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Consolidated financial statements at December 31, 2020

1. Consolidated statement of income

(in millions of euros except for earnings per share)	Note	Full Year 2020	Full Year 2019
Revenue	3	**25,159**	**27,158**
Cost of sales		(15,003)	(16,423)
Gross profit		**10,156**	**10,735**
Research and development	4	(718)	(657)
Selling, general and administrative expenses		(5,512)	(5,840)
Adjusted EBITA*	3	**3,926**	**4,238**
Other operating income and expenses	6	(210)	(411)
Restructuring costs		(421)	(255)
EBITA**		**3,295**	**3,572**
Amortization and impairment of purchase accounting intangibles	5	(207)	(173)
Operating income		**3,088**	**3,399**
Interest income		14	39
Interest expense		(126)	(168)
Finance costs, net		**(112)**	**(129)**
Other financial income and expense	7	(166)	(132)
Net financial income/(loss)		**(278)**	**(261)**
Profit from continuing operations before income tax		**2,810**	**3,138**
Income tax expense	8	(638)	(690)
Income of discontinued operations, net of income tax	1	–	(3)
Share of profit/(loss) of associates	12	66	78
PROFIT FOR THE PERIOD		**2,238**	**2,523**
attributable to owners of the parent		*2,126*	*2,413*
attributable to non controlling interests		*112*	*110*
Basic earnings (attributable to owners of the parent) per share (in euros per share)	19	3.84	4.38
Diluted earnings (attributable to owners of the parent) per share (in euros per share)	19	3.81	4.33

* 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

(in millions of euros)	**Note**	**Full Year 2020**	Full Year 2019
Profit for the year		**2,238**	**2,523**
Other comprehensive income:			
Translation adjustment		(1,649)	333
Cash-flow hedges		(125)	26
Income tax effect of cash flow hedges	19	(18)	(7)
Net gains/(losses) on financial assets		(5)	(4)
Income tax effect of gains/(losses) on financial assets	19	1	–
Actuarial gains/(losses) on defined benefit plans	20	(123)	(408)
Income tax effect of actuarial gains/(losses) on defined benefit plans	19	21	82
Other comprehensive income for the year, net of tax		**(1,898)**	**22**
of which to be recycled in income statement		*(1,792)*	*352*
of which not to be recycled in income statement		*(106)*	*(330)*
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**340**	**2,545**
attributable to owners of the parent		*271*	*2,400*
attributable to non controlling interests		*69*	*145*

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

2. Consolidated statement of cash flows

(in millions of euros)	Note	Full Year 2020	Full Year 2019
Profit for the year		**2,238**	**2,523**
Losses/(gains) from discontinued operations		–	3
Share of (profit)/losses of associates		(66)	(78)
Income and expenses with no effect on cash flow:			
Depreciation of property, plant and equipment	11	*698*	*701*
Amortization of intangible assets other than goodwill	10	*512*	*474*
Impairment losses on non-current assets		*54*	*63*
Increase/(decrease) in provisions	21	*266*	*56*
Losses/(gains) on disposals of assets		*(10)*	*206*
Difference between tax paid and tax expense		*(137)*	*(2)*
Other non-cash adjustments		*96*	*66*
Net cash provided by operating activities		**3,651**	**4,012**
Decrease/(increase) in accounts receivables		326	22
Decrease/(increase) in inventories and work in progress		(153)	209
(Decrease)/increase in accounts payable		344	(41)
Decrease/(increase) in other current assets and liabilities		267	80
Change in working capital requirement		**784**	**270**
TOTAL I – CASH FLOWS FROM OPERATING ACTIVITIES		**4,435**	**4,282**
Purchases of property, plant and equipment	11	(485)	(506)
Proceeds from disposals of property, plant and equipment		55	38
Purchases of intangible assets	10	(332)	(338)
Net cash used by investment in operating assets		**(762)**	**(806)**
Acquisitions and disposals of businesses, net of cash acquired & disposed	2	(2,393)	(79)
Other long-term investments		11	59
Increase in long-term pension assets		(106)	(90)
Sub-total		**(2,488)**	**(110)**
TOTAL II – CASH FLOWS FROM / (USED IN) INVESTING ACTIVITIES		**(3,250)**	**(916)**
Issuance of bonds	22	2,444	964
Repayment of bonds	22	(500)	(500)
Sale/(purchase) of own shares		(50)	(266)
Increase/(decrease) in other financial debt		1,032	(1,078)
Increase/(decrease) of share capital	19	43	168
Transaction with non-controlling interests*	2	1,141	–
Dividends paid to Schneider Electric's shareholders	19	(1,413)	(1,296)
Dividends paid to non-controlling interests		(112)	(117)
TOTAL III – CASH FLOWS FROM / (USED IN) FINANCING ACTIVITIES		**2,585**	**(2,125)**
TOTAL IV – NET FOREIGN EXCHANGE DIFFERENCE		**(403)**	**(18)**
TOTAL V – EFFECT OF DISCONTINUED OPERATIONS		**–**	**(59)**
INCREASE/(DECREASE) IN NET CASH AND CASH EQUIVALENTS: I +II +III +IV +V		**3,367**	**1,164**
Net cash and cash equivalents, beginning of the period	18	3,395	2,231
Increase/(decrease) in cash and cash equivalents		3,367	1,164
NET CASH AND CASH EQUIVALENTS, END OF THE PERIOD	18	**6,762**	**3,395**

* In 2020, the Group received EUR 1,141 million of cash from AVEVA's minority interests, following the increase of capital realized by the latter, to finance the on-going acquisition of OSISoft (Note 2).

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

3. Consolidated balance sheet

Assets

(in millions of euros)	Note	Dec. 31, 2020	Dec. 31, 2019
NON-CURRENT ASSETS:			
Goodwill, net	9	19,956	18,719
Intangible assets, net	10	5,033	4,647
Property, plant and equipment, net	11	3,619	3,680
Investments in associates and joint ventures	12	598	533
Non-current financial assets	13	776	645
Deferred tax assets	14	1,984	2,004
TOTAL NON-CURRENT ASSETS		**31,966**	**30,228**
CURRENT ASSETS:			
Inventories and work in progress	15	2,883	2,841
Trade and other operating receivables	16	5,626	5,953
Other receivables and prepaid expenses	17	2,094	2,087
Current financial assets		18	19
Cash and cash equivalents	18	6,895	3,592
TOTAL CURRENT ASSETS		**17,516**	**14,492**
Assets held for sale & discontinued operations		–	283
TOTAL ASSETS		**49,482**	**45,003**

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

3. Consolidated balance sheet

Liabilities

(in millions of euros)	Note	Dec. 31, 2020	Dec. 31, 2019
EQUITY:	19		
Share capital		2,268	2,328
Additional paid in capital		2,248	3,134
Retained earnings		17,648	16,034
Translation reserve		(1,541)	65
Equity attributable to owners of the parent		**20,623**	**21,561**
Non-controlling interests		3,104	1,579
TOTAL EQUITY		**23,727**	**23,140**
NON-CURRENT LIABILITIES:			
Pensions and other post-employment benefit obligations	20	1,708	1,806
Other non-current provisions	21	930	940
Non-current financial liabilities	22	8,196	6,405
Deferred tax liabilities	14	917	1,021
Other non-current liabilities		1,109	883
TOTAL NON-CURRENT LIABILITIES		**12,860**	**11,055**
CURRENT LIABILITIES:			
Trade and other operating payables		4,664	4,215
Accrued taxes and payroll costs		3,413	3,147
Current provisions	21	1,000	794
Other current liabilities		1,558	1,428
Current debt	22	2,260	979
TOTAL CURRENT LIABILITIES		**12,895**	**10,563**
Liabilities held for sale & discontinued operations		–	245
TOTAL EQUITY AND LIABILITIES		**49,482**	**45,003**

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

4. Consolidated statement of changes in equity

(in millions of euros)	Number of shares (thousands)	Capital	Additional paid-in capital	Treasury Shares	Retained earnings	Translation Reserve	Equity attributable to owners of the parent	Non-controlling interests	Total
Dec. 31, 2018	**579,169**	**2,317**	**2,977**	**(2,982)**	**18,703**	**(233)**	**20,782**	**1,482**	**22,264**
IFRIC 23 impact					(223)		**(223)**		**(223)**
Jan. 1, 2019	**579,169**	**2,317**	**2,977**	**(2,982)**	**18,480**	**(233)**	**20,559**	**1,482**	**22,041**
Profit for the year					2,413		**2,413**	110	**2,523**
Other comprehensive income					(311)	298	**(13)**	35	**22**
Comprehensive income for the year	**–**	**–**	**–**	**–**	**2,102**	**298**	**2,400**	**145**	**2,545**
Capital increase	2,676	10	151				**161**		**161**
Exercise of 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)**
Dec. 31, 2019	**582,069**	**2,328**	**3,134**	**(3,248)**	**19,282**	**65**	**21,561**	**1,579**	**23,140**
Profit for the year					2,126		**2,126**	112	**2,238**
Other comprehensive income					(249)	(1,606)	**(1,855)**	(43)	**(1,898)**
Comprehensive income for the year	**–**	**–**	**–**	**–**	**1,877**	**(1,606)**	**271**	**69**	**340**
Capital increase			43				**43**		**43**
Exercise of performance shares							**–**		**–**
Dividends					(1,413)		**(1,413)**	(112)	**(1,525)**
Change in treasury shares	(15,000)	(60)	(929)	(50)	989		**(50)**		**(50)**
Share-based compensation expense					140		**140**	5	**145**
Other					71		**71**	1,563	**1,634**
Dec. 31, 2020	**567,069**	**2,268**	**2,248**	**(3,298)**	**20,946**	**(1,541)**	**20,623**	**3,104**	**23,727**

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

5. Notes to the consolidated financial statements

Note

Please note

All amounts are 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, 2020 were authorized for issue by the Board of Directors on February 10, 2021. They will be submitted to shareholders for approval at the Annual General Meeting of April 28, 2021.

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

COVID-19 pandemic

Impact of the spread of the COVID-19 and Strategy of the Group

The COVID-19 pandemic and the actions taken in response to its spread have resulted in disturbances to the Group's business operations, and supply chain in the course of the year.

In this context, the Group has been coordinating its teams globally, regionally and locally to ensure business continuity and focused on the following key elements: health, business continuity, cash & costs, rebound with customers, taking care of communities through the launch of "Tomorrow Rising Fund".

While the first initiatives included ensuring the health and safety of its employees, the Group also adapted some facilities to assist in the production of essential medical equipment. The supply chain organization instituted a global management team that has been tracking evolution of the situation in real time. The Group focused on enhancing the digital customer experience, while establishing communities and partnerships, and provided multiple digital interactions and trainings to customers across the world. The Group also accelerated its medium-term cost efficiency plan, and implemented specific tactical savings across the organization, leveraging its multi-local model.

Government grants

The Group did not benefit from significant grants established by the countries impacted by the pandemic and chose not to resort to the exceptional liquidity support schemes proposed by the French state to overcome the crisis. The Group however benefited from deferral of payment of various tax and social charges across the world, generating temporary positive cash impact that will be compensated in 2021.

Risks and uncertainties

The Group demonstrated the agility and resilience of its global supply chain while coordinating and regionally managing supply chain organization to enable quick decision making and flexibility. The crisis did not reveal new risks factors for the Group.

Liquidity and balance sheet position

At December 31, 2020, the Group has a total liquidity of around EUR 10.7 billion, including cash & cash equivalents and undrawn available committed credit lines. The Group has sufficient liquidity for debt repayments, funding acquisitions that have been already announced, and its operations for at least the year to come. The Group working capital was assessed with the same accounting policies, principles and methodologies used for the full year 2019 consolidated financial statements. There was no material impairment booked in the income statement as at December 31, 2020.

Impairment of assets

The Group expects to emerge strong from the crisis and recover its sales & margin level in the near perspective and has therefore restated its adjusted EBITA margin ambition for 2022.

The Group performed the annual impairment test of all the Cash Generating Units (CGUs) using the same methodology as the one used on previous periods and described in note 1.11. Following the performance of these tests, the Group concluded that there was no risk of impairment at December 31, 2020. The respective headrooms have not been significantly impacted by the crisis.

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, 2020. The same accounting methods were used as for the consolidated financial statements for the year ended December 31, 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, 2020:

- amendments to IFRS 16 – *Leases COVID-19-Related Rent Concessions;*
- amendments to IFRS 3 – *Business Combinations;*
- amendments to IFRS 9, IAS 39 and IFRS 7 – *Interest Rate Benchmark Reform;*
- amendments to IAS 1 and IAS 8 – *Definition of Material;*
- annual improvements to References to the Conceptual Framework in IFRS Standards.

The Group did not apply the following standards and interpretations for which mandatory application is subsequent to December 31, 2020:

- standards adopted by the European Union:
  - amendments to IFRS 4 – *Contracts – Deferral of IFRS 9;*
  - amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 – *Interest Rate Benchmark Reform – Phase 2.*

- standards not yet adopted by the European Union:
  - IFRS 17 – Insurance Contracts
  - amendments to IAS 1 – *Presentation of Financial Statements: Classification of Liabilities as Current or Non-current – Deferral of effective date;*
  - amendments to IFRS 3 – *Business Combinations;*
  - amendments to IAS 16 – *Property, Plant and Equipment;*
  - amendments to IAS 37 – *Provisions, Contingent Liabilities and Contingent Assets;*
  - Annual Improvements 2018-2020.

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, 2020. At this stage of analysis, the Group does not expect any material impact on its consolidated financial statements.

Effects of IFRS 16

Leases COVID-19-Related Rent Concessions

On 28 May 2020, the IASB issued Covid-19-Related Rent Concessions – amendment to IFRS 16 – *Leases*. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient authorized by the amendment, Schneider Electric elected, for the concessions that meet the amendment's criteria, not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. The amendment applies to annual reporting periods beginning on or after 1 January 2020. This amendment had no significant impact on the consolidated financial statements of the Group and the total incentives provided by lessors for the Group amount to around 2 million euros.

IFRIC decision – Lease term and useful life of non-removable leasehold improvements

The November 2019 IFRIC decision has been applied by the Group as of December 2020 with retroactive effect. For this purpose, remaining useful life of leasehold improvements have been compared to the duration defined for IFRS 16 on a case by case basis. Furthermore, all contracts classified as short-term leases because considered as not enforceable beyond 12 months were reviewed, to ensure that the most probable duration was considered as the IFRS 16 duration. Any deviation identified has been adjusted and the total impact of those corrections is not significant for the Group.

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 1.11);
- the measurement of the recoverable amount of non-current financial assets (Note 1.12 and Note 13);
- the realizable value of inventories and work in progress (Note 1.13);
- the recoverable amount of trade and other operating receivables (Note 1.14);
- the valuation of share-based payments (Note 1.20);
- the calculation of provisions or risk contingencies (Note 1.21);
- the measurement of pension and other post-employment benefit obligations (Note 1.19 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 1.11 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 2020.

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 1.23.

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.

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 include right-of-use assets, in accordance with the recommended treatment in IFRS 16 Leases, and as described in the following note.

1.10 Leases

The Group has adopted IFRS 16 on January 1, 2019, according to the modified retrospective approach.

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.

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.

5. Notes to the consolidated financial statements

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.).

The obligation is recorded under other current debt and other non-current liabilities.

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. They are recognized as tangible assets, in the Balance Sheet. 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).

According to the recommendation of IFRIC, on a case by case analysis and based on Real Estate teams' expertise, experience strategy and projects, the Group is determining the most probable duration to perform our calculations. 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.

IFRS 16 debt by maturity:

(in millions of euros)	**Dec. 31, 2020**	Dec. 31, 2019
2020	–	258
2021	250	201
2022	208	182
2023	165	138
2024	122	105
2025	86	71
2026	67	56
2027	55	45
2028 and beyond	125	74
TOTAL	**1,078**	**1,130**

1.11 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 6.8% at December 31, 2020 (6.9% at December 31, 2019). This rate is based on (i) a long-term interest rate of 0.53%, 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 2020, 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%, 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 7.4% for *Low Voltage*, 7.7% for *Medium Voltage*, 7.6% for *Secure Power*, and 7.5% for *Industrial Automation*.

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.

1.12 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.

1.13 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).

1.14 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.

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

1.15 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.

1.16 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.

1.17 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 bank deposits, 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.

1.18 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.

1.19 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/loss".

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.

1.20 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).

1.21 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 are presented under “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 includes only direct expenditure arising from the restructuring.

1.22 Financial liabilities

Financial liabilities primarily comprise bonds, commercial paper 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.

1.23 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.

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 an 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.

1.24 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.

1.25 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.

1.26 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 RIB Software SE

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 1.5 billion. On March 25, 2020, the Group acquired approximately 9.99% of the capital of the company, outside the takeover offer. On July 10, 2020, the Group announced the successful completion of the voluntary public takeover offer. As of December 31, 2020, the Group owns 87.64% of the capital of RIB Software, fully consolidated within *Energy Management* reporting segment. The consideration paid amounts to EUR 1,075 million (net of cash acquired).

The purchase accounting resulting from the acquisition is not completed at the closing date. As of December 31, 2020, the net purchase accounting adjustments amount to EUR 228 million and result mainly from the identification of intangible assets (technologies, trademark and customer relationship). The preliminary Goodwill recognized amounts to EUR 1,114 million as of December 31,2020.

