Financial Information

Life Is On | Schneider Electric

Continued good performance in Q3, with +2.7% organic growth. Low Voltage, Secure Power and Industrial Automation up c. +5%[1]

- ***Strong dynamism of Low Voltage & Industrial Automation across all regions***
- ***Group performance led by double digit organic growth in China & acceleration in Western Europe, up +3%***
- ***Strategic priorities delivering in Q3: Product revenues up +5% org.; Industrial Software up c. +3% org.; Service orders up high single-digit org.; EcoStruxure global deployment advancing well***
- ***FY 2017 Targets upgraded for second time this year***

Rueil Malmaison (France), October 26, 2017 - Schneider Electric reported third quarter revenues of **€5,904** million, up **+2.7%** organically with continued double-digit growth in China and acceleration in Western Europe and Rest of the World. Adjusting for -0.6pt of working day, Q3 underlying performance shows a further acceleration vs. H1 with revenues up c.+3.3% organic and Low Voltage and Industrial Automation growing underlying at c.+5% and c.+7.5% respectively. Group's Revenues outside Medium Voltage were up organically close to +5%[1] for Q3 and +4.4%[1] year-to-date.

The breakdown of revenue by business segment was as follows:

€ million		Q3 2017		
		Revenues	**Organic Growth**	**Reported Growth**
Energy Management	Low Voltage *(Building)*	2,632	+4.3%	+0.6%
	Medium Voltage *(Infrastructure)*	1,002	-4.4%	-13.7%
	Secure Power *(IT)*	875	+0.3%	-3.2%
Industrial Automation	Industrial Automation *(Industry)*	1,395	+6.9%	+4.6%
Group		**5,904**	**+2.7%**	**-1.9%**

Jean-Pascal Tricoire, Chairman and CEO, commented: *"We deliver another quarter of sustained growth and continue executing our strategy. We grow our product sales, our services and software, all showing good dynamics in Q3. We continue to invest in the development of our EcoStruxure offers. Through the new AVEVA, we create an unmatched end-to-end portfolio covering the full digital asset lifecycle from design to operation for Process & Hybrid customers. Following the good momentum in Q3, we upgrade our full year objectives for the second time this year."*

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1. Organic growth adjusted for negative working day impact of c. -0.6pt in Q3 and -0.3pt year-to-date

Investor Relations
Schneider Electric
Amit Bhalla
Tel: +44 20 7592 8216
www.schneider-electric.com
ISIN : FR0000121972

Press Contact :
Schneider Electric
Véronique Roquet-Montégon
Tel : +33 (0)1 41 29 70 76
Fax : +33 (0)1 41 29 88 14

Press Contact :
DGM
Michel Calzaroni
Olivier Labesse
Phone : +33 (0)1 40 70 11 89
Fax : +33 (0)1 40 70 90 46

I. ORGANIC GROWTH ANALYSIS BY BUSINESS

GOOD DYNAMIC IN ENERGY MANAGEMENT

Low Voltage (Building, 44% of Q3 revenues) was up **+4.3%** organically in Q3, (c.+5.5% including Delixi), with growth across all regions. The Group's strategy to grow Final Distribution & Wiring Devices continued to achieve unbroken quarterly growth for the past 4 years, with solid mid-single-digit growth in Q3. The Group's offers for Commercial & Industrial Buildings markets showed good growth in most geographies. North America grew on favorable construction markets, with both Canada and the U.S. benefitting from the roll out of new products for the residential market and good performance in targeted segments, notably data centers. Western Europe grew in all major countries, while Asia Pacific growth was up across many countries, though driven mainly by China. Rest of the World posted strong growth, supported by growth in CIS and the Middle-East, amplified by a rebound in Turkey from a low base.

Medium Voltage (Infrastructure, 17% of Q3 revenues) was down **–4.4%** organically in Q3 and up **c.+1%** excluding selectivity, which impacted revenues by c. -€55m in Q3. North America declined due to a lower backlog from previous quarters impacted by low resource driven investment and selectivity. The Group saw some improvement in the market and good growth in orders in some targeted segments such as datacenter. Western Europe declined in line with selectivity initiatives. The business saw growth in new economies outside of the Middle-East, where the environment remains difficult. China, Africa and CIS were up strongly. The Group continued to see strong growth in grid automation.

For the part of the portfolio consisting mainly of projects and equipment and focused on the utilities segment, as announced, the Group has started the project of implementing a specialized organization designed to enable greater agility, autonomy and focus, with the intent to generate increased efficiency for the business and the Group.

Secure Power (IT, 15% of Q3 revenues) was up **+0.3%** organically (c. +1% working day adjusted) in Q3. The business grew in distributed IT and was up mid-single digit in services. The Group also benefitted from the successful implementation of its strategy to diversify into non-IT end markets yielding a good momentum in industrial applications in Q3. The datacenter end-market, led by the Secure Power channel, continues to be a driver for growth for the Group with LV and MV orders by Cloud and Services providers up double-digit. In Q3, the business grew in all regions outside North America with strong growth in new economies (up mid-single digit), notably with datacenter wins in Asia Pacific (including India & China) and Africa. Western Europe was up with growth in Germany, the Nordics and the U.K. In the U.S., Secure Power was down. Distributed IT showed growth while in the datacenter segment, investments in Q3 favored extra-large datacenters with more Low Voltage ("LV") and Medium Voltage ("MV") offers than Secure Power.

