

Combination of AVEVA and the Schneider Electric industrial software business to create a global leader in engineering and industrial software

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Rueil Malmaison, September 5, 2017 – Schneider Electric SE (“**Schneider Electric**”) announces today that its Board of directors and AVEVA Group plc (“**AVEVA**” or the “**Company**”) Board have reached agreement on the terms and conditions of a combination of AVEVA and Schneider Electric industrial software business (the “**Schneider Electric Software Business**”) (forming, the “**Enlarged AVEVA Group**”) to create a global leader in engineering and industrial software (the “**Combination**”).

Strategic rationale

The directors of Schneider Electric and AVEVA (the “**Directors**”) believe that there is a clear and compelling business logic and strategic rationale for a combination of the Schneider Electric Software Business and AVEVA, for reasons including:

- The combined entity will be a global leader in engineering and industrial software, with scale and relevance in key markets as well as an extensive technology portfolio, with combined revenues and Adjusted EBITA of approximately £657.5 million and £145.8 million respectively for the financial year ended 31 March 2017 (“FY17”);
- The company will offer a comprehensive combined product portfolio, offering an unmatched set of solutions covering all aspects of digital asset management from process simulation to design, construction and manufacturing operations management and optimisation; and
- The Combination will create an Enlarged AVEVA Group well-positioned to take advantage of future M&A opportunities building on its scale and comprehensive industry and lifecycle solution coverage.

This transaction will, among other things:

- Enhance value proposition of Schneider Electric’s Industrial IOT platform (EcoStruxure) for industrial & infrastructure customers;
- Unlock additional value at the Enlarged AVEVA Group and Schneider Electric through the potential for revenue and cost synergies, leveraging complementary end-markets and

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geographical exposures, customers and product portfolios. Schneider Electric and AVEVA will enter into a series of operational agreements in order to optimise the generation of synergies for the benefit of both parties;

- Result in Schneider Electric contributing its Industrial Software Business at an Adjusted EV/EBITA FY17 multiple of c.19x¹, broadly in line with AVEVA's multiple; and
- Upon completion, the new company, with an accretive margin, is expected to be fully consolidated in Schneider Electric accounts within the Industry division.

Certain developments at the Schneider Electric Software Business over the course of 2016 and 2017 have also reinforced the strategic rationale of the Combination, including:

- The Schneider Electric Software Business' legal reorganisation now being substantially complete, such that the Schneider Electric Software Business will comprise a stand-alone business unit sitting within a set of separate legal entities within Schneider Electric (subject to certain support functions to be provided by Schneider Electric for a period to the Schneider Electric Software Business pursuant to the Transitional Services Agreement); and
- The addition of the oil and gas pipeline management solutions division of Telvent, a company that Schneider Electric acquired in 2011, to the Schneider Electric Software Business, creating a set of assets with a market leadership position which is complementary to the combined portfolios of the Schneider Electric Software Business and AVEVA, thus enhancing the scale of the Schneider Electric Software Business as well as the overall strategic rationale of the Combination.

Key terms of the Transaction

The key terms of the combination include:

- The combination of AVEVA and the Schneider Electric Software Business;
- On completion, following the issue of ordinary shares in the capital of AVEVA to Schneider Electric (the "**Consideration Shares**"), Schneider Electric will own 60 percent of the Enlarged AVEVA Group on a fully diluted basis while existing AVEVA shareholders and participants in the AVEVA share plans will retain 40 per cent equity ownership (on a fully diluted basis).

