## *Focus on strategic priorities yielded strong results in 2016; Well positioned for further organic sales growth and margin improvement*

- ***FY Revenues €24.7bn with organic growth of -0.9% and slightly positive underlying[1] organic growth***
- ***Q4 underlying growth c.+1.6%[2], improving sequentially***
- ***FY Adj. EBITA margin improved 40bps to 14.1%, c.+90bps before FX***
- ***Net profit of €1.8bn, increased +24% and EPS by +26%***
- ***Record cash generation with FCF of €2.2bn; Cash conversion 118%***
- ***Proposed dividend[3] at €2.04/share, up +2%***

**Rueil-Malmaison (France), February 16, 2017 -** Schneider Electric announced today its fourth quarter revenues and full year results for the period ending December 31, 2016.

| Key figures (€ million) | 2015 FY | 2016 FY | Reported Change | Organic Change |
|---|---|---|---|---|
| **Revenues** | **26,640** | **24,693** | **-7.3%** | **-0.9%** |
| ***Underlying[1] growth (%)*** | | | | ***Slightly up*** |
| **Adjusted EBITA** | **3,641** | **3,480** | **-4.4%** | **+4%** |
| ***% of revenues*** | ***13.7%*** | ***14.1%*** | ***+40 bps*** | ***+70 bps*** |
| **Net Income (Group share)** | **1,407** | **1,750** | **+24%** | |
| **Free Cash Flow** | **2,045** | **2,206** | **+8%** | |
| **Earnings per share (Basic)** | **2.47** | **3.12** | **+26%** | |

Jean-Pascal Tricoire, Chairman and CEO, commented: *"In 2016, we achieve all our key financial targets, delivering slightly positive underlying growth and +90 bps improvement before FX in adjusted EBITA margin. We also accelerate the execution of our strategy, which we shared during our recent investor day. As we go into 2017, we focus on growing our partner network through the launch of many new innovative offers, developing services and software, working on margin improvement through continued selectivity on projects and keeping strong attention on cost control. Additionally, we are very excited by the potential of EcoStruxure architecture in the domains of building, power, datacenters, machines, plant and grids and by the greater value we offer our customers through this innovative offer."*

*1. Estimated FY underlying organic growth excluding the impact of c. -€280m-300m from project selectivity initiatives (working day impact on FY is neutral)*
*2. Estimated Q4 underlying organic growth excluding the impact of c.-€150m-€160m from project selectivity and -1.1pt working day*
*3. Subject to Shareholder approval on April 25, 2017*



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. FOURTH QUARTER REVENUES WERE DOWN -1.7% ORGANICALLY

2016 Q4 revenues were **€6,783 million**, down **-1.7%** organically and down **-5.8%** on a reported basis. Excluding c.-€150-€160m from project selectivity and -1.1pt working day in the quarter, organic underlying growth stood at **c. +1.6%.**

**Organic growth by business**

| € million | FY 2016 | | Q4 2016 | |
|---|---|---|---|---|
| | Revenues | Organic growth | Revenues | Organic growth |
| Building | 10,700 | +0.3% | 2,848 | -1.2% |
| Industry | 5,485 | -1.2% | 1,477 | +1.4% |
| Infrastructure | 4,919 | -3.4% | 1,466 | -6.7% |
| IT | 3,589 | -0.8% | 992 | +0.3% |
| **Group** | **24,693** | **-0.9%** | **6,783** | **-1.7%** |

**Building** (41% of Q4 revenues) was down **-1.2%** organically in the fourth quarter, but posted continued growth in Wiring Devices & Final Distribution activities. North America declined, as the U.S. suffered from lower project activity in commercial & industrial buildings mainly due to selectivity and a high base of comparison in solar markets. Residential activity continued to show good growth in a favorable market. Mexico grew while Canada was about flat. Western Europe was stable. France posted solid growth thanks to good project execution and an improving residential market. Italy, Spain and the U.K. grew benefiting from commercial initiatives while Germany declined. Asia-Pacific was up slightly thanks to growth in India and residential activity in Australia. India continued to grow, avoiding substantial impacts from government demonetization policies through actions with partners. China was slightly negative due to some delays in projects in favorable construction markets in Tier 1 & Tier 2 cities. Rest of the World posted mixed results, with growth in CIS, Africa and South America and a strong decline in the Middle-East.

