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Schneider Electric to reinforce its position in industrial automation and electro-intensive segments through the acquisition of Invensys plc

Rueil-Malmaison (France), July 31, 2013 – The board of Schneider Electric S.A. (“Schneider Electric”) announced today that it has reached an agreement on the terms of a recommended offer by Schneider Electric to acquire the entire issued and to be issued share capital of Invensys plc (“Invensys” or “the Company”) (the “Offer”).

Key highlights

A response to Schneider Electric clients’ continual search for higher efficiency

- Schneider Electric is the global specialist of solutions integrating power and automation technologies to help customers manage energy and drive efficiency.
- Operational efficiency is further driven by software, as Information Technologies (“IT”) and Operational Technologies (“OT”) converge.

A strategic deal to further boost our positions in integrated industrial automation and electro-intensive segments

- Acquiring a global automation player with large installed base, strong brands and a strong software presence
- Reinforces our coverage of and access to key electro-intensive segments with integrated and complete solutions
- Brings Schneider Electric strong brands and presence in software for customer operational efficiency
- Strengthens our Industry business: more global, more solutions, more resilient
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A highly synergistic transaction

- Revenue synergies to generate ~€65m EBITA impact by year 5 (2018)
- Cost savings to generate ~€140m EBITA impact by year 3 (2016)\(^1\)
- Tax benefit embedded and generated by the transaction with a value of ~£400m (~€0.5bn)

Attractive deal terms and value creation for Schneider Electric:

- Implied Offer Price of 502p\(^2\) per Invensys share, or
  - a 14% premium to Invensys shareholders over the last closing price prior to announcement of discussions\(^3\)
  - a 27% premium to Invensys shareholders over the last 3-month VWAP prior to announcement of discussions\(^4\)
- Enterprise value of £2.4bn\(^5\), corresponding to an EV / EBITDA multiple of 11.9x based on EBITDA of £202m for Invensys continuing operations in FY 03/2013 pro forma for the cost savings of £25m announced following the Rail transaction
- Funded through €2.9bn cash component and €1bn in new Schneider Electric shares (~3% of pro-forma issued share capital) enabling the combined group to retain a sound balance sheet
- Cash EPS impact: low to mid-single digit accretion\(^6\) in 2014 and high-single digit accretion in 2016
- Attractive Return on Capital Employed (“ROCE”) target of 10% to 11% in year 3

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\(^1\) Including £25m cost savings (by March 2015) already announced by Invensys
\(^2\) 372p in cash and 0.025955 Schneider Electric share for each Invensys share, valuing each Invensys share at 502p based on Schneider Electric share price of €58.06 and £/€ exchange rate of 1.1592 as at 11 July 2013
\(^3\) Based on closing share price of 440p as at 11 July 2013
\(^4\) Based on 3-month Volume Weighted Average Price (“VWAP”) of 396p as at 11 July 2013
\(^5\) Equity value of £3,353m (based on the Implied Offer Price and a fully diluted number of shares), Invensys net cash position of £581m as at 30th June 2013, adjusted for the final ordinary dividend payment of £23m, positive cash inflow of £6m from stock options exercise, £1m cash outflow related to preferred B-shares, £20m minority interests and £400m tax assets. It includes neither the expected free cash flow generation until closing nor remaining cash outflow related to the Rail disposal
\(^6\) Before acquisition and integration costs and before purchase price adjustment impacts
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1. **Response to Schneider Electric clients’ continual search for higher efficiency**

   Schneider Electric, as the global specialist in energy management, is present in five end-markets. Industrial and Infrastructure end-markets are a key target for the Group. They represent 35% of the world’s energy use with customers who are continually searching for higher efficiency.

   In these end-markets, integrated solutions, combining power and automation technologies, drive operational efficiency.

   Industrial automation is an attractive growth market *per se*. The integration of automation and power offerings (supported by low voltage, medium voltage and critical power technologies), a key strength of Schneider Electric, will enable a new level of performance. Such integrated solutions are especially relevant to electro-intensive customers.

