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# Consolidated financial statements

at December 31, 2019

# 5

## 1. Consolidated statement of income

## 1. Consolidated statement of income

<i>(in millions of euros except for earnings per share)</i>	<b>Note</b>	<b>Full year 2019</b>	Full year 2018
<b>Revenue</b>	3	<b>27,158</b>	<b>25,720</b>
Cost of sales		(16,423)	(15,677)
<b>Gross profit</b>		<b>10,735</b>	<b>10,043</b>
Research and development	4	(657)	(597)
Selling, general and administrative expenses		(5,840)	(5,572)
<b>Adjusted EBITA*</b>	3	<b>4,238</b>	<b>3,874</b>
Other operating income and expenses	6	(411)	(103)
Restructuring costs		(255)	(198)
<b>EBITA**</b>		<b>3,572</b>	<b>3,573</b>
Amortization and impairment of purchase accounting intangibles	5	(173)	(177)
<b>Operating income</b>		<b>3,399</b>	<b>3,396</b>
Interest income		39	53
Interest expense		(168)	(235)
<b>Finance costs, net</b>		<b>(129)</b>	<b>(182)</b>
Other financial income and expense	7	(132)	(128)
<b>Net financial income/(loss)</b>		<b>(261)</b>	<b>(310)</b>
<b>Profit from continuing operations before income tax</b>		<b>3,138</b>	<b>3,086</b>
Income tax expense	8	(690)	(693)
Income of discontinued operations, net of income tax	1	(3)	(23)
Share of profit/(loss) of associates	12	78	61
<b>PROFIT FOR THE PERIOD</b>		<b>2,523</b>	<b>2,431</b>
<i>attributable to owners of the parent</i>		2,413	2,334
<i>attributable to non controlling interests</i>		110	97
Basic earnings (attributable to owners of the parent) per share (in euros per share)	19	4.38	4.21
Diluted earnings (attributable to owners of the parent) per share (in euros per share)	19	4.33	4.16

\* Adjusted EBITA (Earnings Before Interest, Taxes, Amortization of Purchase Accounting Intangibles). Adjusted EBITA corresponds to operating profit before amortization and impairment of purchase accounting intangible assets, before goodwill impairment, other operating income and expenses and restructuring costs.

\*\* EBITA (Earnings Before Interest, 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

<i>(in millions of euros)</i>	Note	Full year 2019	Full year 2018
<b>Profit for the year</b>		<b>2,523</b>	<b>2,431</b>
<b>Other comprehensive income:</b>			
Translation adjustment		333	307
Cash-flow hedges		26	(23)
Income tax effect of cash flow hedges	19	(7)	(6)
Net gains/(losses) on financial assets		(4)	(9)
Income tax effect of gains/(losses) on financial assets	19	–	–
Actuarial gains/(losses) on defined benefit plans	20	(408)	285
Income tax effect of actuarial gains/(losses) on defined benefit plans	19	82	(61)
<b>Other comprehensive income for the year, net of tax</b>		<b>22</b>	<b>493</b>
<i>of which to be recycled in income statement</i>		352	270
<i>of which not to be recycled in income statement</i>		(330)	223
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>2,545</b>	<b>2,924</b>
<i>attributable to owners of the parent</i>		2,400	2,793
<i>attributable to non-controlling interests</i>		145	131

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



## 2. Consolidated statement of cash flows

## 2. Consolidated statement of cash flows

<i>(in millions of euros)</i>	Note	Full year 2019	Full year 2018
<b>Profit for the year</b>		<b>2,523</b>	<b>2,431</b>
Losses/(gains) from discontinued operations		3	23
Share of (profit)/losses of associates		(78)	(61)
Income and expenses with no effect on cash flow:			
<i>Depreciation of property, plant and equipment*</i>	11	701	386
<i>Depreciation of intangible assets other than goodwill</i>	10	474	474
<i>Impairment losses on non-current assets</i>		63	66
<i>Increase/(decrease) in provisions</i>	21	56	(83)
<i>Losses/(gains) on disposals of assets</i>		206	(3)
<i>Difference between tax paid and tax expense</i>		(2)	90
<i>Other non-cash adjustments</i>		66	82
<b>Net cash provided by operating activities</b>		<b>4,012</b>	<b>3,405</b>
Decrease/(increase) in accounts receivables		22	(51)
Decrease/(increase) in inventories and work in process		209	(287)
(Decrease)/increase in accounts payable		(41)	(98)
Decrease/(increase) in other current assets and liabilities		80	(97)
<b>Change in working capital requirement</b>		<b>270</b>	<b>(533)</b>
<b>TOTAL I – CASH FLOWS FROM OPERATING ACTIVITIES</b>		<b>4,282</b>	<b>2,872</b>
Purchases of property, plant and equipment	11	(506)	(486)
Proceeds from disposals of property, plant and equipment		38	54
Purchases of intangible assets	10	(338)	(338)
<b>Net cash used by investment in operating assets</b>		<b>(806)</b>	<b>(770)</b>
Acquisitions and disposals of businesses, net of cash acquired & disposed	2	(79)	(730)
Other long-term investments		59	(31)
Increase in long-term pension assets		(90)	(174)
<b>Sub-total</b>		<b>(110)</b>	<b>(935)</b>
<b>TOTAL II – CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES</b>		<b>(916)</b>	<b>(1,705)</b>
Issuance of bonds	22	964	740
Repayment of bonds	22	(500)	(749)
Sale/(purchase) of own shares		(266)	(829)
Increase/(decrease) in other financial debt*		(1,078)	220
Increase/(decrease) of share capital		168	164
Dividends paid to Schneider Electric's shareholders	19	(1,296)	(1,223)
Dividends paid to non-controlling interests		(117)	(80)
<b>TOTAL III – CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES</b>		<b>(2,125)</b>	<b>(1,757)</b>
<b>TOTAL IV – NET FOREIGN EXCHANGE DIFFERENCE</b>		<b>(18)</b>	<b>61</b>
<b>TOTAL V – EFFECT OF DISCONTINUED OPERATIONS</b>		<b>(59)</b>	<b>(7)</b>
<b>INCREASE/(DECREASE) IN NET CASH AND CASH EQUIVALENTS: I +II +III +IV +V</b>		<b>1,164</b>	<b>(536)</b>
Net cash and cash equivalents at January 1	18	2,231	2,767
Increase/(decrease) in cash and cash equivalents		1,164	(536)
<b>NET CASH AND CASH EQUIVALENTS, AT DECEMBER 31</b>	18	<b>3,395</b>	<b>2,231</b>

\* Including impact from first application of IFRS 16, as described in Note 1.1.  
The accompanying notes are an integral part of the consolidated financial statements.

## 3. Consolidated balance sheet

## 3. Consolidated balance sheet

## Assets

<i>(in millions of euros)</i>	Note	Dec. 31, 2019	Dec. 31, 2018
<b>NON-CURRENT ASSETS:</b>			
Goodwill, net	9	18,719	18,373
Intangible assets, net	10	4,647	4,874
Property, plant and equipment, net*	11	3,680	2,521
<b>Total tangible and intangible assets</b>		<b>8,327</b>	<b>7,395</b>
Investments in associates and joint ventures	12	533	530
Non-current financial assets	13	645	665
Deferred tax assets	14	2,004	2,040
<b>TOTAL NON-CURRENT ASSETS</b>		<b>30,228</b>	<b>29,003</b>
<b>CURRENT ASSETS:</b>			
Inventories and work in progress	15	2,841	3,091
Trade and other operating receivables	16	5,953	5,804
Other receivables and prepaid expenses	17	2,087	1,910
Current financial assets		19	30
Cash and cash equivalents	18	3,592	2,361
<b>TOTAL CURRENT ASSETS</b>		<b>14,492</b>	<b>13,196</b>
Assets held for sale & discontinued operations		283	60
<b>TOTAL ASSETS</b>		<b>45,003</b>	<b>42,259</b>

\* Including impact from first application of IFRS 16, as described in Note 1.1.  
The accompanying notes are an integral part of the consolidated financial statements.

### 3. Consolidated balance sheet

#### Liabilities

<i>(in millions of euros)</i>	<b>Note</b>	<b>Dec. 31, 2019</b>	Dec. 31, 2018
<b>EQUITY:</b>	19		
Share capital		2,328	2,317
Additional paid in capital		3,134	2,977
Retained earnings**		16,034	15,721
Translation reserve		65	(233)
<b>Equity attributable to owners of the parent</b>		<b>21,561</b>	<b>20,782</b>
Non controlling interests		1,579	1,482
<b>TOTAL EQUITY</b>		<b>23,140</b>	<b>22,264</b>
<b>NON-CURRENT LIABILITIES:</b>			
Pensions and other post-employment benefit obligations	20	1,806	1,558
Other non-current provisions**	21	940	1,253
<b>Total non-current provisions</b>		<b>2,746</b>	<b>2,811</b>
Non-current financial liabilities	22	6,405	5,923
Deferred tax liabilities	14	1,021	1,147
Other non-current liabilities*		883	10
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>11,055</b>	<b>9,891</b>
<b>CURRENT LIABILITIES:</b>			
Trade and other operating payables		4,215	4,142
Accrued taxes and payroll costs**		3,147	2,194
Current provisions**	21	794	878
Other current liabilities*		1,428	1,232
Current debt	22	979	1,574
<b>TOTAL CURRENT LIABILITIES</b>		<b>10,563</b>	<b>10,020</b>
Liabilities held for sale & discontinued operations		245	84
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>45,003</b>	<b>42,259</b>

\* Including impact from first application of IFRS 16, as described in Note 1.1.

\*\* Including impact from first application of IFRIC 23, as described in Note 1.1.

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

## 4. Consolidated statement of changes in equity

## 4. Consolidated statement of changes in equity

<i>(in millions of euros)</i>	Number of shares (in thousands)	Capital	Additional paid-in capital	Treasury Shares	Retained earnings	Translation reserve	Equity attributable to owners of the parent	Non-controlling interests	Total
<b>DEC. 31, 2017</b>	<b>596,916</b>	<b>2,388</b>	<b>5,147</b>	<b>(2,153)</b>	<b>14,921</b>	<b>(506)</b>	<b>19,797</b>	<b>145</b>	<b>19,942</b>
Profit for the year					2,334		2,334	97	2,431
Other comprehensive income					186	273	459	34	493
<b>Comprehensive income for the year</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>2,520</b>	<b>273</b>	<b>2,793</b>	<b>131</b>	<b>2,924</b>
Capital increase	2,407	10	144				154		154
Exercise of stock option plans and performance shares	1,846	1	9				10		10
Dividends			(1,107)		(116)		(1,223)	(80)	(1,303)
Change in treasury shares	(22,000)	(88)	(1,126)	(829)	1,214		(829)		(829)
Share-based compensation expense					131		131	4	135
AVEVA acquisition impact							–	1,256	1,256
Other		6	(90)		33		(51)	26	(25)
<b>DEC. 31, 2018</b>	<b>579,169</b>	<b>2,317</b>	<b>2,977</b>	<b>(2,982)</b>	<b>18,703</b>	<b>(233)</b>	<b>20,782</b>	<b>1,482</b>	<b>22,264</b>
IFRIC 23 impact (Note 1.1)					(223)		(223)		(223)
<b>JAN. 1, 2019</b>	<b>579,169</b>	<b>2,317</b>	<b>2,977</b>	<b>(2,982)</b>	<b>18,480</b>	<b>(233)</b>	<b>20,559</b>	<b>1,482</b>	<b>22,041</b>
Profit for the year					2,413		2,413	110	2,523
Other comprehensive income					(311)	298	(13)	35	22
<b>Comprehensive income for the year</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>2,102</b>	<b>298</b>	<b>2,400</b>	<b>145</b>	<b>2,545</b>
Capital increase	2,676	10	151				161		161
Exercise of stock option plans and performance shares	224	1	6				7		7
Dividends					(1,296)		(1,296)	(117)	(1,413)
Change in treasury shares				(266)			(266)		(266)
Share-based compensation expense					148		148	6	154
Other					(152)		(152)	63	(89)
<b>DEC. 31, 2019</b>	<b>582,069</b>	<b>2,328</b>	<b>3,134</b>	<b>(3,248)</b>	<b>19,282</b>	<b>65</b>	<b>21,561</b>	<b>1,579</b>	<b>23,140</b>

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



5. Notes to the consolidated financial statements

## 5. Notes to the consolidated financial statements

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2	Changes in the scope of consolidation	325	16 Trade accounts receivable	336
3	Segment information	326	17 Other receivables and prepaid expenses	336
4	Research and development	328	18 Cash and cash equivalents	337
5	Impairment losses, depreciation and amortization expenses	328	19 Shareholder's equity	337
6	Other operating income and expenses	328	20 Pensions and other post-employment benefit obligations	342
7	Other financial income and expenses	328	21 Provisions for contingencies and charges	345
8	Income tax expenses	329	22 Total current and non-current financial liabilities	346
9	Goodwill	330	23 Classification of financial instruments	348
10	Intangible assets	331	24 Employees	352
11	Property, plant and equipment	332	25 Related parties transactions	353
12	Investments in associates and joint ventures	334	26 Commitments and contingent liabilities	353
13	Non-current financial assets	334	27 Subsequent events	354
14	Deferred taxes by Nature	335	28 Statutory Auditors' fees	354
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Please note

All amounts in millions of euros unless otherwise indicated.

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

The Schneider Electric Group's consolidated financial statements for the financial year ended December 31, 2019 were authorized for issue by the Board of Directors on February 19, 2020. They will be submitted to shareholders for approval at the Annual General Meeting of April 23, 2020.

The Group's main businesses are described in Chapter 1 of the Universal Registration Document.

## Note 1: Accounting Policies

### 1.1 Accounting standards

The consolidated financial statements have been prepared in compliance with the international accounting standards (IFRS) as adopted by the European Union as of December 31, 2019. The same accounting methods were used as for the consolidated financial statements for the year ended December 31, 2018, except for the application of the new standards IFRS 16 – *Leases* and IFRIC 23 – *Uncertainty over Income Tax Treatments* as of January 1, 2019.

The following standards and interpretations that were applicable during the period did not have a material impact on the consolidated financial statements as of December 31, 2019:

- amendments to IAS 28 – *Long-term Interests in Associates and Joint Ventures*;
- amendments to IAS 19 – *Plan Amendment, Curtailment or Settlement*;
- amendments to IFRS 9 – *Prepayment Features with Negative Compensation*;
- annual improvements to IFRS Standards 2015-2017 Cycle;

The Group did not apply the following standards and interpretations for which mandatory application is subsequent to December 31, 2019:

- standards adopted by the European Union:
  - amendments to IAS 1 and IAS 8 – *Definition of Material*;
  - amendments to IFRS 3 – *Definition of a business*;
  - amendments to References to the Conceptual Framework in IFRS Standards
  - Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)
- standards not yet adopted by the European Union:
  - IFRS 17 – *Insurance Contracts*;

The Group is currently assessing the potential effect on the Group's consolidated financial statements of the standards not yet applicable as of December 31, 2019. At this stage of analysis, the Group does not expect any material impact on its consolidated financial statements.

### First application of IFRS 16 – *Leases*

The standard IFRS 16 – *Leases*, adopted by European Union on October 31, 2017, replaces mainly the standards IAS 17 – *Leases*, and IFRIC 4 – *Determining whether an Arrangement contains a Lease*, and is mandatory starting January 1, 2019.

The standard establishes principles for the recognition, valuation, presentation, and disclosure of leases and requires lessees to account for all leases on the balance sheet using a single model, in the form of a right-of-use asset, with a lease obligation counterpart.

The Group has adopted IFRS 16 on January 1, 2019, according to the modified retrospective approach. Under this method, the standard is applied retrospectively with the cumulative effect of the initial application on the date of application.

### Scope of the Group's contracts

The lease contracts identified within all the Group entities fall under the following categories:

- real estate: office buildings, factories, and warehouses;
- vehicles: cars and trucks;
- forklifts used mainly in factories or storage warehouses.

The Group has retained the exemption for low-value assets (i.e. assets with a cost lower than USD 5,000). Thus, the defined scope does not include small office or IT equipment, mobile phones or other small equipment, which all correspond to low-value equipment. Short-term contracts (i.e. less than 12 months without purchase option) are also exempted under the standard. In this case, for example, for occasional vehicle or accommodation rentals.

### Effects of the adoption of IFRS 16

Key effects of the application of IFRS 16 on January 1, 2019:

<i>(in millions of euros)</i>	<b>Jan. 1, 2019</b>
<b>ASSETS:</b>	
Property, plant and equipment, net	1,242
<b>TOTAL ASSETS</b>	<b>1,242</b>
<b>LIABILITIES:</b>	
Other non-current liabilities	988
Other current liabilities	254
<b>TOTAL LIABILITIES</b>	<b>1,242</b>

## 5. Notes to the consolidated financial statements

The Group has applied a unique accounting and valuation approach for all leases. The standard provides specific transition requirements and practical solutions that have been applied by the Group.

The Group has recognized right-of-use assets and lease liabilities for contracts previously classified as operating leases.

Lease liabilities have been recognized based on the present value of the remaining lease payments, discounted using the country's marginal borrowing rate of the contracting entity at the date of the first application.

Assets related to the right-of-use of operating leases have been recognized based on an amount equal to the lease liability of the contract at transition date, adjusted for any prepaid or outstanding rents.

With respect to contracts formerly recorded under a financing lease, the Group did not change the book values of the assets and liabilities recorded on the original application date. The requirements of IFRS 16 have been applied to these leases since January 1, 2019. These contracts represent a small net book value for the Group (EUR 1 million as of January 1, 2019).

The Group has also applied the following simplification measures, available in the standard:

- application of IFRS 16 accounting model only to contracts previously identified as leases according to IAS 17 and IFRIC 4;
- single discount rate by country for a portfolio of leases with relatively similar characteristics;
- exemption for contracts with a residual enforceable term on January 1, 2019, of less than 12 months;
- exclusion of initial direct costs from the valuation of the right-of-use asset at the date of the first application;
- inclusion of the evaluation of contracts carried out immediately before January 1, 2019, by applying IAS 37 to determine whether certain contracts are in deficit (adjustment of the right-of-use asset if applicable) as an alternative to the depreciation review according to IAS 36.

### Reconciliation between the rental obligation on January 1, 2019, and operating lease commitments presented under IAS 17 as of December 31, 2018

(in millions of euros)

<b>Commitments relating to the operating leases as of Dec. 31, 2018</b>	<b>1,155</b>
Weighted average marginal loan rate as of Jan. 1, 2019	3.5%
Discounted obligations on simple lease contracts as of Dec.31, 2018	1,023
<b>Minus:</b>	
Obligations linked to short-term contracts and low-value assets	9
<b>Plus:</b>	
Renewal options not taken into account as of Dec. 31, 2018	228
<b>Lease obligations as of Jan. 1, 2019</b>	<b>1,242</b>

### Accounting principles

The accounting principles below are effective for annual periods beginning on January 1, 2019. IAS 17 still applies for the 2018 comparative period.

#### Rental obligation:

At the inception date of the lease, the Group recognizes the lease liabilities, measured at the present value of the lease payments to be made over the term of the lease. The present value of payments is calculated mainly using the marginal borrowing rate of the contracting entity's country, at the contract starting date.

Rental payments include fixed payments (net of rental incentives receivable), variable payments based on an index or rate and amounts that should be paid under residual value guarantees. Besides, the simplification allowing not to split services components has not been elected by the Group. Therefore, only the rents are taken into account in the lease payments.

Lease payments also include, when applicable, the exercise price of a purchase option reasonably certain to be exercised by the Group and the payment of penalties for the termination of a lease, if the term of the lease takes into account the fact that the Group has exercised the termination option.

Variable lease payments that are not dependent on an index or rate are recognized as an expense in the period in which the event or condition that triggers the payment occurs.

After the start date of the contract, the amount of rental obligations is increased to reflect the increase in interest and reduced for lease payments made.

In addition, the carrying amount of the lease liabilities is revalued in the event of a reassessment or modification in the lease (e.g. change in the term of the lease, change in lease payments, application of annual indexation, etc.).

**Right-of-use assets:**

The Group accounts for the assets related to the right-of-use on the lease starting date (i.e. the date on which the underlying asset is available). Assets are measured at cost, less accumulated amortization and impairment losses, and adjusted for the revaluation of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities, initial direct costs incurred and lease payments made on or before the effective date, minus lease inducements received. Unless the Group is reasonably certain that it will become the owner of the leased asset at the end of the lease term, the recorded right-of-use assets are depreciated using the linear method over the shortest period of time between estimated life of the underlying asset and the duration of the lease. The assets related to the right-of-use are subject to depreciation.

**Determining the duration of contracts:**

The duration of the Group's contracts varies according to geographies.

The real estate contracts have variable durations depending on the countries and local regulations. Vehicles and forklifts are generally contracted between 3 and 6 years.

In certain geographies, the Group's real estate contracts offer unilateral options for termination of contracts (particularly in France with contracts 3-6-9).

Thus, in determining the length of time to be used to calculate the rental obligation, the Group determines the enforceable duration of the contract (maximum term) and takes into account termination options if it is not reasonably certain that it will extend the contract beyond the option date. This estimate is made in collaboration with the Group's Real Estate Department, which determines the real estate strategy. In the majority of cases, the duration chosen is the enforceable duration of the real estate contracts, in particular on the most strategic buildings and factories.

In addition, the Group also holds tacit renewal contracts that are not enforceable (the lessee and the lessor may break the contracts by respecting a notice of less than one year). These contracts are exempted under the short-term criteria as they are non-binding beyond the notice period.

**Amounts recognized on the balance sheet and 2019 profit and loss statement**

The amounts of the assets and liabilities related to the Group's leases, as well as movements during the period are as follows:

<i>(in millions of euros)</i>	Real estate	Vehicles & Forklifts	Total property, plants & equipments, net	Lease Obligations
<b>Jan. 1, 2019</b>	<b>1,103</b>	<b>139</b>	<b>1,242</b>	<b>1,242</b>
Increase	134	53	187	184
Decrease	(25)		(25)	(21)
Amortization	(233)	(61)	(294)	
Reversal of amortization	2		2	
Interests			-	39
Payments			-	(313)
Translation adjustments & others	2	1	3	(1)
<b>DEC. 31, 2019</b>	<b>983</b>	<b>132</b>	<b>1,115</b>	<b>1,130</b>
<i>of which other current liabilities</i>				258
<i>of which other non-current liabilities</i>				872

**First application of IFRIC 23 – Uncertainty over income tax treatments**

IFRIC 23 – *Uncertainty over income tax treatments*, has been adopted by the European Union on October 23, 2018, and is applicable from January 1, 2019. IFRIC 23 clarifies the application of IAS 12 – *Income Taxes* regarding recognition and measurement of taxes when there is uncertainty over the income tax treatment. IFRIC 23 precise notably that the identification of tax risks must be carried out considering a detection risk at 100%, the approach to be used being the one that provides the best predictions of the resolution of the uncertainty.

In application of IFRIC 23, a tax asset or liability is recognized when there is uncertainty over income tax treatments. If the Group considers it likely that the tax authorities will not accept its chosen treatment, it recognizes a tax liability, and if it considers it likely that the tax authorities will reimburse a tax that has already been paid, it recognizes a tax asset. The tax assets and liabilities relating to these uncertainties are estimated on a case-by-case basis and stated at the most likely amount, or the weighted average of the various outcomes considered.

The Group applies IFRIC 23 retrospectively from January 1, 2019. The comparative period was not restated.

The analysis carried out in the light of this clarification, led the Group to increase its tax liabilities by EUR 223 million, against the opening consolidated reserves. Besides, tax exposures relating to corporate income taxes, which were previously classified as "provisions" in the balance sheet, (within the "Economic risks"), have been reclassified within "Accrued taxes and payroll costs" as of January 1, 2019.

## 5. Notes to the consolidated financial statements

### Segment reporting

Until December 2018, Schneider Electric presented four distinct operating segments: *Low Voltage*, *Medium Voltage*, *Industrial Automation* and *Secure Power*.

*Low Voltage*, *Medium Voltage* and *Secure Power* sharing the same objective of managing efficiently and reliably the energy, the Group has decided to gather these three businesses into one single reporting segment, *Energy Management*.

This change reflects the convergence of economic characteristics of the three operating segments on the following criteria, in line with IFRS 8 – *Operating Segments*:

- the nature of the products and services;
- the nature of the production processes;
- the type or class of customer for their products and services;
- the methods used to distribute their products and their services.

### Application of IFRS 5 – *Non-current assets held for sale and discontinued operations*

On April 20, 2017, the Group announced the disposal of its “Solar” activity, and started implementing the necessary measures and procedures to formalize this transaction. The initial plan has been reoriented, part of the business being sold or restructured, and part of it still being considered as discontinued operations. This activity used to be reported within the *Energy Management* business segment of Schneider Electric. Solar activity net loss of EUR 3 million has been reclassified to discontinued operations in the Group consolidated financial statements.

