Half year financial report

Six-month period ended June 30, 2016

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

Schneider Electric

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Consolidated statement of income

(in millions of euros except for earnings per share)	Note	First half 2016	First half 2015
Revenue	3	**11,846**	**12,848**
Cost of sales		(7,318)	(8,096)
Gross profit		**4,528**	**4,752**
Research and development	4	(263)	(276)
Selling, general and administrative expenses		(2,695)	(2,875)
EBITA adjusted*		**1,570**	**1,601**
Other operating income and expenses	5	(8)	(75)
Restructuring costs	6	(132)	(158)
EBITA**		**1,430**	**1, 368**
Amortization and impairment of purchase accounting intangibles	7	(83)	(138)
Operating income		**1,347**	**1, 230**
Interest income		30	17
Interest expense		(164)	(169)
Finance costs, net		**(134)**	**(152)**
Other financial income and expense	8	(112)	(74)
Net financial income/(loss)		**(246)**	**(226)**
Profit from continuing operations before income tax		**1,101**	**1,004**
Income tax expense	9	(275)	(231)
Income of discontinued operations, net of income tax		-	-
Share of profit/(loss) of associates		13	(1)
PROFIT FOR THE PERIOD		**839**	**772**
• attributable to owners of the parent		809	719
• attributable to non-controlling interests		30	53
Basic earnings (attributable to owners of the parent) per share *(in euros per share)*		1.44	1.26
Diluted earnings (attributable to owners of the parent) per share *(in euros per share)*		1.42	1.24

* *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 2016**	**First half 2015**
Profit for the year	**839**	**772**
Other comprehensive income:		
Translation adjustment	(429)	1,002
Cash-flow hedges	16	67
Income tax effect of Cash-flow hedges	9	(29)
Net gains (losses) on available-for-sale financial assets	(2)	(5)
Income tax effect of Net gains (losses) on available-for-sale financial assets	1	2
Actuarial gains (losses) on defined benefits plans	(231)	66
Income tax effect of Actuarial gains (losses) on defined benefits plans	32	7
Other comprehensive income for the year, net of tax	**(604)**	**1,110**
• out of which to be recycled in income statement ultimately	24	34
• out of which not to be recycled in income statement ultimately	(628)	1,076
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**235**	**1,882**
Attributable:		
• to owners of the parent	209	1,785
• to non-controlling interests	25	97

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

Consolidated statement of cash flows

(in millions of euros)	**Note**	**First half 2016**	**First half 2015**
Profit for the year		839	772
Share of (profit)/losses of associates, net of dividends received		(13)	1
Adjustments with no impact on cash-flow :			
Depreciation of property, plant and equipment		204	214
Amortization of intangible assets other than goodwill		229	273
Impairment losses on non-current assets		72	(2)
Increase/(decrease) in provisions		(135)	(39)
Losses/(gains) on disposals of fixed assets		41	-
Difference between tax paid and tax expense		11	(189)
Other non-cash adjustments		58	100
Net cash provided by operating activities before changes in operating assets and liabilities		**1,306**	**1,134**
Decrease/(increase) in accounts receivable		124	85
Decrease/(increase) in inventories and work in process		(196)	(374)
(Decrease)/increase in accounts payable		(179)	6
Change in other current assets and liabilities		(207)	(253)
Change in working capital requirement		**(458)**	**(536)**
Total I - Cash flows from operating activities		**848**	**598**
Purchases of property, plant and equipment		(220)	(244)
Proceeds from disposals of property, plant and equipment		16	52
Purchases of intangible assets		(198)	(197)
Proceeds from disposals of intangible assets		-	7
Net cash used by investment in operating assets		**(402)**	**(382)**
Net financial investments	2	(18)	(77)
Proceeds from sale of financial assets		7	9
Purchases of other long-term investments		(33)	52
Increase in long-term pension assets		(82)	(87)
Sub-total		**(125)**	**(103)**
Total II - Cash flows from/(used in) investing activities		**(528)**	**(485)**
Issuance of bonds	17	-	750
Repayment of bonds	17	-	(750)
Increase/(reduction) in other financial debt		282	639
Proceeds from issuance of shares		5	18
Sale/(purchase) of own shares		(278)	(90)
Dividends paid by Schneider Electric SE		(1,127)	(1,109)
Dividends paid to non-controlling interests		(21)	(39)
Total III - Cash flows from/(used in) financing activities		**(1,139)**	**(581)**
IV - Net foreign exchange difference:		**(105)**	**(164)**
V - Effect of discontinued operations		**-**	**-**
Increase/(decrease) in cash and cash equivalents: I + II + III + IV + V		**(924)**	**(632)**
Cash and cash equivalents at January 1st		2,849	2,438
Increase/(decrease) in cash and cash equivalents		(924)	(632)
CASH AND CASH EQUIVALENTS AT JUNE 30	**17**	**1,925**	**1,806**

