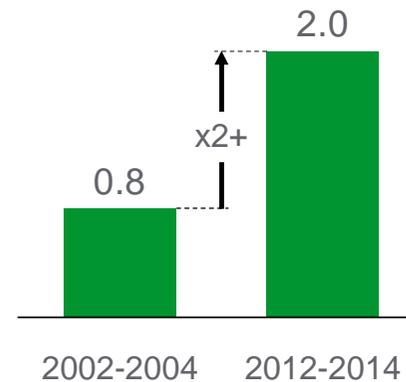
Benefit from balanced geography & complementary business model

**ADJUSTED EBITA**  
(Billion €)



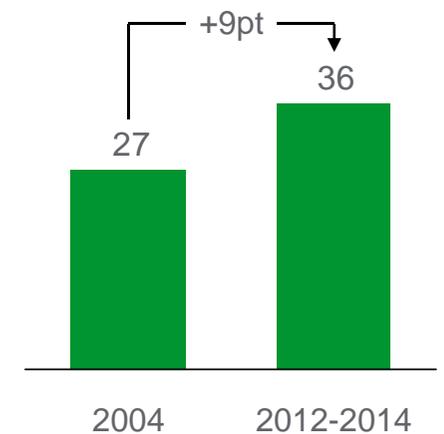
Resilient adj. EBITA margin from 13% –16%

**FREE CASH FLOW**  
(Average, Billion €)



Predictable cash generation: over 100% cash conversion from Net income in past 10 years

**RETURN OF ASSETS<sup>1</sup>**  
(%)



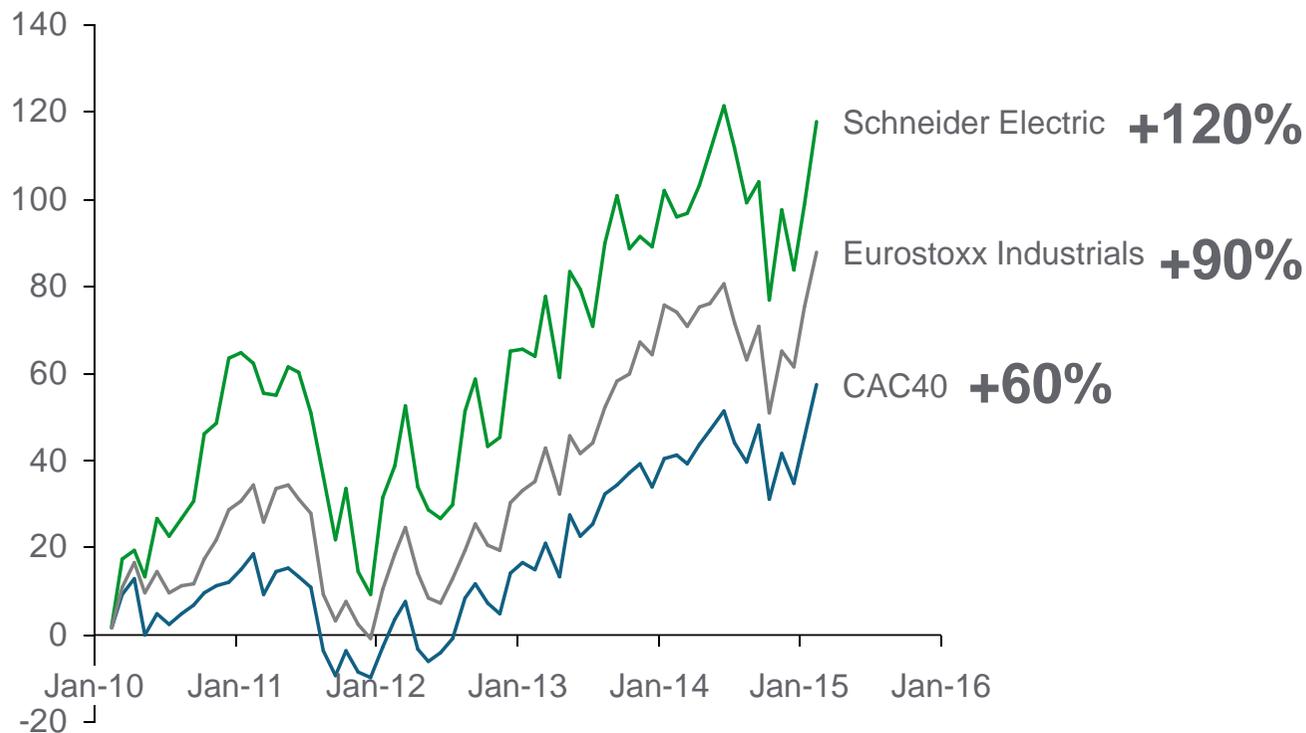
Continuing to improve asset efficiency

<sup>1</sup> Calculated on operational assets = property, plant, and equipment + inventories+ trade receivables – trade payables.

