HALF YEAR FINANCIAL REPORT

Six-month period ended June 30, 2020

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

Life Is On | Schneider Electric

1. Consolidated statement of income

(in millions of euros except for earnings per share)	Note	First half 2020	First half 2019
Revenue	**3**	**11,575**	**13,202**
Cost of sales		(6,954)	(8,000)
Gross profit		**4,621**	**5,202**
Research and development	4	(344)	(325)
Selling, general and administrative expenses		(2,701)	(2,917)
Adjusted EBITA *	**3**	**1,576**	**1,960**
Other operating income and expenses	5	(69)	(346)
Restructuring costs		(221)	(101)
EBITA **		**1,286**	**1,513**
Amortization and impairment of purchase accounting intangibles	6	(86)	(88)
Operating income		**1,200**	**1,425**
Interest income		17	39
Interest expense		(80)	(97)
Finance costs, net		**(63)**	**(58)**
Other financial income and expense	7	(109)	(82)
Net financial income/(loss)		**(172)**	**(140)**
Profit from continuing operations before income tax		**1,028**	**1,285**
Income tax expense	8	(247)	(286)
Income of discontinued operations, net of income tax		-	4
Share of profit/(loss) of associates	10	40	41
PROFIT FOR THE PERIOD		**821**	**1,044**
attributable to owners of the parent		*775*	*993*
attributable to non controlling interests		*46*	*51*
Basic earnings (attributable to owners of the parent) per share (in euros per share)		1.4	1.79
Diluted earnings (attributable to owners of the parent) per share (in euros per share)		1.39	1.78

** Adjusted EBITA (Earnings Before Interest, Taxes, Amortization of Purchase Accounting Intangibles). Adjusted EBITA corresponds to operating profit before amortization and impairment of purchase accounting intangible assets, before goodwill impairment, other operating income and expenses and restructuring costs.*

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

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

Other comprehensive income

(in millions of euros)	Note	First half 2020	First half 2019
Profit for the year		**821**	**1,044**
Other comprehensive income:			
Translation adjustment		(528)	25
Cash-flow hedges		2	2
Income tax effect of cash flow hedges		-	-
Net gains/(losses) on financial assets		(6)	6
Income tax effect of gains/(losses) on financial assets		-	-
Actuarial gains/(losses) on defined benefit plans	13	(107)	(109)
Income tax effect of actuarial gains/(losses) on defined benefit plans		15	26
Other comprehensive income for the year, net of tax		**(624)**	**(50)**
of which to be recycled in income statement		*(526)*	*33*
of which not to be recycled in income statement		*(98)*	*(83)*
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**197**	**994**
attributable to owners of the parent		*203*	*957*
attributable to non-controlling interests		*(6)*	*37*

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

2. Consolidated statement of cash flows

(in millions of euros)	Note	First half 2020	First half 2019
Profit for the year		**821**	**1,044**
Losses/(gains) from discontinued operations		-	(4)
Share of (profit)/losses of associates		(40)	(41)
Income and expenses with no effect on cash flow:			
Depreciation of property, plant and equipment		348	333
Amortization of intangible assets other than goodwill		230	235
Impairment losses on non-current assets		45	68
Increase/(decrease) in provisions		132	64
Losses/(gains) on disposals of assets		(9)	180
Difference between tax paid and tax expense		(121)	(148)
Other non-cash adjustments		53	60
Net cash provided by operating activities		**1,459**	**1,791**
Decrease/(increase) in accounts receivables		628	(67)
Decrease/(increase) in inventories and work in process		(481)	(198)
(Decrease)/increase in accounts payable		31	(116)
Decrease/(increase) in other current assets and liabilities		(333)	(193)
Change in working capital requirement		**(155)**	**(574)**
TOTAL I - CASH FLOWS FROM OPERATING ACTIVITIES		**1,304**	**1,217**
Purchases of property, plant and equipment		(225)	(232)
Proceeds from disposals of property, plant and equipment		28	6
Purchases of intangible assets		(142)	(154)
Net cash used by investment in operating assets		**(339)**	**(380)**
Acquisitions and disposals of businesses, net of cash acquired & disposed	2	(140)	(74)
Other long-term investments		16	(24)
Increase in long-term pension assets		(37)	(49)
Sub-total		**(161)**	**(147)**
TOTAL II - CASH FLOWS FROM / (USED IN) INVESTING ACTIVITIES		**(500)**	**(527)**
Issuance of bonds		1,786	760
Repayment of bonds		-	(500)
Sale/(purchase) of own shares		(50)	(80)
Increase/(decrease) in other financial debt		1,113	546
Increase/(decrease) of share capital		-	4
Dividends paid to Schneider Electric's shareholders		(1,413)	(1,296)
Dividends paid to non-controlling interests		(14)	(37)
TOTAL III - CASH FLOWS FROM / (USED IN) FINANCING ACTIVITIES		**1,422**	**(603)**
TOTAL IV - NET FOREIGN EXCHANGE DIFFERENCE		**(92)**	**13**
TOTAL V - EFFECT OF DISCONTINUED OPERATIONS		**-**	**(43)**
INCREASE/(DECREASE) IN NET CASH AND CASH EQUIVALENTS: I +II +III +IV +V		**2,134**	**57**
Net cash and cash equivalents, beginning of the period	15	3,395	2,231
Increase/(decrease) in cash and cash equivalents		2,134	57
NET CASH AND CASH EQUIVALENTS, END OF THE PERIOD	**15**	**5,529**	**2,288**

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

3. Consolidated balance sheet

Assets

(in millions of euros)	**Note**	**June 30,2020**	**Dec. 31, 2019**
NON-CURRENT ASSETS:			
Goodwill, net	9	18,546	18,719
Intangible assets, net		4,520	4,647
Property, plant and equipment, net		3,571	3,680
Investments in associates and joint ventures	10	580	533
Non-current financial assets	11	775	645
Deferred tax assets		1,997	2,004
TOTAL NON-CURRENT ASSETS		**29,989**	**30,228**
CURRENT ASSETS:			
Inventories and work in progress		3,251	2,841
Trade and other operating receivables		5,150	5,953
Other receivables and prepaid expenses		2,198	2,087
Current financial assets		18	19
Cash and cash equivalents	15	5,823	3,592
TOTAL CURRENT ASSETS		**16,440**	**14,492**
Assets held for sale & discontinued operations		-	283
TOTAL ASSETS		**46,429**	**45,003**

