

H1 2021: Record performance in Revenues, Profitability and Cash flow Full Year 2021 Target upgraded

- **Q2 2021 revenues of €7.2 billion, up +24% org. (c.+6% vs. Q2 2019)**
 - **Energy Management revenue up +26% org. (c.+6% vs. Q2 2019), above pre-pandemic level in all regions**
 - **Industrial Automation revenue up +18% org. (c.+6% vs. Q2 2019), highest ever quarter in absolute value**
 - **Software & Services revenue up +14% org.; strong double-digit growth for Sustainability business**
- **H1 Group revenues of €13.8 billion, up +19% org. (c.+6% vs. H1 2019)**
- **Gross Profit at €5.7 billion, record high for H1, Gross Margin of 41.4%**
- **Adjusted EBITA at €2.4 billion, Adj. EBITA margin of 17.1%, expanding by +350 bps org.; both record highs for H1**
- **Adjusted Net Income of €1.6 billion, up +63%, all-time H1 high**
- **Record H1 FCF of €1.1 billion despite working capital requirements**
- **Existing share buyback program re-instated, to be completed by 2022**
- **New 2021-2025 Schneider Sustainability Impact program underway; Zero Carbon Project off to good start**

Rueil-Malmaison (France), July 30, 2021 - Schneider Electric announced today its second quarter revenues and half year results for the period ending June 30, 2021.

Key figures (€ million)	2020 H1	2021 H1	Reported Change	Organic Change
Revenues	11,575	13,774	+19.0%	+18.7%
Adjusted EBITA % of revenues	1,576 13.6%	2,362 17.1%	+49.9% +350 bps	+51.7% +350 bps
Net Income (Group share)	775	1,556	+101%	
Free Cash Flow	965	1,079	+12%	
Adjusted Earnings Per Share	1.80	2.92	+62%	

Page | 1

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Jean-Pascal Tricoire, Chairman and CEO, commented:

“In H1 2021, we are delivering record financial performance in revenues, profits and cash flow; resulting from the strong recovery and dynamics of our markets, the increased interest of our customers in our sustainability solutions based on digitization and low-carbon electrification, and new efficiencies in our way of working learned during the past 18 months. Our H1 exceeds pre-pandemic levels.

In a constrained supply chain environment, we are working closely with our suppliers to deliver to our customers and to support their growth and businesses, while also managing the increase of costs of materials, electronics and transportation. As always, we give the highest priority to the safety of our employees, partners and customers in a world which is still getting to grips with the pandemic.

In H1, we closed the acquisition of ETAP, and AVEVA closed the acquisition of OSIsoft. We are also progressing with the integration of ProLeiT and of RIB Software where we initiated the squeeze-out process. We have also announced our intention to launch a simplified tender offer for the remaining shares of IGE+XAO in order to accelerate the implementation of our strategy in Energy Management Software. We made strong steps in the integration of L&T E&A division, reinforcing our presence in India.

We have launched our new Schneider Sustainability Impact 2021-25 program, and we continue to grow our Sustainability business, delivering solutions to provide efficiency and sustainability to customers while also advising them on their ongoing sustainability journey.

We continue to progress on our ongoing optimization program, refocusing our portfolio through the disposal of €0.8 billion of revenues since the start of the program, and delivering over €200 million of structural efficiency savings in H1.

Based on the strength of our cash flows, we are reopening our share buyback program in H2 2021.

As we move into H2, we shall continue to prioritize serving our customers, supporting their growth and their needs in sustainability, digitization and electrification. In H2, we will face the impact of rising costs of raw materials and other inputs, along with continued tightness in global supply chains as we look to satisfy strong and sustained levels of demand. Despite the increased cost pressures, we upgrade our full year target.”

I. SECOND QUARTER REVENUES WERE UP +24% ORGANIC

2021 Q2 revenues were **€7,248 million**, up **+23.9%** organic and up +26.2% on a reported basis.

Products (60% of Q2 revenues) grew +30% organic in Q2 (+24% org. in H1, and c.+10% vs. H1'19), with the Group seeing a continued strong recovery linked to short-cycle demand. The Group benefitted from carryover and ongoing price actions, in addition to the low base of comparison. The growth in product revenues in Q2 was slightly higher in Energy Management as the Group's offers for residential and small buildings saw continued strong demand, while product revenues in Industrial Automation also grew strongly, led by OEM demand. The Group remained agile as it continued to deal with supply chain pressures in the quarter.

Systems (22% of Q2 revenues) increased +15% organic in Q2 (+13% org. in H1, but down c.-4% vs. H1'19). Growth in Systems revenue continued to be stronger in Energy Management in Q2, with strong contribution coming from the Data Center and Infrastructure end-markets. In Industrial Automation, Systems revenue grew in the quarter notably through sales to OEM but continued to be held back by weaker growth in Process & Hybrid end-markets, meaning that overall Systems revenues remained below pre-pandemic levels. The early signs of a demand recovery in some regions for Process & Hybrid markets has begun to translate into sales growth.

