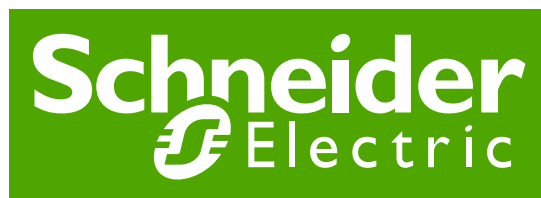


# Half year financial report

Six-month period ended June 30,  
2012

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



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## Consolidated statement of income

(in millions of euros except for earnings per share)

|  | Note | First half<br>2012 | First half<br>2011 | Full year<br>2011 |
|--|------|--------------------|--------------------|-------------------|
| <b>Revenue</b>   | 3    | <b>11,408</b>      | <b>10,336</b>      | <b>22,387</b>     |
| Cost of sales  |      | (7,104)            | (6,371)            | (13,958)          |
| <b>Gross profit</b>  |      | <b>4,304</b>       | <b>3,965</b>       | <b>8,429</b>      |
| Research and development                                       | 4    | (268)              | (252)              | (539)             |
| Selling, general and administrative expenses                   |      | (2,480)            | (2,279)            | (4,658)           |
| <b>EBITA adjusted*</b>   |      | <b>1,556</b>       | <b>1,434</b>       | <b>3,232</b>      |
| Other operating income and expenses                            | 5    | (8)                | (19)               | (8)               |
| Restructuring costs  | 6    | (43)               | (43)               | (145)             |
| <b>EBITA**</b>   |      | <b>1,505</b>       | <b>1,372</b>       | <b>3,079</b>      |
| Amortization and impairment of purchase accounting intangibles | 7    | (118)              | (98)               | (226)             |
| <b>Operating income</b>  |      | <b>1,387</b>       | <b>1,274</b>       | <b>2,853</b>      |
| Interest income  |      | 8                  | 17                 | 30                |
| Interest expense   |      | (180)              | (147)              | (331)             |
| <b>Finance costs, net</b>                                      |      | <b>(172)</b>       | <b>(130)</b>       | <b>(301)</b>      |
| Other financial income and expense                             | 8    | (17)               | (54)               | (114)             |
| <b>Net financial income/loss</b>                               |      | <b>(189)</b>       | <b>(184)</b>       | <b>(415)</b>      |
| <b>Profit before tax</b>                                       |      | <b>1,198</b>       | <b>1,090</b>       | <b>2,438</b>      |
| Income tax expense   | 9    | (281)              | (262)              | (562)             |
| Share of profit/(losses) of associates                         | 12   | 18                 | 13                 | 28                |
| <b>Profit for the period</b>                                   |      | <b>935</b>         | <b>841</b>         | <b>1,904</b>      |
| -Attributable to owners of the parent                          |      | 890                | 802                | 1,820             |
| -Attributable to non-controlling interests                     |      | 45                 | 39                 | 84                |
| Basic earnings per share (in euros)                            |      | 1.65               | 1.50               | 3.39              |
| Diluted earnings per share (in euros)                          |      | 1.63               | 1.48               | 3.35              |

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

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

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

## Other comprehensive income

(in millions of euros)

|   | First Half 2012 | First Half<br>2011 | Full Year<br>2011 |
|---|-----------------|--------------------|-------------------|
| <b>Profit for the period</b>                                    | <b>935</b>      | <b>841</b>         | <b>1,904</b>      |
| <b>Other comprehensive income:</b>                              |                 |                    |                   |
| Translation adjustment  | 173             | (671)              | 159               |
| Cash-flow hedges  | 16              | (34)               | (87)              |
| Net gains (losses) on available-for-sale financial assets       | (36)            | 27                 | (60)              |
| Actuarial gains (losses) on defined benefits plans              | (11)            | 28                 | (275)             |
| Income tax relating to components of other comprehensive income | 5               | (13)               | 129               |
| <b>Other comprehensive income for the period, net of tax</b>    | <b>147</b>      | <b>(663)</b>       | <b>(134)</b>      |
| <b>Total comprehensive income for the year</b>                  | <b>1,083</b>    | <b>178</b>         | <b>1,770</b>      |
| Attributable:   |                 |                    |                   |
| -to owners of the parent  | 1,055           | 147                | 1,694             |
| -to non-controlling interests                                   | 28              | 31                 | 76                |

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

## Consolidated Statement of Cash Flows

| <i>(in millions of euros)</i>   | Note      | First half<br>2012 | First half<br>2011 |
|---|-----------|--------------------|--------------------|
| Profit for the period   |           | 935                | 841                |
| Share of (profit)/ losses of associates, net of dividends received  |           | (18)               | (13)               |
| <i>Non-cash adjustments to reconcile profit for the period to net cash flows provided by operating activities</i> |           |                    |                    |
| Depreciation of property, plant and equipment   |           | 202                | 189                |
| Amortization of intangible assets other than goodwill   |           | 214                | 180                |
| Losses on non current assets  |           | (10)               | (2)                |
| Increase/(decrease) in provisions   |           | (68)               | (14)               |
| Losses/(gains) on disposals of fixed assets   |           | 1                  | 6                  |
| Difference between tax paid and tax expense   |           | (73)               | (74)               |
| Other non cash-adjustments  |           | 16                 | 27                 |
| <b>Net cash provided by operating activities before changes in operating assets and liabilities</b>               |           | <b>1,199</b>       | <b>1,140</b>       |
| (Increase)/decrease in accounts receivable  |           | 134                | (242)              |
| (Increase)/decrease in inventories and work in process  |           | (199)              | (636)              |
| Increase/(decrease) in accounts payable   |           | (84)               | 106                |
| Change in other current assets and liabilities  |           | (304)              | (198)              |
| <b>Change in working capital requirement</b>  |           | <b>(453)</b>       | <b>(970)</b>       |
| <b><i>I - Cash flows from operating activities</i></b>  |           | <b>746</b>         | <b>170</b>         |
| Purchases of property, plant and equipment  |           | (218)              | (243)              |
| Proceeds from disposals of property, plant and equipment  |           | 12                 | 16                 |
| Purchases of intangible assets  |           | (145)              | (104)              |
| Proceeds from disposals of intangible assets  |           | 2                  | 2                  |
| <b>Net cash used in investment in operating fixed assets</b>  |           | <b>(349)</b>       | <b>(329)</b>       |
| Acquisition of subsidiaries, net of cash acquired   | 2         | (164)              | (642)              |
| Purchases of other long-term investments  |           | 21                 | (42)               |
| Long-term pension assets  |           | (74)               | -                  |
| <b>Net financial investments</b>  |           | <b>(217)</b>       | <b>(684)</b>       |
| <b><i>II - Cash flows from / used in investing activities</i></b>   |           | <b>(566)</b>       | <b>(1,013)</b>     |
| Issuance of bonds   | 17        | -                  | -                  |
| Repayment of bonds  |           | -                  | -                  |
| Sale/(purchase) of own shares   |           | -                  | -                  |
| Increase/(reduction) in other financial debt  |           | 579                | 543                |
| Proceeds from issuance of share capital   |           | 22                 | 30                 |
| Dividends paid: Schneider Electric SA   |           | (919)              | (856)              |
| Non-controlling interests   |           | (23)               | (37)               |
| <b><i>III - Cash flows from / used in financing activities</i></b>  |           | <b>(341)</b>       | <b>(320)</b>       |
| <b><i>IV - Net foreign exchange difference</i></b>  |           | <b>(194)</b>       | <b>(40)</b>        |
| <b>Net increase/(decrease) in cash and cash equivalents: I + II + III + IV</b>                                    |           | <b>(355)</b>       | <b>(1,203)</b>     |
| Cash and cash equivalents at January, 1 <sup>st</sup>   |           | 2,554              | 3,296              |
| Increase/(decrease) in cash and cash equivalents  |           | (355)              | (1,203)            |
| <b>Cash and cash equivalents at June 30<sup>th</sup></b>  | <b>17</b> | <b>2,199</b>       | <b>2,093</b>       |

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

# Consolidated Balance Sheet

(in millions of euros)

| <b>ASSETS</b>                             | <b>Note</b> | <b>June 30, 2012</b> | <b>Dec. 31, 2011</b> |
|---|-------------|----------------------|----------------------|
| <b>Non-current assets</b>                 |             |                      |                      |
| Goodwill, net                             | 10          | 13,134               | 12,773               |
| Intangible assets, net                    | 11          | 4,730                | 4,704                |
| Property, plant and equipment, net        | 11          | 2,611                | 2,573                |
| Total tangible and intangible assets, net |             | 7,341                | 7,277                |
| Investments in associates                 | 12          | 515                  | 489                  |
| Available-for-sale financial assets       | 13.1        | 340                  | 296                  |
| Other non-current financial assets        | 13.2        | 114                  | 261                  |
| Non current financial assets              |             | 454                  | 557                  |
| Deferred tax assets                       |             | 1,577                | 1,444                |
| <b>Total non-current assets</b>           |             | <b>23,021</b>        | <b>22,540</b>        |
| <b>Current assets</b>                     |             |                      |                      |
| Inventories and work in process           |             | 3,598                | 3,349                |
| Trade and other operating receivables     |             | 5,419                | 5,484                |
| Other receivables and prepaid expenses    |             | 1,507                | 1,638                |
| Current financial assets                  | 13.3        | 135                  | 104                  |
| Cash and cash equivalents                 | 17          | 2,360                | 2,771                |
| <b>Total current assets</b>               |             | <b>13,019</b>        | <b>13,346</b>        |
| <b>Total assets</b>                       |             | <b>36,040</b>        | <b>35,886</b>        |

