ANNUAL FINANCIAL REPORT
For the year ended December 31, 2021

Consolidated Financial Statements
Annual Management Report

1. Consolidated statement of income

(in millions of euros except for earnings per share)	Note	Full Year 2021	Full Year 2020
Revenue	**3**	**28,905**	**25,159**
Cost of sales		(17,062)	(15,003)
Gross profit		**11,843**	**10,156**
Research and development	4	(855)	(718)
Selling, general and administrative expenses		(6,001)	(5,512)
Adjusted EBITA *	**3**	**4,987**	**3,926**
Other operating income and expenses	6	(21)	(210)
Restructuring costs		(225)	(421)
EBITA **		**4,741**	**3,295**
Amortization and impairment of purchase accounting intangibles	5	(410)	(207)
Operating income		**4,331**	**3,088**
Interest income		4	14
Interest expense		(99)	(126)
Finance costs, net		**(95)**	**(112)**
Other financial income and expense	7	(81)	(166)
Net financial income/(loss)		**(176)**	**(278)**
Profit from continuing operations before income tax		**4,155**	**2,810**
Income tax expense	8	(966)	(638)
Share of profit/(loss) of associates	12	84	66
PROFIT FOR THE YEAR		**3,273**	**2,238**
attributable to owners of the parent		*3,204*	*2,126*
attributable to non-controlling interests		*69*	*112*
Basic earnings (attributable to owners of the parent) per share (in euros per share)	19	5.76	3.84
Diluted earnings (attributable to owners of the parent) per share (in euros per share)	19	5.67	3.81

** 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	Full Year 2021	Full Year 2020
Profit for the year		**3,273**	**2,238**
Other comprehensive income:			
Translation adjustment		1,839	(1,649)
Cash-flow hedges		130	(125)
Income tax effect of cash flow hedges	19	(7)	(18)
Net gains/(losses) on financial assets		40	(5)
Income tax effect of gains/(losses) on financial assets	19	(9)	1
Actuarial gains/(losses) on defined benefit plans	20	451	(123)
Income tax effect of actuarial gains/(losses) on defined benefit plans	19	(105)	21
Other comprehensive income for the year, net of tax		**2,339**	**(1,898)**
of which to be recycled in income statement		*1,962*	*(1,792)*
of which not to be recycled in income statement		*377*	*(106)*
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**5,612**	**340**
attributable to owners of the parent		*5,212*	*271*
attributable to non-controlling interests		*400*	*69*

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

2. Consolidated statement of cash flows

(in millions of euros)	Note	Full Year 2021	Full Year 2020
Profit for the year		**3,273**	**2,238**
Share of (profit)/losses of associates		(84)	(66)
Income and expenses with no effect on cash flow:			
Depreciation of property, plant and equipment	11	726	698
Amortization of intangible assets other than goodwill	10	688	512
Impairment losses on non-current assets		34	54
Increase/(decrease) in provisions	21	(54)	266
Losses/(gains) on disposals of business and assets		(184)	(10)
Difference between tax paid and tax expense		(38)	(137)
Other non-cash adjustments		108	96
Net cash provided by operating activities		**4,469**	**3,651**
Decrease/(increase) in accounts receivables		(577)	326
Decrease/(increase) in inventories and work in progress		(955)	(153)
(Decrease)/increase in accounts payable		418	344
Decrease/(increase) in other current assets and liabilities		261	267
Change in working capital requirement		**(853)**	**784**
TOTAL I - CASH FLOWS FROM / (USED IN) OPERATING ACTIVITIES		**3,616**	**4,435**
Purchases of property, plant and equipment	11	(543)	(485)
Proceeds from disposals of property, plant and equipment		59	55
Purchases of intangible assets	10	(333)	(332)
Net cash used by investment in operating assets		**(817)**	**(762)**
Acquisitions and disposals of businesses, net of cash acquired & disposed	2	(4,231)	(2,393)
Other long-term investments		16	11
Increase in long-term pension assets		(136)	(106)
Sub-total		**(4,351)**	**(2,488)**
TOTAL II - CASH FLOWS FROM / (USED IN) INVESTING ACTIVITIES		**(5,168)**	**(3,250)**
Issuance of bonds	22	-	2,444
Repayment of bonds	22	(600)	(500)
Sale/(purchase) of own shares		(262)	(50)
Increase/(decrease) in other financial debt		(444)	1,032
Increase/(decrease) of share capital	19	216	43
Transaction with non-controlling interests *	2	(418)	1,141
Dividends paid to Schneider Electric's shareholders	19	(1,447)	(1,413)
Dividends paid to non-controlling interests		(138)	(112)
TOTAL III - CASH FLOWS FROM / (USED IN) FINANCING ACTIVITIES		**(3,093)**	**2,585**
TOTAL IV - NET FOREIGN EXCHANGE DIFFERENCE		**346**	**(403)**
INCREASE/(DECREASE) IN NET CASH AND CASH EQUIVALENTS: I +II +III +IV		**(4,299)**	**3,367**
Net cash and cash equivalents, beginning of the year	18	6,762	3,395
Increase/(decrease) in cash and cash equivalents		(4,299)	3,367
NET CASH AND CASH EQUIVALENTS, END OF THE YEAR	**18**	**2,463**	**6,762**

** In 2020, the Group received EUR 1,141 million of cash from AVEVA's minority interests, following the increase of capital realized by the latter, to finance the acquisition of OSISoft (Note 2).*

** In 2021, transactions with non-controlling interests mainly relates to RIB Software SE (Note 2).*

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

3. Consolidated balance sheet

Assets

(in millions of euros)	Note	Dec. 31, 2021	Dec. 31, 2020
NON-CURRENT ASSETS:			
Goodwill, net	9	24,723	19,956
Intangible assets, net	10	6,486	5,033
Property, plant and equipment, net	11	3,826	3,619
Investments in associates and joint ventures	12	1,234	598
Non-current financial assets	13	1,034	776
Deferred tax assets	14	1,820	1,984
TOTAL NON-CURRENT ASSETS		**39,123**	**31,966**
CURRENT ASSETS:			
Inventories and work in progress	15	3,971	2,883
Trade and other operating receivables	16	6,829	5,626
Other receivables and prepaid expenses	17	1,998	2,094
Current financial assets		4	18
Cash and cash equivalents	18	2,622	6,895
TOTAL CURRENT ASSETS		**15,424**	**17,516**
TOTAL ASSETS		**54,547**	**49,482**

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

Liabilities

(in millions of euros)	Note	Dec. 31, 2021	Dec. 31, 2020
EQUITY:	**19**		
Share capital		2,276	2,268
Additional paid in capital		2,456	2,248
Retained earnings		19,694	17,648
Translation reserve		14	(1,541)
Equity attributable to owners of the parent		**24,440**	**20,623**
Non-controlling interests		3,669	3,104
TOTAL EQUITY		**28,109**	**23,727**
NON-CURRENT LIABILITIES:			
Pensions and other post-employment benefit obligations	20	1,395	1,708
Other non-current provisions	21	1,091	930
Non-current financial liabilities	22	7,554	8,196
Deferred tax liabilities	14	997	917
Other non-current liabilities		1,179	1,109
TOTAL NON-CURRENT LIABILITIES		**12,216**	**12,860**
CURRENT LIABILITIES:			
Trade and other operating payables		5,715	4,664
Accrued taxes and payroll costs		3,694	3,413
Current provisions	21	933	1,000
Other current liabilities		1,685	1,558
Current debt	22	2,195	2,260
TOTAL CURRENT LIABILITIES		**14,222**	**12,895**
TOTAL EQUITY AND LIABILITIES		**54,547**	**49,482**

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**	**Retained earnings**	**Trans-lation reserve**	**Equity attributable to owners of the parent**	**Non-controlling interests**	**Total**
Dec. 31, 2019	**582,069**	**2,328**	**3,134**	**16,034**	**65**	**21,561**	**1,579**	**23,140**
Profit for the year	-	-	-	2,126	-	**2,126**	112	**2,238**
Other comprehensive income	-	-	-	(249)	(1,606)	**(1,855)**	(43)	**(1,898)**
Comprehensive income for the year	**-**	**-**	**-**	**1,877**	**(1,606)**	**271**	**69**	**340**
Capital increase	-	-	43	-	-	**43**	-	**43**
Exercise of performance shares	-	-	-	-	-	**-**	-	**-**
Dividends	-	-	-	(1,413)	-	**(1,413)**	(112)	**(1,525)**
Change in treasury shares	(15,000)	(60)	(929)	939	-	**(50)**		**(50)**
Share-based compensation expense	-	-	-	140	-	**140**	5	**145**
Other	-	-	-	71	-	**71**	1,563	**1,634**
Dec. 31, 2020	**567,069**	**2,268**	**2,248**	**17,648**	**(1,541)**	**20,623**	**3,104**	**23,727**
Profit for the year	-	-	-	3,204		**3,204**	69	**3,273**
Other comprehensive income	-	-	-	453	1,555	**2,008**	331	**2,339**
Comprehensive income for the year	**-**	**-**	**-**	**3,657**	**1,555**	**5,212**	**400**	**5,612**
Capital increase	1,964	8	208	-	-	**216**	-	**216**
Exercise of performance shares	-	-	-	-	-	**-**	-	**-**
Dividends	-	-	-	(1,447)	-	**(1,447)**	(138)	**(1,585)**
Change in treasury shares	-	-	-	(262)	-	**(262)**	-	**(262)**
Share-based compensation expense	-	-	-	145	-	**145**	16	**161**
Other	-	-	-	(47)	-	**(47)**	287	**240**
Dec. 31, 2021	**569,033**	**2,276**	**2,456**	**19,694**	**14**	**24,440**	**3,669**	**28,109**

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 year ended December 31, 2021 were authorized for issue by the Board of Directors on February 16, 2022. They will be submitted to shareholders for approval at the Annual General Meeting of May 5, 2022.

The Group's main businesses are described in Chapter 1 of the Universal Registration Document.

COVID-19 pandemic

Impact of the COVID-19 on the Group's activities

The COVID-19 pandemic and the actions taken by governments in response to its spread have resulted in disruptions to the Group's business operations, and supply chain in the course of 2020. Fiscal year 2021 saw a return to growth in business activity, in a context of continued global supply chain pressures.

Risks and uncertainties

The Group demonstrated the agility and resilience of its global supply chain while coordinating and regionally managing supply chain organization to maintain quick decision making and flexibility in 2021.

Balance sheet positions

The Group working capital was assessed with the same accounting policies, principles and methodologies used for the full year 2020 consolidated financial statements. There was no material impairment booked in the income statement as at December 31, 2021.

Impairment of assets

The Group performed the annual impairment test of all the Cash Generating Units (CGUs) using the same methodology as the one used on previous periods, and described in Note 1.11. Following the performance of these tests, the Group concluded that there was no risk of impairment at December 31, 2021.

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, 2021. The same accounting methods were used as for the consolidated financial statements for the year ended December 31, 2020.

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, 2021:

- amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 - *Interest Rate Benchmark Reform - Phase 2*;
- amendments to IFRS 16 - *Leases Covid 19-Related Rent Concessions*;

The Group did not apply the following standards and interpretations for which mandatory application is subsequent to December 31, 2021:

- standards adopted by the European Union:
  - amendments to IFRS 16 - *Leases Covid 19-Related Rent Concessions beyond 30 June 2021*;
  - amendments to IFRS 3 - *Business Combinations: Reference to the Conceptual Framework*;
  - amendments to IAS 16 - *Property, Plant and Equipment: Proceeds before Intended Use*;
  - amendments to IAS 37 - *Provisions, Contingent Liabilities and Contingent Assets: Onerous Contracts – Cost of Fulfilling a Contract*;
  - Annual Improvements to IFRS Standards 2018–2020.
- standards not yet adopted by the European Union:
  - amendments to IAS 1 - *Presentation of Financial Statements: Classification of Liabilities as Current or Non-current and Classification of Liabilities as Current or Non-current - Deferral of Effective Date*;
  - amendments to IAS 1 - *Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies*;
  - amendments to IAS 8 - *Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates*;
  - amendments to IAS 12 - *Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction*;

The Group is currently assessing the potential effect on the Group's consolidated financial statements of the standards not yet applicable as of December 31, 2021. At this stage of analysis, the Group does not expect any material impact on its consolidated financial statements.

The Group is also looking at the potential effect of the final agenda decision issued by the IFRIC in the first half of 2021 with regards to recognition of the cost of configuring and customising software provided in the cloud as part of a software as a service (SaaS) agreement. At this stage of analysis, the Group does not expect any material impact on its consolidated financial statements.

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 - Interest Rate Benchmark Reform - Phase 2

On September 26, 2019 and August 27, 2020, the IASB issued amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 related to the reform of interest rate benchmarks used in many financial instruments. Those amendments are divided into two phases:

- phase 1, applicable starting January 1, 2020, allows uncertainties about the future of reference rates to be disregarded while assessing the effectiveness of hedging relationships and/or while evaluating the highly probable nature of the hedged risk;
- phase 2, applicable starting January 1, 2021, specifies the accounting impacts of the effective replacement of interest rate benchmarks. The application of phase 2 has no impact for the Group in the absence of any effective change in the benchmark indexes in the Group's contracts as of December 31, 2021. The transition to the new benchmarks will not have a material impact on the Group financial statements.

IFRIC decision - Attribution of benefits to periods of service IAS 19 - *Employee Benefits*

The Group has taken into account the impact of the IFRIC agenda decision issued in April 2021 when measuring employee benefit obligations. This decision clarifies the periods over which employee benefits should be attributed in allocating the IAS 19 expense. The impact as of December 31, 2021 represents a non-material decrease in this commitment (Note 20).

Covid 19-Related Rent Concessions amendments to IFRS 16 - *Leases*

On May 28, 2020, the IASB issued Covid-19-Related Rent Concessions amendment to IFRS 16 - *Leases*. The amendment provides relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic.

On March 31, 2021, the IASB published a second amendment to IFRS 16, extending by one year the period of application of the Covid-19-Related Rent Concessions amendment to IFRS 16 - *Leases* published in May 2020. The amendment applied to annual reporting periods beginning on or after January, 1, 2021.

As a practical expedient authorized by the amendment, the Group elected, for the concessions that meet the amendment's criteria, not to assess whether a Covid-19 related rent concession from a lessor is a lease modification.

This amendment had no significant impact on the consolidated financial statements of the Group.

Climate-related matters

The impacts of potential climate-related matters (including risks & opportunities, and legislation changes) which may affect the measurement of assets & liabilities in the financial statements, as well as the impacts from the group Carbon Pledge to reach carbon neutral operations in 2025, have been analysed. The Group will adjust the key assumptions used in value-in-use calculations and sensitivity, should a change be required. At present, the impact of climate-related matters is not material to the Group's financial statements.

1.2- Basis of presentation

The financial statements have been prepared on a historical cost basis, except for derivative instruments and certain 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.

1.3- 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 commitments 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 1.8 and 1.9) and the measurement of impairment losses (Note 1.11);
- the measurement of the recoverable amount of non-current financial assets (Note 1.12 and 13);
- the realizable value of inventories and work in progress (Note 1.13);
- the recoverable amount of trade and other operating receivables (Note 1.14);
- the valuation of share-based payments (Note 1.20);
- the calculation of provisions or risk contingencies (Note 1.21);
- the measurement of pension and other post-employment benefit obligations (Note 1.19 and Note 20);
- the recoverability of deferred tax assets related to tax loss carryforward (Note 14).

1.4- Consolidation principles

Subsidiaries, over which the Group exercises exclusive control, either directly or indirectly, are fully consolidated.

Group investments in entities controlled jointly with a limited number of partners, such as joint ventures and companies over which the Group has significant influence ("associates") are accounted for by the equity 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 main subsidiaries, joint ventures and associates can be found in Note 29.

The reporting date for all companies included in the scope of consolidation is December 31, with the exception of certain immaterial 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).

1.5- Business combinations

Business combinations are accounted for using the acquisition method, in accordance with IFRS 3 - *Business Combinations*. Acquisition costs are presented under "Other operating income and expenses" in the statement of income.

All acquired assets, liabilities and contingent liabilities are recognized at their fair value at the acquisition date, the fair value 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 badwill 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 expenses and impairment losses of purchase accounting intangible assets".

1.6- 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, backlog and cash flow items are translated at average annual exchange rates.

Gains or losses on translation are recorded in consolidated equity under "Cumulative translation reserve".

The Group applies IAS 29 - *Financial Reporting in Hyperinflationary Economies* to the Group's subsidiaries in hyperinflation countries (Venezuela and Argentina). The impacts are not significant for the Group in 2021.

1.7- Foreign currency transactions

Foreign currency transactions are recorded using the exchange rate in effect at the transaction date or at the hedging rate. At the balance sheet date, monetary items in foreign currency (eg. payables, receivables, etc.) are translated into the functional currency of the entity at the closing rate or at 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 1.23.

However, 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*. As such, the impact of exchange rate fluctuations is recorded in equity and recognized in the statement of income when the investment is sold or when the long-term receivable or loan is reimbursed.

1.8- 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, technologies 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.

Intangible assets are generally 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 expenses and impairment losses on intangible assets acquired in a business combination are presented on a separate statement of income line item, "Amortization expenses and impairment losses of purchase accounting intangible assets".

Trademarks

The trademarks fair value is determined using the royalty method at the date of acquisition.

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. 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 monitored;
- 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.

Before the commercial launch, capitalized development projects are tested for impairment at least annually. From the date of the commercial launch, capitalized development projects are amortized over the lifespan of the underlying technology, which generally ranges from three to ten years. The amortization expenses of such capitalized projects are included in the cost of the related products and classified into "Cost of sales" when the products are sold.

As for development-related assets which are in the amortization period, they are tested for impairment in case an impairment risk has been identified.

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.

1.9- 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 whole item 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 and 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 be impaired. Impairment losses are charged to the statement of income under "Other operating income and expenses".

Since 2019, property, plant and equipment also includes right-of-use assets, in accordance with the recommended treatment in IFRS 16 - *Leases*, and as described in the following note.

1.10- Leases

The Group has adopted IFRS 16 - *Leases* on January 1, 2019, according to the modified retrospective approach.

Scope of the Group's contracts

The lease contracts identified within all the Group entities fall under the following categories:

- real estate: office buildings, factories, and warehouses;
- vehicles: cars and trucks;
- forklifts used mainly in factories or storage warehouses.

The Group has retained the exemption for low-value assets (i.e. assets with a cost lower than USD 5,000). Thus, the defined scope does not include small office or IT equipment, mobile phones or other small equipment, which all correspond to low-value equipment. Short-term contracts (i.e. less than 12 months without purchase option) are also exempted under the standard. In this case, for example, for occasional vehicle or accommodation rentals.

Rental obligation:

At the inception date of the lease, the Group recognizes the lease liabilities, measured at the present value of the lease payments to be made over the term of the lease. The present value of payments is calculated mainly using the marginal borrowing rate of the contracting entity's country, at the contract starting date.

Rental payments include fixed payments (net of rental incentives receivable), variable payments based on an index or rate and amounts that should be paid under residual value guarantees. Besides, the simplification allowing not to split services components has not been elected by the Group. Therefore, only the rents are taken into account in the lease payments.

Lease payments also include, when applicable, the exercise price of a purchase option reasonably certain to be exercised by the Group and the payment of penalties for the termination of a lease, if the term of the lease takes into account the fact that the Group has exercised the termination option.

Variable lease payments that are not dependent on an index or rate are recognized as an expense in the period in which the event or condition that triggers the payment occurs.

After the start date of the contract, the amount of rental obligations is increased to reflect the increase in interest and reduced for lease payments made.

In addition, the carrying amount of the lease liabilities is revalued in the event of a reassessment or modification in the lease (e.g. change in the term of the lease, change in lease payments, application of annual indexation, etc.).

The obligation is recorded under other current and other non-current liabilities.

Right-of-use assets:

The Group accounts for the assets related to the right-of-use on the lease starting date (i.e. the date on which the underlying asset is available).