   Operational efficiency is further driven by software capability and connectivity skills, as IT and OT converge.

2. **A strategic deal to further boost our positions in industrial automation and in electro-intensive segments**

   Schneider Electric believes the businesses of Schneider Electric and Invensys to be highly complementary to respond to these business trends, with the combination representing a unique opportunity to create a global leader in industrial automation, advanced software solutions and power solutions. This will enable the enlarged group to offer a broader range of systems and services to new and existing clients.

   **Acquiring a global industrial automation player with a large installed base, strong brands and a strong software presence**

   Industrial automation is a highly attractive market, characterised by solid growth trends together with a large and scattered customer base and high premium attached to experience and an installed base. Invensys’ Industrial Automation business is one of the leaders in the provision of process control and safety solutions to some of the world’s largest and most complex industrial plants through its Foxboro (control systems) and Triconex (safety system) brands. Invensys has the third largest base of installed distributed control systems (“DCS”) in the industry, securing recurring revenues from a loyal customer base, but more importantly providing an opportunity to address the larger needs of those customers. Invensys’ safety systems are recognised as one of the market leaders and a critical component of an integrated solution.
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Reinforces Schneider Electric’s coverage of and access to key electro-intensive segments with integrated and complete solutions

Invensys is a world leader in the provision of automation solutions to electro-intensive industries, deriving 61% of its revenue from these end-markets in FY2013. As at the end of FY2013, Invensys’ customer portfolio included:

- 23 of the top 25 oil and gas companies
- 48 of the top 50 chemicals companies
- 18 of the top 20 pharmaceuticals companies
- All of the top 10 mining companies
- 21 of the top 25 food and beverage companies

The acquisition of Invensys will significantly strengthen Schneider Electric’s position in these end-markets and will complement its existing PlantStruxure PES offering, its software application offering, and its significant power distribution presence with those customers.

Invensys’ presence in segments driven by process automation is therefore very complementary to Schneider Electric’s Industry business’ historical presence in segments driven by discrete and hybrid automation. The enlarged group will enjoy optimal coverage of all key industry segments and drive pull-through across their customer bases.

Schneider Electric’s low and medium voltage and critical power solutions will be combined with Invensys’ operation and asset management systems and will allow the enlarged group to significantly strengthen its new business proposition.

Brings Schneider Electric strong brands and presence in software for industrial operational efficiency

Invensys’ Software division features a number of leading industrial operational efficiency brands including Wonderware, SimSci and Avantis, with an installed base of over 750,000 software licences, generating significant recurring revenue:

- A leading position for Manufacturing Execution Systems (“MES”), which act as an intermediary between companies’ ERP and factories’ automation systems
- Wonderware technology will allow Schneider Electric to reinforce its presence in Human Machine Interface (“HMI”). This software will complete Schneider Electric's offering by broadening its visualization and real-time monitoring capabilities
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- Invensys’ strong position globally in the MES and Enterprise Asset Management (“EAM”) segments through its Operations & Asset Management business will enable Schneider Electric to achieve a critical size in a fragmented market, notably with Avantis and Wonderware software.

- SimSci is a leading software for the design, simulation and optimisation of production processes.

The acquisition of Invensys will position the enlarged group as one of the major players in software for industry worldwide and should enable Schneider Electric to benefit from both strong topline growth and high operating margins in this segment.

Strengthening Schneider Electric’s Industry business: more global, more solutions, more resilient

Schneider Electric plans to combine Invensys with its existing Industry division. The Industry division will benefit from a broadened geographical footprint, a balanced offering of Products and Solutions (including increased presence in software and services) and a more balanced exposure to short and long-cycle industries.

A significant proportion of Invensys’ business is derived from systems and services offered to clients. The integration of Invensys within Schneider Electric’s Industry business will increase the share of revenues derived from solutions and services from 24% to 40%,7 increasing the share of recurring and high added-value revenues for the business.

The transaction will also balance geographically Schneider Electric’s Industry division, with an increased exposure to North America.

The acquisition will balance the cyclical profile of the Industry business, increasing significantly the share of revenues generated in long-cycle activities.

