1. Trends in Schneider Electric's core markets

Industries and machine manufacturers

Industrial markets growth remained modest with varied positions among major regional blocks.

In Western Europe market grew at a low pace. Fiscal austerity, Russia-Ukraine conflict as well as fears of deflation impacted European economy. France and Italy industry markets decreased while activity expanded at low pace in Germany.

In the US, industrial production fell in the first quarter, due to a combination of low exports to China, inventory adjustment and unfavorable weather. Nonetheless, during second quarter, the growth of Industry markets, mainly driven by investment in equipment and production of machines, improved significantly. The growth then moderated during second half, impacted by strong dollar and by the decrease of oil and gas investments.

In China, industrial production and manufacturing investment have slowed markedly, depressed by the deterioration in domestic demand and liquidity issues. Moreover, the deterioration of construction activity weighted on investment and had an increasingly negative impact on industries including metals, mining, construction materials and machinery. It also exacerbated over capacity in heavy industry.

In Japan, industrial markets were highly impacted by April's VAT hike and recorded a decline. Nevertheless, markets recovered marginally at the end of the year, thanks to a rise in real exports and fall of energy prices.

Australian's industry market decreased, hampered by Capex contraction in the Mining sector and slowdown in China.

Non residential and residential buildings

Non residential buildings

In the US, non residential construction as a whole grew at a slow pace. The fastest growing segments were manufacturing buildings (thanks to chemical sector), followed by office and commercial. Institutional buildings segments recorded a decrease, as a result of fiscal pressure and government spending cuts.

In Western Europe, non residential construction improved marginally in 2014. Manufacturing, office and commercial buildings recovered at a very slow pace, hampered by oversupply and weak domestic demand. Education and healthcare segments suffered from public-sector austerity. Non residential market decreased in Southern Countries (Spain, Italy, and France). Positive framework conditions prevailed in the UK and in German markets.

In China, non residential market slightly declined. Main reasons are office oversupply and weak economic outlooks. Non residential market dropped during the first half of the year and partly recovered during the second half. Non residential buildings stayed more resilient than residential market.

In Australia, non residential market grew at a moderate pace, increase in office and health buildings more than offset the fall recorded by commercial and industrial buildings.

Saudi Arabia's market returned to growth, thanks to government investment focused on developing new cities.

Residential

In the US, residential market growth slowed down in 2014, affected by difficult lending conditions.

In Western Europe, residential market was flat with varied trends across countries. Southern countries (Spain, Italy and France), Norway and Finland, reported a decline. German markets increased gently, while Great Britain and Sweden surged.

China's property sector has reached a structural turning point marked by oversupply and lower demand for property. As a consequence, housing starts dropped sharply, notably in small and medium size cities (Tiers 2 and 3) despite measures to boost demand (relaxation of mortgage lending rules and rates).

In Australia, the market returned to growth after a recession in 2012 and stagnation in 2013 due to a combination of low interest rates and incentives to buy that stimulated demand for housing.

In other new economies, residential markets continued to grow in 2014, notably in Asian new economies and Africa. On the contrary, the residential market has slowed dramatically in Brazil, Argentina and South Africa, hit by gloomy economic situation and tight monetary policy.

Utilities and Infrastructures

Electrical Utilities

In Western Europe, the market declined further in 2014 due to weak demand, especially in southern countries. In mature countries, over-capacities in base generation are caused by energy efficiency and renewable energy growth.

In the USA, the market expanded modestly.

In new economies, markets were impacted by financial crisis and political elections.

The growth, specifically in solar and wind, faster in emerging economies, was fuelled by regulation, dropping costs and the support of governments and populations.

Looking for diversifying their revenues beyond sales of electricity, and with their customer base as an asset, utilities explore new services. Be it multi-utility, energy efficiency, home and life services, or enabling demand response to play in power markets, they can be leveraged with smart grid technologies to improve generation, grid operations and improve overall system efficiency.

To the network operators' attention to quality of supply was added more pressure on electricity prices. This led to careful control of network reinforcement and extension investments as well as to extracting more value from past investment in the grid.

