

Consolidated financial statements

December 31, 2017

Table of contents

1.Consolidated statement of income 2
Other comprehensive income 3
2. Consolidated statement of cash flows 4
3. Consolidated balance sheet 5
4. Consolidated statement of changes in equity 7
5. Notes to the consolidated financial statements 8
Note 1 Accounting Policies 8
Note 2 Changes in the scope of consolidation 19
Note 3 Segment information 20
Note 4 Research and development 21
Note 5 Depreciation and amortization expenses 22
Note 6 Other operating income and expenses 22
Note 7 Restructuring costs 22
Note 8 Amortization and impairment of purchase accounting intangibles 22
Note 9 Other financial income and expense 23
Note 10 Income tax expense 23
Note 11 Goodwill 24
Note 12 Intangible assets 25
Note 13 Property, plant and equipment 26
Note 14 Investments in associates 28
Note 15 Total current and non-current financial assets 29
Note 16 Deferred taxes by type 30
Note 17 Inventories and work in progress 30
Note 18 Trade accounts receivable 31
Note 19 Other receivables and prepaid expenses 31
Note 20 Cash and cash equivalents 31
Note 21 Equity 32
Note 22 Pensions and other post-employment benefit obligations 38
Note 23 Provisions for contingencies and charges 43
Note 24 Total current and non-current financial liabilities 44
Note 25 Other non-current liabilities 46
Note 26 Financial instruments 47
Note 27 Employees 51
Note 28 Related party transactions 52
Note 29 Commitments and contingent liabilities 52
Note 30 Subsequent events 53
Note 31 Statutory auditors' fees 54
Note 32 Consolidated companies 55
Review of the consolidated financial statements 64
Review of business and consolidated statement of income 64
Changes in revenue by operating segment 64
Gross profit 65
Support Function Costs: research and development and selling, general and administrative expenses 65
Other operating income and expenses 66
EBITA and Adjusted EBITA 66
Adjusted EBITA by business segment 66
Operating income (EBIT) 67
Net financial income/loss 67
Tax 67
Share of profit/(losses) of associates 67
Non-controlling interests 68
Profit for the period 68
Earnings per share 68
Consolidated cash-flow 68
Review of the parent company financial statements 69
Review of subsidiaries 69
Outlook 69

1.Consolidated statement of income

(in millions of euros except for earnings per share)	Note	Full year 2017	Full year 2016*
Revenue	3	**24,743**	**24,459**
Cost of sales		(15,245)	(15,101)
Gross profit		**9,498**	**9,358**
Research and development	4	(501)	(527)
Selling, general and administrative expenses		(5,346)	(5,333)
EBITA adjusted**	3	**3,651**	**3,498**
Other operating income and expenses	6	(15)	(63)
Restructuring costs	7	(286)	(309)
EBITA***		**3,350**	**3,126**
Amortization and impairment of purchase accounting intangibles	8	(140)	(151)
Operating income		**3,210**	**2,975**
Interest income		51	41
Interest expense		(270)	(313)
Finance costs, net		**(219)**	**(272)**
Other financial income and expense	9	(148)	(190)
Net financial income/(loss)		**(367)**	**(462)**
Profit from continuing operations before income tax		**2,843**	**2,513**
Income tax expense	10	(600)	(719)
Income of discontinued operations, net of income tax		(94)	(17)
Share of profit/(loss) of associates	14	61	34
PROFIT FOR THE PERIOD		**2,210**	**1,811**
• attributable to owners of the parent		2,150	1,750
• attributable to non-controlling interests		60	61
Basic earnings (attributable to owners of the parent) per share *(in euros per share)*	21.2	3.85	3.12
Diluted earnings (attributable to owners of the parent) per share *(in euros per share)*		3.81	3.09

* *2016 figures were restated for discontinued operations disclosed in note 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.

*** *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 2017	Full year 2016
Profit for the year		**2,210**	**1,811**
Other comprehensive income:			
Translation adjustment		(1,517)	(43)
Cash-flow hedges		(94)	30
Income tax effect of cash-flow hedges	21.6	32	(12)
Net gains (losses) on financial assets		(6)	4
Income tax effect of net gains (losses) on financial assets	21.6	-	-
Actuarial gains (losses) on defined benefit plans	22.1	48	(426)
Income tax effect of Actuarial gains (losses) on defined benefit plans	21.6	(182)	59
Other comprehensive income for the year, net of tax		**(1,719)**	**(388)**
of which to be recycled in income statement		(1,585)	22
of which not to be recycled in income statement		(134)	(410)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**491**	**1,423**
Attributable:			
• to owners of the parent		445	1,363
• to non-controlling interests		46	60

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 2017	Full year 2016*
Profit for the year		**2,210**	**1,811**
Losses/(gains) from discontinued operations		94	17
Share of (profit)/losses of associates, net of dividends received		(61)	(34)
Income and expenses with no effect on cash flow			
Depreciation of property, plant and equipment	13	387	386
Amortization of intangible assets other than goodwill	12	399	447
Impairment losses on non-current assets		68	106
Increase/(decrease) in provisions	23	(69)	(112)
Losses/(gains) on disposals of assets		(93)	17
Difference between tax paid and tax expense		48	188
Other non-cash adjustments		37	130
Net cash provided by operating activities		**3,020**	**2,956**
Decrease/(increase) in accounts receivable		(257)	(17)
Decrease/(increase) in inventories and work in progress		(173)	93
(Decrease)/increase in accounts payable		304	(21)
Other current assets and liabilities		47	(54)
Change in working capital requirement		**(79)**	**1**
Total I – Cash flows from operating activities		**2,941**	**2,957**
Purchases of property, plant and equipment	13	(434)	(476)
Proceeds from disposals of property, plant and equipment		61	81
Purchases of intangible assets	12	(315)	(360)
Proceeds from disposals of intangible assets		-	14
Net cash used by investment in operating assets		**(688)**	**(741)**
Net financial investments	2.2	(416)	47
Other long-term investments		26	44
Increase in long-term pension assets		(160)	(111)
Sub-total		**(550)**	**(20)**
Total II – Cash flows from/(used in) investing activities		**(1,238)**	**(761)**
Issuance of bonds	24	740	800
Repayment of bonds	24	(1,025)	(672)
Sale/(purchase) of own shares		(171)	(853)
Increase/(decrease) in other financial debt		111	(794)
Increase/(decrease) of shares capital		161	164
Dividends paid by Schneider Electric SE	21	(1,133)	(1,127)
Dividends paid to non-controlling interests		(64)	(100)
Purchases of minority interests	2.2	(141)	-
Total III – Cash flows from/(used in) financing activities		**(1,522)**	**(2,582)**
Total IV – Net foreign exchange difference		**(33)**	**77**
Total V – Effect of discontinued operations		**89**	**(10)**
Increase/(decrease) in net cash and cash equivalents: I +II +III +IV +V		**237**	**(319)**
Net cash and cash equivalents at January 1		2,530	2,849
Increase/(decrease) in cash and cash equivalents		237	(319)
NET CASH AND CASH EQUIVALENTS AT DECEMBER 31	**20**	**2,767**	**2,530**

* *2016 figures were restated for discontinued operations disclosed in note 1.*

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

3. Consolidated balance sheet

Assets

(in millions of euros)	Note	Dec. 31, 2017	Dec. 31, 2016
NON-CURRENT ASSETS			
Goodwill, net	11	16,423	17,785
Intangible assets, net	12	4,335	4,574
Property, plant and equipment, net	13	2,490	2,642
Total tangible and intangible assets		6,825	7,216
Investments in associates	14	547	601
Non-current financial assets	15	436	539
Deferred tax assets	16	2,097	2,573
Total non-current assets		**26,328**	**28,714**
CURRENT ASSETS			
Inventories and work in progress	17	2,844	2,876
Trade and other operating receivables	18	5,763	5,929
Other receivables and prepaid expenses	19	1,693	1,507
Current financial assets	15	32	30
Cash and cash equivalents	20	3,045	2,795
Total current assets		**13,377**	**13,137**
Assets of discontinued operations		**144**	**-**
TOTAL ASSETS		**39,849**	**41,851**

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

Liabilities

(in millions of euros)	Note	Dec. 31, 2017	Dec. 31, 2016
Equity	21		
Share capital		2,388	2,370
Additional paid-in capital		5,147	6,232
Retained earnings		12,768	10,895
Translation reserve		(506)	997
Equity attributable to owners of the parent		**19,797**	**20,494**
Non-controlling interests		145	159
Total equity		**19,942**	**20,653**
Non-current provisions			
Pensions and other post-employment benefit obligations	22	1,783	2,229
Other non-current provisions	23	1,431	1,650
Total non-current provisions		**3,214**	**3,879**
Non-current financial liabilities			
Bonds	24	5,626	5,721
Other non-current debt	24	24	45
Non-current financial liabilities		5,650	5,766
Deferred tax liabilities	16	996	1,367
Other non-current liabilities	25	10	142
Total non-current liabilities		**9,870**	**11,154**
Current liabilities			
Trade and other operating payables		4,148	4,146
Accrued taxes and payroll costs		2,250	2,006
Current provisions	23	842	857
Other current liabilities		1,018	1,182
Current debt	24	1,691	1,853
Total current liabilities		**9,949**	**10,044**
Liabilities of discontinued operations		**88**	**-**
TOTAL EQUITY AND LIABILITIES		**39,849**	**41,851**

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

4. Consolidated statement of changes in equity

(in millions of euros except for number of shares)	**Number of shares *(thousands)***	**Capital**	**Additional paid-in capital**	**Treasury shares**	**Retained earnings**	**Translation reserve**	**Equity attributable to owners of the parent**	**Non-controlling interests**	**Total**
Jan. 1, 2016	**588,734**	**2,355**	**7,267**	**(1,027)**	**11,214**	**1,039**	**20,848**	**441**	**21,289**
Profit for the year					1,750		1,750	61	1,811
Other comprehensive income					(345)	(42)	(387)	(1)	(388)
Comprehensive income for the year					1,405	(42)	1,363	60	1,423
Capital increase	2,843	11	119				130		130
Exercise of stock option plans and performance shares	922	4	30				34		34
Dividends			(1,127)				(1,127)	(100)	(1,227)
Change in treasury shares				(853)			(853)		(853)
Share-based compensation expense					118		118		118
Other			(57)		38		(19)	(242)*	(261)
Dec. 31, 2016 published	**592,499**	**2,370**	**6,232**	**(1,880)**	**12,775**	**997**	**20,494**	**159**	**20,653**
IFRS 9 restatement**					(100)		(100)		(100)
Jan. 1, 2017 restated	**592,499**	**2,370**	**6,232**	**(1,880)**	**12,675**	**997**	**20,394**	**159**	**20,553**
Profit for the year					2,150		2,150	60	2,210
Other comprehensive income					(202)	(1,503)	(1,705)	(14)	(1,719)
Comprehensive income for the year					1,948	(1,503)	445	46	491
Capital increase	2,413	10	132				142		142
Exercise of stock option plans and performance shares	2,004	8	16		(6)		18		18
Dividends			(1,133)				(1,133)	(64)	(1,197)
Change in treasury shares				(154)	(17)		(171)		(171)
Share-based compensation expense					102		102		102
Other			(100)	(119)	219		-	4	4
DEC. 31, 2017	**596,916**	**2,388**	**5,147**	**(2,153)**	**14,921**	**(506)**	**19,797**	**145**	**19,942**

* *The EUR242 million decrease in non-controlling interests mainly results from the deconsolidation of Delixi.*

** *2017 opening retained earnings were restated from IFRS9 adoption impacts disclosed in note 1.*

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

5. Notes to the consolidated financial statements

All amounts in millions of euros unless otherwise indicated.

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

The Schneider Electric Group's consolidated financial statements for the financial year ended December 31, 2017 were drawn up by the board of directors on February 14, 2018. They will be submitted to shareholders for approval at the Annual General Meeting of April 24, 2018.

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

Note 1 Accounting Policies

1.1 – Accounting standards

The consolidated financial statements have been prepared in compliance with the international accounting standards (IFRS) as adopted by the European Union as of December 31, 2017. The same accounting methods were used as for the consolidated financial statements for the year ended December 31, 2016, except for the partial early adoption of the new standard IFRS 9 – *Financial instruments.*

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, 2017:

- amendments to IAS 7 – Statement of Cash Flows – Disclosure initiative;
- amendments to IAS 12 – Recognition of Deferred Tax Assets for Unrealized Losses;

The Group did not apply the following standards and interpretations for which mandatory application is subsequent to December 31, 2017:

- standards adopted by the European Union:
  - amendments to IFRS 4: Apply IFRS 9 Financial instruments with IFRS 4 Insurance contracts;
  - IFRS 16 – Leases;
  - IFRS 15 – Clarifications;
  - IFRS 15 – *Revenue from Contracts with Customers;*
- standards not yet adopted by the European Union:
  - IFRS 17 – *Insurance Contracts;*
  - annual Improvements to IFRSs 2014-2016 Cycle (December 2016);
  - amendments to IAS 40 – Transfers of Investment Property;
  - IFRIC 23 – Uncertainty over Income Tax Treatments;
  - IFRIC 22 – Foreign Currency Transactions and Advance Consideration;
  - amendments to IFRS 2 – Share-based payment – Classification and Measurement;
  - amendments to IFRS 9 – Prepayment Features with Negative Compensation;
  - amendments to IAS 28 – Long-term Interests in Associates and Joint Ventures;
  - annual Improvements to IFRSs 2015-2017 Cycle (December 2017);
  - amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture;

There are no differences in practice between the standards applied by Schneider Electric as of December 31, 2017 and the IFRS issued by the International Accounting Standards board (IASB).

The Group is currently assessing the potential effect on the Group's consolidated financial statements of the standards not yet applicable (see below).

➢ Early application of IFRS 9 – Financial Instruments

IFRS 9, "Financial Instruments", released by the IASB in July 2014 and adopted by the European Union on November 29, 2016, replaces IAS 39 "Financial Instruments: Recognition and Measurement" with mandatory application from January 1, 2018. The new standard introduces new principles for classification and measurement of financial instruments, impairment for credit risk on financial assets, and hedge accounting.

The new standard is comprised of several phases (see below). Phase 1 and 2 have been applied retrospectively as of January 1, 2017. The 2016 comparative figures have not been restated as permitted by the IFRS 9 standard.

- **Phase 1 - Classification and measurement of financial assets and liabilities**

The impact of IFRS 9 for the Group is mainly related to the removal of the category financial assets available for sale, which allowed under IAS 39 to record instruments at fair value through Other Comprehensive Income with recycling in income statement upon sale. Under IFRS 9, all financial instruments whose cash-flows do not represent solely payment of principal and interests (SPPI), shall be recorded at fair value through income statement. However, IFRS 9 allows an irrevocable option to be made at inception to record equity instruments at fair value through Other Comprehensive Income with no subsequent recycling in income statement even upon sale (only dividends are recorded in income statement).

The following financial assets are impacted by the removal of the available for sale category:

- Portfolio of equity investments: The Group elected to record those investments at fair value through Other Comprehensive Income with no subsequent recycling in income statement.
- Venture capital (FCPR) / Mutual funds (SICAV): The only accounting treatment allowed by IFRS 9 is to record them at fair value through income statement.

The application of this phase had no significant impact on the Group financial statements (note 1.12 and note 15).

- **Phase 2 - Impairment of financial assets**

IFRS 9 introduces a prospective model based on expected losses (i.e. the probability that the counterparty will default in a given time horizon) to be applied on financial assets, whereas the previous IAS 39 model required recognition of a provision only when a loss has incurred (non-payment or late payments).

The risk analysis and assessment carried out by the Group on the financial assets (especially trade receivables, notes receivables, and loans) has demonstrated that it would be more accurate and appropriate to use IFRS 9 expected losses model rather than IAS 39 incurred losses model. Therefore, the Group has decided to early apply IFRS 9 in 2017.

The credit risk of trade receivables was assessed on a collective basis country by country, as the geographical origin of receivables is considered representative of their risk profile. Countries were classified by risk profile using the assessment provided by an external agency. The provision for expected credit losses was evaluated using (i) the probabilities of default communicated by a credit agency, (ii) historical default rates, (iii) ageing balance, (iv) as well as the Group's assessment of the credit risk taking into account guarantees and credit insurance. For the loans, the IFRS 9 provision has been determined on a case by case basis.

The resulting additional bad debt allowance impact on the balance sheet is EUR100 million net of deferred tax (recorded against the opening equity).

- **Phase 3 - Hedge accounting**

In accordance with IFRS 9 (paragraph 6.1.3), the Group decided to keep applying IAS 39 hedge accounting requirements.

➢ Application of IFRS 15 – *Revenue from contracts with customers* in 2018

On October 29, 2016, the European Union adopted IFRS 15 "Revenue from Contracts with Customers", which must be applied from January 1, 2018 at the latest. The Group has not opted for early adoption of this standard.

The Group has performed analysis on each of the revenue streams described in note 1.24: transactional sales, service revenue and long-term contracts.

For transactional and services revenue, no significant impact is expected with regards to current practices, as revenue is recognised when or as performances obligations are satisfied.

Regarding long-term contracts, IFRS 15 requires that both the existence of enforceable right to payment and the absence of alternative use are demonstrated, to be able to recognise revenue over time using the percentage of completion method. The Group has analysed a representative sample of current contracts. This analysis has proven that the application of IFRS 15 requirements would have no significant impact in comparison with the current accounting practices. However, the Group has adjusted its long-term contracts internal processes to comply fully with all IFRS 15 requirements.

In conclusion, based on the global analysis performed by the Group, there is no significant deviation from IFRS 15 new requirements regarding revenue recognition. Therefore, the Group does not expect any significant impacts from the application of IFRS 15 in 2018.

➢ Application of IFRS 16 - *Leases* in 2019

IFRS 16 “Leases” will be mandatory for financial years beginning on or after January 1, 2019. This standard requires all leases other than short-term leases and leases of low-value assets to be recognised in the lessee’s balance sheet in the form of a right-of-use asset, with a corresponding financial liability. Currently, leases classified as “operating leases” are reported as off-balance sheet items (see note 13.3).

The Group is currently analysing further the impacts on the financial statements.

