

CHLORIDE

**2008 European Uninterruptible Power Supplies
Growth Strategy Leadership Award**



“We accelerate growth”

2008 European Uninterruptible Power Supplies Growth Strategy Leadership Award

Award Description

The Frost & Sullivan Award for Growth Strategy Leadership is presented each year to the company that has demonstrated an exceptional long-term growth strategy within its industry.

Research Methodology

A recipient is chosen to receive the Frost & Sullivan Award for Growth Strategy Leadership based on specific criteria. Through primary and secondary research methods, all companies' market revenues are tracked and those exhibiting significant growth are noted for their strategy implementation. Revenues are then compared year on year to monitor growth patterns. When a company continues to show high growth rates, it is a candidate for the Frost & Sullivan Award for Growth Strategy Leadership.

Measurement Criteria

In addition to the methodology described below, there are specific criteria used to determine final competitor rankings within the industry. The recipient of this Award has excelled based in one or more of the following criteria:

- Competitive pricing strategy—perceived customer value versus price
- Strong sales force strategy—number of sales people (direct and indirect), sales force specialization, efficiency in distribution, ability to train and educate, and strong customer service
- Ability to establish brand awareness through promotional activities and advertising
- Strategic alliances that expand customer base (increase distribution, marketing and sales resources, and global expansion)
- Product innovation—satisfying unmet needs, creating new needs, and developing new products
- Ability to grow in a saturated or maturing market

CHLORIDE



The “2008 European Uninterruptible Power Supplies Growth Strategy Leadership Award,” is presented to Chloride. Chloride, a leading manufacturer in the European UPS market has taken a commendable route for success in this market through strategic acquisitions, thereby achieving significant growth in market share and retaining its strong position among competitors. Chloride’s remote monitoring facility LIFE.net, has also contributed to helping the firm achieve remarkable strides in the services market.

Revenue Growth

Chloride generated service revenue of approximately 67 million in 2004/05 from its worldwide UPS services, out of which 55 million came from Europe. Chloride’s service revenue grew at a compound annual growth rate (CAGR) of 20% from 2004-05 to 2007-08. The company’s European UPS services business grew by 22 per cent in 2007 to exceed 100 million, which is more than twice the market growth rate. According to recent Frost & Sullivan research, Chloride held the second largest share of revenues in the European UPS services market in 2007. Service sales accounted for a high percentage of the company’s business (approximately 32%) in 2007. Servicing gives higher margins than product sales and Chloride enjoys a high level of service attachment for both medium and high power UPS systems. Given Chloride’s high sales growth in medium and high power UPS systems and its high level of service attachment, Chloride has enjoyed a significant increase in profitability linked to service revenues with its Return on Sales (ROS) margin increasing from 7.4% in 2004/05 to 13.5% in 2007/08.

Growth Strategy

Enhancing its service capabilities both organically and through acquisitions has been fundamental to Chloride’s long term growth strategy. This strategy was developed by Chloride to address anticipated customer demand for companies able to service a range of products including not only UPS but also gen-sets, batteries, inverters and other critical power equipment. This inspired Chloride to draw up a blueprint for growth that was based on expanding service including the acquisition of companies with strong service capabilities.

Chloride targets companies with strong service engineering capabilities for acquisition. This is due to two reasons. First of all, servicing is the most lucrative area in the UPS industry. Secondly, service builds lasting, life-long relationships with customers as opposed to one-time product sales. Forging long-term relations with customers through service contracts helps to build brand loyalty and motivates customers to continue business with Chloride. Timely and high quality servicing also facilitates future product sales with customers.

LIFE.net, Chloride’s remote monitoring and diagnostics system, lies at the core of Chloride’s servicing capability and monitors UPS systems and other equipment on a 24/7 basis. This service solution monitors and provides diagnostic checks on the performance of UPS systems and notifies servicing engineers of problems on a real-time basis, thereby allowing immediate intervention in the shortest time possible. In addition LIFE.net has been enhanced to monitor other critical power equipment and gen-sets in particular, and is now available over internet protocol (IP).