Software & Services (18% of Q2 revenues) grew +14% organic in Q2 (+10% org. in H1, and c.+9% vs. H1'19). Software and Digital Services grew double-digit organic in the quarter, led by strong performance from the Group's portfolio of digital offers, including those for EcoStruxure Advisors and cybersecurity services. AVEVA was impacted by the timing of some renewals, though continuing to see a good level of underlying demand. Recently closed acquisition OSIsoft performed strongly in its first quarter as part of the Group (included in scope effects for Q2 2021). The Group's offers for Sustainability services continued to gather attention from customers and suppliers alike, with this business showing strong double-digit growth in the quarter. Field Services also grew double-digit, against a low base of comparison with restricted site access in Q2'20.

Digital update: The Group continues to prioritize and track digital adoption with good progress in the growth of Assets under Management (AuM), reaching 5.1 million, up +48% year-on-year by the end of June 2021.

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

€ million		Q2 2021		
		Revenues	Organic Growth	Reported Growth
Energy Management	North America	1,694	+32.3%	+23.8%
	Western Europe	1,363	+25.6%	+30.5%
	Asia Pacific	1,714	+17.0%	+24.8%
	Rest of the World	767	+32.5%	+31.1%
	Total Energy Management	5,538	+25.7%	+26.7%
Industrial Automation	North America	437	+39.8%	+71.3%
	Western Europe	470	+24.0%	+27.0%
	Asia Pacific	554	+2.7%	+4.6%
	Rest of the World	249	+21.6%	+14.1%
	Total Industrial Automation	1,710	+18.0%	+24.5%
Group	North America	2,131	+33.4%	+31.2%
	Western Europe	1,833	+25.2%	+29.6%
	Asia Pacific	2,268	+13.0%	+19.1%
	Rest of the World	1,016	+29.6%	+26.5%
	Total Group	7,248	+23.9%	+26.2%

€ million		H1 2021		
		Revenues	Organic Growth	Reported Growth
Energy Management	North America	3,186	+17.6%	+9.3%
	Western Europe	2,704	+19.1%	+23.0%
	Asia Pacific	3,151	+22.0%	+31.2%
	Rest of the World	1,446	+21.0%	+16.6%
	Total Energy Management	10,487	+19.8%	+19.8%
Industrial Automation	North America	692	+13.5%	+22.2%
	Western Europe	966	+12.9%	+15.0%
	Asia Pacific	1,145	+19.2%	+20.6%
	Rest of the World	484	+13.5%	+4.2%
	Total Industrial Automation	3,287	+15.4%	+16.5%
Group	North America	3,878	+16.9%	+11.4%
	Western Europe	3,670	+17.4%	+20.8%
	Asia Pacific	4,296	+21.2%	+28.2%
	Rest of the World	1,930	+19.0%	+13.2%
	Total Group	13,774	+18.7%	+19.0%

STRONG PERFORMANCE IN ENERGY MANAGEMENT UP +26% ORGANIC IN Q2

Energy Management delivered a strong sales performance in the quarter, growing by +25.7% organic, with double-digit growth in all regions. This reflected the low base of comparison due to COVID-19 but revenue growth was also up c.+6% versus Q2 2019. The strong pace of underlying demand in Q1 continued into and across Q2 and was the main contributor to organic sales growth in the quarter. Price increases also contributed during the quarter. There was double-digit growth in Energy Management Field Services as access to sites improved in several countries.

- **Buildings** – Residential demand continued to lead growth in part due to the low base of comparison, but also reflecting multi-year strength due to a combination of factors including low-mortgage rates, consumer spending habits and government support in some countries. Non-residential also grew in the quarter. Non-Residential building demand remains good in Hospitals, Healthcare, Life Science and Warehouse/Distribution with some project delays and weakness in Hotels and new Office buildings.
- **Data Center** – Strong sales growth in Data Center & Networks continued in the quarter, including Distributed IT, Data Center and non-IT applications. The Group's unrivalled offering incorporating MV, LV, Secure Power, BMS, services and software (including AVEVA's Unified Operations Center) coupled with its global presence is relevant for both large and small installations. Localized Data Centers are becoming more relevant due to the need for reduced latency, improved fidelity, and increased data security and sovereignty requirements.

- **Infrastructure** – The Group's offers targeted at electric utility and grid operators continue to be increasingly relevant across public, private and commercial settings. Underlying demand remained solid in the quarter as countries continue to prioritize grid stability and resilience. The project to build-out Egypt's grid network booked in 2020 contributed to sales in Q2. Smart Grids, Microgrids and offers related to improved efficiency and sustainability continue to gain traction. The transportation segment (including EV charging/associated grid support) performed well, while Water and Wastewater (WWW) was impacted by a high base of comparison.
- **Industry** – The Group offers unique solutions to electro-intensive customers across both Discrete and Process & Hybrid industrial markets. In the quarter, the Group saw strong traction in Consumer Packaged Goods (CPG), and Metals, Mining and Minerals (MMM). Sales into the Oil and Gas segment (O&G) continue to be impacted by last year's oil price fall though the trend is improving.

The Group sells its Energy Management offers in conjunction with Industrial Automation in the Industry and Infrastructure end-markets.

