

Strong performance in H1 2022; Full Year 2022 Target upgraded

- **Quarterly revenues of €8.5 billion in Q2, up +10% org. despite lockdowns in China and impact from Russia**
 - **Energy Management revenue up +12% org.**
 - **Industrial Automation revenue up +6% org.**
- **H1 Group revenues of €16.1 billion, up +10% org.**
- **Adjusted EBITA at €2.8 billion, up +10% org.; Strong Adj. EBITA margin of 17.3% down -10bps org. in highly inflationary environment**
 - **Positive net price versus RMI, electronics and freight**
 - **Supply chain pressures continue with some easing in Q2 (excluding impacts of Russia and China)**
- **Adjusted Net Income of €1.8 billion, up +11%**
- **Record Operating Cash Flow of €2.6 billion in H1; FCF continues to be impacted by prioritizing strategic supply**
- **Cumulative revenues of €1.1 billion addressed of €1.5 - €2.0 billion disposal program; remain committed to share buyback program of €1.5 - €2.0 billion**
- **Schneider Sustainability Impact program progressing in H1**
- **FY22 Target upgraded: Continued strong demand and agile response to inflation drives upgraded expectation for growth**

Rueil-Malmaison (France), July 28, 2022 - Schneider Electric announced today its second quarter revenues and half year results for the period ending June 30, 2022.

Key figures (€ million)	2021 H1	2022 H1	Reported Change	Organic Change
Revenues	13,774	16,077	+16.7%	+10.1%
Adjusted EBITA	2,362	2,782	+17.8%	+9.6%
% of revenues	17.1%	17.3%	+20 bps	-10 bps
Adj. Net Income (Group share)	1,621	1,803	+11%	
Operating Cash Flow	2,136	2,578	+21%	
Free Cash Flow	1,079	441	-59%	
Adjusted Earnings Per Share	2.92	3.24	+11%	

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Jean-Pascal Tricoire, Chairman and CEO, commented:

“In the first six months of 2022 we faced a very disturbed environment: the war in Ukraine entailing sanctions on Russia, the resurgence of COVID-19, particularly in China in the second quarter, tensions on supply chain as a collateral of a continued strong demand, and inflation on costs.

Against these headwinds, we deliver a strong financial performance in H1. We confirm the good momentum of Q1 and deliver another quarter of strong growth and record high revenues in Q2, bringing our organic growth in H1 to 10% despite the negative impacts from China and Russia. Demand for our synergetic portfolio integrating digitization for efficiency and electrification for decarbonization is boosted by the acceleration of the energy transition in a context of tensions and inflated prices in energy, as well as by the priority set by most companies and societies on digitization, sustainability and reshoring. As expected, our H1 margin reflects a return to a more normal seasonality as many countries exit the pandemic. We maintain our margin in the backdrop of unprecedented inflation. While our operating cash flow reaches another all-time high, our free cash flow is impacted by our choice to carry more stock and secure our supply, and by the disturbances brought by the lockdown in China. Our growth is still constrained considerably by the upstream supply of our suppliers, but we see some gradual easing coming up in H2.

During the first half of the year, we continue to progress on our disposal program, and adapt to the new context by transferring our Russia operations to our local management. Outside of Russia, we have cumulatively addressed €1.1 billion of our overall program of €1.5 - €2.0 billion of revenues, which remains on target for completion by the end of the year and we stay committed to our share buyback program of €1.5 - €2.0 billion.

Considering the strong momentum of H1, our robust order intake and agile pricing strategy, we are upgrading our full-year target and confirm our expectation to drive our free cash flow to around €3 billion.”

I. SECOND QUARTER REVENUES WERE UP +10% ORGANIC

2022 Q2 revenues were **€8,511 million**, up **+10.3%** organic and up **+17.4%** on a reported basis.

Products (59% of Q2 revenues) grew +10% organic in Q2, despite ongoing constraints from availability of electronic components. There was double-digit growth for Energy Management while Industrial Automation was up mid-single digit. There was a strong contribution from pricing, while volumes expanded slightly (volume was impacted by specific circumstances in China and Russia).

Systems (24% of Q2 revenues) grew +12% organic in Q2, with double-digit growth in each of the Group's two businesses supported by price actions. Energy Management experienced strong demand across end-markets, but growth was constrained by the availability of electronic components. Industrial Automation was also impacted by supply chain pressures, although systems sales in Process Automation end-markets continued to recover and showed strong growth in the quarter.

Software & Services (17% of Q2 revenues) grew +8% organic in Q2.

Software and Digital Services grew mid-single digit in Q2. AVEVA was impacted by lower perpetual license revenue and the timing of closing some contracts but continued their focus on Annualized Recurring Revenue (ARR). AVEVA's ARR grew double-digit year-on-year. The Group's agnostic software offers within its Energy Management business (RIB Software, IGE+XAO, Alpi) grew double-digit organic. The recent acquisition of ETAP (included in scope effects) also grew double-digit. Digital services grew high-single digit with strong growth across the EcoStruxure™ Advisors in Energy Management.

