Financial Information

H1 2020 Revenues of €11.6bn, down -10% org. Resilient Gross margin and agility in driving tactical savings lead to Adj. EBITA margin of 13.6%, down -130 bps org. Strong cashflow of ~€1 bn. Adj. Net Income of €1bn down -26%.

- ***H1 2020 –***
  - ***Energy Management revenue down -11% org., Adj. EBITA margin -0.8 pts org.***
  - ***Industrial Automation revenue down -9% org., Adj. EBITA margin -2.0 pts org.***
- ***Strong rebound in China, up double-digit in Q2***
- ***Software & Services revenues demonstrate resilience, -1% org. in H1***
- ***Gross margin in H1 at 39.9%, improving +20bps organic with mix positive at +€29 million***
- ***Strong cashflow of ~€1 billion representing efficient management of receivables & payables despite increased inventory***
- ***FY 2020 targets re-established; medium-term margin ambition reiterated***

Rueil-Malmaison (France), July 29, 2020 - Schneider Electric announced today its second quarter revenues and half year results for the period ending June 30, 2020.

Key figures (€ million)	2019 H1	2020 H1	Organic Change	Reported Change
Revenues	**13,202**	**11,575**	**-10.5%**	**-12.3%**
Adjusted EBITA ***% of revenues***	**1,960** ***14.8%***	**1,576** ***13.6%***	**-18.4%** ***-130 bps***	**-19.6%** ***-120 bps***
Adjusted Net Income[1]	**1,340**	**995**		**-26%**
Net Income (Group share)	**993**	**775**		**-22%**
Free cashflow	**837**	**965**		**15%**

1. See appendix for Adjusted Net Income calculation

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Jean-Pascal Tricoire, Chairman and CEO, commented:

"H1 2020 represents a test of our past strategic choices on business model, portfolio positioning and digital transformations. During H1, we have leveraged our "Multi-local" and "empowered country" set up to react locally, drive tactical savings and protect our margin level. Our balanced geographical footprint also enabled us to withstand some very significant declines in specific countries through Q2, while our exposure in China provided some momentum. Our strong focus on Digital, software, services and multi-business solutions supported the resilience of our business.

Though the crisis is still ongoing our focus remains on operating our business in a COVID-19 and post COVID-19 world. We focus on helping customers on their Digitization, efficiency, sustainability and nowadays resilience agenda. Our integrated portfolio and diversified end-market positioning provide a strong resilience and ability to grow. Though some markets might be impacted, a large part of our business will be well oriented for future years and will potentially be accelerated by government stimulus.

As we go through H2 2020, we will have a lower contribution from the tactical savings actions that we were able to quickly deploy in H1 while we will step up efforts for structural savings. We remain committed to (i) an across cycle organic growth range of 3% to 6%; (ii) achieve higher margins with a first step to move adjusted EBITA margin to around 17% by 2022; and (iii) achieve strong FCF in coming years of around €3 billion on average through the economic cycle. Despite remaining uncertainty, we also re-establish targets for 2020.

Our teams across the world have realized important efforts in H1 to deliver to our customers and our communities and to ensure that Life is On!, and we enter H2 fully focused on business, operating in the unusual conditions created by COVID-19".

I. SECOND QUARTER REVENUES WERE DOWN -14% ORGANICALLY

2020 Q2 revenues were **€5,745 million**, down -14.2**%** organically and down -16.7**%** on a reported basis.

Across the Group in Q2, **Products** (59% of Group) were down **-15%** org. (-11% in H1). Sales of products were strongly impacted by the COVID-19 crisis, with the degree of impact differing by country and commensurate to the severity of lockdowns implemented. There were signs of a recovery as the quarter progressed, boosted by targeted price actions in some geographies and the reopening of many countries.

Systems (projects and equipment, 24% of Group) decreased by **-17%** org. in Q2 (-15% in H1) with a larger decline in Industrial Automation, across multiple geographic markets, on a high base of comparison and with impact on demand and activity due to COVID-19.

Software and Services (17% of Group) showed resilience at **-5%** org. in Q2 (-1% in H1) despite a high base of comparison in 2019. The Group continued to see good demand for Software, with AVEVA adding to the resilience of the Group, while the Group's other software offers also grew well. The Group's digitally enabled service offer based on analytics to enable remote monitoring, preventive maintenance and asset management saw increased traction partly as a response to the COVID-19 crisis. Field services (especially linked to critical end-markets) showed resilience despite being impacted by COVID-19 at the beginning of the quarter due to a

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lack of access to customer sites, trending positively in June as lockdowns were eased and showing good demand.