¹ Based on the value of the consideration shares to be issued to Schneider Electric of approximately £1.7 billion per the AVEVA Group closing share price at the Latest Practicable Date

- The value of the consideration shares to be issued to Schneider Electric is approximately £1.7 billion based on the AVEVA Group closing share price at the Latest Practicable Date. This represents an EV FY17 Adjusted EBITA multiple of approximately 19x for the Schneider Electric Software Business, broadly in line with AVEVA's multiple;
- Shareholders will have an opportunity to benefit (through their shareholding in the Enlarged AVEVA Group) from the enhanced market scale and reach of the Enlarged AVEVA Group together with the revenue and cost synergies which are expected to arise over the medium term;
- Schneider Electric will pay to AVEVA £550 million in cash (approximately 858 pence per Ordinary Share) which, taken together with its contribution of the Schneider Electric Software Business, will mean that Schneider Electric will hold a majority of the Enlarged AVEVA Share Capital. Such cash will be distributed to AVEVA shareholders (excluding Schneider Electric) at or around completion; and
- AVEVA will also distribute £100 million (approximately 156 pence per Ordinary Share) in cash to shareholders (excluding Schneider Electric) at or around completion, such amount representing a significant proportion of the excess cash held on AVEVA's balance sheet after allowing for transaction costs and a prudent view of AVEVA's working capital requirements.

Completion, which is expected to be at or around the end of 2017, is subject to the satisfaction of a number of conditions including, amongst other things, applicable regulatory and anti-trust approvals having been obtained, AVEVA shareholder approval of the Combination, and re-admission of the Enlarged AVEVA Group.

It is intended that the Enlarged AVEVA Group will continue to be admitted to listing on the Official List of the UKLA ("**Official List**") and to trading on the London Stock Exchange plc's main market for listed securities.

Board and Management of the Enlarged AVEVA Group

The Board of the Enlarged AVEVA Group will be constituted as follows:

- The existing Non-Executive directors of AVEVA will remain in place on completion. Philip Aiken will continue as Non-Executive Chairman following completion. Jennifer Allerton, Christopher Humphrey and Ron Mobed will continue as independent Non-Executive directors of the Enlarged AVEVA Group;
- The parties are in the process of selecting a new Chief Executive Officer of the Enlarged AVEVA Group, with a proven track record and experience in managing a global software business. An

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announcement identifying the new Chief Executive Officer and clarifying the timing of his appointment will be made as soon as practicable;

- James Kidd will continue in his role as Chief Executive Officer until such time as the Board decides to appoint a new Chief Executive Officer, whereupon it is intended that James will be appointed to the role of Deputy Chief Executive Officer and Chief Financial Officer in order to drive forward the strategy, implementation and integration of the Enlarged AVEVA Group;
- Emmanuel Babeau (Deputy Chief Executive Officer and Chief Financial Officer) and Peter Herweck (Executive Vice President - Industry) of Schneider Electric will be appointed as Non-Executive directors of the Enlarged AVEVA Group on completion. Emmanuel Babeau will additionally assume the role of Vice Chairman. Both of them will add significant management and industrial experience to the existing AVEVA Board;
- In order for the Board of the Enlarged AVEVA Group to comprise a majority of independent Non-Executive directors (including the Chairman), one additional independent Non-Executive director will be appointed to the Board as soon as possible following completion. Such appointment shall be approved after completion by the AVEVA Nominations Committee; and
- The Board of the Enlarged AVEVA Group will therefore comprise nine Directors, five of which (including the Chairman) will be independent Directors.

The Management of the Enlarged AVEVA Group will be comprised of:

- Key members of the existing executive management team of AVEVA, namely Dave Wheeldon (Chief Technology Officer and currently also Deputy Chief Executive Officer) and Steen Lomholt-Thomsen (Chief Revenue Officer) are expected to remain in place following completion;
- Ravi Gopinath, currently Executive Vice President of the Schneider Electric Software Business, will be appointed as Chief Operating Officer of the Enlarged AVEVA Group. He will report to the Chief Executive Officer of the Enlarged AVEVA Group; and
- David Ward will continue in his current role as Chief Financial Officer of AVEVA, until a new Chief Executive Officer is appointed. Following such appointment it is intended that David Ward will be appointed to the role of Company Secretary of the Enlarged AVEVA Group.

The Enlarged AVEVA Group's headquarters will continue to be located in Cambridge, United Kingdom.

