Schneider Electric
Half Year 2023 Results

Financial Information

Strong performance; Revenues, Adj. EBITA and Net Income at record levels
FY23 Target upgraded

Rueil-Malmaison (France), July 27, 2023

Financial Highlights

- **Q2 Group revenues up +15% organic; crossing €9 billion, an all-time high for Q2**
  - **Energy Management and Industrial Automation both growing double-digit**
  - **All four regions up double-digit; led by North America and Rest of the World**
- **H1 Group revenues of €17.6 billion, up +15% organic**
- **H1 Adj. EBITA €3.2 billion, up +29% organic**
  - **Adj. EBITA Margin 18.0%,**
  - **Adj. EBITA Margin up +190bps organic**
- **Net Income €2.0 billion, up +33%; Adj. Net Income €2.0 billion, up +13%**
- **Operating Cash Flow €2.7 billion, up +4%; Free Cash Flow €820 million; up +86%**
- **Schneider Sustainability Impact program continues progress**
- **2023 Financial Target upgraded**

Key figures (€ million)	2022 H1	2023 H1	Reported Change	Organic Change
Revenues	16,077	17,633	+9.7%	+15.3%
Adjusted EBITA	2,782	3,174	+14.1%	+28.8%
% of revenues	*17.3%*	*18.0%*	*+70bps*	*+190bps*
Net Income (Group share)	1,519	2,023	+33%	
Free Cash Flow	441	820	+86%	
Adjusted Earnings Per Share (€)	3.24	3.64	+12%	

Peter Herweck, Chief Executive Officer, commented:

"I'm pleased to report on a very strong first half of the year. We have driven strong revenue growth, up +15% organic, and combined this with a focus on profitability, with an adjusted EBITA margin of 18.0%, which represents a record high for the company. We continue to grow our backlog, reflective of strong demand trends primarily linked to Electrification in the New Energy Landscape and Artificial Intelligence driving increased traction for Data Centers. Our record operating cash flow reflects the quality of our business, and we expect this to translate into strong free cash flow in H2 2023. Our balanced geographical footprint and end-market exposure gives us confidence to continue to deliver profitable growth. As such we today upgrade our FY 2023 financial target."

I. SECOND QUARTER REVENUES WERE UP +15% ORGANIC

2023 Q2 revenues were €9,140 million, up +14.8% organic and up +7.4% on a reported basis.

Products (56% of Q2 revenues) grew +10% organic in Q2. In Energy Management, product sales grew double-digit, while in Industrial Automation growth was high-single digit. Supply chain shortages showed progressive improvement, allowing good execution against the backlog. There was positive contribution from volume expansion, while price remained a significant component of organic growth for the quarter, though sequentially moderating from Q1 as the carryover impact of actions taken in 2022 progressively fades. The Group continued its focus on expanding its digital footprint through ongoing innovation leading to the growth rate of connectable products being significantly ahead of the overall products growth.

Systems (27% of Q2 revenues) grew +27% organic in Q2, with double-digit organic sales growth in both Energy Management and Industrial Automation. This strong growth was driven across end-markets, supported by a combination of continued strong demand including in Data Center and Infrastructure projects globally, pricing impact and the improving supply chain situation.

Software & Services (17% of Q2 revenues) grew +13% organic in Q2.

Software and Digital Services grew +15% organic in Q2.

- AVEVA delivered strong growth in Annualized Recurring Revenue (ARR), up +15.1%[1] as at 30 June 2023, with growth comprising both upsell to the existing customer base, and the addition of new logos. AVEVA saw good traction with new customer wins across a range of industries, with particular strength in Energies & Chemicals (E&C) and Consumer Packaged Goods (CPG). Adoption of cloud-based Software as a Service (SaaS) continued to be strong. The Group continues to benefit from enhanced co-operation between AVEVA and the other agnostic software businesses for the benefit of customers across end-markets.

- Energy Management agnostic software offers saw strong growth, particularly in relation to the Group's eCAD offer (ETAP), which grew double-digit, where Schneider has a unique capability in electrical design across multiple segments and applications. The Group's software offer for the construction market (RIB Software) continued to see good growth in recurring revenue types, however overall growth was impacted by the construction market in Germany.

- Digital services grew strong double-digit with growth in EcoStruxure Advisors across multiple domains, including Power, Building and IT. Cybersecurity services saw strong double-digit growth in the quarter.

Field Services grew +11% organic in Q2, with strong contribution from both businesses. Industrial Automation services led the growth, up strong double-digit, performing well across both Discrete and Process & Hybrid automation. Energy Management services grew double-digit, with good traction across end-markets and many segments. The continued focus on growing Field Services is strategically linked to the development of the Digital Flywheel and also enhancing recurring revenue for the Group.

