

# Parent company financial statements

# 6

## In this section

<b>1. Balance sheet</b>	<b>334</b>	<b>4. Statutory Auditors' report on the annual financial statements</b>	<b>346</b>
<b>2. Statement of income</b>	<b>336</b>	<b>5. List of securities held at December 31, 2018</b>	<b>349</b>
<b>3. Notes to the financial statements</b>	<b>337</b>	<b>6. Subsidiaries and affiliates</b>	<b>350</b>
3.1 Significant events of the financial year	337	<b>7. The Company's financial results over the last 5 years</b>	<b>352</b>
3.2 Accounting principles	337		
3.3 Notes	338		



Balance sheet

# 1. Balance sheet

## Assets

(in thousands of euros)	Notes	Gross	A. & D. or Prov.	Dec. 31, 2018 Net	Dec. 31, 2017 Net
<b>NON-CURRENT ASSETS</b>					
<i>Intangible assets</i>					
Intangible rights	1.1	27,474	(27,474)	–	–
<i>Property, plant and equipment</i>					
Land	1.2	2,932	–	2,932	2,932
Buildings		48	(48)	–	–
Other		1,468	(242)	1,226	1,226
<b>Total intangible assets and property, plant and equipment</b>		<b>31,922</b>	<b>(27,764)</b>	<b>4,158</b>	<b>4,158</b>
<i>Financial investments</i>					
Shares in subsidiaries and affiliates	2.1	5,599,974	(114,270)	5,485,704	5,485,704
Other investment securities	2.2	1,727,194	(77)	1,727,117	2,043,475
Advances to subsidiaries and affiliates	2.3	3,210,570	–	3,210,570	3,178,935
Other		–	–	–	–
<b>Total financial investments</b>		<b>10,537,738</b>	<b>(114,347)</b>	<b>10,423,391</b>	<b>10,708,114</b>
<b>Total non-current assets</b>		<b>10,569,660</b>	<b>(142,111)</b>	<b>10,427,549</b>	<b>10,712,272</b>
<b>CURRENT ASSETS</b>					
<i>Accounts receivable</i>					
Accounts receivable – trade		202	–	202	201
Other	3	106,019	–	106,019	110,942
<b>Total accounts receivable</b>		<b>106,221</b>	<b>–</b>	<b>106,221</b>	<b>111,143</b>
<i>Marketable securities and cash</i>					
Marketable securities	4	40,657	(17,717)	22,940	101,689
Advances to the Group cash pool	5	6,899,820	–	6,899,820	3,967,832
Other		217	–	217	118
<b>Total marketable securities and cash</b>		<b>6,940,694</b>	<b>(17,717)</b>	<b>6,922,977</b>	<b>4,069,639</b>
<b>Total current assets</b>		<b>7,046,915</b>	<b>(17,717)</b>	<b>7,029,198</b>	<b>4,180,782</b>
<b>PREPAYMENTS AND OTHER ASSETS</b>					
Prepaid expenses	6.1	387	–	387	1,113
Deferred charges	6.2	14,435	–	14,435	15,141
Call premiums	6.3	26,201	–	26,201	23,916
Translation losses		77,214	–	77,214	45,581
<b>TOTAL ASSETS</b>		<b>17,734,812</b>	<b>(159,828)</b>	<b>17,574,984</b>	<b>14,978,805</b>

The notes form an integral part of these parent company financial statements.

## Equity and liabilities

(in thousands of euros)	Notes	Dec. 31, 2018	Dec. 31, 2017
<b>EQUITY</b>	7		
Share capital	7.1	2,316,675	2,387,665
Additional paid-in capital	7.2	2,976,940	5,147,245
<i>Reserves</i>			
Legal reserve		243,027	243,027
Retained earnings	7.3	84,171	(5,951)
Net income for the financial year		4,457,994	121,488
Untaxed provisions		2	2
<b>Total equity</b>		<b>10,078,809</b>	<b>7,893,475</b>
<b>PROVISIONS FOR CONTINGENCIES</b>	8		
Provisions for contingencies		1,432	916
<b>Total provisions for contingencies and expenses</b>		<b>1,432</b>	<b>916</b>
<b>LIABILITIES:</b>			
Bonds	9	6,598,934	6,567,300
Other borrowings	10	51,384	58,842
Amounts payable to subsidiaries and affiliates		14	14
Borrowings and financial liabilities	11	610,000	330,000
Accounts payable – trade		543	635
Accrued taxes and payroll costs		151,819	77,707
Other		4,682	4,128
<b>Total liabilities</b>		<b>7,417,375</b>	<b>7,038,626</b>
Deferred income		154	207
Translation gains		77,214	45,581
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>17,574,984</b>	<b>14,978,805</b>

The notes form an integral part of these parent company financial statements.