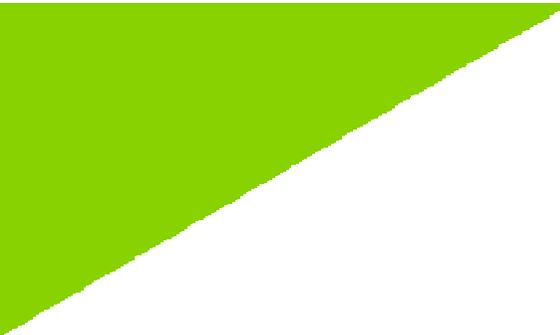
# ...and generated attractive shareholder returns

## ATTRACTIVE RETURNS TO SHAREHOLDERS

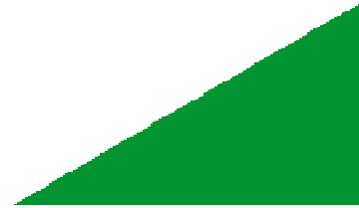
(Total shareholder return, %, starting on 16/02/2010, ending 11/02/2015)



- > Focus on profitable growth
- > Attractive and sustainable dividend policy with 50% targeted payout ratio



We develop best-in-class technology and solutions to  
make our customers' ecosystem safe, reliable,  
efficient, and sustainable



# We are the global specialist in energy management and automation

**€25 billion**  
FY 2014 revenues

**~5%**  
of revenues devoted to R&D

**43%**  
of revenues in Solutions

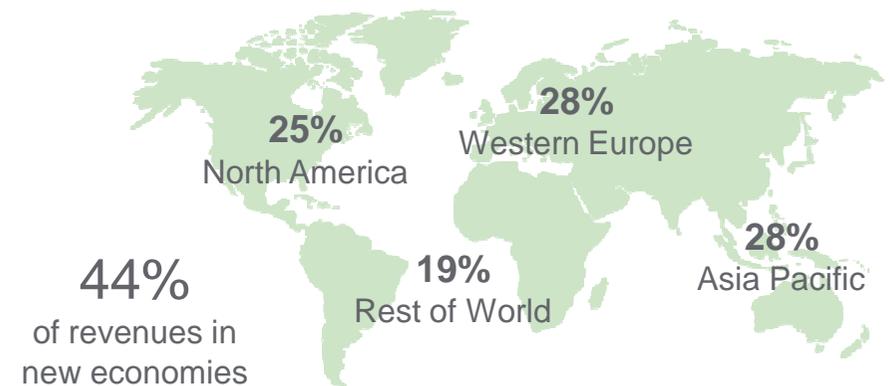
**~170,000**  
people in 100+ countries

## DIVERSIFIED END MARKETS – FY 2014 revenues<sup>1</sup>



<sup>1</sup> Estimated at the end of 2014

## BALANCED GEOGRAPHIES – FY 2014 revenues



# A unique positioning to answer three long term trends



Urbanization



Industrialization



Digitization

## Challenges

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- > Increasing energy demand
- > Peaks in demand

- > Pollution
- > City congestion

- > Climate change
- > Resource scarcity

# A unique positioning on key emerging technologies, in a world that will be

## MORE ELECTRIC

- > Demand for electricity driven by sustainability, intelligent devices, and evolution of key energy consumers (motion and cooling)



## MORE DISTRIBUTED

- > Provide local energy to facilities, around positive energy and micro grids, to empower users

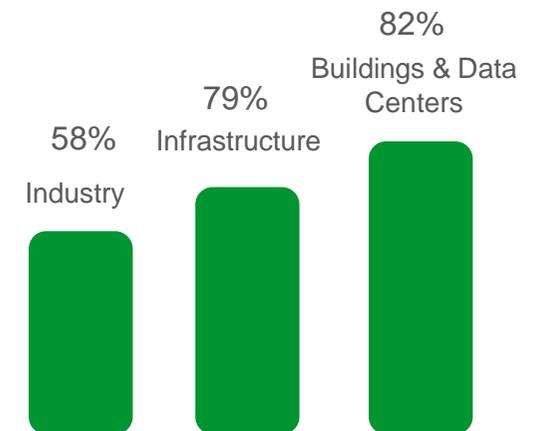
- > Island and reconnect
- > Restore power quickly
- > local generation & consumption optimization
- > prosumer



- > Solar, wind power with storage
- > Controls for stability

## MORE EFFICIENT

- > 2/3 of energy efficiency potential remains untapped<sup>1</sup>
- > Governments globally focus on energy efficiency and sustainability



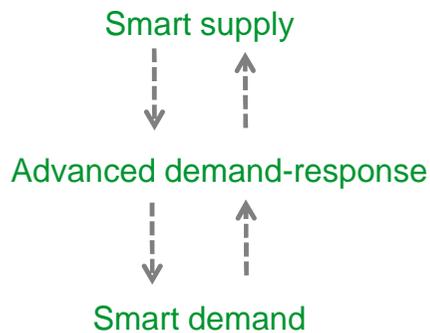
Untapped energy efficiency potential by segment<sup>1</sup>