Sustainability Business: Sustainability consulting and services offers (split between Digital and Field Services) delivered another quarter of double-digit sales growth against a high base of comparison. Sustainability consulting and private sector efficiency programs drove strong growth in pull-through for the Group's offers. There was continued strong growth from Power Purchase Agreements (PPAs) and Energy Attribute Certificates (EACs) particularly in Europe, while North America saw continued underlying demand, with delivery weighted

1. At constant currency, adjusted for Russia impacts towards H2. The Group's digital offers performed well, with strong growth for EcoStruxure Resource Advisor, and for its enhanced digital offers through Zeigo which continue to gain traction with customers.

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

Region	Q2 2023			H1 2023		
	Revenues € million	Reported Growth	Organic Growth	Revenues € million	Reported Growth	Organic Growth
North America	2,665	+21.4%	+23.8%	5,058	+27.1%	+26.0%
Western Europe	1,667	+4.6%	+9.7%	3,264	+8.6%	+13.5%
Asia Pacific	2,024	+2.5%	+10.6%	3,771	+2.5%	+8.2%
Rest of the World	828	-5.0%	+16.3%	1,576	-4.3%	+17.7%
Total Energy Management	**7,184**	**+8.3%**	**+15.6%**	**13,669**	**+11.1%**	**+16.7%**
North America[2]	424	-10.0%	+8.3%	884	-7.4%	+9.3%
Western Europe	603	+16.2%	+15.6%	1,205	+15.7%	+13.2%
Asia Pacific	624	+1.1%	+7.3%	1,265	+2.6%	+5.8%
Rest of the World	305	+13.1%	+20.9%	610	+12.9%	+19.3%
Total Industrial Automation	**1,956**	**+4.2%**	**+11.9%**	**3,964**	**+5.2%**	**+10.7%**
North America	3,089	+15.9%	+21.4%	5,942	+20.4%	+23.2%
Western Europe	2,270	+7.5%	+11.2%	4,469	+10.5%	+13.5%
Asia Pacific	2,648	+2.2%	+9.8%	5,036	+2.5%	+7.6%
Rest of the World	1,133	-0.7%	+17.5%	2,186	0.0%	+18.1%
Total Group	**9,140**	**+7.4%**	**+14.8%**	**17,633**	**+9.7%**	**+15.3%**

Q2 2023 PERFORMANCE BY END-MARKET

Schneider Electric sells its integrated portfolio into four end-markets: Buildings, Data Center, Infrastructure and Industry, leveraging the complementary technologies of its Energy Management and Industrial Automation businesses and supported by the focus on electrification, digitization and sustainability.

- **Buildings** – Across the Buildings end-market, renovation and upgrades to existing building stock is seeing relatively stronger dynamics compared to new build. Non-residential activity remained at a high level in specific segments such as Healthcare. The demand is underpinned by the decarbonization commitments of building asset owners. Activity in Residential was relatively weaker, with sales growth varied by geography, explained in more detail in the Group trends by geography.

- **Data Center** – Sales for the quarter grew double-digit for Data Center and Networks. Demand in the Data Center and Networks end-market also remained strong, reflecting the breadth of the Group's offers, spread of customers and geographic coverage. The Group sees multiple demand drivers in the Data Center market, including enhanced capacity investment linked with developments in Artificial Intelligence. In the Data Center segment the Group's comprehensive offer (MV, LV, Secure Power, Cooling, BMS, Software) is unique and both demand and sales grew strongly, across both hyperscale and smaller data centers. Distributed IT, which is linked to consumer and IT spend, grew low-single digit in Q2 showing sequential improvement compared to Q1.

2. OSIsoft revenues are reported by region from January 1, 2023. 2022 baseline has been adjusted in the organic growth calculation.

- **Infrastructure** – Demand in the Electric Utilities segment experienced another strong quarter across both businesses and continues to be driven by the focus on grid stability, sustainability and digitization. The increased electrical requirements from new and existing demand and growth in renewables underpin activity. The Group is uniquely positioned in electrical distribution to serve customers with its complete offerings across the entire electrical value chain (hardware, software and services). Transportation also experienced another quarter of strong demand in ports, airports and rail infrastructure including for digital and automation control offers. Demand in Water & Wastewater (WWW) was impacted by a high base of comparison with investments focused on software and services to cope with climate change and the growing regulation for water and waste management.

- **Industry –** Sales into Discrete end markets grew strongly though varied by geography, explained in more detail in the Group trends by geography, with demand normalizing from a high level. Both businesses saw good growth in packaging, semi-conductor and general machinery segments as supply chains continue to progressively ease. There was strong demand for the Group's offers in Automotive centered on EV battery manufacturing. Demand in Process & Hybrid markets continues to be supported by good activity in E&C and CPG, while remaining stable at a high level in Metals, Mining & Minerals (MMM).

Group trends by geography:

North America (34% of Q2 revenues) was up +21.4% organic in Q2.

