

Life Is On



Consolidated financial statements – December 31, 2015

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1. Consolidated statement of income

<i>(in millions of euros except for earnings per share)</i>	Note	Full year 2015	Full year 2014
Revenue	3	26,640	24,939
Cost of sales		(16,795)	(15,532)
Gross profit		9,845	9,407
Research and development	4	(565)	(567)
Selling, general and administrative expenses		(5,639)	(5,377)
EBITA adjusted*		3,641	3,463
Other operating income and expenses	6	(522)	(106)
Restructuring costs	7	(318)	(202)
EBITA**		2,801	3,155
Amortization and impairment of purchase accounting intangibles	8	(572)	(259)
Operating income		2,229	2,896
Interest income		40	28
Interest expense		(335)	(340)
Finance costs, net		(295)	(312)
Other financial income and expense	9	(151)	(155)
Net financial income/(loss)		(446)	(467)
Profit from continuing operations before income tax		1,783	2,429
Income tax expense	10	(389)	(551)
Income from discontinued operations, net of income tax		-	169
Share of profit/(loss) of associates	14	109	14
PROFIT FOR THE PERIOD		1,503	2,061
▪ attributable to owners of the parent		1,407	1,941
▪ attributable to non-controlling interests		96	120
Basic earnings (attributable to owners of the parent) per share <i>(in euros per share)</i>	21.3	2.47	3.39
Diluted earnings (attributable to owners of the parent) per share <i>(in euros per share)</i>		2.46	3.37

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

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

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

Other comprehensive income

<i>(in millions of euros)</i>	Full year 2015	Full year 2014
Profit for the year	1,503	2,061
Other comprehensive income:		
Translation adjustment	926	1,011
Cash-flow hedges	98	14
Income tax effect of cash-flow hedges	(34)	(17)
Net gains (losses) on available-for-sale financial assets	(3)	1
Income tax effect of net gains (losses) on available-for-sale financial assets	1	-
Actuarial gains (losses) on defined benefits plans	372	(373)
Income tax effect of Actuarial gains (losses) on defined benefits plans	(68)	155
Other comprehensive income for the year, net of tax	1,292	790
out of which to be recycled in income statement ultimately	62	(2)
out of which not to be recycled in income statement ultimately	1,230	792
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	2,795	2,851
Attributable:		
▪ to owners of the parent	2,664	2,702
▪ to non-controlling interests	131	149
<i>The accompanying notes are an integral part of the consolidated financial statements.</i>		

2. Consolidated statement of cash flows

<i>(in millions of euros)</i>	Note	Full year 2015	Full year 2014
Profit for the year		1,503	2,061
Less net result from discontinued operations		-	(169)
Share of (profit)/losses of associates, net of dividends received		(109)	(14)
<i>Adjustments to reconcile net profit to net cash flows provided by operating activities:</i>			
Depreciation of property, plant and equipment	13	426	414
Amortization of intangible assets other than goodwill	12	551	483
Impairment losses on non-current assets	5	505	26
Increase/(decrease) in provisions	23	(82)	(68)
Losses/(gains) on disposals of fixed assets		213	12
Difference between tax paid and tax expense		(388)	(188)
Other non-cash adjustments		96	83
Net cash provided by operating activities before changes in current assets and liabilities		2,715	2,640
Decrease/(increase) in accounts receivable		(21)	(246)
Decrease/(increase) in inventories and work in process		(3)	169
(Decrease)/increase in accounts payable		115	(85)
Change in other current assets and liabilities		26	55
Change in working capital requirement		117	(107)
Total I – Cash flows from operating activities		2,832	2,533
Purchases of property, plant and equipment	13	(509)	(475)
Proceeds from disposals of property, plant and equipment		100	40
Purchases of intangible assets	12	(396)	(396)
Proceeds from disposals of intangible assets		18	2
Net cash used by investment in operating assets		(787)	(829)
Net financial investments	2	232	(2,490)
Proceeds from sale of financial assets		28	5
Purchases of other long-term investments		191	108
Increase in long-term pension assets		(155)	(121)
Sub-total		296	(2,498)
Total II – Cash flows from/(used in) investing activities		(491)	(3,327)
Issuance of bonds	24	1,850	-
Repayment of bonds	24	(750)	(720)
Sale/(purchase) of own shares		(600)	(371)
Increase/(reduction) in other financial debt		(1,262)	(818)
Proceeds from issuance of shares		153	237
Dividends paid by Schneider Electric SE		(1,108)	(1,095)

<i>(in millions of euros)</i>	Note	Full year 2015	Full year 2014
Non-controlling interests		(111)	(110)
Total III – Cash flows from/(used in) financing activities		(1,828)	(2,877)
IV – Net foreign exchange difference:		(102)	(61)
V – Effect of discontinued operations		-	747
Increase/(decrease) in cash and cash equivalents: I +II +III +IV+V		411	(2,985)
Cash and cash equivalents at January 1		2,438	5,423
Increase/(decrease) in cash and cash equivalents		411	(2,985)
CASH AND CASH EQUIVALENTS AT DECEMBER 31	20	2,849	2,438

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

3. Consolidated balance sheet

Assets

<i>(in millions of euros)</i>	Note	Dec. 31, 2015	Dec. 31, 2014
Non-current assets			
Goodwill, net	11	17,781	16,733
Intangible assets, net	12	4,726	5,061
Property, plant and equipment, net	13	2,729	2,751
Total tangible and intangible assets		7,455	7,812
Investments in associates	14	364	318
Available-for-sale financial assets	15.1	128	333
Other non-current financial assets	15.2	568	365
Non-current financial assets		696	698
Deferred tax assets	16	2,504	2,160
Total non-current assets		28,800	27,721
Current assets			
Inventories and work in progress	17	3,035	3,027
Trade and other operating receivables	18	6,002	5,991
Other receivables and prepaid expenses	19	1,700	1,729
Current financial assets	15.3	41	40
Cash and cash equivalents	20	2,999	2,650
Total current assets		13,777	13,437
TOTAL ASSETS		42,577	41,158

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

Liabilities

<i>(in millions of euros)</i>	Note	Dec. 31, 2015	Dec. 31, 2014
Equity	21		
Share capital		2,355	2,339
Additional paid-in capital		7,267	7,898
Retained earnings		10,187	9,347
Translation reserve		1,039	148
Equity attributable to owners of the parent		20,848	19,732
Non-controlling interests		441	419
Total equity		21,289	20,151
Non-current provisions			
Pensions and other post-employment benefit obligations	22	2,025	2,199
Other non-current provisions	23	1,659	1,249
Total non-current provisions		3,684	3,448
Non-current financial liabilities			
Bonds	24	5,919	4,655
Other non-current debt	24	216	372
Non-current financial liabilities		6,135	5,027
Deferred tax liabilities	16	1,195	1,116
Other non-current liabilities	25	147	184
Total non-current liabilities		11,161	9,775
Current liabilities			
Trade and other operating payables		4,284	4,106
Accrued taxes and payroll costs		2,151	2,342
Current provisions	23	900	977
Other current liabilities		1,297	1,158
Current debt	24	1,495	2,645
Total current liabilities		10,127	11,228
Liabilities of discontinued operations		-	4
TOTAL EQUITY AND LIABILITIES		42,577	41,158

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

4. Consolidated statement of changes in equity

<i>(in millions of euros except for number of shares)</i>	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
Jan. 1, 2014*	561,958	2,248	6,992	(74)	8,877	(832)	17,211	382	17,593
Profit for the year					1,941		1,941	120	2,061
Other comprehensive income					(219)	980	761	29	790
Comprehensive income for the year					1,722	980	2,702	149	2,851
Capital increase	20,925	84	1,109				1,193		1,193
Exercise of stock options	1,807	7	29		(4)		32		32
Dividends			(244)		(851)		(1,095)	(112)	(1,207)
Change in treasury shares				(371)			(371)		(371)
Share-based compensation expense					86		86		86
Other			12		(38)		(26)		(26)
Dec. 31, 2014	584,691	2,339	7,898	(445)	9,792	148	19,732	419	20,151
Profit for the year					1,407		1,407	96	1,503
Other comprehensive income					366	891	1,257	35	1,292
Comprehensive income for the year					1,773	891	2,664	131	2,795
Capital increase	2,414	10	124				134		134
Exercise of stock options	1,629	6	17		(4)		19		19
Dividends			(796)		(312)		(1,108)	(102)	(1,210)
Change in treasury shares				(582)	(18)		(600)		(600)
Share-based compensation expense					97		97		97
Other			24		(114)		(90)	(7)	(97)
Dec. 31, 2015	588,734	2,355	7,267	(1,027)	11,214	1,039	20,848	441	21,289

* The Jan. 1, 2014 figures were restated from change in consolidation method disclosed in note 1
The accompanying notes are an integral part of the consolidated financial statements.

5. Notes to the consolidated financial statements

All amounts in millions of euros unless otherwise indicated.

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

The Schneider Electric Group's consolidated financial statements for the financial year ended December 31, 2015 were drawn up by the board of directors on February 16, 2016. They will be submitted to shareholders for approval at the Annual General Meeting of April 25, 2016.

The Group's main businesses are described in chapter 1 of the registration document.

Note 1 Accounting Policies

1.1 – Accounting standards

The consolidated financial statements have been prepared in compliance with the international accounting standards (IFRS) as adopted by the European Union as of December 31, 2015. The same accounting methods were used as for the consolidated financial statements for the year ended December 31, 2014.

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, 2015:

- IFRIC 21 – Levies ; this interpretation related to the accounting of taxes under IAS 37 provisions scope indicates that the triggering event for the accrual is the tax due date;
- Annual Improvements to IFRSs 2011-2013 Cycle (December 2013).

Implementation of IFRS10 and IFRS11 led to some changes in consolidation impact with no significant effect on consolidated financial statements.

The Group did not apply the following standards and interpretations that are mandatory at some point subsequent to December 31, 2015:

- standards adopted by the European Union:
 - Amendments to IAS 19 - Defined Benefit plans: Employees Contributions;
 - Annual Improvements to IFRSs 2010-2012 Cycle (December 2013);
 - Amendments to IAS 1 – Disclosure initiative;
 - Annual Improvements to IFRSs 2012 - 2014 Cycle (September 2014)
 - Amendments to IFRS 11- Accounting for Acquisitions of Interests in Joint Operations;
 - Amendments to IAS16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortization.
- standards not yet adopted by the European Union:
 - IFRS 9 – Financial instruments;
 - IFRS 15 – Revenue from Contracts with Customers;
 - IFRS 16 – Leases;
 - Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture;
 - Amendments to IFRS 10, IFRS12 and IAS 28 – Investment entities: Applying the Consolidation Exception;
 - Amendments to IAS12 – Recognition of Deferred Tax Assets for Unrealised Losses.

There are no differences in practice between the standards applied by Schneider Electric as of December 31, 2015 and the IFRS issued by the International Accounting Standards board (IASB).

The Group is currently assessing the potential effect on the Group's consolidated financial statements of the standards not yet applicable. At this stage of analysis, the Group does not expect the impact on its consolidated financial statements to be material, except for IFRS 9 due to uncertainties surrounding the adoption process in Europe and except IFRS16 for which main effect would be, in 2019, the inclusion of leases commitments for operating leases detailed in note 13.3 into financial debt.

1.2 – Discontinued operations

On February 5, 2014, Schneider Electric announced that it has signed an agreement for the sale of the Invensys Appliance division, because this unit is not a core business to Schneider Electric. The consideration for the transaction is GBP150 million and the agreement was completed on June 18, 2014. The Invensys Appliance division was reported as discontinued operations in the Group consolidated financial statements for the full year 2014.

On October 1, 2014 the Group has obtained all required regulatory approvals and subsequently finalized the sale of Custom Sensors & Technologies (CST) to The Carlyle Group (NASDAQ:CG), and PAI partners SAS, based on an enterprise value of USD900m (approximately EUR650m). As part of the transaction, the Group has reinvested approximately USD100 million alongside Carlyle, PAI and CST management to own a shareholding of 30% of CST. CST was reported in the Industry business of Schneider Electric. The CST activity was reclassified as discontinued operations in Group financial statements from January 1 to September 30, 2014 (for EUR24 million net income). From October 1, 2014 and for full year 2015, the 30% of CST share is accounted for as equity method.

1.3 – Basis of presentation

The financial statements have been prepared on a historical cost basis, with the exception of derivative instruments and available – for-sale 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.

1.4 – 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 obligations 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 1.11) and the measurement of the goodwill impairment (note 8);
- the measurement of the recoverable amount of non-current financial assets (note 1.12 and note 15);
- the realizable value of inventories and work in process (note 1.13);
- the recoverable amount of accounts receivable (note 1.14);
- the valuation of share-based payments (note 1.20);
- the calculation of provisions for contingencies, in particular for warranties (note 1.21);
- the measurement of pension and other post-employment benefit obligations (note 22).

1.5 – Consolidation principles

Subsidiaries, over which the Group exercises exclusive control, either directly or indirectly, are fully consolidated. Exclusive control is control by all means, including ownership of a majority voting interest, significant minority ownership, and contracts or agreements with other shareholders.

Group investments in entities controlled jointly with a limited number of partners, such as joint ventures and alliances and companies over which the Group has significant influence (« associates ») are accounted for by the equity consolidation 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 subsidiaries and associates can be found in note 32.

The reporting date for all companies included in the scope of consolidation is December 31, with the exception of certain 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).

1.6 – Business combinations

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

All acquired assets, liabilities and contingent liabilities of the buyer 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

negative goodwill 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 and impairment of purchase accounting intangibles ».

1.7 – 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 and cash flow items are translated at weighted-average annual exchange rates.

Gains or losses on translation are recorded in consolidated equity under « Cumulative translation reserve ».

1.8 – Foreign currency transactions

Foreign currency transactions are recorded using the official exchange rate in effect at the date the transaction is recorded or the hedging rate. At the balance sheet date, foreign currency payables and receivables are translated into the functional currency at the closing rates or 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.

1.9 – 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 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. The assets are regularly tested for impairment.

Intangible assets are 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 and impairment losses on intangible assets acquired in a business combination are presented on a separate statement of income line item, « Amortization and impairment of purchase accounting intangibles ».

Trademarks

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 tracked;
- 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.

Capitalized development projects are amortized over the lifespan of the underlying technology, which generally ranges from three to

ten years. The amortization of such capitalized projects is included in the cost of the related products and classified into « Cost of sales » when the products are sold.

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.

1.10 – 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 item as a whole 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 or 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 have been impaired. Impairment losses are charged to the statement of income under « Other operating income and expenses ».

Leases

The assets used under leases are recognized in the balance sheet, offset by a financial debt, where the leases transfer substantially all the risks and rewards of ownership to the Group.

Leases that do not transfer substantially all the risks and rewards of ownership are classified as operating leases. The related payments are recognized as an expense on a straight-line basis over the lease term.

Borrowing costs

In accordance with IAS 23 R – Borrowing costs (applied as of January 1, 2009), borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of the asset when it is probable that they will result in future economic benefits to the entity and the costs can be measured reliably. Other borrowing costs are recognized as an expense for the period. Prior to January 1, 2009, borrowing costs were systematically expensed when incurred.

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 on the basis of 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 asset 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 forecasts over a period generally not exceeding 5 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 plus a risk premium depending on the region in question. The WACC stood at 7.3% at December 31, 2015, a slight decrease on the 7.6% at December 31, 2014. This rate is based on (i) a long-term interest rate of 2.1%, corresponding to the average interest rate for 10 years OAT treasury bonds over the past few years, (ii) the average premium applied to financing obtained by the Group over the last period, and (iii) the weighted country risk premium for the Group's

businesses in the countries in question.

The perpetuity growth rate was 2%, unchanged on 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 *Buildings & Partner*, *Infrastructure*, *Industry* and *IT*. 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 (*Buildings & Partner*, *Infrastructure* and *Industry* mainly) pro-rata to their revenue in that CGU.

The WACC used to determine the value in use of each CGU was 8.0% for *Buildings & Partner*, 8.2% for *Industry*, 8.1% for *IT*, or and 8.4% for *Infrastructure*.

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 realizable value net of costs. Where the tested CGU comprises goodwill, any impairment losses are firstly deducted there from.

1.12 – Non-current financial assets

Investments in non-consolidated companies are classified as available-for-sale financial assets. They are initially recorded at their cost of acquisition and subsequently measured at fair value, when fair value can be reliably determined.

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).

In cases where fair value cannot be reliably determined on observable markets, the investments are measured at cost net of any accumulated impairment losses. The recoverable amount is determined by assessing either the Group' share in the entity's net assets or the expected future cash-flows representative of management expectation in this investment. This rule is applied in particular to unlisted shares.

Changes in fair value are accumulated as other comprehensive income in the comprehensive income statement and, in balance sheet, in equity under « Other reserves » up to the date of sale, at which time they are recognized in the income statement. Unrealized losses on assets that are considered to be permanently impaired are recorded at the statement of income under financial loss.

Loans, recorded under « Other non-current financial assets », are carried at amortized cost and tested for impairment where there is an indication that they may have been impaired. Non-current financial receivables are discounted when the impact of discounting is considered significant.

1.13 – Inventories and work in process

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

Depreciations for doubtful accounts are recorded when it is probable that receivables will not be collected and the amount of the loss can be reasonably estimated. Doubtful accounts are identified and the related depreciations determined based on historical loss experience, the aging of the receivables and a detailed assessment of the individual receivables along with the related credit risks. Once it is known with certainty that a doubtful account 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 impact of adjustment is significant.

1.15 – Assets held for sale

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 lowest of its amortized cost or 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. Deferred tax assets are recognized when it is probable that they will be recovered at a reasonably determinable date.

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.

Deferred tax assets and liabilities are not discounted. Deferred tax assets and liabilities related to the same unit and which are expected to reverse in the same period of time are netted off.

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 commercial paper, mutual funds and equivalents. In light of 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. They are held at their acquisition cost until sold.