<sup>1</sup> World Energy Outlook 2012, OECD / IEA, Internal analysis

# A unique positioning in automation, digitization, and the Internet of Things

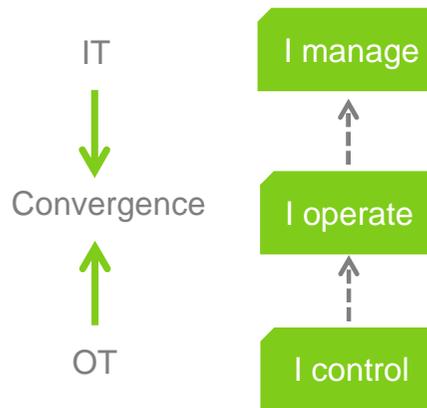
## INTEGRATION UPSTREAM/ DOWNSTREAM

> More intelligence embedded in distribution grid



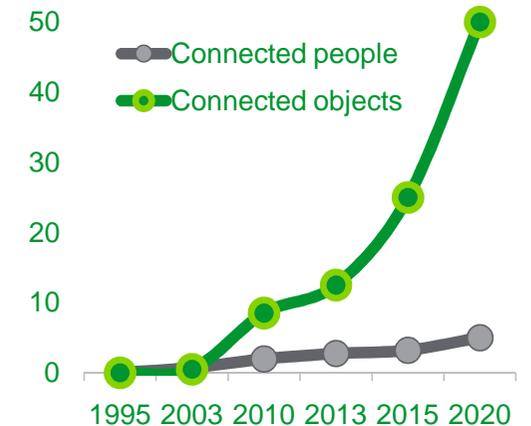
## IT / OT CONVERGENCE

> Simpler, more scalable and flexible industrial architectures, leveraging the best of IT technologies



## INTERNET OF THINGS

> Number of connected objects expected to double in the next 5 years<sup>1</sup>



<sup>1</sup> Source Cisco IBSG April 2011 / Internet World Statistics

# Four globally leading and focused businesses



## BUILDINGS & PARTNER

### KEY TECHNOLOGY

Low Voltage & Building Automation

### FY 2014 REVENUES

€10.8 billion (43%)

### WORLDWIDE POSITION

#1

### GLOBAL COMPETITORS

ABB, Eaton, Legrand, Siemens



## INFRASTRUCTURE

### KEY TECHNOLOGY

Medium Voltage Grid Automation

### FY 2014 REVENUES

€5.3 billion (21%)

### WORLDWIDE POSITION

#1

### GLOBAL COMPETITORS

ABB, Siemens



## INDUSTRY

### KEY TECHNOLOGY

Discrete & Process Automation

### FY 2014 REVENUES

€5.6 billion (22%)

### WORLDWIDE POSITION

#2 (Discrete)  
#4 (Process)

### GLOBAL COMPETITORS

ABB, Emerson, Rockwell, Siemens



## IT

### KEY TECHNOLOGY

Critical Power & Cooling

### FY 2014 REVENUES

€3.4 billion (14%)

