

Strong performance in H1 in challenging markets thanks to the solid execution of “Schneider is On”

- **Revenues: Stable organic growth in H1, with focus on growth in Products and Services, while being selective in Systems**
- **W. Europe & U.S. up, China improving, rest of New Economies up**
- **Good progress in streamlining & cost reduction**
- **Adj. EBITA +12% organically, margin up +0.8pt, up +1.6pts before FX**
- **Net Profit of €809m, +13%**
- **Strong cash generation, Free Cash Flow (FCF) more than doubled**
- **Full Year Adj. EBITA Margin target upgraded**

Rueil-Malmaison (France), July 28, 2016 - Schneider Electric announced today its second quarter revenues and first half results for the period ending June 30, 2016.

Key figures (€ million)	2015 HY	2016 HY	Reported Change	Organic Change
Revenues	12,848	11,846	-7.8%	-0.1%
Gross Margin (% of revenues)	37.0%	38.2%	+120bps	
SFC ratio (% of revenues)	24.5%	25.0%	+50 bps	
Adjusted EBITA	1,601	1,570	-1.9%	+12%
% of revenues	12.5%	13.3%	+80 bps	
Net Income (Group share)	719	809	+13%	
Free Cash Flow	216	446	+106%	

Jean-Pascal Tricoire, Chairman and CEO, commented: “We deliver strong performance in the first half in a challenging environment. Our margin is up by +1.6pts before FX, and Free Cash Flow more than doubles. Adjusted EBITA and Net Profit both grow double digits. This strong performance is driven by our continued focus on executing the simple strategy laid out in Schneider is On, with good progress of cost and simplification initiatives. In an environment impacted by O&G headwinds and weakness in resource based markets, we see continued growth in Western Europe and the U.S. construction market, improvement in China’s construction market and slight growth in the rest of New Economies despite difficulties in Brazil and the Middle East.

Looking forward, our priorities remain to accelerate growth in Products, Software and Services, better select and execute systems, and continue focusing on our cost and cash efficiency in a mixed environment. We should also face a high base of comparison in margin, an accelerated negative impact on revenues from project selectivity, less favorable raw material tailwinds and a slowdown in the U.K. Taking into account these elements, and our strong performance in H1, we update our 2016 objectives and target about flat underlying organic growth in revenues before the impact of selectivity, and adjusted EBITA margin to improve +60bps to +90bps before FX”

I. SECOND QUARTER REVENUES WERE DOWN -0.5% ORGANICALLY

2016 Q2 revenues were **€6,207 million**, down **-0.5%** organically and down **-9.4%** on a reported basis.

Organic growth by business

€ million	HY 2016		Q2 2016	
	Revenues	Organic growth	Revenues	Organic growth
Buildings & Partner	5,186	+1.3%	2,705	+0.9%
Industry	2,667	-1.9%	1,366	-1.2%
Infrastructure	2,300	-1.3%	1,217	-2.3%
IT	1,693	-0.2%	919	-0.9%
Group	11,846	-0.1%	6,207	-0.5%

Buildings & Partner (44% of Q2 revenues) grew **+0.9%** organically in the second quarter, growing in all regions except Rest of the World. Wiring Devices & Final Distribution was up mid-single digit. The execution priorities remained focusing on maximizing all businesses through its network of partners, launching new connected offers for “Power distribution redefined” and driving Wiring devices / Final distribution growth in all regions. North America was up driven by successful new offer launches in a favorable construction market in the U.S. and continued growth in Mexico. In Western Europe, Germany and Spain were up thanks to commercial initiatives. The Nordics grew in a mixed environment while France performed well in the residential construction market. Asia-Pacific was up. China stabilized thanks to construction markets in tier 1 and tier 2 cities and growth initiatives in targeted segments. India was up strongly in a favorable market. Rest of the World was slightly down as the growth in CIS couldn't offset the declines in the Middle East and South America.

Industry (22% of Q2 revenues) declined **-1.2%** organically, at a slower pace than Q1 thanks to the focus on accelerating business through partners and integrators, developing OEM solutions, growing software in key segments, balancing end-user exposure and growing strategic accounts. The U.S. was down as it continued to be impacted by low O&G investment and a strong dollar, while the priority remains enhancing cross-selling by leveraging channels and new offer launches. Western Europe was up, driven by growth initiatives and project execution while the OEM market remained positive. France and Germany performed well thanks to channel initiatives in a tepid market. Italy was up benefitting from sustained demand from export oriented OEMs while the U.K. was down. China declined at a slower pace than in Q1 as the OEM market showed early signs of improvement. The Rest of the World grew. Services were up strongly in the quarter.