**Industry** (22% of Q4 revenues) was up **+1.4%** organically. Globally, the Group benefited from its focus on OEM in a favorable market. Process automation declined organically, though showing early signs of improvement in order intake. China was up high-single digit in an improved OEM market, driving the growth of Asia-Pacific. Elsewhere in Asia, the Group continued to see growth in India and weakness in Australia. Western Europe declined slightly, with an impact from working days. Positive OEM demand in Italy and Spain could not fully offset a decline in France, and lower project execution in U.K. and Germany. The U.S. was down slightly as it continued to be impacted by low O&G investment but posted growth in the OEM market. The priority remains to enhance cross-selling through channel initiatives. Rest of the World was positive, led by strong growth in Russia and Africa while South America and the Middle-East declined.



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

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**Infrastructure** (22% of Q4 revenues) was down **-6.7%** organically as the negative impact from selectivity initiatives accelerated to ~-€100m in Q4, in line with expectations. North America was down due to selectivity and continued weakness in resource and industrial markets in the U.S. and Canada. Western Europe was down. Germany declined mainly due to project selectivity despite continued growth in transactional and services business. In France, the business remained stable with strong growth in services thanks to targeted initiatives which compensated for a planned decrease in projects due to selectivity. In Asia-Pacific, China was down slightly on selectivity and weakness in traditional segments. Indonesia benefited from project execution while Australia continued to suffer from lower investment in resources. Rest of the World was down with a mixed picture, notably with weakness in the Middle-East but growth in Russia.

**IT** (15% of Q4 revenues) was up **+0.3%** organically. North America was up led by the U.S. with strong growth in IT channel sales, continued success in services initiatives and project execution in data centers. Mexico declined. Western Europe was down mainly due to declines in Germany and the U.K. Italy, France, and Nordic countries grew. Asia-Pacific was up as India continued to grow strongly with little impact seen from government demonetization initiatives. Elsewhere in Asia, the Group saw growth in South East Asia and Japan and declines in China and Australia. Rest of the World declined, mainly driven by Russia and the Middle-East. Services continued to grow strongly.

Organically, the solution business was down **-4%** of which services were up **+3%.** The solutions business represented **46%** of revenues in Q4.

**Organic growth by geography**

| € million | FY 2016 | | Q4 2016 | |
|---|---|---|---|---|
| | Revenues | Organic growth | Revenues | Organic growth |
| Western Europe | 6,761 | 0% | 1,817 | -1% |
| Asia-Pacific | 6,699 | -1% | 1,864 | 0% |
| North America | 6,884 | -1% | 1,818 | -4% |
| Rest of the World | 4,349 | -3% | 1,284 | -2% |
| **Group** | **24,693** | **-0.9%** | **6,783** | **-1.7%** |

**Western Europe** (27% of Q4 revenues) was down **-1%** organically in the fourth quarter, about flat after adjusting for working days (approximately -1pt impact). France was up with continued growth in Wiring Devices & Final Distribution in a favorable residential market and good execution of projects, particularly in commercial & industrial buildings. Industrial markets remained weak. Italy grew on successful commercial initiatives in all businesses, particularly datacenter and OEM markets. Spain was up while Germany declined. The U.K. was down mainly due to a high base of comparison. The Group continues to prepare for a potential impact of Brexit on its U.K. operations.



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

Press Contact :
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Véronique Roquet-Montégon
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Fax : +33 (0)1 41 29 88 14

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Michel Calzaroni
Olivier Labesse
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Fax : +33 (0)1 40 70 90 46

**Asia-Pacific** (27% of Q4 revenues) was flat, mainly due to weakness in Australia (Asia-Pacific was up ~+1% excluding Australia). Australia continued to be strongly penalized by the weakness in commodity-based segments and project phase down, though the residential market remained favorable. China grew benefitting from commercial initiatives and a better OEM market on consumer-driven segments while building markets showed a contrasted picture between Tier 1 & 2 and Tier 3 & 4 cities. South East Asia had a good underlying performance but was penalized by a high base of comparison. India continued to grow well as commercial actions limited the impact from the government demonetization initiative.

