Half year financial report

Six-month period ended June 30, 2015

Condensed Consolidated Financial Statements
Management Report
CEO Attestation
Statutory Auditors' Review Report

Table of contents

Consolidated statement of income

(in millions of euros except for earnings per share)	Note	First half 2015	First half 2014
Revenue	3	**12,848**	**11,700**
Cost of sales		(8,096)	(7,243)
Gross profit		**4,752**	**4,457**
Research and development	4	(276)	(281)
Selling, general and administrative expenses		(2,875)	(2,672)
EBITA adjusted*		**1,601**	**1,504**
Other operating income and expenses	5	(75)	(57)
Restructuring costs	6	(158)	(71)
EBITA**		**1 368**	**1,376**
Amortization and impairment of purchase accounting intangibles	7	(138)	(127)
Operating income		**1 230**	**1,249**
Interest income		17	18
Interest expense		(169)	(163)
Finance costs, net		**(152)**	**(145)**
Other financial income and expense	8	(74)	(56)
Net financial income/(loss)		**(226)**	**(201)**
Profit from continuing operations before income tax		**1,004**	**1,048**
Income tax expense	9	(231)	(241)
Income of discontinued operations, net of income tax		-	70
Share of profit/(loss) of associates		(1)	6
PROFIT FOR THE PERIOD		**772**	**883**
• attributable to owners of the parent		719	821
• attributable to non-controlling interests		53	62
Basic earnings (attributable to owners of the parent) per share *(in euros per share)*		1.26	1.44
Diluted earnings (attributable to owners of the parent) per share *(in euros per share)*		1.24	1.42

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

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

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

Other comprehensive income

(in millions of euros)	**First half 2015**	**First half 2014**
Profit for the year	**772**	**883**
Other comprehensive income:		
Translation adjustment	1,002	160
Cash-flow hedges	67	(23)
Income tax effect of Cash-flow hedges	(29)	10
Net gains (losses) on available-for-sale financial assets	(5)	(18)
Income tax effect of Net gains (losses) on available-for-sale financial assets	2	2
Actuarial gains (losses) on defined benefits plans	66	74
Income tax effect of Actuarial gains (losses) on defined benefits plans	7	(10)
Other comprehensive income for the year, net of tax	**1,110**	**195**
• out of which to be recycled in income statement ultimately	34	(29)
• out of which not to be recycled in income statement ultimately	1,076	224
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**1,882**	**1,078**
Attributable:		
• to owners of the parent	1,785	1,015
• to non-controlling interests	97	63

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

Consolidated statement of cash flows

(in millions of euros)	Note	First half 2015	First half 2014
Profit for the year		772	883
Less net result from discontinued operations		-	(70)
Share of (profit)/losses of associates, net of dividends received		1	(6)
Adjustments with no impact on cash-flow :			
Depreciation of property, plant and equipment		214	204
Amortization of intangible assets other than goodwill		273	227
Impairment losses on non-current assets		(2	(7)
Increase/(decrease) in provisions		(39)	(4)
Losses/(gains) on disposals of fixed assets		-	1
Difference between tax paid and tax expense		(189)	(177)
Other non-cash adjustments		100	33
Net cash provided by operating activities before changes in operating assets and liabilities		**1,134**	**1,083**
Decrease/(increase) in accounts receivable		85	(141)
Decrease/(increase) in inventories and work in process		(374)	(155)
(Decrease)/increase in accounts payable		6	(89)
Change in other current assets and liabilities		(253)	(133)
Change in working capital requirement		**(536)**	**(518)**
Total I - Cash flows from operating activities		**598**	**565**
Purchases of property, plant and equipment		(244)	(225)
Proceeds from disposals of property, plant and equipment		52	28
Purchases of intangible assets		(197)	(192)
Proceeds from disposals of intangible assets		7	3
Net cash used by investment in operating assets		**(382)**	**(386)**
Net financial investments	2	(77)	(2,257)
Proceeds from sale of financial assets		9	6
Purchases of other long-term investments		52	(15)
Increase in long-term pension assets		(87)	(43)
Sub-total		**(103)**	**(2,309)**
Total II - Cash flows from/(used in) investing activities		**(485)**	**(2,695)**
Issuance of bonds	17	750	-
Repayment of bonds	17	(750)	(500)
Increase/(reduction) in other financial debt		639	114
Proceeds from issuance of shares		18	25
Sale/(purchase) of own shares		(90)	39
Dividends paid by Schneider Electric SE		(1,109)	(1,095)
Dividends paid to non-controlling interests		(39)	(54)
Total III - Cash flows from/(used in) financing activities		**(581)**	**(1,471)**
IV - Net foreign exchange difference:		**(164)**	**37**
V - Effect of discontinued operations		**-**	**14**
Increase/(decrease) in cash and cash equivalents: I + II + III + IV + V		**(632)**	**(3,550)**
Cash and cash equivalents at January 1st		2,438	5,423
Increase/(decrease) in cash and cash equivalents		(632)	(3,550)
CASH AND CASH EQUIVALENTS AT JUNE 30	**17**	**1,806**	**1,873**

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

Consolidated balance sheet

Assets

(in millions of euros)	Note	Jun.30, 2015	Dec.31, 2014
Non-current assets			
Goodwill, net	10	18,022	16,733
Intangible assets, net		5,305	5,061
Property, plant and equipment, net		2,791	2,751
Total tangible and intangible assets	*11*	*8,096*	*7,812*
Investments in associates	12	345	318
Available-for-sale financial assets	13	180	333
Other non-current financial assets		524	365
Non-current financial assets		*704*	*698*
Deferred tax assets		2,491	2,160
Total non-current assets		**29,658**	**27,721**
Current assets			
Inventories and work in progress		3,516	3,027
Trade and other operating receivables		6,209	5,991
Other receivables and prepaid expenses		1,761	1,729
Current financial assets		71	40
Cash and cash equivalents		2,057	2,650
Total current assets		**13,614**	**13,437**
TOTAL ASSETS		**43,272**	**41,158**

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

Liabilities

(in millions of euros)	Note	Jun.30, 2015	Dec.31, 2014
Equity	14		
Share capital		2,341	2,339
Additional paid-in capital		7,141	7,898
Retained earnings		9,766	9,347
Translation reserve		1,107	148
Equity attributable to owners of the parent		**20,355**	**19,732**
Non-controlling interests		467	419
Total equity		**20,822**	**20,151**
Non-current provisions			
Pensions and other post-employment benefit obligations	15	2,228	2,199
Other non-current provisions	16	1,685	1,249
Total non-current provisions		3,913	3,448
Non-current financial liabilities			
Bonds	17	5,462	4,655
Other non-current debt	17	273	372
Non-current financial liabilities		*5,735*	5,027
Deferred tax liabilities		1,318	1,116
Other non-current liabilities		200	184
Total non-current liabilities		**11,166**	**9,775**
Current liabilities			
Trade and other operating payables		4,391	4,106
Accrued taxes and payroll costs		2,015	2,342
Current provisions	16	908	977
Other current liabilities		1,180	1,158
Current debt	17	2,790	2,645
Total current liabilities		**11,284**	**11,228**
Liabilities of discontinued operations		**-**	**4**
TOTAL EQUITY AND LIABILITIES		**43,272**	**41,158**