1.2 – 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. At the end of this ongoing process, the Group will have a minority representation on Solar’s board. This activity used to be reported within the *Low Voltage (Building)* business segment of Schneider Electric. Solar activity net income (EUR(25) million) and the estimated loss incurred from the disposal of the business (EUR(69) million) have been reclassified to discontinued operations in the Group consolidated financial statements. The comparative information has been restated.

1.3 – 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.

1.4 – Use of estimates and assumptions

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

These assumptions mainly concern:

- the measurement of the recoverable amount of goodwill, property, plant and equipment and intangible assets (note 1.09) and the measurement of the goodwill impairment (note 1.11);
- the measurement of the recoverable amount of non-current financial assets (note 1.12 and note 15);
- the realizable value of inventories and work in progress (note 1.13);
- the recoverable amount of accounts receivable (note 1.14);
- the valuation of share-based payments (note 1.20);
- the calculation of provisions for contingencies and charges, in particular for warranties (note 1.21);
- the measurement of pension and other post-employment benefit obligations (note 1.19 and note 22);
- the measurement of deferred tax assets related to carry-forward losses (note 16).

1.5 – Consolidation principles

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

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

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

Intra-group balances and transactions are eliminated.

The list of consolidated main subsidiaries and associates can be found in note 32.

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

1.6 – Business combinations

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

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

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

Goodwill is not amortized, but tested for impairment at least annually and whenever there is an indication that it may be impaired (see note 1.11 below). Any impairment losses are recognized under « Amortization and impairment of purchase accounting intangibles ».

1.7 – Translation of the financial statements of foreign subsidiaries

The consolidated financial statements are prepared in euros.

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

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

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

1.8 – Foreign currency transactions

Foreign currency transactions are recorded using the official exchange rate in effect at the date the transaction is recorded or the hedging rate. At the balance sheet date, foreign currency payables and receivables are translated into the functional currency at the closing rates or the hedging rate. Gains or losses on translation of foreign currency transactions are recorded under « Net financial income/(loss) ». Foreign currency hedging is described below, in note 1.23.

1.9 – Intangible assets

Intangible assets acquired separately or as part of a business combination

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

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

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

Trademarks

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

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

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

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

Internally-generated intangible assets

Research and development costs

Research costs are expensed in the statement of income when incurred.

Development costs for new projects are capitalized if, and only if:

- the project is clearly identified and the related costs are separately identified and reliably 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.

Capitalized development projects are amortized over the lifespan of the underlying technology, which generally ranges from three to ten years, from the date of the commercial launch. The amortization of such capitalized projects is included in the cost of the related products and classified into « Cost of sales » when the products are sold.

Software implementation

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

1.10 – Property, plant and equipment

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

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

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

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

Useful lives of items of property, plant and equipment are reviewed periodically and may be adjusted prospectively if appropriate.

The depreciable amount of an asset is determined after deducting its residual value, when the residual value is material.

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

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

Leases

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

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

Borrowing costs

In accordance with IAS 23 R – Borrowing costs (applied as of January 1, 2009), borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of the asset when it is probable that they will result in future economic benefits to the entity and the costs can be measured reliably. Other borrowing costs are recognized as an expense for the period. Until 2008, borrowing costs were systematically expensed when incurred.

1.11 – Impairment of assets

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

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

Value in use is determined by discounting future cash flows that will be generated by the tested assets. These future cash flows are based on Group management's economic assumptions and operating forecasts presented in forecasts over a period generally not exceeding 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 plus a risk premium depending on the region in question. The WACC stood at 7.1% at December 31, 2017 (7.3% at December 31, 2016). This rate is based on (i) a long-term interest rate of 1.21%, 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 2017, and (iii) the weighted country risk premium for the Group's businesses in the countries in question (for CGUs WACC only).

The perpetuity growth rate was 2%, unchanged from the previous financial year.

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

The WACC used to determine the value in use of each CGU was 7.8% for *Low Voltage (Building),* 7.9% for *Industrial Automation* (*Industry),* 8.0% for *Secure Power (IT),* or and 8.2% for *Medium Voltage (Infrastructure).*

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

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

1.12 – Non-current financial assets

Investments in non-consolidated companies are 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:

- Fair value is recognised through Other Comprehensive Income, in the comprehensive Income statement, and, in balance sheet, in equity under « Other reserves », with no subsequent recycling in the income statement even upon sale.
- Fair value, as well as gain or loss in case of sale, are recognised 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 recognised at fair value through income statement, in accordance with IFRS 9.

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

1.13 – Inventories and work in progress

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

Net realizable value corresponds to the estimated selling price net of remaining expenses to complete and/or sell the products.

Inventory impairment losses are recognized in « Cost of sales ».

The cost of work in progress, semi-finished and finished products, includes the cost of materials and direct labor, subcontracting costs, all production overheads based on normal manufacturing capacity and the portion of research and development costs that are directly related to the manufacturing process (corresponding to the amortization of capitalized projects in production and product and range of products maintenance costs).

1.14 – Trade and other operating receivables

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

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

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

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

1.15 – Assets held for sale

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

1.16 – Deferred taxes

Deferred taxes, related to temporary differences between the tax basis and accounting basis of consolidated assets and liabilities, are recorded using the balance sheet liability method. Deferred tax assets are recognized when it is probable that they will be recovered at a reasonably determinable date.

Future tax benefits arising from the utilization of tax loss carry forwards (including amounts available for carry forward without time limit) are recognized only when they can reasonably be expected to be realized.

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

1.17 – Cash and cash equivalents

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

1.18 – Schneider Electric SE shares

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

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

1.19 – Pensions and other employee benefit obligations

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

Defined contribution plans

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

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

Defined benefit plans

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

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

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

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

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

Other commitments

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

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

1.20 – Share-based payments

The Group grants different types of share-based payments to senior executives and certain employees. These include:

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

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

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

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

As part of its commitment to employee share ownership, Schneider Electric gave its employees the opportunity to purchase shares at a discount (note 21.4).

1.21 – Provisions for contingencies and charges

A provision is recorded when the Group has an obligation to a third party prior to the balance sheet date, and where the loss or liability is likely and can be reliably measured. If the loss or liability is not likely and cannot be reliably estimated, but remains possible, the Group discloses it as a contingent liability. Provisions are calculated on a case-by-case or statistical basis and discounted when due in over a year. The discount rate used for long-term provisions was 1.4% at December 31, 2017, unchanged from December 31, 2016.

Provisions are primarily set aside to cover:

- economic risks:

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

- customer risks:

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

- product risks:

  these provisions comprise:

  – statistical provisions for warranties: The Group funds provisions on a statistical basis for the residual cost of Schneider Electric product warranties not covered by insurance,

  – provisions to cover disputes concerning defective products and recalls of clearly identified products;

- environmental risks:

  these provisions are primarily funded to cover clean-up costs;

- restructuring costs, when the Group has prepared a detailed plan for the restructuring and has either announced or started to implement the plan before the end of the year.

1.22 – Financial liabilities

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

1.23 – Financial instruments and derivatives

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

In accordance with the IFRS 9 (paragraph 6.1.3), the Group decided to continue applying IAS39 hedge accounting requirements.

Foreign currency hedges

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

The Group also hedges future cash flows, including recurring future transactions, intra-group foreign currency loans or planned acquisitions or disposals of investments. In accordance with IAS 39, these are treated as cash flow hedges. These hedging instruments are recognized in the balance sheet and are measured at fair value at the end of the year. The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is accumulated in equity, under « Other reserves », and then recognized in the income statement when the hedged item affects profit or loss. The ineffective portion of the gain or loss on the hedging instrument is recognized in « Net financial income/(loss) ».

In addition, certain long-term receivables and loans to subsidiaries are considered to be part of a net investment in a foreign operation, as defined by IAS 21 – *The Effects of Changes in Foreign Exchange Rates*. In accordance with the rules governing hedges of net investments, the impact of exchange rate fluctuations is recorded in equity and recognized in the statement of income when the investment is sold.

Interest rate swaps

Interest rate swaps allow the Group to manage its exposure to interest rate risk. The derivative instruments used are financially adjusted to the schedules, rates and currencies of the borrowings they cover. They involve the exchange of fixed and floating-rate interest payments. The differential to be paid (or received) is accrued (or deferred) as an adjustment to interest income or expense over the life of the agreement. The Group applies hedge accounting as described in IAS 39 for interest rate swaps. Gains and losses on re-measurement of interest rate swaps at fair value are recognized in equity (for cash flow hedges) or in profit or loss (for fair value hedges).

Commodity contracts

The Group also purchases commodity derivatives including forward purchase contracts, swaps and options to hedge price risks on all or part of its forecast future purchases. Under IAS 39, these qualify as cash flow hedges. These instruments are recognized in the balance sheet 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. The ineffective portion of the gain or loss on the hedging instrument is recognized in « Net financial income/(loss) ».

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

Put options granted to minority shareholders

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

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

1.24 – Revenue recognition

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

Transactional sales

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

Provisions for the discounts offered to distributors are set aside when the products are sold to the distributor and recognized as a deduction from revenue.

Certain Group subsidiaries also offer cash discounts to distributors. These discounts and rebates are deducted from sales.

Consolidated revenue is presented net of these discounts and rebates.

Service contracts

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

Long-term contracts

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

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

1.25 – Earnings per share

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

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

1.26 – Statement of cash flows

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

Note 2 Changes in the scope of consolidation

The Group's consolidated financial statements for the year ended December 31, 2017 enclose the financial statements of 561 companies. The principal companies are listed in the note 32. The scope of consolidation for the year ended December 31, 2017 can be summarized as follows:

Number of active companies	Dec. 31, 2017	Dec. 31, 2016
Parent company and fully consolidated subsidiaries	546	547
Companies accounted for by the equity method	15	13
TOTAL	**561**	**560**

2.1 – Follow-up on acquisitions and divestments occurred in 2016 with significant effect in 2017

➢ Acquisitions

No acquisition occurred in 2016 that had a significant impact on 2017 financial statements.

➢ Disposals

On December 14, 2015, Schneider Electric announced that it has signed an agreement to sell its Transportation Business, to Kapsch TrafficCom AG. On March 31, 2016, the transaction was finalized with a final sale price established at EUR31 million.

2.2 – Acquisitions and divestments occurred during the year

➢ Acquisitions

On July 27th 2017, Schneider Electric announced that it has signed an agreement to acquire Asco Power Technologies ("ASCO"), a leader in the Automatic Transfer Switch ("ATS") market for a consideration of circa USD1,250 million in an all cash transaction. The transaction was finalized on October 31st, 2017. ASCO is fully consolidated in the *Low Voltage (Building)* business since November 1st, 2017. The purchase accounting resulting from the acquisition of ASCO is not completed at the closing date. As at December 31st, 2017, the Group recognized intangible assets for a preliminary amount of EUR 506 million (trademark, patents and customer relationship), based on the most recent valuation available before the acquisition. The goodwill is not tax deductible.

Besides, the Group also acquired the minority interest of Luminous.

➢ Disposals

On April 3rd, 2017, the Group announced that it has signed an agreement to sell its Telvent DTN business, to TBG AG. On May 31st, 2017, the transaction was finalized with a final base sale price established at USD900 million.

➢ Cash-flows impacts

The effect of acquisitions and divestments during the year is a net cash outflow amounting to EUR557 million in 2017:

	Dec. 31, 2017	Dec. 31, 2016
Acquisitions	(1,165)	(64)
Purchase of minority interests	(141)	-
Disposals	749	111
NET FINANCIAL INVESTMENT	**(557)**	**47**

In 2017, the cash inflow from disposals is mainly related to the price received for the Telvent DTN divestment. The cash outflow from acquisition is mainly related to the price paid for ASCO.

In 2016, the cash inflow from disposals is mainly related to the price received for the Telvent Transportation divestment.

Note 3 Segment information

The Group is organized in four businesses: *Low Voltage* (*Building), Medium Voltage (Infrastructure), Industrial Automation (Industry)* and *Secure Power* (*IT):*

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

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

Operating segment data is identical to that presented to the board of directors, which has been identified as the main decision-making body for allocating resources and evaluating segment performance. Performance assessments used by the board of directors are notably based on Adjusted EBITA. Share-based payment is presented under « Corporate costs ». The board of directors does not review assets and liabilities by Business.

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

Details are provided in Chapter 4 of the registration document (Business Review).

3.1 – Information by operating segment

Full year 2017

(in millions of euros)	***Low Voltage (Building)***	***Industrial Automation (Industry)***	***Medium Voltage (Infrastructure)***	***Secure Power (IT)***	**Corporate costs**	**Total**
Revenue	10,812	5,816	4,500	3,615	-	24,743
Adjusted EBITA*	2,232	1,021	449	600	(651)	3,651
Adjusted EBITA %	20.6%	17.6%	10.0%	16.6%	-	14.8%

* *Adjusted EBITA: EBITA before restructuring costs and before other operating income and expenses (including acquisition, integration and separation costs).*

Full year 2016*

(in millions of euros)	***Low Voltage (Building)***	***Industrial Automation (Industry)***	***Medium Voltage (Infrastructure)***	***Secure Power (IT)***	**Corporate costs**	**Total**
Revenue	10,466	5,485	4,919	3,589	-	24,459
Adjusted EBITA**	2,117	918	477	604	(618)	3,498
Adjusted EBITA %	20.2%	16.7%	9.7%	16.8%	-	14.3%

* *2016 figures were restated for discontinued operations disclosed in note 1.*

** *Adjusted EBITA: EBITA before restructuring costs and before other operating income and expenses (including acquisition, integration and separation costs).*

3.2 – Information by region

The geographic regions covered by the Group are:

- Western Europe;
- North America: United States, Canada and Mexico;
- Asia-Pacific;
- Rest of the World (Eastern Europe, Middle East, Africa, South America).

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

Dec. 31, 2017

	Western Europe	*of which France*	North America	*of which USA*	Asia-Pacific	*of which China*	Rest of the world	Total
Revenue by country market	6,731	1,654	6,794	5,741	6,866	3,256	4,352	24,743
Non-current assets	8,793	1,717	9,278	7,408	3,894	949	1,283	23,248

Dec. 31, 2016*

	Western Europe	*of which France*	North America	*of which USA*	Asia-Pacific	*of which China*	Rest of the world	Total
Revenue by country market	6,699	1,668	6,811	5,744	6,617	3,055	4,332	24,459
Non-current assets	9,114	1,712	10,264	8,064	4,257	1,022	1,366	25,001

* *2016 figures were restated for discontinued operations disclosed in note 1.*

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

	Full year 2017		Full year 2016*	
Revenue – Mature countries	14,327	58%	14,336	59%
Revenue – New economies	10,416	42%	10,123	41%
TOTAL	**24,743**	**100%**	**24,459**	**100%**

* *2016 figures were restated for discontinued operations disclosed in note 1.*

3.3 – Degree of dependence in relation to main customers

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

Note 4 Research and development

Research and development costs break down as follows:

	Full year 2017	Full year 2016*
Research and development costs in cost of sales	(382)	(348)
Research and development costs in R&D costs (1)	(501)	(527)
Capitalized development costs	(300)	(334)
TOTAL RESEARCH AND DEVELOPMENT COSTS IN THE YEAR	**(1,183)**	**(1,209)**

** 2016 figures were restated for discontinued operations disclosed in note 1.*
(1) Of which EUR41 million of research and development tax credits in full year 2017, EUR35 million in full year 2016.

Amortization of capitalized development costs amounted to EUR238 million for the 2017 financial year, compared with EUR237 million in 2016.

Note 5 Depreciation and amortization expenses

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

	Full year 2017	Full year 2016*
Included in cost of sales:		
Depreciation and amortization	(518)	(525)
Included in selling, general and administrative expenses:		
Depreciation and amortization	(151)	(117)
DEPRECIATION AND AMORTIZATION EXPENSES	**(669)**	**(642)**

** 2016 figures were restated for discontinued operations disclosed in note 1.*

Note 6 Other operating income and expenses

Other operating income and expenses break down as follows:

	Full year 2017	Full year 2016
Impairment losses on assets	(92)	(87)
Gains on asset disposals	108	8
Losses on asset disposals	(8)	(42)
Costs of acquisitions	(75)	(36)
Pension plan curtailments and settlements	103	31
Others	(51)	63
OTHER OPERATING INCOME AND EXPENSES	**(15)**	**(63)**

In 2017, gains on asset disposals mostly include the impact of the disposal of Telvent DTN business.

The line « Pension plan curtailments and settlements » includes mainly provision releases in the USA and France in 2017; and in 2016 in the USA and Switzerland.

The costs of acquisitions are the costs of acquisition, integration and separation related to major acquisitions and disposals from 2016 to 2017.

Others in 2017 includes mainly provisions for litigation on non-operating expenses. Others in 2016 includes mainly the release of a provision against a legal claim which was settled in the first half of 2016.

Note 7 Restructuring costs

Restructuring costs totalled EUR286 million over the period. They mainly relate to industrial and support function reorganizations in all geographies.

Note 8 Amortization and impairment of purchase accounting intangibles

	Full year 2017	Full year 2016*
Amortization of purchase accounting intangibles	(117)	(151)
Impairment of purchase accounting intangibles	(23)	-
AMORTIZATION AND IMPAIRMENT OF PURCHASE ACCOUNTING INTANGIBLES	**(140)**	**(151)**

** 2016 figures were restated for discontinued operations disclosed in note 1.*

Impairment tests performed in 2017 have not led to impairment losses being recognized on the CGUs' other 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 9 Other financial income and expense

	Full year 2017	Full year 2016
Exchange gains and losses, net	(24)	(59)
Financial component of defined benefit plan costs	(69)	(74)
Dividends received	2	5
Fair value adjustment of financial assets	(2)	(2)
Other financial expense, net	(55)	(60)
OTHER FINANCIAL INCOME AND EXPENSE	**(148)**	**(190)**

Note 10 Income tax expense

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

10.1 – Analysis of income tax expense

	Full year 2017	Full year 2016*
Current taxes		
France	(26)	(205)
International	(655)	(387)
Total	**(681)**	**(592)**
Deferred taxes		
France	10	30
International	71	(157)
Total	**81**	**(127)**
INCOME TAX (EXPENSE)/BENEFIT	**(600)**	**(719)**

* *2016 figures were restated for discontinued operations disclosed in note 1.*

In 2017, the tax reforms in the USA and in Belgium, as well as the additional reform in France, led together to a positive adjustment in the P&L for EUR12 million. This impact represents the Group's best estimate of those reforms on the deferred tax positions as at December 31,2017.