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

Liabilities

(in millions of euros)	Note	June 30,2020	Dec. 31, 2019
EQUITY:	**12**		
Share capital		2,268	2,328
Additional paid in capital		2,205	3,134
Retained earnings		16,299	16,034
Translation reserve		(407)	65
Equity attributable to owners of the parent		**20,365**	**21,561**
Non controlling interests		1,564	1,579
TOTAL EQUITY		**21,929**	**23,140**
NON-CURRENT LIABILITIES:			
Pensions and other post-employment benefit obligations	13	1,831	1,806
Other non-current provisions	14	911	940
Non-current financial liabilities	15	8,195	6,405
Deferred tax liabilities		951	1,021
Other non-current liabilities		978	883
TOTAL NON-CURRENT LIABILITIES		**12,866**	**11,055**
CURRENT LIABILITIES:			
Trade and other operating payables		4,111	4,215
Accrued taxes and payroll costs		2,772	3,147
Current provisions	14	877	794
Other current liabilities		1,475	1,428
Current debt	15	2,398	979
TOTAL CURRENT LIABILITIES		**11,633**	**10,563**
Liabilities held for sale & discontinued operations		-	245
TOTAL EQUITY AND LIABILITIES		**46,429**	**45,003**

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

4. Consolidated statement of changes in equity

(in millions of euros)	Number of shares (thousands)	Capital	Additional paid-in capital	Treasury Shares	Retained earnings	Trans-lation reserve	Equity attributable to owners of the parent	Non-controlling interests	Total
Dec. 31, 2018	**579,169**	**2,317**	**2,977**	**(2,982)**	**18,703**	**(233)**	**20,782**	**1,482**	**22,264**
IFRIC 23 impact					(223)		**(223)**		**(223)**
Jan. 1, 2019	**579,169**	**2,317**	**2,977**	**(2,982)**	**18,480**	**(233)**	**20,559**	**1,482**	**22,041**
Profit for the year					2,413		**2,413**	110	**2,523**
Other comprehensive income					(311)	298	**(13)**	35	**22**
Comprehensive income for the year	**-**	**-**	**-**	**-**	**2,102**	**298**	**2,400**	**145**	**2,545**
Capital increase	2,676	10	151				**161**		**161**
Exercise of performance shares	224	1	6				**7**		**7**
Dividends					(1,296)		**(1,296)**	(117)	**(1,413)**
Change in treasury shares				(266)			**(266)**		**(266)**
Share-based compensation expense					148		**148**	6	**154**
Other					(152)		**(152)**	63	**(89)**
Dec. 31, 2019	**582,069**	**2,328**	**3,134**	**(3,248)**	**19,282**	**65**	**21,561**	**1,579**	**23,140**
Profit for the year					775		**775**	46	**821**
Other comprehensive income					(100)	(472)	**(572)**	(52)	**(624)**
Comprehensive income for the year	**-**	**-**	**-**	**-**	**675**	**(472)**	**203**	**(6)**	**197**
Capital increase							**-**		**-**
Exercise of performance shares							**-**		**-**
Dividends					(1,413)		**(1,413)**	(14)	**(1,427)**
Change in treasury shares	(15,000)	(60)	(929)	(50)	989		**(50)**		**(50)**
Share-based compensation expense					74		**74**	2	**76**
Other					(10)		**(10)**	3	**(7)**
June 30, 2020	**567,069**	**2,268**	**2,205**	**(3,298)**	**19,597**	**(407)**	**20,365**	**1,564**	**21,929**

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

5. Notes to the consolidated financial statements

Contents

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 half year ended June 30, 2020 were drawn up by the boards of directors on July 28, 2020.

COVID-19 pandemic

Impact of the spread of the COVID-19 and Strategy of the Group

The COVID-19 pandemic and the actions taken in response to its spread have resulted in disturbances to the Group's business operations and supply chain. On 23 March 2020, the Group suspended its 2020 guidance due to the uncertainty of the situation.

In this context, the Group has been coordinating its teams globally, regionally and locally to ensure business continuity and focused on the following key elements : health, business continuity, cash & costs, rebound with customers, taking care of communities through the launch of "Tomorrow Rising Fund".

While the first initiatives included ensuring the health and safety of its employees, the Group also adapted some facilities to assist in the production of essential medical equipment. The supply chain organization instituted a global management team that has been tracking evolution of the situation in real time. The Group focused on enhancing the digital customer experience, while establishing communities and partnerships, and provided multiple digital interactions and trainings to customers across the world. The Group also accelerated its medium term cost efficiency plan, and implemented specific tactical savings across the organization, leveraging its multi-local model.

Government grants

The Group did not benefit from significant grants established by the countries impacted by the pandemic, and chose not to resort to the exceptional liquidity support schemes proposed by the French state to overcome the crisis. The Group however benefited from deferral of payment of various tax and social charges accross the world, generating temporary positive cash impact for the half year 2020, that will be compensated in the coming periods.

Risks and uncertainties

The risks factors published in the Universal Registration Document remain valid. The Group demonstrated the agility and resilience of its global supply chain while coordinating and regionally managing supply chain organization to enable quick decision making and flexibility.

Liquidity and balance sheet position

At June 30, 2020, the Group has a total liquidity of around EUR 9.6 billion euros, including cash & cash equivalents and undrawn available committed credit lines. The Group has sufficient liquidity for debt repayments, funding the acquisitions that have been already announced, and its operations for at least the next 12 months. The Group working capital was assessed with the same accounting policies, principles and methodologies used for the full year 2019 consolidated financial statements. There was no material impairment booked in the income statement as at June 30, 2020.

Impairment of assets

The Group expects to emerge strong from the crisis and recover its sales & margin level in the near perspective. However, to take into account the uncertainty of current environment, and based on current and expected performance, the Group has conducted a sensitivity analysis based on the 2019 impairment tests, on the following key drivers of the recoverable value of the CGU:

- +2 points increase in the discount rate
- -3 points decrease in the sales rate, combined with -3 points decrease in the margin rate

Those analysis showed that the headroom by CGU remained sufficient to support the net book value of the current valuation of all long lived assets. As a result, the Group concluded that there was no risk of impairment at June 30, 2020.

NOTE 1 Summary of accounting policies

Accounting standards and basis of preparation

The consolidated financial statements for the six months ended June 30, 2020 have been prepared in accordance with IAS 34 - *Interim Financial Reporting*. As condensed financial statements, they do not include all the disclosures required by International Financial Reporting Standards (IFRS) and should be read in conjunction with the December 31, 2019 annual consolidated financial statements included in the Universal Registration Document filed with the Autorité des Marchés Financiers (AMF) under no. D.20-0137, except for the differences in accounting treatment between the annual and interim financial statements described below.

The interim consolidated financial statements have been prepared in compliance with the international accounting standards adopted by the European Union as of June 30, 2020. The same accounting methods were used as for the consolidated financial statements for the year ended December 31, 2019.