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

Consolidated statement of changes in equity

(in millions of euros except for number of shares)	**Number of shares** *(thousands)*	**Capital**	**Additional paid-in capital**	**Treasury shares**	**Retained earnings**	**Translation reserve**	**Equity attributable to owners of the parent**	**Non-controlling interests**	**Total**
Dec.31, 2013*	**561,958**	**2,248**	**6,992**	**(74)**	**8,877**	**(832)**	**17,211**	**382**	**17,593**
Profit for the year *					1,941		1,941	120	2,061
Other comprehensive income					(219)	980	761	29	790
Comprehensive income for the year					1,722	980	2,702	149	2,851
Capital increase	20,925	84	1,109				1,193		1,193
Exercise of stock options	1,807	7	29		(4)		32		32
Dividends			(244)		(851)		(1,095)	(112)	(1,207)
Change in treasury shares				(371)			(371)		(371)
Share-based compensation expense					86		86		86
Other **			12		(38)		(26)		(26)
Dec.31, 2014	**584,691**	**2,339**	**7,898**	**(445)**	**9,792**	**148**	**19,732**	**419**	**20,151**
Profit for the year					719		719	53	772
Other comprehensive income					107	959	1,066	44	1,110
Comprehensive income for the year					826	959	1,785	97	1,882
Capital increase									
Exercise of stock options	468	2	15				17		17
Dividends			(797)		(312)		(1,109)	(49)	(1,158)
Change in treasury shares				(90)			(90)		(90)
Share-based compensation expense					55		55		55
Other **			24		(59)		(35)		(35)
June 30, 2015	585,159	2,341	7,141	(535)	10,301	(1,107)	20,355	467	20,822

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

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

** 2013 figures were restated from change in consolidation method disclosed in note 1 of December 31 2014 Financial Statements*

Notes to the Consolidated Financial Statements

All amounts in millions of Euros unless otherwise indicated.
The accompanying notes are an integral part of the consolidated financial statements.

Note 1 - Summary of significant accounting policies

➢ Accounting standards and basis of preparation

The consolidated financial statements for the six months ended June 30, 2015 have been prepared in accordance with IAS 34 - *Interim Financial Reporting*. As condensed financial statements, they do not include all the disclosures required by International Financial Reporting Standards (IFRS) and should be read in conjunction with the December 31, 2014 annual consolidated financial statements included in the Annual Report filed with the French securities regulator (AMF) under no. D.15-0169, except as regards to the differences in accounting treatment between the annual and interim financial statements described below.

The interim consolidated financial statements have been prepared in compliance with the international accounting standards adopted by the European Union as of June 30, 2015. The same accounting methods were used as for the consolidated financial statements for the year ended December 31, 2014.

The new following standards and interpretations that were applicable during the period did not have a material impact on the consolidated financial statements for the six months ended June 30, 2015:

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

The Group has not applied the following standards and interpretations that have not yet been adopted by the European Union or which application is not compulsory on January 1, 2015.:

- Standard adopted
  - *Amendments to IAS 19 - Defined Benefit plans : Employees Contributions;*
  - *Annual Improvements to IFRSs 2010-2012 Cycle (December 2013).*

- Standards not yet adopted
  - *IFRS 9 – Financial instruments;*
  - *IFRS 15 – Revenue from Contracts with Customers;*
  - *Amendments to IAS16 and IAS 38 : Clarification of Acceptable Methods of Depreciation and Amortization;*
  - *Amendments to IFRS 11- Accounting for Acquisitions in Joint Operations;*
  - *Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ;*
  - *Amendments to IAS 1 – Disclosure initiative ;*
  - *Annual Improvements to IFRSs 2012 - 2014 Cycle (September 2014).*

There are no differences in practice between the standards applied by Schneider Electric as of June 30, 2015 and the IFRS issued by the International Accounting Standards Board (IASB).

Schneider Electric is currently assessing the potential impact on the Group's consolidated financial statements of the standards not yet applicable. At this stage of analysis, the Group does not expect the impact on its consolidated financial statements to be material, except for IFRS 9 due to uncertainties surrounding the adoption process in Europe.

➢ Impairment of assets

There were no indications of impairment at June 30, 2015. As a result, no impairment tests were performed as of this date.

➢ Seasonal variations

Seasonal variations can affect the level of revenue from one quarter to another. For this reason the interim financial results are not necessarily indicative of the Group's expected full year performance.

- **Income tax expense**

Current and deferred taxes for interim periods are calculated by applying the estimated average effective tax rate for the current year to pre-tax profit for the period.

Note 2 - Changes in the scope of consolidation

2.1 Additions and removals

- **Acquisitions of the period**

No significant acquisition occurred during the first semester of 2015.

2.2 Impact of changes in the scope of consolidation

- **Follow-up on 2014 acquisitions**

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

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

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

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

- **Acquisitions of the period**

Changes in the scope of consolidation at June 30, 2015 reduced the Group's cash position by a net EUR 68 million outflow, as described below:

	First Half 2015	**First Half 2014**
Acquisitions	(77)	(2,257)
Cash and cash equivalents paid	*(84)*	*(2,876)**
Cash and cash equivalents acquired	*7*	*619*
Disposals	9	6
NET FINANCIAL INVESTMENTS	**(68)**	**(2,251)**

(*) net of EUR155 million cash in from the disposal of Appliance

Note 3 - Segment information

Schneider Electric operations are organized in four businesses Buildings & Partner, Infrastructure, Industry and IT, built around key technologies.

- **Buildings & Partner** provide low voltage power and building automation products and solutions that address the needs of all end markets from buildings to industries and infrastructure to data centers to help customers improve the energy efficiency of the buildings;
- **Infrastructure** specializes in medium-voltage and grid automation products and solutions, especially for utilities and other infrastructure customers;
- **Industry**, which business scope includes both the Discrete and Process Automation. The Business not only offers comprehensive industrial products, systems and software, but also integrates other group technologies to help its customers to increase their manufacturing productivity and efficiency;
- **IT**, which specializes in critical power products and solutions for datacenters and other applications where power continuity and quality is essential.

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

Operating segment data is identical to that presented to the CEO, who has been identified as the main decision-maker for allocating resources and evaluating segment performance. Performance assessments used by the CEO are notably based on Adjusted EBITA. Share-based payment is presented under "Corporate costs". The Management Board does not review assets and liabilities by Business.