Statement of income

## 2. Statement of income

(in thousands of euros)	Notes	Full year 2018	Full year 2017
Sales of services and other		174	170
Reversals of provisions, depreciation and amortization and expense transfers		0	226
<b>Operating revenues</b>		<b>174</b>	<b>396</b>
Purchases and external expenses		(8,887)	(8,071)
Taxes other than on income		(1,640)	(1,532)
Payroll expenses		(3,554)	(2,466)
Depreciation and provision expense		–	–
Other operating expenses and joint-venture losses		(1,597)	(2,000)
<b>Operating expenses</b>		<b>(15,678)</b>	<b>(14,068)</b>
<b>Operating profit/(loss)</b>		<b>(15,504)</b>	<b>(13,672)</b>
Dividend income	14	4,500,507	99,792
Interest income		50,725	47,239
Reversals of impairment provisions for long-term receivables and other		–	–
<b>Financial income</b>		<b>4,551,232</b>	<b>147,031</b>
Interest expense		(126,008)	(153,728)
Provision expense		(8,691)	(12,898)
<b>Financial expenses</b>		<b>(134,699)</b>	<b>(166,626)</b>
<b>Net financial income/(loss)</b>	14	<b>4,416,533</b>	<b>(19,595)</b>
<b>Current result before tax</b>		<b>4,401,029</b>	<b>(33,267)</b>
Proceeds from fixed asset disposals		121	6
Provision reversals and expense transfers		67	15,642
Other		–	–
<b>Non-recurring income</b>		<b>188</b>	<b>15,648</b>
Carrying amount of fixed asset disposals		(311)	(1,798)
Provisions, depreciation and amortization		(9,902)	(7,815)
Other		(226)	(528)
<b>Non-recurring expenses</b>		<b>(10,439)</b>	<b>(10,141)</b>
<b>Net non-recurring income/(loss)</b>	15	<b>(10,252)</b>	<b>5,508</b>
<b>Net income tax benefit</b>	16	<b>67,216</b>	<b>149,245</b>
<b>NET INCOME</b>		<b>4,457,994</b>	<b>121,488</b>

The notes form an integral part of these parent company financial statements.

# 3. Notes to the financial statements

All amounts are in thousands of Euros unless stated otherwise

## 3.1: Significant events of the financial year

During the financial year, Schneider Electric SE carried out a capital increase for EUR164 million, as follows:

- the employee share issuance carried out on July 10, 2018 as part of the worldwide Employee Stock Purchase Plan, for EUR154 million;
- the exercise of performance shares, for EUR10 million.

The Group reimbursed a bond amounting EUR750 million. The company issued a bond for EUR750 million.

On May 5, 2018, the 2017 dividend was paid for EUR1,233 million.

Since April 2018, the company proceeded to buy back 10,683,700 of its own shares for EUR713 million.

## 3.2: Accounting principles

As in the prior financial year, the financial statements for the financial year ended December 31, 2018 have been prepared in accordance with French generally accepted accounting principles and with the ANC no. 2016-07 code.

### Non-current assets

Non-current assets of all types are stated at cost.

### Intangible assets

Intangible rights are amortized over a maximum of 5 years.

### Property, plant and equipment

Items of property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives, ranging from 3 to 10 years.

### Shares in subsidiaries and affiliates

Shares in subsidiaries and affiliates are stated at acquisition cost.

Provisions for impairment may be funded where the carrying amount is higher than the estimated value in use at the end of the financial year. This estimate is primarily determined on the basis of the underlying net assets, earnings outlook and economic forecasts. For the more recently-acquired investments, the analysis also takes account of the acquired business goodwill. For listed securities, the average stock price over the month before the closing is used. Unrealized gains resulting from such estimates are not recognized.

### Own shares

Treasury stocks are assessed by category (shares in subsidiaries and affiliates, marketable securities), according to the FIFO method "first-in, first-out".

The accounting classification of treasury stocks depends on the purpose for which they are held:

- own shares are classified in marketable securities if they are the object of an explicit allocation in the cover of stock option plans or if they are bought to regulate the share price of the Group;
- own shares are classified in long-term investments if they are not the object of an explicit allocation to cover an option plan or if they are bought with the aim of their use within the context of a liquidity contract by an investment services provider, or of their later cancellation within the framework of a capital reduction.

The accounting of an impairment of own shares depends on the purpose for which they are held:

- when own shares are allocated to cover of stock option plans, there is no reason to record a provision for impairment;
- in other cases, it is necessary to book an impairment if the average stock market price of the month before the closing is lower than the weighted average cost.

## Notes to the financial statements

### Pension obligations

The present value of termination benefits is determined using the projected unit credit method. Provisions are funded for the supplementary pension benefits provided by the company on the basis of the contractual terms of top-hat agreements, granting a level of benefits exceeding the general regimes. The company applies the corridor method to actuarial gains and losses arising from changes in estimates. Under this method, the portion of net cumulative actuarial gains and losses exceeding 10% of the projected benefit obligation is amortized over 10 years.

### Currency risk

When necessary, a contingency provision is put in place for unrealized exchange losses. However, when there are unrealized exchange gains and losses on back-to-back transactions in the same currency and with the same maturity, the amount of the provision is then limited to the net loss.

### Bonds

Redemption premiums and issue costs are amortized over the life of the bonds.

## 3.3: Notes

### Note 1: Non-current assets

#### 1.1 – Intangible assets

This item primarily consists of share issue and merger expenses, which are fully amortized.

