



Consolidated financial statements – December 31, 2012

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Consolidated financial statements at December 31 2012

Consolidated statement of income

<i>(in millions of euros except for earnings per share)</i>	Note	Full year 2012	Full year 2011*
Revenue	3	23,946	22,345
Cost of sales		(14,889)	(13,958)
Gross profit		9,057	8,387
Research and development	4	(507)	(539)
Selling, general and administrative expenses		(5,035)	(4,658)
EBITA adjusted*		3,515	3,190
Other operating income and expenses	6	(10)	(8)
Restructuring costs	7	(164)	(145)
EBITA**		3,341	3,037
Amortization and impairment of purchase accounting intangibles	8	(475)	(226)
Operating income		2,866	2,811
Interest income		36	30
Interest expense		(385)	(331)
Finance costs, net		(349)	(301)
Other financial income and expense	9	(56)	(114)
Net financial income/(loss)		(405)	(415)
Profit before tax		2,461	2,396
Income tax expense	10	(568)	(547)
Share of profit/(loss) of associates		34	28
PROFIT FOR THE PERIOD		1,927	1,877
• attributable to owners of the parent		1,840	1,793
• attributable to non-controlling interests		87	84
Basic earnings (attributable to owners of the parent) per share (in euros per share)	21.3	3.39	3.34
Diluted earnings (attributable to owners of the parent) per share (in euros per share)		3.36	3.30

* The 2011 figures were restated for the item disclosed in note 1.2 of the consolidated financial statements

** 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

<i>(in millions of euros)</i>	Full year 2012	Full year 2011*
Profit for the year	1,927	1,877
Other comprehensive income:		
Translation adjustment	(220)	159
Cash-flow hedges	35	(87)
Net gains (losses) on available-for-sale financial assets	(25)	(60)
Actuarial gains (losses) on defined benefits plans	(318)	(275)
Income tax effect of other comprehensive income	85	129
Other comprehensive income for the year, net of tax	(443)	(134)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	1,484	1,743
Attributable:		
• to owners of the parent	1,422	1,667
• to non-controlling interests	62	76

* The 2011 figures were restated for the item disclosed in note 1.2 of the consolidated financial statements
The accompanying notes are an integral part of the consolidated financial statements.

Consolidated statement of cash flows

<i>(in millions of euros)</i>	Note	Full year 2012	Full year 2011*
Profit for the year		1,927	1,877
Share of (profit)/losses of associates, net of dividends received		(34)	(28)
<i>Adjustments to reconcile net profit to net cash flows provided by operating activities:</i>			
Depreciation of property, plant and equipment	13	394	386
Amortization of intangible assets other than goodwill	12	420	380
Impairment losses on non-current assets	5	241	31
Increase/(decrease) in provisions	23	(77)	(89)
Losses/(gains) on disposals of fixed assets		(16)	12
Difference between tax paid and tax expense		(122)	(80)
Other non-cash adjustments		69	48
Net cash provided by operating activities before changes in operating assets and liabilities		2,802	2,537
Decrease/(increase) in accounts receivable		(127)	(230)
Decrease/(increase) in inventories and work in process		210	(38)
(Decrease)/increase in accounts payable		(5)	(41)
Change in other current assets and liabilities		(79)	24
Change in working capital requirement		(1)	(285)
Total I - Cash flows from operating activities		2,801	2,252
Purchases of property, plant and equipment	13	(472)	(515)
Proceeds from disposals of property, plant and equipment		58	52
Purchases of intangible assets	12	(315)	(297)
Proceeds from disposals of intangible assets		10	14
Net cash used by investment in operating assets		(719)	(746)
Net financial investments	2	(242)	(2,873)
Proceeds from sale of financial assets	15.1	121	-
Purchases of other long-term investments		(14)	(54)
Increase in long-term pension assets		(79)	(64)
Sub-total		(214)	(2,991)
Total II - Cash flows from/(used in) investing activities		(933)	(3,737)
Issuance of bonds	24	601	1,692
Repayment of bonds	24	-	(500)
Sale/(purchase) of own shares		-	-
Increase/(reduction) in other financial debt		(585)	432
Proceeds from issuance of shares		221	210
Dividends paid: Schneider Electric SA		(919)	(856)
Non-controlling interests		(72)	(69)
Total III - Cash flows from/(used in) financing activities		(754)	909
IV - Net foreign exchange difference:		(51)	(166)
Increase/(decrease) in cash and cash equivalents: I + II + III + IV		1,063	(742)
Cash and cash equivalents at January 1 st		2,554	3,296
Increase/(decrease) in cash and cash equivalents		1,063	(742)
CASH AND CASH EQUIVALENTS AT DECEMBER 31	20	3,617	2,554

* The 2011 figures were restated for the item disclosed in note 1.2 of the consolidated financial statements
The accompanying notes are an integral part of the consolidated financial statements.

Consolidated balance sheet

Assets

<i>(in millions of euros)</i>	Note	Dec. 31, 2012	Dec. 31, 2011*
Non-current assets			
Goodwill, net	11	12,904	12,773
Intangible assets, net	12	4,519	4,704
Property, plant and equipment, net	13	2,622	2,573
<i>Total tangible and intangible assets</i>		<i>7,141</i>	<i>7,277</i>
Investments in associates	14	511	489
Available-for-sale financial assets	15.1	213	296
Other non-current financial assets	15.2	108	261
<i>Non-current financial assets</i>		<i>321</i>	<i>557</i>
Deferred tax assets	16	1,745	1,468
Total non-current assets		22,622	22,564
Current assets			
Inventories and work in progress	17	3,090	3,349
Trade and other operating receivables	18	5,289	5,402
Other receivables and prepaid expenses	19	1,291	1,638
Current financial assets	15.3	127	104
Cash and cash equivalents	20	3,737	2,771
Total current assets		13,534	13,264
TOTAL ASSETS		36,156	35,828

* The 2011 figures were restated for the item disclosed in note 1.2 of the consolidated financial statements

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

Liabilities

<i>(in millions of euros)</i>	Note	Dec. 31, 2012	Dec. 31, 2011*
Equity	21		
Share capital		2,222	2,196
Additional paid-in capital		6,885	6,690
Retained earnings		7,583	6,819
Translation reserve		(48)	148
Equity attributable to owners of the parent		16,642	15,853
Non-controlling interests		174	192
Total equity		16,816	16,045
Non-current provisions			
Pensions and other post-employment benefit obligations	22	1,976	1,723
Other non-current provisions	23	785	680
Total non-current provisions		2,761	2,403
Non-current financial liabilities			
Bonds	24	5,513	5,540
Other non-current debt	24	893	1,387
Non-current financial liabilities		6,406	6,927
Deferred tax liabilities	16	1,014	944
Other non-current liabilities	25	195	235
Total non-current liabilities		10,376	10,509
Current liabilities			
Trade and other operating payables		4,190	4,094
Accrued taxes and payroll costs		1,827	2,307
Current provisions	23	930	960
Other current liabilities		291	803
Current debt	24	1,726	1,110
Total current liabilities		8,964	9,274
TOTAL EQUITY AND LIABILITIES		36,156	35,828

* The 2011 figures were restated for the item disclosed in note 1.2 of the consolidated financial statements
The accompanying notes are an integral part of the consolidated financial statements.

Consolidated statement of changes in equity

<i>(in millions of euros except for number of shares)</i>	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
January 1, 2011*	271,959	2,176	6,495	(74)	6,189	(19)	14,767	204	14,971
Profit for the year*					1,793		1,793	84	1,877
Other comprehensive income					(293)	167	(126)	(8)	(134)
Comprehensive income for the year					1,500	167	1,667	76	1,743
Division of the nominal value by two	271,959								
Capital increase	3,856	15	162				178		178
Exercise of stock options	1,169	5	33				37		37
Dividends					(856)		(856)	(69)	(925)
Share-based compensation expense					51		51		51
Other ⁽¹⁾					9		9	(19)	(10)
December 31, 2011*	548,943	2,196	6,690	(74)	6,893	148	15,853	192	16,045
Profit for the year					1,840		1,840	87	1,927
Other comprehensive income					(222)	(196)	(418)	(25)	(443)
Comprehensive income for the year					1,618	(196)	1,422	62	1,484
Capital increase	3,522	14	109				123		123
Exercise of stock options	2,952	12	86				98		98
Dividends					(919)		(919)	(72)	(991)
Share-based compensation expense					57		57		57
Other					8		8	(8)	
December 31, 2012	555,417	2,222	6,885	(74)	7,657	(48)	16,642	174	16,816

* The 2011 figures were restated for the item disclosed in note 1.2 of the consolidated financial statements

(1) Of which EUR9 million in connection with the employee share purchase plan and a negative EUR19 million for the Areva D PPA adjustment. The accompanying notes are an integral part of the consolidated financial statements.

Notes to the consolidated financial statements

All amounts in millions of euros unless otherwise indicated.

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

The Schneider Electric Group's consolidated financial statements for the financial year ended December 31, 2012 were drawn up by the Management Board on February 18, 2013 and reviewed by the Supervisory Board on February 20, 2013. They will be submitted to shareholders for approval at the Annual General Meeting of April 25, 2013.

Note 1 Accounting Policies

1.1 – Accounting standards

The consolidated financial statements have been prepared in compliance with the international accounting standards (IFRS) as adopted by the European Union as of December 31, 2012. The same accounting methods were used as for the consolidated financial statements for the year ended December 31, 2011.

The following standards and interpretations that were applicable during the period did not have a material impact on the consolidated financial statements as of December 31, 2012:

- *IFRS 7 – Disclosures – Transfer of Financial assets.*

There are no differences in practice between the standards applied by Schneider Electric as of December 31, 2012 and the IFRS issued by the International Accounting Standards Board (IASB), since the application of standards and interpretations that are mandatory for reporting periods beginning on or after January 1, 2012 but not yet adopted by the European Union would not have a material impact.

Lastly, the Group did not apply the following standards and interpretations that had not yet been adopted by the European Union as of December 31, 2012 or that are mandatory at some point subsequent to December 31, 2012:

- Standards adopted
 - *amendment to IAS 1 – Presentation of Items of Other Comprehensive Income;*
 - *IAS 19 revised – Employee benefits;*
 - *amendment to IAS 12 – Recovery of Underlying Assets;*
 - *IAS 28 revised – Investments in associates and joint-ventures;*
 - *amendments to IAS 32 – Offsetting Financial assets and Financial liabilities;*
 - *amendments to IFRS 7 – Disclosures – Transfer of Financial assets;*
 - *IFRS 10 – Consolidated Financial Statements;*
 - *IFRS 11 – Joint Arrangements;*
 - *IFRS 12 – Disclosure of Interests in Other entities;*
 - *IFRS 13 – Fair value Measurement;*
 - *amendment to IFRS 1 – Severe Hyperinflation and Removal of Fixed dates for First-Time Adopters;*
 - *IFRIC 20 – Stripping Costs in the Production Phase of a Surface Mine.*
- Standards not yet adopted
 - *IFRS 9 – Financial instruments;*
 - *Transition Guidance (Amendments to IFRS 10, IFRS 11 and IFRS 12);*
 - *Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27);*
 - *Improvements to IFRSs 2009-2011 (May 2012);*
 - *Government Loans (Amendments to IFRS1).*

Schneider Electric is currently assessing their potential impact on the Group's consolidated financial statements. In accordance with IAS19 revised in June 2011, the expected return on long term plan assets in 2013 will be equal to discount rate at December 31, 2012 closing date. The assessment of the expected effect in 2013 is EUR39 million as a reduction of financial income ; moreover, IAS19 revised require the recycling through equity of past service costs, of which the amortization was a gain of about EUR1 million by year, that will have a n expected effect of EUR17 million at January 1st, 2013.

At this stage of analysis, the Group does not expect other impact on its consolidated financial statements to be material, except for IFRS 10 and IFRS 11 for which impacts are being assessed, notably on entities currently consolidated with proportional consolidation, and except for IFRS 9 due to uncertainties surrounding the adoption process in Europe.

1.2 – Restated 2011 comparative statement of income, other comprehensive income, statement of cash flows, balance sheet and statement of changes in equity

A specific internal control review of one entity was conducted in 2012 that resulted in identifying an accounting error in customer rebates accrual recognition. This error resulted from irregularities carried out by one former employee with the purpose of presenting overestimated revenues by deferring the booking of customer rebates. As presented below in the income statement, customers' rebate accrual booked in 2011 were underestimated (thus revenues were overestimated) by EUR42 million. At December 31, 2011, trade receivables were overestimated by EUR82 million (amount including VAT). In accordance with IAS8, the Group restated its 2011 comparative information in the consolidated financial statements at December 31, 2012.

An action plan has been implemented in order to reinforce preventive and detective controls.

The effect of the restatement on 2011 statement of income is as follows:

<i>(in millions of euros except for earnings per share)</i>	FY 2011 published	Restatement	FY 2011 restated
Revenue	22,387	(42)	22,345
Gross profit	8,429	(42)	8,387
EBITA adjusted	3,232	(42)	3,190
EBITA	3,079	(42)	3,037
Operating income	2,853	(42)	2,811
Net financial income/(loss)	(415)		(415)
Profit before tax	2,438	(42)	2,396
Income tax expense	(562)	15	(547)
Share of profit/(loss) of associates	28		28
RÉSULTAT NET	1,904	(27)	1,877
• attributable to owners of the parent	1,820	(27)	1,793
• attributable to non-controlling interests	84		84
Basic earnings (attributable to owners of the parent) per share (in euros per share)	3.39		3.34
Diluted earnings (attributable to owners of the parent) per share (in euros per share)	3.35		3.30

The effect of the restatement on the 2011 other comprehensive income is as follows:

<i>(in millions of euros)</i>	FY 2011 published	Restatement	FY 2011 restated
Profit for the year	1,904	(27)	1,877
Other comprehensive income for the year, net of tax	(134)		(134)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	1,770	(27)	1,743
Attributable:			
• to owners of the parent	1,694	(27)	1,667
• to non-controlling interests	76		76

The effect of the restatement on the 2011 statement of cash-flows is as follows:

<i>(in millions of euros)</i>	FY 2011 published	Restatement	FY 2011 restated
Profit for the year	1,904	(27)	1,877
Share of (profit)/losses of associates, net of dividends received	(28)		(28)
<i>Adjustments to reconcile net profit to net cash flows provided by operating activities:</i>			
Depreciation of property, plant and equipment	386		386
Amortization of intangible assets other than goodwill	380		380
Impairment losses on non-current assets	31		31
Increase/(decrease) in provisions	(89)		(89)
Losses/(gains) on disposals of fixed assets	12		12
Difference between tax paid and tax expense	(65)	(15)	(80)
Other non-cash adjustments	48		48
Net cash provided by operating activities before changes in operating assets and liabilities	2,579	(42)	2,537
Decrease/(increase) in accounts receivable	(280)	50	(230)
Decrease/(increase) in inventories and work in process	(38)		(38)
(Decrease)/increase in accounts payable	(41)		(41)
Change in other current assets and liabilities	32	(8)	24
Change in working capital requirement	(327)	42	(285)
Total I - Cash flows from operating activities	2,252	-	2,252
Total II – Cash-flows from/(used in) investing activities	(3,737)		(3,737)
Total III – Cash-flows from/(used in) financing activities	909		909
IV – Net foreign exchange difference :	(166)		(166)
Increase/(decrease) in cash and cash equivalents : I + II + III + IV	(742)	-	(742)
Cash and cash equivalents at January 1 st	3,296		3,296
Increase/(decrease) in cash and cash equivalents	(742)		(742)
CASH AND CASH EQUIVALENTS AT DECEMBER 31	2,554		2,554

The effect of the restatement on the 2011 balance sheet is as follows:

<i>(in millions of euros)</i>	Dec. 31, 2011 published	Restatement	Dec. 31, 2011 restated
Non-current assets			
Goodwill, net	12,773		12,773
Total tangible and intangible assets, net	7,277		7,277
Investments in associates	489		489
Non-current financial assets	557		557
Deferred tax assets	1,444	24	1,468
Total non-current assets	22,540	24	22,564
Current assets			
Inventories and work in progress	3,349		3,349
Trade and other operating receivables	5,484	(82)	5,402
Other receivables and prepaid expenses	1,638		1,638
Current financial assets	104		104
Cash and cash equivalents	2,771		2,771
Total current assets	13,346	(82)	13,264
TOTAL ASSETS	35,886	(58)	35,828

<i>(in millions of euros)</i>	Dec. 31, 2011 published	Restatement	Dec. 31, 2011 restated
Equity			
Share capital	2,196		2,196
Additional paid-in capital	6,690		6,690
Retained earnings	6,864	(45)	6,819
Translation reserve	148		148
Equity attributable to owners of the parent	15,898	(45)	15,853
Non-controlling interests	192		192
Total equity	16,090	(45)	16,045
Total non-current liabilities	10,509		10,509
Current liabilities			
Trade and other operating payables	4,094		4,094
Accrued taxes and payroll costs	2,320	(13)	2,307
Current provisions	960		960
Other current liabilities	803		803
Current debt	1,110		1,110
Total current liabilities	9,287	(13)	9,274
TOTAL EQUITY AND LIABILITIES	35,886	(58)	35,828

The effect of the restatement on the 2011 statement of changes in equity is as follows:

<i>(in millions of euros except for number of shares)</i>	Number of shares <i>(thousands)</i>	Additional paid-in capital	Treasury shares	Retained earnings	Translation reserve	Equity attributable to owners of the parent	Non- controlling interests	TOTAL
Dec. 31, 2011 published	548,943	2,196	(74)	6,938	148	15,898	192	16,090
Restatement				(45)		(45)		(45)
Dec. 31, 2011 restated	548,943	2,196	(74)	6,893	148	15,853	192	16,045

1.3 – Basis of presentation

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

1.4 – Use of estimates and assumptions

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

These assumptions mainly concern:

- the measurement of the recoverable amount of goodwill, property, plant and equipment and intangible assets (note 1.11) and the measurement of the goodwill impairment (note 8) ;
- the measurement of the recoverable amount of non-current financial asset (note 1.12 and note 15) ;
- the realizable value of inventories and work in process (note 1.13);
- the recoverable amount of accounts receivable (note 1.14);
- the valuation of share-based payments (note 1.20);
- the calculation of provisions for contingencies, in particular for warranties (note 1.21);
- the measurement of pension and other post-employment benefit obligations (note 23).

1.5 – Consolidation principles

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

Group investments in entities controlled jointly with a limited number of partners, such as joint ventures and alliances, are proportionally consolidated in accordance with the recommended treatment under IAS 31 - *Interests in Joint Ventures*.

Companies over which the Group has significant influence ("associates") are accounted for by the equity consolidation method. Significant influence is presumed to exist when more than 20% of voting rights are held by the Group.

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

Intra-group balances and transactions are eliminated.

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

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

1.6 – Business combinations

Business combinations are accounted for using the acquisition method, in accordance with IFRS 3 - *Business Combinations*. In accordance with the option provided by IFRS 1 – *First-Time Adoption of IFRS* – business combinations recorded before January 1, 2004 have not been restated. Material acquisition costs are presented under "Other operating income and expenses" in the statement of income.

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

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

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

1.7 – Translation of the financial statements of foreign subsidiaries

The consolidated financial statements are prepared in euros.

