Schneider Electric announces offer to buy Invensys plc

July 31, 2013
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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. 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).

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Invensys: a strong strategic fit to drive higher growth and value creation

The Invensys acquisition reinforces our business in industry and infrastructure

1. Reinforce industrial automation capabilities
2. Boost our positions in key electro-intensive segments
3. Strengthen software for customer operational efficiency

Capture growing need for automation
Strong value creation: €160m operational synergies annually by 2016
Industrial automation is a strategic and attractive business for Schneider Electric
As the global specialist in energy management, Industry is a key part of our portfolio.

- **24 billion € revenues**
- **42%** of revenues in new economies (last twelve months)
- **5 synergetic technology domains**
  - Low voltage, Medium Voltage, Industrial Automation, Critical Power, Building Automation
- **5 diversified end markets**
  - Residential, Non residential buildings, Industrial & machines, Utilities & Infrastructure, Data centers

Industry and Infrastructure end markets represent **35%** of world’s energy use.

In these segments:

- **Our integrated solutions drive Efficiency by combining automation and power technologies**
Industrial automation is an attractive market

**Industry Business data (2012)**

€4.5bn revenues

18.4% Adj. EBITA margin

#2 worldwide player in discrete automation

**Growth drivers**

Productivity, complexity, input costs management: workforce scarcity, wage & raw material inflation, complexity of production constraints, sustainable development

More quality, more flexibility, simplicity: this helps our customers gain market shares

**Margin drivers**

Very large and scattered customer base

High premium attached to experience and installed base

Importance of scale (costs, R&D)
We continuously invested and grew organically and inorganically in Industry

Strategic development of our Industry Business in the past 10 years

<table>
<thead>
<tr>
<th>Year</th>
<th>Segment Competencies</th>
<th>Acquisitions</th>
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<tbody>
<tr>
<td>2002</td>
<td>2012</td>
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<td></td>
<td>Food &amp; Bev</td>
<td>Tinnet</td>
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<td>Water &amp; Waste Water</td>
<td>Solvay</td>
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<td>Metals &amp; Mining</td>
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<td>Oil &amp; Gas</td>
<td>Harvest</td>
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</table>

Sizes do not reflect actual sales proportions
We developed *PlantStruxure PES* organically to expand into process automation driven verticals.
Integration of power and automation enabled by software and connectivity
Our industrial and infrastructure customers are in continuous search for higher efficiency...

... achieved by the integration of power and automation

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**(1)** Supported by low voltage, medium voltage and critical power technologies

**(2)** IT = Information Technology, OT = Operational Technology
This convergence speaks particularly to the electro-intensive customers

**Technology**
- Deeper integration of architectures is required for energy management in electro-intensive industries
- Opportunity for differentiation

**Access**
- Control system: to reach key decision makers in early stages of design
- Software: to capture “mindshare” and become the strategic partner
- Strong pull through of electrical distribution and life cycle services

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*Automation technologies + Installed base access => optimal delivery of our promise of efficiency to customers*
We demonstrated our capability to generate significant pull-through

Breakdown of our solution sales on selected target segments of Industry

- Building automation & security
- Critical Power
- Low voltage distribution
- Medium voltage distribution
- Industrial automation

Water
Mining
F & B

1.1x pull-through
1.3x pull-through
3.1x pull-through
Software is critical to operational efficiency…

<table>
<thead>
<tr>
<th>Convergence of IT &amp; OT(1)</th>
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<tbody>
<tr>
<td>IT</td>
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<td>OT</td>
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<thead>
<tr>
<th>Business Systems</th>
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<tbody>
<tr>
<td>• Customers management</td>
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<tr>
<td>• Orders and supply chain management</td>
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<tr>
<td>• Document management</td>
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</tbody>
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<table>
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<tr>
<th>Design and Simulation</th>
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<tr>
<td>• Supply chain planning</td>
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<tr>
<td>• Process design</td>
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<tr>
<td>• Simulation</td>
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<tr>
<th>Operations Management</th>
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<tbody>
<tr>
<td>• Production management (quality, compliance, performance)</td>
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<tr>
<td>• Optimization of assets utilization</td>
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<tr>
<td>• Process analytics and decision support</td>
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<th>Control &amp; Supervision</th>
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<tr>
<td>• Computerised production control systems (PLC, DCS)</td>
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<td>• Supervision interface for operators (HMI)</td>
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</tbody>
</table>