3. A highly synergistic transaction

Schneider Electric believes the combination of complementary systems, service offerings and customer bases will form the foundation for pull-through opportunities and the realisation of future revenue synergies. Furthermore, Schneider Electric believes there are benefits to be derived from the optimisation of the cost and tax structure across the enlarged group.

Consequently, Schneider Electric expects the transaction to generate significant benefits:

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7 Assuming Invensys’ Industrial Automation and Software businesses are integrated within Schneider Electric’s Industry business
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- Revenue synergies of ~€400m per annum by 2018 as a result of enlarged offerings, complementary customer bases and additional scale from the integration within Schneider Electric. The estimated impact on EBITA is of ~€65m per annum by 2018.

- Cost savings of ~€140m per annum by 2016\(^8\) derived from structural and administrative cost savings, efficiency gains at country and regional levels and synergies on procurement and production costs.

- Schneider Electric expects tax savings valued at around £400m (~€0.5bn including ~€80m p.a. over the first 5 years), consisting mainly of utilising existing tax credits at Invensys.

Integration costs related to the transaction are estimated at ~€150m\(^9\) over 2014-15.

4. Deal terms

Under the terms of the Offer, Invensys shareholders will be entitled to receive, for each Invensys share:

- 372 pence in cash, and
- 0.025955 new Schneider Electric shares

Based on the closing price per Schneider Electric Share and £/€ exchange rate on 11 July 2013, the consideration for the Offer represents a value of 502 pence per Invensys Share, or £3.4bn in aggregate:

- Representing a premium of 14% to the closing price of 440 pence per Invensys share on 11 July 2013 (being the last business day prior to announcement of discussions)
- Representing a premium of 27% to Invensys shareholders over the last 3-month VWAP of 396 pence per Invensys share prior to announcement of discussions

The Offer represents an Enterprise value of £2.4bn\(^10\), corresponding to an EV / EBITDA multiple of 11.9x based on EBITDA of £202m for Invensys continuing operations in FY 03/2013 pro forma for the cost savings of £25m announced following the Rail transaction.

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\(^8\) Including £25m cost savings (by March 2015) already announced by Invensys

\(^9\) Excluding acquisition costs of ~€60m

\(^10\) Equity value of £3,353m (based on the Implied Offer Price and a fully diluted number of shares), Invensys net cash position of £581m as at 30 June 2013, adjusted for the final ordinary dividend payment of £23m, positive cash inflow of £8m from stock options exercise, £1m cash outflow related to preferred B-shares, £20m minority interests and £400m tax assets. It includes neither the expected free cash-flow generation until closing nor remaining cash outflow related to the Rail disposal.
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The Offer will include a Mix and Match facility, so that Invensys shareholders will be able to elect to vary the proportions of cash and new Schneider Electric shares they receive, subject to the elections made by other Invensys shareholders.

5. Impacts and value creation for Schneider Electric

Transaction funding is composed of:

- ~€2.9bn cash component
- ~€1bn in new Schneider Electric shares, representing the issuance of ~17.3m new Schneider Electric shares, or ~3% of the pro forma issued share capital

This financing structure will enable the combined group to retain a sound balance sheet and is consistent with Schneider Electric’s long-term policy to retain a strong credit rating targeting A-/A3, while being ready to accept a 1-notch lower rating on a temporary basis.

At the same time, this financing structure meets Schneider Electric’s stringent financial criteria with an expected low to mid single-digit cash EPS accretion in 2014 and high single-digit accretion in 2016\textsuperscript{11}.

Given the sound profit generation profile of Invensys, revenue synergies, cost savings and tax savings, the ROCE\textsuperscript{12} in year 3 is targeted to reach 10% to 11%.

Next Steps

The Board of Invensys unanimously recommends Invensys shareholders to vote in favour of the Offer, as they have undertaken to do in respect of their own beneficial shareholdings.

The Offer is structured as a Scheme of Arrangement. It is expected that the Scheme Document will be published as soon as reasonably practicable and that a Court Meeting and a General Meeting will be held subsequently.