**North America** (27% of Q4 revenues) was down **-4%** organically in the quarter. The U.S. decline was mainly driven by weak infrastructure and O&G markets and a continued focus on selectivity while the Group saw continued growth in its Wiring Devices & Final Distribution and benefited from improvements in the OEM and IT markets. Canada declined in weak infrastructure markets while Mexico remained mixed.

**Rest of the World** (19% of Q4 revenues) declined **-2%** organically, dragged down by the Middle-East where the impact of prolonged weakness in oil prices continued to dampen economic activity in the region. Excluding the Middle-East, Rest of the World was up c. +2%. CIS grew with successful execution of channel initiatives in an improving market in Russia and the execution of infrastructure projects in the region. Africa was up while South America declined mainly due to weakness in Brazil.

Q4 2016 revenues in new economies were flat and represented **43%** of total revenues. Q4 2016 revenue growth in new economies outside the Middle-East was up +2%.

**Consolidation[4] and foreign exchange impacts**

Net acquisitions had an impact of **-€226 million** or **-3.1%**. This includes mainly the deconsolidation of Delixi (consolidated under Building business), the disposal of Juno Lighting (consolidated under Building business), and Telvent Transportation (consolidated under Infrastructure business), and some minor acquisitions and disposals in other businesses.

The impact of foreign exchange fluctuations was negative at -**€72 million** or **-1.0%**, primarily due to the weakening of the Chinese yuan, British Pound and several new economies' currencies against the euro.

Based on current rates, the FX impact on FY 2017 revenues is estimated to be around +**€400m**. The impact on EBITA adjusted margin is expected to be about neutral.

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



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

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

Press Contact :
DGM
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Olivier Labesse
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Fax : +33 (0)1 40 70 90 46

## II. FULL YEAR 2016 KEY RESULTS

| € million | 2015 FY | 2016 FY | Change | Organic change |
|---|---|---|---|---|
| **Revenues** | **26,640** | **24,693** | **-7%** | **-0.9%** |
| **Gross Profit** | **9,845** | **9,390** | **-5%** | **+1%** |
| *Gross profit margin* | *37%* | *38%* | *+1pt* | *+1pt* |
| **Support Function Costs** | **(6,204)** | **(5,910)** | **-5%** | **-1%** |
| **Adjusted EBITA** | **3,641** | **3,480** | **-4%** | **+4%** |
| *Adjusted EBITA margin* | *13.7%* | *14.1%* | *+0.4pt* | *+0.7pt* |
| Restructuring costs | (318) | (313) | | |
| Other operating income & expenses | (522) | (63) | | |
| **EBITA** | **2,801** | **3,104** | **+11%** | |
| Amortization & impairment of purchase accounting intangibles | (572) | (153) | | |
| **Net income (Group share)** | **1,407** | **1,750** | **+24%** | |
| **Adjusted Net Income**[5] | **2,119** | **2,117** | **0%** | |
| **Adjusted EPS (€)**[5] | **3.73** | **3.77** | **+1%** | |
| **Free Cash Flow** | **2,045** | **2,206** | **+8%** | |

- **ADJUSTED EBITA MARGIN AT 14.1%, UP +0.9 POINT BEFORE FX AND +0.4 POINT VERSUS FY 2015 THANKS TO STRONG PRODUCTIVITY, NET PRICE AND IMPROVING MIX TREND**

  **Gross profit** was down **-4.6%** but Gross margin improved strongly **+1.0pt** to **38.0%** in FY 2016 thanks to positive net pricing[6] and industrial productivity, and improving mix trend.

  - Net price[6] contributed **+0.5pt** and industrial productivity contributed **+1.5pt**
  - Negative mix of **-0.2pt**, showing an improving trend vs. FY 2015 thanks notably to systems selectivity initiatives
  - Production Labor inflation had a negative impact of **-0.4pt**, of which increased R&D accounted for c. -0.1pt
  - Currency had a negative impact of **-0.5pt**

*5. See appendix Adjusted Net Income & EPS*
*6. Price less raw material impact*



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

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DGM
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- Scope & Others had a positive impact of **+0.1pt**. Divestments & the deconsolidation of Delixi contributed +0.4pt

- Volume had **0.0pt** impact

**Support function costs** decreased **-0.5%** organically, and decreased **-4.7%** on a reported basis. The SFC on Revenues ratio increased to 23.9%, up 60 bps. The main driver of this increase is the change in scope as divestments & the deconsolidation of Delixi contributed c. +0.4pt.

