Financial Information

Life Is On | Schneider Electric

Strong start to 2019. Growth momentum continues in Q1. Revenues up +9% reported. Full Year Target reaffirmed.

- ***Org. growth +6%; North America up +9% org., Asia-Pacific up +7% org.***
- ***Energy Management up +7% org., growing in all regions***
- ***Industrial Automation up c.+4%[1] org., mid/late cycle revenues growing strongly***
- ***Good dynamic on strategic priorities: Services, Software, EcoStruxure***

Rueil-Malmaison (France), April 18, 2019 - Schneider Electric announced today its first quarter revenues for the period ending March 31, 2019.

Jean-Pascal Tricoire, Chairman and CEO, commented: *"We start the year 2019 with a solid momentum and continued growth. We execute our strategy to provide our customers energy and automation digital solutions for efficiency and sustainability. Energy Management delivers a strong performance, benefitting from its complete power management solutions in its four end-markets. Industrial Automation grows benefitting from its balanced exposure, strong growth in process & hybrid and its integrated software portfolio while discrete markets are moderating in specific geographies. AVEVA concludes a remarkable first year and confirms the strategic rationale of the transaction. We keep pushing our strategic initiatives for more products, more software, more services and better systems as well as cross selling to our targeted segments. We are confirming our objective for 2019."*

I. FIRST QUARTER REVENUES WERE UP +5.9% ORGANICALLY

2019 Q1 revenues were **€6,307 million**, up **+5.9%** organically and up +8.7**%** on a reported basis.

Across the Group in Q1, Products were up **+3%** org**.,** benefitting from offers for Residential & small buildings, as well as offers for Commercial & Industrial Buildings (CIB), while demand from discrete industrial markets moderated. The Group continues to focus on leveraging its unrivalled network of partners and on new innovative products.

Systems (projects and equipment) grew **+10%** org., reflecting the growth in mid/late cycle demand. The Group continues to work on ensuring profitable growth in its systems business.

Services growth was **+11%** org., with strong performance in field services, growing across geographies, and in Energy & Sustainability Services, driven by projects in North America.

Software grew double-digit including AVEVA.

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[1] Excluding the impact from the phase down of the non-core lower margin panel offer in North America

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

€ million		Q1 2019		
		Revenues	Organic Growth	Reported Growth
Energy Management	North America	1,516	11.6%	20.3%
	Western Europe	1,204	2.9%	3.0%
	Asia Pacific	1,293	8.2%	10.2%
	Rest of the World	725	3.7%	0.4%
	Total Energy Management	**4,738**	**7.1%**	**9.6%**
Industrial Automation	North America	323	-3.9%[2]	2.5%
	Western Europe	506	4.9%	9.1%
	Asia Pacific	497	3.3%	8.7%
	Rest of the World	243	3.1%	1.7%
	Total Industrial Automation	**1,569**	**2.3%[3]**	**6.4%**
Group	North America	1,839	8.7%	16.7%
	Western Europe	1,710	3.5%	4.7%
	Asia Pacific	1,790	6.8%	9.8%
	Rest of the World	968	3.6%	0.7%
	Total Group	**6,307**	**5.9%**	**8.7%**

STRONG PERFORMANCE IN ENERGY MANAGEMENT UP +7.1% ORG., UP C.+7.4% INCLUDING DELIXI

The Group delivered strong performance in Energy Management leveraging its complete end-to-end technology offering enabled by EcoStruxure. The Group's go-to-market is oriented to address customer needs across its four end-markets, supported by a worldwide partner network. This enabled the Group to deliver growth across all regions. Residential and small building offers grew mid-single digit, with good traction from recent launches. Offers for Commercial & Industrial Buildings developed well. EcoStruxure provided a differentiated value proposition for customers across targeted segments, including electro-intensive industries and infrastructure. Data centers continued to be an area of strong growth for all technologies of Energy Management growing double-digit in Q1.

Trends for Energy Management, by geography:

North America (32% of Q1 revenues) Energy Management was up +11.6% organic for the quarter, with good performance in both Residential and Commercial & Industrial Buildings offers, benefitting from roll-out of recent

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[2] North America Industrial Automation excluding panels offer c.+2%; U.S. Industrial Automation excluding panels offer c.+5%

[3] Industrial Automation excluding panels offer c.+4%.