Digital update - The Group continues to focus on its strategy to significantly increase its Digital footprint reflected in the growth of assets under management (AUM), reaching 3.4 million up +43% year-on-year by the end of H1 2020. The COVID-19 crisis has provided further impetus for the digital transformation of the Group's end-markets. Through the crisis, it was very clear that customers who were digitally connected with their assets were better positioned to react to events and manage their respective response to the crisis.

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

€ million		Q2 2020		
		Revenues	**Organic Growth**	**Reported Growth**
Energy Management	North America	1,368	-19.6%	-19.9%
	Western Europe	1,044	-17.1%	-19.9%
	Asia Pacific	1,374	-7.6%	-9.9%
	Rest of the World	586	-18.4%	-26.6%
	Total Energy Management	**4,372**	**-15.4%**	**-18.0%**
Industrial Automation	North America	255	-20.9%	-20.0%
	Western Europe	371	-21.1%	-23.0%
	Asia Pacific	529	2.9%	2.2%
	Rest of the World	218	-3.1%	-10.3%
	Total Industrial Automation	**1,373**	**-10.4%**	**-12.0%**
Group	North America	1,623	-19.8%	-19.9%
	Western Europe	1,415	-18.2%	-20.7%
	Asia Pacific	1,903	-4.9%	-6.8%
	Rest of the World	804	-14.7%	-22.8%
	Total Group	**5,745**	**-14.2%**	**-16.7%**

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€ million		H1 2020		
		Revenues	Organic Growth	Reported Growth
Energy Management	North America	2,915	-9.7%	-9.6%
	Western Europe	2,197	-9.6%	-12.3%
	Asia Pacific	2,402	-13.5%	-14.8%
	Rest of the World	1,241	-11.4%	-18.5%
	Total Energy Management	**8,755**	**-11.0%**	**-13.1%**
Industrial Automation	North America	567	-12.1%	-11.7%
	Western Europe	841	-13.3%	-14.8%
	Asia Pacific	948	-6.7%	-6.5%
	Rest of the World	464	0.1%	-4.6%
	Total Industrial Automation	**2,820**	**-8.9%**	**-9.9%**
Group	North America	3,482	-10.1%	-10.0%
	Western Europe	3,038	-10.6%	-13.1%
	Asia Pacific	3,350	-11.7%	-12.6%
	Rest of the World	1,705	-8.5%	-15.1%
	Total Group	**11,575**	**-10.5%**	**-12.3%**

ENERGY MANAGEMENT DOWN -15% ORG. IN Q2

The main developments by end-market in Q2 were:

- **Buildings –** Commercial & Industrial Building (CIB) activity remained impacted though improving towards the end of the quarter, with timing varied across the company's regions and linked to easing of lockdown measures. Hospitals/healthcare and life science industries remained resilient while hotels/hospitality, and retail were impacted due to COVID-19. Demand for digitization of Buildings increased (with a specific focus on health considerations & sustainability) and was reflected in traction for offers of EcoStruxure Building and EcoStruxure Power across segments including in areas such as office, retail and hotels in many cases. Residential building demand was relatively stronger especially towards the end of the quarter. Working from home trends had a positive influence on renovation demand in the quarter.
- **Data Center** sales are subject to a high base of comparison through most of 2020, particularly in the U.S. whilst also impacted by supply chain disruption in Q2 that is now resolved. Demand remains strong supported by networks, cloud connections and data storage needs created by increased internet traffic during the crisis. The Group is very relevant in this end-market due to its positioning across technologies (MV/LV, Secure Power, BMS, Software), for both small and large Data Centers and for enabling Edge computing. The Group also launched its End-to-End Solution for Multi-Site and Hyperscale Data Center

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together with AVEVA for a Unified Operations Center solution for customers. The Group has an unrivaled global footprint and focus on providing efficiency & sustainability solutions for data centers.

- **Infrastructure** markets have been relatively less impacted within Energy Management. In most regions, demand for electrical utility smart grid, digitization and remote operation & maintenance was enhanced. The company's exposure and positioning towards Oil & Gas (O&G) downstream has been partly offsetting limited upstream exposure which has seen pressure due to the low and volatile oil price.
- **Industry** market was mixed with weaker segment demand however with some consumer orientated markets including Consumer-Packaged Goods (CPG) faring better.