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

3.1 Information by operating segment (in EUR millions)

First Half 2015 (in EUR millions)

	Buildings & Partner	Infrastructure	Industry	IT	Corporate costs	Total
Revenue	5,763	2,516	2,834	1,735		**12,848**
Adjusted EBITA*	1,031	156	440	279	(305)	**1,601**
Adjusted EBITA (%)	*17.9%*	*6.2%*	*15.5%*	*16.1%*		***12.5%***
Other operating income and expense	(12)	(51)	(3)	(1)	(8)	**(75)**
Restructuring costs	(70)	(46)	(27)	(6)	(9)	**(158)**
EBITA	949	59	410	272	(322)	**1,368**
EBITA (%)	*16.5%*	*2.4%*	*14.5%*	*15.7%*		***10.7%***

* *Adjusted EBITA : EBITA before restructuring costs and other operating income and expense.*

Revenue related to solutions amounts to 42% of total revenue for Half year 2015.

First Half 2014 (in EUR millions)

	Buildings & Partner	Infrastructure	Industry	IT	Corporate costs	Total
Revenue	5,102	2,364	2,704	1,530		**11,700**
Adjusted EBITA *	898	132	493	258	(277)	**1,504**
%	*17.6%*	*5.6%*	*18.2%*	*16.9%*		***12.9%***
Other operating income and expense	(1)	(9)	(37)	(5)	(5)	**(57)**
Restructuring costs	(31)	(28)	(10)	(1)	(1)	**(71)**
EBITA	866	95	446	252	(283)	**1,376**
%	*17.0%*	*4.0%*	*16.5%*	*16.5%*		***11.8%***

* *Adjusted EBITA : EBITA before restructuring costs and other operating income and expense.*

Revenue related to solutions amounts to 41% of total revenue for Half year 2014.

3.2 Information by region

The geographic regions covered by the Group are:
- Western Europe,
- North America (including Mexico),
- Asia-Pacific,
- and 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.

First Half 2015

	Western Europe	Asia-Pacific	North America	Rest of the world	Total
Sales by country market	3,378	3,678	3,491	2,301	**12,848**
Non current assets	10,217	4,830	9,740	1,331	**26,118**

First Half 2014

	Western Europe	Asia-Pacific	North America	Rest of the world	Total
Sales by country market	3,274	3,282	2,908	2,236	**11,700**
Non current assets	9,325	4,252	8,159	1,378	**23,114**

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

	June 30, 2015		June 30, 2014	
Revenue - Mature countries	7,339	57%	6,627	57 %
Revenue - New economies	5,509	43%	5,073	43 %
Total	**12,848**	**100%**	**11,700**	**100%**

Note 4 - Research and development

Research and development costs are as follows:

	First half 2015	First half 2014
Research and development costs in costs of sales	176	141
Research and development costs in commercial expenses (1)	276	281
Capitalized development costs	190	176
TOTAL RESEARCH AND DEVELOPMENT COSTS FOR THE PERIOD	**642**	**598**

(1) of which EUR21 millions of research and development tax credit in first half 2015 et EUR21 millions in first half 2014.

Amortization of capitalized development costs came to EUR111 million in the first half of 2015 and EUR79 million in the first half of 2014.

Note 5 - Other operating income and expense

Other operating income and expenses are as follows:

	First half 2015	First half 2014
Impairment losses on assets	(11)	(2)
Gains on asset disposals	3	7
Losses on asset disposals	(6)	(7)
Costs of acquisition	(38)	(43)
Employee benefit plan curtailment	18	-
Losses on business disposals	(55)	-
Others	14	(12)
OTHER OPERATING INCOME AND EXPENSES	**(75)**	**(57)**

The costs of acquisitions are the costs of acquisition, integration and separation related to major acquisitions or sales in 2015 and 2014 for first half 2015 of which EUR21 million for acquisition and integration costs of Invensys.

Note 6 - Restructuring costs

Restructuring costs in six-month period ended June 30, 2015 totaled EUR158 million and primarily stemmed from the reorganization of manufacturing operations and support functions.

Note 7 - Amortization and impairment of purchase accounting intangibles

	First half 2015	First half 2014
Amortization of purchase accounting intangibles	(138)	(127)
Impairment of purchase accounting intangibles	-	-
Goodwill impairment	-	-
AMORTIZATION AND IMPAIRMENT OF PURCHASE ACCOUNTING INTANGIBLES	**(138)**	**(127)**

Note 8 - Other financial income and expenses

	First half 2015	First half 2014
Exchange gains and losses, net	(11)	(6)
Financial component of defined benefit plan cost	(40)	(36)
Dividend income	-	2
Net gains/(losses) on disposal of assets available for sale	-	-
Other financial expenses, net	(23)	(16)
OTHER FINANCIAL INCOME AND EXPENSES	**(74)**	**(56)**

Note 9 - Income tax

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

9.1 Analysis of income tax expense for the year

	First half 2015	First half 2014
Current taxes	(315)	(289)
Deferred taxes	84	48
INCOME TAX (EXPENSE) / BENEFIT	**(231)**	**(241)**

9.2 Tax proof

	First half 2015	First half 2014
Profit attributable to owners of the parent	**719**	**821**
Income tax (expense)/benefit	(231)	(241)
Non-controlling interests	(53)	(62)
Share of profit of associates	(1)	6
Discontinued activities	-	70
Profit before tax	**1,004**	**1,048**
Statutory tax rate	34.43%	34.43%
Income tax expense calculated at the statutory rate	**(345)**	**(361)**
Reconciling items:		
Difference between French and foreign tax rates	95	99
Tax credits and other tax reductions	77	99
Impact of tax losses	(6)	106
Other permanent differences	(52)	(184)
Income tax (expense)/benefit	(231)	(241)
EFFECTIVE TAX RATE	**23.0%**	**23.0%**

9.3 Deferred taxes

Deferred tax assets net of deferred tax liabilities amounted to EUR 1,173 million, increasing by EUR 130 million from December 31, 2014.

Note 10 - Goodwill

The main changes during the period are summarized in the following table:

	First half 2015	31/12/2014
Net goodwill at opening	**16,733**	**13,048**
Acquisitions*	395	3,177
Disposals	(30)	(423)
Impairment	-	-
Translation adjustment	924	931
Reclassifications	-	-
Net goodwill at year end	**18,022**	**16,733**
Included cumulative impairment	**(303)**	**(280)**

* *On the basis of the exchange rate at acquisition date.*

The 2014 and 2015 acquisitions mainly include Invensys goodwill for EUR3,344 million that is allocated to Industry CGU.

- **Translation adjustment**

Currency translation adjustments concern principally goodwill on U.S. dollars.

