Half year financial report

Six-month period ended June 30, 2013

Condensed Consolidated Financial Statements
Management Report
CEO Attestation
Statutory Auditors' Review Report

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Consolidated statement of income

(in millions of euros except for earnings per share)	Note	First half 2013	First half 2012*
Revenue	3	**11,430**	**11,408**
Cost of sales		(7,125)	(7,104)
Gross profit		**4,305**	**4,304**
Research and development	4	(296)	(268)
Selling, general and administrative expenses		(2,477)	(2,480)
EBITA adjusted**		**1,532**	**1,556**
Other operating income and expenses	5	12	(8)
Restructuring costs	6	(62)	(43)
EBITA***		**1,482**	**1,505**
Amortization and impairment of purchase accounting intangibles	7	(109)	(118)
Operating income		**1,373**	**1,387**
Interest income		9	8
Interest expense		(175)	(180)
Finance costs, net		**(166)**	**(172)**
Other financial income and expense	8	(76)	(37)
Net financial income/(loss)		**(242)**	**(209)**
Profit before tax		**1,131**	**1,178**
Income tax expense	9	(283)	(275)
Share of profit/(loss) of associates		15	18
PROFIT FOR THE PERIOD		**863**	**921**
• attributable to owners of the parent		831	876
• attributable to non-controlling interests		32	45
Basic earnings (attributable to owners of the parent) per share *(in euros per share)*		1.52	1.62
Diluted earnings (attributable to owners of the parent) per share *(in euros per share)*		1.50	1.61

* *The 2012 figures were restated for the application of IAS 19 Revised disclosed in note 15 of the consolidated financial statements.*

** *EBITA adjusted (Earnings Before Interests, Taxes, Amortization of purchase accounting intangibles and Restructuring costs) EBITA adjusted corresponds to operating profit before amortization and impairment of purchase accounting intangible assets, before goodwill impairment, before other operating income and expenses and before restructuring costs.*

*** *EBITA (Earnings Before Interests, Taxes and Amortization of purchase accounting intangibles) EBITA corresponds to operating profit before amortization and impairment of purchase accounting intangible assets and before goodwill impairment.*

The accompanying notes are an integral part of the consolidated financial statements.

Other comprehensive income

(in millions of euros)	**First half 2013**	**First half 2012***
Profit for the year	**863**	**921**
Other comprehensive income:		
Translation adjustment	(193)	173
Cash-flow hedges	(65)	16
Income tax effect of Cash-flow hedges	16	(2)
Net gains (losses) on available-for-sale financial assets	8	(36)
Income tax effect of Net gains (losses) on available-for-sale financial assets	1	5
Actuarial gains (losses) on defined benefits plans	6	7
Income tax effect of Actuarial gains (losses) on defined benefits plans	(1)	(2)
Other comprehensive income for the year, net of tax	**(228)**	**161**
• out of which to be recycled in income statement ultimately	(40)	(17)
• out of which not to be recycled in income statement ultimately	(188)	178
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**635**	**1,083**
Attributable:		
• to owners of the parent	601	1,055
• to non-controlling interests	34	28

** The 2012 figures were restated for the application of IAS 19 Revised disclosed in note 15 of the consolidated financial statements.*
The accompanying notes are an integral part of the consolidated financial statements.

Consolidated statement of cash flows

(in millions of euros)	Note	First half 2013	First half 2012*
Profit for the year		863	921
Share of (profit)/losses of associates, net of dividends received		(15)	(18)
Adjustments to reconcile net profit to net cash flows provided by operating activities:			
Depreciation of property, plant and equipment		207	202
Amortization of intangible assets other than goodwill		205	214
Impairment losses on non-current assets		-	(10)
Increase/(decrease) in provisions		(31)	(54)
Losses/(gains) on disposals of fixed assets		(8)	1
Difference between tax paid and tax expense		(170)	(73)
Other non-cash adjustments		19	16
Net cash provided by operating activities before changes in operating assets and liabilities		**1,069**	**1,199**
Decrease/(increase) in accounts receivable		(136)	134
Decrease/(increase) in inventories and work in process		(169)	(199)
(Decrease)/increase in accounts payable		(17)	(84)
Change in other current assets and liabilities		(122)	(304)
Change in working capital requirement		**(444)**	**(453)**
Total I - Cash flows from operating activities		**625**	**746**
Purchases of property, plant and equipment		(180)	(218)
Proceeds from disposals of property, plant and equipment		68	12
Purchases of intangible assets		(179)	(145)
Proceeds from disposals of intangible assets		4	2
Net cash used by investment in operating assets		**(286)**	**(349)**
Net financial investments		(309)	(164)
Proceeds from sale of financial assets		13	-
Purchases of other long-term investments		(10)	21
Increase in long-term pension assets		(28)	(74)
Sub-total		**(333)**	**(217)**
Total II - Cash flows from/(used in) investing activities		**(620)**	**(566)**
Issuance of bonds	17	-	-
Repayment of bonds	17	-	-
Increase/(reduction) in other financial debt		(2)	579
Sale/(purchase) of own shares		19	-
Proceeds from issuance of shares		61	22
Dividends paid: Schneider Electric SA		(1,025)	(919)
Non-controlling interests		(29)	(23)
Total III - Cash flows from/(used in) financing activities		**(974)**	**(341)**
IV - Net foreign exchange difference:		**7**	**(194)**
Increase/(decrease) in cash and cash equivalents: I + II + III + IV		**(962)**	**(355)**
Cash and cash equivalents at January 1st		3,617	2,554
Increase/(decrease) in cash and cash equivalents		(962)	(355)
CASH AND CASH EQUIVALENTS AT JUNE 30	**17**	**2,655**	**2,199**

** The 2012 figures were restated for the application of IAS 19 Revised disclosed in note 15 of the consolidated financial statements.*
The accompanying notes are an integral part of the consolidated financial statements.

Consolidated balance sheet

Assets

(in millions of euros)	**Note**	**Jun.30, 2013**	**Dec.31, 2012***
Non-current assets			
Goodwill, net	10	13,210	12,904
Intangible assets, net	11	4,464	4,519
Property, plant and equipment, net		2,581	2,622
Total tangible and intangible assets		*7,045*	*7,141*
Investments in associates	12	196	511
Available-for-sale financial assets	13	181	213
Other non-current financial assets		122	108
Non-current financial assets		*303*	*321*
Deferred tax assets		1,833	1,745
Total non-current assets		**22,587**	**22,622**
Current assets			
Inventories and work in progress		3,315	3,090
Trade and other operating receivables		5,493	5,289
Other receivables and prepaid expenses		1,298	1,291
Current financial assets		114	127
Cash and cash equivalents		2,735	3,737
Total current assets		**12,955**	**13,534**
TOTAL ASSETS		**35,542**	**36,156**

**   The 2012 figures were restated for the application of IAS 19 Revised disclosed in note 15 of the consolidated financial statements.*
The accompanying notes are an integral part of the consolidated financial statements.

Liabilities

(in millions of euros)	**Note**	**Jun.30, 2013**	**Dec.31, 2012***
Equity	14		
Share capital		2,230	2,222
Additional paid-in capital		6,939	6,885
Retained earnings		7,366	7,594
Translation reserve		(243)	(48)
Equity attributable to owners of the parent		**16,292**	**16,653**
Non-controlling interests		162	174
Total equity		**16,454**	**16,827**
Non-current provisions			
Pensions and other post-employment benefit obligations	15	1,921	1,959
Other non-current provisions	16	769	785
Total non-current provisions		2,690	2,744
Non-current financial liabilities			
Bonds	17	4,991	5,513
Other non-current debt	17	768	893
Non-current financial liabilities		*5,759*	*6,406*
Deferred tax liabilities		990	1,021
Other non-current liabilities		126	195
Total non-current liabilities		**9,566**	**10,366**
Current liabilities			
Trade and other operating payables		4,315	4,190
Accrued taxes and payroll costs		1,765	1,827
Current provisions	16	853	930
Other current liabilities		338	291
Current debt	17	2,252	1,726
Total current liabilities		**9,523**	**8,964**
TOTAL EQUITY AND LIABILITIES		**35,542**	**36,156**

* *The 2012 figures were restated for the application of IAS 19 Revised disclosed in note 15 of the consolidated financial statements.*
The accompanying notes are an integral part of the consolidated financial statements.

Consolidated statement of changes in equity

(in millions of euros except for number of shares)	**Number of shares** *(thousands)*	**Capital**	**Additional paid-in capital**	**Treasury shares**	**Retained earnings**	**Translation reserve**	**Equity attributable to owners of the parent**	**Non-controlling interests**	**Total**
Dec.31, 2011*	**548,943**	**2,196**	**6,690**	**(74)**	**6,906**	**148**	**15,866**	**192**	**16,058**
Profit for the year *					1,811		1 811	87	1,898
Other comprehensive income					(195)	(196)	(391)	(25)	(416)
Comprehensive income for the year					*1,616*	*(196)*	*1,420*	*62*	*1,482*
Capital increase	3,522	14	109				123		123
Exercise of stock options	2,952	12	86				98		98
Dividends					(919)		(919)	(72)	(991)
Share-based compensation expense					57		57		57
Other					8		8	(8)	
Dec.31, 2012*	**555,417**	**2,222**	**6,885**	**(74)**	**7,668**	**(48)**	**16,653**	**174**	**16,827**
Profit for the year					831		831	32	863
Other comprehensive income					(35)	(195)	(231)	2	(228)
Comprehensive income for the year					796	(195)	601	34	635
Capital increase			(1)				(1)		(1)
Exercise of stock options	2,171	8	55		(1)		62		62
Dividends					(1,054)		(1,054)	(46)	(1,100)
Share-based compensation expense					31		31		31
Other									
June 30, 2013	557,588	2,230	6,939	(74)	7,440	(243)	16,292	162	16,454

** The 2012 figures were restated for the application of IAS 19 Revised disclosed in note 15 of the consolidated financial statements, as follows :*
- increase of EUR12 millions on January 1, 2012 reserves
- decrease of EUR29 millions on 2012 net profit
- increase of EUR27 millions on 2012 other comprehensive income.
The accompanying notes are an integral part of the consolidated financial statements.