Trends for Energy Management, by geography:

North America (31% of Q2 revenues) sales fell -19.6% organically with the fall attributable to both the local markets and to specific supply chain disruptions. Distributor stocking actions also influenced the trends within the quarter. Elevated stock levels noted at the end of Q1, combined with lesser activity due to COVID-19, contributed to weaker demand at the start of Q2 though a restock at the end of the quarter, coupled with easing lockdown restrictions, helped June sales. In the U.S., demand in the residential market remained well oriented though short-term supply issues impacted residential sales activity in Q2. Demand in hotels, retail and other commercial buildings were impacted by the lockdowns while Consumer-Packaged Goods (CPG), including Food & Beverage (F&B), Life science/health and logistics were more resilient. Sales to the Data Center end-market continue to experience a high base of comparison, but digital and upgrade requirements continued during the crisis and the outlook remains solid. ASCO saw a low-single digit decline due to COVID-19 but demand was still positive in the quarter helped by exposure to healthcare markets. Canada was sharply lower impacted by weak resource markets. Mexico also fell as the lockdown impacted late in the quarter and was disrupted by demand and the supply chain. Energy Management Services turned positive at the end of the quarter, after suffering from lockdown at the start of the quarter, as technicians returned to the field.

Western Europe (24% of Q2 revenues) was down -17.1% organic for the quarter, linked with the timing and severity of lockdown restrictions in the region, but improving sequentially throughout the quarter as restrictions eased in some countries. France, Italy, Spain and UK were all substantially down, while Germany performed better relatively, down low single-digit due to good project execution and against a high base of comparison. France performance improved sequentially through the quarter with a strong month of June as distributors restocked. The closure of construction sites and factories has impacted both CIB and Residential building demand, but some resilience was noted in Digital Buildings, Healthcare and Life Sciences. Services were also more resilient, as expected. Spain and Italy were impacted in the quarter given the significant rise in contagion levels and consequent containment measures though the Group continued to meet demand from critical infrastructure. The U.K. was down across most segments but with CPG proving more resilient than others, and a good level of demand seen from the Data center market. In the North of the region, Finland, Norway and Sweden all grew in the quarter driven by demand for residential building offers and in the context of a less severe lockdown.

Asia-Pacific (31% of Q2 revenues) contracted by -7.6% organically in Q2, contrasted between China, which rebounded strongly in the quarter, growing high-single digit, and the rest of the region which saw declines. In China, continued good demand for power train products into the Data Center end-market, coupled with the

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beginnings of recovery in residential and public buildings underpinned the growth, which was strengthened by some distributor stocking and commercial actions. Services also grew well. In the rest of the region, of the larger economies, Australia performed relatively better (down mid-single digit in Q2) improving sequentially from May to June with growth in demand for power systems, while the residential market was impacted though with some resilience in renovation. India was heavily impacted across the Energy Management portfolio due to the worsening contagion situation and the implementation of nationwide lockdown in the quarter. In East Asia, the picture was more balanced with Japan, Indonesia, Thailand and Vietnam on the weaker side, while South Korea and Singapore performed relatively better.

Rest of the World (14% of Q2 revenues): contracted by -18.4% organically in Q2, down across most countries, but with some contrast between the magnitude of impact. Central and Eastern Europe showed resilience, in part due to the performance in Smart Grid Services. CIS, South America and Middle East all saw negative impacts consistent with the region average, albeit with bright spots in a limited number of individual countries. CIS saw weaker project sales due to issues in site access. South America was heavily impacted by COVID-19 towards the end of the quarter having earlier seen good demand from Metals, Mining & Minerals (MMM) and channel sales. Middle East showed a mixed picture with continued lower demand from utilities in Gulf states, offset by good demand for products in Turkey. Africa was particularly heavily impacted across the continent, with construction markets impacted by lockdown.

INDUSTRIAL AUTOMATION -10% ORG. GROWTH IN Q2

Industrial Automation sales fell -10.4% organic in Q2. The results reflected the evolution of the economic cycle coupled with the impact of the COVID-19 crisis.