In 2016, the planned reduction of the Corporate Income Tax rate in France from 34.43% to 28.92% following the passing of the Finance Bill 2017 ("Loi de finances 2017") leads to a negative adjustment of the P&L at the end of 2016 for EUR(119) million. This is to account for the adjustment downward of the net deferred tax assets corresponding mainly to past tax losses in France.

10.2 – Tax proof

	Full year 2017	Full year 2016*
Profit attributable to owners of the parent	**2,150**	**1,750**
Income of discontinued operations, net of income tax	(94)	(17)
Income tax (expense)/benefit	(600)	(719)
Non-controlling interests	(60)	(61)
Share of profit of associates	61	34
Profit before tax	**2,843**	**2,513**
Geographical weighted average Group tax rate	27.5%	27.0%
Reconciling items:		
Theoretical income tax expense	**(782)**	**(679)**
Difference between theoretical and effective tax rates		
Tax credits and other tax reductions	126	97
Impact of tax losses	(31)	(29)
Other permanent differences	75	11
Income tax (expense)/benefit before impact from tax reforms	**(612)**	**(600)**
EFFECTIVE TAX RATE BEFORE IMPACT FROM TAX REFORMS	**21.5%**	**23.9%**
Impact from the USA, French and Belgian tax reform in 2017 and French tax reform in 2016**	12	(119)
INCOME TAX (EXPENSE)/BENEFIT	**(600)**	**(719)**
EFFECTIVE TAX RATE	**21.1%**	**28.6%**

* *2016 figures were restated for discontinued operations disclosed in note 1*

** *Cf. note 10.1.*

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.

Note 11 Goodwill

11.1 – Main items of goodwill

Group goodwill is broken down by business as follows:

	Dec. 31, 2017, net	Dec. 31, 2016, net
Low Voltage (Building)	5,647	5,518
Industrial Automation (Industry)	5,763	6,383
Secure Power (IT)	3,136	3,353
Medium Voltage (Infrastructure)	1,877	2,531
TOTAL	**16,423**	**17,785**

11.2 – Movements during the year

The main movements during the year are summarized as follows:

	Full year 2017	Full year 2016
Net goodwill at opening	**17,785**	**17,781**
Acquisitions	716	9
Disposals	(536)	(384)
Impairment	-	-
Translation adjustment	(1,489)	379
Reclassifications	(53)	-
Net goodwill at year end	**16,423**	**17,785**
Included cumulative impairment	**(354)**	**(392)**

Acquisitions

Goodwill generated by acquisitions made during the year totalled EUR716 million, mainly from ASCO preliminary goodwill, allocated to the CGU *Low Voltage (Building).* Goodwill disposals in 2017 totalled EUR536 million and mainly relate to the disposal of Telvent DTN business.

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

Other changes

Translation adjustments concern principally goodwill in US dollars.

Note 12 Intangible assets

12.1 – Change in intangible assets

	Trademarks	Software	Development projects (R&D)	Other	Total
GROSS VALUE					
Dec. 31, 2015	**3,006**	**879**	**2,478**	**2,567**	**8,930**
Acquisitions	-	24	348	2	**374**
Disposals	-	(35)	(3)	(7)	**(45)**
Translation adjustments	81	4	36	48	**169**
Reclassification	-	28	(23)	-	**5**
Changes in scope of consolidation and other	(3)	(12)	(36)	(137)	**(188)**
DEC. 31, 2016	**3,084**	**888**	**2,800**	**2,473**	**9,245**
Acquisitions	-	-	314	1	**315**
Disposals	-	-	-	-	**-**
Translation adjustments	(319)	(20)	(99)	(272)	**(710)**
Reclassification	-	7	(90)	(38)	**(121)**
Changes in scope of consolidation and other	112	(14)	(82)	327	**343**
DEC. 31, 2017	**2,877**	**861**	**2,843**	**2,491**	**9,072**

	Trademarks	Software	Development projects (R&D)	Other	Total
AMORTIZATION AND IMPAIRMENT					
Dec. 31, 2015	**(765)**	**(728)**	**(1,226)**	**(1,485)**	**(4,204)**
Depreciation	(6)	(55)	(243)	(148)	**(452)**
Impairment	-	(18)	(65)	-	**(83)**
Reversal of depreciation and impairment	5	28	32	(3)	**62**
Translation adjustments	(9)	(3)	(20)	(31)	**(63)**
Reclassification	(4)	-	4	-	**-**
Changes in scope of consolidation and other	3	11	13	42	**69**
DEC. 31, 2016	**(776)**	**(765)**	**(1,505)**	**(1,625)**	**(4,671)**
Depreciation	(10)	(50)	(235)	(104)	**(399)**
Impairment	(22)	(4)	(64)	(1)	**(91)**
Reversal of depreciation and impairment	-	-	-	-	**-**
Translation adjustments	48	16	55	129	**248**
Reclassification	-	-	10	35	**45**
Changes in scope of consolidation and other	-	41	77	13	**131**
DEC.31, 2017	**(760)**	**(762)**	**(1,662)**	**(1,553)**	**(4,737)**

	Trademarks	Software	Development projects (R&D)	Other	Total
NET VALUE					
Dec. 31, 2015	2,241	151	1,252	1,082	4,726
Dec. 31, 2016	2,308	123	1,295	848	4,574
Dec. 31, 2017	**2,117**	**99**	**1,181**	**938**	**4,335**

In 2017, change in intangible assets is mainly related to R&D capitalized development costs for EUR298 million.

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

Cash impact	Dec. 31, 2017	Dec. 31, 2016*
Amortization of intangible assets other than goodwill	399	447
Impairment on intangible assets other than goodwill and others	91	82
TOTAL**	**490**	**529**

* *2016 figures were restated for discontinued operations disclosed in note 1.*

** *Includes amortization & impairment of intangible assets from purchase price allocation for EUR140 million for the year 2017 and EUR151 million for the year 2016 (disclosed in note 8).*

12.2 – Trademarks

At December 31, 2017, the main trademarks recognized were as follows:

	Dec. 31, 2017	Dec. 31, 2016
APC *(Secure Power (IT))*	1,533	1,745
Clipsal *(Low Voltage (Building))*	166	174
Asco *(Low Voltage (Building))**	132	-
Pelco *(Low Voltage (Building))*	117	158
Invensys – Triconex and Foxboro *(Industrial Automation (Industry))*	46	52
Digital *(Industrial Automation (Industry))*	40	44
Other	83	134
NET	**2,117**	**2,308**

* *Preliminary trademark assessement*

The brand Pelco has been impaired for a total of EUR318 million since its acquisition by the Group.

All the above trademarks are considered to have an indefinite life.

Note 13 Property, plant and equipment

13.1 – Change in property, plant and equipment

	Land	Buildings	Machinery and equipment	Other	Total
GROSS VALUE					
Dec. 31, 2015	**209**	**1,906**	**4,418**	**1,072**	**7,605**
Acquisitions	-	299	130	56	**485**
Disposals	(47)	(65)	(217)	(46)	**(375)**
Translation adjustments	1	13	23	8	**45**
Reclassification	8	(128)	118	(13)	**(15)**
Changes in scope of consolidation and other	-	(65)	(49)	(5)	**(119)**
Dec. 31, 2016	**171**	**1,960**	**4,423**	**1,072**	**7,626**
Acquisitions	-	270	128	49	**447**
Disposals	(6)	(96)	(116)	(43)	**(261)**
Translation adjustments	(8)	(100)	(205)	(47)	**(360)**
Reclassification	(3)	(174)	110	2	**(65)**
Changes in scope of consolidation and other	(1)	(14)	12	(27)	**(30)**
Dec. 31, 2017	**153**	**1,846**	**4,352**	**1,006**	**7,357**

	Land	Buildings	Machinery and equipment	Other	Total
AMORTIZATION AND IMPAIRMENT					
Dec. 31, 2015	**(29)**	**(907)**	**(3,353)**	**(587)**	**(4,876)**
Depreciations and impairment	(1)	(89)	(272)	(59)	(421)
Recapture	10	31	203	32	276
Translation adjustments	-	(3)	(15)	(4)	(22)
Reclassification	-	2	(6)	9	5
Changes in scope of consolidation and other	-	18	25	11	54
Dec. 31, 2016	**(20)**	**(948)**	**(3,418)**	**(598)**	**(4,984)**
Depreciations and impairment	(1)	(69)	(257)	(60)	(387)
Recapture	1	37	121	39	198
Translation adjustments	1	36	147	35	219
Reclassification	1	16	6	12	35
Changes in scope of consolidation and other	1	22	5	24	52
Dec. 31, 2017	**(17)**	**(906)**	**(3,396)**	**(548)**	**(4,867)**

	Land	Buildings	Machinery and equipment	Other	Total
NET VALUE					
Dec. 31, 2015	180	999	1,065	485	2,729
Dec. 31, 2016	151	1,012	1,005	474	2,642
Dec. 31, 2017	**136**	**940**	**956**	**458**	**2,490**

Reclassifications primarily correspond to assets put into use.

The cash impact of purchases of property, plant and equipment in 2017 was as follows:

Cash impact of purchases of property, plant and equipment	Dec. 31, 2017	Dec. 31, 2016*
Increase in property, plant and equipment	(447)	(476)
Changes in receivables and liabilities on property, plant and equipment	13	-
TOTAL	(434)	(476)

* *2016 figures were restated for discontinued operations disclosed in note 1.*

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

Cash impact	Dec. 31, 2017	Dec. 31, 2016*
Depreciation of property, plant and equipment	387	386
Impairment of property, plant and equipment	-	33
TOTAL	387	419

* *2016 figures were restated for discontinued operations disclosed in note 1.*

13.2 – Finance leases

Property, plant and equipment primarily include the following finance leases:

	Dec. 31, 2017	Dec. 31, 2016
Buildings	10	11
Machinery and equipment	30	31
Other property, plant and equipment	1	2
Accumulated depreciation	(40)	(41)
ASSETS UNDER FINANCE LEASE	**1**	**3**

There were no future minimum rental commitments on finance leases properties as at December 31, 2017.

13.3 – Operating leases

Rental expense breaks down as follows:

	Full year 2017	Full year 2016
Minimum rentals	112	112
Sub-lease rentals	5	5
TOTAL RENTAL EXPENSE	**117**	**117**

Operating lease commitments break down as follows at December 31, 2017:

	Minimum payments	Discounted minimum payments
Less than one year	139	137
Between one and five years	361	346
Five years and more	96	87
TOTAL COMMITMENTS	**596**	**570**
Discounting effect	(26)	-
Discounted minimum payments	**570**	**570**

Note 14 Investments in associates

Investments in associates can be analyzed as follows:

	% Interest		Share net assets		Net income / (Loss)	
	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2017	Dec. 31, 2016
Delixi	50.0%	50.0%	278	279	39	25
Fuji Electric FA Components & Systems	36.8%	36.8%	116	115	16	11
Sunten Electric Equipment	25.0%	25.0%	48	52	1	(4)
Telvent DMS, LLC power engineering	57.0%	57.0%	44	40	2	3
InnoVista Sensors (formerly Custom Sensors & Technologies Topco Limited)	30.0%	30.0%	27	77	2	(7)
Delta Dore Finance	20.0%	20.0%	19	18	1	1
Others	-	-	15	20	-	5
TOTAL	**-**	**-**	**547**	**601**	**61**	**34**

Note 15 Total current and non-current financial assets

15.1 – Non-current financial assets

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

	% interest	Dec. 31, 2017			Dec. 31, 2016
		Acquisition cost	Revaluation	Fair value	Fair value
I – LISTED FINANCIAL ASSETS					
NVC Lighting	9.0%	123	(100)	**23**	**35**
Gold Peak Industries Holding Ltd	4.4%	6	(3)	**3**	**3**
Total listed financial assets		**129**	**(103)**	**26**	**38**
II – UNLISTED FINANCIAL ASSETS					
FCPR SEV1	100%	6	9	**15**	**17**
FCPR Aster II (part A, B and C)	43.8%	33	(7)	**26**	**23**
FCPR Growth	100%	36	-	**36**	**32**
FCPI Energy Access Ventures Fund	34.6%	5	(2)	**3**	**3**
SICAV SESS	63.1%	10	1	**11**	**11**
SICAV Livelihoods Fund SIF	15.2%	3	-	**3**	**3**
Renewable Choice Energy Inc., (1)	100%	-	-	**-**	**20**
Raise Fundation	4.8%	9	-	**9**	**9**
Shenzhen Aster	30.4%	13	-	**13**	**-**
Foundries(2)	100%	7	-	**7**	**-**
Others(3)		9	(3)	**6**	**5**
Total unlisted financial assets		**131**	**(2)**	**129**	**123**
Pensions assets		**182**	**-**	**182**	**247**
Other		**99**	**-**	**99**	**131**
TOTAL NON-CURRENT FINANCIAL ASSETS		**541**	**(105)**	**436**	**539**

(1) Company consolidated in 2017.

(2) Company purchased in 2017.

(3) Unit gross value lower than EUR3 million.

Changes in fair value for NVC Lighting and Gold Peak Industries Holding Ltd are recorded through Other Comprehensive Income since 2017 (note 1.2). 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.

NVC Lighting investment was acquired in July 2011 in the framework of a partnership that gives Schneider Electric an exclusive access to NVC Lighting's diffused and well established channels. In 2016, the cumulated change in fair value of NVC Lighting investment, determined based on its price share, corresponded to a loss of value of EUR106 million at closing rate, and had been recorded in the income statement.

15.2 – Current financial assets

Current financial assets total EUR32 million at December 31, 2017 and include short-term investments in pension funds.

Note 16 Deferred taxes by type

Deferred taxes by type can be analyzed as follows:

	Dec. 31, 2017	Dec. 31, 2016
Tax credits and tax loss carryforwards (net)	683	947
Provisions for pensions and other post-retirement benefit obligations (net)	332	444
Non-deductible provisions for contingencies and accruals (net)	273	296
Differences between tax and accounting depreciation on tangible assets (net)	(45)	(116)
Differences between tax and accounting amortization on intangible assets (net)	(625)	(749)
Differences on working capital (net)	277	271
Deferred tax at other/reduced tax rates	63	123
Other deferred tax assets/(liabilities) (net)	143	(10)
TOTAL NET DEFERRED TAX ASSETS/(LIABILITIES)	**1,101**	**1,206**
Of which :		
Total deferred tax assets	**2,097**	**2,573**
Total deferred tax liabilities	**(996)**	**(1,367)**

Deferred tax assets recorded in respect of tax loss carried forward at December 31, 2017 essentially concern France (EUR531 million).

Note 17 Inventories and work in progress

Inventories and work in progress changed as follows:

	Dec. 31, 2017	Dec. 31, 2016
COST:		
Raw materials	1,218	1,247
Production work in progress	263	277
Semi-finished and finished products	1,142	1,146
Goods	407	416
Solution work in progress	135	154
INVENTORIES AND WORK IN PROGRESS AT COST	**3,165**	**3,240**
IMPAIRMENT:		
Raw materials	(154)	(162)
Production work in progress	(5)	(7)
Semi-finished and finished products	(150)	(176)
Goods	(7)	(11)
Solution work in progress	(5)	(8)
IMPAIRMENT LOSS	**(321)**	**(364)**
NET:		
Raw materials	1,064	1,085
Production work in progress	258	270
Semi-finished and finished products	992	970
Goods	400	405
Solution work in progress	130	146
INVENTORIES AND WORK IN PROGRESS, NET	**2,844**	**2,876**

Note 18 Trade accounts receivable

	Dec. 31, 2017	Dec. 31, 2016
Accounts receivable	5,833	5,957
Notes receivable	293	257
Advances to suppliers	115	123
Accounts receivable at cost	**6,241**	**6,337**
Impairment	(478)	(408)
Accounts receivable, net	**5,763**	**5,929**
Of which:		
On time	4,880	5,028
Less than one month past due	408	420
One to two months past due	181	169
Two to three months past due	81	96
Three to four months past due	74	62
More than four months past due	139	154
ACCOUNTS RECEIVABLE, NET	**5,763**	**5,929**

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

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

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

	Full year 2017	Full year 2016
Provisions for impairment on January 1 *	**(531)**	**(473)**
Additions	(89)	(35)
Utilizations	52	32
Reversals of surplus provisions	44	28
Translation adjustments	43	2
Other	3	38
PROVISIONS FOR IMPAIRMENT ON DECEMBER 31	**(478)**	**(408)**

* The 2017 opening balance has been restated from the IFRS 9 opening impact (note 1.1).

Note 19 Other receivables and prepaid expenses

	Dec. 31, 2017	Dec. 31, 2016
Other receivables	386	342
Other tax credits	922	806
Derivative instruments	135	74
Prepaid expenses	250	285
TOTAL	**1,693**	**1,507**

Note 20 Cash and cash equivalents

	Dec. 31, 2017	Dec. 31, 2016
Marketable securities	1,393	899
Negotiable debt securities and short-term deposits	107	422
Cash and cash equivalents	1,545	1,474
Total cash and cash equivalents	**3,045**	**2,795**
Bank overdrafts	(278)	(265)
NET CASH AND CASH EQUIVALENTS	**2,767**	**2,530**

Non-recourse factoring of trade receivables were realized during the second semester of 2017 for a total amount of EUR103 million, compared with EUR103 million during the second semester of 2016.

Note 21 Equity

21.1 – Capital

Share capital

The company's share capital at December 31, 2017 amounted to EUR2,387,664,968 represented by 596,916,242 shares with a par value of EUR4, all fully paid up.

At December 31, 2017, a total of 626,070,223 voting rights were attached to the 596,916,242 shares outstanding.

Schneider Electric's capital management strategy is designed to:

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

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

Changes in share capital

Changes in share capital since December 31, 2015 were as follows:

	Cumulative number of shares	Total *(in euros)*
Capital at Dec. 31, 2015	**588,734,472**	**2,354,937,888**
Exercise of stock options	921,535	3,686,140
Employee share issue	2,842,752	11,371,008
Capital at Dec. 31, 2016	**592,498,759**	**2,369,995,036**
Exercise of stock options	2,004,115	8,016,460
Employee share issue	2,413,368	9,653,472
CAPITAL AT DEC. 31, 2017	**596,916,242**	**2,387,664,968**

The share premium account increased by EUR148,868,602 following the exercise of options and the increases in capital.