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

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

Gains or losses on translation are recorded in consolidated equity under “Cumulative translation adjustments”. In accordance with IFRS 1 – *First Time Adoption of IFRS* – cumulative translation adjustments were reset to zero at January 1, 2004 by adjusting opening retained earnings, without any impact on total equity.

1.8 – Foreign currency transactions

Foreign currency transactions are recorded using the official exchange rate in effect at the date the transaction is recorded or the hedging rate. At the balance sheet date, foreign currency payables and receivables are translated into the functional currency at the closing rates or the hedging rate. Gains or losses on translation of foreign currency transactions are recorded under “Net financial income/ (loss)”. Foreign currency hedging is described below, in note 1.22.

1.9 – Intangible assets

Intangible assets acquired separately or as part of a business combination

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

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

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

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

Trademarks

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

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

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

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

Internally-generated intangible assets

Research and development costs

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

Systems were set up to track and capitalize development costs in 2004. As a result, only development costs for new products launched since 2004 are capitalized in the IFRS accounts.

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

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

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

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

Software implementation

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

1.10 – Property, plant and equipment

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

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

Buildings:	20 to 40 years
Machinery and equipment:	3 to 10 years
Other:	3 to 12 years

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

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

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

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

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

Leases

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

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

Borrowing costs

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

1.11 – Impairment of assets

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

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

Value in use is determined by discounting future cash flows that will be generated by the tested assets. These future cash flows are based on Group management's economic assumptions and operating forecasts presented in forecasts over a period generally not exceeding 5 years, then extrapolated based on a perpetuity growth rate. The discount rate corresponds to the Group's weighted average cost of capital (WACC) at the measurement date plus a risk premium depending on the region in

question. The WACC stood at 7.7% at December 31, 2012, a slight decrease on the 8.1% at December 31, 2011. This rate is based on (i) a long-term interest rate of 3.4%, corresponding to the average interest rate for 10 year OAT treasury bonds over the past few years, (ii) the average premium applied to financing obtained by the Group in the fourth quarter of 2012, and (iii) the weighted country risk premium for the Group's businesses in the countries in question.

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

Impairment tests are performed at the level of the cash-generating unit (CGU) to which the asset belongs. A cash-generating unit is the smallest group of assets that generates cash inflows that are largely independent of the cash flows from other assets or groups of assets. The cash-generating units in 2012, as in 2011, are *Power, Infrastructure, Industry, IT, Buildings* and *CST* CGUs. Net assets were reallocated to the CGUs at the lowest possible level on the basis of the CGU activities to which they belong; the assets belonging to several activities were allocated to each CGU (*Power, Infrastructure* and *Industry* mainly) pro-rata to their revenue in that CGU.

The WACC used to determine the value in use of each CGU was 7.8 % for *CST*, 8.6% for *Industry*, 8.5% for *Power* and *IT*, 8.0% for *Buildings* and 8.7% for *Infrastructure*.

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

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

1.12 – Non-current financial assets

Investments in non-consolidated companies are classified as available-for-sale financial assets. They are initially recorded at their cost of acquisition and subsequently measured at fair value, when fair value can be reliably determined.

The fair value of investments listed in an active market may be determined reliably and corresponds to the listed price at balance sheet date (Level 1 from the fair value hierarchy as per IFRS 7).

In cases where fair value cannot be reliably determined on observable markets, the investments are measured at cost net of any accumulated impairment losses. The recoverable amount is determined either by assessing the Group's share in the entity's net assets or the expected future cash-flows representative of management expectation in this investment. This rule is applied in particular to unlisted shares.

Changes in fair value are accumulated as other comprehensive income in the comprehensive income statement and, in balance sheet, in equity under "Other reserves" up to the date of sale, at which time they are recognized in the income statement. Unrealized losses on assets that are considered to be permanently impaired are recorded at the statement of income under financial loss.

Loans, recorded under "Other non-current financial assets", are carried at amortized cost and tested for impairment where there is an indication that they may have been impaired. Non-current financial receivables are discounted when the impact of discounting is considered significant.

1.13 – Inventories and work in process

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

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

Inventory impairment losses are recognized in "Cost of sales".

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

1.14 – Trade and other operating receivables

Depreciations for doubtful accounts are recorded when it is probable that receivables will not be collected and the amount of the loss can be reasonably estimated. Doubtful accounts are identified and the related depreciations determined based on historical loss experience, the aging of the receivables and a detailed assessment of the individual receivables along with the related credit risks. Once it is known with certainty that a doubtful account will not be collected, the doubtful account and its related depreciation are written off through the statement of income.

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

1.15 – Assets held for sale

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

1.16 – Deferred taxes

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

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

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

1.17 – Cash and cash equivalents

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

1.18 – Schneider Electric SA shares

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

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

1.19 – Pensions and other employee benefit obligations

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

Defined contribution plans

Payments made under defined contribution plans are recorded in the income statement, in the year of payment, and are in full settlement of the Group's liability.

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

Defined benefit plans

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

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

The amount recognized in the balance sheet corresponds to the present value of the obligation, adjusted for unrecognized past service cost and net of plan assets.

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

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

Other commitments

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

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

1.20 – Share-based payments

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

- Schneider Electric SA stock options;
- stock grants;
- stock appreciation rights, based on the Schneider Electric SA stock price.

Only plans set up after November 7, 2002 that did not vest prior to January 1, 2005 are affected by the application of IFRS 2 – *Share-based payments*.

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

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

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

As part of its commitment to employee share ownership, Schneider Electric gave its employees the opportunity to purchase shares at a discount (note 21.5).

1.21 – Provisions for contingencies and pension accruals

A provision is recorded when the Group has an obligation to a third party prior to the balance sheet date, and where the loss or liability is likely and can be reliably measured. If the loss or liability is not likely and cannot be reliably estimated, but remains possible, the Group discloses it as a contingent liability. Provisions are calculated on a case-by-case or statistical basis and discounted when due in over a year. The discount rate used for long-term provisions was 2.05% at December 31, 2012 versus 3.42% at December 31, 2011.

Provisions are primarily set aside to cover:

- economic risks:

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

- customer risks:

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

- product risks:

These provisions comprise:

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

- environmental risks:

These provisions are primarily funded to cover cleanup costs;

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

1.22 – Financial liabilities

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

1.23 – Financial instruments and derivatives

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

Foreign currency hedges

The Group periodically buys foreign currency derivatives to hedge the currency risk associated with foreign currency transactions. Some of these instruments hedge operating receivables and payables carried in the balance sheets of Group companies. The Group does not apply hedge accounting to these instruments because gains and losses on this hedging is immediately recognized. At year-end, the hedging derivatives are marked to market and gains or losses are recognized in "Net

financial income/(loss)", offsetting the gains or losses resulting from the translation at end-of-year rates of foreign currency payables and receivables, in accordance with IAS 21 – *The Effects of Changes in Foreign Exchange Rates*.

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

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

Interest rate swaps

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

Commodity contracts

The Group also purchases commodity derivatives including forward purchase contracts, swaps and options to hedge price risks on all or part of its forecast future purchases. Under IAS 39, these qualify as cash flow hedges. These instruments are recognized in the balance sheet and are measured at fair value at the period-end. The effective portion of the hedge is recognized separately in equity (under "Other reserves") and then recognized in income (gross margin) when the hedged item affects consolidated income. The effect of this hedging is then incorporated in the cost price of the products sold. The ineffective portion of the gain or loss on the hedging instrument is recognized in "Net financial income/ (loss)".

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

Put options granted to minority shareholders

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

The Group elected in 2011 to recognize the subsequent changes in the fair value of the liability against equity.

1.24 – Revenue recognition

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

Merchandise sales

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

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

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

Consolidated revenue is presented net of these discounts and rebates.

Service contracts

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

Long-term contracts

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

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

1.25 – Earnings per share

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

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

1.26 – Statement of cash flows

The consolidated statement of cash flows has been prepared using the indirect method, which consists of reconciling net profit to net cash provided by operations. The opening and closing cash positions include cash and cash equivalents, comprised of marketable securities, (note 1.17) net of bank overdrafts and facilities.

Note 2 Changes in the scope of consolidation

The Group’s consolidated financial statements for the year ended December 31, 2012 can be summarized as follows:

Number of active companies	Dec. 31, 2012	Dec. 31, 2011
Parent company and fully consolidated subsidiaries	582	590
Proportionally consolidated companies	3	1
Companies accounted for by the equity method	6	5
TOTAL	591	596

2.1 – Follow-up on 2011 acquisitions

In accordance with IFR3 R, Schneider Electric valued the assets acquired and liabilities assumed at their fair value on the date of acquisition.

The final allocation of the acquisition price of Summit Energy (April 14, 2011), of DIGILINK (May 13, 2011), of Luminous (June 1, 2011), of Steck (July 20, 2011), of Telvent (August 31, 2011), and of Leader & Harvest (October 11, 2011) led principally to the recognition of intangible assets in the amount of EUR406 million (technology, backlog, inventories and customer relationships) and to revaluations of property, plant and equipment in the amount of EUR7 million; these assets were valued by independent experts. Asset write-offs, contingent liabilities and indemnification assets were recognized for respectively a total amount of EUR290 million, EUR146 million and EUR2 million.

Comparative data in 2011 did not require a change in 2012 because the impacts related to changes in fair value recognized as part of the acquisition were not significant across the Schneider Group balance sheet and income statement also.

2.2 – Acquisitions during the year

The total amount of acquisitions during the year came to EUR249 million, net of cash and cash equivalents acquired.

	Dec. 31, 2012	Dec. 31, 2011
Acquisitions	(249)	(2,873)
<i>Cash and cash equivalents paid</i>	<i>(268)</i>	<i>(2,953)</i>
<i>Cash and cash equivalents paid acquired</i>	<i>19</i>	<i>80</i>
Disposals	7	6
Other operations	0	(6)
NET FINANCIAL INVESTMENT	(242)	(2,873)

It is mainly related to the acquisition of M&C Energy Group (June 12, 2012).

The provisional allocation from acquisitions of M&C Energy Group led principally to the recognition of intangible assets in the amount of EUR19 million (customer relationships).

On December 31, 2012, the main elements of the provisional computation are:

- contingent liabilities, for the identification of risks are not completed at the closing date;
- tangible assets, because the estimated fair value of these assets is in progress;
- intangible assets, because the assumptions used to value these assets will be refined in 2013.

Note 3 Segment information

The Group is organized in 5 businesses (Power, Infrastructure, Industry, IT, Buildings).

The five Businesses are:

- **Power**, which includes the activities of Low Voltage (electrical distribution), LifeSpace (wiring devices and associated interface devices) and Renewables (conversion and connection to the grid); the business is in charge of the end-customer segments Residential and Marine when it relates to solutions integrating the offers of several activities from the Group;
- **Infrastructure**, combines all Medium Voltage activities including those from Areva Distribution, as well as Telvent; the business is in charge of the end-customer segments Oil and Gas and Utilities when it relates to solutions integrating the offers of several activities from the Group;
- **Industry**, which includes Automation & Control and three end-customer segments: OEMs, Water Treatment and Mining, Minerals & Metals when it relates to solutions integrating the offers of several activities from the Group, as well as Custom Sensors & Technologies business (Sensors & Automotives);
- **IT**, which covers Critical Power & Cooling Services and two end-customer segments: Data Centers and Financial Services when it relates to solutions integrating the offers of several activities from the Group;
- **Buildings**, which includes Building Automation and Security and four end-customer segments: Hotels, Hospitals, Office Buildings and Retail Buildings.

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 Management Board, which has been identified as the main decision-making body for allocating resources and evaluating segment performance. Performance assessments used by the Management Board 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 Chapter 4 of the Registration Document (Business Review).

3.1 – Information by operating segment

Full year 2012

	Power	Infrastructure	Industry	IT	Buildings	Corporate costs	Total
Revenue	8,738	5,366	4,483	3,677	1,682	-	23,946
Adjusted EBITA*	1,813	575	823	698	107	(501)	3,515
%	20.7%	10.7%	18.4%	19.0%	6.4%	-	14.7%
Other operating income and expense	17	(6)	(2)	(3)	(3)	(13)	(10)
Restructuring costs	(84)	(32)	(21)	(4)	(12)	(11)	(164)
EBITA	1,746	537	800	691	92	(525)	3,341
%	20.0%	10.0%	17.8%	18.8%	5.5%	-	14.0%

* Adjusted EBITA: EBITA before Restructuring costs and before Other operating income and expenses (of which Costs of acquisition, integration and separation)

Revenue related to solutions amounts to 39% of total revenue in 2012.

Full year 2011*

	Power	Infrastructure	Industry	IT	Buildings	Corporate costs	Total
Revenue	8,262	4,897	4,397	3,237	1,552	-	22,345
Adjusted EBITA**	1,705	511	774	523	145	(468)	3,190
%	20.6%	10.4%	17.6%	16.2%	9.3%	-	14.3%
Other operating income and expense	49	(27)	4	(17)	(8)	(9)	(8)
Restructuring costs	(75)	(19)	(24)	(9)	(11)	(7)	(145)
EBITA	1,679	465	754	497	126	(484)	3,037
%	20.3%	9.5%	17.1%	15.4%	8.1%	-	13.6%

* The 2011 figures were restated for the item disclosed in note 1.2 of the consolidated financial statements, thus EUR 42 million for the Group out of which EUR35 million for Power and EUR7 million for Industry as a reduction of revenues, EBITA and Adjusted EBITA

** Adjusted EBITA: EBITA before Restructuring costs and before Other operating income and expenses (of which Costs of acquisition, integration and separation)

3.2 – Information by region

The geographic regions covered by the Group are:

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

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

Dec. 31, 2012

	Western Europe	of which France	North America	of which USA	Asia-Pacific	of which China	Rest of the world	Total
Revenue by country market	7,073	1,822	5,949	4,966	6,507	3,036	4,417	23,946
Non-current assets	8,194	1,801	6,591	6,404	4,389	1,205	871	20,045

Dec. 31, 2011

	Western Europe	of which France	North America	of which USA	Asia-Pacific	of which China	Rest of the world	Total
Revenue by country market	7,142	1,916	5,208	4,360	5,933	2,798	4,062	22,345
Non-current assets	7,361	1,710	7,466	7,310	4,413	1,095	811	20,051

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

	Full year 2012		Full year 2011	
Revenue – Mature countries	14,186	59%	13,512	60%
Revenue – New economies	9,760	41%	8,833	40%
Total	23,946	100%	22,345	100%

3.3 – Degree of dependence in relation to main customers

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

Note 4 Research and development

Research and development costs break down as follows:

	Full year 2012	Full year 2011
Research and development costs in cost of sales	265	206
Research and development costs in commercial expenses	-	-
Research and development costs in R&D costs ⁽¹⁾	507	539
Capitalized development costs	286	234
TOTAL RESEARCH AND DEVELOPMENT COSTS OF THE YEAR	1,058	979

(1) Of which EUR43 million research and development tax credit in December 2012 and EUR29 million in December 2011.

Amortization of capitalized development costs amounted to EUR133 million for the 2012 financial year, compared with EUR112 million in 2011.

Note 5 Depreciation and amortization expenses

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

	Full year 2012	Full year 2011
Included in cost of sales:		
Depreciation and amortization	(433)	(398)
Included in selling, general and administrative expenses:		
Depreciation and amortization	(150)	(133)
DEPRECIATION AND AMORTIZATION EXPENSES	(583)	(531)

Moreover, the net amount of impairment of non-current assets totaled EUR241 million, of which mainly EUR250 million in goodwill impairment (note 8).

Note 6 Other operating income and expenses

Other operating income and expenses break down as follows:

	Full year 2012	Full year 2011
Impairment losses on assets	(16)	-
Gains on asset disposals	8	8
Losses on asset disposals	(10)	(9)
Costs of acquisitions	(52)	(99)
Pension plan curtailments	21	42
Others	39	50
OTHER OPERATING INCOME AND EXPENSES	(10)	(8)

The costs of acquisitions are the costs of acquisition, integration and separation related to major acquisitions in 2011 and 2012.

The line "Pension plan curtailments" includes mainly a provision release for medical care in the US of EUR21 million.

The line "Others" includes mainly a reversal of provision for litigation or claims expired on December 2012. In 2011, the line "Others" includes mainly a reversal of provision for litigation or claims expired.

Additionally, in 2012, provisions in an amount of EUR27 million were recorded in other operating income and expenses.

Note 7 Restructuring costs

Restructuring costs totaled EUR164 million over the period. They mainly relate to industrial and support function reorganizations in Europe (approximately EUR97 million) and in North America (approximately EUR24 million).

Note 8 Amortization and impairment of purchase accounting intangibles

	Full year 2012	Full year 2011
Amortization of purchase accounting intangibles	(224)	(208)
Impairment of purchase accounting intangibles	(1)	(3)
Goodwill impairment	(250)	(15)
AMORTIZATION AND IMPAIRMENT OF PURCHASE ACCOUNTING INTANGIBLES	(475)	(226)

The migration of the Group's brands towards the Schneider Electric brand (One Brand project) has led to the amortization from January 1, 2010 of the Xantrex, TAC and MGE brands over a six-year period. The corresponding amortization expense totaled EUR61 million over the year.

The Buildings business segment faced challenging trading environment in the past few years following the construction downturn in its key mature markets, affecting its financial performance. When conducting the annual impairment tests at year-end, the Group had to book a goodwill impairment of Buildings CGU by EUR250 million before tax effect. The sensitivity analysis on the test hypothesis would lead to book an additional impairment on Buildings CGU assets of:

- 7% of assets for a 0.5 point increase of the discount rate;
- 4% of assets for a 1.0 point decrease of the growth rate;
- 4% of assets for a 0.5 point decrease of margin rate.

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

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

Impairment losses totaling EUR15 million were recognized on goodwill relating to two small businesses in Europe sold in 2011.

Note 9 Other financial income and expense

	Full year 2012	Full year 2011
Exchange gains and losses, net	(21)	(40)
Financial component of defined benefit plan costs	(43)	(45)
Dividends received	12	9
Net gains/(losses) on disposal of long-term investments	12	(1)
Other financial expense, net	(16)	(37)
OTHER FINANCIAL INCOME AND EXPENSE	(56)	(114)

Dividends are mainly received on AXA shares. Net gain on investment disposal comes from AXA divestment.

Note 10 Income tax expense

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

10.1 – Analysis of income tax expense

	Full year 2012	Full year 2011*
Current taxes		
France	(19)	(190)
International	(657)	(718)
Total	(676)	(908)
Deferred taxes		
France	24	(85)
International	84	446
Total	108	361
INCOME TAX (EXPENSE)/BENEFIT	(568)	(547)

* The 2011 figures were restated for the item disclosed in note 1.2 of the consolidated financial statements

10.2 – Tax proof

	Full year 2012	Full year 2011*
Profit attributable to owners of the parent	1,840	1,793
Income tax (expense)/benefit	(568)	(547)
Non-controlling interests	(87)	(84)
Share of profit of associates	34	28
Profit before tax	2,461	2,396
Statutory tax rate	34.43%	34.43%
Income tax expense calculated at the statutory rate	(847)	(825)
Reconciling items:		
Difference between French and foreign tax rates	257	220
Tax credits and other tax reductions	118	87
Impact of tax losses	(10)	(28)
Other permanent differences	(87)	(1)
Income tax (expense)/benefit	(568)	(547)
EFFECTIVE TAX RATE	23.1%	22.8%

* The 2011 figures were restated for the item disclosed in note 1.2 of the consolidated financial statements

Note 11 Goodwill

11.1 – Main items of goodwill

Group goodwill is broken down by business as follows:

	Dec. 31, 2012, net	Dec. 31, 2011, net
<i>Power</i>	3,943	3,906
<i>Industry</i>	2,244	2,176
<i>Buildings</i>	1,469	1,642
<i>ITB</i>	3,015	3,061
<i>Infrastructure</i>	2,233	1,987
TOTAL	12,904	12,773

Square D goodwill was allocated to each business in proportion to operating income:

	<i>Power</i>	<i>Industry</i>
Square D Company	82%	18%

11.2 – Movements during the year

The main movements during the year are summarized as follows:

	Full year 2012	Full year 2011
Net goodwill at opening	12,773	10,213
Acquisitions*	195	2,356
Disposals	-	(21)
Impairment	(250)	-
Translation adjustment	(108)	142
Reclassifications	294	83
Net goodwill at year end	12,904	12,773
Included cumulative impairment	(413)	(178)

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

Acquisitions

There is a 12 month period after the date of acquisition for the Group to finalize the allocation of goodwill to these entities. The corresponding goodwill is therefore provisional.

