Stable underlying Q3 performance in a mixed environment thanks to China turning positive and good growth in services

- ***Revenues of €6.1bn, organic growth of -1.7% and about flat excluding selectivity & working day impacts[1]***
- ***China continued to improve, turning positive in Q3***
- ***Middle East decline impacted Group revenue growth by -1.3pts. New Economies excl. Middle East up +2%***
- ***North America marginally positive, Western Europe about flat, after adjusting for working day impact***
- ***Building continues solid growth outside Middle East & Australia. Infrastructure slightly up before selectivity actions***
- ***Industry performance as expected with renewed growth in China. IT revenues declined, while orders grew***
- ***Services continue to grow mid-single digit driven by Building & IT***
- ***FY 2016 targets reaffirmed***

Rueil Malmaison (France), October 27, 2016 - Schneider Electric reported third quarter revenues of **€6,064** million, down **-1.7%** organically and about flat underlying[1].

The breakdown of revenue by business segment was as follows:

€ million	Q3 2016		
	Revenues	Organic Growth	Reported Growth
Building	2,666	-0.1%	-10.6%
Industry	1,333	-2.6%	-4.6%
Infrastructure	1,161	-3.0%	-8.8%
IT	904	-3.1%	-3.8%
Group	**6,064**	**-1.7%**	**-8.0%**

Jean-Pascal Tricoire, Chairman and CEO, commented: *"As expected, we deliver flat underlying growth in the third quarter in an environment which remains mixed. We see China return to positive territory for the first time in two years. We keep executing on our strategic priorities, and focus on our profitable growth engines: products, services and software, while being more selective and better at execution in projects. We also keep investing in new economies, which deliver more growth, with the exception of the Middle-East at the moment. We confirm our full year objectives."*

[1] *Underlying Organic revenue growth excluding a selectivity impact of about -€60m and a working day impact of -0.6pt*

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

Press Contact :
Schneider Electric
Véronique Roquet-Montégon
Tel : +33 (0)1 41 29 70 76
Fax : +33 (0)1 41 29 88 14

Press Contact :
DGM
Michel Calzaroni
Olivier Labesse
Phone : +33 (0)1 40 70 11 89
Fax : +33 (0)1 40 70 90 46

I. ORGANIC GROWTH ANALYSIS BY BUSINESS

Building (44% of Q3 revenues) was about flat organically at **-0.1%** in the third quarter, with growth in Wiring Devices & Final Distribution activities. North America continued to grow. The U.S. grew thanks to successful commercial initiatives in a favorable residential market while the commercial & industrial buildings market was tepid. Mexico was up. Western Europe was down, with varied performance by country. In France, residential markets continued to improve but performance was impacted by lower project execution. Germany and Spain declined from a high base while the U.K. and Italy continued to grow. Asia Pacific was mixed. China posted growth thanks to successful commercial initiatives and continued improvement in Tier 1 and Tier 2 construction markets. India continued to grow well, while Australia had a difficult quarter. Middle East declined sharply while Africa and CIS were up.

Industry (22% of Q3 revenues) was down **-2.6%** organically as growth in China could not offset weakness in the Middle East and O&G related investment. China grew in a stabilizing OEM market. Western Europe was about flat with good resiliency in the OEM market. France was impacted by lower investment activity while Italy and the Nordics grew. Germany was about flat with good performance in Services. The U.S. was down as it continued to be impacted by low O&G investment while the priority remained enhancing cross-selling through channel initiatives. Globally, Services continued to grow for the quarter.

Infrastructure (19% of Q3 revenues) was down **-3.0%** and slightly up excluding project selectivity impact. The Q3 impact of selectivity initiatives is estimated at -€40m. This impact is expected to accelerate in Q4 as planned. North America was down despite good project execution in the U.S. due to weakness in Canada. Western Europe was up benefitting from solid project execution in the U.K. and Nordics. France grew with successful execution of the Group's services initiatives. In Asia-Pacific, China was down on selectivity and the growth from emerging segments did not fully compensate for weakness from traditional segments. Australia suffered from lower investment in resources. Rest of the World was dragged down by weakness in the Middle East and Russia while Africa grew. Services continued to grow across all regions.

IT (15% of Q3 revenues) was down **-3.1%** organically, impacted by phasing of delivery and lower IT spending in some regions. Global data center investment trends remain favorable in general, driven particularly by co-location in the U.S., which reflected in orders growth. Services grew strongly across all regions and the focus remained on growing targeted data center segments. The Rest of the World was the largest contributor to the decline, with weakness in the Middle East and Africa. The U.S. was down as its performance was penalized by a high base of comparison in projects though efforts to reinvigorate IT channels continued to generate growth. Western Europe was down due to declines in Germany and the U.K while France and Italy saw data center growth. Asia-Pacific was up as strong growth in India and South East Asia more than offset decline in Australia and Japan.

Solutions were down **-2%** organically in Q3**,** driven by selectivity measures. Within Solutions, Services were up **+5%.** The Solutions business represented **43%** of revenues in Q3.