Field Services grew double-digit in Q2, showing good sequential improvement. While overall tightness in electronic components remains, an improvement in the availability of components for spare parts supported the growth in Energy Management. Services within Industrial Automation continued to be impacted by the slower recovery and longer lead times in Process & Hybrid segments, limiting the ability to sell bundled service contracts.

Sustainability Business: The Group's Sustainability offers (split between Digital and Field Services) delivered strong double-digit growth in the quarter, led by North America. The Group remains focused on leveraging sustainability consulting as a catalyst for the rest of the portfolio.

Digital update: The Group continues to prioritize and track digital adoption with good progress in the growth of Assets under Management (AuM), reaching 6.5 million, up +35% year-on-year at the end of Q2, increasing from 6.2 million at the end of Q1. The Group continues to track the evolution of its digital flywheel. In Q2, the organic growth of revenues included in the digital flywheel (representing c.50% of 2021 Group revenues) outperformed the Group average, particularly led by +18% organic growth in connectable products.

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

€ million		Q2 2022		
		Revenues	Organic Growth	Reported Growth
Energy Management	North America	2,195	+13.3%	+29.5%
	Western Europe	1,594	+17.9%	+17.0%
	Asia Pacific	1,974	+6.1%	+15.2%
	Rest of the World	871	+9.6%	+13.6%
	Total Energy Management	6,634	+11.6%	+19.8%
Industrial Automation	North America ¹	471	+3.7%	+8.0%
	Western Europe	519	+13.3%	+10.3%
	Asia Pacific	617	+2.8%	+11.6%
	Rest of the World	270	+5.0%	+8.3%
	Total Industrial Automation	1,877	+6.0%	+9.8%
Group	North America	2,666	+11.3%	+25.1%
	Western Europe	2,113	+16.7%	+15.3%
	Asia Pacific	2,591	+5.3%	+14.3%
	Rest of the World	1,141	+8.4%	+12.3%
	Total Group	8,511	+10.3%	+17.4%

1 OSIsoft global revenues are fully reported within North America

€ million		H1 2022		
		Revenues	Organic Growth	Reported Growth
Energy Management	North America	3,978	+11.9%	+24.9%
	Western Europe	3,005	+11.7%	+11.1%
	Asia Pacific	3,678	+8.6%	+16.7%
	Rest of the World	1,646	+12.1%	+13.9%
	Total Energy Management	12,307	+10.8%	+17.4%
Industrial Automation	North America ²	955	+12.6%	+37.9%
	Western Europe	1,041	+10.7%	+7.8%
	Asia Pacific	1,233	+0.4%	+7.8%
	Rest of the World	541	+11.6%	+11.7%
	Total Industrial Automation	3,770	+7.5%	+14.7%
Group	North America	4,933	+12.0%	+27.2%
	Western Europe	4,046	+11.4%	+10.2%
	Asia Pacific	4,911	+6.4%	+14.3%
	Rest of the World	2,187	+12.0%	+13.3%
	Total Group	16,077	+10.1%	+16.7%

Q2'22 PERFORMANCE BY END-MARKET

The Group 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. In Q2, the Group continues to see strong demand across all end-markets and geographies with increased customer focus on electrification, digitization and sustainability.

- **Buildings** – Demand for the Group’s end-to-end offer suite for the Buildings end-market remained strong in the quarter. Demand was strong in non-residential segments including healthcare, retail and hotels. Sales growth in the Residential end-market also continued to be strong led by North America and Europe. The Group’s Smart Building offers to enable decarbonization of Buildings leading to increased efficiency and sustainability saw significant traction with customers, particularly in Europe and North America.
- **Data Center** – The Data Center & Network end-market continues to remain very strong. The Group has a broad exposure across the full spectrum of offers (MV, LV, Secure Power, Cooling, BMS, Software) leading to another quarter of strong demand and sales growth. The Group saw strong sales growth from Distributed

² OSIsoft global revenues are fully reported within North America

IT, Edge and Commercial & Industrial customers. Cloud & Service providers growth was broad based across geographies with good demand including from Internet Giants.

- **Infrastructure** – Overall demand within the Infrastructure end-market was strong. In the Electric Utilities segment, overall demand remains strong supported by sustainable and renewable investments particularly in the U.S. and Europe. Governments and consumers in these countries are prioritizing the need for resilience of the grid and energy security. Sales growth in the quarter was impacted due to a high base of comparison from an on-going project in Egypt. Water and Wastewater experienced another strong quarter of demand while Transportation segment demand remained stable.
- **Industry** – Sales in Discrete Automation markets grew mid-single digit, impacted by supply chain shortages and China lockdowns. Sales growth was led by customers in the cranes/hoists, conveying equipment, material working/machinery, Food & Beverage and semiconductor segments. In Process markets demand in Metals, Mining and Minerals remained strong across both Energy Management and Industrial Automation while Oil & Gas saw strong sales growth outside Russia in the quarter. Process markets have benefitted from the rise in commodity prices and there continues to be an increasingly positive impact from customer's sustainability initiatives, the introduction of new technologies and digital transformation.

