Consolidated financial statements –
December 31, 2013

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Consolidated financial statements at December 31, 2013

Consolidated statement of income

(in millions of euros except for earnings per share)	**Note**	**Full year 2013**	**Full year 2012***
Revenue	3	**23,551**	**23,946**
Cost of sales		(14,660)	(14,889)
Gross profit		**8,891**	**9,057**
Research and development	4	(535)	(507)
Selling, general and administrative expenses		(4,944)	(5,035)
EBITA adjusted**		**3,412**	**3,515**
Other operating income and expenses	6	73	(10)
Restructuring costs	7	(176)	(164)
EBITA***		**3,309**	**3,341**
Amortization and impairment of purchase accounting intangibles	8	(218)	(475)
Operating income		**3,091**	**2,866**
Interest income		44	36
Interest expense		(368)	(385)
Finance costs, net		**(324)**	**(349)**
Other financial income and expense	9	(159)	(97)
Net financial income/(loss)		**(483)**	**(446)**
Profit before tax		**2,608**	**2,420**
Income tax expense	10	(665)	(554)
Share of profit/(loss) of associates		22	34
PROFIT FOR THE PERIOD		**1,965**	**1,900**
• attributable to owners of the parent		1,888	1,813
• attributable to non-controlling interests		77	87
Basic earnings (attributable to owners of the parent) per share *(in euros per share)*	21.3	3.43	3.34
Diluted earnings (attributable to owners of the parent) per share *(in euros per share)*		3.40	3.31

* *The 2012 figures were restated for the application of IAS 19 Revised disclosed in note 22 of the consolidated financial statements.*

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

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

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

Other comprehensive income

(in millions of euros)	**Full year 2013**	**Full year 2012***
Profit for the year	**1,965**	**1,900**
Other comprehensive income:		
Translation adjustment	(798)	(220)
Cash-flow hedges	(16)	35
Income tax effect of cash-flow hedges	4	(11)
Net gains (losses) on available-for-sale financial assets	54	(25)
Income tax effect of net gains (losses) on available-for-sale financial assets	-	(5)
Actuarial gains (losses) on defined benefits plans	259	(279)
Income tax effect of Actuarial gains (losses) on defined benefits plans	(89)	89
Other comprehensive income for the year, net of tax	**(586)**	**(417)**
• out of which to be recycled in income statement ultimately	**42**	**(7)**
• out of which not to be recycled in income statement ultimately	**(628)**	**(410)**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**1,379**	**1,483**
Attributable:		
• to owners of the parent	1,316	1,421
• to non-controlling interests	63	62

* *The 2012 figures were restated for the application of IAS 19 Revised disclosed in note 22 of the consolidated financial statements.*

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

Consolidated statement of cash flows

(in millions of euros)	**Note**	**Full year 2013**	**Full year 2012***
Profit for the year		1,965	1 ,900
Share of (profit)/losses of associates, net of dividends received		(22)	(34)
Adjustments to reconcile net profit to net cash flows provided by operating activities:			
Depreciation of property, plant and equipment	13	408	394
Amortization of intangible assets other than goodwill	12	412	420
Impairment losses on non-current assets	5	51	241
Increase/(decrease) in provisions	23	(101)	(36)
Losses/(gains) on disposals of fixed assets		2	(16)
Difference between tax paid and tax expense		(110)	(136)
Other non-cash adjustments		68	69
Net cash provided by operating activities before changes in operating assets and liabilities		**2,673**	**2 ,802**
Decrease/(increase) in accounts receivable		53	(127)
Decrease/(increase) in inventories and work in process		(23)	210
(Decrease)/increase in accounts payable		246	(5)
Change in other current assets and liabilities		(48)	(79)
Change in working capital requirement		**228**	**(1)**
Total I - Cash flows from operating activities		**2,901**	**2 ,801**
Purchases of property, plant and equipment	13	(473)	(472)
Proceeds from disposals of property, plant and equipment		93	58
Purchases of intangible assets	12	(349)	(315)
Proceeds from disposals of intangible assets		15	10
Net cash used by investment in operating assets		**(714)**	**(719)**
Net financial investments	2	(294)	(242)
Proceeds from sale of financial assets		-	121
Purchases of other long-term investments		(116)	(14)
Increase in long-term pension assets		(65)	(79)
Sub-total		**(475)**	**(214)**
Total II - Cash flows from/(used in) investing activities		**(1,189)**	**(933)**
Issuance of bonds	24	600	601
Repayment of bonds	24	(587)	-
Sale/(purchase) of own shares		26	-
Increase/(reduction) in other financial debt		1066	(585)
Proceeds from issuance of shares		209	221
Dividends paid: Schneider Electric SA		(1,025)	(919)
Non-controlling interests		(11)	(72)
Total III - Cash flows from/(used in) financing activities		**278**	**(754)**
IV - Net foreign exchange difference:		**(219)**	**(51)**
Increase/(decrease) in cash and cash equivalents: I + II + III + IV		**1,771**	**1 ,063**
Cash and cash equivalents at January 1		3,617	2 ,554
Increase/(decrease) in cash and cash equivalents		1,771	1 ,063
CASH AND CASH EQUIVALENTS AT DECEMBER 31	**20**	**5,388**	**3,617**

* *The 2012 figures were restated for the application of IAS 19 Revised disclosed in note 22 of the consolidated financial statements.*

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

Consolidated balance sheet

Assets

(in millions of euros)	**Note**	**Dec. 31, 2013**	**Dec. 31, 2012***
Non-current assets			
Goodwill, net	11	12,912	12,904
Intangible assets, net	12	4,246	4,519
Property, plant and equipment, net	13	2,574	2,622
Total tangible and intangible assets		6,820	7,141
Investments in associates	14	172	511
Available-for-sale financial assets	15.1	164	213
Other non-current financial assets	15.2	127	108
Non-current financial assets		291	321
Deferred tax assets	16	1,753	1,739
Total non-current assets		**21,948**	**22,616**
Current assets			
Inventories and work in progress	17	3,034	3,090
Trade and other operating receivables	18	5,082	5,289
Other receivables and prepaid expenses	19	1,368	1,291
Current financial assets	15.3	28	127
Cash and cash equivalents	20	5,528	3,737
Total current assets		**15,040**	**13,534**
TOTAL ASSETS		**36,988**	**36,150**

* *The 2012 figures were restated for the application of IAS 19 Revised disclosed in note 22 of the consolidated financial statements*

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

Liabilities

(in millions of euros)	Note	Dec. 31, 2013	Dec. 31, 2012*
Equity	21		
Share capital		2,248	2,222
Additional paid-in capital		6,992	6,885
Retained earnings		8,804	7,594
Translation reserve		(832)	(48)
Equity attributable to owners of the parent		**17,212**	**16,653**
Non-controlling interests		151	174
Total equity		**17,363**	**16,827**
Non-current provisions			
Pensions and other post-employment benefit obligations	22	1,485	1,959
Other non-current provisions	23	827	785
Total non-current provisions		2,312	2,744
Non-current financial liabilities			
Bonds	24	5,322	5,513
Other non-current debt	24	600	893
Non-current financial liabilities		5,922	6,406
Deferred tax liabilities	16	994	1,014
Other non-current liabilities	25	138	195
Total non-current liabilities		**9,366**	**10,359**
Current liabilities			
Trade and other operating payables		3,713	3,815
Accrued taxes and payroll costs		1,871	1,827
Current provisions	23	877	930
Other current liabilities		861	666
Current debt	24	2,937	1,726
Total current liabilities		**10,259**	**8,964**
TOTAL EQUITY AND LIABILITIES		**36,988**	**36,150**

* *The 2012 figures were restated for the application of IAS 19 Revised disclosed in note 22 of the consolidated financial statements.*

The Group also decided a reclassification from some trade payables to other current liabilities.

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

Consolidated statement of changes in equity

(in millions of euros except for number of shares)	**Number of shares** *(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, 2012*	**548,943**	**2,196**	**6,690**	**(74)**	**6,905**	**148**	**15,865**	**192**	**16,057**
Profit for the year					1,813		1,813	87	**1,900**
Other comprehensive income					(196)	(196)	(392)	(25)	**(417)**
Comprehensive income for the year					1,617	(196)	1,421	62	**1,483**
Capital increase	3,522	14	109				123		**123**
Exercise of stock options	2,952	12	86				98		**98**
Dividends					(919)		(919)	(72)	**(991)**
Share-based compensation expense					57		57		**57**
Other					8		8	(8)	
Dec. 31, 2012*	**555,417**	**2,222**	**6,885**	**(74)**	**7,668**	**(48)**	**16,653**	**174**	**16,827**
Profit for the year					1,888		1,888	77	**1,965**
Other comprehensive income					212	(784)	(572)	(14)	**(586)**
Comprehensive income for the year					2,100	(784)	1,316	63	**1,379**
Capital increase	2,752	11	123				134		**134**
Exercise of stock options	3,789	15	86				101		**101**
Dividends					(1,058)		(1,058)	(86)	**(1,144)**
Share-based compensation expense					66		66		**66**
Other**			(102)		102		-		
Dec. 31, 2013	**561,958**	**2,248**	**6,992**	**(74)**	**8,878**	**(832)**	**17,212**	**151**	**17,363**

* *The 2012 figures were restated for the application of IAS 19 Revised disclosed in note 22 of the consolidated financial statements.*

** *Reclassification from additional paid-in capital to retained earnings*

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

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, 2013 were drawn up by the Board of Directors on February 19, 2014. They will be submitted to shareholders for approval at the Annual General Meeting of May 6, 2014.

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, 2013. The same accounting methods were used as for the consolidated financial statements for the year ended December 31, 2012.

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, 2013:

- *IFRS 13 – Fair value Measurement,*
- *Amendment to IAS 1 – Presentation of Items of Other Comprehensive Income,*
- *Amendment to IAS 12 – Recovery of Underlying Assets,*
- *Improvements to IFRSs 2009-2011 (May 2012),*
- *Amendments to IFRS 7 – Disclosures – Transfer of Financial assets.*

Additionally, IAS 19 revised was applied from January 1, 2013 with retroactive effect from January 1, 2012 on 2012 comparative financials which impacts are detailed in note 1.2.

The Group did not apply the following standards and interpretations that are mandatory at some point subsequent to December 31, 2013:

- standards adopted by the European Union:
  - *IAS 28 revised – Investments in associates and joint-ventures,*
  - *amendment to IAS 32 – Offsetting Financial assets and Financial liabilities,*
  - *IFRS 10 – Consolidated Financial Statements,*
  - *IFRS 11 – Joint Arrangements,*
  - *IFRS 12 – Disclosure of Interests in Other entities,*
  - *Transition Guidance (Amendments to IFRS 10, IFRS 11 and IFRS 12),*
  - *amendment to IAS 36 – Recoverable amount disclosures for non-financial assets,*
  - *amendment to IAS 39 – Novation of derivatives and continuation of hedge accounting,*
  - *Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27).*
- standards not yet adopted by the European Union:
  - *IFRS 9 – Financial instruments,*
  - *improvements to IFRSs 2010-2012 (December 2013),*
  - *improvements to IFRSs 2011-2013 (December 2013),*
  - *IFRIC 21 – Levies.*

There are no differences in practice between the standards applied by Schneider Electric as of December 31, 2013 and the IFRS issued by the International Accounting Standards Board (IASB), except for:

- *IAS 28 revised – Investments in associates and joint-ventures,*
- *IFRS 10 – Consolidated Financial Statements,*
- *IFRS 11 – Joint Arrangements,*
- *IFRS 12 – Disclosure of Interests in Other entities,*
- *Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27),*

which application is required from January 1, 2013 under IFRS as issued by IASB but which application is mandatory only from January 1, 2014 as per the European Union.

At this stage of analysis, the Group does not expect other impact, on its consolidated financial statements, to be material.

1.2 – Restated 2012 comparative consolidated financial statements

The Group has been applying IAS 19 revised since January 1, 2013 with retroactive effect from January 1, 2012 on comparative financial statements. In accordance with IAS 19 revised requirements published on June 2011, the expected return on long term plan assets in 2013 is equal to discount rate at December 31, 2012 closing date. The effect in 2013 is EUR40 million as a reduction of financial income and is also EUR39 million as a reduction of financial income in 2012; the difference between the actual rate and the rate assessed this way is booked as non recycled OCI.

Moreover, IAS 19 revised requires the recycling through equity of past service costs, of which the amortization was a gain of about EUR1 million per year, that will have an expected effect of EUR17 million at January 1, 2013. 2012 figures were restated by applying IAS 19 revised, with:

- an increase in consolidated retained earnings of EUR12 million on January 1, 2012;
- a cost after tax of EUR27 million on 2012 net income and
- a profit net of tax of EUR26 million on 2012 OCI.

IAS 19 Revised has no effect on the recognition of actuarial gains & losses since those were already directly recognized in equity.

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 asset (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, are proportionally consolidated in accordance with the recommended treatment under IAS 31 – *Interests in Joint Ventures.*

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*. In accordance with the option provided by IFRS 1 – *First-Time Adoption of IFRS* – business combinations recorded before January 1, 2004 have not been restated. 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 adjustments”. In accordance with IFRS 1 – *First Time Adoption of IFRS* – cumulative translation adjustments were reset to zero at January 1, 2004 by adjusting opening retained earnings, without any impact on total equity.

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.

Systems were set up to track and capitalize development costs in 2004. As a result, only development costs for new products launched since 2004 are capitalized in the IFRS accounts.

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 7.8% at December 31, 2013, a slight increase on the 7.7% at December 31, 2012. This rate is based on (i) a long-term interest rate of 2.9%, corresponding to the average interest rate for 10 year OAT treasury bonds over the past few years, (ii) the average premium applied to financing obtained by the Group in the fourth quarter of 2013, 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 in 2013, as in 2012, are *Partner, Infrastructure, Industry, IT, Buildings* and *CST* CGUs. Net assets were reallocated 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 (Power, 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 *CST*, 8.9% for *Industry*, 8.8% for *Partner* and *IT*, 8.1% for *Buildings* and 9.0% 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 SA shares

Schneider Electric SA 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 SA stock options;
- stock grants;
- stock appreciation rights, based on the Schneider Electric SA stock price.

Only plans set up after November 7, 2002 that did not vest prior to January 1, 2005 are affected by the application of IFRS 2 – *Share-based payments.*

Pursuant to this standard, 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 stock grants 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 2.3% at December 31, 2013 versus 2.1% at December 31, 2012.

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 Schneider Electric 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.