On October 24, 2019, the Group agreed to establish a Joint Venture with the Russian Direct Investment Fund (RDIF), to further strengthen the long-term outlook for the Group’s Electroshield Samara business, which is currently consolidated under the *Energy Management* segment and generated revenues of EUR 168 million in 2019. The related assets and liabilities have been reclassified at fair value in the lines “assets and liabilities held for sale” in the balance sheet.

### 1.2 Basis of presentation

The financial statements have been prepared on a historical cost basis, except for derivative instruments and certain financial assets, which are measured at fair value. Financial liabilities are measured using the amortized cost model. The book value of hedged assets and liabilities, under fair-value hedge, corresponds to their fair value, for the part corresponding to the hedged risk.

### 1.3 Use of estimates and assumptions

The preparation of financial statements requires Group and subsidiary management to make estimates and assumptions that are reflected in the amounts of assets and liabilities reported in the consolidated balance sheet, the revenues and expenses in the statement of income and the commitments created during the reporting period. Actual results may differ.

These assumptions mainly concern:

- the measurement of the recoverable amount of goodwill, property, plant and equipment and intangible assets (Note 1.8 and Note 1.9) and the measurement of impairment losses (Note 1.10);
- the measurement of the recoverable amount of non-current financial assets (Note 1.11 and Note 13);
- the realizable value of inventories and work in progress (Note 1.12);
- the recoverable amount of trade and other operating receivables (Note 1.13);
- the valuation of share-based payments (Note 1.19);
- the calculation of provisions or risk contingencies (Note 1.20);
- the measurement of pension and other post-employment benefit obligations (Note 1.18 and Note 20);
- the recoverability of deferred tax assets related to tax loss carryforward (Note 14).

### 1.4 Consolidation principles

Subsidiaries, over which the Group exercises exclusive control, either directly or indirectly, are fully consolidated.

Group investments in entities controlled jointly with a limited number of partners, such as joint ventures and companies over which the Group has significant influence (“associates”) are accounted for by the equity method. Significant influence is presumed to exist when more than 20% of voting rights are held by the Group.

Companies acquired or sold during the year are included in or removed from the consolidated financial statements as of the date when effective control is acquired or relinquished.

Intra-group balances and transactions are eliminated.

The list of consolidated main subsidiaries, joint ventures and associates can be found in Note 29.

The reporting date for all companies included in the scope of consolidation is December 31, with the exception of certain immaterial associates accounted for by the equity method. For the latter however, financial statements up to September 30 of the financial year have been used (maximum difference of three months in line with the standards).

### 1.5 Business combinations

Business combinations are accounted for using the acquisition method, in accordance with IFRS 3 – *Business Combinations*. Acquisition costs are presented under “Other operating income and expenses” in the statement of income.

All acquired assets, liabilities and contingent liabilities are recognized at their fair value at the acquisition date, the fair value can be adjusted during a measurement period that can last for up to 12 months from the date of acquisition.

The excess of the cost of acquisition over the Group’s share in the fair value of assets and liabilities at the date of acquisition is recognized in goodwill. Where the cost of acquisition is lower than the fair value of the identified assets and liabilities acquired, the badwill is immediately recognized in the statement of income.

Goodwill is not amortized, but tested for impairment at least annually and whenever there is an indication that it may be impaired (see Note 1.10 below). Any impairment losses are recognized under “Amortization expenses and impairment losses of purchase accounting intangible assets”.

### 1.6 Translation of the financial statements of foreign subsidiaries

The consolidated financial statements are prepared in euros.

The financial statements of subsidiaries that use another functional currency are translated into euros as follows:

- assets and liabilities are translated at the official closing rates;
- income statement, backlog and cash flow items are translated at average annual exchange rates.

Gains or losses on translation are recorded in consolidated equity under “Cumulative translation reserve”.

The Group applies IAS 29 – *Financial Reporting in Hyperinflationary Economies* to the Group’s subsidiaries in hyperinflation countries (Venezuela and Argentina). The impacts are not significant for the Group in 2019.

### 1.7 Foreign currency transactions

Foreign currency transactions are recorded using the exchange rate in effect at the transaction date or at the hedging rate. At the balance sheet date, monetary items in foreign currency (e.g. payables, receivables, etc.) are translated into the functional currency of the entity at the closing rate or at the hedging rate. Gains or losses on translation of foreign currency transactions are recorded under “Net financial income/(loss)”. Foreign currency hedging is described below, in Note 1.22.

However, certain long-term receivables and loans to subsidiaries are considered to be part of a net investment in a foreign operation, as defined by IAS 21 – *The effects of changes in foreign exchange rates*. As such, the impact of exchange rate fluctuations is recorded in equity and recognized in the statement of income when the investment is sold or when the long-term receivable or loan is reimbursed.

### 1.8 Intangible assets

#### Intangible assets acquired separately or as part of a business combination

Intangible assets acquired separately are initially recognized in the balance sheet at historical cost. They are subsequently measured using the cost model, in accordance with IAS 38 – *Intangible Assets*.

Intangible assets (mainly trademarks, technologies and customer lists) acquired as part of business combinations are recognized in the balance sheet at fair value at the combination date, appraised externally for the most significant assets and internally for the rest, and that represents its historical cost in consolidation. The valuations are performed using generally accepted methods, based on future inflows.

Intangible assets are generally amortized on a straight-line basis over their useful life or, alternatively, over the period of legal protection. Amortized intangible assets are tested for impairment when there is any indication that their recoverable amount may be less than their carrying amount.

Amortization expenses and impairment losses on intangible assets acquired in a business combination are presented on a separate statement of income line item, “Amortization expenses and impairment losses of purchase accounting intangible assets”.

#### Trademarks

The trademarks fair value is determined using the royalty method at the date of acquisition.

Trademarks acquired as part of a business combination are not amortized when they are considered to have an indefinite life.

The criteria used to determine whether or not such trademarks have indefinite lives and, as the case may be, their lifespan, are as follows:

- brand awareness;
- outlook for the brand in light of the Group’s strategy for integrating the trademark into its existing portfolio.

Non-amortized trademarks are tested for impairment at least annually and whenever there is an indication they may be impaired. When necessary, an impairment loss is recorded.



## 5. Notes to the consolidated financial statements

### Internally-generated intangible assets

#### Research and development costs

Research costs are expensed in the statement of income when incurred. Development costs for new projects are capitalized if, and only if:

- the project is clearly identified and the related costs are separately identified and reliably monitored;
- the project's technical feasibility has been demonstrated and the Group has the intention and financial resources to complete the project and to use or sell the resulting products;
- the Group has allocated the necessary technical, financial and other resources to complete the development;
- it is probable that the future economic benefits attributable to the project will flow to the Group.

Development costs that do not meet these criteria are expensed in the financial year in which they are incurred.

Before the commercial launch, capitalized development projects are tested for impairment at least annually. From the date of the commercial launch, capitalized development projects are amortized over the lifespan of the underlying technology, which generally ranges from three to ten years. The amortization expenses of such capitalized projects are included in the cost of the related products and classified into "Cost of sales" when the products are sold.

As for development-related assets which are in the amortization period, they are tested for impairment in case an impairment risk has been identified.

#### Software implementation

External and internal costs relating to the implementation of Enterprise Resource Planning (ERP) applications are capitalized when they relate to the programming, coding and testing phase. They are amortized over the applications' useful lives. In accordance with paragraph 98 of IAS 38, the SAP bridge application currently being rolled out within the Group is amortized using the production unit method to reflect the pattern in which the asset's future economic benefits are expected to be consumed. Said units of production correspond to the number of users of the rolled-out solution divided by the number of target users at the end of the roll-out.

### 1.9 Property, plant and equipment

Property, plant and equipment is primarily comprised of land, buildings and production equipment and is carried at cost, less accumulated depreciation and any accumulated impairment losses, in accordance with the recommended treatment in IAS 16 – *Property, plant and equipment*.

Each component of an item of property, plant and equipment with a useful life that differs from that of the whole item is depreciated separately on a straight-line basis. The main useful lives are as follows:

- buildings: 20 to 40 years;
- machinery and equipment: 3 to 10 years;
- other: 3 to 12 years.

The useful life of property, plant and equipment used in operating activities, such as production lines, reflects the related products' estimated life cycles.

Useful lives of items of property, plant and equipment are reviewed periodically and may be adjusted prospectively if appropriate. The depreciable amount of an asset is determined after deducting its residual value, when the residual value is material.

Depreciation is expensed in the period and included in the production cost of inventory or the cost of internally-generated intangible assets. It is recognized in the statement of income under "Cost of sales", "Research and development costs" or "Selling, general and administrative expenses", as the case may be.

Items of property, plant and equipment are tested for impairment whenever there is an indication they may be impaired. Impairment losses are charged to the statement of income under "Other operating income and expenses".

Since 2019, property, plant and equipment also includes right-of-use assets, in accordance with the recommended treatment in IFRS 16 – *Leases*, and as described in Note 1.1.

### 1.10 Impairment of assets

In accordance with IAS 36 – *Impairment of Assets*, the Group assesses the recoverable amount of its long-lived assets as follows:

- for all property, plant and equipment subject to depreciation and intangible assets subject to amortization, the Group carries out a review at each balance sheet date to assess whether there is any indication that they may be impaired. Indications of impairment are identified based on external or internal information. If such an indication exists, the Group tests the asset for impairment by comparing its carrying amount to the higher of fair value minus costs to sell and value in use;
- non-amortizable intangible assets and goodwill are tested for impairment at least annually and whenever there is an indication that the assets may be impaired.

Value in use is determined by discounting future cash flows that will be generated by the tested assets. These future cash flows are based on Group management's economic assumptions and operating forecasts presented in business plans over a period generally not exceeding five years, and then extrapolated based on a perpetuity growth rate. The discount rate corresponds to the Group's Weighted Average Cost of Capital (WACC) at the measurement date. The WACC stood at 6.9% at December 31, 2019 (7.0% at December 31, 2018). This rate is based on (i) a long-term interest rate of 0.75%, corresponding to the average interest rate for 10-year OAT treasury bonds over the past few years, (ii) the average premium applied to financing obtained by the Group in 2019, and is completed by, for CGUs WACC only, (iii) the weighted country risk premium for the Group's businesses in the countries in question.

The perpetuity growth rate is 2.0%, unchanged from the previous financial year.

Impairment tests are performed at the level of the Cash-Generating Unit (CGU) to which the asset belongs. A cash-generating unit is the smallest group of assets that generates cash inflows that are largely independent of the cash flows from other assets or groups of assets. The cash-generating units are *Low Voltage*, *Medium Voltage*, *Industrial Automation* and *Secure Power*. CGUs net assets were allocated to the CGUs at the lowest possible level on the basis of the CGU activities to which they belong; the assets belonging to several activities were allocated to each CGU (*Low Voltage*, *Medium Voltage* and *Industrial Automation* mainly).

The WACC used to determine the value in use of each CGU was 7.5% for *Low Voltage*, 7.6% for *Industrial Automation*, 7.7% for *Secure Power*, and 7.8% for *Medium Voltage*.

Goodwill is allocated when initially recognized. The CGU allocation is done on the same basis as used by Group management to monitor operations and assess synergies deriving from acquisitions.

Where the recoverable amount of an asset or CGU is lower than its book value, an impairment loss is recognized for the excess of the book value over the recoverable value. The recoverable value is defined as the highest value between the value in use and the fair value less costs to sell. Where the tested CGU comprises goodwill, any impairment losses are firstly deducted from goodwill.

### 1.11 Non-current financial assets

Investments in non-consolidated companies are initially recorded at their cost of acquisition and subsequently measured at fair value. The fair value of investments listed in an active market may be determined reliably and corresponds to the listed price at balance sheet date (Level 1 from the fair value hierarchy as per IFRS 7).

IFRS 9 standard allows two accounting treatments for equity instruments:

- change in fair value is recognized through "Other Comprehensive Income" in the comprehensive income statement, and in equity under "Other reserves" in the balance sheet, with no subsequent recycling in the income statement even upon sale;
- change in fair value, as well as gain or loss in case of sale, are recognized in the income statement.

The election between those two methods is to be made from inception for each equity investment and is irrevocable.

Venture capital (FCPR)/Mutual funds (SICAV) are recognized at fair value through income statement, in accordance with IFRS 9.

Loans, recorded under "Non-current financial assets", are carried at amortized cost. In accordance with IFRS 9, a depreciation is booked from inception to reflect the expected credit risk losses within 12 months. In case of significant degradation of the credit quality, the initial level of depreciation is modified to cover the entire expected losses over the remaining maturity of the loan.

### 1.12 Inventories and work in progress

Inventories and work in progress are measured at the lower of their initial recognition cost (acquisition cost or production cost generally determined by the weighted average price method) or of their estimated net realizable value.

Net realizable value corresponds to the estimated selling price net of remaining expenses to complete and/or sell the products. Inventory impairment losses are recognized in "Cost of sales". The cost of work in progress, semi-finished and finished products, includes the cost of materials and direct labor, subcontracting costs, all production overheads based on normal manufacturing capacity and the portion of research and development costs that are directly related to the manufacturing process (corresponding to the amortization of capitalized projects in production and product and range of products maintenance costs).

### 1.13 Trade and other operating receivables

Trade and other operating receivables are depreciated according to the simplified IFRS 9 model. From inception, trade receivables are depreciated to the extent of the expected losses over their remaining maturity.

The credit risk of trade receivables is assessed on a collective basis country by country, as the geographical origin of receivables is considered representative of their risk profile. Countries are classified by risk profile using the assessment provided by an external agency. The provision for expected credit losses is evaluated using (i) the probabilities of default communicated by a credit agency, (ii) historical default rates, (iii) aging balance, (iv) as well as the Group's assessment of the credit risk considering actual guarantees and credit insurance.

Once it is known with certainty that a doubtful receivable will not be collected, the doubtful account and its related depreciation are written off through the income statement.

## 5. Notes to the consolidated financial statements

Accounts receivable are discounted in cases where they are due in over one year and the discounting impact is significant.

### 1.14 Assets held for sale and liabilities of discontinued operations

Assets held for sale are no longer amortized or depreciated and are recorded separately in the balance sheet under "Assets held for sale" at the lower of its amortized cost and net realizable value.

### 1.15 Deferred taxes

Deferred taxes, related to temporary differences between the tax basis and accounting basis of consolidated assets and liabilities, are recorded using the balance sheet liability method, based on tax rates and tax rules enacted before the balance sheet date. The effect of any change in the tax rate is recognized in the income statement, apart from changes relating to items initially recognized directly in equity.

Future tax benefits arising from the utilization of tax loss carry forwards (including amounts available for carry forward without time limit) are recognized only when they can reasonably be expected to be realized. The carrying amount of deferred tax assets is tested for impairment at each balance sheet date and an impairment loss is recognized to the extent that it is no longer probable that sufficient taxable profits will be available against which the deferred tax asset can be fully or partially offset.

Deferred tax assets and liabilities are not discounted and are recorded in the balance sheet under non-current assets and liabilities. Deferred tax assets and liabilities related to the same unit and which are expected to reverse in the same period are offset.

### 1.16 Cash and cash equivalents

Cash and cash equivalents presented in the balance sheet consist of cash, bank accounts, term deposits of three months or less and marketable securities traded on organized markets. Marketable securities are short-term, highly-liquid investments that are readily convertible to known amounts of cash at maturity. They notably consist of commercial paper, mutual funds and equivalents. Considering their nature and maturities, these instruments represent insignificant risk of changes in value and are treated as cash equivalents.

### 1.17 Schneider Electric SE shares

Schneider Electric SE shares held by the parent company or by fully consolidated companies are measured at acquisition cost and deducted from equity.

Gains/(losses) on the sale of own shares are canceled from consolidated reserves, net of tax.

### 1.18 Pensions and other employee benefit obligations

Depending on local practices and laws, the Group's subsidiaries participate in pension, termination benefit and other long-term benefit plans. Benefits paid under these plans depend on factors such as seniority, compensation levels and payments into mandatory retirement programs.

#### Defined contribution plans

Payments made under defined contribution plans are recorded in the income statement, in the year of payment, and are in full settlement of the Group's liability. As the Group is not committed beyond these contributions, no provision related to these plans has been booked.

In most countries, the Group participates in mandatory general plans, which are accounted for as defined contribution plans.

#### Defined Benefit plans

Defined Benefit plans are measured using the projected unit credit method.

Expenses recognized in the statement of income are split between "Operating income" (for service costs rendered during the period) and "Net financial income/(loss)" (for financial costs and expected return on plan assets).

The amount recognized in the balance sheet corresponds to the present value of the obligation, and net of plan assets.

When this is an asset, the recognized asset is limited to the present value of any economic benefit due in the form of plan refunds or reductions in future plan contributions.

Changes resulting from periodic adjustments to actuarial assumptions regarding general financial and business conditions or demographics (i.e., changes in the discount rate, annual salary increases, return on plan assets, years of service, etc.) as well as experience adjustments are immediately recognized in the balance sheet as a separate component of equity in "Other reserves" and in comprehensive income as "Other comprehensive income".

#### Other commitments

Provisions are funded and expenses recognized to cover the cost of providing health-care benefits for certain Group retirees in Europe and the United States. The accounting policies applied to these plans are similar to those used to account for Defined Benefit pension plans.

The Group also funds provisions for all its subsidiaries to cover seniority-related benefits (primarily long service awards for its French subsidiaries). Actuarial gains and losses on these benefit obligations are fully recognized in profit or loss.

### 1.19 Share-based payments

The Group grants performance shares to senior executives and certain employees.

Pursuant to the application of IFRS 2 – *Share-based payments*, these plans are measured on the date of grant and an employee benefits expense is recognized on a straight-line basis over the vesting period, in general three or four years depending on the country in which it is granted.

The Group uses the Cox-Ross-Rubinstein binomial model to measure these plans.

For performance shares and stock options, this expense is offset in the equity. In the case of stock appreciation rights, a liability is recorded corresponding to the amount of the benefit granted, re-measured at each balance sheet date.

As part of its commitment to employee share ownership, Schneider Electric gave its employees the opportunity to purchase shares at a discounted price (Note 19).

### 1.20 Provisions and risk contingencies

A provision is recognized when it is probable that the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the loss or liability is not likely and cannot be reliably estimated, but remains possible, the Group discloses it as a contingent liability. Provisions are calculated on a case-by-case or statistical basis, and discounted when the impact from discounting is significant.

Provisions are primarily set aside to cover:

- **economic risks:** these provisions relate to probable tax risks arising on positions taken by the Group or its subsidiaries. Each position is assessed individually and not offset, and reflects the best estimate of the risk at the end of the reporting period. Where applicable, it includes any late-payment interest and fines. In accordance with IFRIC 23 – *Uncertainty over income tax treatments*, provisions covering uncertainties over income tax treatment have been reclassified within “Accrued taxes and payroll costs” as of 1st of January 2019;
- **customer risks:** provisions for customer risks mainly integrate the provisions for losses at completion for some of long term contracts. Provisions for expected losses are fully recognized as soon as they are identified;
- **product risks:** these provisions comprise:
  - statistical provisions for warranties: the Group funds provisions on a statistical basis for the residual cost of Schneider Electric product warranties not covered by insurance. The provisions are estimated with consideration of historical claim statistics and the warranty period;
  - provisions to cover disputes concerning defective products and recalls of clearly identified products;
- **environmental risks:** these provisions are primarily funded to cover clean-up costs. The estimation of the expected future outflows is based on reports from independent experts;
- **restructuring costs:** when the Group has prepared a detailed plan for the restructuring and has either announced or started to implement the plan before the end of the year. The estimation of the liability include only direct expenditure arising from the restructuring.

### 1.21 Financial liabilities

Financial liabilities primarily comprise bonds and short- and long-term bank borrowings. These liabilities are initially recorded at fair value, from which any direct transaction costs are deducted. Subsequently, they are measured at amortized cost based on their effective interest rate.

### 1.22 Financial instruments and derivatives

Risk hedging management is centralized. The Group’s policy is to use derivative financial instruments exclusively to manage and hedge changes in exchange rates, interest rates or prices of certain raw materials. The Group uses instruments such as FX forwards, FX options, cross currency swaps, interest rate swaps and commodities future, swaps or options, depending on the nature of the exposure to be hedged.

All derivatives are recorded in the balance sheet at fair value with changes in fair value recorded in the statement of income, except when they are qualified in a hedging relationship.

#### Foreign currency hedges

The Group periodically enters into FX derivatives to hedge the currency risk associated with foreign currency transactions. Whenever possible, monetary items (except specific financing items) denominated in foreign currency carried in the balance sheet of Group companies are hedged by rebalancing assets and liabilities per currency through FX spots realized with Corporate Treasury (natural hedge). The FX risk is thus aggregated at Group level and hedged with FX derivatives. When FX risk management cannot be centralized, the Group contracts FX forwards to hedge operating receivables and payables carried in the balance sheet of Group companies. In both cases, the Group does not apply hedge accounting because gains and losses generated on these FX derivatives naturally offset within “Net financial income/(loss)” with gains or losses resulting from the translation at end-of-year rates of payables and receivables denominated in foreign currency.

## 5. Notes to the consolidated financial statements

The Group also hedges future cash flows, including recurring future transactions and planned acquisitions or disposals of investments. In accordance with IFRS 9, these are treated as cash flow hedges. These hedging instruments are recognized at fair value in the balance sheet. The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is accumulated in equity, under "Other reserves", and then recognized in the income statement when the hedged item affects profit or loss.

The Group also hedges FX risk financing receivables or payables (including current accounts and loans with subsidiaries) using FX derivatives than can be documented either in Cash Flow Hedge or Fair Value Hedge depending on the nature of the derivative.

The Group may also designate FX derivatives or borrowings as hedging instruments of its investments in foreign operations (net investment hedge). Changes of value of those hedging instruments are accumulated in equity and recognized in the statement of income symmetrically to the hedged items.

The Group documents FX derivative based on the spot rate. The Group adopted the cost of hedging option offered by IFRS 9 to limit volatility in the statement of income related to forward points:

- For FX derivatives hedging a monetary item on the balance sheet: Forward points are amortized in statement of income on a straight-line basis. Forward points related to FX derivatives hedging financing transactions are included in "Finance costs, net";
- For FX derivatives hedging future transactions not yet recorded on the balance sheet: Forward points are recorded in the statement of income when the hedged transaction impacts the statement of income.

### Interest rate hedges

Interest rate swaps allow the Group to manage its exposure to interest rate risk. The derivative instruments used are financially adjusted to the schedules, rates and currencies of the borrowings they cover. They involve the exchange of fixed and floating-rate interest payments. The differential to be paid (or received) is accrued as an adjustment to interest income or expense over the life of the agreement. The Group applies hedge accounting as described in IFRS 9 for interest rate swaps. Gains and losses on re-measurement of interest rate swaps at fair value on the balance sheet are recognized in equity (for Cash Flow Hedges) or in profit or loss (for Fair Value Hedges).

Borrowings hedged by an interest rate derivative in a fair value hedge are reevaluated at fair value for the portion of risk being hedged, with offsetting entry in the statement of income.

Cross-currency swaps may be presented both as foreign exchange hedges and interest rate hedges depending on the characteristics of the derivative.

### Commodity hedges

The Group also purchases commodity derivatives including forward purchase contracts, swaps and options to hedge price risks on all or part of its forecast future purchases. Under IFRS 9, these qualify as cash flow hedges. These instruments are recognized in the balance sheet at fair value at the period-end (mark to market). The effective portion of the hedge is recognized separately in equity (under "Other reserves") and then recognized in income (gross margin) when the underlying hedge affects consolidated income. The effect of this hedging is then incorporated in the cost price of the products sold.

### Shares hedges

Schneider Electric shares are hedged in relation to last Stock Appreciation Rights granted to US employees before 2012 using derivatives documented in cash flow hedge.

Time value of options documented in a hedging relationship is recorded using the same approach used for forward points. Any ineffectiveness arising from a derivative documented in a hedging relationship is recorded in "Net financial income/(loss)".

Cash flows from financial instruments are recognized in the consolidated statement of cash flows in a manner consistent with the underlying transactions.

### 1.23 Revenue recognition

The Group's revenues primarily include transactional sales and revenues from services, and system contracts (projects).

Some contracts may include the supply to the customer of distinct goods and services (for instance contracts combining build followed by operation and maintenance). In such situations, the contract is analyzed and segmented into several components ("performance obligations"), each component being accounted for separately, with its own revenue recognition method and margin rate. The selling price is allocated to each performance obligation in proportion to the specific selling price of the underlying goods and services. This allocation should reflect the share of the price to which Schneider Electric expects to be entitled in exchange for the supply of these goods or services.

Revenue associated with each performance obligation identified within a contract is recognized when the obligation is satisfied, i.e. when the control of the promised goods or services is transferred to the customer.

The following revenue recognition methods can be applied:

### Recognition of revenue at a point of time

Revenue from sales is recognized at a point of time, when the control of the promised goods or services is transferred to the customer. This method is applicable for all transactional sales and for specific services such as spare parts deliveries, or on-demand services.

