Financial Information

+2.6% organic growth in Q2 turns first half positive
Gross margin[1] improves thanks to productivity and pricing
Solid cash generation
Full year targets maintained

Rueil-Malmaison (France), July 31, 2013 - Schneider Electric announced today its second quarter revenues and first half results for the period ending June 30, 2013.

Key figures (€ million)	Restated[2] H1 2012	H1 2013	% change
Revenues	**11,408**	**11,430**	**0%**
Organic growth	***+0.2%***	***+0.1%***	
Adjusted EBITA	**1,556**	**1,532**	**-2%**
% of revenues	***13.6%***	***13.4%***	
Net income (Group share)	**876**	**831**	**-5%**
Free cash flow	**397**	**339**	

Jean-Pascal Tricoire, Chairman and CEO, said: *"We deliver a solid performance in the first half of 2013. The second quarter is characterized by strong organic growth of 6.5% outside Western Europe. Growth in North America and China gains traction and new economies sustain their good momentum. In the second quarter, Asia-Pacific becomes the largest region of the company, ahead of Western Europe.*

I am also pleased with our operational efficiency as gross margin improves excluding the impact of Electroshield-TM Samara and cash generation is strong. Focused execution of growth and cost efficiency initiatives, including tailored supply chain, allow us to perform well in a low growth environment. In parallel, we continue to invest in R&D, new economies and services.

Our second half priorities will be centered on profitable growth, operational efficiency and integration of acquisitions.

Looking forward, while the world economy is still uncertain, we expect the first signs of sequential stabilization towards the end of the year in Western Europe and continuous growth in North America, China and new economies in the second half. We will also monitor the evolution of emerging market currencies and expect stabilization. In this context, we maintain our full year targets."

[1] *Excluding Electroshield-TM Samara*
[2] *2012 figures restated for the application of IAS 19 Revised*

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Financial Information (p. 2)

I. SECOND QUARTER REVENUES WERE UP 3% ORGANICALLY

Second quarter 2013 revenues were **€6,219 million**, up **3.7%** on a current structure and exchange rate basis. Like-for-like revenues were up **2.6%** in this quarter.

Organic growth by business

€ million	H1 2013		Q2 2013	
	Revenues	Organic growth	Revenues	Organic growth
Partner	4,175	-1.2%	2,245	+0.7%
Infrastructure	2,628	+3.7%	1,519	+5.9%
Industry	2,164	+0.0%	1,152	+3.5%
IT	1,686	-0.6%	893	+1.3%
Buildings	777	-1.9%	410	+3.6%
Group	**11,430**	**+0.1%**	**6,219**	**+2.6%**

Partner (36% of Q2 revenues) grew **0.7%** like-for-like. The product business was slightly up, supported by fast-growing offers in new economies, improvements in the residential market in the US and construction in China. This growth compensated the continued weakness of Western Europe and soft residential market in Australia. The Solution business declined, as growth in North America could not offset the decline in Western Europe and Middle East.

Infrastructure (24% of Q2 revenues) was up **5.9%** like-for-like, as both products and solutions observed growth. Product business was driven by good performance in North America and utility in the Middle East, offsetting a soft utility market in Western Europe. Solution business saw good growth in both services and systems. Installed based services growth was driven by the US. Systems benefited from overall growth in North America, investments in infrastructure in Russia and oil & gas segment in Australia. This more than offset the decline in Western Europe.

Industry (19% of Q2 revenues) turned positive, posting **3.5%** organic growth. Both products and solutions business performed well. The product business reported moderate growth, helped by demand for contactors, drives and control & signalling products in North America and China. The solution business was driven by the continued success of SoMachine OEM solutions across the globe and the synergies from Leader & Harvest. The end-user solutions business was still impacted by reduced investments in mining in Australia and high comparables in the Middle East.

IT (14% of Q2 revenues) was up **1.3%** like-for-like. Product business continued to grow, supported by the demand in North America, success of Luminous in India and power reliability products in South East Asia. Solution business declined as the high comparables of projects in Western Europe could not be offset by the slight growth in North America and good execution of data center projects in China.

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Financial Information (p. 3)

Buildings (7% of Q2 revenues) was up **3.6%** organically, driven by both Products and Solutions. Products renewed with growth this quarter due to good performance of video products. Solution business was up, driven by the success of services in the US and Western Europe. This offset the continued weakness of building management systems in most regions.