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, 2013 enclose the financial statements of companies listed in the note 32. The scope of consolidation for the year ended December 31, 2013 can be summarized as follows:

Number of active companies	Dec. 31, 2013	Dec. 31, 2012
Parent company and fully consolidated subsidiaries	543	582
Proportionally consolidated companies	3	3
Companies accounted for by the equity method	4	6
TOTAL	**550**	**591**

2.1 – Follow-up on 2012 acquisitions

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

The final allocation of the acquisition of M&C Energy Group (June 12, 2012) led principally to the recognition of intangible assets in the amount of EUR19 million (customer relationships) this asset was valued by an independent expert. Contingent liabilities were recognized for a total amount of EUR1 million.

Comparative data in 2012 did not require a change in 2013 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.

2.2 – Acquisitions during the year

The total amount of acquisitions during the year came to EUR294 million, net of cash and cash equivalents acquired.

	Dec. 31, 2013	Dec. 31, 2012
Acquisitions	(330)	(249)
Cash and cash equivalents paid	*(336)*	*(268)*
Cash and cash equivalents acquired/(paid)	*6*	*19*
Disposals	36	7
Other operations	-	-
NET FINANCIAL INVESTMENT	**(294)**	**(242)**

Schneider Electric acquired the additional 50% shares of Electroshield - TM Samara on March 28, 2013, in accordance with the 2010 purchase agreement for the price of RUB 10.2 billion as agreed then.

Since then, Electroshield - TM Samara is consolidated with full consolidation method.

The takeover of Electroshield - TM Samara by Schneider Electric implies, in accordance with IFRS 3 revised standard on business combinations:

- to revaluate at fair value through profit and loss the 50% share formerly held and the equity method investment until then

- to account for at fair value the total identifiable assets and liabilities of Electroshield as well as goodwill, for the net amount thus determined compared to the scope entry value.

The provisional allocation from the acquisition of Electroshield – TM Samara led principally to the recognition of revaluations of tangible assets estimated by independent experts in the amount of EUR15 million and contingent liabilities for a total amount of EUR106 million. The goodwill is not tax-deductible.

On December 31, 2013, the main elements of the provisional computation are:

- contingent liabilities, for the identification of risks are not completed at the closing date;
- tangible assets, because the estimated fair value of these assets is in progress;
- intangible assets, because the assumptions used to value these assets will be refined in 2014.

Note 3 Segment information

The Group is organized in 5 businesses (Partner, Infrastructure, Industry, IT, Buildings).

The 5 Businesses are:

- **Partner (formerly Power)**, provides low voltage ("LV") products and solutions in all end markets from buildings to industries and infrastructure to data centers, including protection functions (notably with circuit breakers), power monitoring and control, power meters, electrical enclosures, busways, power factor correction, LifeSpace products (including wiring devices, network connectivity, home and building controls and cable management systems), renewable energy conversion and connection, and electrical vehicle charging infrastructure;
- **Infrastructure**, combines all Medium Voltage activities including those from Areva Distribution, as well as Telvent; the business is in charge of the end-customer segments Oil and Gas, Electric Utilities and Transportation when it relates to solutions integrating the offers of several activities from the Group;
- **Industry**, which includes Automation & Control and four end-customer segments: OEMs, Water, Mining Minerals & Metals and Food & Beverages when it relates to solutions integrating the offers of several activities from the Group, as well as Custom Sensors & Technologies business (Sensors & Automotives);
- **IT**, which covers Critical Power & Cooling Services and three end-customer segments (Bank & Insurance, IT industry and Cloud & Telecom) when it relates to solutions integrating the offers of several activities from the Group;
- **Buildings**, which includes Building Automation and Security and the end-customer segments Hotels/Retail, Healthcare, Life Sciences, Real Estate and Government/Education.

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

Operating segment data is identical to that presented to the 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 2013

(in millions of euros)	***Partner***	***Infrastructure***	***Industry***	***IT***	***Buildings***	**Corporate costs**	**Total**
Revenue	8,476	5,728	4,311	3,442	1,594	-	**23,551**
Adjusted EBITA*	1,801	560	833	650	94	(526)	**3,412**
Adjusted EBITA %	*21.2 %*	*9.8 %*	*19.3 %*	*18.9 %*	*5.9 %*	-	***14.5 %***
Other operating income and expense	53	(17)	35	(5)	9	(2)	**73**
Restructuring costs	(74)	(59)	(22)	(7)	(12)	(2)	**(176)**
EBITA	1,780	484	846	638	91	(530)	**3,309**
EBITA %	***21.0 %***	***8.4 %***	***19.6 %***	***18.5 %***	***5.7 %***	**-**	***14.1%***

* *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 40% of total revenue in 2013.

Full year 2012

(in millions of euros)	***Partner***	***Infrastructure***	***Industry***	***IT***	***Buildings***	**Corporate costs**	**Total**
Revenue	8,738	5,366	4,483	3,677	1,682	-	**23,946**
Adjusted EBITA*	1,813	575	823	698	107	(501)	**3,515**
Adjusted EBITA %	*20.7%*	*10.7%*	*18.4%*	*19.0%*	*6.4%*	-	***14.7%***
Other operating income and expense	17	(6)	(2)	(3)	(3)	(13)	**(10)**
Restructuring costs	(84)	(32)	(21)	(4)	(12)	(11)	**(164)**
EBITA	1,746	537	800	691	92	(525)	***3,341***
EBITA %	***20.0%***	***10.0%***	***17.8%***	***18.8%***	***5.5%***	***-***	***14.0%***

* *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 39% of total revenue in 2012.

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, 2013

	Western Europe	***of which France***	**North America**	***of which USA***	**Asia-Pacific**	***of which China***	**Rest of the world**	**Total**
Revenue by country market	6,629	*1,701*	5,898	*4,857*	6,459	*3,068*	4,565	**23,551**
Non-current assets	8,095	*1,851*	6,311	*6,091*	3,970	*1,175*	1,356	**19,732**

Dec. 31, 2012

	Western Europe	***of which France***	**North America**	***of which USA***	**Asia-Pacific**	***of which China***	**Rest of the world**	**Total**
Revenue by country market	7,073	*1,822*	5,949	*4,966*	6,507	*3,036*	4,417	**23,946**
Non-current assets	8,194	*1,801*	6,591	*6,404*	4,389	*1,205*	871	**20,045**

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

	Full year 2013		**Full year 2012**		**Full year 2011**	
Revenue – Mature countries	13,429	57%	14,186	59%	13,512	60%
Revenue – New economies	10,122	43%	9,760	41%	8,833	40%
TOTAL	**23,551**	**100%**	**23,946**	**100%**	**22,345**	**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 2013	Full year 2012
Research and development costs in cost of sales	284	265
Research and development costs in R&D costs [1]	535	507
Capitalized development costs	326	286
TOTAL RESEARCH AND DEVELOPMENT COSTS OF THE YEAR	**1,145**	**1,058**

(1) Of which EUR44 million of research and development tax credit in December 2013, EUR43 million in December 2012.

Amortization of capitalized development costs amounted to EUR147 million for the 2013 financial year, compared with EUR133 million in 2012.

Note 5 Depreciation and amortization expenses

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

	Full year 2013	Full year 2012
Included in cost of sales:		
Depreciation and amortization	(455)	(433)
Included in selling, general and administrative expenses:		
Depreciation and amortization	(150)	(150)
DEPRECIATION AND AMORTIZATION EXPENSES	**(605)**	**(583)**

Moreover, the net amount of impairment of non-current assets totaled EUR51 million.

Note 6 Other operating income and expenses

Other operating income and expenses break down as follows:

	Full year 2013	Full year 2012
Impairment losses on assets	(11)	(16)
Gains on asset disposals	39	8
Losses on asset disposals	(41)	(10)
Costs of acquisitions	(52)	(52)
Pension plan curtailments	173	21
Others	(35)	39
OTHER OPERATING INCOME AND EXPENSES	**73**	**(10)**

The costs of acquisitions are the costs of acquisition, integration and separation related to major acquisitions in 2012 and 2013.

The line “Pension plan curtailments” includes mainly provision releases in the United States, in France and in Norway.

The line “Others” includes in particular provisions for litigation or claims at December 31, 2013. In 2012, the line “Others” includes mainly a reversal of provision for litigation or claims expired.

Note 7 Restructuring costs

Restructuring costs totaled EUR176 million over the period. They mainly relate to industrial and support function reorganizations in Europe (approximately EUR127 million) and in Americas (approximately EUR25 million).

Note 8 Amortization and impairment of purchase accounting intangibles

	Full year 2013	Full year 2012
Amortization of purchase accounting intangibles	(218)	(224)
Impairment of purchase accounting intangibles	-	(1)
Goodwill impairment	-	(250)
AMORTIZATION AND IMPAIRMENT OF PURCHASE ACCOUNTING INTANGIBLES	**(218)**	**(475)**

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 Buildings business segment faced challenging trading environment in 2012 following the construction downturn in its key mature markets, affecting its financial performance. When conducting the annual impairment tests at December 31, 2012, the Group had to book a goodwill impairment of Buildings CGU by EUR250 million before tax effect.

Impairment tests performed on the other Group's CGUs have not led to impairment losses being recognized in 2013. 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,

except for Buildings CGU on the two following hypothesis:

- impairment loss of 4% of assets for a 0.5 point increase of the discount rate;
- impairment loss of 1% of assets for a 0.5 point decrease of margin rate.

Note 9 Other financial income and expense

	Full year 2013	Full year 2012*
Exchange gains and losses, net	(12)	(21)
Financial component of defined benefit plan costs	(69)	(84)
Dividends received	7	12
Net gains/(losses) on disposal of assets available for sale	-	12
Fair value adjustment of assets available for sale	(50)	-
Other financial expense, net	(35)	(16)
OTHER FINANCIAL INCOME AND EXPENSE	**(159)**	**(97)**

* *The 2012 figures were restated for the application of IAS 19 Revised disclosed in note 22 of the consolidated financial statements.*

Dividends are mainly received on AXA shares prior to 2013. Net gain on investment disposal comes from AXA divestment in 2012. NVC Lighting shares were impaired in 2013 for a total amount of EUR 50 million, as stated in note 15.

Note 10 Income tax expense

Whenever possible, Group entities file consolidated tax returns. Schneider Electric SA 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 2013	Full year 2012*
Current taxes		
France	(176)	(19)
International	(562)	(657)
Total	**(738)**	**(676)**
Deferred taxes		
France	108	24
International	(35)	98
Total	**73**	**122**
INCOME TAX (EXPENSE)/BENEFIT	**(665)**	**(554)**

* *The 2012 figures were restated for the application of IAS 19 Revised disclosed in note 22 of the consolidated financial statements.*

10.2 – Tax proof

	Full year 2013	Full year 2012*
Profit attributable to owners of the parent	**1,888**	**1,813**
Income tax (expense)/benefit	(665)	(554)
Non-controlling interests	(77)	(87)
Share of profit of associates	22	34
Profit before tax	**2,608**	**2,420**
Statutory tax rate	34.43%	34.43%
Income tax expense calculated at the statutory rate		
Reconciling items:	**(898)**	**(833)**
Difference between French and foreign tax rates	191	257
Tax credits and other tax reductions	150	118
Impact of tax losses	(35)	(10)
Other permanent differences	(73)	(86)
Income tax (expense)/benefit	(665)	(554)
EFFECTIVE TAX RATE	**25.5%**	**22.9%**

* *The 2012 figures were restated for the application of IAS 19 Revised disclosed in note 22 of the consolidated financial statements.*

Note 11 Goodwill

11.1 – Main items of goodwill

Group goodwill is broken down by business as follows:

	Dec. 31, 2013, net	Dec. 31, 2012, net
Partner	3,717	3,943
Industry	2,139	2,244
Buildings	1,429	1,469
IT	2,890	3,015
Infrastructure	2,737	2,233
TOTAL	**12,912**	**12,904**

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 2013	Full year 2012
Net goodwill at opening	**12,904**	**12,773**
Acquisitions	607	195
Disposals	(12)	-
Impairment	-	(250)
Translation adjustment	(587)	(108)
Reclassifications	-	294
Net goodwill at year end	**12,912**	**12,904**
Included cumulative impairment	**(395)**	**(413)**

Acquisitions

There is a 12 month period after the date of acquisition for the Group to finalize the allocation of goodwill to these entities. The corresponding goodwill is therefore provisional.

Goodwill generated by acquisitions made during the year totaled EUR607million and corresponds mainly to the Russian group Electroshield - TM Samara. Goodwill generated by acquisitions in 2012 totaled EUR195 million and corresponds partly to the UK group M&C Energy.

Impairment

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

Other changes

Translation adjustments concern principally goodwill on US dollars.

Note 12 Intangible assets

12.1 – Change in intangible assets

	Trademarks	Software	Development projects (R&D)	Other	Total
GROSS VALUE					
Dec. 31, 2011	**2,786**	**827**	**1,292**	**1,915**	**6,820**
Acquisitions	4	21	286	4	**315**
Disposals	-	(48)	(43)	(50)	**(141)**
Translation adjustments	(56)	(3)	(25)	(16)	**(100)**
Reclassification	2	(33)	37	11	**17**
Changes in scope of consolidation and other	13	36	(15)	29	**63**
Dec. 31, 2012	**2,749**	**800**	**1,532**	**1,892**	**6,974**
Acquisitions	-	18	326	5	349
Disposals	-	(12)	(3)	-	(15)
Translation adjustments	(143)	(16)	(59)	(78)	(296)
Reclassification	-	33	(31)	(19)	(17)
Changes in scope of consolidation and other	-	-	(2)	(1)	(3)
Dec. 31, 2013	**2,606**	**823**	**1,763**	**1,800**	**6,992**

	Trademarks	Software	Development projects (R&D)	Other	Total
ACCUMULATED AMORTIZATION AND IMPAIRMENT					
Dec. 31, 2011	**(257)**	**(616)**	**(483)**	**(760)**	**(2,116)**
Depreciation and impairment	(64)	(58)	(138)	(145)	**(405)**
Recapture	-	49	12	-	**61**
Translation adjustments	5	3	15	15	**38**
Reclassification	-	31	(30)	1	**2**
Changes in scope of consolidation and other	-	(42)	37	(30)	**(35)**
Dec. 31, 2012	**(316)**	**(633)**	**(587)**	**(919)**	**(2,455)**
Depreciation and impairment	(59)	(55)	(149)	(149)	(412)
Recapture	12	18	4	(13)	21
Translation adjustments	4	13	31	44	92
Reclassification	(1)	2	(11)	16	6
Changes in scope of consolidation and other	-	-	2	-	2
Dec. 31, 2013	**(360)**	**(655)**	**(710)**	**(1,021)**	**(2,746)**

	Trademarks	Software	Development projects (R&D)	Other	Total
NET VALUE					
Dec. 31, 2011	**2,529**	**211**	**809**	**1,155**	**4,704**
Dec. 31, 2012	**2,433**	**167**	**945**	**974**	**4,519**
Dec. 31, 2013	**2,246**	**168**	**1,053**	**779**	**4,246**

In 2013, change in Intangibles assets mainly related to R&D capitalized development costs for EUR326 million.