Trends for Energy Management, by geography:

North America (31% of Q2 revenues) was up +32.3% organic (c.+6% vs. Q2 2019). The U.S., Canada and Mexico all grew strongly off the low base despite some supply chain constraints. Residential and Data Center end-markets were the main demand drivers in the quarter combined with successful innovative product launches across the Group's end-markets. There is solid demand for new-build, renovation and mixed-use in medium-sized and smaller cities combining digital and smart building technology though there continues to be weakness in Commercial buildings in large cities. Demand for the Group's offerings in the U.S. Infrastructure market is strong, as grid instability issues earlier in the year highlight the need for digitization and resilience. Field services grew strongly across the region. Performance in Canada was supported by good Data Center demand and Mexico by residential activity.

Western Europe (25% of Q2 revenues) grew +25.6% organic (c.+4% vs. Q2 2019), with strong underlying demand, and against a low base of comparison. The biggest contributor to growth in the region was France which continued to perform very strongly and continuing to grow when compared to 2019. Growth was supported by strong Residential building demand and Data Center. Other large countries in the region including the U.K., Italy and Spain also all delivered strong double-digit growth in the quarter and high-single digit when compared to 2019. The U.K. continued to see good demand in Residential buildings and also in non-Residential where there was good demand for modernization projects, while the Data Center market also performed strongly. Italy delivered strong growth across end-markets, while in Spain there was an acceleration in underlying performance benefiting from project execution in the electrical utilities segment, along with good growth from offers for Residential and non-Residential buildings. Germany delivered double-digit growth in the quarter representing a strong performance when taking into account the relatively higher base of comparison compared to the region overall. There was good growth across the rest of the region.

Asia-Pacific (31% of Q2 revenues) grew +17.0% organic (c.+8% vs. Q2 2019). China continued to perform strongly delivering double-digit growth in the quarter, notwithstanding a high-single digit base of comparison from Q2'20 when the country emerged from lockdown ahead of the rest of the region. Strong demand for the Group's offers in residential and commercial buildings continued in the quarter. Within Infrastructure, the electrical utility segment continued to see investment and delivered strong growth. Good performance in Data

Page | 6

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Center continued, against a high base of comparison. India saw strong growth in the quarter across multiple segments, with good demand in Data Center and Transportation markets, and a continuation of the strong rebound in offers for Industrial, Residential and small buildings despite the evolution of the health situation in the country during Q2'21. In Australia, continued good demand in Residential buildings and Distributed IT resulted in high-single digit growth in the quarter showing a sequential acceleration in underlying performance. Elsewhere in the region, Singapore performed well with good demand across the Group's offers, while Japan also contributed to the growth, with each exceeding pre-pandemic levels. Most countries were able to demonstrate growth in the quarter, however for several countries in East Asia, this was insufficient to offset the contraction of Q2'20, as the impact of COVID-19 continues to play out across the region.

Rest of the World (13% of Q2 revenues) grew +32.5% organic (c.+8% vs. Q2 2019). Africa and South America each delivered growth in excess of +50%, having been among the most impacted geographies in Q2'20, while CIS delivered strong double-digit growth mainly in Russia, with the level of demand in all three geographies ensuring that the contraction of last year could be more than recovered. The Middle East grew double-digit in the quarter however this was only sufficient to return to a stable level in comparison to 2019. Central & Eastern Europe also grew double-digit. In Africa, growth was led by Egypt as the Group continued to deliver a large infrastructure project, while in South America, Brazil contributed most to the growth with strength across the range of offers. Within the Middle East, Turkey continued to perform strongly complementing growth in multiple countries across the region, although mid- to late-cycle investment in Gulf countries remained depressed.

STRONG PERFORMANCE IN INDUSTRIAL AUTOMATION UP +18% ORGANIC IN Q2

The Group delivered +18.0% organic growth in Industrial Automation in Q2, with strong growth in sales made into Discrete automation end-markets. Sales into Process & Hybrid markets were weaker but grew against a low baseline with demand showing some early uptick in certain geographies. Field Services contributed positively with good growth in the quarter.

- In Discrete automation markets, the Group delivered strong growth across geographies returning to above pre-pandemic levels, primarily as a result of OEM demand. The packaging, material handling, hoisting and conveying equipment segments all performed strongly. There continues to be pressure on the supply of certain electronic components, which is impacting growth in some specific product lines.
- In Process & Hybrid automation markets, the Group delivered growth in the quarter against a low base of comparison but continued to be impacted by delayed investment decisions from customers and longer lead-times on projects. Segments including CPG and MMM continued to gain traction in Q2, while WWW remained soft, and O&G saw some signs of demand recovery. There was continued positive momentum in relation to cybersecurity services across segments. The Group's industrial software offer through AVEVA was impacted by timing of some renewals though continuing to see a good level of underlying demand. Recently closed acquisition OSIsoft performed strongly in its first quarter as part of the Group (included in scope effects for Q2 2021).