Note 11 - Intangible assets and property, plant and equipment

Changes in intangible assets and property, plant and equipment over the six-month period from January 1, 2015 are mainly related to translation changes for an amount of EUR 430 million.

Note 12 - Investments in associates

There was no material change in investments in associates from January 1, 2015.
The variation of the period corresponds mainly to the share of profit and loss of investment in associates.

Note 13 - Financial assets

13.1 Available-for-sale financial assets

Available-for-sale financial assets amount to EUR180 million on June 30, 2015. Available-for-sale financial assets variation is due to the consolidation of entities purchased at the end of 2014.

13.2 Other non-current financial assets

The other non-current financial assets amount to EUR524 million as of June 30, 2015.

13.3 Current financial assets

Current financial assets total EUR46 million as of June 30, 2014 and comprise mainly non-monetary short-term investments.

Note 14 - Shareholder's equity

14.1 Share-based payments

A total of 467,963 Schneider Electric SE shares were issued during six-month period ended June 30, 2014 upon exercise of stock options, in an amount of EUR17 million.

Based upon the assumptions described in the notes to the 2013 consolidated financial statements, the expense recorded under "Selling, general and administrative expenses" for stock option or stock grant plans set up after November 7, 2002 totaled EUR55 million in six-month period ended June 30, 2015 (EUR39 million for the six-month period ended June 30, 2014). This expense was booked as an adjustment to "Retained earnings" in Shareholders' Equity.

14.2 Worldwide Employee Stock Purchase Plan

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

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

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

As regards the first semester 2014, Schneider Electric gave its employees the opportunity to purchase shares at a price of EUR58.21 or EUR54.79 per share, depending on the country, as part of its commitment to employee share ownership, on May 26, 2015. This represented a 15% to 20% discount to the reference price of EUR68.48 calculated as the average opening price quoted for the share during the 20 days preceding the Management Board's decision to launch the employee share issue.

Altogether, 2.4 million shares were subscribed, increasing the Company's capital by EUR135 million as of July 8, 2015. Due to significant changes in valuation assumptions, specifically the interest rate available to market participant, the value of the lock-up period is higher than the discount cost since 2012. Therefore the Group did not recognize any cost related to the transaction.

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

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

Amounts in millions of euros, unless otherwise stated.

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

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

Note 15 - Pensions and other post-employment benefit obligations

Changes in provisions for pensions and other post-employment benefit obligations were as follows:

	Pensions and termination benefits	Other Post-employment and long-term benefits	Provisions for pensions and other post-employment benefits
Dec. 31, 2014	**1,459**	**512**	**1,971**
Net cost recognized in the statement of income	39	25	64
▪ *Service cost*	*25*	*17*	*42*
▪ *Curtailments and settlements*	*(18)*	*-*	*(18)*
▪ *Past service cost*	*-*	*-*	*-*
▪ *Interest cost (impact of discounting)*	*202*	*8*	*210*
▪ *Expected return on plan assets*	*(170)*	*-*	*(170)*
Benefits paid	(29)	(31)	(60)
Plan participants' contributions	(86)	-	(86)
Actuarial gains and losses recognized in equity	(46)	(12)	(58)
Translation adjustment	59	31	90
Change in the scope of consolidation	(8)	10	2
Other changes	-	-	-
June 30, 2015	**1,388**	**535**	**1,923**
Surplus of plans recognized as assets	**(305)**		**(305)**
Provisions recognized as liabilities	**1,693**	**535**	**2,228**

Following the agreement reached with the Trustee of the Invensys Pension Scheme in the UK on February 7, 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 June 30, 2015, plan assets exceed the value of obligations subject to this guarantee and thus this guarantee cannot be called.

The pension net assets are included in other non-current financial assets.

Note 16 - Provisions

	Economic risks	Customer risks	Products risks	Environmental risks	Restructuring	Other risks	Provisions
Dec. 31, 2014	**711**	**87**	**446**	**308**	**127**	**547**	**2,226**
Long-term portion	*450*	*60*	*149*	*283*	*19*	*288*	*1,249*
Additions	58	12	40	5	72	69	256
Discounting effect	-	-	-	-	-	-	-
Utilizations	(38)	(12)	(52)	(7)	(57)	(93)	(259)
Reversals of surplus provisions	(31)	-	(3)	(1)	(6)	(7)	(48)
Translation adjustments	39	11	25	23	4	39	141
Changes in the scope of consolidation and other	83	53	10	21	2	108	277
June 30, 2015	**822**	**151**	**466**	**349**	**142**	**663**	**2,593**
Of which long-term portion	*578*	*123*	*173*	*334*	*21*	*456*	*1,685*

Main variances of the period relate to provisions linked to Invensys consolidation from January 2014 that is detailed in note 2.

Note 17 - **Net debt**

Net debt breaks down as follows:

	Jun.30, 2015	Dec.31, 2014
Bonds	5,462	5,405
Bank and other borrowings	402	707
Lease liabilities	3	6
Employees profit sharing	7	9
Short-term portion of convertible and non-convertible bonds	-	(750)
Short-term portion of long-term debt	(139)	(350)
NON-CURRENT FINANCIAL LIABILITIES	**5,735**	**5,027**
Commercial paper	1,595	760
Accrued interest	122	112
Other short-term borrowings	683	461
Bank overdrafts	251	212
Short-term portion of convertible and non-convertible bonds	-	750
Short-term portion of long-term debt	139	350
Short-term debt	**2,790**	**2,645**
TOTAL CURRENT AND NON-CURRENT FINANCIAL LIABILITIES	**8,525**	**7,672**
Marketable securities	606	714
Negotiable debt securities and short-term deposits	28	50
Cash and cash equivalents	1,423	1,886
Total cash and cash equivalents	**2,057**	**2,650**
Bank overdrafts	(251)	(212)
NET CASH AND CASH EQUIVALENTS	**1,806**	**2,438**
NET DEBT	**6,468**	**5,022**

Cash and cash equivalents net of short-term bank loans and overdrafts totaled EUR1,806 million, corresponding to the amount reported in the consolidated cash flow statement.

Non-recourse factoring of trade receivables were realized during the six-month period ended June 30, 2015 for a total amount of EUR53 million, compared with EUR73 million during the six-month period ended June 30, 2014.

In the first half of 2015, the Group repaid a bond for an amount of EUR750M, offset by the issuing of a new bond due in March 2025.

Marketable securities generally consist of highly liquid instruments traded on regulated markets that are readily convertible into known amounts of cash, such as commercial paper, mutual funds and equivalents.

All the financial instruments are usually evaluated at fair value, except the long term debt. The non-current financial liabilities contains convertible bonds which fair value as at June 30 2015 is EUR5,792 million.

