Financial Information

Life Is On | Schneider Electric

Continued strong performance in H1 2019:
Revenues up +5% organic with all regions growing; Adj. EBITA up +11% organic; Strong free cashflow; Full year target upgraded

- ***H1 revenues up +5.4% organic***
- ***Software up double-digit; Services up +8% org. in H1***
- ***H1 Adj. EBITA €1,960m, up +10.9% org; 14.8% margin up +70bps org.***
- ***H1 Adj. Net Income €1,255m, up +10%***
- ***Strong growth in Energy Management, up +7.0% org. in H1; Industrial Automation up c.+1% [1] org. in H1 - short-cycle demand slowing, process & hybrid positively oriented***
- ***Further progress in portfolio optimization***
- ***2019 target upgraded***

Rueil-Malmaison (France), July 25, 2019 - Schneider Electric announced today its second quarter revenues and half year results for the period ending June 30, 2019.

Key figures (€ million)	2018 H1	2019 H1	Organic Change	Reported Change
Revenues	**12,317**	**13,202**	**+5.4%**	**+7.2%**
Adjusted EBITA ***% of revenues***	**1,769** ***14.4%***	**1,960** ***14.8%***	**+10.9%** ***+70 bps***	**+10.8%** ***+40 bps***
Adjusted Net Income[2]	**1,143**	**1,255**		**+10%**
Net Income (Group share)	**1,020**	**993**		**-3%**
Free cashflow[3]	**350**	**837**		**+139%**

Jean-Pascal Tricoire, Chairman and CEO, commented:

"In H1 2019 we continue to deliver strong performance on sales and on margin, with revenues up in excess of +5% organic, adjusted EBITA growing by +11% organic and strong free cashflow. Our performance is a result of executing our clear and consistent strategy of more products, more services, more software and better systems, across our two synergetic businesses of Energy Management and Industrial Automation. We continue

1. Excluding the non-core U.S. panel offer
2. See appendix for Adjusted Net Income calculation
3. H1 2019 includes €134 million benefit from IFRS 16. Without impact of IFRS 16 reported change of +101%

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to focus on operational execution and on our digital journey, providing compelling solutions powered by EcoStruxure.

In H1 2019 we make progress on our portfolio optimization initiative to focus on the core. We receive the formal CCI approval from the Indian authorities for our acquisition of Larsen & Toubro Electrical and Automation business, which we expect to close in the next several months. We continue to work on our target of €1.5 - €2.0 billion of revenues to be reviewed over the period 2019-2021, completing the disposal of Pelco and U.S. panels in H1.

In H2 2019, the Group expects to continue delivering organic growth in revenues, benefitting from our balanced exposure across geographies and portfolio of offers across the economic cycle. Following the strong H1, we upgrade our target for 2019."

I. SECOND QUARTER REVENUES WERE UP +5% ORGANICALLY

2019 Q2 revenues were **€6,895 million**, up **+5.0%** organically and up +5.8**%** on a reported basis.

Across the Group in Q2, Products were up **+4%** org. (+4% in H1)**,** benefitting 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 were down in several geographies. The Group remains focused on innovation, with over 50 new offers launched during H1 2019.

Systems (projects and equipment) grew **+6%** org. in Q2 (+8% in H1), across a number of markets, reflecting the growth in mid/late cycle demand, including in Infrastructure and Data Center end markets. The Group continues to work on ensuring profitable growth in systems.

Services growth was **+5%** org. in Q2 (+8% in H1), with good performance in field services, benefitting electro-intensive customers and supporting critical infrastructure.

Software grew double-digit including AVEVA which is fully included in organic performance for the quarter.

The Group continues to make good progress in the growth of assets under management (AUM), reaching 2.4 million up +40% year-on-year by the end of H1 2019. The Group added several capabilities and offers to its portfolio of apps, analytics and digital services and also won several projects driven by EcoStruxure.