Assets are measured at cost, less accumulated depreciation and impairment losses, and adjusted for the revaluation of lease liabilities.

The cost of right-of-use assets includes the amount of lease liabilities, initial direct costs incurred and lease payments made on or before the effective date, minus lease inducements received. They are recognized as tangible assets, in the Balance Sheet.

Unless the Group is reasonably certain that it will become the owner of the leased asset at the end of the lease term, the recorded right-of-use assets are depreciated using the linear method over the shortest period of time between estimated life of the underlying asset and the duration of the lease. The assets related to the right-of-use are subject to depreciation.

Determining the duration of contracts:

The duration of the Group's contracts varies according to geographies.

The real estate contracts have variable durations depending on the countries and local regulations. Vehicles and forklifts are generally contracted between 3 and 6 years.

In certain geographies, the Group's real estate contracts offer unilateral options for termination of contracts (particularly in France with contracts 3-6-9).

According to the recommendation of IFRIC, on a case by case analysis and based on Real Estate teams' expertise, experience strategy and projects, the Group is determining the most probable duration to perform our calculations. In most of cases, the duration chosen is the enforceable duration of the real estate contracts, in particular on the most strategic buildings and factories.

IFRS 16 debt by maturity:

(in millions of euros)	Dec. 31, 2021	Dec. 31, 2020
2021	-	250
2022	248	208
2023	235	165
2024	181	122
2025	132	86
2026	102	67
2027	72	55
2028	50	39
2029 and beyond	112	86
TOTAL	**1,132**	**1,078**

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 based on 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 assets 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 business plans over a period generally not exceeding five years, and 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. The WACC stood at 6.8% at December 31, 2021 (6.8% at December 31, 2020). This rate is based on (i) a long-term interest rate of 0.0%, corresponding to the average interest rate for 10-year OAT treasury bonds over the past year, (ii) the average premium applied to financing obtained by the Group in 2021, and is completed by, for CGUs WACC only, (iii) the weighted country risk premium for the Group's businesses in the countries in question.

The perpetuity growth rate is 2.0%, unchanged from 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 are *Low Voltage*, *Medium Voltage*, *Industrial Automation* and *Secure Power*. CGUs net assets were allocated 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 (*Low Voltage*, *Medium Voltage* and *Industrial Automation* mainly).

The WACC used to determine the value in use of each CGU was 7.5% for *Low Voltage*, 7.8% for *Medium Voltage*, 7.6% for *Secure Power*, and 7.6% for *Industrial Automation*.

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 fair value less costs to sell. Where the tested CGU comprises goodwill, any impairment losses are firstly deducted from goodwill.

1.12- Non-current financial assets

Investments in non-consolidated companies are initially recorded at their cost of acquisition and subsequently measured at fair value. 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).

IFRS 9 standard allows two accounting treatments for equity instruments:

- change in fair value is recognized through "Other Comprehensive Income" in the comprehensive income statement, and in equity under "Other reserves" in the balance sheet, with no subsequent recycling in the income statement even upon sale.
- change in fair value, as well as gain or loss in case of sale, are recognized in the income statement.

The election between those two methods is to be made from inception for each equity investment and is irrevocable.

Venture capital (FCPR) / Mutual funds (SICAV) are recognized at fair value through income statement, in accordance with IFRS 9.

Loans, recorded under "Non-current financial assets", are carried at amortized cost. In accordance with IFRS 9, a depreciation is booked from inception to reflect the expected credit risk losses within 12 months. In case of significant degradation of the credit quality, the initial level of depreciation is modified to cover the entire expected losses over the remaining maturity of the loan.

1.13- Inventories and work in progress

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

Trade and other operating receivables are depreciated according to the simplified IFRS 9 model. From inception, trade receivables are depreciated to the extent of the expected losses over their remaining maturity.

The credit risk of trade receivables is assessed on a collective basis country by country, as the geographical origin of receivables is considered representative of their risk profile. Countries are classified by risk profile using the assessment provided by an external agency. The provision for expected credit losses is evaluated using (i) the probabilities of default communicated by a credit agency, (ii) historical default rates, (iii) aging balance, (iv) as well as the Group's assessment of the credit risk considering actual guarantees and credit insurance.

Once it is known with certainty that a doubtful receivable will not be collected, the doubtful account and its related depreciation are written off through the income statement.

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

1.15- Assets held for sale and liabilities of discontinued operations

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 lower of its amortized cost and 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, based on tax rates and tax rules enacted before the balance sheet date. The effect of any change in the tax rate is recognised in the income statement, apart from changes relating to items initially recognised directly in equity.

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. The carrying amount of deferred tax assets is tested for impairment at each balance sheet date and an impairment loss is recognised to the extent that it is no longer probable that sufficient taxable profits will be available against which the deferred tax asset can be fully or partially offset.

Deferred tax assets and liabilities are not discounted and are recorded in the balance sheet under non-current assets and liabilities. Deferred tax assets and liabilities related to the same unit and which are expected to reverse in the same period are offset.

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 bank deposits, commercial paper, mutual funds and equivalents. Considering their nature and maturities, these instruments represent insignificant risk of changes in value and are treated as cash equivalents.

1.18- Treasury shares

Schneider Electric SE shares held by the parent company or by fully consolidated companies are measured at acquisition cost and deducted from equity.

Gains/(losses) on the sale of own shares are canceled 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 factors such 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. As the Group is not committed beyond these contributions, no provision related to these plans has been booked.

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 service costs rendered during the period) 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, and net of plan assets.

When 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 for 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 performance shares to senior executives and certain employees.

Pursuant to the application of IFRS 2 - *Share-based payments*, 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 Black & Scholes model to measure these plans.

For performance shares and stock options, this expense is offset in the equity. 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 discounted price (Note 19).

1.21- Provisions and risk contingencies

A provision is recognized when it is probable that the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. 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 the impact from discounting is significant.

Provisions are primarily set aside to cover:

- **economic risks**: these provisions relate to probable tax risks arising on positions taken by the Group or its subsidiaries. Each position is assessed individually and not offset, and reflects the best estimate of the risk at the end of the reporting period. Where applicable, it includes any late-payment interest and fines. In accordance with IFRIC 23 - *Uncertainty over income tax treatments*, provisions covering uncertainties over income tax treatment are presented under "Accrued taxes and payroll costs" as of 1st of January 2019;
- **customer risks**: provisions for customer risks mainly integrate the provisions for losses at completion for some of long-term contracts. Provisions for expected losses are fully recognized as soon as they are identified;
- **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. The provisions are estimated with consideration of historical claim statistics and the warranty period;
  - provisions to cover disputes concerning defective products and recalls of clearly identified products.
- **environmental risks**: these provisions are primarily funded to cover clean-up costs. The estimation of the expected future outflows is based on reports from independent experts;
- **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. The estimation of the liability includes only direct expenditure arising from the restructuring.

1.22- Financial liabilities

Financial liabilities primarily comprise bonds, commercial paper and short and long-term bank borrowings. These liabilities are initially recorded at fair value, from which any direct transaction costs are deducted. 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 uses instruments such as foreign exchange forwards, foreign exchange options, cross currency swaps, interest rate swaps and commodities future, swaps or options, depending on the nature of the exposure to be hedged.

All derivatives are recorded in the balance sheet at fair value with changes in fair value recorded in the statement of income, except when they are qualified in a hedging relationship.

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

Foreign currency hedges

The Group periodically enters into foreign exchange derivatives to hedge the currency risk associated with foreign currency transactions.

Whenever possible, monetary items (except specific financing items) denominated in foreign currency carried in the balance sheet of Group companies are hedged by rebalancing assets and liabilities per currency through foreign exchange spots realized with Corporate Treasury (natural hedge). The foreign exchange risk is thus aggregated at Group level and hedged with foreign exchange derivatives. When foreign exchange risk management cannot be centralized, the Group contracts foreign exchange forwards to hedge operating receivables and payables carried in the balance sheet of Group companies. In both cases, the Group does not apply hedge accounting because gains and losses generated on these foreign exchange derivatives naturally offset within "Net financial income/(loss)" with gains or losses resulting from the translation at end-of-year rates of payables and receivables denominated in foreign currency.

The Group also hedges future cash flows, including recurring future transactions and planned acquisitions or disposals of investments. In accordance with IFRS 9, these are treated as cash flow hedges. These hedging instruments are recognized at fair value in the balance sheet. 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 income statement when the hedged item affects profit or loss.

The Group also hedges foreign exchange risk financing receivables or payables (including current accounts and loans with subsidiaries) using foreign exchange derivatives than can be documented either in Cash Flow Hedge or Fair Value Hedge depending on the nature of the derivative.

The Group may also designate foreign exchange derivatives or borrowings as hedging instruments of its investments in foreign operations (net investment hedge). Changes of value of those hedging instruments are accumulated in equity and recognized in the statement of income symmetrically to the hedged items.

The Group documents foreign exchange derivative based on the spot rate. The Group adopted the cost of hedging option offered by IFRS 9 to limit volatility in the statement of income related to forward points:

- For foreign exchange derivatives hedging an item on the balance sheet: Forward points are amortized in statement of income on a straight-line basis. Forward points related to foreign exchange derivatives hedging financing transactions are included in "Finance costs, net";
- For foreign exchange derivatives hedging future transactions not yet recorded on the balance sheet: Forward points are recorded in the statement of income when the hedged transaction impacts the statement of income.

Interest rate hedges

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 as an adjustment to interest income or expense over the life of the agreement. The Group applies hedge accounting as described in IFRS 9 for interest rate swaps. Gains and losses on re-measurement of interest rate swaps at fair value on the balance sheet are recognized in equity (for Cash Flow Hedges) or in profit or loss (for Fair Value Hedges).

Borrowings hedged by an interest rate derivative in a fair value hedge are reevaluated at fair value for the portion of risk being hedged, with offsetting entry in the statement of income.

Cross-currency swaps may be presented both as foreign exchange hedges and interest rate hedges depending on the characteristics of the derivative.

Commodity hedges

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 IFRS 9, these qualify as cash flow hedges. These instruments are recognized in the balance sheet at fair value at the period-end (mark to market). The effective portion of the hedge is recognized separately in equity (under “Other reserves”) and then recognized in income (gross margin) when the underlying hedge affects consolidated income. The effect of this hedging is then incorporated in the cost price of the products sold.

1.24- Revenue recognition

The Group’s revenues primarily include transactional sales and revenues from services, and system contracts (projects).

Some contracts may include the supply to the customer of distinct goods and services (for instance contracts combining build followed by operation and maintenance). In such situations, the contract is analyzed and segmented into several components (“performance obligations”), each component being accounted for separately, with its own revenue recognition method and margin rate. The selling price is allocated to each performance obligation in proportion to the specific selling price of the underlying goods and services. This allocation should reflect the share of the price to which Schneider Electric expects to be entitled in exchange for the supply of these goods or services.

Revenue associated with each performance obligation identified within a contract is recognized when the obligation is satisfied, i.e. when the control of the promised goods or services is transferred to the customer.

The following revenue recognition methods can be applied:

Recognition of revenue at a point of time

Revenue from sales is recognized at a point of time, when the control of the promised goods or services is transferred to the customer. This method is applicable for all transactional sales and for specific services such as spare parts deliveries, or on-demand services.

Recognition of revenue over time

To demonstrate that the transfer of goods is progressive and recognize revenue over time, the following cumulative criteria are required:

- the goods sold have no alternative use, and
- enforceable right to payment (corresponding to costs incurred, plus a reasonable profit margin) for the work performed to date exists, in the event of early termination for convenience by the customer.

When these criteria are fulfilled, revenue is recognized using the percentage-of-completion method, based on the percentage of costs incurred in relation to total estimated costs of the performance obligation. The cost incurred includes direct and indirect costs relating to the contracts.

Expected losses on contracts are fully recognized as soon as they are identified.

Penalties for late delivery or for the improper execution of a contract are recognized as a deduction from revenue.

This method is applicable for systems contracts (projects) as the constructed assets are highly customized, and thus the Group would incur significant economic losses to redirect the built solutions to other customers.

Revenue from most services contracts is recognized over time, as the customer simultaneously receives and consumes the benefits of the services provided. When costs incurred are stable over the contract’s period, revenue is linearized over the contract’s length.

Provisions for the discounts offered to distributors are accrued 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.

Backlog and balance sheet presentation

Backlog (as disclosed in Note 3) corresponds to the amounts of the selling price allocated to the performance obligations that are unsatisfied (or partially unsatisfied) at closing date.

The cumulated amount of revenue accounted for, less progress payments and accounts receivable (presented on a dedicated line of the balance sheet) is determined on a contract-by-contract basis. If this amount is positive, the balance is recognized under "contract assets" in the balance sheet. If it is negative, the balance is recognized under "contract liabilities" (see Note 16). Reserves for onerous contracts (so-called reserves for loss at completion) are excluded from contract assets and liabilities and presented among the "provisions for customer risks" item.

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, net of bank overdrafts and facilities.

NOTE 2 Changes in the scope of consolidation

The list of main consolidated companies can be found in Note 29.

2.1- Scope variations

Acquisitions & disposals of the period

Acquisitions

OSIsoft LLC.

As announced on March 19, 2021, Schneider Electric's majority-owned subsidiary, AVEVA Group Plc, has completed the acquisition of OSIsoft, for a consideration of EUR 4.5 billion (USD 5.1 billion). OSIsoft is fully consolidated since the acquisition date, and reports within the *Industrial Automation* reporting segment.

The consideration paid was funded by EUR 3.9 billion (USD 4.4 billion) of cash, and by a EUR 0.5 billion (USD 0.6 billion) issue of 13,655,570 ordinary shares from AVEVA Group Plc to Estudillo Holdings Corp.

The purchase accounting as per IFRS 3R is not completed as of December 31, 2021. OSIsoft carrying value at acquisition date for net identifiable assets was EUR (1) million. The net adjustment of the opening balance sheet is EUR 1,460 million, resulting mainly from the booking of identifiable intangible assets (technology for EUR 998 million, customer relationship for EUR 288 million and trademark for EUR 150 million) and from a decrease in contract liabilities for EUR 71 million resulting from the remeasurement at fair value of the deferred revenue following the business combination under IFRS 3R. The preliminary goodwill recognized amounts to EUR 3,001 million at acquisition date.

ETAP

On June 28, 2021, the Group completed the transaction to purchase a controlling stake in Operation Technology Inc. ("ETAP"). As of June 30, 2021, the Group has acquired 80% of the capital of ETAP for a consideration of EUR 216 million, fully paid in cash. ETAP is consolidated within *Energy Management* reporting segment. The Group holds an agreement to acquire the remaining 20% minority interests in 2025. The related debt has been recognised in "Other non-current liabilities".

The purchase accounting as per IFRS 3R is not completed as of December 31, 2021. ETAP carrying value at acquisition date for net identifiable assets was EUR 13 million. The net adjustment of the opening balance sheet is EUR 26 million, resulting mainly from the booking of a preliminary amount of identifiable intangible assets (technology, customer relationship and trademark). The preliminary goodwill recognized amounts to EUR 260 million at acquisition date and includes the forward agreement for the acquisition of the remaining 20% minority interests in 2025.

Uplight Inc.

The Group completed the acquisition of 29.6% of Uplight Inc. on July 27, 2021 for a consideration of EUR 378 million. In October 2021, the Group subscribed to a capital increase EUR 20 million for the acquisition of Agentis by Uplight Inc., resulting in a dilution of the Group's interest to 29.4%. Uplight Inc. has been accounted for by the equity method since August 1, 2021.

I.G.E + X.A.O.

On November 24, 2021, the simplified tender offer for the shares of IGE+XAO, submitted to the AMF, has been closed. At the end of the tender offer, the Group owns 83.93% of IGE+XAO's share capital.

Qmerit

On December 20, 2021, the Group acquired 85.85% of the capital of Qmerit, fully consolidated in *Energy Management* reporting segment. Qmerit is accelerating the shift away from traditional fossil fuel-powered systems, toward more sustainable, resilient electric technologies. The Group holds an agreement to acquire the remaining 14.15% minority interests. The related debt has been recognised in "Other non-current liabilities". The purchase accounting as per IFRS 3R is not completed as of December 31, 2021.

Disposals

In 2021, the Group recorded a total amount of EUR 196 million of gain on business disposals, mainly related to the following:

Cable Support

On April 27, 2021, the Group announced the signing of the agreement to divest the Cable Support business which was consolidated within *Energy Management* reporting segment. The transaction was finalized, on June 30, 2021.

IMServ

On July 28, 2021, the Group completed the sale of IMServ, a provider of metering and data services to the energy market. It was consolidated within *Industrial Automation* reporting segment.

US Motion

On July 9, 2021, the Group completed the sale of the US Motion industrial, a manufacturer of motion control components for automation equipment. It was consolidated within *Industrial Automation* reporting segment.

Follow-up on acquisitions and divestments occurred in 2020 with significant effect in 2021

Acquisitions

RIB Software SE

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 valuation of EUR 1.5 billion. On March 25, 2020, the Group acquired approximately 9.99% of the capital of the company, outside the takeover offer. On July 10, 2020, the Group announced the successful completion of the voluntary public takeover offer. As of December 31, 2020, the Group owned 87.64% of the capital of RIB Software, fully consolidated within *Energy Management* reporting segment. The Group held a put option agreement on 9.1% of minority interests, valued at EUR 137 million, with a maturity date in 2024.

On June 10, 2021, the Group purchased 9.1% of the non-controlling interests for a consideration of EUR 223 million. The previous put agreement and related debt have been cancelled.

On July 5, 2021, the Group submitted the formal request to RIB Software SE that the General Meeting of RIB Software SE shall resolve to transfer the shares of the remaining shareholders (minority shareholders) to Schneider Electric Investment AG for an appropriate cash compensation (so-called squeeze out under stock corporation law).

As of December 31, 2021, the squeeze out has been completed and the Group owns 100% of RIB Software SE.

The purchase accounting resulting from the acquisition is completed at the closing date. As of December 31, 2021, the purchase accounting adjustments amount to EUR 211 million, and resulted mainly in the identification of intangible assets (technologies, trademark and customer relationship). The Goodwill recognized amounts to EUR 1,128 million as of December 31, 2021.

Larsen & Toubro

On May 1st, 2018, Schneider Electric, partnering with Temasek, a global investment company headquartered in Singapore, reached an agreement to buy Larsen & Toubro's Electrical & Automation business.

On August 31, 2020, the Group completed the transaction to combine Schneider Electric India's Low Voltage and Industrial Automation Products business and Larsen and Toubro ("L&T") Electrical and Automation business, for a consideration paid of EUR 1,571 million. Temasek took 35% stake in the combined business for EUR 530 million. The partnership with Temasek resulted in the dilution of the Group's interests within Schneider Electric India's Low Voltage and Industrial Automation Products business, and in the recognition of a gain of EUR 191 million in the Group's share of equity in 2020.

L&T is fully consolidated since September 1, 2020, and reports within both *Energy Management* and *Industrial Automation* reporting segments.

The purchase accounting as per IFRS 3R is completed as of December 31, 2021. At acquisition date, the net adjustment of the opening balance sheet is EUR 286 million. The main identifiable intangible assets recognized as of December 31, 2021 are technology for EUR 111 million, customer relationship for EUR 380 million and trademark for EUR 83 million. Contingent liabilities assumed mainly relates to environment, health and safety (EHS) risk for EUR 78 million as of December 31, 2021. The goodwill recognized amounts to EUR 1,117 million as of December 31,2021.