While global smart grid investment remained steady, some utilities re-shuffled their priorities to manage urgencies such as ever-growing renewable penetration or revenue protection.

Oil and Gas

The Oil &Gas markets have seen an end of an era in 2014.

The spending levels, in particular in Exploration, have seen a significant inflation, with Field Service Operators leading the charge.

The industry has moved to bigger and bigger projects, now often in the 10+B$ range. Most of these projects have been finalized over cost and past delay.

The first to react were the International Oil Companies, who had decided end 2013 or early 2014 to limit their Capex spending, as they were challenged to demonstrate the profitability of their investment.

Another key evolution in 2014 was the development of unconventional oil productions in North America. This development was led by many small independent companies, which accumulated debts to generate rapid growth. It has led to an oversupply of oil on the global market by mid 2014.

Moreover, Saudi Arabia decided not to intervene in the market by regulating supply, despite the drop in oil prices.

In the fourth quarter, most of major oil companies announced drastic reduction in investment plans, especially in the upstream.

These spending cuts will affect Schneider only partially, as the company is not positioned in exploration, and has limited exposure to production. Schneider Electric has developed its presence in midstream and downstream in the recent years, thanks to the Telvent and Invensys acquisitions.

Furthermore, a substantial share of company revenues is related to Opex spending in activities that should be less affected by major budget cuts (such as field and consulting services, process optimization software).

Data centers and Networks

In 2014, the Global IT markets (Information Technologies) remained stagnant, with IT buyers taking a gradual approach to new projects and initiatives. An improving US economy provided a boost to IT spending in the second half of the year, but was offset by geopolitical headwinds: tensions between Russia and the West, slower growth in emerging economies, war in the Middle East, and weak economic environments in the Euro zone and Japan.

Fast growing IT solutions around Cloud and Mobile continued to disrupt IT markets, along with tentative recovery in X86 server shipments and early indications of a stabilizing data center infrastructure investment cycle.

Our transactional single phase market experienced strong growth in Asia in the second half of the year, and higher demand in Western Europe. Growth in these markets helped to offset significant impacts of distributor destocking in Russia, amidst a very difficult situation with sanctions on the Russian economy, lower energy prices and the rapid fall of the Ruble.

Gradual improvement of data center markets in North America and Western Europe was offset by softer trends in Russia, Asia and Latin America.

The migration to the Cloud and growth in hyper scale Data Centers accelerated, needing new customer engagement models as well as faster adaptation of our offer to leverage the full Schneider Electric portfolio of solutions. IT reinforced its position in the fast growing modular data center market with the integration of AST Modular.

Secure power industrial markets achieved steady growth along with improved outlook for infrastructure investments in power generation, chemical production, and semiconductor fabrication.

2. Review of the consolidated financial statements

Review of business and consolidated statement of income

Changes in the scope of consolidation

Acquisitions

On January 17, 2014, the Group completed its acquisition of Invensys plc, a global automation player with a large installed base and a strong software presence. The transaction has been remunerated through the issuance of 17,207,427 new Schneider Electric shares on January 20, 2014 and the payment of GBP2.5 billion on January 30, 2014.

On February 5, 2014, Schneider Electric signed an agreement for the sale of the Invensys Appliance division because the unit is not a core business to Schneider Electric. The consideration for the transaction is GBP150 million and the agreement was completed on June 18, 2014.

Invensys is fully consolidated in 2014 mainly in the segment Industry, except its Appliance division reported as discontinued operations.

Acquisitions and disposals that took place in 2013 and that had an impact on the 2014 financial statements*

Electroshield TM – Samara Group has been acquired in 2013 and consolidated from April 2013. Its consolidation over the full year in 2014 had an impact on the scope of consolidation compared with 2013.

Discontinued operations

On February 5, 2014, Schneider Electric announced that it has signed an agreement for the sale of the Invensys Appliance division, because this unit is not a core business to Schneider Electric. The consideration for the transaction is GBP150 million and the agreement was completed on June 18, 2014. The Invensys Appliance division is reported as discontinued operations in the Group consolidated financial statements for the full year 2014.