- **Discrete** as well as **Process & Hybrid** markets were down double digit.
- The Group's revenue from **Process & Hybrid** end markets decreased in Q2, with **Process Automation** impacted in the quarter due to specific project phasing. Certain segments such as WWW and MMM proved more resilient.
- The Group's industrial software offering performed well in the quarter adding resilience to the overall Industrial Automation portfolio, as did services.
- Sales to the **Discrete Automation markets** and **OEM** end market experienced a slowdown across many regions.

Trends for Industrial Automation, by geography:

North America (19% of Q2 revenues) sales contracted -20.9% organically. U.S. sales fell in line with the region with the impact least in Canada and the most in Mexico. Process & Hybrid end-markets were particularly impacted by weak resource/energy markets in the U.S. including O&G though the Group's exposure to downstream and maintenance, performance analytics & upgrades proved more resilient and partly compensated. Industrial OEM was impacted by disruptions in various machinery sectors, again particularly in the U.S. Targeted segments (CPG, MMM, WWW), with the pull-through from Energy Management, continue to perform relatively better. Software performed strongly with customers demanding more digital/remote offerings for their factories and facilities, especially during the crisis. The smaller Canadian market fared better than the U.S. except in software while Mexico was weak across all areas.

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Western Europe (27% of Q2 revenues) was down by -21.1% organic in Q2, having improved sequentially throughout the quarter. In a difficult industrial environment and severe lockdown, most countries showed a decline. Germany proved the most resilient with good demand from end-users, while the U.K. was impacted by a high base of comparison in Software. While the month of June showed sequential improvement in all major economies of the region, it was particularly notable for France which returned to growth driven both by the sale of products into discrete end-markets and a good performance in services. In Process & Hybrid markets, good demand was seen from the WWW segment. Italy and Spain were also weak in Industrial end markets due to manufacturing slowdown as a result of the crisis.

Asia-Pacific (39% of Q2 revenues) sales grew organically by +2.9% in Q2, with strong growth in China more than offsetting the weakness elsewhere in the region, notably in India, where the lockdown measures had a significant impact. China growth was mainly driven by OEM demand, notably in packaging, hoisting and material handling, while offers to the Process & Hybrid market remained challenged. Singapore grew, helped by Software sales, while Australia and Japan showed a degree of resilience towards the end of the quarter across both discrete and process end-markets.

Rest of the World (15% of Q2 revenues): saw -3.1% organic growth. The Middle East saw strong growth on account of a specific Cybersecurity projects in the Gulf while OEM sales in Turkey grew. CIS performed well in Discrete end markets. South America and Africa saw a decline; Central Europe was down.

CONSOLIDATION[2] AND FOREIGN EXCHANGE IMPACTS IN Q2

Net acquisition / disposals had an impact of **-€100 million** or **-1.5%**. This includes the disposal of Pelco and Converse Energy Projects, and the deconsolidation of Electroshield Samara (all Energy Management) along with some minor acquisitions / disposals.

The impact of foreign exchange fluctuations was negative at -**€96 million** or **-1.0%**, with the strengthening of the U.S. Dollar against the Euro more than offset by the weakening of several new economies' currencies against the Euro.

Based on current rates, the FX impact on FY 2020 revenues is estimated to be between **-€500 million** to **-€600 million**. The FX impact at current rates on adjusted EBITA margin could be between **-30bps** to **-40bps**.

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

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II. H1 2020 KEY RESULTS

€ million	2019 H1	2020 H1	Organic Change	Reported change
Revenues	**13,202**	**11,575**	**-10.5%**	**-12.3%**
Gross Profit	**5,202**	**4,621**	**-10.1%**	**-11.2%**
Gross profit margin	*39.4%*	*39.9%*	*+20 bps*	*+50 bps*
Support Function Costs	**(3,242)**	**(3,045)**	**-5.0%**	**-6.1%**
SFC ratio	*24.6%*	*26.3%*	*+150 bps*	*+170 bps*
Adjusted EBITA	**1,960**	**1,576**	**-18.4%**	**-19.6%**
Adjusted EBITA margin	*14.8%*	*13.6%*	*-130 bps*	*-120 bps*
Restructuring costs	(101)	(221)		
Other operating income & expenses	(346)	(69)		
EBITA	**1,513**	**1,286**		**-15%**
Amortization & impairment of purchase accounting intangibles	(88)	(86)		
Net income (Group share)	**993**	**775**		**-22%**
Adjusted Net Income[3]	**1,340**	**995**		**-26%**
Adjusted EPS (€)	**2.42**	**1.80**		**-26%**
Free Cash Flow	**837**	**965**		**+15%**

- **ADJUSTED EBITA MARGIN AT 13.6%, DOWN -130 BPS ORGANIC FROM RESILIENT GROSS MARGIN, POSITIVE MIX AND SFC TACTICAL SAVINGS**

  Gross profit was down **-10.1%** organic with Gross margin improving by +**20bps** organic to **39.9%** in H1 2020 mainly driven by net price, productivity and a positive mix effect.

