Life Is On | Schneider Electric

Strong rebound in Q3 2020; Revenue up +1.3% organic; Full Year 2020 targets upgraded

- ***Both businesses and all regions contributing to sequential improvement***
  - ***Energy Management up +2.5% org.; U.S. +2% org., China +12% org., W. Europe +1% org. and RoW +1% org.***
  - ***Industrial Automation down -2.5% org.; Discrete automation growing mid-single digit, Process & hybrid down largely on account of process markets globally; Services up mid-single digit***
- ***Pricing actions supporting organic growth in products business***
- ***Software & Services showing resilience with AVEVA impacted in Q3 due to timing and high base of comparison***
- ***Uncertainty on Q4 2020 remains with an acceleration of COVID-19 cases in several geographies***
- ***Full year 2020 Targets upgraded***

Rueil-Malmaison (France), October 22, 2020 - Schneider Electric announced today its third quarter revenues for the period ending September 30, 2020.

Jean-Pascal Tricoire, Chairman and CEO commented: *"During the third quarter, Schneider rebounded strongly, returning to growth in many economies exiting the strict lockdowns we saw in Q2.*

We saw a progressive recovery across the business throughout the quarter, which was boosted, in part, by pent-up demand from past orders and re-stocking in our distribution channels.

In respect of financial performance, Energy Management is back to growth across all four geographies. In Industrial Automation, short-cycle OEM performed strongly in the quarter while mid to late cycle demand remains impacted by the economic cycle and COVID-19 crisis.

While COVID-19 contagion levels continue to contribute toward uncertainty for Q4, the crisis has reinforced our customer's agenda for sustainability and digitization, both areas where Schneider has focused its strategy, accelerating adoption of our full suite of digital solutions to serve these growing needs. We remain focused on the execution of our strategic priorities of more products, more services, more software and better systems across our two synergetic businesses.

We also had an active Q3 in terms of M&A with the completion of the acquisitions of L&T E&A, RIB Software and ProLeiT, and the announcement by our subsidiary, AVEVA, of the signing of OSIsoft. A key priority for us is integrating these offers into our compelling portfolio for the benefit of our customers.

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As a result of the strong third quarter performance, and factoring the uncertainties for Q4, we are upgrading our Full Year 2020 targets set out in July 2020 and remain committed to our 2022 adjusted EBITA margin ambition of around 17%."

I. THIRD QUARTER REVENUES WERE UP +1.3% ORGANICALLY

2020 Q3 revenues were **€6,458 million**, up **+1.3%** organically and down -2.8**%** on a reported basis.

Products grew mid-single digit organic in Q3, benefiting from offers for Residential & Small buildings and from offers for discrete industrial markets through our multi-local approach and unrivaled partner network. Products grew across most geographies partly impacted by distributor restocking.

Systems (projects and equipment) decreased mid-single digit organic in Q3. Industrial Automation contracted more than Energy Management. The Group continues to focus on ensuring profitable growth in systems.

Software & Services is down low-single digit in Q3 driven by a high base of comparison in Software and the impact of timing of specific projects of AVEVA that were pushed into Q4. Services were up in the quarter with contribution from both businesses. Field technicians progressively were able to return to sites in Q3. The Group continues to implement its strategy to service its installed base across electro-intensive customers and critical infrastructures.

Digital update: The Group continues to make good progress in the growth of assets under management (AuM), reaching 3.8 million, up +46% year-on-year by the end of September 2020.

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

€ million		Q3 2020		
		Revenues	**Organic Growth**	**Reported Growth**
Energy Management	North America	1,582	+2.1%	-3.2%
	Western Europe	1,238	+1.1%	+0.1%
	Asia Pacific	1,475	+4.9%	+3.1%
	Rest of the World	710	+1.2%	-11.8%
	Total Energy Management	**5,005**	**+2.5%**	**-2.0%**
Industrial Automation	North America	276	-7.0%	-13.5%
	Western Europe	404	-9.7%	-9.5%
	Asia Pacific	534	+5.5%	+4.8%
	Rest of the World	239	-0.3%	-9.3%
	Total Industrial Automation	**1,453**	**-2.5%**	**-5.6%**
Group	North America	1,858	+0.6%	-4.9%
	Western Europe	1,642	-1.8%	-2.5%
	Asia Pacific	2,009	+5.1%	+3.5%
	Rest of the World	949	+0.8%	-11.2%
	Total Group	**6,458**	**+1.3%**	**-2.8%**