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

# Consolidated Balance Sheet

(in millions of euros)

| <b>LIABILITIES</b>                                     | <b>Note</b> | <b>June 30, 2012</b> | <b>Dec. 31, 2011</b> |
|--|-------------|----------------------|----------------------|
| <b>Equity</b>  | 14          |                      |                      |
| Share capital  |             | 2,199                | 2,196                |
| Additional paid-in capital                             |             | 6,709                | 6,690                |
| Retained earnings and other                            |             | 6,838                | 6,864                |
| Translation reserve                                    |             | 338                  | 148                  |
| <b>Equity attributable to owners of the parent</b>     |             | <b>16,084</b>        | <b>15,898</b>        |
| Non-controlling interests                              |             | 197                  | 192                  |
| <b>Total equity</b>                                    |             | <b>16,281</b>        | <b>16,090</b>        |
| <b>Non-current provisions</b>                          |             |                      |                      |
| Pensions and other post-employment benefit obligations | 15          | 1,726                | 1,723                |
| Other non-current provisions                           | 16          | 723                  | 680                  |
| <b>Total non-current provisions</b>                    |             | <b>2,449</b>         | <b>2,403</b>         |
| <b>Non-current financial liabilities</b>               |             |                      |                      |
| Bonds  | 17          | 5,546                | 5,540                |
| Other long-term debt                                   | 17          | 1,176                | 1,387                |
| <b>Non-current financial liabilities</b>               |             | <b>6,722</b>         | <b>6,927</b>         |
| Deferred tax liabilities                               |             | 1,059                | 944                  |
| Other non-current liabilities                          |             | 197                  | 235                  |
| <b>Total non-current liabilities</b>                   |             | <b>10,427</b>        | <b>10,509</b>        |
| <b>Current liabilities</b>                             |             |                      |                      |
| Trade and other operating payables                     |             | 4,167                | 4,094                |
| Accrued taxes and payroll costs                        |             | 1,832                | 2,320                |
| Current provisions                                     | 16          | 970                  | 960                  |
| Other current liabilities                              |             | 570                  | 803                  |
| Short-term debt  | 17          | 1,793                | 1,110                |
| <b>Total current liabilities</b>                       |             | <b>9,332</b>         | <b>9,287</b>         |
| <b>Total equity and liabilities</b>                    |             | <b>36,040</b>        | <b>35,886</b>        |

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

## Consolidated Statement of Changes in Equity

(in millions of euros except for number of shares)

|                                     | Number of shares<br>(thousands) | Share capital | Share premium account | Treasury stock | Retained earnings | Translation reserve | Equity attributable to owners of the parent | Non-controlling Interests | TOTAL         |
|-------------------------------------|---------------------------------|---------------|-----------------------|----------------|-------------------|---------------------|---|---------------------------|---------------|
| <b>January 1, 2011</b>              | <b>271,959</b>                  | <b>2,176</b>  | <b>6,495</b>          | <b>(74)</b>    | <b>6,207</b>      | <b>(19)</b>         | <b>14,785</b>                               | <b>204</b>                | <b>14,989</b> |
| Profit for the period               |                                 |               |                       |                | 802               |                     | 802   | 39                        | 841           |
| Other comprehensive income          |                                 |               |                       |                | 8                 | (663)               | (655)                                       | (8)                       | (663)         |
| Comprehensive income for the period |                                 |               |                       |                | 810               | (663)               | 147   | 31                        | 178           |
| Issuance of shares                  |                                 |               |                       |                |                   |                     |   |                           |               |
| Share based compensation expense    | 448                             | 3             | 27                    |                |                   |                     | 30  |                           | 30            |
| Dividends                           |                                 |               |                       |                | (856)             |                     | (856)                                       | (37)                      | (893)         |
| Change in treasury stock            |                                 |               |                       |                |                   |                     |   |                           |               |
| Stock options                       |                                 |               |                       |                | 26                |                     | 26  |                           | 26            |
| Other (1)                           |                                 |               |                       |                | 9                 |                     | 9   | (19)                      | (10)          |
| <b>June 30, 2011</b>                | <b>272,407</b>                  | <b>2,179</b>  | <b>6,522</b>          | <b>(74)</b>    | <b>6,196</b>      | <b>(682)</b>        | <b>14,141</b>                               | <b>179</b>                | <b>14,320</b> |
| <b>January 1, 2012</b>              | <b>548,943</b>                  | <b>2,196</b>  | <b>6,690</b>          | <b>(74)</b>    | <b>6,938</b>      | <b>148</b>          | <b>15,898</b>                               | <b>192</b>                | <b>16,090</b> |
| Profit for the period               |                                 |               |                       |                | 890               |                     | 890   | 45                        | 935           |
| Other comprehensive income          |                                 |               |                       |                | (26)              | 190                 | 164   | (17)                      | 147           |
| Comprehensive income for the period |                                 |               |                       |                | 864               | 190                 | 1,055                                       | 28                        | 1,083         |
| Issuance of shares                  |                                 |               |                       |                |                   |                     |   |                           |               |
| Share based compensation expense    | 719                             | 3             | 19                    |                |                   |                     | 22  |                           | 22            |
| Dividends                           |                                 |               |                       |                | (919)             |                     | (919)                                       | (23)                      | (942)         |
| Change in treasury stock            |                                 |               |                       |                |                   |                     |   |                           |               |
| Stock options                       |                                 |               |                       |                | 29                |                     | 29  |                           | 29            |
| Other                               |                                 |               |                       |                |                   |                     |   |                           |               |
| <b>June 30, 2012</b>                | <b>549,662</b>                  | <b>2,199</b>  | <b>6,709</b>          | <b>(74)</b>    | <b>6,912</b>      | <b>338</b>          | <b>16,084</b>                               | <b>197</b>                | <b>16,281</b> |

(1) Of which €9 million in connection with the employee share purchase plan and a negative €19 million for the Areva D PPA adjustment  
The accompanying notes are in integral part of the consolidated financial statements.



# Notes to the Consolidated Financial Statements

All amounts in millions of Euros unless otherwise indicated.

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

## Note 1 - Summary of significant accounting policies

### ➤ Accounting standards and basis of preparation

The consolidated financial statements for the six months ended June 30, 2012 have been prepared in accordance with IAS 34 - *Interim Financial Reporting*. As condensed financial statements, they do not include all the disclosures required by International Financial Reporting Standards (IFRS) and should be read in conjunction with the 2011 annual consolidated financial statements included in the Annual Report filed with the French securities regulator (AMF) under no. D.12-0198, except as regards to the differences in accounting treatment between the annual and interim financial statements described below.

The interim consolidated financial statements have been prepared in compliance with the international accounting standards adopted by the European Union as of June 30, 2012. The same accounting methods were used as for the consolidated financial statements for the year ended December 31, 2011.

The new following standards and interpretations that were applicable during the period did not have a material impact on the consolidated financial statements for the six months ended June 30, 2012:

- *IFRS 7 – Disclosures – Transfer of Financial assets.*

There are no differences in practice between the standards applied by Schneider Electric as of June 30, 2012 and the IFRS issued by the International Accounting Standards Board (IASB), since the application of standards and interpretations that are mandatory in the IASB standards for reporting periods beginning on or after January 1, 2012 but not yet adopted by the European Union would not have a material impact.

Lastly, the Group has not applied the following standards and interpretations that have not yet been adopted by the European Union or that are applicable after June 30, 2012:

- Standards adopted
  - *amendment to IAS 1 – Presentation of Items of Other Comprehensive Income;*
  - *IAS 19 revised – Employee benefits;*
- Standards not yet adopted
  - *amendment to IAS 12 – Recovery of Underlying Assets;*
  - *IAS 28 revised – Investments in associates and joint-ventures;*
  - *amendments to IAS 32 – Offsetting Financial assets and Financial liabilities;*
  - *amendments to IFRS 7 – Disclosures – Transfer of Financial assets;*
  - *IFRS 9 – Financial instruments;*
  - *IFRS 10 – Consolidated Financial Statements;*
  - *IFRS 11 – Joint Arrangements;*
  - *IFRS 12 – Disclosure of Interests in Other entities;*
  - *IFRS 13 – Fair value Measurement;*
  - *Transition Guidance (Amendments to IFRS 10, IFRS 11 and IFRS 12);*
  - *amendment to IFRS 1 – Severe Hyperinflation and Removal of Fixed dates for First-Time Adopters;*
  - *Improvements to IFRSs 2009-2011 (May 2012);*
  - *IFRIC 20 – Stripping Costs in the Production Phase of a Surface Mine.*

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

### ➤ Impairment of assets

There were no indications of impairment at June 30, 2012. As a result, no impairment tests were performed as of this date.

➤ **Seasonal variations**

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

➤ **Income tax expense**

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

## Note 2 - Changes in the scope of consolidation

### 2.1 Additions and removals

➤ **Acquisitions of the period**

Schneider Electric finalized on June 12, 2012, the acquisition of M&C Energy Group ("M&C"), based in the United Kingdom, a fast-growing company specialized in energy procurement and sustainability services for both multinationals and small to medium sized enterprises. On June 30, 2012, M&C has not yet been included in consolidation scope and will be consolidated from July 1, 2012.

### 2.2 Impact of changes in the scope of consolidation

➤ **Follow-up on 2011 acquisitions**

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

The final allocation of the acquisition of Summit Energy (April 14, 2011), of DIGILINK (May 13, 2011), and of Luminous (June 1, 2011), led principally to the recognition of intangible assets in the amount of €84 million (technology, backlog, inventories and customer relationships) and to revaluations of property, plant and equipment in the amount of €5 million; these assets were valued by independent experts. Contingent liabilities and indemnification assets were recognized for respectively a total amount of €15 million and €3 million. The goodwill is not tax-deductible.

The update of provisional allocation from acquisitions of Steck (July 20, 2011) of Telvent (August 31, 2011) and of Leader & Harvest (October 11, 2011) led principally to the recognition of intangible assets in the amount of €362 million (technology, backlog, inventories and customer relationships) and to revaluations of property, plant and equipment in the amount of €12 million; these assets were valued by independent experts. Contingent liabilities were recognized for a total amount of €87 million. The goodwill is not tax-deductible.

On June 30, 2012, the main elements of the provisional computation are:

- contingent liabilities, since the identification of risks is not completed;
- tangible assets, because the estimated fair value of these assets is in progress;
- intangible assets, because the assumptions used to value these assets will be refined in 2012.