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

Changes in the scope of consolidation at December 31, 2021, decreased the Group's cash position by a net EUR 4,231 million outflow, as described below:

(in millions of euros)	Full Year 2021	Full Year 2020
Acquisitions	(4,577)	(2,441)
of which OSISoft LLC	(3,534)	-
of which RIB Software SE	-	*(1,075)*
of which L&T	-	*(983)*
of which Uplight	*(398)*	-
of which ETAP	*(205)*	-
of which others	*(440)*	*(383)*
Disposals	346	48
FINANCIAL INVESTMENTS NET OF DISPOSALS	**(4,231)**	**(2,393)**

OSIsoft acquistion results in a net cash outflow for EUR 3,534 million including EUR 3,709 cash paid and a EUR 175 million net cash acquired for full year 2021. The remaining cash outflow is due to Qmerit and other individually unmaterial acquisitions. Cash inflows is mainly due to the disposals described in Note 2.1.

NOTE 3 Segment information

The Group is organized into two reporting segments as follows:

Energy Management leverages a complete end-to-end technology offering enabled by EcoStruxure and gathers three operating segments: *Low Voltage*, *Medium Voltage* and *Secure Power* that all share the same objective of managing efficiently and reliably the energy and have similar economic characteristics. 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".

Operating and reporting segment data is identical to that presented to the board of directors, which has been identified as the main decision-making body for allocating resources and evaluating segment performance. Performance and decisions on the allocation of resources are assessed by the board of directors and are mainly 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 business.

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

Details are provided in the Management Report.

3.1- Information by reporting segment

Full Year 2021

(in millions of euros)	**Energy Management**	**Industrial Automation**	**Central functions & digital costs**	**Total**
Backlog	9,088	2,688	-	**11,776**
Revenue	22,179	6,726	-	**28,905**
Adjusted EBITA	4,501	1,242	(756)	**4,987**
Adjusted EBITA (%)	*20.3%*	*18.5%*		**17.3%**

On December 31, 2021, the total backlog to be executed in more than a year amounted to EUR 640 million.

Full Year 2020

(in millions of euros)	**Energy Management**	**Industrial Automation**	**Central functions & digital costs**	**Total**
Backlog	7,231	1,765	-	**8,996**
Revenue	19,344	5,815	-	**25,159**
Adjusted EBITA	3,634	992	(700)	**3,926**
Adjusted EBITA (%)	*18.8%*	*17.1%*		**15.6%**

On December 31, 2020, the total backlog to be executed in more than a year amounted to EUR 639 million.

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.

(in millions of euros)	**Western Europe**	*of which France*	**Asia-Pacific**	*of which China*	**North America**	*of which USA*	**Rest of the World**	**Total**
Revenue by country market	7,382	*1,749*	8,995	*4,701*	8,267	*7,148*	4,261	**28,905**
Non-current assets as of Dec. 31, 2021	12,779	*2,604*	5,866	*1,154*	15,094	*12,721*	1,296	**35,035**

(in millions of euros)	**Western Europe**	*of which France*	**Asia-Pacific**	*of which China*	**North America**	*of which USA*	**Rest of the World**	**Total**
Revenue by country market	6,636	*1,512*	7,509	*4,009*	7,241	*6,303*	3,773	**25,159**
Non-current assets as of Dec. 31, 2020	12,676	*1,889*	5,517	*960*	9,103	*6,651*	1,312	**28,608**

The increase in non-current assets in both North America and the USA in 2021 is mainly attributable to the acquisition of OSIsoft.

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

(in millions of euros)	Full Year 2021		Full Year 2020	
Revenue - Mature countries	16,590	*57%*	14,763	*59%*
Revenue - New economies	12,315	*43%*	10,396	*41%*
TOTAL	**28,905**	**100%**	**25,159**	**100%**

Mature countries gather mainly Western Europe and North American countries.

NOTE 4 Research and development

Research and development costs are as follows:

(in millions of euros)	Full Year 2021	Full Year 2020
Research and development costs in costs of sales	(377)	(378)
Research and development costs in R&D costs *	(855)	(718)
Capitalized development costs	(307)	(311)
TOTAL RESEARCH AND DEVELOPMENT COSTS **	**(1,539)**	**(1,407)**

** Including EUR 44 million of research and development tax credit in full year 2021 and EUR 50 million in full year 2020*

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

Amortization expenses of capitalized development booked in the cost of sales, amounted to EUR 239 million in 2021 and EUR 245 million in 2020.

NOTE 5 Impairment losses, depreciation and amortization expenses

(in millions of euros)	Full Year 2021	Full Year 2020
Depreciation and amortization included in cost of sales	(539)	(534)
Depreciation and amortization included in selling, general and administrative expenses	(486)	(469)
Amortization expenses of purchase accounting intangible assets	(389)	(207)
Impairment losses of purchase accounting intangible assets	(21)	-
IMPAIRMENT LOSSES, DEPRECIATION AND AMORTIZATION EXPENSES	**(1,435)**	**(1,210)**

The impairment booked in 2021 is mainly related to intangible assets (developed technology and customer relationships) associated with the announcement from AVEVA to retire its steel fabrication software in July 2021.

NOTE 6 Other operating income and expenses

Other operating income and expenses are as follows:

(in millions of euros)	Full Year 2021	Full Year 2020
Gains/(losses) on assets disposals	(11)	(4)
Gains/(losses) on business disposals & assets impairment	175	(13)
Costs of acquisitions and integrations	(166)	(169)
Others	(19)	(24)
OTHER OPERATING INCOME AND EXPENSES	**(21)**	**(210)**

In 2021, the costs of acquisitions and integrations are mainly related to the recent and ongoing acquisitions of the year. The gains on disposals mainly relate to the 2021 divestments described in Note 2.

NOTE 7 Other financial income and expenses

(in millions of euros)	Full Year 2021	Full Year 2020
Exchange gains and losses, net	(8)	(36)
Financial component of defined benefit plan costs	(39)	(47)
Dividends received	3	5
Fair value adjustment of financial assets	8	(3)
Financial interests - IFRS16	(38)	(37)
Other financial expenses, net	(7)	(48)
OTHER FINANCIAL INCOME AND EXPENSES	**(81)**	**(166)**

NOTE 8 Income tax expenses

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

8.1- Analysis of income tax expense

(in millions of euros)	Full Year 2021	Full Year 2020
Current taxes	(861)	(785)
Deferred taxes	(105)	147
INCOME TAX EXPENSE	**(966)**	**(638)**

8.2- Tax reconciliation

(in millions of euros)	Full Year 2021	Full Year 2020
Profit attributable to owners of the parent	**3,204**	**2,126**
Income tax expense	(966)	(638)
Non-controlling interests	(69)	(112)
Share of profit of associates	84	66
Profit before tax	**4,155**	**2,810**
Geographical weighted average Group tax rate	23.1%	23.2%
Theoretical income tax expense	**(959)**	**(652)**
Reconciling items:		
Tax credits and other tax reductions	89	31
Impact of tax losses	(55)	8
Other permanent differences	(41)	(25)
INCOME TAX EXPENSE	**(966)**	**(638)**
EFFECTIVE TAX RATE	**23.2%**	**22.7%**

The Company's consolidated income from continuing operations being predominantly generated outside of France, 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).

NOTE 9 Goodwill

9.1- Main items of goodwill

Group goodwill is broken down by CGUs as follows:

(in millions of euros)	Dec. 31, 2021	Dec. 31, 2020
Energy Management:	**13,944**	**12,831**
Low Voltage	*8,496*	*7,981*
Medium Voltage	*2,245*	*1,780*
Secure Power	*3,203*	*3,070*
Industrial Automation	**10,779**	**7,125**
TOTAL GOODWILL	**24,723**	**19,956**

The Group performed the annual impairment test of all the Cash Generating Units (CGUs) using the same methodology as the one used on previous periods, and described in Note 1.11.

Impairment tests performed in 2021 did not trigger any impairment losses on the CGUs' assets.

The sensitivity analysis on the test hypothesis shows that no impairment losses would be recognized in each of the following scenarios, for each CGU:

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

9.2- Movements during the year

The main movements during the year are summarized as follows:

(in millions of euros)	Dec. 31, 2021	Dec. 31, 2020
Net goodwill at opening	**19,956**	**18,719**
Acquisitions	3,717	2,287
Disposals	(118)	-
Reclassifications	-	-
Translation adjustment	1,168	(1,050)
NET GOODWILL AT END OF PERIOD	**24,723**	**19,956**
including cumulative impairment	*(367)*	*(367)*

Acquisitions & Disposals

Movements from acquisitions and disposals are described in Note 2.1.

Other changes

Translation adjustments mainly concern goodwill in US dollar and UK pound sterling.

NOTE 10 Intangibles assets

10.1- Change in intangible assets

Gross value

(in millions of euros)	Trademarks	Software	Development Projects (R&D)	Acquired technologies and customer relationships	Other	Total
Dec. 31, 2019	**2,590**	**918**	**3,315**	**2,691**	**202**	**9,716**
Acquisitions	-	19	311	-	2	**332**
Translation adjustments	(166)	(31)	(100)	(223)	(48)	**(568)**
Reclassifications	-	53	(64)	-	11	**-**
Changes in scope of consolidation and other	71	5	16	824	(1)	**915**
Dec. 31, 2020	**2,495**	**964**	**3,478**	**3,292**	**166**	**10,395**
Acquisitions	-	22	307	4	-	**333**
Translation adjustments	162	17	61	338	18	**596**
Reclassifications	41	19	(14)	(101)	28	**(27)**
Changes in scope of consolidation and other	163	19	(9)	1,253	4	**1,430**
Dec. 31, 2021	**2,861**	**1,041**	**3,823**	**4,786**	**216**	**12,727**

Amortization and impairment

(in millions of euros)	**Trademarks**	**Software**	**Development Projects (R&D)**	**Acquired technologies and customer relationships**	**Other**	**Total**
Dec. 31, 2019	**(420)**	**(801)**	**(2,111)**	**(1,538)**	**(199)**	**(5,069)**
Amortizations	(4)	(53)	(245)	(201)	(9)	**(512)**
Impairments	-	-	(8)	-	(9)	**(17)**
Translation adjustments	-	23	72	93	54	**242**
Reclassifications	-	-	-	-	-	**-**
Changes in scope of consolidation and other	-	(3)	-	(3)	-	**(6)**
Dec. 31, 2020	**(424)**	**(834)**	**(2,292)**	**(1,649)**	**(163)**	**(5,362)**
Amortizations	(30)	(59)	(241)	(353)	(5)	**(688)**
Impairments	-	-	(3)	(20)	-	**(23)**
Translation adjustments	(3)	(13)	(45)	(143)	(8)	**(212)**
Reclassifications	(29)	38	(74)	90	2	**27**
Changes in scope of consolidation and other	-	10	1	6	-	**17**
Dec. 31, 2021	**(486)**	**(858)**	**(2,654)**	**(2,069)**	**(174)**	**(6,241)**

Net value

(in millions of euros)	**Trademarks**	**Software**	**Development Projects (R&D)**	**Acquired technologies and customer relationships**	**Other**	**Total**
Dec. 31, 2019	**2,170**	**117**	**1,204**	**1,153**	**3**	**4,647**
Dec. 31, 2020	**2,071**	**130**	**1,186**	**1,643**	**3**	**5,033**
Dec. 31, 2021	**2,375**	**183**	**1,169**	**2,717**	**42**	**6,486**

In 2021, change in intangible assets is mainly related to the acquisitions of OSIsoft and ETAP.

The amortization expenses and impairment losses of intangible assets other than goodwill restated in statutory cash flow are as follows:

(in millions of euros)	**Full year 2021**	**Full year 2020**
Amortization expenses of intangibles assets other than goodwill	688	512
Impairments losses of intangible assets other than goodwill	23	17
TOTAL *	**711**	**529**

** Includes amortization & impairment of intangible assets from purchase price allocation for EUR 410 million for the year 2021 (EUR 207 million in 2020)*

10.2- Trademarks

At December 31, 2021, the main trademarks recognized were as follows:

(in millions of euros)	**Dec. 31, 2021**	**Dec. 31, 2020**
APC (*Secure Power*)	1,637	1,512
Clipsal (*Low Voltage*)	163	160
OSIsoft (*Industrial Automation*)	146	-
Asco (*Low Voltage*)	110	102
Aveva (*Industrial Automation*)	91	78
Invensys - Triconex and Foxboro (*Industrial Automation*)	49	45
L&T (*Low Voltage / Medium Voltage / Industrial Automation*)	65	58
Digital (*Industrial Automation*)	42	43
Other	72	73
TRADEMARKS	**2,375**	**2,071**

In 2021, the Group reviewed the value of the main trademarks in accordance with valuation model describe in Note 1.8 - Intangibles assets. Particularly, APC brand was tested using the royalty relief method. The future cash flows used are based on Group management's economic assumptions and operating forecasts presented in Secure Power's business plan, and then extrapolated based on a perpetuity growth rate of 2%.

Impairment tests carried out on main trademarks in 2021 did not show any impairment risk.

The sensitivity analysis on the test hypothesis shows that no impairment losses would be recognized in the following scenarios:

- a 0.5 point increase in the discount rate;
- a 1.0 point decrease in growth rate;
- a 0.5 point decrease in the royalty rate.

NOTE 11 Property, plant and equipment

Changes in property, plant and equipment in 2021 are mainly related to the scope changes mentioned in the Note 2 and include the impacts of IFRS 16 - *Leases*.

Gross value

(in millions of euros)	Land	Buildings	Machinery and equipment	Other	Rights of use of assets (IFRS 16)	Total
Dec. 31, 2019	**141**	**1,943**	**4,565**	**1,154**	**1,407**	**9,210**
Acquisitions	3	44	91	361	296	**795**
Disposals	(2)	(41)	(158)	(78)	(57)	**(336)**
Translation adjustments	(12)	(79)	(183)	(64)	(71)	**(409)**
Reclassifications	(2)	66	193	(262)	-	**(5)**
Changes in scope of consolidation and other	53	57	89	35	44	**278**
Dec. 31, 2020	**181**	**1,990**	**4,597**	**1,146**	**1,619**	**9,533**
Acquisitions	1	32	102	401	349	**885**
Disposals	(3)	(81)	(198)	(109)	(113)	**(504)**
Translation adjustments	7	64	170	52	61	**354**
Reclassifications	4	48	150	(234)	-	**(32)**
Changes in scope of consolidation and other	9	(10)	(26)	(3)	53	**23**
Dec. 31, 2021	**199**	**2,043**	**4,795**	**1,253**	**1,969**	**10,259**

Amortization and impairment

(in millions of euros)	Land	Buildings	Machinery and equipment	Other	Rights of use of assets (IFRS 16)	Total
Dec. 31, 2019	**(18)**	**(1,070)**	**(3,568)**	**(582)**	**(292)**	**(5,530)**
Depreciation and impairment	(1)	(85)	(245)	(67)	(306)	**(704)**
Reversals	1	29	137	46	4	**217**
Translation adjustments	(3)	29	130	25	16	**197**
Reclassifications	-	(4)	2	10	-	**8**
Changes in scope of consolidation and other	(2)	(21)	(49)	(24)	(6)	**(102)**
Dec. 31, 2020	**(23)**	**(1,122)**	**(3,593)**	**(592)**	**(584)**	**(5,914)**
Depreciation and impairment	(7)	(93)	(255)	(79)	(310)	**(744)**
Reversals	1	67	178	77	18	**341**
Translation adjustments	(1)	(35)	(125)	(23)	(14)	**(198)**
Reclassifications	1	2	26	(2)	-	**27**
Changes in scope of consolidation and other	1	14	30	11	(1)	**55**
Dec. 31, 2021	**(28)**	**(1,167)**	**(3,739)**	**(608)**	**(891)**	**(6,433)**

Net value

(in millions of euros)	Land	Buildings	Machinery and equipment	Other	Rights of use of assets (IFRS 16)	Total
Dec. 31, 2019	**123**	**873**	**997**	**572**	**1,115**	**3,680**
Dec. 31, 2020	**158**	**868**	**1,004**	**554**	**1,035**	**3,619**
Dec. 31, 2021	**171**	**876**	**1,056**	**645**	**1,078**	**3,826**

Reclassifications primarily correspond to assets put into use.

The cash impact of purchases of property, plant and equipment in 2021 was as follows:

(in millions of euros)	Full year 2021	Full year 2020
Increase in property, plant and equipment	(885)	(795)
Of which non-cash impact related to IFRS 16	349	296
Changes in receivables and liabilities on property, plant and equipment	(7)	14
TOTAL	(543)	(485)

The depreciation and impairment of property, plant and equipment restated in the statement of cash flows were as follows:

(in millions of euros)	Full year 2021	Full year 2020
Depreciation of property, plant and equipment	726	698
Impairment of property, plant and equipment	18	6
TOTAL	744	704

NOTE 12 Investments in associates and joint ventures

Investments in associates and joint ventures can be analyzed as follows:

(in millions of euros)	Delixi Sub-Group	Uplight	Planon	Fuji Electrics	Electroshield Samara	Sunten Electric Equipments	Other	Total
% of interest								
Dec. 31, 2020	50.0%			36.8%	60.0%	25.0%		
Dec. 31, 2021	50.0%	29.4%	25.0%	36.8%	60.0%	25.0%		
CLOSING VALUE DEC. 31, 2019	**320**	**-**	**-**	**141**	**-**	**42**	**30**	**533**
Net Income/(loss)	73	-	-	5	(15)	4	(1)	**66**
Dividends distribution	(18)	-	-	(2)	-	-	(2)	**(22)**
Perimeter changes	-	-	-	-	33	-	3	**36**
Translation impacts & others	(8)	-	-	(4)	(8)	(2)	7	**(15)**
CLOSING VALUE DEC. 31, 2020	**367**	**-**	**-**	**140**	**10**	**44**	**37**	**598**
Net Income/(loss)	81	(7)	(1)	13	(4)	2	-	**84**
Dividends distribution	(22)	-	-	(2)	-	(2)	(3)	**(29)**
Perimeter changes	-	398	113	-	-	-	-	**511**
Translation impacts & others	38	(1)	-	-	1	(6)	38	**70**
CLOSING VALUE DEC. 31, 2021	464	390	112	151	7	38	72	1,234

In July 2021, Schneider Electric acquired a 29.6% strategic stake in Uplight for a consideration of EUR 378 million. In October 2021, Schneider Electric subscribed to a EUR 20 million increase in capital in order to finance the acquisition of Agentis by Uplight, leading to the dilution of Schneider Electric's stake to 29.4%.

12.1- Main entities consolidated under the equity method:

Delixi Electric Ltd.

In 2007, Schneider Electric joined Delixi Group to establish a win-win partnership in a joint-venture, Delixi Electric Ltd., aka "Delixi Electric".

Delixi Electric is a specialist in manufacturing, retail and distribution of low voltage products.

The key financial indicators for the Delixi Electric subgroup (on a 100% basis) are as follows:

(in millions of euros)	Dec. 31, 2021	Dec. 31, 2020
Non-current assets	895	690
Current assets	677	409
TOTAL ASSETS	**1,573**	**1,099**
Equity	586	408
Non-current liabilities	168	17
Current liabilities	819	675
TOTAL EQUITY AND LIABILITIES	**1,573**	**1,099**
Revenue	1,418	1,145
Adjusted EBITA	201	170
PROFIT FOR THE PERIOD	**162**	**145**
Dividends paid	45	36

Uplight

Schneider Electric acquired a strategic stake in Uplight as part of its digitization and growth strategy. Uplight offers a comprehensive digital platform for utility customer engagement and provides software and services to world's leading electric and gas utilities, mainly in the U.S., with the mission of motivating and enabling energy users and providers to transition to cleaner energy ecosystems.

Uplight's financial results are driven by the rate of growth of new customers and the extension of additional services to existing customers.