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

€ million		Q2 2019		
		Revenues	Organic Growth	Reported Growth
Energy Management	North America	1,709	+11.8%	+17.5%
	Western Europe	1,303	+3.1%	+3.0%
	Asia Pacific	1,524	+6.7%	+7.4%
	Rest of the World	798	+3.7%	+1.2%
	Total Energy Management	**5,334**	**+6.9%**	**+8.2%**
Industrial Automation	North America[4]	319	-5.0%	-7.2%
	Western Europe	481	-1.6%	-1.2%
	Asia Pacific	518	-0.5%	+0.1%
	Rest of the World	243	+3.8%	+0.8%
	Total Industrial Automation	**1,561**	**-1.1%**	**-1.8%**
Group	North America	2,028	+8.8%	+12.7%
	Western Europe	1,784	+1.8%	+1.8%
	Asia Pacific	2,042	+4.8%	+5.5%
	Rest of the World	1,041	+3.7%	+1.1%
	Total Group	**6,895**	**+5.0%**	**+5.8%**

4. The non-core U.S. panel offer has been disposed; the financial results associated with this offer are included within scope starting in Q2.

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€ million		H1 2019		
		Revenues	Organic Growth	Reported Growth
Energy Management	North America	3,225	+11.7%	+18.8%
	Western Europe	2,507	+3.0%	+3.0%
	Asia Pacific	2,817	+7.3%	+8.7%
	Rest of the World	1,523	+3.7%	+0.8%
	Total Energy Management	**10,072**	**+7.0%**	**+8.9%**
Industrial Automation	North America	642	-4.5%[5]	-2.6%
	Western Europe	987	+1.5%	+3.8%
	Asia Pacific	1,015	+1.3%	+4.1%
	Rest of the World	486	+3.4%	+1.3%
	Total Industrial Automation	**3,130**	**+0.5%[6]**	**+2.1%**
Group	North America	3,867	+8.8%	+14.6%
	Western Europe	3,494	+2.6%	+3.2%
	Asia Pacific	3,832	+5.7%	+7.4%
	Rest of the World	2,009	+3.6%	+0.9%
	Total Group	**13,202**	**+5.4%**	**+7.2%**

STRONG PERFORMANCE IN ENERGY MANAGEMENT IN Q2 UP c.+7% ORG.

The Group delivered strong performance in Energy Management supported by strong dynamics in electrification, energy efficiency, digitization and sustainability. The Group serves its four end markets through its global partner network leveraging innovation and cross-selling. 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. Data Centers continued to be an area of strong revenue growth across Energy Management technologies in Q2, driven by both large and small installations. Distributed secure power also showed good growth. The Group's non-consolidated subsidiary Delixi continued to show good growth.

5. Adjusting for the U.S. panel impact, H1 2019 organic revenue growth for Industrial Automation North America was c. -2%
6. Adjusting for the U.S. panel impact, H1 2019 organic revenue growth for Industrial Automation was c. +1%.

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Trends for Energy Management, by geography:

North America (32% of Q2 revenues) Energy Management was up +11.8% organic for the quarter. The Buildings end market (including both Residential and Commercial & Industrial Buildings) remained strong in Q2, with some variation by segment expected in the second half of the year. Revenue from Residential offers grew well, aided by the take-up for recent offer launches including CAFI circuit breakers. The level of growth in Residential could moderate in H2. The Group leveraged its complete portfolio (including secure power, medium/low voltage and BMS) for the Data Center end market to generate strong growth, both in large, and smaller on-premise installations. Services grew strongly in the region supporting all technologies of the Energy Management offer. 2018 acquisition Asco Power has been integrated well, delivering strong growth across the range of offers. The U.S. and Canada both performed well, delivering double-digit growth, while Mexico was down due to a climate of uncertainty around tariffs within the quarter.

Western Europe (24% of Q2 revenues) Energy Management was up +3.1% organic for the quarter, with all major economies delivering growth. Growth in offers for Residential markets was supported by new product launches including a new range of circuit breakers and wiring devices, with the Group's offers for CIB posting growth as well. The Data Center segment contributed to growth across the region and across Energy Management technologies, while several projects were won on account of our segment focus, notably in healthcare. France grew in the quarter as new offers for the Residential market were successfully launched through electrical distribution channels; the country delivered projects in data centers while business with utilities remained low. Germany posted strong growth delivering on data center projects, as well as some opportunities with electrical utility companies. Italy posted double-digit growth, with successful channel initiatives with panel builders. Spain was slightly up though activity with electrical utility companies declined. The U.K. grew slightly thanks to project execution, notably in data centers, while in general markets softened due to uncertainty around Brexit.

