FULL YEAR FINANCIAL REPORT

Full year period ended December 31, 2019

Consolidated Financial Statements
Full-Year Management Report

Life Is On | Schneider Electric

1. Consolidated statement of income

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

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

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

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

Other comprehensive income

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

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

2. Consolidated statement of cash flows

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

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

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

3. Consolidated balance sheet

Assets

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

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

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

Liabilities

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

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

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

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

4. Consolidated statement of changes in equity

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

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

5. Notes to the consolidated financial statements

Contents

All amounts in millions of euros unless otherwise indicated.

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

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

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

NOTE 1 Accounting policies

1.1- Accounting standards

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

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

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

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

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

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

First application of IFRS 16 - *Leases*

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

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

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

Scope of the Group's contracts

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

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

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

Effects of the adoption of IFRS 16

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

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

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

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

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

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

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

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

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

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

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

Accounting principles

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

Rental obligation:

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

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

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

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

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

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

Right-of-use assets:

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

Determining the duration of contracts:

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

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

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

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

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

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

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

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

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

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

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

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

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

Segment reporting

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

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

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

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

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

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

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

1.2- Basis of presentation

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

1.3- Use of estimates and assumptions

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

These assumptions mainly concern:

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

1.4- Consolidation principles

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

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

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

Intra-group balances and transactions are eliminated.

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

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

1.5- Business combinations

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

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

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

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

1.6- Translation of the financial statements of foreign subsidiaries

The consolidated financial statements are prepared in euros.

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

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

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

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

1.7- Foreign currency transactions

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

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

1.8- Intangible assets

Intangible assets acquired separately or as part of a business combination

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

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

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

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

Trademarks

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

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

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

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

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

Internally-generated intangible assets

Research and development costs

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

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

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

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

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

Software implementation

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

1.9- Property, plant and equipment

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

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

- buildings: 20 to 40 years;

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

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

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

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

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

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

1.10- Impairment of assets

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

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

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

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

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

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

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

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

1.11- Non-current financial assets

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

IFRS 9 standard allows two accounting treatments for equity instruments:

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

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

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

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

1.12- Inventories and work in progress

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

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

1.13- Trade and other operating receivables

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

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

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

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

1.14- Assets held for sale and liabilities of discontinued operations

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

1.15- Deferred taxes

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

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

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

1.16- Cash and cash equivalents

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

1.17- Schneider Electric SE shares

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

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

1.18- Pensions and other employee benefit obligations

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

Defined contribution plans

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

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

Defined Benefit plans

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

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

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

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

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

1.19- Share-based payments

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

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

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

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

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

1.20- Provisions and risk contingencies

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

Provisions are primarily set aside to cover:

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

1.21- Financial liabilities

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

1.22- Financial instruments and derivatives

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

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

Foreign currency hedges

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

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

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

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

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

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

Interest rate hedges

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

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

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

Commodity hedges

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

Shares hedges

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

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

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

1.23- Revenue recognition

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

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

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

The following revenue recognition methods can be applied:

Recognition of revenue at a point of time

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

Recognition of revenue over time

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

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

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

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

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

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

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

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

Consolidated revenue is presented net of these discounts and rebates.

Backlog and balance sheet presentation

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

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

1.24- Earnings per share

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

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

1.25- Statement of cash flows

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

NOTE 2 Changes in the scope of consolidation

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

2.1- Scope variations

Acquisitions & disposals of the period

Acquisitions

No significant acquisition occurred during 2019.

Disposals

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

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

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

Acquisitions

AVEVA

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

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

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

IGE+XAO

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

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

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

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

Disposals

No significant disposals occurred during 2018.

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

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

(in millions of euros)	Full year 2019	Full year 2018
Acquisitions	(172)	(751)
Disposals	93	21
FINANCIAL INVESTMENTS NET OF DISPOSALS	**(79)**	**(730)**

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

NOTE 3 Segment information

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

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

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

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

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

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

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

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

3.1- Information by reporting segment

Full Year 2019

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

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

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

Full Year 2018

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

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

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

3.2- Information by region

The geographic regions covered by the Group are:

- Western Europe,
- North America,
- Asia-Pacific,
- Rest of the World (Eastern Europe, Middle East, Africa, South America).

Non-current assets include net goodwill, net intangible assets and net property, plant and equipment.

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

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

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

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

NOTE 4 Research and development

Research and development costs break down as follows:

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

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

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

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

NOTE 5 Impairment losses, depreciation and amortization expenses

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

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

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

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

NOTE 6 Other operating income and expenses

Other operating income and expenses break down as follows:

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

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

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

NOTE 7 Other financial income and expenses

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

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

NOTE 8 Income tax expenses

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

8.1- Analysis of income tax expense

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

8.2- Tax proof

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

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

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

NOTE 9 Goodwill

9.1- Main items of goodwill

Group goodwill is broken down by CGUs as follows:

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

9.2- Movements during the year

The main movements during the year are summarized as follows:

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

Acquisitions

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

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

Other changes

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

NOTE 10 Intangibles assets

10.1- Change in intangible assets

Gross value

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

Amortization and impairment

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

Net value

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

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

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

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

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

10.2- Trademarks

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

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

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

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

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

NOTE 11 Property, plant and equipment

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

Gross value

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

Amortization and impairment

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

Net value

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

Reclassifications primarily correspond to assets put into use.

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

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

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

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

NOTE 12 Investments in associates and joint ventures

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

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

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

NOTE 13 Non-current financial assets

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

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

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

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

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

NOTE 14 Deferred taxes by Nature

Deferred taxes by type can be analyzed as follows:

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

Deferred tax assets recorded in respect of tax losses carried forward at December 31, 2019 essentially concern France (EUR 577 million). These deficits can be carried forward indefinitely, and have been activated using the rate of 25.83%, in accordance with the applicable rate in the expected consumption horizon of less than 10 years. Unrecognised deferred tax losses amount EUR 189 million as of December 31, 2019, and are mainly related to Spain and Brazil.

