Half year financial report

Six-month period ended June 30, 2017

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

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1. Consolidated statement of income

(in millions of euros except for earnings per share)	Note	First half 2017	First half 2016*
Revenue	3	**12,173**	**11,742**
Cost of sales		(7,458)	(7,225)
Gross profit		**4,715**	**4,517**
Research and development	4	(263)	(257)
Selling, general and administrative expenses		(2,734)	(2,673)
EBITA adjusted**		**1,718**	**1,587**
Other operating income and expenses	5	71	(8)
Restructuring costs	6	(156)	(131)
EBITA***		**1,633**	**1,448**
Amortization and impairment of purchase accounting intangibles	7	(61)	(82)
Operating income		**1,572**	**1,366**
Interest income		31	30
Interest expense		(145)	(165)
Finance costs, net		**(114)**	**(135)**
Other financial income and expense	8	(70)	(112)
Net financial income/(loss)		**(184)**	**(247)**
Profit from continuing operations before income tax		**1,388**	**1,119**
Income tax expense	9	(361)	(279)
Income of discontinued operations, net of income tax		(76)	(14)
Share of profit/(loss) of associates		34	13
PROFIT FOR THE PERIOD		**985**	**839**
• attributable to owners of the parent		958	809
• attributable to non-controlling interests		27	30
Basic earnings (attributable to owners of the parent) per share *(in euros per share)*		1.72	1.44
Diluted earnings (attributable to owners of the parent) per share *(in euros per share)*		1.71	1.42

** 2016 figures were restated for discontinued operations disclosed in note 1.*
*** Adjusted EBITA Earnings Before Interests, Taxes, Amortization of Purchase Accounting Intangibles).*
Adjusted EBITA corresponds to operating profit before amortization and impairments of purchase accounting intangible assets before goodwill impairment; other operating income and expenses and restructuring costs.
**** EBITA (earnings Before Interest, Taxes and Amortization of Purchase Accounting Intangibles).*
EBITA corresponds to operating profit before amortization and impairment of purchase accounting intangible assets and before goodwill impairment.
The accompanying notes are an integral part of the consolidated financial statements.

Other comprehensive income

(in millions of euros)	Note	First half 2017	First half 2016
Profit for the year		**985**	**839**
Other comprehensive income:			
Translation adjustment		(907)	(429)
Cash-flow hedges		(69)	16
Income tax effect of Cash-flow hedges		22	9
Net gains (losses) on available-for-sale financial assets		(4)	(2)
Income tax effect of Net gains (losses) on available-for-sale financial assets		-	1
Actuarial gains (losses) on defined benefits plans		(1)	(231)
Income tax effect of Actuarial gains (losses) on defined benefits plans		(11)	32
Other comprehensive income for the year, net of tax		**(970)**	**(604)**
• out of which to be recycled in income statement ultimately		(958)	24
• out of which not to be recycled in income statement ultimately		(12)	(628)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**15**	**235**
Attributable:			
• to owners of the parent		(8)	209
• to non-controlling interests		23	25

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

2. Consolidated statement of cash flows

(in millions of euros)	Note	First half 2017	First half 2016*
Profit for the year		985	839
Loss/(gain) from discontinued operations		76	14
Share of (profit)/losses of associates, net of dividends received		(34)	(13)
Adjustments with no impact on cash-flow :			
Depreciation of property, plant and equipment		199	203
Amortization of intangible assets other than goodwill		209	225
Impairment losses on non-current assets		3	72
Increase/(decrease) in provisions		-	(135)
Losses/(gains) on disposals of fixed assets		(114)	41
Difference between tax paid and tax expense		(11)	16
Other non-cash adjustments		54	58
Net cash provided by operating activities before changes in operating assets and liabilities		**1,367**	**1,320**
Decrease/(increase) in accounts receivable		63	107
Decrease/(increase) in inventories and work in process		(343)	(211)
(Decrease)/increase in accounts payable		42	(172)
Change in other current assets and liabilities		(277)	(208)
Change in working capital requirement		**(515)**	**(484)**
Total I - Cash flows from operating activities		**852**	**836**
Purchases of property, plant and equipment		(204)	(218)
Proceeds from disposals of property, plant and equipment		21	16
Purchases of intangible assets		(171)	(198)
Proceeds from disposals of intangible assets		3	-
Net cash used by investment in operating assets		**(351)**	**(400)**
Net financial investments	2	(189)	(18)
Proceeds from sale of financial assets	2	747	7
Purchases of other long-term investments		(19)	(33)
Increase in long-term pension assets		(135)	(82)
Sub-total		**404**	**(126)**
Total II - Cash flows from/(used in) investing activities		**53**	**(526)**
Issuance of bonds	17	-	-
Repayment of bonds	17	(97)	-
Increase/(reduction) in other financial debt		537	282
Proceeds from issuance of shares		10	5
Sale/(purchase) of own shares		-	(278)
Dividends paid by Schneider Electric SE		(1,133)	(1,127)
Dividends paid to non-controlling interests		(24)	(21)
Total III - Cash flows from/(used in) financing activities		**(707)**	**(1,139)**
IV - Net foreign exchange difference:		**(31)**	**(105)**
V - Effect of discontinued operations		**78**	**10**
Increase/(decrease) in cash and cash equivalents: I + II + III + IV + V		**245**	**(924)**
Cash and cash equivalents at January 1st		2,530	2,849
Increase/(decrease) in cash and cash equivalents		245	(924)
CASH AND CASH EQUIVALENTS AT JUNE 30	**17**	**2,775**	**1,925**

** 2016 figures were restated for discontinued operations disclosed in note 1.*
The accompanying notes are an integral part of the consolidated financial statements.