Asia-Pacific (29% of Q2 revenues) Energy Management posted growth at +6.7% organic, with strong growth from China, India and Australia. Despite a challenging base of comparison China delivered a strong performance. Sales of projects and equipment benefitted from investment in construction and infrastructure end markets and performance was further supported by successful channel initiatives. Some moderation is possible in H2 in construction markets in China. In Australia, strong performance was driven by data center and CIB. In India, the business delivered strong revenue growth, up high-single digit. South East Asia posted strong growth and delivered on data center projects, with good trends in construction markets.

Rest of the World (15% of Q2 revenues): Energy Management showed consistent performance through the second quarter, with a good level of growth overall, up +3.7% organic, however contrasted between zones and countries. South America grew strongly, including from strong demand for MV/LV products in Brazil. Central and Eastern Europe was up strongly. Africa grew strongly across the zone, particularly in Egypt which was supported by infrastructure projects and strong channel sales, and in South Africa. Middle East was down, with Gulf countries impacted by weak construction markets and a difficult environment for credit, while the situation around lower demand from Utilities in Saudi Arabia continued in Q2. CIS was also down overall across Energy Management technologies.

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INDUSTRIAL AUTOMATION c. -1% ORG. GROWTH IN Q2 WITH SLOWDOWN IN DISCRETE MARKETS WHILE PROCESS AND HYBRID MARKETS REMAIN WELL ORIENTED

The Group delivered -1.1% organic growth in Industrial Automation in Q2 against a high base of comparison (+11% in Q2 2018), some softness in discrete end markets and a slowdown in Mexico. The business benefitted from its balanced portfolio, with demand from process and hybrid end markets providing through-cycle resilience.

Sales to the discrete and OEM end market were down low-single digit with a slowdown across many countries, including the U.S. and China, while pockets of growth remained in several countries including India, Australia and Brazil. The Group expects that demand in the second half of the year will remain subdued, varied by country.

The Group's revenue from process and hybrid end markets grew in Q2, despite the fact that Process Automation was impacted in the quarter due to specific project phasing and a high base of comparison. Process Automation is expected to grow well in H2. Software revenues grew double digit in the quarter, with AVEVA contributing fully to organic growth (having been 2 months in scope during Q1).

Trends for Industrial Automation, by geography:

North America (20% of Q2 revenues) was down -5.0% organic, in part due to a high base of comparison (up +8% in Q2 2018) and the impact of a slowdown in Mexico in Q2. Demand from OEMs for the Group's discrete automation offers softened in the quarter in specific segments of the market, resulting in revenues being down for this part of the business. The Group expects continued softness in discrete end markets in H2 2019. The Group's offers in Process and Hybrid automation were down in Q2 due to project phasing and a very high base of comparison. A good level of underlying demand continued in Process and Hybrid markets, with a strong level of order backlog supporting growth in H2. Demand from electro-intensive customers saw continued good momentum in targeted segments including Consumer Packaged Goods (CPG) and Metal Mining & Minerals (MMM) also pulling-through growth for Energy Management. AVEVA continued the good revenue growth trends seen previously.

Western Europe (31% of Q2 revenues) Industrial Automation was down -1.6% organic for the quarter. Discrete Industrial markets showed some slowdown across the region, impacting the Group's activity through OEM, while projects with end-users benefitted from the Group's EcoStruxure offers. France was up across industrial markets, with good performance from OEMs on specific activities, and good demand in some targeted segments, such as CPG and Water & Waste Water (WWW). Italy was negative on a high base of comparison combined with continued market softness. Germany and Spain were slightly down, with Germany driven by a difficult OEM market, while process industries continued to see good growth. UK was up driven by software projects, although growth is expected to moderate in H2 due to the continuing Brexit uncertainty.