➤ **Impact on cash**

Changes in the scope of consolidation at June 30, 2012 reduced the Group's cash position by a net €164 million, as described below:

|                                    | <b>First half<br/>2012</b> |
|------------------------------------|----------------------------|
| Acquisitions                       | (169)                      |
| Cash and cash equivalents paid     | (178)                      |
| Cash and cash equivalents acquired | 9                          |
| Disposals                          | 5                          |
| <b>Net financial investments</b>   | <b>(164)</b>               |

The cash paid for acquisitions is mainly related to M&C.

### Note 3 - Segment information

The Group is organized into five Businesses (Power, Energy, Industry, IT and Buildings).

The five Businesses are:

- **Power**, which includes the activities of Low Voltage (electrical distribution), LifeSpace (wiring devices and associated interface devices) and Renewables (conversion and connection to the grid); the business is in charge of the end-customer segments Residential and Marine when it relates to solutions integrating the offers of several activities from the Group;
- **Infrastructure**, combines all Medium Voltage activities including those from Areva Distribution, as well as Telvent; the business is in charge of the end-customer segments Oil and Gas, Electric Utilities and Transportation when it relates to solutions integrating the offers of several activities from the Group;
- **Industry**, which includes Automation & Control and four end-customer segments: OEMs, Water, Mining Minerals & Metals and Food & Beverages when it relates to solutions integrating the offers of several activities from the Group, as well as Custom Sensors & Technologies business (Sensors & Automotives);
- **IT**, which covers Critical Power & Cooling Services and three end-customer segments (Bank & Insurance, IT industry and Cloud & Telecom) when it relates to solutions integrating the offers of several activities from the Group;
- **Buildings**, which includes Building Automation and Security and the end-customer segments Hotels/Retail, Healthcare, Life Sciences, Real Estate and Government/Education.

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

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

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

### 3.1 Information by operating segment (in € millions)

June 30, 2012 (in € million)

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

June 30, 2011 (in € million)

|                                    | Power | Infrastructure | Industry | IT    | Buildings | Corporate costs | TOTAL         |
|------------------------------------|-------|----------------|----------|-------|-----------|-----------------|---------------|
| Revenue                            | 3 936 | 2 029          | 2 227    | 1 412 | 732       | -               | <b>10 336</b> |
| Adjusted EBITA                     | 835   | 166            | 438      | 194   | 59        | (258)           | <b>1 434</b>  |
| %                                  | 21.2% | 8.2%           | 19.7%    | 13.7% | 8.1%      | -               | 13.9%         |
| Other operating income and expense | 15    | (12)           | (4)      | (8)   | (3)       | (7)             | <b>(19)</b>   |
| Restructuring costs                | (29)  | (3)            | (3)      | (1)   | (5)       | (2)             | <b>(43)</b>   |
| EBITA                              | 821   | 151            | 431      | 185   | 51        | (267)           | <b>1 372</b>  |
| %                                  | 20.9% | 7.4%           | 19.4%    | 13.1% | 7.0%      | -               | 13.3%         |

### 3.2 Information by region

The geographic regions covered by the Group are:

- Western Europe,
- North America (including Mexico),
- Asia-Pacific,
- and Rest of the World (Eastern Europe, Middle East, Africa, South America).

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

June 30, 2012

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

June 30, 2011

|                         | Western Europe | Asia-Pacific | North America | Rest of the world | TOTAL         |
|-------------------------|----------------|--------------|---------------|-------------------|---------------|
| Sales by country market | 3,467          | 2,668        | 2,391         | 1,810             | <b>10,336</b> |
| Non current assets      | 6,590          | 3,500        | 6,057         | 632               | <b>16,779</b> |

#### Note 4 - Research and development

Research and development costs are as follows:

|  | First half<br>2012 | First half<br>2011 |
|--|--------------------|--------------------|
| Research and development costs in cost of sales            | 122                | 102                |
| Research and development costs in commercial expenses      | -                  | -                  |
| Research and development costs in R&D costs (1)            | 268                | 252                |
| Capitalized development costs                              | 135                | 97                 |
| <b>Total research and development costs for the period</b> | <b>525</b>         | <b>451</b>         |

(1) Of which, €14 million of research and development tax credit in 2012, and €11 million in 2011.

Amortization of capitalized development costs came to €65 million in 2012 and €55 million in 2011.

#### Note 5 - Other operating income and expense

Other operating income and expenses are as follows:

|  | First Half<br>2012 | First Half<br>2011 |
|--|--------------------|--------------------|
| Impairments losses on assets               | 1                  | -                  |
| Gains on asset disposals                   | 2                  | 6                  |
| Losses on asset disposals                  | (3)                | (3)                |
| Costs of acquisition                       | (28)               | (41)               |
| Others                                     | 20                 | 19                 |
| <b>Other operating income and expenses</b> | <b>(8)</b>         | <b>(19)</b>        |

The costs of acquisitions for the six-month period ended June 30, 2012 are the costs of acquisition, integration and separation related to major acquisitions in 2011 and 2012. The costs of acquisitions for the six-month period ended June 30, 2011 were the costs of acquisition, integration and separation related to major acquisitions in 2010 and 2011.

The line "Others" includes mainly reversals of provision for litigation or claims expired on June 30, 2012.

#### Note 6 - Restructuring costs

Restructuring costs in six-month period ended June 30, 2012 totaled €43 million and primarily stemmed from the reorganization of manufacturing operations and support functions.

#### Note 7 - Amortization and impairment of purchase accounting intangibles

|   | First half<br>2012 | First half<br>2011 |
|---|--------------------|--------------------|
| Amortization of purchase accounting intangibles                       | (118)              | (98)               |
| Impairment of purchase accounting intangibles                         | -                  | -                  |
| Goodwill impairment   | -                  | -                  |
| <b>Amortization and impairment of purchase accounting intangibles</b> | <b>(118)</b>       | <b>(98)</b>        |

## Note 8 - Other financial income and expenses

|   | First Half-year<br>2012 | First Half-year<br>2011 |
|---|-------------------------|-------------------------|
| Exchange gains and losses, net                          | (6)                     | (19)                    |
| Financial component of defined benefit plan costs       | (20)                    | (24)                    |
| Dividend income   | 9                       | 7                       |
| Net gains/(losses) on disposal of long-term investments | 1                       | (1)                     |
| Other financial expenses, net                           | (1)                     | (17)                    |
| <b>Other financial income and expenses</b>              | <b>(17)</b>             | <b>(54)</b>             |

Dividends primarily correspond to dividends on AXA shares.

## Note 9 - Income tax

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

### 9.1 Analysis of income tax expense for the year

|                                     | 1st half<br>2012 | 1st half<br>2011 |
|-------------------------------------|------------------|------------------|
| <b>Current taxes</b>                |                  |                  |
| France                              | (36)             | (30)             |
| International                       | (276)            | (276)            |
| <b>Total</b>                        | <b>(312)</b>     | <b>(306)</b>     |
| <b>Deferred taxes</b>               |                  |                  |
| France                              | 101              | 60               |
| International                       | (70)             | (16)             |
| <b>Total</b>                        | <b>31</b>        | <b>44</b>        |
| <b>Income tax (expense)/benefit</b> | <b>(281)</b>     | <b>(262)</b>     |

### 9.2 Tax proof

|  | 1st half<br>2012 | 1st half<br>2011 |
|--|------------------|------------------|
| <b>Profit attributable to equity holders of the parent</b> | <b>890</b>       | <b>802</b>       |
| Income tax (expense)/benefit                               | (281)            | (262)            |
| Minority interests   | (45)             | (39)             |
| Share of profit of associates                              | 18               | 13               |
| <b>Profit before tax</b>                                   | <b>1,198</b>     | <b>1,090</b>     |
| Statutory tax rate   | 34.43%           | 34.43%           |
| <b>Income tax expense calculated at the statutory rate</b> | <b>(412)</b>     | <b>(375)</b>     |
| <b>Reconciling items:</b>                                  |                  |                  |
| Difference between French and foreign tax rates            | 120              | 98               |
| Tax credits and other tax reductions                       | 103              | 50               |
| Impact of tax losses                                       | (7)              | (5)              |
| Other permanent differences                                | (85)             | (30)             |
| Income tax (expense)/benefit                               | (281)            | (262)            |
| <b>Effective tax rate</b>                                  | <b>23.5%</b>     | <b>24.0%</b>     |

### 9.3 Deferred taxes

Deferred tax assets net of deferred tax liabilities amounted to €518 million, increasing by €18 million from December 31, 2011.

## Note 10 - Goodwill

### 10.1 Breakdown of goodwill

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

|                | June 30, 2012 | Dec. 31, 2011 |
|----------------|---------------|---------------|
|                | Net           | Net           |
| Power          | 4,001         | 3,906         |
| Industry       | 2,234         | 2,176         |
| Buildings      | 1,683         | 1,642         |
| ITB            | 3,124         | 3,061         |
| Infrastructure | 2,092         | 1,987         |
| <b>TOTAL</b>   | <b>13,134</b> | <b>12,773</b> |

### 10.2 Changes in goodwill

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

|                                   | 1st half 2012 | 2011          | 1st half 2011 |
|-----------------------------------|---------------|---------------|---------------|
| <b>Net goodwill at opening</b>    | <b>12,773</b> | <b>10,213</b> | <b>10,213</b> |
| Acquisitions*                     | 38            | 2,356         | 768           |
| Disposals                         | -             | (21)          | -             |
| Impairment                        | -             | -             | -             |
| Translation adjustment            | 201           | 142           | (510)         |
| Reclassification                  | 122           | 83            | 74            |
| <b>Net goodwill at period end</b> | <b>13,134</b> | <b>12,773</b> | <b>10,544</b> |

\* at acquisition date

#### ➤ Translation adjustment

Currency translation adjustments relate primarily to goodwill denominated in US dollars, specifically APC, SquareD, and Pelco.