NOTE 15 Inventories and work in progress

Inventories and work in progress changed as follows:

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

NOTE 16 Trade accounts receivable

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

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

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

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

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

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

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

NOTE 17 Other receivables and prepaid expenses

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

NOTE 18 Cash and cash equivalents

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

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

NOTE 19 Shareholder's equity

19.1- Capital

Share capital

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

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

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

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

Changes in share capital and cumulative number of shares

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

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

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

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

19.2- Earnings per share

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

19.3- Dividends paid and proposed

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

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

19.4- Share-based payments

Current stock option and stock grant plans

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

Options plans

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

** S = Options to subscribe new shares*

Rules governing the stock options plans are as follows:

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

Performance shares plans

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

Rules governing the performance shares plans are as follows:

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

Outstanding options and shares

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

Change in the number of options

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

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

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

Change in the number of performance shares

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

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

Valuation of performance shares

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

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

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

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

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

Worldwide Employee Stock Purchase Plan

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

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

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

In 2019, Schneider Electric gave its employees the opportunity to purchase shares at a price of EUR 60.26 per share, as part of its commitment to employee share ownership, on April 16th, 2019. This represented a 15% discount to the reference price of EUR 70.90 calculated as the average opening price quoted for the share during the 20 days preceding the Management Board's decision to launch the employee share issue.

Altogether, 2.7 million shares were subscribed, increasing the Company's capital by EUR 161 million as of July 10, 2019. Due to significant changes in valuation assumptions, specifically the interest rate available to market participant, the value of the lock-up period is higher than the discount cost since 2012. Therefore, the Group did not recognize any cost related to the transaction.

The tables below summarize the main characteristics of the plans, the amounts subscribed, the valuation assumptions and the plans' cost for 2019 and 2018.

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

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

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

19.5- Schneider Electric SE shares

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

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

19.6- Income tax recorded in equity

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

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

19.7- Non-controlling interests

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

NOTE 20 Pensions and other post-employment benefit obligations

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

Defined Benefit Pension Plans

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

United Kingdom

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

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

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

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

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

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

United States

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

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

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

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

Assumptions

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

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

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

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

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

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

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

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

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

Changes in gross items recognized in equity were as follows:

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

Plans asset allocation:

(in millions of euros)	Dec. 31,2019	Dec. 31, 2018
Equity	11%	11%
Bonds	74%	80%
Others	15%	9%
TOTAL	**100%**	**100%**

20.2- Sensitivity analysis

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

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

NOTE 21 Provisions for contingencies and charges

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

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

Provisions are primarily set aside to cover:

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

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

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

NOTE 22 Total current and non-current financial liabilities

The breakdown of net debt is as follows:

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

22.1- Breakdown by maturity

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

22.2- Breakdown by currency

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

22.3- Bonds

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

Schneider Electric SE has issued bonds on different markets:

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

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

22.4- Reconciliation with cash flow statement

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

22.5- Other information

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

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

NOTE 23 Classification of financial instruments

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

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

23.1- Balance sheet exposure and fair value hierarchy

Dec. 31, 2019

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

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

Dec. 31, 2018

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

23.2- Derivative instruments

Dec. 31, 2019

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

Dec. 31, 2018

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

23.3- Foreign currency hedges

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

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

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

Dec. 31, 2019

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

23.4- Interest rate hedges

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

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

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

23.5- Commodity hedges

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

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

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

23.6- Share-based payment

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

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

23.7- Financial assets and liabilities subject to netting

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

Dec. 31, 2019

(in millions of euros)	Gross amounts	Gross amounts offset in the statement of financial position	Net amounts presented in the statement of financial position	Related amounts not offset in the statement of financial position	Net amounts as per IFRS 7
Financial assets	83	-	83	21	62
Financial liabilities	31	-	31	21	10

Dec. 31, 2018

(in millions of euros)	Gross amounts	Gross amounts offset in the statement of financial position	Net amounts presented in the statement of financial position	Related amounts not offset in the statement of financial position	Net amounts as per IFRS 7
Financial assets	45	-	45	24	21
Financial liabilities	63	-	63	24	39

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

23.8- Counterparty risk

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

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

23.9- Financial risk management

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

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

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

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

Dec. 31, 2019

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

Dec. 31, 2018

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

NOTE 24 Employees

24.1- Employees

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

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

24.2- Employee benefit expense

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

24.3- Benefits granted to senior executives

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

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

Net pension obligations with respect to members of Senior Management amounted to EUR 18 million at December 31, 2019 (EUR 5 million at December 31, 2018).

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

NOTE 25 Related parties transactions

25.1- Associates

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

Related party transactions were not material in 2019.

25.2- Related parties with significant influence

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

NOTE 26 Commitments and contingent liabilities

26.1- Guarantees and similar undertakings

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

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

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

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

26.2- Contingent liabilities

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

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

NOTE 27 Subsequent events

27.1- Joint Venture with Russian Direct Investment Fund

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

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

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

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

NOTE 28 Statutory Auditors' fees

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

Full Year 2019

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

Full Year 2018

(in thousands of euros)	EY	%	Mazars	%	Total
Audit					
Statutory auditing	9,884	94%	7,948	91%	17,832
o/w Schneider Electric SE	*104*		*104*		*208*
o/w subsidiaries	*9,780*		*7,844*		*17,624*
Related audit services ("SACC")	424	4%	688	8%	1,112
o/w Schneider Electric SE	*232*		*13*		*245*
o/w subsidiaries	*192*		*675*		*867*
Audit sub-total	**10,309**	**98%**	**8,636**	**99%**	**18,945**
Non-audit services	**233**	**2%**	**96**	**1%**	**329**
TOTAL FEES	**10,541**	**100%**	**8,732**	**100%**	**19,273**