The Group holds a put option agreement on 9.1% of minority interests, valued at EUR 137 million (EUR 29 per share), with a maturity in 2024. This debt has been recognized within “Other non-current liabilities”.

ProLeiT

On August 4, 2020, the Group acquired ProLeiT AG and fully consolidated it in *Industrial Automation* reporting segment since August 1, 2020. The consideration paid in cash amounts to EUR 84 million (net of cash acquired). As of December 31, 2020, the Group recognized intangible assets for a preliminary amount of EUR 31 million (technologies, trademark and customer relationship), and an amount of Goodwill of EUR 91 million.

Larsen & Toubro

On May 1st, 2018, Schneider Electric, partnering with Temasek, a global investment company headquartered in Singapore, reached an agreement to buy Larsen & Toubro’s Electrical & Automation business.

On August 31, 2020, the Group completed the transaction to combine Schneider Electric India’s Low Voltage and Industrial Automation Products business and Larsen and Toubro (“L&T”) Electrical and Automation business, for a consideration paid of EUR 1,571 million.

Temasek took a 35% stake in the combined business for EUR 530 million. The partnership with Temasek resulted in the dilution of the Group’s interests within Schneider Electric India’s Low Voltage and Industrial Automation Products business, and in the recognition of a gain of EUR 191 million in the Group share of equity.

L&T is fully consolidated since September 1, 2020, and reports within the *Energy Management* reporting segment.

The purchase accounting as per IFRS 3R is not completed as of December 31, 2020. The net adjustment of the opening balance sheet is EUR 316 million, resulting mainly from the booking of a preliminary amount of identifiable intangible assets (mainly customer relationship, technology and trademark), and the assessment of some contingent liabilities (mainly related to risks identified in contracts). This adjustment is subject to change in 2021, notably with the ongoing valuation of the environmental risks. The preliminary Goodwill recognized amounts to EUR 1,020 million as of December 31,2020.

Planon

On December 17, 2020, the Group has successfully completed the strategic minority investment in Planon Beheer B.V. (Planon), a leading software provider in Building & Workplace management. As of December 31, 2020, the Group owns 25% of Planon Beheer B.V., which will be accounted for under the equity method in 2021. The consideration paid amounts to in cash EUR 113 million.

OSIsoft, LLC.

On August 25, 2020, AVEVA Group Plc, which is fully consolidated within *Industrial Automation* reporting segment, announced the proposed acquisition of OSIsoft. LLC. for a consideration of USD 5.0 billion. OSIsoft is a global leader in real-time industrial operational data software and services. For the year ended December 31,2019, OSIsoft recognized a revenue of USD 470 million and adjusted EBIT of USD 125 million.

AVEVA has received all antitrust and regulatory clearances required ahead of completion of the acquisition, except for the approval of the Committee on Foreign Investment in the United States (CFIUS). The deal is expected to close in the course of March 2021. The deal will be funded by USD 4.4 billion of cash consideration, of which USD 3.5 billion have already been raised via rights issued to existing shareholders (including Schneider Electric), and USD 0.9 billion from existing cash. The remainder will be funded by a USD 0.6 billion share consideration to be issued to Estudillo Holdings Corp. As of December 31, 2020, the cash received from AVEVA’s minority interests amounts to EUR 1.1 billion.

Disposals

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 was consolidated under *Energy Management* reporting 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. The new Joint Venture is accounted for as an equity method investment in 2020.

Follow-up on acquisitions and divestments occurred in 2019 with significant effect in 2020

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 was previously reported within the *Energy Management* reporting 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 was reported within the *Energy Management* reporting segment. On December 30, 2019, the sale was finalized.

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

Changes in the scope of consolidation at December 31, 2020, decreased the Group's cash position by a net EUR 2,393 million outflow, as described below:

(in millions of euros)	**Full Year 2020**	Full Year 2019
Acquisitions	(2,441)	(172)
of which RIB Software SE	*(1,075)*	–
of which L&T	*(983)*	–
of which others	*(383)*	–
Disposals	48	93
FINANCIAL INVESTMENTS NET OF DISPOSALS	**(2,393)**	**(79)**

The net investment related to Larsen & Toubro for EUR 983 million pertains to the consideration paid by the Group for the acquisition of L&T net of cash acquired and net of the cash contribution received from Temasek for EUR 530 million. The remaining cash outflow is mainly due to RIB Software SE, ProLeiT and Planon acquisitions.

Note 3: Segment information

The Group is organized into two reporting segments as follows:

Energy Management leverages a complete end-to-end technology offering enabled by EcoStruxure and gathers three operating segments: *Low Voltage, Medium Voltage* and *Secure Power* that all share the same objective of managing efficiently and reliably the energy and have similar economic characteristics. 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".

Operating and reporting segment data is identical to that presented to the board of directors, which has been identified as the main decision-making body for allocating resources and evaluating segment performance. Performance and decisions on the allocation of resources are assessed by the board of directors and are mainly 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 business.

The same accounting principles governing the consolidated financial statements apply to segment data.

Details are provided in the Management Report.

5. Notes to the consolidated financial statements

3.1 Information by reporting segment

Full Year 2020

(in millions of euros)	Energy Management	Industrial Automation	Central functions & digital costs	Total
Backlog	7,231	1,765	–	**8,996**
Revenue	19,344	5,815	–	**25,159**
Adjusted EBITA	3,634	992	(700)	**3,926**
Adjusted EBITA (%)	*18.8%*	*17.1%*		**15.6%**

Full Year 2019

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

3.2 Information by region

The geographic regions covered by the Group are:

- Western Europe;
- North America (including Mexico);
- 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.

(in millions of euros)	Western Europe	*of which France*	Asia-Pacific	*of which China*	North America	*of which USA*	Rest of the World	Total
Revenue by country market	6,636	*1,512*	7,509	*4,009*	7,241	*6,303*	3,773	**25,159**
Non-current assets as of Dec. 31, 2020	12,676	*1,889*	5,517	*960*	9,103	*6,651*	1,312	**28,608**

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

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

(in millions of euros)	**Full Year 2020**		Full Year 2019	
Revenue – Mature countries	14,763	*59%*	15,901	*59%*
Revenue – New economies	10,396	*41%*	11,257	*41%*
TOTAL	**25,159**	**100%**	**27,158**	**100%**

Mature countries gather mainly Western Europe and North American countries.

Note 4: Research and development

Research and development costs are as follows:

(in millions of euros)	**Full Year 2020**	Full Year 2019
Research and development costs in costs of sales	(378)	(408)
Research and development costs in R&D costs*	(718)	(657)
Capitalized development costs	(311)	(303)
TOTAL RESEARCH AND DEVELOPMENT COSTS**	**(1,407)**	**(1,368)**

* Including EUR 50 million of research and development tax credit in full year 2020 and EUR 54 million in full year 2019.
** Excluding amortization of R&D costs capitalized.

Amortization expenses of capitalized development, booked in cost of sales, amounted to EUR 245 million in 2020 and EUR 243 million in 2019.

Note 5: Impairment losses, depreciation and amortization expenses

(in millions of euros)	**Full Year 2020**	Full Year 2019
Depreciation and amortization included in cost of sales	(534)	(521)
Depreciation and amortization included in selling, general and administrative expenses	(469)	(481)
Amortization expenses of purchase accounting intangible assets	(207)	(173)
Impairment losses of purchase accounting intangible assets	–	–
IMPAIRMENT LOSSES, DEPRECIATION AND AMORTIZATION EXPENSES	**(1,210)**	**(1,175)**

Note 6: Other operating income and expenses

Other operating income and expenses are as follows:

(in millions of euros)	**Full Year 2020**	Full Year 2019
Gains/(losses) on assets disposals	(4)	(1)
Gains/(losses) on business disposals & assets impairment	(13)	(289)
Costs of acquisitions and integrations	(169)	(98)
Others	(24)	(23)
OTHER OPERATING INCOME AND EXPENSES	**(210)**	**(411)**

In 2020, the costs of acquisition and integrations are mainly related to the ongoing major acquisitions of the year (L&T, RIB Software SE as well as OSIsoft, the latter being expected to close in early 2021).

Note 7: Other financial income and expenses

(in millions of euros)	**Full Year 2020**	Full Year 2019
Exchange gains and losses, net	(36)	(49)
Financial component of defined benefit plan costs	(47)	(53)
Dividends received	5	37
Fair value adjustment of financial assets	(3)	11
Other financial expenses, net	(85)	(78)
OTHER FINANCIAL INCOME AND EXPENSES	**(166)**	**(132)**

Note 8: Income tax expenses

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

8.1 Analysis of income tax expense

(in millions of euros)	**Full Year 2020**	Full Year 2019
Current taxes	(785)	(724)
Deferred taxes	147	34
INCOME TAX (EXPENSE)/BENEFIT	**(638)**	**(690)**

8.2 Tax reconciliation

(in millions of euros)	**Full Year 2020**	Full Year 2019
Profit attributable to owners of the parent	**2,126**	**2,413**
Income tax (expense)/benefit	(638)	(690)
Non-controlling interests	(112)	(110)
Share of profit of associates	66	78
Income of discontinued operations, net of income tax	–	(3)
Profit before tax	**2,810**	**3,138**
Geographical weighted average Group tax rate	23.2%	23.4%
Theoretical income tax expense	**(652)**	**(733)**
Reconciling items:		
Tax credits and other tax reductions	31	147
Impact of tax losses	8	(53)
Other permanent differences	(25)	(51)
INCOME TAX (EXPENSE)/BENEFIT	**(638)**	**(690)**
EFFECTIVE TAX RATE	**22.7%**	**22.0%**

The Company's consolidated income from continuing operations being predominantly generated outside of France, 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).

Note 9: Goodwill

9.1 Main items of goodwill

Group goodwill is broken down by CGUs as follows:

(in millions of euros)	**Dec. 31, 2020**	Dec. 31, 2019
Energy Management:	**12,831**	**11,210**
Low Voltage	*7,981*	*6,040*
Medium Voltage	*1,780*	*1,957*
Secure Power	*3,070*	*3,213*
Industrial Automation	**7,125**	**7,509**
TOTAL GOODWILL	**19,956**	**18,719**

The Group performed the annual impairment test of all the Cash Generating Units (CGUs) using the same methodology as the one used on previous periods and described in Note 1.11.

Impairment tests performed in 2020 did not trigger any impairment losses on the CGUs' assets. Following the crisis, the update of business plans did not impact significantly the respective headrooms and the values of long-term assets.

The sensitivity analysis on the test hypothesis shows that no impairment losses would be recognized in each of the following scenarios, for each CGU:

- 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.

9.2 Movements during the year

The main movements during the year are summarized as follows:

(in millions of euros)	**Dec. 31, 2020**	Dec. 31, 2019
Net goodwill at opening	**18,719**	**18,373**
Acquisitions	2,287	64
Disposals	–	(33)
Reclassifications	–	(3)
Translation adjustment	(1,050)	318
NET GOODWILL AT END OF PERIOD	**19,956**	**18,719**
including cumulative impairment	*(367)*	*(366)*

Acquisitions

Goodwill generated by acquisitions made during the year totaled EUR 2,287 million and was mainly related to RIB and L&T acquisitions, described in Note 2.1.

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

Other changes

Translation adjustments mainly concern goodwill in US dollar and UK pound sterling.

Note 10: Intangibles assets

10.1 Change in intangible assets

Gross value

(in millions of euros)	Trademarks	Software	Development Projects (R&D)	Acquired technologies and customer relationships	Other	Total
Dec. 31, 2018	**3,004**	**890**	**3,123**	**2,842**	**246**	**10,105**
Acquisitions	–	22	303	–	13	**338**
Translation adjustments	36	4	19	76	9	**144**
Reclassifications	–	45	7	–	(52)	**–**
Changes in scope of consolidation and other	(450)	(43)	(137)	(227)	(14)	**(871)**
Dec. 31, 2019	**2,590**	**918**	**3,315**	**2,691**	**202**	**9,716**
Acquisitions	–	19	311	–	2	**332**
Translation adjustments	(166)	(31)	(100)	(223)	(48)	**(568)**
Reclassifications	–	53	(64)	–	11	**–**
Changes in scope of consolidation and other	71	5	16	824	(1)	**915**
Dec. 31, 2020	**2,495**	**964**	**3,478**	**3,292**	**166**	**10,395**

Amortization and impairment

(in millions of euros)	Trademarks	Software	Development Projects (R&D)	Acquired technologies and customer relationships	Other	Total
Dec. 31, 2018	**(748)**	**(791)**	**(1,912)**	**(1,580)**	**(200)**	**(5,231)**
Depreciations	–	(51)	(243)	(171)	(9)	**(474)**
Impairments	–	–	(70)	–	–	**(70)**
Translation adjustments	1	(2)	(12)	(30)	(4)	**(47)**
Reclassifications	–	–	–	–	–	**–**
Changes in scope of consolidation and other	327	43	126	243	14	**753**
Dec. 31, 2019	**(420)**	**(801)**	**(2,111)**	**(1,538)**	**(199)**	**(5,069)**
Depreciations	(4)	(53)	(245)	(201)	(9)	**(512)**
Impairments	–	–	(8)	–	(9)	**(17)**
Translation adjustments	–	23	72	93	54	**242**
Reclassifications	–	–	–	–	–	**–**
Changes in scope of consolidation and other	–	(3)	–	(3)	–	**(6)**
Dec. 31, 2020	**(424)**	**(834)**	**(2,292)**	**(1,649)**	**(163)**	**(5,362)**

Net value

(in millions of euros)	Trademarks	Software	Development Projects (R&D)	Acquired technologies and customer relationships	Other	Total
Dec. 31, 2018	**2,256**	**99**	**1,211**	**1,262**	**46**	**4,874**
Dec. 31, 2019	**2,170**	**117**	**1,204**	**1,153**	**3**	**4,647**
Dec. 31, 2020	**2,071**	**130**	**1,186**	**1,643**	**3**	**5,033**

In 2020, change in intangible assets is mainly related to the acquisitions of "L&T" and of RIB Software SE.

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

(in millions of euros)	**Full year 2020**	Full year 2019
Depreciation expenses of intangibles assets other than goodwill	512	474
Impairments losses of intangible assets other than goodwill	17	70
TOTAL*	**529**	**544**

* Includes depreciation & impairment of intangible assets from purchase price allocation for EUR 207 million for the year 2020 (EUR 173 million in 2019)

10.2 Trademarks

At December 31, 2020, the main trademarks recognized were as follows:

(in millions of euros)	**Dec. 31, 2020**	Dec. 31, 2019
APC (*Secure Power*)	1,512	1,650
Clipsal (*Low Voltage*)	160	159
Asco (*Low Voltage*)	102	111
Aveva (*Industrial Automation*)	78	83
L&T (*Low Voltage*)	58	–
Invensys – Triconex and Foxboro (*Industrial Automation*)	45	49
Digital (Industrial Automation)	43	45
Other	73	73
TRADEMARKS	**2,071**	**2,170**

All the above trademarks are considered to have an indefinite life. In 2020, the Group reviewed the value of the main trademarks in accordance with valuation model describe in Note 1.8 – Intangibles assets. Particularly, APC brand was tested using the royalty relief method. The future cash flows used are based on Group management's economic assumptions and operating forecasts presented in Secure Power's business plan, and then extrapolated based on a perpetuity growth rate of 2%.

Impairment tests carried out on main trademarks in 2020 did not show any impairment risk.

The sensitivity 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 2020 are mainly related to the scope changes mentioned in the Note 2 and include the impacts of IFRS 16 – *Leases.*

Gross value

(in millions of euros)	Land	Buildings	Machinery and equipments	Other	Rights of use of assets (IFRS 16)	Total
Dec. 31, 2018	**150**	**1,867**	**4,509**	**1,096**	**–**	**7,622**
IFRS 16 first application	–	–	–	–	1,242	**1,242**
Jan. 1, 2019	**150**	**1,867**	**4,509**	**1,096**	**1,242**	**8,864**
Acquisitions	–	38	137	336	187	**698**
Disposals	(2)	(48)	(178)	(41)	(25)	**(294)**
Translation adjustments	1	22	41	15	3	**82**
Reclassifications	–	106	121	(235)	–	**(8)**
Changes in scope of consolidation and other	(8)	(42)	(65)	(17)	–	**(132)**
Dec. 31, 2019	**141**	**1,943**	**4,565**	**1,154**	**1,407**	**9,210**
Acquisitions	3	44	91	361	296	**795**
Disposals	(2)	(41)	(158)	(78)	(57)	**(336)**
Translation adjustments	(12)	(79)	(183)	(64)	(71)	**(409)**
Reclassifications	(2)	66	193	(262)	–	**(5)**
Changes in scope of consolidation and other	53	57	89	35	44	**278**
Dec. 31, 2020	**181**	**1,990**	**4,597**	**1,146**	**1,619**	**9,533**

Amortization and impairment

(in millions of euros)	Land	Buildings	Machinery and equipments	Other	Rights of use of assets (IFRS 16)	Total
Dec. 31, 2018	**(20)**	**(972)**	**(3,534)**	**(575)**	**–**	**(5,101)**
IFRS 16 first application	–	–	–	–		–
Jan. 1, 2019	**(20)**	**(972)**	**(3,534)**	**(575)**	**–**	**(5,101)**
Depreciation and impairment	(1)	(91)	(254)	(64)	(294)	**(704)**
Reversals	1	34	173	34	2	**244**
Translation adjustments	–	(11)	(33)	(7)	–	**(51)**
Reclassifications	–	(38)	24	22	–	**8**
Changes in scope of consolidation and other	2	8	56	8	–	**74**
Dec. 31, 2019	**(18)**	**(1,070)**	**(3,568)**	**(582)**	**(292)**	**(5,530)**
Depreciation and impairment	(1)	(85)	(245)	(67)	(306)	**(704)**
Reversals	1	29	137	46	4	**217**
Translation adjustments	(3)	29	130	25	16	**197**
Reclassifications	–	(4)	2	10	–	**8**
Changes in scope of consolidation and other	(2)	(21)	(49)	(24)	(6)	**(102)**
Dec. 31, 2020	**(23)**	**(1,122)**	**(3,593)**	**(592)**	**(584)**	**(5,914)**

Net value

(in millions of euros)	Land	Buildings	Machinery and equipments	Other	Rights of use of assets (IFRS 16)	Total
Dec. 31, 2018	**130**	**895**	**975**	**521**	**–**	**2,521**
Dec. 31, 2019	**123**	**873**	**997**	**572**	**1,115**	**3,680**
Dec. 31, 2020	**158**	**868**	**1,004**	**554**	**1,035**	**3,619**

Reclassifications primarily correspond to assets put into use.