### Recognition of revenue over time

To demonstrate that the transfer of goods is progressive and recognize revenue over time, the following cumulative criteria are required:

- the goods sold have no alternative use, and
- enforceable right to payment (corresponding to costs incurred, plus a reasonable profit margin) for the work performed to date exists, in the event of early termination for convenience by the customer.

When these criteria are fulfilled, revenue is recognized using the percentage-of-completion method, based on the percentage of costs incurred in relation to total estimated costs of the performance obligation. The cost incurred includes direct and indirect costs relating to the contracts.

Expected losses on contracts are fully recognized as soon as they are identified.

Penalties for late delivery or for the improper execution of a contract are recognized as a deduction from revenue.

This method is applicable for systems contracts (projects) as the constructed assets are highly customized, and thus the Group would incur significant economic losses to redirect the built solutions to other customers.

Revenue from the majority of services contracts is recognized over time, as the customer simultaneously receives and consumes the benefits of the services provided. When costs incurred are stable over the contract's period, revenue is linearized over the contract's length.

Provisions for the discounts offered to distributors are accrued when the products are sold to the distributor and recognized as a deduction from revenue. Certain Group subsidiaries also offer cash discounts to distributors. These discounts and rebates are deducted from sales.

Consolidated revenue is presented net of these discounts and rebates.

### Backlog and balance sheet presentation

Backlog (as disclosed in Note 3) corresponds to the amounts of the selling price allocated to the performance obligations that are unsatisfied (or partially unsatisfied) at closing date.

The cumulated amount of revenue accounted for, less progress payments and accounts receivable (presented on a dedicated line of the balance sheet) is determined on a contract-by-contract basis. If this amount is positive, the balance is recognized under "Contract assets" in the balance sheet. If it is negative, the balance is recognized under "Contract liabilities" (see Note 16). Reserves for onerous contracts (so-called reserves for loss at completion) are excluded from contract assets and liabilities and presented among the "Provisions for customer risks" item.

## 1.24 Earnings per share

Earnings per share are calculated in accordance with IAS 33 – *Earnings Per Share*.

Diluted earnings per share are calculated by adjusting profit attributable to equity holders of the parent and the weighted average number of shares outstanding for the dilutive effect of the exercise of stock options outstanding at the balance sheet date. The dilutive effect of stock options is determined by applying the "treasury stock" method, which consists of taking into account the number of shares that could be purchased, based on the average share price for the year, using the proceeds from the exercise of the rights attached to the options.

## 1.25 Statement of cash flows

The consolidated statement of cash flows has been prepared using the indirect method, which consists of reconciling net profit to net cash provided by operations. The opening and closing cash positions include cash and cash equivalents, comprised of marketable securities, net of bank overdrafts and facilities.

## Note 2: Changes in the scope of consolidation

The list of main consolidated companies can be found in Note 29.

### 2.1 Scope variations

#### Acquisitions & disposals of the period

##### Acquisitions

No significant acquisition occurred during 2019.

##### Disposals

On March 25, 2019, the Group announced having entered exclusive negotiations with Transom Capital Group regarding the sale of its Pelco business. On May 24, 2019, the sale of Pelco, which previously reported within the *Energy Management* segment, was finalized.

On December 5, 2019, the Group announced having signed an agreement with Vinci Energies regarding the sale of Converse Energy Projects GmbH, which reported within the *Energy Management* segment. On December 30, 2019, the sale was finalized.



## 5. Notes to the consolidated financial statements

### Follow-up on acquisitions and divestments occurred in 2018 with significant effect in 2019

#### Acquisitions

##### AVEVA

On February 28, 2018, the Group finalized a transaction with AVEVA Group PLC to combine AVEVA and Schneider Electric Software business, and create a global leader in engineering and industrial software. Following the issue of ordinary shares in the capital of AVEVA to Schneider Electric, the Group owns 60 % of the enlarged AVEVA Group, on a fully diluted basis. AVEVA is fully consolidated in the *Industrial Automation* business since March 1, 2018. The consideration paid amounted EUR 1,994 million, of which EUR 577 million paid in cash (net of acquired cash).

As of June 30, 2019, the Group has finalized the purchase price allocation and recognized intangible assets for an amount of EUR 482 million (trademark, patents and customer relationship), and an amount of goodwill of EUR 1,434 million.

The impact on non-controlling interests reflects 40 % of the AVEVA total consideration combined with the carrying value of the Schneider Electric Software business evaluated at the time of the acquisition of INVENSYS Group by Schneider Electric.

##### IGE+XAO

On January 25, 2018, after the successful public tender offer for the shares of IGE+XAO, the Group announced that it had taken the control of the company.

IGE+XAO, is fully consolidated in the *Energy Management* business since February 1, 2018. The consideration paid amounts EUR 86 million (net of acquired cash).

As of June 30, 2019, the Group has finalized the purchase price allocation and recognized intangible assets for an amount of EUR 49 million (trademarks, technologies and customer relationships) and an amount of goodwill of EUR 100 million.

As of December 31, 2019 the Group owns 67.89 % of the share capital of IGE+XAO.

#### Disposals

No significant disposals occurred during 2018.

### 2.2 Impact of changes in the scope of consolidation on the Group cash flow

The effect of acquisitions and divestments during the year is a net cash outflow amounting to EUR 79 million in 2019:

<i>(in millions of euros)</i>	Full year 2019	Full year 2018
Acquisitions	(172)	(751)
Disposals	93	21
<b>FINANCIAL INVESTMENTS NET OF DISPOSALS</b>	<b>(79)</b>	<b>(730)</b>

In 2018, the cash outflow from acquisitions is mainly related to AVEVA acquisition.

### Note 3: Segment information

The Group is structured into two reporting segments and organized as follow:

**Energy Management** leverages a complete end-to-end technology offering enabled by EcoStruxure. The Group's go-to-market is oriented to address customer needs across its four end-markets of Buildings, Data Centers, Industry and Infrastructure, supported by a worldwide partner network.

**Industrial Automation** includes Industrial Automation and Industrial Control activities, across discrete, process & hybrid industries.

Expenses concerning General Management that cannot be allocated to a particular segment are presented under "Central functions & digital costs".

The board of directors has been identified as the main "decision-making body" for allocating resources and evaluating segment performance. The data shared with the latter is presented by reporting segments, with a detail by operating segment for *Energy Management*. Performance and decisions on the allocation of resources are assessed by the board of directors notably based on Adjusted EBITA.

Share-based payment is presented under "Central functions & digital costs".

The board of directors does not review assets and liabilities by reporting segment.

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

### 3.1 Information by reporting segment

#### Full Year 2019

<i>(in millions of euros)</i>	<b>Energy Management</b>	<b>Industrial Automation</b>	<b>Central functions &amp; digital costs</b>	<b>Total</b>
Backlog	6,399	1,705		<b>8,104</b>
Revenue	20,847	6,311		<b>27,158</b>
Adjusted EBITA*	3,842	1,141	(745)	<b>4,238</b>
Adjusted EBITA (%)	18.4%	18.1%		<b>15.6%</b>

\* Adjusted EBITA (Earnings Before Interest, Taxes, Amortization of Purchase Accounting Intangibles). Adjusted EBITA corresponds to operating profit before amortization and impairment of purchase accounting intangible assets, before goodwill impairment, other operating income and expenses and restructuring costs.

As of December 31, 2019, the amount of backlog to be executed over one year amounts to EUR 663 million.

#### Full Year 2018

<i>(in millions of euros)</i>	<b>Energy Management</b>	<b>Industrial Automation</b>	<b>Central functions &amp; digital costs</b>	<b>Total</b>
Backlog	5,988	1,471		<b>7,459</b>
Revenue	19,520	6,200		<b>25,720</b>
Adjusted EBITA*	3,479	1,118	(723)	<b>3,874</b>
Adjusted EBITA (%)	17.8%	18.0%		<b>15.1%</b>

\* Adjusted EBITA (Earnings Before Interest, Taxes, Amortization of Purchase Accounting Intangibles). Adjusted EBITA corresponds to operating profit before amortization and impairment of purchase accounting intangible assets, before goodwill impairment, other operating income and expenses and restructuring costs.

As of December 31, 2018, the amount of backlog to be executed over one year amounts to EUR 350 million.

### 3.2 Information by region

The geographic regions covered by the Group are:

- Western Europe,
- North America,
- Asia-Pacific,
- 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.

<i>(in millions of euros)</i>	<b>Western Europe</b>	<b>of which France</b>	<b>Asia-Pacific</b>	<b>of which China</b>	<b>North America</b>	<b>of which USA</b>	<b>Rest of the World</b>	<b>Total</b>
Revenue by country market	7,132	1,666	7,808	3,906	7,874	6,789	4,344	<b>27,158</b>
Non-current assets as of Dec. 31, 2019	11,584	1,870	4,167	970	9,965	7,316	1,330	<b>27,046</b>

<i>(in millions of euros)</i>	<b>Western Europe</b>	<b>of which France</b>	<b>Asia-Pacific</b>	<b>of which China</b>	<b>North America</b>	<b>of which USA</b>	<b>Rest of the World</b>	<b>Total</b>
Revenue by country market	6,991	1,643	7,338	3,666	7,183	6,101	4,208	<b>25,720</b>
Non-current assets as of Dec. 31, 2018	11,121	1,859	3,859	942	9,617	7,602	1,171	<b>25,768</b>

Moreover, the Group follows the share of new economies in revenue:

<i>(in millions of euros)</i>	<b>Full year 2019</b>		<b>Full year 2018</b>	
Revenue – Mature countries	15,901	59%	14,987	58%
Revenue – New economies	11,257	41%	10,733	42%
<b>TOTAL</b>	<b>27,158</b>	<b>100%</b>	<b>25,720</b>	<b>100%</b>

## 5. Notes to the consolidated financial statements

### Note 4: Research and development

Research and development costs break down as follows:

<i>(in millions of euros)</i>	Full year 2019	Full year 2018
Research and development costs in costs of sales	(408)	(387)
Research and development costs in R&D costs*	(657)	(597)
Capitalized development costs	(303)	(315)
<b>TOTAL RESEARCH AND DEVELOPMENT COSTS IN THE YEAR **</b>	<b>(1,368)</b>	<b>(1,299)</b>

\* Including EUR 54 million of research and development tax credit in full year 2019 and EUR 41 million in full year 2018.

\*\* Excluding amortization of R&D costs capitalized.

Amortization expenses of capitalized development amounted to EUR 243 million in 2019 and EUR 255 million in 2018.

### Note 5: Impairment losses, depreciation and amortization expenses

<i>(in millions of euros)</i>	Full year 2019	Full year 2018
Depreciation and amortization included in cost of sales	(521)	(534)
Depreciation and amortization included in selling, general and administrative expenses*	(481)	(155)
Amortization expenses of purchase accounting intangible assets	(173)	(171)
Impairment losses of purchase accounting intangible assets	–	(6)
<b>IMPAIRMENT LOSSES, DEPRECIATION AND AMORTIZATION EXPENSES</b>	<b>(1,175)</b>	<b>(866)</b>

\* Including impact from first application of IFRS 16, as described in Note 1.1.

Impairment tests performed in 2019 have not led to impairment losses being recognized on the CGUs' assets. The sensitivity analysis on the test hypothesis shows that no impairment losses would be recognized in the following scenarios:

- a 0.5 point increase of the discount rate;
- a 1.0 point decrease in the growth rate;
- a 0.5 point decrease in the margin rate.

### Note 6: Other operating income and expenses

Other operating income and expenses break down as follows:

<i>(in millions of euros)</i>	Full year 2019	Full year 2018
Gains/(losses) on assets disposals	(1)	4
Gains/(losses) on business disposals & assets impairment	(289)	(36)
Costs of acquisitions and integrations	(98)	(69)
Others	(23)	(2)
<b>OTHER OPERATING INCOME AND EXPENSES</b>	<b>(411)</b>	<b>(103)</b>

"Gains/(losses) on business disposals" mostly includes the impacts from the disposals of Pelco and Converse Energy Projects GmbH, as well as the fair value adjustment of Electroshield Samara business in 2019 (see Note 1.1).

"Costs of acquisitions and integrations" relates to major acquisitions and disposals in 2019 and 2018.

### Note 7: Other financial income and expenses

<i>(in millions of euros)</i>	Full year 2019	Full year 2018
Exchange gains and losses, net	(49)	(5)
Financial component of defined benefit plan costs	(53)	(61)
Dividends received	37	1
Fair value adjustment of financial assets	11	3
Other financial expenses, net*	(78)	(66)
<b>OTHER FINANCIAL INCOME AND EXPENSES</b>	<b>(132)</b>	<b>(128)</b>

\* Including impact from first application of IFRS 16, as described in Note 1.1.

## Note 8: Income tax expenses

When regulatory requirements are met, Group entities file consolidated tax returns. Schneider Electric SE has chosen this option for the French subsidiaries it controls directly or indirectly through Schneider Electric Industries SAS.

### 8.1 Analysis of income tax expense

<i>(in millions of euros)</i>	Full year 2019	Full year 2018
Current taxes	(724)	(635)
Deferred taxes	34	(58)
<b>INCOME TAX (EXPENSE)/BENEFIT</b>	<b>(690)</b>	<b>(693)</b>

### 8.2 Tax proof

<i>(in millions of euros)</i>	Full year 2019	Full year 2018
<b>Profit attributable to owners of the parent</b>	<b>2,413</b>	<b>2,334</b>
Income tax (expense)/benefit	(690)	(693)
Non-controlling interests	(110)	(97)
Share of profit of associates	78	61
Income of discontinued operations, net of income tax	(3)	(23)
<b>Profit before tax</b>	<b>3,138</b>	<b>3,086</b>
Geographical weighted average Group tax rate	23.4%	25.2%
<b>Theoretical income tax expense</b>	<b>(733)</b>	<b>(777)</b>
<b>Reconciling items:</b>		
Tax credits and other tax reductions	147	180
Impact of tax losses	(53)	(29)
Other permanent differences	(51)	(42)
<b>Income tax (expense)/benefit before impact from tax reforms</b>	<b>(690)</b>	<b>(668)</b>
<b>EFFECTIVE TAX RATE BEFORE IMPACT FROM TAX REFORMS</b>	<b>22.0%</b>	<b>21.6%</b>
Impact from the USA Tax reform	–	(25)
<b>INCOME TAX (EXPENSE)/BENEFIT</b>	<b>(690)</b>	<b>(693)</b>
<b>EFFECTIVE TAX RATE</b>	<b>22.0%</b>	<b>22.5%</b>

Theoretical tax expense from continuing operations is reconciled above from the Company's weighted-average global tax rate (rather than from the French domestic statutory tax rate), as the Company's consolidated income from continuing operations is predominantly generated outside of France.

In 2018, the tax reforms in the USA led to an additional negative adjustment of EUR 25 million.

## 5. Notes to the consolidated financial statements

### Note 9: Goodwill

#### 9.1 Main items of goodwill

Group goodwill is broken down by CGUs as follows:

<i>(in millions of euros)</i>	<b>Dec. 31, 2019</b>	Dec. 31, 2018
<b>Energy Management:</b>	<b>11,210</b>	<b>11,035</b>
Low Voltage	6,040	5,999
Medium Voltage	1,957	1,855
Secure Power	3,213	3,181
<b>Industrial Automation</b>	<b>7,509</b>	<b>7,338</b>
<b>TOTAL GOODWILL</b>	<b>18,719</b>	<b>18,373</b>

#### 9.2 Movements during the year

The main movements during the year are summarized as follows:

<i>(in millions of euros)</i>	<b>Full year 2019</b>	Full year 2018
<b>Net goodwill at opening</b>	<b>18,373</b>	<b>16,423</b>
Acquisitions	64	1,634
Disposals	(33)	–
Reclassifications	(3)	53
Translation adjustment	318	263
<b>NET GOODWILL AT END OF PERIOD</b>	<b>18,719</b>	<b>18,373</b>
<i>Including cumulative impairment</i>	(366)	(366)

#### Acquisitions

Goodwill generated by acquisitions made during the year totaled EUR 64 millions. Last year, goodwill generated was mainly related to AVEVA and IGE+XAO acquisitions.

Impairment tests performed on all the Group's CGUs have not led to goodwill impairment losses being recognized.

#### Other changes

Translation adjustments concern principally goodwill in US dollars and UK pound sterling.

## Note 10: Intangible assets

### 10.1 Change in intangible assets

#### Gross value

<i>(in millions of euros)</i>	Trademarks	Software	Development Projects (R&D)	Acquired technologies and customer relationships	Other	Total
<b>Dec. 31, 2017</b>	<b>2,877</b>	<b>861</b>	<b>2,843</b>	<b>2,251</b>	<b>240</b>	<b>9,072</b>
Acquisitions	–	18	315	1	4	<b>338</b>
Translation adjustments	90	16	23	90	20	<b>239</b>
Reclassifications	–	20	–	–	(20)	<b>–</b>
Changes in scope of consolidation and other	37	(25)	(58)	500	2	<b>456</b>
<b>Dec. 31, 2018</b>	<b>3,004</b>	<b>890</b>	<b>3,123</b>	<b>2,842</b>	<b>246</b>	<b>10,105</b>
Acquisitions	–	22	303	–	13	<b>338</b>
Translation adjustments	36	4	19	76	9	<b>144</b>
Reclassifications	–	45	7	–	(52)	<b>–</b>
Changes in scope of consolidation and other	(450)	(43)	(137)	(227)	(14)	<b>(871)</b>
<b>DEC. 31, 2019</b>	<b>2,590</b>	<b>918</b>	<b>3,315</b>	<b>2,691</b>	<b>202</b>	<b>9,716</b>

#### Amortization and impairment

<i>(in millions of euros)</i>	Trademarks	Software	Development Projects (R&D)	Acquired technologies and customer relationships	Other	Total
<b>Dec. 31, 2017</b>	<b>(760)</b>	<b>(762)</b>	<b>(1,662)</b>	<b>(1,370)</b>	<b>(183)</b>	<b>(4,737)</b>
Depreciations	–	(48)	(255)	(166)	(5)	<b>(474)</b>
Impairments	–	–	(13)	–	–	<b>(13)</b>
Translation adjustments	(13)	(1)	(24)	(21)	(10)	<b>(69)</b>
Reclassifications	–	–	–	–	–	<b>–</b>
Changes in scope of consolidation and other	25	20	42	(23)	(2)	<b>62</b>
<b>Dec. 31, 2018</b>	<b>(748)</b>	<b>(791)</b>	<b>(1,912)</b>	<b>(1,580)</b>	<b>(200)</b>	<b>(5,231)</b>
Depreciations	–	(51)	(243)	(171)	(9)	<b>(474)</b>
Impairments	–	–	(70)	–	–	<b>(70)</b>
Translation adjustments	1	(2)	(12)	(30)	(4)	<b>(47)</b>
Reclassifications	–	–	–	–	–	<b>–</b>
Changes in scope of consolidation and other	327	43	126	243	14	<b>753</b>
<b>DEC. 31, 2019</b>	<b>(420)</b>	<b>(801)</b>	<b>(2,111)</b>	<b>(1,538)</b>	<b>(199)</b>	<b>(5,069)</b>

#### Net value

<i>(in millions of euros)</i>	Trademarks	Software	Development Projects (R&D)	Acquired technologies and customer relationships	Other	Total
<b>Dec. 31, 2017</b>	<b>2,117</b>	<b>99</b>	<b>1,181</b>	<b>881</b>	<b>57</b>	<b>4,335</b>
<b>Dec. 31, 2018</b>	<b>2,256</b>	<b>99</b>	<b>1,211</b>	<b>1,262</b>	<b>46</b>	<b>4,874</b>
<b>DEC. 31, 2019</b>	<b>2,170</b>	<b>117</b>	<b>1,204</b>	<b>1,153</b>	<b>3</b>	<b>4,647</b>

In 2019, change in intangible assets is mainly related to the disposal of Pelco.

The amortization expenses and impairment losses of intangible assets other than goodwill restated in statutory cash flow are as follows:

<i>(in millions of euros)</i>	Full year 2019	Full year 2018
Depreciation expenses of intangibles assets other than goodwill	474	474
Impairments losses of intangible assets other than goodwill	70	13
<b>TOTAL*</b>	<b>544</b>	<b>487</b>

\* Includes depreciation & impairment of intangible assets from purchase price allocation for EUR 173 million for the year 2019 (EUR 177 million in 2018).



## 5. Notes to the consolidated financial statements

### 10.2 Trademarks

At December 31, 2019, the main trademarks recognized were as follows:

<i>(in millions of euros)</i>	<b>Dec. 31, 2019</b>	Dec. 31, 2018
APC ( <i>Secure Power</i> )	1,650	1,619
Clipsal ( <i>Low Voltage</i> )	159	157
Pelco ( <i>Low Voltage</i> )	–	123
Asco ( <i>Low Voltage</i> )	111	110
AVEVA ( <i>Industrial Automation</i> )	83	79
Invensys – Triconex and Foxboro ( <i>Industrial Automation</i> )	49	48
Digital ( <i>Industrial Automation</i> )	45	43
Other	73	77
<b>TRADEMARKS</b>	<b>2,170</b>	<b>2,256</b>

All the above trademarks are considered to have an indefinite life. In 2019, the Group reviewed the value of the main trademarks in accordance with valuation model describe in Note 1.8 – *Intangibles assets*. Impairment tests carried out on main trademarks in 2019 did not led to additional impairments.

The sensibility analysis on the test hypothesis shows that no impairment losses would be recognized in the following scenarios:

- a 0.5 point increase in the discount rate;
- a 1.0 point decrease in growth rate;
- a 0.5 point decrease in the royalty rate.

### Note 11: Property, plant and equipment

Changes in property, plant and equipment in 2019 are mainly related to the scope changes mentioned in the Note 2 and include the impacts of IFRS 16 – *Leases* that are detailed in Note 1-Effects of the adoption of IFRS 16.

#### Gross value

<i>(in millions of euros)</i>	<b>Land</b>	<b>Buildings</b>	<b>Machinery and equipments</b>	<b>Other</b>	<b>Total</b>
<b>Dec. 31, 2017</b>	<b>153</b>	<b>1,846</b>	<b>4,352</b>	<b>1,006</b>	<b>7,357</b>
Acquisitions	–	281	144	58	<b>483</b>
Disposals	(5)	(62)	(111)	(85)	<b>(263)</b>
Translation adjustments	–	2	6	(6)	<b>2</b>
Reclassifications	2	(135)	128	35	<b>30</b>
Changes in scope of consolidation and other	–	(65)	(10)	88	<b>13</b>
<b>Dec. 31, 2018</b>	<b>150</b>	<b>1,867</b>	<b>4,509</b>	<b>1,096</b>	<b>7,622</b>
IFRS 16 first application	–	1,103	139	–	<b>1,242</b>
<b>Jan. 1, 2019</b>	<b>150</b>	<b>2,970</b>	<b>4,648</b>	<b>1,096</b>	<b>8,864</b>
Acquisitions	–	172	190	336	<b>698</b>
Disposals	(2)	(73)	(178)	(41)	<b>(294)</b>
Translation adjustments	1	24	42	15	<b>82</b>
Reclassifications	–	106	121	(235)	<b>(8)</b>
Changes in scope of consolidation and other	(8)	(42)	(65)	(17)	<b>(132)</b>
<b>DEC. 31, 2019</b>	<b>141</b>	<b>3,157</b>	<b>4,758</b>	<b>1,154</b>	<b>9,210</b>

## Amortization and impairment

<i>(in millions of euros)</i>	Land	Buildings	Machinery and equipments	Other	Total
<b>Dec. 31, 2017</b>	<b>(17)</b>	<b>(906)</b>	<b>(3,396)</b>	<b>(548)</b>	<b>(4,867)</b>
Depreciation and impairment	(4)	(89)	(256)	(64)	(413)
Reversals	1	36	110	67	214
Translation adjustments	–	(1)	(8)	4	(5)
Reclassifications	–	(13)	5	(22)	(30)
Changes in scope of consolidation and other	–	1	11	(12)	–
<b>Dec. 31, 2018</b>	<b>(20)</b>	<b>(972)</b>	<b>(3,534)</b>	<b>(575)</b>	<b>(5,101)</b>
IFRS 16 first application	–	–	–	–	–
<b>Jan. 1, 2019</b>	<b>(20)</b>	<b>(972)</b>	<b>(3,534)</b>	<b>(575)</b>	<b>(5,101)</b>
Depreciation and impairment	(1)	(324)	(315)	(64)	(704)
Reversals	1	36	173	34	244
Translation adjustments	–	(11)	(33)	(7)	(51)
Reclassifications	–	(38)	24	22	8
Changes in scope of consolidation and other	2	8	56	8	74
<b>DEC. 31, 2019</b>	<b>(18)</b>	<b>(1,301)</b>	<b>(3,629)</b>	<b>(582)</b>	<b>(5,530)</b>

## Net value

<i>(in millions of euros)</i>	Land	Buildings	Machinery and equipments	Other	Total
<b>Dec. 31, 2017</b>	<b>136</b>	<b>940</b>	<b>956</b>	<b>458</b>	<b>2,490</b>
<b>Dec. 31, 2018</b>	<b>130</b>	<b>895</b>	<b>975</b>	<b>521</b>	<b>2,521</b>
<b>DEC. 31, 2019</b>	<b>123</b>	<b>1,856</b>	<b>1,129</b>	<b>572</b>	<b>3,680</b>

Reclassifications primarily correspond to assets put into use.