NOTE 29 Consolidated companies

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

(in % of interest)		Dec. 31, 2019	Dec. 31, 2018
Europe			
Fully consolidated			
NXT Control GmbH	Austria	100	100
Schneider Electric Austria GmbH	Austria	100	100
Schneider Electric Power Drives GmbH	Austria	100	100
Schneider Electric Systems Austria GmbH	Austria	100	100
Schneider Electric Bel LLC	Belarus	100	100
Schneider Electric Belgium NV/SA	Belgium	100	100
Schneider Electric Energy Belgium SA	Belgium	100	100
Schneider Electric ESS BVBA	Belgium	100	100
Schneider Electric NV/SA	Belgium	100	100
Schneider Electric Services International SPRL	Belgium	100	100
Schneider Electric Bulgaria EOOD	Bulgaria	100	100
Schneider Electric d.o.o	Croatia	100	100
Schneider Electric a.s.	Czech Republic	98.3	98.3
Schneider Electric CZ sro	Czech Republic	100	100
Schneider Electric Systems Czech Republic sro	Czech Republic	100	100
Ørbaekvej 280 A/S	Denmark	100	100
Schneider Electric Danmark A/S	Denmark	100	100
Schneider Electric IT Denmark ApS	Denmark	100	100
Schneider Nordic Baltic A/S	Denmark	100	100
Schneider Electric Eesti AS	Estonia	100	100
Schneider Electric Finland Oy	Finland	100	100
Schneider Electric Fire & Security OY	Finland	100	100
Vamp OY	Finland	100	100
Behar sécurité	France	100	100
Boissière Finance	France	100	100
Construction Electrique du Vivarais	France	100	100
Dinel	France	100	100
Eckardt	France	100	100
Eurotherm Automation	France	100	100
France Transfo	France	100	100
IGE+XAO SA	France	67.9	67.9
Merlin Gerin Alès	France	100	100
Merlin Gerin Loire	France	100	100
Muller & Cie	France	100	100
Newlog	France	100	100
Rectiphase	France	100	100
Sarel - Appareillage Electrique	France	99	99
Scanelec	France	100	100
Schneider Electric Alpes	France	100	100
Schneider Electric Energy France	France	100	100
Schneider Electric France	France	100	100
Schneider Electric Holding Amérique du Nord	France	100	100
Schneider Electric Industries SAS	France	100	100
Schneider Electric International	France	100	100
Schneider Electric IT France	France	100	100
Schneider Electric Manufacturing Bourguebus	France	100	100
Schneider Electric SE (Société mère)	France	100	100

(in % of interest)		Dec. 31, 2019	Dec. 31, 2018
Schneider Electric Solar France	France	100	100
Schneider Electric Systems France	France	100	100
Schneider Electric Telecontrol	France	100	100
Schneider Toshiba Inverter Europe SAS	France	60	60
Schneider Toshiba Inverter SAS	France	60	60
Société d'Appareillage Electrique Gardy	France	100	100
Société d'Application et d'Ingenierie Industrielle et Informatique SAS - SA3I	France	100	100
Société Electrique d'Aubenas	France	100	100
Société Française de Construction Mécanique et Electrique	France	100	100
Société Française Gardy	France	100	100
Systèmes Equipements Tableaux Basse Tension	France	100	100
Transfo Services	France	100	100
Transformateurs SAS	France	100	100
ABN GmbH	Germany	100	100
Eberle Controls GmbH	Germany	100	100
Merten GmbH	Germany	100	100
Schneider Electric Automation GmbH	Germany	100	100
Schneider Electric Holding Germany GmbH	Germany	100	100
Schneider Electric GmbH	Germany	100	100
Schneider Electric Real Estate GmbH	Germany	100	100
Schneider Electric Sachsenwerk GmbH	Germany	100	100
Schneider Electric Systems Germany GmbH	Germany	100	100
Schneider Electric AEBE	Greece	100	100
Schneider Electric Energy Hungary LTD	Hungary	100	100
Schneider Electric Hungaria Villamossagi ZRT	Hungary	100	100
SE - CEE Schneider Electric Közep-Kelet Europai KFT	Hungary	100	100
Schneider Electric Ireland Ltd	Ireland	100	100
Schneider Electric IT Logistics Europe Ltd	Ireland	100	100
Validation technologies (Europe) Ltd	Ireland	100	100
Eliwell Controls S.r.l.	Italy	100	100
Eurotherm S.r.l.	Italy	100	100
Schneider Electric Industrie Italia Spa	Italy	100	100
Schneider Electric Spa	Italy	100	100
Schneider Electric Systems Italia Spa	Italy	100	100
Uniflair Spa	Italy	100	100
Lexel Fabrika SIA	Latvia	100	100
Schneider Electric Baltic Distribution Center	Latvia	100	100
Schneider Electric Latvija SIA	Latvia	100	100
UAB Schneider Electric Lietuva	Lithuania	100	100
Industrielle de Réassurance SA	Luxembourg	100	100
American Power Conversion Corporation (A.P.C.) BV	Netherlands	100	100
APC International Corporation BV	Netherlands	100	100
APC International Holdings BV	Netherlands	100	100
Pelco Europe BV	Netherlands	-	100
Pro-Face Europe BV	Netherlands	100	100
Schneider Electric Logistic Centre BV	Netherlands	100	100
Schneider Electric Manufacturing The Netherlands BV	Netherlands	100	100
Schneider Electric Systems Netherlands BV	Netherlands	100	100