Solutions business was up **+2%** organically in the second quarter and represented **40%** of revenues.

Organic growth by geography

€ million	H1 2013		Q2 2013	
	Revenues	Organic growth	Revenues	Organic growth
Western Europe	3,264	-7%	1,675	-6%
Asia-Pacific	3,115	+4%	1,720	+5%
North America	2,912	+3%	1,581	+10%
Rest of the World	2,139	+2%	1,243	+4%
Group	**11,430**	**+0.1%**	**6,219**	**+2.6%**

Western Europe (27% of Q2 revenues) was down **6%** year-on-year in the second quarter. Spain and Italy continued to post double-digit decline, impacted by the economic crisis in southern Europe. France continued to be difficult on the back of low business confidence. Germany was impacted by lower utility spending. UK and Ireland were stable while the Nordics posted positive growth, supported by a steady economy.

Asia-Pacific (28% of Q2 revenues) was up **5%** year-on-year in the second quarter, becoming the largest region of the Group in second quarter. China posted good growth, benefiting from improvements in construction and data centers. South East Asia continued to grow driven by investment in mining, utility and oil & gas. India still posted good growth in IT but was weighed down by difficulty in financing for infrastructure projects. Australia was impacted by the slowdown in mining and construction, which offset performance in oil & gas.

North America (25% of Q2 revenues) was up **10%** like-for-like. The performance was driven by continued recovery in the residential market and investment in oil & gas in the region. Industry business was a support to the growth. Data centers were positive while non residential market showed limited signs of growth.

Rest of the World (20% of Q2 revenues) reported **4%** growth. CIS posted double digit growth due to good execution of infrastructure projects. Middle East and South America were a support to the growth of the region. Central and Eastern Europe weighed down on the performance due to a slowdown in regional economy.

Revenues in new economies were up **7%** organically and represented **44%** of total second quarter 2013 revenues, up **3 points** compared to same period previous year. New economies outperformed mature countries by **7 points.**

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Financial Information (p. 4)

Consolidation and foreign exchange impacts

Net acquisitions contributed €150 million or +2.5% of growth. This includes mainly Electroshield-TM Samara (in Infrastructure business) and M&C Energy Group (in Buildings business).

The impact of currency fluctuations was negative at €84 million, primarily the result of the depreciation of some emerging market currencies, U.S. Dollar, Japanese Yen and British Pound against the Euro over the second quarter. The impact of currency depreciation was sharpened towards the end of second quarter.

II. FIRST HALF 2013 KEY RESULTS

€ million	Restated[3] H1 2012	H1 2013	% change
Gross Margin	**37.7%**	**37.9%**[4]	
Adjusted EBITA	**1,556**	**1,532**	**-2%**
% of revenues	***13.6%***	***13.4%***	
Restructuring costs	(43)	(62)	
Other operating income & expenses	(8)	12	
EBITA	**1,505**	**1,482**	**-2%**
Amortization & impairment of purchase accounting intangibles	(118)	(109)	
Net income (Group share)	**876**	**831**	**-5%**
Free cash flow	**397**	**339**	

- **ADJUSTED EBITA MARGIN AT 13.4%, GOOD PRODUCTIVITY AND PRICE**

  Gross margin improved +0.2 points excluding Electroshield-TM Samara. In a low growth environment, the resilient performance was driven by operational efficiency and pricing actions which offset lower volume, negative mix effect and increased R&D spend.

  First half adjusted EBITA was **€1,532** million, representing **13.4%** of revenues

[3] 2012 figures restated for the application of IAS 19 Revised
[4] Excluding Electroshield-TM Samara

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

- Pricing actions during the first half paid off, adding **€48** million to revenues in a favorable raw materials environment with a slight tailwind of **€17** million.

- Despite a slow growth environment with negative volume impact of **€14** million, solid execution of tailored supply chain initiatives under the *"Connect"* program helped achieve **€168** million of industrial productivity.

- Support function costs had a negative impact of **€39** million in the first half as the Group continued to invest in R&D and other growth initiatives in new economies and services. Excluding R&D expense, support function to revenues ratio was stable compared to same period last year.

- The depreciation of some emerging market currencies, British Pound and Australian Dollar against the Euro reduced the EBITA by **€38** million.