Goodwill generated by acquisitions made during the year totaled EUR195 million and corresponds partly to the UK group M&C Energy.

Goodwill generated by acquisitions in 2011 totaled EUR2,353 million and corresponds principally to Telvent (EUR1,213 million), the Chinese group Leader & Harvest (EUR464 million) and the Indian group Luminous (EUR222 million).

Impairment

Impairment tests performed on all the Group's CGUs led to the recognition of a EUR250 million impairment loss before tax on Buildings CGU.

Other changes

Translation adjustments concern principally goodwill on US dollars.

Note 12 Intangible assets

12.1 – Change in intangible assets

	Trademarks	Software	Development projects (R&D)	Other	Total
GROSS VALUE					
Dec. 31, 2010	2,621	800	1,085	1,510	6,016
Acquisitions	-	25	217	54	296
Disposals	-	(30)	(19)	(8)	(57)
Translation adjustments	80	4	21	46	151
Reclassification	1	4	(16)	(25)	(36)
Changes in scope of consolidation and other	84	24	4	338	450
Dec. 31, 2011	2,786	827	1,292	1,915	6,820
Acquisitions	4	21	286	4	315
Disposals	-	(48)	(43)	(50)	(141)
Translation adjustments	(56)	(3)	(25)	(16)	(100)
Reclassification	2	(33)	37	11	17
Changes in scope of consolidation and other	13	36	(15)	29	63
Dec. 31, 2012	2,749	800	1,532	1,892	6,974

	Trademarks	Software	Development projects (R&D)	Other	Total
ACCUMULATED AMORTIZATION AND IMPAIRMENT					
Dec. 31, 2010	(195)	(593)	(367)	(603)	(1,758)
Depreciation and impairment	(60)	(61)	(112)	(151)	(384)
Recapture	-	29	9	1	39
Translation adjustments	(2)	(5)	(11)	(22)	(40)
Reclassification	-	13	3	(3)	13
Changes in scope of consolidation and other	-	1	(5)	18	14
Dec. 31, 2011	(257)	(616)	(483)	(760)	(2,116)
Depreciation and impairment	(64)	(58)	(138)	(145)	(405)
Recapture	-	49	12	-	61
Translation adjustments	5	3	15	15	38
Reclassification	-	31	(30)	1	2
Changes in scope of consolidation and other	-	(42)	37	(30)	(35)
Dec. 31, 2012	(316)	(633)	(587)	(919)	(2,455)

	Trademarks	Software	Development projects (R&D)	Other	Total
NET VALUE					
Dec. 31, 2010	2,426	207	718	907	4,258
Dec. 31, 2011	2,529	211	809	1,155	4,704
Dec. 31, 2012	2,433	167	945	974	4,519

In 2012, changes in scope of consolidation of other intangible assets mainly include recognized intangibles relating to Telvent (EUR250 million), to Leader & Harvest (EUR85 million) and to Steck (EUR23 million) acquired in 2011, to M&C Energy Group (EUR19 million) acquired in 2012.

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

Cash impact	Dec. 31, 2012	Dec. 31, 2011
Amortization of intangible assets other than goodwill	420	380
Impairment on intangible assets other than goodwill and others	(15)	4
TOTAL*	405	384

* Includes amortization & depreciation of intangibles assets from purchase price allocation for EUR225 million for the year 2012 and EUR208 million for the year 2011 (disclosed in Note 8)

12.2 – Trademarks

At December 31, 2012, the main trademarks recognized were as follows:

	Dec. 31, 2012	Dec. 31, 2011
APC	1,406	1,406
Pelco	380	388
Clipsal	200	200
MGE	100	167
TAC	63	82
Juno	87	88
Digital	48	54
Other	149	144
NET	2,433	2,529

Brands recognized on acquisition realized in 2011 (Telvent, Luminous, Steck) amount to EUR78 million. They are recorded in line Other.

The migration of the Group's brands towards the Schneider Electric brand (*One Brand project*) has led to the amortization from January 1, 2010 of the Xantrex, TAC and MGE brands over a six-year period. The corresponding amortization expense totaled EUR61 million over the year.

Note 13 Property, plant and equipment

13.1 – Change in tangible assets

	Land	Buildings	Machinery and equipment	Other	Total
GROSS VALUE					
Dec. 31, 2010	231	1,480	3,678	832	6,221
Acquisitions	11	104	168	233	516
Disposals	(1)	(18)	(105)	(46)	(170)
Translation adjustments	2	11	21	1	35
Reclassification	3	33	42	(141)	(63)
Changes in scope of consolidation and other	(24)	122	18	33	149
Dec. 31, 2011	222	1,732	3,822	912	6,688
Acquisitions	-	78	148	262	488
Disposals	(7)	(32)	(137)	(111)	(287)
Translation adjustments	(4)	(13)	(21)	(4)	(41)
Reclassification	-	31	105	(127)	9
Changes in scope of consolidation and other	(1)	(14)	(5)	10	(10)
Dec. 31, 2012	210	1,782	3,912	942	6,846

	Land	Buildings	Machinery and equipment	Other	Total
ACCUMULATED AMORTIZATION AND IMPAIRMENT					
Dec. 31, 2010	(14)	(702)	(2,697)	(471)	(3,884)
Depreciation and impairment	(1)	(76)	(250)	(58)	(385)
Recapture	-	11	121	27	159
Translation adjustments	-	(6)	(20)	(2)	(28)
Reclassification	3	4	38	11	56
Changes in scope of consolidation and other	(3)	(23)	6	(13)	(33)
Dec. 31, 2011	(15)	(792)	(2,802)	(506)	(4,115)
Depreciation and impairment	(10)	(75)	(257)	(60)	(402)
Recapture	-	21	174	64	259
Translation adjustments	-	5	9	3	17
Reclassification	-	(5)	2	(1)	(4)
Changes in scope of consolidation and other	-	12	9	-	21
Dec. 31, 2012	(25)	(834)	(2,865)	(500)	(4,224)

	Land	Buildings	Machinery and equipment	Other	Total
NET VALUE					
Dec. 31, 2010	217	778	981	361	2,337
Dec. 31, 2011	207	940	1,020	406	2,573
Dec. 31, 2012	185	948	1,047	442	2,622

Reclassifications primarily correspond to assets put into use.

The cash impact of purchase of purchases of property, plant and equipment in 2012 was as follows:

Cash impact of purchases of property, plant and equipment	Dec. 31, 2012	Dec. 31, 2011
Increase in tangible assets	(488)	(516)
Change in receivables and liabilities on tangible assets	16	1
TOTAL	(472)	(515)

The depreciation and impairment of tangible assets retreated at statutory cash flow were as follows:

Cash impact	Dec. 31, 2012	Dec. 31, 2011
Depreciation of property, plant and equipment	394	386
Impairment on tangible assets	8	(1)
TOTAL	402	385

13.2 – Finance leases

Tangible assets primarily comprise the following finance leases:

	Dec. 31, 2012	Dec. 31, 2011
Land	1	1
Buildings	45	44
Machinery and equipment	31	31
Other tangible assets	2	2
Accumulated depreciation	(68)	(67)
ASSETS UNDER FINANCE LEASE, NET	11	11

Future minimal rental commitments on finance lease properties at December 31, 2012 break down as follows:

	Minimum payments	Discounted minimum payments
Less than one year	11	11
Between one and five years	10	10
Five years and more	1	1
TOTAL COMMITMENTS	23	23
Discounting effect	-	
Discounted minimum payments	23	

13.3 – Operating leases

Rental expense breaks down as follows:

	Full year 2012	Full year 2011
Minimum rentals	121	110
Conditional rentals	-	1
Sub-lease rentals	4	(7)
TOTAL RENTAL EXPENSE	125	104

Operating lease commitments break down as follows at December 31, 2012:

	Minimum payments	Discounted minimum payments
Less than one year	136	134
Between one and five years	374	350
Five years and more	214	183
TOTAL COMMITMENTS	724	667
Discounting effect	(57)	
Discounted minimum payments	667	

Note 14 Investments in associates

Investments in associates can be analyzed as follows:

	% interest		Share net assets		Share in net profit	
	Dec. 31, 2012	Dec. 31, 2011	Dec. 31, 2012	Dec. 31, 2011	Dec. 31, 2012	Dec. 31, 2011
Delta Dore Finance	20.0%	20.0%	16	15	1	2
Electroshield TM Samara	50.0%	50.0%	303	276	17	14
Sunten Electric Equipment	50.0%	50.0%	100	96	5	-
Fuji Electric FA Components & Systems	36.8%	36.8%	86	96	12	12
Other	N/A	N/A	6	6	(1)	-
TOTAL	-	-	511	489	34	28

Note 15 Financial assets

15.1 – Available-for-sale financial assets

Available-for-sale financial assets, primarily comprising investments, are detailed below:

	% interest	Gross value	Revaluation/ impairment	Dec. 31, 2012	Dec. 31, 2011
				Fair value	Fair value
I – Listed available-for-sale financial assets					
AXA	-	-	-	-	107
NVC Lighting	9.2%	113	(56)	57	82
Gold Peak Industries Holding Ltd	4.4%	6	(3)	3	2
Total listed AFS		119	(59)	60	191
II – Unlisted available-for-sale financial assets					
Citec, SEAT ⁽²⁾	-	-	-	-	6
FCPR & SICAV	100%	57	13	70	55
SCL Elements Inc ⁽¹⁾	100%	20	-	20	-
SE Buildings Energy Efficiency ⁽¹⁾	100%	17	-	17	-
Inversion	35%	10	-	10	4
FCPR SESS	100%	5	(2)	3	10
Simak ⁽²⁾	-	-	-	-	5
SE Venture	100%	5	(5)	-	-
Others ⁽³⁾		36	(3)	33	25
Total unlisted AFS		150	3	153	105
TOTAL AVAILABLE-FOR-SALE FINANCIAL ASSETS		269	(56)	213	296

(1) Companies purchased in 2012.

(2) Removed from the scope of consolidation – in liquidation.

(3) Gross unit value of less than EUR5 million.

The investment in AXA was sold in September 2012 for proceeds net of fees of EUR121 million.

The fair value of investments quoted in an active market corresponds to the price on the balance sheet date. The revaluation of listed investments over the year has had a negative impact on other equity reserves of EUR60 million before tax.

NVC Lighting investment was acquired in July 2011 in the framework of a partnership that gives Schneider Electric an exclusive access to NVC Lighting's diffused and well established channels. The cumulated change in fair value of NVC Lighting investment determined on its price share and corresponding to a loss of €56 million at December 31, 2012, was recorded in equity, as "Other Comprehensive Income". The Group did not recognize this change in fair value in the income statement at

December 31, 2012, because it assessed the Group considers that the decrease observed of share price is correlated to concerns from investors point of view about the changes occurred in NVC Lighting governance in May 2012 that had led to a temporary suspension of trading of the share in July 2012. Those governance changes were solved in the last quarter of 2012 and NVC Lighting share price is recovering progressively. However, the Group estimates that the share price does not reflect the economic intrinsic value of NVC Lighting yet and will assess the necessity of a potential impairment through income statement in 2013.

15.2 – Other non-current financial assets

Non Current financial assets total EUR108 million at December 31, 2012.

15.3 – Current financial assets

Current financial assets total EUR127 million at December 31, 2012 and include short-term investments.

Note 16 Deferred taxes by type

Deferred taxes by type can be analyzed as follows:

	Dec. 31, 2012	Dec. 31, 2011*
Deferred tax assets		
Tax credits and tax loss carryforwards	354	294
Provisions for pensions and other post-retirement benefit obligations	615	553
Impairment of receivables and inventory	166	187
Non-deductible provisions for contingencies and accruals	59	84
Other	551	350
TOTAL DEFERRED TAX ASSETS	1,745	1,468
Deferred tax liabilities		
Differences between tax and accounting depreciation	(82)	(113)
Trademarks and other intangible assets	(321)	(430)
Capitalized development costs (R&D)	(60)	(55)
Other	(551)	(346)
TOTAL DEFERRED TAX LIABILITIES	(1,014)	(944)

* The 2011 figures were restated for the item disclosed in note 1.2 of the consolidated financial statements

Deferred tax assets recorded in respect of tax loss carryforwards at December 31, 2012 essentially concern France (EUR167 million) and Belgium (EUR77 million).

Note 17 Inventories and work in progress

Inventories and work in process changed as follows:

	Dec. 31, 2012	Dec. 31, 2011
Cost:		
Raw materials	1,478	1,604
Production work in process	323	362
Semi-finished and finished products	1,512	1,564
Goods	67	75
Solution work in process	106	132
INVENTORIES AND WORK IN PROCESS AT COST	3,486	3,737
Impairment:		
Raw materials	(200)	(191)
Production work in process	(8)	(10)
Semi-finished and finished products	(169)	(167)
Goods	(13)	(12)
Solution work in process	(7)	(8)
IMPAIRMENT LOSS	(396)	(387)
Net:		
Raw materials	1,279	1,413
Production work in process	315	353
Semi-finished and finished products	1,342	1,397
Goods	54	63
Solution work in process	100	124
INVENTORIES AND WORK IN PROCESS, NET	3,090	3,349

Note 18 Trade accounts receivable

	Dec. 31, 2012	Dec. 31, 2011*
Accounts receivable	5,310	5,360
Notes receivable	193	185
Advances to suppliers	92	116
Accounts receivable at cost	5,595	5,744
Impairment	(306)	(259)
Accounts receivable, net	5,289	5,402
Of which:		
On time	4,291	4,364
Less than one month past due	395	400
One to two months past due	187	168
Two to three months past due	88	112
Three to four months past due	76	93
More than four months past due	252	265
ACCOUNTS RECEIVABLE, NET	5,289	5,402

* The 2011 figures were restated for the item disclosed in note 1.2 of the consolidated financial statements

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

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

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

	Full year 2012	Full year 2011
Provisions for impairment on January 1	(259)	(198)
Additions	(53)	(34)
Utilizations	22	31
Reversals of surplus provisions	2	3
Translation adjustments	3	3
Other	(21)	(64)
PROVISIONS FOR IMPAIRMENT ON DECEMBER 31	(306)	(259)

Note 19 Other receivables and prepaid expenses

	Dec. 31, 2012	Dec. 31, 2011
Other receivables	308	337
Other tax credits	641	1,039
Derivative instruments	170	82
Prepaid expenses	172	180
TOTAL	1,291	1,638

Note 20 Cash and cash equivalents

	Dec. 31, 2012	Dec. 31, 2011
Marketable securities	1,720	634
Negotiable debt securities and short-term deposits	443	622
Cash and cash equivalents	1,574	1,515
Total cash and cash equivalents	3,737	2,771
Bank overdrafts	(120)	(217)
NET CASH AND CASH EQUIVALENTS	3,617	2,554

Non-recourse factoring of trade receivables were realized during the second semester of 2012 for a total amount of EUR112 million, compared with EUR135 million during the second semester of 2011. Moreover, the Group had factored without recourse to a bank during the second semester of 2012 an income tax carry-back receivable for EUR93 million

Note 21 Equity

21.1 – Capital

Share capital

At the Annual General Meeting held on April 21, 2011 Schneider Electric shareholders approved the division of the nominal value of the shares by two. The operation took effect on September 2, 2011 and resulted in the issuance of 271,959,091 new shares.

The Company's share capital at December 31, 2012 amounted to EUR2,221,668,056, represented by 555,417,014 shares with a par value of EUR4, all fully paid up.

At December 31, 2012, a total of 555,417,014 voting rights were attached to the 600,506,571 shares outstanding.

Schneider Electric's capital management strategy is designed to:

- ensure Group liquidity;
- optimize its financial structure;

- optimize the weighted average cost of capital.

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

Changes in share capital

Changes in share capital since December 31, 2010 were as follows:

	Cumulative number of shares	Total (in euros)
Capital at Dec. 31, 2010	271,959,091	2,175,672,728
Division of the par value by two	271,959,091	-
Exercise of stock options	1,169,210	4,676,840
Employee share issue	3,855,632	15,422,528
Capital at Dec. 31, 2011	548,943,024	2,195,772,096
Exercise of stock options	2,952,154	11,808,616
Employee share issue	3,521,836	14,087,344
Capital at Dec. 31, 2012	555,417,014	2,221,668,056

The share premium account increased by EUR195,532,623 following the exercise of options and the increases in capital.

21.2 – Ownership structure

	Dec. 31, 2012				Dec. 31, 2011	
	Capital	Number of shares	Voting rights	Number of voting rights	Capital	Voting rights
	%		%		%	%
Capital Research and Management Company ⁽¹⁾	7.5	41,643,226	6.9	41,643,226	9.4	8.9
CDC	3.7	20,349,002	6.5	38,803,092	3.7	4.6
Employees	4.4	24,652,612	6.8	40,660,345	4.6	7.1
Own shares ⁽²⁾	0.0	1,058	-	-	0.0	-
Treasury shares	1.5	8,580,080	-	-	1.7	-
Public	82.9	460,191,036	78.4	470,818,770	80.6	78.0
TOTAL	100.0	555,417,014	100.0	600,506,571	100.0	100.0

(1) To the best of the Company's knowledge.

(2) Number of voting rights as defined in article 223-11 of the AMF general regulations, which includes shares stripped of voting rights.

No shareholders' pact was in effect as of December 31, 2012.

21.3 – Earnings per share

Determination of the share base used in calculation

(in thousands of shares)	Full year 2012		Full year 2011	
	Basic	Diluted	Basic	Diluted
Common shares*	543,042	543,042	537,422	537,422
Stock grants	-	3,281	-	2,890
Stock options	-	1,376	-	2,623
Average weighted number of shares	543,042	547,698	537,422	542,935

* Net of treasury shares and own shares.

Earnings per share

(In euros)	Full year 2012		Full year 2011*	
	Basic	Diluted	Basic	Diluted
Profit before tax	4,53	4,49	4,46	4,41
EARNINGS PER SHARE	3,39	3,36	3,34	3,30

* The 2011 figures were restated for the item disclosed in note 1.2 of the consolidated financial statements.

21.4 – Dividends paid and proposed

In 2012, the Group paid out the 2011 dividend of EUR1.70 per share (with a nominal value of 4 euros), for a total of EUR919 million.

In 2011, the Group paid out the 2010 dividend of EUR1.60 per share (with a nominal value of 4 euros), for a total of EUR856 million.