The Group did not apply the following standards and interpretations that have not yet been adopted by the European Union as of June 30, 2020 or that were not mandatory for January 1, 2020:

- IFRS 17 - *Insurance Contracts*
- amendments to IAS 1 - *Presentation of Financial Statements: Classification of Liabilities as Current or Non-current*
- amendments to IFRS 3 - *Business Combinations*
- amendments to IAS 16 - *Property, Plant and Equipment*
- amendments to IAS 37 - *Provisions, Contingent Liabilities and Contingent Assets*
- Annual Improvements 2018-2020
- amendments to IFRS 16 - *Leases Covid 19-Related Rent Concessions*
- amendments to IFRS 4 - *Contracts - deferral of IFRS 9*

The December 2019 IFRIC decision *Lease term and useful life of leasehold improvements* has not been applied by the Group as of June 30, 2020. The Group is still in the process of assessing the impact from this decision, that will be applied for year-end.

Seasonal variations

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

Income tax expense

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

NOTE 2 Changes in the scope of consolidation

2.1- Scope variations

Acquisitions & disposals of the period

Acquisitions

On February 13, 2020, the Group announced its intention to launch a voluntary public tender for the acquisition of 100% of the shares of RIB Software SE for a total valorisation of EUR 1.4 billion.

On March 25, 2020, the Group acquired 5,184,704 shares of RIB Software, corresponding to approximately 9.99% of the capital of the company, outside the takeover offer.

Disposals

On October 24, 2019, the Group agreed to establish a Joint Venture with the Russian Direct Investment Fund (RDIF), to further strengthen the long-term outlook for the Group's Electroshield Samara business which was consolidated under *Energy Management* segment and generated revenues of EUR 168 million in 2019.

The transaction with the Russian Direct Investment Fund (RDIF) was closed on January 20, 2020. The new Joint Venture is consolidated as an equity method investment in 2020.

Follow-up on acquisitions and divestments occurred in 2019 with significant effect in 2020

Acquisitions

No significant acquisition occurred during 2019.

Disposals

On March 25, 2019, the Group announced having entered exclusive negotiations with Transom Capital Group regarding the sale of its Pelco business. On May 24, 2019, the sale of Pelco, which previously reported within the *Energy Management* segment, was finalized.

On December 5, 2019, the Group announced having signed an agreement with Vinci Energies regarding the sale of Converse Energy Projects GmbH, which reported within the *Energy Management* segment. On December 30, 2019, the sale was finalized.

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

Changes in the scope of consolidation at June 30, 2020, decreased the Group's cash position by a net EUR 140 million outflow, as described below:

(in millions of euros)	First half 2020	First half 2019
Acquisitions	(157)	(117)
Disposals	17	43
FINANCIAL INVESTMENTS NET OF DISPOSALS	(140)	(74)

In 2020, the cash outflow from acquisitions is mainly related to the acquition of 9.99% of RIB Software, outside of the takeover offer.

NOTE 3 Segment information

The Group is structured into two reporting segments and organized as follow:

Energy Management leverages a complete end-to-end technology offering enabled by EcoStruxure. The Group's go-to-market is oriented to address customer needs across its four end-markets of Buildings, Data Centers, Industry and Infrastructure, supported by a worldwide partner network.

Industrial Automation includes Industrial Automation and Industrial Control activities, across discrete, process & hybrid industries.

Expenses concerning General Management that cannot be allocated to a particular segment are presented under "Central functions & digital costs".

The board of directors has been identified as the main "decision-making body" for allocating resources and evaluating segment performance. The data shared with the latter is presented by reporting segments, with a detail by operating segment for *Energy Management*. Performance and decisions on the allocation of resources are assessed by the board of directors notably based on Adjusted EBITA.

Share-based payment is presented under "Central functions & digital costs".

The board of directors does not review assets and liabilities by operating segment.

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

3.1- Information by reporting segment

First half 2020

(in millions of euros)	**Energy Management**	**Industrial Automation**	**Central functions & digital costs**	**Total**
Revenue	8,755	2,820		**11,575**
Adjusted EBITA	1,494	429	(347)	**1,576**
Adjusted EBITA (%)	*17.1%*	*15.2%*		**13.6%**

First half 2019

(in millions of euros)	**Energy Management**	**Industrial Automation**	**Central functions & digital costs**	**Total**
Revenue	10,072	3,130		**13,202**
Adjusted EBITA	1,776	551	(367)	**1,960**
Adjusted EBITA (%)	*17.6%*	*17.6%*		**14.8%**

3.2- Information by region

The geographic regions covered by the Group are:

- Western Europe,
- North America (including 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.

First half 2020

(in millions of euros)	**Western Europe**	**Asia-Pacific**	**North America**	**Rest of the World**	**Total**
Revenue by country market	3,038	3,350	3,482	1,705	**11,575**
Non-current assets as of June 30, 2020	11,339	4,105	9,939	1,254	**26,637**

First half 2019

(in millions of euros)	**Western Europe**	**Asia-Pacific**	**North America**	**Rest of the World**	**Total**
Revenue by country market	3,494	3,832	3,867	2,009	**13,202**
Non-current assets as of June 30, 2019	11,646	4,129	9,732	1,305	**26,812**

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

(in millions of euros)	**First half 2020**		**First half 2019**	
Revenue - Mature countries	6,926	*60%*	7,802	*59%*
Revenue - New economies	4,649	*40%*	5,400	*41%*
TOTAL	**11,575**	**100%**	**13,202**	**100%**

NOTE 4 Research and development

Research and development costs are as follows:

(in millions of euros)	**First half 2020**	**First half 2019**
Research and development costs in costs of sales	(187)	(197)
Research and development costs in R&D costs *	(344)	(325)
Capitalized development costs	(134)	(141)
TOTAL RESEARCH AND DEVELOPMENT COSTS **	**(665)**	**(663)**

** Including EUR 20 million of research and development tax credit in first half 2020 and EUR 20 million in first half 2019*

*** Excluding amortization of R&D costs capitalized*

Amortization expenses of capitalized development amounted to EUR 125 million in the first half of 2020 and EUR 120 million in the first half of 2019.

NOTE 5 Other operating income and expenses

Other operating income and expenses are as follows:

(in millions of euros)	First half 2020	First half 2019
Gains/(losses) on assets disposals	1	(8)
Gains/(losses) on business disposals & assets impairment	1	(248)
Costs of acquisitions and integrations	(71)	(49)
Others	-	(41)
OTHER OPERATING INCOME AND EXPENSES	**(69)**	**(346)**

In 2019, losses on business disposals and assets impairment mostly include the impact of the disposal of Pelco.