#### 1.2 – Property, plant and equipment

(in thousands of euros)

Property, plant and equipment	Dec. 31, 2017	Additions	Disposals	Dec. 31, 2018
Cost	4,448	–	–	4,448
Depreciation	(290)	–	–	(290)
<b>NET</b>	<b>4,158</b>	<b>–</b>	<b>–</b>	<b>4,158</b>

Property, plant and equipment are mainly comprised of land not built.

### Note 2: Investments

#### 2.1 – Shares in subsidiaries and affiliates

(in thousands of euros)

Shares in subsidiaries and affiliates	Dec. 31, 2017	Additions	Disposals	Dec. 31, 2018
Cost	5,599,974	–	–	5,599,974
Provisions	(114,270)	–	–	(114,270)
<b>NET</b>	<b>5,485,704</b>	<b>–</b>	<b>–</b>	<b>5,485,704</b>

During the year, there was no movement in equity shares.

The main investments at December 31, 2018 were as follows:

Shares in subsidiaries and affiliates	Carrying value
Schneider Electric Industries SAS	5,343,544
Cofimines	139,073
Schneider Electric Japan Holding	2,049
Other (less than EUR5 million)	1,038
<b>NET</b>	<b>5,485,704</b>

#### 2.2 – Other investment securities

(in thousands of euros)

Other investment securities	Dec. 31, 2017	Increases	Decreases	Dec. 31, 2018
Schneider Electric SE shares	2,043,422	897,326	(1,213,685)	1,727,063
Other	131	–	–	131
Provisions for other Shares and own shares	(77)	–	–	(77)
<b>NET</b>	<b>2,043,476</b>	<b>897,326</b>	<b>(1,213,685)</b>	<b>1,727,117</b>

Other investment securities primarily include Schneider Electric SE shares acquired for allocation on the exercise of certain stock options.

Since April 2018, in compliance with the resolution adopted by the Shareholders' Meeting dated April 24, 2018, the company proceeded to the share buyback of 10,683,700 own shares for a total amount of EUR713 million. These Schneider Electric SE shares were not allocated to performance shares plans and thus were accounted for as other investment securities.

### 2.3 – Advances to subsidiaries and affiliates

(in thousands of euros)

Advances to subsidiaries and affiliates	Dec. 31, 2017	Increases	Decreases	Dec. 31, 2018
Cost	3,178,935	77,225	(45,590)	3,210,570
<b>NET</b>	<b>3,178,935</b>	<b>77,225</b>	<b>(45,590)</b>	<b>3,210,570</b>

At December 31, 2018, this item mainly consisted of a loan of EUR2,500 million granted to Schneider Electric Industries SAS with a maturity date of 2019, a loan granted in 2012 to Boissière Finance for a total amount of EUR699 million with a maturity date of 2022 and of accrued interest for a total amount of EUR12 million.

### Note 3: Other receivables

(in thousands of euros)

Other receivables	Dec. 31, 2018	Dec. 31, 2017
Cost	106,079	110,942
Provisions	–	–
<b>NET</b>	<b>106,079</b>	<b>110,942</b>

At December 31, 2018, the main changes in "Other receivables" relate to the collection in 2018 of the tax receivables linked to the reimbursement of the 3% tax on dividends paid during previous years.

### Note 4: Marketable securities

(in thousands of euros)	Dec. 31, 2017		Acquisitions	Disposals	Dec. 31, 2018	
	Number of shares	Value	Value	Value	Value	Number of shares
<b>TREASURY SHARES</b>						
Gross	3,456,843	109,504	–	(68,847)	40,657	1,417,918
Provisions	–	(7,815)	–	(9,902)	(17,717)	–
<b>TOTAL NET</b>	<b>–</b>	<b>101,689</b>	<b>–</b>	<b>(78,749)</b>	<b>22,940</b>	<b>–</b>

Marketable securities primarily represent own shares held by the company for allocation to future performance shares plans and, if appropriate, stock-options.

In 2017, following the decision of the board to assign own shares to the performance shares plan 25, a provision of EUR8 million has been recognized. In 2018, a complement of EUR10 million of this provision has been recognized. This plan will vest on March 2019.

### Note 5: Cash and cash equivalent group

This item consists of interest-bearing advances by Schneider Electric SE to the Group cash pool (Boissière Finance) that are immediately recoverable on demand.



## Notes to the financial statements

### Note 6: Prepayment and other assets

#### 6.1 – Prepaid expenses

The prepaid expenses relates mainly on insurance costs and fees.

#### 6.2 – Bond issue expenses

(in thousands of euros)

Bond issue expenses	Dec. 31, 2017	Increases	Decreases	Dec. 31, 2018
July 20, 2010 due 2020 (EUR500 million)	444	–	(169)	275
July 12, 2011 due 2018 (EUR750 million)	205	–	(205)	–
Sep. 22, 2011 due 2019 (EUR500 million)	243	–	(229)	14
Sep. 27, 2012 due 2022 (USD800 million)	1,809	–	(400)	1,409
Sep. 6, 2013 due 2021 (EUR600 million)	1,220	–	(320)	900
Mar. 11, 2015 due 2025 (EUR750 million)	2,286	–	(307)	1,979
Sep. 8, 2015 due 2023 (EUR800 million)	2,296	–	(389)	1,907
Oct. 13, 2015 due 2025 (EUR200 million)	741	–	(90)	651
Oct. 13, 2015 due 2025 (EUR100 million)	301	–	(36)	264
Sep. 9, 2016 due 2024 (EUR800 million)	2,977	–	(439)	2,538
Dec. 13, 2017 due 2026 (EUR750 million)	2,619	–	(275)	2,344
June. 21, 2018 due 2027 (EUR750 million)	–	2,287	(134)	2,153
<b>TOTAL</b>	<b>15,141</b>	<b>2,287</b>	<b>(2,993)</b>	<b>14,435</b>