21.2 – Earnings per share

Determination of the share base used in calculation

(in thousands of shares)	Full year 2017		Full year 2016	
	Basic	Diluted	Basic	Diluted
Common shares*	557,731	557,731	561,222	561,222
Performance shares	-	6,337	-	5,503
Stock options	-	303	-	421
Average weighted number of shares	**557,731**	**564,371**	**561,222**	**566,946**

* *Net of treasury shares and own shares.*

Earnings per share

(in euros)	Full year 2017		Full year 2016 *	
	Basic	Diluted	Basic	Diluted
Profit before tax	5.10	5.04	4.48	4.43
EARNINGS PER SHARE	**3.85**	**3.81**	**3.12**	**3.09**

* 2016 figures were restated for discontinued operations disclosed in note 1

21.3 – Dividends paid and proposed

In 2017, the Group paid out the 2016 dividend of EUR2.04 per share (with a nominal value of EUR4), for a total of EUR1,133 million.

In 2016, the Group paid out the 2015 dividend of EUR2.00 per share (with a nominal value of EUR4), for a total of EUR1,127 million.

At the Shareholders' Meeting of April 24, 2018, shareholders will be asked to approve a dividend of EUR2.20 per share (with a nominal value of EUR4) for fiscal year 2017. At December 31, 2017 Schneider-Electric SE had distributable reserves in an amount of EUR5,141 million (versus EUR6,231 million at the previous year-end), not including profit for the year.

21.4 – 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 stock grant plans for senior executives and certain employees of the Group. The main features of these plans were as follows at December 31, 2017:

Stock option plans

Plan no.	Date of the board meeting	Type of plan (1)	Starting date of exercise period	Expiration date	Price *(in euros)*	Number of options initially granted	Options cancelled because targets not met
29	04/23/2007	S	04/23/2011	04/22/2017	45.55	166,300	-
30	12/19/2007	S	12/19/2011	12/18/2017	42.00	1,889,852	887,952
31	01/05/2009	S	01/05/2013	01/04/2019	23.78	1,358,000	133,760
33	12/21/2009	S	12/21/2013	12/20/2019	34.62	1,652,686	-
TOTAL						**5,066,838**	**1,021,712**

(1) S = Options to suscribe new shares

Rules governing the stock option plans are as follows:

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

Performance shares

Plan no.	Date of board meeting	Vesting Date	Expiration Date	Number of shares granted originally	Grants cancelled because targets not met
13 *ter*	7/27/2012	7/27/2014	7/27/2016	625	-
14 *ter*	7/27/2012	7/27/2016	7/27/2016	1,500	-
15	3/28/2013	3/28/2015	3/28/2017	645,550	-
15 *bis*	10/24/2013	10/24/2015	10/26/2017	4,500	-
16	3/28/2013	3/28/2017	3/28/2017	1,844,830	-
16 *bis*	10/24/2013	10/24/2017	10/24/2017	19,600	-
17	3/31/2014	3/31/2016	4/2/2018	714,480	83,455
18	3/31/2014	3/31/2018	4/2/2018	2,177,320	248,203
17 *bis*	10/28/2014	10/28/2016	10/29/2018	500	55
18 *bis*	10/28/2014	10/28/2018	10/29/2018	30,900	3,377
19 a	2/18/2015	2/18/2017	2/20/2020	4,925	-
19 b	2/18/2015	2/18/2018	2/19/2020	9,100	-
20 a	2/18/2015	2/18/2017	2/20/2020	11,475	-
20 b	2/18/2015	2/18/2018	2/19/2020	11,950	-
20 c	2/18/2015	2/18/2019	2/18/2020	9,300	-
21	3/27/2015	3/27/2017	3/28/2019	719,670	110,367
21 *bis*	10/28/2015	10/28/2017	10/29/2019	1,500	217
22	3/27/2015	3/27/2019	3/28/2019	2,095,610	310,776
22 bis	10/28/2015	10/28/2019	10/29/2019	32,650	4,585
22 ter	10/28/2015	10/28/2019	10/29/2019	24,570	-
23	3/23/2016	3/23/2016	3/24/2018	7,983	-
24	3/23/2016	3/23/2016	3/24/2020	27,042	-
25	3/23/2016	3/23/2016	3/24/2019	744,540	-
26	3/23/2016	3/23/2016	3/24/2020	2,291,200	-
27	10/26/2016	10/26/2019	10/27/2019	35,700	-
28	3/24/2017	3/24/2020	3/24/2021	25,800	-
29	3/24/2017	3/24/2020	3/24/2020	2,405,220	-
29 bis	10/25/2017	10/25/2020	10/25/2020	32,400	-
Total				**13,930,440**	**761,035**

Rules governing the stock grant plans are as follows:

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

Outstanding options and grants

Change in the number of options

Plan no.	Number of options outstanding at Dec. 31, 2016	Number of options exercised and/or created in 2017	Number of options cancelled or restated in 2017 (1)	Number of options outstanding at Dec. 31, 2017
29	46,164	(36,576)	(9,588)	-
30	222,377	(210,882)	(11,495)	-
31	257,209	(107,444)	6,868	156,633
33	553,224	(162,268)	9,394	400,350
TOTAL	**1,078,974**	**(517,170)**	**(4,821)**	**556,983**

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

To exercise the options granted under plans 29 to 33, and the SARs, the grantee must generally be an employee or corporate officer of the Group. In addition, exercise of some options is generally conditional on the achievement of annual objectives based on financial indicators.

In respect of subscription vesting conditions for current stock option and performance shares plans, Schneider Electric SE has created 2,004,115 shares in 2017.

Change in the number of performance shares

Plan no.	Number of performance shares at Dec. 31, 2016	Number of shares granted or to be granted	Number of shares cancelled in 2017	Number of shares outstanding at Dec. 31, 2017
16	1,563,180	(1,469,655)	(93,525)	-
16 *bis*	19,100	(13,500)	(5,600)	-
18	1,710,275	(890)	(222,977)	1,486,408
18 *bis*	26,433	-	(712)	25,721
19	14,025	(4,925)	-	9,100
20	32,725	(11,475)	-	21,250
21	698,870	(581,353)	(117,517)	-
21 *bis*	1,500	(1,500)	-	-
22	2,006,360	-	(494,196)	1,512,164
22 bis	32,650	-	(5,585)	27,065
22 ter	24,570	-	-	24,570
23	7,983	-	-	7,983
24	27,042	-	-	27,042
25	743,390	(1,900)	(3,750)	737,740
26	2,273,400	-	(152,650)	2,120,750
27	35,700	-	(1,000)	34,700
28	-	25,800	-	25,800
29	-	2,405,220	(45,850)	2,359,370
29 bis	-	32,400	-	32,400
TOTAL	**9,217,203**	**378,222**	**(1,143,362)**	**8,452,063**

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

21.4.1 Valuation of performance shares

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

- a payout rate of between 3.0% and 3.5%;
- a discount rate of between 0% 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:

	Full year 2017	Full year 2016
Plan 16 and 16 *bis*	(1)	16
*Plan 17 and 17 *bis*	-	4
Plan 18 and 18 *bis*	12	21
Plan 20	-	1
Plan 21 and 21 *bis*	4	19
Plan 22, 22 bis and 22 ter	20	28
Plan 23 and 24	-	2
Plan 25	11	8
Plan 26	23	19
Plan 27	1	-
Plan 29 and 29 bis	32	-
TOTAL	**102**	**118**

21.4.2 Worldwide Employee Stock Purchase Plan

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

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

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

As regards the first semester 2017, Schneider Electric gave its employees the opportunity to purchase shares at a price of EUR 59.11 per share, as part of its commitment to employee share ownership, on April 3rd, 2017. This represented a 15% discount to the reference price of EUR 69.23 calculated as the average opening price quoted for the share during the 20 days preceding the Management Board's decision to launch the employee share issue.

Altogether, 2.4 million shares were subscribed, increasing the Company's capital by EUR 143 million as of July 11, 2017. 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 2017 and 2016.

	2017		2016	
Non-leveraged plans	**%**	**Value**	**%**	**Value**
Plan characteristics				
Maturity *(years)*		5		5
Reference price *(euros)*		69.23		56.31
Subscription price *(euros)*:				
Between		59.11		47.86
And		59.11		45.04
Discount:				
Between	15.0%		15.0%	
And	15.0%		20.0%	
Amount subscribed by employees		142.7		130.0
Total amount subscribed		142.7		130.0
Total number of shares subscribed *(millions of shares)*		2.4		2.8
Valuation assumptions				
Interest rate available to market participant *(bullet loan)* (1)	3.8%		3.5%	
Five-year risk-free interest rate (euro zone)	0.3%		0.0%	
Annual interest rate *(repo)*	1.0%		1.0%	
(a) Value of discount:				
Between	15.0%	9.0	15.0%	8.7
And	15.0%	15.4	20.0%	20.4
(b) Value of the lock-up period for market participant	**23.8%**	**39.8**	**23.9%**	**38.3**
Total expense for the Group (a-b)		**-**		**-**
Sensitivity				
• decrease in interest rate for market participant (2)	(0.5%)	4.7	(0.5%)	4.5

Amounts in millions of euros, unless otherwise stated.

(1) Average interest rate charged on an ordinary, non-revolving personal loan, with a five-year maturity to an individual with an average credit rating.
(2) A decline in the interest rate for market participants reduces the lock-up cost and increases the expense booked by the issuer.

21.5 – Schneider Electric SE shares

At December 31, 2017, the Group held 39,349,507 Schneider Electric shares in treasury stock, which have been recorded as a deduction from retained earnings.

21.6 – Income tax recorded in equity

Total income tax recorded in Equity amounts to EUR241 million as of December 31, 2017 and can be analysed as follows:

	Dec. 31, 2017	Dec. 31, 2016	Change in tax
Cash-flow hedges	61	29	32
Financial assets revaluation	(7)	(7)	-
Actuarial gains (losses) on defined benefits	188	370	(182)
Other	(1)	(1)	-
TOTAL	**241**	**391**	**(150)**

Note 22 Pensions and other post-employment benefit obligations

The Group has set up various post-employment benefit plans for employees covering pensions, termination benefits, healthcare, life insurance and other benefits. Besides, the Group proposes as well, long-term benefit plans for current employees, primarily long service awards and similar benefits, mainly in France, Australia and India.

Assumptions and sensitivity analysis

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

	Group weighted average rate		*Of which US*	
	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2017	Dec. 31, 2016
Discount rate	2.65%	2.72%	3.50%	3.98%
Rate of compensation increases	3.28%	3.19%	n.a.	n.a.
Interest income [(1)]	2.71%	3.83%	4.00%	4.25%

(1) Under IAS 19 revised, the rate applied in the calculation of the interest income is the discount rate at the beginning of the period.

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

In the main geographical zones, the discount rates currently stand at 1.00% for 10 years duration and 1.50% for 15 years duration in the euro zone, 3.50% in the United States and 2.50% in the United Kingdom.

A 0.5 point increase in the discount rate would reduce pension and termination benefit obligations by around EUR658 million and the service cost by EUR2 million. A 0.5 point decrease would increase pension and termination benefit obligations by EUR740 million and the service cost by EUR2 million.

The post-employment healthcare obligation mainly concerns the United States. A one point increase in the healthcare costs rate would increase the post-employment healthcare obligation by EUR13 million and the sum of the service cost and interest cost by EUR0.5 million. A one point decrease in healthcare costs rate would decrease the post-employment healthcare obligation by EUR12 million and the sum of the service cost and interest cost by EUR0.5 million.

In 2017, the rate of healthcare cost increases in the United States is based on a decreasing trend from 7.67% in 2018 to 4.5% in 2028 for pre 65 retirees and from 5.67% in 2018 to 4.5% in 2022 for post 65 retirees. In 2016, the rate of healthcare cost increases in the United States is based on a decreasing trend from 8.00% in 2017 to 4.5% in 2028 for pre 65 retirees and from 6.00% in 2017 to 4.5% in 2022 for post 65 retirees.

Pensions and termination benefits

Pension obligations primarily concern the Group's North American and European subsidiaries. These plans feature either a lump-sum payment on the employee's retirement or regular pension payments after retirement. The amount is based on years of service, grade and end-of-career salary. The average duration of the North American plans is 11.5 years.

The majority of benefit obligations under these plans, which represent 96% of the Group's total commitment or EUR9,528 million at December 31, 2017, are partially or fully funded through payments to external funds. These funds are not invested in Group assets.

External funds are invested in equities (around 14%), bonds (around 80%), real estate (around 1%) and cash and others assets (around 5%).

Main contributions are primarily for the North American plans and amount to EUR92 million in 2017. They are estimated at EUR61 million for 2018, EUR97 million for 2019 and EUR88 million for 2020.

At December 31, 2017, provisions for pensions and termination benefits total EUR1,324 million, compared with EUR1,530 million in 2016. These provisions have been included in non-current liabilities, as the current portion was not considered material in relation to the total liability.

Payments made under defined contribution plans are recorded in the income statement in the year of payment and are in full settlement of the Group's liability. Defined contribution plan payments total EUR76 million in 2017, compared with EUR84 million in 2016.

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

The North American subsidiaries pay certain healthcare costs and provide life insurance benefits to retired employees who fulfill certain criteria in terms of age and years of service. The average duration of these North American plans is 8.7 years. These post-employment benefit obligations are unfunded.

Healthcare coverage for North American employees represents 72% of this obligation.

The main benefits paid in 2017 are primarily for the North American plans and amount to EUR18 million. They are estimated at EUR19 million in 2018, and EUR18 million in 2019 and 2020.

Other long-term benefit obligations include long-service awards due by subsidiaries in France, for EUR13 million.

At December 31, 2017, provisions for these benefit obligations total EUR277 million, compared with EUR452 million at December 31, 2016. These provisions have been included in non-current liabilities, as the current portion was not considered material in relation to the total liability.

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

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

	Pensions and termination benefits	*Of which SE USA*	Other post-employment and long-term benefits	*Of which SE USA*	Provisions for pensions & other post-employment benefits
Dec. 31, 2015	**1,089**	**377**	**480**	**313**	**1,569**
Net cost recognized in the statement of income	84	26	7	(7)	**91**
Benefits paid	(29)	-	(35)	(18)	**(64)**
Plan participants' contributions	(104)	(40)	-	-	**(104)**
Actuarial items recognized in equity	439	47	(13)	4	**426**
Translation adjustment	55	14	10	10	**65**
Changes in the scope of consolidation	(4)	-	3	-	**(1)**
Other changes	-	-	-	-	**-**
Dec. 31, 2016	**1,530**	**424**	**452**	**302**	**1,982**
Net cost recognized in the statement of income	82	23	(64)	(8)	**18**
Benefits paid	(28)	-	(36)	(16)	**(64)**
Plan participants' contributions	(161)	(56)	-	-	**(161)**
Actuarial items recognized in equity	(4)	(27)	(44)	(47)	**(48)**
Translation adjustment	(88)	(48)	(37)	(33)	**(125)**
Changes in the scope of consolidation	(7)	-	6	-	**(1)**
Other changes	-	-	-	-	**-**
Dec. 31, 2017	**1,324**	**316**	**277**	**198**	**1,601**
Surplus of plans recognized as assets	**(182)**	**-**	**-**	**-**	**(182)**
Provisions recognized as liabilities	**1,506**	**316**	**277**	**198**	**1,783**

Following the agreement reached with the Trustee of the Invensys Pension scheme in the UK in February 2014, Schneider Electric SE guaranteed all obligations of the Invensys subsidiaries which participate in the Scheme, up to a maximum amount of GBP1.75 billion. At December 31, 2017, plan assets exceed the value of obligations subject to this guarantee and thus this guarantee cannot be called.

Changes in gross items recognized in equity were as follows:

	Pensions and termination benefits	Other post-employment and long-term benefits	Provisions for pensions & other post-employment benefits
Dec. 31, 2015	**733**	**(34)**	**699**
Actuarial (gains)/losses on projected benefit obligation arising from demographic assumptions	23	1	**24**
Actuarial (gains)/losses on projected benefit obligation arising from financial assumptions	1,501	22	**1,523**
Actuarial (gains)/losses on projected benefit obligation from experience effects	(77)	(36)	**(113)**
Actuarial (gains)/losses on plan assets	(919)	-	**(919)**
Effect of the asset ceiling	(89)	-	**(89)**
Dec. 31, 2016	**1,172**	**(47)**	**1,125**
Actuarial (gains)/losses on projected benefit obligation arising from demographic assumptions	14	(7)	**7**
Actuarial (gains)/losses on projected benefit obligation arising from financial assumptions	92	6	**98**
Actuarial (gains)/losses on projected benefit obligation from experience effects	(57)	(43)	**(100)**
Actuarial (gains)/losses on plan assets	(19)	-	**(19)**
Effect of the asset ceiling	(34)	-	**(34)**
Dec. 31, 2017	**1,168**	**(91)**	**1,077**

22.2 – Provisions for pensions and termination benefit obligations

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

	Dec. 31, 2017		Dec. 31, 2016	
		Of which SE USA		*Of which SE USA*
1. Reconciliation of balance sheet items				
Pension assets	-	-	-	-
Provisions for pensions and other post-employment benefit	(1,324)	(316)	(1,530)	(424)
NET ASSET/(LIABILITY) RECOGNIZED IN THE BALANCE SHEET	**(1,324)**	**(316)**	**(1,530)**	**(424)**

	Full year 2017		Full year 2016	
		Of which SE USA		*Of which SE USA*
2. Components of net cost recognized in the statement of income				
Service cost	47	-	39	-
Past service cost	1	-	(14)	-
Curtailments and settlements	(24)	-	-	-
Interest cost (effect of discounting on obligation and plan assets)	280	55	373	61
Interest income	(222)	(32)	(314)	(35)
NET COST RECOGNIZED IN THE STATEMENT OF INCOME	**82**	**23**	**84**	**26**

	Full year 2017		Full year 2016	
		Of which SE USA		*Of which SE USA*
3. Change in projected benefit obligation				
Projected benefit obligation at beginning of year	11,085	1,508	10,785	1,492
Service cost	47	-	39	-
Past service cost/Curtailments and Settlements	(341)	-	(101)	(87)
Interest cost (effect of discounting)	277	55	365	61
Plan participants' contributions	5	-	5	-
Benefits paid	(584)	(74)	(562)	(70)
Changes in the scope of consolidation	(7)	-	(4)	-
Actuarial (gains)/losses recognized in equity	49	63	1,447	64
Translation adjustments	(619)	(186)	(889)	48
Other	-	-	-	-
PROJECTED BENEFIT OBLIGATION AT END OF YEAR	**9,912**	**1,366**	**11,085**	**1,508**

Plans changes occurred in United States.