## Note 11 - Intangible assets and property, plant and equipment

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

|   | Trademarks   | Development projects (R&D) | Other intangibles | Software     | Property, plant and equipment | Total          |
|---|--------------|----------------------------|-------------------|--------------|-------------------------------|----------------|
| <b>GROSS VALUE</b>                              |              |                            |                   |              |                               |                |
| <b>Dec. 31, 2011</b>                            | <b>2,786</b> | <b>1,292</b>               | <b>1,915</b>      | <b>827</b>   | <b>6,688</b>                  | <b>13,508</b>  |
| Acquisitions/Capitalization                     | -            | 125                        | 12                | 8            | 211                           | 356            |
| Disposals                                       | -            | (5)                        | -                 | (2)          | (79)                          | (86)           |
| Translation adjustment                          | 73           | 13                         | 37                | 6            | 61                            | 190            |
| Reclassification                                | (1)          | 6                          | 3                 | 11           | (24)                          | (5)            |
| Changes in the scope of consolidation and other | 13           | (4)                        | (23)              | (1)          | (3)                           | (18)           |
| <b>June 30, 2012</b>                            | <b>2,871</b> | <b>1,427</b>               | <b>1,944</b>      | <b>849</b>   | <b>6,854</b>                  | <b>13,945</b>  |
| <b>ACCUMULATED AMORTIZATION AND IMPAIRMENT</b>  |              |                            |                   |              |                               |                |
| <b>Dec. 31, 2011</b>                            | <b>(257)</b> | <b>(483)</b>               | <b>(760)</b>      | <b>(616)</b> | <b>(4,115)</b>                | <b>(6,231)</b> |
| Acquisitions/Capitalization                     | (30)         | (65)                       | (89)              | (30)         | (202)                         | (416)          |
| Disposals                                       | -            | 1                          | -                 | 1            | 70                            | 72             |
| Translation adjustment                          | (7)          | (5)                        | (18)              | (5)          | (38)                          | (73)           |
| Reclassification                                | 1            | (5)                        | -                 | 4            | 21                            | 21             |
| Changes in the scope of consolidation and other | -            | -                          | 1                 | 1            | 21                            | 23             |
| <b>June 30, 2012</b>                            | <b>(293)</b> | <b>(557)</b>               | <b>(866)</b>      | <b>(645)</b> | <b>(4,243)</b>                | <b>(6,604)</b> |
| <b>NET VALUE</b>                                |              |                            |                   |              |                               |                |
| <b>Dec. 31, 2011</b>                            | <b>2,529</b> | <b>809</b>                 | <b>1,155</b>      | <b>211</b>   | <b>2,573</b>                  | <b>7,277</b>   |
| <b>June 30, 2012</b>                            | <b>2,578</b> | <b>870</b>                 | <b>1,078</b>      | <b>204</b>   | <b>2,611</b>                  | <b>7,341</b>   |

## Note 12 - Investments in associates

Investments in associates can be analyzed as follows:

|                                       | % interest    |               | Share in net assets |               | Share in net profits |               |
|---------------------------------------|---------------|---------------|---------------------|---------------|----------------------|---------------|
|                                       | June 30, 2012 | Dec. 31, 2011 | June 30, 2012       | Dec. 31, 2011 | June 30, 2012        | Dec. 31, 2011 |
| Delta Dore Finance                    | 20.0%         | 20.0%         | 15                  | 15            | -                    | 2             |
| Electroshield-TM Samara               | 50.0%         | 50.0%         | 288                 | 276           | 12                   | 14            |
| Sunten Electric Equipment             | 50.0%         | 50.0%         | 98                  | 96            | -                    | -             |
| Fuji Electric FA Components & Systems | 36.8%         | 36.8%         | 102                 | 96            | 6                    | 12            |
| Others                                | N/A           | N/A           | 12                  | 6             | -                    | -             |
| <b>Total</b>                          | -             | -             | <b>515</b>          | <b>489</b>    | <b>18</b>            | <b>28</b>     |

## Note 13 - Financial assets

### 13.1 Available-for-sale financial assets

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



|  | %      | June 30, 2012 |                            |            | Dec. 31, 2011 |
|--|--------|---------------|----------------------------|------------|---------------|
|  |        | Gross value   | Revaluation/<br>Impairment | Fair value | Fair value    |
| <b>I – Listed available for sale financial assets</b>    |        |               |                            |            |               |
| AXA  | 0.4%   | 111           | -                          | 111        | 107           |
| NVC Lighting   | 9.2%   | 119           | (75)                       | 44         | 82            |
| Gold Peak Industries Holding Ltd                         | 4.4%   | 6             | (4)                        | 2          | 2             |
| <b>Total listed AFS</b>                                  |        | <b>236</b>    | <b>(79)</b>                | <b>157</b> | <b>191</b>    |
| <b>II – Unlisted available for sale financial assets</b> |        |               |                            |            |               |
| M&C Energy Group (2)                                     | 100.0% | 83            | -                          | 83         | -             |
| Citec (1), SEAT  | 100.0% | 3             | -                          | 3          | 6             |
| SEV1 Venture capital fund                                | 100.0% | 36            | 20                         | 56         | 55            |
| SESS Venture capital fund                                | 54.5%  | 10            | -                          | 10         | 10            |
| Simak (3)  | 99.4%  | -             | -                          | -          | 5             |
| SE Venture   | 100.0% | 7             | (7)                        | -          | -             |
| Other unlisted AFS (4)                                   |        | 38            | (7)                        | 31         | 29            |
| <b>Total unlisted AFS</b>                                |        | <b>177</b>    | <b>6</b>                   | <b>183</b> | <b>105</b>    |
| <b>Financial assets available for sale</b>               |        | <b>413</b>    | <b>(73)</b>                | <b>340</b> | <b>296</b>    |

(1) Acquisitions of 2011, consolidated in 2012

(2) Acquisitions of first semester 2012, consolidated during the second semester

(3) Dormant company

(4) Valued at less than €5 million each

Fair value corresponds to the quoted price on the last trading day of the period for investments listed on an active market. Net losses arising from fair value revaluation of listed investments are recorded in equity under "Other Comprehensive Income" for an amount of € (36) million (before effect of deferred tax) for the six-month period ended June 30, 2012.

The cumulated change in fair value of NVC Lighting investment determined on its price share and corresponding to a loss of €75 million on June 30, 2012, was recorded in equity, as "Other Comprehensive Income". The Group did not recognize this change in fair value in the income statement on June 30, 2012, because it assessed the Group considers that the decrease observed of share price is correlated to recent concerns from investors point of view about the changes occurred in NVC Lighting governance in May 2012 that led to suspension of trading of the share since July 13, 2012. The Group estimates, as of today, that those concerns do not question the economic fundamentals of NVC Lighting nor its intrinsic value.

### 13.2 Other non-current financial assets

The other non-current financial assets amount to €114 million as of June 30, 2012.

### 13.3 Current financial assets

Current financial assets total €135 million as of June 30, 2012 and comprise non-monetary short-term investments.

## Note 14 - Shareholder's equity

### 14.1 Share-based payments

A total of 718,529 Schneider Electric SA shares were issued during six-month period ended June 30, 2012 upon exercise of stock options, in an amount of €22 million.

Based upon the assumptions described in the notes to the 2011 consolidated financial statements, the amount recorded under "Selling, general and administrative expenses" for stock option or stock grant plans set up after November 7, 2002 totaled €29 million in six-month period ended June 30, 2012 (€26 million for the six-month period ended June 30, 2011). This expense was booked as an adjustment to "Retained earnings" in Shareholders' Equity.

## 14.2 Worldwide Employee Stock Purchase Plan

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

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

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

**Under the leveraged plan**, employees may also purchase Schneider Electric shares at a 15% to 20% discount from the price quoted on the stock market. However, the leveraged plan offers a different yield profile as a third-party bank tops up the employee's initial investment, essentially multiplying the amount paid by the employee. The total is invested in Schneider Electric shares at a preferential price. The bank converts the discount transferred by the employee into funds with a view to securing the yield for the employee and increasing the indexation on a leveraged number (factor of 4.4 in 2012) of directly subscribed shares.

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

As regards the first semester 2012, Schneider Electric gave its employees the opportunity to purchase shares at a price of €36.66 or €34.50 per share, depending on the country, as part of its commitment to employee share ownership, on June 14, 2012. This represented a 15% to 20% discount to the reference price of €43.12 calculated as the average opening price quoted for the share during the 20 days preceding the Management Board's decision to launch the employee share issue.

Altogether, 3.5 million shares were subscribed, increasing the Company's capital by €124 million as of July 19, 2012. Due to significant changes in valuation assumptions, specifically the interest rate available to market participant, the value of the lock-up period is higher than the discount cost. Therefore the Group did not recognize any cost related to the transaction.

The tables below summarize the main characteristics of the plans, the amounts subscribed, the valuation assumptions and the plans' cost for 2012 and 2011.

| Classic plan   | 2012           |                | 2011           |                |
|--|----------------|----------------|----------------|----------------|
|  | %              | €              | %              | €              |
| <b>Plan characteristics</b>  |                |                |                |                |
| Maturity (years)   |                | 5              |                | 5              |
| Reference price (euros)  |                | 43.12          |                | 56.11          |
| Subscription price (euros): between<br>and                                 |                | 36.66<br>34.50 |                | 47.69<br>44.89 |
| Discount: between<br>and   | 15.0%<br>20.0% |                | 15.0%<br>20.0% |                |
| Amount subscribed by employees   |                | 75.9           |                | 72.0           |
| Total amount subscribed  |                | 75.9           |                | 72.0           |
| Total number of shares subscribed (millions of shares)                     |                | 2.1            |                | 1.6            |
| <b>Valuation assumptions</b>   |                |                |                |                |
| Interest rate available to market participant (bullet loan) <sup>(1)</sup> | 5.5%           |                | 4.8%           |                |
| Five-year risk-free interest rate (Euro zone)                              | 1.5%           |                | 2.8%           |                |
| Annual interest rate (repo)  | 1.0%           |                | 1.0%           |                |
| <b>(a) Value of discount</b> between<br>and                                | 15.0%<br>20.0% | 6.4<br>10.0    | 15.0%<br>20.0% | 7.9<br>6.7     |
| <b>(b) Value of lock-up period for market participant</b>                  | 26.2%          | 24.1           | 14.9%          | 12.9           |
| <b>Total expense for the Group (a-b)</b>                                   |                | <b>0</b>       |                | <b>1.8</b>     |
| <b>Sensitivity</b>   |                |                |                |                |
| - Decrease in interest rate for market participant <sup>(2)</sup>          | (0.5%)         | 2.5            | (0.5%)         | 2.0            |

Amounts in millions of euros, unless otherwise stated.