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

Consolidated balance sheet

Assets

(in millions of euros)	Note	Jun.30, 2016	Dec.31, 2015
Non-current assets			
Goodwill, net	10	17, 215	17,781
Intangible assets, net		4,470	4,726
Property, plant and equipment, net		2,623	2,729
Total tangible and intangible assets	*11*	*7,093*	*7,455*
Investments in associates	12	645	364
Available-for-sale financial assets	13	128	128
Other non-current financial assets		459	568
Non-current financial assets		*587*	*696*
Deferred tax assets		2,607	2,504
Total non-current assets		**28,147**	**28,800**
Current assets			
Inventories and work in progress		3,143	3,035
Trade and other operating receivables		5,654	6,002
Other receivables and prepaid expenses		1,597	1,700
Current financial assets		49	41
Cash and cash equivalents		2,134	2,999
Total current assets		**12,577**	**13,777**
TOTAL ASSETS		**40,724**	**42,577**

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

Liabilities

(in millions of euros)	Note	Jun.30, 2016	Dec.31, 2015
Equity	14		
Share capital		2,356	2,355
Additional paid-in capital		6,087	7,267
Retained earnings		9,667	10,187
Translation reserve		1,581	1,039
Equity attributable to owners of the parent		**19,691**	**20,848**
Non-controlling interests		169	441
Total equity		**19,860**	**21,289**
Non-current provisions			
Pensions and other post-employment benefit obligations	15	2,106	2,025
Other non-current provisions	16	1,527	1,659
Total non-current provisions		**3,633**	**3,684**
Non-current financial liabilities			
Bonds	17	5,911	5,919
Other non-current debt	17	197	216
Non-current financial liabilities		*6,108*	6,135
Deferred tax liabilities		1,311	1,195
Other non-current liabilities		138	147
Total non-current liabilities		**11,190**	**11,161**
Current liabilities			
Trade and other operating payables		3,896	4,284
Accrued taxes and payroll costs		1,864	2,151
Current provisions	16	814	900
Other current liabilities		1,350	1,297
Current debt	17	1,750	1,495
Total current liabilities		**9,674**	**10,127**
TOTAL EQUITY AND LIABILITIES		**40,724**	**42,577**

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, 2014	**584,691**	**2,339**	**7,898**	**(445)**	**9,792**	**148**	**19,732**	**419**	**20,151**
Profit for the year					1,407		1,407	96	1,503
Other comprehensive income					366	891	1,257	35	1,292
Comprehensive income for the year					1,773	891	2,664	131	2,795
Capital increase	2,414	10	124				134		134
Exercise of stock options	1,629	6	17		(4)		19		19
Dividends			(796)		(312)		(1,108)	(102)	(1,210)
Change in treasury shares				(582)	(18)		(600)		(600)
Share-based compensation expense					97		97		97
Other **			24		(114)		(90)	(7)	(97)
Dec.31, 2015	**588,734**	**2,355**	**7,267**	**(1,027)**	**11,214**	**1,039**	**20,848**	**441**	**21,289**
Profit for the year					809		809	30	839
Other comprehensive income					(175)	(424)	(600)	(5)	(604)
Comprehensive income for the year					634	(424)	209	25	235
Capital increase									
Exercise of stock options	147	1	4				5		5
Dividends			(1,127)				(1,127)	(45)	(1,172)
Change in treasury shares				(278)			(278)		(278)
Share-based compensation expense					54		54		54
Other			(57)*		38		(19)	(252)**	(272)
June 30, 2016	**588,881**	**2,356**	**6,087**	**(1,305)**	**11,940**	**614**	**19,691**	**169**	**19,860**

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

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

*** Impact of Delixi being accounted under equity method.*

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, 2016 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, 2015 annual consolidated financial statements included in the Annual Report filed with the French securities regulator (AMF) under no. D.16-0154, 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, 2016. The same accounting methods were used as for the consolidated financial statements for the year ended December 31, 2015.

The following standards and interpretations that were applicable during the period did not have a material impact on the consolidated financial statements as of June 30, 2016:

– amendments to IAS 1 – Disclosure initiative;
– amendments to IAS 19 – Defined Benefit plans: Employee Contributions;
– amendments to IFRS 11- Accounting for Acquisitions of Interests in Joint Operations;
– amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortization;
– annual Improvements to IFRSs 2012-2014 Cycle (September 2014);

The Group did not apply the following standards and interpretations, which were not adopted by the European Union as of June 30, 2016 or went mandatory at some point subsequent to January 1, 2016:

Standards adopted by the European Union:

– amendments to IAS 12 – Recognition of Deferred Tax Assets for Unrealised Losses.

Standards not yet adopted by the European Union:

– IFRS 9 – *Financial instruments;*
– IFRS 15 – *Revenue from Contracts with Customers;*
– IFRS 16 – *Leases;*
– amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture;
– amendments to IFRS 10, IFRS 12 and IAS 28 – Investment entities: Applying the Consolidation Exception;
– amendments to IAS 7 – Statement of Cash Flows*;*
– amendments to IFRS 2 – Share-based payment;

There are no differences in practice between the standards applied by Schneider Electric as of June 30, 2016 and the IFRS issued by the International Accounting Standards board (IASB).
The Group is currently assessing the potential effect on the Group’s consolidated financial statements of the standards not yet applicable. At this stage of analysis, the Group does not expect the impact on its consolidated financial statements to be material, except for IFRS 9 due to uncertainties surrounding the adoption process in Europe and except IFRS 16 for which main effect would be, in 2019, the inclusion of lease commitments for operating leases into financial debt.