In 2012, changes in scope of consolidation of other intangible assets mainly include recognized intangibles relating to Telvent (EUR250 million), to Leader & Harvest (EUR85 million) and to Steck (EUR23 million) acquired in 2011, to M&C Energy Group (EUR19 million) acquired in 2012.

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

Cash impact	**Dec. 31, 2013**	**Dec. 31, 2012**
Amortization of intangible assets other than goodwill	412	420
Impairment on intangible assets other than goodwill and others	-	(15)
TOTAL*	**412**	**405**

* *Includes amortization & depreciation of intangibles assets from purchase price allocation for EUR218 million for the year 2013 and EUR225 million for the year 2012 (disclosed in note 8).*

12.2 – Trademarks

At December 31, 2012, the main trademarks recognized were as follows:

	Dec. 31, 2013	**Dec. 31, 2012**
APC	1,333	1,406
Pelco	362	380
Clipsal	165	200
MGE	67	100
TAC	41	63
Juno	83	87
Digital	38	48
Other	157	149
NET	**2,246**	**2,433**

Brands recognized on acquisition realized in 2011 (Telvent, Luminous, Steck) amount to EUR70 million. They are recorded in line Other.

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.

Note 13 Property, plant and equipment

13.1 – Change in tangible assets

	Land	**Buildings**	**Machinery and equipment**	**Other**	**Total**
GROSS VALUE					
Dec. 31, 2011	**222**	**1,732**	**3,822**	**912**	**6,688**
Acquisitions	-	78	148	262	**488**
Disposals	(7)	(32)	(137)	(111)	**(287)**
Translation adjustments	(4)	(13)	(21)	(4)	**(41)**
Reclassification	-	31	105	(127)	**9**
Changes in scope of consolidation and other	(1)	(14)	(5)	10	**(10)**
Dec. 31, 2012	**210**	**1,782**	**3,912**	**942**	**6,846**
Acquisitions	3	65	140	265	473
Disposals	(3)	(74)	(102)	(58)	(237)
Translation adjustments	(8)	(61)	(128)	(50)	(247)
Reclassification	(1)	14	108	(143)	(22)
Changes in scope of consolidation and other	4	19	71	11	105
Dec. 31, 2013	**205**	**1,745**	**4,001**	**967**	**6,918**

	Land	Buildings	Machinery and equipment	Other	Total
ACCUMULATED AMORTIZATION AND IMPAIRMENT					
Dec. 31, 2011	**(15)**	**(792)**	**(2,802)**	**(506)**	**(4,115)**
Depreciation and impairment	(10)	(75)	(257)	(60)	**(402)**
Recapture	-	21	174	64	**259**
Translation adjustments	-	5	9	3	**17**
Reclassification	-	(5)	2	(1)	**(4)**
Changes in scope of consolidation and other	-	12	9	-	**21**
Dec. 31, 2012	**(25)**	**(834)**	**(2,865)**	**(500)**	**(4,224)**
Depreciation and impairment	(1)	(83)	(263)	(61)	(408)
Recapture	-	52	100	30	182
Translation adjustments	-	22	81	26	129
Reclassification	-	7	(2)	4	9
Changes in scope of consolidation and other	-	(1)	(25)	(6)	(32)
Dec. 31, 2013	**(26)**	**(837)**	**(2,974)**	**(507)**	**(4,344)**

	Land	Buildings	Machinery and equipment	Other	Total
NET VALUE					
Dec. 31, 2012	**185**	**948**	**1,047**	**442**	**2,622**
Dec. 31, 2013	**179**	**908**	**1,027**	**460**	**2,574**

Reclassifications primarily correspond to assets put into use.

The cash impact of purchase of purchases of property, plant and equipment in 2013 was as follows:

Cash impact of purchases of property, plant and equipment	Dec. 31, 2013	Dec. 31, 2012
Increase in tangible assets	(473)	(488)
Change in receivables and liabilities on tangible assets	-	16
TOTAL	**(473)**	**(472)**

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

Cash impact	Dec. 31, 2013	Dec. 31, 2012
Depreciation of property, plant and equipment	408	394
Impairment on tangible assets	-	8
TOTAL	**408**	**402**

13.2 – Finance leases

Tangible assets primarily comprise the following finance leases:

	Dec. 31, 2013	Dec. 31, 2012
Land	1	1
Buildings	30	45
Machinery and equipment	31	31
Other tangible assets	2	2
Accumulated depreciation	(41)	(68)
ASSETS UNDER FINANCE LEASE, NET	**23**	**11**

Future minimal rental commitments on finance lease properties at December 31, 2013 break down as follows:

	Minimum payments	Discounted minimum payments
Less than one year	4	5
Between one and five years	6	10
Five years and more	-	-
TOTAL COMMITMENTS	**10**	**15**
Discounting effect	5	
Discounted minimum payments	**15**	

13.3 – Operating leases

Rental expense breaks down as follows:

	Full year 2013	Full year 2012
Minimum rentals	109	121
Conditional rentals	-	-
Sub-lease rentals	3	4
TOTAL RENTAL EXPENSE	**112**	**125**

Operating lease commitments break down as follows at December 31, 2013:

	Minimum payments	Discounted minimum payments
Less than one year	107	106
Between one and five years	257	244
Five years and more	67	57
TOTAL COMMITMENTS	**431**	**407**
Discounting effect	(24)	
Discounted minimum payments	**407**	

Note 14 Investments in associates

Investments in associates can be analyzed as follows:

	% interest		Share net assets		Share in net profit	
	Dec. 31, 2013	Dec. 31, 2012	Dec. 31, 2013	Dec. 31, 2012	Dec. 31, 2013	Dec. 31, 2012
Delta Dore Finance	20.0%	20.0%	15	16	1	1
Electroshield - TM Samara(1)	-	50.0%	-	303	4	17
Sunten Electric Equipment(2)	40.0%	50.0%	78	100	5	5
Fuji Electric FA Components & Systems	36.8%	36.8%	74	86	12	12
Other	N/A	N/A	5	6	-	(1)
TOTAL	**-**	**-**	**172**	**511**	**22**	**34**

(1) Electroshield – TM Samara is fully consolidated by Schneider Electric Group since the acquisition of the additional 50% shares on March 28th, 2013. The impact on the statement of income for December 2013 corresponds to the share in net profit until March 28th, 2013.

(2) Schneider Electric disposed 10% of the equity interest held in Sunten Electric Equipment on December 27th, 2013.

Note 15 Financial assets

15.1 – Available-for-sale financial assets

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

		Dec. 31, 2013			Dec. 31, 2012
	% interest	**Gross value**	**Revaluation/ impairment**	**Fair value**	**Fair value**
I – Listed available-for-sale financial assets					
NVC Lighting	9.2%	108	(48)	60	57
Gold Peak Industries Holding Ltd	4.4%	6	(4)	3	3
Total listed AFS		**114**	**(52)**	**63**	**60**
II – Unlisted available-for-sale financial assets					
FCPR SEV1	100%	37	13	50	70
SCL Elements Inc.(1)	100%	-	-	-	20
SE Buildings Energy Efficiency	100%	16	-	16	17
FCPR Aster II (part A and B)(2)	100%	14	(3)	11	-
Inversion	35%	10	-	10	10
FCPR SESS	100%	10	-	10	3
Others (3)		15	(11)	4	33
Total unlisted AFS		**102**	**(1)**	**101**	**153**
TOTAL AVAILABLE-FOR-SALE FINANCIAL ASSETS		**216**	**(53)**	**164**	**213**

(1) Companies purchased in 2012.
(2) Included in line FCPR SEV1 in 2012.
(3) Gross unit value of less than EUR5 million.

The fair value of investments quoted in an active market corresponds to the 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 EUR48 million at closing rate (EUR50 million at average rate) at December 31, 2013, was recorded in income statement, as "Other Financial Expense".

15.2 – Other non-current financial assets

Non Current financial assets total EUR127 million at December 31, 2013.

15.3 – Current financial assets

Current financial assets total EUR28 million at December 31, 2013 and include short-term investments.

Note 16 Deferred taxes by type

Deferred taxes by type can be analyzed as follows:

	Dec. 31, 2013	Dec. 31, 2012*
Deferred tax assets		
Tax credits and tax loss carryforwards	450	354
Provisions for pensions and other post-retirement benefit obligations	484	609
Impairment of receivables and inventory	169	166
Non-deductible provisions for contingencies and accruals	48	59
Other	602	551
TOTAL DEFERRED TAX ASSETS	**1,753**	**1,739**
Deferred tax liabilities		
Differences between tax and accounting depreciation	(113)	(82)
Trademarks and other intangible assets	(276)	(321)
Capitalized development costs (R&D)	(72)	(60)
Other	(533)	(551)
TOTAL DEFERRED TAX LIABILITIES	**(994)**	**(1,014)**

* *The 2012 figures were restated for the application of IAS 19 Revised disclosed in note 22 of the consolidated financial statements.*

Deferred tax assets recorded in respect of tax loss carryforwards at December 31, 2012 essentially concern France (EUR326 million).

Note 17 Inventories and work in progress

Inventories and work in process changed as follows:

	Dec. 31, 2013	Dec. 31, 2012
Cost:		
Raw materials	1,354	1,478
Production work in process	281	323
Semi-finished and finished products	1,306	1,512
Goods	378	67
Solution work in process	94	106
INVENTORIES AND WORK IN PROCESS AT COST	**3,413**	**3,486**
Impairment:		
Raw materials	(204)	(200)
Production work in process	(8)	(8)
Semi-finished and finished products	(152)	(169)
Goods	(10)	(13)
Solution work in process	(5)	(7)
IMPAIRMENT LOSS	**(379)**	**(396)**
Net:		
Raw materials	1,150	1,279
Production work in process	273	315
Semi-finished and finished products	1,154	1,342
Goods	368	54
Solution work in process	89	100
INVENTORIES AND WORK IN PROCESS, NET	**3,034**	**3,090**

Note 18 Trade accounts receivable

	Dec. 31, 2013	Dec. 31, 2012
Accounts receivable	5,153	5,310
Notes receivable	184	193
Advances to suppliers	91	92
Accounts receivable at cost	**5,428**	**5,595**
Impairment	(346)	(306)
Accounts receivable, net	**5,082**	**5,289**
Of which:		
On time	4,235	4,291
Less than one month past due	337	395
One to two months past due	175	187
Two to three months past due	87	88
Three to four months past due	61	76
More than four months past due	187	252
ACCOUNTS RECEIVABLE, NET	**5,082**	**5,289**

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 2013	Full year 2012
Provisions for impairment on January 1	**(306)**	**(259)**
Additions	(58)	(53)
Utilizations	38	22
Reversals of surplus provisions	11	2
Translation adjustments	16	3
Other	(47)	(21)
PROVISIONS FOR IMPAIRMENT ON DECEMBER 31	**(346)**	**(306)**

Note 19 Other receivables and prepaid expenses

	Dec. 31, 2013	Dec. 31, 2012
Other receivables	298	308
Other tax credits	686	641
Derivative instruments	190	170
Prepaid expenses	194	172
TOTAL	**1,368**	**1,291**

Note 20 Cash and cash equivalents

	Dec. 31, 2013	Dec. 31, 2012
Marketable securities	2,193	1,720
Negotiable debt securities and short-term deposits	342	443
Cash and cash equivalents	2,993	1,574
Total cash and cash equivalents	**5,528**	**3,737**
Bank overdrafts	(140)	(120)
NET CASH AND CASH EQUIVALENTS	**5,388**	**3,617**

Non-recourse factoring of trade receivables were realized during the second semester of 2013 for a total amount of EUR132 million, compared with EUR112 million during the second semester of 2012.

Note 21 Equity

21.1 – Capital

Share capital

The Company's share capital at December 31, 2013 amounted to EUR2,247,832,092 represented by 561,958,023 shares with a par value of EUR4, all fully paid up.

At December 31, 2013, a total of 609,815,400 voting rights were attached to the 561,958,023 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, 2011 were as follows:

	Cumulative number of shares	**Total** *(in euros)*
Capital at Dec. 31, 2011	**548,943,024**	**2,195,772,096**
Exercise of stock options	2,952,154	11,808,616
Employee share issue	3,521,836	14,087,344
Capital at Dec. 31, 2012	**555,417,014**	**2,221,668,056**
Exercise of stock options	3,788,938	15,155,752
Employee share issue	2,752,071	11,008,284
CAPITAL AT DEC. 31, 2013	**561,958,023**	**2,247,832,092**

The share premium account increased by EUR208,536,503 following the exercise of options and the increases in capital.

21.2 – Ownership structure

	Dec. 31, 2013				Dec. 31, 2012	
	Capital %	Number of shares	Voting rights %	Number of voting rights	Capital %	Voting rights %
Capital Group Companies [1]	5.4	30,561,902	5.0	30,561,902	7.5	6.9
CDC	3.4	19,239,002	6.2	37,693,092	3.7	6.5
Employees	4.2	23,536,150	6.5	39,590,106	4.4	6.8
Own shares [2]	0.0	1,058	-	-	0.0	-
Treasury shares	1.4	7,941,129	-	-	1.5	-
Public	85.6	480,678,782	81.0	494,028,113	82.9	78.4
TOTAL	**100.0**	**561,958,023**	**100.0**	**609,815,400[2]**	**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, 2013.

21.3 – Earnings per share

Determination of the share base used in calculation

	Full year 2013		Full year 2012	
(in thousands of shares)	Basic	Diluted	Basic	Diluted
Common shares*	550,682	550,682	543,042	543,042
Stock grants	-	3,459	-	3,281
Stock options	-	1,176	-	1,376
Average weighted number of shares	**550,682**	**555,316**	**543,042**	**547,698**

* *Net of treasury shares and own shares.*

Earnings per share

	Full year 2013		Full year 2012*	
	Basic	Diluted	Basic	Diluted
Profit before tax	4.74	4.70	4.46	4.42
EARNINGS PER SHARE	**3.43**	**3.40**	**3.34**	**3.31**

* *The 2012 figures were restated for the application of IAS 19 Revised disclosed in note 22 of the consolidated financial statements.*

21.4 – Dividends paid and proposed

In 2013, the Group paid out the 2012 dividend of EUR1.87 per share (with a nominal value of EUR4), for a total of EUR1,054 million.

In 2012, the Group paid out the 2011 dividend of EUR1.70 per share (with a nominal value of EUR4), for a total of EUR919 million.

In 2011, the Group paid out the 2010 dividend of EUR1.60 per share (with a nominal value of EUR4), for a total of EUR856 million.