(1) Average interest rate charged by banks for an ordinary, non-revolving personal loan with a maximum maturity of five years granted to an individual with an average credit rating.

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

| Leveraged plan   | 2012           |                | 2011           |                |
|--|----------------|----------------|----------------|----------------|
|  | %              | Value          | %              | €              |
| <b>Plan characteristics</b>  |                |                |                |                |
| Maturity (years)   |                | 5              |                | 5              |
| Reference price (euros)  |                | 43.12          |                | 56.11          |
| Subscription price (euros) : between<br>and                                |                | 36.66<br>34.50 |                | 47.69<br>44.89 |
| Discount <sup>(4)</sup> between<br>and                                     | 15.0%<br>20.0% |                | 15.0%<br>20.0% |                |
| Amount subscribed by employees   |                | 4.8            |                | 10.6           |
| Total amount subscribed  |                | 47.8           |                | 105.7          |
| Total number of shares subscribed (million of shares)                      |                | 1.4            |                | 2.4            |
| <b>Valuation assumptions</b>   |                |                |                |                |
| Interest rate available to market participant (bullet loan) <sup>(1)</sup> | 5.5%           |                | 4.8%           |                |
| Five-year risk-free interest rate (Euro zone)                              | 1.5%           |                | 2.8%           |                |
| Annual dividend rate   | 3.0%           |                | 3.0%           |                |
| Annual interest rate (repo)  | 1.0%           |                | 1.0%           |                |
| Retail/institutional volatility spread                                     | 5.0%           |                | 5.0%           |                |
| (a) Value of the discount between<br>and                                   | 15.0%<br>20.0% | 0<br>11.9      | 15.0%<br>20.0% | 5.9<br>18.1    |
| (b) Value of the lock-up period for market participant                     | 26.2%          | 15.6           | 14.9%          | 19.3           |
| (c) Value of the opportunity gain <sup>(2)</sup>                           | 1.3%           | 1.2            | 2.0%           | 2.6            |
| <b>Total expense for the Group (a-b+c)</b>                                 |                | <b>0</b>       |                | <b>7.3</b>     |
| <b>Sensitivity</b>   |                |                |                |                |
| - Decrease in interest rate for market participant <sup>(3)</sup>          | (0,5%)         | 1.6            | (0,5%)         | 3.1            |

Amounts in millions of euros, unless otherwise stated.

(1) Average interest rate charged by banks for an ordinary, non-revolving personal loan with a maximum maturity of five years granted to an individual with an average credit rating.

(2) Calculated using a binomial model.

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

(4) In some countries, because of local legal constraints, the employee subscribes a non-discounted amount while the bank subscribes a discounted amount to provide leverage to the employee.

## Note 15 - Pensions and other post-employment benefit obligations

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

|   | Pensions and termination benefits | Of which US plans | Other Post-employment and long-term benefits | Of which US plans | Provisions for pensions and other post-employment benefits |
|---|-----------------------------------|-------------------|--|-------------------|--|
| <b>Dec. 31, 2011</b>                            | <b>1,263</b>                      | <b>395</b>        | <b>460</b>                                   | <b>349</b>        | <b>1,723</b>   |
| Net cost recognized in the statement of income  | 33                                | (1)               | 15   | 6                 | 48   |
| Benefits paid                                   | (16)                              | -                 | -  | -                 | (16)   |
| Plan participants' contributions                | (82)                              | (4)               | (10)   | (9)               | (92)   |
| Actuarial gains and losses recognized in equity | 10                                | (1)               | 2  | 1                 | 12   |
| Translation adjustment                          | 16                                | 11                | 11   | 10                | 27   |
| Changes in the scope of consolidation           | 2                                 | -                 | 16   | -                 | 18   |
| Other changes                                   | 4                                 | -                 | 2  | 2                 | 6  |
| <b>June 30, 2012</b>                            | <b>1,230</b>                      | <b>400</b>        | <b>496</b>                                   | <b>360</b>        | <b>1,726</b>   |

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

|   | First Half 2012                   |  |           | First Half 2011                   |  |           |
|---|-----------------------------------|--|-----------|-----------------------------------|--|-----------|
|   | Pensions and termination benefits | Other post-employment and long-term benefits | Total     | Pensions and termination benefits | Other post-employment and long-term benefits | Total     |
| Service cost  | 21                                | 8  | 29        | 21                                | 3  | 24        |
| Past service cost                                     | -                                 | (1)  | (1)       | 1                                 | (2)  | (1)       |
| Curtailments and settlements                          | -                                 | -  | -         | -                                 | -  | -         |
| <b>Operating expense for the period</b>               | <b>21</b>                         | <b>7</b>                                     | <b>28</b> | <b>22</b>                         | <b>1</b>                                     | <b>23</b> |
| Interest cost (impact of discounting)                 | 56                                | 8  | 64        | 55                                | 10   | 65        |
| Expected return on plan assets                        | (44)                              | -  | (44)      | (41)                              | -  | (41)      |
| <b>Financial expense for the period</b>               | <b>12</b>                         | <b>8</b>                                     | <b>20</b> | <b>14</b>                         | <b>10</b>                                    | <b>24</b> |
| <b>Net cost recognized in the statement of income</b> | <b>33</b>                         | <b>15</b>                                    | <b>48</b> | <b>36</b>                         | <b>11</b>                                    | <b>47</b> |

## Note 16 - Provisions

|   | Economic Risks | Customer risks | Product risks | Environmental risks | Restructuring | Other risks | Provisions   |
|---|----------------|----------------|---------------|---------------------|---------------|-------------|--------------|
| <b>Dec. 31, 2011</b>                            | <b>739</b>     | <b>87</b>      | <b>420</b>    | <b>57</b>           | <b>137</b>    | <b>200</b>  | <b>1,640</b> |
| <i>Long-term portion</i>                        | <i>388</i>     | <i>34</i>      | <i>81</i>     | <i>28</i>           | <i>18</i>     | <i>131</i>  | <i>680</i>   |
| Additions                                       | 38             | 6              | 69            | 1                   | 21            | 60          | 195          |
| Discounting effect                              | -              | -              | -             | -                   | -             | 2           | 2            |
| Utilizations                                    | (28)           | (14)           | (55)          | (3)                 | (50)          | (55)        | (205)        |
| Reversals of surplus provisions                 | (42)           | -              | (2)           | -                   | (4)           | (2)         | (50)         |
| Translation adjustments                         | (3)            | 1              | 5             | 1                   | 1             | 3           | 8            |
| Changes in the scope of consolidation and other | 19             | -              | (5)           | 3                   | (5)           | 91          | 103          |
| <b>June 30, 2012</b>                            | <b>723</b>     | <b>80</b>      | <b>432</b>    | <b>59</b>           | <b>100</b>    | <b>299</b>  | <b>1,693</b> |
| <i>Long-term portion</i>                        | <i>406</i>     | <i>37</i>      | <i>89</i>     | <i>36</i>           | <i>11</i>     | <i>144</i>  | <i>723</i>   |

Additions to provisions for product risks reflect updated estimates of technical risks for €27 million. Additions to provisions for restructuring, in an amount of €21 million, are commented in Note 6.

## Note 17 - Net debt

Net debt breaks down as follows:

|   | June 30, 2012 | Dec. 30, 2011 |
|---|---------------|---------------|
| Convertible and non-convertible bonds                       | 5,546         | 5,540         |
| Bank and other borrowings                                   | 1,482         | 1,464         |
| Lease liabilities   | 7             | 7             |
| Employees profit sharing                                    | 13            | 12            |
| Short-term portion of convertible and non-convertible bonds | -             | -             |
| Short-term portion of long-term debt                        | (326)         | (96)          |
| <b>Non-current financial liabilities</b>                    | <b>6,722</b>  | <b>6,927</b>  |
| Commercial papers   | 835           | 190           |
| Accrued interests   | 134           | 132           |
| Other short-term borrowings                                 | 337           | 475           |
| Drawdown of funds from lines of credit                      | -             | -             |
| Bank overdrafts   | 161           | 217           |
| Short-term portion of convertible and non-convertible bonds | -             | -             |
| Short-term portion of long-term debt                        | 326           | 96            |
| <b>Current financial liabilities</b>                        | <b>1,793</b>  | <b>1,110</b>  |
| <b>Total current and non-current financial liabilities</b>  | <b>8,515</b>  | <b>8,037</b>  |
| Marketable securities                                       | 239           | 634           |
| Negotiable debt securities and short-term deposits          | 290           | 622           |
| Cash  | 1,831         | 1,515         |
|   | <b>2,360</b>  | <b>2,771</b>  |
| <b>Net debt</b>   | <b>6,155</b>  | <b>5,266</b>  |

Cash and cash equivalents net of short-term bank loans and overdrafts totaled €2,199 million at June 30, 2012, corresponding to the amount reported in the consolidated cash flow statement.

Non-recourse factoring of trade receivables were realized during the six-month period ended June 30, 2012 for a total amount of €147 million, compared with €135 million during the six-month period ended December 31, 2011. Moreover, the Group had factored without recourse to a bank during the six-month period ended June 30, 2012 a taxes-related receivable for €233 million, linked to an internal operation that generated a cash-out on a taxes-related payable for an even amount ; this receivable was paid by tax authorities to the bank on July 25, 2012.

There was neither issuance nor reimbursement of bonds on 2012 six-month period ended June 30.