3. Consolidated balance sheet

Assets

(in millions of euros)	Note	June 30, 2017	Dec.31, 2016
NON-CURRENT ASSETS			
Goodwill, net	10	16,337	17,785
Intangible assets, net		4,094	4,574
Property, plant and equipment, net		2,510	2,642
Total tangible and intangible assets	*11*	*6,604*	*7,216*
Investments in associates	12	568	601
Available-for-sale financial assets	13	145	161
Other non-current financial assets	13	292	378
Non-current financial assets		*437*	*539*
Deferred tax assets		2,556	2,573
Total non-current assets		**26,502**	**28,714**
CURRENT ASSETS			
Inventories and work in progress		3,043	2,876
Trade and other operating receivables		5,572	5,929
Other receivables and prepaid expenses		1,681	1,507
Current financial assets	13	30	30
Cash and cash equivalents	17	3,057	2,795
Total current assets		**13,383**	**13,137**
Discontinued operations		**157**	**-**
TOTAL ASSETS		40,042	41,851

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

Liabilities

(in millions of euros)	Note	June 30, 2017	Dec.31, 2016
Equity	**14**		
Share capital		2,377	2,370
Additional paid-in capital		5,007	6,232
Retained earnings		11,939	10,895
Translation reserve		94	997
Equity attributable to owners of the parent		**19,417**	**20,494**
Non-controlling interests		150	159
Total equity		**19,567**	**20,653**
Non-current provisions			
Pensions and other post-employment benefit obligations	15	1,975	2,229
Other non-current provisions	16	1,478	1,650
Total non-current provisions		**3,453**	**3,879**
Non-current financial liabilities			
Bonds	17	5,666	5,721
Other non-current debt	17	25	45
Non-current financial liabilities		*5,691*	*5,766*
Deferred tax liabilities		1,335	1,367
Other non-current liabilities		10	142
Total non-current liabilities		**10,489**	**11,154**
Current liabilities			
Trade and other operating payables		3,928	4,146
Accrued taxes and payroll costs		1,740	2,006
Current provisions	16	822	857
Other current liabilities		1,111	1,182
Current debt	17	2,314	1,853
Total current liabilities		**9,915**	**10,044**
Discontinued operations		**71**	**-**
TOTAL EQUITY AND LIABILITIES		**40,042**	**41,851**

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

4. Consolidated statement of changes in equity

(in millions of euros except for number of shares)	**Number of shares** *(thousands)*	**Capital**	**Additional paid-in capital**	**Treasury shares**	**Retained earnings**	**Translation reserve**	**Equity attributable to owners of the parent**	**Non-controlling interests**	**TOTAL**
Dec.31, 2015	**588,734**	**2,355**	**7,267**	**(1,027)**	**11,214**	**1,039**	**20,848**	**441**	**21,289**
Profit for the year					1,750		1,750	61	1,811
Other comprehensive income					(345)	(42)	(387)	(1)	(388)
Comprehensive income for the year					**1,405**	**(42)**	**1,363**	**60**	**1,423**
Capital increase	2,843	11	119				130		130
Exercise of stock options	922	4	30				34		34
Dividends			(1,127)				(1,127)	(100)	(1,227)
Change in treasury shares				(853)			(853)		(853)
Share-based compensation expense					118		118		118
Other			(57)		38		(19)	(242)	(261)
Dec.31, 2016	**592,499**	**2,370**	**6,232**	**(1,880)**	**12,775**	**997**	**20,494**	**159**	**20,653**
Profit for the year					958		958	27	985
Other comprehensive income					(63)	(903)	(966)	(4)	(970)
Comprehensive income for the year					**895**	**(903)**	**(8)**	**23**	**15**
Capital increase	1,486	6			-		6		6
Exercise of stock options	257	1	8		(6)		3		3
Dividends			(1,133)		-		(1,133)	(32)	(1,165)
Change in treasury shares				17	(17)		-		-
Share-based compensation expense					55		55		55
Other			(100)	(119)	219		-		-
June 30, 2017	**594,242**	**2,377**	**5,007**	**(1,982)**	**13,921**	**94**	**19,417**	**150**	**19,567**

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

5. Notes to the Consolidated Financial Statements

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

The Schneider Electric Group's consolidated financial statements for the financial half year ended June 30, 2017 were drawn up by the board of directors on July 26, 2017.

Note 1 - Summary of significant accounting policies

➢ Accounting standards and basis of preparation

The consolidated financial statements for the six months ended June 30, 2017 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, 2016 annual consolidated financial statements included in the Annual Report filed with the French securities regulator (AMF) under no. D.17-0177, except for 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, 2017. The same accounting methods were used as for the consolidated financial statements for the year ended December 31, 2016.