#### 6.3 – Redemption premiums

(in thousands of euros)

Redemption premiums	Dec. 31, 2017	Increases	Decreases	Dec. 31, 2018
July 20, 2010 due 2020 (EUR500 million)	1,324	–	(504)	820
July 12, 2011 due 2018 (EUR750 million)	367	–	(367)	–
Sep. 22, 2011 due 2019 (EUR500 million)	559	–	(527)	32
Sep. 27, 2012 due 2022 (USD800 million)	782	–	(183)	599
Sep. 6, 2013 due 2021 (EUR600 million)	732	–	(192)	540
Mar. 11, 2015 due 2025 (EUR750 million)	6,433	–	(866)	5,567
Sep. 8, 2015 due 2022 (EUR800 million)	3,201	–	(542)	2,659
Oct. 13, 2015 due 2025 (EUR100 million)	(1,412)	171	–	(1,241)
Sep. 9, 2016 due 2024 (EUR800 million)	6,758	–	(997)	5,761
Dec. 13, 2017 due 2026 (EUR750 million)	5,172	–	(557)	4,615
June 21, 2018 due 2027 (EUR750 million)	–	7,275	(427)	6,848
<b>TOTAL</b>	<b>23,916</b>	<b>7,446</b>	<b>(5,161)</b>	<b>26,201</b>

## Note 7: Shareholders' equity and retained earnings

(in millions of euros)	Share capital	Additional paid-in capital	Reserves and retained earnings	Net income for the year	Regulated provisions	Total
<b>December 31, 2016 before allocation of net income for the year</b>	<b>2,370</b>	<b>6,231</b>	<b>243</b>	<b>(100)</b>	<b>–</b>	<b>8,745</b>
Change in share capital	18	149	(6)	–	–	160
Allocation of 2016 net income	–	(100)	–	100	–	–
2016 dividend	–	(1,133)	–	–	–	(1,133)
2017 net income	–	–	–	121	–	121
<b>December 31, 2017 before allocation of net income for the year</b>	<b>2,388</b>	<b>5,147</b>	<b>237</b>	<b>121</b>	<b>–</b>	<b>7,893</b>
Change in share capital	(71)	153	(6)	–	–	76
Allocation of 2017 net income	–	–	121	(121)	–	–
2017 dividend	–	(1,198)	(25)	–	–	(1,223)
Cancellation of own shares	–	(1,126)	–	–	–	(1,126)
2018 net income	–	–	–	4,457	–	4,457
<b>December 31, 2018 before allocation of net income for the year</b>	<b>2,317</b>	<b>2,976</b>	<b>327</b>	<b>4,457</b>	<b>–</b>	<b>10,078</b>

### 7.1 – Capital

#### Share capital

The company's share capital at December 31, 2018 amounted to EUR2,316,675,076 consisting of 579,168,769 shares with a par value of EUR4, all fully paid up.

#### Changes in share capital

During the financial year, the EUR71 million decrease in share capital breaks down as follows:

- EUR88 million share capital decrease related to the cancellation of 22 million of own shares partially compensated by;
- EUR10 million share capital increase as part of the worldwide Employee Stock Purchase Plan with an issuance of 2,406,85 new shares;
- EUR7 million share capital increase for the exercise of performance shares with an issuance of 1,842,842 new shares.

#### Own shares

The total number of own shares held at the reporting date stood at 28,272,040, representing a net amount of EUR1,727 million.

### 7.2 – Additional paid-in capital

Additional paid-in capital decreased by EUR2,171 million over the financial year, including EUR1,126 million decrease from the cancellation of 22 million of shares, EUR1,198 million deducted from paid-in capital for the dividend payment partially compensated by EUR153 million increase from the worldwide Employee Stock Purchase Plan.

### 7.3 – Allocation of previous year net income

Pursuant to the 3rd resolution of the Ordinary and Extraordinary Shareholders' Meeting of April 24, 2018, the 2017 gain of EUR121 million was allocated to retained earnings. EUR1,223 million was deducted from additional paid-in capital and reserves and retained earnings for the payment of the dividend in 2018.

## Notes to the financial statements

### Note 8: Provisions for contingencies and pension accruals

(in thousands of euros)	Dec. 31, 2017	Increases	Decreases	Dec. 31, 2018
<b>PROVISIONS FOR CONTINGENCIES</b>				
Disputes	15	–	–	15
Other	901	516	–	1,417
<b>TOTAL</b>	<b>916</b>	<b>516</b>	<b>–</b>	<b>1,432</b>

Management is confident that overall the balance sheet provisions for disputes of which it is currently aware and in which the company is involved should be sufficient to ensure that these disputes do not have a material impact on its financial position or income.