**2016 Adjusted EBITA** reached **€3,480** million, increasing organically by +4% and the Adjusted EBITA margin improved +40 bps to 14.1%.

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

- Volume impact was negative **-€113** million in the full year

- Solid execution of tailored supply chain initiatives contributed **+€377** million in the year thanks to purchasing efficiency, quality value engineering and logistics efficiencies with improved container loading factors

- The net price[6] impact was positive at **+€102** million, benefitting from a favorable raw materials tailwind of **c. +€130** million. Price (gross) was slightly negative but remained positive outside China. In China, despite price investments, strong industrial productivity and cost efficiency protected the margin. Given the resurgence of raw material inflation, the Group expects a negative raw material impact in 2017 of **c. - €200** million.

- Cost of Goods Sold inflation was **-€107** million, of which the production labor cost and other cost inflation was **-€78** million, and an increase in R&D in Cost of Goods Sold was -**€29** million.

- Support function costs reduced organically by **€28** million in the year. Total gross SFC reduction in 2016 is **c. €240** million, enabling reinvestments of c. €60 million in strategic initiatives. Gross SFC reduction amounted to **c. €540** million for 2015 & 2016, in line with the Group's target to reduce gross SFC by **c. €700** million to **€800** million between 2015-2017.

- Currency decreased the adjusted EBITA by **-€199** million, mainly due to the depreciation of the GBP, Chinese Yuan, and other currencies against the euro.

- Mix was negative at **-€50** million, showing a strong improvement in trend compared to last year.

- Acquisitions, net of divestments, and others, were negative at **-€199** million for the year due mainly to the deconsolidation of Delixi and the disposal of Juno Lighting and Telvent Transportation.

By business, the 2016 adjusted EBITA for **Building** amounted to €2,099 million, or **19.6%** of revenues, up +1.6 points (c. +1.5pt organic) year-on-year mainly thanks to industrial productivity and cost control. **Industry** generated an adjusted EBITA of €918 million, or **16.7%** of revenues, down -0.4 point (c. -0.2pt organic) from 2015, penalized by volume decline. **Infrastructure** adjusted EBITA was €477 million, or **9.7%** of revenues, up +0.6 point year-on-year (c. +1.3pt organic) thanks to higher system gross margin and strong cost control. **IT** business reported an adjusted EBITA of €604 million, **16.8%** of revenues,



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

down -0.8 point (c. -0.5pt organic) compared to 2015, impacted by mix and investments in digital and services capabilities, but remains resilient at a high level.

Corporate costs in 2016 amounted to **€618 million** or 2.5% of revenues.

- **NET INCOME UP +24%**

The restructuring charges were **-€313 million** in 2016**.** Restructuring costs are expected to be towards c. €900m in 2015-2017 to drive efficiency and simplification initiatives.

Other operating income and expenses had a negative impact of -**€63 million**, vs. -€522 million in 2015.

The amortization and depreciation of intangibles linked to acquisitions was -**€153 million** compared to -€572 million last year (which included a €295 million impairment on Pelco). The decrease in amortization comes mainly due to the end of the depreciation of several previously acquired brands

Net financial expenses were -**€462** million**, €16** million higher than in 2015**.** Cost of debt (net) decreased by **€23** million but this decrease was offset by -**€35** million higher exchange losses due to volatile currency markets.

Income tax amounted to -**€712** million, including an exceptional **-€119** million adjustment of the net deferred tax assets following the planned reduction in the Corporate Income Tax rate in France**.** Without this exceptional item, Tax rate was **23.8%** in line with expectations. For 2017, given the evolution of global tax regulations, the Group expects an effective tax rate of 26% to 28%. At this stage the impact of any proposed legislative tax changes in the U.S. is not considered.