Gains (losses) on the sale of own shares are added (deducted) 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 different types of share-based payments to senior executives and certain employees. These include:

- Schneider Electric SE performance shares;
- Schneider Electric SE stock options (until 2009);
- Stock Appreciation Rights, based on the Schneider Electric SE stock price (until 2013).

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 own share reserve. 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 discount (note 21.5).

1.21 – Provisions for contingencies and pension accruals

A provision is recorded when the Group has an obligation to a third party prior to the balance sheet date, and where 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. Provisions are calculated on a case-by-case or statistical basis and discounted when due in over a year. The discount rate used for long-term provisions was 1.4% at December 31, 2015 same as at December 31, 2014.

Provisions are primarily set aside to cover:

- economic risks:

these provisions cover tax risks arising from tax audits performed by local tax authorities and financial risks arising primarily on guarantees given to third parties in relation to certain assets and liabilities;

- customer risks:

these provisions are primarily established to covers risks arising from products sold to third parties. This risk mainly consists of claims based on alleged product defects and product liability;

- product risks:

these provisions comprise:

- statistical provisions for warranties: the Group funds provisions on a statistical basis for the residual cost of SchneiderElectric product warranties not covered by insurance,
- provisions to cover disputes concerning defective products and recalls of clearly identified products;

- environmental risks:

these provisions are primarily funded to cover cleanup costs;

- 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.

1.22 – Financial liabilities

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

1.23 – 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 accordingly uses instruments such as swaps, options and futures, depending on the nature of the exposure to be hedged.

Foreign currency hedges

The Group periodically buys foreign currency derivatives to hedge the currency risk associated with foreign currency transactions. Some of these instruments hedge operating receivables and payables carried in the balance sheets of Group companies. The Group does not apply hedge accounting to these instruments because gains and losses on this hedging is immediately recognized. At year-end, the hedging derivatives are marked to market and gains or losses are recognized in « Net financial income/(loss) », offsetting the gains or losses resulting from the translation at end-of-year rates of foreign currency payables and receivables, in accordance with IAS 21 – *The Effects of Changes in Foreign Exchange Rates*.

The Group also hedges future cash flows, including recurring future transactions, intra-group foreign currency loans or planned acquisitions or disposals of investments. In accordance with IAS 39, these are treated as cash flow hedges. These hedging instruments are recognized in the balance sheet and are measured at fair value at the end of the year. 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 ineffective portion of the gain or loss on the hedging instrument is recognized in « Net financial income/(loss) ».

In addition, 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*. In accordance with the rules governing hedges of net investments, the impact of exchange rate fluctuations is recorded in equity and recognized in the statement of income when the investment is sold.

Interest rate swaps

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 (or deferred) as an adjustment to interest income or expense over the life of the agreement. The Group applies hedge accounting as described in IAS 39 for interest rate swaps. Gains and losses on re-measurement of interest rate swaps at fair value are recognized in equity (for cash flow hedges) or in profit or loss (for fair value hedges).

Commodity contracts

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 IAS 39, these qualify as cash flow hedges. These instruments are recognized in the balance sheet and are measured at fair value at the period-end. The effective portion of the hedge is recognized separately in equity (under « Other reserves ») and then recognized in income (gross margin) when the hedged item affects consolidated income. The effect of this hedging is then incorporated in the cost price of the products sold. The ineffective portion of the gain or loss on the hedging instrument is recognized 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.

Put options granted to minority shareholders

In line with the AMF's recommendation of November 2009 and in the absence of a specific IFRS rule, the Group elected to retain the accounting treatment for minority put options applied up to December 31, 2009, involving puts granted to minority shareholders prior to this date. In this case, the Group elected to recognize the difference between the purchase price of the minority interests and the share of the net assets acquired as goodwill, without re-measuring the assets and liabilities acquired. Subsequent changes in the fair value of the liability are recognized by adjusting goodwill.

The Group opted for accounting subsequent fair value changes of put options granted to minority shareholders with counterpart in equity.

1.24 – Revenue recognition

The Group's revenues primarily include merchandise sales and revenues from services and contracts.

Merchandise sales

Revenue from sales is recognized when the product is shipped and risks and benefits are transferred (standard shipping terms are FOB).

Provisions for the discounts offered to distributors are set aside 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.

Service contracts

Revenue from service contracts is recorded over the contractual period of service. It is recognized when the result of the transaction can be reliably determined, by the percentage of completion method.

Long-term contracts

Income from long-term contracts is recognized using the percentage-of-completion method, based either on the percentage of costs incurred in relation to total estimated costs of the entire contract, or on the contract's technical milestones, notably proof of installation or delivery of equipment. When a contract includes performance clauses in the Group's favor, the related revenue is recognized at each project milestone and a provision is set aside if targets are not met.

Losses at completion for a given contract are provided for in full as soon as they become probable. The cost of work-in-process includes direct and indirect costs relating to the contracts.

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, (note 1.20) net of bank overdrafts and facilities.

Note 2 Changes in the scope of consolidation

The Group's consolidated financial statements for the year ended December 31, 2015 enclose the financial statements of companies listed in the note 32. The scope of consolidation for the year ended December 31, 2015 can be summarized as follows:

Number of active companies	Dec. 31, 2015	Dec. 31, 2014
Parent company and fully consolidated subsidiaries	603	607
Companies accounted for by the equity method	9	8
TOTAL	612	615

2.1 – Follow-up on acquisitions and divestments occurred in 2014 with significant effect in 2015

On January 17, 2014, the Group took control of Invensys Group. Invensys is consolidated with full consolidation method mainly in the Industry business since January 2014, except its Appliance division (divested in June 2014) reported as discontinued operation over the first half of 2014.

In accordance with IFRS3 R, Schneider Electric valued the assets acquired and liabilities assumed at their fair value on the date of acquisition.

The accounting of the acquisition of Invensys led principally to the recognition of intangibles at their fair value for a total amount of EUR501 million (technology, customer relationships and trademarks) and step down of tangibles in the amount of EUR(18) million; these assets were valued by independent experts. Provisions and contingent liabilities were recognized respectively for a total amount of EUR160 million and EUR476 million, the increase in contingent liabilities reported in the period results from final valuation of risks identified on December 31, 2014 in the 12 months period following the acquisition. The goodwill is not tax-deductible.

Comparative data in 2014 did not require a change in 2015 because the impacts related to changes in fair value recognized as part of the acquisition price were not significant across the Schneider Electric Group balance sheet and income statement.

On October 1, 2014 the Group has finalized the sale of Custom Sensors & Technologies (CST) to The Carlyle Group (NASDAQ:CG), and PAI partners SAS and the Group has reinvested approximately USD100 million alongside Carlyle, PAI and CST management to own a shareholding of 30% of CST. CST was reported in the Industry business of Schneider Electric. The CST activity was reclassified as discontinued operations in Group financial statements from January 1 to September 30, 2014 (for EUR24 million net income). From October 1, 2014 and for full year 2015, the 30% of CST share is accounted for as equity method.

2.2 – Acquisitions and divestments occurred during the year

On December 11, 2015, Schneider Electric announced that it has obtained all required regulatory approvals and subsequently finalized the sale of Juno Lighting, LLC (“Juno”) to Acuity Brands, Inc for a consideration of approximately U.S.\$385m (EUR343 million). The transaction generated a capital loss of EUR163 million recorded as Other operating expense.

On December 14, 2015 - Schneider Electric announced that it has signed an agreement to sell its Transportation Business, to Kapsch TrafficCom AG. The Transportation business generated revenues of EUR134million in 2014 and is currently consolidated under the Infrastructure business of Schneider Electric. The terms of the agreement reflect a purchase price of about €35m on a cash-free, debt-free basis. The agreement is conditioned upon the satisfaction of certain regulatory conditions and on other customary closing conditions. The transaction is expected to close in the coming months. The transaction would generate an impairment of EUR100 million that has been recognized at December 31, 2015 as Other operating expense.

No significant acquisition occurred during 2015.

The effect of acquisitions and divestments during the year is a net cash inflow amounting to EUR232 million in 2015 :

	Dec. 31, 2015	Dec. 31, 2014
Acquisitions	(162)	(2,490)
<i>Cash and cash equivalents paid*</i>	(170)	(3,093)
<i>Cash and cash equivalents acquired/(paid)</i>	8	603
Disposals	394	-
NET FINANCIAL INVESTMENT	232	(2,490)

* Net of the cash received from the disposal of Appliance, in 2014.

The cash inflow from disposals is mainly related to the price received for Juno divestment.

Note 3 Segment information

The Group is organized in four businesses: *Buildings & Partner*, *Infrastructure*, *Industry* and *IT*.

- **Buildings & Partner** provide low voltage power and building automation products and solutions that address the needs of all end markets from buildings to industries and infrastructure to data centers to help customers improve the energy efficiency of the buildings;
- **Infrastructure**, combines all Medium Voltage activities; the business is in charge of the end-customer segments Oil and Gas, Electric Utilities and Transportation when it relates to solutions integrating the offers of several activities from the Group;
- **Industry**, which includes Automation & Control and four end-customer segments: OEMs, Water, Mining Minerals & Metals and Food & Beverages when it relates to solutions integrating the offers of several activities from the Group;
- **IT**, which covers Critical Power & Cooling Services and three end-customer segments (Bank & Insurance, IT industry and Cloud & Telecom) when it relates to solutions integrating the offers of several activities from the Group.

Expenses concerning General Management that cannot be allocated to a particular segment are presented under « Corporate costs ».

Operating segment data is identical to that presented to the board of directors, which has been identified as the main decision-making body for allocating resources and evaluating segment performance. Performance assessments used by the board of directors are notably based on Adjusted EBITA. Share-based payment is presented under « Corporate 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 Chapter 4 of the registration document (Business Review).

3.1 – Information by operating segment

Full year 2015

<i>(in millions of euros)</i>	Buildings & Partner	Industry	Infrastructure	IT	Corporate costs	Total
Revenue	11,859	5,696	5,428	3,657	-	26,640
Adjusted EBITA*	2,132	975	495	644	(605)	3,641
<i>Adjusted EBITA %</i>	18.0%	17.1%	9.1%	17.6%	-	13.7%
Other operating income and expense	(240)	(22)	(240)	(5)	(15)	(522)
Restructuring costs	(169)	(22)	(89)	(8)	(30)	(318)
EBITA	1,723	931	166	631	(650)	2,801
EBITA %	14.5%	16.4%	3.1%	17.3%	-	10.5%

* *Adjusted EBITA: EBITA before Restructuring costs and before Other operating income and expenses (of which Costs of acquisition, integration and separation).*

Revenue related to solutions amounts to 43% of total revenue in 2015.

Full year 2014

<i>(in millions of euros)</i>	Buildings & Partner	Industry	Infrastructure	IT	Corporate costs	Total
Revenue	10,754	5,551	5,277	3,357	-	24,939
Adjusted EBITA*	1,913	1,023	454	630	(557)	3,463
<i>Adjusted EBITA %</i>	17.8%	18.4%	8.6%	18.8%	-	13.9%
Other operating income and expense	7	(34)	(86)	1	6	(106)
Restructuring costs	(93)	(26)	(76)	(4)	(3)	(202)
EBITA	1,827	963	292	627	(554)	3,155
EBITA %	17.0%	17.3%	5.5%	18.7%	-	12.7%

* *Adjusted EBITA: EBITA before Restructuring costs and before Other operating income and expenses (of which Costs of acquisition, integration and separation).*

Revenue related to solutions amounts to 43% of total revenue in 2014.

3.2 – Information by region

The geographic regions covered by the Group are:

- Western Europe;
- North America: United States, Canada and 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.

Dec. 31, 2015

	Western Europe	<i>of which France</i>	North America	<i>of which USA</i>	Asia-Pacific	<i>of which China</i>	Rest of the world	Total
Revenue by country market	6,929	1,711	7,268	6,083	7,599	3,892	4,844	26,640
Non-current assets	10,017	1,739	9,213	8,591	4,771	1,596	1,235	25,236

Dec. 31, 2014

	Western Europe	of which France	North America	of which USA	Asia-Pacific	of which China	Rest of the world	Total
Revenue by country market	6,758	1,644	6,321	5,239	7,076	3,705	4,784	24,939
Non-current assets	9,848	1,761	8,981	8,748	4,544	1,532	1,172	24,545

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

	Full year 2015		Full year 2014	
Revenue – Mature countries	15,111	57 %	13,994	56%
Revenue – New economies	11,529	43 %	10,945	44%
TOTAL	26,640	100 %	24,939	100%

3.3 – Degree of dependence in relation to main customers

No single customer accounts for more than 10% of consolidated revenue.

Note 4 Research and development

Research and development costs break down as follows:

	Full year 2015	Full year 2014
Research and development costs in cost of sales	(335)	(290)
Research and development costs in R&D costs ⁽¹⁾	(565)	(567)
Capitalized development costs	(372)	(355)
TOTAL RESEARCH AND DEVELOPMENT COSTS OF THE YEAR	(1,272)	(1,212)

(1) Of which EUR47 million of research and development tax credit in full year December 2015, EUR45 million in full year December 2014.

Amortization of capitalized development costs amounted to EUR227 million for the 2015 financial year, compared with EUR180 million in 2014.

Note 5 Depreciation and amortization expenses

Depreciation and amortization expenses recognized in operating expenses were as follows:

	Full year 2015	Full year 2014
Included in cost of sales :		
Depreciation and amortization	(554)	(484)
Included in selling, general and administrative expenses		
Depreciation and amortization	(203)	(141)
DEPRECIATION AND AMORTIZATION EXPENSES	(757)	(625)

Moreover, the net amount of impairment of non-current assets totaled EUR482 million.

Note 6 Other operating income and expenses

Other operating income and expenses break down as follows:

	Full year 2015	Full year 2014
Impairment losses on assets	(246)	(4)
Gains on asset disposals	21	9
Losses on asset disposals	(12)	(22)
Costs of acquisitions	(118)	(114)
Pension plan curtailments	53	95
Others	(220)	(69)
OTHER OPERATING INCOME AND EXPENSES	(522)	(106)

The impairment losses on assets in 2015 are mainly related to the impairment of the Transportation business consecutive to the expected divestment described in the note 2.2.

The costs of acquisitions are the costs of acquisition, integration and separation related to major acquisitions in 2015 and 2014.

The line « Pension plan curtailments » includes mainly provision releases in the United Kingdom, and in France.

The line « Others » includes mainly in 2015 losses on the disposal of businesses , notably the divestment on Juno described in the note 2.2. In 2014, the line « Others » includes mainly provisions for litigation or claims.

Note 7 Restructuring costs

Restructuring costs totaled EUR318 million over the period. They mainly relate to industrial and support function reorganizations in all geographies.

Note 8 Amortization and impairment of purchase accounting intangibles

	Full year 2015	Full year 2014
Amortization of purchase accounting intangibles	(277)	(259)
Impairment of purchase accounting intangibles	(295)	-
AMORTIZATION AND IMPAIRMENT OF PURCHASE ACCOUNTING INTANGIBLES	(572)	(259)

The migration of the Group's brands towards the Schneider Electric brand (One Brand project) has led to the amortization from January 1, 2010 of the Xantrex, TAC and MGE brands over a six-year period. The corresponding amortization expense totaled EUR61 million over the year. The brand Pelco has been depreciated for an amount of EUR295 million.

Impairment tests performed on the other Group's CGUs' long-lived assets have not led to impairment losses being recognized in 2015. The sensitivity analysis on the test hypothesis shows that no impairment losses would be recognized in the following scenarios:

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

Note 9 Other financial income and expense

	Full year 2015	Full year 2014
Exchange gains and losses, net	(24)	(26)
Financial component of defined benefit plan costs	(79)	(73)
Dividends received	-	4
Fair value adjustment of assets available for sale	(1)	(22)
Other financial expense, net	(47)	(38)
OTHER FINANCIAL INCOME AND EXPENSE	(151)	(155)

Note 10 Income tax expense

Whenever possible, Group entities file consolidated tax returns. Schneider Electric SE has chosen this option for the French subsidiaries it controls directly or indirectly through Schneider Electric Industries SAS.

10.1 – Analysis of income tax expense

	Full year 2015	Full year 2014
Current taxes		
France	(73)	(90)
International	(602)	(601)
Total	(675)	(691)
Deferred taxes		
France	185	(38)
International	101	178
Total	286	140
INCOME TAX (EXPENSE)/BENEFIT	(389)	(551)

10.2 – Tax proof

	Full year 2015	Full year 2014
Profit attributable to owners of the parent	1,407	1,941
Income of discontinued operations, net of income tax	-	169
Income tax (expense)/benefit	(389)	(551)
Non-controlling interests	(96)	(120)
Share of profit of associates	109	14
Profit before tax	1,783	2,429
Statutory tax rate	34.43%	34.43%
Income tax expense calculated at the statutory rate		
Reconciling items:	(614)	(836)
Difference between French and foreign tax rates	195	206
Tax credits and other tax reductions	125	132
Impact of tax losses	(13)	70
Other permanent differences	(82)	(122)
Income tax (expense)/benefit	(389)	(551)
EFFECTIVE TAX RATE	21.8%	22.7%

Note 11 Goodwill

11.1 – Main items of goodwill

Group goodwill is broken down by business as follows:

	Dec. 31, 2015, net	Dec. 31, 2014, net
<i>Buildings & Partner</i>	5,797	5,678
<i>Industry</i>	6,234	5,365
<i>IT</i>	3,302	3,120
<i>Infrastructure</i>	2,448	2,570
TOTAL	17,781	16,733

Square D goodwill was allocated to each business in proportion to operating income:

	Partner	Industry
Square D Company	82%	18%

11.2 – Movements during the year

The main movements during the year are summarized as follows:

	Full year 2015	Full year 2014
Net goodwill at opening	16,733	13,048
Acquisitions	412	3,177
Disposals	(277)	(423)
Impairment	(65)	-
Translation adjustment	978	931
Reclassifications	-	-
Net goodwill at year end	17,781	16,733
Included cumulative impairment	(375)	(280)

Acquisitions

Goodwill generated by acquisitions made during the year totaled EUR412 million and corresponds mainly to the Purchase Price Allocation of the Invensys Group. Invensys goodwill has been allocated to Industry CGU.