On October 1, 2014 the Group has obtained all required regulatory approvals and subsequently finalized the sale of Custom Sensors & Technologies (CST) to The Carlyle Group (NASDAQ:CG), and PAI partners SAS, based on an enterprise value of USD900m (approximately EUR650m). As part of the transaction, the Group has reinvested approximately USD100 million alongside Carlyle, PAI and CST management to own a shareholding of 30% of CST. CST was reported in the Industry business of Schneider Electric. The CST activity was reclassified as discontinued operations in Group financial statements on full year 2014 (for EUR24 million net income) and on full year 2013 (for EUR443 million of revenues, EUR83 million of profit before tax and EUR22 million of income tax expense thus a net income of EUR61 millions).

Changes in foreign exchange rates

Changes in foreign exchange rates relative to the euro had a material impact over the year. This negative effect amounts to EUR543 million on consolidated revenue and to EUR166 million on Adjusted EBITA(1).

Revenue

On December 31, 2014, the consolidated revenue of Schneider Electric totaled EUR24,939 million, an increase of 6.6% at current scope and exchange rates compared to EUR23,392 million on December 31, 2013 (restated for the effect of discontinued operations and change in consolidation method disclosed in note 1 of the consolidated financial statements).

This variance breaks down into an organic increase of 1.4%, a contribution of acquisitions net of disposals of 7.6%, mainly due to Invensys acquisition (EUR1,713 million), and a negative exchange rate effect of 2.4%.

Changes in revenue by operating segment

The 2013 figures were restated from discontinued operations and change in consolidation method disclosed in note 1 of Consolidated financial statements.

The Buildings & Partner business generated revenues of EUR10,754 million, or 43% of the consolidated total. This represents an increase of +3.9% on a reported basis and an increase of **+3.5%** on a like-for-like basis.

All regions posted growth. Western Europe was supported by Germany, Spain and the Nordics. The US benefited from continued investment in residential construction and data center markets, while non-residential construction saw a slow recovery. China grew over the year despite slowdown in the second half thanks to focused execution and mid market offers. Australia benefited from slight improvements in residential construction. The Rest of the World was solid, driven by infrastructure projects in the Middle East. Russia was resilient over the year and saw an

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

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

increase towards year-end due to inventory build-up from customers anticipating further currency depreciation.

The Industry business generated revenues of EUR5,551 million, or 22% of the consolidated total. This represents an increase of +43.5% on a reported basis and an increase of **+4.3%** on a like-for-like basis. The business posted growth across regions, driven by strong installed base services and solid OEM demand. Growth in Western Europe was driven by export-oriented OEMs. North America benefited over the year from oil & gas investment and a solid OEM market, but observed a slowdown at the end of the year. In Asia-Pacific, South East Asia was robust, China declined in the second half of the year and mining remained weak in Australia. The Rest of the World was strong.

The Infrastructure business generated revenues of EUR5,277 million, or 21% of the consolidated total. This represents a decrease of -7.8% on a reported basis and a decrease of **-4.4%** on a like-for-like basis. The decline was mainly due to the persistently weak utility market in Western Europe. However the business started to improve towards the end of the year. North America was strong in the year thanks to data center and oil & gas investment. Asia-Pacific saw mixed trends, with growth in oil & gas projects in Australia while China and South-East Asia were slightly down. The Rest of the World was impacted by Africa and South America. Services grew double digit.

The IT business generated revenues of EUR3,357 million, or 14% of the consolidated total. This represents a decrease of -2.5% on a reported basis and an increase of **+1.1%** on a like-for-like basis. Western Europe drove growth thanks to IT investment and commercial success. In North America, investment in large and extra-large data centers benefited the total Group's business, including low and medium voltage offer. The region saw an improvement in demand for small to medium sized data centers at year-end. Asia-Pacific saw slight growth. Demand in Russia declined and the business was penalized by distributor destocking over the year. Services continued to perform well.