Infrastructure (20% of Q2 revenues) was down **-2.3%** organically in the quarter, about flat without the project selectivity impact, estimated to be around -€25m in Q2. This impact is expected to increase in H2. The business continued to focus on growing Services and Products while increasing selectivity and better executing systems (projects and equipment). North America was up thanks to project execution in difficult

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markets in the U.S. while Canada was penalized by a high base of comparison. In Western Europe, France, Germany & the U.K. were up due to solid project execution while Spain and Italy declined mainly impacted by project selectivity. In Asia-Pacific, China declined as the growth from emerging segments could not offset weakness from traditional segments. Australia was down while South East Asia grew. Rest of the World was dragged down by weakness in the Middle East, Russia and Brazil.

IT (14% of Q2 revenues) was down **-0.9%** organically. Launching new offers and expanding channels, integrating the total Group portfolio for targeted datacenter segments, leveraging new cloud-based software and driving services growth were the priorities for the business in a mixed environment. The U.S. was slightly up driven by reinvigorated channels and strong services growth. Western Europe declined slightly as the growth from service was offset by weak IT channel sales. Asia-Pacific was up thanks to strong growth in India and South East Asia. The Rest of World declined as growth in CIS was offset by declines in Middle East and Africa. Services continued to grow strongly.

Organically, systems & equipment were down -3% while products & services were up +1% in the quarter.

Organic growth by geography

€ million	HY 2016		Q2 2016	
	Revenues	Organic growth	Revenues	Organic growth
Western Europe	3,369	+2%	1,726	+3%
Asia-Pacific	3,141	-2%	1,698	-2%
North America	3,328	+1%	1,731	0%
Rest of the World	2,008	-2%	1,052	-4%
Group	11,846	-0.1%	6,207	-0.5%

Western Europe (28% of Q2 revenues) was up **+3%** organically in the second quarter. Germany and France were up thanks to growth initiatives in the construction and industry markets and the execution of infrastructure projects. The Nordics grew strongly driven by good market momentum in some countries and project execution. Italy and the U.K. grew while Spain was impacted by a high base of comparison.

Asia-Pacific (27% of Q2 revenues), was down **-2%** organically. China continued to post a slower paced decline thanks to stabilization in tier 1 and tier 2 city construction markets. New Economies outside China were up, driven by India and South East Asia. Australia was penalized by the phasing down of some projects and continued weakness in commodity-related segments while the residential construction markets continued to grow.

North America (28% of Q2 revenues) was about flat organically in Q2. The U.S. was up thanks to growth in the construction market and infrastructure project execution, while industry markets remained weak.

Additionally, there were signs of improvement in some data center segments. Canada was down while Mexico continued to grow in a favorable market.

Rest of the World (17% of Q2 revenues) was down **-4%** organically. Middle East turned negative as a result of weak investment caused by a low oil price and lack of financing. South America was dragged down by weakness in Brazil, while the rest of region grew. CIS was up thanks to growth in medium range offer and project execution.

Revenues in new economies were down around **-2%** and represented **41%** of total second quarter 2016 revenues. Revenues in the new economies outside China were up 1%, while China was down low single digit in the first half 2016.

The Working Day impact in H1 was estimated at **+0.9pt**, which is expected to be **-0.9pt** in H2.

Consolidation¹ and foreign exchange impacts

Net acquisitions had an impact of **-€292 million** or **-4.3%**. This includes mainly the deconsolidation of Delixi² (consolidated under Buildings & Partner business), the disposal of Juno Lighting (consolidated under Buildings & Partner business), Telvent Global Services and Transportation (consolidated under Infrastructure business), and some minor acquisitions and disposals in other businesses. Delixi remains a 50/50 joint venture and the deconsolidation had almost no impact on the Group's adjusted EBITA margin evolution in H1, and no impact on net profit at the Group level (see table in appendix).

