Life Is On | Schneider Electric

Good growth in Q3 2019, Revenue up +4.2% despite macro uncertainty

- ***Q3 2019 Group revenue +3.1% organic with all regions growing***
  - ***Energy Management up +3.9% org.; U.S. +10% org., China +6% org. and W. Europe +4% org.***
  - ***Industrial Automation up +0.4% org.; Discrete automation slowdown continued, Process automation growing strongly***
- ***Strategic priorities delivering***
  - ***Services up high-single digit***
  - ***Software up double-digit***
  - ***EcoStruxure (layers 2 & 3) growing above Group average***
- ***Portfolio optimization program progressing, €0.4bn of revenues addressed so far out of the €1.5bn to €2bn by 2021***
- ***Full year target reaffirmed***

Rueil-Malmaison (France), October 24, 2019 - Schneider Electric announced today its third quarter revenues for the period ending September 30, 2019.

Jean-Pascal Tricoire, Chairman and CEO, commented: *"We confirm good growth in the quarter amidst an uncertain macroeconomic environment and a high base of comparison. As expected, Energy Management continues to grow strongly. In Industrial Automation, Discrete end markets remain challenging while the outlook for Process markets remain positively orientated. While both the geopolitical backdrop and market environment remain volatile, the Group continues to execute on its strategic priorities of more products, more services, more software and better systems across our two synergetic businesses. We confirm our full year 2019 objective and reiterate our ambition to expand the operating margin by c.200bps at constant FX by 2021."*

I. THIRD QUARTER REVENUES WERE UP +3.1% ORGANICALLY

2019 Q3 revenues were **€6,646 million**, up **+3.1%** organically and up +4.2**%** on a reported basis.

Products grew low-single digit organic in Q3 (+3% YTD) benefiting from offers for Residential & Small buildings, as well as offers for Commercial & Industrial Buildings (CIB), leveraging the Group's multi-local approach and unrivalled partner network. Offers for discrete industrial markets continued to decline as expected.

Systems (projects and equipment) grew low-single digit organic in Q3 (+6% YTD) from a challenging base of comparison. Energy Management systems saw solid growth across end markets. Process Automation systems also contributed to growth though systems sold to discrete end markets continued to weigh on performance. The Group continues to focus on ensuring profitable growth in systems.

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

Press Contact :
Schneider Electric
Véronique Luneau (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

Services growth was high-single digit organic in Q3 (+8% YTD) as the Group continues to implement its strategy to service its installed base across electro-intensive customers and critical infrastructure. Energy and Sustainability Services (ESS) contributed strongly to Q3 growth through project execution across segments.

Digital update

- **Software** grew **double-digit** organic including AVEVA (Q3 and YTD).
- The Group continues to make good progress in the growth of assets under management (AUM), reaching 2.6 million, up **+45%** year-on-year by the end of September 2019. In Q3, the layers 2 & 3 of **EcoStruxure** (Edge Control, Apps, Analytics & Digital Services) continued to grow **above Group average.**

The breakdown of revenue by business and geography was as follows:

€ million		Q3 2019		
		Revenues	**Organic Growth**	**Reported Growth**
Energy Management	North America	1,634	6.7%	9.6%
	Western Europe	1,236	3.9%	3.5%
	Asia Pacific	1,431	1.9%	4.1%
	Rest of the World	805	2.2%	2.4%
	Total Energy Management	**5,106**	**3.9%**	**5.4%**
Industrial Automation	North America	320	-1.7%	-4.0%
	Western Europe	447	-5.1%	-5.9%
	Asia Pacific	509	1.8%	3.8%
	Rest of the World	264	11.2%	13.1%
	Total Industrial Automation	**1,540**	**0.4%**	**0.5%**
Group	North America	1,954	5.2%	7.1%
	Western Europe	1,683	1.4%	0.8%
	Asia Pacific	1,940	1.9%	4.0%
	Rest of the World	1,069	4.3%	4.8%
	Total Group	**6,646**	**3.1%**	**4.2%**

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

Press Contact :
Schneider Electric
Véronique Luneau (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

€ million		9m YTD 2019		
		Revenues	**Organic Growth**	**Reported Growth**
Energy Management	North America	4,859	10.0%	15.5%
	Western Europe	3,743	3.3%	3.2%
	Asia Pacific	4,248	5.5%	7.1%
	Rest of the World	2,328	3.2%	1.4%
	Total Energy Management	**15,178**	**5.9%**	**7.7%**
Industrial Automation	North America	962	-3.6%[1]	-3.0%
	Western Europe	1,434	-0.7%	0.6%
	Asia Pacific	1,524	1.5%	4.0%
	Rest of the World	750	6.1%	5.1%
	Total Industrial Automation	**4,670**	**0.4%[2]**	**1.6%**
Group	North America	5,821	7.5%	12.0%
	Western Europe	5,177	2.2%	2.4%
	Asia Pacific	5,772	4.4%	6.3%
	Rest of the World	3,078	3.9%	2.3%
	Total Group	**19,848**	**4.6%**	**6.2%**

GOOD PERFORMANCE IN ENERGY MANAGEMENT IN Q3 UP +4% ORG.