At the Shareholders' Meeting of April 25, 2013, shareholders will be asked to approve a dividend of EUR1.87 per share for 2012. At December 31, 2012 Schneider Electric SA had distributable reserves in an amount of EUR1,780 million (versus EUR966 million at the previous year-end), not including profit for the year.

21.5 – Share-based payments

Current stock option and stock grant plans

The Board of Directors of Schneider Electric SA and later the Management Board have set up stock option and stock grant plans for senior executives and certain employees of the Group. The main features of these plans were as follows at December 31, 2012:

Stock option plans

Plan no.	Date of Board meeting	Type of plan ⁽¹⁾	Starting date of exercise period	Expiration date	Price (in euros)	Number of options initially granted	Options cancelled because targets not met
18	03/24/2000	P	03/24/2003	03/23/2008	32.62	2,842,400	1,373,200
19	04/04/2001	S	04/04/2005	04/03/2009	34.06	3,115,700	N/A ⁽²⁾
20	12/12/2001	S	12/12/2005	12/11/2009	25.63	3,200,000	333,600
21	02/05/2003	S	02/05/2007	02/04/2011	22.60	4,000,000	283,800
22	02/05/2003	S	06/05/2003	02/04/2011	22.60	222,000	N/A ⁽²⁾
23	05/06/2004	S	10/01/2004	05/05/2012	27.77	214,000	N/A ⁽²⁾
24	05/06/2004	S	05/06/2008	05/05/2012	27.77	4,121,400	188,600
25	05/12/2005	S	10/01/2005	05/11/2013	28.23	277,000	N/A ⁽²⁾
26	06/28/2005	S	06/28/2009	06/27/2013	30.09	4,007,600	-
27	12/01/2005	S	12/01/2009	11/30/2013	35.70	3,229,800	-
28	12/21/2006	S or P	12/21/2010	12/20/2016	40.67	2,514,240	-
29	04/23/2007	S or P	04/23/2011	04/22/2017	48.52	166,300	-
30	12/19/2007	S or P	12/19/2011	12/18/2017	46.00	1,889,852	980,926
31	01/05/2009	S or P	01/05/2013	01/04/2019	26.06	1,358,000	-
32	08/21/2009	S or P	08/21/2013	08/20/2019	31.30	10,000	-
33	12/21/2009	S or P	12/21/2013	12/20/2019	37.92	1,652,686	-
TOTAL						32,820,978	3,160,126

(1) S = Options to subscribe new shares. P = Options to purchase existing shares.

(2) Not applicable because no vesting conditions were set.

Rules governing the stock option plans are as follows:

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

Stock grants

Plan no.	Date of Board meeting	Vesting Date	Expiration Date	Number of shares granted originally	Grants cancelled because targets not met
1	12/21/2006	12/21/2009	12/21/2011	104,012	-
2	04/23/2007	04/23/2010	04/23/2012	4,428	-
3	12/19/2007	12/19/2010	12/19/2012	132,788	69,434
4	12/19/2007	12/19/2011	12/19/2011	114,500	58,176
5	01/05/2009	01/05/2012	01/05/2014	287,430	-
6	01/05/2009	01/05/2013	01/05/2013	424,702	-
7	08/21/2009	08/21/2012	08/21/2014	2,500	-
8	12/21/2009	12/21/2011	12/21/2013	319,506	-
9	12/21/2009	12/21/2013	12/21/2013	780,790	-
10	12/17/2010	03/17/2013	03/17/2015	665,524	-
11	12/17/2010	12/17/2014	12/17/2014	1,161,696	-
10 bis	07/26/2011	07/26/2013	07/26/2015	3,000	-
11 bis	07/26/2011	07/26/2015	07/26/2015	5,882	-
12	07/26/2011	07/26/2015	07/26/2015	19,850	-
13	12/16/2011	12/16/2013	12/16/2015	645,443	-
14	12/16/2011	12/16/2015	12/16/2015	1,387,800	-
13 ter	07/27/2012	07/27/2014	07/27/2016	625	-
14 ter	07/27/2012	07/27/2016	07/27/2016	1,500	-
TOTAL				6,061,976	127,610

Rules governing the stock grant plans are as follows:

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

Outstanding options and grants

Change in the number of options

Plan no.	Number of options outstanding Dec. 31, 2011	Number of options exercised and/ or created in 2012	Number of options cancelled in 2012 ⁽¹⁾	Number of options outstanding Dec. 31, 2012
23	22,292	(11,992)	(10,300)	
24	571,390	(432,438)	(138,952)	
25	44,068	(16,448)	(10)	27,610
26	1,647,570	(1,187,295)	(28,684)	431,591
27	1,899,410	(760,201)	(32,924)	1,106,285
28	1,800,722	(408,292)	(44,882)	1,347,548
29	144,300	(14,400)	(19,000)	110,900
30	841,960	(112,700)	(18,020)	711,240
31	1,253,300		(177,530)	1,075,770
32	10,000			10,000
33	1,624,636		(59,110)	1,565,526
TOTAL	9,859,648	(2,943,766)	(529,412)	6,386,470

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

To exercise the options granted under plans 26 to 33, and the SARs, the grantee must be an employee or corporate officer of the Group. In addition, exercise of some options is generally conditional on the achievement of annual objectives based on financial indicators.

In respect of subscription vesting conditions for current stock option plans, Schneider Electric SA has created 2,952,154 shares in 2012.

Change in the number of stock grants

Plan no.	Number of stock grants at Dec. 31, 2011	Number of existing or new shares grants in 2012	Number of shares cancelled in 2012	Number of shares outstanding at Dec. 31, 2012
4				
5	272,830	(272,830)		
6	393,748		(30,952)	362,796
7	2,500	(2,500)		
8	317,962	(317,962)		
9	750,410	(3,600)	(32,920)	713,890
10	661,980		(4,028)	657,952
11	1,136,076	(2,324)	(26,926)	1,106,826
10 bis	3,000			3,000
11 bis	5,882			5,882
12	19,850			19,850
13	645,443	2,500	(1,200)	646,743
13 ter		625		625
14	1,387,800	(1,575)	(31,839)	1,354,386
14 ter		1,500	(900)	600
TOTAL	5,597,481	(596,166)	(128,765)	4,872,550

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

21.5.1 Valuation of share-based payments

Stock option valuation

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

- expected volatility of between 20% and 28%, corresponding to capped historical volatility;
- a payout rate of between 3.0% and 4.5%;
- a discount rate of between 2.9% and 4.5%, corresponding to a risk-free rate over the life of the plans (source: Bloomberg).

Based on these assumptions, the amount recorded under "Selling, general and administrative expenses" for stock grant plans set up after November 7, 2002 breaks down as follows:

	Full year 2012	Full year 2011
Plan 30	-	1
Plan 31	1	2
Plan 32	-	-
Plan 33	3	4
TOTAL	4	7

Valuation of stock grants

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

- a payout rate of between 3.0% and 4.5%;
- a discount rate of between 1.6% and 4.5%, corresponding to a risk-free rate over the life of the plans (source: Bloomberg).

Based on these assumptions, the amount recorded under “Selling, general and administrative expenses” for stock grant plans set up after November 7, 2002 breaks down as follows:

	Full year 2012	Full year 2011
Plan 5	-	2
Plan 6	1	2
Plan 7	-	-
Plan 8	-	5
Plan 9	5	6
Plan 10	14	16
Plan 11	12	13
Plan 10 bis	-	-
Plan 11 bis	-	-
Plan 12	-	-
Plan 13	11	-
Plan 14	10	-
TOTAL	53	44

21.5.2 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 the choice between a classic and a leveraged 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 that, 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.

Under the leveraged plan, employees may also purchase Schneider Electric shares at a 15% to 20% discount from the price quoted on the stock market. However, the leveraged plan offers a different yield profile as a third-party bank tops up the employee's initial investment, essentially multiplying the amount paid by the employee. The total is invested in Schneider Electric shares at a preferential price. The bank converts the discount transferred by the employee into funds with a view to securing the yield for the employee and increasing the indexation on a leveraged number (factor of 4.4 in 2012) of directly subscribed shares.

As with the classic plan, the share-based payment expense is determined by reference to the fair value of the discount on the locked-up shares (see above). In addition, it includes the value of the benefit corresponding to the issuer's involvement in the plan, which means that employees have access to share prices with a volatility profile adapted to institutional investors rather than to the prices and volatility profile they would have been offered if they had purchased the shares through their retail banks. The volatility differential is treated as a discount equivalent that reflects the opportunity gain offered to employees under the leveraged plan.

As regards the first semester 2012, Schneider Electric offers to its employees the opportunity to purchase shares at a price of €36.66 or €34.50 per share, depending on the country, as part of its commitment to employee share ownership, on June 14, 2012. This represented a 15% to 20% discount to the reference price of €43.12 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, 3.5 million shares were subscribed, increasing the Company's capital by €124 million as of July 19, 2012. 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. 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 2012 and 2011.

Nonleveraged plans	Full year 2012		Full year 2011	
	%	Value	%	Value
PLAN CHARACTERISTICS				
Maturity (years)		5		5
Reference price (euros)		43.12		56.11
Subscription price (euros):				
between		36.66		47.69
and		34.5		44.89
Discount:				
between	15.0%		15.0%	
and	20.0%		20.0%	
Amount subscribed by employees		75.9		72.0
Total amount subscribed		75.9		72.0
Total number of shares subscribed (millions of shares)		2.1		1.6
VALUATION ASSUMPTIONS				
Interest rate available to market participant (bullet loan) ⁽¹⁾	5.5%		4.8%	
Five year risk-free interest rate (euro zone)	1.5%		2.8%	
Annual interest rate (repo)	1.0%		1.0%	
(a) Value of discount:				
between	15.0%	6.4	15.0%	7.9
and	20.0%	10.0	20.0%	6.7
(b) Value of the lock-up period for market participant	26.2%	24.1	14.9%	12.9
Total expense for the Group (a-b)		0		1.8
Sensitivity				
• decrease in interest rate for market participant ⁽²⁾	(0.5%)	2.5	(0.5%)	2.0

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.

	Full year 2012		Full year 2011	
	%	Value	%	Value
Leveraged plans				
Plan characteristics				
Maturity (years)		5		5
Reference price (euros)		43.12		56.11
Subscription price (euros):				
between		36.66		47.69
and		34.50		44.89
Discount ⁽⁵⁾ :				
between	15.0%		15.0%	
and	20.0%		20.0%	
Amount subscribed by employees		4.8		10.6
Total amount subscribed		47.8		105.7
Total number of shares subscribed (millions of shares)		1.4		2.4
Valuation assumptions				
Interest rate available to market participant (bullet loan) ⁽¹⁾	5.5%		4.8%	
Five year risk-free interest rate (euro zone)	1.5%		2.8%	
Annual dividend rate	3.0%		3.0%	
Annual interest rate (repo)	1.0%		1.0%	
Retail/institutional volatility spread	5.0%		5.0%	
(a) Value of discount:				
between	15.0%	0	15.0%	5.9
and	20.0%	11.9	20.0%	18.1
(b) Value of the lock-up period for market participant				
	26.2%	15.6	14.9%	19.3
(c) Value of the opportunity gain ⁽²⁾				
	1.3%	1.2	2.0%	2.6
Total expense for the Group (a-b+c)				
		0		7.3
Sensitivity				
• decrease in interest rate for market participant ⁽³⁾	(0.5%)	1.6	(0.5%)	3.1

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) Calculated using a binomial model.

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

(4) In some countries, due to local law, employees subscribe for undiscounted sums while the bank subscribes at a discount to provide the leverage.

21.6 – Schneider Electric SA shares

At December 31, 2012, the Group held 8,580,080 Schneider Electric shares in treasury stock, which have been recorded as a deduction from retained earnings.

21.7 – Tax on equity

Total income tax recorded in Equity amounts to EUR414 million as of December 31, 2012 and can be analyzed as follows:

	Dec. 31, 2012	Dec. 31, 2011	Change in tax
Cash-flow hedges	89	100	(11)
Available-for-sale financial assets	(8)	(3)	(5)
Actuarial gains (losses) on defined benefits	335	233	102
Other	(2)	(1)	(1)
TOTAL	414	329	85

Note 22 Pensions and other post-employment benefit obligations

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

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

	Weighted average rate		Of which US	
	Dec. 31, 2012	Dec. 31, 2011	Dec. 31, 2012	Dec. 31, 2011
Discount rate	3.5%	4.3%	3.75%	4.6%
Rate of compensation increases	2.4%	2.5%	N/A	N/A
Expected return on plan assets ⁽¹⁾	6.3%	6.9%	7.5%	8.0%

(1) Corresponding to the 2011 and 2012 rates.

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

The discount rate currently stands at 2.80% for 10 years duration and 3.10% for 15 years duration in the euro zone, 3.75% in the United States and 4.30% in the United Kingdom.

A 0.5 point increase in the discount rate would reduce pension and termination benefit obligations by around EUR202 million and the service cost by EUR4 million. A 0.5 point decrease would increase pension and termination benefit obligations by EUR226 million and the service cost by EUR4 million.

The post-employment healthcare obligation mainly concerns the United States. A one point increase in the healthcare costs rate would increase the post-employment healthcare obligation by EUR39 million and the sum of the service cost and interest cost by EUR2 million. A one point decrease in healthcare costs rate would decrease the post-employment healthcare obligation by EUR33 million and the sum of the service cost and interest cost by EUR2 million.

In 2012, the rate of healthcare cost increases in the United States is based on a decreasing trend from 7.67% in 2013 to 4.5% in 2023.

In 2011, the rate of healthcare cost increase is based on a decreasing trend from 8% in 2012 to 4.5% in 2023. The rate in France was estimated at 4% in 2012 and estimated at 4.5% in 2011.

Pensions and termination benefits

Pension obligations primarily concern the Group's North American and European subsidiaries. These plans feature either a lump-sum payment on the employee's retirement or regular pension payments after retirement. The amount is based on years of service, grade and end-of-career salary. They also include top-hat payments granted to certain senior executives guaranteeing supplementary retirement income beyond that provided by general, mandatory pension schemes.

The majority of benefit obligations under these plans, which represent 83% of the Group's total commitment or EUR2,550 million at December 31, 2012, are partially or fully funded through payments to external funds. These funds are not invested in Group assets.

External funds are invested in equities (around 32%), bonds (around 57%), real estate (around 5%) and cash (around 6%).

Main contributions amounted to EUR79 million in 2012.

Contributions are estimated at EUR52 million for 2013.

At December 31, 2012, provisions for pensions and termination benefits totaled EUR1,488 million, compared with EUR1,263 million in 2011. These provisions have been included in non-current liabilities, as the current portion was not considered material in relation to the total liability.

Payments made under defined contribution plans are recorded in the income statement in the year of payment and are in full settlement of the Group's liability. Defined contribution plan payments totaled EUR70 million in 2012 and EUR61 million in 2011.

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

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

Healthcare coverage for North American employees represents 79% of this obligation.

The assumptions used to determine post-employment benefit obligations related to healthcare and life insurance are the same as those used to estimate pension benefit obligations in the country concerned.

Other long-term benefit obligations include healthcare coverage plans in Europe, for EUR76 million, and long-service awards due by subsidiaries in France, for EUR15 million.

At December 31, 2012, provisions for these benefit obligations totaled EUR488 million, compared with EUR460 million at December 31, 2011. These provisions have been included in non-current liabilities, as the current portion was not considered material in relation to the total liability.

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

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

	Pensions and termination benefits	Of which SE USA	Other post- employment and long- term benefits	Of which SE USA	Provisions for pensions & other post- employment benefits
Dec. 31, 2010	1,032	299	472	387	1,504
Net cost recognized in the statement of income	70	3	(22)	(29)	48
Benefits paid	(28)	-	(21)	(20)	(49)
Plan participants' contributions	(83)	(66)	2	2	(81)
Actuarial items recognized in equity	247	143	20	-	267
Translation adjustment	20	17	9	9	29
Changes in the scope of consolidation	(10)	-	(1)	-	(11)
Other changes	15	(1)	1	-	16
Dec. 31, 2011	1,263	395	460	349	1,723
Net cost recognized in the statement of income	74	(2)	11	(9)	85
Benefits paid	(33)	-	(29)	(20)	(62)
Plan participants' contributions	(103)	(9)	2	2	(101)
Actuarial items recognized in equity	291	116	29	14	320
Translation adjustment	(10)	(10)	(7)	(6)	(17)
Changes in the scope of consolidation	6	-	21	-	27
Other changes	-	-	1	2	1
Dec. 31, 2012	1,488	490	488	332	1,976

Changes in gross items recognized in equity were as follows:

	Pensions and termination benefits	Other post- employment and long-term benefits	Provisions for pensions & other post- employment benefits.
Dec. 31, 2010	462	(53)	409
Actuarial (gains)/losses on projected benefit obligation	222	18	240
Actuarial (gains)/losses on plan assets	25	-	25
Effect of the asset ceiling	-	-	-
Dec. 31, 2011	709	(35)	674
Actuarial (gains)/losses on projected benefit obligation	340	28	368
Actuarial (gains)/losses on plan assets	(49)	-	(49)
Effect of the asset ceiling	-	-	-
Dec. 31, 2012	1,000	(7)	993

22.2 – Provisions for pensions and termination benefit obligations

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

	Dec. 31, 2012		Dec. 31, 2011	
	<i>Of which SE USA</i>		<i>Of which SE USA</i>	
1. RECONCILIATION OF BALANCE SHEET ITEMS				
Pension assets	-	-	-	-
Provisions for pensions and other post-employment benefit	(1,488)	(490)	(1,263)	(395)
NET ASSET/(LIABILITY) RECOGNIZED IN THE BALANCE SHEET	(1,488)	(490)	(1,263)	(395)
	Full year 2012		Full year 2011	
	<i>Of which SE USA</i>		<i>Of which SE USA</i>	
2. COMPONENTS OF NET COST RECOGNIZED IN THE STATEMENT OF INCOME				
Service cost	48	3	41	2
Past service cost	1	-	1	-
Curtailments and settlements	-	-	4	4
Interest cost (effect of discounting)	116	55	110	53
Expected return on plan assets	(91)	(60)	(86)	(56)
NET COST RECOGNIZED IN THE STATEMENT OF INCOME	74	(2)	70	3

	Full year 2012		Full year 2011	
	<i>Of which SE USA</i>		<i>Of which SE USA</i>	
3. CHANGE IN PROJECTED BENEFIT OBLIGATION				
Projected benefit obligation at beginning of year	2,685	1,210	2,340	1,034
Service cost	48	3	41	2
Past service cost	1	-	1	4
Curtailments and settlements	-	-	4	-
Interest cost (effect of discounting)	116	55	110	53
Plan participants' contributions	4	-	4	-
Benefits paid	(119)	(54)	(100)	(47)
Changes in the scope of consolidation	8	-	(18)	-
Actuarial (gains)/losses recognized in equity	340	157	222	120
Translation adjustments	(17)	(27)	62	44
Other	(5)	-	19	-
PROJECTED BENEFIT OBLIGATION AT END OF YEAR	3,061	1,344	2,685	1,210

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

They stem mainly from changes in actuarial assumptions (primarily discount rates) used to measure obligations in the United States, the United Kingdom and the euro zone.

At December 31, 2012, actuarial losses relative to the effects of experience on pension and termination benefit obligations totaled EUR20 million for the Group.

