Accelerating growth & profit in H1: Revenue up +4% reported, Adj. EBITA +8%, Net Income +18%, FCF +15%

- ***H1 revenue of €12.2bn, +2.7% organic, +4.1% outside Infrastructure***
- ***H1 adj. EBITA margin up 60bps[1] org., to 14.1%***
- ***H1 Net income up +18%, Free Cash Flow up +15%***
- ***Good progress on strategic roadmap with Products up +4%, Services & Software orders up c. +4%. EcoStruxure progressing well***
- ***Infrastructure Rebound on track, adj. EBITA margin +1.5pt in H1; Moving to next phase[2]***
- ***Upgraded FY targets***

Rueil-Malmaison (France), July 27, - Schneider Electric announced today its second quarter revenues and half year results for the period ending June 30, 2017.

Key figures (€ million)	2016 HY restated[1]	2017 HY	Reported Change	Organic Change
Revenues	**11,742**	**12,173**	**+3.7%**	**+2.7%**
Adjusted EBITA	**1,587**	**1,718**	**+8.3%**	**+7%**
% of revenues	***13.5%***	***14.1%***	***+60 bps***	***+60 bps***
Net Income (Group share)	**809**	**958**	**+18%**	
Free Cash Flow	**436**	**501**	**+15%**	

Jean-Pascal Tricoire, Chairman and CEO, commented: *"In the first half of this year, we deliver a solid organic growth of +4.1% in Building, Industry and IT and a total organic growth for the Group of +2.7%. In line with our plan, we continue to grow our profitability, achieving +60bps improvement in our adjusted EBITA margin. We also deliver strong cash generation with Free Cash Flow up +15%. In H1, we continue to maximize the synergies between our technologies through our integrated sales & delivery model, providing added value for our customers. We continue to grow our products, services & software and improve margin on systems. Infrastructure Rebound is on track, achieving double-digit margin in the last 12 months with an H1 margin improvement of +1.5pt. We project the next phase of the Rebound, with the aim to improve the performance of Infrastructure to the next level. Our Digital EcoStruxure platform is accelerating and we continue to scale up in our 6 domains. Following this strong H1 performance, we raise our objectives for 2017."*

1.Compared to 2016 restated for Solar
2 See page 7 for Infrastructure Rebound Plan update

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I. SECOND QUARTER REVENUES WERE UP +2.2% ORGANICALLY

2017 Q2 revenues were **€6,333 million**, up **+2.2%** organically and **+2.9%** on a reported basis. Excluding c.-€60m from project selectivity and ~-1.5pt working day impact in the quarter, organic underlying growth stood at **c. +4.7%.**

Organic growth by business

€ million	H1 2017		Q2 2017	
	Revenues	**Organic growth**	**Revenues**	**Organic growth**
Building	5,341	+4.0%	2,785	+4.2%
Industry	2,907	+5.7%	1,491	+6.0%
Infrastructure	2,156	-3.7%	1,120	-4.9%
IT	1,769	+2.1%	937	-0.1%
Group	**12,173**	**+2.7%**	**6,333**	**+2.2%**

Building (Low Voltage, 43% of Q2 revenues) was up **+4.2%**[3] organically and showed solid growth across all four regions. The Group's strategic initiatives delivered good results: Final Distribution & Wiring Devices was up c. +5% thanks to initiatives leveraging its partner network, and EcoStruxure Building showed encouraging results. North America saw solid growth in Final Distribution & Wiring Devices. Additionally, the U.S. benefitted from good traction in datacenter and healthcare segments, as well as the execution of projects in energy performance contracting. Despite a negative working day impact, Western Europe grew in favorable end-markets. Asia-Pacific performance benefitted from good momentum in China where construction remained positive and diversification to targeted segments delivered results, while Australia remained negative though sequentially improving. Rest of the world was positive, with particularly good results in CIS, thanks to the medium offer strategy, and Africa. South America was down while the Middle East was slightly up.