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

At December 31, 2017, actuarial losses resulting from changes in financial assumptions on pension and termination benefit obligations total EUR92 million for the Group compared to EUR1,501 million of losses at December 31, 2016. At December 31, 2017, the losses resulting from changes in demographic assumptions on pension and termination benefit obligations total EUR14 million for the Group compared to EUR23 million of losses at December 31, 2016.

At December 31, 2017, actuarial gains relative to the effects of experience on pension and termination benefit obligations total EUR57 million for the Group compared to EUR77 million of gains at December 31, 2016.

	Full year 2017		Full year 2016	
		Of which SE USA		*Of which SE USA*
4. Change in fair value of plan assets				
Fair value of plan assets at beginning of year	9,688	1,084	9,941	1,115
Interest income	222	32	314	35
Plan participants' contribution	5	-	5	-
Employer contributions	161	56	104	40
Benefits paid	(556)	(74)	(533)	(70)
Actuarial gains/(losses) recognized in equity	19	90	919	17
Changes in the scope of consolidation	-	-	-	-
Translation adjustments	(535)	(138)	(975)	34
Curtailments and settlements	(318)	-	(87)	(87)
Other	-	-	-	-
FAIR VALUE OF PLAN ASSETS AT END OF YEAR	**8,686**	**1,050**	**9,688**	**1,084**

At December 31, 2017, the actual return on plan assets is EUR241 million compared with EUR1,233 million at December 31, 2016.

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

	Full year 2017		Full year 2016	
		Of which SE USA		*Of which SE USA*
5. Funded status				
Projected benefit obligation	(9,912)	(1,366)	(11,085)	(1,508)
Fair value of plan assets	8,686	1,050	9,688	1,084
Surplus/(Deficit)	**(1,226)**	**(316)**	**(1,397)**	**(424)**
Effect of the asset ceiling	(98)	-	(133)	-
Deferred items:				
Unrecognized past service cost	-	-	-	-
(LIABILITIES)/NET ASSETS RECOGNIZED IN THE BALANCE SHEET	**(1,324)**	**(316)**	**(1,530)**	**(424)**

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

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

	Full year 2017	Full year 2016
1. Components of net cost recognized in the statement of income		
Service cost	6	9
Interest cost (effect of discounting)	10	15
Interest income	-	-
Past service cost	-	(20)
Curtailments and settlements	(80)	-
Amortization of actuarial gains & losses	-	3
NET COST RECOGNIZED IN THE STATEMENT OF INCOME	**(64)**	**7**

	Full year 2017	Full year 2016
2. Change in projected benefit obligation		
Projected benefit obligation at beginning of year	452	480
Service cost	6	9
Interest cost (effect of discounting)	10	15
Plan participants' contribution	-	-
Benefits paid	(36)	(35)
Actuarial (gains)/losses recognized in equity	(44)	(13)
Past service cost	(80)	(20)
Changes in the scope of consolidation	6	3
Translation adjustments	(37)	10
Other (including curtailments and settlements)	-	3
PROJECTED BENEFIT OBLIGATION AT END OF YEAR	**277**	**452**

Plans changes occurred in France and in United States.

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

At December 31, 2017, actuarial gains relative to the effects of experience on healthcare costs, life insurance and other post-employment benefits total EUR43 million for the Group compared to EUR35 million of gains at December 31, 2016.

	Dec. 31, 2017	Dec. 31, 2016
3. Funded status		
Projected benefit obligation	(277)	(452)
Deferred items:		
Unrecognized past service cost	-	-
PROVISION RECOGNIZED IN BALANCE SHEET	**(277)**	**(452)**

Note 23 Provisions for contingencies and charges

	Economic risks	Customer risks	Products risks	Environmental risks	Restructuring	Other risks	Provisions
Dec. 31, 2015	**850**	**129**	**459**	**348**	**143**	**630**	**2,559**
Long-term portion	*591*	*106*	*175*	*335*	*16*	*436*	*1,659*
Additions	186	14	130	5	124	142	601
Discounting effect	-	-	-	1	-	-	1
Utilizations	(118)	(26)	(119)	(21)	(111)	(111)	(506)
Reversals of unused provisions	(5)	(8)	(22)	(2)	(2)	(131)	(170)
Translation adjustments	22	2	6	9	1	13	53
Changes in the scope of consolidation and other	(28)	(8)	(2)	-	9	(2)	(31)
Dec. 31, 2016	**907**	**103**	**452**	**340**	**164**	**541**	**2,507**
Long-term portion	*710*	*87*	*164*	*330*	*18*	*341*	*1,650*
Additions	82	19	145	10	125	126	507
Discounting effect	-	-	-	-	-	-	-
Utilizations	(79)	(11)	(98)	(18)	(121)	(151)	(478)
Reversals of unused provisions	(24)	(12)	(15)	(7)	(3)	(19)	(80)
Translation adjustments	(64)	(11)	(29)	(34)	(7)	(53)	(198)
Changes in the scope of consolidation and other	(1)	6	(10)	(1)	(4)	25	15
Dec. 31, 2017	**821**	**94**	**445**	**290**	**154**	**469**	**2,273**
Long-term portion	*615*	*64*	*153*	*276*	*8*	*315*	*1,431*

(a) Economic risks

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

(b) Customer risks

Provisions for customer risks mainly integrate the provisions for losses at completion for some of long term contracts, for EUR94 million.

(c) Product risks

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

- statistical provisions for warranties: the Group funds provisions on a statistical basis for the residual cost of Schneider Electric product warranties not covered by insurance;
- provisions for disputes over defective products;
- provisions to cover disputes related to recalls of clearly identified products.

(d) Environmental risks

These provisions are primarily funded to cover cleanup costs.

(e) Other risks

These provisions cover, in particular, insurance risks associated with the Group's captive insurance companies, certain historical legal risks, and certain provisions relating to employees, along with miscellaneous other risks.

(f) Reconciliation with cash flow statement

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

	Dec. 31, 2017	Dec. 31, 2016
Increase of provision	507	601
Utilization of provision	(478)	(506)
Reversal of surplus provision	(80)	(170)
Provision variance including tax provisions but excluding employee benefit obligation	**(51)**	**(75)**
(Tax provisions net variance)	28	(61)
Provision variance excluding tax provisions and pension benefit obligation	**(23)**	**(136)**
Employee benefit obligation net variance excluding contribution to plan assets	(46)	24
Increase/(decrease) in provisions in cash-flow statement	**(69)**	**(112)**

Note 24 Total current and non-current financial liabilities

Non-current financial liabilities break down as follows:

	Dec. 31, 2017	Dec. 31, 2016
Bonds	6,375	6,746
Bank and other borrowings	23	240
Lease liabilities	-	1
Employee profit sharing	4	5
Short-term portion of convertible and non-convertible bonds	(749)	(1,025)
Short-term portion of long-term debt	(3)	(201)
NON-CURRENT FINANCIAL LIABILITIES	**5,650**	**5,766**

Current financial liabilities break down as follows:

	Dec. 31, 2017	Dec. 31, 2016
Commercial paper	330	65
Accrued interest	58	75
Other short-term borrowings	273	223
Drawdown of funds from lines of credit	-	-
Bank overdrafts	278	265
Short-term portion of convertible and non-convertible bonds	749	1,025
Short-term portion of long-term debt	3	201
SHORT-TERM DEBT	**1,691**	**1,853**
TOTAL CURRENT AND NON-CURRENT FINANCIAL LIABILITIES	**7,341**	**7,619**
CASH AND CASH EQUIVALENTS (SEE NOTE 20)	**(3,045)**	**(2,795)**
NET DEBT	**4,296**	**4,824**

24.1 – Breakdown by maturity

	Dec. 31, 2017			Dec. 31, 2016
	Nominal	Interests	Swaps	Nominal
2017	-	-	-	1,855
2018	1,691	128	-	795
2019	523	97	-	498
2020	498	87	-	498
2021	598	73	-	598
2022	664	57	-	755
2023	795	35	-	794
2024	790	19	-	789
2025 and beyond	1,782	18	-	1,037
TOTAL	**7,341**	**514**	**-**	**7,619**

24.2 – Breakdown by currency

	Dec. 31, 2017	Dec. 31, 2016
Euro	6,253	6,277
US Dollar	696	899
Russian Rouble	75	129
Indian Rupee	51	40
Brazilian Real	69	-
Argentinian Peso	27	-
Algerian Dinar	27	32
Chilian Peso	24	22
Colombian Peso	22	19
Australian Dollar	16	11
Other	81	190
TOTAL	**7,341**	**7,619**

24.3 – Bonds

	Dec. 31, 2017	Dec. 31, 2016	Effective interest rate	Maturity
Schneider Electric SE 2017	-	1,025	4.000% fixed	August 2017
Schneider Electric SE 2018	749	748	3.750% fixed	July 2018
Schneider Electric SE 2019	499	498	3.500% fixed	January 2018
Schneider Electric SE 2020	498	498	3.625% fixed	July 2020
Schneider Electric SE 2021	598	598	2.500% fixed	September 2021
Schneider Electric SE 2022	664	756	2.950% fixed	September 2022
Schneider Electric SE 2023	795	794	1.500% fixed	September 2023
Schneider Electric SE 2024	790	789	0.250% fixed	September 2024
Schneider Electric SE 2025	1,042	1,041	0.875%, 1.841% fixed	October 2025
Schneider Electric SE 2026	740	-	0.875% fixed	December 2026
TOTAL	**6,375**	**6,746**		

Schneider Electric SE has issued bonds on different markets:

- in the United States, through a private placement offering following SEC 144A rule, for USD800 million worth of bonds issued in September 2012, at a rate of 2.950%, due in September 2022;
- as part of its Euro Medium Term Notes (EMTN) program, bonds traded on the Luxembourg stock exchange. Issues that had not yet matured as of December 31, 2017 are as follow:
  - EUR750 million worth of bonds issued in December 2017, at a rate of 0.875%, maturing in December 2026,
  - EUR800 million worth of bonds issued in September 2016, at a rate of 0.25%, maturing in September 2024,
  - EUR200 million and EUR100 million worth of Climate bonds issued successively in October and December 2015, at a rate of 1.841%, maturing in October 2025,
  - EUR750 million worth of bonds issued in March 2015, at a rate of 0.875%, maturing in March 2025,
  - EUR800 million worth of bonds issued in September 2015 at a rate of 1.50%, maturing in September 2023,
  - EUR600 million worth of bonds issued in September 2013, at a rate of 2.5%, maturing in September 2021,
  - EUR500 million worth of bonds issued in September 2011, at a rate of 3.5%, maturing in January 2019,
  - EUR750 million worth of bonds issued in July 2011, at a rate of 3.75%, maturing in July 2018,
  - EUR500 million worth of bonds issued in July 2010, at a rate of 3.625%, maturing on July 20, 2020,

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

24.4 – Reconciliation with cash flow statement

	Dec. 31, 2016	Cash variation	Non-Cash variations			Dec. 31, 2017
			Scope impacts	Forex impacts	Other	
Bonds	6,746	(285)	-	(86)	-	6,375
Bank overdrafts and other borrowings	802	(204)	-	34	-	632
Other Short-Term borrowings	71	331	-	(68)	-	334
TOTAL CURRENT AND NON-CURRENT FINANCIAL LIABILITIES	**7,619**	**(158)**	**-**	**(120)**	**-**	**7,341**

24.5 – Other information

At December 31, 2017 Schneider Electric had confirmed credit lines of EUR2,675 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 25 Other non-current liabilities

	Dec. 31, 2017	Dec. 31, 2016
Debt on Luminous valuation	-	130
Advances on government subsidies	4	3
Other	6	9
OTHER NON-CURRENT LIABILITIES	**10**	**142**

In 2016, the debt on Luminous valuation corresponded to the Group commitment on the minority interest (26%) in Luminous.

Note 26 Financial instruments

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

26.1 – Balance sheet exposure

	Dec. 31, 2017	Breakdown by category (IFRS 9)			
	Fair Value	Fair value through P&L	Fair value through equity	Financial assets measured at amortized cost	Financial liabilities measured at amortized cost
ASSETS					
Listed financial assets	26	-	26	-	-
Venture capital (FCPR) / Mutual funds (SICAV)	94	94	-	-	-
Other Unlisted financial assets	35	-	35	-	-
Other non-current financial assets	281	-	-	281	-
TOTAL NON-CURRENT ASSETS	**436**	**94**	**61**	**281**	**-**
Trade accounts receivable	5,763	-	-	5,763	-
Current financial assets	32	32	-	-	-
Marketable securities	1,393	1,393	-	-	-
Derivative instruments – foreign currencies	111	95	16	-	-
Derivative instruments – interest rates	-	-	-	-	-
Derivative instruments – commodities	12	-	12	-	-
Derivative instruments – shares	12	12	-	-	-
TOTAL CURRENT ASSETS	**7,323**	**1,532**	**28**	**5,763**	**-**
LIABILITIES					
Long-term portion of bonds *	(5,953)	-	-	-	(5,953)
Other long-term debt	(24)	-	-	-	(24)
TOTAL NON-CURRENT LIABILITIES	**(5,977)**	**-**	**-**	**-**	**(5,977)**
Short-term portion of bonds *	(749)	-	-	-	(749)
Short-term debt	(942)	-	-	-	(942)
Trade accounts payable	(4,206)	-	-	-	(4,206)
Other	(37)	-	-	-	(37)
Derivative instruments – foreign currencies	(77)	(77)	-	-	-
Derivative instruments – interest rates	-	-	-	-	-
Derivative instruments – commodities	-	-	-	-	-
Derivative instruments – shares	-	-	-	-	-
TOTAL CURRENT LIABILITIES	**(6,011)**	**(77)**	**-**	**-**	**(5,934)**

(*) 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 EUR6,375 million compared to EUR6,702 million at fair value.

The main changes driven by the application of IFRS 9 in 2017 are described in note 1.1.

	Dec. 31, 2016			Breakdown by category (IAS 39)		
	Fair Value	Fair value through P&L	Fair value through equity	Available-for-sale financial assets	Loans and account receivables	Financial liabilities measured at amortized cost
ASSETS						
Available-for-sale financial assets	161	-	-	161	-	-
Other non-current financial assets	378	-	-	-	378	-
TOTAL NON-CURRENT ASSETS	**539**	**-**	**-**	**161**	**378**	**-**
Trade accounts receivable	5,929	-	-	-	5,929	-
Current financial assets	36	36	-	-	-	-
Marketable securities	899	899	-	-	-	-
Derivative instruments – foreign currencies	49	36	13	-	-	-
Derivative instruments – interest rates	-	-	-	-	-	-
Derivative instruments – commodities	9	-	9	-	-	-
Derivative instruments – shares	16	16	-	-	-	-
TOTAL CURRENT ASSETS	**6,938**	**987**	**22**	**-**	**5,929**	**-**
LIABILITIES						
Long-term portion of bonds *	(6,019)	-	-	-	-	(6,019)
Other long-term debt	(46)	-	-	-	-	(46)
TOTAL NON-CURRENT LIABILITIES	**(6,065)**	**-**	**-**	**-**	**-**	**(6,065)**
Short-term portion of bonds *	(1,057)	-	-	-	-	(1,057)
Short-term debt	(828)	-	-	-	-	(828)
Trade accounts payable	(4,146)	-	-	-	-	(4,146)
Other	(27)	-	-	-	-	(27)
Derivative instruments – foreign currencies	(197)	(192)	5	-	-	-
Derivative instruments – interest rates	-	-	-	-	-	-
Derivative instruments – commodities	-	-	-	-	-	-
Derivative instruments – shares	-	-	-	-	-	-
TOTAL CURRENT LIABILITIES	**(6,255)**	**(192)**	**5**	**-**	**-**	**(6,058)**

(*) 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 EUR6,746 million compared to EUR7,076 million at fair value.

26.2 – Fair value hierarchy

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

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

	Dec. 31, 2017				
	Carrying Amount	Fair value	Level 1	Level 2	Level 3
ASSETS					
Financial assets	155	155	26		129[(1)]
Marketable securities	1,393	1,393	1,393		
Derivative instruments	135	135		135	
LIABILITIES					
Bonds	(6,375)	(6,702)	(6,702)		
Other long-term debt	(24)	(24)			(24)
Other current liabilities	(5,185)	(5,185)			(5,185)
Derivative instruments	(77)	(77)		(77)	

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

	Dec. 31, 2016				
	Carrying Amount	Fair value	Level 1	Level 2	Level 3
ASSETS					
Available-for-sale financial assets	161	161	36	-	125[(1)]
Marketable securities	899	899	899	-	-
Derivative instruments	74	74	-	74	-
LIABILITIES					
Bonds	(6,746)	(7,076)	(7,076)	-	-
Other long-term debt	(46)	(46)	-	-	(46)
Other current liabilities	(5,001)	(5,001)	-	-	(5,001)
Derivative instruments	(197)	(197)	-	(197)	-

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

26.3 – Derivative instruments

26.3.1 Foreign currency

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

Dec. 31, 2017		Nominal amount	
	Carrying amount	Sale	Purchase
Cash flow hedges	(20)	149	872
Net investment hedges	12	1,105	-
Trading	41	5,213	3,704
TOTAL	**33**	**6,467**	**4,576**

Dec. 31, 2016		Nominal amount	
	Carrying amount	Sale	Purchase
Cash flow hedges	(74)	411	867
Net investment hedges	12	1,257	-
Trading	(86)	4,780	3,209
TOTAL	**148**	**6,348**	**4,076**

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

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

	Dec. 31, 2017		
	Sales	Purchases	Net
USD	4,279	(1,281)	2,998
GBP	381	(632)	(251)
SGD	364	(161)	203
BRL	5	(206)	(201)
CNY	200	(656)	(456)
HKD	187	(41)	146
AED	62	(2)	60
HUF	38	(98)	(60)
IDR	32	(61)	(29)
SEK	78	(190)	(112)
CAD	140	(143)	(3)
NOK	78	(4)	74
DKK	15	(170)	(155)
AUD	165	(620)	(455)
RUB	82	-	82
CHF	23	(130)	(107)
SAR	28	(1)	27
ZAR	53	(3)	50
Others	257	(177)	80
TOTAL	**6,467**	**(4,576)**	**1,891**

These forward currency hedging positions include EUR952 million in hedges of loans and borrowings of a financial nature (net sales) and EUR939 million in hedges of operating cash flows (net sales).