Trends for Industrial Automation, by geography:

North America (26% of Q2 revenues) was up +39.8% organic (c.+11% vs. Q2 2019). Sales growth was very strong across the region against a low base of comparison, driven by performance in Discrete automation markets. Led by the OEM and packaging segments, demand for the Group's offers in discrete automation generated growth in excess of 40% in the quarter, partly due to baseline, but also showing significant growth against Q2'19. The U.S., Canada and Mexico each saw strong growth, with the latter supported by a strong manufacturing recovery. In Process & Hybrid automation markets, there was a strong contribution to growth from the Group's industrial software offering through AVEVA, while growth from the Group's products, systems and services was around flat as demand remained subdued. Field services performed well, with strong growth in part due to the base of comparison when site access was restricted in Q2'20.

Western Europe (27% of Q2 revenues) grew +24.0% organic but remained down low-single digit against 2019. In each of the major economies of the region, growth was strongest for Discrete automation offers although with some early signs of recovery in Process & Hybrid markets in some countries. The recovery in Italy was particularly strong, up in excess of 40% in the quarter, and up against 2019, coming from an accelerating recovery of OEM demand, where export markets for machine manufacturing are performing well. France, the U.K., Germany, and Spain all grew double-digit in the quarter, with Germany and Spain returning to slightly above pre-pandemic levels having seen good performance both for Discrete automation offers, and with some positive signs in Process & Hybrid markets in Germany. In France, growth continued to be strongest in Discrete automation markets led by OEM demand, while in the U.K. growth from discrete automation offers was complemented by some stabilization in Process & Hybrid.

Asia-Pacific (32% of Q2 revenues) grew +2.7% organic (c.+6% vs. Q2 2019), against a relatively higher base of comparison, having already grown in Q2'20. China saw good growth against a strong double-digit base of comparison and despite some supply-chain pressures, due to continued robust demand from OEM customers serving both domestic and export markets. In Process & Hybrid markets, MMM has shown good traction. India rebounded strongly due to OEM demand across multiple segments, although the health situation in Q2 2021 did result in an underlying sequential contraction. Japan grew strongly in the quarter with good take-up for a new HMI offer helping a return to above pre-pandemic levels. South Korea remained challenged, around flat for the quarter with a solid performance in discrete automation markets offset by continued weakness in Process & Hybrid markets. Australia was down sharply in the quarter, mostly due to the timing of a Software renewal.

Rest of the World (15% of Q2 revenues) grew +21.6% organic (c.+18% vs. Q2 2019). South America led the growth in the region comfortably exceeding pre-pandemic levels in growing double-digit against Q2'19. Within the region, growth was driven by strong OEM demand from machine exporters in Brazil, with Process & Hybrid being around flat, although with some signs of a demand recovery. Africa also grew strongly mainly in discrete automation but was unable to fully offset the contraction of Q2'20. The Middle East and CIS both faced a high base of comparison, having seen strong growth in Q2'20, but each was able to deliver further growth in the quarter. This was predominantly due to strength in discrete automation markets, while Process & Hybrid markets remained challenged, notably in the Gulf region. Central & Eastern Europe saw strong growth.

CONSOLIDATION¹ AND FOREIGN EXCHANGE IMPACTS IN Q2

Net acquisitions / disposals had an impact of **+€340 million** or **+5.9%** of Group revenues. This includes the 2020 acquisitions of Larsen & Toubro E&A division, RIB Software and ProLeiT, and the 2021 acquisition of OSIsoft by AVEVA.

The impact of foreign exchange fluctuations was negative at **-€167 million** or **-3.6%** of Group revenues, primarily due to the strengthening of the Euro against the U.S. Dollar.

Based on current rates, the FX impact on FY 2021 revenues is estimated to be between **-€400 million** to **-€500 million**. The FX impact at current rates on adjusted EBITA margin for FY 2021 could be **around flat**.

II. H1 2021 KEY RESULTS

€ million	2020 H1	2021 H1	Reported change	Organic Change
Revenues	11,575	13,774	+19.0%	+18.7%
Gross Profit	4,621	5,704	+23.4%	+21.9%
<i>Gross profit margin</i>	39.9%	41.4%	+150 bps	+100 bps
Support Function Costs	(3,045)	(3,342)	+9.8%	+6.9%
<i>SFC ratio</i>	26.3%	24.3%	-200 bps	-250 bps
Adjusted EBITA	1,576	2,362	+49.9%	+51.7%
<i>Adjusted EBITA margin</i>	13.6%	17.1%	+350 bps	+350 bps
Restructuring costs	(221)	(121)		
Other operating income & expenses	(69)	35		
EBITA	1,286	2,276	+77%	
Amortization & impairment of purchase accounting intangibles	(86)	(180)		
Net income (Group share)	775	1,556	+101%	
Adjusted Net Income (Group share)²	995	1,621	+63%	
Adjusted EPS (€)	1.80	2.92	+62%	
Free Cash Flow	965	1,079	+12%	

- Changes in scope of consolidation also include some minor reclassifications of offers among different businesses.
- See appendix for Adjusted Net Income calculation.