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

## Note 18 - Financial instruments

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

## 18.1 Carrying amount and nominal amount of derivative financial instruments

|   | IFRS designation | Dec. 31, 2011   | June 30, 2012           |            | June 30, 2012   |                         |                     |
|---|------------------|-----------------|-------------------------|------------|-----------------|-------------------------|---------------------|
|   |                  | Carrying amount | Statement of income (1) | Equity (2) | Carrying amount | Nominal amount Purchase | Nominal amount Sale |
| <b>Foreign exchange</b>                             |                  |                 |                         |            |                 |                         |                     |
| Futures - cash flow hedges                          | CFH*             | (59)            | (27)                    | (4)        | (90)            | (1,387)                 | 188                 |
| Futures - net investment hedges                     | NIH*             | (50)            | -                       | 34         | (16)            | (201)                   | 1,066               |
| Futures and options - hedges of balance sheet items | Trading/FVH*     | (84)            | 27                      |            | (57)            | (1,974)                 | 3,677               |
| <b>Metal prices</b>                                 |                  |                 |                         |            |                 |                         |                     |
| Futures and options                                 | CFH*             | (12)            | -                       | 6          | (6)             | (210)                   | -                   |
| <b>Share-based payment</b>                          |                  |                 |                         |            |                 |                         |                     |
| Call options (3)                                    | CFH*             | 34              | 13                      | 1          | 48              | (163)                   | -                   |
| <b>Interest rates</b>                               |                  |                 |                         |            |                 |                         |                     |
| Interest rate swaps                                 | CFH*/FVH*        | (14)            | (3)                     | 4          | (13)            | (1,137)                 | -                   |
| <b>Derivatives financial instruments</b>            |                  | <b>(185)</b>    | <b>10</b>               | <b>41</b>  | <b>(134)</b>    |                         |                     |

\* Cash Flow Hedge / Fair Value Hedge / Net Investment Hedge

- (1) Gains and losses on hedging instruments for the period are offset by changes in the fair value of the underlying, which are also recognized in financial income.
- (2) Reported in equity under *Retained Earnings or Translation adjustments*
- (3) On June 30, 2012, 3,986,612 Schneider Electric shares are hedged in relation to Stock Appreciation Rights granted to US employees.

The carrying amount reflects the fair value of financial instruments.

## 18.2 Carrying amount and fair value of financial instruments other than derivatives

|  | June 30, 2012       |                | December 31, 2011   |                |
|--|---------------------|----------------|---------------------|----------------|
|  | Notional amount (1) | Fair value     | Notional amount (1) | Fair value     |
| Available-for-sale financial assets                | 340                 | 340            | 296                 | 296            |
| Other non-current financial assets                 | 114                 | 114            | 261                 | 261            |
| Marketable securities                              | 239                 | 239            | 634                 | 634            |
| Bonds  | (5,546)             | (6,007)        | (5,540)             | (5,861)        |
| Other short and long-term debt                     | (2,968)             | (2,968)        | (2,497)             | (2,497)        |
| <b>Financial instruments excluding derivatives</b> | <b>(7,821)</b>      | <b>(8,282)</b> | <b>(6,846)</b>      | <b>(7,167)</b> |

(1) The notional amount corresponds to either amortized cost or fair value.

## Note 19 - Related party transactions

### 19.1 Associates

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

### 19.2 Related parties with significant influence

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

## Note 20 - Commitments and contingent liabilities

### 20.1 Guarantees given and received

Guarantees given and received amounted to €1,148 million and €76 million, respectively, as of June 30, 2012.

### 20.2 Purchase commitments

#### ➤ Shares in subsidiaries and affiliates

Commitments to purchase equity investments correspond to put options given to minority shareholders in consolidated companies or relate to earn-out payments. At June 30, 2012, there is one material put related to the 26% interests in Luminous that was valued for an amount of €75 million as Other non-current liabilities.

#### ➤ Information technology services

The Group signed an agreement with CAPGEMINI to outsource certain European IT functions and to develop shared management applications using SAP. The first pilot version was deployed in India in April 2007 and a second version was rolled out in several European countries mid-2008. Schneider Electric capitalized development costs relating to the SAP contract in a net amount of €142 million at June 30, 2012. These costs are being amortized as from 2009 over a 7-year rolling period using an increasing-balance method based on the number of users as deployment is extended across operations.

The six-month period ended June 30, 2012 expense related to this outsourcing agreement contractually amounts to €49 million (compared with €51 million in six-month period ended June 30, 2011) including volume and indexation effects provided for in the contract.

### 20.3 Contingent liabilities

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

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

The Group has also signed an agreement concerning statutory employee training rights in France (DIF). In accordance with French national accounting board (CNC) opinion 2004-F, the related costs are treated as an expense for the period when the training is received and no provision is set aside in the periods when the training rights accrue. As of June 30, 2012, accrued rights for employees in French units corresponded to around 1,400,000 hours.

## Note 21 - Subsequent events

#### ➤ Issuance of shares to employees

On July 19, 2011, 3.5 million shares were issued in connection with the employee share purchase program described in note 14.2, increasing the share capital by €124 million.



# MANAGEMENT REPORT FOR THE PERIOD ENDED JUNE 30, 2012

## Consolidated financial statements

### *Business and Statement of Income highlights*

#### Changes in the scope of consolidation

##### Acquisitions during the period

On May 4, 2012, Schneider Electric announced that it has signed an agreement to acquire M&C Energy Group ("M&C"), a fast-growing company specialized in energy procurement and sustainability services for both multinationals and small to medium sized enterprises.

M&C provides its customers with energy procurement, compliance and performance optimization services mostly on recurring subscription basis. The company has more than 500 employees including 300 energy specialists and an international presence with 21 offices across 15 countries, particularly in Europe and Asia-Pacific.

M&C will be consolidated in Group's financial statements from July 1, 2012.

##### Acquisitions made in 2011 having an impact on the financial statements of six-month period ended June 30, 2012 \*

The following companies acquired in 2011 and consolidated over the full year in 2012 had an impact on the scope of consolidation compared with 2011:

- Lee Technologies, consolidated as from April 1, 2011,
- Summit Energy, consolidated as from April 14, 2011,
- DIGILINK, consolidated as from May 13, 2011,
- APW President Systems, consolidated as from May 19, 2011,
- Luminous Power Technologies, consolidated as from June 1, 2011,
- Steck Da Amazonia Industria Electrica, consolidated as from July 20, 2011,
- Telvent GIT, consolidated as from August 31, 2011,
- Leader & Harvest Power Technologies Holdings, consolidated as from October 11, 2011.

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

#### Exchange rate changes

Fluctuations in the euro exchange rate had a positive impact in six-month period ended June 30, 2011, increasing consolidated revenue by €435 million and adjusted EBITA by €73 million, due to the depreciation of Euro against most major currencies, in particular the U.S. Dollar and the Chinese Yuan.

## Results of Operations

The following table sets forth our results of operations for the six-month period ended June 30, 2012 and 2011.

(in millions of Euros except for earnings per share)

|  | 1st half-year<br>2012 | 1st half-year<br>2011 | % variance   |
|--|-----------------------|-----------------------|--------------|
| <b>Revenue</b>   | <b>11,408</b>         | <b>10,336</b>         | <b>10.4%</b> |
| Cost of sales  | (7,104)               | (6,371)               | 11.5%        |
| <b>Gross profit</b>  | <b>4,304</b>          | <b>3,965</b>          | <b>8.5%</b>  |
| <b>% Gross profit</b>  | <b>37.7%</b>          | <b>38.4%</b>          |              |
| Research and development                                       | (268)                 | (252)                 | 6.3%         |
| Selling, general and administrative expenses                   | (2,480)               | (2,279)               | 8.8%         |
| <b>Adjusted EBITA*</b>   | <b>1,556</b>          | <b>1,434</b>          | <b>8.5%</b>  |
| <b>% Adjusted EBITA</b>  | <b>13.6%</b>          | <b>13.9%</b>          |              |
| Other operating income and expenses                            | (8)                   | (19)                  | -57.9%       |
| Restructuring costs  | (43)                  | (43)                  | 0.0%         |
| <b>EBITA**</b>   | <b>1,505</b>          | <b>1,372</b>          | <b>9.7%</b>  |
| <b>% EBITA</b>   | <b>13.2%</b>          | <b>13.3%</b>          |              |
| Amortization and impairment of purchase accounting intangibles | (118)                 | (98)                  | 20.4%        |
| <b>Operating income</b>  | <b>1,387</b>          | <b>1,274</b>          | <b>8.9%</b>  |
| <b>% Operating income</b>                                      | <b>12.2%</b>          | <b>12.3%</b>          |              |
| Interest income  | 8                     | 17                    | -52.9%       |
| Interest expense   | (180)                 | (147)                 | 22.4%        |
| <b>Finance costs, net</b>                                      | <b>(172)</b>          | <b>(130)</b>          | <b>32.3%</b> |
| Other financial income and expense                             | (17)                  | (54)                  | -68.5%       |
| <b>Net financial income/loss</b>                               | <b>(189)</b>          | <b>(184)</b>          | <b>2.7%</b>  |
| <b>Profit before tax</b>                                       | <b>1,198</b>          | <b>1,090</b>          | <b>9.9%</b>  |
| Income tax expense   | (281)                 | (262)                 | 7.3%         |
| Share of profit/(losses) of associates                         | 18                    | 13                    | 38.5%        |
| <b>Profit for the period</b>                                   | <b>935</b>            | <b>841</b>            | <b>11.2%</b> |
| -Attributable to owners of the parent                          | 890                   | 802                   | 11.0%        |
| -Attributable to non-controlling interests                     | 45                    | 39                    | 15.4%        |
| Basic earnings per share (in Euros)                            | 1.65                  | 1.50                  | 10.0%        |

## Revenue

Consolidated revenue totaled €11,408 million for the period ended June 30, 2012, up 10.4% on a current structure and currency basis from the year-earlier period.

Organic growth accounted for 0.2%, acquisitions net of disposals for 5.9%, mainly linked to the acquisition of Luminous on June 1, 2011 and of Telvent on August 31, 2011 and the currency effect for 4.3% due to the depreciation of Euro against most major currencies, in particular the dollar and the Chinese Yuan.

### **Breakdown by business**

The following table sets forth our revenue by business segment for the six-month periods ended June 30, 2012 and 2011.

| <i>(in millions of Euros)</i> | <b>Power</b> | <b>Infrastructure</b> | <b>Industry</b> | <b>IT</b> | <b>Buildings</b> | <b>Total</b>  |
|-------------------------------|--------------|-----------------------|-----------------|-----------|------------------|---------------|
| <b>June 30, 2012</b>          | 4,278        | 2,372                 | 2,219           | 1,736     | 803              | <b>11,408</b> |
| <b>June 30, 2011</b>          | 3,936        | 2,029                 | 2,227           | 1,412     | 732              | <b>10,336</b> |

**The Power Business** generated revenues of €4,278 million, or 38% of the consolidated total. This represents an increase of +8.7% on a reported basis and **+3.0%** like-for-like. This performance was driven by a double-digit growth in the Solutions business, benefiting from continued investments in infrastructure, oil & gas, mining and data centers. Product business was slightly positive: stronger residential and industrial markets in North America, South East Asia and South America helped to balance the decline in Western Europe. The trend was negative across renewable energy products and solutions.