The cash impact of purchases of property, plant and equipment in 2020 was as follows:

(in millions of euros)	Full year 2020	Full year 2019
Increase in property, plant and equipment	(795)	(698)
Of which non-cash impact related to IFRS 16	296	187
Changes in receivables and liabilities on property, plant and equipment	14	5
TOTAL	**(485)**	**(506)**

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

(in millions of euros)	Full year 2020	Full year 2019
Depreciation of property, plant and equipment	698	701
Impairment of property, plant and equipment	6	3
TOTAL	**704**	**704**

Note 12: Investments in associates and joint ventures

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

(in millions of euros)	Delixi Sub-Group	Fuji Electrics	Electroshield Samara*	Sunten Electric Equipments	Other	**Total**
% of interest						
Dec. 31, 2019	50.0%	36.8%		25.0%		
Dec. 31, 2020	50.0%	36.8%	60.0%	25.0%		
CLOSING VALUE DEC. 31, 2018	**269**	**136**	**–**	**45**	**80**	**530**
Net Income/(loss)	65	9	–	1	3	**78**
Dividends distribution	(15)	(6)	–	(7)	(10)	**(38)**
Perimeter changes	–	–	–	–	(45)	**(45)**
Translation impacts & others	1	2	–	3	2	**8**
CLOSING VALUE DEC. 31, 2019	**320**	**141**	**–**	**42**	**30**	**533**
Net Income/(loss)	73	5	(15)	4	(1)	**66**
Dividends distribution	(18)	(2)	–	–	(2)	**(22)**
Perimeter changes	–	–	33	–	3	**36**
Translation impacts & others	(8)	(4)	(8)	(2)	7	**(15)**
CLOSING VALUE DEC. 31, 2020	**367**	**140**	**10**	**44**	**37**	**598**

* In 2020, Schneider Electric established a Joint Venture for Electroshield Samara, fully consolidated until 2019, with the Russian Direct Investment Fund (RDIF).

Note 13: Non-current financial assets

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

		Dec. 31, 2020					Dec. 31, 2019
(in millions of euros)	% of interest	**Acquisitions & Disposals**	**Fair value through P&L**	**Fair value through Equity**	**FX & others**	**Fair value**	Fair value
LISTED FINANCIAL ASSETS:							
NVC Lighting		(6)	–	(3)	–	–	9
PLEJD		(6)	–	(1)	–	–	7
Gold Peak Industries Holding Ltd	4.4%	–	–	(1)	–	2	3
TOTAL LISTED FINANCIAL ASSETS		**(12)**	**–**	**(5)**	**–**	**2**	**19**
UNLISTED FINANCIAL ASSETS:							
Funds							
Foundries		51	1	7	1	146	86
FCPR Aster II (part A, B, C and D)	38.3%	–	1	–	(12)	36	47
Sensetime & Stalagnate Fund China		7	–	–	–	40	33
FCPR Growth	100.0%	(23)	–	–	–	–	23
FCPR SEV1	100.0%	–	(2)	–	–	20	22
SICAV SESS	63.1%	–	–	–	–	11	11
FCPI Energy Access Ventures Fund	30.4%	5	(2)	–	1	13	9
SICAV Livehoods Fund SIF	15.2%	–	(1)	–	–	3	4
Direct investments							
Planon	25.0%	113	–	–	–	113	–
Alpi	100%	–	–	–	–	26	26
Star Charge	1.5%	15	–	–	–	15	–
Raise Funadation	4.8%	–	–	–	–	9	9
EasyDrive	51.0%	–	–	–	(8)	–	8
Schneider Electric Energy Access	81.1%	1	–	–	–	4	3
Itris Automation	100%	–	–	–	–	3	3
Others (Unit gross value lower than EUR 3 million)		1	–	–	–	8	7
TOTAL UNLISTED FINANCIAL ASSETS		**170**	**(3)**	**7**	**(18)**	**447**	**291**
PENSIONS ASSETS		**(3)**	**4**	**(93)**	**(13)**	**146**	**251**
OTHER		**(5)**	**–**	**(1)**	**103**	**181**	**84**
TOTAL NON-CURRENT FINANCIAL ASSETS		**150**	**1**	**(92)**	**72**	**776**	**645**

Changes in fair value for listed financial assets are recorded through "Other Comprehensive Income" since 2017 (Note 1.12). 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:

(in millions of euros)	**Dec. 31, 2020**	Dec. 31, 2019
Tax loss carryforwards (net)	738	722
Provisions for pensions and other post-retirement benefit obligations (net)	371	347
Non-deductible provisions and accruals (net)	405	332
Differences between tax and accounting depreciation on tangible assets (net)	37	5
Differences between tax and accounting amortization on intangible assets (net)	(934)	(892)
Differences on working capital (net)	171	203
Other deferred tax assets/(liabilities) (net)	279	266
TOTAL NET DEFERRED TAX ASSETS/(LIABILITIES)	**1,067**	**983**
of which total deferred tax assets	*1,984*	*2,004*
of which total deferred tax liabilities	*917*	*1,021*

Deferred tax assets recorded in respect of tax losses carried forward at December 31, 2020 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 to EUR 176 million as at December 31, 2020 and are mainly related to Spain.

Note 15: Inventories and work in progress

Inventories and work in progress changed as follows:

(in millions of euros)	**Dec. 31, 2020**	Dec. 31, 2019
COST:		
Raw materials	1,240	1,205
Production work in progress	235	228
Semi-finished and finished products	1,085	1,127
Finished goods	516	402
Solution work in progress	167	167
INVENTORIES AND WORK IN PROGRESS AT COST	**3,243**	**3,129**
IMPAIRMENT:		
Raw materials	(191)	(130)
Production work in progress	(6)	(4)
Semi-finished and finished products	(151)	(142)
Finished goods	(8)	(7)
Solution work in progress	(4)	(5)
IMPAIRMENT LOSS	**(360)**	**(288)**
NET:		
Raw materials	1,049	1,075
Production work in progress	229	224
Semi-finished and finished products	934	985
Finished goods	508	395
Solution work in progress	163	162
INVENTORIES AND WORK IN PROGRESS, NET	**2,883**	**2,841**

Note 16: Trade accounts receivable

(in millions of euros)	**Dec. 31, 2020**	Dec. 31, 2019
Accounts receivable	4,482	4,819
Unbilled revenue	1,231	1,137
Notes receivable	308	223
Advances to suppliers	115	233
Accounts receivable at cost	**6,136**	**6,412**
Impairment	(510)	(459)
ACCOUNTS RECEIVABLE, NET	**5,626**	**5,953**
On time	*4,906*	*5,135*
Less than one month past due	*389*	*391*
One to two months past due	*150*	*179*
Two to three months past due	*85*	*124*
Three to four months past due	*46*	*58*
More than four months past due	*50*	*66*

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:

(in millions of euros)	**Full year 2020**	Full year 2019
Provisions for impairment on January 1	**(459)**	**(479)**
Additions	(141)	(107)
Utilizations	91	58
Reversal of surplus provisions	51	38
Translation adjustments	37	(6)
Changes in scope of consolidation and other	(89)	37
PROVISIONS FOR IMPAIRMENT ON DECEMBER 31	**(510)**	**(459)**

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

(in millions of euros)	**Dec. 31, 2020**	Dec. 31, 2019
Unbilled revenue (contract assets)	1,231	1,137
Contract liabilities	(1,193)	(1,069)
NET CONTRACT ASSETS	**38**	**68**

Note 17: Other receivables and prepaid expenses

(in millions of euros)	**Dec. 31, 2020**	Dec. 31, 2019
Other receivables	632	680
Other tax receivables	1,198	1,097
Derivative instruments	107	75
Prepaid expenses	157	235
OTHER RECEIVABLES AND PREPAID EXPENSES	**2,094**	**2,087**

Note 18: Cash and cash equivalents

(in millions of euros)	**Dec. 31, 2020**	Dec. 31, 2019
Marketable securities	1,942	1,560
Negotiable debt securities and short-term deposits	2,275	193
Cash	2,678	1,839
Total cash and cash equivalents	**6,895**	**3,592**
Bank overdrafts	(133)	(197)
NET CASH AND CASH EQUIVALENTS	**6,762**	**3,395**

Non-recourse factorings of trade receivables were realized in 2020 for a total amount of EUR 100 million, compared with EUR 132 million in 2019.

Note 19: Shareholder's equity

19.1 Capital

Share capital

The company's share capital as at December 31, 2020 amounted to EUR 2,268,274,220 represented by 567,068,555 shares with a par value
of EUR 4, all fully paid up.

As at December 31, 2020, a total of 593,189,057 voting rights were attached to the 567,068,555 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, 2018 were as follows:

(in number of shares and in euros)	Cumulative number of shares	Share capital
CAPITAL AT DEC. 31, 2018	**579,168,769**	**2,316,675,076**
Exercise of stock options	223,768	895,072
Employee share issue	2,676,018	10,704,072
CAPITAL AT DEC. 31, 2019	**582,068,555**	**2,328,274,220**
Cancellation of own shares*	(15,000,000)	(60,000,000)
Employee share issue	–	–
CAPITAL AT DEC. 31, 2020	**567,068,555**	**2,268,274,220**

* Cancellation of 15 million treasury shares on May 31, 2020

On May 31, 2020, the Group decided to cancel 15 million of treasury shares, decreasing the share premium account by EUR 929 million.

On November 24, the Group issued a sustainability-linked convertible bond with a nominal amount of EUR 650 million. This zero-coupon bond of maturity date in 2026 offers investors a premium (0.5% of nominal amount) in case the company underperforms sustainability objectives. The equity component of this convertible bonds has been valued at EUR 43 million and has been recognized in "Additional paid-in capital".

5. Notes to the consolidated financial statements

19.2 Earnings per share

(in thousands of shares and in euros per share)	Full Year 2020 Basic	Full Year 2020 Diluted	Full Year 2019 Basic	Full Year 2019 Diluted
Common shares (Net of treasury shares and own shares)	553,767	553,767	551,067	551,067
Performance shares	–	135	–	6,449
Bonds convertible into shares	–	3,684	–	–
AVERAGE WEIGHTED NUMBER OF SHARES	**553,767**	**557,586**	**551,067**	**557,516**
Earnings per share before tax	5.07	5.04	5.69	5.63
EARNINGS PER SHARE	**3.84**	**3.81**	**4.38**	**4.33**

19.3 Dividends paid and proposed

In 2020, the Group paid out the 2019 dividend of EUR 2.55 per share, for a total of EUR 1,413 million.

At the Shareholders' Meeting of April 28, 2021, shareholders will be asked to approve a dividend of EUR 2.60 per share for fiscal year 2020. As at December 31, 2020 Schneider-Electric SE had distributable reserves in an amount of EUR 4,126 million (versus EUR 6,379 million at the previous year-end), not including profit for the year.

19.4 Share-based payments

Current stock grant plans

The Board of Directors of Schneider Electric SE and later the Management Board have set up performance shares plans for senior executives and certain employees of the Group. The main features of these plans were as follows as at December 31, 2020:

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 24	03/23/2016	03/23/2020	03/23/2020	27,042	–
Plan 26	03/23/2016	03/23/2020	03/23/2020	2,291,200	549,233
Plan 28	03/24/2017	03/24/2020	03/24/2021	25,800	117
Plan 29	03/24/2017	03/24/2020	03/24/2020	2,405,220	280,113
Plan 29 bis	10/25/2017	10/25/2020	10/25/2020	32,400	3,089
Plan 30	03/26/2018	03/26/2021	03/26/2021	25,800	2,383
Plan 31	03/26/2018	03/26/2022	03/26/2022	2,318,140	231,501
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	4,983
Plan 33	03/26/2019	03/28/2022	03/29/2022	2,313,650	128,228
Plan 34	07/24/2019	07/25/2022	07/26/2022	87,110	3,020
Plan 35	10/23/2019	10/24/2022	10/25/2022	17,450	–
Plan 36	03/24/2020	03/24/2023	03/24/2024	18,000	–
Plan 37	03/24/2020	03/24/2023	03/27/2023	2,095,740	26,750
Plan 37 bis	10/21/2020	10/23/2023	10/24/2023	103,051	–
TOTAL				**11,814,403**	**1,229,417**

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 three to four years;
- the lock-up period is zero or one year.

Outstanding shares

In respect of subscription vesting conditions for current performance shares plans, Schneider Electric SE has not created shares in 2020 and used existing treasury shares.

Changes in the number of outstanding number of shares in 2020 were as follow:

Plan no.	Number of performance shares at Dec. 31, 2019	**Number of shares granted or to be granted**	**Number of shares cancelled in 2020**	**Number of performance shares at Dec. 31, 2020**
Plan 24	27,042	(27,042)	–	–
Plan 26	1,760,282	(1,741,967)	(18,315)	–
Plan 28	25,800	(25,683)	(117)	–
Plan 29	2,154,870	(2,125,107)	(29,763)	–
Plan 29 bis	31,800	(29,311)	(2,489)	–
Plan 30	25,800	–	(2,383)	23,417
Plan 31	2,194,990	(3,400)	(104,951)	2,086,639
Plan 31 bis	28,000	–	–	28,000
Plan 32	25,800	–	(4,983)	20,817
Plan 33	2,290,580	(2,900)	(102,258)	2,185,422
Plan 34	86,320	–	(2,240)	84,080
Plan 35	17,450	–	–	17,450
Plan 36	–	18,000	–	18,000
Plan 37	–	2,095,740	(26,750)	2,068,990
Plan 37 bis	–	103,051	(190)	102,861
TOTAL	**8,668,734**	**(1,738,619)**	**(294,439)**	**6,635,676**

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 1.20, 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 2.4% and 3.5%;
- a discount rate of between (0.8)% and 1.0%, corresponding to a risk-free rate over the life of the plans (source: Bloomberg).

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

(in millions of euros)	**Full year 2020**	Full year 2019
Plan 22	–	3
Plan 24	–	–
Plan 25 & 25 bis	1	2
Plan 26 & 26 bis	10	14
Plan 28	–	1
Plan 29 & 29 bis	9	42
Plan 30	1	1
Plan 31 & 31 bis	41	43
Plan 32	–	–
Plan 33	42	33
Plan 34	–	–
Plan 35	1	–
Plan 36	–	–
Plan 37 & 37 bis	28	–
TOTAL	**133**	**139**

In 2020, the Group also recorded an additional expense of EUR 12 million in relation with AVEVA subgroup’s performance shares plan, bringing the total Group expense to EUR 145 million.

5. Notes to the consolidated financial statements

Worldwide Employee Stock Purchase Plan
Every year, 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 lockup 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.

Year 2020
On April 20, 2020, the Management Board took the exceptional decision to cancel this year employee share issues as part of its strategy to deal with the impacts of the Covid-19 pandemic.

Year 2019
The table below summarizes the main characteristics of the 2019 plan, the amounts subscribed, the valuation assumptions and the plan's cost:

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

* 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.

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 cost is higher than the discount cost since 2012. Therefore, the Group did not recognize any cost related to the transaction.

19.5 Schneider Electric SE shares

As at December 31, 2020, the Group held 12,741,481 Schneider Electric shares in treasury stock, which have been recorded as a deduction from retained earnings.

The Group has repurchased 650,307 shares for a total amount of EUR 50 million in 2020.

19.6 Income tax recorded in equity

Total income tax recorded in Equity amounts to EUR 251 million as at December 31, 2020 and can be analyzed as follows:

(in millions of euros)	**Dec. 31, 2020**	Dec. 31, 2019	Change in tax
Cash-Flow hedges	30	48	(18)
Available-for-sale financial assets	(6)	(7)	1
Actuarial gains/(losses) on defined benefits obligations	230	209	21
Other	(3)	(3)	–
TOTAL	**251**	**247**	**4**

19.7 Non-controlling interests

The main contributor is AVEVA, for which 38.6% of the shares correspond to non-controlling interests for the Group. AVEVA, which remains a listed company, is publishing its financial statements on a regular basis.

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 64% (2019: 63%) and 21% (2019: 22%) 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, 2020, 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 and 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, 2020, 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. Following a further High Court ruling in November 2020, an additional net experience adjustment of EUR 7 million was recognized in other comprehensive income in 2020.

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.

5. Notes to the consolidated financial statements

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.