(1) IT = Information Technology, OT = Operational Technology

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… and creates fast growing opportunities

From historical plant automation
- Traditional automation offers at the plant level
- Innovation as a differentiator

To holistic automation: operation efficiency
- Total Efficiency from order to production to delivery
- Predictive analytics and decision support enabling optimization

Schneider Electric traditional focus

Schneider Electric new focus

Business Systems
Design & Simulation
Operations Management
Control & Supervision
Invensys: A strategic deal to further boost our automation and electro-intensive segments
Invensys is a global automation player with large installed base and a strong software presence

**Invensys description**

- Annual revenues\(^{(1)}\) of GBP1.79bn (EUR2.2bn) with recurring operating profit\(^{(2)}\) of GBP131m (EUR160m)
- A very large **installed base** and strong **credibility** with end-users in Oil & Gas, Chemicals, Pharma, Power plants, Food & Bev...
- A strong **software business** developed over the years, with particular strengths in optimization, safety, and asset management

**Global presence**

**Diversified end markets**

- Consumer cyclical
- Oil & Gas
- General Industries
- Utilities & power
- Petrochemicals
- Discrete manufacturing
- Other

- UK
- Rest of Europe
- North America
- South America
- Asia Pacific
- MEA

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**Industrial Automation**

- Leader in **process automation** with global supply of control systems, safety systems and instrumentation

  ![Triconex](image1.png)
  ![Foxboro](image2.png)

  - Safety systems -
  - Control systems -

**Software**

- Leading supplier of **industrial software**: design, simulation and optimization, operations management and asset management

  ![SimSci](image3.png)
  ![Avantis](image4.png)

  - SCADA & OAM -
  - Design, Simulation & Optimization -
  - Asset Management -

**Energy Controls**

Main fields of activity:
- Industrial temperature control and data recording
- Residential programmers & thermostats

**Appliance**

- Control of appliances (cooking, refrigeration, laundry and dishwashing), in the residential and commercial sectors

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**All financials FY ending March 2013, with a £/€ FX average rate of 1.23**

\(^{(1)}\) Operating profit before exceptional items

\(^{(2)}\) Operating margin before corporate costs

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What Invensys brings to Schneider Electric in Process Automation

Process Automation

#1 in safety worldwide

#3 DCS installed base

3,000 Project execution specialists

Leader in Process Safety

- Triconex is DCS independent used by all of the “Process” players for Emergency Shutdown and Safety

DCS offer & a large installed base

- Lots of Brownfield expansion
- Reduced buy-ins, competitive pricing, extending our value with MV/LV and Smart Infrastructure Intelligence

Installed Base

Solutions

Reach

- Domain Expertise and execution capabilities key segments including Oil & Gas, Petrochemical and Power
Together we will have optimal coverage of key electro-intensive segments to drive pull-through

Mapping of Discrete vs. Process automation segments and Positioning of offers

Source: Credit Suisse research, Schneider Electric

100% Discrete/PLC

Hybrid segments

100% Process/DCS

Machines  Fabricated metals  Electronics  Electrical equipment  Automotive  Food & Bev  Water  Pharma  Cement  Metals & Mining  Pulp & Paper  Chemical  Oil & Gas  Power Gen  Refining  Petrochem.

18 of top 20 companies
All top 10 companies
48 of top 50 companies
23 of top 25 companies

Maximize solution scope potential with our Power(1) offerings

(1) Low voltage, medium voltage and critical power technologies

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Pull-through opportunities in Oil & Gas: Schneider Electric - Invensys combined scope
Invensys brings strong brands and presence in industrial software to Schneider Electric

**Software**

+300M€

Business Scale

+750,000

Licenses installed base

2,500

System Integrators

**Technology**

- **Archestra** brings drastic acceleration to EcoStruxure (HMI, Historian, Platform)
- Integrates IT/OT required for energy mgt in electro-intensive industries

**Customers**

- **Major Key Accounts** at the Operations and C-Level with a strategic relationship to drive Operationnal Efficiency

