

Financial Information

Second quarter reported sales up 11%, organic sales stable
Solutions and new economies led the growth
Net income and EPS progressed double-digit
Cash generation remains solid
Full year 2012 outlook confirmed

Rueil-Malmaison (France), August 1, 2012 – Schneider Electric announced today its second quarter sales and first half results for the period ending June 30, 2012.

Key figures (€ million)	First Half 2011	First Half 2012	% change
Sales <i>Organic growth</i>	10,336	11,408 <i>+0.2%</i>	+10%
Adjusted EBITA <i>% of sales</i>	1,434 <i>13.9%</i>	1,556 <i>13.6%</i>	+9% <i>-0.3 pt</i>
Net income (Group share) Earnings per share (in €)	802 1.50	890 1.65	+11% +10%
Free cash flow	(159)	397	

Jean-Pascal Tricoire, President and CEO, said: “We delivered in the first half double-digit earnings growth and solid free cash flow in a low growth environment. This was the result of focused execution on pricing, operational efficiency and cash generation. It also shows how the Group’s balanced geographical exposure reduced country specific risk. We are on track to improve the solution business, in line with our ambition to raise its financial performance. The intense work on integrating acquisitions in the past twelve months is paying off. We are confident that our enriched portfolio will open up new opportunities and allow us to tap new markets.

The uncertain world economic outlook and mixed business trends in the Group’s key markets continue to limit near term visibility. In this context, assuming no further deterioration of the economic conditions and in light of our first-half results, we confirm our full year financial targets.

Our medium term priority remains unchanged as we continue to focus on the deployment of the initiatives outlined in the ‘Connect’ program to further improve our strategic positioning and deliver higher financial performance.”

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I. SECOND QUARTER REPORTED SALES WERE UP 11% WHILE ORGANIC SALES WERE STABLE

Second quarter 2012 sales were €5,997 million, up 11.2% driven by acquisition integration and favorable currency impact. Like-for-like sales were up 0.1% in this quarter.

Organic growth by business in the second quarter

€ million	Sales H1 2012	% change H1 (organic)	Sales Q2 2012	% change Q2 (organic)
Power	4,278	+3.0%	2,264	+4.3%
Infrastructure	2,372	-0.7%	1,285	-3.2%
Industry	2,219	-6.3%	1,142	-5.8%
IT	1,736	+5.1%	900	+3.9%
Buildings	803	-2.2%	406	-3.3%
Total	11,408	+0.2%	5,997	+0.1%

Power (38% of Group Q2 sales) was resilient, growing 4.3% like-for-like in the second quarter. The product business trend was positive and benefited from improving residential market and sustained industrial demand in North America and urbanisation in new economies, offsetting weak demand of most key markets in Western Europe. The solution business continued to experience high growth, reflecting continued demand for energy efficiency projects, as well as investment related to infrastructure, oil & gas and mining in the new economies. Solutions for renewable energy continued to be negative. By region, Rest of the World delivered the highest growth, followed by North America and Asia-Pacific. Western Europe, in decline, remained impacted by tough market conditions in Spain and Italy.

Infrastructure (21% of Group Q2 sales) was down 3.2% like-for-like. The product business, with about flat growth, saw strong progression in secondary distribution products offset by less favourable trends with utilities. The solution business was weaker this quarter, reflecting high basis of comparison and lower substations activities, despite support from oil & gas and mining projects. By region, Asia-Pacific and North America continued to grow. Rest of World was negative with robust performance in Russia and Africa offset by softer demand in the Middle East and South America. Western Europe also declined, impacted by reduced investment in key countries.

Industry (19% of Group Q2 sales) sales decline stabilized sequentially, at -5.8% like-for-like. The product business reported negative growth in all business lines due to weak OEM investment, mainly in Asia and Western Europe, and still demanding comparison created by anticipated client orders last year post-Fukushima. The solution business growth accelerated primarily due to the success of end-users solutions, mainly for mining, oil & gas and water, and strong services performance. By region, North America and Rest of the World were positive. Asia-Pacific was down but improved sequentially especially in Australia and India. Western Europe continued to be impacted by the economic conditions and the lack of support from exports.

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IT (15% of Q2 sales) organic sales were **3.9%** higher than same period last year. The solution business continued to outgrow the product business, mainly due to significant increase of services in all regions. The product business growth was driven primarily by sustained demand for secured power in new economies, such as Russia and Middle East, but also in some Western European countries. By region, Western Europe and Rest of the World posted double-digit increase. North America and Asia Pacific, impacted by Japan, both reported about flat growth.

