A more flexible supply chain with strong fundamentals
Our Global Supply Chain figures at a glance

- 130,000 order lines / day
- 104 distribution centers
- 255 factories
- 87,000 employees (Total industrial headcount incl. Purchasing, Manufacturing and Logistics)

- 1 Order lines excluding Invensys
- 2 Pro-forma figures (including Delixi and Invensys)
We demonstrated our ability to continuously drive industrial productivity

**Gross industrial productivity**

**Plant efficiency**

From end 2008 to end 2013:

- × 1.3 Revenues
- × 1.1 Number of plants

+87 plants (acquisitions & construction)
- 61 plants (rationalization & divestment)
We continue to rebalance our manufacturing footprint

### Revenue in new economies
- **2004**: 26%
- **2008**: 32%
- **2013**: 43%

### Cost of Good Sold in new economies
- **2004**: 18%
- **2008**: 41%
- **2013**: 50%
We are generating higher cash efficiency while improving our customer delivery service level.

**Inventory Efficiency**
- Average Days of Inventory (DIN)
  - 2011: 92
  - 2012: 86
  - 2013: 81

**On-Time Delivery**
- On-Time Delivery to Customer door (OTDC)
  - 2011: ~
  - 2012: +2pt
  - 2013: ~
After two years, our Tailored Supply Chain transformation is producing results.
6 initiatives to support our Tailored Supply Chain transformation

- **SIOP Planning**
  Build best-in-class planning process by customer segment

- **Digitization**
  Align the IT strategy with the supply chain customer segmentation strategy using a best of breed approach

- **Purchasing**
  - Step up purchasing ability to drive proactive planning of procurement

- **Footprint rebalancing**
  - Critical component footprint management to improve our lead-time management

- **Supply Chain flow re-design**
  - Lead time reduction through plant and Distribution Center footprint and flow design optimization

- **Transportation and Network design**
  - Increased partnerships with selected carriers to improve and digitize customer service

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Tailored planning capability (SIOP\textsuperscript{1}) is the nervous system of our supply chain and sets us up for execution success.

**3 SIOP\textsuperscript{1} models designed**
Products, Equipment and Services

- **Executive SIOP Reviews**
  - Step 5

- **Supply Management**
  - Step 3

- **Integration & Reconciliation**
  - Step 4

- **Offer Management**
  - Step 1

- **Demand Management**
  - Step 2

**Success stories**

- **778k€ of excess inventory turned into extra revenues** (Russia)
  - Scrap risk due to inventory obsolescence was turned into a commercial promotion opportunity

- **Inventory level reduced by 20%** (Saudi Arabia)
  - Production optimized to generate additional capacity, leading to backlog reduction of 800 units

\textsuperscript{1} Sales Inventory Operation Planning

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Purchasing step-up increases our productivity and the added-value for our customers

Concentrate purchases on high performing suppliers

- Purchase concentration increased to 48% with top 1500 strategic suppliers
- Transportation suppliers decreased by 57%

Extend Lean manufacturing principles to key suppliers

- Deployment of Lean principles and shared savings supported by Schneider Electric expertise

Boost co-innovation to enhance competitiveness

- Significant improvement in number of innovations adopted (~50 in 2013) eg. green materials, energy efficient electronics

Enhance purchasing expertise (Clean sheet negotiations)

Collaborative planning to manage supply risk

- Zero late lines to customers in 2013 through planning collaboration with electronic suppliers
Our legacy of acquisitions provides opportunity to simplify our logistics network

Objective

- Shorten the supply chain and lead time
- Optimize warehousing and transportation costs

Transformation

- In-house ability to run mathematical modeling to improve logistic flows and simulate scenarios
- Customer interfaces provide accurate and tailored service level requirements

Achievement

First network modeling in Australia

- Shorter and more reliable lead time
- Significant logistics savings
- More strategic inventory positioning
Our Transportation Control Tower fully digitizes our customer delivery.
We are achieving results
A flexible supply chain with strong fundamentals

- **Customer satisfaction**
  - Increase net customer promoter score
  - +5.9 pts vs 2011

- **Inventory efficiency**
  - Reduce inventory by 2 points of revenue by 2014
  - - 1.5 pts vs 2011

- **Productivity**
  - Industrial productivity savings of €1.0bn to €1.1bn by 2014
  - €0.65bn cumulative 2012-2013

We will continue to improve with our Tailored Supply Chain transformation
Help people make the most of their energy