Asia-Pacific (33% of Q2 revenues) was broadly stable at -0.5% organic in the quarter. China declined modestly, as expected, predominantly driven by the discrete end market softness. Many other countries saw good growth, notably Australia, India and South Korea. Project delivery for process industries continues to trend positively in several countries, notably in CPG & MMM segments. This balanced the decrease in OEM markets, which continue to be impacted by the trade tensions causing delay in some investments.

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Rest of the World (16% of Q2 revenues): Industrial Automation saw +3.8% organic growth overall in the region, up in South America and Middle East, with Central and Eastern Europe, CIS and Africa being around flat. Broadly across the geography, process & hybrid automation offers grew strongly while there was good demand for discrete automation offers. South America grew strongly across the full-line of automation offers. The Middle East saw stronger growth in the offer to process and hybrid industries. Africa saw positive demand from OEMs while offers to process & hybrid industries were impacted by uncertainty caused by upcoming elections in Nigeria.

CONSOLIDATION[7] **AND FOREIGN EXCHANGE IMPACTS IN Q2**

Net acquisition / disposals had an impact of **-€58 million** or **-0.9%**. This includes the disposal of Pelco (Energy Management) and the U.S. Panels business (Industrial Automation) along with some minor acquisitions / disposals.

The impact of foreign exchange fluctuations was positive at +**€110 million** or **+1.7%**, 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** to **+€400 million**. The FX impact at current rates on adjusted EBITA margin could be between **-10bps** to **-20bps**.

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

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II. H1 2019 KEY RESULTS

€ million	2018 H1	2019 H1	Reported Change	Organic change
Revenues	**12,317**	**13,202**	**+7.2%**	**+5.4%**
Gross Profit	**4,818**	**5,202**	**+8.0%**	**+6.2%**
Gross profit margin	*39.1%*	*39.4%*	*+30bps*	*+30bps*
Support Function Costs	**(3,049)**	**(3,242)**	**+6.3%**	**+3.6%**
SFC ratio	*24.8%*	*24.6%*	*-20bps*	*-50bps*
Adjusted EBITA	**1,769**	**1,960**	**+10.8%**	**+10.9%**
Adjusted EBITA margin	*14.4%*	*14.8%*	*+40bps*	*+70bps*
Restructuring costs	(87)	(101)		
Other operating income & expenses	(64)	(346)		
EBITA	**1,618**	**1,513**	**-6%**	
Amortization & impairment of purchase accounting intangibles	(79)	(88)		
Net income (Group share)	**1,020**	**993**	**-3%**	
Adjusted Net Income[8]	**1,143**	**1,255**	**+10%**	
Adjusted EPS (€)	**2.04**	**2.27**	**+11%**	
Free Cash Flow	**350**	**837**	**+139%**	

- **ADJUSTED EBITA MARGIN AT 14.8%, UP +70 BPS ORGANIC THANKS TO THE COMBINATION OF STRONG TOP LINE PERFORMANCE, PRODUCTIVITY AND PRICING ACTIONS**

Gross profit was up **+6.2%** organic with Gross margin improving by **30bps** organic to **39.4%** in H1 2019 mainly driven by net price and productivity.

H1 2019 Adjusted EBITA reached **€1,960** million, increasing organically by **+10.9%** and the Adjusted EBITA margin improved **+70 bps** organically to **14.8%.**

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

- Volume impact was a positive +**€218** million.

8. See appendix for Adjusted Net Income calculation

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- Solid execution of Tailored, Sustainable & Connected supply chain contributed to an H1 industrial productivity level of **+€144** million. In a positive environment for volume, the Group was impacted by trade tariffs and other inflationary factors.

- The net price[9] impact was positive at **+€142** million in H1 2019. Pricing on products was positive at +€115 million primarily due to carryover from actions taken in H2 2018. In total, RMI was +€27 million. In H2 2019, pricing on products can be expected to generate a lower positive contribution, while raw material impact should still be positive.

- Cost of Goods Sold inflation was **-€58** million in H1 2019, of which the production labor cost and other cost inflation was **-€37** million, and an increase in R&D in Cost of Goods Sold was -**€21** million.