26.3.2 Interest rate

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 2017.

26.3.3 Raw material hedges

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

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

	Dec. 31, 2017	Dec. 31, 2016
Carrying amount	12	9
Nominal amount	(153)	(159)

26.3.4 Share-based payment

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

	Dec. 31, 2017	Dec. 31, 2016
Outstanding shares	400,146	629,447
Carrying amount	12	16
Nominal amount	(17)	(27)

26.4 – 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, 2017	(a) Gross amounts	(b) Gross amounts offset in the statement of financial position	(c)=(a)-(b) Net amounts presented in the statement of financial position	(d) Related amount not offset in the statement of financial position	(e)=(c)-(d) Net amount, as per IFRS 7
Financial assets	354	225	129	47	82
Financial liabilities	(305)	(225)	(80)	(47)	(33)

Dec. 31, 2016	**(a) Gross amounts**	**(b) Gross amounts offset in the statement of financial position**	**(c)=(a)-(b) Net amounts presented in the statement of financial position**	**(d) Related amount not offset in the statement of financial position**	**(e)=(c)-(d) Net amount, as per IFRS 7**
Financial assets	1,894	1,820	74	44	30
Financial liabilities	(2,089)	(1,820)	(269)	(44)	(225)

Note 27 Employees

27.1 – Employees

The average number of permanent and temporary employees was as follows in 2016 and 2017:

(number of employees)	2017	2016
Production	80,895	82,013
Administration	72,229	78,911
TOTAL AVERAGE NUMBER OF EMPLOYEES	**153,124**	**160,924**
By region:		
EMEAS*	69,726	75,415
North America	30,766	31,055
Asia-Pacific	52,632	54,454

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

The decrease in the average number of employees is primarily linked to 2017 disposals.

27.2 – Employee benefits expense

	Full year 2017	Full year 2016
Payroll costs	(6,045)	(6,079)
Profit-sharing and incentive bonuses	(65)	(67)
Stock options and performance shares	(102)	(118)
EMPLOYEE BENEFITS EXPENSE	**(6,212)**	**(6,264)**

27.3 – Benefits granted to senior executives

In 2017, the Group paid EUR1.7 million in attendance fees to the members of its board of directors. The total amount of gross remuneration, including benefits in kind, paid in 2017 by the Group to the members of Senior Management, excluding executive directors, totalled EUR20.3 million, of which EUR6.8 million corresponded to the variable portion.

During the last three periods, 752,526 performance shares have been allocated to members of Senior Management, excluding executive directors. No stock options have been granted to members of Senior Management during the last three financial years. Performance shares were allocated under the 2017 long-term incentive plan. Since December 16, 2011, 100% of performance shares and/or stock options are conditional on the achievement of performance criteria for members of the Executive Committee.

Pension obligations net of assets with respect to members of Senior Management amounted to EUR8 million at December 31, 2017 versus EUR24 million at December 31, 2016.

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

Note 28 Related party transactions

28.1 – Associates

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

Related party transactions were not material in 2017.

28.2 – Related parties with significant influence

No transactions were carried out during the year with members of the supervisory board or management board.

Compensation and benefits paid to the Group's top senior executives are described in note 27.3.

Note 29 Commitments and contingent liabilities

29.1 – Guarantees and similar undertakings

	Dec. 31, 2017	Dec. 31, 2016
Market counter guarantees [1]	2,854	3,075
Pledges, mortgages and sureties [2]	11	7
Other commitments given [3]	435	353
GUARANTEES GIVEN	**3,300**	**3,435**
Endorsements and guarantees received	68	75
GUARANTEES RECEIVED	**68**	**75**

(1) On certain contracts, customers require a guarantee from a bank that the contract will be fully executed by the Group. For these contracts the Group gives a counter guarantee to the bank. If a claim occurs, the risk linked to the commitment is assessed and a provision for contingencies is recorded when the risk is considered probable and can be reasonably estimated.

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

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

29.2 – Purchase commitments

The Group is committed in the takeover of IGE + XAO and in the Aveva and Schneider Electric Software business combination, described in Note 30.

29.3 – Contingent liabilities

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

Note 30 Subsequent events

30.1 – IGE + XAO takeover

On November 8, 2017, the Group announced the signing of a memorandum of understanding, pursuant to which SEI SAS have filed with the Autorité des Marchés Financiers (AMF) a voluntary public tender offer for the shares of IGE+XAO, at the price of 132 Euros per share (coupon attached).

With more than 80,000 licences globally, IGE+XAO is a leader in design software for electrical installations through its CAD (Computer Aided Design), PLM (Product Life cycle Management) and simulation software. The company had consolidated revenues of 29.4 million Euros for the financial year 2016-2017 and an operational margin of 27%.

On January 25, 2018, after the successful public tender offer and following the delivery of the shares tendered to the offer, the Group announced that SEI SAS will own directly and indirectly 70.57% of the share capital of IGE+XAO, and therefore has taken the control of the Company. The public tender offer initiated by Schneider Electric has been re-opened from February 1st to February 14th, 2018, in order to allow shareholders who have not yet disposed of their shares to do so under the same terms.

30.2 – Aveva & Schneider Electric Software Business combination

On September 5th, 2017, the Group announced that it had reached agreement with AVEVA Group plc on the terms and conditions of a Combination of AVEVA and Schneider Electric industrial software business, to create a global leader in engineering and industrial software. On completion, following the issue of ordinary shares in the capital of AVEVA to Schneider Electric, the Group will own 60% of the enlarged AVEVA Group, on a fully diluted basis. Completion is subject to the satisfaction of a number of conditions including, amongst other things, AVEVA shareholder approval of the combination and applicable regulatory and anti-trust approvals having been obtained.

Subsequent to the announcement of September 5th, AVEVA shareholder approval was given at a General Meeting on September 29th, 2017. All outstanding regulatory clearances required ahead of completion of the Combination have now been received, including the approval of the Committee on Foreign Investments in the United States ("CFIUS"), which gave its approval on February 9, 2018. Therefore, it is expected that completion of the Combination will occur in March 1, 2018.

Note 31 Statutory auditors' fees

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

(in thousands of euros)	Full year 2017				
	EY	%	Mazars	%	TOTAL
Audit					
Statutory auditing	11,152	85%	7,776	89%	**18,928**
o/w Schneider Electric SE	*102*		*102*		
o/w subsidiaries	*11,050*		*7,674*		
Related services	1,152	9%	908	11%	**2,060**
o/w Schneider Electric SE	*752*		*37*		
o/w subsidiaries	*400*		*871*		
Audit sub-total	**12,304**	**94%**	**8,684**	**100%**	**20,988**
Other legal, tax services	742	6%	10	-	**752**
TOTAL FEES	**13,046**	**100%**	**8,694**	**100%**	**21,740**

(in thousands of euros)	Full year 2016				
	EY	%	Mazars	%	TOTAL
Audit					
Statutory auditing	8,354	76%	7,863	89%	16,217
o/w Schneider Electric SE	*100*		*100*		
o/w subsidiaries	*8,254*		*7,763*		
Related services	1,861	17%	984	11%	2,845
o/w Schneider Electric SE	*23*		*41*		
o/w subsidiaries	*1,838*		*943*		
Audit sub-total	**10,215**	**93%**	**8,847**	**100%**	**19,062**
Other legal, tax services	733	7%	10	-	743
TOTAL FEES	**10,948**	**100%**	**8,857**	**100%**	**19,805**

Note 32 Consolidated companies

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

		% Interest Dec. 31, 2017	% Interest Dec. 31, 2016
Europe			
FULLY CONSOLIDATED			
Invensys Systems GmbH	Austria	100,0	100,0
NXT Control GmbH	Austria	100,0	-
Schneider Electric Austria GmbH	Austria	100,0	100,0
Schneider Electric Power Drives GmbH	Austria	100,0	100,0
Schneider Electric Bel	Belarus	100,0	100,0
Invensys Systems NV/SA	Belgium	100,0	100,0
Schneider Electric Energy Belgium SA	Belgium	100,0	100,0
Schneider Electric ESS BVBA	Belgium	100,0	100,0
Schneider Electric NV/SA	Belgium	100,0	100,0
Schneider Electric Services International SPRL	Belgium	100,0	100,0
Schneider Electric Bulgaria EOOD	Bulgaria	100,0	100,0
Schneider Electric d.o.o	Croatia	100,0	100,0
Schneider Electric AS	Czech Republic	98,3	98,3
Schneider Electric CZ sro	Czech Republic	100,0	100,0
Schneider Electric Systems Czech Republic sro	Czech Republic	100,0	100,0
Ørbaekvej 280 A/S	Denmark	100,0	100,0
Schneider Electric Danmark A/S	Denmark	100,0	100,0
Schneider Electric IT Denmark ApS	Denmark	100,0	100,0
Schneider Nordic Baltic A/S	Denmark	100,0	100,0
Schneider Electric EESTI AS	Estonia	100,0	100,0
Schneider Electric Finland Oy	Finland	100,0	100,0
Schneider Electric Fire & Security OY	Finland	100,0	100,0
Vamp OY	Finland	100,0	100,0
BCV Technologies SAS	France	100,0	100,0
Behar sécurité	France	100,0	100,0
Boissière Finance SNC	France	100,0	100,0
Construction Electrique du Vivarais SAS	France	100,0	100,0
Dinel SAS	France	100,0	100,0
Eckardt	France	100,0	100,0
Eurotherm Automation SASU	France	100,0	100,0
France Transfo SAS	France	100,0	100,0
Invensys Systems France SASU	France	100,0	100,0
Merlin Gerin Alès SAS	France	100,0	100,0
Merlin Gerin Loire SAS	France	100,0	100,0
Muller & Cie SA	France	100,0	100,0
Newlog SAS	France	100,0	100,0
Prodipact SAS	France	100,0	100,0
Proface France	France	100,0	100,0
Rectiphase SAS	France	100,0	100,0
Sarel - Appareillage Electrique SAS	France	99,0	99,0
Scanelec SAS	France	100,0	100,0
Schneider Electric Energy France SAS	France	100,0	100,0

		% Interest Dec. 31, 2017	% Interest Dec. 31, 2016
Schneider Electric France SAS	France	100,0	100,0
Schneider Electric Holding Amérique du Nord SAS	France	100,0	100,0
Schneider Electric Industries SAS	France	100,0	100,0
Schneider Electric International SAS	France	100,0	100,0
Schneider Electric IT France	France	100,0	100,0
Schneider Electric Manufacturing Bourguebus SAS	France	100,0	100,0
Schneider Electric SE (Société mère)	France	100,0	100,0
Schneider Electric Software France	France	100,0	-
Schneider Electric Telecontrol SAS	France	100,0	100,0
Schneider Toshiba Inverter Europe SAS	France	60,0	60,0
Schneider Toshiba Inverter SAS	France	60,0	60,0
Société d'Appareillage Electrique Gardy SAS	France	100,0	100,0
Société d'Application et d'Ingenierie Industrielle et Informatique SAS - SA3I	France	100,0	100,0
Société Electrique d'Aubenas SAS	France	100,0	100,0
Société Française de Construction Mécanique et Electrique SA	France	100,0	100,0
Société Française Gardy SA	France	100,0	100,0
Systèmes Equipements Tableaux Basse Tension SAS	France	100,0	100,0
Transfo Services SAS	France	100,0	100,0
Transformateurs SAS	France	100,0	100,0
ABN Braun GmbH	Germany	100,0	-
Eberle Controls GmbH	Germany	100,0	100,0
Elso GmbH	Germany	100,0	100,0
Foxboro-Eckardt GmbH	Germany	100,0	100,0
Merten GmbH	Germany	100,0	100,0
Schneider Electric Automation Deutschland GmbH	Germany	100,0	100,0
Schneider Electric Automation GmbH	Germany	100,0	100,0
Schneider Electric Deutschland GmbH	Germany	100,0	100,0
Schneider Electric GmbH	Germany	100,0	100,0
Schneider Electric Real Estate GmbH	Germany	100,0	100,0
Schneider Electric Sachsenwerk GmbH	Germany	100,0	100,0
Schneider Electric Software Germany GmbH	Germany	100,0	100,0
Schneider Electric Systems Germany GmbH	Germany	100,0	100,0
Siebe Metallwerke GmbH	Germany	100,0	100,0
Schneider Electric AEBE	Greece	100,0	100,0
Schneider Electric Energy Hungary LTD	Hungary	100,0	100,0
Schneider Electric Hungaria Villamossagi ZRT	Hungary	100,0	100,0
SE - CEE Schneider Electric Közep-Kelet Europai KFT	Hungary	100,0	100,0
APC (EMEA) Ltd	Ireland	100,0	100,0
Schneider Electric Ireland	Ireland	100,0	100,0
Schneider Electric IT Logistics Europe Ltd	Ireland	100,0	100,0
Validation technologies (Europe) Ltd	Ireland	100,0	100,0
Eliwell Controls S.r.l.	Italy	100,0	100,0
Eurotherm S.r.l.	Italy	100,0	100,0
Schneider Electric Industrie Italia Spa	Italy	100,0	100,0
Schneider Electric Software Italy	Italy	100,0	-
Schneider Electric Spa	Italy	100,0	100,0
Schneider Electric Systems Italia Spa	Italy	100,0	100,0
Uniflair Spa	Italy	100,0	100,0
Wonderware Italia Spa	Italy	100,0	100,0

		% Interest Dec. 31, 2017	% Interest Dec. 31, 2016
Lexel Fabrika SIA	Latvia	100,0	100,0
Schneider Electric Baltic Distribution Center	Latvia	100,0	100,0
Schneider Electric Latvija SIA	Latvia	100,0	100,0
UAB Schneider Electric Lietuva	Lithuania	100,0	100,0
Industrielle de Réassurance SA	Luxembourg	100,0	100,0
American Power Conversion Corp (A.P.C.) BV	Netherlands	100,0	100,0
APC International Corporation BV	Netherlands	100,0	100,0
APC International Holdings BV	Netherlands	100,0	100,0
Pelco Europe BV	Netherlands	100,0	100,0
Pro-Face HMI BV (sub-group)	Netherlands	100,0	100,0
Schneider Electric BV	Netherlands	100,0	100,0
Schneider Electric Logistic Centre BV	Netherlands	100,0	100,0
Schneider Electric Manufacturing The Netherlands BV	Netherlands	100,0	100,0
Schneider Electric Software Holdings Netherlands	Netherlands	100,0	-
Schneider Electric Software Netherlands	Netherlands	100,0	-
Schneider Electric The Netherlands BV	Netherlands	100,0	100,0
ELKO AS	Norway	100,0	100,0
Eurotherm AS	Norway	100,0	100,0
Lexel Holding Norge AS	Norway	100,0	100,0
Schneider Electric Norge AS	Norway	100,0	100,0
Elda Eltra Elektrotechnika S.A. (ex Eltra SA)	Poland	100,0	100,0
Invensys Eurotherm Sp. Z.o.o.	Poland	100,0	100,0
Invensys Systems Sp. Z.o.o.	Poland	100,0	100,0
Schneider Electric Energy Poland Sp. Z.o.o.	Poland	100,0	100,0
Schneider Electric Industries Polska Sp. Z.o.o.	Poland	100,0	100,0
Schneider Electric Polska Sp. Z.o.o.	Poland	100,0	100,0
Schneider Electric Portugal LDA	Portugal	100,0	100,0
Schneider Electric Romania SRL	Romania	100,0	100,0
DIN Elektro Kraft OOO	Russia	100,0	100,0
OOO Potential	Russia	100,0	100,0
OOO Schneider Electric Zavod Electromonoblock	Russia	100,0	100,0
Schneider Electric Software Russia	Russia	100,0	-
Schneider Electric Systems LLC	Russia	100,0	100,0
Schneider Electric URAL LLC	Russia	100,0	100,0
ZAO Gruppa Kompaniy Electroshield	Russia	100,0	100,0
ZAO Schneider Electric	Russia	100,0	100,0
Schneider Electric Srbija doo Beograd	Serbia	100,0	100,0
Schneider Electric Slovakia Spol SRO	Slovakia	100,0	100,0
Schneider Electric Systems Slovakia SRO	Slovakia	100,0	100,0
Schneider Electric d.o.o.	Slovenia	100,0	100,0
Enclosure Solutions	Spain	100,0	-
Invensys Operations Management Espana S.L.U.	Spain	100,0	100,0
Manufacturas Electricas SA	Spain	100,0	100,0
Schneider Electric Espana SA	Spain	100,0	100,0
Schneider Electric IT, Spain SL	Spain	100,0	100,0
Schneider Electric Software Spain	Spain	100,0	-
AB Crahftere 1	Sweden	100,0	100,0
AB Wibe	Sweden	100,0	100,0
Elektriska AB Delta	Sweden	100,0	100,0