Notes to the Consolidated Financial Statements

All amounts in millions of Euros unless otherwise indicated.
The accompanying notes are an integral part of the consolidated financial statements.

Note 1 - Summary of significant accounting policies

➢ **Accounting standards and basis of preparation**

The consolidated financial statements for the six months ended June 30, 2013 have been prepared in accordance with IAS 34 - *Interim Financial Reporting*. As condensed financial statements, they do not include all the disclosures required by International Financial Reporting Standards (IFRS) and should be read in conjunction with the December 31, 2012 annual consolidated financial statements included in the Annual Report filed with the French securities regulator (AMF) under no. D.13-0196, except as regards to the differences in accounting treatment between the annual and interim financial statements described below.

The interim consolidated financial statements have been prepared in compliance with the international accounting standards adopted by the European Union as of June 30, 2013. The same accounting methods were used as for the consolidated financial statements for the year ended December 31, 2012.

The new following standards and interpretations that were applicable during the period did not have a material impact on the consolidated financial statements for the six months ended June 30, 2013:

- *IFRS 13 – Fair value Measurement;*
- *amendment to IAS 1 – Presentation of Items of Other Comprehensive Income;*
- *amendment to IAS 12 – Recovery of Underlying Assets;*
- *amendments to IFRS 1 - Government Loans;*
- *improvements to IFRSs 2009-2011 (May 2012);*
- *amendments to IFRS 7 – Disclosures – Transfer of Financial assets; information will be provided on December 31, 2013.*

The Group has been applying IAS 19 revised since January 1, 2013 with retroactive effect from January 1, 2012 on comparable financial statements. In accordance with IAS 19 revised requirements published on June 2011, the expected return on long term plan assets in 2013 equal to discount rate at December 31, 2012 closing date. The effect in first half 2013 is EUR20 million as a reduction of financial income and is also EUR20 million as a reduction of financial income in first half 2012; the difference between the actual rate and the rate assessed this way is booked as non recycled OCI. Moreover, IAS 19 revised require the recycling through equity of past service costs, of which the amortization was a gain of about EUR1 million by year, that will have a n expected effect of EUR17 million at January 1, 2013. 2012 figures were restated by applying IAS 19 revised, with:

- an increase in consolidated retained earnings of EUR12 million on January 1, 2012;
- a cost after tax of EUR29 million on 2012 net income and
- a profit net of tax of EUR27 million on 2012 OCI.

IAS 19 Revised has no effect on the recognition of actuarial gains & losses since those were already directly recognized in equity.

The Group has not applied the following standards and interpretations that have not yet been adopted by the European Union or that are applicable after June 30, 2013:

- Standards adopted
  - *IAS 28 revised – Investments in associates and joint-ventures;*
  - *Amendment to IAS 32 : Offsetting Financial Assets and Financial Liabilities ;*
  - *IFRS 10 – Consolidated Financial Statements;*
  - *IFRS 11 – Joint Arrangements;*
  - *IFRS 12 – Disclosure of Interests in Other entities;*
  - *Transition Guidance (Amendments to IFRS 10, IFRS 11 and IFRS 12);*

- Standards not yet adopted
  - *IFRS 9 – Financial instruments;*
  - *amendments to IAS 36 – Recoverable amount disclosures for Non Financial assets;*
  - *amendments to IAS 39 – Novation of derivatives and continuation of hedge accounting;*
  - *Investment entities (Amendments to IFRS 10, IFRS 12 and IAS 27);*
  - *IFRIC 21 – Levies.*

There are no differences in practice between the standards applied by Schneider Electric as of June 30, 2013 and the IFRS issued by the International Accounting Standards Board (IASB), except for:

- *IAS 28 revised – Investments in associates and joint-ventures;*
- *IFRS 10 – Consolidated Financial Statements;*
- *IFRS 11 – Joint Arrangements;*
- *IFRS 12 – Disclosure of Interests in Other entities;*
- *Investment entities (Amendments to IFRS 10, IFRS 12 and IAS 27);*

that are mandatory in the IASB standards for reporting periods beginning on January 1, 2013 but mandatory by the European Union only from periods beginning on January 1, 2014.

Schneider Electric is currently assessing the potential impact on the Group's consolidated financial statements of the standards not yet applicable.

At this stage of analysis, the Group does not expect the impact on its consolidated financial statements to be material, except for IFRS 10 and IFRS 11 for which impacts are being assessed, notably on entities currently consolidated with proportional consolidation, and except for IFRS 9 due to uncertainties surrounding the adoption process in Europe.

➢ **Impairment of assets**

There were no indications of impairment at June 30, 2013. As a result, no impairment tests were performed as of this date.

➢ **Seasonal variations**

Seasonal variations can affect the level of revenue from one quarter to another. For this reason the interim financial results are not necessarily indicative of the Group's expected full year performance.

➢ **Income tax expense**

Current and deferred taxes for interim periods are calculated by applying the estimated average effective tax rate for the current year to pre-tax profit for the period.

Note 2 - Changes in the scope of consolidation

2.1 Additions and removals

➢ **Acquisitions of the period**

Schneider Electric finalized on March 28, 2013, the acquisition of 100% of Electroshield – TM Samara, further to the 50% acquired in October 2010, after obtaining the requisite regulatory approvals in Russia. Electroshield – TM Samara is one of the leading Russian players in medium voltage with a strong presence in key end markets like oil & gas, utilities, mining and other electro-intensive industries.
The cumulative price for 100% of equity is RUB 20.4 billion (about EUR510 million) with net debt of zero as of today. As agreed, the second half of the equity was acquired at the same value as the first half in 2010. Previously it was accounted under the equity accounting method. It is fully consolidated since April 1st, 2013 in the segment Infrastructure.

2.2 Impact of changes in the scope of consolidation

➢ Follow-up on 2012 acquisitions

In accordance with IFR3 R, Schneider Electric valued the assets acquired and liabilities assumed at their fair value on the date of acquisition.

The final allocation of the acquisition of M&C Energy Group (June 12, 2012) led principally to the recognition of intangible assets in the amount of EUR19 million (customer relationships) this asset was valued by an independent expert. Contingent liabilities were recognized for a total amount of EUR1 million. The goodwill is not tax-deductible.

➢ Acquisitions of the period

Schneider Electric acquired the additional 50% shares of Electroshield - TM Samara on March 28 2013, in accordance with the 2010 purchase agreement for the price of RUB 10.2 billion as agreed then.

Since then, Electroshield is consolidated with full consolidation method.

The takeover of Electroshield by Schneider Electric implies, in accordance with IFRS 3 revised standard on business combinations:
- to revaluate at fair value through profit and loss the 50% share formerly hold and the equity method investment until then
- to account for at fair value the total identificables assets and liabilities of Electroshield as well as a goodwill, for the net amount thus determined compared to the scope entry value.

Electroshield scope entry was accounted for an amount of EUR560 millions corresponding to the accounting value of the first 50% share book value, with no reevaluation increased by the price paid for the second 50% share.

The valuations of the fair value of Electroshield and its identificable assets and liabilities is in progress. The accounting of the business combination will be reviewed in the second semester. The Group does not expect to account for a loss on the 50% share formerly hold.

The provisional allocation from the acquisition of Electroshield led principally to the recognition of revaluations of property, plant and equipment in the amount of EUR8 million; these assets were valued by independent experts. Contingent liabilities were recognized for a total amount of EUR28 million. The goodwill is not tax-deductible.

On June 30, 2013, the main elements of the provisional computation are:
- contingent liabilities, since the identification of risks is not completed;
- tangible assets, because the estimated fair value of these assets is in progress;
- intangible assets, because the assumptions used to value these assets will be refined in 2013.

➢ Impact on cash

Changes in the scope of consolidation at June 30, 2013 reduced the Group's cash position by a net EUR296 million, as described below:

	First Half 2013	**Dec.31, 2012**
Acquisitions	(309)	(249)
Cash and cash equivalents paid	*(320)*	*(268)*
Cash and cash equivalents acquired	*11*	*19*
Disposals	13	7
Other	0	0
NET FINANCIAL INVESTMENTS	**(296)**	**(242)**

The cash paid for acquisitions is mainly related to Electroshield – TM Samara.

Note 3 - Segment information

The Group is organized into five Businesses (Partner, Infrastructure, Industry, IT and Buildings).

The five Businesses are:

- **Partner (formerly Power)**, provides low voltage ("LV") products and solutions in all end markets from buildings to industries and infrastructure to data centers, including protection functions (notably with circuit breakers), power monitoring and control, power meters, electrical enclosures, busways, power factor correction, LifeSpace products (including wiring devices, network connectivity, home and building controls and cable management systems), renewable energy conversion and connection, and electrical vehicle charging infrastructure;
- **Infrastructure**, combines all Medium Voltage activities including those from Areva Distribution, as well as Telvent; the business is in charge of the end-customer segments Oil and Gas, Electric Utilities and Transportation when it relates to solutions integrating the offers of several activities from the Group;
- **Industry**, which includes Automation & Control and four end-customer segments: OEMs, Water, Mining Minerals & Metals and Food & Beverages when it relates to solutions integrating the offers of several activities from the Group, as well as Custom Sensors & Technologies business (Sensors & Automotives);
- **IT**, which covers Critical Power & Cooling Services and three end-customer segments (Bank & Insurance, IT industry and Cloud & Telecom) when it relates to solutions integrating the offers of several activities from the Group;
- **Buildings**, which includes Building Automation and Security and the end-customer segments Hotels/Retail, Healthcare, Life Sciences, Real Estate and Government/Education.

Data concerning General Management that cannot be allocated to a particular segment are presented under "Corporate costs".

Operating segment data is identical to that presented to the Management Board, which has been identified as the main decision-making body for allocating resources and evaluating segment performance. Performance assessments used by the Management Board are notably based on Adjusted EBITA. Share-based payment is presented under "Corporate costs". The Management Board does not review assets and liabilities by Business.

The same accounting principles governing the consolidated financial statements apply to segment data.
Details are provided in the Business Review.