In Energy Management, which grew +23.8% organic, there was strong double-digit growth in the U.S. and in Mexico, while Canada grew high-single digit. The U.S. saw strong sales growth across end-markets, including in Buildings, where strong Residential growth was supported by backlog execution and a dynamic rental market, and where Non-residential buildings saw continued strong demand in technical buildings, supported by renovation trends. Sales growth in Infrastructure and Data Center markets also remained strong, though Distributed IT grew more modestly. There was strong growth for Energy Management sold into Industrial OEM segments. Mexico was also strong across end-markets, while Canada was relatively weaker, notably in Residential buildings. Services grew strongly in the quarter across the region, both in respect of traditional services and for the Group's sustainability offers.

Industrial Automation grew +8.3% organic, with the U.S. delivering double-digit growth and Canada up high-single digit, while Mexico declined. In the U.S., automation sales into discrete end-markets remained buoyant, seeing strong double-digit growth, despite ongoing supply constraints. Growth was driven across segments including with OEMs in HVAC and Printing & Packaging, and with end-users, supported by backlog execution. Sales of both automation and software into U.S. process end-markets grew, but less strongly than the performance in discrete automation. Conversely, Canada was stronger in Process end-markets, while the decline in Mexico is attributable to execution on a large project last year resulting in a high base of comparison.

Western Europe (25% of Q2 revenues) grew +11.2% organic in Q2, despite a high base of comparison from Q2'22.

In Energy Management, which grew +9.7% organic, there was double-digit growth in the U.K., Germany and Italy, while Spain grew high-single digit and France mid-single digit, with performance across the region supported by backlog execution. Growth was led by the U.K. which was strong across Infrastructure, Non-residential and Data Center. Germany saw similar end-market growth. Italy and Spain experienced broad end-market strength while France was impacted by a high base of comparison though still seeing solid demand from Data Center and Infrastructure. Across the region, Data Center, Industry and Infrastructure end-markets were well oriented and contributed to growth. Non-residential buildings also saw good growth supported by demand for renovation. Residential buildings markets were mixed with sales growth in Southern Europe strong, while in Northern Europe sales were down. Field Services showed high-single digit growth across the region. Outside the main economies there was double-digit growth in multiple countries including Portugal and Belgium, among others.

Industrial Automation grew +15.6% organic. Germany, the U.K., France and Italy all grew double-digit, while Spain grew high-single digit. There was a good performance across Discrete end-markets, supported by further supply chain easing, while Process markets continued to rebound. AVEVA had a strong quarter particularly in the U.K. and Switzerland. Growth in discrete OEM segments was strong in material handling, packaging & printing, HVAC and pumping equipment. Services grew strong double-digit as the company continues to focus on leveraging its installed base. Outside the main economies there was double-digit growth in multiple countries.

Asia Pacific (29% of Q2 revenues) grew +9.8% organic in Q2.

In Energy Management, which grew +10.6% organic, China was up double-digit against a low base of comparison more than recovering the declines of Q2'22 that were a function of the Shanghai lockdowns. There was strong growth in several areas including electronics, transportation and renewable power, while as anticipated the Buildings end-market, in particular Residential, continued to experience softness in the quarter. India performed strongly, growing mid-single digit against a particularly high base of comparison, with continued strength across end-markets. Australia grew low-single digit, with good momentum in systems sales offset by weaker demand for products, though with a stabilization in sales growth to Residential buildings supported by commercial actions. Across the rest of the region, many countries grew double-digit including Thailand, Indonesia, Malaysia and Japan while Singapore was down, impacted by timing on projects.

In Industrial Automation, which grew +7.3%, China was up mid-single digit against a low base of comparison and with some residual impact from supply shortages. There was strong double-digit growth for sales into Process automation markets, supported by good demand in the E&C segment and project execution. Discrete automation growth was muted with softness in OEM demand, particularly among those tied to export and construction, while areas such as packaging and electronics performed better. India grew strong double-digit against a strong double-digit base of comparison, with growth led by sales into Discrete automation markets, supported by backlog execution. Japan also saw strong double-digit growth led by Discrete automation where there was good backlog execution. Australia delivered strong growth, while Korea declined.

Rest of the World (12% of Q2 revenues) grew +17.5% organic in Q2 with strong growth in systems offers and supported by price actions taken in certain countries in response to currency devaluation.

In Energy Management, which grew +16.3% organic, the Middle East grew strong double-digit, with growth led by Saudi Arabia where projects continue at pace, and Turkey where both price and volume are contributing. Africa also grew strong double-digit supported by project execution in multiple countries including South Africa and Egypt, which also benefitted from price actions. South America was up mid-single digit with strong performance in Argentina supported by price actions, while Brazil was down having been impacted by ongoing supply chain challenges and some market softness. Central & Eastern Europe was down slightly.