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launches and strong channel initiatives. The Group continued to leverage its complete portfolio of data center offers to win projects in a favorable investment environment. The Group continued to see traction on its compelling value proposition for microgrid solutions. Services grew strongly in the region, led by the Group's Energy & Sustainability Services. Both the U.S. and Canada were up, while Mexico was down.

Western Europe (25% of Q1 revenues) Energy Management grew +2.9% organic in Q1. The Group continued to see good development in its offers for Commercial and Industrial buildings while Residential and small buildings offers were stable. The division benefitted from its full power management capabilities in the data center market to record strong growth. Spain posted good growth, with channel initiatives delivering results in favorable markets. Italy continued to deliver solid performance, with strong growth across Residential and CIB markets, while Germany declined. France was down in the quarter impacted mainly by lower sales on offers for utilities and to distributors following some restocking in Q4 2018. The U.K. was up, but with uncertainty in coming quarters as a consequence of potential Brexit scenarios.

Asia-Pacific (27% of Q1 revenues) Energy Management posted strong growth at +8.2% organic. China delivered a solid performance as construction markets remained positive, though could moderate in coming quarters. The Group delivered good growth in projects and equipment, in particular in data centers and infrastructure projects. The performance was enhanced by distributor restocking driven in part by uncertainty on the impact of VAT changes. South East Asia posted strong growth and delivered on data center projects, with good trends in construction markets. In Australia, strong performance was driven by data center delivery and smart grid projects while residential market was difficult. India delivered good growth on high base of comparison. In a positive environment, the Group drove products growth through expansion of partner coverage.

Rest of the World (16% of Q1 revenues): Energy Management made an encouraging start to 2019 in the region, with a good level of growth overall, up +3.7% organic, however contrasted between countries as expected. South America, Africa and Central Europe all delivered strong growth; South America was assisted by a buoyant economy in Brazil notably in respect of Industrial end-users and Utilities, while Africa saw strength in both the north and south of the continent, benefitting from project execution particularly where the Group's Energy Management technologies are bundled and sold together. Middle East was down, with Saudi Arabia continuing to see lower demand from Utilities while construction markets in the Gulf were also weak. CIS was also down overall.

BALANCED PORTFOLIO IN INDUSTRIAL AUTOMATION RESULTS IN c.+4%[4] ORG. GROWTH

The Group delivered +2.3% organic growth in Industrial Automation, c.+4% excluding the phase down of the non-core lower margin panel offer in North America. Core offers for discrete and OEM were slightly up despite a slowdown in some markets, as anticipated. These offers will face a high base of comparison in Q2. The Group benefitted from its balanced portfolio, providing through-cycle resilience and generating strong growth in process and hybrid industries, notably Oil & Gas (O&G), Water and Waste Water (WWW) and Food & Beverage (F&B). Process Automation grew in all regions. The Group is well positioned to leverage its unique end-to-end offering for process and hybrid industries together with AVEVA.

[4] Excluding the impact from the phase down of the non-core lower margin panel offer in North America.

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Trends for Industrial Automation, by geography:

North America (21% of Q1 revenues) was up c.+2% excluding the phase down of the non-core and lower margin panels offer. The U.S. was up c.+5% on the same basis. Process industries were up, with increased capital expenditures for efficiency contributing to growth in O&G markets. Discrete automation was stable, excluding the phase down of the panels offer. Process & Hybrid industries were up overall in the region, with increased expenditure in O&G, WWW and F&B.

Western Europe (32% of Q1 revenues) was up +4.9% organic with growth in offers for both discrete industries and for Process & Hybrid industries. All large markets except Italy grew. France benefitted from continued growth in industrial investment. Spain, Nordics and the UK grew thanks to Machine Solutions initiatives. Germany was up with growth in OEM and in offers for Process & Hybrid.