At the Shareholders' Meeting of May 6, 2014, shareholders will be asked to approve a dividend of EUR1.87 per share for fiscal year 2013. At December 31, 2013 Schneider Electric SA had distributable reserves in an amount of EUR7,965 million (versus EUR8,563 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 SA 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, 2013:

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
18	03/24/2000	P	03/24/2003	03/23/2008	32.62	2,842,400	1,373,200
19	04/04/2001	S	04/04/2005	04/03/2009	34.06	3,115,700	N/A(2)
20	12/12/2001	S	12/12/2005	12/11/2009	25.63	3,200,000	333,600
21	02/05/2003	S	02/05/2007	02/04/2011	22.60	4,000,000	283,800
22	02/05/2003	S	06/05/2003	02/04/2011	22.60	222,000	N/A(2)
23	05/06/2004	S	10/01/2004	05/05/2012	27.77	214,000	N/A(2)
24	05/06/2004	S	05/06/2008	05/05/2012	27.77	4,121,400	188,600
25	05/12/2005	S	10/01/2005	05/11/2013	28.23	277,000	N/A(2)
26	06/28/2005	S	06/28/2009	06/27/2013	30.09	4,007,600	-
27	12/01/2005	S	12/01/2009	11/30/2013	35.70	3,229,800	-
28	12/21/2006	S	12/21/2010	12/20/2016	40.67	2,514,240	-
29	04/23/2007	S	04/23/2011	04/22/2017	48.52	166,300	-
30	12/19/2007	S	12/19/2011	12/18/2017	46.00	1,889,852	980,926
31	01/05/2009	S	01/05/2013	01/04/2019	26.06	1,358,000	-
32	08/21/2009	S	08/21/2013	08/20/2019	31.30	10,000	-
33	12/21/2009	S	12/21/2013	12/20/2019	37.92	1,652,686	-
TOTAL						**32,820,978**	**3,160,126**

(1) S = Options to subscribe new shares. P = Options to purchase existing shares.
(2) Not applicable because no vesting conditions were set.

Rules governing the stock option plans are as follows:

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

Stock grants

Plan no.	Date of Board meeting	Vesting Date	Expiration Date	Number of shares granted originally	Grants cancelled because targets not met
1	12/21/2006	12/21/2009	12/21/2011	104,012	-
2	04/23/2007	04/23/2010	04/23/2012	4,428	-
3	12/19/2007	12/19/2010	12/19/2012	132,788	69,434
4	12/19/2007	12/19/2011	12/19/2011	114,500	58,176
5	01/05/2009	01/05/2012	01/05/2014	287,430	-
6	01/05/2009	01/05/2013	01/05/2013	424,702	-
7	08/21/2009	08/21/2012	08/21/2014	2,500	-
8	12/21/2009	12/21/2011	12/21/2013	319,506	-
9	12/21/2009	12/21/2013	12/21/2013	780,790	-
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	12/16/2011	12/16/2013	12/16/2015	645,443	-
14	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	-
TOTAL				**8,575,456**	**156,398**

Rules governing the stock grant plans are as follows:

- to receive the stock, the grantee must 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 two years.

Outstanding options and grants

Change in the number of options

Plan no.	Number of options outstanding Dec. 31, 2012	Number of options exercised and/or created in 2013	Number of options cancelled in 2013 (1)	Number of options outstanding Dec. 31, 2013
25	27,610	(10,440)	(17,170)	-
26	431,591	(339,571)	(92,020)	-
27	1,106,285	(967,703)	(138,582)	-
28	1,347,548	(470,595)	(9,898)	867,055
29	110,900	(28,025)	(12,000)	70,875
30	711,240	(229,933)	(4,480)	476,827
31	1,075,770	(516,611)	(1,800)	557,359
32	10,000	(10,000)	-	-
33	1,565,526	(187,942)	(41,470)	1,336,114
TOTAL	**6,386,470**	**(2,760,820)**	**(317,420)**	**3,308,230**

(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 26 to 33, and the SARs, the grantee must 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 plans, Schneider Electric SA has created 3,788,938 shares in 2013.

Change in the number of stock grants

Plan no.	Number of stock grants at Dec. 31, 2012	Number of existing or new shares grants in 2013	Number of shares cancelled in 2013	Number of shares outstanding at Dec. 31, 2013
6	362,796	(357,420)	(5,376)	-
7	-	-	-	-
8	-	-	-	-
9	713,890	(670,698)	(43,192)	-
10	657,952	(646,543)	(11,409)	-
11	1,106,826	-	(69,125)	1,037,701
10 bis	3,000	(2,952)	(48)	-
11 bis	5,882	-	(94)	5,788
12	19,850	-	-	19,850
13	646,743	-	(10,500)	636,243
13 ter	625	-	-	625
14	1,354,386	-	(61,615)	1,292,771
14 ter	600	900	-	1,500
15	-	645,550	(5,600)	639,950
15 bis	-	4,500	-	4,500
16	-	1,844,830	(47,350)	1,797,480
16 bis	-	19,600	-	19,600
TOTAL	**4,872,550**	**4,191,193**	**(254,309)**	**5,456,008**

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

21.5.1 Valuation of share-based payments

Stock option valuation

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

- expected volatility of between 20% and 28%, corresponding to capped historical volatility;
- a payout rate of between 3.0% and 4.5%;
- a discount rate of between 2.9% and 4.5%, 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 2013	Full year 2012
Plan 31	-	1
Plan 32	-	-
Plan 33	3	3
TOTAL	**3**	**4**

Valuation of stock grants

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 4.5%;
- a discount rate of between 1.6% and 4.5%, 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 2013	**Full year 2012**
Plan 5	-	-
Plan 6	-	1
Plan 7	-	-
Plan 8	-	-
Plan 9	4	5
Plan 10	2	14
Plan 11	11	12
Plan 10 bis	0	-
Plan 11 bis	0	-
Plan 12	0	-
Plan 13	10	11
Plan 14	9	10
Plan 15	12	-
Plan 15 bis	0	-
Plan 16	15	-
Plan 16 bis	0	-
TOTAL	**63**	**53**

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 the choice between a classic and a leveraged plan.

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

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

Under the leveraged plan, employees may also purchase Schneider Electric shares at a 15% to 20% discount from the price quoted on the stock market. However, the leveraged plan offers a different yield profile as a third-party bank top up the employee’s initial investment, essentially multiplying the amount paid by the employee. The total is invested in Schneider Electric shares at a preferential price. The bank converts the discount transferred by the employee into funds with a view to securing the yield for the employee and increasing the indexation on a leveraged number (factor of 4.4 in 2013) of directly subscribed shares.

As with the classic plan, and as per IFRS2, the share-based payment expense is determined by reference to the fair value of the discount on the locked-up shares (see above). In addition, it includes the value of the benefit corresponding to the issuer’s involvement in the plan, which means that employees have access to share prices with a volatility profile adapted to institutional investors rather than to the prices and volatility profile they would have been offered if they had purchased the shares through their retail banks. The volatility differential is treated as a discount equivalent that reflects the opportunity gain offered to employees under the leveraged plan.

As regards the first semester 2013, Schneider Electric offers to its employees the opportunity to purchase shares at a price of EUR50.89 or EUR47.90 per share, depending on the country, as part of its commitment to employee share ownership, on June 5, 2013. This represented a 15% to 20% discount to the reference price of EUR59.87 calculated as the average opening price quoted for the share during the 20 days preceding the Management Board's decision to launch the employee share issue.

Altogether, 2.7 million shares were subscribed, increasing the Company's capital by EUR133 million as of July 11, 2013. Due to significant changes in valuation assumptions, specifically the interest rate available to market participant, the value of the lock-up period is higher than the discount cost. Therefore the Group did not recognize any cost related to the transaction.

The tables below summarize the main characteristics of the plans, the amounts subscribed, the valuation assumptions and the plans' cost for 2013 and 2012.

	Full year 2013		Full year 2012	
Non leveraged plans	**%**	**Value**	**%**	**Value**
Plan characteristics				
Maturity *(years)*		5		5
Reference price *(euros)*		59.87		43.12
Subscription price *(euros)*:				
between		50.89		36.66
and		47.90		34.5
Discount:				
between	15.0%		15.0%	
and	20.0%		20.0%	
Amount subscribed by employees		98,0		75.9
Total amount subscribed		98,0		75.9
Total number of shares subscribed *(millions of shares)*		2		2.1
Valuation assumptions				
Interest rate available to market participant *(bullet loan)* (1)	4.8%		5.5%	
Five year risk-free interest rate (euro zone)	0.8%		1.5%	
Annual interest rate *(repo)*	1.0%		1.0%	
(a) Value of discount:				
between	15.0%	8.4	15.0%	6.4
and	20.0%	12.7	20.0%	10.0
(b) Value of the lock-up period for market participant	**26.3%**	**31.3**	**26.2%**	**24.1**
Total expense for the Group (a-b)		**0**		**0**
Sensitivity				
• decrease in interest rate for market participant (2)	(0.5%)	3.4	(0.5%)	2.5

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.*

	Full year 2013		Full year 2012	
Leveraged plans	**%**	**Value**	**%**	**Value**
Plan characteristics				
Maturity *(years)*		5		5
Reference price *(euros)*		59.87		43.12
Subscription price *(euros)*:				
between		50.89		36.66
and		47.90		34.50
Discount :				
between	15.0%		15.0%	
and	20.0%		20.0%	
Amount subscribed by employees		3.5		4.8
Total amount subscribed		35.4		47.8
Total number of shares subscribed *(millions of shares)*		0.7		1.4
Valuation assumptions				
Interest rate available to market participant *(bullet loan)* (1)	4.8%		5.5%	
Five year risk-free interest rate (euro zone)	0.8%		1.5%	
Annual dividend rate	3.0%		3.0%	
Annual interest rate *(repo)*	1.0%		1.0%	
Retail/institutional volatility spread	5.0%		5.0%	
(a) Value of discount:				
between	15.0%	0	15.0%	0
and	20.0%	8.9	20.0%	11.9
(b) Value of the lock-up period for market participant	**26.3**	**11.7**	**26.2%**	**15.6**
(c) Value of the opportunity gain (2)	**3.3%**	**1.5**	**1.3%**	**1.2**
Total expense for the Group (a-b+c)		**0**		**0**
Sensitivity				
• decrease in interest rate for market participant (3)	(0.5%)	1.3	(0.5%)	1.6

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) Calculated using a binomial model.

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

(4) In some countries, due to local law, employees subscribe for undiscounted sums while the bank subscribes at a discount to provide the leverage.

21.6 – Schneider Electric SA shares

At December 31, 2013, the Group held 7,941,129 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 EUR309 million as of December 31, 2013 and can be analyzed as follows:

	Dec. 31, 2013	Dec. 31, 2012*	Change in tax
Cash-flow hedges	93	89	4
Available-for-sale financial assets	(8)	(8)	-
Actuarial gains (losses) on defined benefits	225	314	(89)
Other	(1)	(1)	-
TOTAL	**309**	**394**	**(85)**

* *The 2012 figures were restated for the application of IAS 19 Revised disclosed in note 22 of the consolidated financial statements.*

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.

First application of IAS 19 Revised at January 1, 2013

IAS 19 Revised has been applied since January 1, 2013 with a retroactive effect from January 1, 2012 on the comparative statements for the first half 2012. The 2012 figures have been restated for the impact of application of revised IAS 19, namely:

- An increase of consolidated reserves of EUR12 million at January 1, 2012;

- A net cost of EUR27 million on the 2012 income statement;

- A net income of EUR26 million in other comprehensive income in 2012.

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, 2013	Dec. 31, 2012	Dec. 31, 2013	Dec. 31, 2012
Discount rate	4.1%	3.5%	4.7%	3.75%
Rate of compensation increases	2.4%	2.4%	N/A	N/A
Interest income				
• Under IAS19[(1)]	N/A	6.3%	N/A	7.5%
• Under IAS19R[(2)]	3.6%	4.4%	3.75%	4.6%

(1) Corresponding to the 2011 and 2012 rates

(2) Under IAS19R,the rate applied in the calculation of the interest income (previously expected return on plan assets) is the discount rate 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 3.00% for 10 years duration and 3.30% for 15 years duration in the euro zone, 4.70% in the United States and 4.50% in the United Kingdom.

A 0.5 point increase in the discount rate would reduce pension and termination benefit obligations by around EUR163 million and the service cost by EUR2 million. A 0.5 point decrease would increase pension and termination benefit obligations by EUR187 million and the service cost by EUR2 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 EUR26 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 EUR23 million and the sum of the service cost and interest cost by EUR1 million.

In 2013, the rate of healthcare cost increases in the United States is based on a decreasing trend from 7.33% in 2014 to 4.5% in 2023. The rate of healthcare cost increases in the United States was based on a decreasing trend from 7.67% in 2013 to 4.5% in 2023 at December 31, 2012. The rate in France was estimated at 4% in 2013 and at 4% in 2012.

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 12.7 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 85% of the Group's total commitment or EUR2,253 million at December 31, 2013, 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 33%), bonds (around 59%), real estate (around 5%) and cash (around 3%).

Main contributions are primarily for the North American plans and amount to EUR35 million in 2013. They are estimated at EUR44 million for 2014, EUR57 million for 2015 and EUR61 million for 2016.

At December 31, 2013, provisions for pensions and termination benefits total EUR1,061 million, compared with EUR1,488 million in 2012. 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 EUR62 million in 2013, compared with EUR70 million in 2012.

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 10.5 years. These post-employment benefit obligations are unfunded.

Healthcare coverage for North American employees represents 73% of this obligation.

The main benefits paid in 2013 are primarily for the North American plans and amount to EUR19 million. They are estimated at EUR18 million for each of the next 3 years.

The assumptions used to determine post-employment benefit obligations related to healthcare and life insurance are the same as those used to estimate pension benefit obligations in the country concerned.

Other long-term benefit obligations include healthcare coverage plans in Europe, for EUR85 million, and long-service awards due by subsidiaries in France, for EUR12 million.

At December 31, 2013, provisions for these benefit obligations total EUR425 million, compared with EUR488 million at December 31, 2012. 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, 2011	**1,263**	**395**	**460**	**349**	**1,723**
Net cost recognized in the statement of income	74	(2)	11	(9)	85
Benefits paid	(33)	-	(29)	(20)	(62)
Plan participants' contributions	(103)	(9)	2	2	(101)
Actuarial items recognized in equity	291	116	29	14	320
Translation adjustment	(10)	(10)	(7)	(6)	(17)
Changes in the scope of consolidation	6	-	21	-	27
Other changes	-	-	1	2	1
Dec. 31, 2012 published	**1,488**	**490**	**488**	**332**	**1,976**
IAS19R restatement Recognition of past services costs	1	1	(18)	(18)	(17)
Dec. 31, 2012 IAS19R	**1,489**	**491**	**470**	**314**	**1,959**
Net cost recognized in the statement of income	(33)	25	(1)	(21)	(34)
Benefits paid	(44)	-	(32)	(19)	(76)
Plan participants' contributions	(64)	(35)	2	2	(62)
Actuarial items recognized in equity	(262)	(196)	6	(5)	(256)
Translation adjustment	(32)	(14)	(18)	(12)	(50)
Changes in the scope of consolidation	3	3	(4)	-	(1)
Other changes	4	-	1	2	5
Dec. 31, 2013	**1,061**	**274**	**424**	**261**	**1,485**

The application of IAS19 Revised led to a decrease of EUR19 million of the provision for pensions and other post-employment benefit obligations at January 1, 2012 linked to the recognition of the past services cost unrecognized under IAS19 (impact of EUR17 million at January 1, 2013, due to the amortizations of the unrecognized past service costs in 2012).