The transaction is subject to antitrust approval in various jurisdictions, to approval by Invensys EGM and to other customary closing conditions.

The transaction is expected to close in the fourth quarter of 2013.

\textsuperscript{11} Before acquisition and integration costs and before purchase price adjustment impacts
\textsuperscript{12} ROCE calculated using after-tax EBITA post tax benefits
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Jean-Pascal Tricoire, Chairman and CEO of Schneider Electric, commented:

“We are delighted to announce the combination of Invensys and Schneider Electric in what is an exciting day for the stakeholders of both companies. The addition of Invensys' businesses will considerably strengthen Schneider Electric's overall offering to its industrial and infrastructure customer base, reinforcing us as a global leader in energy management solutions integrating power and automation, as well as leading software for customer efficiency. The transaction will allow Schneider Electric to benefit from increased scale and realise substantial synergy benefits from the combination. We believe our offer is compelling to Invensys shareholders who will realise significant value for their holdings while having the opportunity to participate in the future strengths of the combined business.

We warmly welcome Invensys' team and believe that the combined business will provide new and larger growth opportunities for employees and customers as well as offering Schneider Electric's shareholders significant future value creation.”

Sir Nigel Rudd, Chairman of Invensys, commented:

“Following the recent disposal of Invensys Rail, the agreement with the Pension Trustees and the re-organisation of the Group, the Invensys Directors believe that Invensys is strongly positioned to execute on its growth strategy going forward.

However, the Invensys Directors believe that the offer from Schneider Electric represents an attractive value for Invensys Shareholders and reflects the future growth prospects of the business and a significant proportion of the benefits which are expected to accrue from the strong strategic fit between Invensys and Schneider Electric.

Combined with the disposal of Invensys Rail and return of £625 million to shareholders, this represents a very attractive result for Invensys Shareholders. Furthermore, the members of the Invensys Pension Scheme will benefit from the ongoing support of a significantly larger, leading, global automation business.”

A copy of this announcement will be available on the Schneider Electric website at www.schneider-electric.com
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List of advisers:

Schneider Electric is advised in this transaction by:

- Bank of America Merrill Lynch and Deutsche Bank as lead financial advisers
- BNP Paribas and Morgan Stanley as financial advisers
- Linklaters and Bredin Prat as legal advisers
- Accuracy as accounting adviser
- Aon Hewitt as pensions adviser
- PwC/Landwell as tax adviser
- Shearman and Sterling as tax and financing advisers
- RLM Finsbury as PR adviser

Invensys is advised in this transaction by:

- Barclays and J.P. Morgan Cazenove as financial advisers
- Freshfields Bruckhaus Deringer as legal advisers
- FTI Consulting as PR adviser

Important information

This announcement is not intended to, and does not, constitute or form part of any offer, invitation or solicitation of any offer to purchase, otherwise acquire, subscribe for, sell or otherwise dispose of any securities or the solicitation of any vote or approval in any jurisdiction. The new Schneider Electric Shares are not being offered to the public by means of this announcement. This announcement is an advertisement and is for information purposes only and does not constitute a prospectus or prospectus equivalent document.

The Offer will be made solely by means of the formal offer document to be sent to Invensys shareholders in due course which will contain the full terms and conditions of the Offer, including details of how to vote in respect of the acquisition. The prospectus in relation to the new Schneider Electric Shares will be published by Schneider Electric on the date on which the formal offer document is posted, and will contain information about Schneider Electric and the new Schneider Electric Shares.
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Schneider Electric draws the public’s attention to the “risk factors” section to be included in the prospectus that will be submitted to the approval (visa) of the French Autorité des marchés financiers (AMF).

The release, publication or distribution of this announcement in certain jurisdictions may be restricted by law. Persons who are not resident in France or who are subject to other jurisdictions should inform themselves of, and observe, any applicable requirements. Any failure to comply with these requirements may constitute a violation of the securities laws of any such jurisdiction. To the fullest extent permitted by applicable law, the companies and persons involved in the Offer disclaim any responsibility or liability for the violation of such requirements by any person.