▪ **ADJUSTED EBITA MARGIN AT 17.1%, UP +350 BPS ORGANIC DUE TO LEVERAGE ON HIGHER VOLUMES AND A GOOD LEVEL OF PRODUCTIVITY IN H1**

Gross profit was up **+21.9%** organic with Gross margin improving by **+100bps** organic to **41.4%** in H1 2021 mainly driven by productivity and a positive mix impact (an improvement of +120bps against H1 2019).

H1 2021 Adjusted EBITA reached **€2,362** million, increasing organically by **+51.7%** and the Adjusted EBITA margin expanded by **+350bps** organic to **17.1%** (an improvement of +220bps against H1 2019).

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

- Volume impact was positive, **+€742** million.
- The company continued to execute on its award-winning supply chain operation as it commenced its STRIVE program, contributing to an industrial productivity level of **+€194** million in H1. Industrial productivity was **+€251** million, before the headwind from higher costs of freight and certain electronic components, which were **-€57** million. The Group expects the higher cost of freight and certain electronic components to continue into H2. As previously communicated, the Group expects to generate around €1 billion of industrial productivity (before the impact of freight and electronic components) over a three-year period (2020-2022).
- The net price³ impact was positive at **+€65** million in H1 2021. Gross pricing on products was positive at **+€237** million due to pricing actions taken in the second half of 2020 and early 2021. In total, RMI was a headwind at **-€172** million. In H2 the Group expects an increased impact from RMI due to continued raw material price rises and lower mitigation from hedging activities.
- Cost of Goods Sold inflation was **-€39** million in H1 2021, of which the production labor cost and other cost inflation was **-€52** million, and a decrease in R&D in Cost of Goods Sold was **+€13** million. The overall investment in R&D, including in support function costs continued to rise as expected.
- Support function costs increased organically by **-€206** million, or **6.9%** organic in H1 2021 but the Group was able to reduce the overall SFC to Sales ratio from 26.3% to 24.3%, lower by 250bps organic.

The Group continued to deliver on its structural savings and cost efficiency plan (c. €1 billion of structural savings 2020-2022), with savings of €211 million in H1 2021. There was a partial reversal of the tactical savings of c. €200 million achieved in H1 2020, with €144 million returning to the cost base, although certain categories such as travel are yet to return in full. The Group invested €135

million on its strategic priorities in H1 including in relation to R&D, digital infrastructure, and service personnel. Additionally, the Group faced some impact from inflation for €71 million in H1.

- The impact of foreign currency decreased the adjusted EBITA by **-€88** million in H1 2021.
- H1 2021 performance resulted in a favorable mix effect of **+€29** million due to the relative strength of growth of the Products business, an improvement of margin in the Systems business and evolution of the geographical mix.
- The impact from scope & others was **+€89** million in H1 2021, coming mainly from the positive contribution from recent acquisitions RIB Software, L&T E&A division and OSIssoft.

By business, the H1 2021 adjusted EBITA for:

- **Energy Management** generated an adjusted EBITA of **€2,145 million**, or **20.5%** of revenues, up c. +330bps organic (up +340bps reported and c.+250bps org. vs. H1'19), due mainly to the increase in volume, a good level of industrial productivity in H1, and a positive impact from mix.
- **Industrial Automation** generated an adjusted EBITA of **€599 million**, or **18.2%** of revenues, up c. +320bps organic (up +300bps reported and c.+120bps org. vs H1'19), due mainly to the increase in volume, and a good level of industrial productivity in H1.
- **Central Functions & Digital Costs** in H1 2021 amounted to **€382 million** (€347 million H1 2020), reducing slightly as a proportion of revenue to 2.8%. Investment in the Group's strategic priorities increased year-over-year, while the Corporate cost element continued to be an area of focus and remained under tight control, representing around 0.8% of Group revenues in H1.

▪ ADJUSTED NET INCOME UP +63%

Restructuring charges were **-€121 million** in H1 2021, €100 million lower than last year as the Group implements its operational efficiency program to generate c. €1 billion of structural cost savings in the period 2020-2022. The Group expects some step-up in restructuring costs in H2.

Other operating income and expenses had a positive impact of **+€35 million**, where the gain on disposal from the Cable Support business more than offset other costs, consisting mainly of M&A and integration costs. H1 2020 saw a negative impact of **-€69 million** consisting mainly of M&A and integration costs.

The amortization and impairment of intangibles linked to acquisitions was **-€180 million** compared to **-€86 million** in the first half of last year. The increase was mostly driven by additional amortization linked with acquisitions completed in H2 2020 and H1 2021, including RIB Software, L&T E&A division and OSIssoft.

Net financial expenses were **-€78 million**, €94 million lower than in H1 2020. The cost of debt was down slightly year-on-year, and the Group benefitted from a favorable impact in the fair-value revaluation of financial assets.

Income tax amounted to **-€484 million**, higher than last year by €237 million as a function of the higher profit. The effective tax rate was 24.0%, unchanged from H1 2020.

Share of profit on associates increased slightly to **+€53 million**, from +€40 million in the first half of last year. The Group share of Delixi net income was +€50 million, up c.+€10 million year-on-year, with performance in H1 resulting in strong organic growth in revenues and profitability.