**Reach**

- **Leverage** channel to drive additional complementary products through the established network
Together we will be able to offer full software competence for total industrial efficiency

Business Systems

Design and Simulation
- SC Planning
- Process Design
- Simulation

Operations Management
- MES
- Avantis.
- EAM
- Optimization

Control & Supervision
- PLC
- HMI/SCADA
- DCS/Safety

Higher customer benefits leading to higher customer mindshare

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Invensys Energy Controls reinforces our product portfolio

Energy Controls

Precision controllers
for regulated and constrained environments

Home efficiency devices
launched in H2 this year

Industrial & Commercial
~€170m revenues

Specialist industrial controls

- Temperature, power and HVAC control
  with positioning in growing regulated industries (Life Sciences, Food& Bev)
- Reinforces product offer for OEMs and industrial end-users

Residential & Monitoring
~€140m revenues

Reach

- Residential thermostats
  programmers and timers used for wired and wireless climate control, key in achieving energy efficiency and meeting regulation in homes
- Monitoring: remote monitoring for energy meter and HVAC and associated cloud-based SaaS (software as a service)
Invensys strengthens our Industry business

More global
Balances our presence across regions

More solutions
Strengthens our capabilities in software and services

More resilient
New balance of exposure reduces our cyclicality

Industry business before transaction
Rev. €4.5bn

Industry business with Invensys\(^{(1)}\)
Rev. €6.0bn

Western Europe
North America
Asia Pacific
Rest of World

Products
Solutions

Predominantly short cycle
Balance of short cycle and long cycle

Source: Schneider Electric, Invensys
\(^{(1)}\) Including Software + Industrial Automation divisions

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Highly synergetic and value creating for shareholders
High synergy opportunities: €140m of total cost savings\(^{(1)}\) by 2016 and c.€65m of revenue synergies by 2018

### Domain

**Revenue synergies**
- Pull-through of energy management to Invensys’ customer base in electro-intensive segments
- Mutual cross selling opportunities of software/automation offers to each other’s customer bases
- Penetrate the N. American Shale/Unconventional Oil & Gas through integrated solutions
- Support of stronger combined organization

**Purchasing & COGS improvement**
- Procurement, increased volumes, platforming, redesigning

**SG&A**
- Structure and administrative costs
- Efficiency gains at country and regional levels

**Tax benefit**
- Value of ~€0.5bn, consisting mainly from existing tax credits at Invensys

**Integration and acquisition costs**
- Total integration costs of ~€150m over 2014-2015
- Acquisition costs of ~€60m

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**Synergy impact p.a. (year 5 / 2018)**
- ~€400m
- ~€65m

**Savings impact p.a. (year 3 / 2016)**
- ~€140m\(^{(1)}\)

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**Note:** £/€ rate of 1.159 as at 11 July 2013
\(^{(1)}\) Including £25m (by Mar-15) costs savings already announced by Invensys

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80% of run rate (year 5) cost savings and synergies to be delivered by year 3

Cost savings and synergies phasing profile

- 85% cost savings, 15% revenue synergies in 2016 (2/3 cost savings and 1/3 revenue synergies in 2018)
- 80% of synergies to be achieved by 2016, including all cost synergies
- Tax savings estimated at c. €400m over the first 5 years, assumed to be used equally over the period (i.e. ~€80 p.a.)

Note: £/€ rate of 1.159 as at 11 July 2013
Transaction details

A deal supported by Invensys board of directors

- Scheme of arrangement, subject to Invensys shareholders’ vote
- Unanimously recommended by Invensys’ Board of Directors
- Irrevocables obtained from Invensys Board, and key management members

Key Valuation Metrics

- 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
  - Structured as a Mix and Match offer
- Implied Offer price of 502p represents:
  - 14% premium over the last closing price prior to announcement of discussions\(^{(1)}\) of 440p
  - 27% premium over the past 3 months VWAP prior to announcement of discussions\(^{(1)}\) of 396p
- Enterprise value of £2,410bn\(^{(2)}\), corresponding to a EV / EBITDA multiple of 11.9x based on March 2013 proforma EBITDA of £202m\(^{(3)}\)