Group trends by geography:

North America (31% of Q2 revenues) was up +11.3% organic against a high base of comparison and impacted by ongoing component shortages.

In Energy Management, which grew +13.3% organic, the U.S., Canada and Mexico each delivered double-digit growth. There was continued strong demand across end-markets including in Data Center and residential buildings, with pressures on global supply chains continuing to weigh on sales growth. Growth was led by product sales, with strong growth through distribution channels. There was good execution on projects, including in the Infrastructure end-market, and a sequential improvement in Field Services growth. The Group's Sustainability Business offers grew strong double-digit.

Industrial Automation grew +3.7% organic. The U.S. delivered high-single digit growth in Discrete Automation markets with strength in machinery related OEMs, while performance in Process & Hybrid was around flat. Canada saw high-single digit growth in Discrete Automation, while Mexico continued to benefit from execution on a large process industry project. Software revenues were down low-single digit due to contract timing in the prior year.

Western Europe (25% of Q2 revenues) grew +16.7% organic against a high base of comparison.

Energy Management grew +17.9% organic. Each of the five major economies grew double-digit led by France, Germany and the U.K. In France, there was strong growth across the portfolio, led by the Buildings end-market (both residential and non-residential). Germany saw good backlog execution and solid underlying market

conditions while the U.K. continued to benefit from infrastructure investments, most notably in the electrical grid and good growth in field services. Outside of the major economies, growth was broad based, with notable contributions from Denmark and the Netherlands. In general, Europe is seeing benefits from actions to promote E.U. building renovation, reduced dependence on gas and investment in data centers.

Industrial Automation grew +13.3% organic. There was double-digit growth in each of France, Italy, Germany and Spain while the U.K. also grew. Discrete Automation saw double-digit growth, led by contributions from France, Italy and Germany with strength in OEM segments. Growth from sales into Process & Hybrid markets remained challenged in the quarter with some on-going supply chain impacts, though the demand pipeline improved. Software grew strongly, up double-digit, led by France.

Asia-Pacific (31% of Q2 revenues) grew +5.3% organic, with China down as expected due to the COVID-19 related lockdowns in the quarter. China was down high-single digit in the quarter but recovered to strong double-digit growth in June. All Shanghai factories were back at full capacity from early June, with a good level of demand post-lockdowns.

In Energy Management, which grew +6.1% organic, China was down due to the Shanghai lockdowns disrupting supply chains, with a strong recovery in June. There was continued dynamic growth in India, up strong double-digit in Q2, despite a high base of comparison, with strong demand across the portfolio and notably in Building (both residential and non-residential) and Data Center end-markets. Australia was up mid-single digit with strong growth in non-residential buildings, including for digital offers. There were strong contributions elsewhere in the region, notably Singapore, Taiwan, Malaysia and Thailand all of which grew strong double-digit.

In Industrial Automation, which grew +2.8% organic, China was down due to the Shanghai lockdowns and supply-chain shortages, with a strong recovery in June. The region benefitted from timing on a software contract in Australia. Outside China, performance was contrasted between strong growth in Discrete automation markets, while in Process & Hybrid markets growth remained challenged despite positive demand trends. India saw strong growth, with continued traction in Discrete Automation markets particularly in OEMs and the transportation segment. South Korea and Taiwan each grew strong double-digit, mainly driven by Discrete Automation particularly with OEMs.

Rest of the World (13% of Q2 revenues) grew +8.4% organic against a high base of comparison.

In Energy Management, which grew +9.6% organic, each of Middle East, South America and Central & Eastern Europe grew strong double-digit, notably in Turkey where demand for the Group's Energy Management products remained very strong and in the U.A.E where ongoing projects are continuing at pace. In Argentina and Brazil there was strong demand in residential and non-residential building markets which was supported by price actions in these commodity-driven economies. Africa was around flat against a high base of comparison with a large infrastructure project in the baseline. CIS was down as a consequence of the Russia/Ukraine war.

In Industrial Automation, which grew +5.0% organic, all sub-regions grew double-digit with the exception of CIS which was down as described above. There was high-single digit growth in sales into Discrete Automation markets where, in particular, Turkey saw strong growth. In Process & Hybrid markets (excluding impacts of Software) the growth recovery continued to gather momentum, with double-digit growth in Q2 where there was good traction on projects in the Middle East and Africa. Software revenues were lower in part due to Russia.

CONSOLIDATION³ AND FOREIGN EXCHANGE IMPACTS IN Q2

Net acquisitions / disposals had an impact of **-€18 million** or **-0.2%** of Group revenues. This includes mainly the impact of some disposals made in H2 2021 (Cable Support, Schneider Electric Motion USA, IMServ), partly offset by the 2021 acquisition of ETAP.