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

The Adjusted Net Income[7] was **€2,117** million in FY 2016, stable vs. FY 2015. The Adjusted Earnings Per Share (EPS) was **€3.77**, up **+1%** from 2015, c. +2% at spot end-of-year share count.

The Net Income was **€1,750** million in FY 2016, up +24% from FY 2015.

- **ALL-TIME HIGH FREE CASH FLOW OF €2,206 million, up +8% from FY 2015**

Free cash flow was reported at a record **€2,206** million, thanks to strong operating cash flow and working capital management. It included net capital expenditure of **€764** million, representing ~3.0% of revenues. The trade working capital improved by **€82** million thanks to strong control over inventories.

- **BALANCE SHEET REMAINS SOLID**

Schneider Electric's net debt at December 31, 2016 amounted to **€4,824** million (€4,631 million in December 2015) after payment of **€1.2** billion in dividend and a share buyback of **€853** million in 2016.

*7. See appendix Adjusted Net Income & EPS*



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

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

- **CASH CONVERSION & PROPOSED DIVIDEND**

  Cash conversion was 118%[8] in 2016, above the Group target of ~100%.

  The proposed dividend[9] is €2.04 per share, up 2% vs. 2015.

## III. SCHNEIDER IS ON UPDATE

The Group executed well on its initiatives as laid out in its company program, “Schneider is On” which runs from 2015 through 2020.

Within our Do More initiative:

- c.+1% organic growth for the Group excluding Systems & Transformers
- Systems Gross Margin up ~+40bps (~+70bps before FX) thanks to greater selectivity and better execution
- Services are up +5% organically in 2016
- Global Strategic Account orders up mid-teen

Within our Simplify initiative:

- c.€620m Gross Support Function Cost reduction plus industrial productivity in 2016 (c. ~€1.3bn since 2015)

Within our Digitize initiative:

- The number of connected assets increased +15% vs. 2015
- Unique connected customers, +40% since 2015

Within our Innovate initiative:

- Numerous key launches of products, control platforms and software within Ecostruxure.io
- Planet & Society barometer reached 8.48/10

## IV. SHARE BUY BACK

The Group has repurchased **6,621,503** shares for a total amount of **c. €400** million in the fourth quarter. In the full year 2016 the Group has repurchased **14,879,319** shares for a total amount of **€853** million with an average price of c. €57 per share**.** As of December 31, 2016, the total number of shares outstanding was **592,498,759.** In line with plans, the Group has repurchased **25,502,783** shares for a cumulative **~€1.5bn** between 2015 and 2016, at an average price of c. €57 per share.

*8. Based on Net income adjusted for non-cash c.€120m income tax increase described in Net income comments*
*9. Subject to Shareholder approval on April 25, 2017*



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

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## V. 2017 TARGETS

In 2017 the Group expects more positive momentum in its major end-markets. In North America, modest growth is anticipated with improvement in industrial activity and continued growth in residential markets. Western Europe is expected to grow moderately, benefiting from an environment with a lower Euro and still relatively low oil price, while some Brexit-related risks remain. China is expected to improve in Industry and Infrastructure markets while the construction market should grow at a slower pace due to policy tightening. The Group will still face headwinds from O&G and continued weakness in some resource driven economies, although these may ease towards the end of the year.

Additionally, in 2017 the Group will face a strong increase in raw material costs estimated at c.-€200m at current prices. In this environment, the Group's priorities are to grow its partner network through the launch of many new integrated offers, accelerate services and software, working on margin improvement through continued selectivity on projects and keep a strong attention on cost control. In addition, the Group should benefit from the recent deployment of its EcoStruxure architectures in several domains to create further opportunities for growth.

Therefore, in line with the objectives announced at the 2016 Investor day, the Group targets for 2017:

- Organic revenue growth between +1% and +3% for the Group outside Infrastructure. For Infrastructure the priority remains margin improvement and the organic growth target for the division is to be about flat underlying, before an expected -4% to -5% impact from project selectivity for the division in 2017.
- +20bps to +50bps organic improvement on adjusted EBITA margin. The FX impact at current rates is expected to be about neutral on margin.