In Industrial Automation, which grew +20.9% organic, the Middle East and Africa were each up strong double-digit. The Middle East saw strong growth coming from Discrete automation markets in Turkey, while there was also strong growth in Process & Hybrid markets in the Gulf region, notably in Saudi Arabia. Africa saw strong growth across both Discrete and Process & Hybrid automation markets. South America grew high-single digit overall, while Central & Eastern Europe was up mid-single digit.

SCOPE[3] AND FOREIGN EXCHANGE IMPACTS[4] IN Q2

In Q2, net acquisitions/disposals had an impact of **-€215 million** or **-2.5%** of Group revenues, mainly representing the disposal of Schneider Electric's Russia operations and the net impact of some smaller acquisitions and disposals.

Based on transactions completed to-date, the Scope impact on FY 2023 revenues is estimated to be **around -€800 million**. The Scope impact on adjusted EBITA margin for FY 2023 is estimated to be **around -30bps**, particularly impacted by the exit from Russia.

In Q2, the impact of foreign exchange fluctuations was negative at **-€333 million** or **-4.0%** of Group revenues, mostly driven by the weakening of the Chinese Yuan, U.S. Dollar and Indian Rupee against the Euro, and with some further devaluation in the Egyptian Pound, Turkish Lira and Argentinian Peso.

Based on current rates, the FX impact on FY 2023 revenues is estimated to be between **-€1.4 billion to -€1.5 billion**. The FX impact at current rates on adjusted EBITA margin for FY 2023 could be **around -80bps**. The estimated currency impacts in part represent a reversal of the tailwinds experienced in 2022 overlaid with the incremental impacts experienced from the sharp devaluation of certain currencies including the Egyptian Pound, Turkish Lira and Argentinian Peso.

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

4. For those currencies meeting the criteria to be considered hyperinflationary under IAS 29, such as Argentina and Turkey, an IFRS technical adjustment for hyperinflation impact is reflected as FX and therefore excluded from the organic growth calculation. The effect of operational actions taken in these countries such as increased pricing to mitigate the inflationary impact is reflected as part of the organic growth.

II. HALF YEAR 2023 KEY RESULTS

€ million	2022 H1	2023 H1	Reported change	Organic change
Revenues	16,077	**17,633**	**+9.7%**	**+15.3%**
Gross Profit	6,535	**7,482**	**+14.5%**	**+21.8%**
Gross profit margin	*40.6%*	*42.4%*	*+180bps*	*+220bps*
Support Function Costs	(3,753)	**(4,308)**	**+14.8%**	**+17.0%**
SFC ratio (% of revenues)	*23.3%*	*24.4%*	*-110bps*	*-30bps*
Adjusted EBITA	2,782	**3,174**	**+14.1%**	**+28.8%**
Adjusted EBITA margin	*17.3%*	*18.0%*	*+70bps*	*+190bps*
Restructuring costs	(85)	(41)		
Other operating income & expenses	(304)	15		
EBITA	2,393	**3,148**	**+32%**	
Amortization & impairment of purchase accounting intangibles	(206)	(196)		
Net Income (Group share)	1,519	**2,023**	**+33%**	
Adjusted Net Income (Group share)[5]	1,803	**2,042**	**+13%**	
Adjusted EPS[5] (€)	3.24	**3.64**	**+12%**	
Free Cash Flow	441	**820**	**+86%**	

ADJUSTED EBITA MARGIN AT 18.0%, UP +190 BPS ORGANIC DUE TO STRONG GROSS MARGIN PERFORMANCE PRIMARILY OFFSETTING INFLATION AND INVESTMENT IN SUPPORT FUNCTION COSTS

Gross profit was up **+21.8%** organic with Gross margin up **+220bps** organic, reaching **42.4%** in H1. The margin expansion was mainly driven by a strong price carryover impact, offsetting inflationary pressures faced over the cycle, and bolstered by positive industrial productivity.

H1 Adjusted EBITA reached **€3,174 million**, increasing organically by **+28.8%** and the Adjusted EBITA margin expanded by **+190bps** organic to **18.0%** as a consequence of the strong pricing impact, despite the continued investment for future growth, and inflation in Support Function Costs which resulted in a -30bps organic deterioration of the SFC/Sales ratio.