  H1 2020 Adjusted EBITA reached **€1,576** million, decreasing organically by **-18.4%** and the Adjusted EBITA margin deteriorated by **-130 bps** organically to **13.6%.**

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

  - Volume impact was negative, -**€551** million.

3. See appendix for Adjusted Net Income calculation

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- The company continued to execute on its Tailored, Sustainable & Connected supply chain, contributing to an H1 industrial productivity level of **+€37** million. While delivering a good level of productivity considering the negative volume environment, the Group was impacted by additional costs of air-freight and personal protective equipment and saw some temporary supply issues due to lockdown.

- The net price[4] impact was positive at **+€81** million in H1 2020. Pricing on products was positive at +€37 million due to positive pricing actions taken in all geographies except China. In total, RMI was a tailwind at +€44 million.

- Cost of Goods Sold inflation was **-€27** million in H1 2020, of which the production labor cost and other cost inflation was **-€32** million, and a decrease in R&D in Cost of Goods Sold was +**€5** million.

  Support function costs decreased organically by **€151** million, or **-5.0%** in H1 2020 but the Group was unable to fully compensate the fall in revenues leading the overall SFC to Sales ratio to rise from 24.6% to 26.3%, higher organically by 150bps. The reduction in support function cost was supported by tactical savings of around €200 million derived from the Group's agile response to the crisis and ongoing operational efficiency actions of around €150 million. The Group anticipates the benefit from tactical savings will progressively decrease over H2 2020 and mostly reverse in 2021. The ongoing operational efficiency actions for long-term efficiency and effectiveness are set to accelerate starting H2 and achieve around €1 billion between 2020-2022.

- The impact of foreign currency decreased the adjusted EBITA by **-€29** million in H1 2020.

- H1 2020 resulted in favorable mix of **+€29** million due to the balance of growth by geography, along with the relative growth rates of the product and systems business. For the full year, the mix impact could be around flat assuming a resumption of a normalized balance of growth in H2 between business and geographies.

- The impact from scope & others was **-€75** million in H1 2020. Scope was a slight positive taking into account the effect of the disposal of Pelco and deconsolidation of Electroshield Samara.

By business, the H1 2020 adjusted EBITA for:

- **Energy Management** generated an adjusted EBITA of €1,494 million, or **17.1%** of revenues, down c. -80bps organic (down -50bps reported), due mainly to the decrease in volume, but partly offset by a strong positive mix effect, positive net pricing and SFC savings.

  Industrial Automation generated an adjusted EBITA of €429 million, or **15.2%** of revenues, down c. -200bps organic (down -240bps reported), due mainly to the decrease in volume along with further

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4. Price on products and raw material impact

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impacts from labor inflation and a negative mix effect while product sales fell substantially, partly offset by SFC savings.

- **Central Functions & Digital Costs** in H1 2020 amounted to **€347 million** (€367 million H1 2019), rising slightly as a proportion of revenue to 3.0%. Costs have reduced in line with total SFC for the Group with the Corporate cost element decreasing at a higher rate while there was some increase in costs for digital and cybersecurity.

- **ADJUSTED NET INCOME DOWN -26%**

Restructuring charges were **-€221 million** in H1 2020, €120m higher than last year due to additional costs associated with delivering the Group's structural savings and cost efficiency plan.

Other operating income and expenses had a negative impact of -**€69 million**, consisting mainly of some M&A and integration costs vs. -€346 million in H1 2019 which additionally included the loss on disposal of Pelco.

The amortization and depreciation of intangibles linked to acquisitions was -**€86 million** compared to -€88 million in the first half of last year.

Net financial expenses were -**€172** million**,** €32 million higher than in H1 2019, with the cost of debt broadly flat in comparison to H1 2019. The increase in financial expenses can be ascribed mainly to the fair-value revaluation of financial assets.

Income tax amounted to -**€247** million, lower than last year by €39 million. The effective tax rate was 24.0%, in line with the expected range of ETR of 22%-24% in 2020.