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€ million		9m YTD 2020		
		Revenues	Organic Growth	Reported Growth
Energy Management	North America	4,497	-5.9%	-7.5%
	Western Europe	3,435	-6.0%	-8.2%
	Asia Pacific	3,877	-7.5%	-8.8%
	Rest of the World	1,951	-7.2%	-16.2%
	Total Energy Management	**13,760**	**-6.6%**	**-9.3%**
Industrial Automation	North America	843	-10.5%	-12.3%
	Western Europe	1,245	-12.2%	-13.2%
	Asia Pacific	1,482	-2.7%	-2.7%
	Rest of the World	703	+0.0%	-6.2%
	Total Industrial Automation	**4,273**	**-6.8%**	**-8.5%**
Group	North America	5,340	-6.6%	-8.3%
	Western Europe	4,680	-7.8%	-9.6%
	Asia Pacific	5,359	-6.2%	-7.2%
	Rest of the World	2,654	-5.4%	-13.7%
	Total Group	**18,033**	**-6.6%**	**-9.1%**

GOOD PERFORMANCE IN ENERGY MANAGEMENT IN Q3 UP +2.5% ORG.

Energy Management returned to positive organic growth in all regions led by Asia Pacific and North America. This growth was stronger towards the end of the quarter. Restocking, as noted at the end of Q2, continued as underlying markets improved. Price increases also supported the organic growth in the quarter.

- **Buildings** – Residential construction continued its positive trend from the end of Q2 in both new build and Renovation, Maintenance, Improvement helped by increased consumer spending and working from home trends. Areas of resilience noted earlier this year including Hospitals/Healthcare, Life Science and Digital Buildings remained solid. Commercial & Industrial Building (CIB) activity restarted in most regions after sites had been closed during lockdowns.
- **Data Center (DC)** – DC demand continued to remain strong helped by increased internet traffic, digitization trends and surge in video/virtual meeting platforms. Sales continue to be impacted by the high base of comparison in 2019, particularly for hyper-scale DC. Edge computing is experiencing strong demand across geographies due to the need for reduced latency, higher fidelity and data-security.
- **Infrastructure** – Electric utility networks has remained a strong area for investment with government/private utilities ensuring the stability of their grids and supply during COVID-19 while also increasingly focusing on sustainability factors. The Group experienced good demand of its Smart Grid

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offers. Marine, Mobility and Water & Wastewater (WWW) segments were negatively impacted by COVID-19.

Industry – Oil & Gas (O&G) and Metals, Mining & Minerals (MMM) remain impacted due to lower levels of capital investment. The Group continues to offer OpEx solutions to drive efficiency and sustainability for customers. The level of Field services is being normalized as the lockdowns have eased and customers are focused on ensuring real time data and resilience from their installations.

Trends for Energy Management, by geography:

North America (32% of Q3 revenues) was up +2.1% organically, with a particularly strong end to the quarter. Performance was driven by the U.S. which delivered solid revenue growth; Canada saw mid-single digit growth in the quarter, while Mexico was slightly down. Residential offers have continued to strengthen since the lockdowns of Q2. Non-residential markets have witnessed quick restarts since easing of lockdowns as well as increased demand for digital offerings linked to health and safety. The Data Center end-market continues to be impacted by the high base of comparison from hyperscale. Supply chain issues relating to COVID-19 highlighted in the earlier part of this year are largely resolved and capacity is being normalized to meet demand. Field services have started to return to normal but in some cases site access is still not fully open.