### WORLDWIDE POSITION

#1

### GLOBAL COMPETITORS

Eaton, Emerson

# Four businesses well positioned in their markets

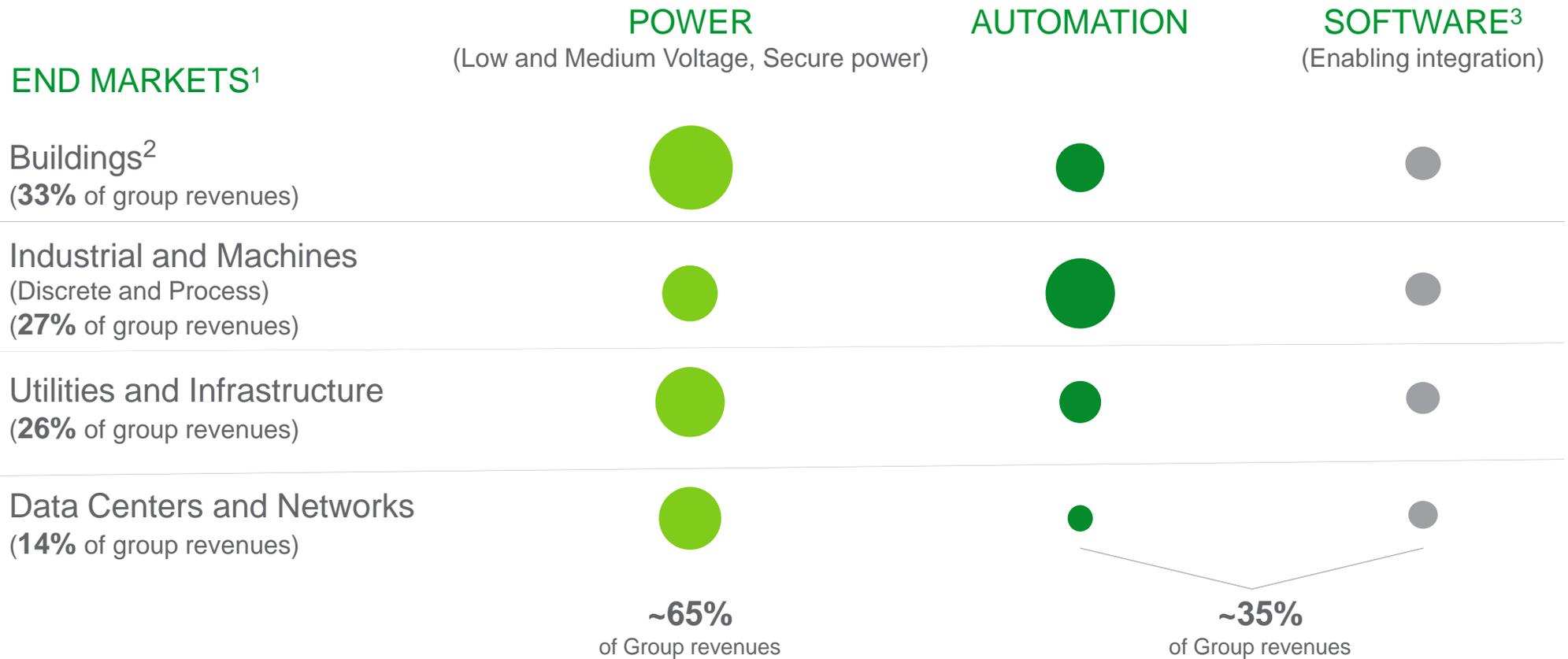
	KEY DRIVERS	KEY STRENGTHS	GLOBAL FOOTPRINT <sup>1</sup>		BUSINESS MODEL <sup>1</sup>	
 <b>Buildings &amp; Partner</b>	<ul style="list-style-type: none"> <li>&gt; Energy efficiency</li> <li>&gt; Urbanization</li> <li>&gt; Digitization</li> </ul>	<ul style="list-style-type: none"> <li>&gt; x2 larger than 2<sup>nd</sup> player in ED<sup>2</sup></li> <li>&gt; Wide portfolio and leader in all regions</li> <li>&gt; Global distribution channel with strong brand</li> <li>&gt; Pricing power</li> </ul>	<b>59%</b> Mature countries	<b>41%</b> New economies	<b>73%</b> Products	<b>27%</b> Solutions
 <b>Infrastructure</b>	<ul style="list-style-type: none"> <li>&gt; Urbanization</li> <li>&gt; Distributed generation</li> <li>&gt; Digitization &amp; connectivity</li> <li>&gt; Energy transformation</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Leader in new economies</li> <li>&gt; Large installed base &amp; strong service capability</li> <li>&gt; Integrated solutions for Smart Grid</li> </ul>	<b>49%</b> Mature countries	<b>51%</b> New economies	<b>31%</b> Products	<b>69%</b> Solutions
 <b>Industry</b>	<ul style="list-style-type: none"> <li>&gt; Power and Automation</li> <li>&gt; Industry Internet of Things</li> <li>&gt; Aging infra./ workforce</li> <li>&gt; Increasing speed &amp; vol.</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Integrated power and automation</li> <li>&gt; Full solution in discrete, hybrid, and process</li> <li>&gt; Leading products and OEM solutions</li> <li>&gt; Deep segment expertise</li> </ul>	<b>57%</b> Mature countries	<b>43%</b> New economies	<b>59%</b> Products	<b>41%</b> Solutions
 <b>IT</b>	<ul style="list-style-type: none"> <li>&gt; Digitization</li> <li>&gt; Internet of Things</li> <li>&gt; Cloud computing</li> <li>&gt; Infrastructure investments</li> </ul>	<ul style="list-style-type: none"> <li>&gt; #1 home &amp; business network</li> <li>&gt; Full fledged data center offer</li> <li>&gt; Proven secure power technology for industrial applications</li> </ul>	<b>58%</b> Mature countries	<b>42%</b> New economies	<b>45%</b> Products	<b>55%</b> Solutions