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, 2011	**709**	**(35)**	**674**
Actuarial (gains)/losses on projected benefit obligation	340	28	368
Actuarial (gains)/losses on plan assets	(49)	-	(49)
Effect of the asset ceiling	-	-	-
Dec. 31, 2012 published	**1,000**	**(7)**	**993**
IAS19R restatement Impact of the application of the discount rate in the estimation of the interest income (previously expected return on assets)	(39)	-	(39)
Dec. 31, 2012 IAS19R	**961**	**(7)**	**954**
Actuarial (gains)/losses on projected benefit obligation arising from demographic assumptions	(1)	(4)	(5)
Actuarial (gains)/losses on projected benefit obligation arising from financial assumptions	(198)	(22)	(220)
Actuarial (gains)/losses on projected benefit obligation from experience effects	11	32	43
Actuarial (gains)/losses on plan assets	(74)	-	(74)
Effect of the asset ceiling	-	-	-
Dec. 31, 2013	**699**	**(1)**	**698**

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, 2013		Dec. 31, 2012 IAS19R		Dec. 31, 2012 Published	
		Of which SE USA		*Of which SE USA*		*Of which SE USA*
1. Reconciliation of balance sheet items						
Pension assets			-	-	-	-
Provisions for pensions and other post-employment benefit	(1,061)	(274)	(1,489)*	(491)*	(1,488)	(490)
NET ASSET/(LIABILITY) RECOGNIZED IN THE BALANCE SHEET	(1,061)	(274)	(1,489)*	(491)*	(1,488)	(490)

*Including the IAS19R restatement of the recognition of past services costs described on paragraph 22.1.

	Full year 2013		Full year 2012 IAS19R		Full year 2012 Published	
		Of which SE USA		*Of which SE USA*		*Of which SE USA*
2. Components of net cost recognized in the statement of income						
Service cost	52	3	48	3	48	3
Past service cost	(132)	-	1	-	1	-
Curtailments and settlements	(6)	-	-	-	-	-
Interest cost (effect of discounting)	103	49	116	55	116	55
Interest income	(50)	(27)	(52)	(29)	(91)	(60)
NET COST RECOGNIZED IN THE STATEMENT OF INCOME	**(33)**	**25**	**113**	**29**	**74**	**(2)**

	Full year 2013		Full year 2012	
		Of which SE USA		*Of which SE USA*
3. Change in projected benefit obligation				
Projected benefit obligation at beginning of year	3,061	1,344	2,685	1,210
Service cost	52	3	48	3
Past service cost / Curtailments and Settlements	(160)	-	1	-
Interest cost (effect of discounting)	103	49	116	55
Plan participants' contributions	4	-	4	-
Benefits paid	(126)	(54)	(119)	(54)
Changes in the scope of consolidation	3	3	8	-
Actuarial (gains)/losses recognized in equity	(188)	(157)	340	157
Translation adjustments	(95)	(52)	(17)	(27)
Other	4	-	(5)	-
PROJECTED BENEFIT OBLIGATION AT END OF YEAR	**2,658**	**1,136**	**3,061**	**1,344**

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

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, 2013, actuarial gains resulting from changes in financial assumptions on pension and termination benefit obligations total EUR198 million for the Group compared to EUR230 million of losses at December 31, 2012. At December 31, 2013, the gains resulting from changes in demographic assumptions on pension and termination benefit obligations total EUR1 million for the Group compared to EUR43 million of losses at December 31, 2012.

At December 31, 2013, actuarial losses relative to the effects of experience on pension and termination benefit obligations total EUR11 million for the Group compared to EUR67 million at December 31, 2012.

	Full year 2013		Full year 2012 IAS19R		Full year 2012 Published	
		Of which SE USA		*Of which SE USA*		*Of which SE USA*
4. Change in fair value of plan assets						
Fair value of plan assets at beginning of year	1,572	853	1,421	814	1,421	814
Interest income	50	27	52*	29*	91	60
Plan participants' contribution	4	-	4	-	4	-
Employer contributions	64	35	103	9	103	9
Benefits paid	(82)	(54)	(86)	(54)	(86)	(54)
Actuarial gains/(losses) recognized in equity	74	39	88	72	49	41
Changes in the scope of consolidation	-	-	2	-	2	-
Translation adjustments	(63)	(38)	(7)	(17)	(7)	(17)
Curtailments and settlements	(22)	-	-	-	-	-
Other	-	-	(5)	-	(5)	-
FAIR VALUE OF PLAN ASSETS AT END OF YEAR	**1,597**	**862**	**1,572**	**853**	**1,572**	**853**

* Including the IAS19R impact of the change in rate in the calculation on the interest income (expected return on assets), calculated under IAS19R with the discount rate of the period.

For comparison, the net cost recognized in the statement of income increased by EUR39 million for the full year 2012 under IAS19R due to the use of discount rates in the calculation of expected return on assets.

At December 31, 2013, the actual return on plan assets was EUR124 million compared with EUR140 million at December 31, 2012.

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

	Full year 2013		Full year 2012 IAS19R		Full year 2012 Published	
		Of which SE USA		*Of which SE USA*		*Of which SE USA*
5. Funded status						
Projected benefit obligation	(2,658)	(1,136)	(3,061)	(1,344)	(3,061)	(1,344)
Fair value on plan assets	1,597	862	1,572	853	1,572	853
Surplus/(Deficit)	(1,061)	(274)	(1,489)	(491)	(1,489)	(491)
Effect of the asset ceiling	-	-	-	-	-	-
Deferred items:						
Unrecognized past service cost	-	-	-	-	1	1
(LIABILITIES)/NET ASSET RECOGNIZED IN THE BALANCE SHEET	**(1,061)**	**(274)**	**(1,489)**	**(491)**	**(1,488)**	**(490)**

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 2013	Full year 2012 IAS19R	Full year 2012 Published
1. Components of net cost recognized in the statement of income			
Service cost	20	17	17
Interest cost (effect of discounting)	15	18	18
Interest income	-	-	-
Past service cost	-	-*	(2)
Curtailments and settlements	(34)	(23)	(23)
Amortization of actuarial gains & losses	(2)	1	1
NET COST RECOGNIZED IN THE STATEMENT OF INCOME	**(1)**	**13**	**11**

*Including the IAS19R restatement of the recognition of past services costs described on paragraph 22.1.

Amortization of actuarial gains and losses concerns long-term benefits for active employees, notably long service awards in France.

The healthcare plan amendment to limit the Group's obligations to current and future retirees in the US decreased the benefit obligation of EUR34 million for the full year 2013.

	Full year 2013	Full year 2012
2. Change in projected benefit obligation		
Projected benefit obligation at beginning of year	470	440
Service cost	20	17
Interest cost (effect of discounting)	15	18
Plan participants' contribution	2	2
Benefits paid	(32)	(29)
Actuarial (gains)/losses recognized in equity	6	29
Past service cost	(34)	(23)
Changes in the scope of consolidation	0	21
Translation adjustments	(18)	(7)
Other (including curtailments and settlements)	(5)	2
PROJECTED BENEFIT OBLIGATION AT END OF YEAR	**424**	**470**

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, 2013, actuarial losses relative to the effects of experience on healthcare costs, life insurance and other post-employment benefits total EUR32 million for the Group compared to EUR11 million at December 31, 2012.

	Dec. 31, 2013	Dec. 31, 2012 IAS 19R	Dec. 31, 2012 Published
3. Funded status			
Projected benefit obligation	(424)	(470)	(470)
Deferred items:	-		
Unrecognized past service cost	-	*	(18)
PROVISION RECOGNIZED IN BALANCE SHEET	**(424)**	**(470)**	**(488)**

*Including the IAS19R restatement of the recognition of past services costs described on paragraph 22.1.

Note 23 Provisions

	Economic risks	Customer risks	Products risks	Environmental risks	Restructuring	Other risks	Provisions
Dec. 31, 2011	**739**	**87**	**420**	**57**	**137**	**200**	**1,640**
Long-term portion	*388*	*34*	*81*	*28*	*18*	*131*	*680*
Additions	121	14	150	3	112	126	526
Discounting effect	-	-	-	-	-	6	6
Utilizations	(65)	(12)	(143)	(13)	(90)	(107)	(430)
Reversals of surplus provisions	(94)	(7)	(40)	-	(22)	(14)	(177)
Translation adjustments	(21)	(1)	(4)	-	-	(5)	(31)
Changes in the scope of consolidation and other	20	15	27	23	(5)	101	181
Dec. 31, 2012	**700**	**96**	**410**	**70**	**132**	**307**	**1,715**
Long-term portion	*430*	*44*	*93*	*55*	*12*	*151*	*785*
Additions	97	25	115	4	103	135	479
Discounting effect	-	-	-	-	-	(1)	(1)
Utilizations	(70)	(23)	(93)	(13)	(83)	(116)	(398)
Reversals of surplus provisions	(117)	(11)	(29)	(1)	(12)	(14)	(184)
Translation adjustments	(39)	(6)	(20)	(3)	(3)	(17)	(88)
Changes in the scope of consolidation and other	96	14	46	5	(4)	24	181
Dec. 31, 2013	**667**	**95**	**429**	**62**	**133**	**318**	**1,704**
Long-term portion	439	43	131	44	9	161	827

(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 EUR42 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.

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

	Dec. 31, 2013	Dec. 31, 2012
Increase of provision	479	526
Utilization of provision	(398)	(430)
Reversal of surplus provision	(184)	(177)
Provision variance including tax provisions but excluding employee benefit obligation	**(103)**	**(81)**
(Tax provisions net variance)	79	2
Provision variance excluding tax provisions and pension benefit obligation	**(24)**	**(79)**
Employee benefit obligation net variance excluding contribution to plan assets	(77)	43
Increase/ (decrease) in provisions in cash-flow statement	**(101)**	**(36)**

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

Non-current financial liabilities break down as follows:

	Dec. 31, 2013	Dec. 31, 2012
Bonds	6,039	6,100
Bank and other borrowings	942	1,373
Lease liabilities	10	11
Employees profit sharing	11	13
Short-term portion of convertible and non-convertible bonds	(717)	(587)
Short-term portion of long-term debt	(363)	(504)
NON-CURRENT FINANCIAL LIABILITIES	**5,922**	**6,406**

Current financial liabilities break down as follows:

	Dec. 31, 2013	Dec. 31, 2012
Commercial paper	1,205	-
Accrued interest	147	147
Other short-term borrowings	365	368
Drawdown of funds from lines of credit	-	-
Bank overdrafts	140	120
Short-term portion of convertible and non-convertible bonds	717	587
Short-term portion of long-term debt	363	504
Short-term debt	**2,937**	**1,726**
TOTAL CURRENT AND NON-CURRENT FINANCIAL LIABILITIES	**8,859**	**8,132**

24.1 – Breakdown by maturity

	Dec. 31, 2013			Dec. 31, 2012
	Nominal	Interests	Swaps	Nominal
2012				-
2013				1,726
2014	2,937	215	5	1,083
2015	1,071	167	2	1,061
2016	758	154	-	761
2017	1,158	125	-	1,148
2018	773	83	-	760
2019 and beyond	2,162	133	-	1,593
TOTAL	**8,859**	**877**	**7**	**8,132**

24.2 – Breakdown by currency

	Dec. 31, 2013	Dec. 31, 2012
Euro	6,757	5,993
US Dollar	1,166	1,266
Brazilian Real	264	204
Japanese Yen	239	312
Indian Rupee	112	95
Australian Dollar	101	14
Indonesian Rupiah	36	32
Chinese Yuan	30	100
Other	154	116
TOTAL	**8,859**	**8,132**

24.3 – Bonds

	Dec. 31, 2013	Dec. 31, 2012	Effective interest rate	Maturity
Schneider Electric SA 2013	-	587	CMS 10+1.000% variable and 6.750% fixed	July 2013
Schneider Electric SA 2014	717	726	Libor USD + 0.490% variable and 4.500% fixed	January 2014
Schneider Electric SA 2015	750	749	5.375% fixed	January 2015
Schneider Electric SA 2016	661	708	Euribor + 0.600% variable and 0.849%, 0.846%, 2.875% fixed	July, November, December 2016
Schneider Electric SA 2017	1,001	994	4.000% fixed	August 2017
Schneider Electric SA 2018	745	744	3.750% fixed	July 2018
Schneider Electric SA 2019	496	496	3.500% fixed	January 2019
Schneider Electric SA 2020	496	495	3.625% fixed	July 2020
Schneider Electric SA 2021	597	-	2.500% fixed	September 2021
Schneider Electric SA 2022	576	601	2.950% fixed	September 2022
TOTAL	**6,039**	**6,100**		

Schneider Electric SA 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, 2013 are as follow:
  - 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,
  - USD300 million worth of bonds issued in July 2011, at a rate variable rate indexed on the three-month USD Libor, due in July 2014,
  - 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,

- EUR150 million worth of bonds issued in May 2009 to top up the EUR600 million twelve-year tranche, due January 8, 2015, at a rate of 5.375% issued on October 2007, raising the total issue to EUR750 million,
- EUR250 million worth of bonds issued in March 2009 to top up the EUR780 million twelve-year tranche, at a rate of 4%, issued in August 2005, raising the total issue to EUR1.03 billion,
- EUR12 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,
- 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 October 2007, at a rate of 5.375%, due on January 8, 2015,
- EUR1 billion worth of bonds issued in July 2006, comprising a EUR500 million five-year variable rate tranche indexed to the three month Euribor and a EUR500 million 7 1/2-year tranche at 4.5%. On July 17, 2011 the first tranche was reimbursed,
- 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, 2013 Schneider Electric had confirmed credit lines of EUR2,650 million, all unused. This amount excludes the GBP1.5 certain funds bridge facility agreement set up for the acquisition of Invensys.