The impact of foreign exchange fluctuations was positive at **+€491 million** or **+6.8%** of Group revenues, primarily due to the strengthening of the U.S. Dollar and Chinese Yuan against the Euro.

Based on current rates, the FX impact on FY 2022 revenues is estimated to be between **+€1.7 billion to +€1.8 billion**. The FX impact at current rates on adjusted EBITA margin for FY 2022 could be **around +20bps**.

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

II. H1 2022 KEY RESULTS

€ million	2021 H1	2022 H1	Reported change	Organic Change
Revenues	13,774	16,077	+16.7%	+10.1%
Gross Profit	5,704	6,535	+14.6%	+7.2%
<i>Gross profit margin</i>	<i>41.4%</i>	<i>40.6%</i>	<i>-80 bps</i>	<i>-110 bps</i>
Support Function Costs	(3,342)	(3,753)	+12.3%	+5.5%
<i>SFC ratio</i>	<i>24.3%</i>	<i>23.3%</i>	<i>+100 bps</i>	<i>+100 bps</i>
Adjusted EBITA	2,362	2,782	+17.8%	+9.6%
<i>Adjusted EBITA margin</i>	<i>17.1%</i>	<i>17.3%</i>	<i>+20 bps</i>	<i>-10 bps</i>
Restructuring costs	(121)	(85)		
Other operating income & expenses	35	(304)		
EBITA	2,276	2,393	+5%	
Amortization & impairment of purchase accounting intangibles	(180)	(206)		
Net income (Group share)	1,556	1,519	-2%	
Adjusted Net Income (Group share)⁴	1,621	1,803	+11%	
Adjusted EPS (€)	2.92	3.24	+11%	
Free Cash Flow	1,079	441	-59%	

- **ADJUSTED EBITA MARGIN AT 17.3%, DOWN -10 BPS ORGANIC DUE TO INFLATIONARY PRESSURES IMPACTING RAW MATERIALS AND PRODUCTIVITY MITIGATED BY STRONG PRICE ACTIONS**

Gross profit was up **+7.2%** organic with Gross margin at **40.6%** in H1 2022 with a combination of strong pricing offset by higher raw material prices and headwinds from freight, electronics and other inflationary costs in the supply chain. Sales volume was impacted by Russia and China.

H1 2022 Adjusted EBITA reached **€2,782** million, increasing organically by **+9.6%** and the Adjusted EBITA margin was **17.3%** down **-10bps** organically.

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

- Volume impact was positive, **+€301** million.

4. See appendix for Adjusted Net Income calculation.

- The Group's industrial productivity level was **-€288** million in H1. Underlying industrial productivity was **+€10** million, before the headwind from higher costs of freight, electronic components and other inflationary items in the supply chain which totaled **-€298** million.
- The net price⁵ impact was positive at **+€418** million in H1 2022. Gross pricing on products was positive at **+€730** million due to pricing actions taken in H2 2021 and H1 2022. In total, RMI was a headwind at **-€312** million. Net price after taking into account freight, electronic components and other inflationary items in the supply chain was **+€120** million.
- Cost of Goods Sold inflation was **-€79** million in H1 2022, of which the production labor cost and other cost inflation was **-€49** million, and an increase in R&D in Cost of Goods Sold was **-€30** million. The overall investment in R&D, including in support function costs continued to increase as expected and represented 5.3% of H1 2022 revenue.
- Support function costs increased organically by **-€190** million, or **+5.5%** organic in H1 2022 but the Group was able to reduce the overall SFC to Sales ratio from 24.3% to 23.3%, improving by 100bps organic.

The Group continued to deliver on its structural savings and cost efficiency plan with savings of €99 million in H1 2022. The Group invested an additional €250 million on its strategic priorities in H1 2022 including in relation to R&D and digital infrastructure. Additionally, the Group faced some impact from inflation for €97 million in H1 2022.

Cumulatively, the Group has now delivered structural savings of c.€860 million since the start of 2020, against its operational efficiency plan to deliver c.€1 billion of structural savings in the period 2020-2022.

- The impact of foreign currency increased the adjusted EBITA by **+€144** million in H1 2022.
- H1 2022 performance resulted in a favorable mix effect of **+€89** million due to a strong improvement of Gross Margin in the Systems business and a positive contribution from AVEVA (including OSIssoft which is part of organic performance from Q2) more than offsetting impacts from the relatively faster growth of Systems volumes and geographical mix.
- The impact from scope & others was **+€25** million in H1 2022, coming mainly from the positive contribution from OSIssoft in Q1.