The Group did not apply the following standards and interpretations that have not yet been adopted by the European Union as of June 30, 2017 or that were not mandatory for January 1, 2017:

- Standards adopted by the European Union:
  - IFRS 15 - Revenue from Contracts with Customers
  - IFRS 9 - Financial Instruments
- Standards not adopted by the European Union:
  - IFRS 16 - Leases
  - IFRS 15 - Clarifications
  - IFRS 17- Insurance Contracts
  - Amendments to IAS 7: Statement of Cash Flows - Disclosure Initiative
  - Annual improvements to IFRSs 2014-2016 Cycle (December 2016)
  - Amendments to IAS 40: Transfers of Investment Property
  - IFRIC 23 - Uncertainty over Income Tax Treatments
  - IFRIC 22 - Foreign Currency Transactions and Advance Consideration
  - Amendments to IFRS 2: Share-based payments, Classification and Measurement
  - Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealized Losses
  - Amendments to IFRS 4: Apply IFRS 9 Financial instruments with IFRS 4 Insurance contracts
  - Amendments to IFRS 10 and IA 28: Sales or Contributions of Assets between an Investor and its Associate or Joint Venture

Finally, the standards applied by Schneider Electric as of June 30, 2017 are consistent with the IFRS standards issued by the International Accounting Standards board (IASB).

Schneider Electric is currently assessing the potential effect on the Group's consolidated financial statements of the standards not yet applicable. At this stage of the analysis, the Group does not expect the impact on its consolidated statements to be material, except for IFRS 9 and IFRS 16, for which main effect would be, in 2019, the inclusion of lease commitments for operating leases into financial debt.

Regarding IFRS 15, no significant impact is expected with regards to current practice, for transactional and services revenue. Regarding long-term contracts, analyses are currently being performed to assess the potential accounting impacts. At this stage of the analysis, the Group does not expect any significant impacts.

➢ Discontinued operations

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

➢ **Impairment of assets**

No impairment at June 30, 2017 was identified, thus no impairment tests were implemented to date.

➢ **Seasonal variations**

The Group faces seasonal variations on its activities that may impact the level of revenue from one quarter to another. Therefore, the half-year results are not necessarily as significant as the full year figures.

➢ **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 material acquisition occurred during the first half-year 2017. Besides, the Group also acquired the minority interest of Luminous.

➢ **Disposals of the period**

On April 3rd, 2017 – the Group announced that it has signed an agreement to sell its Telvent DTN business, to TBG AG. On May 31st, 2017, the transaction was finalized with a final base sale price established at USD 900 million.

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

Changes in the scope of consolidation at June 30, 2017, described in note 2.1, increased the Group's cash position by a net EUR 558 million inflow, as described below:

	First Half 2017	First Half 2016
Acquisitions	(189)	(18)
Cash and cash equivalents paid	*(189)*	*(18)*
Cash and cash equivalents acquired	-	-
Disposals	747	7
FINANCIAL INVESTMENTS NET OF DISPOSALS	**558**	**(11)**

Note 3 - Segment information

The Group is organized into 4 businesses: *Building, Infrastructure, Industry* and *IT*:

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

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

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

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

Details are provided in the Management Report.

3.1 Information by operating segment

First Half 2017

	Building	Infrastructure	Industry	IT	Corporate costs	Total
Revenue	5,341	2,156	2,907	1,769	-	**12,173**
Adjusted EBITA**	1 ,111	180	487	256	(316)	**1,718**
Adjusted EBITA (%)	*20.8%*	*8.4%*	*16.7%*	*14.5%*		***14.1%***

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

First Half 2016

	Building	Infrastructure	Industry	IT	Corporate costs	Total
Revenue*	5,082	2,300	2,667	1,693	-	**11,742**
Adjusted EBITA**	1,042	158	424	266	(303)	**1,587**
Adjusted EBITA (%)	*20.5%*	*6.9%*	*15.9%*	*15.7%*	-	***13.5%***

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

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

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 2017

	Western Europe	Asia-Pacific	North America	Rest of the world	Total
Sales by country market	3,322	3,334	3,433	2,084	**12,173**
Non-current assets	8,899	4,033	8,700	1,309	**22,941**

First Half 2016

	Western Europe	Asia-Pacific	North America	Rest of the world	Total
Sales by country market*	3,337	3,112	3,295	1,998	**11,742**
Non-current assets	8,729	4,163	10,093	1,322	**24,307**

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

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

	First half 2017	First half 2016*
Revenue - Mature countries	7,148	7,034
Revenue - New economies	5,025	4,708
TOTAL	12,173	11,742

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

Note 4 - Research and development

Research and development costs are as follows:

	First half 2017	First half 2016*
Research and development costs in costs of sales	(183)	(169)
Research and development costs in commercial expenses (1)	(263)	(257)
Capitalized development costs	(164)	(183)
TOTAL RESEARCH AND DEVELOPMENT COSTS FOR THE PERIOD	(610)	(609)

** 2016 figures were restated for discontinued operations disclosed in note 1.*
(1) of which EUR 24 million of research and development tax credit in first half 2017 and EUR 16 million in first half 2016.

Amortization of capitalized development costs came to EUR 126 million in the first half of 2017 and EUR 113 million in the first half of 2016.

Note 5 - Other operating income and expense

Other operating income and expenses are as follows:

	First half 2017	First half 2016*
Impairment losses and reversals on assets	11	(63)
Gains on asset disposals	3	2
Losses on asset disposals	(6)	(8)
Costs of acquisition and disposals	(18)	(14)
Gains/Losses on business disposals	117	1
Others	(36)	74
OTHER OPERATING INCOME AND EXPENSES	71	(8)

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

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

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, 2017 totaled EUR 156 million and primarily stemmed from the reorganization of manufacturing operations and support functions.