### Note 9: Bonds

(in thousands of euros)	Share capital		Interest rate	Maturity
	Dec. 31, 2018	Dec. 31, 2017		
Schneider Electric SE 2018	–	750,000	3.75% Fixed Euribor +0.60%	July 12, 2018
Schneider Electric SE 2019	150,244	150,244	Floating	July 25, 2019
Schneider Electric SE 2020	500,000	500,000	3.625% Fixed	July 20, 2020
Schneider Electric SE 2019	500,000	500,000	3.50% Fixed	Jan. 22, 2019
Schneider Electric SE 2022	698 690	667,056	2.95% Fixed	Sep. 27, 2022
Schneider Electric SE 2021	600,000	600,000	2.50% Fixed	Sep. 06, 2021
Schneider Electric SE 2025	750,000	750,000	0.875% Fixed	Mar. 11, 2025
Schneider Electric SE 2023	800,000	800,000	1.50% Fixed	Sep. 08, 2023
Schneider Electric SE 2025	200,000	200,000	1.841% Fixed	Oct. 13, 2025
Schneider Electric SE 2025	100,000	100,000	1.841% Fixed	Oct. 13, 2025
Schneider Electric SE 2024	800,000	800,000	0.25% Fixed	Sep. 09, 2024
Schneider Electric SE 2026	750,000	750,000	0.875% Fixed	Dec. 13, 2026
Schneider Electric SE 2027	750,000	–	1.375% Fixed	June 21, 2027
<b>TOTAL</b>	<b>6,598,934</b>	<b>6,567,300</b>		

Fixed: fixed rate.

Floating: floating rate.

Schneider Electric SE has issued bonds during past years on different markets:

- in the United States, through a private placement offering following (SEC 144A rule) for USD800 million worth of bonds issued in September 2012, at a rate of 2.950%, due in September 2022;
- as part of its Euro Medium-Term Notes (EMTN) program, for which bonds are traded on the Luxembourg stock exchange.

During the year, the company reimbursed one bond amounting EUR750 million worth of 3.75% bonds issued in July 2011 and matured on July 12, 2018.

The company issued a bond for EUR750 million at 1.375%, maturing on June 21, 2027.

At December 31, 2018, the remaining bonds are as follows:

- EUR800 million worth of 0.25% bonds issued in September 2016 and maturing on September 9, 2024 and described above;
- EUR600 million worth of 2.50% bonds issued in September 2013 and maturing on September 6, 2021;
- EUR500 million worth of 3.50% bonds issued in September 2011 and maturing on January 22, 2019;
- EUR500 million worth of 3.625% bonds issued in July 2010 and maturing on July 20, 2020;
- EUR177 million worth of floating-rate bonds issued in July 2008 and maturing on July 25, 2019, decreased to EUR150 million through the repayment in June 2014 of EUR27 million;
- EUR100 million worth of 1.841% bonds issued in October 2015 and maturing on October 13, 2025;
- EUR200 million worth of 1.841% bonds issued in October 2015 and maturing on October 13, 2025;
- EUR800 million worth of 1.50% bonds issued in September 2015 and maturing on September 8, 2023;
- EUR750 million worth of 0.875% bonds issued in March 2015 and maturing on March 11, 2025;
- EUR750 million worth of 0.875% bonds issued in December 2017 and maturing on December 13, 2026;
- EUR750 million worth of 1.375% bonds issued in June 2018 and maturing on June 21, 2027.

The issue premiums and issuance costs are amortized in line with the effective interest method.

### Note: 10 Other borrowings

Other borrowings at December 31, 2018 included accrued interest on bonds and other debt issued by the company. Accrued interest amounted to EUR51 million, compared to EUR59 million at end-2017.

### Note: 11 Interest-bearing liabilities

Interest-bearing liabilities (in thousands of euros)	Dec. 31, 2017	Increases	Decreases	Dec. 31, 2018
Commercial paper	330,000	6,447,000	(6,167,000)	<b>610,000</b>
Overdrafts	–	–	–	–
Other	–	–	–	–
<b>NET</b>	<b>330,000</b>	<b>6,447,000</b>	<b>(6,167,000)</b>	<b>610,000</b>

In 2018, fixed rate commercial papers were issued and partially reimbursed over the period. The balance amounted to EUR610 million at the end of 2018.

### Note 12: Maturities of receivables and payables

(in thousands of euros)	Total	Due within 1 year	Due in 1 to 5 years	Due beyond 5 years
<b>NON-CURRENT ASSETS</b>				
Advances to subsidiaries and affiliates	3,210,570	2,511,880	698,690	
<b>CURRENT ASSETS</b>				
Accounts receivable – trade	202	202	–	–
Other receivables	106,019	106,019	–	–
Marketable securities	22,940	22,940	–	–
Prepaid expenses	387	387	–	–
<b>DEBT</b>				
Bonds	6,598,934	650,244	2,598,690	3,350,000
Other borrowings	51,385	51,385	–	–
Commercial paper	610,000	610,000	–	–
Amounts payable to subsidiaries and affiliates	14	–	14	–
Accounts payable – trade	543	543	–	–
Accrued taxes and payroll costs	151,819	151,819	–	–
Other	4,682	4,682	–	–
Deferred income	154	154	–	–

Invoices received and issued during the period have not been subject to late payment.