The impact of foreign exchange fluctuations was negative at **-€322 million** or **-4.6%**, primarily due to the weakening of the U.S. dollar, Chinese yuan, British Pound and several new economies' currencies against the euro.

Based on current rates, the negative FX impact on FY 2016 revenues is estimated to be **~€1bn**. The negative FX impact on adjusted EBITA margin for FY 2016 is now estimated to be **-50bps** to **-60bps** due to increased currency volatility since April.

1. Changes in scope of consolidation also include some minor reclassifications of offers among different businesses.

2. Delixi remains a 50/50 JV but from 2016 is consolidated through the equity method (previously fully consolidated) in application of IFRS10

II. HALF YEAR 2016 KEY RESULTS

€ million	2015 HY	2016 HY	Reported Change	Organic Change
Gross Profit	4,752	4,528	-5%	+3%
Support Function Costs	(3,151)	(2,958)	-6%	-1%
Adjusted EBITA	1,601	1,570	-2%	+12%
Other operating income & expenses	(75)	(8)		
Restructuring costs	(158)	(132)		
Amortization of PPA intangibles	(138)	(83)		
EBIT	1,230	1,347	+10%	
Net income (Group share)	719	809	+13%	
Free Cash Flow	216	446	+106%	

- **ADJUSTED EBITA MARGIN AT 13.3%, UP +0.8 POINT VERSUS HY 2015, UP c. +1.6 POINTS BEFORE NEGATIVE FX IMPACT**

Gross profit was down -4.7%, up 3.1% organically, and systems gross margin improved by ~+1pt

Gross margin increased **+1.2pts** to **38.2%** in HY 2016 as positive net pricing³ and productivity offset negative FX and production labor inflation:

- Net price contributed **+0.8pt** and productivity contributed **+1.4pts**
- Negative mix of **-0.1pt** showing significant sequential improvement compared to H2 2015
- Production Labor inflation had a negative impact of **-0.3pt**
- Currency had a negative impact of **-0.7pt** mainly due to the depreciation of the U.S. dollar, Chinese yuan, and several new economies' currencies against Euro
- Scope and Others had a positive **+0.1pt** impact, mainly due to the deconsolidation of Delixi, the disposal of Telvent Transportation and some negative one-off adjustments

3. Price plus raw material impact

Support function costs decreased **-1.0%** organically, a **1pt** greater decrease than organic growth and decreased **-6.1%** on a reported basis.

HY 2016 Adjusted EBITA reached **€1,570 million**, down **-1.9%**, up **12%** organically

The key drivers contributing to the earnings change were the following:

- Volume impact was negative **-€28 million**
- Solid execution of tailored supply chain initiatives contributed **€171 million**, higher than H1 2015
- The net price impact was positive at **€99 million**, comprised of a favorable raw materials tailwind of **~€100 million** and price stability at Group level (positive outside China). The raw material tailwind is expected to be **close to zero** in the second half of the year
- Production Labor inflation was **-€37 million**
- Support function costs reduced by **€31 million** in H1. Total gross SFC reduction in H1 2016 is **c.€120m** thanks to solid execution of the Group's simplification program
- Currency fluctuation decreased the adjusted EBITA by **-€143 million**, mainly due to the depreciation of the U.S. dollar, Chinese yuan, and several new economies' currencies against the euro
- Mix was negative at **-€15 million**
- Acquisitions, net of divestments, were a negative **-€55 million** for H1 mainly driven by the deconsolidation of Delixi and the disposal of Telvent Transportation and Juno Lighting. The impact on adjusted EBITA margin was positive at c. +0.1pt, mainly due to the disposal of Telvent Transportation

By business, adjusted EBITA of **Buildings & Partner** for HY 2016 amounted to €1,025 million, or **19.8%** of revenues, up +1.9 points year-on-year thanks to strong gross margin improvement. **Industry** generated an adjusted EBITA of €424 million, or **15.9%** of revenues up +0.4 point, up c. +1.2pts before FX thanks to strong cost control. **Infrastructure** adjusted EBITA was €158 million, or **6.9%** of revenues. The underlying trend was positive at +0.7 point year-on-year, driven by system gross margin improvement and stringent cost control. The adjusted EBITA margin was up c. +2pts before FX. **IT** business reported an adjusted EBITA of €266 million, **15.7%** of revenues, down -0.4 point, up c. +0.1pt before FX. Gross margin was up, while adjusted EBITA margin was impacted by FX.