NOTE 13 Non-current financial assets

Non-current financial assets, primarily comprising investments, are detailed below:

(in millions of euros)	% of interest	Dec. 31, 2021 Acquisitions disposals	Fair value through P&L	Fair value through Equity	FX & others	Fair value	Dec. 31, 2020 Fair value
LISTED FINANCIAL ASSETS:							
Gold Peak Industries Holding Ltd	4.4%	-	-	-	-	2	2
Others (Unit gross value lower than EUR 3 million)		-	-	-	13	13	-
TOTAL LISTED FINANCIAL ASSETS		**-**	**-**	**-**	**13**	**15**	**2**
UNLISTED FINANCIAL ASSETS:							
Funds							
Foundries		98	22	29	(17)	278	146
FCPR Aster II (part A, B, C and D)	38.3%	2	(5)	-	-	33	36
Sensetime & Stalagnate Fund China	51.0%	-	-	-	4	44	40
FCPR SEV1	100.0%	(5)	(9)	-	-	6	20
SICAV SESS	63.1%		-	-	-	11	11
FCPI Energy Access Ventures Fund	28.6%	-	1	-	-	14	13
SICAV Livehoods Fund SIF	15.2%	1	(1)	-	-	3	3
Direct investments							
Planon	25.0%	-	-	-	(113)	-	113
Alpi	100.0%	-	-	-	(26)	-	26
Star Charge	1.5%	-	-	11	3	29	15
Raise Fundation	4.8%	-	-	-	-	9	9
Schneider Electric Energy Access	81.1%	1	-	-	-	5	4
Itris Automation	100.0%	-	-	-	(3)	-	3
Others (Unit gross value lower than EUR 3 million)		-	-	-	(6)	2	8
TOTAL UNLISTED FINANCIAL ASSETS		**97**	**8**	**40**	**(158)**	**434**	**447**
PENSIONS ASSETS		**17**	**(5)**	**193**	**19**	**370**	**146**
OTHER		**4**	**-**	**-**	**30**	**215**	**181**
TOTAL NON-CURRENT FINANCIAL ASSETS		**118**	**3**	**233**	**(96)**	**1,034**	**776**

The fair value of investments quoted in an active market corresponds to the stock price on the balance sheet date.

"Others" include mainly loans to non-consolidated companies, and security deposits.

NOTE 14 Deferred taxes by Nature

Deferred taxes by type can be analyzed as follows:

(in millions of euros)	Dec. 31, 2021	Dec. 31, 2020
Tax loss carryforwards (net)	689	738
Provisions for pensions and other post-retirement benefit obligations (net)	240	371
Non-deductible provisions and accruals (net)	515	405
Differences between tax and accounting depreciation on tangible assets (net)	10	37
Differences between tax and accounting amortization on intangible assets (net)	(1,040)	(934)
Differences on working capital (net)	187	171
Other deferred tax assets/(liabilities) (net)	222	279
TOTAL NET DEFERRED TAX ASSETS/(LIABILITIES)	**823**	**1,067**
of which total deferred tax assets	*1,820*	*1,984*
of which total deferred tax liabilities	*997*	*917*

Deferred tax assets recorded in respect of tax losses carried forward at December 31, 2021 essentially concern France (EUR 500 million). These deficits can be carried forward indefinitely, and have been activated using the rate of 25.83%, in accordance with the applicable rate in the expected consumption horizon of 7 years. Unrecognised deferred tax losses amount EUR 143 million as of December 31, 2021, and are mainly related to Spain.

NOTE 15 Inventories and work in progress

Inventories and work in progress changed as follows:

(in millions of euros)	Dec. 31, 2021	Dec. 31, 2020
COST:		
Raw materials	1,832	1,240
Production work in progress	295	235
Semi-finished and finished products	1,323	1,085
Finished goods	696	516
Solution work in progress	199	167
INVENTORIES AND WORK IN PROGRESS AT COST	**4,345**	**3,243**
IMPAIRMENT:		
Raw materials	(187)	(191)
Production work in progress	(9)	(6)
Semi-finished and finished products	(165)	(151)
Finished goods	(8)	(8)
Solution work in progress	(5)	(4)
IMPAIRMENT LOSS	**(374)**	**(360)**
NET:		
Raw materials	1,645	1,049
Production work in progress	286	229
Semi-finished and finished products	1,158	934
Finished goods	688	508
Solution work in progress	194	163
INVENTORIES AND WORK IN PROGRESS, NET	**3,971**	**2,883**

NOTE 16 Trade and other operating receivables

(in millions of euros)	Dec. 31, 2021	Dec. 31, 2020
Accounts receivable	5,141	4,482
Unbilled revenue	1,500	1,231
Notes receivable	510	308
Advances to suppliers	176	115
Accounts receivable at cost	**7,327**	**6,136**
Impairment	(498)	(510)
ACCOUNTS RECEIVABLE, NET	**6,829**	**5,626**
On time	*6,091*	*4,906*
Less than one month past due	*324*	*389*
One to two months past due	*163*	*150*
Two to three months past due	*79*	*85*
Three to four months past due	*100*	*46*
More than four months past due	*72*	*50*

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:

(in millions of euros)	Full year 2021	Full year 2020
Provisions for impairment on January 1	**(510)**	**(459)**
Additions	(82)	(141)
Utilizations	30	91
Reversal of surplus provisions	67	51
Translation adjustments	(25)	37
Changes in scope of consolidation and other	22	(89)
PROVISIONS FOR IMPAIRMENT ON DECEMBER 31	**(498)**	**(510)**

The contracts assets and liabilities, respectively reported within the "Trade and other operating receivables" and "Trade and other operating payables", are as follows:

(in millions of euros)	Dec. 31, 2021	Dec. 31, 2020
Unbilled revenue (contract assets)	1,500	1,231
Contract liabilities	(1,570)	(1,193)
NET CONTRACT ASSETS	**(70)**	**38**

NOTE 17 Other receivables and prepaid expenses

(in millions of euros)	Dec. 31, 2021	Dec. 31, 2020
Other receivables	550	632
Other tax receivables	1,227	1,198
Derivative instruments	48	107
Prepaid expenses	173	157
OTHER RECEIVABLES AND PREPAID EXPENSES	**1,998**	**2,094**

NOTE 18 Cash and cash equivalents

(in millions of euros)	Dec. 31, 2021	Dec. 31, 2020
Marketable securities	551	1,942
Negotiable debt securities and short-term deposits	438	2,275
Cash	1,633	2,678
Total cash and cash equivalents	**2,622**	**6,895**
Bank overdrafts	(159)	(133)
NET CASH AND CASH EQUIVALENTS	**2,463**	**6,762**

Non-recourse factorings of trade receivables were realized in 2021 for a total amount of EUR 50 million, compared with EUR 100 million in 2020.

NOTE 19 Shareholder's equity

19.1- Capital

Share capital

The company's share capital at December 31, 2021 amounted to EUR 2,276,133,768 represented by 569,033,442 shares with a par value of EUR 4, all fully paid up.

At December 31, 2021, a total of 595,320,658 voting rights were attached to the 569,033,442 issued shares. 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 and cumulative number of shares

Changes in share capital since December 31, 2019 were as follows:

(in number of shares and in euros)	**Cumulative number of shares**	**Share capital**
CAPITAL AT DEC. 31, 2019	**582,068,555**	**2,328,274,220**
Cancellation of own shares *	(15,000,000)	(60,000,000)
Employee share issue	-	-
CAPITAL AT DEC. 31, 2020	**567,068,555**	**2,268,274,220**
Cancellation of own shares	-	-
Employee share issue	1,964,887	7,859,548
CAPITAL AT DEC. 31, 2021	**569,033,442**	**2,276,133,768**

** Cancellation of 15 million treasury shares on May 31, 2020*

On May 31, 2020, the Group decided to cancel 15 million of treasury shares, decreasing the share premium account by EUR 929 million. On November 24, 2020, the Group issued a sustainability-linked convertible bond (convertible into or exchangeable for a new or existing shares (OCEANEs)), with a nominal amount of EUR 650 million. This zero-coupon bond of maturity date in 2026 offers investors a premium (0.5% of nominal amount) in case the company underperforms sustainability objectives. The equity component of this convertible bonds has been valued at EUR 43 million and has been recognised in "Additional paid-in capital".

In 2021, the share premium account increased by EUR 208 million following the increases in capital.

19.2- Earnings per share

	Full Year 2021		**Full Year 2020**	
(in thousands of shares and in euros per share)	**Basic**	**Diluted**	**Basic**	**Diluted**
Issued shares (Net of treasury shares and own shares)	556,432	556,432	553,767	553,767
Performance shares	-	4,566	-	135
Bonds convertible into shares	-	3,684	-	3,684
AVERAGE WEIGHTED NUMBER OF SHARES	**556,432**	**564,682**	**553,767**	**557,586**
Earnings per share before tax	7.47	7.36	5.07	5.04
EARNINGS PER SHARE	**5.76**	**5.67**	**3.84**	**3.81**

19.3- Dividends paid and proposed

In 2021, the Group paid out the 2020 dividend of EUR 2.60 per share, for a total of EUR 1,447 million.

At the Shareholders' Meeting of May 5, 2022, shareholders will be asked to approve a dividend of EUR 2.90 per share for fiscal year 2021. At December 31, 2021 Schneider-Electric SE had distributable reserves in an amount of EUR 2,856 million (versus EUR 4,126 million at the previous year-end), not including profit for the year.

19.4- Share-based payments

Current stock grant plans

The Board of Directors of Schneider Electric SE and later the Management Board have set up performance shares plans for senior executives and certain employees of the Group. The main features of these plans were as follows at December 31, 2021:

Plan no.	Date of the Board Meeting	Vesting date	End of lock-up period	Number of shares initially granted	Grants cancelled because objectives not met
Plan 30	03/26/2018	03/26/2021	03/26/2022	25,800	2,808
Plan 31	03/26/2018	03/26/2021	03/26/2021	2,318,140	281,629
Plan 31 bis	10/24/2018	10/24/2021	10/24/2021	28,000	3,313
Plan 32	03/26/2019	03/28/2022	03/28/2023	25,800	4,983
Plan 33	03/26/2019	03/28/2022	03/29/2022	2,313,650	224,198
Plan 34	07/24/2019	07/25/2022	07/26/2022	87,110	6,390
Plan 35	10/23/2019	10/24/2022	10/25/2022	17,450	-
Plan 36	03/24/2020	03/24/2023	03/24/2024	18,000	-
Plan 37	03/24/2020	03/24/2023	03/27/2023	2,095,740	98,950
Plan 37 bis	10/21/2020	10/23/2023	10/24/2023	103,051	4,300
Plan 38	03/25/2021	03/25/2024	03/25/2025	11,371	-
Plan 39	03/25/2021	03/25/2024	03/25/2024	1,463,997	14,873
Plan 39 bis	07/29/2021	07/29/2024	07/29/2024	48,720	380
Plan 39 ter	10/26/2021	10/26/2024	10/26/2024	33,082	-
TOTAL				**8,589,911**	**641,824**

Rules governing the performance shares plans are as follows:

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

Outstanding shares

In respect of subscription vesting conditions for current performance shares plans, Schneider Electric SE has not created shares in 2021 and used existing treasury shares.

Changes in the number of outstanding number of shares in 2021 were as follow:

Plan no.	Number of performance shares at Dec. 31, 2020	Number of shares granted or to be granted	Number of shares cancelled in 2021	Number of performance shares at Dec. 31, 2021
Plan 30	23,417	(22,992)	(425)	-
Plan 31	2,086,639	(2,036,511)	(50,128)	-
Plan 31 bis	28,000	(24,687)	(3,313)	-
Plan 32	20,817	-	-	20,817
Plan 33	2,185,422	(1,800)	(94,170)	2,089,452
Plan 34	84,080	-	(3,370)	80,710
Plan 35	17,450	-	-	17,450
Plan 36	18,000	-	-	18,000
Plan 37	2,068,990	(800)	(71,400)	1,996,790
Plan 37 bis	102,861	-	(4,110)	98,751
Plan 38	-	11,371	-	11,371
Plan 39	-	1,463,997	(14,873)	1,449,124
Plan 39 bis	-	48,720	(380)	48,340
Plan 39 ter	-	33,082	-	33,082
TOTAL	**6,635,676**	**(529,620)**	**(242,169)**	**5,863,887**

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

Valuation of performance shares

In accordance with the accounting policies described in Note 1.20, the performance shares plans have been valued based on an average estimated life of 3 to 5 years using the following assumptions:

- a pay-out rate of between 2.2% and 3.5%;
- a discount rate of between (0.8)% and 1.0%, corresponding to a risk-free rate over the life of the plans (source: Bloomberg).

Based on these assumptions, the expense recorded under "Selling, general and administrative expenses" breaks down as follows:

(in millions of euros)	**Full year 2021**	**Full year 2020**
Plans 2016	-	11
Plans 2017	-	10
Plans 2018	6	41
Plans 2019	40	43
Plans 2020	37	28
Plans 2021	35	-
TOTAL	**118**	**133**

In 2021, the Group also recorded an additional expense of EUR 43 million, mostly relating to AVEVA subgroup's performance shares plan for EUR 36 million, bringing the total Group expense to EUR 161 million.

Worldwide Employee Stock Purchase Plan

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

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

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

Year 2021

The table below summarizes the main characteristics of the 2021 plan, the amounts subscribed, the valuation assumptions and the plan's cost:

	Full Year 2021	
(in millions of euros)	**%**	**Value**
Plan characteristics:		
Maturity *(years)*		5
Reference price *(euros)*		129.64
Subscription price *(euros)*		110.19
Discount	15.0%	
Amount subscribed by employees		216.5
Total amount subscribed		216.5
Total number of shares subscribed *(million of shares)*		2
Valuation assumptions:		
Interest rate available to market participant *(bullet loan)* *	2.4%	-
Five-year risk-free interest rate *(euro zone)*	0,0%	-
Annual interest rate *(repo)*	1.0%	-
Value of discount (a)	**15.0%**	**38.2**
Value of the lock-up period for market participant (b)	**26.4%**	**44.6**
TOTAL EXPENSE FOR THE GROUP (a) - (b)		-
Sensitivity:		
decrease in interest rate for market participant **	(0.5)%	6.9

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

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

In 2021, Schneider Electric gave its employees the opportunity to purchase shares at a price of EUR 110.19 per share, as part of its commitment to employee share ownership, on April 19, 2021. This represented a 15% discount to the reference price of EUR 129.64 calculated as the average opening price quoted for the share during the 20 days preceding the Management Board's decision to launch the employee share issue.

Altogether, 2.0 million shares were subscribed, increasing the Company's capital by EUR 216 million as of July 6, 2021. Due to significant changes in valuation assumptions, specifically the interest rate available to market participant, the value of the lock-up cost is higher than the discount cost since 2012. Therefore, the Group did not recognize any cost related to the transaction.

Year 2020

On April 20, 2020, the Management Board took the exceptional decision to cancel this year employee share issues as part of its strategy to deal with the impacts of the Covid-19 pandemic.

19.5- Schneider Electric SE shares

At December 31, 2021, the Group held 12,456,882 Schneider Electric shares in treasury stock, which have been recorded as a deduction from retained earnings.

The Group has repurchased 1,809,054 shares for a total amount of EUR 262 million in 2021.

19.6- Income tax recorded in equity

Total income tax recorded in Equity amounts to EUR 130 million as of December 31, 2021 and can be analyzed as follows:

(in millions of euros)	Dec. 31, 2021	Dec. 31, 2020	Change in tax
Cash-Flow hedges	23	30	(7)
Available-for-sale financial assets	(15)	(6)	(9)
Actuarial gains/(losses) on defined benefits obligations	125	230	(105)
Other	(3)	(3)	-
TOTAL	**130**	**251**	**(121)**

19.7- Non-controlling interests

The main contributor is AVEVA subgroup's, for which 41% of the shares correspond to non-controlling interests for the Group. AVEVA, which remains a listed company, is publishing its financial statements on regular basis.

NOTE 20 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.

Defined Benefit Pension Plans

The Group's main Defined Benefit pension plans are located in the United Kingdom (UK) and the United States (US). They respectively represent 62% (2020: 64%) and 22% (2020: 21%) of the Group's total Defined Benefit Obligations (DBO) on pensions. The majority of benefit obligations under these plans, which represent 93% of the Group's total commitment at December 31, 2021, are partially or fully funded through payments to external funds. These funds are never invested in Group assets.

United Kingdom

The Group companies operate several Defined Benefit pension plans in the UK. The main one is related to the Invensys Pension Scheme. Pensions payable to employees depend on average final salary and length of service within the Group. These plans are registered schemes under UK tax law and managed by independent Boards of Trustees. They are closed to new entrants, and for most of them, the vested rights were frozen as they have been replaced by Defined Contributions plans.

These plans are funded by employer contributions, which are negotiated every three years based on plan valuations carried out by independent actuaries, so that the long-term financing services are ensured.

In relation to risk management and asset allocation, the Board of Trustees' aims of each plan are to ensure that it can meet its obligations to the plan's beneficiaries both in the short and long-term. The Board of Trustees is responsible for the plan's long-term investment strategy and defines and manages long-term investment strategies to reduce risks, including interest rate risks and longevity risks. A certain proportion of assets hedges the liability valuation change resulting from the interest rates evolution. Those assets are primarily invested in fixed income investments, particularly intermediate and longer-term instruments.

Following the agreement reached with the Trustee of the Invensys Pension Scheme on February 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. As of December 31, 2021, plan assets exceed the value of obligations subject to this guarantee and thus this guarantee cannot be called.

Schneider UK pension plans contain provisions of pension called Guaranteed Minimum Pension ("GMP"). GMPs were accrued for individuals who subscribed to the State Second Pension prior to April 6, 1997. Historically, there was an inequality in the benefits between male and female members concerning GMP.

A High Court case concluded on October 26, 2018, confirmed that all UK pension plans must equalize "GMPs" between men and women. In the light of these events and new information, the Group updated the related assumptions, leading to a net experience adjustment in "Other Comprehensive Income" of EUR 56 million. Following a further High Court ruling in November 2020, an additional net experience adjustment of EUR 7 million was recognized in other comprehensive income in 2020.

United States

The United States' subsidiaries operate several Defined Benefit pension plans. These plans are closed to new entrants, frozen to future accruals and have been replaced by Defined Contributions plans. Pensions payable to employees depend on the average final salary and the length of service within the Group.

Each year, the Group companies contribute a certain amount to the Defined Benefit pension plans. This amount is determined actuarially and is comprised of service costs, administrative expenses and payments toward any existing deficits. Since the plans are closed and frozen, there is generally no service cost component.

The companies delegate various responsibilities to Pension Committees. These committees define and manage long-term investment strategies to reduce risks, including interest rate risks and longevity risks. A certain proportion of assets hedges the liability valuation change, resulting from the interest rates evolution. Those assets are primarily invested in fixed income investments, particularly intermediate and longer-term instruments.

Assumptions

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

	Group weighted average rate		Of which United Kingdom		Of which United States	
	Dec. 31, 2021	Dec. 31, 2020	Dec. 31, 2021	Dec. 31, 2020	Dec. 31, 2021	Dec. 31, 2020
Discount rate	2.12%	1.57%	2.05%	1.40%	2.77%	2.42%
Rate of compensation increases	2.60%	2.52%	3.64%	3.46%	n.a.	n.a

The discount rate is determined based on the interest rate for investment-grade (AA) corporate bonds or, if 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 based on a yield curve for AA and AAA investment-grade corporate bonds.

In the Euro zone, the discount rate currently stands at 0.80%.