- **Impairment of assets**

There were no indications of impairment at June 30, 2016. 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 acquisition occurred during the first semester of 2016.

- **Disposals of the period**

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 EUR 26 million.

In 2016, the group reconsidered the prevailing elements in the analysis of control over Delixi performed in 2014 at the transition to IFRS 10. Following this analysis, Delixi has been consolidated by the equity method as of January 1st, 2016 without restatement of comparative information in respect of the impacts considered nonmaterial.

2.2 Impact of changes in the scope of consolidation

Changes in the scope of consolidation at June 30, 2016 reduced the Group's cash position by a net EUR 11million outflow, as described below:

	First Half 2016	**First Half 2015**
Acquisitions	(18)	(77)
Cash and cash equivalents paid	*(18)*	*(84)*
Cash and cash equivalents acquired	*-*	*7*
Disposals	7	9
NET FINANCIAL INVESTMENTS	**(11)**	**(68)**

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 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 2016 (in EUR millions)

	Buildings & Partner	Infrastructure	Industry	IT	Corporate costs	Total
Revenue	5,186	2,300	2,667	1,693	-	**11,846**
Adjusted EBITA*	1,025	158	424	266	(303)	**1,570**
Adjusted EBITA (%)	*19.8%*	*6.9%*	*15.9%*	*15.7%*		***13.3%***

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

Revenue related to solutions amounts to 43% of total revenue for Half year 2016.

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%***

* *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.

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 2016

	Western Europe	Asia-Pacific	North America	Rest of the world	Total
Sales by country market	3,368	3,141	3,329	2,008	**11,846**
Non current assets	8,729	4,163	10,093	1,322	**24,307**

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**

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

	June 30, 2016		June 30, 2015	
Revenue - Mature countries	7,109	60 %	7,339	57 %
Revenue - New economies	4,737	40 %	5,509	43 %
Total	**11,846**	**100%**	**12,848**	**100%**

Note 4 - Research and development

Research and development costs are as follows:

	First half 2016	First half 2015
Research and development costs in costs of sales	172	176
Research and development costs in commercial expenses [(1)]	263	276
Capitalized development costs	177	190
TOTAL RESEARCH AND DEVELOPMENT COSTS FOR THE PERIOD	**612**	**642**

(1) of which EUR17 millions of research and development tax credit in first half 2016 et EUR21 millions in first half 2015.

Amortization of capitalized development costs came to EUR116 million in the first half of 2016 and EUR111 million in the first half of 2015.

Note 5 - Other operating income and expense

Other operating income and expenses are as follows:

	First half 2016	First half 2015
Impairment losses on assets	(63)	(11)
Gains on asset disposals	2	3
Losses on asset disposals	(8)	(6)
Costs of acquisition	(14)	(38)
Employee benefit plan curtailment	1	18

Losses on business disposals	1	(55)
Others	73	14
OTHER OPERATING INCOME AND EXPENSES	**(8)**	**(75)**

Costs of acquisition are the costs of acquisition, integration and separation related to major acquisitions or sales in 2016 and 2015 for the first half of 2016. In 2015 this line included EUR 21million for acquisition and integration costs of Invensys.

Others in 2016 includes mainly the release of a provision against a legal claim which was settled in the first half of 2016.

Note 6 - Restructuring costs

Restructuring costs in six-month period ended June 30, 2016 totaled EUR132 million and primarily stemmed from the reorganization of manufacturing operations and support functions.

Note 7 - Amortization and impairment of purchase accounting intangibles

	First half 2016	First half 2015
Amortization of purchase accounting intangibles	(83)	(138)
AMORTIZATION AND IMPAIRMENT OF PURCHASE ACCOUNTING INTANGIBLES	**(83)**	**(138)**

Note 8 - Other financial income and expenses

	First half 2016	First half 2015
Exchange gains and losses, net	(40)	(11)
Financial component of defined benefit plan cost	(37)	(40)
Dividend income	3	-
Net gains/(losses) on disposal of assets available for sale	(5)	-
Other financial expenses, net	(33)	(23)
OTHER FINANCIAL INCOME AND EXPENSES	**(112)**	**(74)**

Note 9 - Income tax

Wherever the 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 2016	First half 2015
Current taxes	(229)	(315)
Deferred taxes	(46)	84
INCOME TAX (EXPENSE) / BENEFIT	**(275)**	**(231)**

9.2 Tax proof

	First half 2016	First half 2015
Profit attributable to owners of the parent	**809**	**719**
Income tax (expense)/benefit	(275)	(231)
Non-controlling interests	(30)	(53)
Share of profit of associates	13	(1)
Profit before tax	**1 101**	**1,004**
Statutory tax rate	34.43%	34.43%
Income tax expense calculated at the statutory rate	**(379)**	**(345)**
Reconciling items:		
Difference between French and foreign tax rates	81	95
Tax credits and other tax reductions	89	77
Impact of tax losses	(26)	(6)
Other permanent differences	(40)	(52)
Income tax (expense)/benefit	(275)	(231)
EFFECTIVE TAX RATE	**25.0%**	**23.0%**

9.3 Deferred taxes

Deferred tax assets net of deferred tax liabilities amounted to EUR 1,297 million, decreasing by EUR 12 million from December 31, 2015.