(in % of interest)		Dec. 31, 2019	Dec. 31, 2018
Schneider Electric The Netherlands BV	Netherlands	100	100
ELKO AS	Norway	100	100
Eurotherm AS	Norway	100	100
Lexel Holding Norge AS	Norway	100	100
Schneider Electric Norge AS	Norway	100	100
Elda Eltra Elektrotechnika S.A.	Poland	100	100
Eurotherm Poland Sp. Z.o.o.	Poland	100	100
Schneider Electric Industries Polska Sp. Z.o.o.	Poland	100	100
Schneider Electric Polska Sp. Z.o.o.	Poland	100	100
Schneider Electric Systems Sp. Z.o.o.	Poland	100	100
Schneider Electric Transformers Poland Sp. Z.o.o.	Poland	100	100
Schneider Electric Portugal LDA	Portugal	100	100
Schneider Electric Romania SRL	Romania	100	100
AO Schneider Electric	Russia	100	100
DIN Elektro Kraft OOO	Russia	100	100
FLISR LLC	Russia	100	-
OOO Potential	Russia	100	100
OOO Schneider Electric Zavod Electromonoblock	Russia	100	100
Schneider Electric Innovation center LLC	Russia	100	100
Schneider Electric Systems LLC	Russia	100	100
Schneider Electric URAL LLC	Russia	100	100
ZAO Gruppa Kompaniy Electroshield	Russia	100	100
Schneider Electric DMS NS	Serbia	100	57
Schneider Electric Srbija doo Beograd	Serbia	100	100
Schneider Electric Slovakia Spol SRO	Slovakia	100	100
Schneider Electric Systems Slovakia SRO	Slovakia	100	100
Schneider Electric d.o.o.	Slovenia	100	100
Manufacturas Electricas SA	Spain	100	100
Schneider Electric Espana SA	Spain	100	100
Schneider Electric IT Spain, SL	Spain	100	100
Schneider Electric Systems Iberica S.L.	Spain	100	100
AB Crahftere 1	Sweden	100	100
AB Wibe	Sweden	100	100
Elektriska AB Delta	Sweden	100	100
Elko AB	Sweden	100	100
Eurotherm AB	Sweden	100	100
Lexel AB	Sweden	100	100
Schneider Electric Buildings AB	Sweden	100	100
Schneider Electric Distribution Centre AB	Sweden	100	100
Schneider Electric Sverige AB	Sweden	100	100
Telvent Sweden AB	Sweden	100	100
Eurotherm-Produkte (Schweiz) AG	Switzerland	100	100
Feller AG	Switzerland	83.7	83.7
Gutor Electronic GmbH	Switzerland	100	100
Schneider Electric (Schweiz) AG	Switzerland	100	100
Schneider Electric Ukraine	Ukraine	100	100
Andromeda Telematics Ltd	United Kingdom	100	100
Aveva Group plc	United Kingdom	60	60

(in % of interest)		Dec. 31, 2019	Dec. 31, 2018
Avtron Loadbank Worldwide Co., Ltd	United Kingdom	100	100
BTR Property Holdings Ltd	United Kingdom	100	100
CBS Group Ltd	United Kingdom	100	100
Eurotherm Ltd	United Kingdom	100	100
Imserv Europe Ltd	United Kingdom	100	100
Invensys Holdings Ltd	United Kingdom	100	100
M&C Energy Group Ltd	United Kingdom	100	100
N.J. Froment & Co. Limited	United Kingdom	100	100
Samos Acquisition Company Ltd	United Kingdom	100	100
Schneider Electric (UK) Ltd	United Kingdom	100	100
Schneider Electric Buildings UK Ltd	United Kingdom	100	100
Schneider Electric Controls UK Ltd	United Kingdom	100	100
Schneider Electric IT UK Ltd	United Kingdom	100	100
Schneider Electric Ltd	United Kingdom	100	100
Schneider Electric Systems UK Ltd	United Kingdom	100	100
Serck Control and Safety Ltd	United Kingdom	100	100
Accounted for by equity method			
Aveltys	France	51	51
Delta Dore Finance SA (sub-group)	France	20	20
Energy Pool Development	France	24.98	27.86
Schneider Lucibel Managed Services SAS	France	47	47
Möre Electric Group A/S	Norway	34	34
Custom Sensors & Technologies Topco Limited	United Kingdom	30	30
North America			
Fully consolidated			
Power Measurement Ltd.	Canada	100	100
Schneider Electric Canada Inc.	Canada	100	100
Schneider Electric Solar Inc.	Canada	100	100
Schneider Electric Systems Canada Inc.	Canada	100	100
Viconics Technologies Inc.	Canada	100	100
Electronica Reynosa, S. de R.L. de C.V.	Mexico	100	100
Industrias Electronicas Pacifico, S.A. de C.V.	Mexico	100	100
Invensys Group Services Mexico	Mexico	100	100
Schneider Electric IT Mexico, S.A. de C.V.	Mexico	100	100
Schneider Electric Mexico, S.A. de C.V.	Mexico	100	100
Schneider Electric Systems Mexico, S.A. de C.V.	Mexico	100	100
Schneider Industrial Tlaxcala, S.A. de C.V.	Mexico	100	100
Schneider Mexico, S.A. de C.V.	Mexico	100	100
Schneider R&D, S.A. de C.V.	Mexico	100	100
Square D Company Mexico, S.A. de C.V.	Mexico	100	100
Telvent Mexico, S.A. de C.V.	Mexico	99.3	99.3
Adaptive Instruments Corp.	United States	100	100
American Power Conversion Holdings Inc.	United States	100	100
ASCO Power GP, LLC	United States	100	100
ASCO Power Services, Inc.	United States	100	100
ASCO Power Technologies, L.P.	United States	100	100
Invensys LLC	United States	100	100