NOTE 6 Amortization and impairment of purchase accounting intangibles

(in millions of euros)	First half 2020	First half 2019
Amortization expenses of purchase accounting intangible assets	(87)	(88)
Impairment losses of purchase accounting intangible assets	-	-
AMORTIZATION AND IMPAIRMENT OF PURCHASE ACCOUNTING INTANGIBLES	**(87)**	**(88)**

NOTE 7 Other financial income and expenses

(in millions of euros)	First half 2020	First half 2019
Exchange gains and losses, net	(17)	(24)
Financial component of defined benefit plan costs	(24)	(25)
Fair value adjustment of financial assets	(13)	6
Other financial expenses, net	(55)	(39)
OTHER FINANCIAL INCOME AND EXPENSES	**(109)**	**(82)**

NOTE 8 Income tax expenses

When regulatory requirements are met, Group entities file consolidated tax returns. Schneider Electric SE has chosen this option for the French subsidiaries it controls directly or indirectly through Schneider Electric Industries SAS.

8.1- Analysis of income tax expense

(in millions of euros)	First half 2020	First half 2019
Current taxes	(337)	(289)
Deferred taxes	90	3
INCOME TAX (EXPENSE)/BENEFIT	**(247)**	**(286)**

8.2- Tax reconciliation

(in millions of euros)	First half 2020	First half 2019
Profit attributable to owners of the parent	**775**	**993**
Income tax (expense)/benefit	(247)	(286)
Non-controlling interests	(46)	(51)
Share of profit of associates	40	41
Income of discontinued operations, net of income tax	-	4
Profit before tax	**1,028**	**1,285**
Geographical weighted average Group tax rate	21.2%	22.7%
Theoretical income tax expense	**(218)**	**(292)**
Reconciling items :		
Tax credits and other tax reductions	13	125
Impact of tax losses	(31)	(23)
Other permanent differences	(11)	(96)
INCOME TAX (EXPENSE)/BENEFIT	**(247)**	**(286)**
EFFECTIVE TAX RATE	**24.0%**	**22.3%**

Theoretical tax expense from continuing operations is reconciled above from the Company's weighted-average global tax rate (rather than from the French domestic statutory tax rate), as the Company's consolidated income from continuing operations is predominantly generated outside of France.

NOTE 9 Goodwill

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

(in millions of euros)	June 30,2020	Dec. 31, 2019
Net goodwill at opening	**18,719**	**18,373**
Acquisitions	21	64
Disposals	-	(33)
Reclassifications	-	(3)
Translation adjustment	(194)	318
NET GOODWILL AT END OF PERIOD	**18,546**	**18,719**
including cumulative impairment	*(367)*	*(366)*

Currency translation adjustments concern principally goodwill in US dollars and UK pound sterling.

NOTE 10 Investments in associates

The variations of the period correspond mainly to the share of profit and loss of investment in associates.

Main contributor is Delixi Sub-Group investment with a net result of EUR 40 million for the six-month period ended June 30, 2020 compared to EUR 34 million for the six-month period ended June 30, 2019.

NOTE 11 Financial assets

11.1- Non-current financial assets

Non-current financial assets amount to EUR 774 million as of June 30, 2020, and mainly comprise financial and pensions assets.

11.2- Current financial assets

Current financial assets amount EUR 18 million as of June 30, 2020 and mainly comprise non-monetary short-term investments.

NOTE 12 Shareholder's equity

In May, Schneider Electric SE cancelled 15 millions treasury shares for a nominal value of EUR 60 millions.

No Schneider Electric SE shares were issued during the six-month period ended June 30, 2020 upon exercise of performance shares grant.

Based upon the assumptions described in the notes to the 2020 consolidated financial statements, the expense recorded under "Selling, general and administrative expenses" for stock option or stock grant plans totaled EUR 76 million in six-month period ended June 30, 2020 (EUR 81 million for the six-month period ended June 30, 2019). This expense was booked as an adjustment to "Retained earnings" in Shareholders' equity.

NOTE 13 Pensions and other post-employment benefit obligations

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

(in millions of euros)	Pensions and termination benefits	Other post-employment and long-term benefits	Provisions for pensions and other post-employment benefits
Dec. 31, 2019	**1,286**	**269**	**1,555**
Net cost recognized in the statement of income	46	7	53
Service cost	*25*	*4*	*29*
Interest cost	*102*	*3*	*105*
Interest income	*(81)*		*(81)*
Benefits paid	(17)	(22)	(39)
Plan participants contributions	(37)		(37)
Actuarial gains and losses recognized in equity	95	12	107
Translation adjustment	**2**	**(1)**	1
Change in the scope of consolidation and other	(14)	10	(4)
June 30, 2020	**1,361**	**275**	**1,636**
Surplus of plans recognized as assets	**(195)**		**(195)**
Provisions recognized as liabilities	**1,556**	**275**	**1,831**

Following the agreement reached with the Trustee of the Invensys Pension Scheme in the UK on February 7, 2014, Schneider Electric SE guaranteed all obligations of the Invensys subsidiaries which participate in the Scheme, up to a maximum amount of GBP 1.75 billion. At June 30, 2020, plan assets exceed the value of obligations subject to this guarantee and thus this guarantee cannot be called.

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

NOTE 14 Provisions for contingencies and charges

(in millions of euros)	Economic risks	Customer risks	Products risks	Environmental risks	Restructuring	Other risks	Provisions
Dec. 31, 2019	**292**	**76**	**499**	**293**	**151**	**423**	**1,734**
of which long-term portion	*155*	*50*	*139*	*256*	*11*	*329*	*940*
Additions	12	6	123	1	162	69	373
Utilizations	(11)	(13)	(80)	(5)	(89)	(41)	(239)
Reversals of surplus provisions	(10)	-	(2)	(3)	-	(1)	(16)
Translation adjustments	(7)	-	(6)	-	(4)	(3)	(20)
Changes in the scope of consolidation and other	(26)	18	-	-	(6)	(30)	(44)
June 30, 2020	**250**	**87**	**534**	**286**	**214**	**417**	**1,788**
of which long-term portion	*123*	*51*	*141*	*248*	*13*	*335*	*911*

Management is confident that balance sheet provisions for known disputes in which the Group is involved are sufficient to ensure that these disputes do not have a material impact on its financial position or profit.

NOTE 15 Net debt

Net debt breaks down as follows:

(in millions of euros)	June 30,2020	Dec. 31, 2019
Bonds	8,681	6,888
Bonds and other borrowings	80	22
Employee profit sharing	-	2
Short-term portion of convertible and non-convertible bonds	(500)	(500)
Short-term portion of long-term debt	(66)	(7)
NON-CURRENT FINANCIAL LIABILITIES	8,195	6,405
Commercial paper	1,332	-
Accrued interest	63	41
Other short-term borrowings	143	234
Drawdown of funds from lines of credit	-	-
Bank overdrafts	294	197
Short-term portion of convertible and non-convertible bonds	500	500
Short-term portion of long-term debt	66	7
SHORT-TERM DEBT	2,398	979
TOTAL CURRENT AND NON-CURRENT FINANCIAL LIABILITIES	10,593	7,384
CASH AND CASH EQUIVALENTS	(5,823)	(3,592)
NET DEBT	4,770	3,792

Cash and cash equivalents net of short-term bank loans and overdrafts totaled EUR 5,529 million, corresponding to the amount reported in the consolidated cash flow statement.