Goodwill generated by acquisitions in 2014 totaled EUR3.177 million and corresponds mainly to the Group Invensys.

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

Other changes

Translation adjustments concern principally goodwill in US dollars.

Note 12 Intangible assets

12.1 – Change in intangible assets

	Trademarks	Software	Development projects (R&D)	Other	Total
GROSS VALUE					
Dec. 31, 2013*	2,606	823	1,763	1,834	7,026
Acquisitions	-	27	355	14	396
Disposals	-	(15)	(3)	(10)	(28)
Translation adjustments	261	19	59	228	567
Reclassification	-	17	(17)	7	7
Changes in scope of consolidation and other	(9)	(2)	(7)	347	329
Dec. 31, 2014	2,858	870	2,149	2,420	8,297
Acquisitions	1	21	373	1	396
Disposals	(1)	(51)	(15)	(13)	(80)
Translation adjustments	249	16	73	210	548
Reclassification	3	25	(102)	42	(32)
Changes in scope of consolidation and other	(104)	(2)	-	(93)	(199)
Dec. 31, 2015	3,006	879	2,478	2,567	8,930

* The 2013 figures were restated from discontinued operations and change in consolidation method disclosed in note 1.

	Trademarks	Software	Development projects (R&D)	Other	Total
ACCUMULATED AMORTIZATION AND IMPAIRMENT					
Dec. 31, 2013*	(360)	(655)	(710)	(1,021)	(2,746)
Depreciation and impairment	(65)	(52)	(180)	(189)	(486)
Recapture	4	14	2	(14)	6
Translation adjustments	-	(16)	(22)	(84)	(122)
Reclassification	-	2	(6)	(2)	(6)
Changes in scope of consolidation and other	23	1	6	88	118
Dec. 31, 2014	(398)	(706)	(910)	(1,222)	(3,236)
Depreciation and impairment	(355)	(55)	(339)	(210)	(959)
Recapture	3	46	9	(1)	57
Translation adjustments	(12)	(15)	(34)	(86)	(147)
Reclassification	(3)	-	48	(11)	34
Changes in scope of consolidation and other	-	2	-	45	47
Dec. 31, 2015	(765)	(728)	(1,226)	(1,485)	(4,204)

* The 2013 figures were restated from discontinued operations and change in consolidation method disclosed in note 1.

	Trademarks	Software	Development projects (R&D)	Other	Total
NET VALUE					
Dec. 31, 2013*	2,246	168	1,053	813	4,280
Dec. 31, 2014	2,460	163	1,239	1,198	5,061
Dec. 31, 2015	2,241	151	1,252	1,082	4,726

* The 2013 figures were restated from discontinued operations and change in consolidation method disclosed in note 1.

In 2015, change in Intangible assets mainly related to R&D capitalized development costs for EUR373 million. The decrease in the intangible assets is mainly due to the disposal of Juno (see note 2.2).

In 2014, change in Intangible assets mainly related to changes in scope of other intangibles assets including recognized intangibles relating to Invensys acquisition for EUR521 million and to R&D capitalized development costs for EUR355 million.

The amortization and impairment of intangible assets other than goodwill retreated at statutory cash flow were as follows:

Cash impact	Dec. 31, 2015	Dec. 31, 2014
Amortization of intangible assets other than goodwill	551	483
Impairment on intangible assets other than goodwill and others	408	3
TOTAL*	959	486

* Includes amortization & impairment of intangibles assets from purchase price allocation for EUR277 million for the year 2015 and EUR259million for the year 2014 (disclosed in note 8).

12.2 – Trademarks

At December 31, 2015, the main trademarks recognized were as follows:

	Dec. 31, 2015	Dec. 31, 2014
APC (IT)	1,689	1,515
PELCO (Buildings & Partner)	154	410
Clipsal (Buildings & Partner)	171	172
MGE (IT)	-	33
TAC (Buildings & Partner)	-	20
Juno (Buildings & Partner)	-	94
Digital (Industry)	42	38
Invensys – Triconex and Foxboro (Industry)	51	43
Other	134	135
NET	2,241	2,460

The migration of the Group's brands towards the Schneider Electric brand (One Brand project) has led to the amortization from January 1, 2010 of the Xantrex, TAC and MGE brands over a six-year period. The corresponding amortization expense totaled EUR61 million over the year. The other brands have an indefinite useful life. Pelco brand has been depreciated for EUR295 million.

Note 13 Property, plant and equipment

13.1 – Change in tangible assets

	Land	Buildings	Machinery and equipment	Other	Total
GROSS VALUE					
Dec. 31, 2013*	205	1,745	4,001	989	6,940
Acquisitions	2	269	134	70	475
Disposals	3	(115)	(171)	(56)	(339)
Translation adjustments	11	62	133	35	241
Reclassification	6	(172)	122	38	(6)
Changes in scope of consolidation and other	(15)	127	79	39	230
Dec. 31, 2014	212	1,916	4,298	1,115	7,541
Acquisitions	3	276	162	67	508
Disposals	(20)	(147)	(240)	(106)	(513)
Translation adjustments	11	56	115	27	209
Reclassification	9	(95)	95	(27)	(18)
Changes in scope of consolidation and other	(6)	(100)	(12)	(4)	(122)
Dec. 31, 2015	209	1,906	4,418	1,072	7,605

* The 2013 figures were restated from discontinued operations and change in consolidation method disclosed in note 1.

	Land	Buildings	Machinery and equipment	Other	Total
ACCUMULATED AMORTIZATION AND IMPAIRMENT					
Dec. 31, 2013*	(26)	(837)	(2,974)	(508)	(4,345)
Depreciation and impairment	(3)	(87)	(268)	(56)	(414)
Recapture	1	84	169	43	297
Translation adjustments	(1)	(32)	(96)	(28)	(157)
Reclassification	1	24	(7)	(7)	11
Changes in scope of consolidation and other	-	(70)	(60)	(52)	(182)
Dec. 31, 2014	(28)	(918)	(3,236)	(608)	(4,790)
Depreciation and impairment	(2)	(83)	(275)	(73)	(433)
Recapture	5	97	230	95	427
Translation adjustments	(1)	(26)	(86)	(21)	(134)
Reclassification	-	(4)	9	14	19
Changes in scope of consolidation and other	(3)	27	5	6	35
Dec. 31, 2015	(29)	(907)	(3,353)	(587)	(4,876)

* The 2013 figures were restated from discontinued operations and change in consolidation method disclosed in note 1.

	Land	Buildings	Machinery and equipment	Other	Total
NET VALUE					
Dec. 31, 2013*	179	908	1,027	481	2,595
Dec. 31, 2014	184	998	1,062	507	2,751
Dec. 31, 2015	180	999	1,065	485	2,729

* The 2013 figures were restated from discontinued operations and change in consolidation method disclosed in note 1.

Reclassifications primarily correspond to assets put into use.

The cash impact of purchases of property, plant and equipment in 2015 was as follows:

Cash impact of purchases of property, plant and equipment	Dec. 31, 2015	Dec. 31, 2014
Increase in tangible assets	(508)	(475)
Change in receivables and liabilities on tangible assets	(1)	-
Total	(509)	(475)

The depreciation and impairment of tangible assets retreated at statutory cash flow were as follows:

Cash impact	Dec. 31, 2015	Dec. 31, 2014
Depreciation of property, plant and equipment	426	414
Impairment on tangible assets	6	4
Total	432	418

13.2 – Finance leases

Tangible assets primarily comprise the following finance leases:

	Dec. 31, 2015	Dec. 31, 2014
Land	-	1
Buildings	10	29
Machinery and equipment	31	32
Other tangible assets	2	2
Accumulated depreciation	(41)	(40)
ASSETS UNDER FINANCE LEASE, NET	2	24

Future minimal rental commitments on finance lease properties at December 31, 2015 break down as follows:

	Minimum payments	Discounted minimum payments
Less than one year	1	1
Between one and five years	1	2
TOTAL COMMITMENTS	2	3
Discounting effect	1	-
Discounted minimum payments	3	-

13.3 – Operating leases

Rental expense breaks down as follows:

	Full year 2015	Full year 2014
Minimum rentals	118	163
Sub-lease rentals	6	7
TOTAL RENTAL EXPENSE	124	170

Operating lease commitments break down as follows at December 31, 2015:

	Minimum payments	Discounted minimum payments
Less than one year	108	106
Between one and five years	281	272
Five years and more	229	211
TOTAL COMMITMENTS	618	589
Discounting effect	(29)	-
Discounted minimum payments	589	-

Note 14 Investments in associates

Investments in associates can be analyzed as follows:

	% Interest		Share in net assets		Net income / (Loss)	
	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2014
Fuji Electric FA Components & Systems	36.8%	36.8%	108	91	11	11
Sunten Electric Equipment	40.0%	40.0%	98	88	7	6
Custom Sensors & Technologies Topco Limited	30.0%	30.0%	93	81	93	(3)
Telvent DMS, LLC power engineering	57.0%	57.0%	34	32	(5)	(2)
Delta Dore Finance	20.0%	20.0%	17	16	1	1
Others	N/A	N/A	14	10	2	1
TOTAL	-	-	364	318	109	14

Note 15 Financial assets

15.1 – Available-for-sale financial assets

Available-for-sale financial assets, primarily comprising investments, are detailed below:

	% interest	Dec. 31, 2015			Dec. 31, 2014
		Gross value	Revaluation/ impairment	Fair value	Fair value
I – Listed available-for-sale financial assets					
NVC Lighting	9.2%	137	(104)	33	54
Gold Peak Industries Holding Ltd	4.4%	6	(3)	3	3
Total listed AFS		143	(107)	36	57
II – Unlisted available-for-sale financial assets					
FCPR SEV1	99.5 %	10	10	20	44
Gunsan Elektrik. ⁽¹⁾	100 %	-	-	-	112
InStep Software. ⁽¹⁾	100 %	-	-	-	41
SE Buildings Energy Efficiency ⁽²⁾	100 %	-	-	-	18
FCPR Aster II (part A, B and C)	38.3 %	22	(5)	17	14
FCPR Growth	100 %	29	-	29	10
FCPR SESS and Livelihoods	81.7 %	13	-	13	12
Raise Foundation	5%	9	-	9	5
Others		20	(16)	4	20
Total unlisted AFS		103	(11)	92	276
TOTAL AVAILABLE FOR SALE FINANCIAL ASSETS		246	(118)	128	333

(1) Companies purchased in 2014 and consolidated in 2015

(2) Sold in 2015

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

NVC Lighting investment was acquired in July 2011 in the framework of a partnership that gives Schneider Electric an exclusive access to NVC Lighting's diffused and well established channels. The cumulated change in fair value of NVC Lighting investment determined on its price share and corresponding to a loss of value of EUR104 million at closing rate was recorded.

15.2 – Other non-current financial assets

Non Current financial assets total EUR568 million at December 31, 2015.

15.3 – Current financial assets

Current financial assets total EUR41 million at December 31, 2015 and include short-term investments.

Note 16 Deferred taxes by type

Deferred taxes by type can be analyzed as follows:

	Dec. 31, 2015	Dec. 31, 2014
Deferred tax assets		
Tax credits and tax loss carryforwards	886	591
Provisions for pensions and other post-retirement benefit obligations	483	590
Impairment of receivables and inventory	144	183
Non-deductible provisions for contingencies and accruals	347	260
Other	644	536
TOTAL DEFERRED TAX ASSETS	2,504	2,160
Deferred tax liabilities		
Differences between tax and accounting depreciation	(110)	(108)
Trademarks and other intangible assets	(409)	(432)
Capitalized development costs (R&D)	(94)	(90)
Other	(582)	(486)
TOTAL DEFERRED TAX LIABILITIES	(1,195)	(1,116)

Deferred tax assets recorded in respect of tax loss carryforwards at December 31, 2015 essentially concern France (EUR560 million) and the United States (EUR180 million).

Note 17 Inventories and work in progress

Inventories and work in process changed as follows:

	Dec. 31, 2015	Dec. 31, 2014
Cost:		
Raw materials	1,316	1,391
Production work in process	304	291
Semi-finished and finished products	1,295	1,247
Goods	400	416
Solution work in process	120	87
INVENTORIES AND WORK IN PROCESS AT COST	3,435	3,432
Impairment:		
Raw materials	(181)	(196)
Production work in process	(8)	(7)
Semi-finished and finished products	(187)	(182)
Goods	(14)	(12)
Solution work in process	(10)	(8)
IMPAIRMENT LOSS	(400)	(405)
Net:		
Raw materials	1,135	1,195
Production work in process	296	284
Semi-finished and finished products	1,108	1,065
Goods	386	404
Solution work in process	110	79
INVENTORIES AND WORK IN PROCESS, NET	3,035	3,027

Note 18 Trade accounts receivable

	Dec. 31, 2015	Dec. 31, 2014
Accounts receivable	6,115	6,037
Notes receivable	241	213
Advances to suppliers	119	119
Accounts receivable at cost	6,475	6,369
Impairment	(473)	(378)
Accounts receivable, net	6,002	5,991
Of which:		
On time	5,082	5,048
Less than one month past due	432	397
One to two months past due	203	199
Two to three months past due	99	105
Three to four months past due	69	70
More than four months past due	117	172
ACCOUNTS RECEIVABLE, NET	6,002	5,991

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:

	Full year 2015	Full year 2014
Provisions for impairment on January 1	(378)	(347)
Additions	(109)	(84)
Utilizations	67	57
Reversals of surplus provisions	12	7
Translation adjustments	(11)	(13)
Other	(54)	2
PROVISIONS FOR IMPAIRMENT ON DECEMBER 31	(473)	(378)

Note 19 Other receivables and prepaid expenses

	Dec. 31, 2015	Dec. 31, 2014
Other receivables	366	347
Other tax credits	918	1,036
Derivative instruments	139	98
Prepaid expenses	277	248
TOTAL	1,700	1,729

Note 20 Cash and cash equivalents

	Dec. 31, 2015	Dec. 31, 2014
Marketable securities	1,310	714
Negotiable debt securities and short-term deposits	65	50
Cash and cash equivalents	1,624	1,886
Total cash and cash equivalents	2,999	2,650
Bank overdrafts	(150)	(212)
NET CASH AND CASH EQUIVALENTS	2,849	2,438

Non-recourse factoring of trade receivables were realized during the second semester of 2015 for a total amount of EUR130 million, compared with EUR133 million during the second semester of 2014.

Note 21 Equity

21.1 – Capital

Share capital

The company's share capital at December 31, 2015 amounted to EUR2,354,937,888 represented by 588,734,472 shares with a par value of EUR4, all fully paid up.

At December 31, 2015, a total of 630,365,631 voting rights were attached to the 588,734,472 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

Changes in share capital since December 31, 2013 were as follows:

	Cumulative number of shares	Total (in euros)
Capital at Dec. 31, 2013	561,958,023	2,247,832,092
Exercise of stock options	1,807,827	7,231,308
Employee share issue	3,717,865	14,871,460
Capital increase	17,207,427	68,829,708
Capital at Dec. 31, 2014	584,691,142	2,338,764,568
Exercise of stock options	1,629,391	6,517,564
Employee share issue	2,413,939	9,655,756
CAPITAL AT DEC. 31, 2015	588,734,472	2,354,937,888

The share premium account increased by EUR141,015,492 following the exercise of options and the increases in capital.

21.2 – Ownership structure

	Dec. 31, 2015				Dec. 31, 2014	
	Capital %	Number of shares	Voting rights %	Number of voting rights	Capital %	Voting rights %
Blackrock, Inc.	5.0	29,626,692	4.7	29,626,692	5.3	4.9
Capital Group Companies ⁽¹⁾	0.0	7,228	0.0	7,228	4.2	3.9
CDC	3.1	18,270,907	5.8	36,514,997	3.2	6.0
Employees	3.8	22,609,167	6.0	37,551,765	4.0	6.3
Own shares ⁽²⁾	0.0	1,058	-	-	0.0	-
Treasury shares	4.0	23,283,812	-	-	2.3	-
Public	84.1	494,935,608	83.5	526,664,949	81.0	78.9
TOTAL	100.0	588,734,472	100.0	630,365,631	100.0	100.0

(1) To the best of the company's knowledge.

(2) Number of voting rights as defined in article 223-11 of the AMF general regulations, which includes shares stripped of voting rights.

No shareholders' pact was in effect as of December 31, 2015.

21.3 – Earnings per share

Determination of the share base used in calculation

	Full year 2015*		Full year 2014*	
	Basic	Diluted	Basic	Diluted
<i>(in thousands of shares)</i>				
Common shares*	568,346	568,346	572,166	572,166
Performance shares	-	2,877	-	3,781
Stock options	-	792	-	999
Average weighted number of shares	568,346	572,015	572,166	576,946

* Net of treasury shares and own shares.

Earnings per share

	Full year 2015		Full year 2014	
	Basic	Diluted	Basic	Diluted
<i>(in euros)</i>				
Profit before tax	3.14	3.12	4.25	4.21
EARNINGS PER SHARE	2.47	2.46	3.39	3.37

21.4 – Dividends paid and proposed

In 2015, the Group paid out the 2014 dividend of EUR1.92 per share (with a nominal value of EUR4), for a total of EUR1,098 million.

In 2014, the Group paid out the 2013 dividend of EUR1.87 per share (with a nominal value of EUR4), for a total of EUR1,069 million.

At the Shareholders' Meeting of April 25, 2016, shareholders will be asked to approve a dividend of EUR2.00 per share (with a nominal value of EUR4) for fiscal year 2015. At December 31, 2015 Schneider Electric SE had distributable reserves in an amount of EUR7,262 million (versus EUR7,883 million at the previous year-end), not including profit for the year.