The Offer relates to shares of a UK company and is proposed to be effected by means of a scheme of arrangement under the laws of England and Wales. A transaction effected by means of a scheme of arrangement is not subject to proxy solicitation or tender offer rules under the US Securities Exchange Act of 1934 (the “US Exchange Act”). Accordingly, the Offer is subject to the disclosure requirements, rules and practices applicable in the United Kingdom to schemes of arrangement, which differ from the requirements of US proxy solicitation or tender offer rules. However, if Schneider Electric were to elect to implement the acquisition by means of a takeover offer, such takeover offer will be made in compliance with all applicable laws and regulations, including Section 14(e) of the US Exchange Act and Regulation 14E thereunder. Such a takeover would be made in the United States by Schneider Electric and no one else. In addition to any such takeover offer, Schneider Electric, certain affiliated companies and the nominees or brokers (acting as agents) may make certain purchases of, or arrangements to purchase, shares in Invensys outside such takeover offer during the period in which such takeover offer would remain open for acceptance. If such purchases or arrangements to purchase were to be made they would be made outside the United States and would comply with applicable law, including the US Exchange Act. Any information about such purchases will be disclosed as required in the UK, will be reported to a Regulatory Information Service of the UKLA and will be available on the London Stock Exchange website: www.londonstockexchange.com.

The new Schneider Electric Shares have not been, and will not be, registered under the US Securities Act or under the securities laws of any state or other jurisdiction of the United States. Accordingly, the new Schneider Electric Shares may not be offered, sold, resold, delivered, distributed or otherwise transferred, directly or indirectly, in or into the United States absent registration under the US Securities Act or an exemption therefrom. The new Schneider Electric Shares are expected to be issued in reliance upon the exemption from the registration requirements of the US Securities Act provided by Section 3(a)(10) thereof. Invensys shareholders who will be affiliates of Schneider Electric after the date the acquisition becomes effective will be subject to certain US transfer restrictions relating to the new Schneider Electric Shares received pursuant to the Offer.

Unless otherwise determined by Schneider Electric or required by the UK Takeover Code, and permitted by applicable law and regulation, the Offer will not be made available, directly or indirectly, in, into or from any jurisdiction where to do so would violate the laws in that jurisdiction and no person may vote in
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favour of the Offer by any such use, means, instrumentality or form within such a jurisdiction or any other jurisdiction if to do so would constitute a violation of the laws of that jurisdiction.

Forward Looking Statements

This announcement contains statements about Schneider Electric and Invensys that are or may be forward looking statements. All statements other than statements of historical facts included in this announcement may be forward looking statements. Without limitation, any statements preceded or followed by or that include the words “targets”, “plans”, “believes”, “expects”, “aims”, “intends”, “will”, “may”, “anticipates”, “estimates”, “projects” or words or terms of similar substance or the negative thereof, are forward looking statements. Forward looking statements include statements relating to the following: (i) future capital expenditures, expenses, revenues, earnings, synergies, economic performance, indebtedness, financial condition, dividend policy, losses and future prospects; (ii) business and management strategies and the expansion and growth of Schneider Electric's or Invensys' operations and potential synergies resulting from the Offer; and (iii) the effects of government regulation on Schneider Electric's or Invensys' business.

Such forward looking statements involve risks and uncertainties that could significantly affect expected results and are based on certain key assumptions. Many factors could cause actual results to differ materially from those projected or implied in any forward looking statements. Due to such uncertainties and risks, readers are cautioned not to place undue reliance on such forward looking statements, which speak only as of the date hereof. Schneider Electric disclaims any obligation to update any forward looking or other statements contained herein, except as required by applicable law.

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 Utilities & Infrastructure, Industries & Machines Manufacturers, Non-residential Building, Data Centers & Networks and in Residential. Focused on making energy safe, reliable, efficient, productive and green, the Group's 140,000 plus employees achieved revenues of 24 billion euros in 2012, through an active commitment to help individuals and organizations make the most of their energy.

www.schneider-electric.com