The cash impact of purchases of property, plant and equipment in 2019 was as follows:

<i>(in millions of euros)</i>	Full year 2019	Full year 2018
Increase in property, plant and equipment	(698)	(483)
Of which non-cash impact related to IFRS 16	187	–
Changes in receivables and liabilities on property, plant and equipment	5	(3)
<b>TOTAL</b>	<b>(506)</b>	<b>(486)</b>

The depreciation and impairment of property, plant and equipment restated in the statement of cash flows were as follows:

<i>(in millions of euros)</i>	Full year 2019	Full year 2018
Depreciation of property, plant and equipment	701	386
Impairment of property, plant and equipment	3	27
<b>TOTAL</b>	<b>704</b>	<b>413</b>

## 5. Notes to the consolidated financial statements

## Note 12: Investments in associates and joint ventures

Investments in associates and joint ventures can be analyzed as follows:

<i>(in millions of euros)</i>	Delixi Sub-Group*	Fuji Electrics	Sunten Electric Equipments	Schneider Electric DMS	InnoVista Sensors	Delta Dore Finance	Other	<b>Total</b>
<b>% of interest</b>								
Dec. 31, 2018	50.0%	36.8%	25.0%	57.0%	30.0%	20.0%		
Dec. 31, 2019	50.0%	36.8%	25.0%	100.0%	30.0%	20.0%		
<b>CLOSING VALUE DEC. 31, 2017</b>	<b>278</b>	<b>116</b>	<b>48</b>	<b>44</b>	<b>27</b>	<b>19</b>	<b>15</b>	<b>547</b>
Net Income/(loss)	50	16	(1)	(7)	3	–	–	<b>61</b>
Dividends distribution	(57)	(4)	(1)	–	(28)	–	(1)	<b>(91)</b>
Perimeter changes	–	–	–	–	–	–	–	<b>–</b>
Translation impacts & others	(2)	8	(1)	7	1	–	–	<b>13</b>
<b>CLOSING VALUE DEC. 31, 2018</b>	<b>269</b>	<b>136</b>	<b>45</b>	<b>44</b>	<b>3</b>	<b>19</b>	<b>14</b>	<b>530</b>
Net Income/(loss)	65	9	1	(2)	3	1	1	<b>78</b>
Dividends distribution	(15)	(6)	(7)	–	(5)	–	(5)	<b>(38)</b>
Perimeter changes	–	–	–	(43)	–	–	(2)	<b>(45)</b>
Translation impacts & others	1	2	3	1	(1)	–	2	<b>8</b>
<b>CLOSING VALUE DEC. 31, 2019</b>	<b>320</b>	<b>141</b>	<b>42</b>	<b>–</b>	<b>–</b>	<b>20</b>	<b>10</b>	<b>533</b>

\* In 2019, Delixi Electric Ltd. Expanded its business through two complementary acquisitions (Zhejiang Delixi International Electric Industry Co., Ltd and Delixi Instrument & Meter Co., Ltd.)

## Note 13: Non-current financial assets

Non-current financial assets, primarily comprising investments, are detailed below:

<i>(in millions of euros)</i>	% of interest	Dec. 31, 2019					Dec. 31, 2018	
		Acquisitions disposals	Fair value through P&L	Fair value through Equity	FX & others	Fair value	Fair value	
<b>LISTED FINANCIAL ASSETS:</b>								
NVC Lighting	9.2%	–	–	(7)	–	9	16	
PLEJD	15.1%	–	–	1	–	7	6	
Gold Peak Industries Holding Ltd	4.4%	–	–	–	–	3	3	
<b>TOTAL LISTED FINANCIAL ASSETS</b>		<b>–</b>	<b>–</b>	<b>(6)</b>	<b>–</b>	<b>19</b>	<b>25</b>	
<b>UNLISTED FINANCIAL ASSETS:</b>								
Foundries		45	1	–	(2)	86	42	
Sensetime & Stalagnate Fund China		9	–	–	–	33	24	
FCPR Aster II (part A, B, C and D)	38.3%	1	8	–	–	47	38	
Alpi	100.0%	26	–	–	–	26	–	
FCPR Growth	100.0%	–	–	–	–	23	23	
FCPR SEV1	100.0%	(1)	9	–	(1)	22	15	
SICAV SESS	63.1%	–	–	–	–	11	11	
FCPI Energy Access Ventures Fund	30.4%	3	(1)	–	1	9	6	
Raise Foundation	4.8%	–	–	–	–	9	9	
Easydrive	51.0%	8	–	–	–	8	–	
SICAV Livehoods Fund SIF	15.2%	1	–	–	(1)	4	4	
Schneider Electric Energy Access	81.1%	–	–	–	–	3	3	
Itris Automation	100.0%	3	–	–	–	3	–	
Others (Unit gross value lower than EUR 3 million)		–	(6)	–	10	7	3	
<b>TOTAL UNLISTED FINANCIAL ASSETS</b>		<b>95</b>	<b>11</b>	<b>–</b>	<b>7</b>	<b>291</b>	<b>178</b>	
<b>PENSIONS ASSETS</b>		<b>1</b>	<b>8</b>	<b>(133)</b>	<b>14</b>	<b>251</b>	<b>361</b>	
<b>OTHER</b>		<b>12</b>	<b>–</b>	<b>17</b>	<b>(46)</b>	<b>84</b>	<b>101</b>	
<b>TOTAL NON-CURRENT FINANCIAL ASSETS</b>		<b>108</b>	<b>19</b>	<b>(122)</b>	<b>(25)</b>	<b>645</b>	<b>665</b>	

Changes in fair value for listed financial assets are recorded through "Other comprehensive income" since 2017 (Note 1.11). Gains or losses realized upon sale will be maintained in "Other comprehensive income" (no recycling in income statement).

The fair value of investments quoted in an active market corresponds to the stock price on the balance sheet date.

"Others" include mainly loans to non-consolidated companies, and securities given to third parties.

## Note 14: Deferred taxes by Nature

Deferred taxes by type can be analyzed as follows:

<i>(in millions of euros)</i>	<b>Dec. 31, 2019</b>	Dec. 31, 2018
Tax loss carryforwards (net)	722	721
Provisions for pensions and other post-retirement benefit obligations (net)	347	278
Non-deductible provisions and accruals (net)	332	223
Differences between tax and accounting depreciation on tangible assets (net)	5	(55)
Differences between tax and accounting amortization on intangible assets (net)	(892)	(803)
Differences on working capital (net)	203	370
Other deferred tax assets/(liabilities) (net)	266	159
<b>TOTAL NET DEFERRED TAX ASSETS/(LIABILITIES)</b>	<b>983</b>	<b>893</b>
<i>of which total deferred tax assets</i>	<i>2,004</i>	<i>2,040</i>
<i>of which total deferred tax liabilities</i>	<i>1,021</i>	<i>1,147</i>

Deferred tax assets recorded in respect of tax losses carried forward at December 31, 2019 essentially concern France (EUR 577 million). These deficits can be carried forward indefinitely, and have been activated using the rate of 25.83%, in accordance with the applicable rate in the expected consumption horizon of 8 years. Unrecognized deferred tax losses amount EUR 189 million as of December 31, 2019, and are mainly related to Spain and Brazil.

## Note 15: Inventories and work in progress

Inventories and work in progress changed as follows:

<i>(in millions of euros)</i>	<b>Dec. 31, 2019</b>	Dec. 31, 2018
<b>COST:</b>		
Raw materials	1,205	1,258
Production work in progress	228	275
Semi-finished and finished products	1,127	1,277
Finished goods	402	414
Solution work in progress	167	184
<b>INVENTORIES AND WORK IN PROGRESS AT COST</b>	<b>3,129</b>	<b>3,408</b>
<b>IMPAIRMENT:</b>		
Raw materials	(130)	(148)
Production work in progress	(4)	(9)
Semi-finished and finished products	(142)	(148)
Finished goods	(7)	(7)
Solution work in progress	(5)	(5)
<b>IMPAIRMENT LOSS</b>	<b>(288)</b>	<b>(317)</b>
<b>NET:</b>		
Raw materials	1,075	1,110
Production work in progress	224	266
Semi-finished and finished products	985	1,129
Finished goods	395	407
Solution work in progress	162	179
<b>INVENTORIES AND WORK IN PROGRESS, NET</b>	<b>2,841</b>	<b>3,091</b>

## 5. Notes to the consolidated financial statements

## Note 16: Trade accounts receivable

<i>(in millions of euros)</i>	<b>Dec. 31, 2019</b>	Dec. 31, 2018
Accounts receivable	4,819	5,114
Unbilled revenue	1,137	851
Notes receivable	223	199
Advances to suppliers	233	119
<b>Accounts receivable at cost</b>	<b>6,412</b>	<b>6,283</b>
Impairment	(459)	(479)
<b>ACCOUNTS RECEIVABLE, NET</b>	<b>5,953</b>	<b>5,804</b>
<i>On time</i>	5,135	4,855
<i>Less than one month past due</i>	391	461
<i>One to two months past due</i>	179	203
<i>Two to three months past due</i>	124	80
<i>Three to four months past due</i>	58	79
<i>More than four months past due</i>	66	126

Accounts receivable result from sales to end-customers, who are widely spread both geographically and economically. Consequently, the Group believes that there is no significant concentration of credit risk.

In addition, the Group takes out substantial credit insurance and uses other types of guarantees to limit the risk of losses on trade accounts receivable.

Changes in provisions for impairment of short and long-term trade accounts receivable were as follows:

<i>(in millions of euros)</i>	<b>Full year 2019</b>	Full year 2018
<b>Provisions for impairment on January 1</b>	<b>(479)</b>	<b>(478)</b>
Additions	(107)	(74)
Utilizations	58	42
Reversal of surplus provisions	38	43
Translation adjustments	(6)	5
Changes in scope of consolidation and other	37	(17)
<b>PROVISIONS FOR IMPAIRMENT ON DECEMBER 31</b>	<b>(459)</b>	<b>(479)</b>

The contracts assets and liabilities, respectively reported within the "Trade and other operating receivables" and "Trade and other operating payables", are as follows:

<i>(in millions of euros)</i>	<b>Dec. 31, 2019</b>	Dec. 31, 2018
Unbilled revenue (contract assets)	1,137	851
Contract liabilities	(1,069)	(797)
<b>NET CONTRACT ASSETS</b>	<b>68</b>	<b>54</b>

## Note 17: Other receivables and prepaid expenses

<i>(in millions of euros)</i>	<b>Dec. 31, 2019</b>	Dec. 31, 2018
Other receivables	680	549
Other tax receivables	1,097	992
Derivative instruments	75	45
Prepaid expenses	235	324
<b>OTHER RECEIVABLES AND PREPAID EXPENSES</b>	<b>2,087</b>	<b>1,910</b>

## Note 18: Cash and cash equivalents

(in millions of euros)	Dec. 31, 2019	Dec. 31, 2018
Marketable securities	1,560	527
Negotiable debt securities and short-term deposits	193	25
Cash and cash equivalents	1,839	1,809
<b>Total cash and cash equivalents</b>	<b>3,592</b>	<b>2,361</b>
Bank overdrafts	(197)	(130)
<b>NET CASH AND CASH EQUIVALENTS</b>	<b>3,395</b>	<b>2,231</b>

Non-recourse factorings of trade receivables were realized in 2019 for a total amount of EUR 132 million, compared with EUR 180 million in 2018.

## Note 19: Shareholder's equity

### 19.1 Capital

#### Share capital

The company's share capital at December 31, 2019 amounted to EUR 2,328,274,220 represented by 582,068,555 shares with a par value of EUR 4, all fully paid up.

At December 31, 2019, a total of 608,274,947 voting rights were attached to the 582,068,555 shares outstanding. Schneider Electric's capital management strategy is designed to:

- ensure Group liquidity;
- optimize its financial structure;
- optimize the weighted average cost of capital.

The strategy must also ensure the Group has access to different capital markets under the best possible conditions. Factors taken into account for decision-making purposes include objectives expressed in terms of earnings per share, ratings or balance sheet stability. Finally, decisions may be implemented depending on specific market conditions.

#### Changes in share capital and cumulative number of shares

Changes in share capital since December 31, 2017 were as follows:

(in number of shares and in euros)	Cumulative number of shares	Share capital
<b>CAPITAL AT DEC. 31, 2017</b>	<b>596,916,242</b>	<b>2,387,664,968</b>
Cancellation of own shares*	(22,000,000)	(88,000,000)
Exercise of stock options	1,845,942	7,383,768
Employee share issue	2,406,585	9,626,340
<b>CAPITAL AT DEC. 31, 2018</b>	<b>579,168,769</b>	<b>2,316,675,076</b>
Exercise of stock options	223,768	895,072
Employee share issue	2,676,018	10,704,072
<b>CAPITAL AT DEC. 31, 2019</b>	<b>582,068,555</b>	<b>2,328,274,220</b>

\* Cancellation of 22 million treasury shares following the Board of Directors held on February 15, 2018.

The share premium account increased by EUR 157 million following the exercise of options and the increases in capital.

### 19.2 Earnings per share

(in thousands of shares and in euros per share)	Full Year 2019		Full Year 2018	
	Basic	Diluted	Basic	Diluted
Common shares (Net of treasury shares and own shares)	551,067	551,067	554,006	554,006
Performance shares	–	6,449	–	6,463
Stock options	–	–	–	118
<b>AVERAGE WEIGHTED NUMBER OF SHARES</b>	<b>551,067</b>	<b>557,516</b>	<b>554,006</b>	<b>560,587</b>
Earnings per share before tax	5.69	5.63	5.57	5.5
<b>EARNINGS PER SHARE</b>	<b>4.38</b>	<b>4.33</b>	<b>4.21</b>	<b>4.16</b>



## 5. Notes to the consolidated financial statements

### 19.3 Dividends paid and proposed

In 2019, the Group paid out the 2018 dividend of EUR 2.35 per share, for a total of EUR 1,296 million.

At the Shareholders' Meeting of April 23, 2020, shareholders will be asked to approve a dividend of EUR 2.55 per share for fiscal year 2019. At December 31, 2019 Schneider-Electric SE had distributable reserves in an amount of EUR 6,379 million (versus EUR 3,061 million at the previous year-end), not including profit for the year.

### 19.4 Share-based payments

#### Current stock option and stock grant plans

The Board of Directors of Schneider Electric SE and later the Management Board have set up stock option and performance shares plans for senior executives and certain employees of the Group. The main features of these plans were as follows at December 31, 2019:

#### Option plans

Plan no.	Date of the Board Meeting	Type of Plan*	Starting date of exercise period	Expiration date	Price (in euros)	Number of options initially granted	Options cancelled because targets not met
31	01/05/2009	S	01/05/2013	01/04/2019	23.78	1,358,000	135,625
33	12/21/2009	S	12/21/2013	12/20/2019	34.62	1,652,686	13,589
<b>TOTAL</b>						<b>3,010,686</b>	<b>149,214</b>

\* S = Options to subscribe new shares.

Rules governing the stock options plans are as follows:

- to exercise the option, the grantee must generally be an employee or corporate officer of the Group. Vesting is also conditional on the achievement of performance criteria;
- the options expire after six years;
- the vesting period is three or four years in the United States and four years in the rest of the world.

#### Performance shares plans

Plan no.	Date of the Board Meeting	Vesting date	End of lock-up period	Number of shares initially granted	Grants cancelled because objectives not met
Plan 20 ter	02/18/2015	02/18/2019	02/18/2020	9,300	–
Plan 22	03/27/2015	03/27/2019	03/27/2019	2,095,610	718,432
Plan 22 bis	10/28/2015	10/28/2019	10/28/2019	32,650	15,248
Plan 22 ter	10/28/2015	10/28/2019	10/28/2019	24,570	–
Plan 24	03/23/2016	03/23/2020	03/23/2020	27,042	–
Plan 25	03/23/2016	03/30/2019	04/01/2021	744,540	73,699
Plan 26	03/23/2016	03/23/2020	03/23/2020	2,291,200	530,918
Plan 27	10/26/2016	10/26/2019	10/26/2019	35,700	4,568
Plan 28	03/24/2017	03/24/2020	03/24/2021	25,800	–
Plan 29	03/24/2017	03/24/2020	03/24/2020	2,405,220	250,350
Plan 29 bis	10/25/2017	10/25/2020	10/25/2020	32,400	600
Plan 30	03/26/2018	03/26/2021	03/26/2021	25,800	–
Plan 31	03/26/2018	03/26/2022	03/26/2022	2,318,140	123,150
Plan 31 bis	10/24/2018	10/24/2021	10/24/2021	28,000	–
Plan 32	03/26/2019	03/28/2022	03/28/2023	25,800	–
Plan 33	03/26/2019	03/28/2022	03/29/2022	2,313,650	23,070
Plan 34	07/24/2019	07/25/2022	07/26/2022	87,110	790
Plan 35	10/23/2019	10/24/2022	10/25/2022	17,450	–
<b>TOTAL</b>				<b>12,530,682</b>	<b>1,740,825</b>

Rules governing the performance shares plans are as follows:

- to receive the shares, the grantee must generally be an employee or corporate officer of the Group. Vesting is also conditional on the achievement of performance criteria;
- the vesting period is two to four years;
- the lock-up period is zero to three years.

### Outstanding options and shares

In respect of subscription vesting conditions for current stock options and performance shares plans, Schneider Electric SE has created 223,768 shares in 2019. Changes in the number of outstanding number of options and shares in 2019 were as follows:

#### Change in the number of options

Plan no.	Number of options outstanding at Dec. 31, 2018	Number of options exercised and/or created in 2019	Number of options cancelled or restated in 2019	Number of options outstanding at Dec. 31, 2019
31	19,566	(17,701)	(1,865)	—
33	210,356	(196,767)	(13,589)	—
<b>TOTAL</b>	<b>229,922</b>	<b>(214,468)</b>	<b>(15,454)</b>	<b>—</b>

To exercise the options granted under plans 31 and 33, and the SARs ("Stock Appreciation Rights"), the grantee must generally be an employee or corporate officer of the Group. In addition, exercise of some options is generally conditional on the achievement of annual objectives based on financial indicators.

Plans 31 and 33 were the last remaining stock options plans at the end of 2019. As of January 1, 2020, there is no active stock options plan for any employee or corporate officer of the Group.

#### Change in the number of performance shares

Plan no.	Number of performance shares at Dec. 31, 2018	Number of shares granted or to be granted	Number of shares cancelled in 2019	Number of performance shares at Dec. 31, 2019
Plan 20 ter	9,300	(9,300)	—	—
Plan 22	1,408,618	(1,377,178)	(31,440)	—
Plan 22 bis	19,797	(17,402)	(2,395)	—
Plan 22 ter	24,570	(24,570)	—	—
Plan 24	27,042	—	—	27,042
Plan 25	714,140	(670,841)	(43,299)	—
Plan 26	1,962,900	—	(202,618)	1,760,282
Plan 27	33,700	(31,132)	(2,568)	—
Plan 28	25,800	—	—	25,800
Plan 29	2,259,170	—	(104,300)	2,154,870
Plan 29 bis	31,800	—	—	31,800
Plan 30	25,800	—	—	25,800
Plan 31	2,284,940	—	(89,950)	2,194,990
Plan 31 bis	28,000	—	—	28,000
Plan 32	—	25,800	—	25,800
Plan 33	—	2,313,650	(23,070)	2,290,580
Plan 34	—	87,110	(790)	86,320
Plan 35	—	17,450	—	17,450
<b>TOTAL</b>	<b>8,855,577</b>	<b>313,587</b>	<b>(500,430)</b>	<b>8,668,734</b>

For performance shares to vest, the grantee must be an employee or corporate officer of the Group. In addition, vesting of some performance shares is conditional on the achievement of annual objectives based on financial indicators.

### Valuation of performance shares

In accordance with the accounting policies described in Note 1.19 the performance shares plans have been valued based on an average estimated life of 3 to 5 years using the following assumptions:

- a pay-out rate of between 3.0% and 3.5%;
- a discount rate of between 0% and 1.0%, corresponding to a risk-free rate over the life of the plans (source: Bloomberg).

## 5. Notes to the consolidated financial statements

Based on these assumptions, the expense recorded under "Selling, general and administrative expenses" breaks down as follows:

<i>(in millions of euros)</i>	<b>Full year 2019</b>	Full year 2018
Plan 18 & 18 bis	–	1
Plan 20 ter	–	–
Plan 22	3	19
Plan 22 bis & 22 ter	–	–
Plan 24	–	–
Plan 25 & 25 bis	2	9
Plan 26 & 26 bis	14	19
Plan 27	–	1
Plan 28	1	–
Plan 29 & 29 bis	42	44
Plan 30	1	–
Plan 31 & 31 bis	43	33
Plan 32	–	–
Plan 33	33	–
Plan 34	–	–
Plan 35	–	–
<b>TOTAL</b>	<b>139</b>	<b>126</b>

In 2019, the Group also recorded an additional expense of EUR 15 million in relation with AVEVA subgroup's performance shares plan, bringing the total Group expense to EUR 154 million.

### 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 been proposed the classic plan.

Under the classic plan, employees may purchase Schneider Electric shares at a 15% 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 a natural person with an average credit rating.

In 2019, Schneider Electric gave its employees the opportunity to purchase shares at a price of EUR 60.26 per share, as part of its commitment to employee share ownership, on April 16th, 2019. This represented a 15% discount to the reference price of EUR 70.90 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, 2.7 million shares were subscribed, increasing the Company's capital by EUR 161 million as of July 10, 2019. 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 since 2012. 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 2019 and 2018.

(in millions of euros)	Full Year 2019		Full Year 2018	
	%	Value	%	Value
<b>Plan characteristics:</b>				
Maturity (years)		5		5
Reference price (euros)		70.9		75.86
Subscription price (euros)		60.26		64.47
Discount	15.0%		15.0%	
Amount subscribed by employees		161.3		155.2
Total amount subscribed		161.3		155.2
Total number of shares subscribed (million of shares)		2.7		2.4
<b>Valuation assumptions:</b>				
Interest rate available to market participant (bullet loan)*	3.1%		3.4%	
Five-year risk-free interest rate (euro zone)	0.3%		0.3%	
Annual interest rate (repo)	1.0%		1.0%	
<b>Value of discount (a)</b>	<b>15.0%</b>	<b>28.5</b>	<b>15.0%</b>	<b>27.4</b>
<b>Value of the lock-up period for market participant (b)</b>	<b>26.4%</b>	<b>50</b>	<b>26.4%</b>	<b>48.1</b>
<b>TOTAL EXPENSE FOR THE GROUP (a) – (b)</b>		<b>–</b>		<b>–</b>
<b>Sensitivity:</b>				
decrease in interest rate for market participant**	(0.5)%	5.2	(0.5)%	5.1

\* Average interest rate charged on an ordinary, non-revolving personal loan, with a five-year maturity to an individual with an average credit rating.

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

### 19.5 Schneider Electric SE shares

At December 31, 2019, the Group held 31,046,884 Schneider Electric shares in treasury stock, which have been recorded as a deduction from retained earnings.

The Group has repurchased 3.5 million shares for a total amount of EUR 266 million in 2019.

### 19.6 Income tax recorded in equity

Total income tax recorded in Equity amounts to EUR 247 million as of December 31, 2019 and can be analyzed as follows:

(in millions of euros)	Dec. 31, 2019	Dec. 31, 2018	Change in tax
Cash-Flow hedges	48	55	(7)
Available-for-sale financial assets	(7)	(7)	–
Actuarial gains/(losses) on defined benefit plans	209	127	82
Other	(3)	(1)	(2)
<b>TOTAL</b>	<b>247</b>	<b>174</b>	<b>73</b>

### 19.7 Non-controlling interests

The main contributor is AVEVA, for which 40% of the shares correspond to non-controlling interests for the Group.

## 5. Notes to the consolidated financial statements

### Note 20: Pensions and other post-employment benefit obligations

The Group has set up various post-employment benefit plans for employees covering pensions, termination benefits, healthcare, life insurance and other benefits, as well as long-term benefit plans for active employees.

#### Defined Benefit Pension Plans

The Group's main Defined Benefit pension plans are located in the United Kingdom (UK) and the United States (US). They respectively represent 63% (2018: 63%) and 22% (2018: 62%) of the Group's total Defined Benefit Obligations (DBO) on pensions. The majority of benefit obligations under these plans, which represent 93% of the Group's total commitment at December 31, 2019, are partially or fully funded through payments to external funds. These funds are never invested in Group assets.

