Financial Information

Schneider Electric launches its new company program “Schneider is on” at its Investor Day

Rueil-Malmaison (France), 19 February, 2015 – Schneider Electric is hosting today a meeting with investors and financial analysts during which Jean-Pascal Tricoire, Chairman and CEO, Emmanuel Babeau, Deputy CEO and CFO, and the company’s management team will present the new company program for 2015-2020, “Schneider is on” and highlight the Group’s growth strategy, the operational priorities and financial targets.

A global specialist in energy management and automation
As a global specialist in energy management and automation, Schneider Electric develops best-in-class technologies and solutions to make its customers’ ecosystem safe, reliable, efficient, and sustainable. Schneider Electric has a high technology investment to support innovation and differentiation, with a complete engagement in sustainable development.

Four globally leading businesses, an integrated business in technology portfolio, business model and commercial setup, a balanced geographical footprint, four diversified end market and globalized supply chain are the strong foundations of the Group. Focus will continue to be on profitable growth and extracting the value from the strong foundation built.

The new company program “Schneider is ON” is structured around five initiatives to deliver more value to customers and shareholders

In 2014, the company program “Connect” reached its conclusion. This program is another step in building a cohesive, resilient and efficient Schneider Electric. Strong service growth throughout the program was achieved and high supply chain efficiency delivered. Additionally, the technology portfolio was strengthened and capabilities in software, targeted segments and key geographies enhanced**.**

The new company program for 2015-2020 “Schneider is on” is building on the strong foundations from Connect and is structured around five initiatives to deliver more value to customers and shareholders.

1. Do more for the customers to create more opportunities for them, and for Schneider Electric
   The Group aims in this initiative to bring more value to customers and more business to partners, a better intimacy and an access to specialists, a consistent project execution and a unique and flexible delivery experience.

2. Simplify the operations for increased efficiency
   Simplifying work and operations makes the difference to the customers. The Group targets to simplify its management set-up to make the company leaner, further increase supply-chain productivity, optimize R&D efficiency and solution execution and increase sales force

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efficiency. Overall the Group targets to generate by the end of 2017 c. €1bn of industrial productivity and c. €0.4-0.5bn gross[1] SFC savings by 2017.

3. Digitize for customers, for efficiency and simplicity
   The Group's offers will be more connected, enabling new services and improving its customers' life. The digital customer experience will be improved to deliver an end-to-end simple and intuitive partner and customer experience

4. Innovate to support growth
   The innovation will focus on delivering the right products and solutions for customers in a focused and short timeframe. In addition, Schneider Electric will continue to be a partner of choice in sustainability in its innovations and its operations and will be measuring its progress through the Planet & Society Barometer 2015-2017.

5. "Step Up" people
   This initiative is focusing on increasing the competency of Schneider Electric employees through stronger collaboration, enhanced training and a culture of high performance while continuing to have a strong engagement for diversity and workspace satisfaction.

Focus on organic growth and maximization of returns on investments
The focus will be on organic growth and on improving the returns on the recent investments (organic and acquisitions). Hence the Group targets the following objectives:

Organic growth targeted at 3% to 6% across the economy cycle
The Group targets 3% to 6% organic growth across the economic cycle, building on the increasing demand for more energy management, more digitization and more automation but acknowledging some short-term uncertainties due to currency volatility, geopolitical situations/development and the direction of Oil & Gas Capex investments.

Margin improvement targeted: The group confirms its 13-17% long-term adjusted EBITA margin range and targets a margin improvement over the next 3 years driven by operating leverage and efficiency initiatives highlighted in the "Simplify operations for increased efficiency" part of the new company program.

Portfolio optimization and capital structure:
- The Group will continue to review its portfolio and contemplate potential disposal of non-core / non-strategic businesses. The disposal of such assets might generate a capital loss or asset impairment of up to several hundred million Euros. Such potential capital losses or asset impairments if any would be adjusted in the dividend calculation.
- The Group reaffirms its long-term target of a strong capital structure corresponding to an A-rating with flexibility to move to BBB+ on a temporary basis and the Group will take the opportunity of historical low financing conditions to increase the debt maturity and lower the average cost of debt.

1 *Before inflation and reinvestment*

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FCF conversion over the cycle:
The Group confirms its target of c.100% conversion from Net income into Free-cash-Flow across the cycle

Profitable growth and capital efficiency will drive strong EPS growth:
Strong EPS growth is targeted during the next company program coming from the organic growth objective and efficiency initiatives described in the program, a share buyback[2] of €1.0 to 1.5bn in the next 2 years and bolt-on M&A in our core and most profitable businesses with strong EPS accretion and return on investment.

Progressive dividend policy:
In line with the objective of strong EPS growth, a progressive dividend policy is set with no year-on-year decline of dividend, showing the Group's confidence on its future growth prospects. The dividend payout ratio will remain c.50% of Net income. The base of calculation will exclude one offs such as capital gains or losses or asset impairments.

Objective to significantly improve ROCE in the next 2-3 years:
The Group confirms its goal of improving ROCE but moves targets by one year due to unfavorable FX impact which negatively impacted ROCE by c. 70bps in 2014. Compared to the 2013 proforma ROCE including Invensys of 10.9%, Schneider Electric targets to:

- return to the pre-Invensys ROCE of c. 12.0% in 1 to 2 years
- improve the ROCE in 2 to 3 years by 1.5 point to 2 points from 2013 proforma level

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For more information, please visit www.schneider-electric.com/finance

2 Including share buyback for neutralization of employees share plans

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