		% Interest Dec. 31, 2017	% Interest Dec. 31, 2016
Elko AB	Sweden	100,0	100,0
Eurotherm AB	Sweden	100,0	100,0
Lexel AB	Sweden	100,0	100,0
Schneider Electric Buildings AB	Sweden	100,0	100,0
Schneider Electric Distribution Centre AB	Sweden	100,0	100,0
Schneider Electric Sverige AB	Sweden	100,0	100,0
Telvent Sweden AB	Sweden	100,0	100,0
Thorsman & Co AB	Sweden	100,0	100,0
Wonderware Scandinavia AB	Sweden	100,0	100,0
Eurotherm-Produkte (Schweiz) AG	Switzerland	100,0	100,0
Feller AG	Switzerland	83,7	83,7
Gutor Electronic GmbH	Switzerland	100,0	100,0
Schneider Electric (Schweiz) AG	Switzerland	100,0	100,0
Schneider Electric Ukraine	Ukraine	100,0	100,0
Andromeda Telematics Ltd	United Kingdom	100,0	100,0
Avtron Loadbank Worldwide Co. LTD.	United Kingdom	100,0	-
BTR Property Holdings Ltd	United Kingdom	100,0	100,0
CBS Group Ltd	United Kingdom	100,0	100,0
Eurotherm Ltd (UK)	United Kingdom	100,0	100,0
Imserv Europe Ltd	United Kingdom	100,0	100,0
Invensys Holdings Ltd	United Kingdom	100,0	100,0
M&C Energy Group Ltd	United Kingdom	100,0	100,0
N.J. Froment & Co. Limited	United Kingdom	100,0	-
Samos Acquisition Company Ltd	United Kingdom	100,0	100,0
Schneider Electric (UK) Ltd	United Kingdom	100,0	100,0
Schneider Electric Buildings UK Ltd	United Kingdom	100,0	100,0
Schneider Electric Controls UK Ltd	United Kingdom	100,0	100,0
Schneider Electric IT UK Ltd	United Kingdom	100,0	100,0
Schneider Electric Ltd	United Kingdom	100,0	100,0
Schneider Electric Systems UK Ltd	United Kingdom	100,0	100,0
Serck Control and Safety Ltd	United Kingdom	100,0	100,0
Spiral Software Ltd	United Kingdom	100,0	100,0
ACCOUNTED FOR BY EQUITY METHOD			
Aveltys	France	51,0	51,0
Delta Dore Finance SA (sub-group)	France	20,0	20,0
Energy Pool Development	France	25,0	27,9
Epsys SAS	France	20,0	100,0
Schneider Lucibel Managed Services SAS	France	47,0	47,0
Möre Electric Group A/S	Norway	34,0	34,0
Schneider Electric DMS NS	Serbia	57,0	57,0
Custom Sensors & Technologies Topco Limited	United Kingdom	30,0	30,0
North America			
FULLY CONSOLIDATED			
Control Microsystems Inc.	Canada	100,0	100,0
Power Measurement Ltd.	Canada	100,0	100,0
Schneider Electric Canada Inc.	Canada	100,0	100,0
Schneider Electric Software Canada Inc.	Canada	100,0	100,0
Schneider Electric Systems Canada Inc.	Canada	100,0	100,0
Viconics Technologies Inc.	Canada	100,0	100,0

		% Interest Dec. 31, 2017	% Interest Dec. 31, 2016
Electronica Reynosa S. de R.L. de C.V.	Mexico	100,0	100,0
Industrias Electronicas Pacifico, SA de CV	Mexico	100,0	100,0
Invensys Group Services Mexico	Mexico	100,0	100,0
Schneider Electric IT Mexico SA de CV	Mexico	100,0	100,0
Schneider Electric Mexico, SA de CV	Mexico	100,0	100,0
Schneider Electric Software Mexico, S.A. de C.V.	Mexico	100,0	-
Schneider Electric Systems Mexico SA	Mexico	100,0	100,0
Schneider Industrial Tlaxcala, SA de CV	Mexico	100,0	100,0
Schneider Mexico, SA de CV	Mexico	100,0	100,0
Schneider R&D, SA de CV	Mexico	100,0	100,0
Square D Company Mexico, SA de CV	Mexico	100,0	100,0
Telvent Mexico SA de CV	Mexico	99,3	99,3
Adaptive Instruments Corp.	United States	100,0	100,0
American Power Conversion Holdings Inc.	United States	100,0	100,0
Applied Instrument Technologies, Inc.	United States	100,0	100,0
Asco Power GP, LLC	United States	100,0	-
Asco Power Services, Inc.	United States	100,0	-
Asco Power Technologies, L.P.	United States	100,0	-
AST North America, LLC	United States	100,0	100,0
Foxboro Controles S.A.	United States	100,0	100,0
Invensys LLC	United States	100,0	100,0
Lee Technologies Puerto Rico, LLC	United States	100,0	100,0
Pelco, Inc	United States	100,0	100,0
Power Measurement, Inc.	United States	100,0	100,0
Pro-face America, LLC	United States	100,0	100,0
Renewable Choice Energy Inc.	United States	100,0	-
Schneider Electric Buildings Americas, Inc.	United States	100,0	100,0
Schneider Electric Buildings Critical Systems, Inc.	United States	100,0	100,0
Schneider Electric Buildings, LLC	United States	100,0	100,0
Schneider Electric Engineering Services, LLC	United States	100,0	100,0
Schneider Electric Grid Automation Inc.	United States	100,0	-
Schneider Electric Holdings, Inc.	United States	100,0	100,0
Schneider Electric IT America Corp.	United States	100,0	100,0
Schneider Electric IT Corporation	United States	100,0	100,0
Schneider Electric IT Mission Critical Services, Inc.	United States	100,0	100,0
Schneider Electric IT USA, Inc.	United States	100,0	100,0
Schneider Electric IT (Xiamen) Co., Ltd.	United States	100,0	100,0
Schneider Electric Motion USA, Inc.	United States	100,0	100,0
Schneider Electric Software, LLC	United States	100,0	100,0
Schneider Electric Solar Inverters USA, Inc.	United States	100,0	100,0
Schneider Electric Systems USA, Inc.	United States	100,0	100,0
Schneider Electric USA, Inc.	United States	100,0	100,0
Schneider Electric Vermont Ltd	United States	100,0	100,0
Siebe Inc.	United States	100,0	100,0
SNA Holdings Inc.	United States	100,0	100,0
Square D Investment Company	United States	100,0	100,0
Stewart Warner Corporation	United States	100,0	100,0
Summit Energy Services, Inc.	United States	100,0	100,0
Telvent DTN, LLC	United States	100,0	100,0

		% Interest Dec. 31, 2017	% Interest Dec. 31, 2016
Telvent USA, LLC	United States	100,0	100,0
Veris Industries LLC	United States	100,0	100,0
Asia-Pacific			
FULLY CONSOLIDATED			
Clipsal Australia Pty Ltd	Australia	100,0	100,0
Clipsal Technologies Australia Pty Limited	Australia	100,0	100,0
Nu-lec Industries Pty. Ltd	Australia	100,0	100,0
Pelco Australia Pty.Limited	Australia	100,0	100,0
Scadagroup Pty Ltd	Australia	100,0	100,0
Schneider Electric (Australia) Pty Limited	Australia	100,0	100,0
Schneider Electric Australia Holdings Pty Ltd	Australia	100,0	100,0
Schneider Electric Buildings Australia Pty Ltd	Australia	100,0	100,0
Schneider Electric IT Australia Pty Ltd	Australia	100,0	100,0
Schneider Electric Software Australia Holdings Pty Ltd	Australia	100,0	-
Schneider Electric Software Australia Pty Ltd	Australia	100,0	100,0
Schneider Electric Systems Australia Pty Ltd	Australia	100,0	100,0
Serck Controls Pty Limited	Australia	100,0	100,0
Beijing Leader & Harvest Electric Technologies Co. Ltd	China	100,0	100,0
Clipsal Manufacturing (Huizhou) Ltd	China	100,0	100,0
Delixi Electric Investment (shanghai) Co., LTD	China	74,5	-
FSL China	China	54,0	54,0
Invensys Automation & Controls Systems (Shanghai) Co., Ltd	China	100,0	100,0
Pelco (Shanghai) Trading Co. Ltd.	China	100,0	100,0
Proface China International Trading (Shanghai) Co. Ltd	China	100,0	100,0
RAM Electronic Technology and Control (Wuxi) Co., Ltd	China	100,0	100,0
Schneider (Beijing) Medium & Low Voltage Co., Ltd	China	95,0	95,0
Schneider (Beijing) Medium Voltage Co. Ltd	China	95,0	95,0
Schneider (Shaanxi) Baoguang Electrical Apparatus Co. Ltd	China	70,0	70,0
Schneider (Suzhou) Drives Company Ltd	China	90,0	90,0
Schneider (Suzhou) Enclosure Systems Co Ltd	China	100,0	100,0
Schneider (Suzhou) Transformers Co. Ltd	China	100,0	100,0
Schneider Automation Solutions (Shanghai) Co., Ltd.	China	100,0	100,0
Schneider Busway (Guangzhou) Ltd	China	95,0	95,0
Schneider Electric (China) Co. Ltd	China	100,0	100,0
Schneider Electric (Xiamen) Switchgear Co. Ltd	China	100,0	100,0
Schneider Electric (Xiamen) Switchgear Equipment Co., Ltd.	China	100,0	100,0
Schneider Electric Equipment an Engineering (X'ian) Co., Ltd	China	100,0	100,0
Schneider Electric IT (China) Co., Ltd	China	100,0	100,0
Schneider Electric Low Voltage (Tianjin) Co. Ltd	China	75,0	75,0
Schneider Electric Manufacturing (Chongqing) Co. Ltd	China	100,0	100,0
Schneider Electric Manufacturing (Wuhan) Co. Ltd	China	100,0	100,0
Schneider Great Wall Engineering (Beijing) Co. Ltd	China	100,0	100,0
Schneider Shanghai Apparatus Parts Manufacturing Co. Ltd	China	100,0	100,0
Schneider Shanghai Industrial Control Co. Ltd	China	80,0	80,0
Schneider Shanghai Low Voltage Term. Apparatus Co. Ltd	China	75,0	75,0
Schneider Shanghai Power Distribution Electric Apparatus Co. Ltd	China	80,0	80,0
Schneider Switchgear (Suzhou) Co, Ltd	China	58,0	58,0
Schneider Wingoal (Tianjin) Electric Equipment Co. Ltd	China	100,0	100,0
Shanghai Foxboro Co., Ltd	China	100,0	100,0

		% Interest Dec. 31, 2017	% Interest Dec. 31, 2016
Shanghai Invensys Process System Co., Ltd	China	100,0	100,0
Shanghai Schneider Electric Power Automation Co. Ltd	China	100,0	100,0
Shanghai Tayee Electric Co., LTD	China	74,5	-
Telvent - BBS High & New Tech (Beijing) Co. Ltd	China	80,0	80,0
Telvent Control System (China) Co. Ltd	China	100,0	100,0
Tianjin Merlin Gerin Co. Ltd	China	75,0	75,0
Wuxi Proface Co., Ltd	China	100,0	100,0
Clipsal Asia Holdings Limited	Hong Kong	100,0	100,0
Clipsal Asia Limited	Hong Kong	100,0	100,0
Fed-Supremetech Limited	Hong Kong	54,0	54,0
Schneider Electric (Hong Kong) Limited	Hong Kong	100,0	100,0
Schneider Electric Asia Pacific Limited	Hong Kong	100,0	100,0
Schneider Electric IT Hong Kong Limited	Hong Kong	100,0	100,0
Eurotherm India Private Ltd	India	100,0	100,0
Invensys Development Centre India Private Ltd	India	100,0	100,0
Luminous Power Technologies Private Ltd	India	100,0	74,0
Schneider Electric India Private Ltd	India	100,0	100,0
Schneider Electric Infrastructure Limited	India	94,6	94,6
Schneider Electric IT Business India Private Ltd	India	100,0	100,0
Schneider Electric President Systems Ltd	India	79,5	75,0
Schneider Electric Systems India Private Limited	India	100,0	100,0
PT Clipsal Manufacturing Jakarta	Indonesia	100,0	100,0
PT Schneider Electric Indonesia	Indonesia	100,0	100,0
PT Schneider Electric IT Indonesia	Indonesia	100,0	100,0
PT Schneider Electric Manufacturing Batam	Indonesia	100,0	100,0
PT Schneider Electric Systems Indonesia	Indonesia	95,0	95,0
Schneider Electric Japan Holdings Ltd	Japan	100,0	100,0
Schneider Electric Japan, Inc.	Japan	100,0	100,0
Schneider Electric Software Japan Inc.	Japan	100,0	-
Schneider Electric Systems Japan Inc.	Japan	100,0	100,0
Toshiba Schneider Inverter Corp.	Japan	100,0	100,0
Eurotherm Korea Co., Ltd.	Korea	100,0	100,0
Schneider Electric Korea Ltd.	Korea	100,0	100,0
Schneider Electric Software Korea Ltd.	Korea	100,0	-
Schneider Electric Systems Korea Limited	Korea	100,0	100,0
Wonderware Korea Ltd.	Korea	100,0	100,0
Clipsal Manufacturing (M) Sdn. Bhd.	Malaysia	100,0	100,0
Gutor Electronic Asia Pacific Sdn. Bhd.	Malaysia	100,0	100,0
Huge Eastern Sdn. Bhd.	Malaysia	100,0	100,0
KSLA Energy & Power Solutions (M) Sdn Bhd	Malaysia	100,0	100,0
Schneider Electric (Malaysia) Sdn. Bhd.	Malaysia	30,0	30,0
Schneider Electric Industries (M) Sdn. Bhd.	Malaysia	100,0	100,0
Schneider Electric IT Malaysia Sdn. Bhd.	Malaysia	100,0	100,0
Schneider Electric Software Malaysia	Malaysia	100,0	-
Schneider Electric Systems (Malaysia) Sdn. Bhd.	Malaysia	100,0	100,0
Schneider Electric (NZ) Limited	New Zealand	100,0	100,0
Schneider Electric Systems New Zealand Limited	New Zealand	100,0	100,0
American Power Conversion Land Holdings Inc.	Philippines	100,0	100,0
Clipsal Philippines	Philippines	100,0	100,0

		% Interest Dec. 31, 2017	% Interest Dec. 31, 2016
Pelco Asia Pacific Pte. Ltd	Philippines	100,0	100,0
Schneider Electric (Philippines) Inc.	Philippines	100,0	100,0
Schneider Electric IT Philippines Inc.	Philippines	100,0	100,0
Schneider Electric Asia Pte. Ltd.	Singapore	100,0	100,0
Schneider Electric Export Services Pte Ltd	Singapore	100,0	100,0
Schneider Electric IT Logistics Asia Pacific Pte. Ltd.	Singapore	100,0	100,0
Schneider Electric IT Singapore Pte. Ltd.	Singapore	100,0	100,0
Schneider Electric Overseas Asia Pte Ltd	Singapore	100,0	100,0
Schneider Electric Singapore Pte. Ltd.	Singapore	100,0	100,0
Schneider Electric Software Holdings Singapore Pte Ltd.	Singapore	100,0	100,0
Schneider Electric South East Asia (HQ) Pte. Ltd.	Singapore	100,0	100,0
Schneider Electric Systems Singapore Pte. Ltd.	Singapore	100,0	100,0
Schneider Electric Lanka (Private) Limited	Sri Lanka	100,0	100,0
Schneider Electric Systems Taiwan Corp.	Taiwan	100,0	100,0
Schneider Electric Taiwan Co., Ltd.	Taiwan	100,0	100,0
Pro-Face South-East Asia Pacific Co., Ltd.	Thailand	100,0	100,0
Schneider (Thailand) Limited	Thailand	100,0	100,0
Schneider Electric CPCS (Thailand) Co., Ltd.	Thailand	100,0	100,0
Schneider Electric Software (Thailand) Co. LTD	Thailand	100,0	-
Schneider Electric Systems (Thailand) Co. Ltd.	Thailand	100,0	100,0
Clipsal Vietnam Co. Ltd	VietNam	100,0	100,0
Invensys Vietnam Ltd	VietNam	100,0	100,0
Schneider Electric IT Vietnam Ltd	VietNam	100,0	100,0
Schneider Electric Manufacturing Vietnam Co., Ltd	VietNam	100,0	100,0
Schneider Electric Vietnam Co. Ltd	VietNam	100,0	100,0
ACCOUNTED FOR BY EQUITY METHOD			
Delixi Electric LTD (sub-group)	China	50,0	50,0
Ennovation System Control Co., LTD	China	40,0	40,0
Sunten Electric Equipment Co., Ltd	China	25,0	25,0
Fuji Electric FA Components & Systems Co., Ltd (sub-group)	Japan	36,8	36,8
Foxboro (Malaysia) Sdn Bhd	Malaysia	49,0	49,0
Rest of the World			
FULLY CONSOLIDATED			
Himel Algerie	Algeria	100,0	100,0
Invensys Systems Algérie EURL	Algeria	100,0	100,0
Schneider Electric Algerie	Algeria	100,0	100,0
Schneider Electric Argentina S.A.	Argentina	100,0	100,0
Schneider Electric Software Argentina S.A.	Argentina	100,0	-
Schneider Electric Systems Argentina S.A.	Argentina	100,0	100,0
American Power Conversion Brasil Ltda	Brazil	100,0	100,0
CP Eletronica Ltda	Brazil	100,0	100,0
Eurotherm LTDA	Brazil	100,0	100,0
Schneider Electric Brasil Automação de Processos Ltda	Brazil	100,0	100,0
Schneider Electric Brasil Ltda	Brazil	100,0	100,0
Schneider Electric IT Brasil Industria e Comercio de Equipamentos Eletronicos Ltda	Brazil	100,0	100,0
Schneider Electric Software Brasil Ltda.	Brazil	100,0	100,0
Steck da Amazonia Industria Electrica Ltda	Brazil	100,0	100,0
Steck Industria Electrica Ltda	Brazil	100,0	100,0

		% Interest Dec. 31, 2017	% Interest Dec. 31, 2016
Telseb Serviços de Engenharia e Comércio de Equipamentos Eletrônicos e Telecomunicações Ltda	Brazil	100,0	-
Inversiones Schneider Electric Uno Limitada	Chile	100,0	100,0
Marisio SA	Chile	100,0	100,0
Schneider Electric Chile S.A.	Chile	100,0	100,0
Schneider Electric Software Chile SpA	Chile	100,0	-
Schneider Electric Systems Chile Limitada	Chile	100,0	100,0
Dexson Electric S.A.S.	Colombia	100,0	100,0
Schneider Electric de Colombia S.A.	Colombia	100,0	80,0
Schneider Electric Software Colombia S.A.S.	Colombia	100,0	-
Schneider Electric Systems Colombia Ltda	Colombia	100,0	100,0
Schneider Electric Centroamerica Ltda	Costa Rica	100,0	100,0
Invensys Engineering & Service S.A.E.	Egypt	51,0	51,0
Invensys Process Systems Egypt Co., Ltd	Egypt	60,0	60,0
Schneider Electric Distribution Company	Egypt	87,4	87,4
Schneider Electric Egypt SAE	Egypt	91,0	91,0
Invensys Middle East FZE	Emirates	100,0	100,0
Schneider Electric DC MEA FZCO	Emirates	100,0	100,0
Schneider Electric FZE	Emirates	100,0	100,0
Schneider Electric Software UAE	Emirates	100,0	-
C-Schneider Electric Kenya	Kenya	85,0	85,0
Schneider Electric Services Kuweit	Koweit	49,0	49,0
Schneider Electric East Mediterranean SAL	Lebanon	96,0	96,0
Delixi Electric Maroc SARL AU	Morocco	100,0	100,0
Schneider Electric Maroc	Morocco	100,0	100,0
Invensys Systems Nigeria Ltd	Nigeria	100,0	100,0
Schneider Electric Nigeria Ltd	Nigeria	100,0	100,0
Schneider Electric Oman LLC	Oman	100,0	100,0
Schneider Electric Pakistan (Private) Limited	Pakistan	80,0	80,0
Schneider Electric Peru S.A.	Peru	100,0	100,0
Schneider Electric Systems del Peru S.A.	Peru	100,0	100,0
AMPS	Saoudi Arabia	100,0	100,0
EPS Electrical Power Distribution Boards & Switchgear Ltd	Saoudi Arabia	100,0	100,0
Invensys Saudi Arabia Co., Ltd	Saoudi Arabia	100,0	100,0
Schneider Electric Software Saudi Arabia	Saoudi Arabia	100,0	-
Schneider Electric Software South Africa Pty Ltd.	South Africa	100,0	-
Schneider Electric South Africa (Pty) Ltd	South Africa	74,9	74,9
Uniflair South Africa (Pty) Ltd	South Africa	100,0	100,0
Gunsan Elektrik	Turkey	100,0	100,0
Himel Elektric Malzemeleri Ticaret A.S	Turkey	100,0	100,0
Schneider Elektrik Sanayi Ve Ticaret A.S.	Turkey	100,0	100,0
Schneider Enerji Endustrisi Sanayi Ve Ticaret A.S	Turkey	100,0	100,0
Schneider Electric Uganda Ltd	Uganda	100,0	100,0
Schneider Electric Systems de Venezuela, C.A.	Venezuela	100,0	100,0
Schneider Electric Venezuela, S.A.	Venezuela	93,6	93,6

Review of the consolidated financial statements

Review of business and consolidated statement of income

Acquisitions & divestments occurred in 2016

On December 14, 2015, Schneider Electric announced that it has signed an agreement to sell its Transportation Business, to Kapsch TrafficCom AG. On March 31, 2016, the transaction was finalized with a final sale price established at EUR31 million.