3.1 Information by operating segment (in EUR millions)

First Half 2013 (in EUR millions)

	Partner	Infrastructure	Industry	IT	Buildings	Corporate costs	Total
Revenue	4,175	2,628	2,164	1,686	777		**11,430**
Adjusted EBITA *	875	190	423	289	34	(279)	**1,532**
%	*21.0%*	*7.2%*	*19.5%*	*17.1%*	*4.4%*		***13.4%***
Other operating income and expense	12	(11)	2	(1)	(1)	11	**12**
Restructuring costs	(23)	(8)	(8)	(3)	(6)	(14)	**(62)**
EBITA	864	171	417	285	27	(282)	**1,482**
%	*20.7%*	*6.5%*	*19.3%*	*16.9%*	*3.5%*		***13.0%***

* *Adjusted EBITA : EBITA before restructuring costs and other operating income and expense (including acquisition, integration and separation costs).*

Revenue related to solutions amounts to 39% of total revenue for Half year 2013.

First Half 2012 (in EUR millions)

	Power	Infrastructure	Industry	IT	Buildings	Corporate costs	Total
Revenue	4,278	2,372	2,219	1,736	803		**11,408**
Adjusted EBITA *	855	199	412	304	52	(266)	**1,556**
%	*20.0%*	*8.4%*	*18.6 %*	*17.5 %*	*6.5 %*	-	***13.6 %***
Other operating income and expense	8	(8)	(7)	3	(1)	(3)	**(8)**
Restructuring costs	(25)	(4)	(5)	(2)	(2)	(5)	**(43)**
EBITA	838	187	400	305	49	(274)	**1,505**
%	*19.6%*	*7.9 %*	*18.0 %*	*17.6 %*	*6.1 %*	-	***13.2 %***

* *Adjusted EBITA : EBITA before restructuring costs and other operating income and expense (including acquisition, integration and separation costs).*

Revenue related to solutions amounts to 38% of total revenue for Half year 2012

3.2 Information by region

The geographic regions covered by the Group are:
- Western Europe,
- North America (including Mexico),
- Asia-Pacific,
- and Rest of the World (Eastern Europe, Middle East, Africa, South America).

Non-current assets include net goodwill, net intangible assets and net property, plant and equipment.

First Half 2013

	Western Europe	Asia-Pacific	North America	Rest of the world	Total
Sales by country market	3,264	3,115	2,912	2,139	**11,430**
Non current assets	8,090	4,228	6,624	1,313	**20,255**

First Half 2012

	Western Europe	Asia-Pacific	North America	Rest of the world	Total
Sales by country market	3,481	3,044	2,867	2,016	**11,408**
Non current assets	7,461	4,460	7,719	836	**20,476**

Moreover, the Group follows the share of new economies in revenue:

	June 30, 2013		June 30, 2012	
Revenue - Mature countries	6,652	58 %	6,912	61 %
Revenue - New economies	4,478	42 %	4,496	39 %
Total	**11,430**	**100%**	**11,408**	**100%**

Note 4 - Research and development

Research and development costs are as follows:

	First half 2013	First half 2012
Research and development costs in costs of sales	134	122
Research and development costs in commercial expenses	296	268
Capitalized development costs	155	135
TOTAL RESEARCH AND DEVELOPMENT COSTS FOR THE PERIOD	**585**	**525**

(1) of which EUR18 millions of research and development tax credit in first half 2013 et EUR14 millions in first half 2012.

Amortization of capitalized development costs came to EUR71 million in the first half of 2013 and EUR65 million in the first half of 2012.

Note 5 - Other operating income and expense

Other operating income and expenses are as follows:

	First half 2013	First half 2012
Impairment losses on assets	-	1
Gains on asset disposals	22	2
Losses on assets disposal	(17)	(3)
Costs of acquisition	(18)	(28)
Employee benefit plan curtailment	34	-
Others	(9)	20
OTHER OPERATING INCOME AND EXPENSES	**12**	**(8)**

The “Employee benefit plan curtailment” includes mainly a EUR34 million reversal of provision for a U.S. medical care curtailment described on note 15.

The costs of acquisitions are the costs of acquisition, integration and separation related to major acquisitions in 2012 and 2013. The costs of acquisitions for the six-month period ended June 30, 2012 were the costs of acquisition, integration and separation related to major acquisitions in 2011 and 2012.

The line “Others” includes mainly additions in provision for litigation or claims declared on first half 2013.

Note 6 - Restructuring costs

Restructuring costs in six-month period ended June 30, 2013 totaled EUR62 million and primarily stemmed from the reorganization of manufacturing operations and support functions.

Note 7 - Amortization and impairment of purchase accounting intangibles

	First half 2013	First half 2012
Amortization of purchase accounting intangibles	(109)	(118)
Impairment of purchase accounting intangibles	-	-
Goodwill impairment	-	-
AMORTIZATION AND IMPAIRMENT OF PURCHASE ACCOUNTING INTANGIBLES	**(109)**	**(118)**

Note 8 - Other financial income and expenses

	First half 2013	First half 2012*
Exchange gains and losses, net	(31)	(6)
Financial component of defined benefit plan cost	(35)	(40)
Dividend income	4	9
Net gais/(losses) on disposal of long-term investments	-	1
Other financial expenses, net	(14)	(1)
OTHER FINANCIAL INCOME AND EXPENSES	**(76)**	**(37)**

* *The 2012 figures were restated for the application of IAS 19 Revised disclosed in note 15 of the consolidated financial statements.*

In accordance with IAS 19 revised requirements, the expected return on long term plan assets in 2013 equal to discount rate at December 31, 2012 closing date. The effect in first half 2013 is EUR20 million as a reduction of financial income and is also EUR20 million as a reduction of financial income in first half 2012; the difference between the actual rate and the rate assessed this way is booked as non recycled OCI.

Dividends primarily corresponded to dividends on AXA shares on first half 2012.

Note 9 - Income tax

Wherever regulatory environment allows it, Group entities file consolidated tax returns. Schneider Electric SA files a consolidated tax return with its French subsidiaries held directly or indirectly through Schneider Electric Industries SAS.

9.1 Analysis of income tax expense for the year

	First half 2013	First half 2012*
Current taxes		
France	(79)	(36)
International	(313)	(276)
Total	**(392)**	**(312)**
Deferred taxes		
France	101	101
International	8	(64)
Total	**109**	**37**
INCOME TAX (EXPENSE) / BENEFIT	**(283)**	**(275)**

* *The 2012 figures were restated for the application of IAS 19 Revised disclosed in note 15 of the consolidated financial statements.*

9.2 Tax proof

	First half 2013	First half 2012*
Profit attributable to owners of the parent	**831**	**876**
Income tax (expense)/benefit	(283)	(275)
Non-controlling interests	(32)	(45)
Share of profit of associates	15	18
Profit before tax	**1,131**	**1,178**
Statutory tax rate	34.43%	34.43 %
Income tax expense calculated at the statutory rate	**(389)**	**(406)**
Reconciling items:		
Difference between French and foreign tax rates	107	120
Tax credits and other tax reductions	124	103
Impact of tax losses	(15)	(7)
Other permanent differences	(110)	(85)
Income tax (expense)/benefit	(283)	(275)
EFFECTIVE TAX RATE	**25.0%**	**23.3%**

* *The 2012 figures were restated for the application of IAS 19 Revised disclosed in note 15 of the consolidated financial statements.*

9.3 Deferred taxes

Deferred tax assets net of deferred tax liabilities amounted to EUR843 million, decreasing by EUR112 million from December 31, 2012.

Note 10 - Goodwill

10.1 Breakdown of goodwill

Group goodwill is disclosed by Cash Generating Units (CGU):

	June 30, 2013 net	Dec.31, 2012 net
Partner	3,867	3,943
Industry	2,220	2,244
Buildings	1,477	1,469
ITB	2,993	3,015
Infrastructure	2,653	2,233
TOTAL	**13,210**	**12,904**

10.2 Changes in goodwill

The main changes during the period are summarized in the following table:

	First half 2013	2012	First half 2012
Net goodwill at opening	**12,904**	**12,773**	**12,773**
Acquisitions*	465	195	38
Disposals	(2)	-	-
Impairment	-	(250)	-
Translation adjustment	(157)	(108)	201
Reclassifications	-	294	122
Net goodwill at year end	**13,210**	**12,904**	**13,134**
Included cumulative impairment	**(416)**	**(413)**	**(180)**

* *On the basis of the exchange rate at acquisition date.*

➢ **Translation adjustment**

Currency translation adjustments relate primarily to goodwill denominated in Australian dollar and Indian rupee, specifically Clipsal, Scada Group, APC and Luminous.

Note 11 - Intangible assets and property, plant and equipment

Changes in intangible assets and property, plant and equipment over the six-month period were as follows:

	Trademarks	Software	Development projects (R&D)	Other	Property, plant and equipement	TOTAL
GROSS VALUE						
December 31, 2011	**2,786**	**827**	**1,292**	**1,915**	**6,688**	**13,488**
Acquisitions	4	21	286	4	488	**803**
Disposals	-	(48)	(43)	(50)	(287)	**(428)**
Translation adjustments	(56)	(3)	(25)	(16)	(41)	**(141)**
Reclassification	2	(33)	37	11	9	**26**
Changes in scope of consolidation and other	13	36	(15)	29	(10)	**53**
December 31, 2012	**2,749**	**800**	**1,532**	**1,893**	**6 846**	**13,820**
Acquisitions	-	9	155	-	181	**345**
Disposals	-	(3)	-	(1)	(144)	**(148)**
Translation adjustments	(15)	(4)	(21)	2	(66)	**(104)**
Reclassification	-	19	25	(49)	(19)	**(24)**
Changes in scope of consolidation and other	-	-	-	-	97	**97-**
June 30, 2013	**2,734**	**821**	**1,691**	**1,845**	**6,895**	**13,986**