(in % of interest)		Dec. 31, 2019	Dec. 31, 2018
Lee Technologies Puerto Rico, LLC	United States	100	100
Pelco, Inc	United States	-	100
Power Measurement, Inc.	United States	100	100
Pro-face America, LLC	United States	100	100
Schneider Electric Buildings Americas, Inc.	United States	100	100
Schneider Electric Buildings Critical Systems, Inc.	United States	100	100
Schneider Electric Buildings, LLC	United States	100	100
Schneider Electric Digital, Inc.	United States	100	-
Schneider Electric Engineering Services, LLC	United States	100	100
Schneider Electric Foundries LLC	United States	100	-
Schneider Electric Grid Automation, Inc.	United States	100	100
Schneider Electric Holdings, Inc.	United States	100	100
Schneider Electric IT America Corp.	United States	100	100
Schneider Electric IT Corporation	United States	100	100
Schneider Electric IT Mission Critical Services, Inc.	United States	100	100
Schneider Electric IT USA, Inc.	United States	100	100
Schneider Electric Motion USA, Inc.	United States	100	100
Schneider Electric Solar Inverters USA, Inc.	United States	100	100
Schneider Electric Systems USA, Inc.	United States	100	100
Schneider Electric USA, Inc.	United States	100	100
SE Vermont Ltd	United States	100	100
Siebe Inc.	United States	100	100
SNA Holdings Inc.	United States	100	100
Square D Investment Company	United States	100	100
Stewart Warner Corporation	United States	100	100
Summit Energy Services, Inc.	United States	100	100
Telvent USA, LLC	United States	100	100
Veris Industries LLC	United States	100	100
Asia-Pacific			
Fully consolidated			
Clipsal Australia Pty Ltd	Australia	100	100
Clipsal Technologies Australia Pty Limited	Australia	100	100
Nu-lec Industries Pty. Limited	Australia	100	100
Scada Group Pty Limited	Australia	100	100
Schneider Electric (Australia) Pty Limited	Australia	100	100
Schneider Electric Australia Holdings Pty Ltd	Australia	100	100
Schneider Electric Buildings Australia Pty Ltd	Australia	100	100
Schneider Electric IT Australia Pty Ltd	Australia	100	100
Schneider Electric Solar Australia Pty Ltd	Australia	100	100
Schneider Electric Systems Australia Pty Ltd	Australia	100	100
Serck Controls Pty Limited	Australia	100	100
Beijing Leader & Harvest Electric Technologies Co. Ltd	China	100	100
CITIC Schneider Electric Smart Building Technology (Beijing) Co. Ltd	China	51	51
Clipsal Manufacturing (Huizhou) Ltd	China	100	100
FSL Electric (Dongguan) Limited	China	54	54
Pelco (Shanghai) Trading Co. Ltd.	China	-	100
Proface China International Trading (Shanghai) Co. Ltd	China	100	100

(in % of interest)		Dec. 31, 2019	Dec. 31, 2018
Schneider (Beijing) Medium & Low Voltage Co., Ltd	China	95	95
Schneider (Beijing) Medium Voltage Co. Ltd	China	95	95
Schneider (Shaanxi) Baoguang Electrical Apparatus Co. Ltd	China	70	70
Schneider (Suzhou) Drives Company Ltd	China	90	90
Schneider (Suzhou) Enclosure Systems Co Ltd	China	100	100
Schneider (Suzhou) Transformers Co. Ltd	China	100	100
Schneider Automation & Controls Systems (Shanghai) Co., LTD	China	100	100
Schneider Busway (Guangzhou) Ltd	China	95	95
Schneider Electric (China) Co. Ltd	China	100	100
Schneider Electric (Xiamen) Switchgear Co. Ltd	China	100	100
Schneider Electric (Xiamen) Switchgear Equipment Co., Ltd	China	100	100
Schneider Electric Equipment an Engineering (X'ian) Co., Ltd	China	100	100
Schneider Electric IT (China) Co., Ltd	China	100	100
Schneider Electric IT (Xiamen) Co., Ltd.	China	100	100
Schneider Electric Low Voltage (Tianjin) Co. Ltd	China	75	75
Schneider Electric Manufacturing (Chongqing) Co. Ltd	China	100	100
Schneider Electric Manufacturing (Wuhan) Co. Ltd	China	100	100
Schneider Great Wall Engineering (Beijing) Co. Ltd	China	100	100
Schneider Shanghai Apparatus Parts Manufacturing Co. Ltd	China	100	100
Schneider Shanghai Industrial Control Co. Ltd	China	80	80
Schneider Shanghai Low Voltage Term. Apparatus Co. Ltd	China	75	75
Schneider Shanghai Power Distribution Electric Apparatus Co. Ltd	China	80	80
Schneider Smart Technology., Ltd	China	100	-
Schneider South China Smart Technology (Guangdong) Co. Ltd.	China	100	-
Schneider Switchgear (Suzhou) Co, Ltd	China	58	58
Schneider Wingoal (Tianjin) Electric Equipment Co. Ltd	China	100	100
Shanghai ASCO Electric Technology Co., Ltd	China	100	100
Shanghai Foxboro Co., Ltd	China	100	100
Shanghai Invensys Process System Co., Ltd	China	100	100
Shanghai Schneider Electric Power Automation Co. Ltd	China	100	100
Shanghai Tayee Electric Co., LTD	China	74.5	74.5
Telvent - BBS High & New Tech (Beijing) Co. Ltd	China	80	80
Tianjin Merlin Gerin Co. Ltd	China	75	75
Wuxi Proface Co., Ltd	China	100	100
Zircon Investment (Shanghai) Co., Ltd	China	74.5	74.5
Clipsal Asia Holdings Limited	Hong Kong	100	100
Clipsal Asia Limited	Hong Kong	100	100
Fed-Supremetech Limited	Hong Kong	54	54
Himel Hong Kong Limited	Hong Kong	100	-
Schneider Electric (Hong Kong) Limited	Hong Kong	100	100
Schneider Electric Asia Pacific Limited	Hong Kong	100	100
Schneider Electric IT Hong Kong Limited	Hong Kong	100	100
Eurotherm India Private Ltd	India	100	100
Luminous Power Technologies Private Ltd	India	100	100
Schneider Electric India Private Ltd	India	100	100
Schneider Electric Infrastructure Limited	India	94.6	94.6
Schneider Electric IT Business India Private Ltd	India	100	100
Schneider Electric President Systems Ltd	India	79.5	79.5