Gross profit

Gross profit increased from EUR8,763 million for the year ended December 31, 2013 (restated for the effect of discontinued operations and change in consolidation method disclosed in note 1 of the consolidated financial statements) to EUR9,407 million for the year ended December 31, 2014, or +7.3%, mainly due to Invensys acquisition from January 2014 (+8.5%) and an increase in productivity, partially offset by unfavorable effect of foreign exchange. As a percentage of revenues, the gross margin increased to 37.7% in 2014 (versus 37.5% in 2013), driven by productivity and Invensys contribution, despite unfavorable foreign exchange effect.

Support Function Costs: research and development and selling, general and administrative expenses

Research and development expenses, excluding capitalized development costs and development costs reported as cost of sales, increased by 9.9% from EUR516 million for the year ended December 31, 2013 (restated for the effect of discontinued operations and change in consolidation method disclosed in note 1 of the consolidated financial statements) to EUR567 million for the year ended December 31, 2014, mainly due to Invensys acquisition. As a percentage of revenues, the net cost of research and development increased to 2.3% of revenues for the year ended December 31, 2014 (2.2% for the year ended December 31, 2013).

Total research and development expenses, including capitalized development costs and development costs reported as cost of sales (see note 4 to the Audited Consolidated Financial Statements) increased by 8.3% from EUR1,119 million for the year ended December 31, 2013 to EUR1,212 million for the year ended December 31, 2014. As a percentage of revenues, total research and development expenses increased to 4.9% for the year ended December 31, 2014 from 4.8% for the year ended December 31, 2013.

In 2014, the net effect of capitalized development costs and amortization of capitalized development costs amounts to EUR175 million on operating income versus EUR173 million in 2013.

Selling, general and administrative expenses increased by 9.9% from EUR4,891 million for the year ended December 31, 2013 (restated for the effect of discontinued operations and change in consolidation method disclosed in note 1 of the consolidated financial statements) to EUR5,377 million for the year ended December 31, 2014, mainly due to Invensys acquisition. As a percentage of revenues, selling, general and administrative expenses increased at 21.6% for 2014 from 20.9% for 2013, mainly due to investments in Software and Services.

Combined, total support function costs, that is, research and development expenses together with selling, general and administrative costs, totaled EUR5,944 million for the year ended December 31, 2014 compared to EUR5,407 million for the year ended December 31, 2013, an increase of 9.9%, mainly due to Invensys. The support functions costs to sales ratio increased from 23.1% for the year ended December 31, 2013 to 23.8% for the year ended December 31, 2014.

Other operating income and expenses

For the year ended December 31, 2014, other operating income and expenses amounted to a net income of EUR106 million, including costs linked to acquisitions for EUR114 million, a EUR95 million gain on the curtailment of employee benefit plans in the UK, in France and in the US and miscellaneous other operating incomes and expenses amounting to a net expense of EUR69 million. Costs linked to acquisitions are acquisition, integration and separation costs on 2014 acquisitions, mainly Invensys. Net other operating expense includes mainly provisions for litigation or claims in 2014.

For the year ended December 31, 2013, other operating income and expenses amounted to a net income of EUR71 million (restated for the effect of discontinued operations and change in consolidation method disclosed in note 1 of the consolidated financial statements), including mainly costs linked to acquisitions for EUR52 million, a EUR173 million gain on the curtailment of employee benefit plans in the US, in France and in Norway and miscellaneous other operating incomes and expenses amounting to a net expense of EUR37 million. Costs linked to acquisitions are acquisition, integration and separation costs on 2013 acquisitions, notably Electroshield – TM Samara and acquisition costs linked to Invensys. Net other operating expense includes mainly provisions for litigation or claims and gain on disposal of fixed assets in 2013.

Restructuring costs

For the year ended December 31, 2014, restructuring costs amounted to EUR202 million compared to EUR173 million for the year ended December 31, 2013. These costs related to industrial and support functions restructurings.