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, 2013	**Dec. 31, 2012**
Debt related to acquisitions	15	25
Electroshield - TM Samara acquisition debt	-	50
Debt on Luminous valuation	92	72
Other	31	48
OTHER NON-CURRENT LIABILITIES	**138**	**195**

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, 2013				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	164	-	-	164	-	-
Other non-current financial assets	127	-	-	-	127	-
TOTAL NON-CURRENT ASSETS	**291**	**-**	**-**	**164**	**127**	**-**
Trade accounts receivable	5,082	-	-	-	5,082	-
Other receivables	-	-	-	-	-	-
Current financial assets	28	28	-	-	-	-
Marketable securities	2,193	2,193	-	-	-	-
Derivative instrument – foreign currencies	145	104	41	-	-	-
Derivative instrument – interest rates	-	-	-	-	-	-
Derivative instrument – commodities	-	-	-	-	-	-
Derivative instrument – shares	46	44	2	-	-	-
TOTAL CURRENT ASSETS	**7,494**	**2,369**	**43**	-	**5,082**	-
LIABILITIES						
Long-term portion of bonds (*)	(5,704)	-	-	-	-	(5,704)
Other long-term debt	(600)	-	-	-	-	(600)
TOTAL NON-CURRENT LIABILITIES	**(6,304)**	-	-	-	-	**(6,304)**
Short-term portion of bonds (*)	(718)	-	-	-	-	(718)
Short-term debt	(2,220)	-	-	-	-	(2,220)
Trade accounts payable	(3,713)	-	-	-	-	(3,713)
Other	(35)	-	-	-	-	(35)
Derivative instrument – foreign currencies	(11)	(11)	-	-	-	-
Derivative instrument – interest rates	(8)	-	(8)	-	-	-
Derivative instrument – commodities	(3)	-	(3)	-	-	-
Derivative instrument – shares	-	-	-	-	-	-
TOTAL CURRENT LIABILITIES	**(6,708)**	**(11)**	**(11)**	-	-	**(6,686)**

* Overall, the financial instruments listed in the balance sheet are accounted at the fair value, except for the bonds for which the amortized cost represents EUR6,422 million compared to EUR6,039 million reflected in the balance sheet.

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

- the main impact on profit concerned interest income and expense; a foreign exchange derivative, not documented as hedging, incurred, on the second half of 2013, a gain of EUR46 million in Exchange gains and losses
- 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, 2012		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	213	-	-	213	-	-
Other non-current financial assets	108	-	-		108	-
TOTAL NON-CURRENT ASSETS	**321**	-	-	**213**	**108**	-
Trade accounts receivable	5,289	-	-	-	5,289	-
Other receivables	-	-	-	-	-	-
Current financial assets	127	127	-	-	-	-
Marketable securities	1,720	1,720	-	-	-	-
Derivative instrument – foreign currencies	91	62	29	-	-	-
Derivative instrument – interest rates	9	9		-	-	-
Derivative instrument – commodities	-	-	-	-	-	-
Derivative instrument – shares	70	72	(2)	-	-	-
TOTAL CURRENT ASSETS	**7,306**	**1,990**	**27**	-	**5,289**	-
LIABILITIES						
Long-term portion of bonds (*)	(6,042)	-	-	-	-	(6,042)
Other long-term debt	(892)	-	-	-	-	(892)
TOTAL NON-CURRENT LIABILITIES	**(6,934)**	-	-	-	-	**(6,934)**
Short-term portion of bonds (*)	(603)	-	-	-	-	(603)
Short-term debt	(1,139)	-	-	-	-	(1,139)
Trade accounts payable	(4,190)	-	-	-	-	(4,190)
Other	(36)	-	-	-	-	(36)
Derivative instrument – foreign currencies	(53)	(49)	(4)	-	-	-
Derivative instrument – interest rates	(21)	-	(21)	-	-	-
Derivative instrument – commodities	(2)	-	(2)	-	-	-
Derivative instrument – shares	-	-	-	-	-	-
TOTAL CURRENT LIABILITIES	**(6,044)**	**(49)**	**(27)**	-	-	**(5,968)**

* Overall, the financial instruments listed in the balance sheet are accounted at the fair value, except for the bonds for which the amortized cost represents EUR6,645 million compared to EUR6,100 million reflected in the balance sheet

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, 2013				
	Carrying Amount	**Fair value**	**Level 1**	**Level 2**	**Level 3**
ASSETS					
Available-for-sale financial assets	163	163	63	-	100 (*)
Marketable securities	2,193	2,193	2,193	-	-
Derivative instruments	191	191	-	191	-
LIABILITIES					
Bonds	(6,039)	(6,422)	(6,422)	-	-
Other long-term debt	(600)	(600)	-	-	(600)
Other current liabilities	(5,969)	(5,969)	-	-	(5,969)
Derivative instruments	(22)	(22)	-	(22)	-

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

	Dec. 31, 2012				
	Carrying Amount	**Fair value**	**Level 1**	**Level 2**	**Level 3**
ASSETS					
Available-for-sale financial assets	213	213	60	-	153 (*)
Marketable securities	1,720	1,720	1,720	-	-
Derivative instruments	170	170	-	170	-
LIABILITIES					
Bonds	(6,100)	(6,645)	(6,645)	-	-
Other long-term debt	(893)	(893)	-	-	(893)
Other current liabilities	(5,365)	(5,365)	-	-	(5,365)
Derivative instruments	(76)	(76)	-	(76)	-

* 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, 2013	**Carrying amount**	**Nominal amount**	
		Sale	Purchase
Cash flow hedges	119	-	(3,206)
Net investment hedges	2	961	(199)
Fair value hedges	-	-	-
Trading	13	2,797	(1,620)
	134	**3,758**	**(5,025)**

Dec. 31, 2012	**Carrying amount**	**Nominal amount**	
		Sale	Purchase
Cash flow hedges	(16)	-	(738)
Net investment hedges	30	1,007	(199)
Fair value hedges	-	-	-
Trading	26	3,386	(2,268)
	40	**4,393**	**(3,205)**

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.

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

	Dec. 31, 2013		
	Sales	**Purchases**	**Net**
GBP	323	(2,263)	(1,940)
USD	1,760	(967)	793
SGD	766	(268)	498
CNY	-	(432)	(432)
AUD	162	(515)	(353)
HKD	214	(48)	166
NOK	128	(6)	122
AED	129	(11)	118
SEK	1	(118)	(117)
BRL	-	(109)	(109)
DKK	5	(92)	(87)
SAR	64	(4)	60
RUB	38	-	38
PLN	1	(21)	(20)
CHF	22	(39)	(17)
MXN	26	(42)	(16)
JPY	28	(43)	(15)
Others	91	(47)	44
TOTAL	**3,758**	**(5,025)**	**(1,267)**

Theses forward currency hedging positions include EUR1,733 million in hedges of loans and borrowings of a financial nature (net sales) and EUR466 million in hedges of operating cash flows (net sales).

The forward contracts in GBP were mainly subscribed to hedge the purchase of Invensys shares.

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, 2013, 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, 2013		Dec. 31, 2012	
	Fixed rate	Variable rate	Fixed rate	Variable rate
Net position before hedging	**(6,578)**	**(2,281)**	**(6,906)**	**(1,226)**
Cash flow hedges	(346)	346	(551)	551
Fair value hedges	-	-	575	(575)
Net position after hedging	**(6,924)**	**(1,935)**	**(6,882)**	**(1,250)**

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, 2013	Dec. 31, 2012
Carrying amount	(2)	(2)
Nominal amount	(166)	(236)

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, 2013	Dec. 31, 2012
Outstanding shares	1,843,846	3,317,727
Carrying amount	46	70
Nominal amount	(84)	(141)

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.

Dec. 31, 2013	(a)	(b)	(c)=(a)-(b)	(d)	(e)=(c)-(d)
	Gross amounts	**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**
Financial assets	1,528	1,337	191	20	171
Financial liabilities	(1,587)	(1,337)	(250)	(20)	(230)

Dec. 31, 2012	(a)	(b)	(c)=(a)-(b)	(d)	(e)=(c)-(d)
	Gross amounts	**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**
Financial assets	1,519	1,349	170	40	130
Financial liabilities	(1,709)	(1,349)	(360)	(40)	(320)

Note 27 Employees

27.1 – Employees

The average number of permanent and temporary employees was as follows in 2012 and 2013:

(number of employees)	**Dec. 31,2013**	**Dec. 31,2012**
Production	81,712	75,601
Administration	81,321	76,783
TOTAL AVERAGE NUMBER OF EMPLOYEES	**163,033**	**152,384**
By region:		
EMEAS*	78,695	71,737
North America	30,980	29,286
Asia-Pacific	53,358	51,361
* *Europe, Middle-East, Africa, South America.*		

The increase in the average number of employees is primarily linked to the 2013 acquisitions.

27.2 – Employee benefits expense

	Full year 2013	**Full year 2012**
Payroll costs	(5,976)	(5,924)
Profit-sharing and incentive bonuses	(64)	(59)
Stock options	(66)	(57)
WESOP	-	-
EMPLOYEE BENEFITS EXPENSE	**(6,106)**	**(6,040)**

27.3 – Benefits granted to senior executives

In 2013, the Group paid EUR1.25 million in attendance fees to the members of its Board of Directors. The total amount of gross remuneration, including benefits in kind, paid in 2013 by the Group to the members of Senior Management totaled EUR18.1 million, of which EUR9.3 million corresponded to the variable portion.

During the last three periods, 496.250 performance shares have been allocated to members of Senior Management. No stock option has been granted to members of Senior Management during the last three periods. Performance shares were allocated due to the 2013 the long term incentive plan. Since December 16, 2011, 100% of stock grants 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 EUR21 million at December 31, 2013 versus EUR17 million at December 31, 2012.

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.

Related party transactions were not material in 2013.

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, 2013	Dec. 31, 2012
Market counter guarantees [1]	1,214	859
Pledges, mortgages and sureties [2]	47	9
Endorsements and guarantees		-
Other commitments given [3]	164	267
GUARANTEES GIVEN	**1,425**	**1,135**
Endorsements and guarantees received	83	67
GUARANTEES RECEIVED	**83**	**67**

(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, 2013, there is one material put related to the 26% interests in Luminous that was valued for an amount of EUR92 million as other non-current liabilities.

Information technology services

The Group has agreed with Capgemini to provide outsourcing of certain of its information technology functions in Europe and deployment of a system of shared SAP management applications. This global project has been deployed since 2007 in several countries. At the end of 2013, Schneider Electric had capitalized total costs for a net amount of EUR81 million. The costs are progressively amortized with effect from 2009, over a seven-year rolling calendar and based on the number of users connected worldwide as the system is deployed.

For 2013, the contractual facilities management costs amount to approximately EUR100 million including the volume and indexing factors provided for by the contract (EUR100 million for 2012).

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.

The Group has entered into a company-wide agreement in respect to individual training entitlement. It has applied the French accounting treatment recommended by opinion 2004-F issued by the CNC’s urgent issues committee. Expenditure on individual training is written off as an expense during the period and therefore no provision is made for it. As of December 31, 2013, rights accrued but not used by employees of French entities of the Group corresponded to around 1,583,931 hours.

Note 30 Subsequent events

On January 17, 2014, the Group completed its acquisition of Invensys plc, a global automation player with a large installed base and a strong software presence. With this acquisition, Schneider Electric is significantly enhancing its position as a provider of efficiency solutions integrating power and automation. The transaction will allow the combined entity to have a unique position in industrial and infrastructure end-markets. Invensys reported revenue for continuing operations of £1.8 billion in its Fiscal Year 2013 and has approximately 16,000 employees across the globe. The transaction is remunerated through the issuance of 17,207,427 new Schneider Electric shares on January 20, 2014 and the payment of £2.5 billion on January 30, 2014.

On February 5, 2014, Schneider Electric signed an agreement for the sale of the Invensys Appliance division. The disposal follows a strategic review of the Appliance division that concluded the unit is not a core business to Schneider Electric. The

Appliance division is one of the world's largest suppliers of components and systems that control the operation of appliances, including cooking, refrigeration, laundry and dishwashing, in both residential and commercial sectors. In the financial year ended March 31, 2013, the division recorded revenues of £331 million, net of intercompany transactions. The consideration for the transaction is £150 million. This disposal will enable Schneider Electric to focus upon the divisions of Industrial Automation, Software and Energy Controls of Invensys that generated revenues of £1,461 million in the financial year ended March 31, 2013.The agreement is conditional upon the satisfaction of certain regulatory conditions and customary closing conditions, and is expected to complete during the first semester of 2014.

Note 31 Statutory Auditors' fees

Fees paid by the Group to the Statutory Auditors and their networks

	Full year 2013				
(in thousands of euros)	**Ernst & Young**	**%**	**Mazars**	**%**	**Total**
Audit					
Statutory auditing	9,452	85%	8,059	93%	**17,511**
o/w Schneider Electric SA	100		100		
o/w subsidiaries	9,352		7,959		
Related services	1,348	12%	552	7%	**1,900**
o/w Schneider Electric SA	237		121		
o/w subsidiaries	1,111		431		
Audit sub-total	**10,800**	**97%**	**8,611**	**100%**	**19,411**
Other services Legal, tax	363	3%	32	-	**395**
TOTAL FEES	**11,163**	**100%**	**8,643**	**100%**	**19,806**

	Full year 2012				
(in thousands of euros)	**Ernst & Young**	**%**	**Mazars**	**%**	**Total**
Audit					
Statutory auditing	9,975	87%	7,394	96%	**17,369**
o/w Schneider Electric SA	*100*		*100*		
o/w subsidiaries	*9,875*		*7,294*		
Related services	1,217	11%	342	4%	**1,559**
o/w Schneider Electric SA	*188*		-		***188***
o/w subsidiaries	*1,029*		*342*		***1,371***
Audit sub-total	**11,192**	**98%**	**7,736**	**100%**	**18,928**
Other services Legal, tax	233	2%	-	-	**233**
TOTAL FEES	**11,425**	**100%**	**7,736**	**100%**	**19,161**

Note 32 Consolidated companies

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

		% Interest Dec. 31,2013	% Interest Dec. 31,2012
Europe			
Fully consolidated			
Schneider Electric Energy Austria AG	Austria	100.0	100.0
Schneider Electric Austria GmbH	Austria	100.0	100.0
Schneider Electric Power Drives GmbH	Austria	100.0	100.0
Schneider Electric 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
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 sro	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 Buildings Finland OY	Finland	100.0	100.0
Schneider Electric Finland Oy	Finland	100.0	100.0
Strömfors Electric Oy	Finland	100.0	100.0
Vamp OY	Finland	100.0	100.0
Alombard SAS	France	100.0	100.0
Schneider Electric Protection et Contrôle SAS	France	100.0	100.0
BCV Technologies SAS	France	100.0	100.0
BEI Sensors SAS	France	100.0	100.0
Boissière Finance SNC	France	100.0	100.0
Construction Electrique du Vivarais SAS	France	100.0	100.0
Crouzet Automatismes 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