	Trademarks	Software	Development projects (R&D)	Other	Property, plant and equipement	TOTAL
ACCUMULATED AMORTIZATION AND IMPAIRMENT						
December 31, 2011	**(257)**	**(616)**	**(483)**	**(760)**	**(4,115)**	**(6,231)**
Depreciation and impairment	(64)	(58)	(138)	(145)	(402)	**(807)**
Recapture	-	49	12	-	259	**320**
Translation adjustments	5	3	15	15	17	**55**
Reclassification	-	31	(30)	1	(4)	**(2)**
Changes in scope of consolidation and other	-	(42)	37	(30)	21	**(14)**
December 31, 2012	**(316)**	**(633)**	**(587)**	**(919)**	**(4,224)**	**(6,679)**
Depreciation and impairment	(22)	(25)	(71)	(86)	(206)	**(410)**
Recapture	(8)	5	-	1	110	**108**
Translation adjustments	-	3	13	4	36	**56**
Reclassification	4	1	(11)	20	2	**16**
Changes in scope of consolidation and other	-	-	-	-	(32)	**-**
June 30, 2013	**(342)**	**(649)**	**(656)**	**(980)**	**(4,314)**	**(6,941)**

	Trademarks	Software	Development projects (R&D)	Other	Property, plant and equipement	TOTAL
NET VALUE						
December 31, 2011	**2,529**	**211**	**809**	**1,155**	**2,573**	**7,277**
December 31, 2012	**2,433**	**167**	**945**	**974**	**2,622**	**7,141**
June 30, 2013	**2,392**	**172**	**1,035**	**865**	**2,581**	**7,045**

Note 12 - Investments in associates

Investments in associates can be analyzed as follows:

	% interest		**Share in net assets**		**Share in net profits**	
	June 30, 2013	**Dec. 31, 2012**	**June 30, 2013**	**Dec. 31, 2012**	**June 30, 2013**	**Dec. 31, 2012**
Delta Dore Finance	20,0 %	20,0 %	14	16	1	1
Electroshield - TM Samara	N/A	50,0 %	-	303	4	17
Sunten Electric Equipment	50,0 %	50,0 %	99	100	2	5
Fuji Electric FA Components & Systems	36,8 %	36,8 %	78	86	9	12
Autres	N/A	N/A	5	6	(1)	(1)
TOTAL		**-**	**196**	**511**	**15**	**34**

Further to the acquisition of an additional 50% of Electroshield – TM Samara shares on March 28, 2013, Electroshield – TM Samara is fully consolidated since this date in Schneider Electric consolidated financial statements.

Note 13 - Financial assets

13.1 Available-for-sale financial assets

Available-for-sale financial assets, corresponding mainly to investments in non-consolidated companies, break down as follows:

	June 30, 2013					June 30, 2012
			Revaluation/ impairment			
	% ownership	Gross value	in income statement	in OCI	Fair value	Fair value
I – Listed available for sale financial assets						
NVC Ligthing	9.2%	113	-	(46)	67	57
Gold Peak Industries Holding Ltd	4.4%	5	(4)	-	1	3
Total Listed available for sale financial assets		**118**	**(4)**	**(46)**	**68**	**60**
II – Non listed available for sale financial assets						
FCPR & SICAV	100%	59	(1)	9	67	70
SCL Elements Inc(1)	100%	-	-	-	-	20
SE Buildings Energy Efficiency(1)	100%	17	-	-	17	17
Inversion	35%	10	-	-	10	10
FCPR SESS	100%	-	-	-	-	3
Autres (2)		26	(7)	-	19	33
Total non listed available for sale financial assets		**111**	**(8)**	**9**	**113**	**153**
TOTAL VAILABLE FOR SALE FINANCIAL ASSETS		**229**	**(12)**	**(37)**	**181**	**213**

(1) Entities acquired in 2012.
(2) Value at less than EUR5 millions each

Fair value corresponds to the quoted price on the last trading day of the period for investments listed on an active market. Net losses arising from fair value revaluation of listed investments are recorded in equity under "Other Comprehensive Income" for an amount of EUR8 million (before effect of deferred tax) for the six-month period ended June 30, 2013.

NVC Lighting investment was acquired in July 2011 in the framework of a partnership that gives Schneider Electric an exclusive access to NVC Lighting's diffused and well established channels. The cumulated change in fair value of NVC Lighting investment determined on its price share and corresponding to a loss of EUR56 million at December 31, 2012, was recorded in equity, as “Other Comprehensive Income”. The Group did not recognize this change in fair value in the income statement at June 30, 2013, because it assessed the Group considers that the decrease observed of share price is correlated to concerns from investors point of view about the changes occurred in NVC Lighting governance in May 2012 that had led to a temporary suspension of trading of the share in July 2012. Those governance changes were solved in the last quarter of 2012 and NVC Lighting share price is recovering progressively. However, the Group estimates that the share price does not reflect the economic intrinsic value of NVC Lighting yet and will assess the necessity of a potential impairment through income statement in the second half of 2013.

13.2 Other non-current financial assets

The other non-current financial assets amount to EUR122 million as of June 30, 2013.

13.3 Current financial assets

Current financial assets total EUR69 million as of June 30, 2013 and comprise non-monetary short-term investments.

Note 14 - Shareholder's equity

14.1 Share-based payments

A total of 2,170,599 Schneider Electric SA shares were issued during six-month period ended June 30, 2013 upon exercise of stock options, in an amount of EUR62 million.

Based upon the assumptions described in the notes to the 2011 consolidated financial statements, the amount recorded under "Selling, general and administrative expenses" for stock option or stock grant plans set up after November 7, 2002 totaled EUR31 million in six-month period ended June 30, 2013 (EUR29 million for the six-month period ended June 30, 2012). This expense was booked as an adjustment to "Retained earnings" in Shareholders' Equity.

14.2 Worldwide Employee Stock Purchase Plan

Schneider Electric gives its employees the opportunity to become group shareholders thanks to employee share issues. Employees in countries that meet legal and fiscal requirements have the choice between a classic and a leveraged plan.

Under the classic plan, employees may purchase Schneider Electric shares at a 15% to 20% discount to the price quoted for the shares on the stock market. Employees must then hold their shares for five years, except in certain cases provided for by law. The share-based payment expense recorded in accordance with IFRS 2 is measured by reference to the fair value of the discount on the locked-up shares. The lock-up cost is determined on the basis of a two-step strategy that involves first selling the locked-up shares on the forward market and then purchasing the same number of shares on the spot market (i.e., shares that may be sold at any time) using a bullet loan.

This strategy is designed to reflect the cost the employee would incur during the lock-up period to avoid the risk of carrying the shares subscribed under the classic plan. The borrowing cost corresponds to the cost of borrowing for the employees concerned, as they are the sole potential buyers in this market. It is based on the average interest rate charged by banks for an ordinary, non-revolving personal loan with a maximum maturity of five years granted to an individual with an average credit rating.

Under the leveraged plan, employees may also purchase Schneider Electric shares at a 15% to 20% discount from the price quoted on the stock market. However, the leveraged plan offers a different yield profile as a third-party bank tops up the employee's initial investment, essentially multiplying the amount paid by the employee. The total is invested in Schneider Electric shares at a preferential price. The bank converts the discount transferred by the employee into funds with a view to securing the yield for the employee and increasing the indexation on a leveraged number (factor of 4.4 in 2013) of directly subscribed shares.

As with the classic plan, the share-based payment expense is determined by reference to the fair value of the discount on the locked-up shares (see above). In addition, it includes the value of the benefit corresponding to the issuer's involvement in the plan, which means that employees have access to share prices with a volatility profile adapted to institutional investors rather than to the prices and volatility profile they would have been offered if they had purchased the shares through their retail banks. The volatility differential is treated as a discount equivalent that reflects the opportunity gain offered to employees under the leveraged plan.

As regards the first semester 2013, Schneider Electric gave its employees the opportunity to purchase shares at a price of EUR50.89 or EUR47.90 per share, depending on the country, as part of its commitment to employee share ownership, on June 5, 2013. This represented a 15% to 20% discount to the reference price of EUR59.87 calculated as the average opening price quoted for the share during the 20 days preceding the Management Board's decision to launch the employee share issue.

Altogether, 2.7 million shares were subscribed, increasing the Company's capital by EUR133 million as of July 11, 2013. Due to significant changes in valuation assumptions, specifically the interest rate available to market participant, the value of the lock-up period is higher than the discount cost since 2012. Therefore the Group did not recognize any cost related to the transaction.

The tables below summarize the main characteristics of the plans, the amounts subscribed, the valuation assumptions and the plans' cost for 2013 and 2012.

	2013		2012	
Non leveraged plans	**%**	**Value**	**%**	**Value**
Plan characteristics				
Maturity *(years)*		5		5
Reference price *(euros)*		59.87		43.12
Subscription price *(euros)*:				
between		50.89		36.66
and		47.90		34.5
Discount:				
between	15.0%		15.0%	
and	20.0%		20.0%	
Amount subscribed by employees		98		75.9
Total amount subscribed		98		75.9
Total number of shares subscribed *(millions of shares)*		2		2.1
Valuation assumptions				
Interest rate available to market participant *(bullet loan)* (1)	4.8%		5.5%	
Five year risk-free interest rate (euro zone)	0.8%		1.5%	
Annual interest rate *(repo)*	1.0%		1.0%	
(a) Value of discount:				
between	15.0%	8.4	15.0%	6.4
and	20.0%	12.7	20.0%	10.0
(b) Value of the lock-up period for market participant	26.3%	31.3	**26.2%**	**24.1**
Total expense for the Group (a-b)		**0**		**0**
Sensitivity				
• decrease in interest rate for market participant (2)	(0.5%)	3.4	(0.5%)	2.5

Amounts in millions of euros, unless otherwise stated.

(1) Average interest rate charged on an ordinary, non-revolving personal loan, with a five-year maturity to an individual with an average credit rating.

(2) A decline in the interest rate for market participants reduces the lock-up cost and increases the expense booked by the issuer.