Note 7 - Amortization and impairment of purchase accounting intangibles

	First half 2017	First half 2016*
Amortization of purchase accounting intangibles	(61)	(82)
AMORTIZATION AND IMPAIRMENT OF PURCHASE ACCOUNTING INTANGIBLES	**(61)**	**(82)**

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

Note 8 - Other financial income and expenses

	First half 2017	First half 2016
Exchange gains and losses, net	(3)	(40)
Financial component of defined benefit plan cost	(39)	(37)
Dividend income	-	3
Net gains/(losses) on disposal of assets available for sale	(2)	(5)
Other financial expenses, net	(26)	(33)
OTHER FINANCIAL INCOME AND EXPENSES	**(70)**	**(112)**

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 2017	First half 2016*
Current taxes	(303)	(233)
Deferred taxes	(58)	(46)
INCOME TAX (EXPENSE) / BENEFIT	**(361)**	**(279)**

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

9.2 Tax proof

	First half 2017	First half 2016*
Profit attributable to owners of the parent	**958**	**809**
Income tax (expense)/benefit	(361)	(279)
Non-controlling interests	(27)	(30)
Share of profit of associates	34	13
Discontinued Operations	(76)	(14)
Profit before tax	**1,388**	**1,119**
Statutory tax rate	34.43%	34.43%
Income tax expense calculated at the statutory rate	**(478)**	**(385)**
Reconciling items:		
Difference between French and foreign tax rates	126	81
Tax credits and other tax reductions	117	89
Impact of tax losses	(22)	(26)
Other permanent differences	(104)	(38)
Income tax (expense)/benefit	(361)	(279)
EFFECTIVE TAX RATE	**26%**	**25%**

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

Note 10 - Goodwill

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

	June 30, 2017	Dec.31, 2016
Net goodwill at opening	**17,785**	**17,781**
Acquisitions	30	9
Disposals	(536)	(384)
Impairment	-	-
Reclassifications	(53)	-
Translation adjustment	(889)	379
Net goodwill at year end	**16,337**	**17,785**
Included cumulative impairment	**(368)**	**(392)**

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, 2017 are mainly related to the variations mentioned in the note 2.1 Additions and removals.

Note 12 - Investments in associates

The 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 EUR 145 million as of June 30, 2017.

13.2 Other non-current financial assets

The other non-current financial assets amount to EUR 292 million as of June 30, 2017.

13.3 Current financial assets

Current financial assets amount EUR 30 million as of June 30, 2017 and mainly comprise non-monetary short-term investments.

Note 14 - Shareholder's equity

14.1 Share-based payments

A total of 256,676 Schneider Electric SE shares were issued during six-month period ended June 30, 2017 upon exercise of stock options, in an amount of EUR 9.4 million.

Based upon the assumptions described in the notes to the 2016 consolidated financial statements, the expense recorded under "Selling, general and administrative expenses" for stock option or stock grant plans totaled EUR 55 million in six-month period ended June 30, 2017 (EUR 54 million for the six-month period ended June 30, 2016). 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% discount to the price quoted for the shares on the stock market. Employees must then hold their shares for five years, except in certain cases provided for by law. The share-based payment expense recorded in accordance with IFRS 2 is measured by reference to the fair value of the discount on the locked-up shares. The lock-up cost is determined on the basis of a two-step strategy that involves first selling the locked-up shares on the forward market and then purchasing the same number of shares on the spot market (i.e., shares that may be sold at any time) using a bullet loan.

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

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

Altogether, 2.4 million shares were subscribed, increasing the Company's capital by EUR 143 million as of July 11, 2017. Due to significant changes in valuation assumptions, specifically the interest rate available to market participant, the value of the lock-up period is higher than the discount cost since 2012. Therefore, the Group did not recognize any cost related to the transaction.

The tables below summarize the main characteristics of the plans, the amounts subscribed, the valuation assumptions and the plans' cost for 2017 and 2016.

Non-leveraged plans	2017		2016	
	%	Value	%	Value
Plan characteristics				
Maturity *(years)*		5		5
Reference price *(euros)*		69.23		56.31
Subscription price *(euros)*:				
Between		59.11		47.86
And		59.11		45.04
Discount:				
Between	15%		15%	
And	15%		20%	
Amount subscribed by employees		142.7		130.0
Total amount subscribed		142.7		130.0
Total number of shares subscribed *(millions of shares)*		2.4		2.8
Valuation assumptions				
Interest rate available to market participant *(bullet loan)* (1)	3.8%		3.5%	
Five-year risk-free interest rate (euro zone)	0.3%		0.0%	
Annual interest rate *(repo)*	1.0%		1.0%	
(a) Value of discount:				
Between	15%	9.0	15%	8.7
And	15%	15.4	20%	20.4
(b) Value of the lock-up period for market participant	**23.8%**	**39.8**	**23.9%**	**38.3**
Total expense for the Group (a-b)		**-**		**-**
Sensitivity				
• decrease in interest rate for market participant (2)	(0.5%)	4.7	(0.5%)	4.5

Amounts in millions of euros, unless otherwise stated.