Buildings (7% of Group Q2 sales) was down **3.3%** like-for-like. Product sales declined. The solution business was slightly negative primarily as a result of a lower level of related public spending in Western Europe and a decline of advanced services in the US. By region, Rest of World posted the highest growth, followed by Western Europe. North America and Asia Pacific were down.

The **solution** business reported organic growth of **2%** in the quarter and represented **38%** of sales in the second quarter. The product business was in slight organic decline.

Organic growth by geography

€ million	Sales First Half 2012	% change First Half (organic)	Sales Q2 2012	% change Q2 (organic)
Western Europe	3,481	-4%	1,790	-4%
Asia-Pacific	3,044	-1%	1,654	-1%
North America	2,867	+4%	1,456	+2%
Rest of the World	2,016	+6%	1,097	+6%
Total	11,408	+0.2%	5,997	+0.1%

Western Europe (30% of Group Q2 sales) declined **4%** like-for-like with the crisis-hit Southern Europe remaining the biggest drag on growth. France continued to decline and Germany decelerated sequentially. The rest of the region reported positive growth, in particular the UK and the Nordics.

Asia Pacific (28% of Group Q2 sales) growth was close to flat, at **-1%** like-for-like. Most countries showed positive growth with South-East Asia, South Korea and India leading the region, offsetting the decline in China and Japan. As expected, China sales decline stabilised sequentially. Japan was still down double-digit compared to the same period last year which was inflated by anticipated customer orders post-Fukushima.

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North America (24% of Group Q2 sales) reported **2%** like-for-like growth on improving residential market and continued demand from the industrial and data center segments, while the building automation business was lower.

Rest of the World (18% of Group Q2 sales) was up **6%** like-for-like. Solid growth in Russia, the Middle East, and Africa largely offset the drop in Central Europe. South America was in slight decrease this quarter. On the overall, the region continued to benefit from the investment in infrastructure projects, oil and gas and demand for power reliability.

Sales in new economies were up **3.5%** like-for-like and represented **41%** of total reported sales in the second quarter.

Consolidation and foreign exchange impacts

Net acquisitions contributed €291 million or +5.4% of growth. This includes mainly Telvent (in Infrastructure business), Luminous and Lee Technologies (in IT business), Leader & Harvest (in Industry business), Steck (in Power business) and several smaller entities.

The impact of currency fluctuations was positive at €309 million, primarily the result of the appreciation of the U.S. dollar and Chinese Yuan against the Euro over the second quarter, while the depreciation of the Brazilian Real and the Indian Rupee had a slightly negative impact.

II. FIRST HALF 2012 KEY RESULTS

€ million	First Half 2011	First Half 2012	% change
Adjusted EBITA	1,434	1,556	+9%
<i>% of sales</i>	13.9%	13.6%	
Restructuring costs	(43)	(43)	
Other operating income & expenses	(19)	(8)	
EBITA	1,372	1,505	+10%
Amortization & impairment of purchase accounting intangibles	(98)	(118)	
Net income (Group share)	802	890	+11%
Earnings per share (€)	1.50	1.65	+10%
Free cash flow	(159)	397	

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▪ **ADJUSTED EBITA WAS UP 9%, THANKS TO FOCUSED EXECUTION AND COST EFFICIENCY IN A LOW GROWTH ENVIRONMENT**

First half adjusted EBITA increased 9% to **€1,556 million**. The improvement was helped by operational efficiency and continuous focus on price actions which offset lower volume and negative mix effect. The corresponding margin stood at **13.6%** of sales, down **0.3 point** year-on-year, but was **stable** excluding dilutive impact of acquisitions.

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

- Pricing focus at all businesses led to significant price increases, adding **€141 million** to the profit in the first half. Raw material inflation, excluding foreign exchange impact, was limited at **€5 million**. Total price increase achieved over the last 18 months covered approximately 80% of the raw material inflation over the same period.
- Despite significantly lower volume compared to last year, **€120 million** of industrial productivity was generated, primarily the result of purchasing savings and procurement concentration, lean manufacturing and continued industrial footprint rebalancing.
- Support function costs were reduced by **€8 million**. Savings from efficiency gains offset wage inflation and higher investment in research and development for future growth. Support functions costs to sales ratio was reduced by 0.4 point to 24.1% of sales.
- The depreciation of Euro against most major currencies, in particular the U.S. dollar and the Chinese Yuan, added **€73 million** to the profit.
- Contribution from acquisitions, net of divestments, amounted to **€67 million**.