5. See appendix Adjusted Net Income & Adjusted EPS.

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

€ million	Adj. EBITA	YoY change	Comments
Adj. EBITA H1 2022	**2,782**		
Volume impact		**+482**	Positive impact from higher sales volumes.
Industrial productivity		**+45**	The Group's industrial productivity level was +€45m while still impacted by some inflationary costs including those relating to electronics and energy.
Net price[6]		**+1,246**	The net price impact was positive at +€1,246m in H1. Gross pricing on products was positive at +€1,135m mostly due to pricing actions taken in 2022. In total, RMI was a tailwind at +€111m.
Gross pricing on products		*+1,135*	
Raw Material Impact		*+111*	
Cost of Goods Sold inflation		**-67**	Cost of Goods Sold inflation was -€67m in H1, of which the production labor cost and other cost inflation was -€57m, and an increase in R&D in Cost of Goods Sold was -€10m. The overall investment in R&D, including in support function costs continued to increase as expected and represented in excess of 5% of H1 revenue.
Production labor cost and other cost inflation		*-57*	
R&D in Cost of Goods Sold		*-10*	
Support function costs		**-620**	Support Function Costs increased organically by -€620m, or +17.0% org. in H1. The Group was impacted by inflation for -€181m and continued to focus on its strategic priorities with investments of -€267m mainly linked to R&D, commercial footprint and digital. Despite completing its operational efficiency plan in 2022, the Group delivered a further +€62m of cost savings. Other increases of -€234m included the impact of bonus accruals, and some one-time items linked to technical accounting changes on employee share plans.
Mix		**-54**	H1 performance resulted in an adverse mix effect of -€54m where a good improvement of Gross Margin in the Systems business was more than offset by impacts from the relatively faster growth of Systems volumes compared to Products.
Foreign currency impact[7]		**-185**	The impact of foreign currency decreased the adjusted EBITA by -€185m in H1.
Scope and Others		**-455**	The impact from scope & others was -€455m in H1, with net Scope impacts representing a -40bps adj. EBITA margin headwind mainly associated with Russia. Others represents primarily the positive impact from inventory revaluation in H1 2022.
Adj. EBITA H1 2023	**3,174**		

6. Price on products and raw material impact
7. For those currencies meeting the criteria to be considered hyperinflationary under IAS 29, such as Argentina and Turkey, an IFRS technical adjustment for hyperinflation impact is reflected as FX and therefore excluded from the organic growth calculation. The effect of operational actions taken in these countries such as increased pricing to mitigate the inflationary impact is reflected as part of the organic growth

By business, the H1 2023 adjusted EBITA for:

- **Energy Management** generated an adjusted EBITA of **€2,824 million**, or **20.7%** of revenues, up c.+140bps organic (up +30bps reported), due mainly to a combination of strong volumes, strong net price impact and an improvement of gross margin in the systems business, more than offsetting a negative mix impact from the relatively stronger growth of Systems vs. Products, continued investment and inflation in Support Function Costs.

- **Industrial Automation** generated an adjusted EBITA of **€758 million**, or **19.1%** of revenues, up c.+180bps organic (up +90bps reported), due mainly to a combination of good volumes, strong net price impact, an improvement of gross margin related to systems revenues and a positive mix contribution from AVEVA, more than offsetting a negative mix impact from the relatively stronger growth of Systems vs. Products, continued investment and inflation in Support Function Costs.

- **Central Functions & Digital Costs** in H1 2023 amounted to **€408 million** (€409 million in H1 2022), reducing slightly as a proportion of revenue to 2.3%. Investment in the Group's strategic priorities continued, while the Corporate cost element continued to be an area of focus and remained under tight control, at around 0.8% of Group revenues in H1.

- **ADJUSTED NET INCOME UP +13%**

€ million	**2022 H1**	**2023 H1**	**Comments**
Adj. EBITA	**2,782**	**3,174**	
Other operating income and expenses	(304)	15	Other operating income and expenses had an impact of +€15m in H1, consisting mainly of a gain on the disposal of VinZero offset by -€59m M&A and integration costs. H1 2022 included impairment charges associated with Russia exit.
Restructuring costs	(85)	(41)	Restructuring costs were -€41m in H1, €44m less than last year following completion of the Group's operational efficiency program. Costs are in-line with the Group's expectation for restructuring costs to move towards a target of around €100m per year.
Amortization and impairment of purchase accounting intangibles	(206)	(196)	Amortization and impairment of intangibles linked to acquisitions was -€196m in H1 2023, €10m less than last year.
Net financial income/(loss)	(103)	(207)	Net financial expenses were -€207m in H1, €104m higher than last year. The increase primarily relates to the additional debt associated with acquiring the AVEVA minorities, and the rising cost of debt.
Income tax expense	(565)	(687)	Income tax amounted to -€687m, higher than last year by €122m as a consequence of the higher pre-tax profit. The Effective Tax Rate was 25.0%, in line with the expected range of 23-25% for FY2023, and consistent with H1 2022 when excluding impacts of Russia exit.
Profit/(loss) of associates and non-controlling interests	-	(35)	Share of profit on associates increased to +€39m, up +€6m compared to H1 last year. The net income from Delixi was broadly stable year-on-year. Amounts attributable to non-controlling interests increased to -€74m compared to -€33m in H1 last year.
Net Income (Group share)	**1,519**	**2,023**	Net Income (Group share) was €2,023m in H1, up +33% on last year, which included impairment charges associated with Russia exit.
Adjusted Net Income (Group share)[8]	**1,803**	**2,042**	Adjusted Net Income was €2,042m in H1, up +13% vs. last year.