**The Infrastructure Business** generated revenues of €2,372 million, or 21% of the consolidated total. This represents an increase of +16.9% on a reported basis and **-0.7%** like-for-like. The product business declined slightly, as growth in secondary distribution products was not sufficient to offset weaker demand in utilities. The solution business reported flat growth, showing continued success in oil & gas and mining projects as well as robust services, while sub-stations weakened.

**The Industry Business** generated revenues of €2,219 million, or 19% of the consolidated total. This represents an increase of -0.4% on a reported basis and **-6.3%** like-for-like. The product business was down due to weak OEM investments in Western Europe and Asia and very demanding comparison basis partly created by anticipated customer orders post-Fukushima on 2011 first half-year. Solutions reported solid growth, driven by end-user solutions, mainly in mining, oil & gas and water. SoMachine solutions for machine builders continued to be a success.

**The IT Business** generated revenues of €1,736 million, or 15% of the consolidated total. This represents an increase of +22.9% on a reported basis and **+5.1%** like-for-like, the highest growth for the period. Solutions showed solid growth on the back of strong demand for complete data centre solutions and significant growth in services. Product business was slightly positive with primarily driven by sustained demand for secured power from new, such as Russia and Middle East.

**The Buildings Business** generated revenues of €803 million, or 7% of the consolidated total. This represents an increase of +9.7% on a reported basis and **-2.2%** like-for-like. Product and Solutions were slightly negative, primarily the result of a lower level of related public spending in Western Europe and a decline of advanced services in the US.

### **Gross profit**

Gross profit increased from €3,965 million for the six-month period ended June 30, 2011 to €4,304 million for the six-month period ended June 30, 2012, or 8.5%. This increase was gathered through 2011 acquisitions and through the price actions led since the last six-months ended December 31, 2011. As a percentage of revenues, gross profit decreased 0.7 points from 38.4% to 37.7% due to a negative mix linked to growth in solutions higher than growth in products, to a geographic mix less favorable and to the costs related to new product launches in 2012 first semester.

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

Research and development expenses, including capitalized development costs and development costs reported as cost of sales, increased by 6.3% from €252 million for the six-month period ended June 30, 2011 to €268 million for the six-month period ended June 30, 2012. As a percentage of revenues, the net cost of research and development remain stable at 2.3% of revenues for six-month period ended June 30, 2012 (2.4% for the six-month period ended June 30, 2011).

Total research and development expense, including capitalized development costs and development costs reported as cost of sales (see Note 4 to the Audited Consolidated Financial Statements included elsewhere in this Offering Memorandum) increased 16.4% from €451 million for the six-month period ended June 30, 2011 to €525 million for the six-month period ended June 30, 2012. As a percentage of revenues, total research and development expenses increased to 4.6% for the six-month period ended June 30, 2012 (compared to 4.4% for the six-month period ended June 30, 2011).

On the first semester 2012, the net effect of capitalized development costs and amortization of capitalized development costs amounts to €70 million on operating income (€42 million on first semester 2011).

Selling, general and administrative expenses increased from €2,279 million for the six-month period ended June 30, 2011 to €2,480 million for the six-month period ended June 30, 2012. As a percentage of revenues, selling, general and administrative expenses decreased to 21.7% for the six-month period ended June 30, 2012 (compared to 22.0% six-month period ended June 30, 2011), cost controlling allowing to compensate inflation.

Combined, total support function costs, that is, research and development expenses together with selling, general and administrative costs, totaled €2,748 million six-month period ended June 30, 2012 compared to €2,531 million six-month period ended June 30, 2011, an increase of 8.6%. As a result, our support functions costs to sales ratio decreased from 24.5% for the six-month period ended June 30, 2011 to 24.1% for the six-month period ended June 30, 2012, thanks to structure optimization.

## **Other operating income and expenses**

For the six-month period ended June 30, 2012, other operating income and expenses amounted to a net expense of €8 million, including costs linked to acquisitions for €28 million and other operating income of €20 million. Costs linked to acquisitions are acquisition, integration and separation costs on 2011 and 2012 acquisitions, notably Telvent and M&C. Net other operating income includes mainly reversal of provisions for litigation or claims that expired on June 30, 2012.

For the six-month period ended June 30, 2011, other operating income and expenses amounted to a net expense of €19 million, including costs linked to acquisitions for €41 million and other operating income of €22 million. Costs linked to acquisitions are acquisition, integration and separation costs on 2010 and 2011 acquisitions, notably Areva, Telvent and Leader & Harvest. Net other operating income includes mainly reversal of provisions for litigation or claims that expired on June 30, 2011.

## **Restructuring costs**

For the six-month period ended June 30, 2012, restructuring costs amounted to €43 million compared to also €43 million for the six-month period ended June 30, 2011. These costs related primarily to industrial and support functions restructurings.

## EBITA and Adjusted EBITA

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

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

Adjusted EBITA amounted to €1,556 million for the six-month period ended June 30, 2012, compared to €1,434 million for the six-month period ended June 30, 2011, an increase of 8.5%, as the result of effective cost control and continuous focus on price actions and despite lower volume and negative mix effect. As a percentage of revenues, adjusted EBITA decreased from 13.9% for the six-month period ended June 30, 2011 to 13.6% for the six-month period ended June 30, 2012, mainly due to dilution impact of acquisitions.

EBITA increased 9.7% from €1,372 million for the six-month period ended June 30, 2011 to €1,505 million for the six-month period ended June 30, 2012, thanks to the strong increase of Adjusted EBITA, the decrease of other operating expenses, net of income, and the stability of restructuring costs. As a percentage of revenues, EBITA stay stable at 13.2% for the six-month period ended June 30, 2012 (13.3% for the six-month period ended June 30, 2011),

The following table sets out EBITA and adjusted EBITA by business segment for the six-month periods ended June 30, 2012 and June 30, 2011:

| <i>(in millions of Euros)</i>   | <b>Power</b> | <b>Infrastructure</b> | <b>Industry</b> | <b>IT</b> | <b>Buildings</b> | <b>Corporate costs</b> | <b>Total</b>  |
|---|--------------|-----------------------|-----------------|-----------|------------------|------------------------|---------------|
| <b>June 30, 2012</b>  |              |                       |                 |           |                  |                        |               |
| Revenues  | 4 278        | 2 372                 | 2 219           | 1 736     | 803              |                        | <b>11 408</b> |
| Adjusted EBITA *  | 855          | 199                   | 412             | 304       | 52               | (266)                  | <b>1 556</b>  |
| Adjusted EBITA (%)  | 20,0%        | 8,4%                  | 18,6%           | 17,5%     | 6,5%             |                        | <b>13,6%</b>  |
| Other operating income and expense  | 8            | (8)                   | (7)             | 3         | (1)              | (3)                    | <b>(8)</b>    |
| Restructuring costs   | (25)         | (4)                   | (5)             | (2)       | (2)              | (5)                    | <b>(43)</b>   |
| EBITA   | 838          | 187                   | 400             | 305       | 49               | (274)                  | <b>1 505</b>  |
| EBITA (%)   | 19,6%        | 7,9%                  | 18,0%           | 17,6%     | 6,1%             |                        | <b>13,2%</b>  |
| * Adjusted EBITA: EBITA before restructuring costs and before other operating income and expenses |              |                       |                 |           |                  |                        |               |
| <b>June 30, 2011</b>  |              |                       |                 |           |                  |                        |               |
| Revenues  | 3,936        | 2,029                 | 2,227           | 1,412     | 732              |                        | <b>10 336</b> |
| Adjusted EBITA  | 835          | 166                   | 438             | 194       | 59               | (258)                  | <b>1 434</b>  |
| Adjusted EBITA (%)  | 21,2%        | 8,2%                  | 19,7%           | 13,7%     | 8,1%             |                        | <b>13,9%</b>  |
| Other operating income and expense  | 15           | (12)                  | (4)             | (8)       | (3)              | (7)                    | <b>(19)</b>   |
| Restructuring costs   | (29)         | (3)                   | (3)             | (1)       | (5)              | (2)                    | <b>(43)</b>   |
| EBITA   | 821          | 151                   | 431             | 185       | 51               | (267)                  | <b>1 372</b>  |
| EBITA (%)   | 20,9%        | 7,4%                  | 19,4%           | 13,1%     | 7,0%             |                        | <b>13,3%</b>  |
| * Adjusted EBITA: EBITA before restructuring costs and before other operating income and expenses |              |                       |                 |           |                  |                        |               |

**Power** recorded an adjusted EBITA margin of 20.0% for the six-month period ended June 30, 2012, down 1.2% compared to 21.2% for the six-month period ended June 30, 2011, due to negative business and geographic mix and important new product launches.

**Infrastructure** recorded an adjusted EBITA margin of 8.4% for the six-month period ended June 30, 2012, up 0.2% compared to 8.2% for the six-month period ended June 30, 2011, thanks to a strict cost control.

**Industry** recorded an adjusted EBITA margin of 18.6% for the six-month period ended June 30, 2012, down 1.1% compared to 19.7% for the six-month period ended June 30, 2011, showed resilience in light of the reduced volume and unfavorable mix, thanks to strong price actions and productivity.

**IT** recorded an adjusted EBITA margin of 17.5% for the six-month period ended June 30, 2012, up 3.8% compared to 13.7% for the six-month period ended June 30, 2011, due to sustained growth, price increases and improved performance of solutions.

**Buildings** recorded an adjusted EBITA margin of 6.5% for the six-month period ended June 30, 2012, down 1.6% compared to 8.1% for the six-month period ended June 30, 2011, reflecting weak underlying market trend and negative business mix.