#### United Kingdom

The Group companies operate several Defined Benefit pension plans in the UK. The main one is related to the Invensys Pension Scheme. Pensions payable to employees depend on average final salary and length of service within the Group. These plans are registered schemes under UK tax law and managed by independent Boards of Trustees. They are closed to new entrants, and for most of them, the vested rights were frozen as they have been replaced by Defined Contributions plans.

These plans are funded by employer contributions, which are negotiated every three years based on plan valuations carried out by independent actuaries, so that the long term financing services are ensured.

In relation to risk management and asset allocation, the Board of Trustees' aims of each plan are to ensure that it can meet its obligations to the plan's beneficiaries both in the short and long term. The Board of Trustees is responsible for the plan's long-term investment strategy, defines and manages long-term investment strategies to reduce risks, including interest rate risks and longevity risks. A certain proportion of assets hedges the liability valuation change resulting from the interest rates evolution. Those assets are primarily invested in fixed income investments, particularly intermediate and longer term instruments.

Following the agreement reached with the Trustee of the Invensys Pension Scheme on February 2014, Schneider Electric SE guaranteed all obligations of the Invensys subsidiaries which participate in the scheme, up to a maximum amount of GBP 1.75 billion. As of December 31, 2019, plan assets exceed the value of obligations subject to this guarantee and thus this guarantee cannot be called.

Schneider UK pension plans contain provisions of pension called Guaranteed Minimum Pension ("GMP"). GMPs were accrued for individuals who subscribed to the State Second Pension prior to April 6, 1997. Historically, there was an inequality in the benefits between male and female members concerning GMP.

A High Court case concluded on October 26, 2018, confirmed that all UK pension plans must equalize GMPs between men and women. In the light of these events and new information, the Group updated the related assumptions, leading to a net experience adjustment in "Other comprehensive income" of EUR 56 million in 2018.

#### United States

The United States' subsidiaries operate several Defined Benefit pension plans. These plans are closed to new entrants, frozen to future accruals and have been replaced by Defined Contributions plans. Pensions payable to employees depend on the average final salary and the length of service within the Group.

Each year, the Group companies contribute a certain amount to the Defined Benefit pension plans. This amount is determined actuarially and is comprised of service costs, administrative expenses and payments toward any existing deficits. Since the plans are closed and frozen, there is generally no service cost component.

The companies delegate various responsibilities to Pension Committees. These committees define and manage long-term investment strategies to reduce risks, including interest rate risks and longevity risks. A certain proportion of assets hedges the liability valuation change, resulting from the interest rates evolution. Those assets are primarily invested in fixed income investments, particularly intermediate and longer term instruments.

In 2018, Schneider Electric purchased annuities contracts to settle obligations in several of its defined benefits pension plans. The annuity contracts were purchased from high quality insurance companies in accordance with US regulations for such transactions. In total, DBO for USD 623 million was removed from the gross pension liability, requiring the use of USD 599 million of pension assets.

### Assumptions

Actuarial valuations are generally performed each year. The assumptions used vary according to the economic conditions prevailing in the country concerned, as follows:

	Group weighted average rate		Of which United Kingdom		Of which United States	
	Dec. 31, 2019	Dec. 31, 2018	Dec. 31, 2019	Dec. 31, 2018	Dec. 31, 2019	Dec. 31, 2018
Discount rate	2.18%	3.00%	2.06%	2.85%	3.26%	4.33%
Rate of compensation increases	3.16%	3.25%	3.34%	3.53%	n.a.	n.a.

The discount rate is determined on the basis of the interest rate for investment-grade (AA) corporate bonds or, if a liquid market does not exist, government bonds with a maturity that matches the duration of the benefit obligation. In the United States, the average discount rate is determined on the basis of a yield curve for AA and AAA investment-grade corporate bonds.

In the Euro zone, the discount rate currently stands at 0.5% for a 10 years duration and 0.75% for a 15 years duration.

### 20.1 Changes in provisions for pensions and other post-employment benefit obligations

Annual changes in obligations, the market value of plan assets and the corresponding assets and provisions recognized in the financial statements can be analyzed as follows:

(in millions of euros)	DBO benefit obligations	Plan assets	Asset ceiling	Net Liability
<b>DEC. 31, 2017</b>	<b>(10,189)</b>	<b>8,686</b>	<b>(98)</b>	<b>(1,601)</b>
Service cost	(41)	–	–	(41)
Past service cost	6	–	–	6
Curtailements and settlements	528	(508)	–	20
Interest cost	(258)	–	(2)	(260)
Interest income	–	199	–	199
<b>Net impact in P&amp;L, (expense)/profit</b>	<b>235</b>	<b>(309)</b>	<b>(2)</b>	<b>(76)</b>
of which UK	(153)	148	(2)	(7)
of which US	444	(464)	–	(20)
Benefits paid	593	(534)	–	59
Plan participants' contributions	(5)	5	–	–
Employer contributions	–	167	–	167
Changes in the scope of consolidation	(99)	94	–	(5)
Actuarial gains/(losses) recognized in equity	611	(237)	(89)	285
Translation adjustment	(57)	29	2	(26)
Other changes	–	–	–	–
<b>DEC 31, 2018</b>	<b>(8,911)</b>	<b>7,901</b>	<b>(187)</b>	<b>(1,197)</b>
of which UK	(5,592)	6,009	(187)	230
of which US	(1,961)	1,384	–	(577)
Service cost	(50)	–	–	(50)
Past service cost	10	–	–	10
Curtailements and settlements	(1)	–	–	(1)
Interest cost	(267)	–	(5)	(272)
Interest income	–	219	–	219
<b>Net impact in P&amp;L, (expense)/profit</b>	<b>(308)</b>	<b>219</b>	<b>(5)</b>	<b>(94)</b>
of which UK	(152)	163	(5)	6
of which US	(84)	50	–	(34)
Benefits paid	532	(468)	–	64
Plan participants' contributions	(5)	5	–	–
Employer contributions	–	80	–	80
Changes in the scope of consolidation	5	–	–	5
Actuarial gains/(losses) recognized in equity	(1,024)	539	77	(408)
Translation adjustment	(354)	357	(8)	(5)
Other changes	–	–	–	–
<b>DEC. 31, 2019</b>	<b>(10,065)</b>	<b>8,633</b>	<b>(123)</b>	<b>(1,555)</b>
of which UK	(6,312)	6,556	(123)	121
of which US	(2,209)	1,539	–	(670)

## 5. Notes to the consolidated financial statements

The total present value of Defined Benefit Obligations breaks down as follows between wholly or partly funded plans and wholly unfunded plans:

<i>(in millions of euros)</i>	<b>Dec. 31, 2019</b>	Dec. 31, 2018
Present value of wholly or partly funded benefit obligation	(9,350)	(8,261)
Fair value on plan assets	8,633	7,901
Effect of assets ceiling	(123)	(187)
<b>Net position of wholly or partly funded benefit obligation</b>	<b>(840)</b>	<b>(547)</b>
<b>Present value of wholly or partly unfunded benefit obligation</b>	<b>(715)</b>	<b>(650)</b>
<b>NET LIABILITY FROM FUNDED AND UNFUNDED PLANS</b>	<b>(1,555)</b>	<b>(1,197)</b>
<b>Balance Sheet impact:</b>		
<i>surplus of plans recognized as assets</i>	251	361
<i>provisions recognized as liabilities</i>	(1,806)	(1,558)

Changes in gross items recognized in equity were as follows:

<i>(in millions of euros)</i>	<b>Full year 2019</b>	Full year 2018
Actuarials (gains)/losses on Defined Benefit Obligations arising from demographic assumptions	(37)	(182)
Actuarials (gains)/losses on Defined Benefit Obligations arising from financial assumptions	989	(523)
Actuarials (gains)/losses on Defined Benefit Obligations from experience effects	72	94
Actuarials (gains)/losses on plan assets	(539)	237
Effect of asset ceiling	(77)	89
<b>TOTAL RECOGNIZED IN EQUITY DURING THE PERIOD</b>	<b>408</b>	<b>(285)</b>
<i>of which UK</i>	(162)	172
<i>of which US</i>	(70)	92

Plans asset allocation:

<i>(in millions of euros)</i>	<b>Dec. 31, 2019</b>	Dec. 31, 2018
Equity	11%	11%
Bonds	74%	80%
Others	15%	9%
<b>TOTAL</b>	<b>100%</b>	<b>100%</b>

### 20.2 Sensitivity analysis

The effect of a  $\pm 0.5\%$  change in the discount rate on the 2019 Defined Benefit Obligations is as follows:

<i>(in millions of euros)</i>	<b>Total</b>		United Kingdom		United States		Rest of the World	
	+0.5%	-0.5%	+0.5%	-0.5%	+0.5%	-0.5%	+0.5%	-0.5%
DBO Impact	(640)	709	(420)	472	(123)	132	(98)	104



## Note 21: Provisions for contingencies and charges

(in millions of euros)	Economic risks	Customer risks	Products risks	Environmental risks	Restructuring	Other risks	Provisions
<b>DEC. 31, 2017</b>	<b>821</b>	<b>94</b>	<b>445</b>	<b>290</b>	<b>154</b>	<b>469</b>	<b>2,273</b>
<i>of which long-term portion</i>	615	64	153	276	8	315	1,431
Additions	93	13	146	12	87	98	449
Utilizations	(204)	(23)	(112)	(26)	(104)	(119)	(588)
Reversals of surplus provisions	(10)	(14)	(11)	(4)	(13)	(10)	(62)
Translation adjustments	4	2	(3)	11	(1)	11	24
Changes in the scope of consolidation and other	28	1	2	17	(1)	(12)	35
<b>DEC. 31, 2018</b>	<b>732</b>	<b>73</b>	<b>467</b>	<b>300</b>	<b>122</b>	<b>437</b>	<b>2,131</b>
<i>of which long-term portion</i>	499	50	144	265	13	282	1,253
IFRIC 23 reclassification*	(448)						(448)
Additions	51	13	199	10	256	87	616
Utilizations	(40)	(14)	(120)	(18)	(225)	(105)	(522)
Reversals of surplus provisions	(2)	(4)	(43)	(2)	(4)	(3)	(58)
Translation adjustments	2	1	6	5	–	7	21
Changes in the scope of consolidation and other	(3)	7	(10)	(2)	2	–	(6)
<b>DEC. 31, 2019</b>	<b>292</b>	<b>76</b>	<b>499</b>	<b>293</b>	<b>151</b>	<b>423</b>	<b>1,734</b>
<i>of which long-term portion</i>	155	50	139	256	11	329	940

\* Following IFRIC 23 application described in Note 1, starting January 2019, income tax provisions are now reclassified in accrued taxes.

Provisions are primarily set aside to cover:

- **economic risks:** these provisions relate to probable tax risks arising on positions taken by the Group or its subsidiaries. Each position is assessed individually and not offset, and reflects the best estimate of the risk at the end of the reporting period. Where applicable, it includes any late-payment interest and fines. In accordance with IFRIC 23 – *Uncertainty over income tax treatments*, provisions covering uncertainties over income tax treatment have been reclassified within “Accrued taxes” as of 1st of January 2019;
- **customer risks:** provisions for customer risks mainly integrate the provisions for losses at completion for some of long term contracts. Provisions for expected losses are fully recognized as soon as they are identified;
- **product risks:** these provisions comprise
  - statistical provisions for warranties: the Group funds provisions on a statistical basis for the residual cost of Schneider Electric product warranties not covered by insurance. The provisions are estimated with consideration of historical claim statistics and the warranty period;
  - provisions to cover disputes concerning defective products and recalls of clearly identified products;
- **environmental risks:** these provisions are primarily funded to cover clean-up costs. The estimation of the expected future outflows is based on reports from independent experts;
- **restructuring costs,** when the Group has prepared a detailed plan for the restructuring and has either announced or started to implement the plan before the end of the year. The estimation of the liability include only direct expenditure arising from the restructuring.

Reconciliation with cash flow statement – the increase and decrease in provisions retreated at statutory cash flow were as follows:

(in millions of euros)	Full year 2019	Full year 2018
Increase of provision	616	449
Utilization of provision	(522)	(589)
Reversal of surplus provision	(58)	(61)
<b>Provision variance including tax provisions but excluding employee benefit obligation</b>	<b>36</b>	<b>(201)</b>
(Tax provision net variance)	–	92
<b>Provision variance excluding tax provisions and pension benefit obligation</b>	<b>36</b>	<b>(109)</b>
Employee benefit obligation net variance contribution to plan assets	20	26
<b>INCREASE/(DECREASE) IN PROVISIONS IN CASH-FLOW STATEMENT</b>	<b>56</b>	<b>(83)</b>

## 5. Notes to the consolidated financial statements

### Note 22: Total current and non-current financial liabilities

The breakdown of net debt is as follows:

<i>(in millions of euros)</i>	<b>Dec. 31, 2019</b>	Dec. 31, 2018
Bonds	6,888	6,406
Bonds and other borrowings	22	17
Employee profit sharing	2	3
Short-term portion of convertible and non-convertible bonds	(500)	(500)
Short-term portion of long-term debt	(7)	(3)
<b>NON-CURRENT FINANCIAL LIABILITIES</b>	<b>6,405</b>	<b>5,923</b>
Commercial paper	–	610
Accrued interest	41	31
Other short-term borrowings	234	300
Drawdown of funds from lines of credit	–	–
Bank overdrafts	197	130
Short-term portion of convertible and non-convertible bonds	500	500
Short-term portion of long-term debt	7	3
<b>SHORT-TERM DEBT</b>	<b>979</b>	<b>1,574</b>
<b>TOTAL CURRENT AND NON-CURRENT FINANCIAL LIABILITIES</b>	<b>7,384</b>	<b>7,497</b>
<b>CASH AND CASH EQUIVALENTS (SEE NOTE 18)</b>	<b>(3,592)</b>	<b>(2,361)</b>
<b>NET DEBT</b>	<b>3,792</b>	<b>5,136</b>

#### 22.1 Breakdown by maturity

<i>(in millions of euros)</i>	<b>Dec. 31, 2019</b>			Dec. 31, 2018
	Nominal	Interests	Swaps	Nominal
2019	–	–	–	1,591
2020	996	101	–	499
2021	599	86	–	599
2022	710	70	–	696
2023	796	51	–	795
2024	995	42	–	792
2025	1,044	34	–	1,043
2026	742	28	–	741
2027 and beyond	1,502	16	–	741
<b>TOTAL</b>	<b>7,384</b>	<b>428</b>	<b>–</b>	<b>7,497</b>

#### 22.2 Breakdown by currency

<i>(in millions of euros)</i>	<b>Dec. 31, 2019</b>	Dec. 31, 2018
Euro	6,239	6,563
US Dollar	793	746
Brazilian Real	66	36
Indian Rupee	45	48
Sterling Pound	32	10
Russian Rouble	29	38
Algerian Dinar	20	28
Chilean Peso	18	26
Other	142	2
<b>TOTAL</b>	<b>7,384</b>	<b>7,497</b>

## 22.3 Bonds

<i>(in millions of euros)</i>	<b>Dec. 31, 2019</b>	Dec. 31, 2018	Effective interest rate	Maturity
Schneider Electric SE 2019	–	500	3.500% fixed	January 2019
Schneider Electric SE 2020	500	499	3.625% fixed	July 2020
Schneider Electric SE 2021	599	599	2.500% fixed	September 2021
Schneider Electric SE 2022	710	696	2.950% fixed	September 2022
Schneider Electric SE 2023	796	795	1.500% fixed	September 2023
Schneider Electric SE 2024	995	792	0.250% fixed	September 2024
Schneider Electric SE 2025	744	743	0.875% fixed	March 2025
Schneider Electric SE 2025	300	300	1.841% fixed	October 2025
Schneider Electric SE 2026	742	741	0.875% fixed	December 2026
Schneider Electric SE 2027	742	741	1.375% fixed	June 2027
Schneider Electric SE 2028	760	–	1.500% fixed	January 2028
<b>TOTAL</b>	<b>6,888</b>	<b>6,406</b>		

Schneider Electric SE has issued bonds on different markets:

- in the United States, through a private placement offering following SEC 144A rule, for USD 800 million worth of bonds issued in September 2012, at a rate of 2.95%, due in September 2022;
- as part of its Euro Medium Term Notes (EMTN) program, bonds traded on the Luxembourg stock exchange. Issues that had not yet matured as of December 31, 2019 are as follow:
  - EUR 500 million worth of bonds issued in July 2010, at a rate of 3.625%, maturing in July 2020,
  - EUR 600 million worth of bonds issued in September 2013, at a rate of 2.5%, maturing in September 2021,
  - EUR 800 million worth of bonds issued in September 2015 at a rate of 1.50%, maturing in September 2023,
  - EUR 800 million worth of bonds issued in September 2016, at a rate of 0.25%, maturing in September 2024,
  - EUR 200 million worth of bonds issued in July 2019, at a rate of 0.25%, maturing in September 2024,
  - EUR 750 million worth of bonds issued in March 2015, at a rate of 0.875%, maturing in March 2025,
  - EUR 200 million and EUR 100 million worth of Climate bonds issued successively in October and December 2015, at a rate of 1.841%, maturing in October 2025,
  - EUR 750 million worth of bonds issued in December 2017, at a rate of 0.875%, maturing in December 2026,
  - EUR 750 million worth of bonds issued in June 2018, at a rate of 1.375%, maturing in June 2027
  - EUR 500 million worth of bonds issued in January 2019 and EUR 250 million worth of bonds issued in May 2019, at a rate of 1.500%, maturing in January 2028.

For all those transactions, issue premium and issue costs are amortized per the effective interest rate method.

## 22.4 Reconciliation with cash flow statement

<i>(in millions of euros)</i>	Dec. 31, 2018	Cash variations	Non-cash variations			Dec. 31, 2019
			Scope impacts	Forex impacts	Other	
Bonds	6,406	464	–	18	–	6,888
Bank overdrafts and other short-term borrowings	1,091	(654)	–	59	–	496
<b>TOTAL CURRENT AND NON-CURRENT FINANCIAL LIABILITIES</b>	<b>7,497</b>	<b>(190)</b>	<b>–</b>	<b>77</b>	<b>–</b>	<b>7,384</b>

## 22.5 Other information

At December 31, 2019 Schneider Electric had confirmed credit lines of EUR 2,675 million, all unused.

Loan agreements and committed credit lines do not include any financial covenants or credit rating triggers in case of downgrading in the company's long-term debt.

## 5. Notes to the consolidated financial statements

### Note 23: Classification of financial instruments

The Group uses financial instruments to manage its exposure to fluctuations in interest rates, exchange rates and metal prices. Financial assets and liabilities can be classified at the fair value following the hierarchy levels below:

1. Level 1: market value (non-adjusted) on active markets, for similar assets and liabilities, which the company can obtain on a given valuation date;
2. Level 2: data other than the market rate available for level 1, which are directly or indirectly observable on the market;
3. Level 3: data on the asset or liability that are not observable on the market.

#### 23.1 Balance sheet exposure and fair value hierarchy

	Dec. 31, 2019					
	Carrying amount	Fair value through P&L	Fair value through equity	Financial assets/liabilities measured at amortized cost	Fair value	Fair value hierarchy
<i>(in millions of euros)</i>						
<b>ASSETS:</b>						
Listed financial assets	19	–	19	–	19	Level 1
Venture capital (FCPR)/mutual funds (SICAV)	116	116	–	–	116	Level 3
Other unlisted financial assets	175	–	175	–	175	Level 3
Other non-current financial assets	335	–	–	335	335	Level 3
<b>TOTAL NON-CURRENT ASSETS</b>	<b>645</b>	<b>116</b>	<b>194</b>	<b>335</b>	<b>645</b>	
Trade accounts receivables	5,953	–	–	5,953	5,953	Level 3
Current financial assets	19	19	–	–	19	Level 3
Marketable securities	1,560	1,560	–	–	1,560	Level 1
Derivative instruments – foreign currencies	63	50	13	–	63	Level 2
Derivative instruments – interest rates	–	–	–	–	–	Level 2
Derivative instruments – commodities	8	–	8	–	8	Level 2
Derivative instruments – shares	4	4	–	–	4	Level 2
<b>TOTAL CURRENT ASSETS</b>	<b>7,607</b>	<b>1,633</b>	<b>21</b>	<b>5,953</b>	<b>7,607</b>	
<b>LIABILITIES:</b>						
Long-term portions of bonds*	(6,388)	–	–	(6,388)	(6,738)	Level 1
Other long-term debt	(17)	–	–	(17)	(17)	Level 3
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>(6,405)</b>	<b>–</b>	<b>–</b>	<b>(6,405)</b>	<b>(6,755)</b>	
Short-term portion of bonds*	(500)	–	–	(500)	(500)	Level 1
Short-term debt	(479)	–	–	(479)	(479)	Level 3
Trade accounts payable	(4,215)	–	–	(4,215)	(4,215)	Level 3
Other	(44)	–	–	(44)	(44)	Level 3
Derivative instruments – foreign currencies	(30)	(23)	(7)	–	(30)	Level 2
Derivative instruments – interest rates	–	–	–	–	–	Level 2
Derivative instruments – commodities	(2)	–	(2)	–	(2)	Level 2
Derivative instruments – shares	–	–	–	–	–	Level 2
<b>TOTAL CURRENT LIABILITIES</b>	<b>(5,270)</b>	<b>(23)</b>	<b>(9)</b>	<b>(5,238)</b>	<b>(5,270)</b>	

\* The majority of financial instruments listed in the balance sheet are accounted at fair value, except for bonds, for which the amortized cost in the balance sheet represents EUR 6,888 million compared to EUR 7,238 million at fair value.