At December 31, 2011, actuarial losses relative to the effects of experience totaled EUR20 million for the Group compared to actuarial gains relative to the effects of experience totaled EUR49 million as at December 31, 2010.

At December 31, 2009, actuarial gains relative to the effects of experience totaled EUR64 million for the Group compared to actuarial losses relative to the effects of experience totaled EUR445 million as at December 31, 2008.

	Full year 2012		Full year 2011	
	<i>Of which SE USA</i>		<i>Of which SE USA</i>	
4. CHANGE IN FAIR VALUE OF PLAN ASSETS				
Fair value of plan assets at beginning of year	1,421	814	1,304	735
Expected return on plan assets	91	60	86	56
Plan participants' contribution	4	-	4	-
Employer contributions	103	9	83	66
Benefits paid	(86)	(54)	(72)	(47)
Actuarial gains/(losses) recognized in equity	49	41	(25)	(23)
Changes in the scope of consolidation	2	-	(8)	-
Translation adjustments	(7)	(17)	42	27
Curtailments and settlements	-	-	-	-
Other	(5)	-	7	-
FAIR VALUE OF PLAN ASSETS AT END OF YEAR	1,572	853	1,421	814

The actual return on plan assets was EUR140 million.

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

They stem mainly from the differential between the effective and expected return on plan assets in the US and Switzerland.

	Dec. 31, 2012		Dec. 31, 2011	
		Of which SE USA		Of which SE USA
5. FUNDED STATUS				
Projected benefit obligation	(3,061)	(1,344)	(2,685)	(1,210)
Fair value on plan assets	1,572	853	1,421	814
Surplus/ (Deficit)	(1,489)	(491)	(1,264)	(396)
Effect of the asset ceiling	-	-	-	-
<i>Deferred items:</i>				
Unrecognized past service cost	1	1	1	1
(LIABILITIES)/NET ASSET RECOGNIZED IN THE BALANCE SHEET	(1,488)	(490)	(1,263)	(395)

Amounts related to pensions and termination benefit obligations as of 2012 and the five previous periods are as follows:

	Dec. 31, 2012	Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2009	Dec. 31, 2008
6. HISTORICAL DATA					
Projected benefit obligation	(3,061)	(2,685)	(2,340)	(2,055)	(2,036)
Fair value on plan assets	1,572	1,421	1,304	1,112	1,010
Surplus/ (Deficit)	(1,489)	(1,264)	(1,036)	(943)	(1,026)
Effect of the asset ceiling	-	-	-	(1)	(2)
<i>Deferred items:</i>					
Unrecognized past service cost	1	1	4	0	1
(LIABILITIES)/NET ASSET RECOGNIZED IN THE BALANCE SHEET	(1,488)	(1,263)	(1,032)	(944)	(1,027)

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

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

	Full year 2012	Full year 2011
1. COMPONENTS OF NET COST RECOGNIZED IN THE STATEMENT OF INCOME		
Service cost	17	7
Interest cost (effect of discounting)	18	20
Expected return on plan assets	-	-
Past service cost	(2)	(7)
Curtailments and settlements	(23)	(42)
Amortization of actuarial gains & losses	1	-
NET COST RECOGNIZED IN THE STATEMENT OF INCOME	11	(22)

Amortization of actuarial gains and losses concerns long-term benefits for active employees, notably long service awards in France.

In 2012, healthcare plan curtailment in the US decreased the benefit obligation of EUR23 million.

	Full year 2012	Full year 2011
2. CHANGE IN PROJECTED BENEFIT OBLIGATION		
Projected benefit obligation at beginning of year	440	445
Service cost	17	7
Interest cost (effect of discounting)	18	20
Plan participants' contribution	2	2
Benefits paid	(29)	(21)
Actuarial (gains)/losses recognized in equity	29	20
Past service cost	(23)	(41)
Changes in the scope of consolidation	21	(1)
Translation adjustments	(7)	9
Other (including curtailments and settlements)	2	-
PROJECTED BENEFIT OBLIGATION AT END OF YEAR	470	440

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

At December 31, 2012, actuarial losses relative to the effects of experience on healthcare costs, life insurance and other post-employment benefits totaled EUR11 million for the Group. Actuarial losses totaled EUR21 million at December 31, 2011.

	Dec. 31, 2012	Dec. 31, 2011
3. FUNDED STATUS		
Projected benefit obligation	(470)	(440)
Deferred items:		
Unrecognized past service cost	(18)	(20)
PROVISION RECOGNIZED IN BALANCE SHEET	(488)	(460)

Amounts related to healthcare costs and other post-employment obligations as of 2012 and the five previous periods are as follows:

	Dec. 31, 2012	Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2009	Dec. 31, 2008
4. HISTORICAL DATA					
Projected benefit obligation	(470)	(440)	(445)	(406)	(401)
Deferred items:					
Unrecognized past service cost	(18)	(20)	(27)	(29)	(35)
PROVISION RECOGNIZED IN BALANCE SHEET	(488)	(460)	(472)	(435)	(436)

Note 23 Provisions

	Economic risks	Customer risks	Products risks	Environmental risks	Restructuring	Other risks	Provisions
Dec. 31, 2010	614	86	409	55	124	176	1,464
<i>Long-term portion</i>	275	35	104	26	21	127	588
Additions	159	5	143	8	87	69	471
Discounting effect	1	-	-	-	-	-	1
Utilizations	(82)	(8)	(109)	(5)	(77)	(60)	(341)
Reversals of surplus provisions	(53)	(6)	(29)	(1)	(9)	(38)	(136)
Translation adjustments	8	1	3	-	-	2	14
Changes in the scope of consolidation and other	92	9	3	-	12	51	167
Dec. 31, 2011	739	87	420	57	137	200	1,640
<i>Long-term portion</i>	388	34	81	28	18	131	680
Additions	121	14	150	3	112	126	526
Discounting effect	-	-	-	-	-	6	6
Utilizations	(65)	(12)	(143)	(13)	(90)	(107)	(430)
Reversals of surplus provisions	(94)	(7)	(40)	-	(22)	(14)	(177)
Translation adjustments	(21)	(1)	(4)	-	-	(5)	(31)
Changes in the scope of consolidation and other	20	15	27	23	(5)	101	181
Dec. 31, 2012	700	96	410	70	132	307	1,715
<i>Long-term portion</i>	430	44	93	55	12	151	785

(a) Economic risks

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

(b) Customer risks

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

Provisions for customer risks also integrate the provisions for losses at completion for a number of long term contracts, for EUR36 million.

(c) Product risks

These provisions comprise:

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

(d) Environmental risks

These provisions are primarily funded to cover cleanup costs.

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

PROVISION	Dec. 31, 2012
Increase of provision	526
Utilization of provision	(430)
Reversal of surplus provision	(177)
PROVISION TOTAL	(81)
Pension and other long term liabilities	4
TOTAL	(77)

Note 24 Total (current and non-current) financial liabilities

Non-current financial liabilities break down as follows:

	Dec. 31, 2012	Dec. 31, 2011
Bonds	6,100	5,540
Bank and other borrowings	1,373	1,464
Lease liabilities	11	7
Employees profit sharing	13	12
Short-term portion of convertible and non-convertible bonds	(587)	-
Short-term portion of long-term debt	(504)	(96)
NON-CURRENT FINANCIAL LIABILITIES	6,406	6,927

Current financial liabilities break down as follows:

	Dec. 31, 2012	Dec. 31, 2011
Commercial paper	-	190
Accrued interest	147	132
Other short-term borrowings	368	475
Drawdown of funds from lines of credit	-	-
Bank overdrafts	120	217
Short-term portion of convertible and non-convertible bonds	587	-
Short-term portion of long-term debt	504	96
Short-term debt	1,726	1,110
TOTAL CURRENT AND NON-CURRENT FINANCIAL LIABILITIES	8,132	8,037

24.1 – Breakdown by maturity

	Dec. 31, 2012			Dec. 31, 2011
	Nominal	Interests	Swaps	Nominal
2012	-	-	-	1,110
2013	1,726	274	3	1,181
2014	1,083	202	5	1,158
2015	1,061	153	2	998
2016	761	140	-	792
2017	1,148	110	-	1,049
2018 and beyond	2,353	165	-	1,749
TOTAL	8,132	1,044	10	8,037

24.2 – Breakdown by currency

	Dec. 31, 2012	Dec. 31, 2011
Euro	5,993	6,272
US Dollar	1,266	728
Japanese yen	312	384
Brazilian real	204	147
Chinese yuan	100	78
Indian rupee	95	233
Indonesian rupiah	32	16
Other	130	179
TOTAL	8,132	8,037

24.3 – Bonds

	Dec. 31, 2012	Dec. 31, 2011	Effective interest rate	Maturity
Schneider Electric SA 2013	587	605	CMS 10+1.000% variable and 6.750% fixed	July 2013
Schneider Electric SA 2014	726	730	Libor USD + 0.490% variable and 4.500% fixed	January 2014
Schneider Electric SA 2015	749	749	5.375% fixed	January 2015
Schneider Electric SA 2016	708	736	Euribor + 0.600% variable and 0.849%, 0.846%, 2.875% fixed	July, November, December 2016
Schneider Electric SA 2017	994	987	4.000% fixed	August 2017
Schneider Electric SA 2018	744	743	3.750% fixed	July 2018
Schneider Electric SA 2019	496	495	3.500% fixed	January 2019
Schneider Electric SA 2020	495	495	3.625% fixed	July 2020
Schneider Electric SA 2022	601	-	2.950% fixed	September 2022
TOTAL	6,100	5,540		

Schneider Electric SA has issued bonds on different markets:

- in the United States, through a private placement offering following SEC 144A rule, for USD800 million worth of bonds issued in September 2012, at a rate of 2.950%, due in September 2022;
- as part of its Euro Medium Term Notes (EMTN) programme, which bonds are traded on the Luxembourg stock exchange. Issues that were not yet due as of December 31, 2012 are as follows:
 - JPY22.5 billion worth of bonds issued in 2011, comprising a first JPY12.5 billion tranche at a rate of 0.849% issued in November and due in November 2016 and a second JPY10 billion tranche at a rate of 0.84625% issued in December due in December 2016;
 - EUR500 million worth of bonds issued in September 2011, at a rate of 3.5%, due in January 2019;
 - EUR750 million worth of bonds issued in July 2011, at a rate of 3.75%, due in July 2018;
 - USD300 million worth of bonds issued in July 2011, at a rate variable rate indexed on the three-month USD Libor, due in July 2014;
 - EUR300 and EUR200 million worth of bonds issued successively in July and October 2010, at a rate of 2.875%, due on July 20, 2016;
 - EUR500 million worth of bonds issued in July 2010, at a rate of 3.625%, due on July 20, 2020;
 - EUR150 million worth of bonds issued in May 2009 to top up the EUR600 million twelve-year tranche, due January 8, 2015, at a rate of 5.375% issued on October 2007, raising the total issue to EUR750 million;

- EUR250 million worth of bonds issued in March 2009 to top up the EUR780 million twelve-year tranche, at a rate of 4%, issued in August 2005, raising the total issue to EUR1.03 billion;
- EUR750 million worth of bonds issued in January 2009 at a rate of 6.75%, due on July, 16 2013; in July 2010, this borrowing was partially repaid with EUR263 million;
- EUR100 million worth of bonds issued in July 2008 indexed to the 10-year Constant Maturity Swap (CMS) rate, due July 31, 2013;
- EUR12 million corresponding to the discounted present value of future interest payments on a EUR177 million eight year bond issue (July 25, 2008 to July 25, 2016) indexed to the three month Euribor. The nominal value of the bonds is not recognized in debt because the bond holder has waived its right to repayment of the principal in exchange for the transfer, on a no-recourse basis, of the future cash flows corresponding to the requested refund of a tax receivable;
- EUR180 million worth of bonds issued in April 2008 to top up the EUR600 million twelve-year tranche, at a rate of 4%, issued in August 2005, raising the total issue to EUR780 million;
- EUR600 million worth of bonds issued in October 2007, at a rate of 5.375%, due on January 8, 2015;
- EUR1 billion worth of bonds issued in July 2006, comprising a EUR500 million five-year variable rate tranche indexed to the three month Euribor and a EUR500 million 7 1/2-year tranche at 4.5%. On July 17, 2011 the first tranche was reimbursed;
- EUR600 million worth of bonds issued in August 2005, at a rate of 4%, due on August 2017.

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

24.4 – Other information

At December 31, 2012 Schneider Electric had confirmed credit lines of EUR2.4 billion, all unused.

Loan agreements and committed credit lines do not include any financial covenants nor credit rating triggers.

Note 25 Other non-current liabilities

	Dec. 31, 2012	Dec. 31, 2011
Debt related to 2010 acquisitions*	25	25
Electroshield TM Samara acquisition debt	50	50
Debt on Luminous valuation	72	76
Other	48	84
OTHER NON-CURRENT LIABILITIES	195	235

* Acquisition of D5X, Vizelia and Energy Pool.

The debt on Luminous valuation corresponds to the Group commitments on the minority interest (26%) in Luminous.

Note 26 Financial instruments

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

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 main exposures in terms of currency exchange risk are related to the U.S. dollar and the Chinese yuan. The Group uses derivative instruments to hedge its exposure to exchange rates mainly through futures and natural hedge.

Fluctuations in interests rates impact the Group interest expenses and income and the value of the Group's financial liabilities and assets. 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 is exposed to fluctuations in raw material prices, including, the prices of steel, copper, aluminium, silver, lead, nickel, zinc and plastics. The Group is also exposed to fluctuations in energy prices. The Group uses derivative instruments to hedge its exposure to energy and raw material price fluctuations through futures and options.

Exposure to these risks is described in the chapter on risk factors in the Registration Document.

26.1 – Carrying amount and nominal amount of derivative financial instruments

	Dec. 31, 2011				Dec. 31, 2012		Dec. 31, 2012	
	IFRS designation	Carrying amount	Change over the period			Carrying amount	Nominal amount	
			Statement of income ⁽¹⁾	Equity ⁽²⁾	Other		Sale	Purchase
Foreign exchange								
Futures - cash flow hedges	CFH*	(59)	33	1	1	(24)	-	(738)
Futures - net investment hedges	NIH*	(50)	4	76	-	30	1,007	(199)
Futures - hedges of balance sheet items	Trading/FVH*	(84)	117	1	-	34	3,386	(2,268)
Metal prices								
Futures and options	CFH*	(12)	-	10	-	(2)	-	(236)
Share-based payment								
Call options	CFH*	34	30	8	(2)	70	-	(141)
Interest rates								
Interest rates Swaps	CFH*/FVH*	(14)	(10)	10	-	(14)	-	(1,126)
DERIVATIVES FINANCIAL INSTRUMENTS		(185)	174	106	(1)	94		

* Cash flow hedge/Fair value hedge/Net investment hedge.

(1) Gains and losses on hedging instruments for the period are offset by changes in the fair value of the underlying items, which are also recognized in net result.

(2) Reported in equity under Retained earnings or Translation adjustment.

(3) 3,317,727 Schneider Electric stocks are hedged in relation to Stock Appreciation Rights granted to US employees.

The carrying amount reflects the fair value of financial instruments.

26.2 – Currency risk

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

	Dec. 31, 2012		
	Sales	Purchases	Net
USD	2,664	(1,460)	1,204
SGD	392	(246)	146
HKD	278	(116)	162
GBP	300	(80)	220
AUD	253	(109)	144
NOK	129	(2)	127
AED	104	(5)	99
HUF	46	(61)	(15)
SAR	94	(8)	86
CAD	-	(65)	(65)
PLN	3	(32)	(29)
SEK	4	(30)	(26)
DKK	34	-	34
CHF	17	(16)	1
RUB	30	-	30
JPY	3	(23)	(20)
Others	41	(213)	(172)
TOTAL	4,392	(2,466)	1,926

These forward currency hedging positions include EUR1,586 million in hedges of loans and borrowings of a financial nature (net sales) and EUR340 million in hedges of operating cash flows (net sales).

Other cash-flow hedge contracts are mainly related to the following currencies: USD, BRL and JPY.

26.3 – Impact of financial instruments

Dec. 31, 2012	Impact on income and expense	Fair value	Impact on Equity	
			Translation adjustment	Other
Available-for-sale financial assets	24	(25)	9	-
Loans and accounts receivable	36	-	(85)	-
Financial liabilities measured at amortized cost	(385)	-	(104)	-
Derivative instruments	174	106	(1)	-
TOTAL	(151)	81	(181)	-

Dec. 31, 2011	Impact on income and expense	Fair value	Impact on Equity	
			Translation adjustment	Other
Available-for-sale financial assets	6	(60)	9	-
Loans and accounts receivable	30	-	78	-
Financial liabilities measured at amortized cost	(331)	-	(158)	-
Derivative instruments	(38)	(73)	(2)	-
TOTAL	(333)	(133)	(73)	-

- The impact of financial instruments, by category, on profit and equity was as follows:
- the main impact on profit concerned interest income and expense;
- the impact on equity primarily stemmed from the measurement of available-for-sale financial assets and derivative instruments at fair value and from translation adjustments to foreign currency loans, receivables and liabilities.

26.4 – Maturities of financial assets and liabilities

	Up to 1 year	1 to 5 years	> 5 years
Financial liabilities	(1,726)	(4,052)	(2,354)
Financial assets	3,737	60	-
NET POSITION BEFORE HEDGING	2,011	(3,992)	(2,354)

26.5 – Balance sheet amounts for financial instruments by category

	Dec. 31, 2012			Breakdown by category		
	Carrying amount	Fair value	Fair value through P&L	Available-for-sale financial assets	Loans, receivables and financial liabilities at amortized cost	Derivative instruments
<i>(In millions of euros)</i>						
ASSETS						
Available-for-sale financial assets	213	213	-	213	-	-
Other non-current financial assets	108	108	-	-	108	-
TOTAL NON-CURRENT ASSETS	321	321	-	213	108	-
Current assets:						
Trade accounts receivable	5,289	5,289	-	-	5,289	-
Other receivables	170	170	-	-	-	170
Current financial assets	127	127	127	-	-	-
Marketable securities	1,720	1,720	1,720	-	-	-
TOTAL CURRENT ASSETS	7,306	7,306	1,847	-	5,289	170
LIABILITIES						
Non-current liabilities:						
Other long-term debt	6,406	6,934	-	-	6,934	-
TOTAL NON-CURRENT LIABILITIES	6,406	6,934	-	-	6,934	-
Current liabilities						
Trade accounts payable	4,190	4,190	-	-	4,190	-
Other	112	112	-	-	36	76
Short-term debt	1,726	1,742	-	-	1,742	-
TOTAL CURRENT LIABILITIES	6,028	6,044	-	-	5,968	76

	Dec. 31, 2011			Breakdown by category		
	Carrying amount	Fair value	Fair value through P&L	Available-for-sale financial assets	Loans, receivables and financial liabilities at amortized cost	Derivative instruments
<i>(In millions of euros)</i>						
ASSETS						
Available-for-sale financial assets	296	296	-	296	-	-
Other non-current financial assets	261	261	-	-	261	-
TOTAL NON-CURRENT ASSETS	557	557	-	296	261	-
Current assets:						
Trade accounts receivable	5,402	5,402	-	-	5,402	-
Other receivables	82	82	-	-	-	82
Current financial assets	104	104	104	-	-	-
Marketable securities	634	634	634	-	-	-
TOTAL CURRENT ASSETS	6,222	6,222	738	-	5,402	82
LIABILITIES						
Non-current liabilities:						
Other long-term debt	6,927	7,248	-	-	7,248	-
TOTAL NON-CURRENT LIABILITIES	6,927	7,248	-	-	7,248	-
Current liabilities						
Trade accounts payable	4,094	4,094	-	-	4,094	-
Other	292	292	-	-	25	267
Short-term debt	1,110	1,110	-	-	1,110	-
TOTAL CURRENT LIABILITIES	5,496	5,496	-	-	5,229	267

26.6 – Fair value hierarchy

The split of financial instruments by fair value level is as follows:

	Dec. 31, 2012			
	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets	60	-	153	213
Net derivative instruments	-	94	-	94
Marketable securities	1,720	-	-	1,720
NET ASSETS AT FAIR VALUE	1,780	94	153	2,027

	12/31/2011			
	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets	191	-	105	296
Net derivative instruments	-	(185)	-	(185)
Marketable securities	634	-	-	634
NET ASSETS AT FAIR VALUE	825	(185)	105	745

Note 27 Employees

27.1 – Employees

The average number of permanent and temporary employees was as follows in 2011 and 2012:

<i>(number of employees)</i>	Dec. 31, 2012	Dec. 31, 2011
Production	75,601	70,610
Administration	76,783	69,881
TOTAL AVERAGE NUMBER OF EMPLOYEES	152,384	140,491
<i>By region:</i>		
EMEAS*	71,737	68,392
North America	29,286	27,245
Asia-Pacific	51,361	44,854

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

The increase in the average number of employees is primarily linked to the 2012 acquisitions.