Corporate costs for the compared to the six-month period ended June 30, 2012 amounted to €266 million or 2.3% of sales, slightly below 2.5% of sales (€258 million), for the six-month period ended June 30, 2011.

### **Operating income (EBIT)**

Operating income increased from €1,274 million for the six-month period ended June 30, 2011 to 1,387 million for the six-month period ended June 30, 2012, an increase of 8.9% despite an increase of amortization of intangibles linked to business combinations of €20 million (€118 million on the six-month period ended June 30, 2012 compared to €98 million six-month period ended June 30, 2011).

### **Net financial income/loss**

Net financial loss amounted to €189 million for the six-month period ended June 30, 2012, compared to €184 million for the six-month period ended June 30, 2011. This increase is explained by an increase in Net finance costs, to €172 million for the six-month period ended June 30, 2012, compared to €130 million for the six-month period ended June 30, 2011, linked to the increase in net debt between the two periods.

This increase is partially offset by the decrease in other financial costs, net, as well as the exchange loss that led the other financial income and expenses to go from a net expense of €54 million on the six-month period ended June 30, 2011 to a net expense of €17 million for the six-month period ended June 30, 2011.

### **Tax**

The effective tax rate was 23.5% for the six-month period ended June 30, 2012 compared to 24.0% for the six-month period ended June 30, 2011. The corresponding tax expense increased from €262 million on the six-month period ended June 30, 2011 to €281 million six-month period ended June 30, 2012.

### **Share of profit/ (losses) of associates**

The share of profit of associates amounted to €18 million for the six-month period ended June 30, 2012, compared to €13 million for the six-month period ended June 30, 2011, thanks to the increasing contribution of Electroschild in Russia.

### **Non-controlling interests**

Minority interests in net income for the six-month period ended June 30, 2012 totaled €45 million, compared to €39 million for the six-month period ended June 30, 2011. This represented the share in net income attributable, in large part, to the minority interests of certain Chinese companies.

### **Profit for the period**

Profit for the period attributable to the equity holders of our parent company amounted to €890 million for the six-month period ended June 30, 2012, that is an 11.0% million increase over the €802 profit for the year recorded in the six-month period ended June 30, 2011.

### **Earnings per share**

Earnings per share (taking into account the division of the nominal value of the shares by two, effective as of September 2, 2011) amounted to €1.65 per share for the six-month period ended June 30, 2012 and €1.50 per share for the six-month period ended June 30, 2011.

## Cash-flow

The following table sets forth our cash-flow statement for the six-month period ended June 30, 2012 and 2011.

(in millions of Euros)

(in millions of Euros)

|   | First half 2012 | First half 2011 |
|---|-----------------|-----------------|
| Profit for the period   | 935             | 841             |
| Share of (profit)/ losses of associates, net of dividends received  | (18)            | (13)            |
| <i>Non-cash adjustments to reconcile profit for the period to net cash flows provided by operating activities</i> |                 |                 |
| Depreciation of property, plant and equipment   | 202             | 189             |
| Amortization of intangible assets other than goodwill   | 214             | 180             |
| Losses on non current assets  | (10)            | (2)             |
| Increase/(decrease) in provisions   | (68)            | (14)            |
| Losses/(gains) on disposals of fixed assets   | 1               | 6               |
| Difference between tax paid and tax expense   | (73)            | (74)            |
| Other non cash-adjustments  | 16              | 27              |
| <b>Net cash provided by operating activities before changes in operating assets and liabilities</b>               | <b>1 199</b>    | <b>1 140</b>    |
| (Increase)/decrease in accounts receivable  | 134             | (242)           |
| (Increase)/decrease in inventories and work in process  | (199)           | (636)           |
| Increase/(decrease) in accounts payable   | (84)            | 106             |
| Change in other current assets and liabilities  | (304)           | (198)           |
| <b>Change in working capital requirement</b>  | <b>(453)</b>    | <b>(970)</b>    |
| <b>I - Cash flows from operating activities</b>   | <b>746</b>      | <b>170</b>      |
| Purchases of property, plant and equipment  | (218)           | (243)           |
| Proceeds from disposals of property, plant and equipment  | 12              | 16              |
| Purchases of intangible assets  | (145)           | (104)           |
| Proceeds from disposals of intangible assets  | 2               | 2               |
| <b>Net cash used in investment in operating fixed assets</b>  | <b>(349)</b>    | <b>(329)</b>    |
| Acquisition of subsidiaries, net of cash acquired   | (164)           | (642)           |
| Purchases of other long-term investments  | 21              | (42)            |
| Long-term pension assets  | (74)            | -               |
| <b>Net financial investments</b>  | <b>(217)</b>    | <b>(684)</b>    |
| <b>II - Cash flows from / used in investing activities:</b>   | <b>(566)</b>    | <b>(1 013)</b>  |
| Increase/(reduction) in financial debt  | 579             | 543             |
| Proceeds from issuance of share capital   | 22              | 30              |
| Dividends paid: Schneider Electric SA   | (919)           | (856)           |
| Non-controlling interests   | (23)            | (37)            |
| <b>III - Cash flows from / used in financing activities</b>   | <b>(341)</b>    | <b>(320)</b>    |
| <b>IV - Net foreign exchange difference</b>   | <b>(194)</b>    | <b>(40)</b>     |
| <b>Net increase/(decrease) in cash and cash equivalents: I + II + III + IV</b>                                    | <b>(355)</b>    | <b>(1 203)</b>  |
| Cash and cash equivalents at January, 1 <sup>st</sup>   | 2 554           | 3 296           |
| Increase/(decrease) in cash and cash equivalents  | (355)           | (1 203)         |
| <b>Cash and cash equivalents at June 30<sup>th</sup></b>  | <b>2 199</b>    | <b>2 093</b>    |

### **Operating Activities**

Net cash provided by operating activities before changes in operating assets and liabilities reached €1,199 million for the six-month period ended June 30, 2012, up 5.2% compared to €1,140 million for the six-month period ended June 30, 2011, and represented 10.5% of revenue in the first semester 2012 compared with 11.0% in the first semester 2011.

Change in working capital requirement consumed €453 million in cash in the six-month period ended June 30, 2012, compared to €970 million in consumption in the six-month period ended June 30, 2011, reflecting the strong effort in controlling inventories level compared to the inventory build-up to mitigate supply chain disruption post-Fukushima in the first semester 2011, and a better collection of trade receivables.

In all, net cash provided by operating activities quadrupled from €170 million in the six-month period ended June 30, 2011 to €746 million in the six-month period ended June 30, 2012.

### **Investing Activities**

Net capital expenditure, which included capitalized development projects, increased 6.1% to €349 million for the six-month period ended June 30, 2012, which was similar to the amount reported in first half 2011 (€329 million for the six-month period ended June 30, 2011), and representing 3.1% of sales.

Our acquisitions in 2011 represented a cash outflow, net of cash acquired, of €163 million for the six-month period ended June 30, 2012, corresponding partially to M&C, compared to €642 million in the six-month period ended June 30, 2011 corresponding to several acquisitions including Luminous and Summit.

### **Financing Activities**

The increase net of decrease of financial debts amount to €579 million during the six-month period ended June 30, 2012, compared to €543 million during the six-month period ended June 30, 2011. The dividend paid by Schneider Electric was €919 million the six-month period ended June 30, 2012, compared with €856 million the six-month period ended June 30, 2011.

### **Outlook for 2012**

The uncertain world economic outlook and mixed business trends in the Group's key markets continue to limit near term visibility.

In this context, assuming no further deterioration of the economic conditions, the Group confirms its full year outlook of flat to slightly positive organic growth for sales and an adjusted EBITA margin between 14% and 15%.

See Chapter 1, paragraph 5 – Risk Factors of the 2011 Registration Document filed with AMF under no. D. 12-0198 for further information.

### **Significant events of the period**

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

#### **Executive Committee**

Mr. Zhu Hai joined the Executive Committee on April 2<sup>nd</sup>, 2012, whereas Mr. Eric Rondolat left the Executive Committee.

#### **Supervisory Board membership**

At its meeting of May 3, 2012, the Supervisory Board has reappointed Mr. Henri Lachmann as Chairman of the Supervisory Board and Mr. Leo Apotheker as Vice Chairman.

The Supervisory Board also renewed Mr. Claude Bébéar in his functions as non-voting director.



The Supervisory Board welcomed two new members nominated at the Annual Shareholders' Meeting of May 3, 2012, Mr. Antoine Gosset-Grainville, replacing Mr. Jérôme Gallot and Mrs Magali Herbaut, replacing Mr. Claude Briquet.

The Supervisory Board appointed Mr. Antoine Gosset-Grainville as a member of the Audit Committee. The Audit Committee is now composed of Mr. Gérard de La Martinière, Chairman, and Mr. Noël Forgeard and Mr. Antoine Gosset-Grainville.

## **Main risks and areas of uncertainty for the second half of 2012**

The main risks and areas of uncertainty for the second half of the year are the same as those outlined in Chapter 1, paragraph 5 (Risk Factors) of the 2011 Registration Document filed with AMF on March 22, 2012.

## **Claims, litigations and other risks**

(update to the Registration Document – pages 39-40)

No significant event occurred since Registration Document date.

## **Transactions with related parties**

These transactions are described in Note 19 to the interim consolidated financial statements.

## **Attestation**

We hereby declare that, to the best of our knowledge, the half-year financial statements as at June 30, 2012 have been prepared in accordance with applicable accounting standards, that they present fairly, in all material respects, the assets, financial position and results of the company and the consolidated group. To the best of my knowledge, the Management Report presents fairly the information mentioned in Article 222-6 of AMF's general regulations.

Rueil-Malmaison, July 31, 2012

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

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

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

To the Shareholders,

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

- the review of the accompanying condensed half-yearly consolidated financial statements of Schneider Electric S.A., for the period from January 1 to June 30, 2012, and
- the verification of the information contained in the interim management report.

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

## 1. Conclusion on the financial statements

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

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

## 2. Specific verification

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

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

Courbevoie and Paris-La Défense, July 31, 2012

The Statutory Auditors  
*French original signed by*

MAZARS

David Chaudat

ERNST & YOUNG et Autres

Yvon Salaün