	2013		2012	
Leveraged plans	**%**	**Value**	**%**	**Value**
Plan characteristics				
Maturity *(years)*		5		5
Reference price *(euros)*		59.87		43.12
Subscription price *(euros)*:				
between		50.89		36.66
and		47.90		34.50
Discount :				
between	15.0%		15.0%	
and	20.0%		20.0%	
Amount subscribed by employees		3.5		4.8
Total amount subscribed		35.4		47.8
Total number of shares subscribed *(millions of shares)*		0.7		1.4
Valuation assumptions				
Interest rate available to market participant *(bullet loan)* (1)	4.8%		5.5%	
Five year risk-free interest rate (euro zone)	0.8%		1.5%	
Annual dividend rate	3.0%		3.0%	
Annual interest rate *(repo)*	1.0%		1.0%	
Retail/institutional volatility spread	5.0%		5.0%	
(a) Value of discount:				
between	15.0%	0	15.0%	0
and	20.0%	8.9	20.0%	11.9
(b) Value of the lock-up period for market participant	26.3%	11.7	**26.2%**	**15.6**
(c) Value of the opportunity gain (2)	**3.3%**	**1.5**	**1.3%**	**1.2**
Total expense for the Group (a-b+c)		**0**		**0**
Sensitivity				
• decrease in interest rate for market participant (3)	(0.5%)	1.3	(0.5%)	1.6

Amounts in millions of euros, unless otherwise stated.

(1) Average interest rate charged on an ordinary, non-revolving personal loan, with a five-year maturity to an individual with an average credit rating.

(2) Calculated using a binomial model.

(3) A decline in the interest rate for market participants reduces the lock-up cost and increases the expense booked by the issuer.

(4) In some countries, due to local law, employees subscribe for undiscounted sums while the bank subscribes at a discount to provide the leverage.

Note 15 - Pensions and other post-employment benefit obligations

IAS 19 Revised has been applied since January 1st, 2013 with a retroactive effect from January 1st, 2012 on the comparative statements for the first half 2012. The 2012 figures have been restated for the impact of application of revised IAS 19, namely:

- An increase of consolidated reserves of EUR12 million at 01/01/2012;
- A net cost of EUR29 million on the 2012 income statement;
- A net income of EUR27 million in other comprehensive income in 2012.

Changes in provisions for pensions and other post-employment benefit obligations were as follows:

	Pensions and termination benefits	*Of which US plans*	Other Post-employment and long-term benefits	*Of which US plans*	Provisions for pensions and other post-employment benefits
Dec. 31, 2012 published	**1,488**	**490**	**488**	**332**	**1,976**
IAS19R Adjustment					
Recognition of Unrecognized Past service costs	1	-	(18)	(18)	(17)
Dec. 31, 2012 restated	**1,489**	**490**	**470**	**314**	**1,959**
Net cost recognized in the statement of income	52	13	(16)	(28)	36
Benefits paid	(18)	-	(16)	(9)	(34)
Plan participants' contributions	(29)	(10)	-	-	(29)
Actuarial gains and losses recognized in equity	(23)	(21)	17	17	(6)
Translation adjustment	(10)	4	-	3	(10)
Changes in the scope of consolidation	2	-	-	-	2
Other changes	-	-	3	3	3
June 30, 2013	**1,463**	**476**	**458**	**300**	**1,921**

The application of IAS19 Revised led to a decrease of EUR19 million of the provision for pensions and other post-employment benefit obligations at January 1st, 2012 linked to the recognition of the past services cost unrecognized under IAS19 (impact of EUR17 million at January 1st, 2013, due to the amortizations of the unrecognized past service costs in 2012).

The net cost recognized in the income statement breaks down as follows:

	First Half 2013		
	Pensions and termination benefits	*Other post-employment and long-term benefits*	**Total**
Service cost	25	10	35
Past service cost	-	-	-
Curtailments and settlements	-	(34)	(34)
Operating expense for the period	**25**	**(24)**	**1**
Interest cost (impact of discounting)	51	8	59
Expected return on plan assets	(24)	-	(24)
Financial expense for the period	**27**	**8**	**35**
NET COST RECOGNIZED IN THE STATEMENT OF INCOME	**52**	**(16)**	**36**

The healthcare plan amendment to limit the Group's obligations to current and future retirees in the US decreased the benefit obligation of EUR34 million for the six-month period ended June 30, 2013.

	First Half 2012 published		
	Pensions and termination benefits	*Other post-employment and long-term benefits*	**Total**
Service cost	21	8	29
Past service cost	-	(1)	(1)
Curtailments and settlements	-	-	
Operating expense for the period	**21**	**7**	**28**
Interest cost (impact of discounting)	56	8	64
Expected return on plan assets	(44)	-	(44)
Financial expense for the period	**12**	**8**	**20**
NET COST RECOGNIZED IN THE STATEMENT OF INCOME	**33**	**15**	**48**

For comparison, the net cost recognized in the statement of income increased by EUR20 million for the six-month period ended June 30, 2012 under IAS19R due to the use of discount rates in the calculation of expected return on assets.

	First Half 2012 restated		
	Pensions and termination benefits	*Other post-employment and long-term benefits*	**Total**
Service cost	21	8	29
Past service cost	-	-	-
Curtailments and settlements	-	-	
Operating expense for the period	**21**	**8**	**29**
Interest cost (impact of discounting)	56	8	64
Expected return on plan assets	(25)	-	(25)
Financial expense for the period	**31**	**8**	**39**
NET COST RECOGNIZED IN THE STATEMENT OF INCOME	**52**	**16**	**68**

Note 16 - Provisions

	Economic risks	**Customer risks**	**Products risks**	**Environmental risks**	**Restructuring**	**Other risks**	**Provisions**
Dec. 31, 2012	**700**	**96**	**410**	**70**	**132**	**307**	**1,715**
Long-term portion	*430*	*44*	*93*	*55*	*12*	*151*	*785*
Additions	29	10	53	2	39	51	184
Discounting effect	-	-	-	-	-	-	-
Utilizations	(88)	(16)	(46)	(1)	(47)	(74)	(272)
Reversals of surplus provisions	(2)	(5)	(10)	-	(3)	(10)	(30)
Translation adjustments	(7)	1	(4)	(1)	(1)	(4)	(16)
Changes in the scope of consolidation and other	31	(9)	1	6	1	10	40
June 30, 2013	**663**	**77**	**404**	**76**	**121**	**280**	**1,621**
Of which long-term portion	*390*	*42*	*100*	*59*	*29*	*149*	*769*

Additions to provisions for product risks reflect updated estimates of technical risks for EUR19 million. Additions to provisions for restructuring, in an amount of EUR39 million, are commented in Note 6.

Note 17 - Net debt

Net debt breaks down as follows:

	Jun.30, 2013	Dec.31, 2012
Bonds	6,078	6,100
Bank and other borrowings	1,246	1,373
Lease liabilities	12	11
Employees profit sharing	11	13
Short-term portion of convertible and non-convertible bonds	(1,087)	(587)
Short-term portion of long-term debt	(501)	(504)
NON-CURRENT FINANCIAL LIABILITIES	**5,759**	**6,406**

Commercial paper	80	-
Accrued interest	170	147
Other short-term borrowings	334	368
Drawdown of funds from lines of credit	-	-
Bank overdrafts	80	120
Short-term portion of convertible and non-convertible bonds	1,087	587
Short-term portion of long-term debt	501	504
Short-term debt	**2,252**	**1,726**
TOTAL CURRENT AND NON-CURRENT FINANCIAL LIABILITIES	**8,011**	**8,132**

Marketable securities	955	1,720
Negotiable debt securities and short-term deposits	138	443
Cash and cash equivalents	1,642	1,574
Total cash and cash equivalents	**2,735**	**3,737**
Bank overdrafts	(80)	(120)
NET CASH AND CASH EQUIVALENTS	**2,655**	**3,617**

NET DEBT	**5,276**	**4,395**

Cash and cash equivalents net of short-term bank loans and overdrafts totaled EUR2,655 million, corresponding to the amount reported in the consolidated cash flow statement.

Non-recourse factoring of trade receivables were realized during the six-month period ended June 30, 2013 for a total amount of EUR66 million, compared with EUR147 million during the six-month period ended June 30, 2012. Moreover, the Group had factored without recourse to a bank during the six-month period ended June 30, 2012 a taxes-related receivable for EUR233 million, linked to an internal operation that generated a cash-out on a taxes-related payable for an even amount ; this receivable was paid by tax authorities to the bank on July 25, 2012.

There was neither issuance nor reimbursement of bonds on 2013 six-month period ended June 30.

Marketable securities generally consist of highly liquid instruments traded on regulated markets that are readily convertible into known amounts of cash, such as commercial paper, mutual funds and equivalents.

Note 18 - Financial instruments

The Group uses financial instruments to manage its exposure to fluctuations in interest rates, exchange rates and metal prices.

18.1 Fair Value of financial instruments

Financial assets and liabilities can be classified at the fair value following the hierarchy levels below:
■ Level 1: Market value (non-adjusted) on active markets, for similar assets and liabilities, that the company can get at the valuation date;
■ Level 2: Incoming information of the asset or liability (other than the market rate available for the level 1) are directly or indirectly accessible
■ Level 3: Incoming information non accessible regarding the asset or liability

(in millions of euros)	June 30, 2013				
	Balance sheet value	**Fair value**	**Level 1 and cash**	**Level 2**	**Level 3**
ASSETS					
Available-for-sale financial assets	181	181	68		113
Other non-current financial assets	122	122			
TOTAL NON-CURRENT ASSETS	303	303			
Current assets:					
Trade accounts receivable	5,493	5,493			
Other receivables	112	112		112	
Current financial assets	69	69			
Marketable securities	955	955	955		
TOTAL CURRENT ASSETS	**6,629**	**6,629**			
LIABILITIES					
Non-current liabilities:					
Other long-term debt	5,759	6,273			
TOTAL NON-CURRENT LIABILITIES	**5,759**	**6,273**			
Current liabilities					
Trade accounts payable	4,301	4,301			
Other	156	156		108	
Short-term debt	2,247	2,247			
TOTAL CURRENT LIABILITIES	**6,704**	**7,218**			

(in millions of euros)			**December 31, 2012**		
	Balance sheet value	**Fair value**	**Level 1 and cash**	**Level 2**	**Level 3**
ASSETS					
Available-for-sale financial assets	213	213	60		153
Other non-current financial assets	108	108			
TOTAL NON-CURRENT ASSETS	**321**	**321**			
Current assets:					
Trade accounts receivable	5,289	5,289			
Other receivables	170	170		170	
Current financial assets	127	127			
Marketable securities	1,720	1,720	1,720		
TOTAL CURRENT ASSETS	**7,306**	**7,306**			
LIABILITIES					
Non-current liabilities:					
Other long-term debt	6,406	6,934			
TOTAL NON-CURRENT LIABILITIES	**6,406**	**6,934**			
Current liabilities					
Trade accounts payable	4,190	4,190			
Other	112	112		76	
Short-term debt	1,726	1,742			
TOTAL CURRENT LIABILITIES	**6,028**	**6,044**			

Note 19 - Derivative instruments

19.1 Foreign currency

Due to the fact that a significant proportion of Group's transactions are denominated in currencies other than the euro, the Group is exposed to currency risk. The Group uses derivative instruments to hedge its exposure to exchange rates mainly through futures and natural hedge. Furthermore, some long term loans and borrowings granted to the affiliates are considered as net investment according to IAS 21.