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INDUSTRIAL AUTOMATION GREW STRONGLY IN Q3

Industrial Automation (Industry, 24% of Q3 revenues) was up **+6.9%** organically in Q3, with growth in all four regions supported by continued growth in OEM offers (up high-single digit) and an improvement in process automation (up mid-single digit). North America was up as the U.S. continued to see good OEM demand and some increase in Oil & Gas demand. Western Europe grew across the region. China performed strongly on continued growth in OEM demand while the Group continued to execute its strategy of diversifying its exposure to growing customer segments. Rest of the World was up thanks mainly to growth in the Middle East. EcoStruxure offers continued to see good development and Software revenues were up c.+3%.

Products were up **+5%** organically in Q3. Solutions were down **-1%** organically in Q3 due to selectivity. Within Solutions, Services were up **+1%,** with orders up **high single-digit.** The Solutions business represented **40%** of revenues in Q3.

II. ORGANIC GROWTH ANALYSIS BY GEOGRAPHY

€ million	**Q3 2017**		
	Revenues	**Organic Growth**	**Reported Growth**
Western Europe	1,582	+3%	+1%
Asia-Pacific	1,695	+5%	+1%
North America	1,588	-1%	-8%
Rest of World	1,039	+4%	-1%
Group	**5,904**	**+2.7%**	**-1.9%**

Western Europe (27% of Q3 revenues) was up **+3%**, with good performance seen across the region, despite a negative working day impact. The residential and commercial construction markets remain favorable, while OEM demand continued to grow. France grew in favorable end markets. The country saw good growth in wiring devices and final distribution, supported by new product launches. Germany, the U.K., Italy and Spain were up while Nordics were down due to selectivity.

Asia-Pacific (29% of Q3 revenues) grew **+5%**. China posted a double-digit growth with good development in all businesses. Industrial Automation continued to benefit from the Group's strategy of diversification in a positive market. Construction markets showed some slowdown but performance remained solid, supported by commercial actions. Australia posted growth thanks to project execution across process and hybrid industrial segments, in stabilizing commodity-related markets. South East Asia posted slight growth driven by Indonesia and Vietnam, while India performance was impacted by GST implementation and selectivity in medium voltage projects, in overall good markets.

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Tel : +33 (0)1 41 29 70 76
Fax : +33 (0)1 41 29 88 14

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North America (27% of Q3 revenues) was down **-1%**. The U.S. grew in LV and Industrial Automation, with LV seeing continued success from recent launches in residential markets and Industrial Automation benefitting from positive OEM markets. MV revenues continued to be impacted by weak capital expenditure from last year and Secure Power was down. The Group continued to benefit from its focus on datacenters with good orders from LV and MV in this segment. Overall the Group expects the momentum in the U.S. to improve in Q4. Canada was slightly up as growth in construction markets and IT projects offset weakness in resource related investment. Mexico was down, impacted by project delays caused by September's earthquakes.

Rest of the World (17% of Q3 revenues) was up **+4%** organically, driven by growth in CIS, Africa and Eastern Europe. CIS benefited from growth in Russia, especially in Low voltage and from project execution in the rest of the region. Africa and Eastern Europe saw growth in all businesses. Additionally, the Middle-East was up following a return to normal trading conditions in Turkey compared to last year and project execution in the region while Saudi Arabia remained difficult. South America was down in a difficult market across most of the region. However, Brazil continued to show signs of stabilization.

Organic revenues growth in new economies was up **+5%** and new economies represented **43%** of total third quarter 2017 revenues.

III. CONSOLIDATION[2] AND FOREIGN EXCHANGE IMPACTS

Net acquisitions had an impact of **-€59 million** or **-1.0%** on the revenues. This is mainly due to the disposal in June of DTN (previously consolidated under the Medium Voltage business), and some minor acquisitions and disposals in other businesses.

The impact of foreign exchange fluctuations was negative at **-€206 million** or **-3.6%**, primarily due to the depreciation of the U.S. dollar, the Chinese Yuan and several new economies' currencies against the euro.

Based on current rates, the FX impact on FY 2017 revenues is estimated to be around **-€300m**.

IV. UPDATE ON RECENT TRANSACTIONS

In September, the Group proposed to combine its Industrial Software business with AVEVA PLC. This proposal was approved in the AVEVA General Meeting on 29 September, 2017 with 99.9% voting in favor of the combination, and is expected to close around the end of 2017. The company will be fully consolidated under the Group's Industrial Automation division. This transaction creates a global leader with an unmatched end-to-end portfolio covering the full digital asset lifecycle from design to operation for Process & Hybrid customers.