IT (Secure Power, 15% of Q2 revenues) was about flat in Q2 organically. The Group continued to see good trends in datacenters, particularly in 3-phase and in medium and low voltage. The U.S. saw growth in 3-phase UPS, but the performance was impacted by lower sales in IT channels, although orders grew slightly, and racks. Western Europe was slightly up with growth in datacenters in France, Germany, and the U.K., notably in the 3-phase UPS offer. Asia-Pacific was up benefiting from strong growth in India, where the Luminous business performed well, and from growth in China, where the focus on the datacenter segment is yielding results. Japan performance was impacted by distributor destocking. Rest of the World was stable with growth in CIS but a decline in the Middle-East. Services continued to grow strongly.

3 The organic growth of Building including Delixi, which is deconsolidated since 2016, would have been c. +5% in Q2

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Industry (Industrial Automation, 24% of Q2 revenues) was up **+6.0%** organically, with growth in all four regions. The Group saw continued success in its expansion into growing segments and benefitted from good growth in products sold through distributors as well as good momentum in its EcoStruxure offers. Process Automation returned to growth with increasing opportunities in brownfield operations. In this positive market, the Group has seen a tight market in the procurement of some electronic components which has tempered even further growth. China performed strongly with high demand from OEM and targeted segments. North America was up strongly. Western Europe was up with growth in German and U.K. OEM markets offsetting weakness in France. Software was about flat, still impacted by the weaker resources market of last year, though orders grew in the quarter.

Infrastructure (Medium Voltage, 18% of Q2 revenues) was down **-4.9%** organically, flat excluding selectivity initiatives which impacted revenues by c. -€60m in Q2. The Group continues to progress on the Infrastructure Rebound program focusing on growing transactional, services and EcoStruxure Grid, while turning around its lower margin businesses. An additional update on the Infrastructure Rebound program is provided on p.7. During the quarter, transactional sales grew in the U.S. and China, and the business saw good traction with service orders. Selectivity initiatives will be completed by Q4 2017, to reposition the business for continued margin improvement.

In Q2 the product business represented 59% of revenues and was up **+3%** organically. Services grew **+2%.**

Organic growth by geography

€ million	H1 2017		Q2 2017	
	Revenues	**Organic growth**	**Revenues**	**Organic growth**
Western Europe	3,322	+1%	1,687	0%
Asia-Pacific	3,334	+6%	1,799	+6%
North America	3,433	+2%	1,771	+1%
Rest of the World	2,084	+2%	1,076	+2%
Group	**12,173**	**+2.7%**	**6,333**	**+2.2%**

Western Europe (27% of Q2 revenues) performed well, capitalizing on channel initiatives employed across the region. In Q2 sales were flat after including the impacts of negative working days and selectivity. The trends remain favorable in construction and OEM markets. Spain, Italy and Germany grew, the U.K. was slightly down, while Nordics suffered from a high base of comparison linked to new ranges launched in 2016. In France, end-market trends remained positive but performance was impacted by distributors' destocking, which should reverse in H2.

Asia-Pacific (28% of Q2 revenues) was up **+6%** organic, mainly driven by growth in China. China benefitted from strong growth in industrial demand and further repositioning on growing segments, including consumer

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related industries. India was up for the quarter. South-East Asia was mixed with good growth in Malaysia and Vietnam offsetting Korea. Australia was negative but showed some early signs of sequential improvement.

North America (28% of Q2 revenues) was up **+1%.** The U.S. posted strong growth in Building and Industry. In a positive construction market, Building continued to benefit from the rollout of some offers and from its focus on growing market segments such as datacenters and healthcare, and a rebound in industrial buildings. Industry grew in its offers for OEM, in a favorable market, and Process Automation improved. IT declined, though the outlook remains positive, and Infrastructure continued to be impacted by the weak capital expenditure demand from last year and selectivity initiatives. Mexico grew, mainly due to a favorable construction market. Canada declined on lower Infrastructure project execution.

Rest of the World (17% of Q2 revenues) was up **+2%** organically, driven by growth across businesses in Africa and CIS. Middle East continued to suffer from a difficult economic environment with additional impact seen in Qatar, while Turkey posted solid growth. South America was mixed, with Brazil stabilizing while Chile performance deteriorated in a difficult market.

Q2 2017 revenues in new economies were up **+5%** and represented **42%** of total revenues.

Consolidation[4] and foreign exchange impacts

Net acquisitions had an impact of **-€8 million** or **-0.1%**. DTN (consolidated under the Infrastructure business) and some minor acquisitions and disposals in other businesses.