21.5 – Share-based payments

Current stock option and stock grant plans

The board of directors of Schneider Electric SE and later the management board have set up stock option and stock grant plans for senior executives and certain employees of the Group. The main features of these plans were as follows at December 31, 2015:

Stock option plans

Plan no.	Date of Board meeting	Type of plan ⁽¹⁾	Starting date of exercise period	Expiration date	Price (in euros)	Number of options initially granted	Options cancelled because targets not met
28	12/21/2006	S	12/21/2010	12/20/2016	39.60	2,514,240	-
29	04/23/2007	S	04/23/2011	04/22/2017	47.24	166,300	-
30	12/19/2007	S	12/19/2011	12/18/2017	44.79	1,889,852	887,952
31	01/05/2009	S	01/05/2013	01/04/2019	25.37	1,358,000	133,760
33	12/21/2009	S	12/21/2013	12/20/2019	36.92	1,652,686	-
TOTAL						7,581,078	1,021,712

(1) S = Options to subscribe new shares.

Rules governing the stock option plans are as follows:

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

Performance shares

Plan no.	Date of Board meeting	Vesting Date	Expiration Date	Number of shares granted originally	Grants cancelled because targets not met
10	12/17/2010	03/17/2013	03/17/2015	665,524	11,409
11	12/17/2010	12/17/2014	12/17/2014	1,161,696	17,237
10 bis	07/26/2011	07/26/2013	07/26/2015	3,000	48
11 bis	07/26/2011	07/26/2015	07/26/2015	5,882	94
12	07/26/2011	07/26/2015	07/26/2015	19,850	-
13 and 13 bis	12/16/2011	12/16/2013	12/16/2015	647,943	-
14 and 14 bis	12/16/2011	12/16/2015	12/16/2015	1,386,800	-
13 ter	07/27/2012	07/27/2014	07/27/2016	625	-
14 ter	07/27/2012	07/27/2016	07/27/2016	1,500	-
15	03/28/2013	03/28/2015	03/28/2017	645,550	-
16	03/28/2013	03/28/2017	03/28/2017	1,844,830	-
15 bis	10/24/2013	10/24/2015	10/26/2017	4,500	-
16 bis	10/24/2013	10/24/2017	10/24/2017	19,600	-
17	03/31/2014	03/31/2016	04/02/2018	714,480	-
18	03/31/2014	03/31/2018	04/02/2018	2,177,320	-
17 bis	10/28/2014	10/28/2016	10/29/2018	500	-
18 bis	10/28/2014	10/28/2018	10/29/2018	30,900	-
19 a	02/18/2015	02/18/2017	02/20/2020	4,925	-
19 b	02/18/2015	02/18/2018	02/19/2020	9,100	-
20 a	02/18/2015	02/18/2017	02/20/2020	11,475	-
20 b	02/18/2015	02/18/2018	02/19/2020	11,950	-
20 c	02/18/2015	02/18/2019	02/18/2020	9,300	-
21	03/27/2015	03/27/2017	03/28/2019	719,670	-

Plan no.	Date of Board meeting	Vesting Date	Expiration Date	Number of shares granted originally	Grants cancelled because targets not met
21 bis	10/28/2015	10/28/2017	10/29/2019	1,500	-
22	03/27/2015	03/27/2019	03/28/2019	2,095,610	-
22 bis	10/28/2015	10/28/2019	10/29/2019	32,650	-
22 ter	10/28/2015	10/28/2019	10/29/2019	24,570	-
TOTAL				12,251,250	28,788

Rules governing the stock grant plans are as follows:

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

Outstanding options and grants

Change in the number of options

Plan no.	Number of options outstanding Dec. 31, 2014	Number of options exercised and/or created in 2015	Number of options cancelled or restated in 2015 ⁽¹⁾	Number of options outstanding Dec. 31, 2015
28	693,388	(92,491)	14,460	615,357
29	65,398	(9,551)	(1,896)	53,951
30	380,578	(68,735)	1,785	313,628
31	395,791	(83,974)	1,317	313,134
33	929,495	(246,760)	4,334	687,069
TOTAL	2,464,650	(501,511)	20,000	1,983,139

(1) Including cancellations due to targets not being met or options being granted to employees without being exercised.

To exercise the options granted under plans 28 to 33, and the SARs, the grantee must generally be an employee or corporate officer of the Group. In addition, exercise of some options is generally conditional on the achievement of annual objectives based on financial indicators.

In respect of subscription vesting conditions for current stock option and performance shares plans, Schneider Electric SE has created 1,629,391 shares in 2015.

Change in the number of performance shares

Plan no.	Number of performance shares at Dec. 31, 2014	Number of existing or new shares grants in 2015	Number of shares cancelled in 2015	Number of shares outstanding at Dec. 31, 2015
11 <i>bis</i>	5,788	(5,788)	-	-
12	19,850	(19,850)	-	-
14 and 14 <i>bis</i>	1,215,369	(1,091,962)	(123,407)	-
14 <i>ter</i>	1,500	-	-	1,500
15	632,750	(630,100)	(2,650)	-
15 <i>bis</i>	4,500	(4,500)	-	-
16	1,716,105	(5,000)	(124,150)	1,586,955
16 <i>bis</i>	19,600	-	(500)	19,100
17	712,580	(700)	(5,750)	706,130
17 <i>bis</i>	500	-	-	500
18	2,082,220	(4,000)	(84,430)	1,993,790
18 <i>bis</i>	30,700	-	-	30,700
19	-	14,025	-	14,025
20	-	32,725	-	32,725
21	-	719,670	(5,600)	714,070
21 <i>bis</i>	-	1,500	-	1,500
22	-	2,095,610	(43,750)	2,051,860
22 <i>bis</i>	-	32,650	-	32,650
22 <i>ter</i>	-	24,570	-	24,570
TOTAL	6,441,462	1,158,850	(390,237)	7,210,075

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.

21.5.1 Valuation of performance shares

In accordance with the accounting policies described in note 1.20, the stock grant plans have been valued on the basis of an average estimated life of between four and five years using the following assumptions:

a payout rate of between 3.0% and 3.5%;

a discount rate of between 0.7% and 1.0%, corresponding to a risk-free rate over the life of the plans (source: Bloomberg).

Based on these assumptions, the amount recorded under « Selling, general and administrative expenses » for stock grant plans set up after November 7, 2002 breaks down as follows:

	Full year 2015	Full year 2014
Plan 11 et 11 bis	-	7
Plan 12	-	-
Plan 14 and 14 bis	5	8
Plan 15 et 15 bis	4	16
Plan 16 et 16 bis	17	20
Plan 17 et 17 bis	16	15
Plan 18 et 18 bis	21	20
Plan 19	-	-
Plan 20	1	-
Plan 21 et 21 bis	14	-
Plan 22, 22 bis et 22 ter	19	-
TOTAL	97	86

21.5.2 Worldwide Employee Stock Purchase Plan

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

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

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

As regards the first semester 2015, Schneider Electric gave its employees the opportunity to purchase shares at a price of EUR58.21 or EUR54.79 per share, depending on the country, as part of its commitment to employee share ownership, on May 26, 2015. This represented a 15% to 20% discount to the reference price of EUR68.48 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, 2.4 million shares were subscribed, increasing the Company's capital by EUR135 million as of July 8, 2015. Due to significant changes in valuation assumptions, specifically the interest rate available to market participant, the value of the lock-up period is higher than the discount cost since 2012. Therefore the Group did not recognize any cost related to the transaction.

The tables below summarize the main characteristics of the plans, the amounts subscribed, the valuation assumptions and the plans' cost for 2015 and 2014.

Non leveraged plans	Full year 2015		Full year 2014	
	%	Value	%	Value
Plan characteristics				
Maturity (years)		5		5
Reference price (euros)		68.49		68.62
Subscription price (euros):				
between		58.21		58.33
and		54.79		54.90
Discount:				
between	15.0%		15.0%	
and	20.0%		20.0%	
Amount subscribed by employees		135.0		122.7
Total amount subscribed		135.0		122.7
Total number of shares subscribed (millions of shares)		2.4		2.2
Valuation assumptions				
Interest rate available to market participant (bullet loan) ⁽¹⁾	4.4%		4.8%	
Five year risk-free interest rate (euro zone)	0.4%		0.8%	
Annual interest rate (repo)	1.0%		1.0%	
(a) Value of discount:				
between	15.0%	8.3	15.0%	7.8
and	20.0%	22.0	20.0%	19.6
(b) Value of the lock-up period for market participant				
	26.4%	43.6	26.4%	39.5
Total expense for the Group (a-b)		0		0
Sensitivity				
▪ decrease in interest rate for market participant ⁽²⁾	(0.5%)	4.8	(0.5%)	4.3

Amounts in millions of euros, unless otherwise stated.

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

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

21.6 – Schneider Electric SE shares

At December 31, 2015, the Group held 23,283,812 Schneider Electric shares in treasury stock, which have been recorded as a deduction from retained earnings.

21.7 – Tax on equity

Total income tax recorded in Equity amounts to EUR344 million as of December 31, 2015 and can be analyzed as follows:

	Dec. 31, 2015	Dec. 31, 2014	Change in tax
Cash-flow hedges	41	75	(34)
Available-for-sale financial assets	(7)	(8)	1
Actuarial gains (losses) on defined benefits	311	379	(68)
Other	(1)	(1)	-
TOTAL	344	445	(101)

Note 22 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, primarily long service awards and similar benefits, mainly in France, in Australia and in China.

Assumptions and sensitivity analysis

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

	Weighted average rate		Of which US	
	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2014
Discount rate	3.75%	3.47%	4.23%	3.95%
Rate of compensation increases	3.25%	3.00%	N/A	N/A
Interest income ⁽¹⁾	3.60%	4.46%	3.89%	4.75%

(1) Under IAS 19R, the rate applied in the calculation of the interest income (previously expected return on plan assets) is the discount rate at the beginning of the period.

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 investment-grade (AA and AAA) corporate bonds.

The discount rate currently stands at 2.10% for 10 years duration and 2.40% for 15 years duration in the euro zone, 4.23% in the United States and 3.80% in the United Kingdom.

A 0.5 point increase in the discount rate would reduce pension and termination benefit obligations by around EUR669 million and the service cost by EUR2 million. A 0.5 point decrease would increase pension and termination benefit obligations by EUR747 million and the service cost by EUR3 million.

The post-employment healthcare obligation mainly concerns the United States. A one point increase in the healthcare costs rate would increase the post-employment healthcare obligation by EUR25 million and the sum of the service cost and interest cost by EUR1 million. A one point decrease in healthcare costs rate would decrease the post-employment healthcare obligation by EUR22 million and the sum of the service cost and interest cost by EUR1 million.

In 2015, the rate of healthcare cost increases in the United States is based on a decreasing trend from 8.33% in 2016 to 4.5% in 2028 for pre 65 retirees and from 6.33% in 2016 to 4.5% in 2022 for post 65 retirees. In 2014, the rate of healthcare cost increases in the United States is based on a decreasing trend from 8.67% in 2015 to 4.5% in 2028 for pre 65 retirees and from 6.67% in 2015 to 4.5% in 2022 for post 65 retirees. The rate in France is estimated at 4% in 2014 and in 2015.

Pensions and termination benefits

Pension obligations primarily concern the Group's North American and European subsidiaries. These plans feature either a lump-sum payment on the employee's retirement or regular pension payments after retirement. The amount is based on years of service, grade and end-of-career salary. The average duration of the North American plans is 11.3 years. Pension obligations also include top-hat payments granted to certain senior executives guaranteeing supplementary retirement income beyond that provided by general, mandatory pension schemes.

The majority of benefit obligations under these plans, which represent 96% of the Group's total commitment or EUR10,365 million at December 31, 2015, are partially or fully funded through payments to external funds. These funds are not invested in Group assets.

External funds are invested in equities (around 13%), bonds (around 81%), real estate (around 2%) and cash and others assets (around 4%).

Main contributions are primarily for the North American plans and amount to EUR89 million in 2015. They are estimated at EUR53 million for 2016, EUR84 million for 2017 and EUR65 million for 2018.

At December 31, 2015, provisions for pensions and termination benefits total EUR1,089 million, compared with EUR1,459 million in 2014. These provisions have been included in non-current liabilities, as the current portion was not considered material in relation to the total liability.

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. Defined contribution plan payments total EUR93 million in 2015, compared with EUR83 million in 2014.

Other post-employment and long-term benefits: including healthcare, life insurance and long service awards

The North American subsidiaries pay certain healthcare costs and provide life insurance benefits to retired employees who fulfill certain criteria in terms of age and years of service. The average duration of these North American plans is 10.4 years. These post-employment benefit obligations are unfunded.

Healthcare coverage for North American employees represents 67% of this obligation.

The main benefits paid in 2015 are primarily for the North American plans and amount to EUR20 million. They are estimated at EUR23 million in 2016, 2017 and 2018.

Other long-term benefit obligations include healthcare coverage plans in Europe, for EUR80 million, and long-service awards due by subsidiaries in France, for EUR13 million.

At December 31, 2015, provisions for these benefit obligations total EUR480 million, compared with EUR512 million at December 31, 2014. These provisions have been included in non-current liabilities, as the current portion was not considered material in relation to the total liability.

22.1 – Changes in provisions for pensions and other post-employment benefit obligations

Changes in provisions for pensions and other post-employment benefit obligations (net of plan assets) were as follows:

	Pensions and termination benefits	Of which SE USA	Other post- employment and long-term benefits	Of which SE USA	Provisions for pensions & other post- employment benefits
Dec. 31, 2013	1,061	274	424	261	1,485
Net cost recognized in the statement of income	46	16	41	13	87
Benefits paid	(46)	0	(37)	(13)	(83)
Plan participants' contributions	(10)	(47)	-	-	(10)
Actuarial items recognized in equity	337	126	39	21	376
Translation adjustment	62	47	44	38	106
Changes in the scope of consolidation	10	-	1	-	11
Other changes	(1)	(3)	-	-	(1)
Dec. 31, 2014	1,459	413	512	320	1,971
Net cost recognized in the statement of income	49	29	36	13	85
Benefits paid	(29)	-	(44)	(17)	(73)
Plan participants' contributions	(153)	(56)	-	-	(153)
Actuarial items recognized in equity	(303)	(55)	(72)	(39)	(375)
Translation adjustment	78	46	37	36	115
Changes in the scope of consolidation	(10)	-	-	-	(10)
Other changes	(2)	-	11	-	9
Dec. 31, 2015	1,089	377	480	313	1,569
Surplus of plans recognized as assets	(456)	-	-	-	(456)
Provisions recognized as liabilities	1,545	-	480	-	2,025

Following the agreement reached with the Trustee of the Invensys Pension scheme in the UK on February 2014, Schneider Electric SE guaranteed all obligations of the Invensys subsidiaries which participate in the Scheme, up to a maximum amount of GBP1.75 billion. At December 31, 2015, plan assets exceed the value of obligations subject to this guarantee and thus this guarantee cannot be called.

Changes in gross items recognized in equity were as follows:

	Pensions and termination benefits	Other post-employment and long-term benefits	Provisions for pensions & other post-employment benefits
Dec. 31, 2013	699	(1)	698
Actuarial (gains)/losses on projected benefit obligation arising from demographic assumptions	117	6	123
Actuarial (gains)/losses on projected benefit obligation arising from financial assumptions	908	52	960
Actuarial (gains)/losses on projected benefit obligation from experience effects	49	(19)	30
Actuarial (gains)/losses on plan assets	(706)	-	(706)
Effect of the asset ceiling	(31)	-	(31)
Dec. 31, 2014	1,036	38	1,074
Actuarial (gains)/losses on projected benefit obligation arising from demographic assumptions	(186)	(14)	(200)
Actuarial (gains)/losses on projected benefit obligation arising from financial assumptions	(282)	(18)	(300)
Actuarial (gains)/losses on projected benefit obligation from experience effects	(96)	(40)	(136)
Actuarial (gains)/losses on plan assets	150	-	150
Effect of the asset ceiling	111	-	111
Dec. 31, 2015	733	(34)	699

22.2 – Provisions for pensions and termination benefit obligations

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

	Dec.31, 2015		Dec.31, 2014	
	<i>Of which SE USA</i>		<i>Of which SE USA</i>	
1. Reconciliation of balance sheet items				
Pension assets	-	-	-	-
Provisions for pensions and other post-employment benefit	(1,089)	(377)	(1,459)	(413)
NET ASSET/(LIABILITY) RECOGNIZED IN THE BALANCE SHEET	(1,089)	(377)	(1,459)	(413)

	Full year 2015		Full year 2014	
	Of which SE USA		Of which SE USA	
2. Components of net cost recognized in the statement of income				
Service cost	47	4	49	3
Past service cost	(35)	-	1	0
Curtailments and settlements	(27)	-	(61)	(4)
Interest cost (effect of discounting on obligation and plan assets)	404	61	408	54
Interest income	(340)	(36)	(351)	(37)
NET COST RECOGNIZED IN THE STATEMENT OF INCOME	49	29	46	16

	Full year 2015		Full year 2014	
	Of which SE USA		Of which SE USA	
3. Change in projected benefit obligation				
Projected benefit obligation at beginning of year	10,925	1,427	2,658	1,136
Service cost	47	4	49	3
Past service cost/Curtailments and Settlements	(109)	-	(110)	(49)
Interest cost (effect of discounting)	399	61	403	54
Plan participants' contributions	5	-	4	-
Benefits paid	(668)	(70)	(524)	(56)
Changes in the scope of consolidation	(10)	-	6,593	-
Actuarial (gains)/losses recognized in equity	(564)	(91)	1,074	176
Translation adjustments	760	161	786	166
Other	-	-	(8)	(3)
PROJECTED BENEFIT OBLIGATION AT END OF YEAR	10,785	1,492	10,925	1,427

Plans changes occurred in France, United-Kingdom and United States.

Actuarial gains and losses have been fully recognized in other reserves. They stem mainly from changes in financial actuarial assumptions (primarily discount rates) used to measure obligations in the United States, the United Kingdom and the euro zone.

At December 31, 2015, actuarial gains resulting from changes in financial assumptions on pension and termination benefit obligations total EUR282 million for the Group compared to EUR908 million of losses at December 31, 2014. At December 31, 2015, the gains resulting from changes in demographic assumptions on pension and termination benefit obligations total EUR186 million for the Group compared to EUR117 million of losses at December 31, 2014.

At December 31, 2015, actuarial gains relative to the effects of experience on pension and termination benefit obligations total EUR96 million for the Group compared to EUR49 million of losses at December 31, 2014.