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

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

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, 2016	**1,530**	**452**	**1,982**
Net cost recognized in the statement of income	56	11	67
▪ *Service cost*	*24*	*4*	*28*
▪ *Curtailments and settlements*	-	-	-
▪ *Interest cost*	*145*	*7*	*152*
▪ *Interest income*	*(113)*	-	*(113)*
Benefits paid	(13)	(20)	(33)
Plan participants' contributions	(136)	-	(136)
Actuarial gains and losses recognized in equity	1	-	1
Translation adjustment	(49)	(26)	(75)
Change in the scope of consolidation	(9)	6	(3)
Other changes	-	-	-
June 30, 2017	**1,380**	**423**	**1,803**
Surplus of plans recognized as assets	**(172)**	**-**	**(172)**
Provisions recognized as liabilities	**1,552**	**423**	**1,975**

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 GBP 1.75 billion. At June 30, 2017, 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, 2016	**907**	**103**	**452**	**340**	**164**	**541**	**2,507**
Of which long-term portion	*710*	*87*	*164*	*330*	*18*	*341*	*1,650*
Additions	23	9	68	2	89	102	293
Utilizations	(60)	(9)	(51)	(9)	(64)	(135)	(328)
Reversals of surplus provisions	(12)	(4)	(2)	(1)	(1)	(8)	(28)
Translation adjustments	(39)	(7)	(18)	(21)	(5)	(33)	(123)
Changes in the scope of consolidation and other	(5)	3	(18)	-	(1)	-	(21)
June 30, 2017	**814**	**95**	**431**	**311**	**182**	**467**	**2,300**
Of which long-term portion	*617*	*74*	*160*	*303*	*11*	*313*	*1,478*

Note 17 - Net debt

Net debt breaks down as follows:

	June 30, 2017	Dec.31, 2016
Bonds	6,695	6,746
Bank and other borrowings	75	240
Lease liabilities	1	1
Employees profit sharing	4	5
Short-term portion of convertible and non-convertible bonds	(1,029)	(1,025)
Short-term portion of long-term debt	(55)	(201)
NON-CURRENT FINANCIAL LIABILITIES	5,691	5,766
Commercial paper	507	65
Accrued interest	123	75
Other short-term borrowings	318	223
Bank overdrafts	282	265
Short-term portion of convertible and non-convertible bonds	1,029	1,025
Short-term portion of long-term debt	55	201
Short-term debt	**2,314**	**1,853**
TOTAL CURRENT AND NON-CURRENT FINANCIAL LIABILITIES	8,005	7,619
Marketable securities	1,329	899
Negotiable debt securities and short-term deposits	31	422
Cash and cash equivalents	1,697	1,474
Total cash and cash equivalents	**3,057**	**2,795**
Bank overdrafts	(282)	(265)
NET CASH AND CASH EQUIVALENTS	2,775	2,530
NET DEBT	4,948	4,824

Cash and cash equivalents net of short-term bank loans and overdrafts totaled EUR 2,775 million, corresponding to the amount reported in the consolidated cash flow statement.

Non-recourse factoring of trade receivables was realized during the six-month period ended June 30, 2017 for a total amount of EUR 60 million, compared with EUR 60 million during the six-month period ended June 30, 2016.

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 contain convertible bonds for which fair value as at June 30 2017 is EUR 7,142 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, 2017	IFRS designation	Carrying amount	Nominal amount	
			Sale	Purchase
Futures - cash flow hedges	CFH *	(28)	104	893
Futures - net investment hedges	NIH *	5	1,161	-
Futures - hedges of balance sheet items	Trading	62	5,347	4,047
		39	**6,612**	**4,940**

December 31, 2016	IFRS designation	Carrying amount	Nominal amount	
			Sale	Purchase
Futures - cash flow hedges	CFH *	(74)	411	867
Futures - net investment hedges	NIH *	12	1,257	-
Futures - hedges of balance sheet items	*Trading*	*(86)*	*4,780*	*3,209*
		(148)	**6,348**	**4,076**

* 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, 2017.

18.3 Raw materials

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

June 30, 2017	IFRS designation	Carrying amount	Nominal amount
Metal prices			
Futures and options	CFH *	1	(168)

December 31, 2016	IFRS designation	Carrying amount	Nominal amount
Metal prices			
Futures and options	CFH *	9	(159)

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, 2017	IFRS designation	Carrying amount	Nominal amount	Number of shares
Share-based payment				
Call options	CFH *	14	(22)	519,745

December 31, 2016	IFRS designation	Carrying amount	Nominal amount	Number of shares
Share-based payment				
Call options	CFH *	16	(27)	629,447

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 EUR 3,857 million and EUR 60 million, respectively, as of June 30, 2017.

20.2 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 11, 2017, the employee share purchase program described in note 14.2, led to a share capital increase of EUR 143 million for 2.4 million shares subscribed.

MANAGEMENT REPORT FOR THE PERIOD ENDED JUNE 30, 2017

Consolidated financial statements

Business and Statement of Income highlights

Changes in the scope of consolidation

<u>Acquisitions during the period</u>

No material acquisition occurred during the first half-year 2017. Besides, the Group also acquired the minority interest of Luminous.

<u>Disposals of the period</u>

On April 3rd, 2017 – the Group announced that it has signed an agreement to sell its Telvent DTN business, to TBG AG. On May 31st, 2017, the transaction was finalized with a final base sale price established at USD 900 million.

Discontinued operations

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

Exchange rate changes

Fluctuations in the euro exchange rate had a positive impact in six-month period ended June 30, 2017, increasing consolidated revenue by EUR 159 million and adjusted EBITA by EUR 19 million, due mainly to the positive effect of the Russian Ruble and US Dollar compared to the Euro.