The impact of foreign exchange fluctuations was positive at +**€51 million** or **+0.8%**, primarily due to the strengthening of the U.S. dollar and several new economies' currencies against the euro.

Based on current rates, the FX impact on FY 2017 revenues is estimated to be around -**€250m**.

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

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II. HALF YEAR 2017 KEY RESULTS

€ million	2016 HY[5]	2017 HY	Change	Organic change
Revenues	**11,742**	**12,173**	**+3.7%**	**+2.7%**
Gross Profit	**4,517**	**4,715**	**+4.4%**	**+3.4%**
Gross profit margin	*38.5%*	*38.7%*	*+0.2pt*	*+0.3pt*
Support Function Costs	**(2,930)**	**(2,997)**	**+2.3%**	**+1.4%**
Adjusted EBITA	**1,587**	**1,718**	**+8.3%**	**+7.0%**
Adjusted EBITA margin	*13.5%*	*14.1%*	*+0.6pt*	*+0.6pt*
Restructuring costs	(131)	(156)		
Other operating income & expenses	(8)	71		
EBITA	**1,448**	**1,633**	**+12.8%**	
Amortization & impairment of purchase accounting intangibles	(82)	(61)		
Net income (Group share)	**809**	**958**	**+18.4%**	
Free Cash Flow	**436**	**501**	**+15%**	

- **ADJUSTED EBITA MARGIN AT 14.1%, UP +0.6 POINT ORGANIC VERSUS H1 2016 THANKS TO IMPROVING VOLUME, STRONG PRODUCTIVITY AND ATTENTION TO COSTS**

Gross profit was up **+4.4%** and Gross margin improved by **+0.2pt** to **38.7%** in H1 2017 thanks to strong productivity and an almost flat mix, despite negative net price[6]

2017 H1 Adjusted EBITA reached **€1,718** million, increasing organically by +7%. The Adjusted EBITA margin improved +60 bps to 14.1%.

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

- Volume impact was positive +**€97** million in H1.
- Solid execution of tailored supply chain initiatives contributed **+€206** million in industrial productivity the year, its highest level in H1 for the past 5 years, thanks to improving volume that boosted purchasing and Lean Manufacturing efficiency. The 3-year performance is set to beat the c.€1bn target.

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5. Restated from Solar
6 . Price less raw material impact

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- The net price[7] impact was negative at **-€75** million, impacted by the raw materials headwind of **c.-€120** million. Pricing was positive +**€44m** in H1 and pricing compensated for 90% of products' raw material impact outside of China, with improvement expected in H2. In China, despite price investments, volume growth, strong productivity and cost efficiency protected the margin. H2 raw material impact is expected to be c.-€100m at current prices. Pricing actions needed to compensate for raw material increases will be balanced with opportunities for growth.

- Cost of Goods Sold inflation was **-€44** million, of which the production labor cost and other cost inflation was **-€31** million, and an increase in R&D in Cost of Goods Sold was -**€13** million.

- Support function costs increase organically by **€42** million in H1. Total gross SFC reduction in H1 2017 is **c. €90** million, enabling reinvestments of c. €60 million in strategic initiatives. Overall SFC to sales ratio improved by 40bps to 24.6%.

- Currency increased the adjusted EBITA by **+€19** million, mainly due to the strengthening of the U.S. dollar and several new economies' currencies against the euro.

- Mix was negative at **-€9** million, showing an improving trend vs. H1 2016 thanks notably to systems selectivity initiatives. It is slightly down mainly due to mix in the IT division.

- Acquisitions, net of divestments, and others, were negative at **-€21** million for H1.

By business, the H1 2017 adjusted EBITA for **Building** amounted to €1,112 million, or **20.8%** of revenues, up +0.3 points year-on-year mainly thanks to better volumes, industrial productivity and positive mix. **Industry** generated an adjusted EBITA of €487 million, or **16.7%** of revenues, up +0.9 point benefiting from improving volume and productivity. **Infrastructure** adjusted EBITA was €180 million, or **8.4%** of revenues, up +1.5 point year-on-year thanks to higher system gross margin and strong cost control. **IT** business reported an adjusted EBITA of €256 million, **14.5%** of revenues, down -1.2 point impacted by negative mix, raw material impact, investments and one-offs.