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

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

(in millions of euros)	**Defined benefit obligations**	**Plan assets**	**Asset ceiling**	**Net Liability**
Dec 31, 2019	**(10,065)**	**8,633**	**(123)**	**(1,555)**
Service cost	(54)	-	-	(54)
Past service cost	-	-	-	-
Curtailments and settlements	1	(1)	-	-
Interest cost	(204)	-	(2)	(206)
Interest income	-	159	-	159
Net impact in P&L, (expense)/profit	**(257)**	**158**	**(2)**	**(101)**
of which UK	*(119)*	*118*	*(2)*	*(3)*
of which US	*(69)*	*38*	-	*(31)*
Benefits paid	554	(500)	-	54
Plan participants' contributions	(6)	6	-	-
Employer contributions	-	106	-	106
Changes in the scope of consolidation	(8)	-	-	(8)
Actuarial gains/(losses) recognized in equity	(796)	621	52	(123)
Translation adjustment	562	(503)	6	65
Other changes	-	-	-	-
Dec. 31, 2020	**(10,016)**	**8,521**	**(67)**	**(1,562)**
of which UK	*(6,370)*	*6,459*	*(67)*	*22*
of which US	*(2,140)*	*1,535*	-	*(605)*
Service cost	(66)	-	-	(66)
Past service cost	2	-	-	2
Curtailments and settlements	25	(1)	-	24
Interest cost	(159)	-	(1)	(160)
Interest income	-	121	-	121
Net impact in P&L, (expense)/profit	**(198)**	**120**	**(1)**	(79)
of which UK	*(94)*	*86*	*(1)*	(9)
of which US	*(52)*	*30*	-	(22)
Benefits paid	532	(478)	-	54
Plan participants' contributions	(6)	6	-	-
Employer contributions	-	136	-	136
Changes in the scope of consolidation	9	-	-	9
Actuarial gains/(losses) recognized in equity	701	(117)	(133)	451
Translation adjustment	(631)	606	(9)	(34)
Other changes	(77)	77	-	-
Dec. 31, 2021	**(9,686)**	**8,871**	**(210)**	**(1,025)**
of which UK	*(6,017)*	*6,524*	*(184)*	*323*
of which US	*(2,170)*	*1,692*	-	*(478)*

The Group defined benefit obligations of EUR 9.686 million (2020: EUR 10.016 million) are broken down as EUR 9.470 million (2020: EUR 9.802 million) for post-employment benefits and EUR 216 million (2020: EUR 214 million) for other post-employment and long-term benefits.

The total present value of Defined Benefit Obligations breaks down as follows between wholly or partly funded plans and wholly unfunded plans:

(in millions of euros)	Dec. 31, 2021	Dec. 31, 2020
Present value of wholly or partly funded benefit obligation	(9,052)	(9,356)
Fair value on plan assets	8,871	8,521
Effect of assets ceiling	(210)	(66)
Net position of wholly or partly funded benefit obligation	**(391)**	**(901)**
Present value of wholly or partly unfunded benefit obligation	**(634)**	**(661)**
NET LIABILITY FROM FUNDED AND UNFUNDED PLANS	**(1,025)**	**(1,562)**
Balance Sheet impact:		
*surplus of plans recognized as assets**	*370*	*146*
provisions recognized as liabilities	*(1,395)*	*(1,708)*

** The surplus of plans recognized as assets represents the assets in excess of the liabilities, generally assumed to be recoverable, and after applying any asset ceiling*

Changes in gross items recognized in equity were as follows:

(in millions of euros)	Full year 2021	Full year 2020
Actuarial (gains)/losses on Defined Benefit Obligations arising from demographic assumptions	(121)	(6)
Actuarial (gains)/losses on Defined Benefit Obligations arising from financial assumptions	(522)	853
Actuarial (gains)/losses on Defined Benefit Obligations from experience effects	(58)	(51)
Actuarial (gains)/losses on plan assets	117	(621)
Effect of asset ceiling	133	(52)
TOTAL RECOGNIZED IN EQUITY DURING THE PERIOD	**(451)**	**123**
of which UK	*259*	*(111)*
of which US	*116*	*(5)*

Plans asset allocation:

(in millions of euros)	Dec. 31, 2021	Dec. 31, 2020
Equity	6%	9%
Bonds	80%	80%
Others	14%	11%
TOTAL	**100%**	**100%**

20.2- Sensitivity analysis

The effect of a ± 0.5% change in the discount rate on the 2021 Defined Benefit Obligations is as follows:

	Total		United Kingdom		United States		Rest of the World	
(in millions of euros)	+0.5%	-0.5%	+0.5%	-0.5%	+0.5%	-0.5%	+0.5%	-0.5%
DBO Impact	(591)	660	(385)	431	(117)	129	(89)	100

NOTE 21 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	35	33	322	8	324	128	**850**
Utilizations	(43)	(26)	(172)	(17)	(208)	(132)	**(598)**
Reversals of surplus provisions	(10)	-	(11)	(3)	(2)	(7)	**(33)**
Translation adjustments	(19)	(12)	(24)	(22)	(7)	(30)	**(114)**
Changes in the scope of consolidation and other	20	83	16	-	(8)	(20)	**91**
Dec. 31, 2020	**275**	**154**	**630**	**259**	**250**	**362**	**1,930**
of which long-term portion	*161*	*103*	*137*	*226*	*15*	*288*	**930**
Additions	52	12	206	8	130	126	**534**
Utilizations	(48)	(21)	(150)	(13)	(194)	(100)	**(526)**
Reversals of surplus provisions	(6)	-	(39)	-	(26)	(15)	**(86)**
Translation adjustments	13	9	31	23	5	21	**102**
Changes in the scope of consolidation and other	(16)	(7)	(3)	73	(5)	28	**70**
Dec. 31, 2021	**270**	**147**	**675**	**350**	**160**	**422**	**2,024**
of which long-term portion	*169*	*104*	*150*	*315*	*12*	*341*	**1,091**

Provisions are recognized following the principles described in Note 1.21.

Reconciliation with cash flow statement:

(in millions of euros)	Full year 2021	Full year 2020
Increase of provision	534	850
Utilization of provision	(526)	(598)
Reversal of surplus provision	(86)	(33)
Provision variance including tax provisions but excluding employee benefit obligation	**(78)**	**219**
Employee benefit obligation net variance contribution to plan assets	24	47
INCREASE/(DECREASE) IN PROVISIONS IN CASH-FLOW STATEMENT	**(54)**	**266**

NOTE 22 Total current and non-current financial liabilities

The breakdown of net debt is as follows:

(in millions of euros)	Dec. 31, 2021	Dec. 31, 2020
Bonds	8,234	8,773
Other bank borrowings	51	32
Employee profit sharing	-	-
Short-term portion of bonds	(706)	(600)
Short-term portion of long-term debt	(25)	(9)
NON-CURRENT FINANCIAL LIABILITIES	**7,554**	**8,196**
Commercial paper	950	1,302
Accrued interest	38	43
Other short-term borrowings	317	173
Drawdown of funds from lines of credit	-	-
Bank overdrafts	159	133
Short-term portion of convertible and non-convertible bonds	706	600
Short-term portion of long-term debt	25	9
SHORT-TERM DEBT	**2,195**	**2,260**
TOTAL CURRENT AND NON-CURRENT FINANCIAL LIABILITIES	**9,749**	**10,456**
CASH AND CASH EQUIVALENTS	**(2,622)**	**(6,895)**
NET DEBT	**7,127**	**3,561**

22.1- Breakdown by maturity

	Dec. 31, 2021		Dec. 31, 2020
(in millions of euros)	Nominal	Interests	Nominal
2021	-	-	2,260
2022	2,195	78	673
2023	1,325	58	1,295
2024	996	49	996
2025	1,045	41	1,045
2026	1,397	35	1,396
2027	1,240	19	1,240
2028 and beyond	1,551	2	1,551
TOTAL	**9,749**	**282**	**10,456**

22.2- Breakdown by currency

(in millions of euros)	Dec. 31, 2021	Dec. 31, 2020
Euro	8,803	9,537
US Dollar	737	698
Brazilian Real	13	13
Indian Rupee	84	112
Algerian Dinar	22	23
Other	90	73
TOTAL	**9,749**	**10,456**

22.3- Bonds

(in millions of euros)	Dec. 31, 2021	Dec. 31, 2020	Interest rate	Maturity
Schneider Electric SE 2021	-	600	2.500% fixed	September 2021
Schneider Electric SE 2022	706	651	2.950% fixed	September 2022
Schneider Electric SE 2023	499	498	0.000% fixed	June 2023
Schneider Electric SE 2023	798	797	1.500% fixed	September 2023
Schneider Electric SE 2024	997	996	0.250% fixed	September 2024
Schneider Electric SE 2025	746	745	0.875% fixed	March 2025
Schneider Electric SE 2025	300	300	1.841% fixed	October 2025
Schneider Electric SE 2026 (OCEANEs)	651	651	0.000% fixed	June 2026
Schneider Electric SE 2026	746	745	0.875% fixed	December 2026
Schneider Electric SE 2027	497	496	1.000% fixed	April 2027
Schneider Electric SE 2027	744	743	1.375% fixed	June 2027
Schneider Electric SE 2028	757	758	1.500% fixed	January 2028
Schneider Electric SE 2029	793	793	0.250% fixed	March 2029
TOTAL	**8,234**	**8,773**		

Schneider Electric SE has issued bonds on different markets:

- in the United States, through a private placement offering following SEC 144A rule, for USD 800 million worth of bonds issued in September 2012, at a rate of 2.95%, due in September 2022;
- as part of its Euro Medium Term Notes (EMTN) program, bonds traded on the Luxembourg stock exchange. Issues that had not yet matured as of December 31, 2021 are as follow:
  - EUR 500 million worth of bonds issued in June 2020, at a rate of 0.0%, maturing in June 2023;
  - EUR 800 million worth of bonds issued in September 2015 at a rate of 1.50%, maturing in September 2023;
  - EUR 800 million worth of bonds issued in September 2016, at a rate of 0.25%, maturing in September 2024;
  - EUR 200 million worth of bonds issued in July 2019, at a rate of 0.25%, maturing in September 2024;
  - EUR 750 million worth of bonds issued in March 2015, at a rate of 0.875%, maturing in March 2025;
  - EUR 200 million and EUR 100 million worth of Climate bonds issued successively in October and December 2015, at a rate of 1.841%, maturing in October 2025;
  - EUR 750 million worth of bonds issued in December 2017, at a rate of 0.875%, maturing in December 2026;
  - EUR 500 million worth of bonds issued in April 2020, at a rate of 1.00%, maturing in April 2027;
  - EUR 750 million worth of bonds issued in June 2018, at a rate of 1.375%, maturing in June 2027;
  - EUR 500 million worth of bonds issued in January 2019 and EUR 250 million worth of bonds issued in May 2019, at a rate of 1.50%, maturing in January 2028;

– EUR 800 million worth of bonds issued in March 2020, at a rate of 0.25%, maturing in March 2029.

In addition, the Group has issued a bond that is convertible into or exchangeable for a new or existing shares (OCEANEs) for EUR 650 million at a rate of 0.00%, maturing in June 2026. The OCEANE has a debt component, assessed on inception date on the basis of the market interest rate applied to an equivalent non-convertible bond, is recognized in non-current financial debts and an optional component recognized in equity. At end of December 2021, the debt component recorded amounts to EUR 651 million and the optional component to EUR 42 million.

The initial conversion and/or exchange ratio of the Bonds is one share per Bond with a nominal value set at EUR 176.44. According to Sustainability-Linked Financing Framework, if the average sustainability performance score (calculated as the arithmetic average of the scores of the three key performance indicators) does not reach a certain level by December 31, 2025, the Group will pay an amount equal to 0.50% of the face value.

The three key performance indicators from the 11 new Schneider Sustainability Impact (SSI) 2021-2025 indicators are the following:

- Climate: Deliver 800 megatons of saved and avoided CO_2 emissions to our customers;
- Equality: Increase gender diversity, from hiring to front-line managers and leadership teams (50/40/30);
- Generation: Train 1 million underprivileged people in energy management.

The detailed rating methodology and approach are presented in the Group's Sustainability-Linked Financing Framework.

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

22.4- Reconciliation with cash flow statement

(in millions of euros)	**Dec. 31, 2020**	**Cash variations**	**Non-cash variations**		**Dec. 31, 2021**
			Scope impacts	**Forex and others**	
Bonds	8,773	(600)	-	61	8,234
Bank overdrafts and other borrowings	1,683	(8)	3	(163)	1,515
TOTAL CURRENT AND NON-CURRENT FINANCIAL LIABILITIES	**10,456**	**(608)**	**3**	**(102)**	**9,749**

22.5- Other information

As of December 31, 2021, the Group had confirmed credit lines of EUR 2,550 million all maturing after December 2022, all unused.

Loan agreements and committed credit lines do not include any financial covenants or credit rating triggers in case of downgrading in the company's long-term debt.

NOTE 23 Classification of financial instruments

The Group uses financial instruments to manage its exposure to fluctuations in interest rates, exchange rates and metal prices. Financial assets and liabilities can be classified at the fair value following the hierarchy levels below:

1. Level 1: market value (non-adjusted) on active markets, for similar assets and liabilities, which the company can obtain on a given valuation date;
2. Level 2: data other than the market rate available for level 1, which are directly or indirectly observable on the market;
3. Level 3: data on the asset or liability that are not observable on the market.

23.1 - Balance sheet exposure and fair value hierarchy

Dec. 31, 2021

(in millions of euros)	Carrying amount	Fair value through P&L	Fair value through equity	Financial assets/liabilities measured at amortized cost	Fair value	Fair value hierarchy
ASSETS:						
Listed financial assets	15	-	15	-	15	Level 1
Venture capital (FCPR)/mutual funds (SICAV)	111	111	-	-	111	Level 3
Other unlisted financial assets	323	79	244	-	323	Level 3
Other non-current financial assets	585	-	-	585	585	Level 2
TOTAL NON-CURRENT ASSETS	**1,034**	**190**	**259**	**585**	**1,034**	
Trade accounts receivables	6,829	-	-	6,829	6,829	Level 2
Current financial assets	4	-	4	-	4	Level 2
Marketable securities	551	551	-	-	551	Level 1
Negotiable debt securities and short-term deposits	438	438	-	-	438	Level 2
Cash	1,633	1,633	-	-	1,633	Level 2
Derivative instruments - foreign currencies	41	40	1	-	41	Level 2
Derivative instruments - interest rates	-	-		-	-	Level 2
Derivative instruments - commodities	7	-	7	-	7	Level 2
Derivative instruments - shares	-	-	-	-	-	Level 2
TOTAL CURRENT ASSETS	**9,503**	**2,662**	**12**	**6,829**	**9,503**	
LIABILITIES:						
Long-term portions of non-convertible bonds *	(6,877)	-	-	(6,877)	(7,126)	Level 1
Long-term portions of convertible bonds *	(651)	-	-	(651)	(636)	Level 2
Other long-term debt	(26)	-	-	(26)	(26)	Level 2
TOTAL NON-CURRENT LIABILITIES	**(7,554)**	**-**	**-**	**(7,554)**	**(7,788)**	
Short-term portion of bonds *	(706)	-	-	(706)	(719)	Level 1
Short-term debt	(1,489)	-	-	(1,489)	(1,489)	Level 2
Trade accounts payable	(5,715)	-	-	(5,715)	(5,715)	Level 2
Other	(63)	-	-	(63)	(63)	Level 2
Derivative instruments - foreign currencies	(104)	(55)	(49)	-	(104)	Level 2
Derivative instruments - interest rates	-	-	-	-	-	Level 2
Derivative instruments - commodities	-	-	-	-	-	Level 2
Derivative instruments - shares	-	-	-	-	-	Level 2
TOTAL CURRENT LIABILITIES	**(8,077)**	**(55)**	**(49)**	**(7,973)**	**(8,090)**	

** The majority of financial instruments listed in the balance sheet have a fair value close to their book value, except for bonds, for which the amortized cost in the balance sheet represents EUR 8,234 million compared to EUR 8,481 million at fair value.*

Dec. 31, 2020

(in millions of euros)	Carrying amount	Fair value through P&L	Fair value through equity	Financial assets/liabilities measured at amortized cost	Fair value	Fair value hierarchy
ASSETS:						
Listed financial assets	2	-	2	-	2	Level 1
Venture capital (FCPR)/mutual funds (SICAV)	84	84	-	-	84	Level 3
Other unlisted financial assets	363	-	363		363	Level 3
Other non-current financial assets	327	-	-	327	327	Level 2
TOTAL NON-CURRENT ASSETS	**776**	**84**	**365**	**327**	**776**	
Trade accounts receivables	5,626	-	-	5,626	5,626	Level 2
Current financial assets	18	18	-	-	18	Level 2
Marketable securities	1,942	1,942	-	-	1,942	Level 1
Negotiable debt securities and short-term deposits	2,275	2,275	-	-	2,275	Level 2
Cash	2,678	2,678	-	-	2,678	Level 2
Derivative instruments - foreign currencies	84	60	24	-	84	Level 2
Derivative instruments - interest rates	-	-	-	-	-	Level 2
Derivative instruments - commodities	23	-	23	-	23	Level 2
Derivative instruments - shares	1	-	1	-	1	Level 2
TOTAL CURRENT ASSETS	**12,647**	**6,973**	**48**	**5,626**	**12,647**	
LIABILITIES:						
Long-term portions of non-convertible bonds *	(7,522)	-	-	(7,522)	(7,955.6)	Level 1
Long-term portions of convertible bonds *	(651)	-	-	(651)	(652.4)	Level 2
Other long-term debt	(23)	-	-	(23)	(23)	Level 2
TOTAL NON-CURRENT LIABILITIES	**(8,196)**	**-**	**-**	**(8,196)**	**(8,631)**	
Short-term portion of bonds*	(600)	-	-	(600)	(611)	Level 1
Short-term debt	(1,660)	-	-	(1,660)	(1,660)	Level 2
Trade accounts payable	(4,664)	-	-	(4,664)	(4,664)	Level 2
Other	(54)	-	-	(54)	(54)	Level 2
Derivative instruments - foreign currencies	(19)	(19)	-	-	(19)	Level 2
Derivative instruments - interest rates	-	-	-	-	-	Level 2
Derivative instruments - commodities	-	-	-	-	-	Level 2
Derivative instruments - shares	-	-	-	-	-	Level 2
TOTAL CURRENT LIABILITIES	**(6,997)**	**(19)**	**-**	**(6,978)**	**(7,008)**	

** The majority of financial instruments listed in the balance sheet have a fair value close to their book value, except for bonds, for which the amortized cost in the balance sheet represents EUR 8,773 million compared to EUR 9,219 million at fair value.*

23.2- Derivative instruments

Dec. 31, 2021

(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	393	(305)	2	12	(10)	-
Forwards contracts	CFH	< 2 years	55	(24)	-	1	(1)	-
Forwards contracts	CFH	> 2 years	3	(3)	-	-	-	-
Forwards contracts	FVH	< 1 year	1,005	(539)	(22)	12	(34)	-
Forwards contracts	NIH	< 1 year	410	-	(10)	-	(10)	(10)
Forwards contracts	Trading	< 1 year	456	(2,402)	11	14	(3)	-
Cross currency swaps	CFH	< 1 year	88	(39)	(3)	2	(5)	1
Cross currency swaps	NIH	< 2 years	750	-	(41)	-	(41)	(39)
TOTAL FOREIGN CHANGE DERIVATIVES			**3,160**	**(3,312)**	**(63)**	**41**	**(104)**	**(48)**
Forwards contracts	CFH	< 1 year	-	(400)	7	7	-	7
Commodities derivatives			**-**	**(400)**	**7**	**7**	**-**	**7**
Options	CFH	< 1 year	-	-	-	-	-	-
Shares derivatives			**-**	**-**	**-**	**-**	**-**	**-**
TOTAL			**3,160**	**(3,712)**	**(56)**	**48**	**(104)**	**(41)**

Dec. 31, 2020

(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	242	(147)	1	10	(9)	1
Forwards contracts	CFH	< 2 years	19	(24)	-	1	(1)	-
Forwards contracts	CFH	> 2 years	7	(1)	-	-	-	-
Forwards contracts	FVH	< 1 year	997	(1,098)	25	30	(5)	1
Forwards contracts	NIH	< 1 year	1,102	-	21	21	-	22
Forwards contracts	Trading	< 1 year	536	(2,425)	7	11	(4)	-
Cross currency swaps	CFH	< 2 years	-	(159)	11	11	-	-
TOTAL FX DERIVATIVES			**2,903**	**(3,854)**	**65**	**84**	**(19)**	**24**
Forwards contracts	CFH	< 1 year	-	(249)	23	23	-	23
Commodities derivatives			**-**	**(249)**	**23**	**23**	**-**	**23**
Options	CFH	< 1 year	-	(1)	1	1	-	1
Shares derivatives			**-**	**(1)**	**1**	**1**	**-**	**1**
TOTAL			**2,903**	**(4,104)**	**89**	**108**	**(19)**	**48**

23.3- Foreign currency hedges

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. Hedging approaches are detailed in Note 1.23.