There was no impact from discontinued operations in H1 2020, compared to +€4 million in H1 2019.

Share of profit on associates decreased slightly to **+€40** million, from +€41 million in the first half of last year. The Group share of Delixi net income was +**€40m**, up c.+€6m year-on-year, with strong performance resulting in organic growth at both the gross margin and operating margin level.

As a result, Net Income was **€775** million in H1 2020, down -22% from H1 2019.

The Adjusted Net Income[5] was **€995** million in H1 2020, down -26% vs. H1 2019.

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5. See appendix for Adjusted Net Income calculation

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- **FREE CASH FLOW REACHED €965 MILLION, UP 15% DUE TO DILIGENT WORKING CAPITAL MANAGEMENT**

  Despite the decline in revenue in H1, free cash flow was strong at **€965** million. Net capital expenditure of €339 million remained stable as a percentage of revenue at around 3%, and the strong cash performance was driven by working capital movements. A positive evolution on receivables and payables was partly offset by an increase in inventory.

- **BALANCE SHEET REMAINS STRONG**

  Schneider Electric's net debt at June 30, 2020 amounted to **€4,770 million** (€3,792 million in December 2019) after payment of €1.4 billion to fulfill the 2019 dividend, net acquisitions of €140 million and the strong free cashflow performance of H1.

  As at June 30, 2020, Schneider Electric had total liquidity of around **€9.6 billion**.

  As at date, Schneider Electric has total liquidity of around **€8 billion**, including cash and cash equivalents and available committed credit lines. This figure is after the successful launch of three bonds during H1, the payment of the 2019 dividend and the cash paid (c. €1.3 billion) for the acquisition of RIB Software.

  The Group has sufficient liquidity for its operation and debt repayments.

III. M&A UPDATE

Acquisitions

RIB Software

As announced on 10 July 2020, Schneider Electric has successfully completed the voluntary public takeover offer for all outstanding shares of RIB Software SE. RIB will be consolidated as part of the Energy Management business.

Larsen & Toubro E&A

The continuing nationwide lockdown in India has delayed the final completion of the group's purchase of L&Ts electrical and automation business. The transaction is expected to close during H2 2020.

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ProLeiT

Completion of the bolt-on acquisition of ProLeiT announced on 23 April, enhancing the Group's offering in the Consumer-Packaged Goods segment, remains ongoing. The transaction is expected to close in the coming weeks.

Disposals

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

IV. SCHNEIDER SUSTAINABILITY IMPACT

The Schneider Sustainability Impact 2018-2020 is the Group's transformation plan and steering tool measuring progress towards its ambitious sustainability commitments. Details can be found at: https://www.schneider-electric.com/en/about-us/sustainability/sustainable-performance/barometer.jsp

In Q2, the Schneider Sustainability Impact reaches a score of **7.71** out of 10, as the Group continues to execute its three-year sustainability plan.

V. SHARE BUYBACK

On February 14, 2019, the Group initiated a new €1.5bn to €2.0bn share buyback program over 3 years (2019-2021). Schneider Electric suspended the buyback of its shares aligned with the withdrawal of its 2020 guidance pursuant to its March 23, 2020 communication. €316 million of buyback had been completed prior to the suspension of the program.

As of the date of this release, the Group has re-established targets for 2020 and the share buyback program is no longer suspended. The Group notes the economic uncertainties that continue into H2 2020 and will act accordingly, taking a cautious approach in implementing its existing buyback program in the coming months.

VI. CORPORATE GOVERNANCE

In pursuance of the amendment of the Articles of Association approved by the shareholders at the General Meeting held on April 23, 2020 allowing the appointment of the second employee representative by the European Works Council, Schneider Electric's board of directors will include a new member, Ms. Rita Felix, as second director representing the employees. Ms. Rita Felix, 37 years old, a Portuguese national, has been working in the Group for 8 years and is currently Product Manager Officer (PMO) and Inside Sales Director.

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Given Rita Felix' interest in human resources topics and her experience as a member of the European Works Council for more than two years, she is joining the Human Resources & CSR committee.

Schneider Electric's board of directors now comprises 14 directors out of which 3 are employees.

VII. DIVIDEND

The dividend payment of €2.55 per share for Fiscal Year 2019 was paid on May 7, 2020.

The dividend payment for Fiscal Year 2020 will be on May 12, 2021.