Western Europe (25% of Q3 revenues) posted organic growth of +1.1% in Q3, as the major economies of the region continued their rebound from the effects of COVID-19 in Q2. Within the quarter, monthly performance was relatively stable. In the major economies of the region, Germany saw solid growth, benefitting from good traction in residential and driven by specific projects, while the U.K. was around flat with good performance in the Data Center end-market offset by softer demand in residential. France, Italy and Spain were down slightly, but showed significant sequential improvement in Q3 versus Q2, with contrasted performance across end-markets. In France, offers for the residential segment grew well, while the CIB market remained more challenged. Sales into the Data Center end-market grew well, and Field services showed good traction as engineers returned to the field, growing high single digit. Italy and Spain saw good performance in residential offers, but not fully offsetting the continued softness in non-residential offers. The resilient regional performance was further boosted by strong growth in Switzerland, Denmark and Ireland.

Asia-Pacific (29% of Q3 revenues) was up +4.9% organically in Q3 and showing sequential improvement as the quarter progressed. The region benefitted from the continuation of the economic recovery in China which began in Q2, and from a strong rebound (double-digit) in India. China is up double-digit for the quarter. Delixi (the Group's non-consolidated subsidiary in China) recorded high double-digit growth. Australia delivered a flat performance for the quarter impacted by the lockdown in the state of Victoria. In other parts of the region, Singapore and South Korea saw good growth while Japan, Philippines and Vietnam were weak. Indonesia was negatively impacted on account of delayed investment plans of large customers. Residential offers were strong across most countries helped by distributors restocking. Data center demand remained robust.

Rest of the World (14% of Q3 revenues) showed solid performance through the third quarter, growing +1.2% organic, however contrasted between countries as expected. CIS grew well, mostly coming from Russia. South America also saw good growth, including strong demand for MV/LV products in Brazil & supported by Argentina and Peru. Africa was slightly up, mainly driven by project execution in Egypt. In the Middle East, revenues were down low-single digit, with Gulf countries impacted by delays in execution of projects, partly offset by good

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demand in Turkey across all technologies. Central and Eastern Europe was also down, in part impacted by MV offers performance.

INDUSTRIAL AUTOMATION -2.5% ORG. GROWTH IN Q3 WITH GROWTH IN DISCRETE MARKETS WHILE PROCESS AND HYBRID MARKETS REMAIN CHALLENGED

The Group delivered -2.5% organic growth in Industrial Automation in Q3, impacted by continued softness in Process & Hybrid end markets and a high base of comparison in Software, while Discrete markets recovered well.

- The Quarter reflected the evolution of the economic cycle coupled with the impact of the COVID-19 crisis. The business benefited from its balanced portfolio: a strong performance in Discrete offers during the quarter in most geographies while Process & Hybrid markets were down.
- AVEVA Software revenues decreased in the quarter due to high base of comparison and some slippage into Q4.
- Certain segments such as MMM, WWW and Consumer-Packaged Goods (CPG) proved more resilient. Demand from O&G was weighed down by COVID-19and the impact of oil prices. The Group continues to offer OpEx solutions combining Schneider Electric and AVEVA solutions to drive efficiency and sustainability for customers.

Trends for Industrial Automation, by geography:

North America (19% of Q3 revenues) was down -7.0% organic in Q3, showing a sequential improvement against the trough of Q2 performance but remaining inhibited by softness in mid/late-cycle demand. By country, U.S. was down low-single digit, contrasted between good demand for products in Discrete automation and continued good performance of industrial software, offset by weakness in demand from Process and Hybrid industries. Canada and Mexico both saw continued weakness, with revenues down across the full line of Automation offers. Canada has seen some recovery in MMM markets while Mexico remains impacted by on-going COVID-19 issues.

Western Europe (28% of Q3 revenues) was down -9.7% organic over Q3, with each of the major economies of Germany, U.K., France, Italy and Spain down. Italy and Germany were most impacted with sales to Discrete end-markets remaining weak but showed some improvement against Q2 performance with pockets of resilience seen in Process & Hybrid markets. Italy continued to be impacted by the ongoing COVID-19 related manufacturing slowdown. France, Spain and the U.K. performed relatively better while still down, with Spain improving sequentially through Q3 and France having a good performance towards the end of the quarter, with the quarter impacted by project phasing.