June 30, 2013	**IFRS designation**	**Carrying amount**	**Nominal amount**	
			Sale	Purchase
Futures - cash flow hedges	CFH *	(12)		(441)
Futures - net investment hedges	NIH *	5	1,013	(199)
Futures - hedges of balance sheet items	*Trading*/FVH *	5	3,091	(1,596)
		(2)	**4,104**	**(2,236)**

December 31, 2012	IFRS designation	Carrying amount	Nominal amount	
			Sale	Purchase
Futures - cash flow hedges	CFH *	(24)	-	(738)
Futures - net investment hedges	NIH *	30	1 007	(199)
Futures - hedges of balance sheet items	*Trading*/FVH *	34	3 386	(2 268)
		40	**4 393**	**(3205)**

19.2 Interest rate

Interest rate risk on borrowings is managed at the Group level, based on consolidated debt and taking into consideration market conditions in order to optimize overall borrowing costs. The Group uses derivative instruments to hedge its exposure to interest rates through swaps.

June 30, 2013	IFRS designation	Carrying amount	Nominal amount
Interest rates Swaps	CFH */FVH*	(11)	(933)

December 31, 2012	IFRS designation	Carrying amount	Nominal amount
Interest rates Swaps	CFH */FVH*	(14)	(1,126)

19.3 Raw materials

The Group subscribes to futures and options to hedge the price fluctuations of copper, lead, aluminium, zinc, nickel and silver.

June 30, 2013	IFRS designation	Carrying amount	Nominal amount
Metal prices			
Futures and options	CFH *	(28)	(211)

December 31, 2012	IFRS designation	Carrying amount	Nominal amount
Metal prices			
Futures and options	CFH *	(2)	(236)

19.4 Share-based payment

This hedging covers Schneider Electric shares that are granted to the US employees as part of the Share Appreciation Rights.

June 30, 2013	IFRS designation	Carrying amount	Nominal amount	Number of shares
Share-based payment				
Call options	CFH *	45	(99)	2,222,050

December 31, 2012	IFRS designation	Carrying amount	Nominal amount	Number of shares
Share-based payment				
Call options	CFH *	70	(141)	3,317,727

Note 20 - Related party transactions

20.1 Associates

These are primarily companies over which the Group has significant influence. They are accounted for by the equity method. Transactions with these related parties are carried out on arm's length terms and were not material during the period.

20.2 Related parties with significant influence

No transactions were carried out during the period with members of the Supervisory Board or Management Board.

Note 21 - Commitments and contingent liabilities

21.1 Guarantees given and received

Guarantees given and received amounted to EUR924 million and EUR67 million, respectively, as of June 30, 2013.

21.2 Purchase commitments

- **Shares in subsidiaries and affiliates**

Commitments to purchase equity investments correspond to put options given to minority shareholders in consolidated companies or relate to earn-out payments. At June 30, 2013, there is one material put related to the 26% interests in Luminous that was valued for an amount of EUR67 million as other non-current liabilities.

- **Information technology services**

The Group signed an agreement with CAPGEMINI to outsource certain European IT functions and to develop shared management applications using SAP. The first pilot version was deployed in India in April 2007 and a second version was rolled out in several European countries mid-2008. Schneider Electric capitalized development costs relating to the SAP contract in a net amount of EUR42 million at June 30, 2012. These costs are being amortized as from 2009 over a 7-year rolling period using an increasing-balance method based on the number of users as deployment is extended across operations.

The six-month period ended June 30, 2013 expense related to this outsourcing agreement contractually amounts to EUR49 million (compared with EUR49 million in six-month period ended June 30, 2012) including volume and indexation effects provided for in the contract.

21.3 Contingent liabilities

Management is confident that balance sheet provisions for known disputes in which the Group is involved are sufficient to ensure that these disputes do not have a material impact on its financial position or profit. This is notably the case for the potential consequences of a current dispute in Belgium involving former senior executives and managers of the Group.

The loan agreements related to the Group's long-term debt do not include any rating triggers.

The Group has also signed an agreement concerning statutory employee training rights in France (DIF). In accordance with French national accounting board (CNC) opinion 2004-F, the related costs are treated as an expense for the period when the training is received and no provision is set aside in the periods when the training rights accrue. As of June 30, 2013, accrued rights for employees in French units corresponded to around 1,612,624 hours.

Note 22 - Subsequent events

➢ **Issuance of shares to employees**

On July 11, 2013, the employee share purchase program described in note 14.2, increasing the share capital by EUR133 million for 2.7 million shares subscribed.

MANAGEMENT REPORT FOR THE PERIOD ENDED JUNE 30, 2013

Consolidated financial statements

Business and Statement of Income highlights

Changes in the scope of consolidation

Acquisitions during the period

Schneider Electric finalized on March 28, 2013, the acquisition of Electroshield – TM Samara, further to the 50% acquired in October 2010, after obtaining the requisite regulatory approvals in Russia. Electroshield – TM Samara is one of the leading Russian players in medium voltage with a strong presence in key end markets like oil & gas, utilities, mining and other electro-intensive industries.

The cumulative price for 100% of equity is RUB 20.4 billion (~ EUR510 million) with net debt of zero as of today. As agreed, the second half of the equity was acquired at the same value as the first half in 2010. Previously it was accounted under the equity accounting method and following the obtention of full ownership it is fully consolidated since April 1st, 2013 in the segment *Infrastructure*.

Acquisitions made in 2012 having an impact on the financial statements of six-month period ended June 30, 2013 *

M&C Energy Group has been acquired in 2012 and consolidated from June 15, 2012. Its consolidation over the full year in 2013 had an impact on the scope of consolidation compared with 2012.

(*) Correspond to the dates on which the Group gained control of the acquired companies.

Exchange rate changes

Fluctuations in the euro exchange rate had a negative impact in six-month period ended June 30, 2013, increasing consolidated revenue by EUR157 million and adjusted EBITA by EUR38 million, due to the depreciation of Euro against most major currencies, in particular the U.S. Dollar and the Japanese Yen.

Results of Operations

The following table sets forth our results of operations for the six-month period ended June 30, 2013 and 2012.

(in millions of Euros except for earnings per share)	**1st half-year 2013**	**1st half-year 2012***	**% variance**
Revenue	**11,430**	**11,408**	**0.2%**
Cost of sales	(7,125)	(7,104)	
Gross profit	**4,305**	**4,304**	**0%**
% Gross profit	***37.7%***	***37.7%***	
Research and development	(296)	(268)	
Selling, general and administrative expenses	(2,477)	(2,480)	
Adjusted EBITA*	**1,532**	**1,556**	**-1 .5%**
% Adjusted EBITA	***13.4%***	***13.6%***	
Other operating income and expenses	12	(8)	
Restructuring costs	(62)	(43)	
EBITA**	**1,482**	**1,505**	**-1.5%**
% EBITA	***13.0%***	***13.2%***	
Amortization and impairment of purchase accounting intangibles	(109)	(118)	
Operating income	**1,373**	**1,387**	**-1.0%**
% Operating income	***12.0%***	***12.2%***	
Interest income	9	8	
Interest expense	(175)	(180)	
Finance costs, net	**(166)**	**(172)**	
Other financial income and expense	(76)	(37)	
Net financial income/loss	**(242)**	**(209)**	**15.8%**
Profit before tax	**1,131**	**1,178**	**-4.0%**
Income tax expense	(283)	(275)	
Share of profit/(losses) of associates	15	18	
Profit for the period	**863**	**921**	**-6.3%**
-Attributable to owners of the parent	831	876	-5.1%
-Attributable to non-controlling interests	32	45	
Basic earnings per share (in Euros)	1.52	1.62	-6.2%

* *The 2012 figures were restated for the application of IAS 19 Revised disclosed in note 15 of the consolidated financial statements.*

Revenue

Consolidated revenue totaled EUR11,430 million for the period ended June 30, 2013, up 0.2% on a current structure and currency basis from the year-earlier period.

Organic growth accounted for 0.1%, acquisitions net of disposals for 1.5%, mainly linked to the acquisition of Electroshield – TM Samara on March 28, 2013 and the currency effect for -1.4% due to the appreciation of Euro against most major currencies, in particular the U.S. Dollar and the Japanese Yen.

Breakdown by business

The following table sets forth our revenue by business segment for the six-month periods ended June 30, 2013 and 2012.

(in millions of Euros)	**Partner**	**Infrastructure**	**Industry**	**IT**	**Buildings**	**Total**
June 30, 2013	4,175	2,628	2,164	1,686	777	**11,430**
June 30, 2012	4,278	2,372	2,219	1,736	803	**11,408**

The Partner Business generated revenues of EUR4,175 million, or 36% of the consolidated total. This represents a decrease of -2.4% on a reported basis and **-1.2%** like-for-like. The product business was flat as the success of mid-market offers in new economies, improvements in residential market in the US and construction in China was weighed down by continued weakness in Western Europe and soft residential market in Australia. The solutions business was in decline due to high comparables last year and a decrease in the renewables business in Western Europe which could not be offset by slight growth in North America.

The Infrastructure business generated revenues of EUR2,628 million, or 23% of the consolidated total. This represents an increase of 10.8% on a reported basis and **3.7%** like-for-like. Both the product and solution business posted positive growth. Products saw mixed trends, benefiting from increased utility investment in the Middle East but reduced investments in Western Europe. Solutions benefited from overall growth in North America, investments in infrastructure in Russia, oil & gas in Australia and natural resources in South East Asia.