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, 2020	Dec. 31, 2019	**Dec. 31, 2020**	Dec. 31, 2019	**Dec. 31, 2020**	Dec. 31, 2019
Discount rate	1.57%	2.18%	1.40%	2.06%	2.42%	3.26%
Rate of compensation increases	2.52%	3.16%	3.46%	3.34%	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%.

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
Dec 31, 2018	**(8,911)**	**7,901**	**(187)**	**(1,197)**
Service cost	(50)	–	–	(50)
Past service cost	10	–	–	10
Curtailments and settlements	(1)	–	–	(1)
Interest cost	(267)	–	(5)	(272)
Interest income	–	219	–	219
Net impact in P&L, (expense)/profit	**(308)**	**219**	**(5)**	**(94)**
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	–	–	–	–
Dec. 31, 2019	**(10,065)**	**8,633**	**(123)**	**(1,555)**
of which UK	*(6,312)*	*6,556*	*(123)*	*121*
of which US	*(2,209)*	*1,539*	–	*(670)*
Service cost	(54)	–	–	(54)
Past service cost	–	–	–	–
Curtailments and settlements	1	(1)	–	–
Interest cost	(204)	–	(2)	(206)
Interest income	–	159	–	159
Net impact in P&L, (expense)/profit	**(257)**	**158**	**(2)**	**(101)**
of which UK	*(119)*	*118*	*(2)*	*(3)*
of which US	*(69)*	*38*	–	*(31)*
Benefits paid	554	(500)	–	54
Plan participants' contributions	(6)	6	–	–
Employer contributions	–	106	–	106
Changes in the scope of consolidation	(8)	–	–	(8)
Actuarial gains/(losses) recognized in equity	(796)	621	52	(123)
Translation adjustment	562	(503)	6	65
Other changes	–	–	–	–
Dec. 31, 2020	**(10,016)**	**8,521**	**(67)**	**(1,562)**
of which UK	*(6,370)*	*6,459*	*(67)*	*22*
of which US	*(2,140)*	*1,535*	–	*(605)*

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

(in millions of euros)	**Dec. 31, 2020**	Dec. 31, 2019
Present value of wholly or partly funded benefit obligation	(9,356)	(9,350)
Fair value on plan assets	8,521	8,633
Effect of assets ceiling	(66)	(123)
Net position of wholly or partly funded benefit obligation	**(901)**	**(840)**
Present value of wholly or partly unfunded benefit obligation	**(661)**	**(715)**
NET LIABILITY FROM FUNDED AND UNFUNDED PLANS	**(1,562)**	**(1,555)**
Balance Sheet impact:		
*surplus of plans recognized as assets**	*146*	*251*
provisions recognized as liabilities	*(1,708)*	*(1,806)*

* The surplus of plans recognized as assets represents the assets in excess of the liabilities, generally assumed to be recoverable, and after applying any asset ceiling.

Changes in gross items recognized in equity were as follows:

(in millions of euros)	**Full year 2020**	Full year 2019
Actuarials (gains)/losses on Defined Benefit Obligations arising from demographic assumptions	(6)	(37)
Actuarials (gains)/losses on Defined Benefit Obligations arising from financial assumptions	853	989
Actuarials (gains)/losses on Defined Benefit Obligations from experience effects	(51)	72
Actuarials (gains)/losses on plan assets	(621)	(539)
Effect of asset ceiling	(52)	(77)
TOTAL RECOGNIZED IN EQUITY DURING THE PERIOD	**123**	**408**
of which UK	*(111)*	*(162)*
of which US	*(5)*	*(70)*

Plans asset allocation:

(in millions of euros)	**Dec. 31, 2020**	Dec. 31, 2019
Equity	9%	11%
Bonds	80%	74%
Others	11%	15%
TOTAL	**100%**	**100%**

20.2 Sensitivity analysis

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

	Total		United Kingdom		United States		Rest of the World	
(in millions of euros)	+0.5%	-0.5%	+0.5%	-0.5%	+0.5%	-0.5%	+0.5%	-0.5%
DBO Impact	(653)	736	(441)	498	(121)	133	(91)	105

Note 21: Provisions for contingencies and charges

(in millions of euros)	Economic risks	Customer risks	Products risks	Environmental risks	Restructuring	Other risks	Provisions
Dec. 31, 2018	**732**	**73**	**467**	**300**	**122**	**437**	**2,131**
of which long-term portion	*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)
Dec. 31, 2019	**292**	**76**	**499**	**293**	**151**	**423**	**1,734**
of which long-term portion	*155*	*50*	*139*	*256*	*11*	*329*	*940*
Additions	35	33	322	8	324	128	850
Utilizations	(43)	(26)	(172)	(17)	(208)	(132)	(598)
Reversals of surplus provisions	(10)	–	(11)	(3)	(2)	(7)	(33)
Translation adjustments	(19)	(12)	(24)	(22)	(7)	(30)	(114)
Changes in the scope of consolidation and other	20	83	16	–	(8)	(20)	91
Dec. 31, 2020	**275**	**154**	**630**	**259**	**250**	**362**	**1,930**
of which long-term portion	*161*	*103*	*137*	*226*	*15*	*288*	*930*

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

Provisions are recognized following the principles described in Note 1.21.

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 2020**	Full year 2019
Increase of provision	850	616
Utilization of provision	(598)	(522)
Reversal of surplus provision	(33)	(58)
Provision variance including tax provisions but excluding employee benefit obligation	**219**	**36**
Employee benefit obligation net variance contribution to plan assets	47	20
INCREASE/(DECREASE) IN PROVISIONS IN CASH-FLOW STATEMENT	**266**	**56**

Note 22: Total current and non-current financial liabilities

The breakdown of net debt is as follows:

(in millions of euros)	**Dec. 31, 2020**	Dec. 31, 2019
Bonds	8,773	6,888
Other bank borrowings	32	22
Employee profit sharing	–	2
Short-term portion of bonds	(600)	(500)
Short-term portion of long-term debt	(9)	(7)
NON-CURRENT FINANCIAL LIABILITIES	**8,196**	**6,405**
Commercial paper	1,302	–
Accrued interest	43	41
Other short-term borrowings	173	234
Drawdown of funds from lines of credit	–	–
Bank overdrafts	133	197
Short-term portion of convertible and non-convertible bonds	600	500
Short-term portion of long-term debt	9	7
SHORT-TERM DEBT	**2,260**	**979**
TOTAL CURRENT AND NON-CURRENT FINANCIAL LIABILITIES	**10,456**	**7,384**
CASH AND CASH EQUIVALENTS	**(6,895)**	**(3,592)**
NET DEBT	**3,561**	**3,792**

22.1 Breakdown by maturity

(in millions of euros)	Dec. 31, 2020 Nominal	Dec. 31, 2020 Interests	Dec. 31, 2019 Nominal
2020	–	–	996
2021	2,260	92	599
2022	673	77	710
2023	1,295	58	796
2024	996	49	995
2025	1,045	41	1,044
2026	1,396	35	742
2027 and beyond	2,791	23	1,502
TOTAL	**10,456**	**375**	**7,384**

22.2 Breakdown by currency

(in millions of euros)	Dec. 31, 2020	Dec. 31, 2019
Euro	9,537	6,239
US Dollar	698	793
Brazilian Real	13	66
Indian Rupee	112	45
Sterling Pound	–	32
Russian Rouble	–	29
Algerian Dinar	23	20
Chilian Peso	–	18
Other	73	142
TOTAL	**10,456**	**7,384**

22.3 Bonds

(in millions of euros)	Dec. 31, 2020	Dec. 31, 2019	Interest rate	Maturity
Schneider Electric SE 2020	–	500	3.625% fixed	July 2020
Schneider Electric SE 2021	600	599	2.500% fixed	September 2021
Schneider Electric SE 2022	651	710	2.950% fixed	September 2022
Schneider Electric SE 2023	498	–	0.000% fixed	June 2023
Schneider Electric SE 2023	797	796	1.500% fixed	September 2023
Schneider Electric SE 2024	996	995	0.250% fixed	September 2024
Schneider Electric SE 2025	745	744	0.875% fixed	March 2025
Schneider Electric SE 2025	300	300	1.841% fixed	October 2025
Schneider Electric SE 2026 (OCEANEs)	651	–	0.000% fixed	June 2026
Schneider Electric SE 2026	745	742	0.875% fixed	December 2026
Schneider Electric SE 2027	496	–	1.000% fixed	April 2027
Schneider Electric SE 2027	743	742	1.375% fixed	June 2027
Schneider Electric SE 2028	758	760	1.500% fixed	January 2028
Schneider Electric SE 2028	793	–	0.250% fixed	March 2029
TOTAL	**8,773**	**6,888**		

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, 2020 are as follow:
  - EUR 600 million worth of bonds issued in September 2013, at a rate of 2.5%, maturing in September 2021;
  - EUR 500 million worth of bonds issued in June 2020, at a rate of 0.0%, maturing in June 2023;
  - 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 500 million worth of bonds issued in April 2020, at a rate of 1.00%, maturing in April 2027;
  - 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;
  - EUR 800 million worth of bonds issued in March 2020, at a rate of 0.25%, maturing in March 2029.

In addition, the Group has issued a bond that is convertible into or exchangeable for a new or existing shares (OCEANEs) for EUR 650 million at a rate of 0.00%, maturing in June 2026. The OCEANE has a debt component, assessed on inception date on the basis of the market interest rate applied to an equivalent non-convertible bond, recognized in non-current financial debts and an optional component recognized in equity. At end of December 2020, the debt component is evaluated at EUR 652 million and the optional component at EUR 42 million.

The initial conversion and/or exchange ratio of the Bonds is one share per Bond with a nominal value set at EUR 176. According to Sustainability-Linked Financing Framework, if the average sustainability performance score (calculated as the arithmetic average of the scores of the three key performance indicators) does not reach a certain level by December 31, 2025, the Group will pay an amount equal to 0.50% of the face value.

The three key performance indicators from the 11 new Schneider Sustainability Impact (SSI) 2021-2025 indicators are the following:

- Climate: Deliver 800 megatons of saved and avoided CO_2 emissions to our customers;
- Equality: Increase gender diversity, from hiring to front-line managers and leadership teams (50/40/30);
- Generation: Train 1 million underprivileged people in energy management.

The detailed rating methodology and approach are presented in the Group's Sustainability-Linked Financing Framework.

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

22.4 Reconciliation with cash-flow statement

(in millions of euros)	Dec. 31, 2019	Cash variations	Non-cash variations		Dec. 31, 2020
			Scope	Forex	
Bonds	6,888	1,944	–	(59)	8,773
Bank overdrafts and other borrowings	496	1,177	10	–	1,683
TOTAL CURRENT AND NON-CURRENT FINANCIAL LIABILITIES	**7,384**	**3,121**	**10**	**(59)**	**10,456**

22.5 Other information

As at December 31, 2020, the Group had confirmed credit lines of EUR 3,975 million including 2,475 maturing after December 2021, all unused.

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

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, 2020					
(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
ASSETS:						
Listed financial assets	2	–	2	–	2	Level 1
Venture capital (FCPR)/mutual funds (SICAV)	84	84	–	–	84	Level 3
Other unlisted financial assets	363	–	363	–	363	Level 3
Other non-current financial assets	327	–	–	327	327	Level 2
TOTAL NON-CURRENT ASSETS	**776**	**84**	**365**	**327**	**776**	
Trade accounts receivables	5,626	–	–	5,626	5,626	Level 2
Current financial assets	18	18	–	–	18	Level 2
Marketable securities	1,942	1,942	–	–	1,942	Level 1
Derivative instruments – foreign currencies	84	60	24	–	84	Level 2
Derivative instruments – interest rates	–	–	–	–	–	Level 2
Derivative instruments – commodities	23	–	23	–	23	Level 2
Derivative instruments – shares	1	–	1	–	1	Level 2
TOTAL CURRENT ASSETS	**7,694**	**2,020**	**48**	**5,626**	**7,694**	
LIABILITIES:						
Long-term portions of non convertible bonds*	(7,522)	–	–	(7,522)	(7,956)	Level 1
Long-term portions of convertible bonds*	(651)	–	–	(651)	(652)	Level 2
Other long-term debt	(23)	–	–	(23)	(23)	Level 2
TOTAL NON-CURRENT LIABILITIES	**(8,196)**	**–**	**–**	**(8,196)**	**(8,631)**	
Short-term portion of bonds*	(600)	–	–	(600)	(611)	Level 1
Short-term debt	(1,660)	–	–	(1,660)	(1,660)	Level 3
Trade accounts payable	(4,664)	–	–	(4,664)	(4,664)	Level 2
Other	(54)	–	–	(54)	(54)	Level 2
Derivative instruments – foreign currencies	(19)	(19)	–	–	(19)	Level 2
Derivative instruments – interest rates	–	–	–	–	–	Level 2
Derivative instruments – commodities	–	–	–	–	–	Level 2
Derivative instruments – shares	–	–	–	–	–	Level 2
TOTAL CURRENT LIABILITIES	**(6,997)**	**(19)**	**–**	**(6,978)**	**(7,008)**	

* 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 8,773 million compared to EUR 9,219 million at fair value.

5. Notes to the consolidated financial statements

	Dec. 31, 2019					
(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
ASSETS:						
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 2
TOTAL NON-CURRENT ASSETS	**645**	**116**	**194**	**335**	**645**	
Trade accounts receivables	5,953	–	–	5,953	5,953	Level 2
Current financial assets	19	19	–	–	19	Level 2
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
TOTAL CURRENT ASSETS	**7,607**	**1,633**	**21**	**5,953**	**7,607**	
LIABILITIES:						
Long-term portions of bonds*	(6,388)	–	–	(6,388)	(6,738)	Level 1
Other long-term debt	(17)	–	–	(17)	(17)	Level 2
TOTAL NON-CURRENT LIABILITIES	**(6,405)**	**–**	**–**	**(6,405)**	**(6,755)**	
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 2
Other	(44)	–	–	(44)	(44)	Level 2
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**
TOTAL CURRENT LIABILITIES	**(5,270)**	**(23)**	**(9)**	**(5,238)**	**(5,270)**	

* 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.

23.2 Derivative instruments

	Dec. 31, 2020							
(in millions of euros)	**Accounting Qualification**	**Maturity**	**Nominal sales**	**Nominal purchases**	**Fair Value**	**Carrying amount in assets**	**Carrying amount in liabilities**	**Of which carrying amount in OCI**
Forwards contracts	CFH	< 1 year	242	(147)	1	10	(9)	1
Forwards contracts	CFH	< 2 years	19	(24)	–	1	(1)	–
Forwards contracts	CFH	> 2 years	7	(1)	–	–	–	–
Forwards contracts	FVH	< 1 year	997	(1,098)	25	30	(5)	1
Forwards contracts	NIH	< 1 year	1,102	–	21	21	–	22
Forwards contracts	Trading	< 1 year	536	(2,425)	7	11	(4)	–
Cross currency swaps	CFH	< 1 year	–	(159)	11	11	–	–
TOTAL FX DERIVATIVES			**2,903**	**(3,854)**	**65**	**84**	**(19)**	**24**
Forwards contracts	CFH	< 1 year	–	(249)	23	23	–	23
Commodities derivatives			**–**	**(249)**	**23**	**23**	**–**	**23**
Options	CFH	< 1 year	–	(1)	1	1	–	1
Shares derivatives			**–**	**(1)**	**1**	**1**	**–**	**1**
TOTAL			**2,903**	**(4,104)**	**89**	**108**	**(19)**	**48**

(in millions of euros)	Dec. 31, 2019 Accounting qualification	Maturity	Nominal sales	Nominal purchases	Fair Value	Carrying amount in assets	Carrying amount in liabilities	Of 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)
TOTAL FX DERIVATIVES			**3,093**	**(4,588)**	**33**	**63**	**(30)**	**6**
Forwards contracts	CFH	< 1 year	–	(233)	6	8	(2)	6
Commodities derivatives			**–**	**(233)**	**6**	**8**	**(2)**	**6**
Options	CFH	< 1 year	–	(4)	4	4	–	–
Shares derivatives			**–**	**(4)**	**4**	**4**	**–**	**–**
TOTAL			**3,093**	**(4,825)**	**43**	**75**	**(32)**	**12**

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 1.23.

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

(in millions of euros)	Dec. 31, 2020 Sales	Purchases	Net
USD	1,913	(1,013)	900
CNY	5	(651)	(646)
EUR	201	(658)	(457)
DKK	13	(143)	(130)
SGD	351	(248)	103
SEK	1	(151)	(150)
JPY	9	(44)	(35)
CHF	52	(201)	(149)
AED	8	(69)	(61)
BRL	–	(97)	(97)
CAD	9	(98)	(89)
AUD	13	(74)	(61)
SAR	40	(6)	34
RUB	68	–	68
NOK	13	(6)	7
GBP	77	(125)	(48)
ZAR	40	(8)	32
HKD	13	(41)	(28)
Others	77	(220)	(143)
TOTAL	**2,903**	**(3,854)**	**(951)**

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

The Group did not use any derivative instrument to hedge its exposure to interest rates during the fiscal year 2020.