## Notes to the financial statements

### Note 13: Related-party transactions (minimum 10% stake)

(in thousands of euros)	Gross	Net
Shares in subsidiaries and affiliates	5,599,974	5,485,704
Advances to subsidiaries and affiliates	3,210,570	3,210,570
Accounts receivable	141	141
Cash and cash equivalents	6,899,820	6,899,820
Revenues:		
• rebilled performance shares		–
• interest		25,347

### Note 14: Net financial income/(loss)

(in thousands of euros)	Full year 2018	Full year 2017
Dividends	4,500,507	99,792
Net interest income (expense)	(75,283)	(106,490)
Other	(8,691)	(12,898)
<b>NET FINANCIAL INCOME/(LOSS)</b>	<b>4,416,533</b>	<b>(19,595)</b>

In 2018, the company received EUR4,5 billion of dividends from Schneider Electric Industries SAS.

### Note 15: Net non-recurring income/(loss)

(in thousands of euros)	Full year 2018	Full year 2017
Net gains/(losses) on fixed asset disposals	(191)	(277)
Provisions net of reversals	(9,835)	6,947
Other non-recurring income/(expense)	(226)	(1162)
<b>NET NON-RECURRING INCOME/(LOSS)</b>	<b>(10,252)</b>	<b>5,508</b>

### Note 16: Net income tax benefit

The "income tax expense" line item in the statement of income mainly consists of the Group tax relief recorded by the tax group headed by Schneider Electric SE, net of 2018 income tax due, for EUR67 million, which represents a EUR82 million decrease on last year mainly due to the gain on the reimbursement of the 3% tax on dividend in 2018.

Schneider Electric SE is the parent company of the tax group comprising all French subsidiaries that are over 95%-owned. Tax loss carry forwards available to the company in this capacity totaled EUR2,256 million at December 31, 2018.

### Note 17: Pension benefit commitment

The company had taken commitments towards its executives, active managers and retirees. In 2015, the company closed the top-hat executive pension plans. Since 2015, there is no more active beneficiary. The company has outsourced to AXA France VIE the commitments towards the retired beneficiaries of the top-hat executive pension plans.

## Note 18: Off-balance sheet commitments

### 18.1 – Partnership obligations

The share of liabilities of "SC" non-trading companies attributable to Schneider Electric SE as partner is not material. The share of liabilities of "SNC" flow-through entities attributable to Schneider Electric SE as partner is not material.

### 18.2 – Guarantees given and received

#### Commitments given

Counter-guarantees of bank guarantees: None  
Other guarantees given: EUR2,019 million, mainly to Group companies

#### Commitments received

Bank counter-guarantees: None

### 18.3 – Financial instruments

Schneider Electric Group hedging transactions, exchange guarantees and the establishment of financial instruments are carried out by the manager of the Group cash pool, Boissière Finance, a wholly-owned subsidiary of Schneider Electric Industries SAS, which in turn is wholly-owned by Schneider Electric SE.

Schneider Electric SE does not hold any hedging instruments at December 31, 2018.

## Note 19: Contingencies

As part of its operations, the entity is exposed to a number of potential claims and litigations. Except for those for which it is probable that the entity will occur a liability and a provision established for such outcome, the entity is not aware of other potentially material claims and litigations. Specifically, the entity has not been advised to date of any claim/allegations related to the investigation conducted in France by French public agencies. The entity is fully cooperating with the French authorities on these matters.

## Note 20: Other information

### 20.1 – Workforce

The average number of employees is 1 over 2018.

### 20.2 – Consolidated financial statements

Schneider Electric SE is the parent company of the Group and accordingly publishes the consolidated financial statements of the Schneider Electric Group.

### 20.3 – Subsequent events

At the date of financial statements approval by the board of directors, there is no material subsequent event.

## Statutory Auditors' report on the annual financial statements

# 4. Statutory Auditors' report on the annual financial statements

Year ended December 31, 2018

To the Annual General Meeting of Schneider Electric S.E.,

### Opinion

In compliance with the engagement entrusted to us by your Annual General Meeting, we have audited the accompanying financial statements of Schneider Electric S.E. for the year ended December 31, 2018.

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of the Company as at December 31, 2018 and of the results of its operations for the year then ended in accordance with French accounting principles.

The audit opinion expressed above is consistent with our report to the audit and risks committee.

### Basis for Opinion

#### Audit Framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Statutory Auditors' Responsibilities for the Audit of the Financial Statements* section of our report.

#### Independence

We conducted our audit engagement in compliance with independence rules applicable to us, for the period from January 1, 2018 to the date of our report and specifically we did not provide any prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No. 537/2014 or in the French Code of Ethics (*Code de déontologie*) for statutory auditors.

#### Justification of Assessments – Key Audit Matters

In accordance with the requirements of Articles L. 823-9 and R.823-7 of the French Commercial Code (*Code de commerce*) relating to the justification of our assessments, we inform you of the key audit matters relating to risks of material misstatement that, in our professional judgment, were of most significance in our audit of the financial statements of the current period, as well as how we addressed those risks.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on specific items of the financial statements.