The Industry business generated revenues of EUR2,164 million, or 19% of the consolidated total. This represents a decrease of -2.5% on a reported basis and **0%** like-for-like. The product business was down slightly, reflecting soft demand in mature countries. The solution business showed solid growth, driven by the success of OEM machine solutions and synergies from Leader & Harvest.

The IT business generated revenues of EUR1,686 million, or 15% of the consolidated total. This represents a decrease of -2.9% on a reported basis and **0.6%** like-for-like. Product business continued to grow, driven by the success of Luminous and need for power reliability in new economies. Solution business declined due to postponed investments and project delays in mature countries.

The Buildings business generated revenues of EUR777 million, or 7% of the consolidated total. This represents a decrease of -3.3% on a reported basis and **1.9%** like-for-like. Products declined due to the weak demand in mature countries. Solution business was slightly up as the success of services and access control systems was offset by the decline of building management systems, affected by lower public investments and spending delays.

Gross profit

Gross profit remained stable at EUR4,305 million for the six-month period ended June 30, 2013 (EUR4,304 million for the six-month period ended June 30, 2012). As a percentage of revenues, gross profit is also stable at 37.7%. Excluding the effect of full consolidation of Electroshield – TM Samara, the gross margin was 37.9% on the six-month period ended June 30, 2013, thanks to pricing actions and industrial productivity mitigating lower volume and negative mix effect.

Support Function costs: Research and development and selling, general and administrative expenses

Research and development expenses, including capitalized development costs and development costs reported as cost of sales, increased by 10.4% from EUR268 million for the six-month period ended June 30, 2012 to EUR296 million for the six-month period ended June 30, 2013. As a percentage of revenues, the net cost of research and development remain increased to 2.6%% of revenues for six-month period ended June 30, 2013 (2.6% for the six-month period ended June 30, 2012).

Total research and development expense, including capitalized development costs and development costs reported as cost of sales (see Note 4 to the Audited Consolidated Financial Statements) increased 11.4% from EUR525 million for the six-month period ended June 30, 2012 to EUR585 million for the six-month period ended June 30, 2013. As a percentage of revenues, total research and development expenses increased to 5.1% for the six-month period ended June 30, 2013 (compared to 4.6% for the six-month period ended June 30, 2012).

On the first semester 2013, the net effect of capitalized development costs and amortization of capitalized development costs amounts to EUR84 million on operating income (EUR70 million on the first semester 2012).

Selling, general and administrative expenses are stable at EUR2,477 million for the six-month period ended June 30, 2013 (EUR2,480 million for the six-month period ended June 30, 2012). As a percentage of revenues, selling, general and administrative expenses are also stable at 21.7% for the six-month period ended June 30, 2013 as for the six-month period ended June 30, 2012.

Combined, total support function costs, that is, research and development expenses together with selling, general and administrative costs, totaled EUR2,773 million six-month period ended June 30, 2013 compared to EUR2,748 million six-month period ended June 30, 2011, an increase of 0.9%. As a result, our support functions costs to sales ratio increased from 24.1% for the six-month period ended June 30, 2012 to 24.3% for the six-month period ended June 30, 2013.

Other operating income and expenses

For the six-month period ended June 30, 2013, other operating income and expenses amounted to a net income of EUR12 million, including costs linked to acquisitions for EUR18 million and other operating income of EUR30 million. Costs linked to acquisitions are acquisition, integration and separation costs on 2012 and 2013 acquisitions, notably M&C Energy Group and Electroshield – TM Samara. Net other operating income includes mainly reversal of provisions for litigation for a U.S. medical care plan amendment.

For the six-month period ended June 30, 2012, other operating income and expenses amounted to a net expense of EUR8 million, including costs linked to acquisitions for EUR28 million and other operating income of EUR20 million. Costs linked to acquisitions are acquisition, integration and separation costs on 2011 and 2012 acquisitions, notably Telvent and M&C Energy Group. Net other operating income includes mainly reversal of provisions for litigation or claims that expired on June 30, 2012.

Restructuring costs

For the six-month period ended June 30, 2013, restructuring costs amounted to EUR62 million compared to EUR43 million for the six-month period ended June 30, 2012. These costs related primarily to industrial and support functions restructurings.

EBITA and Adjusted EBITA

We define EBITA as earnings before interest, taxes and amortization of purchase accounting intangibles. EBITA comprises operating profit before amortization and impairment of purchase accounting intangible assets and before goodwill impairment.

We define adjusted EBITA as EBITA before restructuring costs and before other operating income and expenses, which includes acquisition, integration and separation costs.

Adjusted EBITA amounted to EUR1,532 million for the six-month period ended June 30, 2013, compared to EUR1,556 million for the six-month period ended June 30, 2012, a decrease of 1.5%. As a percentage of revenues, adjusted EBITA decreased from 13.6% for the six-month period ended June 30, 2012 to 13.4% for the six-month period ended June 30, 2013. Excluding the effect of full consolidation of Electroshield - TM Samara , adjusted EBITA was 13.5% on the six-month period ended June 30, 2013. This is a slight decrease as gross margin improvement was offset by increased R&D spend. In a low-growth environment, the resilient performance was driven by operational efficiency and pricing actions which offset lower volume and negative mix effect.

EBITA decreased 1.5% from EUR1,505 million for the six-month period ended June 30, 2012 to EUR1,482 million for the six-month period ended June 30, 2013, due to the decrease of Adjusted EBITA, and the increase of restructuring costs. As a percentage of revenues, EBITA slightly decreased to 13.0% for the six-month period ended June 30, 2013 (13.2% for the six-month period ended June 30, 2012),

The following table sets out EBITA and adjusted EBITA by business segment for the six-month periods ended June 30, 2013 and June 30, 2012:

(in millions of Euros)	***Partner***	***Infrastructure***	***Industry***	***IT***	***Buildings***	***Corporate costs***	***Total***
June 30, 2013							
Revenues	4,175	2,628	2,164	1,686	777		**11,430**
Adjusted EBITA *	875	190	423	289	34	(279)	**1,532**
Adjusted EBITA (%)	*21,0%*	*7,2%*	*19,5%*	*17,1%*	*4,4%*		***13,4%***
Other operating income and expense	12	(11)	2	(1)	(1)	11	**12**
Restructuring costs	(23)	(8)	(8)	(3)	(6)	(14)	**(62)**
EBITA	864	171	417	285	27	(282)	**1,482**
EBITA (%)	*20,7%*	*6,5%*	*19,3%*	*16,9%*	*3,5%*		***13,0%***

* Adjusted EBITA: EBITA before restructuring costs and before other operating income and expenses

(in millions of Euros)	***Partner***	***Infrastructure***	***Industry***	***IT***	***Buildings***	***Corporate costs***	***Total***
June 30, 2012							
Revenues	4,278	2,372	2,219	1,736	803		**11,408**
Adjusted EBITA *	855	199	412	304	52	(266)	**1 556**
Adjusted EBITA (%)	20,0%	8,4%	18,6%	17,5%	6,5%		**13,6%**
Other operating income and expense	8	(8)	(7)	3	(1)	(3)	**(8)**
Restructuring costs	(25)	(4)	(5)	(2)	(2)	(5)	**(43)**
EBITA	838	187	400	305	49	(274)	**1,505**
EBITA (%)	19,6%	7,9%	18,0%	17,6%	6,1%		**13,2%**

* Adjusted EBITA: EBITA before restructuring costs and before other operating income and expenses

Partner recorded an adjusted EBITA margin of 21.0% for the six-month period ended June 30, 2013, up 1.0% compared to 20.0% for the six-month period ended June 30, 2012, due to positive pricing and productivity.

Infrastructure recorded an adjusted EBITA margin of 7.2% for the six-month period ended June 30, 2013, down 1.2% compared to 8.4% for the six-month period ended June 30, 2012, affected by unfavorable mix due to growth in solutions and one-off impact from some projects.

Industry recorded an adjusted EBITA margin of 19.5% for the six-month period ended June 30, 2013, up 0.9% compared to 18.6% for the six-month period ended June 30, 2012, in spite of a flat growth environment, thanks to productivity and good control of commercial actions.

IT recorded an adjusted EBITA margin of 17.1% for the six-month period ended June 30, 2013, down 0.4% compared to 17.5% for the six-month period ended June 30, 2012, due to commercial investment.

Buildings recorded an adjusted EBITA margin of 4.4% for the six-month period ended June 30, 2013, down 2.1% compared to 6.5% for the six-month period ended June 30, 2012, due to negative volume and one-off elements not reflecting the underlying trend.

Corporate costs for the compared to the six-month period ended June 30, 2013 amounted to EUR279 million or 2.4% of sales, slightly above 2.3% of sales (EUR266 million), for the six-month period ended June 30, 2012.

Operating income (EBIT)

Operating income, after amortization and depreciation of purchased intangibles, decreased from EUR1,387 million for the six-month period ended June 30, 2012 to 1,373 million for the six-month period ended June 30, 2013, a decrease of 1.0% despite a decrease of amortization of intangibles linked to business combinations of EUR9 million (EUR109 million on the six-month period ended June 30, 2013 compared to EUR118 million six-month period ended June 30, 2012).

Net financial income/loss

Net financial loss amounted to EUR242 million for the six-month period ended June 30, 2013, compared to EUR209 million for the six-month period ended June 30, 2012 (after restatement of the effect of IAS 19 Revised described in note 1 of consolidated financial statements).

This increase is explained by an increase in the exchange loss (from EUR6 million for the six-month period ended June 30, 2012 to EUR31 million for the six-month period ended June 30, 2013) that led the other financial income and expenses to go from a net expense of EUR37 million on the six-month period ended June 30, 2012 to a net expense of EUR76 million for the six-month period ended June 30, 2012.

This increase is partially offset by the decrease in net finance costs, to EUR166 million for the six-month period ended June 30, 2013, compared to EUR172 million for the six-month period ended June 30, 2012, linked to the decrease in interest rates between the two periods.

Tax

The effective tax rate was 25.0% for the six-month period ended June 30, 2013 compared to 23.5% for the six-month period ended June 30, 2012. The corresponding tax expense increased from EUR275 million on the six-month period ended June 30, 2012 to EUR283 million six-month period ended June 30, 2013.