The benefits of the above drivers were partially offset by the following impacts on the profit:

- Lower volume reduced profit by **€63 million**, reflecting the weaker trend of some of the Group's key end markets or geographies.
- Mix impact was negative at **€134 million**, reflecting the relative weakness of some more profitable product lines and geographies and the higher growth of solutions. The costs related to major new product launches in 2012 also increased the negative mix.

By business, adjusted EBITA of **Power** in the first half amounted to €855 million, or **20.0%** of sales, down 1.2 point year-on-year due to negative business and geographical mix and important new product launches. **Infrastructure** adjusted EBITA increased 20% to €199 million, or **8.4%** of sales, up 0.2 point, thanks to strict cost control. In light of the reduced volume and unfavorable mix, **Industry** showed resilience by generating an adjusted EBITA of €412 million, or **18.6%** of sales which was down 1.1 point only, thanks to price actions and productivity. **IT** showed the greatest improvement with margin expanded 3.8 points to **17.5%** of sales, or €304 million, due to sustained growth, price increases and improved performance of solutions. Profitability of **Buildings** was down 1.6 point at **6.5%** of sales, or €52 million, reflecting softness of its underlying markets and negative business mix.

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Corporate costs in first half 2012 amounted to **€266 million** or 2.3% of sales which was slightly below last year's level of 2.5%.

Reported EBITA reached **€1,505 million**, after accounting for **€43 million** of restructuring costs and €8 million of other operating income and expenses. Restructuring charges are expected to increase significantly in the second half, in line with the announced initiatives under the Connect Program.

▪ NET INCOME AND EARNINGS PER SHARE GREW DOUBLE-DIGIT

The net income reached **€890 million**, up **11%** year-on-year, translating into earnings per share of **€1.65**, up 10% from the same period last year.

It includes the amortization and depreciation of intangibles of **€118 million**, compared to €98 million in the first half of last year.

Financial expenses were almost stable year-on-year, at **€189 million**. Interest expenses on financial debt amounted to €172 million, reflecting the increase in the net debt after the acquisitions of 2011. The average cost of borrowing continued to decrease.

Income tax amounted to **€281 million** corresponding to an effective tax rate of 23.5%.

▪ SOLID CASH GENERATION IN FIRST-HALF 2012, RECORD LAST 12-MONTH FREE CASH FLOW AT €2.1 BILLION

First half **operating cash flow** increased **5%** year-on-year to **€1,199 million**.

Free cash flow was **€397 million**, returning to a normal profile after an atypical first half 2011 impacted by the inventory build-up to mitigate supply chain disruption post-Fukushima. Trade working capital increase was limited at **€149 million**. Non-trade working capital increased by **€304 million**, about half of that amount was non-recurring charges.

The free cash flow included **€349 million** of capital expenditures which was similar to the amount reported in first half 2011, representing 3.1% of sales.

On a twelve-month rolling basis, the free cash flow exceeded the € 2 billion mark for the first time and reached **€2,062 million**, resulting in a cash conversion of 108% of net income.

▪ SOLID BALANCE SHEET, NET DEBT TO EBITDA RATIO STAYED LOW

Schneider Electric's net debt amounted to **€6,155 million** (€5,266 million in December 2011). The increase was primarily the result of €919 million of dividend payment and €164 million of acquisitions. The Group's net debt to adjusted EBITDA ratio was solid at **1.5x**.

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III. 2012 OUTLOOK

The uncertain world economic outlook and mixed business trends in the Group's key markets continue to limit near term visibility.

In this context, assuming no further deterioration of the economic conditions, the Group confirms its full year outlook of flat to slightly positive organic growth for sales and an adjusted EBITA margin between 14% and 15%.

The financial statements of the period ending June 30, 2012 were established by Management Board on July 27, 2012, reviewed by the Supervisory Board of Schneider Electric and certified by the Group auditors on July 31, 2012.

The half year 2012 consolidated financial statements and the interim result presentation are available at www.schneider-electric.com

Third-quarter 2012 sales will be released on October 25, 2012.

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.

About Schneider Electric

As a global specialist in energy management with operations in more than 100 countries, Schneider Electric offers integrated solutions across multiple market segments, including leadership positions in energy and infrastructure, industrial processes, building automation, and data centres/networks, as well as a broad presence in residential applications. Focused on making energy safe, reliable, and efficient, the company's 130,000 plus employees achieved sales of 22.4 billion euros in 2011, through an active commitment to help individuals and organizations "Make the most of their energy."