By business, the H1 2022 adjusted EBITA for:

- **Energy Management** generated an adjusted EBITA of **€2,506 million**, or **20.4%** of revenues, down c. -10bps organic (down -10bps reported), mainly due to lower productivity (inclusive of inflationary costs of freight, electronics and others) and higher R&D and production labor inflation, which could only be partly offset by good volumes and net pricing.
- **Industrial Automation** generated an adjusted EBITA of **€685 million**, or **18.2%** of revenues, down c. -50bps organic (flat reported), mainly due to lower productivity (inclusive of inflationary costs of freight, electronics and others) and other inflation throughout the cost base, which could only be partly offset by good volumes and net pricing.
- **Central Functions & Digital Costs** in H1 2022 amounted to **€409 million** (€382 million in H1 2021), reducing slightly as a proportion of revenue to 2.5%. 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.

▪ **ADJUSTED NET INCOME UP +11%**

Restructuring charges were **-€85 million** in H1 2022, €36 million lower than last year. The Group continues to implement its operational efficiency program to generate c. €1 billion of structural cost savings in the period 2020-2022. The Group continues to expect the restructuring charges needed to generate the c.€1 billion of structural savings to be between €850 million - €950 million over the period 2020-2022. The Group has incurred restructuring costs totaling €731 million up to the end of H1 2022.

Other operating income and expenses had an impact of **-€304 million**, primarily consisting of an initial -€220 million write-off of net book value on Russia operations and some M&A and integration costs. For full year 2022 the Group still expects a write-off of up to €300 million in net book value as a result of the wind-down of its presence in Russia. H1 2021 saw a positive impact of +€35 million where the gain on a disposal more than offset the costs of M&A and integration.

The amortization and impairment of intangibles linked to acquisitions was **-€206 million** compared to -€180 million in the first half of last year. The increase was mostly driven by additional amortization linked with acquisitions completed during 2021, mainly OSIssoft.

Net financial expenses were **-€103 million**, €25 million higher than in H1 2021. The cost of debt was down slightly year-on-year, the increase of net financial expenses being driven by fair value revaluation of financial assets, as well as revaluation of hyperinflationary economies.

Income tax amounted to **-€565 million**, higher than last year by €81 million as a function of the higher profit. The effective tax rate was 27.1%, (compared to 24.0% in H1 2021), higher due to the impact of the Russia disposal (ETR of 25.0% excluding Russia).

Share of profit on associates decreased to **+€33 million**, from +€53 million in the first half of last year largely due to the impact of lockdowns in China on Delixi.

As a result, Net Income (Group share) was **€1,519 million** in H1 2022, down -2% from H1 2021. The Adjusted Net Income⁶ was **€1,803 million** in H1 2022, up +11% reported vs. H1 2021.

- **RECORD H1 OPERATING CASH FLOW OF €2.6 BILLION. FREE CASH FLOW IMPACTED BY WORKING CAPITAL NEEDS**

The Group delivered a record operating cash flow performance for an H1, generating **€2.6 billion** as a reflection of the strong growth in profitability. Free Cash Flow of **€441 million** was impacted by movements in working capital, while CapEx remained stable at ~3% of revenue.

Trade working capital requirements impacted the free cash flow, as the Group prioritized securing supply and delivery to customers in a strong demand environment. Non-trade working capital requirements were impacted by the level of bonus payments relating to FY2021 and timing on certain tax payments.

- **BALANCE SHEET REMAINS STRONG**

Schneider Electric's net debt at June 30, 2022 amounted to **€9,213 million** (€7,127 million in December 2021) after payment of €1.65 billion to fulfill the 2021 dividend, net acquisitions of €350 million, share buyback of €219 million and the free cash flow generated in H1.