8. See appendix Adjusted Net Income & Adjusted EPS.

- **FREE CASH FLOW OF €820 MILLION**

The Group delivered Free Cash Flow of **€820 million**, primarily due to the P&L performance driving record operating cash flow of €2,681 million. This included R&D cash costs of €997 million, which increased to 5.7% of H1 2023 revenue.

Net capital expenditure of €630 million increased slightly to 3.6% of revenue.

Trade working capital requirements impacted the free cash flow in H1, primarily in relation to inventories, as the Group prioritized securing supply and delivery to customers. For receivables there was a slight year-on-year improvement in DSO, while in relation to payables DPO remained stable. Non-trade working capital requirements were impacted by the level of bonus accruals and employee share plan expense.

The cash conversion ratio (Free Cash Flow as a percentage of Net Income Group Share) was 41% in H1 2023, up from 29% in the first half of last year. As was the case in 2022, the Group expects a higher cash conversion ratio in H2.

- **BALANCE SHEET REMAINS STRONG**

Schneider Electric's net debt at June 30, 2023 amounted to **€12,987 million** after payment of -€1.8 billion to fulfill the 2022 dividend, offset by the Free Cash Flow performance of +€0.8 billion.

The Group remains committed to retaining its strong investment grade credit rating.

III. SCHNEIDER SUSTAINABILITY IMPACT

At the end of Q2 2023, Schneider Electric is halfway through its Sustainability Impact program spanning 2021-2025. The first two and a half years of the program were marked by notable progress across Environmental, Social and Governance (ESG) commitments, thanks to climate solutions, circularity initiatives and Access to Energy programs. Following the structuring and deployment of tracks related to supply chain engagement, significant results are starting to show on sustainable packaging and materials and the reduction of top suppliers' emissions. With the addition of its decent work initiative, Schneider Electric expects to accelerate its comprehensive sustainable value chain efforts from here on in.

"Our sustainability impact initiatives are transformative, not quick wins. While some require longer to ramp up, we expect them to deliver significant results in the second half of the program," said Gwenaelle Avice-Huet, Schneider Electric's Chief Strategy & Sustainability Officer. "*With only two and a half years left to reach our climate and social ambitions, we need to stay focused and mobilized to live up to our impact company principles: doing well to do good, and vice versa, and bringing everyone along on this journey too*."

Here are some specific sustainability impact highlights from Q2:

- 11 iF Design Awards received for product circularity and innovation,
- Ranked #1 on the Gartner Supply Chain Top 25 for 2023 after eight consecutive years on the list,
- Partnering with governments and CEOs on the Versailles 10x10 action plan to double the rate of energy efficiency improvements by 2030 at the International Energy Agency's (IEA) annual global conference,
- 97.67% of shareholders supported Schneider Electric's decarbonization plan in the first Say on Climate motion,
- Recognized by the 2023 Transparency Awards, with a special prize for high-quality ESG information,
- Certified by the Fair Wage Network for ensuring all employees are valued and compensated fairly for their work.

At the end of the quarter, the overall Schneider Electric Sustainability Impact (SSI) score came in at 5.28, vs. the 2023 end-year target of 6 out of 10.

2021 - 2025 SCHNEIDER SUSTAINABILITY IMPACT

Q2 2023 Results

	Q1	Q2	Q3	Q4	2023 Target
Score[1]		5.28			6.00

6 long-term commitments		Baseline	Q2 2023	2025 Target
CLIMATE	1. Grow Schneider Impact revenues*[2]	70%	73%	80%
	2. Help our customers save and avoid millions of tonnes of CO_2 emissions[3]	263M	481M	800M
	3. Reduce CO_2 emissions from top 1,000 suppliers' operations	0%	19%	50%
RESOURCES	4. Increase green material content in our products	7%	22%	50%
	5. Primary and secondary packaging free from single-use plastic, using recycled cardboard	13%	54%	100%
TRUST	6. Strategic suppliers who provide decent work to their employees[4]	1%	3%	100%
	7. Level of confidence of our employees to report unethical conduct[5]	81%	+1pt	+10pts
EQUAL	8. Increase gender diversity in hiring (50%), front-line management (40%) and leadership teams (30%)	41/23/24	41/27/29	50/40/30
	9. Provide access to green electricity to 50M people[6]	30M	+12.5M	50M
GENERATIONS	10. Double hiring opportunities for interns, apprentices and fresh graduates[2]	4,939	x1.38	x2.00
	11. Train people in energy management[6]	281,737	460,415	1M
LOCAL	+1. Country and Zone Presidents with local commitments that impact their communities	0%	100%	100%

*Per Schneider Electric definition and methodology
[1] 2021 baseline 3/10, 2025 target 10/10 [2] 2019 baseline [3] cumulated since 2018 [4] 2022 baseline [5] 2021 baseline [6] cumulated since 2009

Schneider Sustainability Impact 2021-2025

To access Schneider Electric Sustainability reports with detailed results and highlights, click here.