	Dec. 31, 2020			Dec. 31, 2019		
(in millions of euros)	**Fixed rates**	**Floating rates**	**Total**	Fixed rates	Floating rates	Total
Total current and non-current financial liabilities	8,773	1,683	10,456	6,888	496	7,384
Cash and cash equivalent	–	(6,895)	(6,895)	–	(3,592)	(3,592)
NET DEBT BEFORE HEDGING	**8,773**	**(5,212)**	**3,561**	**6,888**	**(3,096)**	**3,792**
Impact of Hedges	–	–	–	–	–	–
NET DEBT AFTER HEDGING	**8,773**	**(5,212)**	**3,561**	**6,888**	**(3,096)**	**3,792**

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 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:

(in millions of euros)	**Dec. 31, 2020**	Dec. 31, 2019
Carrying amount	23	6
Nominal amount	(249)	(233)

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:

(in millions of euros except for the number of shares)	**Dec. 31, 2020**	Dec. 31, 2019
Outstanding shares	24,224	83,500
Carrying amount	1	4
Nominal amount	(1)	(4)

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.

	Dec. 31, 2020				
(in millions of euros)	**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	107	–	107	15	92
Financial liabilities	19	–	19	15	4

	Dec. 31, 2019				
(in millions of euros)	**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

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.

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 2020, revenue in foreign currencies amounted to EUR 20.1 billion (EUR 21.6 billion in 2019), including around EUR 6.6 billion in US dollar and EUR 3.7 billion in Chinese yuan (respectively EUR 7.2 billion and EUR 3.6 billion in 2019).

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.

	Dec. 31, 2020		
(in millions of euros)	**Increase/ (decrease) in average rate**	**Revenue**	**Adj. EBITA**
USD	10%	665	86
	(10)%	(604)	(78)
CNY	10%	372	95
	(10)%	(338)	(87)

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

Note 24: Employees

24.1 Employees

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

(number of employees)	**Full year 2020**	Full year 2019
Production	81,470	79,337
Administration	73,996	71,960
TOTAL AVERAGE WORKFORCE	**155,466**	**151,297**
of which Europe, Middle-East, Africa and South America	*67,549*	*69,414*
of which North America	*32,633*	*32,640*
of which Asia-Pacific	*55,284*	*49,243*

24.2 Employee benefit expense

(in millions of euros)	**Full year 2020**	Full year 2019
Payroll costs	(7,082)	(7,120)
Profit-sharing and incentive bonuses	(57)	(59)
Stock options and performance shares	(145)	(154)
EMPLOYEE BENEFITS EXPENSE	**(7,284)**	**(7,333)**

24.3 Benefits granted to senior executives

In 2020, the Group paid EUR 2.1 million in attendance fees to the members of its Board of directors. The total amount of gross remuneration, including benefits in kind, paid in 2020 by the Group to the members of Senior Management, excluding executive directors, totaled EUR 28.1 million, of which EUR 7.6 million corresponded to the variable portion.

During the last three financial years, 741,000 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 2020 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 17 million as at December 31, 2020 (EUR 15 million as at December 31, 2019).

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 2020.

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:

(in millions of euros)	**Dec. 31, 2020**	Dec. 31, 2019
Market counter guarantees*	3,367	3,178
Pledges, mortgages and sureties**	117	113
Other commitments given	253	291
GUARANTEES GIVEN	**3,737**	**3,582**
Endorsements and guarantees received	54	49
GUARANTEES RECEIVED	**54**	**49**

* 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. The Group is fully cooperating with the French authority on this matter. Besides, the antitrust investigation conducted by public agencies in Spain has been closed.

Note 27: Subsequent events

There is no subsequent event to mention.

Note 28: Statutory Auditors' fees

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

	Full Year 2020				
(in thousands of euros)	**EY**	**%**	**Mazars**	**%**	**Total**
Audit					
Statutory auditing	11,241	96%	9,061	96%	20,302
o/w Schneider Electric SE	*106*		*106*		*212*
o/w subsidiaries	*11,135*		*8,955*		*20,090*
Related audit services ("SACC")	265	2%	412	4%	677
o/w Schneider Electric SE	*241*		*–*		*241*
o/w subsidiaries	*24*		*412*		*436*
Audit sub-total	**11,506**	**98%**	**9,473**	**100%**	**20,979**
Non-audit services	**275**	**2%**	**21**	**0%**	**296**
TOTAL FEES	**11,781**	**100%**	**9,494**	**100%**	**21,275**

	Full Year 2019				
(in thousands of euros)	EY	%	Mazars	%	Total
Audit					
Statutory auditing	10,909	94%	8,191	90%	19,100
o/w Schneider Electric SE	*106*		*106*		*212*
o/w subsidiaries	*10,803*		*8,085*		*18,888*
Related audit services ("SACC")	292	3%	849	9%	1,141
o/w Schneider Electric SE	*236*		*23*		*259*
o/w subsidiaries	*56*		*826*		*882*
Audit sub-total	**11,201**	**97%**	**9,040**	**99%**	**20,241**
Non-audit services	**327**	**3%**	**115**	**1%**	**442**
TOTAL FEES	**11,528**	**100%**	**9,155**	**100%**	**20,683**

Note 29: Consolidated companies

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

(in % of interest)		**Dec. 31, 2020**	Dec. 31, 2019
Europe			
Fully consolidated			
NXT Control GmbH	Austria	100.0	100.0
Schneider Electric Austria GmbH	Austria	100.0	100.0
Schneider Electric Power Drives GmbH	Austria	100.0	100.0
Schneider Electric Systems Austria GmbH	Austria	100.0	100.0
Schneider Electric Bel LLC	Belarus	100.0	100.0
Schneider Electric Belgium NV/SA	Belgium	100.0	100.0
Schneider Electric Energy Belgium SA	Belgium	100.0	100.0
Schneider Electric ESS BVBA	Belgium	100.0	100.0
Schneider Electric Services International SPRL	Belgium	100.0	100.0
Schneider Electric Bulgaria EOOD	Bulgaria	100.0	100.0
Schneider Electric d.o.o	Croatia	100.0	100.0
Schneider Electric a.s.	Czech Republic	98.3	98.3
Schneider Electric CZ sro	Czech Republic	100.0	100.0
Schneider Electric Systems Czech Republic sro	Czech Republic	100.0	100.0
Örbaekvej 280 A/S	Denmark	100.0	100.0
Schneider Electric Danmark A/S	Denmark	100.0	100.0
Schneider Electric IT Denmark ApS	Denmark	100.0	100.0
Schneider Electric Eesti AS	Estonia	100.0	100.0
Schneider Electric Finland Oy	Finland	100.0	100.0
Schneider Electric Fire & Security OY	Finland	100.0	100.0
Schneider Electric Vamp Oy	Finland	100.0	100.0
Behar sécurité	France	100.0	100.0
Boissière Finance	France	100.0	100.0
Construction Electrique du Vivarais	France	100.0	100.0
Dinel	France	100.0	100.0
Eckardt	France	100.0	100.0
Eurotherm Automation	France	100.0	100.0
France Transfo	France	100.0	100.0
IGE+XAO SA	France	67.9	67.9
Merlin Gerin Alès	France	100.0	100.0

5. Notes to the consolidated financial statements

(in % of interest)		**Dec. 31, 2020**	Dec. 31, 2019
Merlin Gerin Loire	France	100.0	100.0
Muller & Cie	France	100.0	100.0
Newlog	France	100.0	100.0
Rectiphase	France	100.0	100.0
Sarel – Appareillage Electrique	France	99.0	99.0
Scanelec	France	100.0	100.0
Schneider Electric Alpes	France	100.0	100.0
Schneider Electric Energy France	France	100.0	100.0
Schneider Electric France	France	100.0	100.0
Schneider Electric Industries SAS	France	100.0	100.0
Schneider Electric International	France	100.0	100.0
Schneider Electric IT France	France	100.0	100.0
Schneider Electric Manufacturing Bourguebus	France	100.0	100.0
Schneider Electric SE (Mother company)	France	100.0	100.0
Schneider Electric Solar France	France	100.0	100.0
Schneider Electric Systems France	France	100.0	100.0
Schneider Electric Telecontrol	France	100.0	100.0
Schneider Toshiba Inverter Europe SAS	France	60.0	60.0
Schneider Toshiba Inverter SAS	France	60.0	60.0
Société d'Appareillage Electrique Gardy	France	100.0	100.0
Société d'Application et d'Ingenierie Industrielle et Informatique SAS – SA3I	France	100.0	100.0
Société Electrique d'Aubenas	France	100.0	100.0
Société Française de Construction Mécanique et Electrique	France	100.0	100.0
Société Française Gardy	France	100.0	100.0
Systèmes Equipements Tableaux Basse Tension	France	100.0	100.0
Transfo Services	France	100.0	100.0
Transformateurs SAS	France	100.0	100.0
ABN GmbH	Germany	100.0	100.0
Eberle Controls GmbH	Germany	100.0	100.0
Merten GmbH	Germany	100.0	100.0
ProLeit AG	Germany	100.0	–
RIB GmbH	Germany	87.6	–
Schneider Electric Automation GmbH	Germany	100.0	100.0
Schneider Electric Holding Germany GmbH	Germany	100.0	100.0
Schneider Electric GmbH	Germany	100.0	100.0
Schneider Electric Investment AG	Germany	100.0	–
Schneider Electric Real Estate GmbH	Germany	100.0	100.0
Schneider Electric Sachsenwerk GmbH	Germany	100.0	100.0
Schneider Electric Systems Germany GmbH	Germany	100.0	100.0
Schneider Electric AEBE	Greece	100.0	100.0
Schneider Electric Energy Hungary LTD	Hungary	100.0	100.0
Schneider Electric Hungaria Villamossagi ZRT	Hungary	100.0	100.0
SE – CEE Schneider Electric Közep-Kelet Europai KFT	Hungary	100.0	100.0
Schneider Electric Ireland Ltd	Ireland	100.0	100.0
Schneider Electric IT Limited	Ireland	100.0	–
Schneider Electric IT Logistics Europe Ltd	Ireland	100.0	100.0
Validation technologies (Europe) Ltd	Ireland	100.0	100.0
Eliwell Controls S.r.l.	Italy	100.0	100.0
Eurotherm S.r.l.	Italy	100.0	100.0
Schneider Electric Industrie Italia Spa	Italy	100.0	100.0
Schneider Electric Spa	Italy	100.0	100.0
Schneider Electric Systems Italia Spa	Italy	100.0	100.0
Uniflair Spa	Italy	100.0	100.0
Lexel Fabrika SIA	Latvia	100.0	100.0
Schneider Electric Baltic Distribution Center	Latvia	100.0	100.0
Schneider Electric Latvija SIA	Latvia	100.0	100.0
UAB Schneider Electric Lietuva	Lithuania	100.0	100.0
Industrielle de Réassurance SA	Luxembourg	100.0	100.0
American Power Conversion Corporation (A.P.C.) BV	Netherlands	100.0	100.0
APC International Corporation BV	Netherlands	100.0	100.0
APC International Holdings BV	Netherlands	100.0	100.0
Schneider Electric Logistic Centre BV	Netherlands	100.0	100.0
Schneider Electric Manufacturing The Netherlands BV	Netherlands	100.0	100.0
Schneider Electric Systems Netherlands BV	Netherlands	100.0	100.0
Schneider Electric The Netherlands BV	Netherlands	100.0	100.0
ELKO AS	Norway	100.0	100.0
Eurotherm AS	Norway	100.0	100.0

(in % of interest)		Dec. 31, 2020	Dec. 31, 2019
Lexel Holding Norge AS	Norway	100.0	100.0
Schneider Electric Norge AS	Norway	100.0	100.0
Elda Eltra Elektrotechnika S.A.	Poland	100.0	100.0
Eurotherm Poland Sp. Z.o.o.	Poland	100.0	100.0
Schneider Electric Industries Polska Sp. Z.o.o.	Poland	100.0	100.0
Schneider Electric Polska Sp. Z.o.o.	Poland	100.0	100.0
Schneider Electric Systems Sp. Z.o.o.	Poland	100.0	100.0
Schneider Electric Transformers Poland Sp. Z.o.o.	Poland	100.0	100.0
Schneider Electric Portugal LDA	Portugal	100.0	100.0
Schneider Electric Romania SRL	Romania	100.0	100.0
AO Schneider Electric	Russia	100.0	100.0
DIN Elektro Kraft OOO	Russia	100.0	100.0
FLISR LLC	Russia	100.0	100.0
OOO Potential	Russia	100.0	100.0
OOO Schneider Electric Zavod Electromonoblock	Russia	100.0	100.0
Schneider Electric Innovation center LLC	Russia	100.0	100.0
Schneider Electric Systems LLC	Russia	100.0	100.0
Schneider Electric URAL LLC	Russia	100.0	100.0
Schneider Electric DMS NS	Serbia	100.0	100.0
Schneider Electric Srbija doo Beograd	Serbia	100.0	100.0
Schneider Electric Slovakia Spol SRO	Slovakia	100.0	100.0
Schneider Electric Systems Slovakia SRO	Slovakia	100.0	100.0
Schneider Electric d.o.o.	Slovenia	100.0	100.0
Manufacturas Electricas SA	Spain	100.0	100.0
Schneider Electric Espana SA	Spain	100.0	100.0
Schneider Electric IT Spain, SL	Spain	100.0	100.0
Schneider Electric Systems Iberica S.L.	Spain	100.0	100.0
AB Crahftere 1	Sweden	100.0	100.0
AB Wibe	Sweden	100.0	100.0
Elektriska AB Delta	Sweden	100.0	100.0
Elko AB	Sweden	100.0	100.0
Eurotherm AB	Sweden	100.0	100.0
Lexel AB	Sweden	100.0	100.0
Schneider Electric Buildings AB	Sweden	100.0	100.0
Schneider Electric Distribution Centre AB	Sweden	100.0	100.0
Schneider Electric Sverige AB	Sweden	100.0	100.0
Telvent Sweden AB	Sweden	100.0	100.0
Feller AG	Switzerland	83.7	83.7
Gutor Electronic GmbH	Switzerland	100.0	100.0
Schneider Electric (Schweiz) AG	Switzerland	100.0	100.0
Schneider Electric Ukraine	Ukraine	100.0	100.0
Andromeda Telematics Ltd	United Kingdom	100.0	100.0
Aveva Group plc	United Kingdom	61.4	60.0
Avtron Loadbank Worldwide Co., Ltd	United Kingdom	100.0	100.0
BTR Property Holdings Ltd	United Kingdom	100.0	100.0
CBS Group Ltd	United Kingdom	100.0	100.0
Eurotherm Ltd	United Kingdom	100.0	100.0
Imserv Europe Ltd	United Kingdom	100.0	100.0
Invensys Holdings Ltd	United Kingdom	100.0	100.0
M&C Energy Group Ltd	United Kingdom	100.0	100.0
N.J. Froment & Co. Limited	United Kingdom	100.0	100.0
Samos Acquisition Company Ltd	United Kingdom	100.0	100.0
Schneider Electric (UK) Ltd	United Kingdom	100.0	100.0
Schneider Electric Buildings UK Ltd	United Kingdom	100.0	100.0
Schneider Electric Controls UK Ltd	United Kingdom	100.0	100.0
Schneider Electric IT UK Ltd	United Kingdom	100.0	100.0
Schneider Electric Ltd	United Kingdom	100.0	100.0
Schneider Electric Systems UK Ltd	United Kingdom	100.0	100.0
Serck Control and Safety Ltd	United Kingdom	100.0	100.0
Accounted for by equity method			
Aveltys	France	51.0	51.0
Delta Dore Finance SA (sub-group)	France	20.0	20.0
Energy Pool Development	France	25.0	25.0
Schneider Lucibel Managed Services SAS	France	47.0	47.0
Mö}re Electric Group A/S	Norway	34.0	34.0
Custom Sensors & Technologies Topco Limited	United Kingdom	30.0	30.0
ZAO Gruppa Kompaniy Electroshield	Russia	60.0	–