Other Key Terms of the Transaction

The Enlarged AVEVA Group's relationship with Schneider Electric, as its majority shareholder, will be governed by a Relationship Agreement and the Listing Rules. The Relationship Agreement will remain in force until the Enlarged AVEVA Group ceases to be listed or, if earlier, until the Enlarged AVEVA Group and Schneider Electric otherwise agree (subject always to the Listing Rules) or Schneider Electric ceases to be a shareholder. Pursuant to the relationship agreement:

- For a period of two years following completion, the Board will continue to have an independent Non-Executive Chairman;
- Schneider Electric may appoint one Non-Executive director to the Board so long as it holds at least 10 per cent of the voting rights and economic interest in the Enlarged AVEVA Group and two Non-Executive directors so long as it holds at least 25 per cent of such rights and interest;
- Schneider Electric will only enter into agreements and arrangements with the Enlarged AVEVA Group on an arm's length basis and on normal commercial terms;
- The proposed Relationship Agreement will allow AVEVA to continue to pay a progressive dividend;
- There will be a standstill period for:
 - two years post completion of the Combination during which Schneider Electric cannot increase its shareholding above 60% of the Enlarged AVEVA Group's fully diluted share capital or vote in favour of a de-listing of the Enlarged AVEVA Group without the approval of the majority of the Enlarged AVEVA Group's independent Non-Executive directors;
 - a further 18 months period thereafter during which Schneider Electric cannot increase its shareholding to 75% or above of the Enlarged AVEVA Group's fully diluted share capital without the approval of the Enlarged AVEVA Group's independent Non-Executive independent directors, other than by way of a general offer under the City Code on Takeovers and Mergers (the "**City Code**"), provided that such offer is:
 - at an offer price not less than a 20% premium to the 30-day volume weighted average of the Enlarged AVEVA Group's share price immediately prior to the commencement of the offer period during which such offer is made and is recommended by a majority of the Enlarged AVEVA Group independent Non-Executives (or includes an acceptance condition which requires the acceptance of the offer by a majority of the other shareholders in the Enlarged AVEVA Group); or

- recommended by a majority of the Enlarged AVEVA Group's independent Non-Executive directors;
- Thereafter, Schneider Electric will be under no restrictions on further acquisitions of shares or offers;
- In the event that the Enlarged AVEVA Group is de-listed, the Relationship Agreement will be terminated and all protections set out therein will cease to apply; and
- Schneider Electric and AVEVA have also entered into a series of operational agreements to govern the commercial relationship between the Enlarged AVEVA Group and Schneider Electric post completion, including the generation of synergies for the benefit of both parties.

Timetable

A combined prospectus and circular (the "**Prospectus**") in relation to the Combination and convening a General Meeting of AVEVA shareholders on 29 September 2017 is expected to be published by AVEVA on 6 September 2017.

Completion, which is expected to be at or around the end of 2017, is subject to the satisfaction of a number of conditions including, amongst other things, applicable regulatory and anti-trust approvals having been obtained, AVEVA shareholder approval of the Combination, and re-admission of the Enlarged AVEVA Group.

Upon completion, the new company, with an accretive margin, is expected to be fully consolidated in Schneider Electric accounts within the Industry division.

Chairman Comments

Commenting on the Combination, Jean-Pascal Tricoire, Chairman and CEO of Schneider Electric said *“We are pleased to reach an agreement on the combination of AVEVA and the Schneider Electric Industrial Software Business, thereby creating a global leader in engineering and industrial software.*

The Combination will address customers’ requirements along the full asset life cycle in key industrial and infrastructure market through a unique portfolio of asset management solutions from design & build to operations. It will also create the right environment and structure for the software teams to aggressively develop their business, while benefiting from Schneider Electric’s multiple go-to-market channels and segment expertise around the world, as well as the EcoStruxure platform and its ecosystem of partners.

We believe that through increased scale and complementary footprint, the transaction will generate synergies that will benefit customers and shareholders alike.”.