No acquisitions occurred in 2016 that had a significant impact on the 2017 financial statements.

Acquisitions & divestments occurred during the year

On April 3rd, 2017, the Group announced that it has signed an agreement to sell its Telvent DTN business, to TBG AG. On May 31st, 2017, the transaction was finalized with a final base sale price established at USD900 million.

On July 27th 2017, Schneider Electric announced that it has signed an agreement to acquire Asco Power Technologies ("ASCO"), a leader in the Automatic Transfer Switch ("ATS") market for a consideration of circa USD1,250 million in an all cash transaction. The transaction was finalized on October 31st, 2017. ASCO is consolidated in full consolidation method in the *Low Voltage (Building)* business since November 1st, 2017.

Discontinued operations

On April 20, 2017, the Group announced the disposal of its Solar activity. At the end of this ongoing process, the Group will have a minority representation on Solar's board. This activity used to be reported within the *Low Voltage (Building)* business segment of Schneider Electric. Solar activity net income (EUR(25) million) and the estimated loss incurred from the disposal of the business (EUR(69) million) have been reclassified to discontinued operations in the Group consolidated financial statements. The comparative information has been restated.

Changes in foreign exchange rates

Changes in foreign exchange rates relative to the euro had a negative impact over the year. This effect amounts to negative EUR388 million on consolidated revenue and to negative EUR124 million Adjusted EBITA[(1)].

Revenue

On December 31, 2017, the consolidated revenue of Schneider Electric totaled EUR24,743 million, an increase of 1.2% at current scope and exchange rates compared to EUR24,459 million on December 31, 2016.

This variance breaks down into an organic increase of 3.2%, a net scope effect of -0.4% and a negative exchange rate effect of -1.6%, primarily due to the depreciation of the US dollar and the Chinese yuan against the euro.

Changes in revenue by operating segment

The Low Voltage (Building) business generated revenues of EUR10,812 million, or 43% of the consolidated total. This represents an increase of +3.3% on a reported basis, and an increase of **+4.4%** on a like-for-like basis, with growth across all regions, supported by new product launches and commercial actions. Final Distribution & Wiring Devices reported strong growth (+6% organic growth). The Group's offers for Commercial & Industrial Buildings markets grew across all regions, in particular in North America and Rest of the World. Commercial and Industrial Buildings saw improving demand in North America, where the revenues went up. France was flat. Focus on Energy Efficiency contributed to growth in Western Europe (globally low single digit growth, with high single digit growth in Spain, Germany and Italy) and Asia. China and Rest of the World posted high single digit growth.

(1) Adjusted EBITA (Earnings Before Interest, Taxes, Amortization of Purchase Accounting Intangibles) is earnings EBITA before amortization and impairment of intangible assets from acquisitions, impairment of goodwill, other operating income and expenses and restructuring costs.

The Industrial Automation (Industry) business generated revenues of EUR5,816 million, or 24% of the consolidated total. This represents an increase of +6.0% on a reported basis and an increase of +**5.9%** on a like-for-like basis. Industrial Automation reported growth in all the regions, with a strong performance in products and OEM, driven by channel initiatives. Process Automation grew low single digit as O&G stabilized. Western Europe grew across the region as OEM demand remain favorable. In Germany, Industrial automation posted strong growth thanks to product sales through partners and good project execution. France grew slightly. In Asia-Pacific, Industrial Automation was up due to continued strength in industrial demand from machine manufacturers and end-users and growth in targeted segments. China performed strongly on continued growth in OEM demand and good performance on targeted segments such as transportation. India was up. North America posted mid-single digit growth in Industrial Automation. Industrial Automation benefitted from its strategy to develop its OEM offers and targeted end-users segments in favorable markets. The U.S. and Canada were up while Mexico declined. Rest of the World was up with mid-single digit growth.

The Medium Voltage (Infrastructure) business generated revenues of EUR4,500 million, or 18% of the consolidated total. This represents a decrease of -8.5% on a reported basis, mainly due to the disposal of DTN, and a decrease of **-2.2%** on a like-for-like basis. North America decreased, while China grew high single digit. Services revenues were stable but orders up mid-single digit. Excluding the impact of selectivity initiatives, the business was slightly up for the year. Western Europe was flat, with growth in France, Spain and Central Europe, but declined low single digit in Germany.

The Secure Power (IT) business generated revenues of EUR3,615 million, or 15% of the consolidated total. This represents an increase of +0.7% in a reported basis and an increase of **+2.1%** on a like-for-like basis. New Economies reported strong growth up to 7%, while Mature declined slightly. Services went up mid-single digit.

Gross profit

Gross profit increased from EUR9,358 million for the year ended December 31, 2016 to EUR9,498 million for the year ended December 31, 2017, or +1.5%, mainly due to an increase in productivity and actions on prices. As a percentage of revenues, the gross margin remained stable at 38.4% in 2017 (*versus* 38.3% in 2016).

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

Research and development expenses, excluding capitalized development costs and development costs reported as cost of sales, decreased by 4.9% from EUR527 million for the year ended December 31, 2016 to EUR501 million for the year ended December 31, 2017. As a percentage of revenues, the net cost of research and development decreased at 2.0% of revenues for the year ended December 31, 2017 (2.2% for the year ended December 31, 2016).

Total research and development expenses, including capitalized development costs and development costs reported as cost of sales (see note 4 to the Consolidated Financial Statements) decreased by 2.2% from EUR1,209 million for the year ended December 31, 2016 to EUR1,183 million for the year ended December 31, 2017. As a percentage of revenues, total research and development expenses remained stable at 4.8% for the year ended December 31, 2017 (4.9% for the year ended December 31, 2016).

In 2017, the net effect of capitalized development costs and amortization of capitalized development costs amounted to EUR62 million on operating income *versus* EUR97 million in 2016.

Selling, general and administrative expenses increased by 0.2% from EUR5,333 million for the year ended December 31, 2016 to EUR5,346 million for the year ended December 31, 2017. As a percentage of revenues, selling, general and administrative expenses decreased from 21.8% in 2016 to 21.6% in 2017.

Combined total support function costs, that is, research and development expenses together with selling, general and administrative costs, totaled EUR5,847 million for the year ended December 31, 2017 compared to EUR5,860 million for the year ended December 31, 2016, a decrease of 0.2%. The support function costs to sales ratio decreased from 24.0% for the year ended December 31, 2016 to 23.6% for the year ended December 31, 2017.

Other operating income and expenses

For the year ended December 31, 2017, other operating income and expenses amounted to a net loss of EUR15 million, mainly due to impairment losses on assets (EUR92 million), costs linked to acquisitions from previous years and disposals in the period (EUR75 million), a EUR103 million gain on the curtailment and settlement of employee benefit plans in the US and in France, and a EUR 108 million gain on asset disposals (mainly the disposal of Telvent DTN).

For the year ended December 31, 2016, other operating income and expenses amounted to a net loss of EUR63 million, mainly due to impairment losses on assets (EUR87 million), costs linked to acquisitions from previous years and disposals in the period (EUR36 million), a EUR31 million gain on the curtailment of employee benefit plans in the US and in Switzerland, and provisions release following a transactional agreement.

Restructuring costs

For the year ended December 31, 2017, restructuring costs amounted to EUR286 million compared to EUR309 million for the year ended December 31, 2016.

EBITA and Adjusted EBITA

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

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

Adjusted EBITA amounted to EUR3,651 million for the year ended December 31, 2017, compared to EUR3,498 million for the year ended December 31, 2016, representing an increase of 4.4%, with gross profit expansion combined with tight control of support function costs more than offsetting the negative impact from foreign exchange outlined in section 2.1. As a percentage of revenue, adjusted EBITA increased from 14.3% for the year ended December 31, 2016 to 14.8% for the year ended December 31, 2017.

EBITA increased by 7.1% from EUR3,126 million for the year ended December 31, 2016 to EUR3,350 million for the year ended December 31, 2017, mainly linked to the Adjusted EBITA improvement, combined with higher gains on employee benefit curtailments and settlements in 2017 and, higher restructuring expenses in 2016. As a percentage of revenue, EBITA increased to 13.5% in 2017 compared with 12.8% in 2016.

Adjusted EBITA by business segment

The following table sets out adjusted EBITA by business segment:

Full year 2017

(in millions of euros)	***Low Voltage (Building)***	***Industrial Automation (Industry)***	***Medium Voltage (Infrastructure)***	***Secure Power (IT)***	**Corporate costs**	**Total**
Revenue	10,812	5,816	4,500	3,615	-	24,743
Adjusted EBITA*	2,232	1,021	449	600	(651)	3,651
Adjusted EBITA%	20.6%	17.6%	10.0%	16.6%	-	14.8%

* *Adjusted EBITA: EBITA before restructuring costs and before other operating income and expenses (including acquisition, integration and separation costs).*

Full year 2016*

(in millions of euros)	*Low Voltage (Buildings)*	*Industrial Automation (Industry)*	*Medium Voltage (Infrastructure)*	*Secure Power (IT)*	Corporate costs	Total
Revenue	10,466	5,485	4,919	3,589	-	24,459
Adjusted EBITA*	2,117	918	477	604	(618)	3,498
Adjusted EBITA%	20.2%	16.7%	9.7%	16.8%	-	14.3%

* *2016 figures were restated for discontinued operations, as noted in section 2.1.*

** *Adjusted EBITA: EBITA before restructuring costs and before other operating income and expenses (including acquisition, integration and separation costs).*

Low Voltage (Building) business recorded an adjusted EBITA margin of 20.6% for the year ended December 31, 2017, up 0.4 pts compared to 20.2% for the year ended December 31, 2016, thanks to sales organic growth.

Industrial Automation (Industry) business recorded an adjusted EBITA margin of 17.6% for the year ended December 31, 2017, up 0.9 pts compared to 16.7% for the year ended December 31, 2016, benefiting from improved volumes.

Medium Voltage (Infrastructure) business recorded an adjusted EBITA margin of 10.0% for the year ended December 31, 2017, up 0.3 pts compared to 9.7% for the year ended December 31, 2016, thanks to higher system gross margin and strong cost control.

Secure Power (IT) business reported an adjusted EBITA margin of 16.6% for the year ended December 31, 2017, down 0.2 pts compared with 16.8% margin for the year ended December 31, 2016, resilient at high level.

Corporate costs amounted to EUR651 million for the year ended December 31, 2017 or 2.6% of Group revenues, a slight increase compared to the year ended December 31, 2016 (2.5% of Group revenues or EUR618 million).

Operating income (EBIT)

Operating income (EBIT) increased from EUR2,975 million for the year ended December 31, 2016 to EUR3,210 million for the year ended December 31, 2017. This 7.9% increase is explained mainly by the EBITA improvement.

Net financial income/loss

Net financial loss amounted to EUR367 million for the year ended December 31, 2017, compared to EUR462 million for the year ended December 31, 2016. The decrease in the net financial loss is mainly explained by the losses generated by the foreign exchange decreasing by EUR35 million, supplemented by a decrease in the cost of net financial debt from EUR272 million for year ended December 31, 2016 to EUR219 million for the year ended December 31, 2017.

Tax

The effective tax rate was 21.1% for the year ended December 31, 2017, a decrease compared to 28.6% for the year ended December 31, 2016. The corresponding tax expense decreased from EUR719 million for the year ended December 31, 2016 to EUR600 million for the year ended December 31, 2017.

In 2017, the tax reforms in the USA and in Belgium, as well as the additional reform in France, led together to a positive adjustment in the P&L for EUR12 million. This adjustment represents the Group's best estimate of the impact of those reforms.

In 2016, the planned reduction of the Corporate Income Tax rate in France from 34.43% to 28.92% following the passing of the Finance Bill 2017 ("Loi de finances 2017") leads to a negative adjustment of the P&L at the end of 2016 for EUR(119) million.

Share of profit/(losses) of associates

The share of profit of associates increased from EUR34 million for the year ended December 31, 2016 to EUR61 million for the year ended December 31, 2017 mainly due to an increase in net income attributable to Delixi.

Non-controlling interests

Non-controlling interests in net income for the year ended December 31, 2017 totaled EUR60 million, compared to EUR61 million for the year ended December 31, 2016. This represented the share in net income attributable, in large part, to the non-controlling interests of certain Chinese companies.

Profit for the period

Profit for the period attributable to the equity holders of the parent company amounted to EUR2,150 million for the year ended December 31, 2017, that is, a 22.9% increase over the EUR1,750 million profit for the year ended December 31, 2016, mainly due to the improvement in EBITA described in note 2.9.

Earnings per share

Earnings per share increased from EUR3.12 for the year ended December 31, 2016 to EUR3.85 for the year ended December 31, 2017.

Consolidated cash-flow

Operating Activities

Net cash provided by operating activities before changes in operating assets and liabilities amounted to EUR3,020 million for the year ended December 31, 2017, up 2.2% compared to EUR2,956 million for the year ended December 31, 2016, and represented 12.2% of revenue in 2017 compared with 12.1% in 2016.

The change in working capital used EUR79 million in cash in the year ended December 31, 2017, compared to EUR1 million generated in the year ended December 31, 2016.

In all, net cash provided by operating activities decreased by 0.5% from EUR2,957 million in the year ended December 31, 2016 to EUR2,941 million in the year ended December 31, 2017.

Investing Activities

Net capital expenditure, which included capitalized development projects, decreased by 7.2% to EUR688 million for the year ended December 31, 2017, compared to EUR741 million for the year ended December 31, 2016, and represented 2.8% of revenues in 2017 (3.0% in 2016).

Free cash-flow (cash provided by operating activities net of net capital expenditure) amounted to EUR2,253 million in 2017 *versus* EUR2,216 million in 2016.

Cash conversion rate (free cash-flow over net income attributable to the equity holders of the parent company on continuing operations) was 105% in 2017 versus 118% in 2016 (adjusted for the impact of tax adjustments described in note 2.11).

The effect of acquisitions and divestments during the year was a net cash outflow amounting to EUR416 million in 2017. Our acquisitions and divestments represented a net cash inflow of EUR47 million for the year ended December 31, 2016, corresponding mainly to the disposals described in note 2.1.

Financing Activities

In 2017, the Group reimbursed bonds for EUR1,025 million and issued a bond in euros for EUR740 million.

The net increase in other financial debts amounted to EUR111 million during the year ended December 31, 2017, compared to a net decrease in other financial debts amounting to EUR794 million during the year ended December 31, 2016. The dividend paid by Schneider Electric was EUR1,133 million in the year ended December 31, 2017, compared with EUR1,127 million in the year ended December 31, 2016.

The Group purchased minority interests for EUR 141 million in 2017.

Review of the parent company financial statements

Schneider Electric SE posted an operating loss of EUR14 million in 2017 compared with EUR16 million the previous year.

Interest expense net of interest income amounted to EUR106 million *versus* EUR128 million the previous year.

Current loss amounted to EUR28 million in 2017 compared to a current loss of EUR162 million in 2016.

The net loss stood at EUR121 million in 2017 compared with a net loss of EUR100 million in 2016.

Equity before appropriation of net profit amounted to EUR7,893 million at December 31, 2017 *versus* EUR8,745 million at the previous year-end, after taking into account 2017 loss, dividend payments of EUR1,133 million and share issues in an amount of EUR155 million.

Review of subsidiaries

Schneider Electric Industries SAS

Revenue totalled EUR3.5 billion in 2017 (EUR3.2 billion in 2016).

The subsidiary posted an operating gain of EUR94 million in 2017 compared with an operating gain of EUR115 million in 2016.

Net profit amounted to EUR1.2 billion in 2017 compared with EUR264 million of net profit in 2016.

Outlook

In a positive environment, the Group targets to deliver strong organic growth of adjusted EBITA in 2018, around the high-end of the +4% to +7% bracket earlier communicated as the average yearly objective for 2017-2019.

To deliver this strong performance the Group will balance both levers of organic top line growth and adj. EBITA margin expansion. Therefore, for 2018, the Group will target:

- An organic top line growth between +3% to +5%; and
- An organic adj. EBITA margin expansion towards the upper end of the +20bps to +50bps range targeted as yearly average improvement for 2017-2019.