	Full year 2015		Full year 2014	
	<i>Of which SE USA</i>		<i>Of which SE USA</i>	
4. Change in fair value of plan assets				
Fair value of plan assets at beginning of year	9,589	1,014	1,597	862
Interest income	340	36	351	37
Plan participants' contribution	5	-	3	-
Employer contributions	153	56	10	47
Benefits paid	(639)	(70)	(478)	(56)
Actuarial gains/(losses) recognized in equity	(150)	(36)	706	50
Changes in the scope of consolidation	-	-	6,721	-
Translation adjustments	688	115	739	119
Curtailments and settlements	(47)	-	(50)	(45)
Other	2	-	(10)	-
FAIR VALUE OF PLAN ASSETS AT END OF YEAR	9,941	1,115	9,589	1,014

At December 31, 2015, the actual return on plan assets is EUR190 million compared with EUR1,057 million at December 31, 2014.

Actuarial gains and losses have been fully recognized in other reserves.

	Full year 2015		Full year 2014	
	<i>Of which SE USA</i>		<i>Of which SE USA</i>	
5. Funded status				
Projected benefit obligation	(10,785)	(1,492)	(10,925)	(1,427)
Fair value on plan assets	9,941	1,115	9,589	1,014
Surplus/(Deficit)	(844)	(377)	(1,336)	(413)
Effect of the asset ceiling	(245)	-	(123)	-
Deferred items:				
Unrecognized past service cost	-	-	-	-
(LIABILITIES)/NET ASSET RECOGNIZED IN THE BALANCE SHEET	(1,089)	(377)	(1,459)	(413)

22.3 – Provisions for healthcare costs, life insurance benefits and other post-employment benefits

Changes in provisions for other post-employment and long-term benefits were as follows:

	Full year 2015	Full year 2014
1. Components of net cost recognized in the statement of income		
Service cost	20	27
Interest cost (effect of discounting)	16	16
Interest income	-	-
Past service cost	-	(2)
Curtailments and settlements	-	-
Amortization of actuarial gains & losses	-	-
NET COST RECOGNIZED IN THE STATEMENT OF INCOME	36	41

	Full year 2015	Full year 2014
2. Change in projected benefit obligation		
Projected benefit obligation at beginning of year	512	424
Service cost	20	27
Interest cost (effect of discounting)	16	16
Plan participants' contribution	-	-
Benefits paid	(44)	(37)
Actuarial (gains)/losses recognized in equity	(72)	39
Past service cost	-	(2)
Changes in the scope of consolidation	11	1
Translation adjustments	37	44
Other (including curtailments and settlements)	-	-
PROJECTED BENEFIT OBLIGATION AT END OF YEAR	480	512

Actuarial gains and losses have been fully recognized in other reserves except for long-term benefits for active employees, notably long service awards in France, for which all actuarial gains and losses are recognized in the income statement. Actuarial gains and losses stem from changes in actuarial assumptions (primarily discount rates).

At December 31, 2015, actuarial gains relative to the effects of experience on healthcare costs, life insurance and other post-employment benefits total EUR40 million for the Group compared to EUR19 million of gains at December 31, 2014.

	Dec. 31, 2015	Dec. 31, 2014
3. Funded status		
Projected benefit obligation	(480)	(512)
Deferred items:		
Unrecognized past service cost	-	-
PROVISION RECOGNIZED IN BALANCE SHEET	(480)	(512)

Note 23 Provisions

	Economic risks	Customer risks	Products risks	Environmental risks	Restructuring	Other risks	Provisions
Dec. 31, 2013*	668	98	430	61	135	318	1,710
<i>Long-term portion</i>	439	43	131	45	9	160	827
Additions	65	20	110	10	83	133	421
Discounting effect	-	-	-	2	-	-	2
Utilizations	(38)	(15)	(102)	(20)	(94)	(153)	(422)
Reversals of unused provisions	(52)	(5)	(37)	(7)	(8)	(20)	(129)
Translation adjustments	12	2	10	29	2	39	94
Changes in the scope of consolidation and other	56	(13)	35	233	9	230	550
Dec. 31, 2014	711	87	446	308	127	547	2,226
<i>Long-term portion</i>	450	60	149	283	19	288	1,249
Additions	171	11	132	9	133	96	552
Discounting effect	-	-	-	-	-	-	-
Utilizations	(65)	(26)	(111)	(17)	(97)	(144)	(460)
Reversals of unused provisions	(94)	(1)	(29)	(3)	(19)	(19)	(165)
Translation adjustments	23	11	15	29	1	42	121
Changes in the scope of consolidation and other	104	47	6	22	(2)	108	285
Dec. 31, 2015	850	129	459	348	143	630	2,559
<i>Long-term portion</i>	591	106	175	335	16	436	1,659

* The 2013 figures were restated from the change in consolidation method disclosed in note 1.

(a) Economic risks

These provisions cover, in particular, tax risks arising from audits performed by local tax authorities and financial risks arising primarily on guarantees given to third parties in relation to certain assets and liabilities.

(b) Customer risks

These provisions are primarily established to covers risks arising from products sold to third parties. This risk consists of claims based on alleged product defects and product liability.

Provisions for customer risks also integrate the provisions for losses at completion for some of long term contracts, for EUR129 million.

(c) 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;

provisions for disputes over defective products;

provisions to cover disputes related to recalls of clearly identified products.

(d) Environmental risks

These provisions are primarily funded to cover cleanup costs.

(e) Reconciliation with cash flow statement

The increase and decrease in provisions retreated at statutory cash flow were as follows:

	Dec. 31, 2015	Dec. 31, 2014
Increase of provision	552	421
Utilization of provision	(460)	(422)
Reversal of surplus provision	(165)	(129)
Provision variance including tax provisions but excluding employee benefit obligation	(73)	(130)
(Tax provisions net variance)	21	(4)
Provision variance excluding tax provisions and pension benefit obligation	(52)	(134)
Employee benefit obligation net variance excluding contribution to plan assets	(30)	66
Increase/(decrease) in provisions in cash-flow statement	(82)	(68)

Note 24 Total (current and non-current) financial liabilities

Non-current financial liabilities break down as follows:

	Dec. 31, 2015	Dec. 31, 2014
Bonds	6,588	5,405
Bank and other borrowings	371	707
Lease liabilities	2	6
Employees profit sharing	7	9
Short-term portion of convertible and non-convertible bonds	(669)	(750)
Short-term portion of long-term debt	(164)	(350)
NON-CURRENT FINANCIAL LIABILITIES	6,135	5,027

Current financial liabilities break down as follows:

	Dec. 31, 2015	Dec. 31, 2014
Commercial paper	-	760
Accrued interest	81	112
Other short-term borrowings	431	461
Drawdown of funds from lines of credit	-	-
Bank overdrafts	150	212
Short-term portion of convertible and non-convertible bonds	669	750
Short-term portion of long-term debt	164	350
Short-term debt	1,495	2,645
TOTAL CURRENT AND NON-CURRENT FINANCIAL LIABILITIES	7,630	7,672
CASH AND CASH EQUIVALENTS (SEE NOTE 20)	(2,999)	(2,650)
NET DEBT	4,631	5,022

24.1 – Breakdown by maturity

	Dec. 31, 2015			Dec. 31, 2014
	Nominal	Interests	Swaps	Nominal
2015				2,645
2016	1,495	184	-	838
2017	1,202	154	-	1,173
2018	774	112	-	774
2019	499	80	-	498
2020	499	71	-	496
2021	597	56	-	597
2022	731	40	-	651
2023 and beyond	1,833	25	-	-
TOTAL	7,630	722	-	7,672

24.2 – Breakdown by currency

	Dec. 31, 2015	Dec. 31, 2014
Euro	5,901	5,841
US Dollar	1,197	1,201
Japanese Yen	264	239
Chinese Yuan	43	33
Indian Rupee	27	63
Indonesian Rupiah	27	28
Australian Dollar	17	21
Brazilian Real	3	8
Russian Rouble	2	76
Other	149	162
TOTAL	7,630	7,672

24.3 – Bonds

	Dec. 31, 2015	Dec. 31, 2014	Effective interest rate	Maturity
Schneider Electric SE 2015		750	5.375% fixed	January 2015
Schneider Electric SE 2016	669	656	Euribor + 0.600% variable and 0.849%, 0.846%, 2.875% fixed	July, November, December 2016
Schneider Electric SE 2017	1,016	1,008	4.000% fixed	August 2017
Schneider Electric SE 2018	747	746	3.750% fixed	July 2018
Schneider Electric SE 2019	498	497	3.500% fixed	January 2019
Schneider Electric SE 2020	497	496	3.625% fixed	July 2020
Schneider Electric SE 2021	597	597	2.500% fixed	September 2021
Schneider Electric SE 2022	731	655	2.950% fixed	September 2022
Schneider Electric SE 2023	793	-	1.500% fixed	September 2023
Schneider Electric SE 2025	1,040	-	0.875%, 1.841% fixed	October 2025
TOTAL	6,588	5,405		

Schneider Electric SE has issued bonds 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, which bonds are traded on the Luxembourg stock exchange. Issues that were not yet due as of December 31, 2015 are as follow:
 - EUR200 and EUR100 million worth of Climate bonds issued successively in October and December 2015, at a rate of 1.841%, due in October 2025
 - EUR750 million worth of bonds issued in March 2015, at a rate of 0.875%, due in March 2025
 - EUR800 million worth of bonds issued in September 2015 at a rate of 1.50% , due in September 2023
 - EUR600 million worth of bonds issued in September 2013, at a rate of 2.5%, due in September 2021,
 - JPY22.5 billion worth of bonds issued in 2011, comprising a first JPY12.5 billion tranche at a rate of 0.849% issued in November and due in November 2016 and a second JPY10 billion tranche at a rate of 0.84625% issued in December due in December 2016,
 - EUR500 million worth of bonds issued in September 2011, at a rate of 3.5%, due in January 2019,
 - EUR750 million worth of bonds issued in July 2011, at a rate of 3.75%, due in July 2018,
 - EUR300 and EUR200 million worth of bonds issued successively in July and October 2010, at a rate of 2.875%, due on July 20, 2016,
 - EUR500 million worth of bonds issued in July 2010, at a rate of 3.625%, due on July 20, 2020,
 - EUR0.6 million corresponding to the discounted present value of future interest payments on a EUR177 million eight year bond issue (July 25, 2008 to July 25, 2016) indexed to the three month Euribor. The nominal value of the bonds is not recognized in debt because the bond holder has waived its right to repayment of the principal in exchange for the transfer, on a no-recourse basis, of the future cash flows corresponding to the requested refund of a tax receivable,
 - EUR250 million worth of bonds issued in March 2009 to top up the EUR780 million twelve-year tranche, due in August 2017, at a rate of 4%, issued in August 2005, raising the total issue to EUR1.03 billion,
 - EUR180 million worth of bonds issued in April 2008 to top up the EUR600 million twelve-year tranche, at a rate of 4%, issued in August 2005, raising the total issue to EUR780 million,
 - EUR600 million worth of bonds issued in August 2005, at a rate of 4%, due on August 2017.

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

24.4 – Other information

At December 31, 2015 Schneider Electric had confirmed credit lines of EUR2,725 million, all unused.

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

Note 25 Other non-current liabilities

	Dec. 31, 2015	Dec. 31, 2014
Debt related to acquisitions	-	15
Debt on Luminous valuation	125	130
Other	22	39
OTHER NON-CURRENT LIABILITIES	147	184

The debt on Luminous valuation corresponds to the Group commitments on the minority interest (26%) in Luminous.

Note 26 Financial instruments

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

26.1 – Balance sheet exposure

	Dec. 31, 2015			Breakdown by category		
	Fair Value	Fair value through P&L	Fair value through equity	Available-for-sale financial assets	Loans and account receivables	Financial liabilities measured at amortized cost
ASSETS						
Available-for-sale financial assets	128	-	-	128	-	-
Other non-current financial assets	568	-	-	-	568	-
TOTAL NON-CURRENT ASSETS	696	-	-	128	568	-
Trade accounts receivable	6,002	-	-	-	6,002	-
Other receivables						
Current financial assets	43	43	-	-	-	-
Marketable securities	1,310	1,310	-	-	-	-
Derivative instrument – foreign currencies	126	124	2	-	-	-
Derivative instrument – interest rates	-	-	-	-	-	-
Derivative instrument – commodities	-	-	-	-	-	-
Derivative instrument – shares	13	17	(4)	-	-	-
TOTAL CURRENT ASSETS	7,494	1,494	(2)	-	6,002	-
LIABILITIES						
Long-term portion of bonds ⁽¹⁾	(6,217)	-	-	-	-	(6,217)
Other long-term debt	(216)	-	-	-	-	(216)
TOTAL NON-CURRENT LIABILITIES	(6,433)	-	-	-	-	(6,433)
Short-term portion of bonds ⁽¹⁾	(681)	-	-	-	-	(681)
Short-term debt	(826)	-	-	-	-	(826)
Trade accounts payable	(4,284)	-	-	-	-	(4,284)
Other	(34)	-	-	-	-	(34)
Derivative instrument – foreign currencies	(214)	(202)	(12)	-	-	-
Derivative instrument – interest rates	-	-	-	-	-	-
Derivative instrument – commodities	(12)	-	(12)	-	-	-
Derivative instrument – shares	-	-	-	-	-	-
TOTAL CURRENT LIABILITIES	(6,051)	(202)	(24)	-	-	(5,825)

⁽¹⁾ Overall, the financial instruments listed in the balance sheet are accounted at the fair value, except for the bonds for which the amortized cost in the balance sheet represents EUR6,588 million compared to EUR6,898 million of fair value.

The impact of financial instruments, by category, on profit and equity was as follows:

- the main impact on profit concerned interest income and expense;
- the impact on equity primarily stemmed from the measurement of available-for-sale financial assets and derivative instruments at fair value and from translation adjustments of foreign currency loans, receivables and liabilities.

	Dec. 31, 2014			Breakdown by category		
	Fair Value	Fair value through P&L	Fair value through equity	Available-for-sale financial assets	Loans and account receivables	Financial liabilities measured at amortized cost
ASSETS						
Available-for-sale financial assets	333	-	-	333	-	-
Other non-current financial assets	365	-	-	-	365	-
TOTAL NON-CURRENT ASSETS	698	-	-	333	365	-
Trade accounts receivable	5,991	-	-	-	5,991	-
Other receivables						
Current financial assets	49	49	-	-	-	-
Marketable securities	714	714	-	-	-	-
Derivative instrument – foreign currencies	70	70	-	-	-	-
Derivative instrument – interest rates	-	-	-	-	-	-
Derivative instrument – commodities	-	-	-	-	-	-
Derivative instrument – shares	28	32	(4)	-	-	-
TOTAL CURRENT ASSETS	6,852	865	(4)	-	5,991	-
LIABILITIES						
Long-term portion of bonds ⁽¹⁾	(5,118)	-	-	-	-	(5,118)
Other long-term debt	(372)	-	-	-	-	(372)
TOTAL NON-CURRENT LIABILITIES	(5,490)	-	-	-	-	(5,490)
Short-term portion of bonds ⁽¹⁾	(751)	-	-	-	-	(751)
Short-term debt	(1,895)	-	-	-	-	(1,895)
Trade accounts payable	(4,106)	-	-	-	-	(4,106)
Other	(32)	-	-	-	-	(32)
Derivative instrument – foreign currencies	(151)	(124)	(27)	-	-	-
Derivative instrument – interest rates	(2)	-	(2)	-	-	-
Derivative instrument – commodities	(11)	-	(11)	-	-	-
Derivative instrument – shares	-	-	-	-	-	-
TOTAL CURRENT LIABILITIES	(6,948)	(124)	(40)	-	-	(6,784)

⁽¹⁾ Overall, the financial instruments listed in the balance sheet are accounted at the fair value, except for the bonds for which the amortized cost in the balance sheet represents EUR5,405 million compared to EUR5,869 million of fair value..

26.2 – Fair value hierarchy

Financial assets and liabilities can be classified at the fair value following the hierarchy levels below:

1. market value (non-adjusted) on active markets, for similar assets and liabilities, which the company can get at the valuation date;
2. incoming information of the asset or liability (other than the market rate available for the level 1) are directly or indirectly accessible;
3. incoming information non accessible regarding the asset or liability.

	Dec. 31, 2015				
	Carrying Amount	Fair value	Level 1	Level 2	Level 3
ASSETS					
Available-for-sale financial assets	128	128	36	-	92 ⁽¹⁾
Marketable securities	1,310	1,310	1,310	-	-
Derivative instruments	139	139	-	139	-
LIABILITIES					
Bonds	(6,588)	(6,898)	(6,898)	-	-
Other long-term debt	(216)	(216)	-	-	(216)
Other current liabilities	(5,144)	(5,144)	-	-	(5,144)
Derivative instruments	(226)	(226)	-	(226)	-

⁽¹⁾ Unlisted available-for-sale financial assets are tested once a year and impaired when necessary.

	Dec. 31, 2014				
	Carrying Amount	Fair value	Level 1	Level 2	Level 3
ASSETS					
Available-for-sale financial assets	333	333	57	-	276 ⁽¹⁾
Marketable securities	714	714	714	-	-
Derivative instruments	98	98	-	98	-
LIABILITIES					
Bonds	(5,405)	(5,869)	(5,869)	-	-
Other long-term debt	(372)	(372)	-	-	(372)
Other current liabilities	(6,033)	(6,033)	-	-	(6,033)
Derivative instruments	(164)	(164)	-	(164)	-

⁽¹⁾ Unlisted available-for-sale financial assets are tested once a year and impaired when necessary.

26.3 – Derivative instruments

26.3.1 Foreign currency

Due to the fact that a significant proportion of affiliates' transactions are denominated in currencies other than their functional currencies, the Group is exposed to currency risks. If the Group is not able to hedge these risks, fluctuations in exchange rates between the functional currencies 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 futures and natural hedge. Furthermore, some long term loans and borrowings granted to the affiliates are considered as net investment according to IAS 21.