Commenting on the Combination, Philip Aiken, Chairman of AVEVA said:

“We are delighted to have reached agreement on the Combination with the Schneider Electric Software Business. The transaction will be transformational to AVEVA, creating a global leader in industrial software, which will be able to better compete on a global scale. AVEVA will significantly expand its scale and product portfolio, increase its capabilities in the owner operator market, diversify its end user markets and increase its geographic exposure to the North American market, in line with our strategic goals.

The transaction is expected to provide significant value to our shareholders via the upfront cash payment and a significant ongoing holding in the Enlarged AVEVA Group, which will benefit from synergies and a compelling equity story underpinned by an enhanced strategic positioning.”

Analyst Presentation and Further Information

Schneider Electric will be hosting a presentation for analysts and investors with a conference call and webcast at 10:00 CET (09:00 UK time) today. Participants are advised to join the call at least 10 minutes prior to the commencement of the call in order to register. The dial in details are as follows:

Telephone:

- UK: 0800 279 5004 or +44(0)20 3427 1909
- US: 1877 280 2342 or +1646 254 3388
- France: 0805 631 580 or +33(0)1 76 77 22 26

Conference call code: **8057823**

Webcast link: <http://edge.media-server.com/m/p/644upozk>

Further details are available on www.schneider-electric.com/finance:

- Presentation for analysts and investors
- Press release jointly published with AVEVA under Listing Rules of UK Listing Authority

About Schneider Electric

Schneider Electric is the global specialist in energy management and automation. With revenues of c. €25 billion in FY2016, our 144,000 employees serve customers in over 100 countries, helping them to manage their energy and processes 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**.

www.schneider-electric.com

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Appendix: Selected Financial Information on Schneider Electric Software Business

Based on Unaudited Standalone Financials

Income statement (y/e 31 March)	\$ Million	\$ Million	\$ Million
USD	FY15	FY16	FY17
Revenue	620.8	620.2	575.1
Cost of sales	(238.8)	(227.2)	(190.4)
Gross profit	382.0	392.9	384.7
Research & development	(100.1)	(103.8)	(106.1)
Selling, general & administrative expenses	(170.5)	(159.6)	(159.9)
Adjusted EBITA	111.3	129.5	118.8
Other operating income & expenses	(7.1)	(5.7)	(2.4)
Restructuring costs	(0.6)	(2.2)	(4.5)
EBITA	103.6	121.6	111.8
Amortisation of identifiable intangible assets	(46.1)	(47.1)	(44.9)
Operating income	57.5	74.5	66.9

- Between FY15 and FY17, Schneider Electric Software Business revenues showed compound annual organic growth at constant currency of (0.4) per cent and Adjusted EBITA growth of 5.1 per cent on the same basis;
- Organic revenue growth in FY16 of 5.5 per cent is mainly due to (i) project timing on Services and “Customer First” Support and (ii) the positive performance of Telvent Oil & Gas projects;
- Schneider Electric Software Business revenues have decreased from \$620.2 million to \$575.1 million in FY17, i.e. a decline of 7.3 per cent, mainly driven by:
 - Organic growth of c.(5.8) per cent;
 - Negative foreign exchange impact of (0.6) per cent;
 - Switch to subscription licensing model of (0.9) per cent.
- Adjusted EBITA in FY16 organic growth of 16.3 per cent reflects the positive impact of the growth in sales volumes strengthened by the improvement in profitability, partially offset by higher R&D costs; and
- Despite the reduction of volumes principally due to market factors, Adjusted EBITA was resilient in FY17 with broadly stable SG&A costs. The organic decline of 3.4 per cent was mitigated by profitability improvements driven by operational initiatives.