27.2 – Employee benefits expense

	Full year 2012	Full year 2011
Payroll costs	(5,924)	(5,362)
Profit-sharing and incentive bonuses	(59)	(70)
Stock options	(57)	(51)
WESOP	-	(9)
EMPLOYEE BENEFITS EXPENSE	(6,040)	(5,492)

27.3 – Benefits granted to senior executives

In 2012, the Group paid EUR0.80 million in attendance fees to the members of its Supervisory Board. The total amount of gross remuneration, including benefits in kind, paid in 2012 by the Group to the members of Senior Management excluding members of the Management Board totaled EUR12.7 million, of which EUR5.4 million corresponded to the variable portion.

During the last three periods, 409,750 performance shares have been allocated to members of Senior Management. No stock option has been granted to members of Senior Management since 2009. No performance shares were allocated in 2012. Since December 16, 2011, 100% of stock grants and/or stock options are conditional on the achievement of performance criteria for members of the Executive Committee.

Pension obligations net of assets with respect to members of Senior Management amounted to EUR17 million at December 31, 2012 versus EUR76 million at December 31, 2011.

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

Note 28 Related party transactions

28.1 – Associates

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

Related party transactions were not material in 2012.

28.2 – Related parties with significant influence

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

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

Note 29 Commitments and contingent liabilities

29.1 – Guarantees and similar undertakings

	Dec. 31, 2012	Dec. 31, 2011
Market counter guarantees ⁽¹⁾	859	934
Pledges, mortgages and sureties ⁽²⁾	9	15
Endorsements and guarantees	-	-
Other commitments given ⁽³⁾	267	318
GUARANTEES GIVEN	1,135	1,267
Endorsements and guarantees received	67	71
GUARANTEES RECEIVED	67	71

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

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

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

29.2 – Purchase commitments

Shares in subsidiaries and affiliates

Commitments to purchase equity investments correspond to put options given to minority shareholders in consolidated companies or relate to earn-out payments. At December 31, 2012, there is one material put related to the 26% interests in Luminous that was valued for an amount of €72 million as other non-current liabilities.

Information technology services

The Group has agreed with Capgemini to provide outsourcing of certain of its information technology functions in Europe and deployment of a system of shared SAP management applications. This global project has been deployed since 2007 in several countries. At the end of 2012, Schneider Electric had capitalized total costs for a net amount of EUR91 million. The costs are progressively amortized with effect from 2009, over a seven-year rolling calendar and based on the number of users connected worldwide as the system is deployed.

For 2012, the contractual facilities management costs amount to approximately EUR100 million including the volume and indexing factors provided for by the contract (EUR100 million for 2011).

29.3 – Contingent liabilities

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

The Group has entered into a company-wide agreement in respect of individual training entitlement. It has applied the French accounting treatment recommended by opinion 2004-F issued by the CNC's urgent issues committee. Expenditure on individual training is written off as an expense during the period and therefore no provision is made for it. As of December 31, 2012, rights accrued but not used by employees of French entities of the Group corresponded to around 1,526,922 hours.

Note 30 Subsequent events

On February 2013, the Group received notice that a litigation in the U.S. was settled in favor of Schneider Electric that will benefit from a tax repayment for an amount of USD58 million.

Note 31 Statutory Auditors' fees

Fees paid by the Group to the Statutory Auditors and their networks:

	Full year 2012				
<i>(in thousands of euros)</i>	Ernst & Young	%	Mazars	%	TOTAL
Audit					
Statutory auditing	9,975	87%	7,394	96%	17,369
<i>o/w Schneider Electric SA</i>	100		100		
<i>o/w subsidiaries</i>	9,875		7,294		
Related services	1,217	11%	342	4%	1,559
<i>o/w Schneider Electric SA</i>	188		-		188
<i>o/w subsidiaries</i>	1,029		342		1,371
Audit sub-total	11,192	98%	7,736	100%	18,928
Other services					
Legal, tax	233	2%	-	-	233
TOTAL FEES	11,425	100%	7,736	100%	19,161

	Full year 2011				
<i>(in thousands of euros)</i>	Ernst & Young	%	Mazars	%	TOTAL
Audit					
Statutory auditing	9,922	91%	7,057	93%	16,979
<i>o/w Schneider Electric SA</i>	100		100		
<i>o/w subsidiaries</i>	9,822		6,957		
Related services	788	7%	506	7%	1,294
<i>o/w Schneider Electric SA</i>	-		-		
<i>o/w subsidiaries</i>	788		506		
Audit sub-total	10,710	98%	7,563	100%	18,273
Other services					
Legal, tax	212	2%	-	0%	212
TOTAL FEES	10,922	100%	7,563	100%	18,485

Note 32 Consolidated companies

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

		% interest Dec. 31, 2012	% interest Dec. 31, 2011
Europe			
<i>Fully consolidated</i>			
Schneider Electric Energy Austria AG	Austria	100.0	100.0
Schneider Electric Austria GmbH	Austria	100.0	100.0
Schneider Electric Power Drives GmbH	Austria	100.0	100.0
Cofibel SA	Belgium	100.0	100.0
Compagnie Financière, Minière et Industrielle SA - Cofimines	Belgium	100.0	100.0
Schneider Electric Energy Belgium SA	Belgium	100.0	100.0
Schneider Electric SA	Belgium	100.0	100.0
Schneider Electric Services International SPRL	Belgium	100.0	100.0
Summit Energy International BVBA	Belgium	100.0	100.0
Schneider Electric Bulgaria EOOD	Bulgaria	100.0	100.0
Schneider Electric d.o.o	Croatia	100.0	100.0
Schneider Electric AS	Czech Republic	98.3	98.3
Schneider Electric CZ sro	Czech Republic	100.0	100.0
JO-EL Electric A/S	Denmark	100.0	100.0
Ørbaekvej 280 A/S	Denmark	100.0	100.0
Schneider Electric Buildings Denmark A/S	Denmark	100.0	100.0
Schneider Electric Danmark A/S	Denmark	100.0	100.0
Schneider Electric IT Denmark ApS	Denmark	100.0	100.0
Schneider Nordic Baltic A/S	Denmark	100.0	100.0
Schneider Electric EESTI AS	Estonia	100.0	100.0
I-Valo Oy	Finland	100.0	100.0
Oy Lexel Finland Ab	Finland	100.0	100.0
Pelco Finland Oy	Finland	100.0	100.0
Schneider Electric Buildings Finland OY	Finland	100.0	100.0
Schneider Electric Finland Oy	Finland	100.0	100.0
Strömfors Electric Oy	Finland	100.0	100.0
Vamp OY	Finland	100.0	100.0
Alombard SAS	France	100.0	100.0
Schneider Electric Protection et Contrôle SAS	France	100.0	100.0
BCV Technologies SAS	France	100.0	100.0
BEI Ideacod SAS	France	100.0	100.0
Boissière Finance SNC	France	100.0	100.0
Construction Electrique du Vivarais SAS	France	100.0	100.0
Crouzet Automatismes SAS	France	100.0	100.0
D5X	France	100.0	100.0
Dinel SAS	France	100.0	100.0
Energy Pool Developpement	France	100.0	100.0
Epsys SAS	France	100.0	100.0
France Transfo SAS	France	100.0	100.0
Infraplus SAS	France	100.0	100.0
Merlin Gerin Alès SAS	France	100.0	100.0
Merlin Gerin Alpes SAS	France	100.0	100.0
Merlin Gerin Loire SAS	France	100.0	100.0

		% interest Dec. 31, 2012	% interest Dec. 31, 2011
Schneider Electric IT France	France	100.0	100.0
Muller & Cie SA	France	100.0	100.0
Newlog SAS	France	100.0	100.0
Prodipact SAS	France	100.0	100.0
Rectiphase SAS	France	100.0	100.0
Sarel - Appareillage Electrique SAS	France	99.0	99.0
Scanelec SAS	France	100.0	100.0
Schneider Automation SAS	France	100.0	100.0
Schneider Electric Energy France SAS	France	100.0	100.0
Schneider Electric Foncière SAS - S.E.L.F.	France	100.0	100.0
Schneider Electric France SAS	France	100.0	100.0
Schneider Electric Holding Amérique du Nord SAS	France	100.0	100.0
Schneider Electric Holding Europe SAS	France	100.0	100.0
Schneider Electric Industries SAS	France	100.0	100.0
Schneider Electric International SAS	France	100.0	100.0
Schneider Electric Manufacturing Bourguebus SAS	France	100.0	100.0
Schneider Electric SA (Holding company)	France	100.0	100.0
Schneider Electric Telecontrol SAS	France	100.0	100.0
Schneider Toshiba Inverter Europe SAS	France	60.0	60.0
Schneider Toshiba Inverter SAS	France	60.0	60.0
Société d'Appareillage Electrique Gardy SAS	France	100.0	100.0
Société d'Application et d'Ingenierie Industrielle et Informatique SAS - SA3I	France	100.0	100.0
Société Electrique d'Aubenas SAS	France	100.0	100.0
Société Française de Construction Mécanique et Electrique SA	France	100.0	100.0
Société Française Gardy SA	France	100.0	100.0
Systèmes Equipements Tableaux Basse Tension SAS	France	100.0	100.0
Transfo Services SAS	France	100.0	100.0
Transformateurs Petit Quevilly	France	100.0	
Crouzet GmbH	Germany	100.0	100.0
Elso GmbH	Germany	100.0	100.0
Kavlico GmbH	Germany	100.0	100.0
Merten GmbH	Germany	100.0	100.0
Merten Holding GmbH	Germany	100.0	100.0
Schneider Electric Automation Deutschland GmbH	Germany	100.0	100.0
Schneider Electric Automation GmbH	Germany	100.0	100.0
Schneider Electric Buildings Germany GmbH	Germany	100.0	100.0
Schneider Electric Deutschland Energy GmbH	Germany	100.0	100.0
Schneider Electric Deutschland GmbH	Germany	100.0	100.0
Schneider Electric Energy GmbH	Germany	100.0	100.0
Schneider Electric GmbH	Germany	100.0	100.0
Schneider Electric Motion Deutschland GmbH	Germany	100.0	100.0
Schneider Electric Motion Real Estate GmbH	Germany	100.0	100.0
Schneider Electric Sachsenwerk GmbH	Germany	100.0	100.0
Telvent Deutschland GmbH	Germany	100.0	100.0
Uniflair GmbH	Germany	100.0	100.0
Schneider Electric AE	Greece	100.0	100.0
Schneider Electric IT Greece ABEE	Greece	100.0	100.0
CEE Schneider Electric Közép-Kelet Europai Korlatolt Felelősségű Társaság	Hungary	100.0	100.0
Schneider Electric IT Hungary Kft	Hungary	100.0	100.0

		% interest Dec. 31, 2012	% interest Dec. 31, 2011
Schneider Electric Hungaria Villamassagi ZRT	Hungary	100.0	100.0
APC (EMEA) Ltd	Ireland	100.0	100.0
Schneider Electric Ireland	Ireland	100.0	100.0
Schneider Electric IT Logistics Europe Ltd	Ireland	100.0	100.0
Square D Company Ireland Ltd	Ireland	100.0	100.0
Crouzet Componenti Srl	Italy	100.0	100.0
SAIP & Schyller Spa	Italy	100.0	100.0
Schneider Electric Energy Manufacturing Italia Srl	Italy	100.0	100.0
Schneider Electric Industrie Italia Spa	Italy	100.0	100.0
Schneider Electric IT Italia Srl	Italy	100.0	100.0
Schneider Electric Spa	Italy	100.0	100.0
Uniflair Spa	Italy	100.0	100.0
Lexel Fabrika SIA	Latvia	100.0	100.0
Schneider Electric Baltic Distribution Center	Latvia	100.0	100.0
Schneider Electric Latvija SIA	Latvia	100.0	100.0
UAB Schneider Electric Lietuva	Lithuania	100.0	100.0
Comodot S.à r.l.	Luxembourg	100.0	100.0
Industrielle de Réassurance SA	Luxembourg	100.0	100.0
SGBT Finance Partner	Luxembourg	100.0	100.0
SGBT European Major Investments SA	Luxembourg	100.0	100.0
SHL Luxembourg S.à r.l.	Luxembourg	99.8	99.8
American Power Conversion Corp (A.P.C.) BV	Netherlands	100.0	100.0
APC Holdings BV	Netherlands	100.0	100.0
APC International Corporation BV	Netherlands	100.0	100.0
APC International Holdings BV	Netherlands	100.0	100.0
Pelco Europe BV	Netherlands	100.0	100.0
Pro-Face HMI BV (sub-group)	Netherlands	99.9	99.9
Schneider Electric BV	Netherlands	100.0	100.0
Schneider Electric Energy Netherlands BV	Netherlands	100.0	100.0
Schneider Electric Logistic Centre BV	Netherlands	100.0	100.0
Schneider Electric Manufacturing The Netherlands BV	Netherlands	100.0	100.0
Telvent Netherlands BV	Netherlands	100.0	100.0
U.P.S. Systems MGE BV	Netherlands	100.0	100.0
ELKO AS	Norway	100.0	100.0
Lexel Holding Norgue AS	Norway	100.0	100.0
Schneider Electric IT Norway AS	Norway	100.0	100.0
Schneider Electric Norge AS	Norway	100.0	100.0
Schneider Electric Buildings Norway AS	Norway	100.0	100.0
Elda Eltra S.A. (ex Eltra SA)	Poland	100.0	100.0
Schneider Electric Energy Poland Sp. Z.o.o.	Poland	100.0	100.0
Schneider Electric Industries Polska SP	Poland	100.0	100.0
Schneider Electric IT Poland Sp. Z.o.o	Poland	100.0	100.0
Schneider Electric Polska SP	Poland	100.0	100.0
Schneider Electric II IT Portugal LDA	Portugal	100.0	100.0
Schneider Electric Portugal LDA	Portugal	100.0	100.0
Telvent Portugal SA	Portugal	100.0	100.0
Schneider Electric Romania SRL	Romania	100.0	100.0
DIN Elektro Kraft OOO	Russia	100.0	100.0
LLC Schneider Electric Zavod ElectroMonoblock	Russia	100.0	100.0
OOO Schneider Electric Buildings (Russia)	Russia	100.0	100.0

		% interest Dec. 31, 2012	% interest Dec. 31, 2011
OOO Lexel Elektromaterialy (SPB)	Russia	100.0	100.0
Schneider Electric Equipment Kazan Ltd	Russia	100.0	100.0
ZAO Potential	Russia	100.0	100.0
ZAO Schneider Electric	Russia	100.0	100.0
Schneider Electric Srbija doo Beograd	Serbia	100.0	100.0
Schneider Electric Slovakia Spol SRO	Slovakia	100.0	100.0
Schneider Electric d.o.o.	Slovenia	100.0	100.0
EFI Electronics Europe SL	Spain	100.0	100.0
Manufacturas Electricas SA	Spain	100.0	100.0
Schneider Electric IT, Spain SL	Spain	100.0	100.0
Schneider Electric Energy Spain SL	Spain	100.0	100.0
Schneider Electric Espana SA	Spain	100.0	100.0
Telvent Arce Sistemas, SA	Spain	100.0	100.0
Telvent Energia SA	Spain	100.0	100.0
Telvent Environment SA	Spain	100.0	100.0
Telvent Export SL	Spain	100.0	100.0
Telvent GIT SA	Spain	100.0	100.0
Telvent Global Services, SA	Spain	100.0	100.0
Telvent Servicios Compartidos SA	Spain	100.0	100.0
Telvent Trafico y Transporte SA	Spain	100.0	100.0
Trafico Ingenieria SA	Spain	100.0	100.0
Uniflair Iberica SA	Spain	100.0	100.0
AB Crahtfere 1	Sweden	100.0	100.0
AB Wibe	Sweden	100.0	100.0
Elau AB	Sweden	100.0	100.0
Elektriska AB Delta	Sweden	100.0	100.0
Elko AB	Sweden	100.0	100.0
Lexel AB	Sweden	100.0	100.0
Pelco Sweden AB	Sweden	100.0	100.0
Pele Security AB	Sweden	100.0	100.0
Schneider Electric Buildings AB	Sweden	100.0	100.0
Schneider Electric Buildings Sweden AB	Sweden	100.0	100.0
Schneider Electric Distribution Centre AB	Sweden	100.0	100.0
Schneider Electric IT Sweden AB	Sweden	100.0	100.0
Schneider Electric Sverige AB	Sweden	100.0	100.0
Telvent Sweden AB	Sweden	100.0	100.0
Thorsman & Co AB	Sweden	100.0	100.0
Crouzet AG	Switzerland	100.0	100.0
Feller AG	Switzerland	83.7	83.7
Gutor Electronic GmbH	Switzerland	100.0	100.0
Schneider Electric IT Switzerland AG	Switzerland	100.0	100.0
Schneider Electric Finances SA	Switzerland	100.0	100.0
Schneider Electric (Schweitz) AG	Switzerland	100.0	100.0
Schneider Electric Ukraine	Ukraine	100.0	100.0
Andromeda Telematics Ltd	United Kingdom	100.0	100.0
APC Power and Cooling, UK Ltd	United Kingdom	100.0	100.0
APC UK Ltd	United Kingdom	100.0	100.0
C-Matic Systems Ltd	United Kingdom	100.0	100.0
CBS Group Ltd	United Kingdom	100.0	100.0
Crouzet Ltd	United Kingdom	100.0	100.0