- Support function costs increased organically by -**€118** million in H1 2019. Overall SFC to Sales ratio continued to reduce from 24.8% to 24.6% improving organically by 50bps. The Group will continue to focus on the organic improvement of SFC to sales ratio while ensuring appropriate investment in critical growth drivers for the mid- to long-term.

- The impact of foreign currency decreased the adjusted EBITA by **-€4** million in H1 2019.

- Stronger growth in mid- and late-cycle businesses resulted in unfavorable mix of **-€78** million in H1 2019, which also includes the impact of geographical mix. The mix is expected to continue to have an increased negative impact in H2 2019.

- The impact from scope & others was **-€55** million in H1 2019. Scope was around neutral taking into account the disposal of Pelco, while others included certain technical risks and the depreciation of some inventory.

By business, the H1 2019 adjusted EBITA for:

- **Energy Management** generated an adjusted EBITA of €1,776 million, or **17.6%** of revenues, up c. +80bps organic (up +50bps reported), thanks to strong growth in volume, improved pricing, and continued productivity gains.

  Industrial Automation generated an adjusted EBITA of €551 million, or **17.6%** of revenues, up c. +30bps organic (and +30bps reported), thanks to positive pricing and a continued focus on costs at a time where positive topline growth is moderated by the high base of comparison from H1 2018, and with a softening market environment for discrete automation.

- **Central Functions & Digital Costs** in H1 2019 amounted to **€367 million**, remaining stable at 2.8% of revenues. These costs include investments in the Group's shared Digital platform and I.T. infrastructure, transversal investments supporting the development of the two businesses, and the cost of global functions.

9. Price less raw material impact

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- **ADJUSTED NET INCOME UP +10%**

Restructuring charges were **-€101 million** in H1 2019, €14m higher than last year. 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.

Other operating income and expenses had a negative impact of -**€346 million**, including the loss on disposal of Pelco, some asset impairments, along with some M&A and integration costs vs. -€64 million in H1 2018 consisting mainly of M&A and integration costs.

The amortization and depreciation of intangibles linked to acquisitions was -**€88 million** compared to -€79 million in the first half of last year. The increase in amortization is mainly due to intangible assets recognized in association with the AVEVA acquisition.

Net financial expenses were -**€140** million**,** €19 million lower than in H1 2018, driven mainly by a continued decrease in the cost of debt, reduced by €40 million year on year, partly offset by the impact of IFRS 16 which increases financial expenses by €20 million.

Income tax amounted to -**€286** million, lower than last year by €32 million. The effective tax rate was 22.3%, in line with the expected range of ETR of 22%-24% in 2019.

The result of Discontinued operations was **+€4** million, relating to the net result after tax of Solar activities.

Share of profit on associates increased slightly to **+€41** million, from +€36 million in the first half of last year. The Group share of Delixi net income was +**€34m**, up c.+€4m year-on-year.

As a result, Net Income was **€993** million in H1 2019, down -3% from H1 2018.

The Adjusted Net Income[10] was **€1,255** million in H1 2019, up +10% vs. H1 2018.

- **FREE CASH FLOW REACHED €837 MILLION, +2X AMOUNT FROM H1 2018 (+2.4X INCLUDING IFRS 16)**

Free cash flow was very strong at **€837** million, despite topline growth that resulted in a slight increase in net capital expenditure and an increased consumption of trade working capital.

Net capital expenditure reached **€380** million, representing ~3% of revenues, due in part to supply chain capacity investment and capitalized R&D linked to new products. Consumption of trade working capital increased, up €381 million in H1 19. The impact of IFRS 16 was to increase free cashflow by €134 million.

10. See appendix for Adjusted Net Income calculation

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- **BALANCE SHEET REMAINS STRONG**

Schneider Electric's net debt at June 30, 2019 amounted to **€6,079** million (€5,136 million in December 2018) after payment of **€1.3** billion in dividend, a share buyback of c. **€80** million in H1 2019 and net acquisitions of **€74** million.

- **IMPACT OF IFRS 16**

The Group has adopted IFRS 16 on January 1, 2019, according to the modified retrospective approach. Under this method, the standard is applied retrospectively with the cumulative effect of the initial application on the date of application.