Note 18 - Derivative instruments

18.1 Foreign currency

Due to the fact that a significant proportion of Group's transactions are denominated in currencies other than the euro, the Group is exposed to currency risk. The Group uses derivative instruments to hedge its exposure to exchange rates mainly through futures and natural hedge. Furthermore, some long term loans and borrowings granted to the affiliates are considered as net investment according to IAS 21.

June 30, 2015	IFRS designation	Carrying amount	Nominal amount	
			Sale	Purchase
Futures - cash flow hedges	CFH *	(88)	-	1 130
Futures - net investment hedges	NIH *	(9)	1 184	-
Futures - hedges of balance sheet items	FVH *	-	-	-
Futures - hedges of balance sheet items	*Trading**	71	5 834	3 105
		(26)	**7 018**	**4 235**

December 31, 2014	IFRS designation	Carrying amount	Nominal amount	
			Sale	Purchase
Futures - cash flow hedges	CFH *	(33)	16	1 043
Futures - net investment hedges	NIH *	(33)	1 091	-
Futures - hedges of balance sheet items	FVH *	-	-	-
Futures - hedges of balance sheet items	*Trading**	(15)	4 671	2 293
		(81)	**5 778**	**3 336**

* CFH - Cash flow hedges
NIH - Net investment hedges
FVH - Fair value hedges

18.2 Interest rate

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

June 30, 2015	IFRS designation	Carrying amount	Nominal amount
Interest rates Swaps	CFH */FVH*	-	-

December 31, 2014	IFRS designation	Carrying amount	Nominal amount
Interest rates Swaps	CFH */FVH*	(2)	(129)

18.3 Raw materials

The Group subscribes to futures and options to hedge the price fluctuations of all of or part of forecasted purchases of copper, lead, aluminum, zinc, nickel and silver.

June 30, 2015	IFRS designation	Carrying amount	Nominal amount
Metal prices			
Futures and options	CFH *	(10)	(218)

December 31, 2014	IFRS designation	Carrying amount	Nominal amount
Metal prices			
Futures and options	CFH *	(11)	(271)

18.4 Share-based payment

This hedging covers Schneider Electric shares that are granted to the US employees as part of the Share Appreciation Rights.

June 30, 2015	IFRS designation	Carrying amount	Nominal amount	Number of shares
Share-based payment				
Call options	CFH *	19	(35)	812 926

December 31, 2014	IFRS designation	Carrying amount	Nominal amount	Number of shares
Share-based payment				
Call options	CFH *	28	(57)	1 277 326

Note 19 - Related party transactions

19.1 Associates

These are primarily companies over which the Group has significant influence. They are accounted for by the equity method. Transactions with these related parties are carried out on arm's length terms and were not material during the period.

19.2 Related parties with significant influence

No transactions were carried out during the period with members of the Supervisory Board or Management Board.

Note 20 - Commitments and contingent liabilities

20.1 Guarantees given and received

Guarantees given and received amounted to EUR4,280 million and EUR96 million, respectively, as of June 30, 2015.

20.2 Purchase commitments

Commitments to purchase equity investments correspond to put options given to minority shareholders in consolidated companies or relate to earn-out payments. At June 30, 2015, there is no material event.

20.3 Contingent liabilities

Management is confident that balance sheet provisions for known disputes in which the Group is involved are sufficient to ensure that these disputes do not have a material impact on its financial position or profit. This is notably the case for the potential consequences of a current dispute in Belgium involving former senior executives and managers of the Group.

The loan agreements related to the Group's long-term debt do not include any rating triggers.

Note 21 - Subsequent events

- **Issuance of shares to employees**

On July 8, 2015, the employee share purchase program described in note 14.2, led to a share capital increase of EUR135 million for 2.4 million shares subscribed.

- **Non-binding agreement with Aveva**

On July 20, 2015, Schneider Electric SE and Aveva Group Plc, one of the world's leading providers of engineering design and information management solutions, announced that they have reached a non-binding agreement on the key terms and conditions of an acquisition of selected Schneider Electric industrial software assets (including, among others, the former Invensys software assets) ("Schneider Software") by Aveva Group Plc.

Aveva Group Plc will acquire Schneider Software on a debt-free cash-free basis and receive from Schneider Electric SE upon completion £550 million for consideration of new Aveva Group Plc shares to be issued to Schneider Electric SE, such that Schneider Electric SE will own 53.5% of the Enlarged AVEVA Group's fully diluted share capital immediately post completion. Based on the current Aveva Group Plc share price, the c. 74.0 million Aveva Group Plc shares to be issued to Schneider Electric SE as part of this transaction have a current market value of c. £1.3 billion. The cash payment (described above) from Schneider Electric will be distributed upon completion (together with Aveva Group Plc net excess cash) to shareholders of Aveva Group Plc (excluding Schneider Electric SE).

Given the relative size of Schneider Software and Aveva Group Plc, this transaction will be classified as a reverse takeover of Aveva Group Plc under the Listing Rules of the UK Listing Authority. This transaction is expected to be accounted for as a reverse takeover of Aveva Group Plc under IFRS.

The transaction remains subject to a number of conditions precedent including the results of reciprocal due diligence being satisfactory for each party.

This transaction would create a global leader in industrial software, with scale and relevance in key-markets and a best in class technology portfolio with combined revenues and Adjusted EBITA of c. £534 million and c. £130 million, respectively.

MANAGEMENT REPORT FOR THE PERIOD ENDED JUNE 30, 2015

Consolidated financial statements

Business and Statement of Income highlights

Changes in the scope of consolidation

Acquisitions during the period

No acquisition has been performed in 2015 generating a material change in scope impact in six-month period ended June 30, 2015 in comparison with 2014.

Acquisitions done in 2014 having an impact on the financial statements of six-month period ended June 30, 2015

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

Exchange rate changes

Fluctuations in the euro exchange rate had a positive impact in six-month period ended June 30, 2015, increasing consolidated revenue by EUR1,248 million and adjusted EBITA by EUR200 million, due mainly to the positive effect of the stronger US dollar and Chinese Yuan compared to the Euro.

Results of Operations

The following table sets forth our results of operations for the six-month period ended June 30, 2015 and 2014.