Dec. 31, 2018						
(in millions of euros)	Carrying amount	Fair value through P&L	Fair value through equity	Financial assets/liabilities measured at amortized cost	Fair value	Fair value hierarchy
<b>ASSETS:</b>						
Listed financial assets	25	–	25	–	25	Level 1
Venture capital (FCPR)/mutual funds (SICAV)	97	97	–	–	97	Level 3
Other unlisted financial assets	81	–	81	–	81	Level 3
Other non-current financial assets	462	–	–	462	462	Level 3
<b>TOTAL NON-CURRENT ASSETS</b>	<b>665</b>	<b>97</b>	<b>106</b>	<b>462</b>	<b>665</b>	
Trade accounts receivables	5,804	–	–	5,804	5,804	Level 3
Current financial assets	43	43	–	–	43	Level 3
Marketable securities	527	527	–	–	527	Level 1
Derivative instruments – foreign currencies	39	25	14	–	39	Level 2
Derivative instruments – interest rates	–	–	–	–	–	Level 2
Derivative instruments – commodities	–	–	–	–	–	Level 2
Derivative instruments – shares	6	6	–	–	6	Level 2
<b>TOTAL CURRENT ASSETS</b>	<b>6,419</b>	<b>601</b>	<b>14</b>	<b>5,804</b>	<b>6,419</b>	
<b>LIABILITIES:</b>						
Long-term portions of bonds	(5,906)	–	–	(5,906)	(6,045)	Level 1
Other long-term debt	(17)	–	–	(17)	(17)	Level 3
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>(5,923)</b>	<b>–</b>	<b>–</b>	<b>(5,923)</b>	<b>(6,062)</b>	
Short-term portion of bonds	(500)	–	–	(500)	(500)	Level 1
Short-term debt	(503)	–	–	(503)	(503)	Level 3
Trade accounts payable	(4,142)	–	–	(4,142)	(4,142)	Level 3
Other	(40)	–	–	(40)	(40)	Level 3
Derivative instruments – foreign currencies	(40)	(27)	(13)	–	(40)	Level 2
Derivative instruments – interest rates	–	–	–	–	–	Level 2
Derivative instruments – commodities	(12)	–	(12)	–	(12)	Level 2
Derivative instruments – shares	–	–	–	–	–	Level 2
<b>TOTAL CURRENT LIABILITIES</b>	<b>(5,237)</b>	<b>(27)</b>	<b>(25)</b>	<b>(5,186)</b>	<b>(5,237)</b>	

### 23.2 Derivative instruments

Dec. 31, 2019								
(in millions of euros)	Accounting qualification	Maturity	Nominal sales	Nominal purchases	Fair Value	Carrying amount in assets	Carrying amount in liabilities	Of which carrying amounts in OCI
Forwards contracts	CFH	< 1 year	127	(126)	–	3	(3)	–
Forwards contracts	CFH	< 2 years	10	(23)	–	–	–	–
Forwards contracts	CFH	> 2 years	4	(4)	–	–	–	–
Forwards contracts	FVH	< 1 year	1,236	(1,028)	45	49	(4)	–
Forwards contracts	NIH	< 1 year	1,191	–	10	10	–	10
Forwards contracts	Trading	< 1 year	525	(3,299)	(18)	1	(19)	–
Cross currency swaps	CFH	< 2 years	–	(108)	(4)	–	(4)	(4)
<b>TOTAL FX DERIVATIVES</b>			<b>3,093</b>	<b>(4,588)</b>	<b>33</b>	<b>63</b>	<b>(30)</b>	<b>6</b>
Forwards contracts	CFH	< 1 year	–	(233)	6	8	(2)	6
<b>Commodities derivatives</b>			<b>–</b>	<b>(233)</b>	<b>6</b>	<b>8</b>	<b>(2)</b>	<b>6</b>
Options	Trading	< 1 year	–	(4)	4	4	–	–
<b>Shares derivatives</b>			<b>–</b>	<b>(4)</b>	<b>4</b>	<b>4</b>	<b>–</b>	<b>–</b>
<b>TOTAL</b>			<b>3,093</b>	<b>(4,825)</b>	<b>43</b>	<b>75</b>	<b>(32)</b>	<b>12</b>

## 5. Notes to the consolidated financial statements

		Dec. 31, 2018							
(in millions of euros)		Accounting qualification	Maturity	Nominal sales	Nominal purchases	Fair Value	Carrying amount in assets	Carrying amount in liabilities	Carrying amounts in OCI
Forwards contracts	Trading	< 2 years	1,850	(1,008)	7	23	(16)	–	
Forwards contracts	CFH	< 1 year	128	(28)	–	1	–	1	
<b>FX relatives related to operating</b>			<b>1,978</b>	<b>(1,036)</b>	<b>7</b>	<b>24</b>	<b>(16)</b>	<b>1</b>	
Forwards contracts	FVH	< 1 year	506	(945)	(2)	3	(5)	1	
Forwards contracts	NIH	< 1 year	1,105	–	(3)	3	(6)	(2)	
Forwards contracts	Trading	< 1 year	1,417	(2,413)	1	9	(11)	–	
Cross currency swaps	CFH	< 2 years	–	(187)	(2)	–	(2)	(1)	
<b>FX relatives related to financing</b>			<b>3,028</b>	<b>(3,545)</b>	<b>(6)</b>	<b>15</b>	<b>(24)</b>	<b>(2)</b>	
<b>TOTAL FX DERIVATIVES</b>			<b>5,006</b>	<b>(4,581)</b>	<b>1</b>	<b>39</b>	<b>(40)</b>	<b>(1)</b>	
Forwards contracts	CFH	< 1 year	–	(229)	(12)	6	(18)	(12)	
<b>Commodities derivatives</b>			–	<b>(229)</b>	<b>(12)</b>	<b>6</b>	<b>(18)</b>	<b>(12)</b>	
Options	Trading	< 1 year	–	(12)	6	6	–	–	
<b>Shares derivatives</b>			–	<b>(12)</b>	<b>6</b>	<b>6</b>	–	–	
<b>TOTAL</b>			<b>5,006</b>	<b>(4,822)</b>	<b>(5)</b>	<b>51</b>	<b>(58)</b>	<b>(13)</b>	

## 23.3 Foreign currency hedges

Since a significant proportion of affiliates' transactions are denominated in currencies other than the affiliate's functional currency, the Group is exposed to currency risks. If the Group is not able to hedge these risks, fluctuations in exchange rates between the functional currency and other currencies can have a significant impact on its results and distort year-on-year performance comparisons. As a result, the Group uses derivative instruments to hedge its exposure to exchange rates mainly through FX forwards and natural hedges. Furthermore, some long-term loans and borrowings granted to the affiliates are considered as net investment in foreign operations according to IAS 21.

Schneider Electric's currency hedging policy is to protect its subsidiaries against risks on transactions denominated in a currency other than their functional currency. Hedging approaches are detailed in Note 1.22.

The breakdown of the nominal of FX derivatives related to operating and financing activities is as follows:

		Dec. 31, 2019		
(in millions of euros)		Sales	Purchases	Net
USD		2,251	(1,795)	456
CNY		28	(484)	(456)
EUR		167	(822)	(655)
DKK		37	(277)	(240)
SGD		13	(233)	(220)
SEK		9	(165)	(156)
JPY		5	(156)	(151)
CHF		4	(132)	(128)
AED		5	(75)	(70)
BRL		–	(63)	(63)
CAD		77	(23)	54
AUD		15	(68)	(53)
SAR		51	(5)	46
RUB		42	–	42
NOK		45	(4)	41
GBP		71	(40)	31
ZAR		28	–	28
HKD		116	(144)	(28)
Others		129	(102)	27
<b>TOTAL</b>		<b>3,093</b>	<b>(4,588)</b>	<b>(1,495)</b>

### 23.4 Interest rate hedges

Interest rate risk on borrowings is managed at the Group level, based on consolidated debt and taking into consideration market conditions to optimize overall borrowing costs. The Group uses derivative instruments to hedge its exposure to interest rates through swaps.

The Group didn't use any derivative instrument to hedge its exposure to interest rates during the fiscal year 2019.

<i>(in millions of euros)</i>	Dec. 31, 2019			Dec. 31, 2018		
	Fixed Rates	Floating rates	Total	Fixed Rates	Floating rates	Total
Total current and non-current financial liabilities	6,888	496	7,384	6,406	1,091	7,497
Cash and cash equivalent	–	(3,592)	(3,592)	–	(2,361)	(2,361)
<b>NET DEBT BEFORE HEDGING</b>	<b>6,888</b>	<b>(3,096)</b>	<b>3,792</b>	<b>6,406</b>	<b>(1,270)</b>	<b>5,136</b>
Impact of Hedges	–	–	–	–	–	–
<b>NET DEBT AFTER HEDGING</b>	<b>6,888</b>	<b>(3,096)</b>	<b>3,792</b>	<b>6,406</b>	<b>(1,270)</b>	<b>5,136</b>

### 23.5 Commodity hedges

The Group is exposed to fluctuations in energy and raw material prices, in particular steel, copper, aluminum, silver, lead, nickel, zinc and plastics. If the Group is not able to hedge, compensate for or pass on to customers any such increased costs, this could have an adverse impact on its financial results. The Group has, however, implemented certain procedures to limit exposure to rising non-ferrous and precious raw material prices. The Purchasing departments of the operating units report their purchasing forecasts to the Corporate Finance and Treasury department. Purchase commitments are hedged using forward contracts, swaps and, to a lesser extent, options.

All commodities instruments are futures and options designated as cash flow hedge under IFRS standards, of which:

<i>(in millions of euros)</i>	Dec. 31, 2019	Dec. 31, 2018
Carrying amount	6	(12)
Nominal amount	(233)	(230)

### 23.6 Share-based payment

Schneider Electric shares are hedged (cash flow hedges) in relation to the Stock Appreciation Rights granted to US employees. Details are as follows:

<i>(in millions of euros except for the number of shares)</i>	Dec. 31, 2019	Dec. 31, 2018
Outstanding shares	83,500	275,570
Carrying amount	4	6
Nominal amount	(4)	(13)

### 23.7 Financial assets and liabilities subject to netting

In accordance with IFRS 7 standards, this section discloses financial instruments that are subject to netting agreements.

<i>(in millions of euros)</i>	Dec. 31, 2019				
	Gross amounts	Gross amounts offset in the statement of financial position	Net amounts presented in the statement of financial position	Related amounts not offset in the statement of financial position	Net amounts as per IFRS 7
Financial assets	83	–	83	21	62
Financial liabilities	31	–	31	21	10

  

<i>(in millions of euros)</i>	Dec. 31, 2018				
	Gross amounts	Gross amounts offset in the statement of financial position	Net amounts presented in the statement of financial position	Related amounts not offset in the statement of financial position	Net amounts as per IFRS 7
Financial assets	45	–	45	24	21
Financial liabilities	63	–	63	24	39

The Group trades over-the-counter derivatives with tier-one banks under agreements which provide for the offsetting of amounts payable and receivable in the event of default by one of the contracting parties. These conditional offsetting agreements do not meet the eligibility criteria within the meaning of IAS 32 for offsetting derivative instruments recorded under assets and liabilities. However, they do fall within the scope of disclosures under IFRS 7 on offsetting.

## 5. Notes to the consolidated financial statements

### 23.8 Counterparty risk

Financial transactions are entered with carefully selected counterparties. Banking counterparties are chosen according to the customary criteria, including the credit rating issued by an independent rating agency.

Group policy consists of diversifying counterparty risks and periodic controls are performed to check compliance with the related rules. In addition, the Group takes out substantial credit insurance and uses other types of guarantees to limit the risk of losses on trade accounts receivable.

### 23.9 Financial risk management

Foreign currency risk arises from the Group undertaking a significant number of foreign currency transactions in the course of operations. These exposures arise from sales in currencies other than the Group's presentational currency of Euro.

The main exposure of the Group in terms of currency exchange risk is related to the US dollar, Chinese Yuan and currencies linked to the US dollar. In 2019, revenue in foreign currencies amounted to EUR 21.6 billion (EUR 20.4 billion in 2018), including around EUR 7.2 billion in US dollars and EUR 3.6 billion in Chinese yuan (respectively EUR 6.8 and EUR 3.4 billion in 2018).

The Group manages its exposure to currency risk to reduce the sensitivity of earnings to changes in exchange rates. The financial instruments used to hedge the Group's exposure to fluctuations in exchange rates are described above.

The table below shows the impact of a 10% change in the US dollar and the Chinese Yuan against the Euro on Revenue and Adjusted EBITA. It includes the impact from the translation of financial statements into the Group's presentation currency, and assumes no scope impact.

(in millions of euros)	Dec. 31, 2019		
	Increase/ (decrease) in average rate	Revenue	Adj. EBITA
USD	10% (10)%	728 (661)	105 (96)
CNY	10% (10)%	360 (328)	91 (82)

  

(in millions of euros)	Dec. 31, 2018		
	Increase/ (decrease) in average rate	Revenue	Adj. EBITA
USD	10% (10)%	676 (615)	89 (81)
CNY	10% (10)%	337 (307)	86 (79)

## Note 24: Employees

### 24.1 Employees

The Group average number of permanent and temporary employees is as follows:

(in number of employees)	Full year 2019	Full year 2018
Production	79,337	81,474
Administration	71,960	73,812
<b>TOTAL AVERAGE WORKFORCE</b>	<b>151,297</b>	<b>155,286</b>
<i>of which Europe, Middle-East, Africa and South America</i>	69,414	70,418
<i>of which North America</i>	32,640	32,300
<i>of which Asia-Pacific</i>	49,243	52,568

### 24.2 Employee benefit expense

(in millions of euros)	Full year 2019	Full year 2018
Payroll costs	(7,120)	(6,082)
Profit-sharing and incentive bonuses	(59)	(64)
Stock options and performance shares	(154)	(135)
<b>EMPLOYEE BENEFITS EXPENSE</b>	<b>(7,333)</b>	<b>(6,281)</b>



### 24.3 Benefits granted to senior executives

In 2019, the Group paid EUR 1.8 million in attendance fees to the members of its Board of directors. The total amount of gross remuneration, including benefits in kind, paid in 2019 by the Group to the members of Senior Management, excluding executive directors, totaled EUR 21.9 million, of which EUR 6.1 million corresponded to the variable portion.

During the last three periods, 694,000 performance shares have been allocated, excluding Corporate Officers. No stock options have been granted during the last three financial years. Performance shares were allocated under the 2019 long-term incentive plan. Since December 16, 2011, 100% of performance shares are conditional on the achievement of performance criteria for members of the Executive Committee.

Net pension obligations with respect to members of Senior Management amounted to EUR 15 million at December 31, 2019 (EUR 5 million at December 31, 2018).

Please refer to Chapter 4 Section 5 of the Universal Registration Document for more information regarding the members of Senior Management.

## Note 25: Related parties transactions

### 25.1 Associates

Companies over which the Group has significant influence are accounted through the equity method. Transactions with these related parties are carried out on arm's length terms.

Related party transactions were not material in 2019.

### 25.2 Related parties with significant influence

No transactions were carried out during the year with members of the supervisory board or management board. Compensation and benefits paid to the Group's top senior executives are described in Note 24.

## Note 26: Commitments and contingent liabilities

### 26.1 Guarantees and similar undertakings

The following table discloses the maximum exposure on guarantees given and received:

<i>(in millions of euros)</i>	Dec. 31, 2019	Dec. 31, 2018
Market counter guarantees*	3,178	3,105
Pledges, mortgages and sureties**	113	7
Other commitments given	291	432
<b>GUARANTEES GIVEN</b>	<b>3,582</b>	<b>3,544</b>
Endorsements and guarantees received	49	48
<b>GUARANTEES RECEIVED</b>	<b>49</b>	<b>48</b>

\* On certain contracts, customers require some commitments to guarantee that the contract will be fully executed by the subsidiaries of the Group. The risk linked to the commitment is assessed and a provision for contingencies is recorded when the risk is considered probable and can be reasonably estimated. Market counter guarantees also include the guaranteed obligations towards pension schemes.

\*\* Some loans are secured by property, plant and equipment and securities lodged as collateral.

### 26.2 Contingent liabilities

As part of its normal operations, the Group is exposed to a number of potential claims and litigations. Except for those for which it is probable that the Group will incur a liability and for which a provision is established for such outcome (see Note 21), the Group is not aware of other potentially material claims and litigations.

Specifically, the Group has not been advised to date of any claim or allegations related to the investigation conducted in France by French public agencies or the antitrust investigation currently being conducted by public agencies in Spain. The Group is fully cooperating with the French and Spanish authorities on these matters.

## 5. Notes to the consolidated financial statements

### Note 27: Subsequent events

#### 27.1 Joint Venture with Russian Direct Investment Fund

On October 24, 2019, the Group agreed to establish a Joint Venture with the Russian Direct Investment Fund (RDIF) who would obtain joint control, to further strengthen the long-term outlook for the Group's Electroshield Samara business which is currently consolidated under *Energy Management* segment and generated revenues of EUR 168 million in 2019.

The transaction with the Russian Direct Investment Fund (RDIF) was closed on January 20, 2020.

#### 27.2 Launch of a voluntary public tender for RIB Software SE acquisition

On February 13, 2020, the Group announced its intention to launch a voluntary public tender for the acquisition of 100% of the shares of RIB Software SE for a total valorization of EUR 1.4 billion. The acceptance period of the tender offer will begin following approval of the offer document by the German Federal Financial Supervisory Authority (BaFin) and is subject to regulatory approvals by antitrust authorities.

### Note 28: Statutory Auditors' fees

Fees paid by the Group to the statutory auditors and their networks:

(in thousands of euros)	Full Year 2019				
	EY	%	Mazars	%	Total
<b>Audit</b>					
Statutory auditing	10,909	94%	8,191	90%	19,100
<i>o/w Schneider Electric SE</i>	106		106		212
<i>o/w subsidiaries</i>	10,803		8,085		18,888
Related audit services ("SACC")	292	3%	849	9%	1,141
<i>o/w Schneider Electric SE</i>	236		23		259
<i>o/w subsidiaries</i>	56		826		882
<b>Audit sub-total</b>	<b>11,201</b>	<b>97%</b>	<b>9,040</b>	<b>99%</b>	<b>20,241</b>
<b>Non-audit services</b>	<b>327</b>	<b>3%</b>	<b>115</b>	<b>1%</b>	<b>442</b>
<b>TOTAL FEES</b>	<b>11,528</b>	<b>100%</b>	<b>9,155</b>	<b>100%</b>	<b>20,683</b>
(in thousands of euros)	Full Year 2018				
	EY	%	Mazars	%	Total
<b>Audit</b>					
Statutory auditing	9,884	94%	7,948	91%	17,832
<i>o/w Schneider Electric SE</i>	104		104		208
<i>o/w subsidiaries</i>	9,780		7,844		17,624
Related audit services ("SACC")	424	4%	688	8%	1,112
<i>o/w Schneider Electric SE</i>	232		13		245
<i>o/w subsidiaries</i>	192		675		867
<b>Audit sub-total</b>	<b>10,309</b>	<b>98%</b>	<b>8,636</b>	<b>99%</b>	<b>18,945</b>
<b>Non-audit services</b>	<b>233</b>	<b>2%</b>	<b>96</b>	<b>1%</b>	<b>329</b>
<b>TOTAL FEES</b>	<b>10,541</b>	<b>100%</b>	<b>8,732</b>	<b>100%</b>	<b>19,273</b>

## Note 29: Consolidated companies

The main companies included in the Schneider Electric Group scope of consolidation are listed below:

<i>(in % of interest)</i>	<b>Dec. 31, 2019</b>	Dec. 31, 2018
<b>Europe</b>		
<i>Fully consolidated</i>		
NXT Control GmbH	Austria	100
Schneider Electric Austria GmbH	Austria	100
Schneider Electric Power Drives GmbH	Austria	100
Schneider Electric Systems Austria GmbH	Austria	100
Schneider Electric Bel LLC	Belarus	100
Schneider Electric Belgium NV/SA	Belgium	100
Schneider Electric Energy Belgium SA	Belgium	100
Schneider Electric ESS BVBA	Belgium	100
Schneider Electric NV/SA	Belgium	100
Schneider Electric Services International SPRL	Belgium	100
Schneider Electric Bulgaria EOOD	Bulgaria	100
Schneider Electric d.o.o	Croatia	100
Schneider Electric a.s.	Czech Republic	98.3
Schneider Electric CZ sro	Czech Republic	100
Schneider Electric Systems Czech Republic sro	Czech Republic	100
Ørbaekvej 280 A/S	Denmark	100
Schneider Electric Danmark A/S	Denmark	100
Schneider Electric IT Denmark ApS	Denmark	100
Schneider Nordic Baltic A/S	Denmark	100
Schneider Electric Eesti AS	Estonia	100
Schneider Electric Finland Oy	Finland	100
Schneider Electric Fire & Security OY	Finland	100
Vamp OY	Finland	100
Behar sécurité	France	100
Boissière Finance	France	100
Construction Electrique du Vivarais	France	100
Dinel	France	100
Eckardt	France	100
Eurotherm Automation	France	100
France Transfo	France	100
IGE+XAO SA	France	67.9
Merlin Gerin Alès	France	100
Merlin Gerin Loire	France	100
Muller & Cie	France	100
Newlog	France	100
Rectiphase	France	100
Sarel – Appareillage Electrique	France	99
Scanelec	France	100
Schneider Electric Alpes	France	100
Schneider Electric Energy France	France	100
Schneider Electric France	France	100
Schneider Electric Holding Amérique du Nord	France	100
Schneider Electric Industries SAS	France	100
Schneider Electric International	France	100
Schneider Electric IT France	France	100
Schneider Electric Manufacturing Bourguebus	France	100
Schneider Electric SE (Société mère)	France	100
Schneider Electric Solar France	France	100
Schneider Electric Systems France	France	100
Schneider Electric Telecontrol	France	100
Schneider Toshiba Inverter Europe SAS	France	60
Schneider Toshiba Inverter SAS	France	60
Société d'Appareillage Electrique Gardy	France	100
Société d'Application et d'Ingenierie Industrielle et Informatique SAS – SA3I	France	100
Société Electrique d'Aubenas	France	100
Société Française de Construction Mécanique et Electrique	France	100
Société Française Gardy	France	100
Systèmes Equipements Tableaux Basse Tension	France	100
Transfo Services	France	100

5. Notes to the consolidated financial statements

<i>(in % of interest)</i>		<b>Dec. 31, 2019</b>	Dec. 31, 2018
Transformateurs SAS	France	100	100
ABN GmbH	Germany	100	100
Eberle Controls GmbH	Germany	100	100
Merten GmbH	Germany	100	100
Schneider Electric Automation GmbH	Germany	100	100
Schneider Electric Holding Germany GmbH	Germany	100	100
Schneider Electric GmbH	Germany	100	100
Schneider Electric Real Estate GmbH	Germany	100	100
Schneider Electric Sachsenwerk GmbH	Germany	100	100
Schneider Electric Systems Germany GmbH	Germany	100	100
Schneider Electric AEBE	Greece	100	100
Schneider Electric Energy Hungary LTD	Hungary	100	100
Schneider Electric Hungaria Villamossagi ZRT	Hungary	100	100
SE – CEE Schneider Electric Közep-Kelet Europai KFT	Hungary	100	100
Schneider Electric Ireland Ltd	Ireland	100	100
Schneider Electric IT Logistics Europe Ltd	Ireland	100	100
Validation technologies (Europe) Ltd	Ireland	100	100
Eliwell Controls S.r.l.	Italy	100	100
Eurotherm S.r.l.	Italy	100	100
Schneider Electric Industrie Italia Spa	Italy	100	100
Schneider Electric Spa	Italy	100	100
Schneider Electric Systems Italia Spa	Italy	100	100
Uniflair Spa	Italy	100	100
Lexel Fabrika SIA	Latvia	100	100
Schneider Electric Baltic Distribution Center	Latvia	100	100
Schneider Electric Latvija SIA	Latvia	100	100
UAB Schneider Electric Lietuva	Lithuania	100	100
Industrielle de Réassurance SA	Luxembourg	100	100
American Power Conversion Corporation (A.P.C.) BV	Netherlands	100	100
APC International Corporation BV	Netherlands	100	100
APC International Holdings BV	Netherlands	100	100
Pelco Europe BV	Netherlands	–	100
Pro-Face Europe BV	Netherlands	100	100
Schneider Electric Logistic Centre BV	Netherlands	100	100
Schneider Electric Manufacturing The Netherlands BV	Netherlands	100	100
Schneider Electric Systems Netherlands BV	Netherlands	100	100
Schneider Electric The Netherlands BV	Netherlands	100	100
ELKO AS	Norway	100	100
Eurotherm AS	Norway	100	100
Lexel Holding Norge AS	Norway	100	100
Schneider Electric Norge AS	Norway	100	100
Elda Eltra Elektrotechnika S.A.	Poland	100	100
Eurotherm Poland Sp. Z.o.o.	Poland	100	100
Schneider Electric Industries Polska Sp. Z.o.o.	Poland	100	100
Schneider Electric Polska Sp. Z.o.o.	Poland	100	100
Schneider Electric Systems Sp. Z.o.o.	Poland	100	100
Schneider Electric Transformers Poland Sp. Z.o.o.	Poland	100	100
Schneider Electric Portugal LDA	Portugal	100	100
Schneider Electric Romania SRL	Romania	100	100
AO Schneider Electric	Russia	100	100
DIN Elektro Kraft OOO	Russia	100	100
FLISR LLC	Russia	100	–
OOO Potential	Russia	100	100
OOO Schneider Electric Zavod Electromonoblock	Russia	100	100
Schneider Electric Innovation center LLC	Russia	100	100
Schneider Electric Systems LLC	Russia	100	100
Schneider Electric URAL LLC	Russia	100	100
ZAO Gruppa Kompaniy Electroshield	Russia	100	100
Schneider Electric DMS NS	Serbia	100	57
Schneider Electric Srbija doo Beograd	Serbia	100	100
Schneider Electric Slovakia Spol SRO	Slovakia	100	100
Schneider Electric Systems Slovakia SRO	Slovakia	100	100
Schneider Electric d.o.o.	Slovenia	100	100
Manufacturas Electricas SA	Spain	100	100
Schneider Electric Espana SA	Spain	100	100
Schneider Electric IT Spain, SL	Spain	100	100