The breakdown of the nominal of foreign change derivatives related to operating and financing activities is as follows:

Dec. 31, 2021

(in millions of euros)	Sales	Purchases	Net
US Dollar	2,022	(685)	2,926
Chinese Yuan	4	(529)	656
Euro	264	(206)	859
Danish Crown	3	(120)	156
Singapore Dollar	383	(383)	599
Swedish Crown	16	(206)	152
Japanese Yen	14	(114)	53
Swiss Franc	4	(136)	253
UAE Dirham	1	(67)	77
Canadian Dollar	66	(15)	107
Australian Dollar	17	(65)	87
Saudi Riyal	11	(17)	46
Russian Ruble	82	(4)	68
Norwegian Krone	-	(14)	19
British Pound	15	(455)	202
South African Rand	38	(6)	48
Hong Kong Dollar	4	(34)	54
Others	216	(256)	470
TOTAL	**3,160**	**(3,312)**	**(152)**

23.4- Interest rate hedges

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 or cross-currency swaps. Cross-currency swaps may be presented both as foreign exchange hedges and interest rate hedges depending on the characteristics of the derivative.

The Group did not use any derivative instrument to hedge its exposure to interest rates during the fiscal year 2021.

	Dec. 31, 2021			Dec. 31, 2020		
(in millions of euros)	Fixed Rates	Floating rates	Total	Fixed Rates	Floating rates	Total
Total current and non-current financial liabilities	8,234	1,515	**9,749**	8,773	1,683	**10,456**
Cash and cash equivalent	-	(2,622)	(**2,622**)	-	(6,895)	(**6,895**)
NET DEBT BEFORE HEDGING	**8,234**	**(1,107)**	**7,127**	**8,773**	**(5,212)**	**3,561**
Impact of Hedges	-	-	**-**	-	-	**-**
NET DEBT AFTER HEDGING	**8,234**	**(1,107)**	**7,127**	**8,773**	**(5,212)**	**3,561**

23.5- Commodity hedges

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 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.

All commodities instruments are futures and options designated as cash flow hedge under IFRS standards, of which:

(in millions of euros)	Dec. 31, 2021	Dec. 31, 2020
Carrying amount	7	23
Nominal amount	(400)	(249)

23.6- Financial assets and liabilities subject to netting

In accordance with IFRS 7 standards, this section discloses financial instruments that are subject to netting agreements.

Dec. 31, 2021

(in millions of euros)	Gross amounts	Gross amounts offset in the statement of financial position	Net amounts presented in the statement of financial position	Related amounts not offset in the statement of financial position	Net amounts as per IFRS 7
Financial assets	48	-	48	17	31
Financial liabilities	104	-	104	17	87

Dec. 31, 2020

(in millions of euros)	Gross amounts	Gross amounts offset in the statement of financial position	Net amounts presented in the statement of financial position	Related amounts not offset in the statement of financial position	Net amounts as per IFRS 7
Financial assets	107	-	107	15	92
Financial liabilities	19	-	19	15	4

The Group trades over-the-counter derivatives with tier-one banks under agreements which provide for the offsetting of amounts payable and receivable in the event of default by one of the contracting parties. These conditional offsetting agreements do not meet the eligibility criteria within the meaning of IAS 32 for offsetting derivative instruments recorded under assets and liabilities. However, they do fall within the scope of disclosures under IFRS 7 on offsetting.

23.7- 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.

23.8- Financial risk management

Foreign currency risk arises from the Group undertaking a significant number of foreign currency transactions in the course of operations. These exposures arise from sales in currencies other than the Group's presentational currency of Euro.

The main exposure of the Group in terms of currency exchange risk is related to the US dollar, Chinese Yuan and currencies linked to the US dollar. In 2021, revenue in foreign currencies amounted to EUR 23.0 billion (EUR 20.1 billion in 2020), including around EUR 7.4 billion in US dollars and EUR 4.4 billion in Chinese yuan (respectively EUR 6.6 and EUR 3.7 billion in 2020).

The Group manages its exposure to currency risk to reduce the sensitivity of earnings to changes in exchange rates. The financial instruments used to hedge the Group's exposure to fluctuations in exchange rates are described above.

The table below shows the impact of a 10% change in the US dollar and the Chinese Yuan against the Euro on Revenue and Adjusted EBITA. It includes the impact from the translation of financial statements into the Group's presentation currency, and assumes no scope impact.

Dec. 31, 2021

(in millions of euros)	Increase/(decrease) in average rate	Revenue	Adj. EBITA
US Dollar	10%	743	106
	(10)%	(676)	(97)
Chinese Yuan	10%	438	109
	(10)%	(398)	(99)

Dec. 31, 2020

(in millions of euros)	Increase/(decrease) in average rate	Revenue	Adj. EBITA
US Dollar	10%	665	86
	(10)%	(604)	(78)
Chinese Yuan	10%	372	95
	(10)%	(338)	(87)

NOTE 24 Employees

24.1- Employees

The Group average number of permanent and temporary employees is as follows:

(number of employees)	Full year 2021	Full year 2020
Production	91,519	81,470
Administration	74,506	73,996
TOTAL AVERAGE WORKFORCE	**166,025**	**155,466**
of which Europe, Middle East, Africa and South America	66,214	67,549
of which North America	34,427	32,633
of which Asia-Pacific	65,384	55,284

24.2- Employee benefit expense

(in millions of euros)	Full year 2021	Full year 2020
Payroll costs	(8,207)	(7,082)
Profit-sharing and incentive bonuses	(66)	(57)
Stock options and performance shares	(161)	(145)
EMPLOYEE BENEFITS EXPENSE	**(8,434)**	**(7,284)**

24.3- Benefits granted to senior executives

In 2021, the Group paid EUR 1.8 million in attendance fees to the members of its Board of directors. The total amount of gross remuneration, including benefits in kind, paid in 2021 by the Group to the members of Senior Management, excluding executive directors, totaled EUR 25.2 million, of which EUR 5.5 million corresponded to the variable portion.

During the last three financial years, 696,839 performance shares have been allocated, excluding Corporate Officers. No stock options have been granted during the last three financial years. In 2021, performance shares were allocated under the 2021 long-term incentive plan 39. Since December 16, 2011, 100% of performance shares are conditional on the achievement of performance criteria for members of the Executive Committee.

Net pension obligations with respect to members of Senior Management amounted to EUR 15 million at December 31, 2021 (EUR 17 million at December 31, 2020).

Please refer to Chapter 4 of the Universal Registration Document for more information regarding the members of Senior Management.

NOTE 25 Related party transactions

25.1- Transactions with associates

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

Related party transactions were not material in 2021.

25.2- Transactions with key management personnel

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 24.

NOTE 26 Commitments and contingent liabilities

26.1- Guarantees and similar undertakings

The following table discloses the maximum exposure on guarantees given and received:

(in millions of euros)	Dec. 31, 2021	Dec. 31, 2020
Market counter guarantees *	3,702	3,367
Pledges, mortgages and sureties **	81	117
Other commitments given	314	253
GUARANTEES GIVEN	**4,097**	**3,737**
Endorsements and guarantees received	64	54
GUARANTEES RECEIVED	**64**	**54**

** On certain contracts, customers require some commitments to guarantee that the contract will be fully executed by the subsidiaries of the Group. 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. Market counter guarantees also include the guaranteed obligations towards pension schemes.*

*** Some loans are secured by property, plant and equipment and securities lodged as collateral.*

26.2- Contingent liabilities

As part of its normal operations, the Group is exposed to a number of potential claims and litigations. Except for those for which it is probable that the Group will incur a liability and for which a provision is established for such outcome (see Note 21), the Group is not aware of other potentially material claims and litigations.

Investigations were conducted in September 2018 by the French judicial and antitrust authorities at Schneider Electric's head office and other premises concerning electrical distribution activities in France. Schneider Electric is cooperating with the French authorities. Such investigations could lead to formal proceedings against the Group for which the probability and the potential impact, which could be significant on the consolidated financial statements, cannot be determined at this time.

NOTE 27 Subsequent events

27.1- IGE+XAO

Following the completion of a simplified public tender offer, the Group now holds 83.93% of the issued capital of IGE+XAO. In accordance with the Group's intentions as presented in the Information Note and the previously stated strategy to consolidate the various independent software entities within the Energy Management Software Division, the Group intends to implement a merger of IGE+XAO with Schneider Electric during fiscal year 2022.

The Boards of Directors of Schneider Electric and IGE+XAO have met on February 16, 2022 and approved the economic, financial and legal terms of the merger, including the merger parity of 5 Schneider Electric shares for 3 IGE+XAO shares. The merger agreement as well as the merger appraisers' reports will be available on the websites of Schneider Electric and IGE+XAO.

The Group will seek confirmation from the AMF that the merger would not require Schneider Electric to file a buy-out offer for the shares of IGE+XAO. In addition, the merger will be subject to the approval of the annual general shareholder meetings of the shareholders of IGE+XAO and Schneider Electric to be held on May 4 and 5, 2022 respectively.

NOTE 28 Statutory Auditors' fees

Fees paid by the Group to the statutory auditors and their networks:

Full Year 2021

(in thousands of euros)	EY	%	Mazars	%	Total
Statutory auditing	12,290	90%	9,602	96%	**21,892**
o/w Schneider Electric SE	*106*		*106*		**212**
o/w subsidiaries	*12,184*		*9,496*		**21,680**
Related audit services ("SACC")	1,368	10%	439	4%	**1,807**
o/w Schneider Electric SE	*317*				**317**
o/w subsidiaries	*1,051*		*439*		**1,490**
TOTAL FEES	**13,658**	**100%**	**10,041**	**100%**	**23,699**

Full Year 2020

(in thousands of euros)	EY	%	Mazars	%	Total
Statutory auditing	11,241	95%	9,061	95%	**20,302**
o/w Schneider Electric SE	*106*		*106*		**212**
o/w subsidiaries	*11,135*		*8,955*		**20,090**
Related audit services ("SACC")	540	5%	433	5%	**973**
o/w Schneider Electric SE	*241*		-		**241**
o/w subsidiaries	*299*		*433*		**732**
TOTAL FEES	**11,781**	**100%**	**9,494**	**100%**	**21,275**

NOTE 29 Consolidated companies

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

(in % of interest)		Dec. 31, 2021	Dec. 31, 2020
Europe			
Fully consolidated			
NXT Control GmbH	Austria	100	100
Schneider Electric Austria GmbH	Austria	100	100
Schneider Electric Power Drives GmbH	Austria	100	100
Schneider Electric Systems Austria GmbH	Austria	100	100
Schneider Electric Bel LLC	Belarus	100	100
Schneider Electric Belgium NV/SA	Belgium	100	100
Schneider Electric Energy Belgium SA	Belgium	100	100
Schneider Electric ESS BVBA	Belgium	100	100
Schneider Electric Services International SPRL	Belgium	100	100
Schneider Electric Bulgaria EOOD	Bulgaria	100	100
Schneider Electric d.o.o	Croatia	100	100
Schneider Electric a.s.	Czech Republic	98.3	98.3
Schneider Electric CZ sro	Czech Republic	100	100
Schneider Electric Systems Czech Republic sro	Czech Republic	100	100
Ørbaekvej 280 A/S	Denmark	100	100
Schneider Electric Danmark A/S	Denmark	100	100
Schneider Electric IT Denmark ApS	Denmark	100	100
Schneider Electric Eesti AS	Estonia	100	100
Schneider Electric Finland Oy	Finland	100	100
Schneider Electric Fire & Security OY	Finland	100	100
Schneider Electric Vamp Oy	Finland	100	100
Behar sécurité	France	100	100
Boissière Finance	France	100	100
Construction Electrique du Vivarais	France	100	100
Dinel	France	100	100
Eckardt	France	100	100
Eurotherm Automation	France	100	100
France Transfo	France	100	100
IGE+XAO SA *(sub-group)*	France	84.2	67.9
Merlin Gerin Alès	France	100	100
Merlin Gerin Loire	France	100	100
Muller & Cie	France	100	100
Newlog	France	100	100
Rectiphase	France	100	100
Sarel - Appareillage Electrique	France	99	99
Scanelec	France	100	100
Schneider Electric Alpes	France	100	100
Schneider Electric Energy France	France	100	100
Schneider Electric France	France	100	100
Schneider Electric Industries SAS	France	100	100
Schneider Electric International	France	100	100
Schneider Electric IT France	France	100	100
Schneider Electric Manufacturing Bourguebus	France	100	100
Schneider Electric SE (Mother company)	France	100	100
Schneider Electric Solar France	France	100	100
Schneider Electric Systems France	France	100	100
Schneider Electric Telecontrol	France	100	100

(in % of interest)		Dec. 31, 2021	Dec. 31, 2020
Schneider Toshiba Inverter Europe SAS	France	60	60
Schneider Toshiba Inverter SAS	France	60	60
Société d'Appareillage Electrique Gardy	France	100	100
Société d'Application et d'Ingenierie Industrielle et Informatique SAS - SA3I	France	100	100
Société Electrique d'Aubenas	France	100	100
Société Française de Construction Mécanique et Electrique	France	100	100
Société Française Gardy	France	100	100
Systèmes Equipements Tableaux Basse Tension	France	100	100
Transfo Services	France	100	100
Transformateurs SAS	France	100	100
ABN GmbH	Germany	100	100
Eberle Controls GmbH	Germany	100	100
Merten GmbH	Germany	100	100
ProLeit AG *(sub-group)*	Germany	100	100
RIB GmbH *(sub-group)*	Germany	100	87.6
Schneider Electric Automation GmbH	Germany	100	100
Schneider Electric Holding Germany GmbH	Germany	100	100
Schneider Electric GmbH	Germany	100	100
Schneider Electric Investment AG	Germany	100	100
Schneider Electric Real Estate GmbH	Germany	100	100
Schneider Electric Sachsenwerk GmbH	Germany	100	100
Schneider Electric Systems Germany GmbH	Germany	100	100
Schneider Electric AEBE	Greece	100	100
Schneider Electric Energy Hungary LTD	Hungary	100	100
Schneider Electric Hungaria Villamossagi ZRT	Hungary	100	100
SE - CEE Schneider Electric Közep-Kelet Europai KFT	Hungary	100	100
Schneider Electric Ireland Ltd	Ireland	100	100
Schneider Electric IT Limited	Ireland	100	100
Schneider Electric IT Logistics Europe Ltd	Ireland	100	100
Validation technologies (Europe) Ltd	Ireland	100	100
Eliwell Controls S.r.l.	Italy	100	100
Eurotherm S.r.l.	Italy	100	100
Schneider Electric Industrie Italia Spa	Italy	100	100
Schneider Electric Spa	Italy	100	100
Schneider Electric Systems Italia Spa	Italy	100	100
Uniflair Spa	Italy	100	100
Lexel Fabrika SIA	Latvia	100	100
Schneider Electric Baltic Distribution Center	Latvia	100	100
Schneider Electric Latvija SIA	Latvia	100	100
UAB Schneider Electric Lietuva	Lithuania	100	100
Industrielle de Réassurance SA	Luxembourg	100	100
American Power Conversion Corporation (A.P.C.) BV	Netherlands	100	100
APC International Corporation BV	Netherlands	100	100
APC International Holdings BV	Netherlands	-	100
Clovis Systems B.V.	Netherlands	70	-
Schneider Electric Logistic Centre BV	Netherlands	100	100
Schneider Electric Manufacturing The Netherlands BV	Netherlands	-	100
Schneider Electric Systems Netherlands BV	Netherlands	100	100

(in % of interest)		Dec. 31, 2021	Dec. 31, 2020
Schneider Electric The Netherlands BV	Netherlands	100	100
ELKO AS	Norway	100	100
Eurotherm AS	Norway	100	100
Lexel Holding Norge AS	Norway	100	100
Schneider Electric Norge AS	Norway	100	100
Elda Eltra Elektrotechnika S.A.	Poland	100	100
Eurotherm Poland Sp. Z.o.o.	Poland	100	100
Schneider Electric Industries Polska Sp. Z.o.o.	Poland	100	100
Schneider Electric Polska Sp. Z.o.o.	Poland	100	100
Schneider Electric Systems Sp. Z.o.o.	Poland	100	100
Schneider Electric Transformers Poland Sp. Z.o.o.	Poland	100	100
Schneider Electric Portugal LDA	Portugal	100	100
Schneider Electric Romania SRL	Romania	100	100
AO Schneider Electric	Russia	100	100
DIN Elektro Kraft OOO	Russia	100	100
FLISR LLC	Russia	100	100
OOO Potential	Russia	100	100
OOO Schneider Electric Zavod Electromonoblock	Russia	100	100
Schneider Electric Innovation center LLC	Russia	100	100
Schneider Electric Systems LLC	Russia	100	100
Schneider Electric URAL LLC	Russia	-	100
Schneider Electric DMS NS	Serbia	100	100
Schneider Electric Srbija doo Beograd	Serbia	100	100
Schneider Electric Slovakia Spol SRO	Slovakia	100	100
Schneider Electric Systems Slovakia SRO	Slovakia	100	100
Schneider Electric d.o.o.	Slovenia	100	100
Manufacturas Electricas SA	Spain	100	100
Schneider Electric Espana SA	Spain	100	100
Schneider Electric IT Spain, SL	Spain	100	100
Schneider Electric Systems Iberica S.L.	Spain	100	100
AB Crahftere 1	Sweden	100	100
AB Wibe	Sweden	-	100
Elektriska AB Delta	Sweden	100	100
Elko AB	Sweden	100	100
Eurotherm AB	Sweden	100	100
Lexel AB	Sweden	100	100
Schneider Electric Buildings AB	Sweden	100	100
Schneider Electric Distribution Centre AB	Sweden	100	100
Schneider Electric Sverige AB	Sweden	100	100
Telvent Sweden AB	Sweden	100	100
Feller AG	Switzerland	83.7	83.7
Gutor Electronic GmbH	Switzerland	100	100
Schneider Electric (Schweiz) AG	Switzerland	100	100
Schneider Electric Ukraine	Ukraine	100	100
Andromeda Telematics Ltd	United Kingdom	100	100
Aveva Group plc *(sub-group)*	United Kingdom	59	61.4
Avtron Loadbank Worldwide Co., Ltd	United Kingdom	100	100
BTR Property Holdings Ltd	United Kingdom	100	100