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Appendix – Sales breakdown by business

Second-quarter 2012 sales by business were as follows:

€ million	Sales Q2 2012	Organic growth	Changes in scope of consolidation	Currency effect	Reported growth
Power	2,264	+4.3%	+1.3%	+6.1%	+11.7%
Infrastructure	1,285	-3.2%	+14.7%	+3.1%	+14.6%
Industry	1,142	-5.8%	+2.1%	+5.5%	+1.8%
IT	900	+3.9%	+8.0%	+8.2%	+20.1%
Buildings	406	-3.3%	+4.7%	+7.7%	+9.1%
Total	5,997	+0.1%	+5.4%	+5.7%	+11.2%

First-half 2012 sales by business were as follows:

€ million	Sales H1 2012	Organic growth	Changes in scope of consolidation	Currency effect	Reported growth
Power	4,278	+3.0%	+1.2%	+4.5%	+8.7%
Infrastructure	2,372	-0.7%	+15.3%	+2.3%	+16.9%
Industry	2,219	-6.3%	+2.0%	+3.9%	-0.4%
IT	1,736	+5.1%	+11.8%	+6.0%	+22.9%
Buildings	803	-2.2%	+6.4%	+5.5%	+9.7%
Total	11,408	+0.2%	+5.9%	+4.3%	+10.4%

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Appendix – Breakdown by geography

Second-quarter 2012 sales by geographical region were as follows:

€ million	Sales Q2 2012	Organic growth	Reported growth
Western Europe	1,790	-4%	+2%
Asia-Pacific	1,654	-1%	+15%
North America	1,456	+2%	+19%
Rest of the World	1,097	+6%	+13%
Total	5,997	+0.1%	+11.2%

First-half 2012 sales by geographical region were as follows:

€ million	Sales H1 2012	Organic growth	Reported growth
Western Europe	3,481	-4%	+0%
Asia-Pacific	3,044	-1%	+14%
North America	2,867	+4%	+20%
Rest of the World	2,016	+6%	+11%
Total	11,408	+0.2%	+10.4%

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Appendix – Consolidation impact on sales and EBITA

In number of months	2011 Q1	Q2	Q3	Q4	2012 Q1	Q2	Q3	Q4
Lee Technologies IT business 2010 sales \$140 million		3m	3m	3m	3m			
Summit Energy Buildings business 2011e sales \$65 million		3m	3m	3m	3m			
Digilink Power business 2010 sales c. €25 million			4m	3m	3m	3m	-1m	
APW President IT business FY 31/10/10 sales €18 million			4m	3m	3m	3m	-1m	
Luminous IT business FY 31/3/11 sales c€170 million			4m	3m	3m	3m	-1m	
Steck Group Power business 2011e sales €80 million			2m	3m	3m	3m	1m	
Telvent Energy business 2010 sales €753 million			1m	3m	3m	3m	2m	
Leader & Harvest Industry business 2011e sales \$150 million				3m	3m	3m	3m	
9.2% of NVC Lighting			EM	EM	EM	EM	EM	EM
M & C Energy Buildings business FY 2012e sales £35 million							3m	3m

EM: Accounted for with the equity method (in profit/loss of associates)

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Appendix - Results breakdown by division

€ million	H1 2011	H1 2012
Sales	10,336	11,408
Power	3,936	4,278
Infrastructure	2,029	2,372
Industry	2,227	2,219
IT	1,412	1,736
Buildings	732	803
Corporate	-	-
Adjusted EBITA	1,434	1,556
Power	835	855
Infrastructure	166	199
Industry	438	412
IT	194	304
Buildings	59	52
Corporate	(258)	(266)
- Other operating income and expenses	(19)	(8)
Power	15	8
Infrastructure	(12)	(8)
Industry	(4)	(7)
IT	(8)	3
Buildings	(3)	(1)
Corporate	(7)	(3)
- Restructuring	(43)	(43)
Power	(29)	(25)
Infrastructure	(3)	(4)
Industry	(3)	(5)
IT	(1)	(2)
Buildings	(5)	(2)
Corporate	(2)	(5)
EBITA	1,372	1,505
Power	821	838
Infrastructure	151	187
Industry	431	400
IT	185	305
Buildings	51	49
Corporate	(267)	(274)

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