5. Notes to the consolidated financial statements

(in % of interest)		**Dec. 31, 2020**	Dec. 31, 2019
North America			
Fully consolidated			
Power Measurement Ltd.	Canada	100.0	100.0
Schneider Electric Canada Inc.	Canada	100.0	100.0
Schneider Electric Solar Inc.	Canada	100.0	100.0
Schneider Electric Systems Canada Inc.	Canada	100.0	100.0
Viconics Technologies Inc.	Canada	100.0	100.0
Electronica Reynosa, S. de R.L. de C.V.	Mexico	100.0	100.0
Industrias Electronicas Pacifico, S.A. de C.V.	Mexico	100.0	100.0
Invensys Group Services Mexico S.C.	Mexico	100.0	100.0
Schneider Electric IT Mexico, S.A. de C.V.	Mexico	100.0	100.0
Schneider Electric Mexico, S.A. de C.V.	Mexico	100.0	100.0
Schneider Electric Systems Mexico, S.A. de C.V.	Mexico	100.0	100.0
Schneider Industrial Tlaxcala, S.A. de C.V.	Mexico	100.0	100.0
Schneider Mexico, S.A. de C.V.	Mexico	100.0	100.0
Schneider R&D, S.A. de C.V.	Mexico	100.0	100.0
Square D Company Mexico, S.A. de C.V.	Mexico	100.0	100.0
Telvent Mexico, S.A. de C.V.	Mexico	100.0	100.0
Adaptive Instruments Corp.	United States	100.0	100.0
American Power Conversion Holdings Inc.	United States	100.0	100.0
ASCO Power GP, LLC	United States	100.0	100.0
ASCO Power Services, Inc.	United States	100.0	100.0
ASCO Power Technologies, L.P.	United States	100.0	100.0
Foxboro Controles S.A.	United States	100.0	100.0
Invensys LLC	United States	100.0	100.0
Lee Technologies Puerto Rico, LLC	United States	100.0	100.0
Power Measurement, Inc.	United States	100.0	100.0
Pro-Face America, LLC	United States	100.0	100.0
Schneider Electric Buildings Americas, Inc.	United States	100.0	100.0
Schneider Electric Buildings Critical Systems, Inc.	United States	100.0	100.0
Schneider Electric Buildings, LLC	United States	100.0	100.0
Schneider Electric Digital, Inc.	United States	100.0	100.0
Schneider Electric Engineering Services, LLC	United States	100.0	100.0
Schneider Electric Grid Automation, Inc.	United States	100.0	100.0
Schneider Electric Holdings, Inc.	United States	100.0	100.0
Schneider Electric IT America Corp.	United States	100.0	100.0
Schneider Electric IT Corporation	United States	100.0	100.0
Schneider Electric IT Mission Critical Services, Inc.	United States	100.0	100.0
Schneider Electric IT USA, Inc.	United States	100.0	100.0
Schneider Electric Motion USA, Inc.	United States	100.0	100.0
Schneider Electric Solar Inverters USA, Inc.	United States	100.0	100.0
Schneider Electric Systems USA, Inc.	United States	100.0	100.0
Schneider Electric USA, Inc.	United States	100.0	100.0
SE Vermont Ltd	United States	100.0	100.0
Siebe Inc.	United States	100.0	100.0
SNA Holdings Inc.	United States	100.0	100.0
Square D Investment Company	United States	100.0	100.0
Stewart Warner Corporation	United States	100.0	100.0
Summit Energy Services, Inc.	United States	100.0	100.0
Veris Industries LLC	United States	100.0	100.0
Asia-Pacific			
Fully consolidated			
Clipsal Australia Pty Ltd	Australia	100.0	100.0
Clipsal Technologies Australia Pty Limited	Australia	100.0	100.0
Nu-lec Industries Pty. Limited	Australia	100.0	100.0
Scada Group Pty Limited	Australia	100.0	100.0
Schneider Electric (Australia) Pty Limited	Australia	100.0	100.0
Schneider Electric Australia Holdings Pty Ltd	Australia	100.0	100.0
Schneider Electric IT Australia Pty Ltd	Australia	100.0	100.0
Schneider Electric Solar Australia Pty Ltd	Australia	100.0	100.0
Schneider Electric Systems Australia Pty Ltd	Australia	100.0	100.0
Serck Controls Pty Limited	Australia	100.0	100.0
Tamco Electrical Industries Australia Pty Ltd	Australia	65.0	–
Beijing Leader & Harvest Electric Technologies Co. Ltd	China	100.0	100.0
CITIC Schneider Electric Smart Building Technology (Beijing) Co. Ltd	China	51.0	51.0
Clipsal Manufacturing (Huizhou) Ltd	China	100.0	100.0
FSL Electric (Dongguan) Limited	China	54.0	54.0
Proface China International Trading (Shanghai) Co. Ltd	China	100.0	100.0

(in % of interest)		**Dec. 31, 2020**	Dec. 31, 2019
Schneider (Beijing) Medium & Low Voltage Co., Ltd	China	95.0	95.0
Schneider (Beijing) Medium Voltage Co. Ltd	China	95.0	95.0
Schneider (Shaanxi) Baoguang Electrical Apparatus Co. Ltd	China	70.0	70.0
Schneider (Suzhou) Drives Company Ltd	China	90.0	90.0
Schneider (Suzhou) Enclosure Systems Co Ltd	China	100.0	100.0
Schneider (Suzhou) Transformers Co. Ltd	China	100.0	100.0
Schneider Automation & Controls Systems (Shanghai) Co., LTD	China	100.0	100.0
Schneider Busway (Guangzhou) Ltd	China	95.0	95.0
Schneider Electric (China) Co. Ltd	China	100.0	100.0
Schneider Electric (Xiamen) Switchgear Co. Ltd	China	100.0	100.0
Schneider Electric (Xiamen) Switchgear Equipment Co., Ltd	China	100.0	100.0
Schneider Electric Equipment an Engineering (X'ian) Co., Ltd	China	100.0	100.0
Schneider Electric IT (China) Co., Ltd	China	100.0	100.0
Schneider Electric IT (Xiamen) Co., Ltd.	China	100.0	100.0
Schneider Electric Low Voltage (Tianjin) Co. Ltd	China	75.0	75.0
Schneider Electric Manufacturing (Chongqing) Co. Ltd	China	100.0	100.0
Schneider Electric Manufacturing (Wuhan) Co. Ltd	China	100.0	100.0
Schneider Great Wall Engineering (Beijing) Co. Ltd	China	100.0	100.0
Schneider Shanghai Apparatus Parts Manufacturing Co. Ltd	China	100.0	100.0
Schneider Shanghai Industrial Control Co. Ltd	China	80.0	80.0
Schneider Shanghai Low Voltage Term. Apparatus Co. Ltd	China	75.0	75.0
Schneider Shanghai Power Distribution Electric Apparatus Co. Ltd	China	80.0	80.0
Schneider Smart Technology., Ltd	China	100.0	100.0
Schneider South China Smart Technology (Guangdong) Co. Ltd.	China	100.0	100.0
Schneider Switchgear (Suzhou) Co, Ltd	China	58.0	58.0
Schneider Wingoal (Tianjin) Electric Equipment Co. Ltd	China	100.0	100.0
Shanghai ASCO Electric Technology Co., Ltd	China	100.0	100.0
Shanghai Foxboro Co., Ltd	China	100.0	100.0
Shanghai Invensys Process System Co., Ltd	China	100.0	100.0
Shanghai Schneider Electric Power Automation Co. Ltd	China	100.0	100.0
Shanghai Tayee Electric Co., LTD	China	74.5	74.5
Telvent – BBS High & New Tech (Beijing) Co. Ltd	China	–	80.0
Tianjin Merlin Gerin Co. Ltd	China	–	75.0
Wuxi Proface Co., Ltd	China	100.0	100.0
Zircon Investment (Shanghai) Co., Ltd	China	74.5	74.5
Clipsal Asia Holdings Limited	Hong Kong	100.0	100.0
Clipsal Asia Limited	Hong Kong	100.0	100.0
Fed-Supremetech Limited	Hong Kong	54.0	54.0
Himel Hong Kong Limited	Hong Kong	100.0	100.0
Schneider Electric (Hong Kong) Limited	Hong Kong	100.0	100.0
Schneider Electric Asia Pacific Limited	Hong Kong	100.0	100.0
Schneider Electric IT Hong Kong Limited	Hong Kong	100.0	100.0
Eurotherm India Private Ltd	India	100.0	100.0
Luminous Power Technologies Private Ltd	India	100.0	100.0
Schneider Electric India Private Ltd	India	65.0	100.0
Schneider Electric Infrastructure Limited	India	75.0	75.0
Schneider Electric IT Business India Private Ltd	India	100.0	100.0
Schneider Electric President Systems Ltd	India	79.5	79.5
Schneider Electric Private Limited	India	100.0	100.0
Schneider Electric Solar India Private Limited	India	100.0	100.0
Schneider Electric Systems India Private Limited	India	100.0	100.0
PT Schneider Electric Indonesia	Indonesia	100.0	100.0
PT Schneider Electric IT Indonesia	Indonesia	100.0	100.0
PT Schneider Electric Manufacturing Batam	Indonesia	100.0	100.0
PT Schneider Electric Systems Indonesia	Indonesia	95.0	95.0
PT Tamco Indonesia	Indonesia	65.0	–
Schneider Electric Japan, Inc.	Japan	100.0	100.0
Schneider Eletcric Solar Japan Inc.	Japan	100.0	100.0
Schneider Electric Systems Japan Inc.	Japan	100.0	100.0
Toshiba Schneider Inverter Corp.	Japan	60.0	100.0
Eurotherm Korea Co., Ltd.	Korea	100.0	100.0
Schneider Electric Korea Ltd.	Korea	100.0	100.0
Schneider Electric Systems Korea Limited	Korea	100.0	100.0
Clipsal Manufacturing (M) Sdn. Bhd.	Malaysia	100.0	100.0
Gutor Electronic Asia Pacific Sdn. Bhd.	Malaysia	100.0	100.0
Henikwon Corporation Sdn Bhd	Malaysia	65.0	–
Huge Eastern Sdn. Bhd.	Malaysia	100.0	100.0
Schneider Electric (Malaysia) Sdn. Bhd.	Malaysia	30.0	30.0

5. Notes to the consolidated financial statements

(in % of interest)		**Dec. 31, 2020**	Dec. 31, 2019
Schneider Electric Industries (M) Sdn. Bhd.	Malaysia	100.0	100.0
Schneider Electric IT Malaysia Sdn. Bhd.	Malaysia	100.0	100.0
Schneider Electric Systems (Malaysia) Sdn. Bhd.	Malaysia	100.0	100.0
Tamco Switchgear (Malaysia) Sdn Bhd	Malaysia	65.0	–
Schneider Electric (NZ) Limited	New Zealand	100.0	100.0
Schneider Electric Systems New Zealand Limited	New Zealand	100.0	100.0
American Power Conversion Land Holdings Inc.	Philippines	100.0	100.0
Clipsal Philippines, Inc.	Philippines	100.0	100.0
Schneider Electric (Philippines) Inc.	Philippines	100.0	100.0
Schneider Electric IT Philippines Inc.	Philippines	100.0	100.0
Schneider Electric Asia Pte. Ltd.	Singapore	100.0	100.0
Schneider Electric Export Services Pte Ltd	Singapore	100.0	100.0
Schneider Electric IT Logistics Asia Pacific Pte. Ltd.	Singapore	100.0	100.0
Schneider Electric IT Singapore Pte. Ltd.	Singapore	100.0	100.0
Schneider Electric JV2 Holdings Pte. Ltd.	Singapore	65.0	–
Schneider Electric Overseas Asia Pte Ltd	Singapore	100.0	100.0
Schneider Electric Singapore Pte. Ltd.	Singapore	100.0	100.0
Schneider Electric South East Asia (HQ) Pte. Ltd.	Singapore	100.0	100.0
Schneider Electric Systems Singapore Pte. Ltd.	Singapore	100.0	100.0
Schneider Electric Lanka (Private) Limited	Sri Lanka	100.0	100.0
Schneider Electric Systems Taiwan Corp.	Taiwan	100.0	100.0
Schneider Electric Taiwan Co., Ltd.	Taiwan	100.0	100.0
Pro-Face South-East Asia Pacific Co., Ltd.	Thailand	100.0	100.0
Schneider (Thailand) Limited	Thailand	100.0	100.0
Schneider Electric CPCS (Thailand) Co., Ltd.	Thailand	100.0	100.0
Schneider Electric Solar Thailand	Thailand	100.0	–
Schneider Electric Systems (Thailand) Co. Ltd.	Thailand	100.0	100.0
Clipsal Vietnam Co. Ltd	Vietnam	100.0	100.0
Invensys Vietnam Ltd	Vietnam	100.0	100.0
Schneider Electric IT Vietnam Limited	Vietnam	100.0	100.0
Schneider Electric Manufacturing Vietnam Co., Ltd	Vietnam	100.0	100.0
Schneider Electric Vietnam Co. Ltd	Vietnam	100.0	100.0
Accounted for by equity method			
Delixi Electric LTD (sub-group)	China	50.0	50.0
Sunten Electric Equipment Co., Ltd	China	25.0	25.0
Fuji Electric FA Components & Systems Co., Ltd (sub-group)	Japan	36.8	36.8
Foxboro (Malaysia) Sdn. Bhd.	Malaysia	49.0	49.0
Rest of the World			
Fully consolidated			
Himel Algerie	Algeria	100.0	100.0
Schneider Electric Algerie	Algeria	100.0	100.0
Schneider Electric Argentina S.A.	Argentina	100.0	100.0
Schneider Electric Systems Argentina S.A.	Argentina	100.0	100.0
American Power Conversion Brasil Ltda.	Brazil	–	100.0
Eurotherm Ltda.	Brazil	100.0	100.0
Schneider Electric Brasil Automação de Processos Ltda.	Brazil	100.0	100.0
Schneider Electric Brasil Ltda.	Brazil	100.0	100.0
Schneider Electric IT Brasil Industria e Comercio de Equipamentos Eletronicos Ltda.	Brazil	100.0	100.0
Steck da Amazonia Industria Electrica Ltda.	Brazil	100.0	100.0
Steck Industria Electrica Ltda.	Brazil	100.0	100.0
Telseb Serviços de Engenharia e Comércio de Equipamentos Eletrônicos e Telecomunicações Ltda	Brazil	100.0	100.0
Inversiones Schneider Electric Uno Limitada	Chile	100.0	100.0
Marisio S.A.	Chile	100.0	100.0
Schneider Electric Chile S.A.	Chile	100.0	100.0
Schneider Electric Systems Chile Limitada	Chile	100.0	100.0
Schneider Electric de Colombia S.A.S.	Colombia	100.0	100.0
Schneider Electric Systems Colombia Ltda.	Colombia	100.0	100.0
Schneider Electric Centroamerica Limitada	Costa Rica	100.0	100.0
Invensys Engineering & Service S.A.E.	Egypt	51.0	51.0
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	60.0	60.0
L&T Electricals & Automation FZE	United Arab Emirates	65.0	–
Schneider Electric DC MEA FZCO	United Arab Emirates	100.0	100.0
Schneider Electric FZE	United Arab Emirates	100.0	100.0
Schneider Electric Systems Middle East FZE	United Arab Emirates	100.0	100.0
Schneider Electric (Kenya) Ltd	Kenya	100.0	100.0

(in % of interest)		**Dec. 31, 2020**	Dec. 31, 2019
Kana Controls General Trading & Contracting Company W.L.L	Kuwait	31.9	–
Schneider Electric Services Kuweit	Kuwait	49.0	49.0
Schneider Electric East Mediterranean SAL	Lebanon	96.0	96.0
Delixi Electric Maroc SARL AU	Morocco	100.0	100.0
Schneider Electric Maroc	Morocco	100.0	100.0
Schneider Electric Free Zone Enterprise	Nigeria	100.0	–
Schneider Electric Nigeria Ltd	Nigeria	100.0	100.0
Schneider Electric Systems Nigeria Ltd	Nigeria	100.0	100.0
Schneider Electric O.M LLC	Oman	100.0	100.0
Schneider Electric Pakistan (Private) Limited	Pakistan	80.0	80.0
Schneider Electric Peru S.A.	Peru	100.0	100.0
Schneider Electric Systems del Peru S.A.	Peru	100.0	100.0
L&T Electricals & Automation Saudi Arabia Company Ltd.	Saudi Arabia	65.0	–
Schneider Electric Plants Saudi Arabia Co.	Saudi Arabia	100.0	100.0
Schneider Electric Saudi Arabia For Solutions & Services Co	Saudi Arabia	100.0	100.0
Schneider Electric System Arabia Co., LTD	Saudi Arabia	100.0	100.0
Schneider Electric South Africa (Pty) Ltd	South Africa	74.9	74.9
Uniflair South Africa (Pty) Ltd	South Africa	100.0	100.0
Gunsan Elektrik	Turkey	100.0	100.0
Himel Elektrik Malzemeleri Ticaret A.S	Turkey	100.0	100.0
Schneider Elektrik Sanayi Ve Ticaret A.S.	Turkey	100.0	100.0
Schneider Enerji Endustrisi Sanayi Ve Ticaret A.S	Turkey	100.0	100.0
Schneider Electric Uganda Ltd	Uganda	100.0	100.0
Schneider Electric Systems de Venezuela, C.A.	Venezuela	100.0	100.0
Schneider Electric Venezuela, S.A.	Venezuela	93.6	93.6

6. Statutory auditors' report on the consolidated financial statements

To the Annual General Meeting of Schneider Electric SE,

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, 2020.

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, 2020 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 requirement rules required by the French Commercial Code (*code de commerce*) and the French Code of Ethics (*code de déontologie*) for statutory auditors for the period from January 1st, 2020 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) N° 537/2014.

Justification of Assessments - Key Audit Matters

Due to the global crisis related to the Covid-19 pandemic, the financial statements of this period have been prepared and audited under specific conditions. Indeed, this crisis and the exceptional measures taken in the context of the state of sanitary emergency have had numerous consequences for companies, particularly on their operations and their financing, and have led to greater uncertainties on their future prospects. Those measures, such as travel restrictions and remote working, have also had an impact on the companies' internal organization and the performance of the audits.

It is in this complex and evolving context that, 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, 1.11, 5, 9 and 10 to the consolidated financial statements

Risk identified	As at December 31, 2020, the carrying amount of goodwill and trademarks with an indefinite useful life is M€ 19.956 and M€ 2.071 respectively, totaling 45 % of the group consolidated assets. As described in notes 1.8 and 1.11 to the consolidated financial statements, the trademarks with an indefinite useful life and the Cash Generating Units (CGUs), to which the goodwill is allocated, 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. The Group expects to recover its sales and margin level in the near perspective.

Risk identified *continued*	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. We considered the measurement of goodwill and trademarks with an indefinite useful life 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 the 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 and check their consistency with the business plans/cash flow projections updated by Management following the COVID-19 pandemic; • reconciling 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: • with the assistance of our valuation experts, 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; • reconciling 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, 1.11, 4 and 10 to the consolidated financial statements

Risk identified	As at December 31, 2020, the Group's consolidated balance sheet includes capitalized development costs recognized as intangible assets for M€ 1.186. As described in notes 1.8 and 1.11 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. Development-related assets 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 development-related assets, 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. The capitalization and the measurement of development costs are considered 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.