Results of Operations

The following table sets forth our results of operations for the six-month period ended June 30, 2017 and 2016 :

(in millions of Euros except for earnings per share)	1st half-year 2017	1st half-year 2016*	% variance
Revenue	**12,173**	**11,742**	**3.7%**
Cost of sales	(7,458)	(7,225)	
Gross profit	**4,715**	**4,517**	**4.4%**
% Gross profit	***38.7%***	***38.5%***	
Research and development	(263)	(257)	
Selling, general and administrative expenses	(2,734)	(2,673)	
Adjusted EBITA	**1,718**	**1,587**	**8.3%**
% Adjusted EBITA	***14.1%***	***13.5%***	
Other operating income and expenses	71	(8)	
Restructuring costs	(156)	(131)	
EBITA	**1,633**	**1,448**	**12.8%**
% EBITA	***13.4%***	***12.3%***	
Amortization and impairment of purchase accounting intangibles	(61)	(82)	
Operating income	**1,572**	**1,366**	**15.0%**
% Operating income	***12.9%***	***11.6%***	
Interest income	31	30	
Interest expense	(145)	(165)	
Finance costs, net	**(114)**	**(135)**	
Other financial income and expense	(70)	(112)	
Net financial income/loss	**(184)**	**(247)**	
Profit from continued operations before income tax	**1,388**	**1,119**	**24.0%**
Income tax expense	(361)	(279)	
Income of discontinued operations, net of income tax	(76)	(14)	
Share of profit/(losses) of associates	34	13	
Profit for the period	**985**	**839**	**17.4%**
-Attributable to owners of the parent	958	809	
-Attributable to non-controlling interests	27	30	
Basic earnings per share –attributable to owners of the parent (in Euros per share)	1.72	1.44	19.4%

**2016 figures were restated for discontinued operations.*

Revenue

Consolidated revenue totaled EUR 12,173 million for the period ended June 30, 2017, up 3.7% on a current structure and currency basis from the year-earlier period.

Organic growth was positive for 2.7%, acquisitions net of disposals accounted for -0.4% and the currency effect for 1.4% due mainly to the positive effect of the Russian Ruble and the US dollar 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, 2017 and 2016.

(in millions of Euros)	**Building**	**Infrastructure**	**Industry**	**IT**	**Total**
June 30, 2017	5,341	2,156	2,907	1,769	12,173
June 30, 2016*	5,082	2,300	2,667	1,693	11,742

**2016 figures were restated for discontinued operations.*

Building (Low Voltage, 43% of H1 revenues) was up **+4.0%** organically with solid growth in all four regions. Final Distribution & Wiring Devices continued to grow strongly (+6%), in last with past trends. EcoStruxure Power / Building connected points were up double-digit. Low Voltage activity grew double-digit in Datacenters.

IT (Secure Power, 15% of H1 revenues) was up **+2.1%** organically, benefitting from strong growth (+7%) in New Economies. Product business grew low single-digit despite destocking in Japan thanks to residential power, edge computing and medium offers. Group sales in Datacenters were up mid-single-digit of which IT sales grew low single-digit while low and medium voltage offers posted double-digit growth. Services performed strongly.

Industry (Industrial Automation, 24% of the H1 revenues) grew **+5.7%** organic in H1 with strong growth across all four regions, with good growth in China. The Group saw strong products & OEM performance driven by channel initiatives. EcoStruxure Machine offer grew double-digit. Process Automation revenues returned to growth with increasing opportunities in brownfield operations. Software orders were up in Q2, with O&G market showing initial positive signs.

Infrastructure (Medium Voltage, 18% of H1 revenues) was down **-3.7%** in H1 due to the selectivity initiatives as the Group executed its Rebound plan. Products sold through Low Voltage partners grew high single-digit, and services orders were up high single-digit. The Group saw good results from its offers in the new digital landscape through EcoStruxure Grid offer: the ADMS (Advanced Distribution Management System, the software enabling smart grid) was ranked leader in 2017 Gartner Magic Quadrant. Additionally, ADMS showed good traction with numerous wins.

Gross margin

Gross margin increased to EUR 4,715 million for the six-month period ended June 30, 2017 (EUR 4,517 million for the six-month period ended June 30, 2016) mainly linked to an increase in revenue. As a percentage of revenues, gross profit is improving to 38.7% in first half of 2017 from 38.5% in first half of 2016, thanks to strong industrial productivity and positive pricing.

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

Research and development expenses, net of capitalized development costs, increased by 2.3% from EUR 257 million for the six-month period ended June 30, 2016 to EUR 263 million for the six-month period ended June 30, 2017. 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, 2017 (2.2% for the six-month period ended June 30, 2016).

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 by 0.1% from

EUR 609 million for the six-month period ended June 30, 2016 to EUR 610 million for the six-month period ended June 30, 2017. As a percentage of revenues, total research and development expenses decreased slightly to 5.0% for the six-month period ended June 30, 2017 (5.2% for the six-month period ended June 30, 2016).

On the first semester 2017, the net effect of capitalized development costs and amortization of capitalized development costs amounts to EUR 38 million on operating income (EUR 70 million on the first semester 2016).

Selling, general and administrative expenses increased by 2.3% to EUR 2,734 million for the six-month period ended June 30, 2017 (EUR 2,673 million for the six-month period ended June 30, 2016). As a percentage of revenues, selling, general and administrative expenses decreased to 22.5% for the six-month period ended June 30, 2017 (22.8% for the six-month period ended June 30, 2016).

Combined, total support function costs, that is, research and development expenses together with selling, general and administrative costs, totaled EUR 2,997 million six-month period ended June 30, 2017 compared to EUR 2,930 million six-month period ended June 30, 2016, an increase of 2.3%. As a result, support functions costs to sales ratio decreased from 25.0% for the six-month period ended June 30, 2016 to 24.6% for the six-month period ended June 30, 2017.