EBITA and Adjusted EBITA

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

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

Adjusted EBITA amounted to EUR3,463 million for the year ended December 31, 2014, compared to EUR3,356 million for the year ended December 31, 2013 (restated for the effect of discontinued operations and change in consolidation method disclosed in note 1 of the consolidated financial statements), representing an increase of 3.2%, mainly due to Invensys acquisition and partially offset by an unfavorable foreign exchange effect of EUR166 million. As a percentage of revenue, adjusted EBITA decreased from 14.3% for the year ended December 31, 2013 to 13.9% for the year ended December 31, 2014, mainly due to negative currency effect.

EBITA decreased by 3.0% from EUR3,254 million for the year ended December 31, 2013 (restated for the effect of discontinued operations and change in consolidation method disclosed in note 1 of the consolidated financial statements) to EUR3,155 million for the year ended December 31, 2014, mainly linked to significant integration costs for Invensys, a lower gain on curtailment of employee benefit plans and higher restructuring expenses in 2014 that did offset the positive impact of Invensys consolidation. As a percentage of revenue, EBITA decreased to 12.7% in 2014 compared with 13.9% in 2013, in line with the lower Adjusted EBITA margin and with integration and restructuring costs higher than in 2013.

EBITA and Adjusted EBITA by business segment

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

Full year 2014

(in millions of euros)	Buildings & Partner	Industry	Infrastructure	IT	Corporate costs	Total
Revenue	10,754	5,551	5,277	3,357	-	24,939
Adjusted EBITA*	1,913	1,023	454	630	(557)	3,463
Adjusted EBITA %	*17.8%*	*18.4%*	*8.6%*	*18.8%*	-	*13.9%*
Other operating income and expense	7	(34)	(86)	1	6	(106)
Restructuring costs	(93)	(26)	(76)	(4)	(3)	(202)
EBITA	1,827	963	292	627	(554)	3,155
EBITA %	17.0%	17.3%	5.5%	18.7%	-	12.7%

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

Full year 2013*

(in millions of euros)	Buildings & Partner	Industry	Infrastructure	IT	Corporate costs	Total
Revenue	10,355	3,868	5,727	3,442	-	23,392
Adjusted EBITA**	1,926	744	562	650	(526)	3,356
Adjusted EBITA %	*18.6%*	*19.2%*	*9.8%*	*18.9%*	-	*14.3%*
Other operating income and expense	62	33	(17)	(5)	(2)	71
Restructuring costs	(86)	(19)	(59)	(7)	(2)	(173)
EBITA	1,902	758	486	638	(530)	3,254
EBITA %	18.4%	19.6%	8.5%	18.5%	-	13.9%

** The 2013 figures were restated from discontinued operations and change in consolidation method disclosed in note 1.*
*** Adjusted EBITA: EBITA before Restructuring costs and before Other operating income and expenses (of which Costs of acquisition, integration and separation).*

Buildings & Partner business recorded an adjusted EBITA margin of 17.8% for the year ended December 31, 2014, down 0.8% compared to 18.6% for the year ended December 31, 2013, mainly due to unfavorable foreign exchange effect, unfavorable mix effect of mid market offer and investment in digitization.

Industry business recorded an adjusted EBITA margin of 18.4% for the year ended December 31, 2014, down 0.8% compared to 19.2% for the year ended December 31, 2013 (restated for the effect of discontinued operations and change in consolidation method disclosed in note 1 of the consolidated financial statements), mainly due to the dilutive effect of Invensys consolidation, partly offset positive pricing and operational leverage.

Infrastructure business recorded an adjusted EBITA margin of 8.6% for the year ended December 31, 2014, down 0.8% compared to 9.8% for the year ended December 31, 2013, mainly due to low volume, negative mix and pressure on project selling price.

IT business reported an adjusted EBITA margin of 18.8% for the year ended December 31, 2014, stable with 18.9% margin for the year ended December 31, 2013, showing resilience in a low growth environment.

Corporate costs amounted to EUR557 million for the year ended December 31, 2014 or 2.2% of Group revenues, a similar level as in the year ended December 31, 2013 (2.2% of Group revenues or EUR526 million).