The Group continues its good performance in Energy Management and grew across regions on a high base of comparison (Q3'18 +7.4% org.).

- Residential and Small building offers sustained mid-single digit growth, leveraging new innovations coupled with the Group's unparalleled network of partners
- Offers for Commercial & Industrial Buildings continued to contribute positively
- Data Centers continued to be an area of strong growth across Energy Management technologies
- Energy Management performance was negatively impacted by slowing discrete industrial markets where the Group cross-sells with Industrial Automation
- Services showed strong growth over the quarter
- The Group's non-consolidated subsidiary Delixi continued to show good growth

[1] Adjusting for the U.S. panel impact in Q1, YTD 2019 organic revenue growth for Industrial Automation North America was c. -2%
[2] Adjusting for the U.S. panel impact in Q1, YTD 2019 organic revenue growth for Industrial Automation was c. +1%

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

Press Contact :
Schneider Electric
Véronique Luneau (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

Trends for Energy Management, by geography:

North America (32% of Q3 revenues) was up +6.7% organic for the quarter, slowing sequentially from Q2 as expected, but continuing to deliver healthy revenue growth. The Buildings end-market (residential and CIB) saw strong and sustained demand for the Group's offers. In the residential market, growth was enhanced by "dual-function" circuit breakers which continue to grow strongly as the associated regulation is rolled out across the USA. Within the Data Center end-market, the Group continued to see good demand for its solutions, leveraging the complete portfolio of technology offers, for both hyperscale and smaller installations. Industrial end-markets were soft, with demand for Energy Management technology lower due to delayed investment decisions at the end-user. Services were up high-single digit in the quarter including field services and ESS. The USA continued to perform strongly, up +10% across Energy Management, including a strong performance from ASCO. The sharp slowdown in Mexico continued amidst the uncertain trade environment. Canada was slightly down.

Western Europe (24% of Q3 revenues) posted good growth of +3.9% in Q3, driven by strong growth in France and Germany. France grew strongly with positive results across end-markets and benefited from some project execution. Offers for residential markets grew well, while the pipeline of projects for CIB, data center and infrastructure remained positive. Germany benefited from project execution on a low base of comparison in CIB and with electro-intensive customers. Italy delivered strong growth across offers, while Nordics posted flattish growth, with residential markets slowing down. UK was down as expected despite good trends in residential offers, while some projects were delayed given the continued Brexit uncertainty. Spain posted good growth.

Asia-Pacific (28% of Q3 revenues) posted growth at +1.9% organic. China delivered a strong performance with construction markets remaining positive and good investment in infrastructure leading demand for MV/LV products. Hong Kong declined mid-single digit. India was flat on account of the high base of comparison (>20% Q3'18) and some project phasing in the quarter, while the underlying demand remains good. Australia also declined on a high project base while the residential market slowed down. South East Asia decreased as short cycle demand was impacted by macroeconomic uncertainties.

Rest of the World (16% of Q3 revenues): showed solid performance through the third quarter, growing +2.2% organic, however contrasted between countries as expected. South America grew strongly, including strong demand for MV/LV offers in Brazil & Argentina. Central and Eastern Europe grew strongly across all technologies. Africa was slightly up. Middle East was down high-single digit, with Gulf countries impacted by delays in execution of projects and a difficult environment for credit. The situation around lower demand from Utilities in Saudi Arabia continued in Q3. CIS was also down.

INDUSTRIAL AUTOMATION +0.4% ORG. GROWTH IN Q3 WITH FURTHER SLOWDOWN IN DISCRETE MARKETS WHILE PROCESS AND HYBRID MARKETS DELIVERED STRONG GROWTH

The Group delivered +0.4% organic growth in Industrial Automation in Q3 despite continued weakness of discrete end markets. The business benefited from its balanced portfolio, with demand from process and hybrid end-markets fully offsetting the decline in discrete end-markets.

Sales to the discrete and OEM end market were down mid-single digit with a slowdown across most regions, including the U.S. and China, while pockets of growth remained in several geographies including Germany, Russia and South America. The Group expects that demand will remain subdued in the coming quarters.