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***The financial statements of the period ending December 31, 2016 were established by the Board of Directors on February 15, 2017 and certified by the Group auditors on February 15, 2017***

***The Q4 2016 & FY 2016 Annual Results presentation is available at www.schneider-electric.com***

***Q1 2017 Revenues will be presented on 20 April, 2017***

***The Annual General Meeting will take place on 25 April, 2017***

**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.



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

Press Contact :
Schneider Electric
Véronique Roquet-Montégon
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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 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**.

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## Appendix – Revenues breakdown by business

Fourth quarter 2016 revenues by business were as follows:

| € million | Q4 2016 | | | | |
|---|---|---|---|---|---|
| | **Revenues** | **Organic growth** | **Changes in scope of consolidation** | **Currency effect** | **Reported growth** |
| Building | 2,848 | -1.2% | -6.1% | -1.2% | -8.5% |
| Industry | 1,477 | +1.4% | +0.4% | -0.9% | +0.9% |
| Infrastructure | 1,466 | -6.7% | -2.6% | -1.3% | -10.6% |
| IT | 992 | +0.3% | 0.0% | +0.6% | +0.9% |
| **Group** | **6,783** | **-1.7%** | **-3.1%** | **-1.0%** | **-5.8%** |

Full year 2016 revenues by business were as follows:

| € million | FY 2016 | | | | |
|---|---|---|---|---|---|
| | **Revenues** | **Organic growth** | **Changes in scope of consolidation** | **Currency effect** | **Reported growth** |
| Building | 10,700 | +0.3% | -7.4% | -2.7% | -9.8% |
| Industry | 5,485 | -1.2% | 0% | -2.5% | -3.7% |
| Infrastructure | 4,919 | -3.4% | -2.8% | -3.2% | -9.4% |
| IT | 3,589 | -0.8% | 0% | -1.1% | -1.9% |
| **Group** | **24,693** | **-0.9%** | **-3.9%** | **-2.5%** | **-7.3%** |



Investor Relations
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Appendix – Revenues breakdown by geography

Fourth quarter 2016 revenues by geographical region were as follows:

| € million | Q4 2016 | | |
|---|---|---|---|
| | **Revenues** | **Organic growth** | **Reported growth** |
| Western Europe | 1,817 | -1% | -5% |
| Asia-Pacific | 1,864 | 0% | -7% |
| North America | 1,818 | -4% | -7% |
| Rest of the World | 1,284 | -2% | -5% |
| **Group** | **6,783** | **-1.7%** | **-5.8%** |

Full year 2016 revenues by geographical region were as follows:

| € million | FY 2016 | | |
|---|---|---|---|
| | **Revenues** | **Organic growth** | **Reported growth** |
| Western Europe | 6,761 | 0% | -2% |
| Asia-Pacific | 6,699 | -1% | -12% |
| North America | 6,884 | -1% | -5% |
| Rest of the World | 4,349 | -3% | -10% |
| **Group** | **24,693** | **-0.9%** | **-7.3%** |



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

## Appendix – Consolidation impact on revenues and EBITA

| In number of months | 2016 | | | | 2017 | | | |
|---|---|---|---|---|---|---|---|---|
| | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 |
| **Juno Lighting**<br>Building Business<br>$230 million revenues in 2014 | 3m | 3m | 3m | 2m | | | | |
| **Telvent Transportation**<br>Infrastructure Business<br>€125 million revenues in 2015 | | 3m | 3m | 3m | 3m | | | |
| **Delixi (deconsolidation)**<br>Building Business<br>€650 million revenues in 2015<br>€63 million adjusted EBITA in 2015 | 3m | 3m | 3m | 3m | | | | |

## Appendix - Results breakdown by division

| € million | 2015 FY | 2016 FY |
|---|---|---|
| **Revenues** | **26,640** | **24,693** |
| Building | 11,859 | 10,700 |
| Industry | 5,696 | 5,485 |
| Infrastructure | 5,428 | 4,919 |
| IT | 3,657 | 3,589 |
| **Adjusted EBITA** | **3,641** | **3,480** |
| Building | 2,132 | 2,099 |
| Industry | 975 | 918 |
| Infrastructure | 495 | 477 |
| IT | 644 | 604 |
| Corporate | (605) | (618) |