- Contribution from acquisitions, net of divestments, amounted to **€14** million.

- Mix was negative at **€114** million, mainly due to one off impact from some projects, relative weakness of some more profitable product lines and geographies.

By business, adjusted EBITA of **Partner** in the first half amounted to €875 million, or **21.0%** of revenues, up 1.0 point year-on-year due to positive pricing and productivity. **Infrastructure** adjusted EBITA was €190 million, or **7.2%** of revenues, down 1.2 point affected by unfavorable mix due to growth in solutions and one off impact from some projects. In spite of a flat growth environment, **Industry** showed resilience by generating an adjusted EBITA of €423 million, or **19.5%** of revenues which was up 0.9 point, thanks to productivity and good control of commercial actions. **IT** business reported an adjusted EBITA of €289 million, **17.1%** of revenues, down slightly by 0.4 points due to commercial investment. Profitability of **Buildings** was down 2.1 points at **4.4%** of revenues, or €34 million, due to negative volume and one-off elements not reflecting the underlying trend.

Corporate costs in the first half 2013 amounted to **€279 million** or 2.4% of revenues, same level as the previous year.

Reported EBITA reached **€1,482 million**, after accounting for €62 million of restructuring costs and a positive impact of €12 million of other operating income and expenses. The restructuring costs in the second half of 2013 are expected to increase in line with the *"Connect"* initiatives.

▪ NET INCOME IMPACTED BY INCREASED TAX AND FOREIGN EXCHANGE IMPACT

The amortization and depreciation of intangibles was **€109 million**, compared to €118 million in the first half of last year.

Financial expenses were up year-on-year at **€242 million,** of which net interest expenses on financial debt amounted to €166 million at a lower cost of debt. Foreign exchange losses of €31 million were a negative impact in first half this year.

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Financial Information (p. 6)

Income tax amounted to **€283** million corresponding to an effective tax rate of 25.0%, up 1.7 points compared to the previous year[5] primarily due to the impact of French tax law evolution, in line with the Group's anticipation.

The net income was **€831 million** for the first-half 2013, down 5% mainly due to the impact of foreign exchange losses and increased taxation.

- **GOOD CASH GENERATION IN FIRST HALF 2013**

Free cash flow was **€339 million**, in line with the Group's normal cash flow seasonality. The increase in receivables due to high Q2 growth was partially offset by improved inventory to revenues ratio leading to an increase of **€322 million** in the trade working capital**.** Non-trade working capital increase was **€122 million.**

The free cash flow included **€286 million** of net capital expenditure, representing 2.5% of revenues.

On a twelve-month rolling basis the free cash flow conversion reached 114% of net income.

- **SOLID BALANCE SHEET, NET DEBT TO ADJUSTED EBITDA RATIO REMAINED LOW**

Schneider Electric's net debt amounted to **€5,276 million** (€4,395 million in December 2012). The increase was primarily the result of €1,025 million of dividend payment and €309 million of acquisitions. The Group's net debt to LTM adjusted EBITDA ratio was solid at **1.3x**.

III. CORPORATE GOVERNANCE

On July 30, 2013, the board of directors recorded the resignation of Mrs. Domninique Senequier from her office on June 25, 2013, as a member of the board of directors.

IV. 2013 OUTLOOK

The first half showed confirmation of growth in North America and China, continued good momentum in new economies and overall weakness in Western Europe. While the worldwide economy is still uncertain, the company expects first signs of sequential stabilization towards the end of the year in Western Europe and continuous growth in North America, China and new economies in the second half. The company will also monitor the evolution of emerging market currencies and expects stabilization.

In this context, the company maintains its targets of a low-single digit organic growth in revenues and of a stable to slightly up adjusted EBITA margin for the year 2013.

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[5] *2012 figures restated for the application of IAS 19 Revised*

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Financial Information (p. 7)

The financial statements of the period ending June 30, 2013 were established by Board of directors on July 30, 2013 and certified by the Group auditors on July 30, 2013.

The half year 2013 consolidated financial statements and the interim result presentation are available at www.schneider-electric.com

Third quarter 2013 revenues will be released on October 25, 2013.