Note 10 - Goodwill

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

	June 30, 2016	Dec.31, 2015
Net goodwill at opening	**17,781**	**16,733**
Acquisitions*	-	412
Disposals	(26)	(277)
Impairment	-	(65)
Translation adjustment	(184)	978
Reclassifications	(356)	-
Net goodwill at year end	**17,215**	**17,781**
Included cumulative impairment	**(306)**	**(375)**

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

The main variations are linked to the variations mentioned in the note 2.1 Additions and removals.

- **Translation adjustment**

Currency translation adjustments concern principally goodwill in 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, 2016 are mainly related to the variations mentioned in the note 2.1 Additions and removals.

Note 12 - Investments in associates

There are two new entities consolidated through the equity method, Delixi and Energy Pool.

The other variations of the period correspond 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 EUR128 million as of June 30, 2016.

13.2 Other non-current financial assets

The other non-current financial assets amount to EUR459 million as of June 30, 2016.

13.3 Current financial assets

Current financial assets total EUR49 million as of June 30, 2016 and comprise mainly non-monetary short-term investments.

Note 14 - Shareholder's equity

14.1 Share-based payments

A total of 144,934 Schneider Electric SE shares were issued during six-month period ended June 30, 2016 upon exercise of stock options, in an amount of EUR 4.9 million.

Based upon the assumptions described in the notes to the 2015 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 EUR 54 million in six-month period ended June 30, 2016 (EUR 55 million for the six-month period ended June 30, 2015). 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 2016, Schneider Electric gave its employees the opportunity to purchase shares at a price of EUR 47.86 or EUR 45.04 per share, depending on the country, as part of its commitment to employee share ownership, on April 1st, 2016. This represented a 15% to 20% discount to the reference price of EUR 56.31 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, 2.8 million shares were subscribed, increasing the Company's capital by EUR 131 million as of July 12, 2016. 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 2016 and 2015.

Non leveraged plans	2016 %	2016 Value	2015 %	2015 Value
Plan characteristics				
Maturity *(years)*		5		5
Reference price *(euros)*		56.31		68.49
Subscription price *(euros)*:				
Between		47.86		58.21
And		45.04		54.79
Discount:				
Between	15.0%		15.0%	
And	20.0%		20.0%	
Amount subscribed by employees		131.0		135.0
Total amount subscribed		131.0		135.0
Total number of shares subscribed *(millions of shares)*		2.8		2.4
Valuation assumptions				
Interest rate available to market participant *(bullet loan)* (1)	3.5%		4.4%	
Five year risk-free interest rate (euro zone)	0.0%		0.4%	
Annual interest rate *(repo)*	1.0%		1.0%	
(a) Value of discount:				
Between	15.0%	8.7	15.0%	8.3
And	20.0%	20.4	20.0%	22.0
(b) Value of the lock-up period for market participant	**23.9%**	**38.3**	**26.4%**	**43.6**
Total expense for the Group (a-b)		**0**		**0**
Sensitivity				
• decrease in interest rate for market participant (2)	(0.5%)	4.5	(0.5%)	4.8

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, 2015	**1,089**	**480**	**1,569**
Net cost recognized in the statement of income	48	11	59
▪ *Service cost*	*20*	*3*	*23*
▪ *Curtailments and settlements*	*(1)*	*-*	*(1)*
▪ *Interest cost (impact of discounting)*	*190*	*8*	*198*
▪ *Expected return on plan assets*	*(161)*	*-*	*(161)*
Benefits paid	(12)	(18)	(30)
Plan participants' contributions	(82)	-	(82)
Actuarial gains and losses recognized in equity	200	26	226
Translation adjustment	21	(6)	15
Change in the scope of consolidation	1	1	2
Other changes	-	-	-
June 30, 2016	**1,265**	**494**	**1,759**
Surplus of plans recognized as assets	**(347)**	**-**	**(347)**
Provisions recognized as liabilities	**1,612**	**494**	**2,106**

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, 2016, 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, 2015	**850**	**129**	**459**	**348**	**143**	**630**	**2,559**
Of which long-term portion	*591*	*106*	*175*	*335*	*16*	*436*	*1,659*
Additions	73	5	45	2	57	169	351
Utilizations	(64)	(9)	(55)	(10)	(55)	(189)	(382)
Reversals of surplus provisions	(16)	(5)	(4)	-	-	(114)	(139)
Translation adjustments	(3)	(2)	(3)	(6)	(1)	(8)	(23)
Changes in the scope of consolidation and other	(24)	-	(3)	-	6	(4)	(25)
June 30, 2016	**816**	**118**	**439**	**334**	**150**	**484**	**2,341**
Of which long-term portion	*608*	*98*	*167*	*322*	*16*	*316*	*1,527*