		% Interest Dec. 31,2013	% Interest Dec. 31,2012
Sarel - Appareillage Electrique SAS	France	99.0	99.0
Scanelec SAS	France	100.0	100.0
Schneider Automation SAS	France	100.0	100.0
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 Holding Europe 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 SA (Société mère)	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 Petit Quevilly	France	100.0	100.0
Crouzet GmbH	Germany	100.0	100.0
Elso GmbH	Germany	100.0	100.0
Kavlico 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 Energy 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
Uniflair GmbH	Germany	100.0	100.0
Schneider Electric AE	Greece	100.0	100.0
Schneider Electric IT Greece ABEE	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 Villamassagi ZRT	Hungary	100.0	100.0
APC (EMEA) Ltd	Irland	100.0	100.0
Schneider Electric Ireland	Irland	100.0	100.0
Schneider Electric IT Logistics Europe Ltd	Irland	100.0	100.0
Crouzet Componenti Srl	Italy	100.0	100.0
Schneider Electric Industrie Italia Spa	Italy	100.0	100.0
Schneider Electric IT Italia Srl	Italy	100.0	100.0
Schneider Electric Spa	Italy	100.0	100.0
Uniflair Spa	Italy	100.0	100.0
Lexel Fabrika SIA	Latvia	100.0	100.0

		% Interest Dec. 31,2013	% Interest Dec. 31,2012
Schneider Electric Baltic Distribution Center	Latvia	100.0	100.0
Schneider Electric Latvija SIA	Latvia	100.0	100.0
UAB Schneider Electric Lietuva	Lithuania	100.0	100.0
Industrielle de Réassurance SA	Luxembourg	100.0	100.0
American Power Conversion Corp (A.P.C.) BV	Netherlands	100.0	100.0
APC Holdings BV	Netherlands	100.0	100.0
APC International Corporation BV	Netherlands	100.0	100.0
APC International Holdings BV	Netherlands	100.0	100.0
Pelco Europe BV	Netherlands	100.0	100.0
Pro-Face HMI BV (sub-group)	Netherlands	99.9	99.9
Schneider Electric BV	Netherlands	100.0	100.0
Schneider Electric Energy Netherlands BV	Netherlands	100.0	100.0
Schneider Electric Logistic Centre BV	Netherlands	100.0	100.0
Schneider Electric Manufacturing The Netherlands BV	Netherlands	100.0	100.0
Telvent Netherlands BV	Netherlands	100.0	100.0
Schneider Electric IT Benelux BV	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
Elda Eltra S.A. (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
Schneider Electric Portugal LDA	Portugal	100.0	100.0
Telvent Portugal SA	Portugal	100.0	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 Schneider Electric Buildings (Russia)	Russia	100.0	100.0
Schneider Electric Equipment Kazan Ltd	Russia	100.0	100.0
OOO Potential	Russia	100.0	100.0
ZAO Schneider Electric	Russia	100.0	100.0
ZAO Gruppa Kompaniy Electroshield	Russia	100.0	-
Schneider Electric Srbija doo Beograd	Serbia	100.0	100.0
Schneider Electric Slovakia Spol SRO	Slovakia	100.0	100.0
Schneider Electric d.o.o.	Slovenia	100.0	100.0
Manufacturas Electricas SA	Spain	100.0	100.0
Schneider Electric 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 Environment SA	Spain	100.0	100.0
Telvent Export SL	Spain	100.0	100.0
Telvent GIT SA	Spain	100.0	100.0
Telvent Global Services, SA	Spain	100.0	100.0
Telvent Servicios Compartidos SA	Spain	100.0	100.0
Telvent Trafico y Transporte SA	Spain	100.0	100.0
Trafico Ingenieria SA	Spain	100.0	100.0
AB Crahftere 1	Sweden	100.0	100.0
AB Wibe	Sweden	100.0	100.0

		% Interest Dec. 31,2013	% Interest Dec. 31,2012
Elektriska AB Delta	Sweden	100.0	100.0
Elko AB	Sweden	100.0	100.0
Lexel AB	Sweden	100.0	100.0
Pele Security 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
Crouzet AG	Switzerland	100.0	100.0
Feller AG	Switzerland	83.7	83.7
Gutor Electronic GmbH	Switzerland	100.0	100.0
Schneider Electric (Schweiz) AG	Switzerland	100.0	100.0
Schneider Electric IT Switzerland AG	Switzerland	100.0	100.0
Schneider Electric Ukraine	Ukraine	100.0	100.0
Andromeda Telematics Ltd	United Kingdom	100.0	100.0
Schneider Electric EMS US Ltd	United Kingdom	100.0	100.0
CBS Group Ltd	United Kingdom	100.0	100.0
Crouzet Ltd	United Kingdom	100.0	100.0
Crydom SSR Ltd	United Kingdom	100.0	100.0
Newall Measurement Systems 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 Energy 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	-
Accounted for by proportionate method			
Schneider Electric DMS NS	Serbia	57.0	57.0
Keyland Sistemas de Gestion SL	Spain	50.0	50.0
Accounted for by equity method			
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

North America			
Fully consolidated			
Control Microsystems Inc.	Canada	100.0	100.0
Juno Lighting Ltd	Canada	100.0	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
Custom Sensors & Technologies Mexico, SA de CV	Mexico	100.0	100.0
Custom Sensors & Technologies Transportation de México, SA de CV	Mexico	100.0	100.0
Gestion Integral de Proyectos y Ingenieria, SA de CV	Mexico	99.8	99.8
Industrias Electronicas Pacifico, SA de CV	Mexico	100.0	100.0
Schneider Electric IT Mexico SA de CV	Mexico	100.0	100.0

		% Interest Dec. 31,2013	% Interest Dec. 31,2012
Ram Tech Services de Mexico S de RL de CV	Mexico	100.0	100.0
Schneider Electric Administracion, SA de CV	Mexico	100.0	100.0
Schneider Electric Mexico, SA de CV	Mexico	100.0	100.0
Schneider Industrial Tlaxcala, SA de CV	Mexico	100.0	100.0
Schneider Mexico, SA de CV	Mexico	100.0	100.0
Schneider R&D, SA de CV	Mexico	100.0	100.0
Schneider Recursos Humanos, SA de CV	Mexico	100.0	100.0
Square D Company Mexico, SA de CV	Mexico	100.0	100.0
Telvent Mexico SA de CV	Mexico	99.3	99.3
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
APC Holdings Inc.	USA	100.0	100.0
BEI Precisions Systems & Space Co. Inc.	USA	100.0	100.0
BEI Sensors & Systems Company, Inc.	USA	100.0	100.0
Crydom, Inc.	USA	100.0	100.0
Custom Sensors & Technologies, Inc.	USA	100.0	100.0
Juno Lighting LLC	USA	100.0	100.0
Juno Manufacturing Inc.	USA	100.0	100.0
Kavlico Corp.	USA	100.0	100.0
Lee Technologies Puerto Rico, LLC	USA	100.0	100.0
Schneider Electric IT Mission Critical Services, Inc.	USA	100.0	100.0
Netbotz Inc.	USA	100.0	100.0
Newall Electronics 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 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
Schneider Electric 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 Corp.	USA	100.0	100.0
Veris Industries LLC	USA	100.0	100.0

Asia-Pacific			
Fully consolidated			
Schneider Electric IT Australia Pty Limited	Australia	100.0	100.0
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

		% Interest Dec. 31,2013	% Interest Dec. 31,2012
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
APC (Xiamen) Power Infrastructure 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	55.0	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
Custom Sensors & Technologies Asia (Shanghai) Ltd	China	100.0	100.0
MGE Manufacturing Shanghai Co. 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
Custom Sensors & Technologies (Huizhou) Ltd	China	100.0	100.0
Schneider Electric Manufacturing (Wuhan) Co. Ltd	China	100.0	100.0
Clipsal Asia Holdings Limited	Hong Kong	100.0	100.0
Clipsal Asia Limited	Hong Kong	100.0	100.0
Custom Sensors & Technologies Asia (Hong Kong) 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

		% Interest Dec. 31,2013	% Interest Dec. 31,2012
Schneider Electric IT Business India Private Ltd	India	100.0	100.0
Schneider Electric President Systems Ltd	India	75.0	75.0
Cimac Automation Private Ltd	India	85.0	85.0
Cimac Software Systems Private Ltd	India	85.0	85.0
CST Sensors India Private Limited	India	100.0	100.0
Luminous Power Technologies Private Ltd	India	100.0	100.0
Luminous Renewable Energy Solutions Private Ltd	India	100.0	100.0
Luminous Teleinfra Ltd	India	100.0	100.0
Schneider Electric India Private Ltd	India	100.0	100.0
Uniflair India Private Ltd	India	100.0	100.0
Schneider Electric Infrastructure Limited	India	78.1	73.4
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
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
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
Schneider Electric (NZ) 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 Buildings Singapore 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
Pro Face Korea Co. Ltd	South Korea	100.0	100.0
Schneider Electric Korea Ltd (ex Samwha EOCR Co. Ltd)	South Korea	100.0	100.0
Schneider Electric Lanka (Private) Limited	Sri Lanka	100.0	100.0
Pro Face Taiwan Co. Ltd	Taiwan	99.9	99.9
Schneider Electric Taiwan Co Ltd	Taiwan	100.0	100.0
Pro Face South East Asia Pacific Co. Ltd	Thailand	100.0	100.0
Schneider (Thailand) Ltd	Thailand	100.0	100.0
Schneider Electric CPCS (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

		% Interest Dec. 31,2013	% Interest Dec. 31,2012
Schneider Electric Vietnam Co. Ltd	Vietnam	100.0	100.0
Accounted for by proportionate method			
Delixi Electric Ltd (sub-group)	China	50.0	50.0
Accounted for by equity method			
Sunten Electric Equipment	China	40.0	50.0
Fuji Electric FA Components & Systems Co., Ltd (sub-group)	Japan	37.0	37.0
Rest of the world			
Fully consolidated			
Himel Algerie	Algeria	100.0	100.0
Schneider Electric Algerie	Algeria	100.0	100.0
Schneider Electric Argentina SA	Argentina	100.0	100.0
Telvent Argentina SA	Argentina	100.0	100.0
APC Brasil Ltda	Brazil	100.0	100.0
CST Latino America Comercio E Representacao de Produtos Electricos E Elestronicos Ltda	Brazil	99.8	99.8
Telvent Global Services 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
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
Telvent Chile SA	Chile	100.0	100.0
Dexson Electric SAS	Colombia	100.0	100.0
Schneider Electric de Colombia SA	Colombia	80.0	80.0
Schneider Electric Centroamerica Ltda	Costa Rica	100.0	100.0
Delixi Electric Egypt s.a.e	Egypt	98.0	98.0
Schneider Electric Distribution Company	Egypt	87.4	87.4
Schneider Electric Egypt SAE	Egypt	91.0	91.0
Telemecanique Iran	Iran	100.0	100.0
Schneider Electric LLP	Kazakhstan	100.0	100.0
Schneider Electric Services Kuweit	Kuwait	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
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
Cimac Electrical and Automation W.L.L	Qatar	49.0	49.0
EPS Electrical Power Distribution Board & Switchgear Ltd	Saudi Arabia	51.0	51.0
Telvent Saudi Arabia Co. Ltd	Saudi Arabia	100.0	100.0
AMPS	Saudi Arabia	100.0	100.0
Conlog (Pty) Ltd	South Africa	80.0	80.0
Schneider Electric South Africa (Pty) Ltd	South Africa	74.9	74.9

		% Interest Dec. 31,2013	% Interest Dec. 31,2012
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 Elektric Malzemeleri Ticaret A.S	Turkey	100.0	100.0
Schneider Elektrik Sanayi Ve Ticaret A.S.	Turkey	100.0	100.0
Cimac Electrical and Control Systems LLC	United Arab Emirates	80.0	80.0
Cimac FZCO	United Arab Emirates	100.0	100.0
Cimac LLC	United Arab Emirates	49.0	49.0
Clipsal Middle East FZC	United Arab Emirates	100.0	100.0
Clipsal Middle East FZCO	United Arab Emirates	60.0	60.0
CLS Systems FZCO	United Arab Emirates	100.0	100.0
Delixi Electric FZE	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
Schneider Electric Venezuela SA	Venezuela	93.6	91.9

Review of the consolidated financial statements

Review of business and consolidated statement of income

Changes in the scope of consolidation

Acquisitions

Schneider Electric finalized on March 28, 2013, the acquisition of 100% of Electroshield – TM Samara, further to the 50% acquired in October 2010, after obtaining the requisite regulatory approvals in Russia. Electroshield – TM Samara is one of the leading Russian players in medium voltage. The cumulative price for 100% of equity is RUB 20.4 billion (about EUR510 million) with net debt of zero as of today. As agreed, the second half of the equity was acquired on March 28, 2013 at the same value paid for the first half in October 2010. Previously it was accounted under the equity accounting method. It is fully consolidated since April 1, 2013 in the segment Infrastructure.

Since then, Electroshield – TM Samara is consolidated with full consolidated method.

Acquisitions and disposals that took place in 2012 and that had an impact on the 2013 financial statements*

M&C Energy Group has been acquired during financial year 2012 and consolidated from June 15, 2012. Its consolidation on a full-year basis for financial year 2013 had a scope effect compared to financial year 2012.

Changes in foreign exchange rates

Changes in foreign exchange rates relative to the euro had a material impact over the year. This negative effect amounts to EUR879 million on consolidated revenue and to EUR233 million on Adjusted EBITA [1].

Revenue

On December 31, 2013, the consolidated revenue of Schneider Electric totaled EUR23,551 million, a decrease of 1.6% at current scope and exchange rates compared to December 31, 2012.

This variance breaks down into an organic increase of 0.4%, a contribution of acquisitions net of disposals of 1.7%, mainly due to Electroshield, and a negative exchange rate effect of 3.7%.

Changes in revenue by operating segment

The Partner business generated revenues of EUR8,476 million, or 36% of the consolidated total. This represents a decrease of -3.0% on a reported basis and **+0.2%** on a like-for-like basis. The Product business was slightly up, supported by continued investment in the residential market in the United States, overall good performance in China and fast-growing mid-market offers in new economies. The sluggish economy in Europe and the slow construction market in Australia weighed on performance. The Solution business declined, impacted by high comparables in the Middle East and difficulties in the renewable market in Western Europe, while data center projects in North America recorded growth.

The Infrastructure business generated revenues of EUR5,728 million, or 24% of the consolidated total. This represents an increase of +6.7% on a reported basis and **+1.2%** on a like-for-like basis. The Product business was up slightly, as the good performance of secondary distribution products offset the decline of primary MV components. The Solution business grew despite continued weak utility investment in Western Europe, mainly driven by the success of installed base and advanced services across regions, demand in the oil & gas segment in Australia and in the data center segment in North America.