As a result, Net Income (Group share) was **€1,556 million** in H1 2021, up +101% from H1 2020 and up +57% from H1 2019. The Adjusted Net Income⁴ was **€1,621 million** in H1 2021, up +63% vs. H1 2020.

▪ **FREE CASH FLOW REACHED A RECORD €1.1 BILLION, UP +12%**

The Group delivered record H1 free cash flow of **€1,079 million**, primarily due to the P&L performance driving record operating cash flow for a first half of €2,136 million.

Trade working capital requirements impacted the free cash flow, as expected, as the balance of trade receivables and payables rebounded from the lower levels seen at the end of 2020, and inventory was built up in order to meet strong demand. Net capital expenditure of €379 million remained stable at ~3% of revenue.

▪ **BALANCE SHEET REMAINS STRONG**

Schneider Electric's net debt at June 30, 2021 amounted to **€7,873 million** (€3,561 million in December 2020) after payment of €1.5 billion to fulfill the 2020 dividend, net acquisitions of €4.0 billion including the payments for OSIssoft, ETAP and some additional holdings in RIB Software, and the strong free cash flow performance of H1.

The net debt at 31 December 2020 had benefitted from €1.1 billion of funds raised from a rights issue performed by AVEVA in anticipation of the closing of the OSIssoft transaction, which occurred in H1 2021.

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

4. See appendix for Adjusted Net Income calculation

III. SCHNEIDER SUSTAINABILITY IMPACT

Schneider Electric, named as the [world's most sustainable corporation 2021](#) by Corporate Knights Global 100 Index, announced the acceleration of its sustainability strategy in January, aligned to its [commitments](#) regarding climate, resources, trust, equal opportunities, generations and local communities in support of the United Nations Sustainable Development Goals (SDGs).

Since then, the Group has been accelerating its action to deliver on its ambitious 11 global and 1 local targets as part of its Schneider Sustainability Impact (SSI) program:

- with the successful launch of [The Zero Carbon Project](#) to sharply reduce its scope 3 emissions. A program already joined by more than 900 of Schneider's top suppliers whom Schneider Electric will train and support to halve carbon emissions in the next 5 years
- its sustainable business strategy keeps gaining traction as well with customers, resulting in a total of 302 million tons of saved and avoided CO₂ emissions for its customers at the end of the quarter (and since 2018)
- on top of global action, 100% of Schneider's country and zone presidents have now identified and established 200 local commitments for 2025, confirming an unprecedented global mobilization

"A successful sustainability program can only be built on trust and engagement." said Olivier Blum, Schneider Electric's Chief Strategy and Sustainability Officer. *"It's very encouraging to see such a high-level mobilization from our supply chain partners in our decarbonization journey, as well as that of our customers and employees – all of whom count on our unique expertise and experience in this field."*

At half year 2021, the SSI score reaches 3.26/10, still on track towards the end of year target set at 3.75/10. The details of SSI Q2 2021 results are as below.

2021-2025 SCHNEIDER SUSTAINABILITY Q2 2021 Results IMPACT



6 long-term commitments 11+1 targets for 2021 - 2025		Baseline	Q2 2021	2025 Target
CLIMATE 	1 Grow our green revenues ²	70%	70%	80%
	2 Help our customers save and avoid millions of tons of CO ₂ emissions ³	263M	302M	800M
	3 Reduce CO ₂ emissions from top 1,000 suppliers' operations ⁴	0%	In progress	50%
RESOURCES 	4 Increase green material content in our products ⁴	--	In progress	50%
	5 Primary and secondary packaging free from single-use plastic and using recycled cardboard ⁴	--	In progress	100%
TRUST 	6 Strategic suppliers who provide decent work to their employees ⁴	--	In progress	100%
	7 Level of confidence of our employees to report unethical conduct ⁵	81%	+0pts	+10pts
EQUAL 	8 Increase gender diversity in hiring (50%), front-line management (40%) and leadership teams (30%)	41/25/24	43/26/25	50/40/30
	9 Provide access to green electricity to 50M people ⁶	30M	31.2M	50M
GENERATIONS 	10 Double hiring opportunities for interns, apprentices and fresh graduates	4,939	x1.07	x2.00
	11 Train people in energy management ⁷	281,737	294,017	1M
LOCAL 	+1 Country and Zone Presidents with local commitments that impact their communities	0%	100%	100%

¹ 2021 baseline 3/10, 2025 target 10/10 ² baseline 2019 ³ cumulated since 2018 ⁴ program in development ⁵ baseline 2021 ⁶ cumulated since 2008 ⁷ cumulated since 2009

Schneider Electric Sustainability recognitions and rankings include:

- **Global 100**, Schneider Electric ranked world's most sustainable company by Corporate Knights
- **Ethisphere**, once again recognized as one of the world's most ethical companies
- **Clean 200**, Schneider Electric has been listed on the 2021 Carbon Clean 200™ list of publicly-traded companies that are leading the way with solutions for the transition to a clean-energy future.
- **Financial Times**, Schneider Electric included in the Top 50 for The Diversity Leaders 2021 ranking
- **Fortune**, Schneider Electric named one of the World's Most Admired Companies for the fourth year in a row, number 3 in Electronics industry
- **Bloomberg**, Schneider Electric included in the Gender-Equality Index for fourth consecutive year
- Schneider named as the **Best Global Sustainable Supply Chain Organization** at the Global Sustainable Supply Chain Summit in June 2021
- Schneider Electric ranked 4th in **Gartner's Top 25 Supply Chain Award**