<sup>1</sup> Based on 2014 revenues

<sup>2</sup> Electrical Distribution

Schneider Electric – 2015 Investor Day – Group Strategy

# An integrated portfolio, to deliver complete bundles and solutions

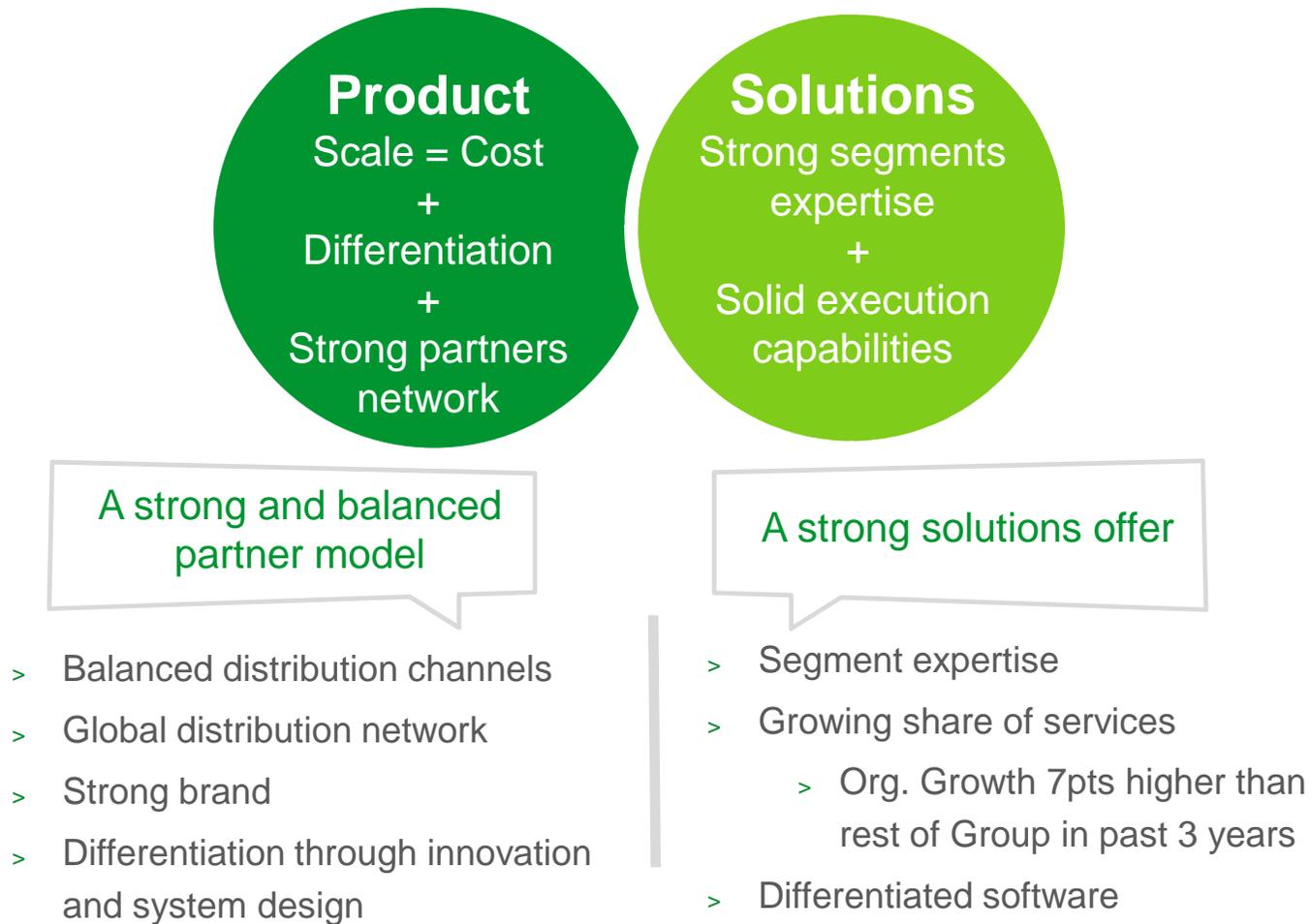


<sup>1</sup> Estimated based on 2014 revenues

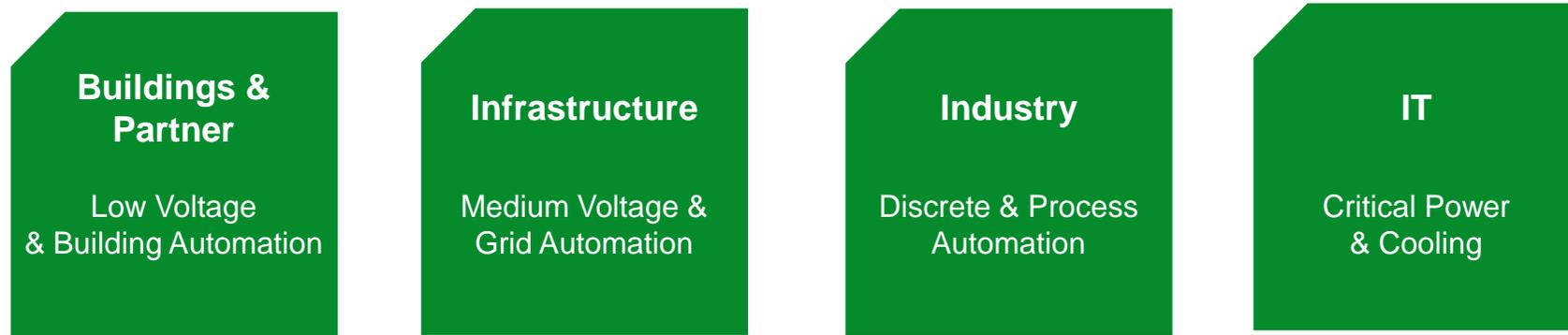
<sup>2</sup> Including residential and non-residential buildings

<sup>3</sup> Including standalone software

# An integrated business model



# An integrated commercial setup, to supply more to each customer in each country



Structured commercial setup in each country to drive cross selling and maximize coverage

Deliver value to the customer



# An integrated and globalized supply chain to enable delivery of full offer and all synergies from scale

## KEY FOCUS

- > Increase customer satisfaction
- > Continue to improve cash efficiency
- > Deliver industrial productivity

## STRONG RESULTS OVER THE PAST 10 YEARS

- > €3bn productivity delivered over past 10 years
- > Low CAPEX
- > Outsourced COGS



# A high technology investment, for innovation and differentiation

## A TECHNOLOGY COMPANY

- > c. 11,000 R&D engineers, c. 10,000 application and software engineers
- > 20,000 patents active or in application worldwide, >500 filed in 2014
- > With recognized innovations

Recognized highest ranking DCIM solution in Gartner Magic Quadrant (Oct 2014)