Other operating income and expenses

For the six-month period ended June 30, 2017, other operating income and expenses amounted to a net income of EUR 71 million, mainly including costs of acquisitions and disposals of EUR 18 million, reversal of impairment of assets for EUR 11 million, loss on assets for EUR 6 million, and EUR 117 million gain on business disposal mainly coming from the impact of the disposal of Telvent DTN business.

Restructuring costs

For the six-month period ended June 30, 2017, restructuring costs amounted to EUR 156 million compared to EUR 131 million for the six-month period ended June 30, 2016, 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 EUR 1,718 million for the six-month period ended June 30, 2017, compared to EUR 1,587 million for the six-month period ended June 30, 2016, an increase of 8.3%. As a percentage of revenues, adjusted EBITA improved from 13.5% for the six-month period ended June 30, 2016 to 14.1% for the six-month period ended June 30, 2017.

EBITA increased by 12.8% from EUR 1,448 million for the six-month period ended June 30, 2016 to EUR 1,633 million for the six-month period ended June 30, 2017, due to the improvement in other operating income and expenses. As a percentage of revenues, EBITA increased to 13.4% for the six-month period ended June 30, 2017 (12.3% for the six-month period ended June 30, 2016).

Adjusted EBITA by business segment

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

(in millions of Euros)	***Building***	***Infrastructure***	***Industry***	***IT***	***Corporate costs***	***Total***
June 30, 2017						
Revenues	5,341	2,156	2,907	1,769	-	**12,173**
Adjusted EBITA*	1,111	180	487	256	(316)	**1,718**
Adjusted EBITA (%)	*20.8%*	*8.4%*	*16.7%*	*14.5%*		***14.1%***

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

(in millions of Euros)	***Building***	***Infrastructure***	***Industry***	***IT***	***Corporate costs***	***Total***
June 30, 2016*						
Revenues	5,082	2,300	2,667	1,693	-	**11,742**
Adjusted EBITA**	1,042	158	424	266	(303)	**1,587**
Adjusted EBITA (%)	*20.5%*	*6.9%*	*15.9%*	*15.7%*		***13.5%***

** 2016 figures were restated for discontinued operations.*
*** Adjusted EBITA: EBITA before restructuring costs and before other operating income and expenses.*

Building recorded an adjusted EBITA margin of 20.8% for the six-month period ended June 30, 2017, up 0.3% compared to 20.5% for the six-month period ended June 30, 2016, thanks to a higher volume of sales, along with solid productivity and leverage on fixed costs.

Infrastructure recorded an adjusted EBITA margin of 8.4% for the six-month period ended June 30, 2017, up 1.5% compared to 6.9% for the six-month period ended June 30, 2016, benefiting from good control of support function costs and ongoing selectivity of projects.

Industry recorded an adjusted EBITA margin of 16.7% for the six-month period ended June 30, 2017, up 0.8% compared to 15.9% for the six-month period ended June 30, 2016. This is explained by productivity gains, and support function costs savings.

IT recorded an adjusted EBITA margin of 14.5% for the six-month period ended June 30, 2017, down 1.2% compared to 15.7% for the six-month period ended June 30, 2016, due to unfavorable mix.

Corporate costs for the compared to the six-month period ended June 30, 2017 amounted to EUR 316 million or 2.6% of sales, at the same level as last year (EUR 303 million, representing 2.6% of revenues of the six-month period ended June 30, 2016).

Operating income (EBIT)

Operating income, after amortization and depreciation of purchased intangibles, increased from EUR 1,366 million for the six-month period ended June 30, 2016 to 1,572 million for the six-month period ended June 30, 2017, a significant increase of 15.0% linked to an increase of EBITA and a decrease of amortization of purchase accounting intangibles of EUR 21 million (EUR 61 million on the six-month period ended June 30, 2017 compared to EUR 82 million six-month period ended June 30, 2016).

Net financial income/loss

Net financial loss amounted to EUR 184 million for the six-month period ended June 30, 2017, compared to EUR 247 million for the six-month period ended June 30, 2016.

This decrease is explained both by the decrease of cost of net financial debt to EUR 114 million for the six-month period ended June 30, 2017, compared to EUR 135 million for the six-month period ended June 30, 2016, and a favorable foreign exchange rates effect, generating a foreign exchange loss of EUR 3 million on the six-month period ended June 30, 2017, compared to a EUR 40 million loss for the six-month period ended June 30, 2016.

Tax

The effective tax rate was 26% for the six-month period ended June 30, 2017, and 25% for the six-month period ended June 30, 2016. The corresponding income tax expense increased from EUR 279 million for the six-month period ended June 30, 2016 to EUR 361 million for the six-month period ended June 30, 2017.

Share of profit/ (losses) of associates

The share of associates was a EUR 34 million profit for the six-month period ended June 30, 2017, compared to EUR 13 million profit for the six-month period ended June 30, 2016.

Discontinued activities

The net effect of discontinued activities totaled EUR 76 million loss for the six-month period ended June 30, 2017, including the net result after tax over six months of Solar activities, and the impairment in valuation of the Solar business, compared to a EUR 14 million loss for the six-month period ended June 30, 2016, including the net result after tax of Solar activities only.

Non-controlling interests

Minority interests in net income for the six-month period ended June 30, 2017 totaled EUR 27 million, compared to EUR 30 million for the six-month period ended June 30, 2016. 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 EUR 958 million for the six-month period ended June 30, 2017, compared to EUR 809 profit for the six-month period ended June 30, 2016.