Non-recourse factoring of trade receivables was realized during the six-month period ended June 30, 2020 for a total amount of EUR 25 million, compared with EUR 52 million during the six-month period ended June 30, 2019.

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

All the financial instruments are usually evaluated at fair value, except the long-term debt. The non-current financial liabilities contain bonds for which fair value as at June 30, 2020 is EUR 8,761 million.

As at June 30, 2020, Schneider Electric has total liquidity of EUR 9.6 billion, including cash & cash equivalents of €5.5 billion as of year end 2019, in addition to undrawn available committed credit lines of EUR 4.1 billion.

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

NOTE 16 Derivative instruments

June 30, 2020

(in millions of euros)	Accounting qualification	Maturity	Nominal sales	Nominal purchases	Fair Value	Carrying amount in assets	Carrying amount in liabilities	Of which carrying amounts in OCI
Forwards contracts	CFH	< 1 year	211	(202)	(2)	5	(7)	(7)
Forwards contracts	CFH	< 2 years	24	(41)	1	1	-	-
Forwards contracts	CFH	> 2 years	4	(8)	1	1	-	-
Forwards contracts	FVH	< 1 year	1,294	(1,026)	9	26	(17)	(1)
Forwards contracts	NIH	< 1 year	1,207	-	26	27	(1)	25
Forwards contracts	Trading	< 1 year	428	(3,760)	29	32	(3)	-
Cross currency swaps	CFH	< 2 years	-	(101)	8	8	-	-
TOTAL FX DERIVATIVES			**3,168**	**(5,138)**	**72**	**100**	**(28)**	**17**
Forwards contracts	CFH	< 1 year	-	(134)	3	6	(3)	-
Commodities derivatives			**-**	**(134)**	**3**	**6**	**(3)**	**-**
Options	CFH	< 1 year	-	(3)	4	4	-	-
Shares derivatives			**-**	**(3)**	**4**	**4**	**-**	**-**
TOTAL			3,168	(5,275)	79	110	(31)	17

Dec. 31, 2019

(in millions of euros)	Accounting qualification	Maturity	Nominal sales	Nominal purchases	Fair Value	Carrying amount in assets	Carrying amount in liabilities	Carrying amounts in OCI
Forwards contracts	CFH	< 1 year	127	(126)	-	3	(3)	-
Forwards contracts	CFH	< 2 years	10	(23)	-	-	-	-
Forwards contracts	CFH	> 2 years	4	(4)	-	-	-	-
Forwards contracts	FVH	< 1 year	1,236	(1,028)	45	49	(4)	-
Forwards contracts	NIH	< 1 year	1,191	-	10	10	-	10
Forwards contracts	Trading	< 1 year	525	(3,299)	(18)	1	(19)	-
Cross currency swaps	CFH	< 2 years	-	(108)	(4)	-	(4)	(4)
TOTAL FX DERIVATIVES			**3,093**	**(4,588)**	**33**	**63**	**(30)**	**6**
Forwards contracts	CFH	< 1 year	-	(233)	6	8	(2)	6
Commodities derivatives			**-**	**(233)**	**6**	**8**	**(2)**	**6**
Options	Trading	< 1 year	-	(4)	4	4	-	-
Shares derivatives			**-**	**(4)**	**4**	**4**	**-**	**-**
TOTAL			**3,093**	**(4,825)**	**43**	**75**	**(32)**	**12**

16.1- Foreign currency

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

Schneider Electric's currency hedging policy is to protect its subsidiaries against risks on transactions denominated in a currency other than their functional currency.

16.2- Interest rate

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

The Group didn't use any derivative instrument to hedge its exposure to interest rates during the six-month period ended June 30, 2020.

16.3- Raw materials

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

16.4- Share-based payment

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

16.5- Counterparty risk

Financial transactions are entered with carefully selected counterparties. Banking counterparties are chosen according to the customary criteria, including the credit rating issued by an independent rating agency. Group policy consists of diversifying counterparty risks and periodic controls are performed to check compliance with the related rules. 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.

NOTE 17 Related parties transactions

17.1- Associates

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

17.2- Related parties with significant influence

No transactions were carried out during the period with Board members.

NOTE 18 Commitments and contingent liabilities

18.1- Guarantees given and received

Guarantees given and received amounted to EUR 3,462 million and EUR 53 million, respectively, as of June 30, 2020.

18.2- Contingent liabilities

The Group has not been advised to date of any claim/allegations related to the investigation conducted in France by French public agencies. The Group is fully cooperating with the French authority on this matters. Besides, the antitrust investigation conducted by public agencies in Spain has been closed.

NOTE 19 Subsequent events

19.1- RIB Software

In July 10, 2020, all closing conditions have been fulfilled and the settlement of the voluntary public tender offer has been concluded. RIB will be consolidated in full as part of the Energy Management business.

MANAGEMENT REPORT FOR THE PERIOD ENDED JUNE 30, 2020

Consolidated financial statements

Business and Statement of Income highlights

Acquisitions & disposals of the period

Acquisitions

On February 13, 2020, the Group announced its intention to launch a voluntary public tender for the acquisition of 100% of the shares of RIB Software SE for a total valorisation of EUR 1.4 billion.

On March 25, 2020, the Group acquired 5,184,704 shares of RIB Software, corresponding to approximately 9.99% of the capital of the company, outside the takeover offer.

Disposals

On October 24, 2019, the Group agreed to establish a Joint Venture with the Russian Direct Investment Fund (RDIF), to further strengthen the long-term outlook for the Group's Electroshield Samara business which was consolidated under *Energy Management* segment and generated revenues of EUR 168 million in 2019.

The transaction with the Russian Direct Investment Fund (RDIF) was closed on January 20, 2020. The new Joint Venture is consolidated as an equity method investment in 2020.

Follow-up on acquisitions and divestments occurred in 2019 with significant effect in 2020

Acquisitions

No significant acquisition occurred during 2019.

Disposals

On March 25, 2019, the Group announced having entered exclusive negotiations with Transom Capital Group regarding the sale of its Pelco business. On May 24, 2019, the sale of Pelco, which previously reported within the *Energy Management* segment, was finalized.

On December 5, 2019, the Group announced having signed an agreement with Vinci Energies regarding the sale of Converse Energy Projects GmbH, which reported within the *Energy Management* segment. On December 30, 2019, the sale was finalized.