VIII. H2 2020 EXPECTED MARKET TRENDS

The Group recognizes the ongoing uncertainty and challenges relating to the continuing global health and economic crisis. It is hard to predict whether there might be another significant lockdown in major economies following a second wave of contagion. On the assumption that is not the case, the Group currently expects the following trends in H2 2020:

- In North America, the Group recognizes the uncertainty presented by a strong increase in contagion in several states in the South and West of the U.S. and associated containment measures resulting in a mixed picture across the country. The Group notes strong economic data related to residential construction and robust demand in data center end-market. Though several segments show pockets of resilience linked to digitization and services, the overall demand remains challenged. The Group expects continued softness in Mexico.
- The Group expects China to continue the growth trend commenced in Q2, with a continuation of economic recovery led by OEM and Data Center end-markets, and with pick-up in Infrastructure and Construction in H2.
- For the rest of Asia Pacific, the Group expects India to remain impacted in H2 based on increasing levels of contagion resulting in recent resurgence of lockdowns. South East Asia and countries in the Pacific could see improvement in economic activity though varied by country.
- The Group expects major Western Europe economies to progressively recover in H2, with rate and strength of recovery varied by country.
- The Group expects continued softness in the Rest of the World, although with some pockets of optimism. A high base of comparison in Industrial Automation is noted for H2.

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IX. 2020 TARGETS

Following the resilient H1 and acknowledging the uncertain macro-economic trends, the Group re-establishes targets for FY 2020 as it deploys its strategic priorities in key markets to drive towards its medium-term ambition.

In the current context, the Group notes the inherent uncertainty around the impact of the ongoing crisis and the possibility of second waves of lockdowns and contagion in several countries. Based on the current economic climate, the Group sets targets for 2020 as follows:

- Revenue expected to be between -7% to -10% organic
- Adjusted EBITA margin expected to be between -50bps to -90bps organic, implying Adjusted EBITA margin between 14.5% to 15.0% (including scope and FX based on current estimation)

Further notes on 2020 available in appendix

X. ACROSS CYCLE & MEDIUM-TERM AMBITION REITERATED

Schneider Electric believes that its strategy and positioning is well oriented to drive strong and profitable growth across the economic cycle. The Group believes it is well positioned in most of its end-markets and with its portfolio for growing in a post COVID-19 world, with possible additional benefit from government stimulus actions across the world. The Group would therefore share its across cycle and medium-term ambition as follows:

- Organic revenue growth of between +3% to +6%, on average across the cycle
- Achieve higher margins with a first step of moving adjusted EBITA margin to around 17% by 2022 (at 2019 constant currency)
- Free cashflow to be around €3 billion, on average across the cycle

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The financial statements of the period ending June 30, 2020 were established by the Board of Directors on July 28, 2020 and certified by the Group auditors on that date.

The Q2 2020 & H1 2020 Results presentation is available at www.se.com

Q3 2020 Revenues will be presented on October 22, 2020.

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Disclaimer: All forward-looking statements are Schneider Electric management's present expectations of future events and are subject to a number of factors and uncertainties that could cause actual results to differ materially from those described in the forward-looking statements. For a detailed description of these factors and uncertainties, please refer to the section "Risk Factors" in our Annual Registration Document (which is available on www.se.com). Schneider Electric undertakes no obligation to publicly update or revise any of these forward-looking statements.

About Schneider Electric

At Schneider, we believe **access to energy and digital** is a basic human right. We empower all to **make the most of their energy and resources**, ensuring **Life Is On** everywhere, for everyone, at every moment.

We provide energy and automation digital solutions for efficiency and sustainability. We combine world-leading energy technologies, real-time automation, software and services into integrated solutions for Homes, Buildings, Data Centers, Infrastructure and Industries.

We are committed to unleash the infinite possibilities of an open, global, innovative community that is passionate about our **Meaningful Purpose, Inclusive and Empowered** values.