Corporate costs in H1 2017 amounted to **-€316 million** or 2.6% of revenues.

- **NET INCOME UP +18%**

The restructuring charges were **-€156 million** in H1 2017**.** Restructuring costs are expected to be in line with last year.

Other operating income and expenses had a positive impact of **€71 million**, vs. -€8 million in H1 2016, mainly driven by the disposal of DTN.

7. Price less raw material impact

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The amortization and depreciation of intangibles linked to acquisitions was -**€61 million**. The decrease in amortization comes mainly due to the end of the depreciation of acquired technologies and customer relationships from past acquisitions.

Net financial expenses were -**€184** million**,** €63 million lower than in H1 2016**.** Cost of debt (net) decreased by €20 million, showing a continued decrease in the cost of financing. Other financial income and expenses improved by €42m compared to H1 2016, mainly on lower exchange losses.

Income tax amounted to -**€361** million, representing an effective tax rate of 26% in line with the Group expectation of an effective tax rate of 26% to 28% for 2017.

Share of profit on associates amounted to +**€34** million.

Income from Discontinued operations was a negative **-€76** million, corresponding mainly to the depreciation of assets related to the deconsolidation of the Solar activity.

The Net Income was **€958** million in H1 2017, up +18% from H1 2016.

- **FREE-CASH-FLOW INCREASES BY +15%**

Free cash flow was **€501** million, thanks to strong operating cash flow and working capital management. It included net capital expenditure of -**€351** million. The trade working capital increased by **-€238** million linked to volume growth.

- **BALANCE SHEET REMAINS SOLID**

Schneider Electric's net debt at June 30, 2017 amounted to **€4,948** million (€4,824 million in December 2016) after payment of **€1.1** billion in dividend.

III. INFRASTRUCTURE REBOUND PROGRAM ENTERS NEXT PHASE

In line with the Group's expectations, Infrastructure has seen a significant improvement in H1 in profitability with an improvement of +1.5pt, and reached 10.4% of Adjusted EBITA margin over the last twelve months. This increase reflects the good results obtained from a better management of systems, notably through selectivity, the good growth generated in activities with solid profitability (medium voltage products, services, EcoStruxure Grid), as well as the successful implementation of the cost efficiency program.

Moving forward, the Group will further accelerate the development of the c. €2.5Bn of Medium Voltage business positioned on growing markets that is highly synergetic with the low voltage business, already at mid-teens adjusted EBITA level.

The part of the portfolio of c. €2Bn, that consists mainly of projects and equipment and with a mid-single digit adjusted EBITA level, will undergo additional steps to generate increased efficiency for the business, and the Group as a whole. The Group will launch a project to implement a new organization designed to enable greater

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agility, autonomy and focus, with a dedicated manufacturing footprint and a specialized sales force for customers. This new organization would be focused on strong performance enhancement over the next 12 months as the Group carries out a strategic review, with all options being explored.

IV. SHARE BUY BACK

As announced by the Group on June 1, 2017, following the finalization of its sales of Telvent DTN to TBG AG, Schneider Electric intends to use the net proceeds from this transaction towards a share buyback program of around €1bn ending June 2019.

V. 2017 TARGETS UPGRADED

Following its strong performance in H1, the Group will continue to execute its strategic priorities. The Group expects the positive environment seen in H1 in its major end-markets to continue.

Therefore, the Group upgrades its 2017 objectives:

- The Group targets for 2017, organic revenue growth between +3% and +4% for the Group outside Infrastructure. For Infrastructure, the priority remains margin improvement. The selectivity for the division is expected to end in 2017 with an expected impact of c. -4% on revenue for the year. Outside of selectivity, the Group now expects the performance for the Infrastructure division to be a low single-digit organic growth.
- For 2017, the Group now targets the upper end of its initial +20 to +50 bps target range for the organic adjusted EBITA margin improvement. Following the evolution of currencies since April, the FX impact is now expected to be -10 to -20bps on the Adjusted EBITA margin for the year.