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

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V. GOVERNANCE

In pursuance of the amendment of the articles of association approved by the shareholders at the General Meeting held on April 25, 2017, Schneider Electric's board of directors has welcomed a new member, Mr. Patrick Montier, from September 8th. Mr. Montier, 61, joins the Board as director representing the employees. In charge of partnerships with technical colleges, he has spent nearly 40 years in the Group and has been involved in training functions since 1999. Schneider Electric's board of directors now comprises 13 directors and one non-voting member.

VI. 2017 TARGETS

Following its Q3 results, for the second time this year, Schneider Electric upgrades its 2017 objectives:

- The Group targets for 2017, organic revenue growth around 4% outside Infrastructure (vs. 1% to 3% initially). For Medium Voltage (Infrastructure), the priority remains margin improvement. Before selectivity[3], the Group expects the performance for Medium Voltage to be a low single-digit organic growth.

- For 2017, the Group now targets +50 to +70 bps organic adjusted EBITA margin improvement (vs.+20 to +50bps initially targeted for the year). Following the recent evolution of currencies, the FX impact is now expected to be -20 to -30bps on the Adjusted EBITA margin for the year. Additionally, the scope effect including the solar deconsolidation, DTN disposal and some other minor acquisitions / disposals is expected to be +20bps compared to 2016 reported adjusted EBITA margin (14.1%).

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The Q3 2017 revenues presentation is available at www.schneider-electric.com

Schneider Electric will host a Digital Day for Investors on December 12, 2017 in Rueil Malmaison, France

2017 Full Year Results will be presented on February 15, 2018

3 Selectivity for the division is expected to end in 2017 with an expected impact of c. -4% on revenue for the year

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Disclaimer: All forward-looking statements are Schneider Electric management's present expectations of future events and are subject to a number of factors and uncertainties that could cause actual results to differ materially from those described in the forward-looking statements. For a detailed description of these factors and uncertainties, please refer to the section "Risk Factors" in our Annual Registration Document (which is available on www.schneider-electric.com). Schneider Electric undertakes no obligation to publicly update or revise any of these forward-looking statements.

About Schneider Electric: Schneider Electric is leading the Digital Transformation of Energy Management and Automation in Homes, Buildings, Data Centers, Infrastructure and Industries. With global presence in over 100 countries, Schneider is the undisputable leader in Power Management – Medium Voltage, Low Voltage and Secure Power, and in Automation Systems. We provide integrated efficiency solutions, combining energy, automation and software. In our global Ecosystem, we collaborate with the largest Partner, Integrator and Developer Community on our Open Platform to deliver real-time control and operational efficiency. We believe that great people and partners make Schneider a great company and that our commitment to Innovation, Diversity and Sustainability ensures that **Life Is On** everywhere, for everyone and at every moment.

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Appendix – Consolidation impact on revenues and EBITA

In number of months	2017				2018			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Telvent Transportation Infrastructure Business €125 million revenues in 2015	3m							
DTN Infrastructure Business $213 million revenues in 2016		1m	3m	3m	3m	2m		

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Appendix – Revenues breakdown with Q3 2016 restated[4]

€ million		Q3 2016 (restated)	Q3 2017	Organic Growth	Δ Scope of Consol.	Currency Effect	Reported Growth
Energy Management	Low Voltage *(Building)*	2,617	2,632	+4.3%	0.0%	-3.7%	+0.6%
	Medium Voltage *(Infrastructure)*	1,161	1,002	-4.4%	-6.9%	-2.4%	-13.7%
	Secure Power *(IT)*	904	875	+0.3%	0.0%	-3.5%	-3.2%
Industrial Automation	Industrial Automation *(Industry)*	1,333	1,395	+6.9%	+1.5%	-3.8%	+4.6%
Group		**6,015**	**5,904**	**+2.7%**	**-1.0%**	**-3.6%**	**-1.9%**

Appendix – Revenues breakdown with Year-to-date 2016 restated[4]

€ million		9m 2016 (restated)	9m 2017	Organic Growth	Δ Scope of Consol.	Currency Effect	Reported Growth
Energy Management	Low Voltage *(Building)*	7,699	7,973	+4.1%	0.0%	-0.5%	+3.6%
	Medium Voltage *(Infrastructure)*	3,453	3,158	-3.9%	-4.9%	+0.3%	-8.5%
	Secure Power *(IT)*	2,597	2,644	+1.5%	0.0%	+0.3%	+1.8%
Industrial Automation	Industrial Automation *(Industry)*	4,008	4,302	+6.1%	+1.6%	-0.4%	+7.3%
Group		**17,757**	**18,077**	**+2.7%**	**-0.6%**	**-0.3%**	**+1.8%**

4. *Restated for Solar Activity*

Investor Relations
Schneider Electric
Amit Bhalla
Tel: +44 20 7592 8216
www.schneider-electric.com
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Press Contact :
Schneider Electric
Véronique Roquet-Montégon
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DGM
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Olivier Labesse
Phone : +33 (0)1 40 70 11 89
Fax : +33 (0)1 40 70 90 46