Note 17 - Net debt

Net debt breaks down as follows:

	Jun.30, 2016	Dec.31, 2015
Bonds	6,608	6,588
Bank and other borrowings	191	371
Lease liabilities	1	2
Employees profit sharing	5	7
Short-term portion of convertible and non-convertible bonds	(697)	(669)
Short-term portion of long-term debt	-	(164)
NON-CURRENT FINANCIAL LIABILITIES	**6,108**	**6,135**
Commercial paper	293	-
Accrued interest	136	81
Other short-term borrowings	416	431
Bank overdrafts	208	150
Short-term portion of convertible and non-convertible bonds	697	669
Short-term portion of long-term debt	-	164
Short-term debt	**1,750**	**1,495**
TOTAL CURRENT AND NON-CURRENT FINANCIAL LIABILITIES	**7,858**	**7,630**
Marketable securities	565	1,310
Negotiable debt securities and short-term deposits	43	65
Cash and cash equivalents	1,527	1,624
Total cash and cash equivalents	**2,135**	**2,999**
Bank overdrafts	(208)	(150)
NET CASH AND CASH EQUIVALENTS	**1,927**	**2,849**
NET DEBT	**5,723**	**4,631**

Cash and cash equivalents net of short-term bank loans and overdrafts totaled EUR1,927 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, 2016 for a total amount of EUR60 million, compared with EUR53 million during the six-month period ended June 30, 2015.

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 for which fair value as at June 30 2016 is EUR7,062 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, 2016	**IFRS designation**	**Carrying amount**	**Nominal amount**	
			Sale	Purchase
Futures - cash flow hedges	CFH *	(95)	432	1 235
Futures - net investment hedges	NIH *	(24)	1 194	-
Futures - hedges of balance sheet items	*Trading*	(132)	5 084	(3 531)
		(251)	**6 710**	**(2 296)**

December 31, 2015	**IFRS designation**	**Carrying amount**	**Nominal amount**	
			Sale	Purchase
Futures - cash flow hedges	CFH *	(96)	194	1,074
Futures - net investment hedges	NIH *	(14)	1,217	-
Futures - hedges of balance sheet items	*Trading*	22	5,626	3,431
		(88)	7,037	4,505

* CFH - Cash flow hedges
NIH - Net investment 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.

The Group didn't use any derivative instrument to hedge its exposure to interest rates during the six-month period ended June 30, 2016.

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, 2016	**IFRS designation**	**Carrying amount**	**Nominal amount**
Metal prices			
Futures and options	CFH *	5	(148)

December 31, 2015	**IFRS designation**	**Carrying amount**	**Nominal amount**
Metal prices			
Futures and options	CFH *	(13)	(158)

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, 2016	IFRS designation	Carrying amount	Nominal amount	Number of shares
Share-based payment				
Call options	CFH *	11	(30)	696 588

December 31, 2015	IFRS designation	Carrying amount	Nominal amount	Number of shares
Share-based payment				
Call options	CFH *	14	(35)	795,312

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 EUR3,249 million and EUR83 million, respectively, as of June 30, 2016.

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, 2016, 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 12, 2016, the employee share purchase program described in note 14.2, led to a share capital increase of EUR131 million for 2.8 million shares subscribed.

MANAGEMENT REPORT FOR THE PERIOD ENDED JUNE 30, 2016

Consolidated financial statements

Business and Statement of Income highlights

Changes in the scope of consolidation

<u>Acquisitions during the period</u>

No acquisition occurred during the first semester of 2016.

<u>Disposals of the period</u>

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 EUR 26 million.

From 2016, Delixi is consolidated through the equity method (previously fully consolidated), as the Group reconsidered its control in the company.

Exchange rate changes

Fluctuations in the euro exchange rate had a negative impact in six-month period ended June 30, 2016, decreasing consolidated revenue by EUR463 million and adjusted EBITA by EUR143 million, due mainly to the negative effect of the Ruble 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, 2016 and 2015.