Asia-Pacific (32% of Q1 revenues) was up +3.3% organic in the quarter. China grew with both discrete and process contributing. Offers for discrete industries were up, though impacted by a slowdown on expected lines following U.S./China trade disputes. The Group delivered strong growth on projects for process industries. South East Asia was stable, with strong project delivery for process industries balancing the decrease in OEM markets, which were impacted by the trade tensions causing delay in some investments. Japan was down as growth in process industries could not compensate for short-cycle decline. India grew across discrete and process & hybrid industries.

Rest of the World (15% of Q1 revenues): Industrial Automation saw 3.1% organic growth overall in the region, up across South America, CIS, Africa and Central Europe, with only the Middle East showing a decline. Within the region, the revenue growth profile across discrete and process industries was broadly balanced, although with a notable building of backlog on the process side. South America saw strong growth helped by good demand for equipment in Chile. CIS saw strong demand across Industrial markets in Russia. Middle East was down, impacted by project phasing in some Gulf countries and a slow start to the year in Turkey.

Performance of AVEVA:

AVEVA (included for 2 months in scope effects and for 1 month in organic growth) delivered double-digit organic growth in Q1. AVEVA benefitted from sales in conjunction with Schneider Electric's automation offers through a coordinated go-to-market approach. This performance highlights the good traction for its end-to-end digital solution from design and build to operation and maintenance for operators in hybrid and process end-markets.

CONSOLIDATION[5] AND FOREIGN EXCHANGE IMPACTS IN Q1

Net acquisitions had an impact of **+€44 million** or **+0.8%**. This includes mainly the consolidation of AVEVA (Industrial Automation), and IGE-XAO (Energy Management), and some minor acquisitions / disposals.

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

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The impact of foreign exchange fluctuations was positive at +**€116 million** or **+2.0%**, 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 between **+€300 million** and **+€400 million**. The FX impact at current rates on adjusted EBITA margin could be around **-10bps**.

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

Following the excellent progress on SSI in 2018, objectives for 9 indicators out of 21 have been raised.

In Q1, the Schneider Sustainability Impact reaches a score of 6.23 out of 10, as the Group continues to execute its three-year sustainability plan.

III. 2019 TARGET REAFFIRMED

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

- China faces a high base of comparison and softening 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 moderate in coming quarters
- In North America, the Group anticipates a continuing favorable environment
- Other large countries in Asia Pacific continue good momentum
- The Group expects Western Europe to grow at a moderate pace and the Rest of World economies to be contrasted based on country

Following the strong start to the year, and taking into account developing macro-economic trends, the Group continues to expect good growth in aggregate in 2019 as it continues to deploy its strategic priorities in key markets.

The Group reaffirms its target for 2019. The Group targets 2019 Adj. EBITA growth between +4% and +7% organic. This would be achieved through a combination of organic revenue growth and margin improvement, expected to be:

- Revenue growth of +3% to +5% organic

- Adjusted EBITA margin up +20 to +50 bps organic.

Further notes on 2019 available in appendix

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The 2019 Q1 revenues presentation is available at www.schneider-electric.com

The Annual General Meeting will take place on April 25, 2019.

The Group will hold an investor day in Paris on June 26, 2019.

The 2019 Half-Year Results will be presented on July 25, 2019.

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.

Discover Life is On

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Appendix – Further notes on 2019

- **Foreign Exchange impact:** Based on current rates, the FX impact on FY 2019 revenues is estimated to be between +€300 million and +€400 million. The FX impact at current rates on adjusted EBITA margin could be around -10bps.
- **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.
- **Tax rate:** The ETR is expected to be in a 22-24% range in 2019.
- **Restructuring:** Restructuring costs in 2019 are expected to be around the same level as those in 2018, c. €200 million
- **Working days:** The Group expects a negative working day impact of c. -1pt in H1 2019 that will reverse during the balance of the year.

Appendix – Q1 Revenues breakdown by business

€ million	**Q1 2019**				
	Revenues	**Organic growth**	**Changes in scope of consolidation**	**Currency effect**	**Reported growth**
Energy Management	4,738	+7.1%	+0.0%	+2.5%	+9.6%
Industrial Automation	1,569	+2.3%	+3.0%	+1.1%	+6.4%
Group	**6,307**	**+5.9%**	**+0.8%**	**+2.0%**	**+8.7%**

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			

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