Operating income (EBIT)

Operating income (EBIT) decreased from EUR3,039 million for the year ended December 31, 2013 (restated for the effect of discontinued operations and change in consolidation method disclosed in note 1 of the consolidated financial statements) to 2,896 million for the year ended December 31, 2014. This 4.7% decrease is explained by both the EBITA decrease and by an increase of the amortization of purchase accounting intangibles by EUR44 million linked to Invensys acquisition (EUR259 million in 2014 versus EUR215 million in 2013).

Net financial income/loss

Net financial loss amounted to EUR467 million for the year ended December 31, 2014, compared to EUR484 million for the year ended December 31, 2013 (restated for the effect of discontinued operations and change in consolidation method disclosed in note 1 of the consolidated financial statements). The decrease of the net financial loss is mainly explained by the decrease of the cost of net financial debt from EUR325 million for year ended December 31, 2013 to EUR312 million for year ended December 31, 2014 thanks to a lower average interest rate. The other financial incomes and costs are stable from a net expense of EUR159 million for year ended December 31, 2013 to a net expense of EUR155 million for year ended December 31, 2014.

Tax

The effective tax rate was 22.7% for the year ended December 31, 2014, decreasing compared to 25.5% for the year ended December 31, 2013 (restated for the effect of discontinued operations and change in consolidation method disclosed in note 1 of the consolidated financial statements).. The corresponding tax expense decreased from EUR651 million for the year ended December 31, 2013 to EUR551 million for the year ended December 31, 2014. The tax expense includes in 2014 a deferred tax profit from the recognition of deferred tax assets on Invensys US tax losses (previously unrecognized) that was made possible after the agreement on sales of Invensys assets negotiated with Invensys Trustee in February 2014, which allowed the tax integration of Invensys US operations with Schneider Electric US operations.

Discontinued operations

The net effect of discontinued activities totaled EUR169 million for the year ended December 31, 2014, including profit over six-months from the Appliance activity of Invensys, sold in June 2014, and over nine-months from CST business, sold on October 1, 2014, as well as the corresponding gain on sale, compared to EUR61 million for the year ended December 31, 2013, including yearly profit from CST business only.

Share of profit/(losses) of associates

The share of profit of associates decreased from EUR20 million for the year ended December 31, 2013 to EUR14 million for the year ended December 31, 2014 mainly because 2013 was still including the first quarter income of Electroshield – TM Samara (fully consolidated from April 1, 2013).

Non-controlling interests

Minority interests in net income for the year ended December 31, 2014 totaled EUR120 million, compared to EUR97 million for the year ended December 31, 2013. This represented the share in net income attributable, in large part, to the minority interests of certain Chinese companies.

Profit for the period

Profit for the period attributable to the equity holders of our parent company amounted to EUR1,941 million for the year ended December 31, 2014, that is a 2.8% increase over the EUR1,888 million profit for the year ended December 31, 2013.

Share of profit for the period attributable to the equity holders of our parent company on continuing operations

The share of profit for the period attributable to the equity holders of our parent company of continuing operations (profit for the period attributable to the equity holders of our parent company excluding discontinued operations) amounted to EUR1,772 million for the year ended December 31, 2014, compared to EUR1,827 million for the year ended December 31, 2013 (restated for the effect of discontinued operations and change in consolidation method disclosed in note 1 of the consolidated financial statements), decreasing by 3.0%.

Earnings per share

Earnings per share decreased from EUR3.43 for the year ended December 31, 2013 to EUR3.39 for the year ended December 31, 2014.

Consolidated cash-flow

Operating Activities

Net cash provided by operating activities before changes in operating assets and liabilities reached EUR2,640 million for the year ended December 31, 2014, down 10.6% compared to EUR2,628 million for the year ended December 31, 2013 (restated for the effect of discontinued operations and change in consolidation method disclosed in note 1 of the consolidated financial statements), and represented 10.6% of revenue in 2014 compared with 11.2% in 2013.