(in % of interest)		Dec. 31, 2019	Dec. 31, 2018
Schneider Electric Private Limited	India	100	100
Schneider Electric Solar India Private Limited	India	100	100
Schneider Electric Systems India Private Limited	India	100	100
PT Clipsal Manufacturing Jakarta	Indonesia	-	100
PT Schneider Electric Indonesia	Indonesia	100	100
PT Schneider Electric IT Indonesia	Indonesia	100	100
PT Schneider Electric Manufacturing Batam	Indonesia	100	100
PT Schneider Electric Systems Indonesia	Indonesia	95	95
Schneider Electric Japan, Inc.	Japan	100	100
Schneider Eletcric Solar Japan Inc.	Japan	100	100
Schneider Electric Systems Japan Inc.	Japan	100	100
Toshiba Schneider Inverter Corp.	Japan	100	100
Eurotherm Korea Co., Ltd.	Korea	100	100
Schneider Electric Korea Ltd.	Korea	100	100
Schneider Electric Systems Korea Limited	Korea	100	100
Clipsal Manufacturing (M) Sdn. Bhd.	Malaysia	100	100
Gutor Electronic Asia Pacific Sdn. Bhd.	Malaysia	100	100
Huge Eastern Sdn. Bhd.	Malaysia	100	100
Schneider Electric (Malaysia) Sdn. Bhd.	Malaysia	30	30
Schneider Electric Industries (M) Sdn. Bhd.	Malaysia	100	100
Schneider Electric IT Malaysia Sdn. Bhd.	Malaysia	100	100
Schneider Electric Systems (Malaysia) Sdn. Bhd.	Malaysia	100	100
Schneider Electric (NZ) Limited	New Zealand	100	100
Schneider Electric Systems New Zealand Limited	New Zealand	100	100
American Power Conversion Land Holdings Inc.	Philippines	100	100
Clipsal Philippines, Inc.	Philippines	100	100
Schneider Electric (Philippines) Inc.	Philippines	100	100
Schneider Electric IT Philippines Inc.	Philippines	100	100
Pelco Asia Pacific Pte. Ltd	Singapore	-	100
Schneider Electric Asia Pte. Ltd.	Singapore	100	100
Schneider Electric Export Services Pte Ltd	Singapore	100	100
Schneider Electric IT Logistics Asia Pacific Pte. Ltd.	Singapore	100	100
Schneider Electric IT Singapore Pte. Ltd.	Singapore	100	100
Schneider Electric Overseas Asia Pte Ltd	Singapore	100	100
Schneider Electric Singapore Pte. Ltd.	Singapore	100	100
Schneider Electric South East Asia (HQ) Pte. Ltd.	Singapore	100	100
Schneider Electric Systems Singapore Pte. Ltd.	Singapore	100	100
Schneider Electric Lanka (Private) Limited	Sri Lanka	100	100
Schneider Electric Systems Taiwan Corp.	Taiwan	100	100
Schneider Electric Taiwan Co., Ltd.	Taiwan	100	100
Pro-Face South-East Asia Pacific Co., Ltd.	Thailand	100	100
Schneider (Thailand) Limited	Thailand	100	100
Schneider Electric CPCS (Thailand) Co., Ltd.	Thailand	100	100
Schneider Electric Systems (Thailand) Co. Ltd.	Thailand	100	100
Clipsal Vietnam Co. Ltd	VietNam	100	100
Invensys Vietnam Ltd	VietNam	100	100
Schneider Electric IT Vietnam Limited	VietNam	100	100
Schneider Electric Manufacturing Vietnam Co., Ltd	VietNam	100	100

(in % of interest)		Dec. 31, 2019	Dec. 31, 2018
Schneider Electric Vietnam Co. Ltd	VietNam	100	100
Accounted for by equity method			
Delixi Electric LTD (sub-group)	China	50	50
Sunten Electric Equipment Co., Ltd	China	25	25
Fuji Electric FA Components & Systems Co., Ltd (sub-group)	Japan	36.8	36.8
Foxboro (Malaysia) Sdn. Bhd.	Malaysia	49	49
Rest of the World			
Fully consolidated			
Himel Algerie	Algeria	100	100
Schneider Electric Algerie	Algeria	100	100
Schneider Electric Argentina S.A.	Argentina	100	100
Schneider Electric Systems Argentina S.A.	Argentina	100	100
American Power Conversion Brasil Ltda.	Brazil	100	100
CP Eletronica Ltda.	Brazil	100	100
Eurotherm Ltda.	Brazil	100	100
Schneider Electric Brasil Automação de Processos Ltda.	Brazil	100	100
Schneider Electric Brasil Ltda.	Brazil	100	100
Schneider Electric IT Brasil Industria e Comercio de Equipamentos Eletronicos Ltda.	Brazil	100	100
Steck da Amazonia Industria Electrica Ltda.	Brazil	100	100
Steck Industria Electrica Ltda.	Brazil	100	100
Telseb Serviços de Engenharia e Comércio de Equipamentos Eletrônicos e Telecomunicações Ltda	Brazil	100	100
Inversiones Schneider Electric Uno Limitada	Chile	100	100
Marisio S.A.	Chile	100	100
Schneider Electric Chile S.A.	Chile	100	100
Schneider Electric Systems Chile Limitada	Chile	100	100
Schneider Electric de Colombia S.A.S.	Colombia	100	100
Schneider Electric Systems Colombia Ltda.	Colombia	100	100
Schneider Electric Centroamerica Limitada	Costa Rica	100	100
Invensys Engineering & Service S.A.E.	Egypt	51	51
Schneider Electric Distribution Company	Egypt	87.4	87.4
Schneider Electric Egypt SAE	Egypt	91.9	91.9
Schneider Electric Systems Egypt S.A.E	Egypt	60	60
Schneider Electric DC MEA FZCO	Emirates	100	100
Schneider Electric FZE	Emirates	100	100
Schneider Electric Systems Middle East FZE	Emirates	100	100
Schneider Electric (Kenya) Ltd	Kenya	100	85
Schneider Electric Services Kuweit	Kuwait	49	49
Schneider Electric East Mediterranean SAL	Lebanon	96	96
Delixi Electric Maroc SARL AU	Morocco	100	100
Schneider Electric Maroc	Morocco	100	100
Schneider Electric Nigeria Ltd	Nigeria	100	100
Schneider Electric Systems Nigeria Ltd	Nigeria	100	100
Schneider Electric O.M LLC	Oman	100	100
Schneider Electric Pakistan (Private) Limited	Pakistan	80	80
Schneider Electric Peru S.A.	Peru	100	100
Schneider Electric Systems del Peru S.A.	Peru	100	100
Schneider Electric Plants Saudi Arabia Co.	Saudi Arabia	100	100

(in % of interest)		Dec. 31, 2019	Dec. 31, 2018
Schneider Electric Saudi Arabia For Solutions & Services Co	Saudi Arabia	100	100
Schneider Electric System Arabia Co., LTD	Saudi Arabia	100	100
Schneider Electric South Africa (Pty) Ltd	South Africa	74.9	74.9
Uniflair South Africa (Pty) Ltd	South Africa	100	100
Gunsan Elektrik	Turkey	100	100
Himel Elektric Malzemeleri Ticaret A.S	Turkey	100	100
Schneider Elektrik Sanayi Ve Ticaret A.S.	Turkey	100	100
Schneider Enerji Endustrisi Sanayi Ve Ticaret A.S	Turkey	100	100
Schneider Electric Systems de Venezuela, C.A.	Venezuela	100	100
Schneider Electric Venezuela, S.A.	Venezuela	93.6	93.6

MANAGEMENT REPORT FOR THE PERIOD ENDED DECEMBER 31, 2019

Comments on the consolidated financial statements

Review of business and consolidated statement of income

Acquisitions & disposals of the period

Acquisitions

No significant acquisition occurred during 2019.