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

Press Contact :
Schneider Electric
Véronique Luneau (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

The Group's revenue from process and hybrid end markets grew strongly in Q3, as expected. Orders continued to grow in Q3 in targeted segments, such as Oil & Gas (O&G), Metals Mining & Minerals (MMM) and Water & Waste Water (WWW). Software revenues grew double-digit in the quarter.

The Group continues to progress the joint go-to-market strategy with AVEVA.

Trends for Industrial Automation, by geography:

North America (21% of Q3 revenues) was down -1.7% organic for the quarter, after a -5% decline in Q2. As expected, the softness in discrete end-markets continued into Q3, while the Group's offers for Process and Hybrid end-markets grew in the quarter. Q3 performance was impacted by a high base of comparison (up +6% in Q3'18) and given the continuing drag effect from Mexico as seen in Q2 from ongoing trade uncertainty. Project execution delivered strong growth in Canada while the rest of the region was down. The Group saw good demand in targeted electro-intensive segments including WWW and MMM.

Western Europe (29% of Q3 revenues) was down -5.1% over Q3, driven by a general slowdown of discrete activities. The UK was down driven by Brexit uncertainties and a high base of comparison in Process Automation. In a positive industrial environment, France was down due to project phasing and some destocking at distributors. Germany was stable in a difficult industrial environment. Italy was flat, impacted by the slowdown in the export OEM markets. The orders trend was positive in segments such as O&G, F&B, Life Sciences and Transportation.

Asia-Pacific (33% of Q3 revenues) was up +1.8% organic in the quarter. China declined modestly on account of discrete end markets impacted by the U.S./China trade dispute. Good growth continues in many other countries, especially Australia, driven by Process end-markets and good contribution from software projects. Japan was down as growth in process industries could not compensate for short-cycle decline, while India was flat. The rest of the region recorded good growth, with project delivery for process industries balancing the decrease in OEM markets.

Rest of the World (17% of Q3 revenues): Industrial Automation grew strongly, up +11.2% organically, driven by strong growth in South America and Middle East, with only Africa showing a small decline. Within the region, process & hybrid automation offers grew strongly while there was a continued good demand for discrete automation offers. South America posted strong growth across the full-line of automation offers in Argentina and Brazil. CIS saw good demand driven by Industrial markets in Russia. The Middle East saw stronger growth in the offer to process and hybrid end markets.

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

Press Contact :
Schneider Electric
Véronique Luneau (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

CONSOLIDATION[3] AND FOREIGN EXCHANGE IMPACTS IN Q3

Net acquisition / disposals had an impact of **-€71 million** or **-1.1%**. This includes the disposal of Pelco (Energy Management) and the U.S. Panels business (Industrial Automation) which were both announced during H1 2019, along with some minor acquisitions / disposals.

The impact of foreign exchange fluctuations was positive at +**€140 million** or **+2.2%**, primarily due to the strengthening of the U.S. Dollar against the Euro.

Based on current rates, the FX impact on FY 2019 revenues is estimated to be around **+€400 million**. The FX impact at current rates on adjusted EBITA margin could be at the higher end of the **-10bps to -20bps** range.

II. SCHNEIDER SUSTAINABILITY IMPACT

The Schneider Sustainability Impact 2018-2020 is the Group's transformation plan and steering tool measuring progress towards its ambitious sustainability commitments. Details can be found at:

https://www.schneider-electric.com/en/about-us/sustainability/sustainable-performance/barometer.jsp

In Q3, the Schneider Sustainability Impact posted an excellent result of **7.08** out of 10 (vs. a 2019 target of 7.0/10), as the Group continues to execute its three-year sustainability plan.

III. PORTFOLIO UPDATES

- The Group continues to make progress in relation to the €1.5bn to €2bn portfolio program announced in February 2019 with further progress anticipated in the coming months. To-date, €0.4bn of revenues have been addressed.

- On October 21st 2019, Schneider Electric agreed to establish a JV with the Russian Direct Investment Fund (RDIF) who would have joint control, to further strengthen the long-term outlook for the Group's Electroshield Samara business which is currently fully consolidated and represented c. €150 million of annual revenues in 2018. The closing of the transaction is anticipated in Q4 2019 and the revised structure would lead to a deconsolidation of these revenues.

- The Larsen & Toubro (L&T) Electrical & Automation (E&A) transaction continues to progress having received necessary regulatory approvals in India and is expected to close in Q1 2020.

[3] Changes in scope of consolidation also include some minor reclassifications of offers among different businesses.