(in % of interest)		Dec. 31, 2021	Dec. 31, 2020
CBS Group Ltd	United Kingdom	100	100
Eurotherm Ltd	United Kingdom	100	100
Imserv Europe Ltd	United Kingdom	-	100
Invensys Holdings Ltd	United Kingdom	100	100
M&C Energy Group Ltd	United Kingdom	100	100
N.J. Froment & Co. Limited	United Kingdom	100	100
Samos Acquisition Company Ltd	United Kingdom	100	100
Schneider Electric (UK) Ltd	United Kingdom	100	100
Schneider Electric Buildings UK Ltd	United Kingdom	100	100
Schneider Electric Controls UK Ltd	United Kingdom	100	100
Schneider Electric IT UK Ltd	United Kingdom	100	100
Schneider Electric Ltd	United Kingdom	100	100
Schneider Electric Systems UK Ltd	United Kingdom	100	100
Serck Control and Safety Ltd	United Kingdom	100	100
Accounted for by equity method			
Aveltys	France	51	51
Delta Dore Finance SA (sub-group)	France	20	20
Energy Pool Development	France	25	25
Schneider Lucibel Managed Services SAS	France	47	47
Planon Beheer B.V.	Netherlands	25	-
Möre Electric Group A/S	Norway	34	34
Custom Sensors & Technologies Topco Limited	United Kingdom	30	30
AO Gruppa Kompaniy “Electroshield” - TM Samara	Russia	60	60
North America			
Fully consolidated			
Power Measurement Ltd.	Canada	100	100
Schneider Electric Canada Inc.	Canada	100	100
Schneider Electric Solar Inc.	Canada	100	100
Schneider Electric Systems Canada Inc.	Canada	100	100
Viconics Technologies Inc.	Canada	100	100
Electronica Reynosa, S. de R.L. de C.V.	Mexico	100	100
Industrias Electronicas Pacifico, S.A. de C.V.	Mexico	100	100
Invensys Group Services Mexico S.C.	Mexico	-	100
Schneider Electric IT Mexico, S.A. de C.V.	Mexico	-	100
Schneider Electric Mexico, S.A. de C.V.	Mexico	100	100
Schneider Electric Systems Mexico, S.A. de C.V.	Mexico	100	100
Schneider Industrial Tlaxcala, S.A. de C.V.	Mexico	100	100
Schneider Mexico, S.A. de C.V.	Mexico	100	100
Schneider R&D, S.A. de C.V.	Mexico	100	100
Square D Company Mexico, S.A. de C.V.	Mexico	100	100
Telvent Mexico, S.A. de C.V.	Mexico	100	100
Adaptive Instruments Corp.	United States	100	100
American Power Conversion Holdings Inc.	United States	100	100
ASCO Power GP, LLC	United States	-	100
ASCO Power Services, Inc.	United States	100	100
ASCO Power Technologies, L.P.	United States	100	100
Charge Holdings, LLC	United States	85.9	-

(in % of interest)		Dec. 31, 2021	Dec. 31, 2020
Echo HoldCo LLC	United States	90.8	-
ETAP Automation Inc. *(sub-group)*	United States	80	-
Foxboro Controles S.A.	United States	100	100
Invensys LLC	United States	100	100
Lee Technologies Puerto Rico, LLC	United States	-	100
OSISoft *(sub-group)*	United States	59	-
Power Measurement, Inc.	United States	-	100
Pro-Face America, LLC	United States	100	100
Schneider Electric Buildings Americas, Inc.	United States	100	100
Schneider Electric Buildings Critical Systems, Inc.	United States	100	100
Schneider Electric Buildings, LLC	United States	100	100
Schneider Electric Digital, Inc.	United States	100	100
Schneider Electric Engineering Services, LLC	United States	100	100
Schneider Electric Grid Automation, Inc.	United States	100	100
Schneider Electric Holdings, Inc.	United States	100	100
Schneider Electric IT America Corp.	United States	-	100
Schneider Electric IT Corporation	United States	100	100
Schneider Electric IT Mission Critical Services, Inc.	United States	100	100
Schneider Electric IT USA, Inc.	United States	-	100
Schneider Electric Motion USA, Inc.	United States	-	100
Schneider Electric Solar Inverters USA, Inc.	United States	100	100
Schneider Electric Systems USA, Inc.	United States	100	100
Schneider Electric USA, Inc.	United States	100	100
SE Vermont Ltd	United States	100	100
Siebe Inc.	United States	100	100
SNA Holdings Inc.	United States	100	100
Square D Investment Company	United States	100	100
Stewart Warner Corporation	United States	100	100
Summit Energy Services, Inc.	United States	100	100
Veris Industries LLC	United States	100	100
Accounted for by equity method			
Uplight Inc.	United States	29.4	-
Asia-Pacific			
Fully consolidated			
Clipsal Australia Pty Ltd	Australia	100	100
Clipsal Technologies Australia Pty Limited	Australia	100	100
Nu-lec Industries Pty. Limited	Australia	100	100
Scada Group Pty Limited	Australia	100	100
Schneider Electric (Australia) Pty Limited	Australia	100	100
Schneider Electric Australia Holdings Pty Ltd	Australia	100	100
Schneider Electric IT Australia Pty Ltd	Australia	100	100
Schneider Electric Solar Australia Pty Ltd	Australia	100	100
Schneider Electric Systems Australia Pty Ltd	Australia	100	100
Serck Controls Pty Limited	Australia	100	100
Tamco Electrical Industries Australia Pty Ltd	Australia	65	65
Beijing Leader & Harvest Electric Technologies Co. Ltd	China	100	100
CITIC Schneider Electric Smart Building Technology (Beijing) Co. Ltd	China	51	51

(in % of interest)		Dec. 31, 2021	Dec. 31, 2020
Clipsal Manufacturing (Huizhou) Ltd	China	-	100
FSL Electric (Dongguan) Limited	China	54	54
Proface China International Trading (Shanghai) Co. Ltd	China	100	100
Schneider (Beijing) Medium & Low Voltage Co., Ltd	China	95	95
Schneider (Beijing) Medium Voltage Co. Ltd	China	95	95
Schneider (Shaanxi) Baoguang Electrical Apparatus Co. Ltd	China	70	70
Schneider (Suzhou) Drives Company Ltd	China	90	90
Schneider (Suzhou) Enclosure Systems Co Ltd	China	100	100
Schneider (Suzhou) Transformers Co. Ltd	China	100	100
Schneider Automation & Controls Systems (Shanghai) Co., LTD	China	100	100
Schneider Busway (Guangzhou) Ltd	China	95	95
Schneider Electric (China) Co. Ltd	China	100	100
Schneider Electric (Xiamen) Switchgear Co. Ltd	China	100	100
Schneider Electric (Xiamen) Switchgear Equipment Co., Ltd	China	100	100
Schneider Electric Equipment an Engineering (X'ian) Co., Ltd	China	100	100
Schneider Electric IT (China) Co., Ltd	China	100	100
Schneider Electric IT (Xiamen) Co., Ltd.	China	100	100
Schneider Electric Low Voltage (Tianjin) Co. Ltd	China	75	75
Schneider Electric Manufacturing (Chongqing) Co. Ltd	China	100	100
Schneider Electric Manufacturing (Wuhan) Co. Ltd	China	100	100
Schneider Great Wall Engineering (Beijing) Co. Ltd	China	100	100
Schneider Shanghai Apparatus Parts Manufacturing Co. Ltd	China	100	100
Schneider Shanghai Industrial Control Co. Ltd	China	80	80
Schneider Shanghai Low Voltage Term. Apparatus Co. Ltd	China	75	75
Schneider Shanghai Power Distribution Electric Apparatus Co. Ltd	China	80	80
Schneider Smart Technology., Ltd	China	100	100
Schneider South China Smart Technology (Guangdong) Co. Ltd.	China	100	100
Schneider Switchgear (Suzhou) Co, Ltd	China	58	58
Schneider Wingoal (Tianjin) Electric Equipment Co. Ltd	China	100	100
Shanghai ASCO Electric Technology Co., Ltd	China	100	100
Shanghai Foxboro Co., Ltd	China	100	100
Shanghai Invensys Process System Co., Ltd	China	100	100
Shanghai Schneider Electric Power Automation Co. Ltd	China	100	100
Shanghai Tayee Electric Co., LTD	China	74.5	74.5
Wuxi Proface Co., Ltd	China	100	100
Zircon Investment (Shanghai) Co., Ltd	China	74.5	74.5
Clipsal Asia Holdings Limited	Hong Kong	100	100
Clipsal Asia Limited	Hong Kong	100	100
Fed-Supremetech Limited	Hong Kong	54	54
Himel Hong Kong Limited	Hong Kong	100	100
Schneider Electric (Hong Kong) Limited	Hong Kong	100	100
Schneider Electric Asia Pacific Limited	Hong Kong	100	100
Schneider Electric IT Hong Kong Limited	Hong Kong	100	100
Eurotherm India Private Ltd	India	100	100
Luminous Power Technologies Private Ltd	India	100	100
Schneider Electric India Private Ltd	India	65	65
Schneider Electric Infrastructure Limited	India	75	75
Schneider Electric IT Business India Private Ltd	India	100	100

(in % of interest)		Dec. 31, 2021	Dec. 31, 2020
Schneider Electric President Systems Ltd	India	79.5	79.5
Schneider Electric Private Limited	India	100	100
Schneider Electric Solar India Private Limited	India	100	100
Schneider Electric Systems India Private Limited	India	100	100
PT Schneider Electric Indonesia	Indonesia	100	100
PT Schneider Electric IT Indonesia	Indonesia	100	100
PT Schneider Electric Manufacturing Batam	Indonesia	100	100
PT Schneider Electric Systems Indonesia	Indonesia	95	95
PT Tamco Indonesia	Indonesia	65	65
Schneider Electric Japan Holdings Ltd.	Japan	100	100
Schneider Electric Japan, Inc.	Japan	100	100
Schneider Eletcric Solar Japan Inc.	Japan	100	100
Schneider Electric Systems Japan Inc.	Japan	100	100
Toshiba Schneider Inverter Corp.	Japan	60	60
Eurotherm Korea Co., Ltd.	Korea	100	100
Schneider Electric Korea Ltd.	Korea	100	100
Schneider Electric Systems Korea Limited	Korea	100	100
Clipsal Manufacturing (M) Sdn. Bhd.	Malaysia	100	100
Gutor Electronic Asia Pacific Sdn. Bhd.	Malaysia	100	100
Henikwon Corporation Sdn Bhd	Malaysia	65	65
Huge Eastern Sdn. Bhd.	Malaysia	100	100
Schneider Electric (Malaysia) Sdn. Bhd.	Malaysia	30	30
Schneider Electric Industries (M) Sdn. Bhd.	Malaysia	100	100
Schneider Electric IT Malaysia Sdn. Bhd.	Malaysia	100	100
Schneider Electric Systems (Malaysia) Sdn. Bhd.	Malaysia	100	100
Tamco Switchgear (Malaysia) Sdn Bhd	Malaysia	65	65
Schneider Electric (NZ) Limited	New Zealand	100	100
Schneider Electric Systems New Zealand Limited	New Zealand	100	100
American Power Conversion Land Holdings Inc.	Philippines	100	100
Clipsal Philippines, Inc.	Philippines	100	100
Schneider Electric (Philippines) Inc.	Philippines	100	100
Schneider Electric IT Philippines Inc.	Philippines	100	100
Schneider Electric Asia Pte. Ltd.	Singapore	100	100
Schneider Electric Export Services Pte Ltd	Singapore	100	100
Schneider Electric IT Logistics Asia Pacific Pte. Ltd.	Singapore	100	100
Schneider Electric IT Singapore Pte. Ltd.	Singapore	100	100
Schneider Electric JV2 Holdings Pte. Ltd.	Singapore	65	65
Schneider Electric Overseas Asia Pte Ltd	Singapore	100	100
Schneider Electric Singapore Pte. Ltd.	Singapore	100	100
Schneider Electric South East Asia (HQ) Pte. Ltd.	Singapore	100	100
Schneider Electric Systems Singapore Pte. Ltd.	Singapore	100	100
Schneider Electric Lanka (Private) Limited	Sri Lanka	100	100
Schneider Electric Systems Taiwan Corp.	Taiwan	100	100
Schneider Electric Taiwan Co., Ltd.	Taiwan	100	100
Pro-Face South-East Asia Pacific Co., Ltd.	Thailand	-	100
Schneider (Thailand) Limited	Thailand	100	100
Schneider Electric CPCS (Thailand) Co., Ltd.	Thailand	100	100
Schneider Electric Solar Thailand	Thailand	100	100

(in % of interest)		Dec. 31, 2021	Dec. 31, 2020
Schneider Electric Systems (Thailand) Co. Ltd.	Thailand	100	100
Clipsal Vietnam Co. Ltd	Viet Nam	100	100
Invensys Vietnam Ltd	Viet Nam	100	100
Schneider Electric IT Vietnam Limited	Viet Nam	100	100
Schneider Electric Manufacturing Vietnam Co., Ltd	Viet Nam	100	100
Schneider Electric Vietnam Co. Ltd	Viet Nam	100	100
Accounted for by equity method			
Delixi Electric LTD (sub-group)	China	50	50
Sunten Electric Equipment Co., Ltd	China	25	25
Fuji Electric FA Components & Systems Co., Ltd (sub-group)	Japan	36.8	36.8
Foxboro (Malaysia) Sdn. Bhd.	Malaysia	49	49
Rest of the World			
Fully consolidated			
Himel Algerie	Algeria	-	100
Schneider Electric Algerie	Algeria	100	100
Schneider Electric Argentina S.A.	Argentina	100	100
Schneider Electric Systems Argentina S.A.	Argentina	100	100
Eurotherm Ltda.	Brazil	100	100
Schneider Electric Brasil Automação de Processos Ltda.	Brazil	100	100
Schneider Electric Brasil Ltda.	Brazil	100	100
Schneider Electric IT Brasil Industria e Comercio de Equipamentos Eletronicos Ltda.	Brazil	100	100
Steck da Amazonia Industria Electrica Ltda.	Brazil	100	100
Steck Industria Electrica Ltda.	Brazil	100	100
Telseb Serviços de Engenharia e Comércio de Equipamentos Eletrônicos e Telecomunicações Ltda	Brazil	100	100
Inversiones Schneider Electric Uno Limitada	Chile	100	100
Marisio S.A.	Chile	100	100
Schneider Electric Chile S.A.	Chile	100	100
Schneider Electric Systems Chile Limitada	Chile	100	100
Schneider Electric de Colombia S.A.S.	Colombia	100	100
Schneider Electric Systems Colombia Ltda.	Colombia	100	100
Schneider Electric Centroamerica Limitada	Costa Rica	100	100
Invensys Engineering & Service S.A.E.	Egypt	51	51
Schneider Electric Distribution Company	Egypt	87.4	87.4
Schneider Electric Egypt SAE	Egypt	91.9	91.9
Schneider Electric Systems Egypt S.A.E	Egypt	60	60
L&T Electricals & Automation FZE	United Arab Emirates	65	65
Schneider Electric DC MEA FZCO	United Arab Emirates	100	100
Schneider Electric FZE	United Arab Emirates	100	100
Schneider Electric Systems Middle East FZE	United Arab Emirates	100	100
Schneider Electric (Kenya) Ltd	Kenya	100	100
Kana Controls General Trading & Contracting Company W.L.L	Kuwait	31.9	31.9
Schneider Electric Services Kuweit	Kuwait	49	49
Schneider Electric East Mediterranean SAL	Lebanon	96	96
Delixi Electric Maroc SARL AU	Morocco	100	100
Schneider Electric Maroc	Morocco	100	100
Schneider Electric CFC	Morocco	100	-
Schneider Electric Free Zone Enterprise	Nigeria	100	100

(in % of interest)		Dec. 31, 2021	Dec. 31, 2020
Schneider Electric Nigeria Ltd	Nigeria	100	100
Schneider Electric Systems Nigeria Ltd	Nigeria	100	100
Schneider Electric O.M LLC	Oman	100	100
Schneider Electric Pakistan (Private) Limited	Pakistan	-	80
Schneider Electric Peru S.A.	Peru	100	100
Schneider Electric Systems del Peru S.A.	Peru	100	100
Electrical & Automation Saudi Arabian Manufacturing Company (LLC)	Saudi Arabia	65	65
Schneider Electric Saudi Arabia Limited	Saudi Arabia	100	100
Schneider Electric Saudi Arabia For Solutions & Services Co	Saudi Arabia	-	100
Schneider Electric System Arabia Co., LTD	Saudi Arabia	100	100
Schneider Electric South Africa (Pty) Ltd	South Africa	74.9	74.9
Uniflair South Africa (Pty) Ltd	South Africa	100	100
Gunsan Elektrik	Turkey	100	100
Himel Elektric Malzemeleri Ticaret A.S	Turkey	100	100
Schneider Elektrik Sanayi Ve Ticaret A.S.	Turkey	100	100
Schneider Enerji Endustrisi Sanayi Ve Ticaret A.S	Turkey	100	100
Schneider Electric Uganda Ltd	Uganda	-	100
Schneider Electric Systems de Venezuela, C.A.	Venezuela	100	100
Schneider Electric Venezuela, S.A.	Venezuela	93.6	93.6

MANAGEMENT REPORT FOR THE YEAR ENDED DECEMBER 31, 2021

Consolidated financial statements

Business and Statement of Income highlights

Acquisitions & disposals of the period

Acquisitions

OSIsoft LLC.

As announced on March 19, 2021, Schneider Electric's majority-owned subsidiary, AVEVA Group Plc, has completed the acquisition of OSIsoft, for a consideration of EUR 4.5 billion (USD 5.1 billion). OSIsoft is fully consolidated since the acquisition date, and reports within the *Industrial Automation* reporting segment.

The consideration paid was funded by EUR 3.9 billion (USD 4.4 billion) of cash, and by a EUR 0.5 billion (USD 0.6 billion) issue of 13,655,570 ordinary shares from AVEVA Group Plc to Estudillo Holdings Corp.

The purchase accounting as per IFRS 3R is not completed as of December 31, 2021. OSIsoft carrying value at acquisition date for net identifiable assets was EUR (1) million. The net adjustment of the opening balance sheet is EUR 1,460 million, resulting mainly from the booking of identifiable intangible assets (technology for EUR 998 million, customer relationship for EUR 288 million and trademark for EUR 150 million) and from a decrease in contract liabilities for EUR 71 million resulting from the remeasurement at fair value of the deferred revenue following the business combination under IFRS 3R. The preliminary goodwill recognized amounts to EUR 3,001 million at acquisition date.

ETAP

On June 28, 2021, the Group completed the transaction to purchase a controlling stake in Operation Technology Inc. ("ETAP"). As of June 30, 2021, the Group has acquired 80% of the capital of ETAP for a consideration of EUR 216 million, fully paid in cash. ETAP is consolidated within *Energy Management* reporting segment. The Group holds an agreement to acquire the remaining 20% minority interests in 2025. The related debt has been recognised in "Other non-current liabilities".

The purchase accounting as per IFRS 3R is not completed as of December 31, 2021. ETAP carrying value at acquisition date for net identifiable assets was EUR 13 million. The net adjustment of the opening balance sheet is EUR 26 million, resulting mainly from the booking of a preliminary amount of identifiable intangible assets (technology, customer relationship and trademark). The preliminary goodwill recognized amounts to EUR 260 million at acquisition date and includes the forward agreement for the acquisition of the remaining 20% minority interests in 2025.

Uplight Inc.

The Group completed the acquisition of 29.6% of Uplight Inc. on July 27, 2021 for a consideration of EUR 378 million. In October 2021, the Group subscribed to a capital increase EUR 20 million for the acquisition of Agentis by Uplight Inc., resulting in a dilution of the Group's interest to 29.4%. Uplight Inc. has been accounted for by the equity method since August 1, 2021.

I.G.E + X.A.O.

On November 24, 2021, the simplified tender offer for the shares of IGE+XAO, submitted to the AMF, has been closed. At the end of the tender offer, the Group owns 83.93% of IGE+XAO's share capital.

Qmerit

On December 20, 2021, the Group acquired 85.85% of the capital of Qmerit, fully consolidated in *Energy Management* reporting segment. Qmerit is accelerating the shift away from traditional fossil fuel-powered systems, toward more sustainable, resilient electric technologies. The Group holds an agreement to acquire the remaining 14.15% minority interests. The related debt has been recognised in "Other non-current liabilities". The purchase accounting as per IFRS 3R is not completed as of December 31, 2021.

Disposals

In 2021, the Group recorded a total amount of EUR 196 million of gain on business disposals, mainly related to the following:

Cable Support

On April 27, 2021, the Group announced the signing of the agreement to divest the Cable Support business which was consolidated within *Energy Management* reporting segment. The transaction was finalized, on June 30, 2021.

IMServ

On July 28, 2021, the Group completed the sale of IMServ, a provider of metering and data services to the energy market. It was consolidated within *Industrial Automation* reporting segment.

US Motion

On July 9, 2021, the Group completed the sale of the US Motion industrial, a manufacturer of motion control components for automation equipment. It was consolidated within *Industrial Automation* reporting segment.