(in millions of Euros except for earnings per share)	**1st half-year 2016**	**1st half-year 2015**	**% variance**
Revenue	**11,846**	**12,848**	**-7.8%**
Cost of sales	(7,318)	(8,096)	
Gross profit	**4,528**	**4,752**	**-4.7%**
% Gross profit	***38.3%***	***37.0%***	
Research and development	(263)	(276)	
Selling, general and administrative expenses	(2,695)	(2,875)	
Adjusted EBITA	**1,570**	**1,601**	**-1.9%**
% Adjusted EBITA	***13.3%***	***12.5%***	
Other operating income and expenses	(8)	(75)	
Restructuring costs	(132)	(158)	
EBITA	**1,430**	**1,368**	**+4.5%**
% EBITA	***12.1%***	***10.6%***	
Amortization and impairment of purchase accounting intangibles	(83)	(138)	
Operating income	**1,347**	**1,230**	**+9.5%**
% Operating income	***11.4%***	***9.6%***	
Interest income	30	17	
Interest expense	(165)	(169)	
Finance costs, net	**(135)**	**(152)**	
Other financial income and expense	(112)	(74)	
Net financial income/loss	**(247)**	**(226)**	
Profit from continued operations before income tax	**1,100**	**1,004**	**+9.6%**
Income tax expense	(274)	(231)	
Share of profit/(losses) of associates	13	(1)	
Profit for the period	**839**	**772**	**+8.7%**
-Attributable to owners of the parent	809	719	+12.5%
-Attributable to non-controlling interests	30	53	
Basic earnings per share –attributable to owners of the parent (in Euros per share)	1.44	1.26	14.2%

Revenue

Consolidated revenue totaled EUR11,846 million for the period ended June 30, 2016, down -7.8% on a current structure and currency basis from the year-earlier period.

Organic growth was negative for -0.1%, acquisitions net of disposals accounted for -4.1% and the currency effect for -3.6% due mainly to the negative effect of the weaker Ruble 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, 2016 and 2015.

(in millions of Euros)	**Buildings & Partner**	**Infrastructure**	**Industry**	**IT**	**Total**
June 30, 2016	5,186	2,300	2,667	1,693	11,846
June 30, 2015	5,763	2,516	2,834	1,735	**12,848**

Buildings & Partner (44% of H1 revenues) grew **+1.3%** organically in the first half in all regions except Rest of the World. North America benefitted from successful new offer launches in a favorable construction market in the U.S. and continued growth in Mexico. Western Europe benefited from commercial initiatives in mixed markets. China stabilized thanks to tier 1 and tier 2 cities' construction markets. Wiring Devices / Final Distribution posted mid-single-digit growth.

Industry (23% of H1 revenues) declined **-1.9%** organically in the first half. Western Europe grew thanks to growth initiatives and a positive export-oriented OEM market. The U.S. was down, continuing to be impacted by low O&G investments and strong dollar. China declined in soft markets. Process Automation was slightly up in weak markets thanks to Invensys revenue synergies and backlog execution.

Infrastructure (19% of H1 revenues) was down **-1.3%** organically in H1, up around +1% excluding the impact of project selectivity. Mature markets grew, while New Economies declined. In Western Europe, France, Germany & the U.K. were up thanks to project execution. In Asia Pacific, China declined as the growth from emerging segments could not offset weakness from traditional segments. Australia was down while East Asia grew. Rest of the World was dragged down by weakness in the Middle East, Russia and Brazil. Services were up high single-digit.

IT (14% of H1 revenues) was down **-0.2%** organically in the first half. The U.S. was up thanks to channel reinvigoration and improvement in some data center segments. Asia Pacific was driven up by India, while Western Europe declined in soft markets. Services continued to show solid growth.

Gross margin

Gross margin decreased to EUR4,528 million for the six-month period ended June 30, 2016 (EUR4,752 million for the six-month period ended June 30, 2015) mainly linked to disposals. As a percentage of revenues, gross profit is improving from 37.0% in first half of 2015 to 38.3%in first half of 2016, thanks to a positive net pricing and productivity and stable 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 by 4.7% from EUR276 million for the six-month period ended June 30, 2015 to EUR263 million for the six-month period ended June 30, 2016. As a percentage of revenues, the net cost of research and development remained stable at 2.2% of revenues for six-month period ended June 30, 2016 (2.1% for the six-month period ended June 30, 2015).

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) decreased 4.7% from EUR642 million for the six-month period ended June 30, 2015 to EUR612 million for the six-month period ended June 30, 2016. As a percentage of revenues, total research and development expenses increased slightly to 5.2% for the six-month period ended June 30, 2016 (5.0% for the six-month period ended June 30, 2015).

On the first semester 2016, the net effect of capitalized development costs and amortization of capitalized development costs amounts to EUR61 million on operating income (EUR79 million on the first semester 2015).

Selling, general and administrative expenses decreased by 6.2% to EUR2,695 million for the six-month period ended June 30, 2016 (EUR2,875 million for the six-month period ended June 30, 2015). As a percentage of revenues, selling, general and administrative expenses increased to 22.8% for the six-month period ended June 30, 2016 (22.4% for the six-month period ended June 30, 2015).

Combined, total support function costs, that is, research and development expenses together with selling, general and administrative costs, totaled EUR2,958million six-month period ended June 30, 2016 compared to EUR3,151million six-month period ended June 30, 2015, a decreaseof 6.1%. As a result, our support functions costs to sales ratio increased from 24.5% for the six-month period ended June 30, 2015 to 25.0% for the six-month period ended June 30, 2016.

Other operating income and expenses

For the six-month period ended June 30, 2016, other operating income and expenses amounted to a net expense of EUR8 million, including costs linked to acquisitions for EUR14 million, impairment of assets for EUR63 million, loss on assets and business sold for EUR 5 million, and other operating income including mainly the release of a provision against a legal claim.