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Appendix – Further notes on 2020

- **Foreign Exchange impact:** Based on current rates, the FX impact on FY 2020 revenues is estimated to be between -€500 million to -€600 million. The FX impact at current rates on adjusted EBITA margin could be between -30bps to -40bps
- **Scope:** Around -€300 million on 2020 revenues and c.+20bps on 2020 Adj. EBITA margin
- **Tax rate:** The ETR is expected to be in a 22-24% range in 2020
- **Restructuring:** The Group expects additional restructuring costs of between €400 - €500 million in aggregate over three years (2020-2022) due to COVID-19 in addition to a base level of restructuring similar to 2019, taking the total level of expected restructuring costs in this period to between €1.15 - €1.25 billion
- **Industrial Productivity:** The Group expects industrial productivity in 2020 to be heavily impacted by the volume decreases and additional costs brought about by COVID-19. Over a three-year period (2020-2022) the Group now expects Industrial Productivity of around €1 billion

Appendix – Revenues breakdown by business

Second quarter 2020 revenues by business were as follows:

€ million	Q2 2020				
	Revenues	Organic growth	Changes in scope of consolidation	Currency effect	Reported growth
Energy Management	4,372	-15.4%	-1.8%	-0.8%	-18.0%
Industrial Automation	1,373	-10.4%	-0.2%	-1.4%	-12.0%
Group	**5,745**	**-14.2%**	**-1.5%**	**-1.0%**	**-16.7%**

Half year 2020 revenues by business were as follows:

€ million	H1 2020				
	Revenues	Organic growth	Changes in scope of consolidation	Currency effect	Reported growth
Energy Management	8,755	-11.0%	-2.0%	-0.1%	-13.1%
Industrial Automation	2,820	-8.9%	-0.5%	-0.5%	-9.9%
Group	**11,575**	**-10.5%**	**-1.7%**	**-0.1%**	**-12.3%**

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Appendix – Consolidation

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

Appendix – Gross Margin, Analysis of Change

	H1 Gross Margin
H1 2019 GM	39.4%
Volume	0.0pts
Net Price	+0.6pts
Productivity	+0.3pts
Mix	+0.2pts
R&D & Production Labor Inflation	-0.2pts
FX	-0.1pts
Scope & Others	-0.3pts
H1 2020 GM	**39.9%**

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Appendix - Results breakdown by business

€ million		H1 2019	H1 2020	Organic
Energy Management	*Revenues*	10,072	8,755	
	Adjusted EBITA	1,776	1,494	
	Adjusted EBITA margin	17.6%	17.1%	c. -80 bps
Industrial Automation	*Revenues*	3,130	2,820	
	Adjusted EBITA	551	429	
	Adjusted EBITA margin	17.6%	15.2%	c. -200 bps
Corporate	*Central Functions & Digital Costs*	(367)	(347)	
Total Group	*Revenues*	13,202	11,575	
	Adjusted EBITA	1,960	1,576	
	Adjusted EBITA margin	14.8%	13.6%	-130 bps

Appendix – Adjusted Net Income & EPS

Key figures (€ million)	**H1 2019**	**H1 2020**	**Change**
Adjusted EBITA	**1,960**	**1,576**	**-20%**
Amortization of purchase accounting intangibles	(88)	(86)	
Financial Costs	(140)	(172)	
Income tax with impact from adjusted items	(386)	(317)	
Discontinued ops	4	-	
Equity investment & Minority Interests	(10)	(6)	
Adjusted Net Income (Group share)	**1,340**	**995**	**-26%**
Adjusted EPS (€)	**2.42**	**1.80**	**-26%**

In H2 2019, the Group changed its definition of Adjusted Net Income, which includes the adjusted EBITA, PPA amortization (excluding impairment), net financial income & loss, income tax expense on the above at the effective tax rate, discontinued operations net income, share of profit & loss of associates and impact of non-controlling interests. This enables the Adjusted Net Income to be more transparently derived from the financial statements. The H1 2019 Adjusted Net Income has been restated to reflect the revised definition, resulting in an increase of +€85 million compared to the published figure. The Adjusted EPS for H1 2019 improves by €0.15.

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Appendix – Free Cash Flow and Net Debt

Analysis of debt change in €m	H1 2019	H1 2020
Net debt at opening at Dec. 31	**(5,136)**	**(3,792)**
Operating cash flow	1,791	1,459
Capital expenditure – net	(380)	(339)
Operating cash flow, net of capex	**1,411**	**1,120**
Change in trade working capital	(381)	178
Change in non-trade working capital	(193)	(333)
Free cash flow	**837**	**965**
Dividends	(1,333)	(1,427)
Acquisitions – net	(74)	(140)
Net capital increase	(76)	(50)
FX & other (incl. IFRS 16)	(297)	(326)
(Increase) / Decrease in net debt	**(943)**	**(978)**
Net debt at Jun. 30	**(6,079)**	**(4,770)**

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