Corporate costs in H1 2016 amounted to **€303 million**, about the same level as in the previous year.

▪ **NET INCOME UP +13%**

The restructuring charges were **€132 million** in HY 2016. Restructuring Costs are expected to be **c. €300 million** in FY 2016 to drive efficiency and simplification initiatives

Other operating income and expenses had a negative impact of **-€8 million**, vs. -€75 million in HY 2015

The amortization and depreciation of intangibles linked to acquisitions was **€83 million** compared to €138 million last year, a significant decrease mainly due to the end of the depreciation of several previously acquired brands

Net financial expenses were **€246 million**, compared to €226 million in HY 2015 as the cost of net debt decreased by **€18 million**, but was offset by a loss on exchange

Income tax amounted to **€275 million** reflecting a tax rate of **25%**, an increase from last year mainly due to the ramp down of Invensys tax synergies, in line with the 2016 expected tax rate of 24% to 26%

Share of profit on associates amounted to **€13 million** including the effect of the change in consolidation of Delixi.

The Net Income was **€809 million** in HY 2016, up +13% from HY 2015

▪ **FREE CASH FLOW OF €446 million, more than double HY 2015**

Free cash flow was reported at **€446 million** for the first half, more than double the cash flow from HY 2015 thanks to strong growth of operational cash flow. This figure included net capital expenditure of **€402 million**. The trade working capital increased by **€251 million**, a lower increase than in HY 2015 thanks to better control over receivables and inventory management.

▪ **BALANCE SHEET REMAINS SOLID**

Schneider Electric's net debt at June 30, 2016 amounted to **€5,723 million**, an increase of €1,092 million compared to the beginning of the year, mainly due to dividend payments and share buybacks.

III. **SHARE BUY BACK**

Since the beginning of the year, the Group has repurchased **6,192,623** shares for a total amount of **c. €320 million** with an average price of €52. The share buyback was accelerated after Brexit. The Group has repurchased **16.8m** shares, investing **~€0.9bn** cumulatively on share buybacks since 2015 against the Group's target of **~€1.5bn**.

IV. 2016 TARGETS

In the first half, the Group delivered solid organic growth around Products & Services and a strong improvement in adjusted EBITA margin in a challenging environment. While headwinds from O&G and weakness in resource based markets remained, growth continued in the U.S. construction market and in Western Europe, China's construction market showed improvement and New Economies outside China were slightly up. Additionally, the Group's organic growth was negatively impacted by project selectivity. The impact of this selectivity is estimated at -€70 to -€80m in H1, and is expected to accelerate in H2.

In the second half the priority remains to accelerate growth in Products, Software and Services, better select and execute Systems, and continue to focus on cost and cash efficiency. The Group should also face a high base of comparison in margin, an accelerated negative impact from project selectivity, less favorable raw material tailwinds and a slowdown in the U.K. due to Brexit.

Based on this, and given the strong performance in H1, the Group now targets for full year 2016:

- Revenues: About flat underlying organic growth before project selectivity impact (currently estimated to be c. -2% in H2).
- +60bps to +90bps improvement on adjusted EBITA margin before FX. The negative FX impact on margin is estimated at -50bps to -60bps at current rates.

The financial statements of the period ending June 30, 2016 were established by the Board of Directors on July 27, 2016 and certified by the Group auditors on July 27, 2016

The Q2 2015 & HY 2016 Results presentation is available at www.schneider-electric.com

Q3 2016 Revenues will be presented on October 27, 2016

2016 Investor Day will be held in London, U.K. on October 27, 2016

About Schneider Electric: Schneider Electric is the global specialist in energy management and automation. With revenues of €27 billion in FY2015, our 160,000 employees serve customers in over 100 countries, helping them to manage their energy and process in ways that are safe, reliable, efficient and sustainable. From the simplest of switches to complex operational systems, our technology, software and services improve the way our customers manage and automate their operations. Our connected technologies will reshape industries, transform cities and enrich lives. At Schneider Electric, we call this **Life Is On**.