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Financial Information (p. 8)

Appendix – Revenues breakdown by business

Second quarter 2013 revenues by business were as follows:

€ million	Q2 2013				
	Revenues	**Organic growth**	**Changes in scope of consolidation**	**Currency effect**	**Reported growth**
Partner	2,245	+0.7%	-0.4%	-1.1%	-0.8%
Infrastructure	1,519	+5.9%	+13.5%	-1.2%	+18.2%
Industry	1,152	+3.5%	-0.8%	-1.8%	+0.9%
IT	893	+1.3%	+0.3%	-2.3%	-0.7%
Buildings	410	+3.6%	-1.6%	-1.0%	+1.0%
Group	**6,219**	**+2.6%**	**+2.5%**	**-1.4%**	**+3.7%**

First half 2013 revenues by business were as follows:

€ million	H1 2013				
	Revenues	**Organic growth**	**Changes in scope of consolidation**	**Currency effect**	**Reported growth**
Partner	4,175	-1.2%	-0.1%	-1.1%	-2.4%
Infrastructure	2,628	+3.7%	+8.3%	-1.2%	+10.8%
Industry	2,164	+0.0%	-0.9%	-1.6%	-2.5%
IT	1,686	-0.6%	+0.1%	-2.4%	-2.9%
Buildings	777	-1.9%	-0.5%	-0.9%	-3.3%
Group	**11,430**	**+0.1%**	**+1.5%**	**-1.4%**	**+0.2%**

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Financial Information (p. 9)

Appendix – Breakdown by geography

Second quarter 2013 revenues by geographical region were as follows:

€ million	Q2 2013		
	Revenues	**Organic growth**	**Reported growth**
Western Europe	1,675	-6%	-6%
Asia-Pacific	1,720	+5%	+4%
North America	1,581	+10%	+9%
Rest of the World	1,243	+4%	+13%
Group	**6,219**	**+2.6%**	**+3.7%**

First half 2013 revenues by geographical region were as follows:

€ million	H1 2013		
	Revenues	**Organic growth**	**Reported growth**
Western Europe	3,264	-7%	-6%
Asia-Pacific	3,115	+4%	+2%
North America	2,912	+3%	+2%
Rest of the World	2,139	+2%	+6%
Group	**11,430**	**+0.1%**	**+0.2%**

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Financial Information (p. 10)

Appendix – Consolidation impact on revenues and EBITA

In number of months	2012 Q1	Q2	Q3	Q4	2013 Q1	Q2	Q3	Q4
Lee Technologies IT business 2010 revenues $140 million	3m							
Summit Energy Buildings business 2011e revenues $65 million	3m							
Digilink Partner business 2010 revenues c. €25 million	3m	3m	-1m					
APW President IT business FY 31/10/10 revenues €18 million	3m	3m	-1m					
Luminous IT business FY 31/3/11 revenues c. €170 million	3m	3m	-1m					
Steck Group Partner business 2011e revenues €80 million	3m	3m	1m					
Telvent Infrastructure business 2010 revenues €753 million	3m	3m	2m					
Leader & Harvest Industry business 2011e revenues $150 million	3m	3m	3m					
M&C Energy Group Buildings business FY 30/6/12e revenues £35 million			3m	3m	3m	3m		
Electroshield-TM Samara Infrastructure business Average annual revenues of more than RUB 20 billion since acquisition of 50% stake in 2010						3m	3m	3m

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Financial Information (p. 11)

Appendix - Results breakdown by division

€ million	H1 2012	H1 2013
Revenues	**11,408**	**11,430**
Partner	4,278	4,175
Infrastructure	2,372	2,628
Industry	2,219	2,164
IT	1,736	1,686
Buildings	803	777
Corporate	-	-
Adjusted EBITA	**1,556**	**1,532**
Partner	855	875
Infrastructure	199	190
Industry	412	423
IT	304	289
Buildings	52	34
Corporate	(266)	(279)
- Other operating income and expenses	**(8)**	**12**
Partner	8	12
Infrastructure	(8)	(11)
Industry	(7)	2
IT	3	(1)
Buildings	(1)	(1)
Corporate	(3)	11
- Restructuring	**(43)**	**(62)**
Partner	(25)	(23)
Infrastructure	(4)	(8)
Industry	(5)	(8)
IT	(2)	(3)
Buildings	(2)	(6)
Corporate	(5)	(14)
EBITA	**1,505**	**1,482**
Partner	838	864
Infrastructure	187	171
Industry	400	417
IT	305	285
Buildings	49	27
Corporate	(274)	(282)

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