6. Statutory auditors' report on the consolidated financial statements

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, were met and consistently applied; • reconciling, the costs capitalized as at December 31, 2020 with the underlying supporting documentation; • assessing the data and assumptions used by the Group when testing development-related assets 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 these impairment tests.

Recognition and recoverability of deferred tax assets related to tax losses carried forward
Notes 1.3, 1.16 and 14 to the consolidated financial statements

Risk identified	As at December 31, 2020, the deferred tax assets recognized in the Group's balance sheet, with regards to tax losses carried forward, amount to M€ 738 and are mainly related to France for M€ 577. As described in note 1.16 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 deferred tax assets relies on the Group's ability to accurately forecast its future taxable income. We considered the initial recognition and the subsequent recoverability of deferred tax assets on tax losses carried forward to be a key audit matter due to the 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 income, our audit approach consisted, with the assistance of our tax specialists 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, 1.21, 1.20, 21 and 26.2 to the consolidated financial statements

Risk identified	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 1.21 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. We considered the recognition and measurement of provisions, uncertain tax positions and contingent liabilities 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 amounts of provision and tax liabilities, 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 tax or environmental risk assessment specialists if necessary; • reading the information provided by the group with regards to these liabilities and contingent liabilities disclose in the consolidated financial statements.

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 management report of the Board of Directors.

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

We certify that the consolidated statement of non-financial performance provided for in Article L. 225-102-1 of the French Commercial Code (*code de commerce*) is included in the information pertaining to the Group provided in the management report, it being specified that, in accordance with the provisions of Article L. 823 10 of this code, the information contained in this statement has not been verified by us as to its accuracy or consistency with the consolidated financial statements and must be the subject of a report by an independent third-party body.

Report on Other Legal and Regulatory Requirements

Format of presentation of the financial statements intended to be included in the annual financial report

We have also verified, in accordance with the professional standards applicable in France relating to the procedures performed by the statutory auditor relating to the annual and consolidated financial statements presented in the European single electronic format, that the presentation of the consolidated financial statements intended to be included in the annual financial report mentioned in article L451-1-2, I of the French Monetary and Financial Code (*code monétaire et financier*), prepared under the responsibility of the Chief Executive Officer, complies with the single electronic format defined in the European Delegated Regulation No 2019/815 of 17 December 2018. As it relates to consolidated financial statements, our work includes verifying that the tagging of these consolidated financial statements complies with the format defined in the above delegated regulation.

Based on the work we have performed, we conclude that the presentation of the consolidated financial statements intended to be included in the annual financial report complies, in all material respects, with the European single electronic format.

We have no responsibility to verify that the consolidated financial statements that will ultimately be included by your company in the annual financial report filed with the AMF are in agreement with those on which we have performed our work.

Appointment of the Statutory Auditors

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

As at December 31, 2020, MAZARS was in the seventeenth year of its engagement without interruption and ERNST & YOUNG et Autres in the twenty-ninth year.

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.

6. Statutory auditors' report on the consolidated financial statements

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.

Report to the audit and risks committee

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

Our report to the audit and risks committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the 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, 2021

The Statutory Auditors
French original signed by

MAZARS	**ERNST & YOUNG et Autres**
Loïc Wallaert	Jean-Yves Jégourel
Mathieu Mougard	Alexandre Resten

Yunzhibao Foodstuff realized production gains after modernizing operations with EcoStruxure™ from Schneider Electric.

5

Parent company financial statements

1. Balance sheet

Assets

(in thousands of euros)	Notes	Gross	A. & D. or Prov.	Dec. 31, 2020 Net	Dec. 31, 2019 Net
NON-CURRENT ASSETS					
Intangible assets	1.1				
Intangible rights		27,474	(27,474)	–	–
Property, plant and equipment	1.2				
Land		2,785	–	2,785	2,785
Buildings		48	(48)	–	–
Other		1,468	(242)	1,226	1,226
Total intangible assets and property, plant and equipment		**31,775**	**(27,764)**	**4,011**	**4,011**
Financial investments					
Shares in subsidiaries and affiliates	2.1	5,377,099	(30,468)	5,346,631	5,485,708
Other investment securities	2.2	457,964	–	457,964	1,518,493
Advances to subsidiaries and affiliates	2.3	3,982,656	–	3,982,656	3,223,997
Other		10	–	10	10
Total financial investments		**9,817,729**	**(30,468)**	**9,787,261**	**10,228,208**
Total non-current assets		**9,849,504**	**(58,232)**	**9,791,272**	**10,232,219**
CURRENT ASSETS					
Accounts receivable					
Accounts receivable – trade		574,675	–	574,675	455,460
Other	3	129,770	–	129,770	102,049
Total accounts receivable		**704,445**	**–**	**704,445**	**557,509**
Marketable securities and cash					
Marketable securities	4	389,727		389,727	450,723
Advances to the Group cash pool	5	6,522,060	–	6,522,060	5,411,588
Other		207	–	207	2,006
Total marketable securities and cash		**6,911,993**		**6,911,993**	**5,864,316**
Total current assets		**7,616,439**		**7,616,439**	**6,421,825**
PREPAYMENTS AND OTHER ASSETS					
Prepaid expenses	6.1	1,280	–	1,280	351
Deferred expenses	6.2	21,933	–	21,933	14,568
Call premiums	6.3	26,894	–	26,894	7,123
Translation losses		30,533	–	30,533	90,653
TOTAL ASSETS		**17,546,582**	**(58,232)**	**17,488,350**	**16,766,739**

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

Equity and liabilities

(in thousands of euros)	Notes	Dec. 31, 2020	Dec. 31, 2019
EQUITY	7		
Share capital	7.1	2,268,274	2,328,274
Additional paid-in capital	7.2	2,203,758	3,133,188
Reserves			
Legal reserve		243,027	243,027
Retained earnings	7.3	1,922,675	3,246,040
Net income for the financial year		(31,273)	57,108
Untaxed provisions		2	2
Total equity		**6,606,463**	**9,007,639**
PROVISIONS FOR CONTINGENCIES:	8		
Provisions for contingencies		391,880	452,634
Total provisions for contingencies and expenses		**391,880**	**452,634**
LIABILITIES:			
Convertible bond		650,000	
Bonds	9	8,246,269	7,062,368
Other borrowings	10	84,814	66,480
Amounts payable to subsidiaries and affiliates		–	14
Borrowings and financial liabilities	11	1,302,000	–
Accounts payable – trade		680	779
Accrued taxes and payroll costs		107,252	80,313
Other		5,677	5,762
Total liabilities		**10,396,692**	**7,215,718**
Deferred income		40	98
Call premiums	6.3	62,743	–
Translation gains	2.3	30,533	90,649
TOTAL EQUITY AND LIABILITIES		**17,488,350**	**16,766,739**

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

2. Statement of income

(in thousands of euros)	Notes	Full year 2020	Full year 2019
Sales of services and other		325	2,385
Reversals of provisions, depreciation and amortization and expense transfers		0	0
Operating revenues		**325**	**2,385**
Purchases and external expenses		(9,666)	(10,079)
Taxes other than on income		(2,604)	(1,612)
Payroll expenses		(2,606)	(4,321)
Depreciation and provision expense		–	–
Other operating expenses and joint-venture losses		(2,000)	(1,821)
Operating expenses		**(16,875)**	**(17,833)**
Operating profit/(loss)		**(16,550)**	**(15,447)**
Dividend income	14	1,553	49,896
Interest income		48,010	49,863
Reversals of impairment provisions for long-term receivables and other		–	–
Financial income		**49,563**	**99,759**
Interest expense		(112,516)	(111,639)
Provision expense		(6,766)	(7,103)
Financial expenses		**(119,282)**	**(118,741)**
Net financial income/(loss)	14	**(69,719)**	**(18,983)**
Current result before tax		**(86,269)**	**(34,430)**
Proceeds from fixed asset disposals		138,894	2,078
Reinvoicing performance share		121,013	515,434
Provision reversals and expense transfers		280,004	375
Other		23,197	–
Non-recurring income		**563,107**	**517,887**
Carrying amount of fixed asset disposals		(219,983)	(148)
Provisions, depreciation and amortization		(134,516)	17,717
Other		(185,901)	(515,602)
Non-recurring expenses		**(540,400)**	**(498,033)**
Net non-recurring income/(loss)	15	**22,708**	**19,854**
Net income tax benefit	16	**32,287**	**71,684**
NET INCOME		**(31,273)**	**57,108**

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

3. Notes to the financial statements

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

3.1 Significant events of the financial year

During the financial year, Schneider Electric SE carried out a capital reduction by canceling EUR15 million treasury shares of EUR4 each of nominal value resulting in a capital reduction of EUR60 million.

The company issued three bonds for EUR800, EUR500 and EUR500 million respectively.

The company issued a convertible bond (OCEANE) for EUR650 million.

On May 2020, the company paid out the 2019 dividend of EUR1,413 million.

The company also proceeded to buy back 650,307 of its own shares for EUR50 million.

Finally, during 2020, action plans 24,26,28,29 and 29bis expired, the company decided to serve 4 million shares for an amount of 182 million re-invoiced to the group companies concerned.

As of December 31, 2020, the company decided to fund some of its current share plans by using existing shares and to re-invoice the related expense to the various entities of the Group. As a consequence, the provision for expenses on shares distribution has been adjusted to 390 million.

3.2 Accounting principles

As in the prior financial year, the financial statements for the financial year ended December 31, 2020 have been prepared in accordance with French generally accepted accounting principles and with the ANC no. 2014-03 code updated by ANC no. 2016-07 code on Nov. 04, 2016.

Non-current assets

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

Intangible assets

Intangible rights are amortized over a maximum of 5 years.

Property, plant and equipment

Amortizable Items of property, plant and equipment are depreciated on a straight- line basis over their estimated useful lives, ranging from 3 to 10 years. Lands are not depreciated.

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 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 to cover performance share distribution 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 performance share distribution 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.

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

Issue costs are amortized over the life of the bonds and are booked under "deferred expenses".Issuance premiums are booked under "Call premiums" & amortized over the duration of the bonds.

In the case of convertible bond (OCEANE), at conversion, the bond will be reclassified as equity for its nominal conversion amount.

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, 2019	Additions	Disposals	**Dec. 31, 2020**
Cost	4,301	–	–	4,301
Depreciation	(290)	–	–	(290)
NET	**4,011**	**–**	**–**	**4,011**

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, 2019	Additions	Disposals	**Dec. 31, 2020**
Cost	5,596,996	–	(219,897)	5,377,099
Provisions	(111,288)	–	80,820	(30,468)
NET	**5,485,708**	**–**	**(139,077)**	**5,346,631**

During the financial year, Cofimines has been liquidated for 139 million, its shares were released for 220 million and the provision has been reversed for 81 million.

The main investments at December 31, 2020 were as follows:

Shares in subsidiaries and affiliates	**Carrying value**
Schneider Electric Industries SAS	5,343,544
Schneider Electric Japan Holding	2,049
Other (less than EUR5 million)	1,038
TOTAL	**5,346,631**

2.2 Other investment securities

(in thousands of euros)

Other investment securities	Dec. 31, 2019	Increases	Decreases	**Dec. 31, 2020**
Schneider Electric SE shares	1,518,439	49,518	(1,109,993)	457,964
Other	131	–	(131)	–
Provisions for other Shares and own shares	(77)	–	77	–
NET	**1,518,493**	**49,518**	**(1,110,047)**	**457,964**

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 bought back 650,307 of its own shares for a total of EUR50 million.

In compliance with the Board resolution of February 2020, 15 million treasury shares were canceled for EUR989 million (including the amount of additional paid-in capital).

In compliance with the Board's decision of February 2020, September 2020, and December 2020 to fund the performance shares of plans 24,28,29 bis, 36 and 37 with Schneider Electric treasury shares, 2,169,743 shares for a total amount of EUR137 million have been classified as marketable securities. 250,453 shares for EUR16 million were reclassified from marketable securities to "Other investment securities" following the departure of the beneficiaries.

2.3 Advances to subsidiaries and affiliates

(in thousands of euros)

Advances to subsidiaries and affiliates	Dec. 31, 2019	Increases	Decreases	**Dec. 31, 2020**
Cost	3,223,997	1,368,264	(609,604)	3,982,656
NET	**3,223,997**	**1,368,264**	**(609,604)**	**3,982,656**

At December 31, 2020, this item mainly consisted of a loan of EUR2,500 million granted to Schneider Electric Industries SAS with a maturity date of 2021, a loan granted in 2012 to Boissière Finance for a total amount of USD800 million valued at EUR652 million at the end of 2020 and with a maturity date of 2022, a loan granted to Schneider Electric Investment AG for a total amount of EUR819 million with a maturity date of 2021 and accrued interests for a total amount of EUR12 million. The revaluation of USD loan resulted in a translation gain of EUR31 million.

Note 3: Accounts receivables

(in thousands of euros)

	Dec. 31, 2020	Dec. 31, 2019
Trade receivables	574,675	455,460
Other	129,770	102,049
NET	**704,445**	**557,509**

Trade receivables mainly include the reinvoicing of the performance shares to SEISAS.

At December 31, 2020, the "Other receivables" are mainly composed of tax receivables and R&D tax credits.

Note 4: Marketable securities

	Dec. 31, 2019		Acquisitions	Disposals	**Dec. 31, 2020**	
(in thousands of euros)	Number of shares	Value	Value	Value	**Value**	**Number of shares**
TREASURY SHARES						
Gross	8,437,254	450,722	137,426	(198,421)	389,727	6,381,401
Provisions	–	–		–	–	–
TOTAL NET	**–**	**450,722**	**137,426**	**(198,421)**	**389,727**	**–**

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

3. Notes to the financial statements

In 2020, following the decision of the board to fund the performance share distribution plans 24, 28, 29bis, 36 and 37 with existing shares, 2,169,743 shares for a total amount of EUR137 million has been transferred into marketable securities. The performance shares plans, 24, 26, 28, 29 and 29bis have expired, the company has distributed 4 million shares for a total amount of EUR182 million re-invoiced to the concerned Group entities.

Following the loss of the rights of employees who left the group, the company switched back 250,453 shares for a total amount of EUR16 million to "Other investment securities".

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.

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, 2019	Increases	Decreases	Dec. 31, 2020
July 20, 2010 due 2020 (EUR500 million)	109	–	(109)	–
Sep. 27, 2012 due 2022 (USD800 million)	986	–	(410)	576
Sep. 6, 2013 due 2021 (EUR600 million)	577	–	(342)	235
Mar. 11, 2015 due 2025 (EUR750 million)	1,668	–	(315)	1,353
Sep. 8, 2015 due 2023 (EUR800 million)	1,521	–	(410)	1,111
Oct. 13, 2015 due 2025 (EUR200 million)	586	–	(118)	468
Oct. 13, 2015 due 2025 (EUR100 million)	228	–	(38)	190
Sep. 9, 2016 due 2024 (EUR800 million)	2,096	–	(443)	1,653
Dec. 13, 2017 due 2026 (EUR750 million)	2,048	–	(286)	1,762
June. 21, 2018 due 2027 (EUR750 million)	1,900	–	(256)	1,644
Sept. 9, 2019 due 2024 (EUR200 million)	513	140	(150)	503
Jan. 15, 2019 due 2028 (EUR250 million)	720	–	(90)	630
Jan. 15, 2019 due 2028 (EUR500 million)	1,614	–	(201)	1,413
Mar. 11, 2020 due 2029 (EUR800 million)	–	2,430	(218)	2,212
Apr. 9, 2020 due 2027 (EUR500 million)	–	1,549	(161)	1,388
Jun. 12, 2020 due 2023 (EUR500 million)	–	1,259	(232)	1,027
Nov. 24, 2020 due 2026 (EUR650 million)	–	5,878	(111)	5,767
TOTAL	**14,568**	**11,256**	**(3,890)**	**21,933**

6.3 Issuance premiums

(in thousands of euros)

Issuance premiums	Dec. 31, 2019	Increases	Decreases	Dec. 31, 2020
July 20, 2010 due 2020 (EUR500 million)	325	–	(325)	–
Sep. 27, 2012 due 2022 (USD800 million)	400	–	(184)	216
Sep. 6, 2013 due 2021 (EUR600 million)	347	–	(206)	141
Mar. 11, 2015 due 2025 (EUR750 million)	4,694	–	(886)	3,808
Sep. 8, 2015 due 2022 (EUR800 million)	2,121	–	(572)	1,549
Oct. 13, 2015 due 2025 (EUR100 million)	(1,073)	–	343	(730)
Sep. 9, 2016 due 2024 (EUR800 million)	4,761	–	(1,009)	3,752
Dec. 13,2017 due 2026 (EUR750 million)	4,036	–	(590)	3,446
June 21,2018 due 2027 (EUR750 million)	6,040	–	(810)	5,230
Sept. 9, 2019 due 2024 (EUR200 million)	(2,752)	–	588	(2,164)
Jan. 15, 2019 due 2028 (EUR250 million)	(11,889)	–	1,481	(10,408)
Jan. 15, 2019 due 2028 (EUR500 million)	112	–	(14)	98
Mar. 11, 2020 due 2029 (EUR800 million)	–	5,592	(502)	5,090
Apr. 9, 2020 due 2027 (EUR500 million)	–	2,885	(300)	2,585
Jun. 12, 2020 due 2023 (EUR500 million)	–	1,200	(221)	979
Nov. 24, 2020 due 2026 (EUR650 million)	–	(50,360)	919	(49,441)
TOTAL	**7,123**	**(40,683)**	**(2,288)**	**(35,849)**

Note 7: Shareholders' equity and retained earnings

(in millions of euros)	Share capital	Additional paid-in capital	Reserves and retained earnings	Net income for the year	Regulated provisions	**Total**
December 31, 2018 before allocation of net income for the year	**2,317**	**2,976**	**327**	**4,457**	**–**	**10,078**
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
December 31, 2019 before allocation of net income for the year	**2,328**	**3,133**	**3,489**	**57**	**–**	**9,007**
Change in share capital	–	–	–	–	–	–
Allocation of 2018 net income	–	–	57	(57)	–	–
2019 dividend	–	–	(1,413)	–	–	(1,413)
Cancellation of own shares	(60)	(929)	–	–	–	(989)
Reimbursement withholding tax 2003	–	–	33	–	–	33
2020 net income	–	–	–	(31)	–	(31)
DECEMBER 31, 2020 BEFORE ALLOCATION OF NET INCOME FOR THE YEAR	**2,268**	**2,204**	**2,166**	**(31)**	**–**	**6,607**

7.1 Capital

Share capital

The company's share capital at December 31, 2020 amounted to EUR 2,268,274,220 consisting of 567,068,555 shares with a par value of EUR4, all fully paid up.