The impact on the H1 2019 results are as follows:

Income Statement
- Adjusted EBITA improves by €10 million
- Finance costs are higher by €20 million
- The tax impact is a reduction in the tax charge of €3 million
- Overall the impact on Net Income is a reduction of €7 million

Cash Flow
- Free cashflow is increased by €134 million
- Cash flows from financing activities are decreased by €134 million

Balance Sheet
- Property, Plant and Equipment is increased by €1.3 billion
- Other liabilities are increased by €1.3 billion

III. PORTFOLIO OPTIMIZATION CONTINUES

Larsen & Toubro

As announced on 7 June 2019, the Competition Commission of India ("CCI") has approved the combination of Schneider Electric India's Low Voltage and Industrial Automation products business and Larsen and Toubro Ltd. ("L&T") Electrical and Automation business. The Group expects the transaction to close in the next several months.

Pelco

As announced on 27 May 2019, following consultation with the relevant works councils the Group has finalized the sale of its Pelco business unit to Transom Capital Group, a U.S.-based private equity firm. Prior to its sale, Pelco was consolidated as part of Energy Management, and generated €169 million of revenues in FY 2018. The Group expects the Pelco disposal to be accretive to the Group adjusted EBITA by c. +10bps on an annualized basis.

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U.S. HVAC Panel offer

The Group has sold its non-core panel offer in the U.S. This offer of HVAC control panels for OEMs generated annualized revenues of c.€80 million. This activity was viewed as non-core to the Group and was subject to a strategic phase-down beginning in Q4 2018. In Q2 2019 an agreement was reached for the sale of this offer, and consequently is treated as a scope effect from Q2 onward (having previously been consolidated within Industrial Automation). The activity had a dilutive impact on organic revenue growth in Q4 2018 and in Q1 2019.

To date, the Group has completed the exit of approximately €0.3 billion of the targeted €1.5 - €2.0 billion of revenues to be reviewed over the period 2019-2021.

IV. CAPITAL MARKETS DAY

The Group hosted a Capital Markets Day for investors and financial analysts on 26 June 2019, at its headquarters in Rueil-Malmaison, and including a visit to its award-winning Smart Factory 'Le Vaudreuil'. The event was webcast live on the day, and a recording can be found at:
https://www.schneider-electric.com/en/about-us/investor-relations/financial-calendar-and-events.jsp

V. 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 Q2, the Schneider Sustainability Impact reaches a score of **6.78** out of 10, as the Group continues to execute its three-year sustainability plan.

VI. SHARE BUYBACK

As announced at the time of the FY 2018 results, the Group has initiated a €1.5bn to €2.0bn share buyback program over 3 years (2019-2021).

As at 30 June 2019, the Group has repurchased 1.1 million shares for a total amount of c. €80 million, with an average price of c.€71 per share.

VII. DIVIDEND

The dividend payment for Fiscal Year 2019 will be on May 7, 2020.

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VIII. 2019 TARGET UPGRADED

In its main markets, the Group currently expects the following trends in H2 2019:

- In North America, the Group anticipates a continuing favorable environment overall, noting a high H2 base of comparison in Energy Management. In Automation, process remains positively oriented while softening in discrete automation markets remains
- China continues to face a 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
- The Group expects Western Europe to grow at a moderate pace
- The Group expects several new economies to perform well, including in South East Asia and India, whereas some regions including Russia and the Gulf remain challenged

Following the strong H1 and considering developing macro-economic trends, the Group upgrades its 2019 target as it deploys its strategic priorities in key markets and its focus on the c. +200 basis points (at constant FX) margin ambition for 2019-2021.

The Group upgrades its target for 2019. The Group targets 2019 Adj. EBITA growth between +6% and +8% organic (vs +4% to +7% initially). 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% (vs +3% to +5% initially) reflecting the strong performance in H1.

- 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

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The financial statements of the period ending June 30, 2019 were established by the Board of Directors on July 24, 2019 and certified by the Group auditors on July 24, 2019.

The Q2 2019 & H1 2019 Results presentation is available at www.schneider-electric.com

Q3 2019 Revenues will be presented on October 24, 2019.

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.

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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.