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

Press Contact :
Schneider Electric
Véronique Luneau (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

IV. SHARE BUYBACK

The Group has repurchased 1.4 million shares for a total amount of c. €100 million in the third quarter. Over 2019, the Group has bought back c. €180 million, at an average price of €72 per share, of the about €1.5bn to €2bn buyback to be completed over 2019-2021.

As at 30 September 2019 the total number of shares outstanding was 551,887,017 (the total number of shares in issue was 582,021,137).

V. 2019 FISCAL YEAR DIVIDEND CALENDAR

Dividend ex-date:	May 5, 2020
Date of approval of the positions:	May 6, 2020
Dividend payment dates:	May 7, 2020

VI. 2019 TARGET REAFFIRMED

In its main markets, the Group currently expects the following trends in Q4 2019:

- In North America, the Group anticipates moderate growth due to the high base of comparison in Energy Management and the continuing weakness in discrete automation. The strong decline in recent quarters in Mexico is expected to continue into Q4
- China continues to face a slowing OEM demand but remains a growth market in aggregate with dynamism in many end markets including construction, infrastructure and parts of industry; though construction end markets could soften
- The Group expects Western Europe to grow at a moderate pace
- The Group expects several new economies to perform well, including in South America and India, whereas some regions including Russia and the Gulf remain challenged

The Group reaffirms its target for 2019. The Group targets 2019 Adj. EBITA growth between +6% and +8% organic. This would be achieved through a combination of organic revenue growth and margin improvement, expected to be:

- Organic sales growth for 2019 to reach +4% to +5%.

- Adjusted EBITA margin to improve organically in the upper half of the +20 bps to +50 bps range.

Further notes on 2019 available in appendix

****

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

Press Contact :
Schneider Electric
Véronique Luneau (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

The 2019 Q3 revenues presentation is available at www.schneider-electric.com

The 2019 Full Year Results will be presented on February 20, 2020.

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: At Schneider, we believe access to energy and digital is a basic human right. We empower all to do more with less, ensuring Life Is On everywhere, for everyone, at every moment. We provide energy and automation digital solutions for efficiency and sustainability. We combine world-leading energy technologies, real-time automation, software and services into integrated solutions for Homes, Buildings, Data Centers, Infrastructure and Industries. We are committed to unleash the infinite possibilities of an open, global, innovative community that is passionate with our Meaningful Purpose, Inclusive and Empowered values.

www.se.com

Follow us on:

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

Press Contact :
Schneider Electric
Véronique Luneau (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

Appendix – Further notes on 2019

- Based on current rates, the FX impact on FY 2019 revenues is estimated to be around +€400 million. The FX impact at current rates on adjusted EBITA margin could be at the higher end of the -10bps to -20bps range.
- Tax rate: The ETR is expected to be in a 22-24% range in 2019.
- Restructuring: For the full year 2019, the Group expects restructuring charges to be in the range €200 million to €250 million, in line with announcements in the recent Capital Markets Day.
- Industrial Productivity: While the increased level of inflation and tariffs will weigh on productivity in 2019, the Group continues to expect a strong level of gross industrial productivity.

Appendix – Revenues breakdown by business

Third quarter 2019 revenues by business were as follows:

€ million	Q3 2019				
	Revenues	**Organic growth**	**Changes in scope of consolidation**	**Currency effect**	**Reported growth**
Energy Management	5,106	3.9%	-0.9%	2.4%	5.4%
Industrial Automation	1,540	0.4%	-1.8%	1.9%	0.5%
Group	**6,646**	**3.1%**	**-1.1%**	**2.2%**	**4.2%**

9m YTD 2019 revenues by business were as follows:

€ million	9m YTD 2019				
	Revenues	**Organic growth**	**Changes in scope of consolidation**	**Currency effect**	**Reported growth**
Energy Management	15,178	5.9%	-0.5%	2.3%	7.7%
Industrial Automation	4,670	0.4%	-0.2%	1.4%	1.6%
Group	**19,848**	**4.6%**	**-0.5%**	**2.1%**	**6.2%**

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

Press Contact :
Schneider Electric
Véronique Luneau (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

Appendix – Consolidation

In number of months	2018				2019			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
AVEVA Industrial Automation Business £216 million revenues in FY2017 (ending March 2017)	1m	3m	3m	3m	2m			
IGE-XAO Energy Management Business €29 million revenues in FY2017 (ending July 2017)	2m	3m	3m	3m	1m			
Pelco Energy Management Business €169 million revenues in FY2018 (ending December 2018)	3m	3m	3m	3m	3m	1m		
U.S. Panel offer Industrial Automation Business €80 million of annualized revenues	3m	3m	3m	3m	3m			

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

Press Contact :
Schneider Electric
Véronique Luneau (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