IV. PORTFOLIO UPDATES

Acquisitions

- EcoAct

On July 3, 2023 it was announced that Schneider Electric had entered exclusive negotiations with Atos Group to acquire European-headquartered EcoAct to expand and enhance the company's global sustainability consulting and carbon market capabilities. EcoAct's portfolio of services would complement and deepen Schneider's Sustainability Business market-leading offers. Upon successful completion of the transaction, EcoAct would be consolidated within Energy Management.

Disposals

- VinZero

On May 31, 2023, Schneider Electric closed the transaction for the previously announced disposal of RIB Software's VinZero business (an IT infrastructure solutions group and software partner for architecture, engineering, construction, owner-operator, and manufacturing organizations). Until closing, the business was reported as part of Energy Management. The financial impact of the transaction on 2023 revenues and adj. EBITA margin is incorporated in the additional notes on Scope effects given in the appendix.

V. DIVIDEND

The dividend payment of €3.15 per share for Fiscal Year 2022 was paid on May 11, 2023.

The dividend payment for Fiscal Year 2023 will be on May 30, 2024.

VI. SHARE BUYBACK

Having resumed its buyback program in June, in 2023 the Group has purchased 0.7 million shares for €108 million at an average price of €159 per share. Since the beginning of the program in 2019, Schneider Electric has bought back 8.3 million shares for €905 million, at an average price of €109 per share.

Schneider Electric remains committed to the completion of the existing share buyback program.

VII. EXPECTED TRENDS IN COMING MONTHS

- A continuation of strong and dynamic market demand, supported by secular trends of electrification, digitization and sustainability
- Strong demand for Systems offers across end-markets notably driven by trends in Data Centers, Grid Infrastructure investment, and increased investments across Process industries served by both businesses
- Continued pressure on demand in residential buildings, and a moderation from elevated levels in discrete manufacturing (particularly in China and Western Europe)
- U.S. expected to contribute strongly to growth through a combination of strong demand, industrial reshoring and backlog execution
- China to continue to rebound from slow start to the year, with progressive recovery in market demand
- Middle East and India to lead the growth dynamic in emerging markets
- Government incentives across the world centered around digitization, energy transition, decarbonization and improved energy efficiency to support growth
- Backlog execution to support growth
- The improved supply environment should support stronger industrial productivity in H2

VIII. 2023 TARGET UPGRADED

The Group upgrades its 2023 financial target as follows:

2023 Adjusted EBITA growth of between +18% and +23% organic (previously between +16% and +21% organic).

The target would be achieved through a combination of organic revenue growth and margin improvement, currently expected to be:

- Revenue growth of **+11% to +13% organic** (previously +10% to +13% organic)

- Adjusted EBITA margin up **+120bps to +150bps organic** (previously +100bps to +130bps organic)

This implies Adjusted EBITA margin of **around 17.7% to 18.0%** (including scope based on transactions completed to-date and FX based on current estimation).

Further notes on 2023 available in appendix

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The financial statements of the period ending June 30, 2023 were established by the Board of Directors on July 26, 2023 and certified by the Group auditors on that date.

The Q2 2023 & H1 2023 Results presentation is available at www.se.com

Q3 2023 Revenues will be presented on October 26, 2023.

The Group will host a Capital Markets Day on November 9, 2023 in London.

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About Schneider Electric:
Schneider's purpose is to **empower all to make the most of our energy and resources, bridging progress and sustainability** for all. We call this **Life Is On**.
Our mission is to be your **digital partner for Sustainability and Efficiency**.
We drive digital transformation by integrating world-leading process and energy technologies, end-point to cloud connecting products, controls, software and services, across the entire lifecycle, enabling integrated company management, for homes, buildings, data centers, infrastructure and industries.
We are the **most local of global companies**. We are advocates of open standards and partnership ecosystems that are passionate about our shared **Meaningful Purpose, Inclusive and Empowered** values.