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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 to +€400 million. The FX impact at current rates on adjusted EBITA margin could be between -10bps to -20bps.
- **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

Second quarter 2019 revenues by business were as follows:

€ million	Q2 2019				
	Revenues	Organic growth	Changes in scope of consolidation	Currency effect	Reported growth
Energy Management	5,334	+6.9%	-0.6%	+1.9%	+8.2%
Industrial Automation	1,561	-1.1%	-1.6%	+0.9%	-1.8%
Group	**6,895**	**+5.0%**	**-0.9%**	**+1.7%**	**+5.8%**

Half year 2019 revenues by business were as follows:

€ million	H1 2019				
	Revenues	Organic growth	Changes in scope of consolidation	Currency effect	Reported growth
Energy Management	10,072	+7.0%	-0.3%	+2.2%	+8.9%
Industrial Automation	3,130	+0.5%	+0.6%	+1.0%	+2.1%
Group	**13,202**	**+5.4%**	**-0.1%**	**+1.9%**	**+7.2%**

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Appendix – Consolidation

In number of months	2018 Q1	2018 Q2	2018 Q3	2018 Q4	2019 Q1	2019 Q2	2019 Q3	2019 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			

Appendix – Gross Margin, Analysis of Change

	H1 Gross Margin
2018 GM	39.1%
Volume	0.0 pt
Net Price	0.8 pt
Productivity	1.1 pt
Mix	(0.6) pt
R&D & Production Labor Inflation	(0.5) pt
FX	(0.3) pt
Scope & Others	(0.2) pt
2019 GM	**39.4%**

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Appendix - Results breakdown by business

€ million		H1 2018	H1 2019	Organic
Energy Management	*Revenues*	9,253	10,072	
	Adjusted EBITA	1,584	1,776	
	Adjusted EBITA margin	17.1%	17.6%	~+ 80bps
Industrial Automation	*Revenues*	3,064	3,130	
	Adjusted EBITA	528	551	
	Adjusted EBITA margin	17.3%	17.6%	~+ 30bps
Corporate	*Central Functions & Digital Costs*	(343)	(367)	
Total Group	*Revenues*	12,317	13,202	
	Adjusted EBITA	1,769	1,960	
	Adjusted EBITA margin	14.4%	14.8%	~+ 70bps

Appendix – Adjusted Net Income & EPS

Key figures (€ million)	**H1 2018**	**H1 2019**	**Change**
EBITA	**1,618**	**1,513**	**-6%**
Amortization & impairment of purchase accounting intangibles	(79)	(88)	
Financial Costs	(159)	(140)	
Income tax	(318)	(286)	
Discontinued ops	(35)	4	
Equity investment & Minority Interests	(7)	(10)	
Net Income (Group share)	**1,020**	**993**	**-3%**
Earnings per share (Basic)	**1.83**	**1.79**	**-2%**
Impact of business disposals and other asset impairments, post-tax	24	160	
Major Acquisition/Integration costs post-tax[11]	7	24	
Restructuring charges post-tax[11]	67	78	
Impact of Tax Reforms	25	-	
Adjusted Net Income	**1,143**	**1,255**	**+10%**
Adjusted EPS (€)	**2.04**	**2.27**	**+11%**

11. Calculated post-tax at the H1 effective tax rate

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Appendix – Free Cash Flow and Net Debt

Analysis of debt change in €m	H1 2018	H1 2019
Net debt at opening at Dec. 31	**(4,296)**	**(5,136)**
Operating cash flow[12]	1,515	1,791
Capital expenditure – net	(308)	(380)
Operating cash flow, net of capex	**1,207**	**1,411**
Change in trade working capital	(562)	(381)
Change in non-trade working capital	(295)	(193)
Free cash flow	**350**	**837**
Dividends	(1,223)	(1,333)
Acquisitions – net	(698)	(74)
Net capital increase	(160)	(76)
FX & other (incl. IFRS 16)	(32)	(297)
(Increase) / Decrease in net debt	**(1,763)**	**(943)**
Net debt at Jun. 30	**(6,059)**	**(6,079)**

12. H1 2019 includes €134 million benefit from IFRS 16

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