Targeted financial Impact for Schneider Electric

- Cash EPS impact: low to mid-single digit accretion\(^{(4)}\) in 2014 and high-single digit accretion\(^{(4)}\) in 2016
- Target Return on Capital Employed\(^{(5)}\) of 10% to 11% in 2016

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\(^{(1)}\) As at 11 July 2013
\(^{(2)}\) Equity value of £3,353m (based on Schneider Electric share price of €58.06 and £/€ FX rate of 1.1592 as at 11 July 2013), net cash position of £581m as at 30th June, 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
\(^{(3)}\) Continuing operations’ OPBIT of £131m + D&A of £46m + Invensys announced savings of £25m
\(^{(4)}\) Before acquisition and integration costs and Purchase Price Adjustment impacts
\(^{(5)}\) Target ROCE calculated using after-tax EBITA post tax benefits
Balanced financing to retain sound balance sheet and generate immediate cash EPS accretion\(^{(1)}\)

**Financing structure**

€3,887bn

- **Cash component**
  - Financed by Schneider Electric cash at hand and new debt

- **Issuance of ~17.3m Schneider Electric shares**
  - Representing c.3% of Pro forma issued share capital

- **Purchase Equity Price\(^{(2)}\)**

- **Retain a sound balance sheet**
- **Consistent with long-term policy to retain strong credit rating targeting A-/A3 and readiness for a 1-notch lower rating on a temporary basis**
- **Immediately Cash EPS\(^{(1)}\) accretive with high-single digit EPS accretion in 2016**

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1) Before acquisition and integration costs and Purchase Price Adjustment impacts
2) Based on implied Offer value of 502p per Invensys share, on diluted number of Invensys shares of 667.9m and on £/€ FX rate of 1.159 as at 11 July 2013

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Pensions: UK scheme fully funded today, limited volatility expected in the future

UK scheme
(75% of Invensys Pension liabilities)
- Pension surplus of £309m as of 31-Mar-13, following £625m contribution post Rail transaction
  - £225m in Reservoir Trust
  - No contribution expected in the near future
- Scheme consists largely of pensioners limiting the longevity risk (c. 350 active members)
- Conservative asset allocation matching liabilities and minimizing future volatility

US scheme
- US scheme in deficit of £97m as of 31-Mar-13, limited volatility as the scheme is frozen (no new entrants) and limited contributions expected in the near future

Other schemes
- Limited risk from other schemes (£176m deficit as of 31-Mar-13) covering mainly the plans in Germany and top executive plans in the UK and US

Any further increase in long term interest impact should have a net positive impact on the pension funding

Source: Invensys FY2013 annual report and Schneider Electric due diligence

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Indicative timeline and process considerations

**Process considerations**

- **Scheme of arrangement:**
  - Subject to Invensys shareholder vote at an Extraordinary General Meeting
  - Requires approval by a majority in number representing 75% of those who vote
  - Scheme of arrangement considered as an asset contribution (“apport en nature”) from a French perspective
    - A contribution appraiser (“Commissaire aux Apports”) was appointed and presented its report to Schneider Electric’s Board of Directors
    - Schneider Electric’s Board of Directors approved the transaction
  - The stock component of the offer does not require any Schneider Electric shareholder vote
  - Subject to customary regulatory and antitrust approvals (incl. US and EC)

**Indicative timeline**

- **Offer announced** (July 31)
- **Prospectus and Scheme circular sent to shareholders** (Aug/Sep)
- **Invensys EGM** Q4 2013
- **Closing** Q4 2013

Regulatory approvals  Court meeting
Appendix
Glossary and definitions

- DCS: Distributed Control Systems
- EAM: Enterprise Asset Management
- HMI: Human Machine Interface
- I/Os: Input/output devices
- MES: Manufacturing Execution Systems
- PES: Process Engineering Systems
- PLC: Programmable Logic Controllers
- SaaS: Software as a Service
- SCADA: Supervisory Control And Data Acquisition

- EBITDA: EBIT before net depreciation and amortization
- EBITA: EBIT before amortization and impairment of purchase accounting intangibles and impairment of goodwill
Contacts & agenda

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25 October
Q3 2013 Revenues
Conference call

19 November
Investor Day
Analyst & Investor meeting
Help people make the most of their energy