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Appendix – Revenues breakdown by business

Second quarter 2016 revenues by business were as follows:

€ million	Q2 2016				
	Revenues	Organic growth	Changes in scope of consolidation	Currency effect	Reported growth
Buildings & Partner	2,705	+0.9%	-7.9%	-4.7%	-11.7%
Industry	1,366	-1.2%	-0.3%	-4.9%	-6.4%
Infrastructure	1,217	-2.3%	-3.3%	-5.6%	-11.2%
IT	919	-0.9%	0.0%	-3.4%	-4.3%
Group	6,207	-0.5%	-4.3%	-4.6%	-9.4%

H1 2016 revenues by business were as follows:

€ million	HY 2016		
	Revenues	Organic growth	Reported Growth
Buildings & Partner	5,186	+1.3%	-10.0%
Industry	2,667	-1.9%	-5.9%
Infrastructure	2,300	-1.3%	-8.6%
IT	1,693	-0.2%	-2.4%
Group	11,846	-0.1%	-7.8%

Appendix – Revenues breakdown by geography

Second quarter 2016 revenues by geographical region were as follows:

€ million	Q2 2016		
	Revenues	Organic growth	Reported growth
Western Europe	1,726	+3%	0%
Asia-Pacific	1,698	-2%	-16%
North America	1,731	0%	-8%
Rest of the World	1,052	-4%	-16%
Group	6,207	-0.5%	-9.4%

H1 2016 revenues by geographical region were as follows:

€ million	HY 2016		
	Revenues	Organic growth	Reported growth
Western Europe	3,369	+2%	0%
Asia-Pacific	3,141	-2%	-15%
North America	3,328	+1%	-5%
Rest of the World	2,008	-2%	-13%
Group	11,846	-0.1%	-7.8%

Appendix – Q1 2016 restated for Delixi

First quarter restated revenues by business were as follows:

€ million	Q1 2015	Q1 2016	Organic growth	Changes in scope of consolidation	Currency effect	Reported growth
Buildings & Partner	2,701	2,481	+1.8%	-7.5%	-2.4%	-8.1%
Industry	1,371	1,301	-2.6%	-0.4%	-2.4%	-5.4%
Infrastructure	1,149	1,083	-0.1%	-2.3%	-3.0%	-5.4%
IT	775	774	+0.7%	0%	-0.8%	-0.1%
Group	5,996	5,639	+0.3%	-3.9%	-2.4%	-6.0%

First quarter restated revenues by geographical region were as follows:

€ million	Q1 2015	Q1 2016	Organic growth	Reported growth
Western Europe	1,659	1,643	+1%	-1%
Asia-Pacific	1,665	1,443	-2%	-13%
North America	1,620	1,597	+1%	-1%
Rest of the World	1,052	956	+1%	-9%
Group	5,996	5,639	+0.3%	-6.0%

Appendix – Consolidation impact on revenues and EBITA

In number of months	2015				2016			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Günsan Elektrik Buildings & Partner Business TRY100 million revenues in 2013	3m	3m	3m	3m				
Juno Lighting Buildings & Partner Business \$230 million revenues in 2014				1m	3m	3m	3m	2m
Telvent Transportation Infrastructure Business €125 million revenues in 2015						3m	3m	3m
Delixi Buildings & Partner Business €650 million revenues in 2015 €63 million adjusted EBITA in 2015					3m	3m	3m	3m

Appendix - Results breakdown by division

€ million	2015 HY	2016 HY
Revenues	12,848	11,846
Buildings & Partner	5,763	5,186
Industry	2,834	2,667
Infrastructure	2,516	2,300
IT	1,735	1,693
Adjusted EBITA	1,601	1,570
Buildings & Partner	1,031	1,025
Industry	440	424
Infrastructure	156	158
IT	279	266
Corporate	(305)	(303)

Appendix – Free Cash Flow

Analysis of debt change in €m	HY 2015	HY 2016
Net debt at opening at Dec. 31	(5,022)	(4,631)
Operating cash flow	1,134	1,306
Capital expenditure – net	(382)	(402)
Change in trade working capital	(283)	(251)
Change in non-trade working capital	(253)	(207)
Free cash flow	216	446
Dividends	(1,109)	(1,127)
Acquisitions – net	(69)	(11)
Net capital increase	(72)	(273)
FX & other	(412)	(127)
(Increase) / Decrease in net debt	(1,446)	(1,092)
Net debt at Jun. 30	(6,468)	(5,723)