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Cash Flow Statement (y/e 31 March)	\$ Million	\$ Million	\$ Million
USD	FY15	FY16	FY17
Cash flow from operating activities	99.7	109.5	131.2
Cash flows from investing activities	(10.2)	(10.3)	(18.3)
Change in group loan funding	(84.9)	(97.5)	(76.0)
Net financial income	(2.4)	0.9	(0.2)
Issue of share capital	-	-	18.9
Dividends paid	-	0.0	(40.9)
Other change in Equity	0.1	(0.0)	(0.1)
Cash flows from financing activities	(87.2)	(96.6)	(98.3)
Impact of exch. rates on cash and cash equivalents	(4.5)	(1.5)	(3.1)
Net increase / (decrease) in cash and cash equivalents	(2.2)	1.1	11.6
Opening cash and cash equivalents	17.5	15.3	16.4
Closing cash and cash equivalents	15.3	16.4	28.0
Cash flow from operating activities after capital expenditure	88.3	98.6	120.1

Balance Sheet (y/e 31 March)	\$ Million	\$ Million	\$ Million
USD	FY15	FY16	FY17
Goodwill	43.9	43.9	53.0
Intangible assets	303.9	255.1	217.3
Tangible assets	11.4	10.6	10.8
Financial assets	1.4	2.1	1.9
Deferred tax assets	-	-	2.6
Non-current assets	360.6	311.7	285.6
Inventory	7.8	6.9	11.3
Trade and other receivables	129.2	158.7	175.1
Unbilled contract revenue	41.4	47.6	52.0
Other current assets	20.3	18.0	11.3
Other receivables with related parties	111.7	86.6	30.4
Cash and cash equivalents	15.3	16.4	28.0
Current assets	325.7	334.2	308.1
Total assets	686.3	645.9	593.7

Invested equity	309.5	242.7	169.5
Other comprehensive income	6.9	10.8	6.3
Total invested equity	316.4	253.4	175.8
Provisions	4.1	4.0	4.4
Financial liabilities	2.3	4.2	2.4
Pension liabilities	4.7	5.6	6.4
Deferred tax liabilities	119.8	97.6	75.9
Non-current liabilities	131.0	111.3	89.1
Current liabilities	238.9	281.1	328.8
Total equity and liabilities	686.3	645.9	593.7

Basis of Preparation

The unaudited selected financial information on Schneider Electric Software Business (the “**Schneider Electric Software Business Financial Information**”) set out above has been prepared from the unaudited financial statements prepared under IFRS of Schneider Electric Software Business for the financial years ended 31 March 2015, 2016 and 2017.

Certain adjustments have been made to reflect the standalone performance of Schneider Electric Software Business operating independently of Schneider Electric on a basis consistent with the Combination currently envisaged. These adjustments principally relate to i) including adjustments to reflect the financial impact of running the business on a standalone basis; ii) reversing the impact of capitalising research and development expenditure in certain (non-Invensys) entities of Schneider Electric Software Business, to better reflect consistency with the capitalisation practice of both Invensys Software and AVEVA; and iii) other various adjustments. The aggregate impact of these adjustments on the revenues and Adjusted EBITA of Schneider Electric Software Business for the three financial years ended 31 March 2015, 31 March 2016 and 31 March 2017 was a revenue increase of \$19.8 million, \$19.2 million and \$9.3 million respectively, and an Adjusted EBITA decrease of \$14.3 million, \$6.2 million and an increase of \$2.4 million respectively.

Therefore the Schneider Electric Software Business Financial Information is not intended to present IFRS compliant financial statements.

Appendix: Unaudited combined entity Pro Forma FY17 Income Statement

Income statement (y/e 31 March) (£ million)	AVEVA Group	Schneider Electric Software Business	Pro Forma
Revenue	215.8	441.7	657.5
Cost of sales	(14.2)	(146.3)	(160.5)
Gross profit	201.6	295.5	497.1
Normalized operating costs	(147.0)	(204.3)	(351.2)
Adjusted EBITA	54.6	91.2	145.8
Margin	25.3%	20.6%	22.2%

Adjusted EBITA is calculated before amortization of intangible assets (excluding other software), share-based payments, gain/loss on fair value of forward foreign exchange contracts and exceptional items.

Schneider Electric Software financials are translated at the average exchange rate for 2017A (\$1:£0.77).