Asia-Pacific (37% of Q3 revenues) was up +5.5% organic for the quarter with demand in China more than offsetting weakness elsewhere in the region. China was up strong double-digit in Q3 with OEM continuing to lead the organic growth supported by good underlying domestic demand and recovering export markets. In Australia performance was significantly impacted by the lockdown in the state of Victoria. India showed significant improvement through the quarter after a very difficult Q2. Japan and South Korea were down.

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Rest of the World (16% of Q3 revenues) was down -0.3% organic, performing well against a high (double-digit) base of comparison from Q3'19 with strong growth driven by discrete automation offers more than offsetting continued softness in Process & Hybrid markets. CIS grew strongly, driven by Industrial markets in Russia, while South America posted good growth across several countries, notwithstanding the high base of comparison mainly in demand from Brazil in CPG and MMM segments. Middle East and Africa each proved resilient, delivering results that were around flat. Africa was up slightly, showing good resilience across automation offers, while the Middle East was down slightly against a high base of comparison in the Gulf countries, OEM sales in Turkey grew. Central Europe was down.

II. CONSOLIDATION[1] AND FOREIGN EXCHANGE IMPACTS IN Q3

Net acquisition / disposals had an impact of **+€24 million** or **+0.4%**. This includes the disposal of Converse Energy Projects and the deconsolidation of Electroshield Samara along with the acquisition of RIB Software, L&T E&A and ProLeiT.

The impact of foreign exchange fluctuations was negative at **-€296 million** or **-4.5%**, primarily due to the strengthening of the EUR against the USD and new economies' currencies.

Based on current rates, the FX impact on FY 2020 revenues is estimated to be between **-€600 to -€700 million**. The FX impact at current rates on adjusted EBITA margin could be at the higher end of the **-30bps to -40bps** range.

III. 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.se.com/en/about-us/sustainability/sustainable-performance/barometer.jsp

In Q3, the Schneider Sustainability Impact posted a strong reading of **8.63** out of 10 (up from 7.71/10 in H1). The Group believes it is well on its way to achieving its year-end sustainability targets of at least 9/10.

The Group will unveil its new 5-year SSI as part of a **Virtual ESG investor event on November 16, 2020**.

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

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IV. PORTFOLIO UPDATES

Acquisitions:

- As announced on August 4, 2020, the Group finalized the acquisition of ProLeiT. This bolt-on acquisition enhances Schneider Electric's offering in the CPG segment with a specific focus on Food & Beverage, Chemical and Lifesciences. ProLeit is consolidated in the Group Accounts from August 1st, 2020 within the Industrial Automation business.

- As announced on August 25, 2020, Schneider Electric fully endorsed the transaction announced by its subsidiary AVEVA regarding AVEVA's proposed acquisition of OSIsoft for a consideration of $5 billion.

  The prospectus is expected to be issued in November and the deal is expected to close at or around the end of the year.

- As announced on August 31, 2020 Schneider Electric completed the transaction to combine Schneider Electric India's Low Voltage and Industrial Automation Products business and Larsen and Toubro ("L&T") Electrical and Automation business. Schneider Electric holds 65% of the combined business, while Temasek, a global investment company headquartered in Singapore, holds the remaining stake. With closing of the transaction, India is set to become the third largest country of Schneider Electric in terms of revenues and one of its key global innovation and manufacturing hubs. Schneider Electric's cash contribution for the transaction was around €950 million. The combined business is fully consolidated in the Group's accounts starting from September 1st.

Disposals:

The Group remains committed to its portfolio optimization program for disposals/deconsolidation of revenues of € 1.5bn to € 2bn. There is no significant disposal to report in 2020 further to the revenues of €0.6 billion disposed in 2019. The initial timeline for this portfolio optimization program was originally by 2021. In light of the COVID-19 crisis, and as already stated during H1 results, the Group expects a delay of around one year to this timeline though the preparation and work surrounding portfolio optimization continues.