Change in working capital requirement consumed EUR107 million in cash in the year ended December 31, 2014, compared to EUR238 million generated in the year ended December 31, 2013 (restated for the effect of discontinued operations and change in consolidation method disclosed in note 1 of the consolidated financial statements), mainly due to the decrease of accounts payables, on a high comparison base in 2013.

In all, net cash provided by operating activities decreased 11.6% from EUR2,866 million in the year ended December 31, 2013 (restated for the effect of discontinued operations and change in consolidation method disclosed in note 1 of the consolidated financial statements) to EUR2,533 million in the year ended December 31, 2014.

Investing Activities

Net capital expenditure, which included capitalized development projects, increased by 17.4% to EUR829 million for the year ended December 31, 2014, compared to EUR706 million for the year ended December 31, 2013 (restated for the effect of discontinued operations and change in consolidation method disclosed in note 1 of the consolidated financial statements), and represented 3.3% of revenues in 2014 (3.0% in 2013).

Free cash-flow (cash provided by operating activities net of net capital expenditure) amounted to EUR1,704 million in 2014 versus EUR2,160 million in 2013 (restated for the effect of discontinued operations and change in consolidation method disclosed in note 1 of the consolidated financial statements).

Cash conversion rate (free cash-flow over share profit of associates of continuing operations) is 96% in 2014 versus 118% in 2013 (restated for the effect of discontinued operations and change in consolidation method disclosed in note 1 of the consolidated financial statements).

Our acquisitions represented a cash outflow, net of cash acquired, of EUR2,490 million for the year ended December 31, 2014, corresponding mainly to the cash part of Invensys acquisition, compared to EUR294 million in the year ended December 31, 2013 corresponding mainly to Electroshield – TM Samara acquisition.

Financing Activities

In 2014, the Group reimbursed two bonds for EUR720 million and there was no bond issuance.

The net decrease in other financial debts amount to EUR818 million during the year ended December 31, 2014, compared to an increase of EUR1,073 million during the year ended December 31, 2013. The dividend paid by Schneider Electric was EUR1,095 million the year ended December 31, 2014, compared with EUR1,025 million the year ended December 31, 2013.

3. Review of the parent company financial statements

Schneider Electric SE posted total portfolio revenues of EUR1 million in 2014 compared with EUR10 million the previous year. Schneider Electric Industries SAS, the main subsidiary, did not pay dividends in 2014, nor in 2013. Interest expense net of interest income amounted to EUR119 million versus EUR158 million the previous year.

Current loss amounted to EUR144 million in 2014 compared to a current loss of EUR165 million in 2013.

In 2014, Schneider Electric SE invoiced to Schneider Electric Industries SAS a EUR442 million consideration for the use of Schneider Electric brand, recognized as non-recurring income.

Net profit stood at EUR341 million compared with a net loss of EUR133 million in 2013.

Equity before appropriation of net profit amounted to EUR10,806 million at December 31, 2014 versus EUR10,303 million at the previous year-end, after taking into account 2014 loss, dividend payments of EUR1,069 million and share issues in an amount of EUR1,228 million.

4. Review of subsidiaries

Schneider Electric Industries SAS

Revenue totaled EUR3.4 billion in 2014 (EUR3.5 billion in 2013).

The subsidiary posted an operating loss of EUR136 million in 2014 compared with an operating loss of EUR233 million in 2013.

Net profit amounted to EUR174 million in 2014 compared with EUR948 of net profit million in 2013.

5. Outlook

The Group expects North America to continue to grow, while Western Europe could show signs of stabilization. New economies will show a mixed picture: India should accelerate while Russia will face a difficult environment. China is expected to have a soft start of the year and should gradually improve during the year. Invensys is expected to continue to contribute to the Group performance. Group performance in Q1 will be impacted by a high base of comparison notably in China and for Invensys which may result in like-for-like decline in revenues in the quarter.

In this context, the Group targets for 2015:

- Low single-digit organic growth in revenues
- Adjusted EBITA margin at 14-14.5% assuming no negative FX impact on margin
- An expected significantly positive FX impact, estimated based on current rate at c.€1.5bn on revenues with no material impact on the adjusted EBITA margin.