Dec. 31, 2015	Carrying amount	Nominal amount	
		Sale	Purchase
Cash flow hedges	(96)	194	1,074
Net investment hedges	(14)	1,217	-
Trading	22	5,626	3,431
	(88)	7,037	4,505

Dec. 31, 2014	Carrying amount	Nominal amount	
		Sale	Purchase
Cash flow hedges	(33)	16	1,043
Net investment hedges	(33)	1,091	-
Trading	(15)	4,671	2,293
	(81)	5,778	3,336

We manage our exposure to currency risk to reduce the sensitivity of earnings to changes in exchange rates through hedging programs relating to receivables, payables and cash flows, which are primarily hedged by means of forward purchases and sales. Depending on market conditions, risks in the main currencies may be hedged based on cash flow forecasting using contracts that expire in 12 months or less. Schneider Electric's currency hedging policy is to protect its subsidiaries against risks on all transactions denominated in a currency other than their functional currency.

In 2015, the Net Investment Hedge has been recycled from Other Comprehensive Income to Profit and & Loss for EUR12.6 million.

Positions of futures hedges of balance sheet items and net investment by currency:

	Dec. 31, 2015		
	Sales	Purchases	Net
USD	4,092	(1,435)	2,657
GBP	536	(209)	327
SGD	609	(320)	289
BRL	38	(283)	(245)
CNY	494	(728)	(234)
HKD	246	(49)	197
AED	232	(84)	148
SEK	24	(142)	(118)
CAD	20	(121)	(101)
NOK	91	(2)	89
JPY	58	(146)	(88)
DKK	5	(91)	(86)
AUD	159	(511)	(352)
RUB	47	-	47
CHF	55	(94)	(39)
SAR	82	(43)	39
ZAR	39	(1)	38
Others	210	(246)	(36)
TOTAL	7,037	(4,505)	2,532

These forward currency hedging positions include EUR1,619 million in hedges of loans and borrowings of a financial nature (net sales) and EUR913 million in hedges of operating cash flows (net sales).

26.3.2 Interest rate

The Group is exposed to risks associated with the effect of changing interest rates. Interest rate risk on borrowings is managed at the Group level, based on consolidated debt and taking into consideration market conditions in order to optimize overall borrowing costs. At December 31, 2015, most of the Group's bond debt was at fixed rate. As a result, an increase in interest rates should not have any material impact on the Group's net financial expense.

	Dec. 31, 2015		Dec. 31, 2014	
	Fixed rate	Variable rate	Fixed rate	Variable rate
Net position before hedging	(6,915)	(714)	(5,912)	(1,760)
Cash flow hedges	-	-	(129)	129
Fair value hedges	-	-	-	-
Net position after hedging	(6,915)	(714)	(6,041)	(1,631)

26.3.3 Raw materials

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

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

	Dec. 31, 2015	Dec. 31, 2014
Carrying amount	(13)	(11)
Nominal amount	(158)	(271)

26.3.4 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 follow:

	Dec. 31, 2015	Dec. 31, 2014
Outstanding shares	795,312	1,277,326
Carrying amount	14	28
Nominal amount	(35)	(57)

26.4 – Financial assets and liabilities subject to netting

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

	(a)	(b)	(c)=(a)-(b)	(d)	(e)=(c)-(d)
	Gross amounts set off in the statement of financial position		Net amounts presented in the statement of financial position	Related amount not set off in the statement of financial position	Net amount, as per IFRS 7
Dec. 31, 2015	Gross amounts of financial position				
Financial assets	1,855	1,716	139	58	81
Financial liabilities	(2,081)	(1,716)	(365)	(58)	(307)

	(a)	(b)	(c)=(a)-(b)	(d)	(e)=(c)-(d)
	Gross amounts set off in the statement of financial position		Net amounts presented in the statement of financial position	Related amount not set off in the statement of financial position	Net amount, as per IFRS 7
Dec. 31, 2014	Gross amounts of financial position				
Financial assets	1,615	1,517	98	25	73
Financial liabilities	(1,869)	(1,517)	(352)	(25)	(327)

Note 27 Employees

27.1 – Employees

The average number of permanent and temporary employees was as follows in 2014 and 2015:

<i>(number of employees)</i>	Dec. 31, 2015	Dec. 31, 2014
Production	97,925	95,213
Administration	83,437	90,752
TOTAL AVERAGE NUMBER OF EMPLOYEES	181,362	185,965
By region:		
EMEAS*	81,737	85,415
North America	32,990	34,940
Asia-Pacific	66,635	65,610

* Europe, Middle-East, Africa, South America.

The decrease in the average number of employees is primarily linked to the 2015 disposal.

27.2 – Employee benefits expense

	Full year 2015	Full year 2014
Payroll costs	(6,720)	(6,203)
Profit-sharing and incentive bonuses	(53)	(57)
Stock options	(97)	(86)
WESOP	-	-
EMPLOYEE BENEFITS EXPENSE	(6,870)	(6,346)

27.3 – Benefits granted to senior executives

In 2015, the Group paid EUR1.23 million in attendance fees to the members of its board of directors. The total amount of gross remuneration, including benefits in kind, paid in 2015 by the Group to the members of Senior Management, excluding executive directors, totaled EUR17.4 million, of which EUR7.5 million corresponded to the variable portion.

During the last three periods, 695.000 performance shares have been allocated to members of Senior Management, excluding executive officers. No stock option has been granted to members of Senior Management during the last three periods. Performance shares were allocated due to the 2015 the long term incentive plan. Since December 16, 2011, 100% of performance shares and/or stock options are conditional on the achievement of performance criteria for members of the Executive Committee.

Pension obligations net of assets with respect to members of Senior Management amounted to EUR10 million at December 31, 2015 versus EUR36 million at December 31, 2014.

Please refer to Chapter 3 Section 8 of the registration document for more information regarding the members of Senior Management.

Note 28 Related party transactions

28.1 – Associates

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

Over the period, the Group received from its investment in associate Custom Sensors & Technologies Topco Limited EUR90 million of dividends, and EUR23 million of vendor loan repayment,

Others transactions with associates are not material.

28.2 – 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 27.3.

Note 29 Commitments and contingent liabilities

29.1 – Guarantees and similar undertakings

	Dec. 31, 2015	Dec. 31, 2014
Market counter guarantees ⁽¹⁾	3,431	3,548
Pledges, mortgages and sureties ⁽²⁾	166	188
Other commitments given ⁽³⁾	301	368
GUARANTEES GIVEN	3,898	4,104
Endorsements and guarantees received	89	90
GUARANTEES RECEIVED	89	90

(1) On certain contracts, customers require a guarantee from a bank that the contract will be fully executed by the Group. For these contracts the Group gives a counter guarantee to the bank. If a claim occurs, 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.

(2) Certain loans are secured by property, plant and equipment and securities lodged as collateral.

(3) Other guarantees given comprise guarantees given in rental payments.

29.2 – Purchase commitments

Shares in subsidiaries and affiliates

Commitments to purchase equity investments correspond to put options given to minority shareholders in consolidated companies or relate to earn-out payments. At December 31, 2015, there is one material put related to the 26% interests in Luminous that was valued for an amount of EUR125 million as other non-current liabilities.

29.3 – Contingent liabilities

Senior Management believes that the provisions recognized in the balance sheet, in respect to the known claims and litigation to which the Group is a party, should be adequate to ensure that such claims and litigation will not have any substantial impact on the Group's financial position or results. This is notably the case for the potential consequences of a current dispute in Belgium involving former senior executives and managers of the Group.

Note 30 Subsequent events

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

Note 31 Statutory auditors' fees

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

(in thousands of euros)	Full year 2015				
	Ernst & Young	%	Mazars	%	Total
Audit					
Statutory auditing	9,325	60%	8,287	98%	17,612
<i>o/w Schneider Electric SE</i>	133		118		
<i>o/w subsidiaries</i>	9,192		8,169		
Related services	5,716	37%	147	2%	5,863
<i>o/w Schneider Electric SE</i>	-		-		
<i>o/w subsidiaries</i>	5,716		147		
Audit sub-total	15,041	97%	8,434	100%	23,475
Other services Legal, tax	535	3%	27	-	562
TOTAL FEES	15,576	100%	8,461	100%	24,037

(in thousands of euros)	Full year 2014				
	Ernst & Young	%	Mazars	%	Total
Audit					
Statutory auditing	14,804	82%	7,772	97%	22,576
<i>o/w Schneider Electric SE</i>	100		100		
<i>o/w subsidiaries</i>	14,704		7,672		
Related services	633	4%	240	3%	873
<i>o/w Schneider Electric SE</i>	-		-		
<i>o/w subsidiaries</i>	633		240		
Audit sub-total	15,437	86%	8,012	100%	23,449
Other services Legal, tax	2,636	14%	27	-	2,663
TOTAL FEES	18,073	100%	8,039	100%	26,112

Note 32 Consolidated companies

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

		% Interest Dec. 31, 2015	% Interest Dec. 31, 2014
Europe			
<i>Fully consolidated</i>			
Schneider Electric Austria GmbH	Austria	100.0	100.0
Schneider Electric Power Drives GmbH	Austria	100.0	100.0
Eurotherm GmbH	Austria	100.0	100.0
Invensys Systems GmbH	Austria	100.0	100.0
Schneider Electric Energy Belgium SA	Belgium	100.0	100.0
Schneider Electric NV/SA	Belgium	100.0	100.0
Schneider Electric Services International SPRL	Belgium	100.0	100.0
Summit Energy International BVBA	Belgium	100.0	100.0
Invensys Systems NV/SA	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 AS	Czech Republic	98.3	98.3
Schneider Electric CZ s.r.o.	Czech Republic	100.0	100.0
Invensys Systems s.r.o.	Czech Republic	100.0	100.0
Ørbaekvej 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 Nordic Baltic A/S	Denmark	100.0	100.0
Schneider Electric EESTI AS	Estonia	100.0	100.0
Oy Lexel Finland Ab	Finland	100.0	100.0
Schneider Electric Fire & Security OY*	Finland	100.0	100.0
Schneider Electric Finland Oy	Finland	100.0	100.0
Vamp OY	Finland	100.0	100.0
Foxboro OY	Finland	100.0	100.0
Schneider Electric Protection et Contrôle SAS	France	100.0	100.0
BCV Technologies SAS	France	100.0	100.0
Boissière Finance SNC	France	100.0	100.0
Construction Electrique du Vivarais SAS	France	100.0	100.0
D5X	France	100.0	100.0
Dinel SAS	France	100.0	100.0
Energy Pool Developpement	France	100.0	100.0
Epsys SAS	France	100.0	100.0
France Transfo SAS	France	100.0	100.0
Infraplus SAS	France	100.0	100.0
Merlin Gerin Alès SAS	France	100.0	100.0
Merlin Gerin Alpes SAS	France	100.0	100.0
Merlin Gerin Loire SAS	France	100.0	100.0
Schneider Electric IT France	France	100.0	100.0
Muller & Cie SA	France	100.0	100.0
Newlog SAS	France	100.0	100.0
Prodipact SAS	France	100.0	100.0
Rectiphase SAS	France	100.0	100.0
Sarel - Appareillage Electrique SAS	France	99.0	99.0
Scanelec SAS	France	100.0	100.0
Schneider Automation SAS	France	100.0	100.0

		% Interest Dec. 31, 2015	% Interest Dec. 31, 2014
Schneider Electric Energy France SAS	France	100.0	100.0
Schneider Electric France SAS	France	100.0	100.0
Schneider Electric Holding Amérique du Nord SAS	France	100.0	100.0
Schneider Electric Industries SAS	France	100.0	100.0
Schneider Electric International SAS	France	100.0	100.0
Schneider Electric Manufacturing Bourguebus SAS	France	100.0	100.0
Schneider Electric SE (Holding Company)	France	100.0	100.0
Schneider Electric Telecontrol SAS	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 SAS	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 SAS	France	100.0	100.0
Société Française de Construction Mécanique et Electrique SA	France	100.0	100.0
Société Française Gardy SA	France	100.0	100.0
Systèmes Equipements Tableaux Basse Tension SAS	France	100.0	100.0
Transfo Services SAS	France	100.0	100.0
Transformateurs SAS	France	100.0	100.0
Eckardt	France	100.0	100.0
Eurotherm Automation SASU	France	100.0	100.0
Invensys Systems France SASU	France	100.0	100.0
Elso GmbH	Germany	100.0	100.0
Merten GmbH	Germany	100.0	100.0
Merten Holding GmbH	Germany	100.0	100.0
Schneider Electric Automation Deutschland GmbH	Germany	100.0	100.0
Schneider Electric Automation GmbH	Germany	100.0	100.0
Schneider Electric Deutschland GmbH	Germany	100.0	100.0
Schneider Electric GmbH	Germany	100.0	100.0
Schneider Electric Motion Real Estate GmbH	Germany	100.0	100.0
Schneider Electric Sachsenwerk GmbH	Germany	100.0	100.0
Telvent Deutschland GmbH	Germany	100.0	100.0
Eberle Controls GmbH	Germany	100.0	100.0
Foxboro-Eckardt GmbH	Germany	100.0	100.0
Invensys Systems GmbH (Germany)	Germany	100.0	100.0
Siebe Metallwerke GmbH	Germany	100.0	100.0
Indusoft Germany GmbH	Germany	100.0	100.0
Schneider Electric AEBE	Greece	100.0	100.0
CEE Schneider Electric Közep-Kelet Europai KFT	Hungary	100.0	100.0
Schneider Electric Energy Hungary LTD	Hungary	100.0	100.0
Schneider Electric Hungaria Villamossagi ZRT	Hungary	100.0	100.0
APC (EMEA) Ltd	Ireland	100.0	100.0
Schneider Electric Ireland	Ireland	100.0	100.0
Schneider Electric IT Logistics Europe Ltd	Ireland	100.0	100.0
Validation technologies (Europe) Ltd	Ireland	100.0	100.0
Schneider Electric Industrie Italia SpA	Italy	100.0	100.0
Schneider Electric SpA	Italy	100.0	100.0
Uniflair SpA	Italy	100.0	100.0
Foxboro Scada S.r.l.	Italy	100.0	100.0
Eliwell Controls S.r.l.	Italy	100.0	100.0
Eurotherm S.r.l.	Italy	100.0	100.0
Invensys Systems Italia SpA	Italy	100.0	100.0

		% Interest Dec. 31, 2015	% Interest Dec. 31, 2014
Wonderware Italia 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	Lituania	100.0	100.0
Industrielle de Réassurance SA	Luxembourg	100.0	100.0
American Power Conversion Corp (APC) B.V.	Netherlands	100.0	100.0
APC Holdings B.V.	Netherlands	100.0	100.0
APC International Corporation B.V.	Netherlands	100.0	100.0
APC International Holdings B.V.	Netherlands	100.0	100.0
Pelco Europe B.V.	Netherlands	100.0	100.0
Pro-Face HMI B.V. (sub-group)	Netherlands	100.0	100.0
Schneider Electric B.V.	Netherlands	100.0	100.0
Schneider Electric Logistic Centre B.V.	Netherlands	100.0	100.0
Schneider Electric Manufacturing The Netherlands B.V.	Netherlands	100.0	100.0
Invensys Systems N.V.	Netherlands	100.0	100.0
Telvent Netherlands B.V.	Netherlands	100.0	100.0
ELKO AS	Norway	100.0	100.0
Lexel Holding Norgue AS	Norway	100.0	100.0
Schneider Electric Norge AS	Norway	100.0	100.0
Eurotherm AS	Norway	100.0	100.0
Elda Eltra Elektrotechnika SA (ex Eltra SA)	Poland	100.0	100.0
Schneider Electric Energy Poland Sp. Z.o.o.	Poland	100.0	100.0
Schneider Electric Industries Polska SP	Poland	100.0	100.0
Schneider Electric Polska SP	Poland	100.0	100.0
Invensys Eurotherm Sp. Z.o.o.	Poland	100.0	100.0
Invensys Systems Sp. Z.o.o.	Poland	100.0	100.0
Schneider Electric Portugal LDA	Portugal	100.0	100.0
Telvent Portugal SA	Portugal	0.0	100.0
Schneider Electric Romania SRL	Romania	100.0	100.0
DIN Elektro Kraft OOO	Russia	100.0	100.0
OOO Schneider Electric Zavod Electromonoblock	Russia	100.0	100.0
OOO Potential	Russia	100.0	100.0
ZAO Schneider Electric	Russia	100.0	100.0
ZAO Gruppa Kompaniy Electrosshield	Russia	100.0	100.0
Schneider Electric URAL LLC	Russia	100.0	100.0
Invensys Process Systems LLC	Russia	100.0	100.0
Schneider Electric Srbija d.o.o. Beograd	Serbia	100.0	100.0
Schneider Electric Slovakia Spol s.r.o.	Slovakia	100.0	100.0
Invensys Systems (Slovakia) s.r.o.	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 IT, Spain SL	Spain	100.0	100.0
Schneider Electric Espana SA	Spain	100.0	100.0
Telvent Arce Sistemas, SA	Spain	100.0	100.0
Telvent Energia SA	Spain	100.0	100.0
Telvent GIT SA	Spain	100.0	100.0
Telvent Global Services, SA	Spain	0.0	100.0
Telvent Servicios Compartidos SA	Spain	100.0	100.0
Telvent Trafico y Transporte SA	Spain	100.0	100.0
AST Modular, SL	Spain	100.0	100.0