Expanding Geographic Reach & Enhanced Service Capabilities

Chloride has also extended its servicing capabilities in a number of new countries including the creation of Chloride Rus in 2008, a new entity for Russian business. Chloride Rus, a company formed with Chloride's long standing Russian partners, is a critical power sales and service operation and offers all important post-sales services like preventative maintenance, remote monitoring, installation and commissioning and breakdowns as well as pre-sales testing and warranty services. This is an important step for Chloride to establish a foothold in the emerging and growing Russian market.

In 2008 Chloride also partnered with Eltek in Sweden in a Joint Venture company to address the Scandinavian medium to high power UPS market. The new company has a full service capability including LIFE.Net.

This follows an earlier expansion in Eastern Europe and specifically the creation of Chloride Polska in Warsaw to better service Chloride's developing customers in Eastern Europe.

This year has also seen Chloride significantly increase its investment in DB Power in India. With DB's leading nationwide network of service centres and trained engineers, Chloride is well placed to exploit the significant long term UPS growth prospects – for both products and services - in this exciting market.

With the acquisition of AST Electronique Services in 2007, Chloride was able to extend its service capabilities in the French market. Adding Masterpower to Chloride's portfolio in 2007 enhanced its servicing capabilities in the oil & gas industry for industrial systems. Masterpower brought in new expertise and specialist skills to Chloride in the UK especially in the industrial UPS services market. The acquisition of Cener in Spain in 2006 and its integration with Chloride's existing business, created the largest UPS service sales organization in the Spanish market. The acquisition of Harath in 2005 boosted the company's UK capability for providing integrated services for both UPS and gensets.

Through these acquisitions as well as through organic development, Chloride has extended its servicing capabilities beyond the servicing of UPS and batteries to include: gen-set servicing, multivendor UPS servicing; multinational, multisite contract capabilities; connectivity solutions; enhanced servicing techniques such as thermal imaging; and servicing of other critical power equipment.

Human Resource Training : The Chloride Academy

Realizing the importance of highly skilled and well-trained manpower, Chloride founded the first in-house corporate university in the European UPS industry in Italy in May 2007, the Chloride Academy. With a team of dedicated staff the Chloride Academy aims to make use of the specialized knowledge of individuals in the firm and spread the knowledge across the company. This academy is a major milestone in the execution of Chloride's corporate strategy providing the total solutions package. The academy's training includes distant learning as well as residential classes with tutors. Chloride engineers all across the group are trained to the same standards and this academy forms the sound base of the company's consistent and high quality service model and delivery.

Chloride also provides localized training to its customers all over Europe, thereby enabling its customers to grow, in turn resulting in the company's growth. Localized training is part of the support offered to customers and this provides the right blend of in-house service knowledge in UPS sites along with professional expertise from Chloride engineers.

Conclusion

Acquisition of companies that have strong service models has been instrumental for Chloride in its growth strategy in the critical power services market. High margins in the services arena have helped the company in generating significant profits. Investment in training of human resources ensures high-quality and reliable service that is both consistent and efficient across all territories, while training for end-users secures brand loyalty and consumer interest. A large installed base with high attachment rate for service contracts acts as a catalyst for Chloride to continue its growth in the services market. These factors combined together make Chloride the worthy recipient of the “2008 European Uninterruptible Power Supplies Growth Strategy Leadership Award.”

About Best Practices

Frost & Sullivan Best Practices Awards recognize companies in a variety of regional and global markets for demonstrating outstanding achievement and superior performance in areas such as leadership, technological innovation, customer service, and strategic product development. Industry analysts compare market participants and measure performance through in-depth interviews, analysis, and extensive secondary research in order to identify best practices in the industry.



About Frost & Sullivan

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