Exchange rate changes

Fluctuations in the euro exchange rate had a negative impact in six-month period ended June 30, 2020, decreasing consolidated revenue by EUR (52) million due mainly to the negative effect of multiple currencies (mainly Brazilian Real, Argentinian Peso, Chinese Yuan) compared to the Euro and a negative impact decreasing adjusted EBITA by EUR (29) million.

Results of Operations

The following table sets forth our results of operations for the six-month period ended June 30, 2020 and 2019:

(in millions of euros except for earnings per share)	First half 2020	First half 2019	Variance
Revenue	**11,575**	**13,202**	**(12.3)%**
Cost of sales	(6,954)	(8,000)	(13.1)%
Gross profit	**4,621**	**5,202**	**(11.2)%**
% Gross profit	**39.9%**	**39.4%**	
Research and development	(344)	(325)	5.8%
Selling, general and administrative expenses	(2,701)	(2,917)	(7.4)%
EBITA adjusted *	**1,576**	**1,960**	**(19.6)%**
% EBITA adjusted	**13.6%**	**14.8%**	
Other operating income and expenses	(69)	(346)	(80.1)%
Restructuring costs	(221)	(101)	118.8%
EBITA **	**1,286**	**1,513**	**(15.0)%**
% EBITA	**11.1%**	**11.5%**	
Amortization and impairment of purchase accounting intangibles	(86)	(88)	(2.3)%
Operating income	**1,200**	**1,425**	**(15.8)%**
% Operating income	**10.4%**	**10.8%**	
Interest income	17	39	(56.4)%
Interest expense	(80)	(97)	(17.5)%
Finance costs, net	**(63)**	**(58)**	**8.6%**
Other financial income and expense	(109)	(82)	32.9%
Net financial income/(loss)	**(172)**	**(140)**	**22.9%**
Profit from continuing operations before income tax	**1,028**	**1,285**	**(20.0)%**
Income tax expense	(247)	(286)	(13.6)%
Income of discontinued operations, net of income tax	-	4	(100.0)%
Share of profit/(loss) of associates	40	41	(2.4)%
PROFIT FOR THE PERIOD	**821**	**1,044**	**(21.4)%**
attributable to owners of the parent	*775*	*993*	*(22.0)%*
attributable to non controlling interests	*46*	*51*	*(9.8)%*
Basic earnings (attributable to owners of the parent) per share (in euros per share)	1.4	1.79	(21.8)%
Diluted earnings (attributable to owners of the parent) per share (in euros per share)	1.39	1.78	(21.9)%

** Adjusted EBITA (Earnings Before Interest, Taxes, Amortization of Purchase Accounting Intangibles). Adjusted EBITA corresponds to operating profit before amortization expenses and impairment loss of purchase accounting intangible assets, before goodwill impairment, other operating income and expenses and restructuring costs.*

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

Revenue

Consolidated revenue totaled EUR 11,575 million for the period ended June 30, 2020, down (12.3)% on a current structure and currency basis from the year-earlier period.

Organic growth was negative for (10.5)%, acquisitions and disposals accounted for (1.7)% and the currency effect for (0.1)%.

Breakdown by business

The following table sets forth our revenue by business segment for the six-month periods ended June 30, 2020 and 2019:

(in millions of euros)	Energy Management	Industrial Automation	Total
First half 2020	8,755	2,820	**11,575**
First half 2019	10,072	3,130	**13,202**

Energy Management (76% of half year revenues) was down (11)% organically for the first half of 2020, impacted across regions by the COVID-19 crisis. The Residential and small building market was impacted but generally more resilient, performing better toward the end of the first half of the year. The Commercial & Industrial Buildings market was impacted throughout the first half of the year, with demand varied by segment and geography with hospitals and healthcare showing resilience. Data centers continued to see strong demand, but revenue was impacted by a high base of comparison. Digital offers were seen to gain traction through the first half-year, with Smart Grid offers for Infrastructure markets growing. Industrial markets were mixed.

Industrial Automation (24% of half year revenues) was down (9)% organically for the first half of 2020, impacted by the economic cycle, and across regions by the COVID-19 crisis. The Group's offers for both Discrete and Process/Hybrid end-markets were impacted, although there were pockets of resilience in certain segments such as Water and Wastewater and Consumer Packaged Goods. The Group continued to deliver on critical infrastructure needs through the crisis. The Group benefitted from its balanced portfolio, with its offerings in software and services providing resilience.

Gross margin

Gross margin decreased to EUR 4,621 million for the six-month period ended June 30, 2020 (EUR 5,202 million for the six-month period ended June 30, 2019) mainly linked to a decrease in revenue. As a percentage of revenues, gross profit is improving to 39.9% in first half of 2020 from 39.4% in first half of 2019, mainly driven by net price, productivity and a positive mix effect.

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

Research and development expenses, net of capitalized development costs and excluding research and development costs booked in costs of sales, increased by 5.8% from EUR 325 million for the six-month period ended June 30, 2019 to EUR 344 million for the six-month period ended June 30, 2020. As a percentage of revenues, the net cost of research and development is increasing slightly to 3.0% of revenues for six-month period ended June 30, 2020 (2.5% for the six-month period ended June 30, 2019).

Total research and development expense, including capitalized development costs and development costs reported as cost of sales (see Note 4 to the Consolidated Financial Statements) increased by 0.3% from EUR 663 million for the six-month period ended June 30, 2019 to EUR 665 million for the six-month period ended June 30, 2020. As a percentage of revenues, total research and development expenses increased slightly to 5.7% for the six-month period ended June 30, 2020 (5.0% for the six-month period ended June 30, 2019).

On the first semester 2020, the net effect of capitalized development costs and amortization of capitalized development costs amounts to EUR 9 million on operating income (EUR 21 million on the first semester 2019).

Selling, general and administrative expenses decreased by (7.4)% to EUR 2,701 million for the six-month period ended June 30, 2020 (EUR 2,917 million for the six-month period ended June 30, 2019). As a percentage of revenues, selling, general and administrative expenses increased slightly to 23.3% for the six-month period ended June 30, 2020 (22.1% for the six-month period ended June 30, 2019).

Combined, total support function costs, that is, research and development expenses together with selling, general and administrative costs, totaled EUR 3,045 million for the six-month period ended June 30, 2020 compared to EUR 3,242 million for the six-month period ended June 30, 2019, a decrease of (6.1)%. Support functions costs to sales ratio increased from 24.6% for the six-month period ended June 30, 2019 to 26.3% for the six-month period ended June 30, 2020.

Other operating income and expenses

For the six-month period ended June 30, 2020, other operating income and expenses amounted to a net expense of EUR 69 million, mainly due to costs of acquisitions and integrations for EUR 71 million.