Restructuring costs

For the six-month period ended June 30, 2016, restructuring costs amounted to EUR132 million compared to EU158 million for the six-month period ended June 30, 2015, 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 EUR1,570 million for the six-month period ended June 30, 2016, compared to EUR1,601 million for the six-month period ended June 30, 2014, a decrease of -1,9%. As a percentage of revenues, adjusted EBITA improved from 12.5% for the six-month period ended June 30, 2015 to 13.3% for the six-month period ended June 30, 2016, a 0.8%.

EBITA increased by 4.5% from EUR1,368 million for the six-month period ended June 30, 2015 to EUR1,430 million for the six-month period ended June 30, 2016, due to the improvement in other operating income and expenses. As a percentage of revenues, EBITA increased to 12.1% for the six-month period ended June 30, 2016 (10.6% for the six-month period ended June 30, 2015).

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, 2016						
Revenues	5 186	2 300	2 667	1 693	-	**11 846**
Adjusted EBITA*	1 025	158	424	266	(303)	**1 570**
Adjusted EBITA (%)	*19.8%*	*6.9%*	*15.9%*	*15.7%*		***13.3%***

* 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, 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%***

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

Buildings & Partner recorded an adjusted EBITA margin of 19.8% for the six-month period ended June 30, 2016, up 1.9% compared to 17.9% for the six-month period ended June 30, 2015, thanks to better support function cost control.

Infrastructure recorded an adjusted EBITA margin of 6.9% for the six-month period ended June 30, 2016, up 0.7% compared to 6.2% for the six-month period ended June 30, 2015, benefiting from good control of SFC and selectivity of projects.

Industry recorded an adjusted EBITA margin of 15.9% for the six-month period ended June 30, 2016, up 0.4% compared to 15.5% for the six-month period ended June 30, 2015.

IT recorded an adjusted EBITA margin of 15.7% for the six-month period ended June 30, 2016, down 0.4% compared to 16.1% for the six-month period ended June 30, 2015.

Corporate costs for the compared to the six-month period ended June 30, 2016 amounted to EUR303 million or 2.5% of sales, at the same level as the six-month period ended June 30, 2014 (EUR305 million).

Operating income (EBIT)

Operating income, after amortization and depreciation of purchased intangibles, increased from EUR1,230 million for the six-month period ended June 30, 2015 to 1,347 million for the six-month period ended June 30, 2016, a significant increase of 9.5% linked to an increase of EBITA and an decrease of amortization of intangibles of EUR55 million (EUR83 million on the six-month period ended June 30, 2016 compared to EUR138 million six-month period ended June 30, 2015).

Net financial income/loss

Net financial loss amounted to EUR247 million for the six-month period ended June 30, 2016, compared to EUR226 million for the six-month period ended June 30, 2015.

This decrease is explained both by the decrease to EUR135 million for the six-month period ended June 30, 2016, compared to EUR152 million for the six-month period ended June 30, 2015, partially offset by an unfavorable foreign exchange rates effect, generating an increase in other financial expenses, net of other financial income, from EUR74 million on the six-month period ended June 30, 2015 to a net expense of EUR112 million for the six-month period ended June 30, 2016.

Tax

The effective tax rate was 25.0% for the six-month period ended June 30, 2016, and 23%.0 for the six-month period ended June 30, 2014. The corresponding income tax expense increased from EUR231 million for the six-month period ended June 30, 2015 to EUR274 million for the six-month period ended June 30, 2016.

Share of profit/ (losses) of associates

The share of associates was a to EUR13million loss for the six-month period ended June 30, 2016, compared to EUR1 million profit for the six-month period ended June 30, 2015.

Non-controlling interests

Minority interests in net income for the six-month period ended June 30, 2016 totaled EUR30 million, compared to EUR53 million for the six-month period ended June 30, 2015. 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 EUR809 million for the six-month period ended June 30, 2016, compared to EUR719 profit for the six-month period ended June 30, 2015.

Earnings per share

Earnings per share amounted to EUR1.44 per share for the six-month period ended June 30, 2016 and EUR1.26 per share for the six-month period ended June 30, 2015..

Comments to the consolidated Cash-flow

The following table sets forth our cash-flow statement for the six-month period ended June 30, 2016 and 2015.