To access Schneider Electric Sustainability reports with detailed results and highlights click here (<https://www.se.com/ww/en/about-us/sustainability/sustainability-reports/index.jsp>)

IV. PORTFOLIO UPDATES

Acquisitions

- As announced on June 28, the Group has successfully completed the transaction to purchase a controlling stake in Operation Technology Inc. (“ETAP”), the leading platform for electrical power systems modelling and simulation. Alongside existing offers from IGE+XAO and Alpi, the addition of ETAP will complement Schneider Electric’s software offer in respect of electrical CAD, in the ‘Design’ phase of the building lifecycle. ETAP will be consolidated within the Energy Management business.
- On June 10, the Group purchased the part of the minority holding in RIB Software belonging to CEO Tom Wolf and co-CFO Michael Sauer and their wives, increasing the Group’s ownership to c.96%. On July 5, the Group commenced squeeze-out proceedings to acquire the remaining shares for an appropriate cash compensation which will be independently assessed by a court appointed auditor. This process is expected to complete in December 2021. RIB Software is fully consolidated into the Energy Management business.
- On July 20, the Group announced its intention to launch a simplified cash tender offer for the remaining shares of IGE+XAO. Preceding the offer, the Group held c.68% of the share capital of IGE+XAO, which is fully consolidated into the Energy Management business.

Disposals

- The transaction announced on April 27, to divest the Cable Support business (Northern European provider of cable support systems for buildings and infrastructure) to Storskogen Group was completed on June 30.
- On July 12, the Group signed an agreement for the disposal of Schneider Electric Motion USA (a manufacturer of motion control components for automation equipment) to Novanta Inc., headquartered in Bedford, MA. The business has around 60 employees, and is headquartered in Marlborough, CT.
- The Group today announces the signing of an agreement to divest its IMServ business to Funds advised by Blue Water Energy LLP, a U.K.-based private equity firm (regulated by the Financial Conduct Authority). IMServ (a provider of metering and data services to the energy market) has around 525 employees, primarily in the U.K.

Including the transactions above, the Group has now cumulatively addressed revenues of €0.8 billion, against its portfolio optimization program for the disposal / deconsolidation of revenues of €1.5 billion to €2.0 billion by the end of 2022.

Page | 15

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The Group now expects scope impact of around +€900 million on 2021 revenues and around +10bps on 2021 adjusted EBITA margin, based on transactions completed to-date, and taking into account a one-time technical accounting adjustment relating to the acquired deferred revenue of OSIsoft. The underlying margin accretion of c.+30bps expected from OSIsoft on a full year basis remains intact.

V. SHARE BUYBACK

Following the performance of H1 2021, including generating a strong free cash flow despite the anticipated working capital headwinds, the Board of Directors has agreed to the reinstatement of the existing share buyback program of the Group, effective immediately.

As announced in February 2019, the Group had initiated a €1.5 billion to €2.0 billion share buyback program over three years (2019-2021), against which a cumulative €316 million of buyback had been completed prior to the suspension of the program. Pursuant to the 15th resolution approved at the 2021 Annual Shareholders' Meeting, the Board of Directors' is authorized to purchase shares up to a maximum price of €150 per share.

The program will now be re-started, with the timeframe for completion extended by 12 months, to run until the end of 2022.

VI. CAPITAL MARKETS DAY

The Group will host a virtual Capital Markets Day for investors and financial analysts on November 30, 2021. The event will focus on the main priorities to drive profitable growth in the coming years.

VII. DIVIDEND

The dividend payment of €2.60 per share for Fiscal Year 2020 was paid on May 12, 2021.

The dividend payment for Fiscal Year 2021 will be on May 19, 2022.

VIII. EXPECTED TRENDS IN H2

In H2, the Group expects a continuation of strong and dynamic market demand, including further recovery in late-cycle segments. All regions and all four end-markets that the Group sells into are expected to contribute to growth in H2. The Group acknowledges ongoing uncertainties in the markets in which it operates, including those linked to rising COVID-19 infections in many countries, alongside the potential impact of continuing global supply chain pressures. Additionally, the Group expects to face increased input costs, including in relation to raw materials, freight and the sourcing of electronic components.

IX. 2021 TARGET UPGRADED

The Group upgrades its target (assuming no further deterioration linked to COVID-19 leading to significant economic disruption) as follows:

2021 Adjusted EBITA growth of between +19% and +24% organic. (previously between +14% and +20% 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 +8% to +11% organic)
- Adjusted EBITA margin up +120bps to +150bps organic (previously +90bps to +130bps organic)

This implies Adjusted EBITA margin of around 16.9% to 17.2% (including scope based on transactions completed to-date and FX based on current estimation).

Further notes on 2021 available in appendix

The financial statements of the period ending June 30, 2021 were established by the Board of Directors on July 29, 2021 and certified by the Group auditors on that date.