Disposals

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

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

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

Acquisitions

AVEVA

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

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

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

IGE+XAO

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

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

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

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

Disposals

No significant disposals occurred during 2018.

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

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

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

Changes in foreign exchange rate

Fluctuations in the Euro exchange rate had a positive impact over the year, increasing the consolidated revenue by EUR 495 million and the adjusted EBITA by EUR 35 million, due mainly to the positive effect of the US Dollar compared to the Euro.

Revenue

Consolidated revenue totaled EUR 27,158 million for the period ended December 31, 2019, up 5.6% on a current structure and currency basis, compared with last year.

Organic growth was positive for 4.2%, acquisitions and disposals accounted for (0.6)% and the currency effect for 2.0% due mainly to the positive effect of the US dollar compared to the Euro.

Changes in revenue by reporting segment

Energy Management generated revenues of EUR 20,847 million, equivalent to 77% of the consolidated total revenue. This represents an increase of 6.8% on a reported basis, and an increase of 5.2% on a like-for-like basis, with growth across all regions. Residential & small building offers sustained mid-single digit for the year. EcoStruxure architecture for Commercial & Industrial Buildings continued to deliver growth. *Energy Management* systems saw good growth across end-markets, notably in Data Center, both in large and small installations. The Group experienced a mixed picture in Industry & Infrastructure, where OEM softness has limited pull-through of *Energy Management*, while Infrastructure remains positively oriented. The recent ASCO and IGE+XAO acquisitions showed strong growth. Services posted a high-single digit growth.

Industrial Automation generated revenues of EUR 6,311 million, equivalent to 23% of the consolidated total revenue. This represents an increase of 1.8% on a reported basis, and an increase of 0.8% on a like-for-like basis. There was resilient growth across the industrial automation coming from the Group's balanced portfolio across the cycle. Process & hybrid offers (c. 50% of *Industrial Automation* revenue) grew mid-single digit, with strong growth in orders. Offers for discrete industries (c. 50% of *Industrial Automation* revenue) showed a slowdown in most regions due to market softness. U.S. Panels activity was sold during the second quarter of the year. The Group made good progress on developing joint value proposition with AVEVA, with good trends in industrial software. Services showed double-digit growth.

Gross margin

Gross margin was up 5.5% organically with a Gross margin rate improving by +50bps organically to 39.5% in 2019 mainly driven by net price and productivity.

Support Function costs: Research and development and selling, general and administrative expenses

Research and development expenses, net of capitalized development costs and excluding research and development costs booked in costs of sales, increased by 10.1%, from EUR 597 million for 2018 to EUR 657 million for year 2019. As a percentage of revenues, the net cost of research and development is increasing slightly to 2.4% of revenues for 2019 (2.3% for 2018).

Total research and development expense, including capitalized development costs and development costs reported as cost of sales (see Note 4 to the Consolidated Financial Statements) increased by 5.3% from EUR 1,299 million for 2018 to EUR 1,368 million for 2019. As a percentage of revenues, total research and development expenses decreased slightly to 5.0% for 2019 (5.1% for 2018).

In 2019, the net effect of capitalized development costs and amortization of capitalized development costs amounts to EUR 60 million on the operating income (EUR 61 million in 2018).

Selling, general and administrative expenses increased by 4.8%, to EUR 5,840 million in 2019 (EUR 5,572 million in 2018). As a percentage of revenues, selling, general and administrative expenses decreased slightly to 21.5% for 2019 (21.7% for 2018).

Combined, total support function costs, that is, research and development expenses together with selling, general and administrative costs, totaled EUR 6,497 million in 2019, compared to EUR 6,169 million in 2018, an increase of 5.3%. As a result, the support functions costs to sales ratio remains stable at 24%.

Other operating income and expenses

For the year 2019, other operating income and expenses amounted to a net expense of EUR 411 million, mainly due to losses on disposal and impairment of assets for EUR 289 million (mostly due to the disposals of Pelco and Converse Energy Projects GmbH as well as the fair value adjustment Electroshield Samara business) as well as costs of acquisition of EUR 98 million.

Restructuring costs

For the period ended December 31, 2019, restructuring costs amounted to EUR 255 million compared to EUR 198 million for 2018, attributed mainly to Support Function Cost improvement initiatives.

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 reached EUR 4,238 million in 2019, compared to EUR 3,874 million for 2018, increasing organically by 8.7%. Adjusted EBITA margin improved by 70 bps organically to 15.6%.

EBITA stabilized at EUR 3,572 in 2019, from EUR 3,573 million in 2018. As a percentage of revenue, EBITA decreased to 13.2% for 2019 (13.9% for the year 2018).

Adjusted EBITA by reporting segment

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

Full Year 2019

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

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

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

Full Year 2018

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

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

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

Energy Management generated an adjusted EBITA, for the year 2019, of EUR 3,842 million, equivalent to 18.4% of revenue, up circa +80 bps organic (up +60 bps reported) thanks to strong growth in volume, improved pricing and continued productivity gains.

Industrial Automation generated an adjusted EBITA of EUR 1,141 million, equivalent to 18.1% of revenue, up circa +30 bps organic, (and +10 bps reported), thanks to positive pricing and a continued focus on costs at a time where positive topline growth is moderated by the high base of comparison from 2018, and with a softening market environment for discrete automation.