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

6. See appendix for Adjusted Net Income calculation

III. SCHNEIDER SUSTAINABILITY IMPACT

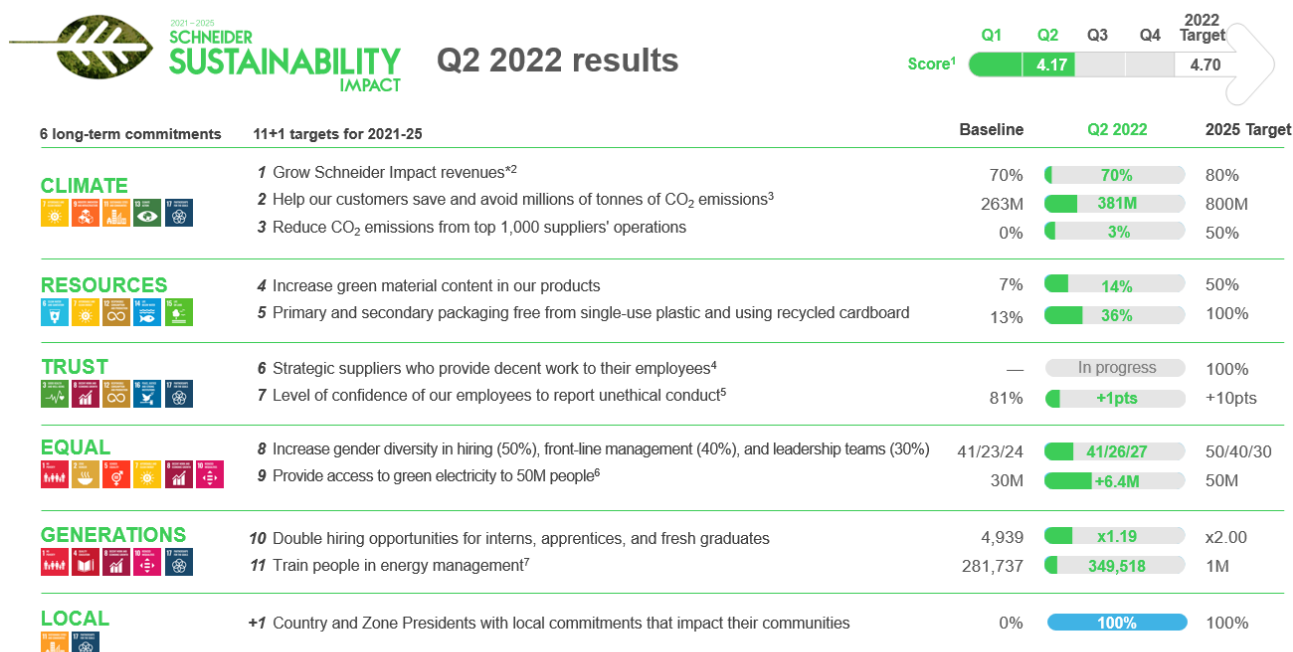
Schneider's Sustainability Impact (SSI) scored 4.17 out of 10, relative to its 4.70 year-end target. The SSI dashboard measures Schneider's Environmental, Social and Governance (ESG) performance. It details the progress made on each of the company's global and local sustainability goals relative to long-term commitments on climate, resources, trust, equal opportunities, generations and local communities.

The publication of Schneider's latest SSI scores coincides with [Earth Overshoot Day](#), the date at which more of the Earth's resources have been consumed than can be replenished. As Earth Overshoot Day in 2022 has occurred one day earlier than last year, it serves as a stark reminder of the need to urgently address humanity's adverse impact on the planet.

"Our planet is burning, literally. We have to face the reality in front of us and keep accelerating our sustainability efforts", said Gwenaëlle Avice-Huet, Schneider Electricity's Chief Strategy and Sustainability Officer. "As an Impact company, we are convinced that we can help each other with technology, collaboration, trust. Advancing on our Sustainability Impact program is not about ESG compliance. It's about embarking and working with our entire ecosystem of employees, clients, suppliers and partners to progress together."

- Schneider Electric's EcoStruxure™ solutions helped customers and suppliers make significant decarbonization progress, and reduce their CO₂ emissions by 381 million tonnes since 2018. In June, [Schneider Electric and Hitachi Energy agreed to collaborate](#) on green electricity solutions for renewables, data centers, mining and other sectors of industry.
- Schneider Electric expanded its [biodiversity pledge](#) to use only deforestation-free wood across its supply chain and operations by 2030.
- Schneider Electric provided +1.1 million people with access to green electricity in Q2 2022, bringing it to over 36 million people since 2008.
- In 2022, 82% of Schneider employees feel confident to report an unethical conduct. A good progress since last year (+1pt) in its commitment to provide a trusted environment and Speak Up culture.
- Schneider Electric launched its Sustainability School to educate employees on climate and social issues and encourage them to take action and deliver impact in every aspect of their lives.
- Schneider Electric's teams in countries and regions continue to play a specific role in ensuring the maximum impact of their locally-led sustainability initiatives, including projects in [France, U.S., China and India](#).

The details of SSI Q2 2022 results are as below:



* Per Schneider Electric definition and methodology

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

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

The Group has built a compelling, integrated and synergetic portfolio across its two businesses in the past years, with a focus towards driving sustainable growth in the short, medium and long-term. The Group continues to review its portfolio on an ongoing basis. As set out in its November 2021 Capital Markets Day, the Group remains focused on completion of its ongoing €1.5 billion to €2.0 billion revenue disposal program, by the end of 2022. To date, the Group has cumulatively addressed revenues of €1.1 billion, against this target. The Group is also opportunistically supplementing its existing portfolio, where relevant, with early-stage technology companies (bolt-on in nature) that have the potential to add significant value in the long-term.

In 2022, the Group engaged in the following transactions:

Acquisitions

Aligned with the objectives set-out in its November 2021 Capital Markets Day to focus on smaller and earlier stage acquisitions linked to long term incremental growth drivers, the Group successfully completed two early stage bolt-on transactions:

- EV Connect

On June 21, the Group completed the purchase of a controlling stake in EV Connect, a U.S. based company focused on electric vehicle charging solutions. Through its innovative and open charging platform, EV Connect simplifies the set-up, management, and optimization of charging stations with premium customer service, from installation to driver support.