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The financial statements of the period ending June 30, 2017 were established by the Board of Directors on July 26, 2017 and certified by the Group auditors on July 26, 2017.

The Q2 2017 & HY 2017 Results presentation is available at www.schneider-electric.com

Q3 2017 Revenues & Investor Digital Day will be presented on October 26, 2017 in London.

The Dividend Payment for Fiscal Year 2017 will be on May 4, 2018.

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About Schneider Electric: Schneider Electric is the global specialist in energy management and automation. With revenues of ~€25 billion in FY2016, our 144,000+ 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 reshape industries, transform cities and enrich lives.

At Schneider Electric, we call this **Life Is On**.

Discover Life is On

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Appendix – Revenues breakdown by business

Second quarter 2017 revenues by business were as follows:

€ million	Q2 2017				
	Revenues	Organic growth	Changes in scope of consolidation	Currency effect	Reported growth
Building	2,785	+4.2%	+0.4%	+0.5%	+5.1%
Industry	1,491	+6.0%	+2.2%	+0.9%	+9.1%
Infrastructure	1,120	-4.9%	-4.0%	+0.9%	-8.0%
IT	937	-0.1%	0.0%	+2.1%	+2.0%
Group	**6,333**	**+2.2%**	**-0.1%**	**+0.8%**	**+2.9%**

Half year 2017 revenues by business were as follows:

€ million	HY 2017				
	Revenues	Organic growth	Changes in scope of consolidation	Currency effect	Reported growth
Building	5,341	+4.0%	+0.1%	+1.0%	+5.1%
Industry	2,907	+5.7%	+2.0%	+1.3%	+9.0%
Infrastructure	2,156	-3.7%	-4.2%	+1.6%	-6.3%
IT	1,769	+2.1%	0%	+2.4%	+4.5%
Group	**12,173**	**+2.7%**	**-0.4%**	**+1.4%**	**+3.7%**

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Appendix – Revenues breakdown by geography

Second quarter 2017 revenues by geographical region were as follows:

€ million	Q2 2017		
	Revenues	**Organic growth**	**Reported growth**
Western Europe	1,687	0%	-2%
Asia-Pacific	1,799	+6%	+7%
North America	1,771	+1%	+4%
Rest of the World	1,076	+2%	+3%
Group	**6,333**	**+2.2%**	**+2.9%**

Half year 2017 revenues by geographical region were as follows:

€ million	HY 2017		
	Revenues	**Organic growth**	**Reported growth**
Western Europe	3,322	+1%	0%
Asia-Pacific	3,334	+6%	+7%
North America	3,433	+2%	+4%
Rest of the World	2,084	+2%	+4%
Group	**12,173**	**+2.7%**	**+3.7%**

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Appendix – Consolidation impact on revenues and EBITA

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

Appendix - Gross Margin, Analysis of Change

	HY 2017 Gross Margin
2016 H1 GM	38.5%
Volume	0.0 pt
Net Price	(0.8) pt
Productivity	1.7 pt
Mix	(0.1) pt
R&D & Production Labor Inflation	(0.4) pt
FX	(0.1) pt
Scope & Others	(0.1) pt
2017 H1 GM	**38.7%**

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Appendix - Results breakdown by division

€ million	2016 HY Restated	2017 HY
Revenues	**11,742**	**12,173**
Building	5,082	5,341
Industry	2,667	2,907
Infrastructure	2,300	2,156
IT	1,693	1,769
Adjusted EBITA	**1,587**	**1,718**
Building	1,042	1,111
Industry	424	487
Infrastructure	158	180
IT	266	256
Corporate	(303)	(316)

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Appendix – Free Cash Flow

Analysis of debt change in €m	HY 2016 restated	HY 2017
Net debt at opening at Dec. 31	(4,631)	(4,824)
Operating cash flow	1,320	1,367
Capital expenditure – net	(400)	(351)
Change in trade working capital	(275)	(238)
Change in non-trade working capital	(207)	(277)
Free cash flow	436	501
Dividends	(1,127)	(1,133)
Acquisitions – net	(44)	558
Net capital increase	(273)	10
FX & other	(118)	(59)
(Increase) / Decrease in net debt	(1,092)	(123)
Net debt at June 30	(5,723)	(4,948)

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