Central functions & Digital costs in 2019 amounted to EUR 745 million, slightly reducing its shares of Group revenue to 2.7% (2.8% of Group revenue in 2018). Approximately 50% of these costs are transversal investments supporting the development of the two reporting segments, including I.T, Digital Infrastructure and Marketing. A further c. 20% of these costs are due to Performance Shares. The remaining c.30% of costs represent the underlying corporate costs of around 0.8% of Group revenue, which have been stable in the recent years.

Operating income (EBIT)

Operating income or EBIT (Earnings Before Interest and Taxes), is stable, with a slight variation of 0.1%, from EUR 3,396 in 2018 to 3,399 in 2019 and is following EBITA trend.

Net financial income/loss

Net financial loss amounted to EUR 261 million in 2019, compared to EUR 310 million for 2018.

This decrease is explained both by the decrease of cost of net financial debt to EUR 129 million in 2019, compared to EUR 182 million in 2018, partially compensated by the impact of the first application of IFRS 16 - *Leases* for EUR 39 million in 2019.

Tax

The effective tax rate was 22.0% for 2019, compared to 22.5% for 2018. The corresponding income tax expense decreased from EUR 693 million for 2018 to EUR 690 million for 2019.

Share of profit/ (losses) of associates

The share of associates was a EUR 78-million profit in 2019, compared to a EUR 61-million profit for the year 2018.

Non-controlling interests

Minority interests in net income for the year 2019, totaled EUR 110 million, compared to EUR 97 million for year 2018. AVEVA was the main contributor in 2019.

Profit for the period (to owners of the parent)

Profit for the period attributable to the equity holders of our parent company amounted to EUR 2,413 million for the year 2019, compared to EUR 2,334 million profit for year 2018.

Earnings per share

Earnings per share amounted to EUR 4.38 per share for the year 2019 compared to EUR 4.21 per share for the year 2018.

Consolidated Cash-flow

Cash flow from operating Activities

Net cash provided by operating activities before changes in operating assets and liabilities reached EUR 4,012 million for the year 2019 (including EUR 274 million due to the first application of IFRS 16 - *Leases*), increasing compared to EUR 3,405 million for the year 2018. It represents 14.8% of revenues for the year 2019 (13.2% of revenues from 2018).

Change in working capital requirement generated EUR 270 million in cash in 2019, compared with a consumption of EUR 533 million in 2018.

In all, net cash provided by operating activities increased from EUR 2,872 million in 2018 to EUR 4,282 million in 2019.

Cash flow from investing Activities

Net capital expenditure, which included capitalized development projects, increased, at EUR 806 million for 2019, compared to EUR 770 million for 2018, and representing 3% of sales in 2019, stable compared to 2018.

Free cash-flow (cash provided by operating activities net of net capital expenditure) amounted to EUR 3,476 million in 2019 versus EUR 2,102 million in 2018.

Cash conversion rate (free cash-flow over net income attributable to the equity holders of the parent company on continuing operations) was 144% in 2019 versus 90% in 2018.

The acquisitions net of disposals represented a cash out of EUR 79 million (net of acquired cash) for the year 2019, compared with EUR 730 million for 2018. Those amounts correspond mainly to the acquisitions and disposals described in Note 2.1 et Note 2.2.

Cash flow from financing Activities

Net cash flow from financing activities amounted to EUR 2,125 million in 2019, compared to EUR 1,757 million in 2018, mainly due to changes in net debt.

The net decrease in other financial debts amounted to EUR 1,078 million in 2019, compared with a net increase of EUR 220 million in 2018. The 2019 decrease is mainly due to the reimbursement of commercial papers of EUR 610 million as well as the impact from the first application of IFRS 16 - *Leases* of EUR 274 million in 2019.

The amount of dividends paid by Schneider Electric in 2019 was EUR 1,296 million, compared to EUR 1,223 million in 2018.

Review of the parent company financial statements

Schneider Electric SE posted an operating loss of EUR 15 million in 2019 compared with EUR 16 million the previous year.

Interest expense net of interest income amounted to EUR 62 million versus EUR 75 million the previous year.

Current loss amounted to EUR 15 million in 2019 compared with an income of EUR 4,390 million in 2018.

The net income stood at EUR 57 million in 2019 compared with EUR 4,458 million in 2018, mainly due to the dividends of EUR 4.5 billion received from Schneider Electric Industries SAS in 2018.

Equity before appropriation of net profit amounted to EUR 9,007 million at December 31, 2019 versus EUR 10,078 million at the previous year-end, after taking into account 2019 profit, dividend payments of EUR 1,296 million and share issues of EUR 168 million.

Outlook

In its main markets, the Group currently expects the following trends :

- In North America the Group anticipates that markets continue to be positive in 2020 though first half would be impacted by the high base of comparison for *Energy Management* and the impact of certain large projects. In *Industrial Automation* the Group expects pressure on discrete to remain in the first half, though a rebound could be expected in the second half of the year. Mexico is expected to continue to remain challenged in the near term.
- China continues to remain a growth with dynamism in many end-markets and segments including construction, infrastructure, transportation, data centers and healthcare. The OEM demand could strengthen in the second half of the year. The Group is assessing the impact of the Coronavirus to the business. There will be an impact in the first quarter of 2020 due to factory closures in January and February. At this point, this impact has been estimated at c. EUR 300 million mainly in China and the Group assumes it will be almost entirely compensated in 2020 largely in the second half of the year.
- For the rest of Asia Pacific, the Group expects India and South East Asian countries to continue to be growth markets.
- The Group expects Western Europe to grow at a moderate pace with a higher weight in the second half of the year.
- The Group expects the performance in Rest of the world to be contrasted based on country.

In the current macro environment and incorporating the current view on the impact of coronavirus, the Group expects positive growth in aggregate in 2020 as it continues to deploy its strategic priorities in key markets.

In 2020, the Group therefore sets its targets as follows:

- Revenues growth of +1% to +3% organic;
- Adjusted EBITA margin between +16.0% and to +16.3% (excluding FX and impact of acquisitions).