		% interest Dec. 31, 2012	% interest Dec. 31, 2011
Crydom SSR Ltd	United Kingdom	100.0	100.0
Newall Measurement Systems Ltd	United Kingdom	100.0	100.0
Schneider Electric (UK) Ltd	United Kingdom	100.0	100.0
Schneider Electric Buildings UK Ltd	United Kingdom	100.0	100.0
Schneider Electric Energy UK Ltd	United Kingdom	100.0	100.0
Schneider Electric IT UK Ltd	United Kingdom	100.0	100.0
Schneider Electric Ltd	United Kingdom	100.0	100.0
Serck Control and Safety Ltd	United Kingdom	100.0	100.0
Serck Controls Ltd	United Kingdom	100.0	100.0
M&C Energy Group Ltd	United Kingdom	100.0	100.0
<i>Accounted for by proportionate method</i>			
Telvent DMS LLC for Power Engineering Nove Sad	Serbia	57.0	57.0
Keyland Sistemas de Gestion SL	Spain	50.0	50.0
<i>Accounted for by equity method</i>			
Avelty	France	51.0	
Delta Dore Finance SA (sub-group)	France	20.0	20.0
Møre Electric Group A/S	Norway	34.0	34.0
Electroshield TM Samara (sub-group)	Russia	50.0	50.0
North America			
<i>Fully consolidated</i>			
Control Microsystems Inc.	Canada	100.0	100.0
Juno Lighting Ltd	Canada	100.0	100.0
Novasena 1 ULC	Canada	100.0	100.0
Novasena 2 ULC	Canada	100.0	100.0
Power Measurement Ltd	Canada	100.0	100.0
Schneider Electric Canada Inc.	Canada	100.0	100.0
Telvent Canada Ltd	Canada	100.0	100.0
Viconics Technologies Inc.	Canada	100.0	100.0
Automatismo Crouzet De Mexico, SA de CV	Mexico	100.0	100.0
Custom Sensors & Technologies Mexico, SA de CV	Mexico	100.0	100.0
Custom Sensors & Technologies Transportation de México, SA de CV	Mexico	100.0	100.0
Gestion Integral de Proyectos y Ingenieria, SA de CV	Mexico	99.8	99.8
Industrias Electronicas Pacifico, SA de CV	Mexico	100.0	100.0
MGE Systems Mexico, SA de CV	Mexico	100.0	100.0
Ram Tech Services de Mexico S de RL de CV	Mexico	100.0	100.0
Schneider Electric Administracion, SA de CV	Mexico	100.0	100.0
Schneider Electric Mexico, SA de CV	Mexico	100.0	100.0
Schneider Industrial Tlaxcala, SA de CV	Mexico	100.0	100.0
Schneider Mexico, SA de CV	Mexico	100.0	100.0
Schneider R&D, SA de CV	Mexico	100.0	100.0
Schneider Recursos Humanos, SA de CV	Mexico	100.0	100.0
Square D Company Mexico, SA de CV	Mexico	100.0	100.0
Telvent Mexico SA de CV	Mexico	99.3	99.3
Adaptive Instruments Corp.	USA	100.0	100.0
American Power Conversion Federal Systems, Inc.	USA	100.0	100.0
APC America Inc.	USA	100.0	100.0
Schneider Electric IT Corporation	USA	100.0	100.0
APC Holdings Inc.	USA	100.0	100.0
APC Sales & Service Corp.	USA	100.0	100.0
BEI Precisions Systems & Space Co. Inc.	USA	100.0	100.0

		% interest Dec. 31, 2012	% interest Dec. 31, 2011
BEI Sensors & Systems Company, Inc.	USA	100.0	100.0
Control Microsystems U.S. Inc.	USA	100.0	100.0
Crydom, Inc.	USA	100.0	100.0
Custom Sensors & Technologies, Inc.	USA	100.0	100.0
Delsena 1, LLC	USA	100.0	100.0
Delsena 2, LLC	USA	100.0	100.0
Juno Lighting LLC	USA	100.0	100.0
Juno Manufacturing Inc.	USA	100.0	100.0
Kavlico Corp.	USA	100.0	100.0
Lee Technologies, LLC	USA	100.0	100.0
Lee Technologies Puerto Rico, LLC	USA	100.0	100.0
Schneider Electric IT Mission Critical Services, Inc.	USA	100.0	100.0
Netbotz Inc.	USA	100.0	100.0
Newall Electronics Inc.	USA	100.0	100.0
P.H.L. Four, Inc.	USA	80.0	80.0
P.H.L. One, Inc.	USA	80.0	80.0
Pacsena LP	USA	100.0	100.0
Palatine Hills Leasing Inc.	USA	80.0	80.0
Pelco, Inc	USA	100.0	100.0
Power Measurement Inc.	USA	100.0	100.0
Pro-face America, LLC	USA	100.0	100.0
Schneider Electric Buildings Americas, Inc.	USA	100.0	100.0
Schneider Electric Buildings Critical Systems, Inc.	USA	100.0	100.0
Schneider Electric Buildings, LLC	USA	100.0	100.0
Schneider Electric Engineering Services, LLC	USA	100.0	100.0
Schneider Electric Holdings Inc.	USA	100.0	100.0
Schneider Electric Investments 2, Inc.	USA	100.0	100.0
Schneider Electric Motion USA, Inc.	USA	100.0	100.0
Schneider Electric USA, Inc.	USA	100.0	100.0
Schneider Electric Vermont Ltd	USA	100.0	100.0
SNA Holdings Inc.	USA	100.0	100.0
Square D Investment Company	USA	100.0	100.0
Summit Energy Services, Inc.	USA	100.0	100.0
Telvent DTN, LLC	USA	100.0	100.0
Telvent USA Corp.	USA	100.0	100.0
Veris Industries LLC	USA	100.0	100.0
Asia-Pacific			
<i>Fully consolidated</i>			
APC Australia Pty Limited	Australia	100.0	100.0
Clipsal Australia Pty Limited	Australia	100.0	100.0
Clipsal Integrated Systems Pty Limited	Australia	100.0	100.0
Clipsal Technologies Australia Pty Limited	Australia	100.0	100.0
Control Microsystems Asia Pacific Pty Ltd	Australia	100.0	100.0
Pelco Australia Pty Limited	Australia	100.0	100.0
Scadagroup Pty Ltd	Australia	100.0	100.0
Schneider Electric (Australia) Pty Limited	Australia	100.0	100.0
Schneider Electric Australia Holdings Pty Limited	Australia	100.0	100.0
Schneider Electric Buildings Australia Pty Limited	Australia	100.0	100.0
Serck Controls Pty Ltd	Australia	100.0	100.0
Telvent Australia Pty Limited	Australia	100.0	100.0

		% interest Dec. 31, 2012	% interest Dec. 31, 2011
SolveIT	Australia	100.0	
APC (Suzhou) Uninterrupted Power Supply Co., Ltd.	China	100.0	100.0
APC (Xiamen) Power Infrastructure Co., Ltd.	China	100.0	100.0
Schneider Electric (Xiamen) Switchgear Co. Ltd	China	100.0	100.0
Schneider Electric Huadian Switchgear (Xiamen) Co., Ltd	China	55.0	55.0
Shanghai Schneider Electric Power Automation Co. Ltd	China	100.0	59.0
Schneider Switchgear (Suzhou) Co, Ltd	China	58.0	58.0
Beijing Leader & Harvest Electric Technologies Co. Ltd	China	100.0	100.0
Beijing Merlin Great Wall Computer Room Equipment & Engineering Co. Ltd	China	75.0	75.0
Clipsal Manufacturing (Huizhou) Ltd	China	100.0	100.0
Custom Sensors & Technologies Asia (Shanghai) Ltd	China	100.0	100.0
MGE Manufacturing Shanghai Co. Ltd	China	100.0	100.0
Proface China International Trading (Shanghai) Co. Ltd	China	100.0	100.0
RAM Electronic Technology and Control (Wuxi) Co., Ltd	China	100.0	100.0
Schneider (Beijing) Medium & Low Voltage Co., Ltd	China	95.0	95.0
Schneider (Beijing) Medium Voltage Co. Ltd	China	95.0	95.0
Schneider (Shaanxi) Baoguang Electrical Apparatus Co. Ltd	China	70.0	70.0
Schneider (Shanghai) Supply Co. Ltd	China	100.0	100.0
Schneider (Suzhou) Drives Company Ltd	China	90.0	90.0
Schneider (Suzhou) Enclosure Systems Co Ltd	China	100.0	100.0
Schneider (Suzhou) Transformers Co. Ltd	China	100.0	100.0
Schneider Automation Solutions (Shanghai) Co., Ltd.	China	100.0	100.0
Schneider Busway (Guangzhou) Ltd	China	95.0	95.0
Schneider Electric (China) Investment Co. Ltd	China	100.0	100.0
Schneider Electric IT (China) Co., Ltd	China	100.0	100.0
Schneider Electric Low Voltage (Tianjin) Co. Ltd	China	75.0	75.0
Schneider Shanghai Apparatus Parts Manufacturing Co. Ltd	China	100.0	100.0
Schneider Shanghai Industrial Control Co. Ltd	China	80.0	80.0
Schneider Shanghai Low Voltage Term. Apparatus Co. Ltd	China	75.0	75.0
Schneider Shanghai Power Distribution Electric Apparatus Co. Ltd	China	80.0	80.0
Schneider Wingoal (Tianjin) Electric Equipment Co. Ltd	China	100.0	100.0
Telvent - BBS High & New Tech (Beijing) Co. Ltd	China	80.0	80.0
Telvent Control System (China) Co. Ltd	China	100.0	100.0
Tianjin Merlin Gerin Co. Ltd	China	75.0	75.0
Wuxi Proface Electronic Co.Ltd	China	100.0	100.0
EngSheng Ltd	China	100.0	
Custom Sensors & Technologies (Huizhou) Ltd	China	100.0	
Schneider Electric Manufacturing (Wuhan) Co., Ltd	China	100.0	
Clipsal Asia Holdings Limited	Hong Kong	100.0	100.0
Clipsal Asia Limited	Hong Kong	100.0	100.0
Clipsal Industries Hong Kong Limited	Hong Kong	100.0	100.0
Custom Sensors & Technologies Asia (Hong Kong) Limited	Hong Kong	100.0	100.0
Schneider Electric IT Hong Kong Limited	Hong Kong	100.0	100.0
Schneider Electric (Hong Kong) Limited	Hong Kong	100.0	100.0
Schneider Electric Asia Pacific Limited	Hong Kong	100.0	100.0
APC India Private Ltd	India	100.0	100.0
APW President Systems Ltd	India	75.0	75.0
Cimac Automation Private Ltd	India	85.0	85.0
Cimac Software Systems Private Ltd	India	85.0	85.0
CST Sensors India Private Limited	India	100.0	100.0

		% interest Dec. 31, 2012	% interest Dec. 31, 2011
Luminous Power Technologies Private Ltd	India	100.0	100.0
Luminous Renewable Energy Solutions Private Ltd	India	100.0	100.0
Luminous Teleinfra Ltd	India	100.0	100.0
Schneider Electric India Private Ltd	India	100.0	100.0
Uniflair India Private Ltd	India	100.0	100.0
Schneider Electric Infrastructure Limited	India	73.4	73.4
PT Clipsal Manufacturing Jakarta	Indonesia	100.0	100.0
PT Schneider Electric IT Indonesia	Indonesia	100.0	100.0
PT Schneider Electric Indonesia	Indonesia	100.0	100.0
PT Schneider Electric Manufacturing Batam	Indonesia	100.0	100.0
APC Japan, Inc.	Japan	100.0	100.0
Digital Electronics Corporation	Japan	100.0	100.0
Schneider Electric Japan Holdings Ltd	Japan	100.0	100.0
Toshiba Schneider Inverter Corp.	Japan	60.0	60.0
Clipsal Integrated Systems (M) Sdn Bhd	Malaysia	100.0	100.0
Clipsal Manufacturing (M) Sdn Bhd	Malaysia	100.0	100.0
Gutor Electronic Asia Pacific Sdn Bhd	Malaysia	100.0	100.0
Huge Eastern Sdn Bhd	Malaysia	100.0	100.0
KSLA Energy & Power Solutions (M) Sdn Bhd	Malaysia	100.0	100.0
Schneider Electric (Malaysia) Sdn Bhd	Malaysia	30.0	30.0
Schneider Electric Industries (M) Sdn Bhd	Malaysia	100.0	100.0
Schneider Electric IT Malaysia Sdn Bhd	Malaysia	100.0	100.0
Schneider Electric (NZ) Ltd	New-Zealand	100.0	100.0
American Power Conversion Land Holdings Inc.	Philippines	100.0	100.0
Clipsal Philippines	Philippines	100.0	100.0
MGE UPS Systems Philippines Inc.	Philippines	100.0	100.0
Schneider Electric (Philippines) Inc.	Philippines	100.0	100.0
KSLA Energy & Power Solution Pte. Ltd	Singapore	100.0	100.0
Pelco Asia Pacific Pte. Ltd	Singapore	100.0	100.0
Schneider Electric Buildings Singapore Pte. Ltd	Singapore	100.0	100.0
Schneider Electric Export Services Pte. Ltd	Singapore	100.0	100.0
Schneider Electric IT Logistics Asia Pacific Pte. Ltd	Singapore	100.0	100.0
Schneider Electric IT Singapore Pte. Ltd	Singapore	100.0	100.0
Schneider Electric Logistics Asia Pte. Ltd	Singapore	100.0	100.0
Schneider Electric Overseas Asia Pte. Ltd	Singapore	100.0	100.0
Schneider Electric Singapore Pte. Ltd	Singapore	100.0	100.0
Schneider Electric South East Asia (HQ) Pte. Ltd	Singapore	100.0	100.0
Pro Face Korea Co. Ltd	South Korea	100.0	100.0
Schneider Electric Korea Ltd (ex Samwha EOGR Co. Ltd)	South Korea	100.0	100.0
Schneider Electric Lanka (Private) Limited	Sri Lanka	100.0	100.0
Pro Face Taiwan Co. Ltd	Taiwan	99.9	99.9
Schneider Electric Taiwan Co Ltd	Taiwan	100.0	100.0
MGE UPS Systems S.A. (Thailand) Co. Ltd	Thailand	100.0	100.0
Pro Face South East Asia Pacific Co. Ltd	Thailand	100.0	100.0
Schneider (Thailand) Ltd	Thailand	100.0	100.0
Schneider Electric CPCS (Thailand) Co. Ltd.	Thailand	100.0	100.0
Clipsal Vietnam Co. Ltd	Vietnam	100.0	100.0
MGE UPS Systems Viet Nam Limited	Vietnam	100.0	100.0
Schneider Electric Vietnam Co. Ltd	Vietnam	100.0	100.0

Accounted for by proportionate method

		% interest Dec. 31, 2012	% interest Dec. 31, 2011
Delixi Electric Ltd (sub-group)	China	50.0	50.0
<i>Accounted for by equity method</i>			
Sunten Electric Equipment	China	50.0	50.0
Fuji Electric FA Components & Systems Co., Ltd (sub-group)	Japan	37.0	37.0
Rest of the world			
<i>Fully consolidated</i>			
Delixi Electric Algeria	Algeria	100.0	100.0
SARL Schneider Electric Algeria	Algeria	100.0	100.0
MGE UPS Systems Argentina S.A	Argentina	100.0	100.0
Schneider Electric Argentina SA	Argentina	100.0	100.0
Telvent Argentina SA	Argentina	100.0	100.0
Clipsal Middle East	Bahrain	80.0	80.0
APC Brasil Ltda	Brazil	100.0	100.0
CST Latino America Comercio E Representacao de Produtos Electricos E Eletronicos Ltda	Brazil	99.8	99.8
Matchmind Software Ltda	Brazil	100.0	100.0
Microsol Tecnologia SA	Brazil	100.0	100.0
Ram Do Brasil, Ltda	Brazil	100.0	100.0
Schneider Electric Brasil Ltda	Brazil	100.0	100.0
Telvent Brazil SA	Brazil	100.0	100.0
Softbrasil Automação Ltda	Brazil	100.0	100.0
Steck da Amazonia Industria Electrica Ltda	Brazil	100.0	100.0
Steck Industria Electrica Ltda	Brazil	100.0	100.0
CP Eletronica	Brazil	100.0	
Inversiones Schneider Electric Uno Limitada	Chile	100.0	100.0
Marisio SA	Chile	100.0	100.0
Schneider Electric Chile SA	Chile	100.0	100.0
Telvent Chile SA	Chile	100.0	100.0
Dexson Electric SA	Colombia	100.0	100.0
Schneider de Colombia SA	Colombia	80.0	80.0
Schneider Centroamerica SA	Costa Rica	100.0	100.0
Delixi Electric Egypt s.a.e	Egypt	98.0	98.0
Schneider Electric Distribution Company	Egypt	87.4	87.4
Schneider Electric Egypt SA	Egypt	91.0	91.0
Schneider Electric Industries Iran	Iran	94.0	89.0
Telemecanique Iran	Iran	100.0	100.0
Schneider Electric LLP	Kazakhstan	100.0	100.0
Schneider Electric East Mediterranean SAL	Lebanon	96.0	96.0
Delixi Electric Maroc SARL AU	Morocco	100.0	100.0
Schneider Electric IT Morocco, SA	Morocco	100.0	100.0
Schneider Electric Maroc	Morocco	100.0	100.0
Schneider Electric Nigeria Ltd	Nigeria	100.0	100.0
Schneider Electric Oman LLC	Oman	100.0	100.0
Schneider Electric Pakistan (Private) Limited	Pakistan	80.0	80.0
Schneider Electric Peru SA	Peru	100.0	100.0
Cimac Electrical and Automation W.L.L	Qatar	75.0	75.0
EPS Electrical Power Distribution Board & Switchgear Ltd	Saudi Arabia	51.0	51.0
Telvent Saudi Arabia Co. Ltd	Saudi Arabia	100.0	100.0
AMPS	Saudi Arabia	100.0	
Merlin Gerin SA (Pty) Ltd	South Africa	80.0	80.0
Schneider Electric IT South Africa (Pty) Ltd	South Africa	100.0	100.0

		% interest	% interest
		Dec. 31, 2012	Dec. 31, 2011
Schneider Electric South Africa (Pty) Ltd	South Africa	74.9	74.9
Uniflair South Africa (Pty) Ltd	South Africa	100.0	100.0
Schneider Enerji Endustrisi Sanayi Ve Ticaret	Turkey	100.0	100.0
Metesan Elektrik Malzemeleri Ticaret Ve Pazarlama A.S	Turkey	100.0	100.0
Schneider Elektrik Sanayi Ve Ticaret A.S.	Turkey	100.0	100.0
Cimac Electrical and Control Systems LLC	United Arab Emirates	80.0	80.0
Cimac FZCO	United Arab Emirates	100.0	100.0
Cimac LLC	United Arab Emirates	49.0	49.0
Clipsal Middle East FZC	United Arab Emirates	100.0	100.0
Clipsal Middle East FZCO	United Arab Emirates	60.0	60.0
CLS Systems FZCO	United Arab Emirates	100.0	100.0
Delixi Electric FZE	United Arab Emirates	100.0	100.0
Hunter Watertech Middle East FZE	United Arab Emirates	100.0	100.0
Schneider Electric DC MEA FZCO	United Arab Emirates	100.0	100.0
Schneider Electric FZE	United Arab Emirates	100.0	100.0
APC Uruguay S.A.	Uruguay	100.0	100.0
Schneider Electric Venezuela SA	Venezuela	91.9	91.9

Review of the consolidated financial statements

Review of business and consolidated statement of income

Changes in the scope of consolidation

Acquisitions

On May 4, 2012, Schneider Electric announced that it has signed an agreement to acquire M&C Energy Group ("M&C"), a fast-growing company specialized in energy procurement and sustainability services for both multinationals and small to medium sized enterprises.