(in millions of Euros except for earnings per share)	**1st half-year 2015**	**1st half-year 2014**	**% variance**
Revenue	**12,848**	**11,700**	**+9.8%**
Cost of sales	(8,096)	(7,243)	
Gross profit	**4,752**	**4,457**	**+6.6%**
% Gross profit	***37.0%***	***38.1%***	
Research and development	(276)	(281)	
Selling, general and administrative expenses	(2,875)	(2,672)	
Adjusted EBITA	**1,601**	**1,504**	**+6.4%**
% Adjusted EBITA	***12.5%***	***12.9%***	
Other operating income and expenses	(75)	(57)	
Restructuring costs	(158)	(71)	
EBITA	**1,368**	**1,376**	**-0.6%**
% EBITA	***10.6%***	***11.8%***	
Amortization and impairment of purchase accounting intangibles	(138)	(127)	
Operating income	**1,230**	**1,249**	**-1.5%**
% Operating income	***9.6%***	***10.7%***	
Interest income	17	18	
Interest expense	(169)	(163)	
Finance costs, net	**(152)**	**(145)**	
Other financial income and expense	(74)	(56)	
Net financial income/loss	**(226)**	**(201)**	
Profit from continued operations before income tax	**1,004**	**1,048**	**-4.2%**
Income tax expense	(231)	(241)	
Income from discontinued activities	-	70	
Share of profit/(losses) of associates	(1)	6	
Profit for the period	**772**	**883**	**-12.6%**
-Attributable to owners of the parent	719	821	-12.4%
-Attributable to non-controlling interests	53	62	
Basic earnings per share –attributable to owners of the parent (in Euros per share)	1.26	1.44	-12.5%

Revenue

Consolidated revenue totaled EUR12,848 million for the period ended June 30, 2015, up 9.8% on a current structure and currency basis from the year-earlier period.

Organic growth was negative for -0.9%, acquisitions net of disposals accounted for 0.2% and the currency effect for 10.5% due mainly to the positive effect of the stronger US dollar and Chinese Yuan compared to the Euro.

Breakdown by business

The following table sets forth our revenue by business segment for the six-month periods ended June 30, 2015 and 2014.

(in millions of Euros)	**Buildings & Partner**	**Infrastructure**	**Industry**	**IT**	**Total**
June 30, 2015	5,763	2,516	2,834	1,735	**12,848**
June 30, 2014	5,102	2,364	2,704	1,530	**11,700**

The Buildings & Partner Business generated revenues of EUR5,763 million, or 44% of the consolidated total. This represents an increase of 13.0% on a reported basis and **0.4%** like-for-like. North America was up thanks to continued growth in the construction market in the U.S. and a recovery in Mexico. In Western Europe, growth in France, the U.K., Italy and Spain offset weakness in Germany and Switzerland. The Rest of the World grew thanks to infrastructure investment in the Middle East and Asia Pacific was penalized by weak construction and industrial markets in China.

The Infrastructure business generated revenues of EUR2,516 million, or 20% of the consolidated total. This represents an increase of 6.4% on a reported basis and **0.7%** like-for-like. Western Europe grew, driven by project execution in France and growth in Spain, Italy and the UK. North America was up thanks to project execution in Canada, while the U.S. was penalized by lower investment in oil & gas and delays in data center investments. Asia-Pacific posted mixed trends with difficulties in China, a high base in Australia and growth in East Asia. The Rest of the World was penalized by weakness in Russia and high base of comparison in Africa. Services were strong, up double-digit.

The Industry business generated revenues of EUR2,834 million, or 22% of the consolidated total. This represents an increase of 4.8% on a reported basis and a decrease of -**5.3%** like-for-like. In Western Europe, Spain and Italy were up driven by the demand from export-oriented OEMs while Germany down. North America was impacted as the U.S was penalized by lower industrial investments due to the decline of oil price and a strong dollar. In Asia Pacific, China was impacted by weak OEM and lower industrial investments.

The IT business generated revenues of EUR1,735 million, or 14% of the consolidated total. This represents a decrease of 13.4% on a reported basis and **0.5%** like-for-like. The U.S. was up thanks to project execution in a slow market. Western Europe was positive, driven by active IT spending. India was impacted by a one-off event in the first quarter but showed recovery in Q2. Russia continued to be weak while the business grew in the Middle East and Africa.

Gross margin

Gross margin increased to EUR4,752 million for the six-month period ended June 30, 2015 (EUR4,457 million for the six-month period ended June 30, 2014) mainly linked to foreign exchange rates effect positive in value. As a percentage of revenues, gross profit is decreasing from 38.1% in first half of 2014 to 37.0%in first half of 2015, because positive net pricing and productivity were offset by negative mix effect and increased R&D cost reported in cost of sales.

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

Research and development expenses, net of capitalized development costs, decreased slightly by 1.8% from EUR281 million for the six-month period ended June 30, 2014 to EUR276 million for the six-month period ended June 30, 2015. As a percentage of revenues, the net cost of research and development decreased to 2.1% of revenues for six-month period ended June 30, 2015 (2.4% for the six-month period ended June 30, 2014).

Total research and development expense, including capitalized development costs and development costs reported as cost of sales (see Note 4 to the Audited Consolidated Financial Statements) increased 7.4% from EUR598 million for the six-month period ended June 30, 2014 to EUR642 million for the six-month period ended June 30, 2015. As a percentage of revenues, total research and development expenses remained stable at 5.0% for the six-month period ended June 30, 2015 (5.1% for the six-month period ended June 30, 2014).

On the first semester 2015, the net effect of capitalized development costs and amortization of capitalized development costs amounts to EUR79 million on operating income (EUR97 million on the first semester 2014).

Selling, general and administrative expenses increased by 7.6% to EUR2,875 million for the six-month period ended June 30, 2015 (EUR2,672 million for the six-month period ended June 30, 2014). As a percentage of revenues, selling, general and administrative expenses decreased to 22.4% for the six-month period ended June 30, 2015 (22.8% for the six-month period ended June 30, 2014).

Combined, total support function costs, that is, research and development expenses together with selling, general and administrative costs, totaled EUR3,151 million six-month period ended June 30, 2015 compared to EUR2,953 million six-month period ended June 30, 2014, an increase of 6.7%. As a result, our support functions costs to sales ratio decreased from 25.2% for the six-month period ended June 30, 2014 to 24.5% for the six-month period ended June 30, 2015, reflecting the Group's good progress of simplification initiatives.

Other operating income and expenses

For the six-month period ended June 30, 2015, other operating income and expenses amounted to a net expense of EUR75 million, including costs linked to acquisitions for EUR38 million, loss on business sold for EUR 55 million (mainly related to the disposal of Telvent Global Services). and other operating income of EUR21 million. Costs linked to acquisitions are acquisition, integration and separation costs on 2014 and 2015 acquisitions, notably Invensys Group for EUR21 millions.

Restructuring costs

For the six-month period ended June 30, 2015, restructuring costs amounted to EUR158 million compared to EUR71 million for the six-month period ended June 30, 2014, higher in 2015 than previous years, attributed to Support Function Costs improvement initiatives.

EBITA and Adjusted EBITA

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

Adjusted EBITA amounted to EUR1,601 million for the six-month period ended June 30, 2015, compared to EUR1,504 million for the six-month period ended June 30, 2014, an increase of 6,4%. As a percentage of revenues, adjusted EBITA decreased from 12.9% for the six-month period ended June 30, 2014 to 12.5% for the six-month period ended June 30, 2015, a slight of 0.4%.