Earnings per share

Earnings per share amounted to EUR 1.72 per share for the six-month period ended June 30, 2017 and EUR 1.44 per share for the six-month period ended June 30, 2016.

Comments to the consolidated Cash-flow

The following table sets forth our cash-flow statement for the six-month period ended June 30, 2017 and 2016:

(in millions of Euros)	**First half 2017**	**First half 2016***
Profit for the period	985	839
Less net result from discontinued operations	76	14
Share of (profit)/ losses of associates, net of dividends received	(34)	(13)
Non-cash adjustments to reconcile profit for the period to net cash flows provided by operating activities		
Depreciation of property, plant and equipment	199	203
Amortization of intangible assets other than goodwill	209	225
Losses on non-current assets	3	72
Increase/(decrease) in provisions	-	(135)
Losses/(gains) on disposals of fixed assets	(114)	38
Difference between tax paid and tax expense	(11)	16
Other non cash-adjustments	54	61
Net cash provided by operating activities before changes in operating assets and liabilities	**1,367**	**1,320**
(Increase)/decrease in accounts receivable	63	107
(Increase)/decrease in inventories and work in process	(343)	(211)
Increase/(decrease) in accounts payable	42	(172)
Change in other current assets and liabilities	(277)	(208)
Change in working capital requirement	**(515)**	**(484)**
I - Cash flows from operating activities	**852**	**836**
Purchases of property, plant and equipment	(204)	(218)
Proceeds from disposals of property, plant and equipment	21	16
Purchases of intangible assets	(171)	(198)
Proceeds from disposals of intangible assets	3	-
Net cash used in investment in operating fixed assets	**(351)**	**(400)**
Acquisition of subsidiaries, net of cash acquired	(189)	(18)
Proceeds from sale of financial assets	747	7
Purchases of other long-term investments	(19)	(33)
Long-term pension assets	(135)	(82)
Net financial investments	**404**	**(126)**
II - Cash flows from / used in investing activities:	**53**	**(526)**
Issuance of bonds	-	-
Repayment of bonds	(97)	-
Increase/(reduction) in financial debt	537	282
Proceeds from issuance of share capital	10	5
Sale/(purchase) of own shares	-	(278)
Dividends paid: Schneider Electric SE	(1,133)	(1,127)
Non-controlling interests	(24)	(21)
III - Cash flows from / used in financing activities	**(707)**	**(1,139)**
IV - Net foreign exchange difference	**(31)**	**(105)**
V – Effect of discontinued operations	**78**	**10**
Net increase/(decrease) in cash and cash equivalents: I + II + III + IV + V	**245**	**(924)**
Cash and cash equivalents at January, 1st	2,530	2,849
Increase/(decrease) in cash and cash equivalents	245	(924)
CASH AND CASH EQUIVALENTS AT JUNE 30TH	**2,775**	**1,925**

** 2016 figures were restated for discontinued operations.*

Operating Activities

Net cash provided by operating activities before changes in operating assets and liabilities reached EUR 1,367 million for the six-month period ended June 30, 2017, increasing compared to EUR 1,320 million for the six-month period ended June 30, 2016. It represents 11.2% of revenues for first half 2017 (11.2% of revenues from first half 2016).

Change in working capital requirement consumed EUR 515 million in cash in the six-month period ended June 30, 2017, compared to EUR 484 million in consumption in the six-month period ended June 30, 2016, reflecting normal cash-flow seasonality.

In all, net cash provided by operating activities increased from EUR 836 million in the six-month period ended June 30, 2016 to EUR 852 million in the six-month period ended June 30, 2017.

Investing Activities

Net capital expenditure, which included capitalized development projects, decreases, at EUR 351 million for the six-month period ended June 30, 2017, compared to EUR 400 million for the six-month period ended June 30, 2016, and representing 2.9% of sales on first half 2017 compared to 3.4% of sales on first half 2016.

The net acquisitions represented a cash out of EUR 189 million for the six-month period ended June 30, 2017, compared with EUR 18 million for the six-month period ended June 30, 2016.

Proceeds from sales of financial assets amount EUR 747 million in the first semester 2017, mainly due to the disposal of Telvent DTN.

Financing Activities

The net increase of financial debts amounted to EUR 440 million during the six-month period ended June 30, 2017, compared to a net increase of financial debts of EUR 282 million during the six-month period ended June 30, 2016. The dividend paid by Schneider Electric was EUR 1,133 million the six-month period ended June 30, 2017, compared with EUR 1,127 million the six-month period ended June 30, 2016.

2017 Targets

Following its strong performance in H1, the Group will continue to execute its strategic priorities. The Group expects the positive environment seen in H1 in its major end-markets to continue.

Therefore, the Group upgrades its 2017 objectives:

- The Group targets for 2017, organic revenue growth between +3% and +4% for the Group outside Infrastructure. For Infrastructure, the priority remains margin improvement. The selectivity for the division is expected to end in 2017 with an expected impact of c. -4% on revenue for the year. Outside of selectivity, the Group now expects the performance for the Infrastructure division to be a low single-digit organic growth.

- For 2017, the Group now targets the upper end of its initial +20 to +50 bps target range for the organic adjusted EBITA margin improvement. Following the evolution of currencies since April, the FX impact is now expected to be -10 to -20bps on the Adjusted EBITA margin for the year.

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 2017

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 2016 Registration Document filed with AMF on March 17, 2017.

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, 2017 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 26, 2017

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, 2017, 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 26, 2017

The statutory auditors

French original signed by

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