Changes in share capital

The decrease in share capital of EUR60 million recorded over the year corresponding to a cancellation of 15 million treasury shares.

Own shares

At the reporting date, the total number of own shares held is 12,740,423 including 6,359,022 shares not affected to performance share distribution plans for a total amount of EUR458 million and 6,381,401 shares affected to distribution plans for a total amount of EUR 390 million.

7.2 Additional paid-in capital

Additional paid-in capital decreased by EUR929 million over the financial year, mainly coming from capital reduction by the way of cancellation of own treasury shares.

7.3 Allocation of previous year net income

Pursuant to the 3rd resolution of the Ordinary and Extraordinary Shareholders' Meeting of April 22, 2020, the 2019 gain of EUR57 million was allocated to retained earnings. EUR1,413 million of dividends were distributed and EUR71 million not distributed corresponding to SE own treasury shares.

Note 8: Provisions for contingencies and expenses

(in thousands of euros)	Dec. 31, 2019	Increases	Decreases	**Dec. 31, 2020**
PROVISIONS FOR CONTINGENCIES				
Disputes	15	–	(15)	–
Provision for fees on own shares distribution	450,722	137,426	(198,421)	389,727
Other	1,897	256	–	2,153
TOTAL	**452,634**	**137,682**	**(198,436)**	**391,880**

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.

A provision for risk of EUR390 millions was booked to cover the decision of the board to allocate performance shares plans with SESE own shares.

Note 9: Bonds

(in thousands of euros)	Share capital **Dec. 31, 2020**	Share capital Dec. 31, 2019	Interest rate	Maturity
Schneider Electric SE 2019	94,325	150,244	Euribor +0.60% Floating	July 23, 2022
Schneider Electric SE 2020	–	500,000	3.625% Fixed	July 20, 2020
Schneider Electric SE 2022	651,944	712,124	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	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	500,000	1. 5% Fixed	Jan. 15, 2028
Schneider Electric SE 2028	250,000	250,000	1. 5% Fixed	Jan. 15, 2028
Schneider Electric SE 2029	800,000	–	0.25% Fixed	Mar. 11, 2029
Schneider Electric SE 2027	500,000	–	1% Fixed	Apr. 09, 2027
Schneider Electric SE 2023	500,000	–	0% Fixed	Jun. 12, 2023
TOTAL	**8,246,269**	**7,062,368**		

Fixed: fixed rate.
Floating: floating rate.

The revaluation of USD800 million bonds Schneider Electric SE 2022 resulted in a translation loss of EUR31 million.

Convertible bonds (OCEANE)

(in thousands of euros)	Share capital **Dec. 31, 2020**	Share capital Dec. 31, 2019	Interest rate	Maturity
Schneider Electric SE 2026	650 000	–	0%	Jun. 15, 2026
TOTAL	**650 000**			

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 July 20, 2020.

The company issued three bonds as follows:

- EUR800 million at 0.25%, maturing on March 11 2029;
- EUR500 million at 1%, maturing on April, 09 2027;
- EUR250 million at 0%, maturing on June, 12 2023.

The Group has issued in November 2020 a bond that is convertible into or exchangeable for a new or existing shares (OCEANEs) for EUR 650 million at a rate of 0.00%, maturing in June 2026.

The initial conversion and/or exchange ratio of the Bonds is one share per Bond with a nominal value set at EUR 176. According to Sustainability-Linked Financing Framework, if the average sustainability performance score (calculated as the arithmetic average of the scores of the three key performance indicators) does not reach a certain level by December 31, 2025, the Group will pay an amount equal to 0.50% of the face value.

The three key performance indicators from the 11 new Schneider Sustainability Impact (SSI) 2021-2025 indicators are the following:

- Climate: Deliver 800 megatons of saved and avoided C02 emissions to our customers;
- Equality: Increase gender diversity, from hiring to front-line managers and leadership teams (50/40/30);
- Generation: Train 1 million underprivileged people in energy management.

The detailed rating methodology and approach are presented in the Group's Sustainability-Linked Financing Framework. For all those transactions, issue premium and issue costs are amortized per the effective interest rate method.

At December 31, 2020, the other remaining bonds are as follows:

- EUR177 million worth of floating-rate bonds issued in July 2008 and maturing on July 23, 2022, decreased to EUR150 million through the repayment in June 2014 of EUR27 million; decreased to EUR94 million through the repayment in July 2020 of EUR56 million;
- EUR100 million worth of 1.841% bonds issued in October 2015 and maturing on October 13, 2025;
- 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;
- 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;
- EUR200 million worth of 0.25% bonds issued in September 2019 and maturing on September 09, 2024;
- EUR500 million worth of 1.5% bonds issued in January 2019 and maturing on January 15, 2028;
- EUR250 million worth of 1.5% bonds issued in January 2019 and maturing on January 15, 2028.

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

Note 10: Other borrowings

Other borrowings at December 31, 2020 included accrued interest on bonds and other debt issued by the company.

Accrued interest amounted to EUR43 million, compared to EUR44 million at end-2019.

Other debt issued by the company correspond to an intercompany loan amounted to EUR42 million, compared to EUR22 million at end of 2019.

Note 11: Borrowings and financial liabilities

Borrowing and financial liabilities *(in thousands of euros)*	Dec. 31, 2019	Increase	Decrease	**Dec. 31, 2020**
Commercial paper	–	4,237,000	(2,935,000)	1,302,000
Overdrafts	–	–	–	–
Other	–	–	–	–
NET	**–**	**4,237,000**	**(2,935,000)**	**1,302,000**

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
NON-CURRENT ASSETS				
Advances to subsidiaries and affiliates	3,982,656	3,330,712	651,944	
CURRENT ASSETS				
Accounts receivable – trade	574,675	574,675	–	–
Other receivables	129,770	98,572	31,198	–
Marketable securities	389,727	389,727	–	–
Prepaid expenses	1,280	1,280	–	–
DEBT				
Bonds	8,896,269	600,000	5,496,269	2,800,000
Other borrowings	84,814	84,814	–	–
Commercial paper	1,302,000	1,302,000	–	–
Accounts payable – trade	680	680	–	–
Accrued taxes and payroll costs	107,252	107,252	–	–
Other	5,677	5,677	–	–
Deferred income	40	40	–	–

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	5,377,099	5,346,631
Advances to subsidiaries and affiliates	3,982,656	3,982,656
Accounts receivable	574,675	574,675
Cash and cash equivalents	6,522,060	6,522,060
Revenues:		
• rebilled performance shares		121,013
• interest		49,172

Note 14: Net financial income/(loss)

(in thousands of euros)	**Full year 2020**	Full year 2019
Dividends	1,553	49,896
Net interest income (expense)	(64,355)	(61,776)
Other	(6,917)	(7,103)
NET FINANCIAL INCOME/(LOSS)	**(69,719)**	**(18,983)**

In 2020, the company receive EUR1,6 million of dividends from Schneider Electric Japan Holding Ltd. In 2019, dividends received from Schneider Electric Industries SAS were EUR 50 million.

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

(in thousands of euros)	**Full year 2020**	Full year 2019
Net gains/(losses) on fixed asset disposals	(81,089)	1,930
Provisions net of reversals	80,897	18,092
Other non-recurring income/(expense)	22,900	(168)
NET NON-RECURRING INCOME/(LOSS)	**22,708**	**19,854**

In 2020, the company receive EUR23 million of interest relative to reimbursement of withholding tax.

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 2020 income tax due, for EUR35 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 EUR2,303 million at December 31, 2020.

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 retires 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: EUR1,974 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, 2020.

Note 19: Contingencies

As part of its normal 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 2020.

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.

4. Statutory auditors' report on the annual financial statements

To the Annual General Meeting of Schneider Electric SE,

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, 2020.

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, 2020 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 requirements of rules required by the French Commercial Code (*code de commerce*) and the French Code of ethics (*code de déontologie*) for statutory auditors for the period from January 1st, 2020 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) N° 537/2014.

Justification of Assessments – Key Audit Matters

Due to the global crisis related to the COVID-19 pandemic, the financial statements of this period have been prepared and audited under specific conditions. Indeed, this crisis and the exceptional measures taken in the context of the state of sanitary emergency have had numerous consequences for companies, particularly on their operations and their financing, and have led to greater uncertainties on their future prospects. Those measures, such as travel restrictions and remote working, have also had an impact on the companies' internal organisation and the performance of the audits.

It is in this complex and evolving context that, 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 period, as well as how we addressed those risks.

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

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

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

Risk identified	As at December 31, 2020, investments in subsidiaries and affiliates and the related advances amount to M€ 5,347 and M€ 3,983 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 investments is determined primarily based on the subsidiaries' and affiliates' net assets as well as on their earnings outlook and the underlying economic forecasts. For listed securities, the average stock price over the month before the closing is used. Due to the judgment exercised by management as part of this estimate, especially when relying on forecasts, we considered the valuation of investments in subsidiaries and affiliates, as well as the valuation of related advances, to be a key audit matter.

Our response	As part of our audit, we analyzed the procedures implemented by your Company to determine the value in use of investments in subsidiaries and affiliates. Our work consisted in: • comparing the shares in the subsidiaries' and affiliates' net assets, when used as a proxy for their value in use, with their underlying accounting data, which were subject to an audit or to analytical procedures; • assessing the appropriateness of the valuation method used to determine the value in use when based on forecasts; • assessing the reasonableness of key assumptions used to estimate values in use, mainly the long-term growth rate and the discount rate, by inquiring of Management and with the assistance of our experts, when needed; • verifying the arithmetical accuracy of the computations performed by your Company. We also assessed the recoverability of advances to subsidiaries and affiliates, based on the impairment tests results of the corresponding investments.

Specific verifications

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

Information provided 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.

In accordance with French law, we report to you that the information relating to payment times referred to in Article D. 441-6 of the French Commercial Code (*code de commerce*) is fairly presented and consistent with the financial statements.

Information relating to corporate governance

We attest that the Board of Directors' section of the management report devoted to corporate governance sets out the information required by Articles L.225-37-4, L.22-10-10 et L.22-10-9 of the French Commercial Code (*code de commerce*).

Concerning the information given in accordance with the requirements of Article L. 22-10-9 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 controlled companies which are part of its consolidation perimeter. Based on this work, we attest the accuracy and fair presentation of this information.

With respect to the information relating to items that your company considered likely to have an impact in the event of a takeover or exchange offer, provided pursuant to Article L. 22-10-11 of the French Commercial Code (*code de commerce*), we have verified their compliance with the source documents communicated to us. Based on our work, we have no observation to make on this information.

Other information

In accordance with French law, we have verified that the required information concerning 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

Format of presentation of the financial statements intended to be included in the annual financial report

We have also verified, in accordance with the professional standard applicable in France relating to the procedures performed by the statutory auditor relating to the annual and consolidated financial statements presented in the European single electronic format, that the presentation of the financial statements intended to be included in the annual financial report mentioned in Article L. 451-1-2, I of the French Monetary and Financial Code (*code monétaire et financier*), prepared under the responsibility of the Chief Executive Officer, complies with the single electronic format defined in the European Delegated Regulation No 2019/815 of 17 December 2018.

Based on the work we have performed, we conclude that the presentation of the financial statements intended to be included in the annual financial report complies, in all material respects, with the European single electronic format.

We have no responsibility to verify that the financial statements that will ultimately be included by your company in the annual financial report filed with the AMF are in agreement with those on which we have performed our work.

Appointment of the Statutory Auditors

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

As at December 31, 2020, MAZARS was in the seventeenth year of its engagement without interruption and ERNST & YOUNG et Autres in the twenty-ninth year.

4. Statutory auditors' report on the annual financial statements

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.

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

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

Report to the audit and risks committee

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

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

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

Courbevoie and Paris-La Défense, March 10, 2021

The Statutory Auditors
French original signed by

MAZARS	**ERNST & YOUNG et Autres**
Loïc Wallaert	Jean-Yves Jégourel
Mathieu Mougard	Alexandre Resten

5. List of securities held at December 31, 2020

Number of securities *(in thousands of euros)*	Company	Carrying amount of securities
A. MAJOR INVESTMENTS		
(Carrying amounts over EUR5 million)		
58,018,657	Schneider Electric Industries SAS	5,343,544
6,359,022	Electric SE Own Shares	457,964
		5,801,508
B. OTHER INVESTMENTS		
(Carrying amounts under EUR5 million)		1,038
C. INVESTMENTS IN REAL ESTATE COMPANIES		–
D. INVESTMENTS IN FOREIGN COMPANIES		2,049
Total		**5,804,595**
MARKETABLE SECURITIES		
6,381,401	Schneider Electric SE own shares	389,727
TOTAL		**6,194,322**

6. Subsidiaries and affiliates

Company (in thousands of euros)	Capital	Reserves and retained earnings & retained earnings prior to appropriation of earnings*
I. DETAILED INFORMATION ON SUBSIDIARIES AND AFFILIATES WITH A CARRYING AMOUNT OF OVER 1% OF THE SHARE CAPITAL OF SCHNEIDER ELECTRIC SE		
A. Subsidiaries (at least 50% owned)		
Schneider Electric Industries SAS 35, rue Joseph-Monier 92500 Rueil-Malmaison, France	928,299	5,835,969
B. Affiliates (10 to 50%-owned)		
II. OTHER SUBSIDIARIES AND AFFILIATES		
A. Subsidiaries not included in Section I: (+50%)		
a) French subsidiaries (aggregate)	38	8,241
b) Foreign subsidiaries (aggregate)	–	–
B. Affiliates not included in Section I: (0-50%)		
a) French companies (aggregate)	–	–
b) Foreign companies (aggregate)	21,008	141,643

* Including income or loss in prior financial year.

Share interest held (%)	Gross value	Net value	Loans and advances provided by the company and still outstanding	Amount of guarantees given by the company	2020 Revenues (ex. VAT)	2020 Profit or loss(-)	Dividends received by the company during 2020
100,00	5,343,544	5,343,544	2,506,319	–	3,408,652	1,911,992	–
99,84	12,305	1,038	–	–	–	–	–
–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–
4.8	21,249	2,049	–	–	–	1,576	1,553

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

Description	2020	2019	2018	2017	2016
FINANCIAL POSITION AT DECEMBER 31					
Share capital *(in thousands of euros)*	2,268,274	2,328,274	2,316,675	2,387,665	2,369,995
Number of shares in issue	567,068,555	582,068,555	579,168,769	596,916,242	592,498,759
Number of convertible bonds in issue	3,683,972				
Maximum number of shares to be created:					
• through conversion of bonds	–	–	–	–	–
• through exercise of rights	–	–	8,371	8,271	9,562
RESULTS OF OPERATIONS (IN THOUSANDS OF EUROS)					
Sales (ex. VAT)	450	2,385	174	170	228
Investment revenue, interest income and other revenue	1,553	49,896	4,551,232	147,031	52,276
Earnings before tax, depreciation, amortization and provisions	(201,902)	(18,659)	4,412,483	(22,861)	(146,799)
Income tax	32,287	71,684	1,215	55,213	(53,632)
Earnings after tax, depreciation, amortization and provisions	(31,273)	57,108	4,457,994	121,488	(99,730)
Dividends paid(1) excluding tax credit and withholdings	1,474,378(2)	1,413,455	1,361,047	1,313,216	1,208,697
RESULTS OF OPERATIONS PER SHARE (in euros)					
Earnings before depreciation, amortization and provisions	(0.30)	0.09	7.62	0.05	(0.14)
Earnings after tax, depreciation, amortization and provisions	(0.06)	0.1	7.70	0.20	(0.17)
Net dividend per share	2.60(2)	2.55(2)	2.35	2.20	2.04
EMPLOYEES					
Average number of employees during the financial year	1	1	1	2	1
Total payroll for the financial year *(in thousands of euros)*	1,961	3,693	2,544	1,670	1,507
Total of employee benefits paid over the financial year	–	–	–	–	–
(Social security, other benefits, etc.) *(in thousands of euros)*	916	944	1,010	796	974

(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 28, 2021.