M580: World's first ePAC with built-in ethernet

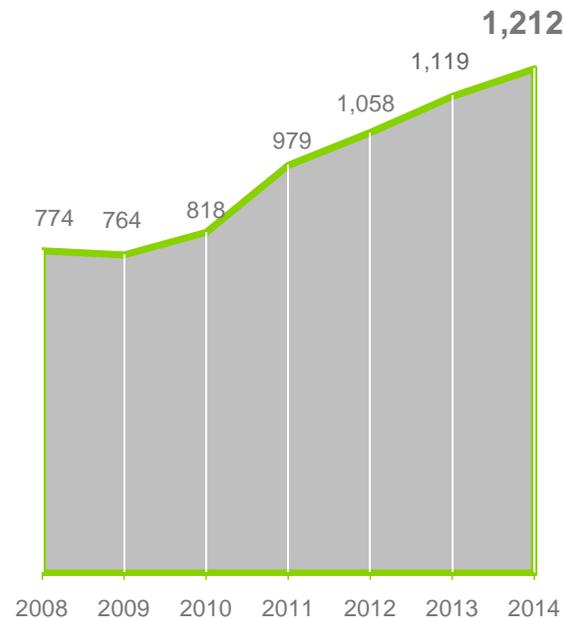
&

Machine Solution – NEXT Controller Generation



## R&D INVESTMENT

- > ~5% of sales devoted to R&D



## AN ECOSYSTEM FOR OPEN INNOVATION

**Partnering** with 50+ best-in-class public and private organisations



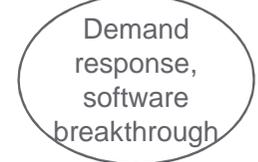
**Leading global projects** for Intelligent buildings, renewables,



**Boosting Standardisation** Zigbee, IEC, NEMA



**Funding start-ups** Aster Capital fund



# A complete engagement in sustainable development

## SOLUTIONS FOR EFFICIENCY

- 
> Active energy efficiency, energy management & sustainability services
- 
> Smart grid
- 
> Smart cities

## 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

## ETHICS & RESPONSIBILITY



- > Business practices
- > Products and sites
- > Employees
- > Communities

## A measured commitment: The Planet & Society Barometer

- > Measuring sustainability
- > Communicated quarterly
- > Audited annually by a third party



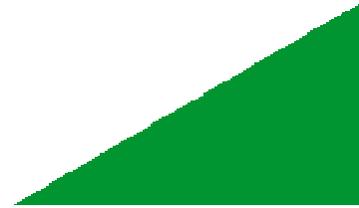
## A recognized commitment

- > **#9 of Global 100** most sustainable corporations
- > Presence in the DJSI since 2002
- > Presence in the CDP since 2011





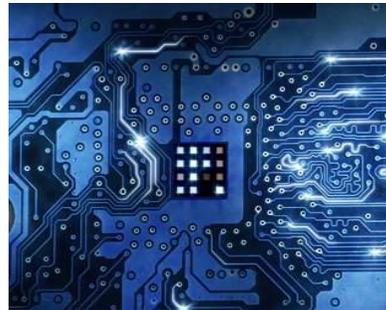
Our 2020 program “Schneider is ON” will bring us to  
the next level





# Schneider is On

Engaging customers. Empowering possibility.



## DO MORE

Create more opportunities for our customers... and for ourselves

## SIMPLIFY

Simplifying our work makes the difference to customers

## DIGITIZE

Digitize for our customers, for efficiency and simplicity

## INNOVATE

Innovation to make our customers' lives simpler and better

## STEP UP

Our customers get great service because great people work at Schneider

# Do more for our customers to create more opportunities for them, and for ourselves

## BRING MORE TO CUSTOMERS

- > More product business
- > More services
- > More software

## CLOSER TO CUSTOMERS

- > Close to our distributors and partners
- > Close to strategic customers
- > Complete bundles and solutions, through cross selling

## CONSISTENT PROJECT EXECUTION

- > More solutions for strategic segments
- > Enhance capabilities through specialization and focus
- > Discipline process on projects

## TAILORED DELIVERIES

- > Tailor deliveries by customer segmentation
- > Cost efficiency
- > Speed and responsiveness

## GOALS

Customer satisfaction focus

- > Bring more to our customers
- > Increase coverage and cross-selling
- > Step up project return
- > Globalized supply-chain as a key advantage

# Simplify our operations for increased efficiency

## TAILORED SUPPLY CHAIN

- > Keep delivering industrial productivity
- > Keep increasing cash efficiency

## SIMPLIFY FOR EFFICIENCY

- > Simplify management set-up
- > Make company leaner
- > Optimize R&D efficiency and solution execution
- > Increase focus and prioritization
- > Increase sales force efficiency

## REALLOCATE RESOURCES ON PRIORITIES

- > Develop benchmarks culture
- > Focus priorities

## GOALS

- > c.€1bn industrial productivity by 2017
- > c.€0.4-0.5bn gross<sup>1</sup> SFC savings by 2017
- > Free up resources for reinvestment

Simplifying our work makes the difference to our customers

*1 Before inflation and reinvestment*

# Digitize for our customers, for efficiency and simplicity

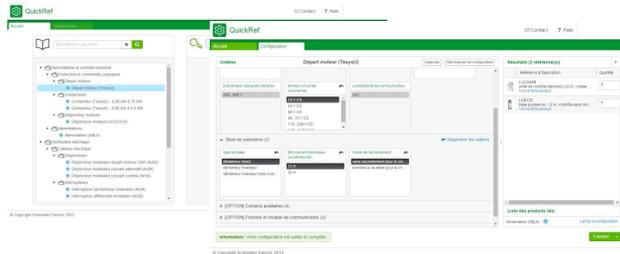
## DIGITAL CUSTOMER EXPERIENCE:

deliver an end-to-end simple and intuitive partner and customer experience

Mix and match app for consumer demand generation



Quick ref quotation and order tool for distributors



**INCREASED DIGITAL INTERACTION  
TAILORED CUSTOMER EXPERIENCE**

## CONNECTED OFFERS:

offers are connected, enabling new services and improving our customers' life

New Back -UPS Connect



Improved customer experience

- > Simple installation and registration to the cloud
- > Instant power disturbance notification
- > Ability to respond remotely to critical events
- > Easier diagnostic and technical support