(in millions of Euros)	**First half 2016**	**First half 2015**
Profit for the period	839	772
Less net result from discontinued operations		-
Share of (profit)/ losses of associates, net of dividends received	(13)	1
Non-cash adjustments to reconcile profit for the period to net cash flows provided by operating activities		
Depreciation of property, plant and equipment	204	214
Amortization of intangible assets other than goodwill	229	273
Losses on non-current assets	72	2
Increase/(decrease) in provisions	(135)	(39)
Losses/(gains) on disposals of fixed assets	41	-
Difference between tax paid and tax expense	11	(189)
Other non cash-adjustments	58	100
Net cash provided by operating activities before changes in operating assets and liabilities	**1,306**	**1,134**
(Increase)/decrease in accounts receivable	124	85
(Increase)/decrease in inventories and work in process	(196)	(374)
Increase/(decrease) in accounts payable	(179)	6
Change in other current assets and liabilities	(207)	(253)
Change in working capital requirement	**(458)**	**(536)**
I - Cash flows from operating activities	**848**	**598**
Purchases of property, plant and equipment	(220)	(244)
Proceeds from disposals of property, plant and equipment	16	52
Purchases of intangible assets	(198)	(197)
Proceeds from disposals of intangible assets	-	7
Net cash used in investment in operating fixed assets	**(402)**	**(382)**
Acquisition of subsidiaries, net of cash acquired	(18)	(77)
Proceeds from sale of financial assets	7	9
Purchases of other long-term investments	(33)	52
Long-term pension assets	(82)	(87)
Net financial investments	**(125)**	**(103)**
II - Cash flows from / used in investing activities:	**(528)**	**(485)**
Issuance of bonds		750
Repayment of bonds		(750)
Increase/(reduction) in financial debt	282	639
Proceeds from issuance of share capital	5	18
Sale/(purchase) of own shares	(278)	(90)
Dividends paid: Schneider Electric SE	(1,127)	(1,109)
Non-controlling interests	(21)	(39)
III - Cash flows from / used in financing activities	**(1,139)**	**(581)**
IV - Net foreign exchange difference	**(105)**	**(164)**
V – Effect of discontinued operations	**-**	**-**
Net increase/(decrease) in cash and cash equivalents: I + II + III + IV + V	**(924)**	**(632)**
Cash and cash equivalents at January, 1st	2,849	2,438
Increase/(decrease) in cash and cash equivalents	(924)	(632)
Cash and cash equivalents at June 30th	**1,925**	**1,806**

Operating Activities

Net cash provided by operating activities before changes in operating assets and liabilities reached EUR1,306 million for the six-month period ended June 30, 2016, increasing compared to EUR1,134 million for the six-month period ended June 30, 2015. It represents 10.9% of revenues for first half 2016 and 8.8% of revenues from first half 2015.

Change in working capital requirement consumed EUR458 million in cash in the six-month period ended June 30, 2016, compared to EUR536 million in consumption in the six-month period ended June 30, 2015, reflecting normal cash-flow seasonality.

In all, net cash provided by operating activities increased from EUR598 million in the six-month period ended June 30, 2015 to EUR848 million in the six-month period ended June 30, 2016.

Investing Activities

Net capital expenditure, which included capitalized development projects, remain stable at EUR402 million for the six-month period ended June 30, 2016, compared to EUR382 million for the six-month period ended June 30, 2015), and representing 3.4% of sales on first half 2016 compared to 3.0% of sales on first half 2015.

The net acquisitions represented a cash out of EUR18 million for the six-month period ended June 30, 2016. Our acquisitions in 2015 represented a cash outflow, net of cash acquired, of EUR77 million for the six-month period ended June 30, 2015.

Financing Activities

The net increase of financial debts amounted to EUR282 million during the six-month period ended June 30, 2016, compared to a net increase of financial debts of EUR639 million during the six-month period ended June 30, 2015. The dividend paid by Schneider Electric was EUR1,127 million the six-month period ended June 30, 2016, compared with EUR1,109 million the six-month period ended June 30, 2015.

2016 Targets

In the first half, the Group delivered solid organic growth around Products & Services and a strong improvement in adjusted EBITA margin in a challenging environment. While headwinds from O&G and weakness in resource based markets remained, growth continued in the U.S. construction market and in Western Europe, China's construction market showed improvement and New Economies outside China were slightly up. Additionally, the Group's organic growth was negatively impacted by project selectivity. The impact of this selectivity is estimated at -€70 to -€80m in H1, and is expected to accelerate in H2.
In the second half the priority remains to accelerate growth in Products, Software and Services, better select and execute Systems, and continue to focus on cost and cash efficiency. The Group should also face a high base of comparison in margin, an accelerated negative impact from project selectivity, less favorable raw material tailwinds and a slowdown in the U.K. due to Brexit.

Based on this, and given the strong performance in H1, the Group now targets for full year 2016:

- Revenues: About flat underlying organic growth before project selectivity impact (estimated currently to be c. -2% in H2).
- +60bps to +90bps improvement on adjusted EBITA margin before FX. The negative FX impact on margin is estimated at -50bps to -60bps at current rates.

Significant events of the period

In addition to the events described above, there were no major events.

Main risks and areas of uncertainty for the second half of 2016

The main risks and areas of uncertainty for the second half of the year are the same as those outlined in Chapter 1, paragraph 7 (Risk Factors) of the 2015 Registration Document filed with AMF on March 17, 2016.

Claims, litigations and other risks

(update to the Registration Document – page 43)
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, 2016 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 27, 2016

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, 2016, 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 27, 2015

The statutory auditors

French original signed by

MAZARS	ERNST & YOUNG et Autres
Loïc Wallaert	Jean-Yves Jégourel