<https://www.evconnect.com/>

- Autogrid

On July 20, the Group completed the acquisition of Autogrid, the U.S. based leader in artificial intelligence (AI)-driven optimization for distributed energy resources (DERs).

<https://www.auto-grid.com/>

Disposals

- Eurotherm

On June 8, the Group signed an agreement for the disposal of its Eurotherm business unit (a global provider of temperature and power control and measurement solutions) to Watlow Electric Manufacturing Company, a global producer of complete industrial thermal systems. The business has around 650 employees and is currently reported as part of Industrial Automation. Subject to the satisfaction of certain conditions, including customary regulatory approvals, the transaction is expected to complete before the end of 2022.

- Transformer plants in Poland and Turkey

On July 27, the Group signed an agreement for the disposal of its Transformer plants in Poland and in Turkey to Groupe Cahors, an international company specialised in energy distribution, headquartered in France. The businesses have around 800 employees and are currently reported as part of Energy Management.

- Schneider Electric Russia

Following the announcement on April 27 of its intention to sell its Russia operations, on July 3, the Group signed a binding agreement for the sale of Schneider Electric Russia to the local leadership team. Closing of the transaction will be subject to regulatory approval and satisfaction of other closing conditions. The Group is planning an orderly transfer and has allocated resources to support employees in Russia and Belarus through the process.

V. SHARE BUYBACK

On February 14, 2019 the Group initiated a €1.5 billion to €2.0 billion share buyback program. In 2022, the Group has purchased 1.7 million shares for €219 million at an average price of €132 per share. Since the beginning of the program in 2019, the Group has bought back 7.6 million shares for €797 million, at an average price of €105 per share.

On May 5, 2022, the proposal to raise the cap on purchase price to €250 per share (from the previous €150 per share), was approved at the Annual Shareholders' Meeting.

The Group remains committed to the completion of the existing €1.5 billion to €2.0 billion program.

VI. GOVERNANCE

On July 27, 2022, the Board appointed Mr. Abhay Parasnis as an observer with the aim to propose his appointment at the 2023 Shareholders' Meeting. Mr. Abhay Parasnis, a U.S. citizen based in San Francisco and an entrepreneur, is Adobe's former Chief Technology Officer and Chief Product Officer and serves on the Board of Directors at Dropbox. He will bring his remarkable technology and digital skills, especially his experience in shifting to the cloud and in SaaS transformation as well as his focus on innovation and reinvention to the Schneider Electric Board. He will qualify as an independent Director with regard to all the criteria set by *Article 9.5* of the AFEP/ MEDEF Corporate Governance Code and will join the Digital Committee.

VII. DIVIDEND

The dividend payment of €2.90 per share for Fiscal Year 2021 was paid on May 19, 2022.

The dividend payment for Fiscal Year 2022 will be on May 11, 2023.

VIII. EXPECTED TRENDS IN H2 2022

- A continuation of strong and dynamic market demand, including further recovery in late-cycle segments
- Gradual easing in supply chains though pressures on electronics remain
- Strong recovery in China post-Q2 impacts
- Continued inflationary pressures
- Despite the overall inflationary environment, and current supply chain pressures, the Group aspires to be net price positive for the full year (including impacts of freight and electronics)

IX. 2022 TARGET UPGRADED

The Group acknowledges the ongoing economic/geopolitical uncertainties and the strong inflationary pressures now at unprecedented levels. Considering the continued strong demand environment and the Group's effort to address these uncertainties with agility, the Group upgrades its FY 2022 target, as follows:

2022 Adjusted EBITA growth of between +11% and +15% organic (previously between +9% and +13% organic).

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

- Revenue growth of **+9% to +11% organic** (previously +7% to +9% organic)
- Adjusted EBITA margin up **+30bps to +60bps organic** (unchanged)

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).

X. 2022-2024 TARGETS AND LONG-TERM AMBITIONS AS ANNOUNCED IN 2021 CAPITAL MARKETS DAY

2022 – 2024 Targets:

- Organic revenue growth of between +5% to +8%, on average
- A yearly organic improvement of between +30 bps to +70 bps in adjusted EBITA margin
- c.€4 billion Free Cash Flow by 2024

Longer-term ambitions:

- Organic revenue growth of 5%+ on average across the economic cycle
- Opportunity to further expand adjusted EBITA margin and Free Cash Flow beyond 2024: Operational leverage and continued evolution of business mix to positively impact margins

The financial statements of the period ending June 30, 2022 were established by the Board of Directors on July 27, 2022 and certified by the Group auditors on that date.

The Q2 2022 & H1 2022 Results presentation is available at www.se.com

Q3 2022 Revenues will be presented on October 27, 2022.