Restructuring costs

For the six-month period ended June 30, 2020, restructuring costs amounted to EUR 221 million compared to EUR 101 million for the six-month period ended June 30, 2019, attributed mainly to Support Function Costs improvement initiatives.

EBITA and Adjusted EBITA

We define adjusted EBITA as EBITA before restructuring costs and before other operating income and expenses, which includes acquisition, integration and separation costs. We define EBITA as earnings before interest, taxes and amortization of purchase accounting intangibles. EBITA comprises operating profit before amortization and impairment of purchase accounting intangible assets and before goodwill impairment.

Adjusted EBITA amounted to EUR 1,576 million for the six-month period ended June 30, 2020, compared to EUR 1,960 million for the six-month period ended June 30, 2019, a decrease of (19.6)%. As a percentage of revenues, adjusted EBITA deteriorated from 14.8% for the six-month period ended June 30, 2019 to 13.6% for the six-month period ended June 30, 2020.

EBITA decreased by (15.0)% from EUR 1,513 million for the six-month period ended June 30, 2019 to EUR 1,286 million for the six-month period ended June 30, 2020, due to. As a percentage of revenues, EBITA decreased to 11.1% for the six-month period ended June 30, 2020 (11.5% for the six-month period ended June 30, 2019).

Adjusted EBITA by business segment

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

First half 2020

(in millions of euros)	**Energy Management**	**Industrial Automation**	**Central functions & digital costs**	**Total**
Revenue	8,755	2,820		**11,575**
Adjusted EBITA	1,494	429	(347)	**1,576**
Adjusted EBITA (%)	*17.1%*	*15.2%*		**13.6%**

First half 2019

(in millions of euros)	Energy Management	Industrial Automation	Central functions & digital costs	Total
Revenue	10,072	3,130		**13,202**
Adjusted EBITA	1,776	551	(367)	**1,960**
Adjusted EBITA (%)	*17.6%*	*17.6%*		**14.8%**

Energy Management adjusted EBITA for the six-month period ended June 30, 2020 reached EUR 1,494 million, or 17.1% of revenues down circa (80) bps organic (down (50) bps reported), due mainly to the decrease in volume, but partly offset by a strong positive mix effect, positive net pricing and Support Function Costs (SFC) savings.

Industrial Automation generated an adjusted EBITA of EUR 429 million, or 15.2% of revenues, down circa (200) bps organic, (and (240) bps reported), due mainly to the decrease in volume along with further impacts from labor inflation and a negative mix effect while product sales fell substantially, partly offset by SFC savings.

Central functions & Digital costs amounted to EUR 347 million for the six-month period ended June 30, 2020, rising slightly as a proportion of revenue to 3.0%. Costs have reduced in line with total SFC for the Group, with the Corporate cost element decreasing at a higher rate while there was some increase in costs for digital and cybersecurity.

Operating income (EBIT)

Operating income or EBIT (Earnings Before Interest and Taxes), decreased from EUR 1,425 million for the six-month period ended June 30, 2019 to 1,200 million for the six-month period ended June 30, 2020, a decrease of (15.8)%.

Net financial income/loss

Net financial loss amounted to EUR 172 million for the six-month period ended June 30, 2020, compared to EUR 140 million for the six-month period ended June 30, 2019.

This increase is explained both by the increase of cost of net financial debt to EUR 63 million for the six-month period ended June 30, 2020, compared to EUR 58 million for the six-month period ended June 30, 2019, accentuated by a negative fair value adjustment of financial asset of EUR 13 million on the six-month period ended June 30, 2020, compared to a positive fair value of EUR 6 million loss for the six-month period ended June 30, 2019.

Tax

The effective tax rate was 24.0% for the six-month period ended June 30, 2020, and 22.3% for the six-month period ended June 30, 2019. The corresponding income tax expense decreased from EUR 286 million for the six-month period ended June 30, 2019 to EUR 247 million for the six-month period ended June 30, 2020.

Share of profit/ (losses) of associates

The share of associates was a EUR 40 million profit for the six-month period ended June 30, 2020, compared to EUR 41 million profit for the six-month period ended June 30, 2019.

Non-controlling interests

Minority interests in net income for the six-month period ended June 30, 2020 totaled EUR 46 million, compared to EUR 51 million for the six-month period ended June 30, 2019. This represents the share in net income attributable, in large part, to the minority interests of AVEVA.

Profit for the period (to owners of the parent)

Profit for the period attributable to the equity holders of our parent company amounted to EUR 775 million for the six-month period ended June 30, 2020, compared to EUR 993 million profit for the six-month period ended June 30, 2019.

Earnings per share

Earnings per share amounted to EUR 1.40 per share for the six-month period ended June 30, 2020 and EUR 1.79 per share for the six-month period ended June 30, 2019.

Comments to the consolidated Cash-flow

The following table sets forth our cash-flow statement for the six-month period ended June 30, 2020 and 2019:

(in millions of euros)	Note	First half 2020	First half 2019
Profit for the year		**821**	**1,044**
Losses/(gains) from discontinued operations		-	(4)
Share of (profit)/losses of associates		(40)	(41)
Income and expenses with no effect on cash flow:			
Depreciation of property, plant and equipment		348	333
Amortization of intangible assets other than goodwill		230	235
Impairment losses on non-current assets		45	68
Increase/(decrease) in provisions		132	64
Losses/(gains) on disposals of assets		(9)	180
Difference between tax paid and tax expense		(121)	(148)
Other non-cash adjustments		53	60
Net cash provided by operating activities		**1,459**	**1,791**
Decrease/(increase) in accounts receivables		628	(67)
Decrease/(increase) in inventories and work in process		(481)	(198)
(Decrease)/increase in accounts payable		31	(116)
Decrease/(increase) in other current assets and liabilities		(333)	(193)
Change in working capital requirement		**(155)**	**(574)**
TOTAL I - CASH FLOWS FROM OPERATING ACTIVITIES		**1,304**	**1,217**
Purchases of property, plant and equipment		(225)	(232)
Proceeds from disposals of property, plant and equipment		28	6
Purchases of intangible assets		(142)	(154)
Net cash used by investment in operating assets		**(339)**	**(380)**
Acquisitions and disposals of businesses, net of cash acquired & disposed	2	(140)	(74)
Other long-term investments		16	(24)
Increase in long-term pension assets		(37)	(49)
Sub-total		**(161)**	**(147)**
TOTAL II - CASH FLOWS FROM / (USED IN) INVESTING ACTIVITIES		**(500)**	**(527)**
Issuance of bonds		1,786	760
Repayment of bonds		-	(500)
Sale/(purchase) of own shares		(50)	(80)
Increase/(decrease) in other financial debt		1,113	546
Increase/(decrease) of share capital		-	4
Dividends paid to Schneider Electric's shareholders		(1,413)	(1,296)
Dividends paid to non-controlling interests		(14)	(37)
TOTAL III - CASH FLOWS FROM / (USED IN) FINANCING ACTIVITIES		**1,422**	**(603)**
TOTAL IV - NET FOREIGN EXCHANGE DIFFERENCE		**(92)**	**13**
TOTAL V - EFFECT OF DISCONTINUED OPERATIONS		**-**	**(43)**
INCREASE/(DECREASE) IN NET CASH AND CASH EQUIVALENTS: I +II +III +IV +V		**2,134**	**57**
Net cash and cash equivalents, beginning of the period	15	3,395	2,231
Increase/(decrease) in cash and cash equivalents		2,134	57
NET CASH AND CASH EQUIVALENTS, END OF THE PERIOD	**15**	**5,529**	**2,288**