<i>(in % of interest)</i>		<b>Dec. 31, 2019</b>	Dec. 31, 2018
Schneider Electric Systems Iberica S.L.	Spain	100	100
AB Crahftere 1	Sweden	100	100
AB Wibe	Sweden	100	100
Elektriska AB Delta	Sweden	100	100
Elko AB	Sweden	100	100
Eurotherm AB	Sweden	100	100
Lexel AB	Sweden	100	100
Schneider Electric Buildings AB	Sweden	100	100
Schneider Electric Distribution Centre AB	Sweden	100	100
Schneider Electric Sverige AB	Sweden	100	100
Telvent Sweden AB	Sweden	100	100
Eurotherm-Produkte (Schweiz) AG	Switzerland	100	100
Feller AG	Switzerland	83.7	83.7
Gutor Electronic GmbH	Switzerland	100	100
Schneider Electric (Schweiz) AG	Switzerland	100	100
Schneider Electric Ukraine	Ukraine	100	100
Andromeda Telematics Ltd	United Kingdom	100	100
AVEVA Group plc	United Kingdom	60	60
Avtron Loadbank Worldwide Co., Ltd	United Kingdom	100	100
BTR Property Holdings Ltd	United Kingdom	100	100
CBS Group Ltd	United Kingdom	100	100
Eurotherm Ltd	United Kingdom	100	100
Imserv Europe Ltd	United Kingdom	100	100
Invensys Holdings Ltd	United Kingdom	100	100
M&C Energy Group Ltd	United Kingdom	100	100
N.J. Froment & Co. Limited	United Kingdom	100	100
Samos Acquisition Company Ltd	United Kingdom	100	100
Schneider Electric (UK) Ltd	United Kingdom	100	100
Schneider Electric Buildings UK Ltd	United Kingdom	100	100
Schneider Electric Controls UK Ltd	United Kingdom	100	100
Schneider Electric IT UK Ltd	United Kingdom	100	100
Schneider Electric Ltd	United Kingdom	100	100
Schneider Electric Systems UK Ltd	United Kingdom	100	100
Serck Control and Safety Ltd	United Kingdom	100	100
<i>Accounted for by equity method</i>			
Aveltyx	France	51	51
Delta Dore Finance SA (sub-group)	France	20	20
Energy Pool Development	France	24.98	27.86
Schneider Lucibel Managed Services SAS	France	47	47
Møre Electric Group A/S	Norway	34	34
Custom Sensors & Technologies Topco Limited	United Kingdom	30	30
<b>North America</b>			
<i>Fully consolidated</i>			
Power Measurement Ltd.	Canada	100	100
Schneider Electric Canada Inc.	Canada	100	100
Schneider Electric Solar Inc.	Canada	100	100
Schneider Electric Systems Canada Inc.	Canada	100	100
Viconics Technologies Inc.	Canada	100	100
Electronica Reynosa, S. de R.L. de C.V.	Mexico	100	100
Industrias Electronicas Pacifico, S.A. de C.V.	Mexico	100	100
Invensys Group Services Mexico	Mexico	100	100
Schneider Electric IT Mexico, S.A. de C.V.	Mexico	100	100
Schneider Electric Mexico, S.A. de C.V.	Mexico	100	100
Schneider Electric Systems Mexico, S.A. de C.V.	Mexico	100	100
Schneider Industrial Tlaxcala, S.A. de C.V.	Mexico	100	100
Schneider Mexico, S.A. de C.V.	Mexico	100	100
Schneider R&D, S.A. de C.V.	Mexico	100	100
Square D Company Mexico, S.A. de C.V.	Mexico	100	100
Telvent Mexico, S.A. de C.V.	Mexico	99.3	99.3
Adaptive Instruments Corp.	United States	100	100
American Power Conversion Holdings Inc.	United States	100	100
ASCO Power GP, LLC	United States	100	100
ASCO Power Services, Inc.	United States	100	100
ASCO Power Technologies, L.P.	United States	100	100
Foxboro Controles S.A.	United States	100	100
Invensys LLC	United States	100	100

5. Notes to the consolidated financial statements

<i>(in % of interest)</i>		<b>Dec. 31, 2019</b>	Dec. 31, 2018
Lee Technologies Puerto Rico, LLC	United States	100	100
Pelco, Inc	United States	–	100
Power Measurement, Inc.	United States	100	100
Pro-face America, LLC	United States	100	100
Schneider Electric Buildings Americas, Inc.	United States	100	100
Schneider Electric Buildings Critical Systems, Inc.	United States	100	100
Schneider Electric Buildings, LLC	United States	100	100
Schneider Electric Digital, Inc.	United States	100	–
Schneider Electric Engineering Services, LLC	United States	100	100
Schneider Electric Grid Automation, Inc.	United States	100	100
Schneider Electric Holdings, Inc.	United States	100	100
Schneider Electric IT America Corp.	United States	100	100
Schneider Electric IT Corporation	United States	100	100
Schneider Electric IT Mission Critical Services, Inc.	United States	100	100
Schneider Electric IT USA, Inc.	United States	100	100
Schneider Electric Motion USA, Inc.	United States	100	100
Schneider Electric Solar Inverters USA, Inc.	United States	100	100
Schneider Electric Systems USA, Inc.	United States	100	100
Schneider Electric USA, Inc.	United States	100	100
SE Vermont Ltd	United States	100	100
Siebe Inc.	United States	100	100
SNA Holdings Inc.	United States	100	100
Square D Investment Company	United States	100	100
Stewart Warner Corporation	United States	100	100
Summit Energy Services, Inc.	United States	100	100
Telvent USA, LLC	United States	100	100
Veris Industries LLC	United States	100	100
<b>Asia-Pacific</b>			
<i>Fully consolidated</i>			
Clipsal Australia Pty Ltd	Australia	100	100
Clipsal Technologies Australia Pty Limited	Australia	100	100
Nu-lec Industries Pty. Limited	Australia	100	100
Scada Group Pty Limited	Australia	100	100
Schneider Electric (Australia) Pty Limited	Australia	100	100
Schneider Electric Australia Holdings Pty Ltd	Australia	100	100
Schneider Electric Buildings Australia Pty Ltd	Australia	100	100
Schneider Electric IT Australia Pty Ltd	Australia	100	100
Schneider Electric Solar Australia Pty Ltd	Australia	100	100
Schneider Electric Systems Australia Pty Ltd	Australia	100	100
Serck Controls Pty Limited	Australia	100	100
Beijing Leader & Harvest Electric Technologies Co. Ltd	China	100	100
CITIC Schneider Electric Smart Building Technology (Beijing) Co. Ltd	China	51	51
Clipsal Manufacturing (Huizhou) Ltd	China	100	100
FSL Electric (Dongguan) Limited	China	54	54
Pelco (Shanghai) Trading Co. Ltd.	China	–	100
Proface China International Trading (Shanghai) Co. Ltd	China	100	100
Schneider (Beijing) Medium & Low Voltage Co., Ltd	China	95	95
Schneider (Beijing) Medium Voltage Co. Ltd	China	95	95
Schneider (Shaanxi) Baoguang Electrical Apparatus Co. Ltd	China	70	70
Schneider (Suzhou) Drives Company Ltd	China	90	90
Schneider (Suzhou) Enclosure Systems Co Ltd	China	100	100
Schneider (Suzhou) Transformers Co. Ltd	China	100	100
Schneider Automation & Controls Systems (Shanghai) Co., LTD	China	100	100
Schneider Busway (Guangzhou) Ltd	China	95	95
Schneider Electric (China) Co. Ltd	China	100	100
Schneider Electric (Xiamen) Switchgear Co. Ltd	China	100	100
Schneider Electric (Xiamen) Switchgear Equipment Co., Ltd	China	100	100
Schneider Electric Equipment an Engineering (X'ian) Co., Ltd	China	100	100
Schneider Electric IT (China) Co., Ltd	China	100	100
Schneider Electric IT (Xiamen) Co., Ltd.	China	100	100
Schneider Electric Low Voltage (Tianjin) Co. Ltd	China	75	75
Schneider Electric Manufacturing (Chongqing) Co. Ltd	China	100	100
Schneider Electric Manufacturing (Wuhan) Co. Ltd	China	100	100
Schneider Great Wall Engineering (Beijing) Co. Ltd	China	100	100
Schneider Shanghai Apparatus Parts Manufacturing Co. Ltd	China	100	100

<i>(in % of interest)</i>		<b>Dec. 31, 2019</b>	Dec. 31, 2018
Schneider Shanghai Industrial Control Co. Ltd	China	80	80
Schneider Shanghai Low Voltage Term. Apparatus Co. Ltd	China	75	75
Schneider Shanghai Power Distribution Electric Apparatus Co. Ltd	China	80	80
Schneider Smart Technology., Ltd	China	100	–
Schneider South China Smart Technology (Guangdong) Co. Ltd.	China	100	–
Schneider Switchgear (Suzhou) Co, Ltd	China	58	58
Schneider Wingoal (Tianjin) Electric Equipment Co. Ltd	China	100	100
Shanghai ASCO Electric Technology Co., Ltd	China	100	100
Shanghai Foxboro Co., Ltd	China	100	100
Shanghai Invensys Process System Co., Ltd	China	100	100
Shanghai Schneider Electric Power Automation Co. Ltd	China	100	100
Shanghai Tayee Electric Co., LTD	China	74.5	74.5
Telvent – BBS High & New Tech (Beijing) Co. Ltd	China	80	80
Tianjin Merlin Gerin Co. Ltd	China	75	75
Wuxi Proface Co., Ltd	China	100	100
Zircon Investment (Shanghai) Co., Ltd	China	74.5	74.5
Clipsal Asia Holdings Limited	Hong Kong	100	100
Clipsal Asia Limited	Hong Kong	100	100
Fed-Supremetech Limited	Hong Kong	54	54
Himel Hong Kong Limited	Hong Kong	100	–
Schneider Electric (Hong Kong) Limited	Hong Kong	100	100
Schneider Electric Asia Pacific Limited	Hong Kong	100	100
Schneider Electric IT Hong Kong Limited	Hong Kong	100	100
Eurotherm India Private Ltd	India	100	100
Luminous Power Technologies Private Ltd	India	100	100
Schneider Electric India Private Ltd	India	100	100
Schneider Electric Infrastructure Limited	India	94.6	94.6
Schneider Electric IT Business India Private Ltd	India	100	100
Schneider Electric President Systems Ltd	India	79.5	79.5
Schneider Electric Private Limited	India	100	100
Schneider Electric Solar India Private Limited	India	100	100
Schneider Electric Systems India Private Limited	India	100	100
PT Clipsal Manufacturing Jakarta	Indonesia	–	100
PT Schneider Electric Indonesia	Indonesia	100	100
PT Schneider Electric IT Indonesia	Indonesia	100	100
PT Schneider Electric Manufacturing Batam	Indonesia	100	100
PT Schneider Electric Systems Indonesia	Indonesia	95	95
Schneider Electric Japan, Inc.	Japan	100	100
Schneider Electric Solar Japan Inc.	Japan	100	100
Schneider Electric Systems Japan Inc.	Japan	100	100
Toshiba Schneider Inverter Corp.	Japan	100	100
Eurotherm Korea Co., Ltd.	Korea	100	100
Schneider Electric Korea Ltd.	Korea	100	100
Schneider Electric Systems Korea Limited	Korea	100	100
Clipsal Manufacturing (M) Sdn. Bhd.	Malaysia	100	100
Gutor Electronic Asia Pacific Sdn. Bhd.	Malaysia	100	100
Huge Eastern Sdn. Bhd.	Malaysia	100	100
Schneider Electric (Malaysia) Sdn. Bhd.	Malaysia	30	30
Schneider Electric Industries (M) Sdn. Bhd.	Malaysia	100	100
Schneider Electric IT Malaysia Sdn. Bhd.	Malaysia	100	100
Schneider Electric Systems (Malaysia) Sdn. Bhd.	Malaysia	100	100
Schneider Electric (NZ) Limited	New Zealand	100	100
Schneider Electric Systems New Zealand Limited	New Zealand	100	100
American Power Conversion Land Holdings Inc.	Philippines	100	100
Clipsal Philippines, Inc.	Philippines	100	100
Schneider Electric (Philippines) Inc.	Philippines	100	100
Schneider Electric IT Philippines Inc.	Philippines	100	100
Pelco Asia Pacific Pte. Ltd	Singapore	–	100
Schneider Electric Asia Pte. Ltd.	Singapore	100	100
Schneider Electric Export Services Pte Ltd	Singapore	100	100
Schneider Electric IT Logistics Asia Pacific Pte. Ltd.	Singapore	100	100
Schneider Electric IT Singapore Pte. Ltd.	Singapore	100	100
Schneider Electric Overseas Asia Pte Ltd	Singapore	100	100
Schneider Electric Singapore Pte. Ltd.	Singapore	100	100
Schneider Electric South East Asia (HQ) Pte. Ltd.	Singapore	100	100



## 5. Notes to the consolidated financial statements

<i>(in % of interest)</i>		<b>Dec. 31, 2019</b>	Dec. 31, 2018
Schneider Electric Systems Singapore Pte. Ltd.	Singapore	100	100
Schneider Electric Lanka (Private) Limited	Sri Lanka	100	100
Schneider Electric Systems Taiwan Corp.	Taiwan	100	100
Schneider Electric Taiwan Co., Ltd.	Taiwan	100	100
Pro-Face South-East Asia Pacific Co., Ltd.	Thailand	100	100
Schneider (Thailand) Limited	Thailand	100	100
Schneider Electric CPCS (Thailand) Co., Ltd.	Thailand	100	100
Schneider Electric Systems (Thailand) Co. Ltd.	Thailand	100	100
Clipsal Vietnam Co. Ltd	Vietnam	100	100
Invensys Vietnam Ltd	Vietnam	100	100
Schneider Electric IT Vietnam Limited	Vietnam	100	100
Schneider Electric Manufacturing Vietnam Co., Ltd	Vietnam	100	100
Schneider Electric Vietnam Co. Ltd	Vietnam	100	100
<i>Accounted for by equity method</i>			
Delixi Electric LTD (sub-group)	China	50	50
Sunten Electric Equipment Co., Ltd	China	25	25
Fuji Electric FA Components & Systems Co., Ltd (sub-group)	Japan	36.8	36.8
Foxboro (Malaysia) Sdn. Bhd.	Malaysia	49	49
<b>Rest of the World</b>			
<i>Fully consolidated</i>			
Himel Algerie	Algeria	100	100
Schneider Electric Algerie	Algeria	100	100
Schneider Electric Argentina S.A.	Argentina	100	100
Schneider Electric Systems Argentina S.A.	Argentina	100	100
American Power Conversion Brasil Ltda.	Brazil	100	100
CP Eletronica Ltda.	Brazil	100	100
Eurotherm Ltda.	Brazil	100	100
Schneider Electric Brasil Automação de Processos Ltda.	Brazil	100	100
Schneider Electric Brasil Ltda.	Brazil	100	100
Schneider Electric IT Brasil Industria e Comercio de Equipamentos Eletronicos Ltda.	Brazil	100	100
Steck da Amazonia Industria Electrica Ltda.	Brazil	100	100
Steck Industria Electrica Ltda.	Brazil	100	100
Telseb Serviços de Engenharia e Comércio de Equipamentos Eletrônicos e Telecomunicações Ltda	Brazil	100	100
Inversiones Schneider Electric Uno Limitada	Chile	100	100
Marisio S.A.	Chile	100	100
Schneider Electric Chile S.A.	Chile	100	100
Schneider Electric Systems Chile Limitada	Chile	100	100
Schneider Electric de Colombia S.A.S.	Colombia	100	100
Schneider Electric Systems Colombia Ltda.	Colombia	100	100
Schneider Electric Centroamerica Limitada	Costa Rica	100	100
Invensys Engineering & Service S.A.E.	Egypt	51	51
Schneider Electric Distribution Company	Egypt	87.4	87.4
Schneider Electric Egypt SAE	Egypt	91.9	91.9
Schneider Electric Systems Egypt S.A.E	Egypt	60	60
Schneider Electric DC MEA FZCO	United Arab Emirates	100	100
Schneider Electric FZE	United Arab Emirates	100	100
Schneider Electric Systems Middle East FZE	United Arab Emirates	100	100
Schneider Electric (Kenya) Ltd	Kenya	100	85
Schneider Electric Services Kuwait	Kuwait	49	49
Schneider Electric East Mediterranean SAL	Lebanon	96	96
Delixi Electric Maroc SARL AU	Morocco	100	100
Schneider Electric Maroc	Morocco	100	100
Schneider Electric Nigeria Ltd	Nigeria	100	100
Schneider Electric Systems Nigeria Ltd	Nigeria	100	100
Schneider Electric OM LLC	Oman	100	100
Schneider Electric Pakistan (Private) Limited	Pakistan	80	80
Schneider Electric Peru S.A.	Peru	100	100
Schneider Electric Systems del Peru S.A.	Peru	100	100
Schneider Electric Plants Saudi Arabia Co.	Saudi Arabia	100	100
Schneider Electric Saudi Arabia For Solutions & Services Co	Saudi Arabia	100	100
Schneider Electric System Arabia Co., LTD	Saudi Arabia	100	100
Schneider Electric South Africa (Pty) Ltd	South Africa	74.9	74.9
Uniflair South Africa (Pty) Ltd	South Africa	100	100
Gunsan Elektrik	Turkey	100	100
Himel Elektrik Malzemeleri Ticaret A.S.	Turkey	100	100



<i>(in % of interest)</i>		<b>Dec. 31, 2019</b>	Dec. 31, 2018
Schneider Elektrik Sanayi Ve Ticaret A.S.	Turkey	100	100
Schneider Enerji Endustrisi Sanayi Ve Ticaret A.S.	Turkey	100	100
Schneider Electric Systems de Venezuela, C.A.	Venezuela	100	100
Schneider Electric Venezuela, S.A.	Venezuela	93.6	93.6

## Statutory auditors' report on the consolidated financial statements

# 6. Statutory auditors' report on the consolidated financial statements

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 consolidated financial statements of Schneider Electric S.E. for the year ended December 31, 2019.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as at December 31, 2019 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

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 Consolidated 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, 2019 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.

### Emphasis of Matter

We draw your attention to the matters described in Paragraphs "First application of IFRS 16 – Leases" and "First application of IFRIC 23 – Uncertainty over Income Tax Treatments" of Note 1 "Accounting Policies" to the consolidated financial statements. Our opinion is not modified in respect of these matters.

### 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 consolidated 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 consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on specific items of the consolidated financial statements.

#### Measurement of goodwill and trademarks with an indefinite useful life

Notes 1.3, 1.8, 1.10, 5, 9 and 10 to the consolidated financial statements

#### Key audit matter

As at December 31, 2019, the carrying amount of goodwill and trademarks with an indefinite useful life is M€ 18 719 and M€ 2 170 respectively, totaling 46% of the Group's consolidated assets.

As described in Note 1.10 to the consolidated financial statements, the Cash Generating Units (CGUs), which the goodwill and the trademarks with an indefinite useful life are allocated to, are tested for impairment at least once a year and whenever there is an indication of impairment risk.

The Group's CGUs are Low Voltage, Medium Voltage, Industrial Automation, and Secure Power, and correspond to the smallest identifiable groups of assets generating cash inflows that are largely independent from the cash inflows from other assets or groups of assets.

The recoverable value of a CGU is defined as the highest value between its value in use and its realizable value, net of costs. The value in use of a CGU is determined by discounting future cash flows that will be generated by its underlying assets and which are based on the Group Management's economic assumptions and operating forecasts.

An impairment loss is recognized when the recoverable value of a CGU is lower than its book value, for the excess amount of the book value over the recoverable value. When the tested CGU comprises goodwill, any impairment loss is primarily deducted there from.

The measurement of goodwill and trademarks with an indefinite useful life is considered to be a key audit matter as these assets account for a large part of the Group's consolidated balance sheet and because of the level of Management's judgment required to:

- define the CGUs, as an improper mapping could lead your Group to not recognize or under-estimate an impairment of goodwill;
- determine the assumptions used for the impairment tests of goodwill and trademarks, particularly the discount rates, perpetuity growth rates and the expected margin rates or royalty rates.

#### Our response

As regards goodwill, our audit work consisted in:

- assessing the Group's definition of the CGUs in light of the applicable accounting standards;
- reconciling the carrying amount of assets tested with the accounting data;
- assessing the procedures implemented by the Group to evaluate the future discounted cash flows underlying the determination of the value in use of each CGU;
- assessing the business forecasts underlying the future cash flows by comparing past estimates to actual results;
- with the assistance of our valuation experts, assessing the assumptions used such as discount rates, perpetuity growth rates and expected margin rates, as well as the sensitivity of tests results to a variation of these assumptions;
- reconciling the sensitivity analyses performed by the Group with our sensitivity calculations;
- verifying the arithmetical accuracy of the computations underlying the impairment tests.

As regards significant trademarks with an indefinite useful life, our work consisted in:

- assessing the method used to evaluate their recoverable amount and the assumptions used, including the discount rate, the perpetuity growth rate and the royalty rate, as well as the sensitivity of the results of these tests to changes in these assumptions;
- assessing the business forecasts underlying the future cash flows by comparing past estimates to actual results;
- verifying the arithmetical accuracy of the impairment tests.

#### Capitalization and measurement of development costs

Notes 1.3, 1.8, 1.10, 4 and 10.4 to the consolidated financial statements

#### Key audit matter

As at December 31, 2019, the Group's consolidated balance sheet includes capitalized development costs recognized as intangible assets for M€ 1 204.

As described in notes 1.8 and 1.10 to the consolidated financial statements, the costs the Group incurs as part of its new projects are capitalized when certain criteria are strictly met and, in particular, when it is probable that future economic benefits attributable to the project will flow to the Group.

Development-related assets are amortized from the commercial launch and over the lifespan of the underlying technology.

Capitalized development costs which are not amortized yet are tested for impairment at least on an annual basis and whenever there is an indication of impairment risk. As for capitalized development costs which are in the amortization period, they are tested for impairment when an impairment risk has been identified. The Group recognizes an impairment loss when the recoverable amount of a development-related asset is lower than the corresponding capitalized costs.

We considered the capitalization and the measurement of development costs to be a key audit matter due to their materiality when compared to the consolidated assets of the Group, and to the Management's judgment exercised when initially determining whether such development costs should be accounted for as intangible assets and when subsequently carrying out impairment tests.

#### Our response

We analyzed the processes the Group implemented for the initial recognition in intangible assets of development costs, for the identification of projects to be potentially impaired and for the determination of estimates used for the purpose of testing the development-related assets for impairment. Based on a selection of projects, our work consisted in:

- ensuring the criteria for recognizing an intangible asset, as set out in IAS 38 and in the Group's internal procedure, were met and consistently applied;
- reconciling, on a sample basis, the costs capitalized as at December 31, 2019 with the underlying supporting documentation;
- assessing, with the assistance of our valuation experts, the data and assumptions used by the Group when testing capitalized development-costs for impairment, mainly sales forecasts, discount rates and long-term growth rates, by inquiring of Management and by comparing future cash flows to past performance;
- comparing the sensitivity analyses performed by the Group to our sensitivity calculations;
- verifying the arithmetical accuracy of Management's computations.

## Statutory auditors' report on the consolidated financial statements

### Recognition and recoverability of deferred tax assets related to tax losses carried forward

Notes 1.3, 1.15 and 14 to the consolidated financial statements

#### Key audit matter

As at December 31, 2019, the deferred tax assets recognized in the Group's balance sheet, with regards to tax losses carried forward, amount to M€ 722 and are mainly related to France for M€ 577.

As described in Note 1.15 to the consolidated financial statements, the Group recognizes future tax benefits, arising from the utilization of tax losses carried forward, to the extent they can reasonably be expected to be achieved, including when such amounts can be indefinitely carried forward.

Management assesses at year-end the recoverability by the Group of its deferred tax assets on tax losses carried forward based on its consumption plan. The recognition and appropriate estimation of these deferred tax assets relies on the Group's ability to accurately forecast its future taxable incomes.

The recognition and recoverability of deferred tax assets on tax losses carried forward is considered to be a key audit matter due to the importance of judgment exercised by Management.

#### Our response

In considering the Group's capacity to benefit from its deferred tax assets on tax losses carried forward by offsetting them with future taxable incomes, our audit approach consisted, with the assistance of our tax experts when necessary, in:

- inquiring about the consumption plans of tax losses carried forward for the subsidiaries or tax consolidation groups at stake;
- assessing the data and assumptions underlying the consumption plans of tax losses carried forward supporting the recognition and the measurement of deferred tax assets by the Group.

### Risk assessment and measurement of provisions, uncertain tax positions and contingent liabilities

Notes 1.1, 1.3, 1.20, 21 and 26.2 to the consolidated financial statements

#### Key audit matter

The Group operates in many countries and is thus exposed to different environments in terms of law, regulation and tax. The Group is also subject to the inherent risks of its operations, especially with regard to commercial and industrial aspects.

In this context, the Group may face uncertain, litigious or contentious situations, particularly when analyzing uncertain tax positions.

As described in note 1.20 to the consolidated financial statements, the Group recognizes a provision when it has an obligation towards a third party prior to the balance sheet date, and when the loss or liability is likely and can be reliably measured. If the loss or liability is not likely and cannot be reliably estimated, but remains possible, the Group discloses it as a contingent liability.

Each subsidiary and relevant departments of the Group assess the identified risks on a regular basis, with the assistance of external counsels when necessary.

The recognition and measurement of provisions, uncertain tax positions and contingent liabilities is considered to be a key audit matter given the various risks the Group is exposed to and to the judgment required from Management to estimate the risks and the provisions amounts, if any. In case of an incomplete identification of the risks and/or an incorrect evaluation of its exposure, the Group could under- or overestimate its provisions and contingent liabilities.

#### Our response

Our audit approach consisted mainly in:

- assessing the procedures implemented by the Group to identify and gather the different types of risks it is exposed to;
- obtaining an understanding of the risk analyses performed by the Group, with the relating supporting documentation, and studying written statements from internal and external legal advisors, where applicable;
- assessing, for the main risks identified, the assumptions used by Management to measure the provisions and tax liabilities accounted for, with the assistance of our experts, if necessary.
- reading the information provided by the Group with regards to these liabilities and contingent liabilities.

### Specific verifications

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by laws and regulations of the Group's information given in the Board of Directors' management report.

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

We attest that the consolidated non-financial statement required by Article L. 225-102-1 of the French Commercial Code (*Code de commerce*) is included in the Group's information given in the Board of Directors' management report, it being specified that, in accordance with Article L. 823-10 of this Code, we have verified neither the fair presentation nor the consistency with the consolidated financial statements of the information contained therein. This information should be reported on by an independent third party.