		% Interest Dec. 31, 2015	% Interest Dec. 31, 2014
Invensys Operations Management Espana SLU	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
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
Thorsman & Co AB	Sweden	100.0	100.0
Eurotherm AB	Sweden	100.0	100.0
Wonderware Scandinavia 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
Eurotherm-Produkte (Schweiz) AG	Switzerland	100.0	100.0
Schneider Electric Ukraine	Ukraine	100.0	100.0
Andromeda Telematics Ltd	United Kingdom	100.0	100.0
CBS Group 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 IT UK Ltd	United Kingdom	100.0	100.0
Schneider Electric Ltd	United Kingdom	100.0	100.0
Serck Control and Safety Ltd	United Kingdom	100.0	100.0
M&C Energy Group Ltd	United Kingdom	100.0	100.0
Samos Acquisition Company Ltd	United Kingdom	100.0	100.0
BTR International Ltd	United Kingdom	100.0	100.0
BTR Property Holdings Ltd	United Kingdom	100.0	100.0
Imserv Europe Ltd	United Kingdom	100.0	100.0
Invensys Controls UK Ltd	United Kingdom	100.0	100.0
Invensys Holdings Ltd	United Kingdom	100.0	100.0
Invensys Systems (UK) Ltd	United Kingdom	100.0	100.0
Eurotherm Ltd (UK)	United Kingdom	100.0	100.0
Spiral Software Ltd	United Kingdom	100.0	100.0
<i>Accounted for by equity method</i>			
Aveltys	France	51.0	51.0
Delta Dore Finance SA (sub-group)	France	20.0	20.0
Möre Electric Group A/S	Norway	34.0	34.0
Schneider Electric DMS NS	Serbia	57.0	57.0
Custom Sensors & Technologies Topco Limited	United Kingdom	30.0	30.0
North America			
<i>Fully consolidated</i>			
Control Microsystems Inc.	Canada	100.0	100.0
Juno Lighting Ltd	Canada	0.0	100.0
Power Measurement Ltd	Canada	100.0	100.0
Schneider Electric Canada Inc.	Canada	100.0	100.0
Telvent Canada Ltd	Canada	100.0	100.0
Viconics Technologies Inc.	Canada	100.0	100.0
Schneider Electric Systems Canada Inc.	Canada	100.0	100.0
Industrias Electronicas Pacifico, S.A. de C.V.	Mexico	100.0	100.0

		% Interest Dec. 31, 2015	% Interest Dec. 31, 2014
Schneider Electric IT Mexico S.A. de C.V.	Mexico	100.0	100.0
Ram Tech Services S de R.L. de C.V.	Mexico	100.0	100.0
Schneider Electric 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	99.3	99.3
Electronica Reynosa S de R.L. de C.V.	Mexico	100.0	100.0
Invensys Group Services Mexico	Mexico	100.0	100.0
Invensys Systems Mexico SA	Mexico	100.0	100.0
Adaptive Instruments Corp.	USA	100.0	100.0
Schneider Electric IT America Corp.	USA	100.0	100.0
Schneider Electric IT Corporation	USA	100.0	100.0
Schneider Electric IT USA, Inc.	USA	100.0	100.0
American Power Conversion Holdings Inc.	USA	100.0	100.0
Juno Lighting, LLC	USA	0.0	100.0
Juno Manufacturing, LLC.	USA	0.0	100.0
Lee Technologies Puerto Rico, LLC	USA	100.0	100.0
Schneider Electric IT Mission Critical Services, Inc.	USA	100.0	100.0
Pelco, Inc.	USA	100.0	100.0
Power Measurement Inc.	USA	100.0	100.0
Pro-Face America, LLC	USA	100.0	100.0
Schneider Electric Buildings Americas, Inc.	USA	100.0	100.0
Schneider Electric Buildings Critical Systems, Inc.	USA	100.0	100.0
Schneider Electric Buildings, LLC	USA	100.0	100.0
Schneider Electric Engineering Services, LLC	USA	100.0	100.0
Schneider Electric Solar Inverters USA, Inc.	USA	100.0	100.0
Schneider Electric Holdings Inc.	USA	100.0	100.0
Schneider Electric Investments 2, Inc.	USA	100.0	100.0
Schneider Electric Motion USA, Inc.	USA	100.0	100.0
Schneider Electric USA, Inc.	USA	100.0	100.0
SE Vermont Ltd	USA	100.0	100.0
SNA Holdings Inc.	USA	100.0	100.0
Square D Investment Company	USA	100.0	100.0
Summit Energy Services, Inc.	USA	100.0	100.0
Telvent DTN, LLC	USA	100.0	100.0
Telvent USA, LLC	USA	100.0	100.0
Veris Industries LLC	USA	100.0	100.0
AST North America, LLC	USA	100.0	100.0
Invensys LLC	USA	100.0	100.0
Invensys Systems Inc.	USA	100.0	100.0
Siebe Inc.	USA	100.0	100.0
Stewart Warner Corporation	USA	100.0	100.0
Foxboro Controles SA	USA	100.0	100.0
Indusoft, Inc.	USA	100.0	100.0
InStep Software, LLC	USA	100.0	100.0
Schneider Electric Software, LLC	USA	100.0	100.0
Asia-Pacific			
<i>Fully consolidated</i>			
Schneider Electric IT Australia Pty. Limited	Australia	100.0	100.0

		% Interest Dec. 31, 2015	% Interest Dec. 31, 2014
Clipsal Australia Pty. Limited	Australia	100.0	100.0
Clipsal Integrated Systems Pty. Limited	Australia	100.0	100.0
Clipsal Technologies Australia Pty. Limited	Australia	100.0	100.0
Control Microsystems Asia Pacific Pty. Ltd	Australia	100.0	100.0
Pelco Australia Pty. Limited	Australia	100.0	100.0
Scadagroup Pty. Ltd	Australia	100.0	100.0
Schneider Electric (Australia) Pty. Limited	Australia	100.0	100.0
Schneider Electric Australia Holdings Pty. Limited	Australia	100.0	100.0
Schneider Electric Buildings Australia Pty. Limited	Australia	100.0	100.0
Serck Controls Pty. Ltd	Australia	100.0	100.0
Telvent Australia Pty. Limited	Australia	100.0	100.0
SolveIT Software Pty. Limited	Australia	100.0	100.0
Invensys Process Systems (Australia) Pty. Limited	Australia	100.0	100.0
Schneider Electric IT (Xiamen) Co., Ltd	China	100.0	100.0
Schneider Electric (Xiamen) Switchgear Co. Ltd	China	100.0	100.0
Schneider Electric Huadian Switchgear (Xiamen) Co., Ltd	China	100.0	55.0
Shanghai Schneider Electric Power Automation Co. Ltd	China	100.0	100.0
Schneider Switchgear (Suzhou) Co, Ltd	China	58.0	58.0
Beijing Leader & Harvest Electric Technologies Co. Ltd	China	100.0	100.0
Schneider Great Wall Engineering (Beijing) Co. Ltd	China	75.0	75.0
Clipsal Manufacturing (Huizhou) Ltd	China	100.0	100.0
Proface China International Trading (Shanghai) Co. Ltd	China	100.0	100.0
RAM Electronic Technology and Control (Wuxi) Co., Ltd	China	100.0	100.0
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 (Shanghai) Supply Co. Ltd	China	100.0	100.0
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 Solutions (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 IT (China) Co., Ltd	China	100.0	100.0
Schneider Electric Low Voltage (Tianjin) Co. Ltd	China	75.0	75.0
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 Wingoal (Tianjin) Electric Equipment Co. Ltd	China	100.0	100.0
Telvent - BBS High & New Tech (Beijing) Co. Ltd	China	80.0	80.0
Telvent Control System (China) Co. Ltd	China	100.0	100.0
Tianjin Merlin Gerin Co. Ltd	China	75.0	75.0
Wuxi Proface Electronic Co. Ltd	China	100.0	100.0
Schneider Electric Manufacturing (Chongqing) Co. Ltd	China	100.0	100.0
Schneider Electric Manufacturing (Wuhan) Co. Ltd	China	100.0	100.0
Delixi Electric Ltd (sub-group)	China	50.0	50.0
Schneider Equipment and Engineering (Xi'an) Co Ltd	China	100.0	100.0
Invensys Automation & Controls Systems (Shanghai) 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

		% Interest Dec. 31, 2015	% Interest Dec. 31, 2014
FSL China	China	54.0	-
Clipsal Asia Holdings Limited	Hong Kong	100.0	100.0
Clipsal Asia Limited	Hong Kong	100.0	100.0
Schneider Electric IT 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
Federal Supremetech Limited	Hong Kong	54.0	-
Schneider Electric IT Business India Private Ltd	India	100.0	100.0
Schneider Electric President Systems Ltd	India	75.0	75.0
Luminous Power Technologies Private Ltd	India	74.0	74.0
Luminous Renewable Energy Solutions Private Ltd	India	74.0	74.0
Schneider Electric India Private Ltd	India	100.0	100.0
Schneider Electric Infrastructure Limited	India	75.0	75.0
Eruotherm India Private, Ltd	India	100.0	100.0
Invensys Development Centre India Private, Ltd	India	100.0	100.0
Invensys India Private, Ltd	India	100.0	100.0
PT Clipsal Manufacturing Jakarta	Indonesia	100.0	100.0
PT Schneider Electric IT Indonesia	Indonesia	100.0	100.0
PT Schneider Electric Indonesia	Indonesia	100.0	100.0
PT Schneider Electric Manufacturing Batam	Indonesia	100.0	100.0
PT. Invensys Indonesia	Indonesia	95.0	95.0
Schneider Electric Japan, Inc.	Japan	100.0	100.0
Digital Electronics Corporation	Japan	100.0	100.0
Schneider Electric Japan Holdings Ltd	Japan	100.0	100.0
Toshiba Schneider Inverter Corp.	Japan	60.0	60.0
Invensys Process Systems Japan Inc.	Japan	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
Huge Eastern Sdn Bhd	Malaysia	100.0	100.0
KSLA Energy & Power Solutions (M) Sdn Bhd	Malaysia	100.0	100.0
Schneider Electric (Malaysia) Sdn Bhd	Malaysia	30.0	30.0
Schneider Electric Industries (M) Sdn Bhd	Malaysia	100.0	100.0
Schneider Electric IT Malaysia Sdn Bhd	Malaysia	100.0	100.0
Invensys Process Systems (Malaysia) Sdn Bhd	Malaysia	100.0	100.0
Schneider Electric (NZ) Ltd	New-Zealand	100.0	100.0
Invensys Process Systems New Zealand Ltd	New-Zealand	100.0	100.0
American Power Conversion Land Holdings Inc.	Philippines	100.0	100.0
Clipsal Philippines	Philippines	100.0	100.0
Schneider Electric IT Philippines Inc.	Philippines	100.0	100.0
Schneider Electric (Philippines) Inc.	Philippines	100.0	100.0
Pelco Asia Pacific 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 Logistics Asia Pte. Ltd	Singapore	100.0	100.0
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
Invensys Process Systems (S) Pte Ltd	Singapore	100.0	100.0
Wonderware of Singapore Pte Ltd	Singapore	100.0	100.0
Schneider Electric Korea Ltd (ex Samwha EOCR Co. Ltd)	South Korea	100.0	100.0

		% Interest Dec. 31, 2015	% Interest Dec. 31, 2014
Eurotherm Korea Ltd	South Korea	100.0	100.0
Invensys Korea Ltd	South Korea	100.0	100.0
Wonderware Korea Co., Ltd	South Korea	100.0	100.0
Schneider Electric Lanka (Private) Limited	Sri Lanka	100.0	100.0
Schneider Electric Taiwan Co Ltd	Taiwan	100.0	100.0
Invensys Process Systems Taiwan Corp.	Taiwan	100.0	100.0
Pro Face South East Asia Pacific Co. Ltd	Thailand	100.0	100.0
Schneider (Thailand) Ltd	Thailand	100.0	100.0
Schneider Electric CPCS (Thailand) Co. Ltd	Thailand	100.0	100.0
Invensys Process Systems (Thailand) Co., Ltd	Thailand	100.0	100.0
Clipsal Vietnam Co. Ltd	Vietnam	100.0	100.0
Schneider Electric IT Vietnam Ltd	Vietnam	100.0	100.0
Schneider Electric Vietnam Co. Ltd	Vietnam	100.0	100.0
Invensys Vietnam Ltd	Vietnam	100.0	100.0
<i>Accounted for by equity method</i>			
Sunten Electric Equipment	China	40.0	40.0
Ennovation System Control Co., LTD	China	40.0	-
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			
<i>Fully consolidated</i>			
Himel Algerie	Algeria	100.0	100.0
Schneider Electric Algerie	Algeria	100.0	100.0
Invensys Systems Algérie EURL	Algeria	100.0	100.0
Schneider Electric Argentina SA	Argentina	100.0	100.0
Telvent Argentina SA	Argentina	100.0	100.0
Invensys Process Systems Argentina SA	Argentina	100.0	100.0
APC Brasil Ltda	Brazil	100.0	100.0
Schneider Electric IT Brasil Industria e Comercio de Equipamentos Eletronicos Ltda	Brazil	100.0	100.0
Schneider Electric Brasil Ltda	Brazil	100.0	100.0
Telvent Brazil SA	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
CP Eletronica S/A	Brazil	100.0	100.0
Eurotherm SA/NV	Brazil	100.0	100.0
Invensys Systems Brasil LTDA	Brazil	100.0	100.0
Indusoft Desenvolvimento de Software LTDA	Brazil	100.0	100.0
Inversiones Schneider Electric Uno Limitada	Chile	100.0	100.0
Marisio SA	Chile	100.0	100.0
Schneider Electric Chile SA	Chile	100.0	100.0
Invensys Systems Chile LTDA	Chile	100.0	100.0
Dexson Electric SAS	Colombia	100.0	100.0
Schneider Electric de Colombia SA	Colombia	80.0	80.0
Invensys Process Systems Colombia LTDA	Colombia	100.0	100.0
Schneider Electric Centroamerica Ltda	Costa Rica	100.0	100.0
Schneider Electric Distribution Company	Egypt	87.4	87.4
Schneider Electric Egypt SAE	Egypt	91.0	91.0
Invensys Engineering & Service SAE	Egypt	51.0	51.0
Invensys Process Systems Egypt Co., Ltd	Egypt	60.0	60.0
Schneider Electric LLP	Kazakhstan	85.0	100.0

		% Interest Dec. 31, 2015	% Interest Dec. 31, 2014
Invensys Systems Kazakhstan LLP	Kazakhstan	100.0	100.0
Schneider Electric Kenya	Kenya	85.0	-
Schneider Electric Services Kuwait	Kuweit	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 Nigeria Ltd	Nigeria	100.0	100.0
Invensys Systems Nigeria Ltd	Nigeria	100.0	100.0
Schneider Electric Oman LLC	Oman	100.0	100.0
Schneider Electric Pakistan (Private) Limited	Pakistan	80.0	80.0
Schneider Electric Peru SA	Peru	100.0	100.0
Invensys Process Systems del Peru SA	Peru	100.0	100.0
Cimac Electrical and Automation LLC	Qatar	49.0	49.0
EPS Electrical Power Distribution Boards & Switchgear Ltd	Saudi Arabia	99.0	51.0
Telvent Saudi Arabia Co. Ltd	Saudi Arabia	100.0	100.0
AMPS	Saudi Arabia	100.0	100.0
Invensys Saudi 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
Schneider Enerji Endustrisi Sanayi Ve Ticaret A.S.	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
Gunsan Elektrik	Turkey	100.0	-
Cimac FZCO	United Arab Emirates	100.0	100.0
Clipsal Middle East FZC	United Arab Emirates	100.0	100.0
Schneider Electric DC MEA FZCO	United Arab Emirates	100.0	100.0
Schneider Electric FZE	United Arab Emirates	100.0	100.0
Invensys Middle East FZE	United Arab Emirates	100.0	100.0
Schneider Electric Venezuela SA	Venezuela	93.6	93.6
Invensys Systems Venezuela, SA	Venezuela	100.0	100.0

Review of the consolidated financial statements

Review of business and consolidated statement of income

Changes in the scope of consolidation

Acquisitions & divestments occurred during the year

On December 11, 2015, Schneider Electric announced that it has obtained all required regulatory approvals and subsequently finalized the sale of Juno Lighting, LLC ("Juno") to Acuity Brands, Inc for a consideration of approximately U.S.\$385m (EUR343 million). The transaction generated a capital loss of EUR163 million recorded as Other operating expense.

On December 14, 2015 - Schneider Electric announced that it has signed an agreement to sell its Transportation Business, to Kapsch TrafficCom AG. The Transportation business generated revenues of EUR134million in 2014 and is currently consolidated under the Infrastructure business of Schneider Electric. The terms of the agreement reflect a purchase price of about €35m on a cash-free, debt-free basis. The agreement is conditioned upon the satisfaction of certain regulatory conditions and on other customary closing conditions. The transaction is expected to close in the coming months. The transaction would generate an impairment of EUR100 million that has been recognized at December 31, 2015 as Other operating expense.

No significant acquisition occurred during 2015.

Acquisitions & divestments occurred in 2014 with significant effect in 2015¹

On January 17, 2014, the Group took control of Invensys Group. Invensys is consolidated with full consolidation method mainly in the Industry business since January 2014, except its Appliance division (divested in June 2014) reported as discontinued operation over the first half of 2014.

On October 1, 2014 the Group has finalized the sale of Custom Sensors & Technologies (CST) to The Carlyle Group (NASDAQ:CG), and PAI partners SAS and the Group has reinvested approximately USD100 million alongside Carlyle, PAI and CST management to own a shareholding of 30% of CST. CST was reported in the Industry business of Schneider Electric. The CST activity was reclassified as discontinued operations in Group financial statements from January 1 to September 30, 2014 (for EUR24 million net income). From October 1, 2014 and for full year 2015, the 30% of CST share is accounted for as equity method.

Changes in foreign exchange rates

Changes in foreign exchange rates relative to the euro had a material impact over the year. This positive effect amounts to EUR1,949 million on consolidated revenue and to EUR254 million on Adjusted EBITA².

Revenue

On December 31, 2015, the consolidated revenue of Schneider Electric totalled EUR26,640 million, an increase of 6.8% at current scope and exchange rates compared to EUR24,939 million on December 31, 2014.

This variance breaks down into an organic decrease of -1.0% and a positive exchange rate effect of 7.8%, primarily due to the appreciation of the U.S. dollar and Chinese yuan against the euro.