**“CONNECTED BY DESIGN”  
SERVICES AND APPLICATIONS ECOSYSTEM**

# Innovate to support our growth

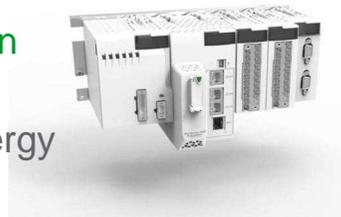
## NEXT GEN SIMULATION

- > The most advanced process simulation solution:
  - > Market ready – co-designed with key customers,
  - > Efficiency ready – from design to operations
  - > Cloud ready – low TCO<sup>1</sup> and built-in collaboration.



## M580

- > The most versatile programmable automation controller:
  - > Energy ready – integrated process and energy management
  - > Platform ready – pioneers “System on a Chip” architectures
  - > IoT ready – from the shop floor to the cloud.



Fast programs



Smaller programs



Empowered teams



Better tools



More sharing

<sup>1</sup> Total cost of ownership

# Be a partner and an investment of choice in sustainability

<b>CLIMATE</b>	<ul style="list-style-type: none"><li>&gt; Schneider Electric energy efficiency</li><li>&gt; Transportation CO<sub>2</sub> efficiency</li></ul>
<b>CIRCULAR ECONOMY</b>	<ul style="list-style-type: none"><li>&gt; Towards zero waste to landfill</li><li>&gt; New projects designed with Schneider ecoDesign Way™</li></ul>
<b>CLIMATE + POVERTY (Sustainability offers)</b>	<ul style="list-style-type: none"><li>&gt; Revenues with Green Premium™ eco-labeled products</li><li>&gt; CO<sub>2</sub> transparency for customers</li><li>&gt; CO<sub>2</sub> avoidance through maintenance, retrofit, end-of-life services</li><li>&gt; Access to energy program turnover</li></ul>
<b>ETHICS</b>	<ul style="list-style-type: none"><li>&gt; Suppliers embracing ISO 26000 guidelines</li><li>&gt; Ethics &amp; responsibility assessments</li></ul>
<b>HEALTH &amp; EQUITY</b>	<ul style="list-style-type: none"><li>&gt; Medical incident rate</li><li>&gt; One day training for every employee every year</li><li>&gt; Employee Engagement Index</li><li>&gt; Schneider Electric gender pay equity plan</li></ul>
<b>POVERTY</b>	<ul style="list-style-type: none"><li>&gt; Underprivileged people trained in energy management</li><li>&gt; Volunteering missions within Schneider Electric Teachers NGO</li></ul>

## GOALS

The Planet & Society Barometer 2015-2017<sup>1</sup>:

- > Achieve a score of 8/10 at the end of 2017
- > Through 16 quarterly-reported indicators
- > Starting from 3/10 in January 2015

## Measuring progress through the Planet & Society Barometer 2015-2017

<sup>1</sup> See appendix for details

# “Step Up” our people



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> Strong employee engagement

> Grow talents

# Schneider is On to extract the value from the foundation we have built

## A UNIQUE POSITIONING

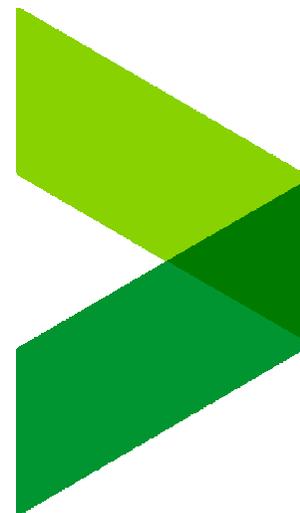
- > Global specialist in energy management and automation
- > Unique positioning on growing markets and key technologies
- > 4 leading, global, and focused businesses
- > A fully integrated technology portfolio, business model, commercial set-up and supply chain
- > A high technology investment to support differentiation

## A RESILIENT BUSINESS

- > Balanced geographic and end market exposure
- > Low capex and flexible cost structure
- > Resilient margin and strong cash generation
- > Leading engagement in sustainability

## FOCUS ON EXECUTION

- > Focus on selective programs of Schneider is On
- > Continue progress on efficiency
- > Continue to optimize capital allocation