### Report on Other Legal and Regulatory Requirements

#### Appointment of the Statutory Auditors

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

As at December 31, 2019, MAZARS and ERNST & YOUNG et Autres were in the sixteenth year and in the twenty-eighth year of total uninterrupted engagement, respectively.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated 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 consolidated financial statements were approved by the Board of Directors.

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

#### Objectives and audit approach

Our role is to issue a report on the consolidated financial statements. Our objective is to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein.
- Evaluates the overall presentation of the consolidated financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtains sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. The statutory auditor is responsible for the direction, supervision and performance of the audit of the consolidated financial statements and for the opinion expressed on these consolidated financial statements.

## Statutory auditors' report on the consolidated financial statements

### Report to the Audit and Risks Committee

We submit to the Audit and Risks Committee a report 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 consolidated 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 10, 2020

The Statutory Auditors  
French original signed by

<b>MAZARS</b>	<b>ERNST &amp; YOUNG et Autres</b>
Loïc Wallaert	Jean-Yves Jégourel
Mathieu Mougard	Alexandre Resten





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# Parent company financial statements

# 6

## 1. Balance sheet

## 1. Balance sheet

## Assets

<i>(in thousands of euros)</i>	Notes	Gross	A. & D. or Prov.	Dec. 31, 2019 Net	Dec. 31, 2018 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	2,785	–	2,785	2,932
Buildings		48	(48)	–	–
Other		1,468	(242)	1,226	1,226
<b>Total intangible assets and property, plant and equipment</b>		<b>31,775</b>	<b>(27,764)</b>	<b>4,011</b>	<b>4,158</b>
<i>Financial investments</i>					
Shares in subsidiaries and affiliates	2.1	5,596,996	(111,288)	5,485,708	5,485,704
Other investment securities	2.2	1,518,569	(77)	1,518,492	1,727,117
Advances to subsidiaries and affiliates	2.3	3,223,997	–	3,223,997	3,210,570
Other		10	–	10	–
<b>Total financial investments</b>		<b>10,339,572</b>	<b>(111,365)</b>	<b>10,228,207</b>	<b>10,423,391</b>
<b>Total non-current assets</b>		<b>10,371,348</b>	<b>(139,129)</b>	<b>10,232,219</b>	<b>10,427,549</b>
<b>CURRENT ASSETS</b>					
<i>Accounts receivable</i>					
Accounts receivable – trade		455,460	–	455,460	202
Other	3	102,049	–	102,049	106,019
<b>Total accounts receivable</b>		<b>557,509</b>	<b>–</b>	<b>557,509</b>	<b>106,221</b>
<i>Marketable securities and cash</i>					
Marketable securities	4	450,722	–	450,722	22,940
Advances to the Group cash pool	5	5,411,588	–	5,411,588	6,899,820
Other		2,006	–	2,006	217
<b>Total marketable securities and cash</b>		<b>5,864,316</b>	<b>–</b>	<b>5,864,316</b>	<b>6,922,977</b>
<b>Total current assets</b>		<b>6,421,826</b>	<b>–</b>	<b>6,421,826</b>	<b>7,029,198</b>
<b>PREPAYMENTS AND OTHER ASSETS</b>					
Prepaid expenses	6.1	351	–	351	387
Deferred charges	6.2	14,568	–	14,568	14,435
Call premiums	6.3	7,123	–	7,123	26,201
Translation losses		90,653	–	90,653	77,214
<b>TOTAL ASSETS</b>		<b>16,905,868</b>	<b>(139,129)</b>	<b>16,766,739</b>	<b>17,574,984</b>

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

## Equity and liabilities

<i>(in thousands of euros)</i>	<b>Notes</b>	<b>Dec. 31, 2019</b>	Dec. 31, 2018
<b>EQUITY</b>	<b>7</b>		
Share capital	7.1	2,328,274	2,316,675
Additional paid-in capital	7.2	3,133,188	2,976,940
<i>Reserves</i>			
Legal reserve		243,027	243,027
Retained earnings	7.3	3,246,040	84,171
Net income for the financial year		57,108	4,457,4994
Untaxed provisions		2	2
<b>Total equity</b>		<b>9,007,639</b>	<b>10,078,809</b>
<b>PROVISIONS FOR CONTINGENCIES:</b>	<b>8</b>		
Provisions for contingencies		452,634	1,432
<b>Total provisions for contingencies and expenses</b>		<b>452,634</b>	<b>1,432</b>
<b>LIABILITIES:</b>			
Bonds	9	7,062,368	6,598,934
Other borrowings	10	66,480	51,384
Amounts payable to subsidiaries and affiliates		14	14
Borrowings and financial liabilities	11	–	610,000
Accounts payable – trade		779	543
Accrued taxes and payroll costs		80,313	151,819
Other		5,762	4,682
<b>Total liabilities</b>		<b>7,215,718</b>	<b>7,417,375</b>
Deferred income		98	154
Translation gains		90,649	77,214
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>16,766,739</b>	<b>17,574,984</b>

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

## 2. Statement of income

## 2. Statement of income

<i>(in thousands of euros)</i>	Notes	Full year 2019	Full year 2018
Sales of services and other		2,385	174
Reversals of provisions, depreciation and amortization and expense transfers		0	0
<b>Operating revenues</b>		<b>2,385</b>	<b>174</b>
Purchases and external expenses		(10,079)	(8,887)
Taxes other than on income		(1,612)	(1,640)
Payroll expenses		(4,321)	(3,554)
Depreciation and provision expense		–	–
Other operating expenses and joint-venture losses		(1,821)	(1,597)
<b>Operating expenses</b>		<b>(17,833)</b>	<b>(15,678)</b>
<b>Operating profit/(loss)</b>		<b>(15,447)</b>	<b>(15,504)</b>
Dividend income	14	49,896	4,500,507
Interest income		49,863	50,725
Reversals of impairment provisions for long-term receivables and other		–	–
<b>Financial income</b>		<b>99,759</b>	<b>4,551,232</b>
Interest expense		(111,639)	(126,008)
Provision expense		(7,103)	(8,691)
<b>Financial expenses</b>		<b>(118,741)</b>	<b>(134,699)</b>
<b>Net financial income/(loss)</b>	14	<b>(18,983)</b>	<b>4,416,533</b>
<b>Current result before tax</b>		<b>(34,430)</b>	<b>4,401,029</b>
Proceeds from fixed asset disposals		2,078	120
Reinvoicing performance share		515,434	–
Provision reversals and expense transfers		375	67
Other		–	–
<b>Non-recurring income</b>		<b>517,887</b>	<b>187</b>
Carrying amount of fixed asset disposals		(148)	(311)
Provisions, depreciation and amortization		17,717	(9,902)
Other		(515,602)	(226)
<b>Non-recurring expenses</b>		<b>(498,033)</b>	<b>(10,439)</b>
<b>Net non-recurring income/(loss)</b>	15	<b>19,854</b>	<b>(10,252)</b>
<b>Net income tax benefit</b>	16	<b>71,684</b>	<b>67,216</b>
<b>NET INCOME</b>		<b>57,108</b>	<b>4,457,994</b>

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

### 3. Notes to the financial statements

## 3. Notes to the financial statements

(All amounts are in thousands of euros unless otherwise indicated)

### 3.1 Significant events of the financial year

During the financial year, Schneider Electric SE carried out a capital increase for EUR167 million, as follows:

- the employee share issuance carried out on July 10, 2019 as part of the worldwide Employee Stock Purchase Plan, for EUR160 million;
- the exercise of performance shares, for EUR7 million.

The company issued three bonds of respectively EUR200, 250 and 500 million.

On May 2019, the company paid out the 2018 dividend of EUR2.35 per share, amounting EUR1,296 million.

The company also proceeded to buy back 3,476,691 of its own shares for EUR266 million.

Finally, in December 2019, the company decided to serve some free shares plans on existing shares, and to reinvoice the Group companies. As a consequence, the company recorded a provision of EUR451 million and a revenue of the same amount.

### 3.2 Accounting principles

As in the prior financial year, the financial statements for the financial year ended December 31, 2019 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.

#### 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.



### 3. Notes to the financial statements

#### 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, 2018	Additions	Disposals	Dec. 31, 2019
Cost	4,448	–	(147)	4,301
Depreciation	(290)	–	–	(290)
<b>NET</b>	<b>4,158</b>	<b>–</b>	<b>–</b>	<b>4,011</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, 2018	Additions	Disposals	Dec. 31, 2019
Cost	5,599,974	4	(2,982)	5,596,996
Provisions	(114,270)	–	2,982	(111,288)
<b>NET</b>	<b>5,485,704</b>	<b>4</b>	<b>–</b>	<b>5,485,708</b>

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

The main investments at December 31, 2019 were as follows:

Shares in subsidiaries and affiliates	Carrying value
Schneider Electric Industries SAS	5,343,544
Cofimines	139,077
Schneider Electric Japan Holding	2,049
Other (less than EUR5 million)	1,038
<b>TOTAL</b>	<b>5,485,708</b>

##### 2.2 Other investment securities

(in thousands of euros)

Other investment securities	Dec. 31, 2018	Increases	Decreases	Dec. 31, 2019
Schneider Electric SE shares	1,727,063	266,322	(474,946)	1,518,439
Other	131	–	–	131
Provisions for other Shares and own shares	(77)	–	–	(77)
<b>NET</b>	<b>1,727,117</b>	<b>266,322</b>	<b>(474,946)</b>	<b>1,518,493</b>

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

In compliance with the resolution adopted by the Shareholders' Meeting dated April 24, 2018, the company proceeded in 2019 to the share buyback of 3 476 691 own shares for a total amount of EUR266 million.

In compliance with the Board resolution of December 2019 to allocate the performance share plans 26, 29, 31, 33 and 35, with SESE own shares, 9,140,459 shares for a total amount of EUR475m has been booked in Marketable securities.

### 2.3 Advances to subsidiaries and affiliates

(in thousands of euros)

Advances to subsidiaries and affiliates	Dec. 31, 2018	Increases	Decreases	Dec. 31, 2019
Cost	3,210,570	13,537	(110)	3,223,997
<b>NET</b>	<b>3,210,570</b>	<b>13,537</b>	<b>(110)</b>	<b>3,223,997</b>

At December 31, 2019, this item mainly consisted of a loan of EUR2,500 million granted to Schneider Electric Industries SAS with a maturity date of 2020, a loan granted in 2012 to Boissière Finance for a total amount of EUR712 million with a maturity date of 2022 and of accrued interest for a total amount of EUR12 million.

### Note 3: Accounts receivables

(in thousands of euros)

	Dec. 31, 2019	Dec. 31, 2018
Trade receivables	455,460	202
Other	102,049	106,019
<b>NET</b>	<b>557,509</b>	<b>106,221</b>

Trade receivables mainly include the re-invoicing of the performance shares to SEISAS.

At December 31, 2019, the "Other receivables" are mainly composed of tax receivables and R&D tax credits.

### Note 4: Marketable securities

(in thousands of euros)	Dec. 31, 2018		Acquisitions	Disposals	Dec. 31, 2019	
	Number of shares	Value	Value	Value	Value	Number of shares
<b>TREASURY SHARES</b>						
Gross	1,417,918	40,657	474,902	(64,836)	450,722	8,437,254
Provisions	–	(17,717)		17,717	–	–
<b>TOTAL NET</b>	<b>–</b>	<b>22,940</b>	<b>474,902</b>	<b>(47,119)</b>	<b>450,722</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 vested on March 2019.

In 2019, following the decision to re-invoice the performance shares to the subsidiaries, a provision for risk of EUR450 was booked, as these free shares concern employees of other Schneider Electric Group entities.

### 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.

## 3. 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, 2018	Increases	Decreases	Dec. 31, 2019
July 20, 2010 due 2020 (EUR500 million)	275	–	(166)	109
Sep. 22, 2011 due 2019 (EUR500 million)	14	–	(14)	–
Sep. 27, 2012 due 2022 (USD800 million)	1,409	–	(423)	986
Sep. 6, 2013 due 2021 (EUR600 million)	900	–	(323)	577
Mar. 11, 2015 due 2025 (EUR750 million)	1,979	–	(311)	1,668
Sep. 8, 2015 due 2023 (EUR800 million)	1,907	–	(386)	1,521
Oct. 13, 2015 due 2025 (EUR200 million)	651	–	(65)	586
Oct. 13, 2015 due 2025 (EUR100 million)	264	–	(36)	228
Sep. 9, 2016 due 2024 (EUR800 million)	2,538	–	(442)	2,096
Dec. 13, 2017 due 2026 (EUR750 million)	2,344	–	(296)	2,048
June. 21, 2018 due 2027 (EUR750 million)	2,153	–	(253)	1,900
Sept. 9, 2019 due 2024 (EUR200 million)		565	(52)	513
Jan. 15, 2019 due 2028 (EUR250 million)		773	(53)	720
Jan. 15, 2019 due 2028 (EUR500 million)		1,807	(193)	1,614
<b>TOTAL</b>	<b>14,435</b>	<b>3,145</b>	<b>(3,013)</b>	<b>14,568</b>

## 6.3 Redemption premiums

(in thousands of euros)

Redemption premiums	Dec. 31, 2018	Increases	Decreases	Dec. 31, 2019
July 20, 2010 due 2020 (EUR500 million)	820	–	(495)	325
Sep. 22, 2011 due 2019 (EUR500 million)	32	–	(32)	–
Sep. 27, 2012 due 2022 (USD800 million)	599	–	(199)	400
Sep. 6, 2013 due 2021 (EUR600 million)	540	–	(193)	347
Mar. 11, 2015 due 2025 (EUR750 million)	5,567	–	(873)	4,694
Sep. 8, 2015 due 2022 (EUR800 million)	2,659	–	(538)	2,121
Oct. 13, 2015 due 2025 (EUR100 million)	(1,241)	168	–	(1,073)
Sep. 9, 2016 due 2024 (EUR800 million)	5,761	–	(1,000)	4,761
Dec. 13, 2017 due 2026 (EUR750 million)	4,615	–	(579)	4,036
June 21, 2018 due 2027 (EUR750 million)	6,848	–	(808)	6,040
Sept. 9, 2019 due 2024 (EUR200 million)		(3,032)	280	(2,752)
Jan. 15, 2019 due 2028 (EUR250 million)		(12,763)	874	(11,889)
Jan. 15, 2019 due 2028 (EUR500 million)		125	(13)	112
<b>TOTAL</b>	<b>26,201</b>	<b>(15,502)</b>	<b>(3,576)</b>	<b>7,123</b>



## Note 7: Shareholders' equity and retained earnings

<i>(in millions of euros)</i>	Share capital	Additional paid-in capital	Reserves and retained earnings	Net income for the year	Regulated provisions	Total
<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>
Change in share capital	11	156	–	–	–	167
Allocation of 2018 net income	–	–	3,161	(3,161)	–	–
2018 dividend	–	–	–	(1,296)	–	(1,296)
Cancellation of own shares	–	–	–	–	–	–
2019 net income	–	–	–	57	–	57
<b>DECEMBER 31, 2019 BEFORE ALLOCATION OF NET INCOME FOR THE YEAR</b>	<b>2,328</b>	<b>3,133</b>	<b>3,489</b>	<b>57</b>	<b>–</b>	<b>9,007</b>

### 7.1 Capital

#### Share capital

The company's share capital at December 31, 2019 amounted to EUR 2,328,274,220 consisting of 582,068,555 shares with a par value of EUR4, all fully paid up.

#### Changes in share capital

During the financial year, the EUR11 million increase in share capital breaks down as follows:

- EUR10 million share capital increase as part of the worldwide Employee Stock Purchase Plan with an issuance of 2,676,018 new shares;
- EUR1 million share capital increase for the exercise of performance shares with an issuance of 223,768 new shares.

#### Own shares

The total number of own shares held at the reporting date was 31,045,826 representing a net amount of EUR1,518 million.

### 7.2 Additional paid-in capital

Additional paid-in capital increased by EUR156 million over the financial year, mainly coming 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 25, 2019, the 2018 gain of EUR3,161 million was allocated to retained earnings. EUR1,296 million of dividends were distributed in 2019.

## Note 8: Provisions for contingencies and pension accruals

<i>(in thousands of euros)</i>	Dec. 31, 2018	Increases	Decreases	Dec. 31, 2019
<b>PROVISIONS FOR CONTINGENCIES</b>				
Disputes	15	–	–	15
Risk variation own shares		450,722		450,722
Other	1,417	510	(30)	1,897
<b>TOTAL</b>	<b>1,432</b>	<b>451,232</b>	<b>30</b>	<b>452,635</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.

In 2019, a provision for risk of EUR450 million was booked to cover the decision of the board to allocate performance shares plans with SESE own shares.

## 3. Notes to the financial statements

## Note 9: Bonds

(in thousands of euros)	Share capital		Interest rate	Maturity
	Dec. 31, 2019	Dec. 31, 2018		
Schneider Electric SE 2019	150,244	150,244	Euribor +0.60% Floating	July 25, 2019
Schneider Electric SE 2020	500,000	500,000	3.625% Fixed	July 20, 2020
Schneider Electric SE 2019	–	500,000	3.50% Fixed	Jan. 22, 2019
Schneider Electric SE 2022	712,124	698,690	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 2024	200,000	–	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	750,000	1.375% Fixed	June 21, 2027
Schneider Electric SE 2028	500,000	–	1.5% Fixed	Jan. 15, 2028
Schneider Electric SE 2028	250,000	–	1.5% Fixed	Jan. 15, 2028
<b>TOTAL</b>	<b>7,062,368</b>	<b>6,598,934</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 EUR500 million matured on January 22, 2019.

The company issued three bonds as follows:

- EUR200 million at 0.25%, maturing on September 9, 2024;
- EUR500 million at 1.375%, maturing on January, 15 2028;
- EUR250 million at 1.375%, maturing on January, 15 2028.

At December 31, 2019, the other 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 3.625% 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, 2018, 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, 2019 included accrued interest on bonds and other debt issued by the company. Accrued interest amounted to EUR44 million, compared to EUR51 million at end-2018.

## Note 11: Interest-bearing liabilities

Interest-bearing liabilities (in thousands of euros)	Dec. 31, 2018	Increase	Decrease	Dec. 31, 2019
Commercial paper	610,000	4,955,000	(5,565,000)	–
Overdrafts	–	–	–	–
Other	–	–	–	–
<b>NET</b>	<b>610,000</b>	<b>4,955,000</b>	<b>(5,565,000)</b>	<b>–</b>

In 2019, fixed rate commercial papers were reimbursed over the period.

## 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	3,223,997	2,511,871	712,126	–
<b>CURRENT ASSETS</b>				
Accounts receivable – trade	455,460	455,460	–	–
Other receivables	102,049	102,049	–	–
Marketable securities	450,722	450,722	–	–
Prepaid expenses	351	351	–	–
<b>DEBT</b>				
Bonds	7,062,368	500,000	3,262,368	3,300,000
Other borrowings	66,481	66,481	–	–
Commercial paper	–	–	–	–
Amounts payable to subsidiaries and affiliates	14	–	14	–
Accounts payable – trade	779	779	–	–
Accrued taxes and payroll costs	80,313	80,313	–	–
Other	5,762	5,762	–	–
Deferred income	98	98	–	–

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

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

(in thousands of euros)	Gross	Net
Shares in subsidiaries and affiliates	5,596,996	5,485,708
Advances to subsidiaries and affiliates	3,223,997	3,223,997
Accounts receivable	453,930	453,930
Cash and cash equivalents	5,411,588	5,411,588
Revenues:		
• rebilled performance shares	515,602	2,207
• interest	–	25,347

## 3. Notes to the financial statements

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

<i>(in thousands of euros)</i>	<b>Full year 2019</b>	Full year 2018
Dividends	49,896	4,500,507
Net interest income (expense)	(61,776)	(75,283)
Other	(7,103)	(8,691)
<b>NET FINANCIAL INCOME/(LOSS)</b>	<b>(18,983)</b>	<b>4,416,533</b>

In 2019, the company received EUR50 million of dividends from Schneider Electric Industries SAS.

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

<i>(in thousands of euros)</i>	<b>Full year 2019</b>	Full year 2018
Net gains/(losses) on fixed asset disposals	1,930	(191)
Provisions net of reversals	18,092	(9,835)
Other non-recurring income/(expense)	(168)	(226)
<b>NET NON-RECURRING INCOME/(LOSS)</b>	<b>19,854</b>	<b>(10,252)</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 2019 income tax due, for EUR71 million.

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 EUR2,289 million at December 31, 2019.

## 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 retirees beneficiaries 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: EUR2,084 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, 2019.

## 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 2019.

### 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 financial statements

# 4. Statutory auditors' report on the financial statements

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, 2019.

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, 2019 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, 2019 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" to the financial statements

#### Key audit matter

As at December 31, 2019, investments in subsidiaries and affiliates and the related advances amount to M€ 5,486 and M€ 3,224 respectively in the balance sheet of Schneider Electric S.E., net of any impairment loss.

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 these 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

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 to determine the values in use.

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 laws and regulations.

### 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 the fair presentation and the consistency with the financial statements of the information relating to payment deadlines mentioned in article D. 441-4 of the French Commercial Code (*Code de commerce*).

### Information relating to Corporate Governance

We attest that the section on Corporate Governance contained in the Board of Directors' Management Report 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, or allocated to 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 companies controlled thereby which are included in the consolidation scope. Based on these procedures, 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 takeover bid or exchange offer, provided pursuant to Article L. 225-37-5 of the French Commercial Code (*Code de commerce*), we have agreed this information to the source documents communicated to us. Based on these procedures, 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 your Annual General Meetings held on May 6, 2004 for MAZARS and on June 25, 1992 for ERNST & YOUNG et Autres.

As at December 31, 2019, MAZARS and ERNST & YOUNG et Autres were in the sixteenth year and in the twenty-eighth year of total uninterrupted engagement, respectively.

### 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' 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.

## Rapport des commissaires aux comptes sur les comptes annuels

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 to the Audit and Risks Committee a report 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 10, 2020

The Statutory Auditors  
French original signed by

<b>MAZARS</b>	<b>ERNST &amp; YOUNG et Autres</b>
Loïc Wallaert	Jean-Yves Jégourel
Mathieu Mougard	Alexandre Resten



## 5. List of securities held at December 31, 2019

## 5. List of securities held at December 31, 2019

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
22,608,572	Actions propres Schneider Electric SE	1,518,493
		<b>6,862,037</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>		
		141,126
<b>Total</b>		<b>7,004,201</b>
<b>MARKETABLE SECURITIES</b>		
8,437,254	Schneider Electric SE own shares	450,722,810
<b>TOTAL</b>		<b>457,727,011</b>

## 6. 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	6,783,914	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	164,492	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	2019 Revenues (ex. VAT)	2019 Profit or loss (-)	Dividends received by the company during 2019
5,343,544	5,343,544	2,506,389		3,687,868	631,947	49,896
219,894	139,094	–	– Holding company		(11)	–
–	–	–	–	–	–	–
15,288	1,038	–	–	–	–	–
130	53	–	–	–	–	–
21,249	2,049	–	–	–	33,299	–

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

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

Description	2019	2018	2017	2016	2015
<b>FINANCIAL POSITION AT DECEMBER 31</b>					
Share capital ( <i>in thousands of euros</i> )	2,328,274	2,316,675	2,387,665	2,369,995	2,354,938
Number of shares in issue	582,068,555	579,168,769	596,916,242	592,498,759	588,734,472
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
<b>RESULTS OF OPERATIONS (IN THOUSANDS OF EUROS)</b>					
Sales (ex. VAT)	2,385	174	170	228	209
Investment revenue, interest income and other revenue	49,896	4,551,232	147,031	52,276	54,587
Earnings before tax, depreciation, amortization and provisions	(18,659)	4,412,483	(22,861)	(146,799)	(139,013)
Income tax	71,684	1,215	55,213	(53,632)	(41,456)
Earnings after tax, depreciation, amortization and provisions	57,108	4,457,994	121,488	(99,730)	(52,585)
Dividends paid <sup>(1)</sup> excluding tax credit and withholdings	1,415,125 <sup>(2)</sup>	1,361,047	1,313,216	1,208,697	1,177,469
<b>RESULTS OF OPERATIONS PER SHARE (<i>in euros</i>)</b>					
Earnings before depreciation, amortization and provisions	6,77	7.62	0.05	(0.14)	(0.06)
Earnings after tax, depreciation, amortization and provisions	9,8	7.70	0.20	(0.17)	(0.09)
Net dividend per share	2.55 <sup>(2)</sup>	2.35	2.20	2.04	2
<b>EMPLOYEES</b>					
Average number of employees during the financial year	1	1	1	1	1
Total payroll for the financial year ( <i>in thousands of euros</i> )	3,693	2,544	1,670	1,507	2,684
Total of employee benefits paid over the financial year	–	–	–	–	–
(Social security, other benefits, etc.) ( <i>in thousands of euros</i> )	944	1,010	796	974	1,028

(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 23, 2020.