Follow-up on acquisitions and divestments occurred in 2020 with significant effect in 2021

Acquisitions

RIB Software SE

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 valuation of EUR 1.5 billion. On March 25, 2020, the Group acquired approximately 9.99% of the capital of the company, outside the takeover offer. On July 10, 2020, the Group announced the successful completion of the voluntary public takeover offer. As of December 31, 2020, the Group owned 87.64% of the capital of RIB Software, fully consolidated within *Energy Management* reporting segment. The Group held a put option agreement on 9.1% of minority interests, valued at EUR 137 million, with a maturity date in 2024.

On June 10, 2021, the Group purchased 9.1% of the non-controlling interests for a consideration of EUR 223 million. The previous put agreement and related debt have been cancelled.

On July 5, 2021, the Group submitted the formal request to RIB Software SE that the General Meeting of RIB Software SE shall resolve to transfer the shares of the remaining shareholders (minority shareholders) to Schneider Electric Investment AG for an appropriate cash compensation (so-called squeeze out under stock corporation law).

As of December 31, 2021, the squeeze out has been completed and the Group owns 100% of RIB Software SE.

The purchase accounting resulting from the acquisition is completed at the closing date. As of December 31, 2021, the purchase accounting adjustments amount to EUR 211 million, and resulted mainly in the identification of intangible assets (technologies, trademark and customer relationship). The Goodwill recognized amounts to EUR 1,128 million as of December 31, 2021.

Larsen & Toubro

On May 1st, 2018, Schneider Electric, partnering with Temasek, a global investment company headquartered in Singapore, reached an agreement to buy Larsen & Toubro's Electrical & Automation business.

On August 31, 2020, the Group completed the transaction to combine Schneider Electric India's Low Voltage and Industrial Automation Products business and Larsen and Toubro ("L&T") Electrical and Automation business, for a consideration paid of EUR 1,571 million. Temasek took 35% stake in the combined business for EUR 530 million. The partnership with Temasek resulted in the dilution of the Group's interests within Schneider Electric India's Low Voltage and Industrial Automation Products business, and in the recognition of a gain of EUR 191 million in the Group's share of equity in 2020.

L&T is fully consolidated since September 1, 2020, and reports within both *Energy Management* and *Industrial Automation* reporting segments.

The purchase accounting as per IFRS 3R is completed as of December 31, 2021. At acquisition date, the net adjustment of the opening balance sheet is EUR 286 million. The main identifiable intangible assets recognized as of December 31, 2021 are technology for EUR 111 million, customer relationship for EUR 380 million and trademark for EUR 83 million. Contingent liabilities assumed mainly relates to environment, health and safety (EHS) risk for EUR 78 million as of December 31, 2021. The goodwill recognized amounts to EUR 1,117 million as of December 31,2021.

Exchange rate changes

Fluctuations in the euro exchange rate in 2021 led to an impact of EUR (273) million on consolidated revenue and of EUR (40) million on adjusted EBITA mainly due to the devaluation of the U.S. dollar against Euro.

Results of Operations

The following table sets forth our results of operations for 2021 and 2020:

(in millions of euros except for earnings per share)	Full Year 2021	Full Year 2020	Variance
Revenue	**28,905**	**25,159**	**14.9%**
Cost of sales	(17,062)	(15,003)	13.7%
Gross profit	**11,843**	**10,156**	**16.6%**
% Gross profit	**41.0%**	**40.4%**	
Research and development	(855)	(718)	19.1%
Selling, general and administrative expenses	(6,001)	(5,512)	8.9%
EBITA adjusted *	**4,987**	**3,926**	**27.0%**
% EBITA adjusted	**17.3%**	**15.6%**	
Other operating income and expenses	(21)	(210)	(90.0)%
Restructuring costs	(225)	(421)	(46.6)%
EBITA **	**4,741**	**3,295**	**43.9%**
% EBITA	**16.4%**	**13.1%**	
Amortization and impairment of purchase accounting intangibles	(410)	(207)	98.1%
Operating income	**4,331**	**3,088**	**40.3%**
% Operating income	**15.0%**	**12.3%**	
Interest income	4	14	(71.4)%
Interest expense	(99)	(126)	(21.4)%
Finance costs, net	**(95)**	**(112)**	**(15.2)%**
Other financial income and expense	(81)	(166)	(51.2)%
Net financial income/(loss)	**(176)**	**(278)**	**(36.7)%**
Profit from continuing operations before income tax	**4,155**	**2,810**	**47.9%**
Income tax expense	(966)	(638)	51.4%
Share of profit/(loss) of associates	84	66	27.3%
PROFIT FOR THE YEAR	**3,273**	**2,238**	**46.2%**
attributable to owners of the parent	*3,204*	*2,126*	*50.7%*
attributable to non-controlling interests	*69*	*112*	*(38.4)%*
Basic earnings (attributable to owners of the parent) per share (in euros per share)	5.76	3.84	50.0%
Diluted earnings (attributable to owners of the parent) per share (in euros per share)	5.67	3.81	48.8%

** 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.*

Revenue

Consolidated revenue totaled EUR 28,905 million for the period ended December 31, 2021, up 14.9% on a reported basis.

Organic growth was positive for 12.7%, acquisitions and disposals accounted for 3.5% and the currency effect for (1.3)%.

Evolution of revenue by reporting segment

The following table sets forth our revenue by business segment for years ended December 31, 2021 and 2020:

(in millions of euros)	Energy Management	Industrial Automation	Total
Full Year 2021	22,179	6,726	**28,905**
Full Year 2020	19,344	5,815	**25,159**

Energy Management generated revenues of EUR 22,179 million, equivalent to 77% of the Group's revenues and was up 13.3% organically, with double-digit growth across all regions. Sales growth was supported by price actions taken throughout the year, though impacted by supply chain pressures mainly in the second half of the year. Residential buildings remained one of the group's strongest markets. Demand for the Group's offers in non-residential buildings also remained strong, including recovery in hotels and commercial offices. Data centers & networks showed double-digit growth with continued strong demand. *Energy Management* benefited from cross-sells offers into Infrastructure and Industry end-markets. The Group benefited throughout the year from execution on a large project in Egypt. In industrial end-markets, growth was strongest in discrete automation, particularly in OEMs. Later cycle industrial markets remained challenged although with positive demand trends including in Metal, Mining and Minerals (MMM) and Oil and Gas (O&G).

Industrial Automation generated revenues of EUR 6,726 million, equivalent to 23% of the Group's revenues and was up 10.7% organically, with performance contrasted between strong growth from sales into Discrete automation markets and continued weaker sales into Process & Hybrid markets, although with strong demand recovery towards the end of the year. Sales growth was supported by price actions taken throughout the year, although impacted by supply chain pressures. Discrete automation markets saw strong demand with growth in many markets including packaging and material handling and across all regions. Sales into Process & Hybrid markets remained challenged, impacted by a slower recovery in mid-to-late cycle industries, although second semester saw a strong evolution in demand trends including in Consumer Packaged Goods (CPG) and O&G.

Gross profit

Gross profit was up 12.5% organic with Gross margin reaching 41.0% in 2021 (down 10 bps organically) mainly driven by the pricing actions, positive mix and industrial productivity, notwithstanding additional costs incurred due to raw material inflation and continued pressures on global supply chains.

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 19.1% from EUR 718 million for 2020 to EUR 855 million for 2021. As a percentage of revenues, the net cost of research and development increased slightly to 3.0% in 2021 (2.9% for 2020).

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 9.4% from EUR 1,407 million for 2020 to EUR 1,539 million for 2021. As a percentage of revenues, total research and development expenses decreased slightly to 5.3% for 2021 (5.6% for 2020).

In 2021, the net effect of capitalized development costs and amortization of capitalized development costs amounts to EUR 68 million on operating income (EUR 66 million in 2020).

Selling, general and administrative expenses increased by 8.9% to EUR 6,001 million for 2021 (EUR 5,512 million for 2020). As a percentage of revenues, selling, general and administrative expenses decreased slightly to 20.8% for 2021 (21.9% for 2020).

Combined, total support function costs, that is, research and development expenses together with selling, general and administrative costs, totaled EUR 6,856 million for 2021 compared to EUR 6,230 million for 2020, an increase of 10.0%. Support functions costs to sales ratio decreases at 23.7%.

Other operating income and expenses

For 2021, other operating income and expenses amounted to a net expense of EUR 21 million. This is mainly due to gains on disposal of business for EUR 196 million being partially compensated by costs of acquisitions and integrations for EUR 166 million. The main scope changes of the year are described in the 2021 highlights.

Restructuring costs

For 2021, restructuring costs amounted to EUR 225 million compared to EUR 421 million for 2020. In 2020, these costs were mainly attributed to initiatives to decrease support function costs.

EBITA and Adjusted EBITA

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

Adjusted EBITA amounted to EUR 4,987 million for 2021, compared to EUR 3,926 million for 2020, an organic increase of 23.2%. As a percentage of revenues, adjusted EBITA increased at 17.3% with margin improving 140 bps organically.

EBITA increased from EUR 3,295 million for 2020 to EUR 4,741 million in 2021. As a percentage of revenues, EBITA increases at 16.4% in 2021 (13.1% for 2020).

Adjusted EBITA by business segment

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

Full Year 2021

(in millions of euros)	**Energy Management**	**Industrial Automation**	**Central functions & digital costs**	**Total**
Backlog	9,088	2,688	-	**11,776**
Revenue	22,179	6,726	-	**28,905**
Adjusted EBITA	4,501	1,242	(756)	**4,987**
Adjusted EBITA (%)	*20.3%*	*18.5%*		**17.3%**

On December 31, 2021, the total backlog to be executed in more than a year amounts to EUR 640 million.

Full Year 2020

(in millions of euros)	Energy Management	Industrial Automation	Central functions & digital costs	Total
Backlog	7,231	1,765	-	**8,996**
Revenue	19,344	5,815	-	**25,159**
Adjusted EBITA	3,634	992	(700)	**3,926**
Adjusted EBITA (%)	*18.8%*	*17.1%*		**15.6%**

On December 31, 2020, the total backlog to be executed in more than a year amounted to EUR 639 million.

Energy Management generated an adjusted EBITA of EUR 4,501 million, i.e. 20.3% of its revenues, up c. 140 bps organic (up 150 bps on a reported basis and up c. 170 bps organically compared to 2019), mainly driven by the increase in volume, a good level of industrial productivity, and a positive impact from mix.

Industrial Automation generated an adjusted EBITA of EUR 1,242 million, i.e. 18.5% of its revenues, up c. 90 bps organic (up 140 bps on a reported basis and up c. 60 bps organically compared to 2019), due mainly to the increase in volume and positive net pricing, despite a dilutive effect on mix from the lesser growth of AVEVA.

Central functions & digital costs in 2021 amounted to EUR 756 million (EUR 700 million in 2020), reducing slightly as a proportion of revenue to 2.6%. Investment in the Group's strategic priorities increased year-over-year, while the Corporate cost element continued to be an area of focus and remained under tight control, decreasing to around 0.7% of Group revenues in 2021.

Amortization and impairment of purchase accounting intangibles

The amortization and impairment of purchase accounting intangibles amounted to EUR 410 million compared with EUR 207 million last year. The increase is mostly driven by additional amortization linked with acquisitions completed in the second semester 2020 and the first semester 2021 (mainly RIB Software SE, Larsen & Toubro and OSIsoft LLC).

Operating income (EBIT)

Operating income or EBIT (Earnings Before Interest and Taxes), increased from EUR 3,088 million for 2020 to 4,331 million for 2021, an increase of 40.3%.

Net financial income/loss

Net financial loss amounted to EUR 176 million for 2021, compared to EUR 278 million for 2020. Financial result has been improved significantly, thanks to the decrease of the cost of net financial debt (from EUR 112 million in 2020 to EUR 95 million in 2021), as well as a reduced impact from forex exchange fluctuations (from EUR 36 million in 2020 to EUR 8 million in 2021).

Income tax expense

The effective tax rate was 23.2% for 2021, and 22.7% for 2020. The corresponding income tax expense increased from EUR 638 million for 2020 to EUR 966 million for 2021.

Share of profit/ (loss) of associates

The share of associates was a EUR 84 million profit for 2021, compared to EUR 66 million profit for 2020.

Non-controlling interests

Non-controlling interests in net income for 2021 totaled EUR 69 million, compared to EUR 112 million for 2020. This represents the share in net income attributable to the non-controlling interests, mainly coming from the Group Chinese subsidiaries and AVEVA subgroup.

Profit for the year (attributable to owners of the parent)

Profit for the year attributable to the equity holders of our parent company amounted to EUR 3,204 million for 2021, compared to EUR 2,126 million profit for 2020.

Earnings per share

Basic Earnings per share amounted to EUR 5.76 per share for 2021 and EUR 3.84 per share for 2020.

Comments to the consolidated Cash-flow

The following table sets forth our cash-flow statement for 2021 and 2020:

(in millions of euros)	Note	Full Year 2021	Full Year 2020
Profit for the year		**3,273**	**2,238**
Share of (profit)/losses of associates		(84)	(66)
Income and expenses with no effect on cash flow:			
Depreciation of property, plant and equipment	11	726	698
Amortization of intangible assets other than goodwill	10	688	512
Impairment losses on non-current assets		34	54
Increase/(decrease) in provisions	21	(54)	266
Losses/(gains) on disposals of business and assets		(184)	(10)
Difference between tax paid and tax expense		(38)	(137)
Other non-cash adjustments		108	96
Net cash provided by operating activities		**4,469**	**3,651**
Decrease/(increase) in accounts receivables		(577)	326
Decrease/(increase) in inventories and work in progress		(955)	(153)
(Decrease)/increase in accounts payable		418	344
Decrease/(increase) in other current assets and liabilities		261	267
Change in working capital requirement		**(853)**	**784**
TOTAL I - CASH FLOWS FROM / (USED IN) OPERATING ACTIVITIES		**3,616**	**4,435**
Purchases of property, plant and equipment	11	(543)	(485)
Proceeds from disposals of property, plant and equipment		59	55
Purchases of intangible assets	10	(333)	(332)
Net cash used by investment in operating assets		**(817)**	**(762)**
Acquisitions and disposals of businesses, net of cash acquired & disposed	2	(4,231)	(2,393)
Other long-term investments		16	11
Increase in long-term pension assets		(136)	(106)
Sub-total		**(4,351)**	**(2,488)**
TOTAL II - CASH FLOWS FROM / (USED IN) INVESTING ACTIVITIES		**(5,168)**	**(3,250)**
Issuance of bonds	22	-	2,444
Repayment of bonds	22	(600)	(500)
Sale/(purchase) of own shares		(262)	(50)
Increase/(decrease) in other financial debt		(444)	1,032
Increase/(decrease) of share capital	19	216	43
Transaction with non-controlling interests *	2	(418)	1,141
Dividends paid to Schneider Electric's shareholders	19	(1,447)	(1,413)
Dividends paid to non-controlling interests		(138)	(112)
TOTAL III - CASH FLOWS FROM / (USED IN) FINANCING ACTIVITIES		**(3,093)**	**2,585**
TOTAL IV - NET FOREIGN EXCHANGE DIFFERENCE		**346**	**(403)**
INCREASE/(DECREASE) IN NET CASH AND CASH EQUIVALENTS: I +II +III +IV		**(4,299)**	**3,367**
Net cash and cash equivalents, beginning of the year	18	6,762	3,395
Increase/(decrease) in cash and cash equivalents		(4,299)	3,367
NET CASH AND CASH EQUIVALENTS, END OF THE YEAR	**18**	**2,463**	**6,762**

** In 2020, the Group received EUR 1,141 million of cash from AVEVA's minority interests, following the increase of capital realized by the latter, to finance the acquisition of OSISoft (Note 2).*

** In 2021, transactions with non-controlling interests mainly relates to RIB Software SE (Note 2).*

Operating Activities

Net cash provided by operating activities before changes in working capital requirement reached EUR 4,469 million for 2021, increasing compared to EUR 3,651 million for 2020. It represented 15.5% of revenues for 2021 (14.5% of revenues from 2020).

Change in working capital requirement consumed EUR 853 million in cash in 2021, compared to a positive contribution of EUR 784 million in 2020.

In all, net cash provided by operating activities decreased from EUR 4,435 million in 2020 to EUR 3,616 million in 2021.

Investing Activities

Net capital expenditure, which includes capitalized development projects, increased, at EUR 817 million for 2021, compared to EUR 762 million for 2020, and representing 2.8% of sales in 2021 compared to 3.0% in 2020.

Free cash-flow (cash provided by operating activities net of net capital expenditure) amounted to EUR 2,799 million in 2021 versus EUR 3,673 million in 2020.

Cash conversion rate (free cash-flow over net income attributable to the equity holders of the parent company on continuing operations) was 87% in 2021 versus 173% in 2020.

The acquisitions net of disposals represented a cash out of EUR 4,231 million (net of acquired cash) for 2021, compared with EUR 2,393 million for 2020. Those amounts correspond mainly to the acquisitions and disposals described in Notes 2.1 and 2.2 of the Consolidated Financial Statements (Chapter 5).

Financing Activities

Net cash outflow from financing activities amounted to EUR 3,093 million during the year 2021, compared to cash inflow of EUR 2,585 million during the year 2020, mainly due to changes in net debt and to the cash received from AVEVA's minority interests in 2020, following the increase of capital realized by the latter, to finance the acquisition of OSISoft.

The net cash outflow from other financial debts amounted to EUR 444 million in 2021, compared to a net cash inflow of EUR 1,032 million in 2020. The 2020 inflow is mainly due to a net commercial paper issuance of EUR 1,302 million.

The dividend paid by Schneider Electric was EUR 1,447 million in 2021, compared with EUR 1,413 million in 2020.

Review of the parent company financial statements

In 2021, Schneider Electric SE reported an operating loss of EUR 22 million compared with EUR 17 million the previous year.

Interest expense net of interest income amounted to EUR 46 million versus EUR 65 million the previous year.

Income from ordinary activities before tax stood at EUR 1,437 million in 2021 compared with a loss of EUR 86 million in 2020, mainly due to the dividends of EUR 1,500 million received in 2021.

The net income stood at EUR 1,498 million in 2021 compared with EUR (31) million in 2020.

Net equity amounted to EUR 6,874 million at December 31, 2021 versus EUR 6,606 million at the previous year-end, after taking into account 2021 profit and dividend payments of EUR 1,447 million.

Expected trends in 2022

The Group expects to grow both its revenues and profitability in 2022, in line with the framework for sustainable growth for the medium and long-term announced in its recent Capital Markets Day.

In 2022, the Group expects:

- A continuation of strong and dynamic market demand, including further recovery in late-cycle segments;
- All regions and all four end-markets to contribute to growth;
- Sales to benefit from higher level of backlog exiting 2021;
- Ongoing uncertainty linked to health crisis;
- Ongoing global supply chain pressures continue to impact in coming months;
- Increased pressure on input costs, including raw materials, labor, freight and the sourcing of electronic components;
- Despite the overall inflationary environment, and current supply chain pressures, the Group aspires to be net price positive for the full year (including impacts of freight and electronics).

2022 Target

The Group sets its 2022 target as follows:

2022 Adjusted EBITA growth of between +9% and +13% organic.

The target would be achieved through a combination of organic revenue growth and margin improvement, currently expected to be:

- Revenue growth of +7% to +9% organic;
- Adjusted EBITA margin up +30 bps to +60 bps organic.

This implies Adjusted EBITA margin of around 17.6% to 17.9% (including scope based on transactions completed in 2021 and FX based on current estimation).

The Group expects progress on these levers to be weighted towards the second half of the year.

2022-2024 targets and long-term ambitions

2022 – 2024 Targets:

- Organic revenue growth of between +5% to +8%, on average;
- A yearly organic improvement of between +30 bps to +70 bps in adjusted EBITA margin;
- c.EUR 4 billion Free Cash Flow by 2024.

Long-term ambitions:

- Organic revenue growth of 5%+ on average across the economic cycle;
- Opportunity to further expand adjusted EBITA margin and Free Cash Flow beyond 2024: Operational leverage and continued evolution of business mix to positively impact margins.