**Schneider is On**  
Engaging customers. Empowering possibility.

## AN ATTRACTIVE RETURN TO SHAREHOLDERS

Strong EPS Growth

+

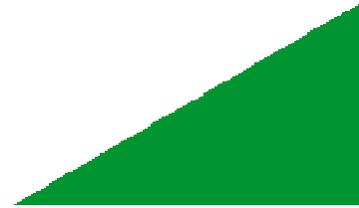
Progressive dividend

+

ROCE improvement



# APPENDIX



# Our Planet & Society barometer 2015-2017

Target  
12/2017  
8/10



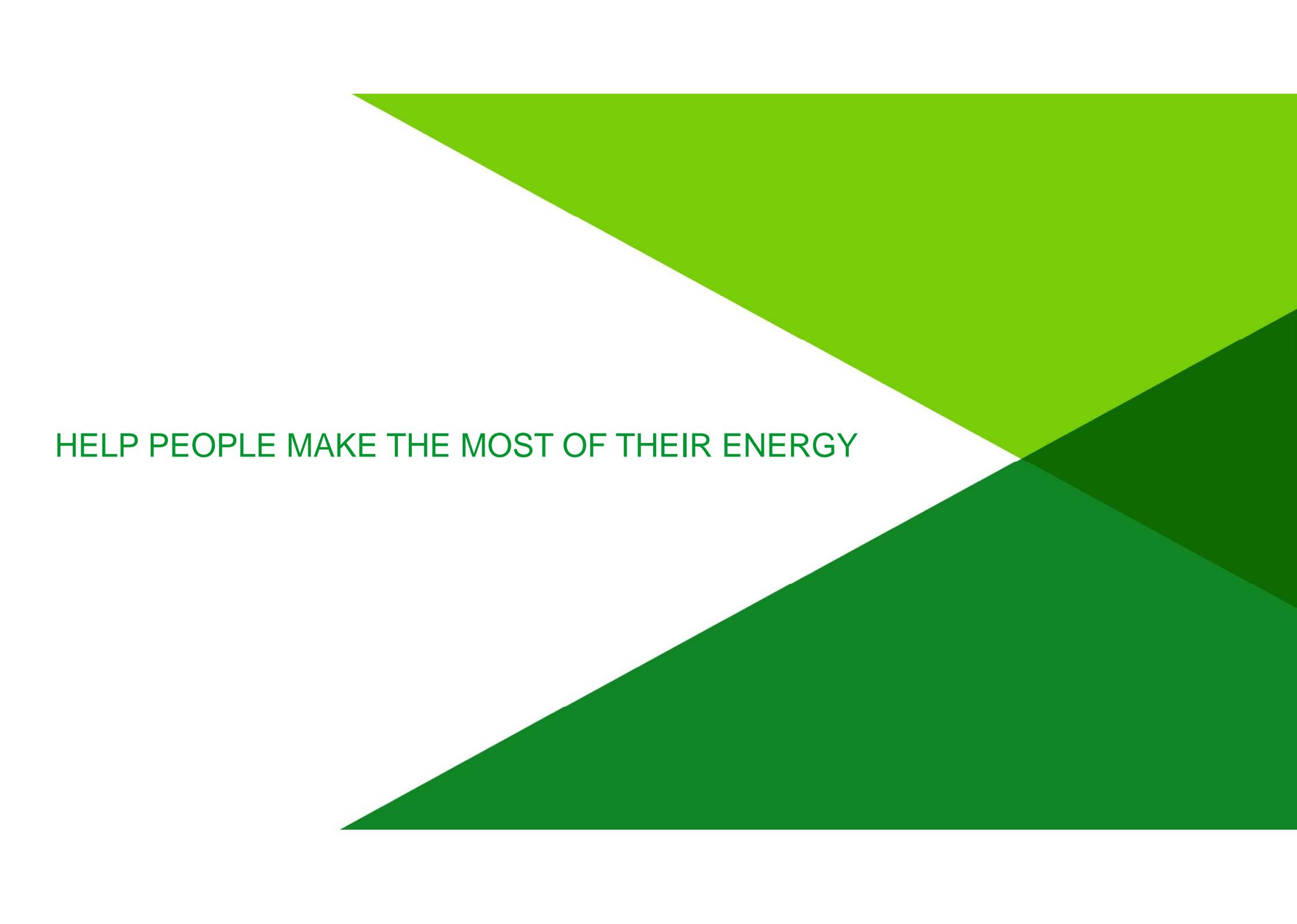
▶	CLIMATE	▶ 1 10% energy savings	10%
		▶ 2 10% CO <sub>2</sub> savings from transportation	10%
▶	CIRCULAR ECONOMY	▶ 3 Towards zero waste to landfill for 100 industrial sites	100
		▶ 4 100% of new projects with <i>Schneider ecoDesign Way™</i>	100%



▶	CLIMATE + POVERTY (Sustainability offers)	▶ 5 80% of product revenue with <i>Green Premium™</i> eco-label	80%
		▶ 6 100% of new large projects with CO <sub>2</sub> impact quantification for customers	100%
		▶ 7 120,000 tons of CO <sub>2</sub> avoided through maintenance, retrofit and end-of-life services	120,000
		▶ 8 x5 turnover of Access to Energy program to promote development for underprivileged people	x5
▶	ETHICS	▶ 9 100% of recommended suppliers embrace ISO 26000 guidelines	100%
		▶ 10 All our entities pass our internal Ethics & Responsibility assessment	100%



▶	HEALTH & EQUITY	▶ 11 30% reduction in the Medical Incident Rate (MIR)	30%
		▶ 12 One day training for every employee every year	85%
		▶ 13 64% scored in our Employee Engagement Index	64%
		▶ 14 85% of employees work in countries with Schneider gender pay equity plan	85%
▶	POVERTY	▶ 15 150,000 underprivileged people trained in energy management	150,000
		▶ 16 1,300 missions within Schneider Electric Teachers NGO	1,300

The background features a white central area with abstract green shapes. A large, light green triangle points downwards from the top right. A darker green triangle points upwards from the bottom right. These two triangles overlap in the center, creating a white diamond shape. The text 'HELP PEOPLE MAKE THE MOST OF THEIR ENERGY' is centered within this white diamond.

HELP PEOPLE MAKE THE MOST OF THEIR ENERGY