V. 2020 FISCAL YEAR DIVIDEND CALENDAR

Dividend ex-date:	May 10, 2021
Date of approval of the positions:	May 11, 2021
Dividend payment dates:	May 12, 2021

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VI. 2020 TARGETS

The Group established revised 2020 targets together with its HY results in July 2020 to provide transparency whilst recognizing the ongoing uncertainty and challenges relating to the continuing global health and economic crisis.

Given the acceleration of COVID-19 cases in various geographies, the Group recognizes there remains uncertainty in its Q4 results. Given the strong performance in Q3, the Group upgrades its 2020 targets as follows:

- Revenue expected to be between -5% to -7% organic [previously between -7% to -10%]
- Adjusted EBITA margin expected to be between -20bps to +10bps organic [previously -90bps to -50bps], implying Adjusted EBITA margin of around 15.1% - 15.4% (including scope and FX based on current estimation)

Further notes on 2020 available in appendix

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The 2020 Q3 revenues presentation is available at www.se.com

The 2020 Full Year Results will be presented on February 25, 2021.

About Schneider Electric: Schneider's purpose is to **empower all to make the most of our energy and resources, bridging progress and sustainability** for all. We call this **Life Is On**.

Our mission is to be your **digital partner for Sustainability and Efficiency**.

We drive digital transformation by integrating world-leading process and energy technologies, end-point to cloud connecting products, controls, software and services, across the entire lifecycle, enabling integrated company management, for homes, buildings, data centers, infrastructure and industries.

We are the **most local of global companies**. We are advocates of open standards and partnership ecosystems that are passionate about our shared **Meaningful Purpose, Inclusive and Empowered** values.

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Appendix – Further notes on 2020

- **Forex Exchange impact**: Based on current rates, the FX impact on FY 2020 revenues is estimated to be between -€600 million to -€700 million. The FX impact at current rates on adjusted EBITA margin could be at the higher end of -30bps to -40bps range.
- **Scope**: Around -€50 million on 2020 revenues and between +10bps to +20bps on 2020 Adj. EBITA margin
- **Tax rate**: The ETR is expected to be in a 22-24% range in 2020.

Appendix – Revenues breakdown by business

Third quarter 2020 revenues by business were as follows:

€ million	Q3 2020				
	Revenues	Organic growth	Changes in scope of consolidation	Currency effect	Reported growth
Energy Management	5,005	+2.5%	+0.1%	-4.6%	-2.0%
Industrial Automation	1,453	-2.5%	+1.3%	-4.4%	-5.6%
Group	**6,458**	**+1.3%**	**+0.4%**	**-4.5%**	**-2.8%**

9m YTD 2020 revenues by business were as follows:

€ million	9m YTD 2020				
	Revenues	Organic growth	Changes in scope of consolidation	Currency effect	Reported growth
Energy Management	13,760	-6.6%	-1.3%	-1.4%	-9.3%
Industrial Automation	4,273	-6.8%	+0.1%	-1.8%	-8.5%
Group	**18,033**	**-6.6%**	**-1.0%**	**-1.5%**	**-9.1%**

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Appendix – Consolidation

In number of months	Acquisition/ Disposal	2019 Q1	2019 Q2	2019 Q3	2019 Q4	2020 Q1	2020 Q2	2020 Q3	2020 Q4
Pelco Energy Management Business €169 million revenues in FY2018 (ending December 2018)	Disposal	3m	1m						
U.S. Panel offer Industrial Automation Business €80 million of annualized revenues	Disposal	3m							
Converse Energy Projects Energy Management Business ~ €140 million revenues in FY 2019 (ending December 2019)	Disposal	3m	3m	3m	3m				
Electroshield Samara Energy Management Business ~ €145 million revenues in FY 2019 (ending December 2019)	Disposal	3m	3m	3m	3m				
Larsen & Toubro E&A Mainly Energy Management Business	Acquisition							1m	3m
RIB Software Energy Management Business ~ €214 million revenues in FY 2019	Acquisition							3m	3m
ProLeiT Industrial Automation Business ~ €50 million revenues in FY 2019	Acquisition							2m	3m

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