The Industry business generated revenues of EUR4,311 million, or 18% of the consolidated total. This represents a decrease of -3.8% on a reported basis and an increase of **+1.3%** on a like-for-like basis. The product business was up slightly, reflecting good demand from OEMs (machine manufacturers) across all regions after a soft start in mature countries in the first half. The solution business posted good growth, driven by the success of SoMachine OEM solutions and installed base services.

The IT business generated revenues of EUR3,442 million, or 15% of the consolidated total. This represents a decrease of -6.4% on a reported basis and **-1.4%** like-for-like basis, with mixed trends between Products and Solutions. The Product

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

(1) *Adjusted EBITA is EBITA before restructuring costs and before other operating income and expenses, which includes acquisition, integration and separation costs.*

business grew, supported by the success of Luminous and sustained demand for critical power in some new economies. The Solution business declined, as North America experienced slow project activity for small to mid-sized data centers and demand in Western Europe was soft.

The Buildings business generated revenues of EUR1,594 million, or 7% of the consolidated total. This represents a decrease of -5.2% on a reported basis, while organic growth was flat at **-0.2%**. Products declined due to the continuing challenging external environment. Solutions business was up driven by services growth that offset the decline of building management systems, impacted by low public investments in mature countries.

Gross profit

Gross profit decreased from EUR9,057 million for the year ended December 31, 2012 to EUR8,891 million for the year ended December 31, 2013, or -1.8%, the performance being weighed down by negative scope and currency effect. As a percentage of revenues, gross profit remained stable at 37.8% in 2012 and 2013 thanks to the industrial productivity that was the key driver along with positive pricing for the organic improvement despite a low volume environment and unfavorable mix effect.

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, increased by 5.5% from EUR507 million for the year ended December 31, 2012 to EUR535 million for the year ended December 31, 2013. As a percentage of revenues, the net cost of research and development increased to 2.3% of revenues for the year ended December 31, 2013 (2.1% for the year ended December 31, 2012).

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 8.2% from EUR1,058 million for the year ended December 31, 2012 to EUR1,145 million for the year ended December 31, 2013. As a percentage of revenues, total research and development expenses increased to 4.9% for the year ended December 31, 2013 from 4.4% for the year ended December 31, 2012.

In 2013, the net effect of capitalized development costs and amortization of capitalized development costs amounts to EUR179 million on operating income (EUR153 million in 2012).

Selling, general and administrative expenses decreased by 1.8% from EUR5,035 million for the year ended December 31, 2012 to EUR4,944 million for the year ended December 31, 2013. As a percentage of revenues, selling, general and administrative expenses remained stable at 21.0% for both 2013 and 2012, as operational efficiency had compensated most of investments.

Combined, total support function costs, that is, research and development expenses together with selling, general and administrative costs, totaled EUR5,479 million for the year ended December 31, 2013 compared to EUR5,542 million for the year ended December 31, 2012, a decrease of 1.1%. Consequently to the investments in research and development expenses and commercial initiatives for new economies and services, in line with the strategic plan, our support functions costs to sales ratio increased from 23.1% for the year ended December 31, 2012 to 23.3% for the year ended December 31, 2013.

Other operating income and expenses

For the year ended December 31, 2013, other operating income and expenses amounted to a net income of EUR73 million, including costs linked to acquisitions for EUR52 million, a EUR173 million gain on the curtailment of employee benefit plans in the U.S., in France and in Norway and miscellaneous other operating incomes and expenses amounting to a net expense of EUR48 million. Costs linked to acquisitions are acquisition, integration and separation costs on 2013 acquisitions, notably Electroshield – TM Samara and acquisition costs linked to Invensys (see note 30, Post-closing events). Net other operating expense includes mainly provisions for litigation or claims and gain on disposal of fixed assets.

For the year ended December 31, 2012, other operating income and expenses amounted to a net expense of EUR10 million, including costs linked to acquisitions for EUR52 million, a EUR21 million gain on the curtailment of a U.S. employee benefit plan and miscellaneous other operating incomes and expenses amounting to a net of EUR21 million. Costs linked to acquisitions are acquisition, integration and separation costs on 2011 and 2012 acquisitions, notably Telvent and M&C Energy Group. Net other operating income includes mainly reversal of provisions for litigation or claims that expired on December 31, 2012.

Restructuring costs

For the year ended December 31, 2013, restructuring costs amounted to EUR176 million compared to EUR164 million for the year ended December 31, 2012. These costs related to industrial and support functions restructurings.

EBITA and Adjusted EBITA

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

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

Adjusted EBITA amounted to EUR3,412 million for the year ended December 31, 2013, compared to EUR3,515 million for the year ended December 31, 2012, representing a decrease of 2.9%, due to negative currency effect of EUR233 million that offset high industrial productivity. As a percentage of revenue, adjusted EBITA decreased from 14.7% for the year ended December 31, 2012 to 14.5% for the year ended December 31, 2013, only due to negative currency and scope effects.

EBITA decreased by 1.0% from EUR3,341 million for the year ended December 31, 2012 to EUR3,309 million for the year ended December 31, 2013, mainly linked to the decrease of adjusted EBITA. As a percentage of revenue, EBITA increased to 14.1% in 2013 compared with 14.0% in 2012.

EBITA and Adjusted EBITA by business segment

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

(in millions of euro)	***Partner***	***Infrastructure***	***Industry***	***IT***	***Buildings***	**Corporate costs**	**Total**
Full year 2013							
Revenue	8,476	5,728	4,311	3,442	1,594	-	**23,551**
Adjusted EBITA*	1,801	560	833	650	94	(526)	**3,412**
Adjusted EBITA %	*21.2 %*	*9.8 %*	*19.3 %*	*18.9 %*	*5.9 %*	-	***14.5 %***
Other operating income and expense	53	(17)	35	(5)	9	(2)	**73**
Restructuring costs	(74)	(59)	(22)	(7)	(12)	(2)	**(176)**
EBITA	1,780	484	846	638	91	(530)	**3,309**
EBITA *%*	*21.0 %*	*8.4 %*	*19.6 %*	*18.5 %*	*5.7 %*	-	***14.1%***

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

(in millions of euro)	***Partner***	***Infrastructure***	***Industry***	***IT***	***Buildings***	**Corporate costs**	**Total**
Full year 2012							
Revenue	8,738	5,366	4,483	3,677	1,682	-	**23,946**
Adjusted EBITA*	1,813	575	823	698	107	(501)	**3,515**
Adjusted EBITA *(%)*	*20.7%*	*10.7%*	*18.4%*	*19.0%*	*6.4%*	-	***14.7%***
Other operating income and expense	17	(6)	(2)	(3)	(3)	(13)	**(10)**
Restructuring costs	(84)	(32)	(21)	(4)	(12)	(11)	**(164)**
EBITA	1,746	537	800	691	92	(525)	**3,341**
EBITA %	*20.0%*	*10.0%*	*17.8%*	*18.8%*	*5.5%*		***14.0%***

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

Partner business recorded an adjusted EBITA margin of 21.2% for the year ended December 31, 2013, up 0.5% compared to 20.7% for the year ended December 31, 2012, due to good industrial productivity.

Infrastructure business recorded an adjusted EBITA margin of 9.8% for the year ended December 31, 2013, down 0.9% compared to 10.7% for the year ended December 31, 2012, impacted by one-off charges from delays in project execution and difficulties in public transportation business in Spain.

Industry business recorded an adjusted EBITA margin of 19.3% for the year ended December 31, 2013, up 0.9% compared to 18.4% for the year ended December 31, 2012, thanks to positive pricing and good control of commercial costs.

IT business reported an adjusted EBITA margin of 18.9% for the year ended December 31, 2013, down 0.1% in line with 19.0% margin for the year ended December 31, 2012, at all time high level.

Buildings business recorded an adjusted EBITA margin of 5.9% for the year ended December 31, 2013, down 0.5% compared to 6.4% for the year ended December 31, 2012, due to low volume in mature markets in the first half and unfavorable mix.

Corporate costs amounted to EUR526 million for the year ended December 31, 2013 or 2.2% of Group revenues, a similar level as in the year ended December 31, 2012 (2.1% of Group revenues or EUR501 million).

Operating income (EBIT)

Operating income (EBIT) increased from EUR2,866 million for the year ended December 31, 2012 to 3,091 million for the year ended December 31, 2013, representing an increase of 7.9% linked to the non-recurrence of a goodwill impairment on Buildings CGU of EUR250 million (before tax effect) recorded in 2012. Excluding this item, amortization of intangibles linked to business combinations decreased by EUR6 million (EUR218 million on the year ended December 31, 2013 compared to EUR224 million on the year ended December 31, 2012).

Net financial income/loss

Net financial loss amounted to EUR483 million for the year ended December 31, 2013, compared to EUR446 million for the year ended December 31, 2012 (restated for the application of IAS 19 Revised disclosed in note 1.2 of the consolidated financial statements). Within the net financial loss, the cost of net financial debt decreased from EUR349 million for year ended December 31, 2012 to EUR324 million for year ended December 31, 2013 thanks to a lower average interest rate. The higher net financial loss is mainly linked to the change in other financial incomes and costs, from a net expense of EUR97 million for year ended December 31, 2012 to a net expense of EUR159 million for year ended December 31, 2013. This is mainly due to a EUR50 million impairment of NVC Lighting investment described in note 15 of the consolidated financial statements.

Tax

The effective tax rate was 25.5% for the year ended December 31, 2013, increasing compared to 22.9% for the year ended December 31, 2012 (restated for the application of IAS 19 Revised disclosed in note 1.2 of the consolidated financial statements). However, excluding the EUR 50 million one-off impairment of NVC investment that triggered no tax effect, the effective tax rate was limited to 25.0%. The corresponding tax expense increased from EUR554 million for the year ended December 31, 2012 to EUR665 million for the year ended December 31, 2013.

Share of profit/(losses) of associates

The share of profit of associates amounted to EUR22 million for the year ended December 31, 2013, compared to EUR34 million for the year ended December 31, 2012. From April 1, 2013, Electroshield – TM Samara in Russia is fully consolidated in Schneider Electric consolidated financial statements and thus has not contributed anymore to share of profit of associates whereas she was contributing on a 12 months basis in 2012 when it was consolidated through equity method.

Non-controlling interests

Minority interests in net income for the year ended December 31, 2013 totaled EUR77 million, compared to EUR87 million for the year ended December 31, 2012. 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 EUR1,888 million for the year ended December 31, 2013, that is a 4.1% increase over the EUR1,813 million profit for the year ended December 31, 2012 (restated for the application of IAS 19 Revised disclosed in note 1.2 of the consolidated financial statements).

Earnings per share

Earnings per share increased to EUR3.43 for the year ended December 31, 2013 from EUR3.34 for the year ended December 31, 2012 (restated for the application of IAS 19 Revised disclosed in note 1.2 of the consolidated financial statements).

Consolidated cash-flow

Operating Activities

Net cash provided by operating activities before changes in operating assets and liabilities reached EUR2,673 million for the year ended December 31, 2013, down 4.6% compared to EUR2,802 million for the year ended December 31, 2012, and represented 11.3% of revenue in 2013 compared with 11.7% in 2012.

Change in working capital requirement generated EUR228 million in cash in the year ended December 31, 2013, compared to EUR1 million in consumption in the year ended December 31, 2012, with continuing operational efficiency actions.

In all, net cash provided by operating activities increased 3.6% from EUR2,801 million in the year ended December 31, 2012 to EUR2,901 million in the year ended December 31, 2013.

Investing Activities

Net capital expenditure, which included capitalized development projects, decreased by 0.6% to EUR714 million for the year ended December 31, 2013, compared to EUR719 million for the year ended December 31, 2012, and represented 3.0% of revenues.

Our acquisitions represented a cash outflow, net of cash acquired, of EUR294 million for the year ended December 31, 2013, corresponding mainly to Electroshield – TM Samara, compared to EUR242 million in the year ended December 31, 2012 corresponding partially to M&C Energy Group.

The EUR121 million proceeds from sale of financial assets in 2012 corresponded to the proceeds net of fees of the sale of AXA shares in September 2012.

Financing Activities

The bond issuance of EUR600 million corresponds to a EUR600 million bond issue in September 2013 due 2021 as part of the EMTN program. The Group reimbursed two bonds in 2013 for EUR587 million.

The net increase in other financial debts amount to EUR1,066 million during the year ended December 31, 2013, compared to a decrease of EUR585 million during the year ended December 31, 2012. The dividend paid by Schneider Electric was EUR1,025 million the year ended December 31, 2013, compared with EUR919 million the year ended December 31, 2012.

Outlook

Recent trends indicate that North America should continue to grow though the first quarter would be impacted by severe weather. Western Europe is showing initial signs of stabilization with potential for improvement in the second half. End-market trends in China continue to be solid. Uncertainty remains in several new economies due to currency volatility.

The 2013 proforma adjusted EBITA margin including the last 12 months of Invensys* to September 2013 and the full consolidation of Electroshield - TM Samara is ~14.0%.

Based on current market conditions, the Group targets for 2014:

- low single-digit organic growth in revenue
- 0.4 pt to 0.8 pt improvement of the adjusted EBITA margin vs. the 2013 proforma level excluding the currency impact.

The negative currency impact is currently estimated at ~0.4 pt, with most of the impact concentrated in H1.

** Without Appliance division*

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 and in the documents addressed to shareholders.
This report should be read in conjunction with, and construed in accordance with French law and professional auditing standards applicable in France.

MAZARS
Tour Exaltis
61, rue Henri-Regnault
92400 Courbevoie
S.A. au capital de € 8.320.000

Commissaire aux Comptes
Membre de la compagnie
régionale de Versailles

ERNST & YOUNG et Autres
1/2, place des Saisons
92400 Courbevoie - Paris-La Défense 1
S.A.S. à capital variable

Commissaire aux Comptes
Membre de la compagnie
régionale de Versailles

Schneider Electric S.A.

Year ended December 31, 2013

Statutory auditors' report
on the consolidated financial statements

To the Shareholders,

In compliance with the assignment entrusted to us by your Annual Shareholders' Meeting, we hereby report to you, for the year ended December 31, 2013, on:

- the audit of the accompanying consolidated financial statements of Schneider Electric S.A.;
- 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, 2013 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.

Without qualifying the conclusion expressed above, we draw your attention to note 1.2 “Restated 2012 comparative consolidated financial statements” to the consolidated financial statements which sets out the consequences resulting from the application from January 1st, 2013 of IAS 19 revised “Employee Benefits”.

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 and the other information evidencing the absence of any 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 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 “Restructuring costs” states the amount of restructuring costs recorded in 2013. We verified that, based on currently available information, these costs concern restructuring measures initiated or announced before December 31, 2013, 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 19, 2014

The statutory auditors
French original signed by

MAZARS	ERNST & YOUNG et Autres
David Chaudat	Yvon Salaün