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Appendix – Further notes on 2023

- **Foreign Exchange impact:** Based on current rates, the FX impact on FY 2023 revenues is estimated to be between **-€1.4 billion to -€1.5 billion**. The FX impact at current rates on adjusted EBITA margin for FY 2023 could be around **-80bps**
- **Scope:** Around **-€800 million** on 2023 revenues and around **-30bps** on 2023 Adj. EBITA margin, based on transactions completed to-date, particularly impacted by the exit from Russia
- **Financial costs:** Net finance costs are expected to be higher by **around €200 million** in 2023 when compared to 2022, primarily due to the additional debt related to the AVEVA transaction
- **Tax rate:** The ETR is expected to be in a **23-25%** range in 2023
- **Restructuring:** The Group expects restructuring costs to decrease towards target of around **€100 million** per year

Appendix – Revenues breakdown by business

Q2 2023 revenues by business were as follows:

	Q2 2023				
	Revenues € million	**Organic growth**	**Changes in scope of consolidation**	**Currency effect**	**Reported growth**
Energy Management	7,184	+15.6%	-2.6%	-3.9%	+8.3%
Industrial Automation	1,956	+11.9%	-2.3%	-4.6%	+4.2%
Group	**9,140**	**+14.8%**	**-2.5%**	**-4.0%**	**+7.4%**

H1 2023 revenues by business were as follows:

	H1 2023				
	Revenues € million	**Organic growth**	**Changes in scope of consolidation**	**Currency effect**	**Reported growth**
Energy Management	13,669	+16.7%	-2.7%	-2.2%	+11.1%
Industrial Automation	3,964	+10.7%	-2.5%	-2.5%	+5.2%
Group	**17,633**	**+15.3%**	**-2.7%**	**-2.2%**	**+9.7%**

Throughout this document growth percentage calculations are compared to the same period of the prior year, unless stated otherwise.

Appendix – Scope of Consolidation

Number of months in scope	Acquisition / Disposal	2022				2023			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
EV Connect Energy Management Business	Acquisition			3m	3m	3m	3m		
Autogrid Energy Management Business	Acquisition			2m	3m	3m	3m	1m	
ASCO load banks Energy Management Business	Disposal	3m	3m	3m					
Schneider Electric Russia Energy Management & Industrial Automation Businesses	Disposal	3m	3m	3m					
Eurotherm Industrial Automation Business	Disposal	3m	3m	3m	1m				
Eberle Energy Management Business	Disposal	3m	3m	3m	2m				
Transformer Plants (Poland & Turkey) Energy Management Business	Disposal	3m	3m	3m	3m				
VinZero Energy Management Business	Disposal	3m	3m	3m	3m	3m	2m		

Appendix – Gross Margin, Analysis of Change

	H1 Gross Margin
H1 2022 Gross Margin	40.6%
Volume	0.0pts
Net Price	+4.5pts
Productivity	+0.3pts
Mix	-0.3pts
R&D & Production Labor Inflation	-0.4pts
FX	-0.6pts
Scope & Other	-1.7pts
H1 2023 Gross Margin	**42.4%**

Appendix - Results breakdown by division

€ million		H1 2022	H1 2023	Organic
Energy Management	Revenues	12,307	13,669	
	Adjusted EBITA	2,506	2,824	
	Adjusted EBITA margin	20.4%	20.7%	c. +140 bps
Industrial Automation	Revenues	3,770	3,964	
	Adjusted EBITA	685	758	
	Adjusted EBITA margin	18.2%	19.1%	c. +180 bps
Corporate	Central Functions & Digital Costs	(409)	(408)	
Total Group	Revenues	16,077	17,633	
	Adjusted EBITA	2,782	3,174	
	Adjusted EBITA margin	17.3%	18.0%	+190 bps

Appendix – Adjusted Net Income & Adjusted EPS

Key figures (€ million)	H1 2022	H1 2023	Change
Adjusted EBITA	**2,782**	**3,174**	**+14%**
Amortization of purchase accounting intangibles	(206)	(196)	
Financial Costs	(103)	(207)	
Income tax with impact from adjusted items[9]	(670)	(694)	
Equity investment & Minority Interests	-	(35)	
Adjusted Net Income (Group share)	**1,803**	**2,042**	**+13%**
Adjusted EPS (€)	**3.24**	**3.64**	**+12%**

9. The effective tax rate implied in the adjusted net income calculation for H1 2022 is adversely impacted by the write-offs in relation to Russia exit

Appendix – Free Cash Flow and Net Debt

Analysis of net debt change in € million	H1 2022	H1 2023
Net debt at opening at Dec. 31	**(7,127)**	**(11,225)**
Operating cash flow	2,578	2,681
Capital expenditure – net	(448)	(630)
Operating cash flow, net of capex	**2,130**	**2,051**
Change in trade working capital	(1,100)	(892)
Change in non-trade working capital	(589)	(339)
Free cash flow	**441**	**820**
Dividends	(1,650)	(1,806)
Acquisitions – net	(350)	90
Net capital increase / (decrease)	(219)	(41)
FX & other (incl. IFRS 16)	(308)	(825)
(Increase) / Decrease in net debt	**(2,086)**	**(1,762)**
Net debt at June 30	**(9,213)**	**(12,987)**