Operating Activities

Net cash provided by operating activities before changes in operating assets and liabilities reached EUR 1,459 million for the six-month period ended June 30, 2020, decreasing compared to EUR 1,791 million for the six-month period ended June 30, 2019. It represents 12.6% of revenues for first half 2020 (13.6% of revenues from first half 2019).

Change in working capital requirement consumed EUR 155 million in cash in the six-month period ended June 30, 2020, compared to EUR 574 million in consumption in the six-month period ended June 30, 2019, reflecting normal cash-flow seasonality.

In all, net cash provided by operating activities increased from EUR 1,217 million in the six-month period ended June 30, 2019 to EUR 1,304 million in the six-month period ended June 30, 2020.

Investing Activities

Net capital expenditure, which includes capitalized development projects, decreased, at EUR 339 million for the six-month period ended June 30, 2020, compared to EUR 380 million for the six-month period ended June 30, 2019, and representing 2.9% of sales on first half 2020 stable compared to first half 2019.

The acquisitions net of disposals represented a cash out of EUR 140 million (net of acquired cash) for the six-month period ended June 30, 2020, compared with EUR 74 million for the six-month period ended June 30, 2019.

Financing Activities

Net cash flow from financing activities amounted to EUR 1,422 million during the six-month period ended June 30, 2020, compared to EUR (603) million during the six-month period ended June 30, 2019, mainly due to changes in debt. The dividend paid by Schneider Electric was EUR 1,413 million the six-month period ended June 30, 2020, compared with EUR 1,296 million the six-month period ended June 30, 2019.

Significant events of the period

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

Main risks and areas of uncertainty for the second half of 2020

The main risks and areas of uncertainty for the second half of the year are the same as those outlined in Chapter 1, paragraph 11.1 (Risk Factors) of the 2019 Universal Registration Document filed with AMF on March 17, 2020.

Claims, litigations and other risks

No significant event occurred since Universal Registration Document date (Risk Factors described in the Universal Registration Document – page 63).

Transactions with related parties

These transactions are described in Note 17 to the interim consolidated financial statements.

2020 Targets

The Group recognizes the ongoing uncertainty and challenges relating to the continuing global health and economic crisis. It is hard to predict whether there might be another significant lockdown in major economies following a second wave of contagion. On the assumption that is not the case, the Group currently expects the following trends in the second semester 2020:

- In North America, the Group recognizes the uncertainty presented by a strong increase in contagion in several states in the South and West of the U.S. and associated containment measures resulting in a mixed picture across the country. The Group notes strong economic data related to residential construction and robust demand in data center end-market. Though several segments show pockets of resilience linked to digitization and services, the overall demand remains challenged. The Group expects continued softness in Mexico.
- The Group expects China to continue the growth trend commenced in the second quarter, with a continuation of economic recovery led by OEM and Data Center end-markets, and with pick-up in Infrastructure and Construction in the second half of the year.
- For the rest of Asia Pacific, the Group expects India to remain impacted in the second half of the year based on increasing levels of contagion resulting in recent resurgence of lockdowns. South East Asia and countries in the Pacific could see improvement in economic activity though varied by country.
- The Group expects major Western Europe economies to progressively recover in the second half of the year, with rate and strength of recovery varied by country.
- The Group expects continued softness in the Rest of the World, although with some pockets of optimism. A high base of comparison in Industrial Automation is noted for the second half of the year.

Following the resilient first half of the year and acknowledging the uncertain macro-economic trends, the Group re-establishes targets for the full year 2020 as it deploys its strategic priorities in key markets to drive towards its medium-term ambition.

In the current context, the Group notes the inherent uncertainty around the impact of the ongoing crisis and the possibility of second waves of lockdowns and contagion in several countries. Based on the current economic climate, the Group sets targets for 2020 as follows:

- Revenue expected to be between (7)% to (10)% organic;
- Adjusted EBITA margin expected to be between (50)bps to (90)bps, implying Adjusted EBITA margin between 14.5% to 15.0% (including scope and FX based on current estimation)

Attestation

I hereby declare that, to the best of my knowledge, the half-year financial statements as at June 30, 2020 have been prepared in accordance with applicable accounting standards, that they present fairly, in all material respects, the assets, financial position and results of the company and the consolidated group. To the best of my knowledge, the Management Report presents fairly the information mentioned in Article 222-6 of AMF's general regulations.

Rueil-Malmaison, July 28, 2020

On behalf of the Board of Directors,

Jean-Pascal TRICOIRE

Chairman of the Board of Directors and CEO

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

This is a free translation into English of the statutory auditors' review report on the half-yearly financial information issued in French and is provided solely for the convenience of English-speaking users.

This report includes information relating to the specific verification of information given in the Group's half-yearly management report.

This report should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France.

To the Shareholders,

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

- the review of the accompanying condensed half-yearly consolidated financial statements of Schneider Electric S.E., for the period from January 1 to June 30, 2020,
- the verification of the information presented in the half-yearly management report.

These condensed half-yearly consolidated financial statements were prepared under the responsibility of the Board of Directors on July 28, 2020 on the basis of the information available at that date in the evolving context of the crisis related to Covid-19 and of difficulties in assessing its impact and future prospects. Our role is to express a conclusion on these financial statements based on our review.

1. Conclusion on the financial statements
   We conducted our review in accordance with professional standards applicable in France. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with professional standards applicable in France and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.
   Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed half-yearly consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 – standard of the IFRSs as adopted by the European Union applicable to interim financial information.
2. Specific verification
   We have also verified the information presented in the half-yearly management report on the condensed half-yearly consolidated financial statements subject to our review prepared on July 28, 2020. We have no matters to report as to its fair presentation and consistency with the condensed half-yearly consolidated financial statements.

Courbevoie and Paris-La Défense, July 28, 2020

The statutory auditors

French original signed by

MAZARS		ERNST & YOUNG et Autres	
Loïc Wallaert	Mathieu Mougard	Jean-Yves Jégourel	Alexandre Resten