#### Valuation of investments in subsidiaries and affiliates and advances to subsidiaries and affiliates

« Accounting principles » and note 2 « Investments » of the notes to the parent company financial statements

#### Key audit matter

As at December 31, 2018, investments in subsidiaries and affiliates and the related advances amount to M€ 5,486 and M€ 3.211 respectively in the balance sheet of Schneider Electric S.E., net of any impairment.

As described in the accounting principles of the notes to the financial statements, investments are recognized at their acquisition cost and impaired, should their carrying amount exceed their estimated value in use at closing date. The estimated value in use of investments is determined primarily based on the subsidiaries' and affiliates' net assets as well as on their earnings outlook and the underlying economic forecasts.

Due to the judgment exercised by management as part of this estimate, especially when relying on forecasts, we considered the valuation of investments in subsidiaries and affiliates, as well as the valuation of related advances, to be a key audit matter.

### Our response

As part of our audit, we analyzed the procedures implemented by your Company to determine the value in use of investments in subsidiaries and affiliates. Our work consisted in:

- comparing the share in the subsidiaries' and affiliates' net assets, when used as a proxy for their value in use, with their underlying accounting data, which were subject to an audit or to analytical procedures;
- assessing the appropriateness of the valuation method used to determine the value in use when based on forecasts;
- assessing the reasonableness of key assumptions used to estimate values in use, mainly the long-term growth rate and the discount rate, by inquiring of Management and with the assistance of our experts, when needed;
- verifying the arithmetical accuracy of the computations performed by your Company;

We also assessed the recoverability of advances to subsidiaries and affiliates, based on the impairment tests results of the corresponding investments.

### Specific verifications

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by French law.

### Information given in the Management Report and in the Other Documents with respect to the financial position and the financial statements provided to the Shareholders

We have no matters to report as to the fair presentation and the consistency with the financial statements of the information given in the Board of Directors' management report and in the other documents with respect to the financial position and the financial statements provided to the Shareholders.

We attest that the information relating to payment terms referred to in article D. 441-4 of the French Commercial Code (*Code de commerce*) is fairly presented and consistent with the financial statements.

### Report on Corporate Governance

We attest that the Board of Directors' Report on Corporate Governance sets out the information required by Articles L. 225-37-3 and L. 225-37-4 of the French Commercial Code (*Code de commerce*).

Concerning the information given in accordance with the requirements of Article L. 225-37-3 of the French Commercial Code (*Code de commerce*) relating to remunerations and benefits received by the directors and any other commitments made in their favor, we have verified its consistency with the financial statements, or with the underlying information used to prepare these financial statements and, where applicable, with the information obtained by your Company from controlling and controlled companies. Based on this work, we attest the accuracy and fair presentation of this information.

With respect to the information relating to items that your Company considered likely to have an impact in the event of a public purchase offer or exchange, provided pursuant to Article L. 225-37-5 of the French Commercial Code (*Code de commerce*), we have agreed these to the source documents communicated to us. Based on our work, we have no observations to make on this information.

### Other information

In accordance with French law, we have verified that the required information concerning the purchase of investments and controlling interests and the identity of the shareholders and holders of the voting rights has been properly disclosed in the management report.

### Report on Other Legal and Regulatory Requirements

#### Appointment of the Statutory Auditors

We were appointed as statutory auditors of Schneider Electric S.E. by the Annual General Meetings held on May 6, 2004 for MAZARS and on June 25, 1992 for ERNST & YOUNG et Autres.

As at December 31, 2018, MAZARS was in the fifteenth year of its engagement without interruption and ERNST & YOUNG et Autres in the twenty-seventh year.

### Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with French accounting principles and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease operations.

The audit and risks committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risks management systems and where applicable, its internal audit, regarding the accounting and financial reporting procedures.

The financial statements were approved by the Board of Directors.



## Statutory Auditors' report on the annual financial statements

### Statutory Auditors' Responsibilities for the Audit of the Financial Statements

#### Objectives and audit approach

Our role is to issue a report on the financial statements. Our objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As specified in Article L. 823-10-1 of the French Commercial Code (*Code de commerce*), our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit and furthermore:

- Identifies and assesses the risks of material misstatement of the financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the financial statements.
- Assesses the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein.
- Evaluates the overall presentation of the financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.

#### Report to the audit and risks committee

We submit a report to the audit and risks committee which includes in particular a description of the scope of the audit and the audit program implemented, as well as the results of our audit. We also report, if any, significant deficiencies in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the audit and risks committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the financial statements of the current period and which are therefore the key audit matters that we are required to describe in this report.