Share of profit/ (losses) of associates

The share of profit of associates amounted to EUR15 million for the six-month period ended June 30, 2013, compared to EUR18 million for the six-month period ended June 30, 2012, .

Non-controlling interests

Minority interests in net income for the six-month period ended June 30, 2013 totaled EUR32 million, compared to EUR45 million for the six-month period ended June 30, 2012. This represented the share in net income attributable, in large part, to the minority interests of certain Chinese companies.

Profit for the period

Profit for the period attributable to the equity holders of our parent company amounted to EUR831 million for the six-month period ended June 30, 2013, that is a 5.2% million decrease over the EUR876 profit for the year recorded in the six-month period ended June 30, 2012 (restated from the effect of IAS 19 Revised).

Earnings per share

Earnings per share amounted to EUR1.52 per share for the six-month period ended June 30, 2013 and EUR1.62 per share for the six-month period ended June 30, 2012 (restated from the effect of IAS 19 Revised).

Cash-flow

The following table sets forth our cash-flow statement for the six-month period ended June 30, 2013 and 2012.

(in millions of Euros)	**First half 2013**	**First half 2012**
Profit for the period	863	921
Share of (profit)/ losses of associates, net of dividends received	(15)	(18)
Non-cash adjustments to reconcile profit for the period to net cash flows provided by operating activities		
Depreciation of property, plant and equipment	207	202
Amortization of intangible assets other than goodwill	205	214
Losses on non-current assets	-	(10)
Increase/(decrease) in provisions	(31)	(54)
Losses/(gains) on disposals of fixed assets	(8)	1
Difference between tax paid and tax expense	(170)	(73)
Other non cash-adjustments	19	16
Net cash provided by operating activities before changes in operating assets and liabilities	**1,069**	**1,199**
(Increase)/decrease in accounts receivable	(136)	134
(Increase)/decrease in inventories and work in process	(169)	(199)
Increase/(decrease) in accounts payable	(17)	(84)
Change in other current assets and liabilities	(122)	(304)
Change in working capital requirement	**(444)**	**(453)**
I - Cash flows from operating activities	**625**	**746**
Purchases of property, plant and equipment	(180)	(218)
Proceeds from disposals of property, plant and equipment	68	12
Purchases of intangible assets	(179)	(145)
Proceeds from disposals of intangible assets	4	2
Net cash used in investment in operating fixed assets	**(286)**	**(349)**
Acquisition of subsidiaries, net of cash acquired	(309)	(164)
Proceeds from sale of financial assets	13	-
Purchases of other long-term investments	(10)	21
Long-term pension assets	(28)	(74)
Net financial investments	**(333)**	**(217)**
II - Cash flows from / used in investing activities:	**(620)**	**(566)**
Increase/(reduction) in financial debt	(2)	579
Sale/(purchase) of own shares	19	-
Proceeds from issuance of share capital	61	22
Dividends paid: Schneider Electric SA	(1,025)	(919)
Non-controlling interests	(29)	(23)
III - Cash flows from / used in financing activities	**(974)**	**(341)**
IV - Net foreign exchange difference	**7**	**(194)**
Net increase/(decrease) in cash and cash equivalents: I + II + III + IV	**(962)**	**(355)**
Cash and cash equivalents at January, 1st	3 617	2,554
Increase/(decrease) in cash and cash equivalents	(962)	(355)
Cash and cash equivalents at June 30th	**2,655**	**2,199**

Operating Activities

Net cash provided by operating activities before changes in operating assets and liabilities reached EUR1,069 million for the six-month period ended June 30, 2013, down 10.8% compared to EUR1,199 million for the six-month period ended June 30, 2012, linked to higher income tax paid and represented 9.4% of revenue in the first semester 2013 compared with 10.5% in the first semester 2012.

Change in working capital requirement consumed EUR444million in cash in the six-month period ended June 30, 2013, compared to EUR453 million in consumption in the six-month period ended June 30, 2012, reflecting normal cash-flow seasonality.

In all, net cash provided by operating activities decreased from EUR746 million in the six-month period ended June 30, 2012 to EUR625 million in the six-month period ended June 30, 2013.

Investing Activities

Net capital expenditure, which included capitalized development projects, decreased 18.1% to EUR286 million for the six-month period ended June 30, 2013, compared to EUR349 million for the six-month period ended June 30, 2012), and representing 2.5% of sales on first half 2013 compared to 3.1% of sales on first half 2012, due to higher sales of assets during first half of 2013.

Our acquisitions in 2013 represented a cash outflow, net of cash acquired, of EUR309 million for the six-month period ended June 30, 2013, corresponding mainly to Electroshield – TM Samara, compared to EUR164 million in the six-month period ended June 30, 2012 corresponding partially to M&C Energy Group.

Financing Activities

The decrease of financial debts amounted to EUR2 million during the six-month period ended June 30, 2013, compared to an increase net of decrease of financial debts of EUR579 million during the six-month period ended June 30, 2012. The dividend paid by Schneider Electric was EUR1,025 million the six-month period ended June 30, 2013, compared with EUR919 million the six-month period ended June 30, 2012.

Outlook for 2013

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.

Significant events of the period

In addition to the acquisitions described above, the key events of the period were as follows:

New governance for Schneider Electric S.A. and composition of the committees of the board of directors

The shareholders of Schneider Electric SA on April 25, 2013 adopted the change of governance. It consists in adopting a single board structure with a Board of Directors (Conseil d’Administration), with M. Jean-Pascal Tricoire appointed Chairman and CEO. They also named directors all the Supervisory board members as well as M. Jean-Pascal Tricoire.

At its board meeting held on April 25, 2013 after the annual shareholders’ meeting, the board of directors appointed Mr. Jean-Pascal Tricoire as chairman and Chief Executive Officer and Mr. Henri Lachmann as vice-chairman and lead director and also adopted its internal regulations.

The Board of Directors on July 30, 2013 acted the resignation of Mrs. Dominique Sénéquier from June 25.

General management

The board of directors on April 25, 2013 has appointed Mr. Emmanuel Babeau as deputy Chief Executive Officer in charge of Finance and Legal matters, upon the proposal of Mr. Jean-Pascal Tricoire.

Composition of the committees of the board of directors

The board of directors has named Mr. Claude Bébéar and Mr. Jeong Kim as non-voting directors for a period of one year. Mr. Jeong Kim had, in fact, resigned from the supervisory board last February to become Minister of Innovation and Science in South Korea. However, he had to abandon this project. Therefore, the board of directors has proposed Mr. Jeong Kim to join the board as a non-voting director whilst awaiting his nomination as a full director at the next annual shareholders' meeting.

The board of directors has also determined the following composition for its committees:

Governance committee
Mr. Henri Lachmann, chairman
Mr. Léo Apotheker
Mr. Claude Bébéar
Mr. Willy Kissling
Mr. Serge Weinberg

Audit and risk committee
Mr. Gérard de La Martinière, chairman
Mr. Noël Forgeard
Mr. Antoine Gosset-Grainville

Remunerations, Human Resources & Company Social Responsibility committee
Mr. Serge Weinberg, chairman
Mrs Cathy Kopp
Mr. Willy Kissling
Mrs Magali Herbaut
Mr. Rick Thoman

Strategy committee
Mr. Xavier Fontanet, chairman
Mr. Léo Apotheker
Mr. Jeong Kim
Mrs Betsy Atkins

Main risks and areas of uncertainty for the second half of 2013

The main risks and areas of uncertainty for the second half of the year are the same as those outlined in Chapter 1, paragraph 5 (Risk Factors) of the 2012 Registration Document filed with AMF on March 21, 2013.

Claims, litigations and other risks
(update to the Registration Document – pages 38)

No significant event occurred since Registration Document date.

Transactions with related parties
These transactions are described in Note 20 to the interim consolidated financial statements.

Attestation

I hereby declare that, to the best of my knowledge, the half-year financial statements as at June 30, 2013 have been prepared in accordance with applicable accounting standards, that they present fairly, in all material respects, the assets, financial position and results of the company and the consolidated group. To the best of my knowledge, the Management Report presents fairly the information mentioned in Article 222-6 of AMF's general regulations.

Rueil-Malmaison, July 30, 2013

On behalf of the Board of Directors,
Jean-Pascal TRICOIRE
Chairman of the Board of Directors and CEO

Statutory Auditors' Review Report on the first half-yearly information

This is a free translation into English of the statutory auditors' review report on the condensed half-yearly consolidated financial statements issued in French and it is provided solely for the convenience of English-speaking users.This report also includes information relating to the specific verification of information given in the Group's interim management report. This report should be read in conjunction with and construed in accordance with French law and professional standards applicable in France.

To the Shareholders,

In compliance with the assignment entrusted to us by your shareholders' meeting and in accordance with the requirements of article L. 451-1-2 III of the French monetary and financial code (*Code monétaire et financier*), we hereby report to you on:

- the review of the accompanying condensed half-yearly consolidated financial statements of Schneider Electric S.A., for the period from January 1 to June 30, 2013, and

- the verification of the information contained in the interim management report.

These condensed half-yearly consolidated financial statements are the responsibility of the Board of Directors. Our role is to express a conclusion on these financial statements based on our review.

1. Conclusion on the financial statements

We conducted our review in accordance with professional standards applicable in France. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with professional standards applicable in France and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the condensed half-yearly consolidated financial statements are not prepared in all material respects in accordance with IAS 34 – standard of the IFRS as adopted by the European Union applicable to interim financial information.

Without qualifying the conclusion expressed above, we draw your attention to note 1 “Summary of significant accounting policies” to the condensed half-yearly consolidated financial statements which sets out the consequences resulting from the application from January 1st, 2013 of IAS 19 revised “Employee Benefits”.

2. Specific verification

We have also verified the information presented in the interim management report in respect of the condensed half-yearly consolidated financial statements subject to our review.

We have no matters to report as to its fair presentation and its consistency with the condensed half-yearly consolidated financial statements.

Courbevoie et Paris-La Défense, July 30, 2013

The Statutory Auditors
French original signed by

MAZARS	ERNST & YOUNG et Autres
David Chaudat	Yvon Salaün