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## Press Release



### ***towards a global leadership in energy management***

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**Rueil-Malmaison (France), 28 January, 2009** – Schneider Electric is hosting today a meeting with the investor community during which the management will present the Group's strategic ambition and operational priorities under the ONE company program for the period 2009 – 2011.

#### **Success of the new<sup>2</sup> program (2005-2008)**

The success of the previous company program new<sup>2</sup> demonstrated the ability of Schneider Electric to drive changes. Based on 2008 unaudited results, the Group beat all financial targets set for 2005-2008 with average annual organic growth of 10% (including 6.6% for 2008), EBITA margin of 15.0% (achieved in 2008), ROCE up 2 points and dividend payout of 50%.

With new<sup>2</sup>, Schneider Electric has also transformed into the global specialist in energy management with market leadership and the most comprehensive and integrated portfolio. The Group is now in a strong position to capture opportunities arising from the growing concern on the energy challenges facing our planet.

#### **ONE company program: two fundamentals and three transformations**

*"We see favorable long term market trends at work in our business environment. Customer satisfaction and people development remain the key fundamentals of Schneider Electric. We aim to build on them to pursue the strategic transformation of the company. ONE, our new company program, set forth the strategic initiatives for making us even more unique in the market place: become ONE solution provider, give priority ONE to new economies, while simplifying our processes to act as ONE global company",* comments Jean-Pascal Tricoire, President and CEO.

The three major initiatives of the program will be presented by the management of Schneider Electric during the meeting:

- **One solution provider:** Schneider Electric will accelerate its drive to address end-user needs of customized solutions with strong energy efficiency benefits, thereby capturing a bigger part of the value chain. The Group will leverage its integrated portfolio of businesses by promoting a common architecture (*EcoStruXure*<sup>®</sup>) and adapting its organization to align with end-user segmentation.
- **One leader in new economies:** It aims to further boost its global footprint by reinforcing its presence in new economies as drivers for long term growth and cost competitiveness. Schneider Electric will step up local R&D and marketing promotion to better fit these markets' specificities. On the industrial side, the benefits of local sourcing and manufacturing will be continued.

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- **One global company:** Simplification is a pre-requisite for many of the Group's strategic ambitions. It will be achieved through two levers:
  - o Simplification of support functions: designing one simple way of doing business, notably in its Finance, HR, Marketing and Sales organizations, is expected to generate structural savings of € 600 million per annum by 2011.
  - o Industrial productivity: building on its strong track record, the Group aims at further boosting productivity in its supply chain leading to gross cumulative savings of € 600 million to € 800M over 3 years.

These initiatives are designed to enhance the group's profile across a normal business cycle with organic growth of GDP + 3 points and EBITA margin potential of 13% to 16%.

### **Management to implement additional flexibility required by the global economic downturn**

Low near term visibility resulting from the global economic downturn reduces considerably the group's ability to provide reliable forecast on growth. Schneider Electric will manage this uncertain environment by maximizing flexibility in its cost structure and, if need be, by implementing additional support function cost reduction up to € 400 million per annum by 2011. It aims to demonstrate its resilience and deliver a minimum EBITA margin of 12% before restructuring costs under the worst case of the range of scenarios of -5% to -15% organic growth in 2009.

Schneider Electric reaffirms its commitments to solid balance sheet and to shareholder return by maintaining:

- a FFO/net debt\* ratio above 35%, corresponding to a rating of A-
- a dividend payout ratio of ~50%, payable in cash or in shares, at shareholder's option

### **Working towards long term sustainable growth and profitability**

The management is confident that Schneider Electric will emerge from the ONE Program as a reference global player in energy management and as a lean company generating a high level of business performance and profitability.

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***Fourth-quarter 2008 sales and 2008 full-year results will be presented on February 19, 2009.***

### **About Schneider Electric**

As a global specialist in energy management with operations in more than 100 countries, Schneider Electric offers integrated solutions across multiple market segments, including leadership positions in energy and infrastructure, industrial processes, building automation, and data centres/networks, as well as a broad presence in residential applications. Focused on making energy safe, reliable, and efficient, the company's 120,000 employees achieved sales of more than 17.3 billion euros in 2007, through an active commitment to help individuals and organizations "Make the most of their energy."

[www.schneider-electric.com](http://www.schneider-electric.com)

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\* According to Standard & Poor's definition. FFO: Funds From Operations

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