We also provide the audit and risks committee with the declaration provided for in Article 6 of Regulation (EU) No. 537/2014, confirming our independence within the meaning of the rules applicable in France such as they are set in particular by Articles L. 822-10 to L. 822-14 of the French Commercial Code (*Code de commerce*) and in the French Code of Ethics (*Code de déontologie*) for statutory auditors. Where appropriate, we discuss with the audit and risks committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

Courbevoie and Paris-La Défense, March 8, 2019

The Statutory Auditors  
French original signed by

**MAZARS**  
Loïc Wallaert

**ERNST & YOUNG et Autres**  
Jean-Yves Jégourel  
Alexandre Resten

## List of securities held at December 31, 2018

## 5. List of securities held at December 31, 2018

Number of securities (in thousands of euros)	Company	Carrying amount of securities
<b>A. MAJOR INVESTMENTS</b>		
(Carrying amounts over EUR5 million)		
58,018,657	Schneider Electric Industries SAS	5,343,544
28,272,040	Schneider Electric SE own shares	1,727,063
		<b>7,070,607</b>
<b>B. OTHER INVESTMENTS</b>		
(Carrying amounts under EUR5 million)		
		1,038
<b>C. INVESTMENTS IN REAL ESTATE COMPANIES</b>		
<b>D. INVESTMENTS IN FOREIGN COMPANIES</b>		
		139,074
<b>Total</b>		<b>7,210,719</b>
<b>MARKETABLE SECURITIES</b>		
1,419,918	Schneider Electric SE own shares	22,940
<b>TOTAL</b>		<b>22,940</b>

Subsidiaries and affiliates

## 6. Subsidiaries and affiliates

Company (in thousands of euros)	Capital	Reserves and retained earnings & retained earnings prior to appropriation of earnings*	Share interest held (%)
<b>I. DETAILED INFORMATION ON SUBSIDIARIES AND AFFILIATES WITH A CARRYING AMOUNT OF OVER 1% OF THE SHARE CAPITAL OF SCHNEIDER ELECTRIC SE</b>			
<b>A. Subsidiaries (at least 50% owned)</b>			
Schneider Electric Industries SAS 35, rue Joseph Monier 92500 Rueil-Malmaison, France	928,299	4,580,729	100.00
Cofimines Place du Champs-de-Mars, 5, tour Bastion 1050 Brussels, Belgium	96,884	42,230	99.84
<b>B. Affiliates (10 to 50%-owned)</b>			
<b>II. OTHER SUBSIDIARIES AND AFFILIATES</b>			
<b>A. Subsidiaries not included in Section I: (+50%)</b>			
a) French subsidiaries (aggregate)	–	–	–
b) Foreign subsidiaries (aggregate)	–	–	–
<b>B. Affiliates not included in Section I: (0-50%)</b>			
a) French companies (aggregate)	–	–	–
b) Foreign companies (aggregate)	19,600	81,826	4.8

\* Including income or loss in prior financial year.

Gross value	Net value	Loans and advances provided by the company and still outstanding	Amount of guarantees given by the company	2018 Revenues (ex. VAT)	2018 Profit or loss (-)	Dividends received by the company during 2018
5,343,544	5,343,544	2,506,389	–	3,696,932	673,187	4,500,507
219,894	139,074	–	Holding company		(21)	–
–	–	–	–	–	–	–
15,288	1,038	–	–	–	–	–
130	53	–	–	–	–	–
21,249	2,049	–	–	–	24,931	–

The company's financial results over the last 5 years

# 7. The Company's financial results over the last 5 years

Description	2018	2017	2016	2015	2014
<b>FINANCIAL POSITION AT DECEMBER 31</b>					
Share capital <i>(in thousands of euros)</i>	2,316,675	2,387,665	2,369,995	2,354,938	2,338,765
Number of shares in issue	579,168,769	596,916,242	592,498,759	588,734,472	584,691,142
Number of convertible bonds in issue <i>(in thousands)</i>					
Maximum number of shares to be created <i>(in thousands)</i> :					
• through conversion of bonds	–	–	–	–	–
• through exercise of rights	8,371	8,271	9,562	7,773	8,906
<b>RESULTS OF OPERATIONS (IN THOUSANDS OF EUROS)</b>					
Sales (ex. VAT)	174	170	228	209	182
Investment revenue, interest income and other revenue	4,551,232	147,031	52,276	54,587	104,963
Earnings before tax, depreciation, amortization and provisions	4,412,483	(22,861)	(146,799)	(139,013)	(134,722)
Income tax	1,215	55,213	(53,632)	(41,456)	(181,865)
Earnings after tax, depreciation, amortization and provisions	4,457,994	121,488	(99,730)	(52,585)	341,124
Dividends paid <sup>(1)</sup> excluding tax credit and withholdings	1,361,047 <sup>(2)</sup>	1,313,216	1,208,697	1,177,469	1,122,607
<b>RESULTS OF OPERATIONS PER SHARE (in euros)</b>					
Earnings before depreciation, amortization and provisions	7.62	0.05	(0.14)	(0.06)	0.61
Earnings after tax, depreciation, amortization and provisions	7.70	0.20	(0.17)	(0.09)	0.58
Net dividend per share	2.35 <sup>(2)</sup>	2.20	2.04	2	1.92
<b>EMPLOYEES</b>					
Average number of employees during the financial year	1	2	1	1	2
Total payroll for the financial year <i>(in thousands of euros)</i>	2,544	1,670	1,507	2,684	1,039
Total of employee benefits paid over the financial year	–	–	–	–	–
<i>(Social security, other benefits, etc.) (in thousands of euros)</i>	1,010	796	974	1,028	653

(1) Dividends on shares held in treasury on the dividend payment date and the associated withholding are credited to retained earnings.

(2) Pending approval by the Annual Shareholders' Meeting of April 25, 2019.