Changes in revenue by operating segment

The Buildings & Partner business generated revenues of EUR11,859 million, or 45% of the consolidated total. This represents an increase of +10.3% on a reported basis and an increase of **+0.4%** on a like-for-like basis. Buildings & Partner observed organic growth across all regions except Asia Pacific. North America was slightly up driven by the growth in the construction market in the U.S., helped by new product launches and increased cross-selling and a recovery in Mexico. In Western Europe, Spain, Italy and the U.K. grew, France performed well thanks to strong execution, while Germany was down mainly due to a high base of comparison. Rest of the World was up thanks to good project execution in the Middle East and strong growth in Africa and Central Europe. Asia Pacific was penalized by a weak construction market in China, despite growth in the rest of the region.

The Industry business generated revenues of EUR5,696 million, or 21% of the consolidated total. This represents an increase of +2.6% on a reported basis and a decrease of **-4.9%** on a like-for-like basis. Organic growth was impacted by strong headwinds from

1. Dates disclosed correspond to dates of control takeover of the entities acquired.

2. Adjusted EBITA is EBITA before restructuring costs and before other operating income and expenses, which includes acquisition, integration and separation costs.

Oil & Gas and China. Western Europe was flat, as the growth in Spain and Italy driven by successful OEM offer launches in a favourable OEM export market offset declines in Switzerland and the Nordics. North America declined on weakness in industrial investments, notably in Oil & Gas and lower export-oriented OEM demand due to a strong dollar, and the focus remains on the improvement of the business performance. Asia Pacific was penalized by weakness in China. Rest of the world performed well.

The Infrastructure business generated revenues of EUR5,428 million, or 20% of the consolidated total. This represents an increase of +2.9% on a reported basis and an increase of **+0.3%** on a like-for-like basis. Western Europe grew, driven by growth in Spain, Italy and the UK. Germany was down due to greater project selectivity. North America was up thanks to project execution in Canada, while the U.S. was penalized by lower investment in oil & gas and delays in data center investments, which more than offset the growth from targeted initiatives. Asia-Pacific posted mixed trends with difficulties in China, weak utility market in Australia and growth in East Asia and India. The Rest of the World was up driven by project execution in the Middle East while Russia was weak. Services were strong, up high single-digit.

The IT business generated revenues of EUR3,657 million, or 14% of the consolidated total. This represents an increase of +8.9% on a reported basis and a decrease of **-0.9%** on a like-for-like basis. The U.S. was about flat thanks to project execution in a soft market. Western Europe was up, driven successful execution of commercial initiatives in a positive IT market. Asia Pacific was dragged down by weakness in China and a high-base of comparison in India. Rest of World was down as weakness in Russia more than offset the growth in the Middle East and Africa. Services posted a good growth.

Gross profit

Gross profit increased from EUR9,407 million for the year ended December 31, 2014 to EUR9,845 million for the year ended December 31, 2015, or +4.7%, mainly due to an increase in productivity and actions on prices and positive foreign exchange translation effect. As a percentage of revenues, the gross margin decreased to 37.0% in 2015 (versus 37.7% in 2014), as positive net pricing and productivity partially offset negative mix effect, increased R&D depreciation and cost inflation.

Support Function Costs: research and development and selling, general and administrative expenses

Research and development expenses, excluding capitalized development costs and development costs reported as cost of sales, decreased by 0.4% from EUR567 million for the year ended December 31, 2014 to EUR565 million for the year ended December 31, 2015. As a percentage of revenues, the net cost of research and development decreased to 2.1% of revenues for the year ended December 31, 2015 (2.3% for the year ended December 31, 2014).

Total research and development expenses, including capitalized development costs and development costs reported as cost of sales (see note 4 to the Audited Consolidated Financial Statements) increased by 5.0% from EUR1,212 million for the year ended December 31, 2014 to EUR1,272 million for the year ended December 31, 2015. As a percentage of revenues, total research and development expenses remain stable at 4.8% for the year ended December 31, 2015 from 4.9% for the year ended December 31, 2014.

In 2015, the net effect of capitalized development costs and amortization of capitalized development costs amounts to EUR145 million on operating income versus EUR175 million in 2014.

Selling, general and administrative expenses increased by 4.9% from EUR5,377 million for the year ended December 31, 2014 to EUR5,639 million for the year ended December 31, 2015. As a percentage of revenues, selling, general and administrative expenses decreased from 21.6% in 2014 to 21.2% in 2015.

Combined, total support function costs, that is, research and development expenses together with selling, general and administrative costs, totalled EUR6,204 million for the year ended December 31, 2015 compared to EUR5,944 million for the year ended December 31, 2014, an increase of 4.4%. The support functions costs to sales ratio decreased from 23.8% for the year ended December 31, 2014 to 23.3% for the year ended December 31, 2015, reflecting progress in simplification initiatives.

Other operating income and expenses

For the year ended December 31, 2015, other operating income and expenses amounted to a net loss of EUR522 million, mainly due to net losses on sale of business (EUR223 million), notably on Juno divestment, and impairment of assets (EUR246 million), notably on Transportation business related to the expected divestment described above. Other main items included costs linked to acquisitions for EUR118 million (notably Invensys integration costs), a EUR53 million gain on the curtailment of employee benefit plans in the UK and in France as well as gains & losses on litigation settled in 2015.

For the year ended December 31, 2014, other operating income and expenses amounted to a net expense of EUR106 million, including costs linked to acquisitions for EUR114 million, a EUR95 million gain on the curtailment of employee benefit plans in the UK, in France and in the US and miscellaneous other operating incomes and expenses amounting to a net expense of EUR69 million. Costs linked to acquisitions are acquisition, integration and separation costs on 2014 and 2015 acquisitions, notably Invensys Group. Net other operating expense includes mainly provisions for litigation or claims in 2014.

Restructuring costs

For the year ended December 31, 2015, restructuring costs amounted to EUR318 million compared to EUR202 million for the year ended December 31, 2014. This increase in restructuring costs is linked to the *Simplify* initiatives that were announced early 2015 as part of “*Schneider is on*” program.

EBITA and Adjusted EBITA

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

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

Adjusted EBITA amounted to EUR3,641 million for the year ended December 31, 2015, compared to EUR3,463 million for the year ended December 31, 2014, representing an increase of 5.1%, mainly due to a favourable foreign exchange effect of EUR254 million. As a percentage of revenue, adjusted EBITA decreased from 13.9% for the year ended December 31, 2014 to 13.7% for the year ended December 31, 2015.

EBITA decreased by 11.2% from EUR3,155 million for the year ended December 31, 2014 to EUR2,801 million for the year ended December 31, 2015, mainly linked to net losses on sales of business, impairment of assets and higher restructuring expenses in 2015 that did offset the increase in Adjusted EBITA. As a percentage of revenue, EBITA decreased to 10.5% in 2015 compared with 12.7% in 2014, in line with the lower Adjusted EBITA margin and with losses on sales of business, impairments and restructuring costs higher than in 2014.

EBITA and Adjusted EBITA by business segment

The following table sets out EBITA and adjusted EBITA by business segment:

Full year 2015

<i>(in millions of euros)</i>	Buildings & Partner	Industry	Infrastructure	IT	Corporate costs	Total
Revenue	11,859	5,696	5,428	3,657	-	26,640
Adjusted EBITA*	2,132	975	495	644	(605)	3,641
Adjusted EBITA %	18.0%	17.1%	9.1%	17.6%	-	13.7%
Other operating income and expense	(240)	(22)	(240)	(5)	(15)	(522)
Restructuring costs	(169)	(22)	(89)	(8)	(30)	(318)
EBITA	1,723	931	166	631	(650)	2,801
EBITA %	14.5%	16.4%	3.1%	17.3%	-	10.5%

* Adjusted EBITA: EBITA before Restructuring costs and before Other operating income and expenses (of which Costs of acquisition, integration and separation).

Full year 2014

(in millions of euros)	Buildings & Partner	Industry	Infrastructure	IT	Corporate costs	Total
Revenue	10,754	5,551	5,277	3,357	-	24,939
Adjusted EBITA*	1,913	1,023	454	630	(557)	3,463
Adjusted EBITA %	17.8%	18.4%	8.6%	18.8%	-	13.9%
Other operating income and expense	7	(34)	(86)	1	6	(106)
Restructuring costs	(93)	(26)	(76)	(4)	(3)	(202)
EBITA	1,827	963	292	627	(554)	3,155
EBITA %	17.0%	17.3%	5.5%	18.7%	-	12.7%

* Adjusted EBITA: EBITA before Restructuring costs and before Other operating income and expenses (of which Costs of acquisition, integration and separation).

Buildings & Partner business recorded an adjusted EBITA margin of 18.0% for the year ended December 31, 2015, up 0.2% compared to 17.8% for the year ended December 31, 2015, thanks to better support function costs control.

Industry business recorded an adjusted EBITA margin of 17.1% for the year ended December 31, 2015, down 1.3% compared to 18.4% for the year ended December 31, 2014, penalized by volume decline, negative FX impact and higher R&D amortization costs.

Infrastructure business recorded an adjusted EBITA margin of 9.1% for the year ended December 31, 2015, up 0.5% compared to 8.6% for the year ended December 31, 2014, benefiting from project gross margin improvement in second semester and good control of support functions costs.

IT business reported an adjusted EBITA margin of 17.6% for the year ended December 31, 2015, down 1.2% compared with 18.8% margin for the year ended December 31, 2014, penalized by negative mix and FX impact.

Corporate costs amounted to EUR605 million for the year ended December 31, 2015 or 2.3% of Group revenues, a similar level as in the year ended December 31, 2014 (2.2% of Group revenues or EUR557 million).

Operating income (EBIT)

Operating income (EBIT) decreased from EUR2,896 million for the year ended December 31, 2014 to 2,229 million for the year ended December 31, 2015. This 23.1% decrease is explained by both the EBITA decrease and by an impairment of Pelco trademark amounting to EUR295 million in "Amortization and impairment of purchase accounting intangibles".

Net financial income/loss

Net financial loss amounted to EUR446 million for the year ended December 31, 2015, compared to EUR467 million for the year ended December 31, 2014. The decrease of the net financial loss is mainly explained by the decrease of the cost of net financial debt from EUR312 million for year ended December 31, 2014 to EUR295 million for year ended December 31, 2015 thanks to a lower average interest rate. The other financial incomes and costs are stable from a net expense of EUR155 million for year ended December 31, 2014 to a net expense of EUR151 million for year ended December 31, 2015.

Tax

The effective tax rate was 21.8% for the year ended December 31, 2015, decreasing compared to 22.7% for the year ended December 31, 2014. The corresponding tax expense decreased from EUR551 million for the year ended December 31, 2014 to EUR389 million for the year ended December 31, 2015. The tax expense included in 2015 a EUR115 million deferred tax income related to the impairment of Pelco trademark.

Discontinued operations

The net effect of discontinued activities totalled EUR169 million for the year ended December 31, 2014, including profit over six-months from the Appliance activity of Invensys, sold in June 2014, and over nine-months from CST business, sold on October 1, 2014, as well as the corresponding gain on sale.

There were no segments reported as discontinued activities in 2015.

Share of profit/(losses) of associates

The share of profit of associates increased from EUR14 million for the year ended December 31, 2014 to EUR109 million for the year ended December 31, 2015 mainly thanks to a non recurrent gain realized on sale of assets reported by CST.

Non-controlling interests

Minority interests in net income for the year ended December 31, 2015 totalled EUR96 million, compared to EUR120 million for the year ended December 31, 2014. This represented the share in net income attributable, in large part, to the minority interests of certain Chinese companies.

Profit for the period

Profit for the period attributable to the equity holders of our parent company amounted to EUR1,407 million for the year ended December 31, 2015, that is a 27.5% decrease over the EUR1,941 million profit for the year ended December 31, 2014, mainly due to significant losses on sales of business, impairments and restructuring costs higher than in 2014.

Share of profit for the period attributable to the equity holders of our parent company on continuing operations

The share of profit for the period attributable to the equity holders of our parent company of continuing operations (profit for the period attributable to the equity holders of our parent company excluding discontinued operations) amounted to EUR1,407 million for the year ended December 31, 2015, compared to EUR1,772 million for the year ended December 31, 2014, decreasing by 20.6%.

Earnings per share

Earnings per share decreased from EUR3.39 for the year ended December 31, 2014 to EUR2.47 for the year ended December 31, 2015.

Consolidated cash-flow

Operating Activities

Net cash provided by operating activities before changes in operating assets and liabilities remains stable at EUR2,715 million for the year ended December 31, 2015, up 2.8% compared to EUR2,640 million for the year ended December 31, 2014, and represented 10.2% of revenue in 2015 compared with 10.6% in 2014.

Change in working capital requirement generated EUR117 million in cash in the year ended December 31, 2015, compared to EUR107 million consumed in the year ended December 31, 2014, mainly thanks to the cash-in of trade receivables.

In all, net cash provided by operating activities increased by 11.8% from EUR2,533 million in the year ended December 31, 2014 to EUR2,832 million in the year ended December 31, 2015.

Investing Activities

Net capital expenditure, which included capitalized development projects, decreased by 5.2% to EUR787 million for the year ended December 31, 2015, compared to EUR829 million for the year ended December 31, 2014, and represented 3.1% of revenues in 2015 (3.3% in 2014).

Free cash-flow (cash provided by operating activities net of net capital expenditure) amounted to EUR2,045 million in 2015 versus EUR1,704 million in 2014.

Cash conversion rate (free cash-flow over net income attributable to the equity holders of our parent company on continuing operations adjusted for business disposals impact and Pelco trademark impairment) was 113% in 2015 versus 96% in 2014.

The effect of acquisitions and divestments during the year is a net cash inflow amounting to EUR232 million in 2015. Our acquisitions represented a cash outflow, net of cash acquired, of EUR2,490 million for the year ended December 31, 2014, corresponding mainly to the cash part of Invensys acquisition.

Financing Activities

In 2015, the Group reimbursed two bonds for EUR750 million and the “Schuldschein” credit line for EUR184 million and there were four bond issuances in euros for EUR1,850 million.

The net decrease in other financial debts amount to EUR1,262 million during the year ended December 31, 2015, compared to a net decrease in other financial debts amount to EUR818 million during the year ended December 31, 2014. The dividend paid by Schneider Electric was EUR1,108 million the year ended December 31, 2015, compared with EUR1,095 million the year ended December 31, 2014.

Outlook

In 2016 the Group sees continued growth in Western Europe and the construction market in the U.S. At the same time, headwinds from O&G, overall weakness in the U.S. industry markets, difficulties in China though to a lesser degree than in 2015 and mixed trends in the rest of new economies are expected. Additionally, given the accelerated decline of several new economies' currencies against the euro in the end of 2015, the Group should also face a material FX headwind in 2016.

In this context the Group's priorities are margin improvement by working on costs, growing its partner's network through the launch of many new integrated offers, accelerating services and software, and increasing selectivity on projects focusing on its sectors of expertise.

Therefore, for 2016 the Group targets:

- Organic revenue growth to be flat to down low single-digit, impacted by the Group's higher selectivity on project activities.
- +20bps to +60bps improvement on adjusted EBITA margin before FX. The negative FX impact on margin is estimated at -40bps to -50bps at current rates.

Statutory auditors' report on the consolidated financial statements

This is a free translation into English of the statutory auditors' report on the consolidated financial statements issued in French and it is provided solely for the convenience of English-speaking users.

The statutory auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the audit opinion on the consolidated financial statements and includes an explanatory paragraph discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the consolidated financial statements taken as a whole and not to provide separate assurance on individual account balances, transactions or disclosures.

This report also includes information relating to the specific verification of information given in the group's management report.

This report should be read in conjunction with and construed in accordance with French law and professional auditing standards applicable in France.

To the Shareholders,

In compliance with the assignment entrusted to us by your annual Shareholder's meeting, we hereby report to you, for the year ended December 31, 2015, on:

- the audit of the accompanying consolidated financial statements of Schneider Electric S.E.;
- the justification of our assessments;
- the specific verification required by law.

These consolidated financial statements have been approved by the management board. Our role is to express an opinion on these consolidated financial statements based on our audit.

I. Opinion on the consolidated financial statements

We conducted our audit in accordance with professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2015 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.

II. Justification of our assessments

In accordance with the requirements of article L. 823-9 of the French commercial code (Code de commerce) relating to the justification of our assessments, we bring to your attention the following matters:

- Note 1.9 to the consolidated financial statements outlines the method for recognizing research and development costs and describes the criteria under which development costs may be capitalized. We reviewed the data and assumptions used to identify projects that qualify for capitalization, as well as the group's calculations, and verified that adequate disclosure is made in the notes to the consolidated financial statements.

- As explained in notes 1.11 and 8 to the consolidated financial statements, your group carries out intangible assets and goodwill impairment tests at least once a year and when factors exist indicating that the related assets may have suffered a loss of value. We analyzed, on a test basis, the indicators of a loss of value. We reviewed the data, assumptions used, and calculations made, and verified that adequate disclosure is made in the notes to the consolidated financial statements.
- As indicated in notes 1.16 and 16 to the consolidated financial statements, future tax benefits arising from the utilization of tax loss carry forwards are recognized only when they can reasonably be expected to be realized. We verified the reasonableness of the assumptions used to produce estimate of future taxable income supporting assessments of the recoverability of these deferred tax assets.
- Notes 1.19 and 22 to the consolidated financial statements describe the method for valuing pensions and other post-employment obligations. Actuarial valuations were performed for these commitments. We reviewed the data, the assumptions used and calculations made, and verified that adequate disclosure is made in the notes to the consolidated financial statements.
- Note 7 to the consolidated financial statements “Restructuring costs” states the amount of restructuring costs recorded in 2015. We verified that, based on currently available information, these costs concern restructuring measures initiated or announced before December 31, 2015, for which provisions have been recorded based on an estimate of the costs to be incurred. We also reviewed the data and assumptions used by the group to make these estimates.

These assessments were made as part of our audit of the consolidated financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

III. Specific verification

As required by law we have also verified in accordance with professional standards applicable in France the information presented in the group’s management report.

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

Courbevoie and Paris-La Défense, February 16, 2016

French original signed by

The statutory auditors

MAZARS

ERNST & YOUNG et Autres

David Chaudat

Jean-Yves Jégourel