The Q2 2021 & H1 2021 Results presentation is available at www.se.com

Q3 2021 Revenues will be presented on October 27, 2021.

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 Universal 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:

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 2021

- **Foreign Exchange impact:** Based on current rates, the FX impact on FY 2021 revenues is estimated to be between **-€400 million** to **-€500 million**. The FX impact at current rates on adjusted EBITA margin for FY 2021 could be **around flat**
- **Scope:** Around **+€900 million** on 2021 revenues and **around +10 bps** on 2021 adjusted EBITA margin, based on transactions completed to-date, and taking into account a one-time technical accounting adjustment relating to the acquired deferred revenue of OSIsoft. The underlying margin accretion of c.+30bps expected from OSIsoft on a full year basis remains intact
- **Tax rate:** The ETR is expected to be in a **22-24%** range in 2021
- **Restructuring:** The Group expects restructuring costs of between **€1.15 - €1.25 billion** over three years (2020-2022) as previously communicated
- **Industrial Productivity:** Over a three-year period (2020-2022) the Group expects Industrial Productivity of around **€1 billion** as previously communicated

Appendix – Revenues breakdown by business

Second quarter 2021 revenues by business were as follows:

€ million	Q2 2021				
	Revenues	Organic growth	Changes in scope of consolidation	Currency effect	Reported growth
Energy Management	5,538	+25.7%	+4.8%	-3.8%	+26.7%
Industrial Automation	1,710	+18.0%	+9.5%	-3.0%	+24.5%
Group	7,248	+23.9%	+5.9%	-3.6%	+26.2%

Half year 2021 revenues by business were as follows:

€ million	H1 2021				
	Revenues	Organic growth	Changes in scope of consolidation	Currency effect	Reported growth
Energy Management	10,487	+19.8%	+5.0%	-5.0%	+19.8%
Industrial Automation	3,287	+15.4%	+5.6%	-4.5%	+16.5%
Group	13,774	+18.7%	+5.1%	-4.8%	+19.0%

Appendix – Consolidation

Number of months in scope	Acquisition/ Disposal	2020				2021			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Larsen & Toubro E&A Primarily Energy Management Business	Acquisition			1m	3m	3m	3m	2m	
RIB Software Energy Management Business	Acquisition			3m	3m	3m	3m		
ProLeiT Industrial Automation Business	Acquisition			2m	3m	3m	3m	1m	
OSisoft Industrial Automation Business	Acquisition						3m	3m	3m
ETAP Energy Management Business	Acquisition							3m	3m
Cable Support Energy Management Business	Disposal	3m	3m	3m	3m	3m	3m		

Appendix – Gross Margin, Analysis of Change

	H1
	Gross Margin
H1 2020 GM	39.9%
Volume	0.0pts
Net Price	-0.2pts
Productivity	+1.4pts
Mix	+0.2pts
R&D & Production Labor Inflation	-0.3pts
FX	+0.1pts
Scope & Others	+0.3pts
H1 2021 GM	41.4%

Appendix - Results breakdown by business

€ million		H1 2020	H1 2021	Organic
Energy Management	<i>Revenues</i>	8,755	10,487	
	<i>Adjusted EBITA</i>	1,494	2,145	
	<i>Adjusted EBITA margin</i>	17.1%	20.5%	c. +330 bps
Industrial Automation	<i>Revenues</i>	2,820	3,287	
	<i>Adjusted EBITA</i>	429	599	
	<i>Adjusted EBITA margin</i>	15.2%	18.2%	c. +320 bps
Corporate	<i>Central Functions & Digital Costs</i>	(347)	(382)	
Total Group	<i>Revenues</i>	11,575	13,774	
	<i>Adjusted EBITA</i>	1,576	2,362	
	<i>Adjusted EBITA margin</i>	13.6%	17.1%	+350 bps

Appendix – Adjusted Net Income & EPS

Key figures (€ million)	H1 2020	H1 2021	Change
Adjusted EBITA	1,576	2,362	+50%
Amortization of purchase accounting intangibles	(86)	(180)	
Financial Costs	(172)	(78)	
Income tax with impact from adjusted items	(317)	(505)	
Equity investment & Minority Interests	(6)	22	
Adjusted Net Income (Group share)	995	1,621	+63%
Adjusted EPS (€)	1.80	2.92	+62%

Appendix – Free Cash Flow and Net Debt

Analysis of debt change in €m	H1 2020	H1 2021
Net debt at opening at Dec. 31	(3,792)	(3,561)
Operating cash flow	1,459	2,136
Capital expenditure – net	(339)	(379)
Operating cash flow, net of capex	1,120	1,757
Change in trade working capital	178	(605)
Change in non-trade working capital	(333)	(73)
Free cash flow	965	1,079
Dividends	(1,427)	(1,489)
Acquisitions – net	(140)	(3,958)
Net capital increase	(50)	-
FX & other (incl. IFRS 16)	(326)	56
(Increase) / Decrease in net debt	(978)	(4,312)
Net debt at Jun. 30	(4,770)	(7,873)