EBITA decreased slightly by 0.6% from EUR1,376 million for the six-month period ended June 30, 2014 to EUR1,368 million for the six-month period ended June 30, 2015, due to the increase of restructuring costs. As a percentage of revenues, EBITA slightly decreased to 10.6% for the six-month period ended June 30, 2015 (11.8% for the six-month period ended June 30, 2014),

EBITA and adjusted EBITA by business segment

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

(in millions of Euros)	***Buildings & Partner***	***Infrastructure***	***Industry***	***IT***	***Corporate costs***	***Total***
June 30, 2015						
Revenues	5,763	2,516	2,834	1,735		**12,848**
Adjusted EBITA*	1,031	156	440	279	(305)	**1,601**
Adjusted EBITA (%)	*17.9%*	*6.2%*	*15.5%*	*16.1%*		***12.5%***
Other operating income and expense	(12)	(51)	(3)	(1)	(8)	**(75)**
Restructuring costs	(70)	(46)	(27)	(6)	(9)	**(158)**
EBITA	949	59	410	272	(322)	**1,368**
EBITA (%)	*16.5%*	*2.4%*	*14.5%*	*15.7%*		***10.7%***

* Adjusted EBITA: EBITA before restructuring costs and before other operating income and expenses

(in millions of Euros)	***Buildings & Partner***	***Infrastructure***	***Industry***	***IT***	***Corporate costs***	***Total***
June 30, 2014						
Revenues	5,102	2,364	2,704	1,530		**11,700**
Adjusted EBITA*	898	132	493	258	(277)	**1 504**
Adjusted EBITA (%)	*17.6%*	*5.6%*	*18.2%*	*16.9%*		***12.9%***
Other operating income and expense	(1)	(9)	(37)	(5)	(5)	**(57)**
Restructuring costs	(31)	(28)	(10)	(1)	(1)	**(71)**
EBITA	866	95	446	252	(283)	**1,376**
EBITA (%)	*17.0%*	*4.0%*	*16.5%*	*16.5%*		***11.8%***

* Adjusted EBITA: EBITA before restructuring costs and before other operating income and expenses

Buildings & Partner recorded an adjusted EBITA margin of 17.9% for the six-month period ended June 30, 2015, up 0.3% compared to 17.6% for the six-month period ended June 30, 2014, thanks to better support function cost control.

Infrastructure recorded an adjusted EBITA margin of 6.2% for the six-month period ended June 30, 2015, up 0.6% compared to 5.6% for the six-month period ended June 30, 2014, benefiting from good control of SFC.

Industry recorded an adjusted EBITA margin of 15.5% for the six-month period ended June 30, 2015, down 2.7% compared to 16.9% for the six-month period ended June 30, 2014, penalized by volume decline, especially in Invensys, negative FX transaction impact, mix and higher R&D investments.

IT recorded an adjusted EBITA margin of 16.1% for the six-month period ended June 30, 2015, down 0.8% compared to 16.9% for the six-month period ended June 30, 20143, penalized by FX transaction impact.

Corporate costs for the compared to the six-month period ended June 30, 2015 amounted to EUR305 million or 2.4% of sales, at the same level as the six-month period ended June 30, 2014 (EUR277 million).

Operating income (EBIT)

Operating income, after amortization and depreciation of purchased intangibles, decreased from EUR1,249 million for the six-month period ended June 30, 2014 to 1,230 million for the six-month period ended June 30, 2015, a slight decrease of 1.5% linked to a decrease of EBITA and an increase of amortization of intangibles linked to foreign exchange rates effect of EUR11 million (EUR138 million on the six-month period ended June 30, 2015 compared to EUR127 million six-month period ended June 30, 2014).

Net financial income/loss

Net financial loss amounted to EUR226 million for the six-month period ended June 30, 2015, compared to EUR201 million for the six-month period ended June 30, 2014.

This increase is explained both by the increase to EUR152 million for the six-month period ended June 30, 2015, compared to EUR145 million for the six-month period ended June 30, 2014, linked to an unfavorable foreign exchange rates effect, and by the increase in other financial expenses, net of other financial income, from EUR56 million on the six-month period ended June 30, 2014 to a net expense of EUR74 million for the six-month period ended June 30, 2015, mainly linked to costs of hedges.

Tax

The effective tax rate was 23.0% for the six-month period ended June 30, 2015, as for the six-month period ended June 30, 2014. The corresponding income tax expense decreased from EUR241 million for the six-month period ended June 30, 2014 to EUR231 million for the six-month period ended June 30, 2015.

Share of profit/ (losses) of associates

The share of associates was a to EUR1 million loss for the six-month period ended June 30, 2015, compared to EUR6 million profit for the six-month period ended June 30, 2014.

Discontinued activities

The net effect of discontinued activities totaled EUR70 million for the six-month period ended June 30, 2014, including mainly profit over six-months from the Appliance activity of Invensys, sold in June 2014. There is no discontinued activity on first half of 2015.

Non-controlling interests

Minority interests in net income for the six-month period ended June 30, 2015 totaled EUR53 million, compared to EUR62 million for the six-month period ended June 30, 2014. This represented the share in net income attributable, in large part, to the minority interests of certain Chinese companies.

Profit for the period

Profit for the period attributable to the equity holders of our parent company amounted to EUR719 million for the six-month period ended June 30, 2015, compared to EUR821 profit for the six-month period ended June 30, 2014.

Earnings per share

Earnings per share amounted to EUR1.26 per share for the six-month period ended June 30, 2015 and EUR1.44 per share for the six-month period ended June 30, 2014.

Comments to the consolidated Cash-flow

The following table sets forth our cash-flow statement for the six-month period ended June 30, 2015 and 2014.