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Véronique Roquet-Montégon
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Appendix – Adjusted Net Income & EPS

| **Key figures (€ million)** | **2015 FY** | **2016 FY** | **Change** |
|---|---|---|---|
| **EBITA** | **2,801** | **3,104** | **+11%** |
| Amortization & impairment of purchase accounting intangibles | (572) | (153) | |
| Financial Costs | (446) | (462) | |
| Income tax | (389) | (712) | |
| Share of profit on associates & Discontinued ops | 109 | 34 | |
| Minority Interests | (96) | (61) | |
| **Net income (Group share)** | **1,407** | **1,750** | **+24%** |
| Invensys integration cost post-tax (calculated at Group effective tax rate)[10] | 57 | 0 | |
| Impact of business disposals (in OOIE, share of profit on associates & discontinued ops) | 226 | 10 | |
| Impairment of Pelco net of tax | 180 | 0 | |
| Restructuring charges post-tax (calculated at Group effective tax rate)[10] | 249 | 238 | |
| Tax rate: deferred tax net assets depreciation[11] | 0 | 119 | |
| **Adjusted Net income** | **2,119** | **2,117** | **0%** |
| **Adjusted EPS (€)** | **3.73** | **3.77** | **+1%** |

*10. Calculated post-tax at the year effective tax rate (ETR)*
*11. See Press release from January 9, 2017*



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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

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

Appendix – Free Cash Flow

| Analysis of debt change in €m | FY 2015 | FY 2016 |
|---|---|---|
| **Net debt at opening at Dec. 31** | **(5,022)** | **(4,631)** |
| Operating cash flow | 2,715 | 2,942 |
| Capital expenditure – net | (787) | (764) |
| Change in trade working capital | 91 | 82 |
| Change in non-trade working capital | 26 | (54) |
| **Free cash flow** | **2,045** | **2,206** |
| Dividends | (1,219) | (1,227) |
| Acquisitions – net[12] | 322 | 47 |
| Net capital increase | (448) | (689) |
| FX & other | (309) | (531) |
| **(Increase) / Decrease in net debt** | **391** | **(194)** |
| **Net debt at Dec. 31** | **(4,631)** | **(4,824)** |

*12. Including dividend from CST holding in 2015*



Investor Relations
Schneider Electric
Amit Bhalla
Tel: +44 20 7592 8216
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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

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

## Appendix – ROCE

| ROCE calculation | | | | |
|---|---|---|---|---|
| **P&L items** | | | | **2016 Reported** |
| EBITA | | | (1) | 3,104 |
| Restructuring costs | | | (2) | -313 |
| Other operating income & expenses | | | (3) | -63 |
| = Adjusted EBITA | | | (4) = (1)-(2)-(3) | 3,480 |
| x Effective tax rate of the period[1] | | | (5) | 23.8% |
| = After-tax Adjusted EBITA | | | (A) = (4) x (1-(5)) | 2,650 |
| **Balance sheet items** | 2015 reported | 2016 reported | | **2016 Avg of 4 quarters** |
| Shareholders' equity | 21,289 | 20,653 | (B) | 20,256 |
| Net financial debt | 4,631 | 4,824 | (C) | 5,253 |
| Adjustment for Associates and Financial assets (fair value) | -492 | -762 | (D) | -756 |
| - Sunten Electric Equipment (25% stake) | 98 | 52 | | 80 |
| - Fuji Electric FA Components & Systems (36.8% stake) | 108 | 115 | | 120 |
| - NVC Lighting (8.9% stake) | 33 | 35 | | 30 |
| - Delixi (50% stake) | | 279 | | 273 |
| - CST Holding (30% stake) | 93 | 77 | | 87 |
| - Other non-current financial investments | 159 | 204 | | 166 |
| = Capital Employed | 25,428 | 24,715 | (E) = (B)+(C)+(D) | 24,753 |
| **= ROCE[2]** | | | (A) / (E) | **10.7%** |

*1. Effective Tax rate corrected for the adjustment of the net deferred tax assets in France*
*2. ROCE would be ~+90bpts higher excluding FX impacts since 2014*



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