M&C provides its customers with energy procurement, compliance and performance optimization services mostly on recurring subscription basis. The company has more than 500 employees including 300 energy specialists and an international presence with 21 offices across 15 countries, particularly in Europe and Asia-Pacific. M&C will be consolidated in Group's financial statements from July 1, 2012.

Acquisitions and disposals that took place in 2011 and that had an impact on the 2012 financial statements *

The following entities were acquired during financial year 2011 and their consolidation on a full-year basis for financial year 2012 had a scope effect compared to financial year 2011:

- Lee Technologies, consolidated as from April 1, 2011,
- Summit Energy, consolidated as from April 14, 2011,
- DIGILINK, consolidated as from May 13, 2011,
- APW President Systems, consolidated as from May 19, 2011,
- Luminous Power Technologies, consolidated as from June 1, 2011,
- Steck Da Amazonia Industria Electrica, consolidated as from July 20, 2011,
- Telvent GIT, consolidated as from August 31, 2011,
- Leader & Harvest Power Technologies Holdings, consolidated as from October 11, 2011.

(*) Correspond to the dates on which the Group gained control of the acquired companies.

Changes in foreign exchange rates

Changes in foreign exchange rates relative to the euro had a material impact over the year. This positive effect amounts to EUR981 million on consolidated revenue and to EUR171 million on Adjusted EBITA⁽¹⁾.

Revenue

On December 31, 2012, the consolidated revenue of Schneider Electric totaled EUR23,946 million, an increase of 7.2% at current scope and exchange rates compared to December 31, 2011.

This growth breaks down into an organic decrease of 0.7%, a contribution of acquisitions net of disposals of 3.5% and a positive exchange rate effect of 4.4%.

Changes in revenue by operating segment

The Power business generated revenues of EUR8,738 million, or 37% of the consolidated total. This represents an increase of +5.8% on a reported basis and **+0.5%** like-for-like. This performance reflects growth in the Solution business, benefiting from continued investments in infrastructure, oil & gas, mining and data centers, partly offset by the significant decline of solar energy projects. Product business was stable: stronger construction and industrial markets in North America, South America and Russia helped to balance the decline in Western Europe, Australia and China.

The Infrastructure business generated revenues of EUR5,366 million, or 22% of the consolidated total. This represents an increase of +9.6% on a reported basis and **-1.5%** like-for-like. Both Products and Solutions declined. Growth of [secondary distribution] products, driven mainly by utility and oil & gas segments, only partially offset the decline in [primary distribution] components, reflecting challenging market conditions in some key new economies. The Solution business benefited from

⁽¹⁾ Adjusted EBITA is EBITA before restructuring costs and before other operating income and expenses, which includes acquisition, integration and separation costs.

investments in resource-intensive industries as well as growth in installed base services, but saw a decline in sales of substations and equipments, weighed down primarily by reduced spending in Western Europe.

The Industry business generated revenues of EUR4,483 million, or 19% of the consolidated total. This represents an increase of 2.0% on a reported basis and **-3.8%** like-for-like. The Solution business continued to expand at double-digit, aided by the robust trends of mining and oil & gas segments in new economies, continued success of the OEM machine solutions and positive trends in services. The product business remained negative across the board as reduced capacity utilization in Western Europe, China and Japan impacted machine builders and general manufacturing segments. The business' organic decline was much less pronounced in the second half than in the first half.

The IT business generated revenues of EUR3,677 million, or 15% of the consolidated total. This represents an increase of +13.6% on a reported basis and **+2.7%** like-for-like. Solutions showed modest growth on the back of solid trends for services, partly offset by customer cautiousness towards new datacenter investment in the mature countries. Products were slightly positive, primarily driven by sustained demand for secured power from new economies, such as Russia or South East Asia, and by the success of the Luminous offer in India.

The Buildings business generated revenues of EUR1,682 million, or 7% of the consolidated total. This represents an increase of +8.4% on a reported basis and **-3.1%** like-for-like. Products were impacted by tough market conditions for video security products and Solutions were slightly negative due to lower related public spending in Western Europe and a decline of advanced services in the US.

Gross profit

Gross profit increased from EUR8,387 million for the year ended December 31, 2011 to EUR9,057 million for the year ended December 31, 2012, or 8.0%. This increase was gathered through 2011 acquisitions and through the price actions as well as costs discipline led since the second semester of 2011. As a percentage of revenues, gross profit increased 0.3 points from 37.5% in 2011 to 37.8% in 2012 due to the significant price actions and to the industrial productivity that had more than offset the negative effects of mix.

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

Research and development expenses, excluding capitalized development costs and development costs reported as cost of sales, decreased by 5.9% from EUR539 million for the year ended December 31, 2011 to EUR507 million for the year ended December 31, 2012. As a percentage of revenues, the net cost of research and development decreased slightly to 2.1% of revenues in 2012 (2.4% in 2011).

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 8.1% from EUR979 million for the year ended December 31, 2011 to EUR1,058 million for the year ended December 31, 2012. As a percentage of revenues, total research and development expenses remain stable at 4.4% for the year ended December 31, 2012 and for the year ended December 31, 2011.

In 2012, the net effect of capitalized development costs and amortization of capitalized development costs amounts to EUR153 million on operating income (EUR122 million in 2011).

Selling, general and administrative expenses increased by 8.1% from EUR4,658 million for the year ended December 31, 2011 to EUR5,035 million for the year ended December 31, 2012. As a percentage of revenues, selling, general and administrative expenses represented 21.0% for the year ended December 31, 2012 (compared to 20.8% for the year ended December 31, 2011), cost control allowing compensating most of inflation and investments.

Combined, total support function costs, that is, research and development expenses together with selling, general and administrative costs, totaled EUR5,542 million for the year ended December 31, 2012 compared to EUR5,197 million for the year ended December 31, 2011, an increase of 6.6%. However, our support functions costs to sales ratio decreased from 23.3% for the year ended December 31, 2011 to 23.1% for the year ended December 31, 2012.

Other operating income and expenses

For the year ended December 31, 2012, other operating income and expenses amounted to a net expense of EUR10 million, including costs linked to acquisitions for EUR52 million, a EUR21 million gain on the curtailment of a U.S. employee benefit plan and miscellaneous other operating incomes and expenses amounting to a net of EUR21 million. Costs linked to acquisitions are acquisition, integration and separation costs on 2011 and 2012 acquisitions, notably Telvent and M&C. Net other operating income includes mainly reversal of provisions for litigation or claims that expired on December 31, 2012.

For the year ended December 31, 2011, other operating income and expenses amounted to a net expense of EUR8 million, including costs linked to acquisitions for EUR99 million, a EUR42 million gain on the curtailment of a U.S. employee benefit plan and miscellaneous other operating incomes and expenses amounting to a net of EUR46 million. Costs linked to acquisitions are acquisition, integration and separation costs on 2010 and 2011 acquisitions, notably Areva, Telvent and Leader

& Harvest. Net other operating income includes mainly reversal of provisions for litigation or claims that expired on December 31, 2011.

Restructuring costs

For the year ended December 31, 2012, restructuring costs amounted to EUR164 million compared to EUR145 million for the year ended December 31, 2011. These costs related to industrial and support functions restructurings.

EBITA and Adjusted EBITA

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

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

Adjusted EBITA amounted to EUR3,515 million for the year ended December 31, 2012, compared to EUR3,190 million for the year ended December 31, 2011, an increase of 10.2%, as the result of effective cost control and continuous focus on price actions. As a percentage of revenues, adjusted EBITA increased from 14.3% for the year ended December 31, 2011 to 14.7% for the year ended December 31, 2012.

EBITA increased 10.0% from EUR3,037 million for the year ended December 31, 2011 to EUR3,341 million for the year ended December 31, 2012, thanks to the strong increase of Adjusted EBITA and despite the increase of restructuring costs in line with initiatives from Connect program. As a percentage of revenues, EBITA increased to 14.0% for the year ended December 31, 2012 (13.6% for the year ended December 31, 2011).

EBITA and Adjusted EBITA by business segment

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

<i>(in millions of Euros)</i>	Power	Infrastructure	Industry	IT	Buildings	Corporate costs	Total
Full year 2012							
Revenues	8,738	5,366	4,483	3,677	1,682	-	23,946
Adjusted EBITA *	1,813	575	823	698	107	(501)	3,515
Adjusted EBITA (%)	20.7%	10.7%	18.4%	19.0%	6.4%	-	14.7%
Other operating income and expense	17	(6)	(2)	(3)	(3)	(13)	(10)
Restructuring costs	(84)	(32)	(21)	(4)	(12)	(11)	(164)
EBITA	1,746	537	800	691	92	(525)	3,341
EBITA (%)	20.0%	10.0%	17.8%	18.8%	5.5%		14.0%
* <i>Adjusted EBITA: EBITA before restructuring costs and before other operating income and expenses</i>							

<i>(in millions of Euros)</i>	Power	Infrastructure	Industry	IT	Buildings	Corporate costs	Total
Full year 2011*							
Revenues	8,262	4,897	4,397	3,237	1,552	-	22,345
Adjusted EBITA**	1,705	511	774	523	145	(468)	3,190
Adjusted EBITA (%)	20.6%	10.4%	17.6%	16.2%	9.3%		14.3%
Other operating income and expense	49	(27)	4	(17)	(8)	(9)	(8)
Restructuring costs	(75)	(19)	(24)	(9)	(11)	(7)	(145)
EBITA	1,679	465	754	497	126	(484)	3,037
EBITA (%)	20.3%	9.5%	17.1%	15.4%	8.1%		13.6%
* <i>The 2011 figures were restated for the item disclosed in note 1.2 of the consolidated financial statements, thus EUR42 million for the Group out of which EUR35 million for Power and EUR7 million for Industry as a reduction of revenues, EBITA and Adjusted EBITA</i>							
** <i>Adjusted EBITA: EBITA before restructuring costs and before other operating income and expenses</i>							

Power recorded an adjusted EBITA margin of 20.7% for the year ended December 31, 2012, up 0.1% compared to 20.6% for the year ended December 31, 2011, due to sustained pricing and productivity gains, offsetting negative geographical mix and costs related to new product launches.

Infrastructure recorded an adjusted EBITA margin of 10.7% for the year ended December 31, 2012, up 0.3% compared to 10.4% for the year ended December 31, 2011, reflecting strict cost control and synergies delivered by acquisition integration.

Industry recorded an adjusted EBITA margin of 18.4% for the year ended December 31, 2012, up 0.8% compared to 17.6% for the year ended December 31, 2011, demonstrated strong resilience to negative volume and unfavorable mix, thanks to pricing discipline, productivity and good cost control.

IT recorded an adjusted EBITA margin of 19.0% for the year ended December 31, 2012, up 2.8% compared to 16.2% for the year ended December 31, 2011, helped by positive volume, price actions, productivity gains, and improved solutions profitability.

Buildings recorded an adjusted EBITA margin of 6.4% for the year ended December 31, 2012, down 2.9% compared to 9.3% for the year ended December 31, 2011, reflecting the softness of the construction markets in its key countries and difficulties of the video security activity.

Corporate costs amounted to EUR501 million for the year ended December 31, 2012 or 2.1% of Group revenues, stable compared to the year ended December 31, 2011 (2.1% of Group revenues or EUR468 million).

Operating income (EBIT)

Operating income (EBIT) increased from EUR2,811 million for the year ended December 31, 2011 to 2,866 million for the year ended December 31, 2012, an increase of 2.0% despite a goodwill impairment on Buildings CGU of EUR250 million before tax effect and an increase of amortization of intangibles linked to business combinations of EUR16million (EUR224 million on the year ended December 31, 2012 compared to EUR208 million on the year ended December 31, 2011).

Net financial income/loss

Net financial loss amounted to EUR405 million for the year ended December 31, 2012, compared to EUR415 million for the year ended December 31, 2011. This decrease is mainly linked to the decrease in other financial incomes and costs, from a net expense of EUR114 million for year ended December 31, 2011 to a net expense of EUR56 million for year ended December 31, 2012. This is mainly due to the decrease of exchange loss (EUR21 million in 2012 compared to EUR40 million in 2011) and to the gain on Axa investment sale of EUR11 million.

Within the net financial loss, the increase in the cost of net financial debt from EUR301 million for year ended December 31, 2011 to EUR349 million for year ended December 31, 2012 is triggered by the increase in the average net debt between those two periods.

Tax

The effective tax rate was 23.1% for the year ended December 31, 2012, slightly increasing compared to 22.8% for the year ended December 31, 2011. The corresponding tax expense increased from EUR547 million for the year ended December 31, 2011 to EUR568 million for the year ended December 31, 2012.

Share of profit/ (losses) of associates

The share of profit of associates amounted to EUR34 million for the year ended December 31, 2012, compared to EUR28 million for the year ended December 31, 2011, thanks to the increasing contribution of Electroschild in Russia and Sunten in China.

Non-controlling interests

Minority interests in net income for the year ended December 31, 2012 totaled EUR87 million, compared to EUR84 million for the year ended December 31, 2011. 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 EUR1,840 million for the year ended December 31, 2012, that is a 2.6% increase over the EUR1,793 million profit for the year ended December 31, 2011.

Before goodwill impairment of Buildings CGU of EUR250 million before tax effect and EUR183 million after tax effect in 2012 (and EUR15 million of goodwill impairment in 2011), the profit for the period attributable to the equity holders of our parent company amounted to EUR2,023 million for the year ended December 31, 2012, an increase of 11.9% compared to EUR1,808 million in 2011.

Earnings per share

Earnings per share increased to EUR3.39 for the year ended December 31, 2012 from EUR3.34 for the year ended December 31, 2011 (taking into account the division of the nominal value of the shares by two, effective as of September 2, 2011).

Before goodwill impairment of Buildings CGU of EUR183 million after tax effect in 2012 (and EUR15 million of goodwill impairment in 2011), earnings per share amounted to EUR3.73 for the year ended December 31, 2012, an increase of 11.0% compared to EUR3.36 for the year ended December 31, 2011.

Consolidated cash-flow

Operating Activities

Net cash provided by operating activities before changes in operating assets and liabilities reached EUR2,802 million for the year ended December 31, 2012, up 10.4% compared to EUR2,537 million for the year ended December 31, 2011, and represented 11.7% of revenue in 2012 compared with 11.4% in 2011.

Change in working capital requirement consumed EUR1 million in cash in the year ended December 31, 2012, compared to EUR285 million in consumption in the year ended December 31, 2011, in the framework of Connect initiatives to improve inventory management.

In all, net cash provided by operating activities increased 24.4% from EUR2,252 million in the year ended December 31, 2011 to EUR2,801 million in the year ended December 31, 2012.

Investing Activities

Net capital expenditure, which included capitalized development projects, decreased 3.6% to EUR719 million for the year ended December 31, 2012, compared to EUR746 million for the year ended December 31, 2011, and represented 3.0% of revenues.

Our acquisitions represented a cash outflow, net of cash acquired, of EUR242 million for the year ended December 31, 2012, corresponding partially to M&C, compared to EUR2,873 million in the year ended December 31, 2011 corresponding mainly to acquisitions of Telvent, Luminous, Leader & Harvest and Summit.

The proceeds from sale of financial assets in 2012 correspond to the proceeds net of fees of the sale of AXA shares in September 2012.

Financing Activities

The bond issuance of EUR601 million corresponds to a U.S.\$800 million bond issue in September 2012 due 2022 in the United States, by way of a private placement to institutional investors only (including to qualified institutional buyers in the United States) at 2.95% fixed rate.

The net decrease in other financial debts amount to EUR585 million during the year ended December 31, 2012, compared to an increase of EUR432 million during the year ended December 31, 2011. The dividend paid by Schneider Electric was EUR919 million the year ended December 31, 2012, compared with EUR856 million the year ended December 31, 2011.

Outlook

Schneider Electric expects the economic environment to remain mixed in 2013 with continued challenges in Western Europe, opportunities for acceleration in the new economies and a slow recovery in North America.

Based on current market conditions, the Group targets a low-single digit organic growth in sales and a stable to slightly up adjusted EBITA margin for the year 2013.

Statutory Auditors' Review Report

MAZARS
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S.A. au capital de € 8.320.000

Commissaire aux Comptes
Membre de la compagnie
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Commissaire aux Comptes
Membre de la compagnie
régionale de Versailles

Schneider Electric S.A.

Year ended December 31, 2012

Statutory auditors' report on the consolidated financial statements

To the Shareholders,

In compliance with the assignment entrusted to us by your Annual Shareholders' Meeting, we hereby report to you, for the year ended December 31, 2012, on:

- the audit of the accompanying consolidated financial statements of Schneider Electric S.A.;
- the justification of our assessments;
- the specific verification required by law.

These consolidated financial statements have been approved by the Management Board. Our role is to express an opinion on these consolidated financial statements based on our audit.

I. Opinion on the consolidated financial statements

We conducted our audit in accordance with professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as at December 31, 2012 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

II. Justification of our assessments

In accordance with the requirements of article L. 823-9 of the French commercial code (*Code de commerce*) relating to the justification of our assessments, we bring to your attention the following matters:

- Note 1.2 to the consolidated financial statements outlines the impact of the correction of error relating to the recognition of customer rebates accrual and the restatement of comparative information for the year ended December 31, 2011 conducted in application of IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors". We examined the elements relating to this restatement and verified the appropriateness of the disclosures provided in the notes to the consolidated financial statements.
- Note 1.9 to the consolidated financial statements outlines the method for recognizing research and development costs and describes the criteria under which development costs may be capitalized. We reviewed the data and assumptions used to identify projects that qualify for capitalization, as well as the Group's calculations, and verified that adequate disclosure is made in the notes to the consolidated financial statements.
- As explained in notes 1.11 and 8 to the consolidated financial statements, your Group carries out intangible assets and goodwill impairment tests at least once a year and when factors exist indicating that the related assets may have suffered a loss of value. We analyzed, on a test basis, the indicators of a loss of value and the other information evidencing the absence of any loss of value. We reviewed the data, assumptions used, and calculations made, and verified that adequate disclosure is made in the notes to the consolidated financial statements.
- As indicated in notes 1.16 and 16 to the consolidated financial statements, future tax benefits arising from the utilization of tax loss carry forwards are recognized only when they can reasonably be expected to be realized. We verified the reasonableness of the assumptions used to produce estimate of future taxable income used to support assessments of the recoverability of these deferred tax assets.
- Notes 1.19 and 22 describe the method for valuing pensions and other post-employment obligations. Actuarial valuations were performed for these commitments. We reviewed the data, assumptions used, and calculations made, and verified that adequate disclosure is made in the notes to the consolidated financial statements.
- Note 7 "Restructuring costs" states the amount of restructuring costs recorded in 2012. We verified that, based on currently available information, these costs concern restructuring measures initiated or announced before December 31, 2012, for which provisions have been recorded based on an estimate of the costs to be incurred. We also reviewed the data and assumptions used by the Group to make these estimates.

These assessments were made as part of our audit of the consolidated financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

III. Specific verification

As required by law we have also verified in accordance with professional standards applicable in France the information presented in the Group's management report.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

Courbevoie and Paris-La Défense, February 20, 2013

The statutory auditors
French original signed by

MAZARS

ERNST & YOUNG et Autres

David Chaudat

Yvon Salaün