(in millions of Euros)	**First half 2015**	**First half 2014**
Profit for the period	772	883
Less net result from discontinued operations	-	(70)
Share of (profit)/ losses of associates, net of dividends received	1	(6)
Non-cash adjustments to reconcile profit for the period to net cash flows provided by operating activities		
Depreciation of property, plant and equipment	214	204
Amortization of intangible assets other than goodwill	273	227
Losses on non-current assets	2	(7)
Increase/(decrease) in provisions	(39)	(4)
Losses/(gains) on disposals of fixed assets	-	1
Difference between tax paid and tax expense	(189)	(177)
Other non cash-adjustments	100	33
Net cash provided by operating activities before changes in operating assets and liabilities	**1,134**	**1,083**
(Increase)/decrease in accounts receivable	85	(141)
(Increase)/decrease in inventories and work in process	(374)	(155)
Increase/(decrease) in accounts payable	6	(89)
Change in other current assets and liabilities	(253)	(133)
Change in working capital requirement	**(536)**	**(518)**
I - Cash flows from operating activities	**598**	**565**
Purchases of property, plant and equipment	(244)	(225)
Proceeds from disposals of property, plant and equipment	52	28
Purchases of intangible assets	(197)	(192)
Proceeds from disposals of intangible assets	7	3
Net cash used in investment in operating fixed assets	**(382)**	**(386)**
Acquisition of subsidiaries, net of cash acquired	(77)	(2,257)
Proceeds from sale of financial assets	9	6
Purchases of other long-term investments	52	(15)
Long-term pension assets	(87)	(43)
Net financial investments	**(103)**	**(2,309)**
II - Cash flows from / used in investing activities:	**(485)**	**(2,695)**
Issuance of bonds	750	-
Repayment of bonds	(750)	(500)
Increase/(reduction) in financial debt	639	114
Proceeds from issuance of share capital	18	25
Sale/(purchase) of own shares	(90)	39
Dividends paid: Schneider Electric SE	(1,109)	(1,095)
Non-controlling interests	(39)	(54)
III - Cash flows from / used in financing activities	**(581)**	**(1,471)**
IV - Net foreign exchange difference	**(164)**	**37**
V – Effect of discontinued operations	**-**	**14**
Net increase/(decrease) in cash and cash equivalents: I + II + III + IV + V	**(632)**	**(3,550)**
Cash and cash equivalents at January, 1st	2,438	5,423
Increase/(decrease) in cash and cash equivalents	(632)	(3,550)
Cash and cash equivalents at June 30th	**1,806**	**1,873**

Operating Activities

Net cash provided by operating activities before changes in operating assets and liabilities reached EUR1,134 million for the six-month period ended June 30, 2015, increasing compared to EUR1,083 million for the six-month period ended June 30, 2014. It represents 8.8% of revenues for first half 2015 and 9.3% of revenues from first half 2014.

Change in working capital requirement consumed EUR536 million in cash in the six-month period ended June 30, 2015, compared to EUR518 million in consumption in the six-month period ended June 30, 2014, reflecting normal cash-flow seasonality.

In all, net cash provided by operating activities slightly increased from EUR565 million in the six-month period ended June 30, 2014 to EUR598 million in the six-month period ended June 30, 2015.

Investing Activities

Net capital expenditure, which included capitalized development projects, remain stable at EUR382 million for the six-month period ended June 30, 2015, compared to EUR386 million for the six-month period ended June 30, 2014), and representing 3.0% of sales on first half 2015 compared to 3.3% of sales on first half 2014.

Our acquisitions in 2015 represented a cash outflow, net of cash acquired, of EUR77 million for the six-month period ended June 30, 2015. Our acquisitions in 2014 represented a cash outflow, net of cash acquired, of EUR2,257 million for the six-month period ended June 30, 2014, corresponding mainly to the cash out for acquisition of Invensys, net of acquired cash & cash equivalents and net of the GBP103 million received from Invensys pension fund as a consideration for the assets previously kept in the *Reservoir Trust* and net of the EUR155 million cash in from the disposal of the activity Appliance.

Financing Activities

The net increase of financial debts amounted to EUR639 million during the six-month period ended June 30, 2015, compared to a net decrease of financial debts of EUR386 million during the six-month period ended June 30, 2014. The dividend paid by Schneider Electric was EUR1,109 million the six-month period ended June 30, 2015, compared with EUR1,095 million the six-month period ended June 30, 2014.

2015 Targets

In the first half, the Group saw stabilization of the Infrastructure business, improvement in Western Europe, and good progress in adapting costs and in achieving Invensys synergies. However the Group's performance was impacted by stronger than expected headwinds from O&G and China, and one–offs in Invensys

In the second half the Group expects continued growth in the U.S. construction market, sustained improvement in Western Europe, persistent weakness in China and in O&G related investments.

Therefore the Group now targets for 2015:

- Around flat organic growth in revenues.
- A significant growth in adjusted EBITA at current FX rates, and a stable to moderate decline in adjusted EBITA margin versus 2014

Significant events of the period

In addition to the acquisitions described above, the key events of the period were as follows:

Partial renewal of the board of directors

The shareholders of Schneider Electric SE on April 21, 2015 carried on a partial renewal of the Board of Directors and appointed M. Gregory Spierkel (Canadian citizen) director.

Main risks and areas of uncertainty for the second half of 2015

The main risks and areas of uncertainty for the second half of the year are the same as those outlined in Chapter 1, paragraph 5 (Risk Factors) of the 2014 Registration Document filed with AMF on March 19, 2015.

Claims, litigations and other risks

(update to the Registration Document – page 41)
No significant event occurred since Registration Document date.

Transactions with related parties

These transactions are described in Note 19 to the interim consolidated financial statements.

Attestation

I hereby declare that, to the best of my knowledge, the half-year financial statements as at June 30, 2015 have been prepared in accordance with applicable accounting standards, that they present fairly, in all material respects, the assets, financial position and results of the company and the consolidated group. To the best of my knowledge, the Management Report presents fairly the information mentioned in Article 222-6 of AMF's general regulations.

Rueil-Malmaison, July 28, 2015

On behalf of the Board of Directors,
Jean-Pascal TRICOIRE
Chairman of the Board of Directors and CEO

Statutory Auditors' Review Report on the first half-yearly information

This is a free translation into English of the statutory auditors' review report on the condensed half-yearly consolidated financial statements issued in French and it is provided solely for the convenience of English-speaking users. This report also includes information relating to the specific verification of information given in the Group's interim management report. This report should be read in conjunction with and construed in accordance with French law and professional standards applicable in France.

To the Shareholders,

In compliance with the assignment entrusted to us by your shareholders' meeting and in accordance with the requirements of article L. 451-1-2 III of the French monetary and financial code (*Code monétaire et financier*), we hereby report to you on:

- the review of the accompanying condensed half-yearly consolidated financial statements of Schneider Electric S.E., for the period from January 1 to June 30, 2015, and
- the verification of the information contained in the interim management report.

These condensed half-yearly consolidated financial statements are the responsibility of the Board of Directors. Our role is to express a conclusion on these financial statements based on our review.

1. Conclusion on the financial statements

We conducted our review in accordance with professional standards applicable in France. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with professional standards applicable in France and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the condensed half-yearly consolidated financial statements are not prepared in all material respects in accordance with IAS 34 – standard of the IFRSs as adopted by the European Union applicable to interim financial information.

2. Specific verification

We have also verified the information presented in the interim management report in respect of the condensed half-yearly consolidated financial statements subject to our review.

We have no matters to report as to its fair presentation and its consistency with the condensed half-yearly financial statements.

Courbevoie and Paris-La Défense, July 28, 2015

The statutory auditors

French original signed by

MAZARS	ERNST & YOUNG et Autres
David Chaudat	Jean-Yves Jégourel