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 2022

- **Foreign Exchange impact:** Based on current rates, the FX impact on FY 2022 revenues is estimated to be between **+€1.7 billion to +€1.8 billion**. The FX impact at current rates on adjusted EBITA margin for FY 2022 could be **around +20bps**
- **Scope:** Around **+€150 million** on 2022 revenues and **around -10bps** on 2022 Adj. EBITA margin, based on transactions completed to-date
- **Tax rate:** The ETR is expected to be in a **23-25%** range in 2022, excluding the one-time impacts relating to the sale of the Group's Russia operations.
- **Restructuring:** The Group expects restructuring costs of between **€850 million to €950 million** over three years (2020-2022) as previously announced.

Appendix – Revenues breakdown by business

Second quarter 2022 revenues by business were as follows:

€ million	Q2 2022				
	Revenues	Organic growth	Changes in scope of consolidation	Currency effect	Reported growth
Energy Management	6,634	+11.6%	+0.5%	+7.0%	+19.8%
Industrial Automation	1,877	+6.0%	-2.7%	+6.2%	+9.8%
Group	8,511	+10.3%	-0.2%	+6.8%	+17.4%

Half year 2022 revenues by business were as follows:

€ million	H1 2022				
	Revenues	Organic growth	Changes in scope of consolidation	Currency effect	Reported growth
Energy Management	12,307	+10.8%	+0.4%	+5.6%	+17.4%
Industrial Automation	3,770	+7.5%	+1.9%	+4.9%	+14.7%
Group	16,077	+10.1%	+0.6%	+5.5%	+16.7%

Appendix – Consolidation

Number of months in scope	Acquisition/ Disposal	2021				2022			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Larsen & Toubro E&A Primarily Energy Management Business	Acquisition	3m	3m	2m					
RIB Software Energy Management Business	Acquisition	3m	3m						
ProLeiT Industrial Automation Business	Acquisition	3m	3m	1m					
OSIsoft Industrial Automation Business	Acquisition		3m	3m	3m	3m			
ETAP Energy Management Business	Acquisition			3m	3m	3m	3m		
Qmerit Energy Management Business	Acquisition					3m	3m	3m	3m
EnergySage Energy Management Business	Acquisition					3m	3m	3m	3m
EV Connect Energy Management Business	Acquisition							3m	3m
Autogrid Energy Management Business	Acquisition							2m	3m
Cable Support Energy Management Business	Disposal	3m	3m						
Schneider Electric Motion USA Industrial Automation Business	Disposal	3m	3m	2m					
IMServ Energy Management Business	Disposal	3m	3m	2m					

Appendix – Gross Margin, Analysis of Change

	H1
	Gross Margin
H1 2021 GM	41.4%
Volume	0.0pts
Net Price	+0.7pts
Productivity	-1.8pts
Mix	+0.6pts
R&D & Production Labor Inflation	-0.5pts
FX	-0.2pts
Scope & Others	+0.4pts
H1 2022 GM	40.6%

Appendix - Results breakdown by business

€ million		H1 2021	H1 2022	Organic
Energy Management	<i>Revenues</i>	10,487	12,307	
	<i>Adjusted EBITA</i>	2,145	2,506	
	<i>Adjusted EBITA margin</i>	20.5%	20.4%	c. -10 bps
Industrial Automation	<i>Revenues</i>	3,287	3,770	
	<i>Adjusted EBITA</i>	599	685	
	<i>Adjusted EBITA margin</i>	18.2%	18.2%	c. -50 bps
Corporate	<i>Central Functions & Digital Costs</i>	(382)	(409)	
Total Group	<i>Revenues</i>	13,774	16,077	
	<i>Adjusted EBITA</i>	2,362	2,782	
	<i>Adjusted EBITA margin</i>	17.1%	17.3%	-10 bps

Appendix – Adjusted Net Income & EPS

Key figures (€ million)	H1 2021	H1 2022	Change
Adjusted EBITA	2,362	2,782	+18%
Amortization of purchase accounting intangibles	(180)	(206)	
Financial Costs	(78)	(103)	
Income tax with impact from adjusted items ⁷	(505)	(670)	
Equity investment & Minority Interests	22	-	
Adjusted Net Income (Group share)	1,621	1,803	+11%
Adjusted EPS (€)	2.92	3.24	+11%

⁷ The effective tax rate implied in the H1 2022 adjusted net income calculation is adversely impacted by the write-offs in relation to Russia exit

Appendix – Free Cash Flow and Net Debt

Analysis of debt change in €m	H1 2021	H1 2022
Net debt at opening at Dec. 31	(3,561)	(7,127)
Operating cash flow	2,136	2,578
Capital expenditure – net	(379)	(448)
Operating cash flow, net of capex	1,757	2,130
Change in trade working capital	(605)	(1,100)
Change in non-trade working capital	(73)	(589)
Free cash flow	1,079	441
Dividends	(1,489)	(1,650)
Acquisitions – net	(3,958)	(350)
Net capital increase	-	(219)
FX & other (incl. IFRS 16)	56	(308)
(Increase) / Decrease in net debt	(4,312)	(2,086)
Net debt at Jun. 30	(7,873)	(9,213)