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Fax : +33 (0)1 40 70 90 46

II. ORGANIC GROWTH ANALYSIS BY GEOGRAPHY

€ million	Q3 2016		
	Revenues	Organic Growth	Reported Growth
Western Europe	1,575	-1%	-4%
Asia-Pacific	1,694	-1%	-12%
North America	1,738	+0%	-5%
Rest of World	1,057	-6%	-11%
Group	**6,064**	**-1.7%**	**-8.0%**

Western Europe (26% of Q3 revenues) was slightly down **-1%** organically in the third quarter, about flat after adjusting for working days (approximately -1pt impact). The residential sector in France showed improvement and the Group's commercial efforts delivered good results while Industry declined. Italy grew in all businesses on successful commercial initiatives. Spain declined due to a high base of comparison and a market impacted by government related delays. Germany was penalized by a high base of comparison and the Nordics grew, particularly thanks to project execution. The U.K. was slightly positive - not yet impacted by impending *Brexit* negotiations, but helped by project execution. The Group anticipates the impact of *Brexit* on the U.K. operations in the coming quarters and is adapting to an inflationary environment while reviewing its cost base.

Asia-Pacific (28% of Q3 revenues), was down **-1%** organically, mainly due to weakness in Australia (Asia Pacific was up ~+1% excluding Australia). Australia continued to be strongly penalized by the phasing down of some projects and weakness in commodity-based segments, while the residential market remained positive. China continued to show improvement in Tier 1 and Tier 2 cities' construction markets, a stabilizing OEM market and benefitted from commercial initiatives. India posted good growth while South East Asia presented a mixed picture.

North America (29% of Q3 revenues) was about flat organically. The U.S. was up, as continued growth in residential markets and services growth offset weak industrial and infrastructure investment, while the focus remained on channel initiatives. Canada was down while Mexico was up.

Rest of the World (17% of Q3 revenues) was down **-6%** organically, dragged down by the Middle East where persistently low oil prices resulted in delays and cancellations in large projects, especially in Saudi Arabia. In Turkey national unrest led to freezing of business activities for ~1 month. Rest of the World was up +1.5% excluding the Middle East. Brazil continued to be weak while the rest of South America and Africa grew. CIS was down due to decline in commodity related segments though the Group grew in Building & Industry.

Organic revenues growth in new economies was down **-1.4%** (up +2% excluding the Middle East) and new economies represented **42%** of total third quarter 2016 revenues.

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III. CONSOLIDATION[2] AND FOREIGN EXCHANGE IMPACTS

Net acquisitions had an impact of **-€283 million** or **–4.3%** on the revenues. This includes mainly the deconsolidation of Delixi (consolidated under Building business), the disposal of Juno Lighting (consolidated under Building business), Telvent Transportation (consolidated under Infrastructure business), and some minor acquisitions and disposals in other businesses.

The impact of foreign exchange fluctuations was negative at -**€144 million** or **-2.0%**, primarily due to the depreciation of the Chinese yuan, British pound, and several new economies' currencies against the euro.

Based on current rates, the negative FX impact on FY 2016 revenues is now estimated to be **~-€0.8bn**, due to the strengthening of the euro against several currencies.

IV. SHARE BUY BACK

The Group is on track in its plan to buy back **~€1.5 billion** worth of shares towards the end of 2016. In Q3 the Group purchased c.**2.9 million** shares for a total amount of **c. €167 million,** for a 2016 total of **c.8.3 million** shares at **€445 million** (at an average price of €54 per share)**.** This brings the cumulative amount of shares bought back for 2015-2016 to c.**18.9 million,** for a total amount of **c. €1,045 million** (at an average share price of €55 per share).

V. 2016 TARGETS

In the third quarter the Group delivered flat underlying growth, in line with the Group's expectations. Residential construction was strong globally, and drove the Group's good performance in wiring devices and final distribution, while industrial markets remained weak. In this mixed environment, the Group executed its roadmap and delivered solid results in Services, continued to pursue targeted segments, and accelerated its selectivity initiatives (year to date impact ~-€130m to -€140m).

In Q4, the Group remains focused on relentlessly executing the strategy of growing Products, Software and Services, better selection and execution of Systems , and cost and cash efficiency. Additionally, the Group should face a negative working day impact estimated for Q4 at ~-1pt, and an accelerated negative impact from project selectivity.

Based on this quarter, the Group reaffirms its target for full year 2016:

- Revenues: About flat underlying organic growth before project selectivity impact (estimated to be c. -2% in H2).
- +60bps to +90bps improvement on adjusted EBITA margin before FX. The negative FX impact on margin is estimated at -50bps to -60bps at current rates.

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

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Olivier Labesse
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The Q3 2016 revenues presentation is available at www.schneider-electric.com

2016 Annual Results will be presented on February 17, 2017

About Schneider Electric: Schneider Electric is the global specialist in energy management and automation. With revenues of €27 billion in FY2015, our 160,000 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 will reshape industries, transform cities and enrich lives. At Schneider Electric, we call this **Life Is On**.

Discover Life is On

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Schneider Electric
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Appendix – Revenues breakdown by business

€ million	Q3 2016				
	Revenues	Organic growth	Changes in scope of consolidation	Currency effect	Reported growth
Building	2,666	-0.1%	-8.2%	-2.3%	-10.6%
Industry	1,333	-2.6%	+0.1%	-2.1%	-4.6%
Infrastructure	1,161	-3.0%	-3.1%	-2.7%	-8.8%
IT	904	-3.1%	0.0%	-0.7%	-3.8%
Group	**6,064**	**-1.7%**	**-4.3%**	**-2.0%**	**-8.0%**

Appendix – Consolidation impact on revenues and EBITA

In number of months	2015				2016			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Günsan Elektrik Building Business TRY100 million revenues in 2013	3m	3m	3m	3m				
Juno Lighting Building Business $230 million revenues in 2014				1m	3m	3m	3m	2m
Telvent Transportation Infrastructure Business €125 million revenues in 2015						3m	3m	3m
Delixi Building Business €650 million revenues in 2015 €63 million adjusted EBITA in 2015					3m	3m	3m	3m

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