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EDITED TRANSCRIPT

SU.PA - H1 2014 Schneider Electric Earnings Call

EVENT DATE/TIME: JULY 30, 2014 / 7:30AM GMT

OVERVIEW:

Co. reported 1H14 sales of EUR11,700m. Expects 2014 revenues to be low single-digit organic growth.

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PRESENTATION

Anthony Song - *Schneider Electric - Head of IR*

Good morning, everybody. Welcome to join us. I'm Anthony Song, the Head of Investor Relations for Schneider Electric. Today, joining me is Jean-Pascal Tricoire, our Chairman and CEO, and Mr. Emmanuel Babeau, our CFO. And so now, I turn over to Mr. Jean-Pascal Tricoire to share with you what is our achievement in the first half of 2014.

Jean-Pascal Tricoire - *Schneider Electric - President and CEO*

Okay, good morning to all of you. Thank you for being today with us for those first half year's results. I'm going to go through the presentation with Emmanuel, and then we are going to be happy to take your questions and supply any answer to them.

So I'm going to go straight into the presentation and straight to slide 5 to give you a snapshot of Schneider so close to EUR12b of revenue in H1 and 43% of our revenues in new economy, actually a bit higher in Q2. 41% of our revenues in solution. Still a continued investment and actually an increased investment in R&D at 5% of our revenue.

And what is really striking at the moment is the perfect balance of our revenue across geographies with AsiaPac now at the same level as West Europe, 25% of our business in North America and close to 20% of our business in the rest of the world. A very balanced, also, exposure to our end markets with 44% of our business going to our partner & buildings, industry at 23% with the addition of Invensys, 20% of our business in infrastructure and 13% of our business in IT.

So now, let us go to the headlines of the first half and I would like to start probably by making the following remarks that this first half is complicated to read. Why? Because we have been -- we have had numerous changes of perimeter, we have welcomed on board of Schneider, Invensys, we have also consolidated Delixi, Electroshield-Samara is adding on the part of the first half and at the same time, we have discontinued and therefore, deconsolidated CST which is a significant business of Schneider.

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So quite a lot of changes in perimeters and also still very strong impact in foreign currencies and negative impact on the bottom line of EUR162m in H1. So you are going to have plenty of mentions like constant ForEx, current ForEx, constant scope, and current scope, which lead us to drive you through the explanations or lead you through the explanations on restating on the half.

But I would say H1 really well in line with the expectation we have described at the beginning of the year with a guidance or the target we explained at the beginning of the year, with two highlights here, a very positive integration of Invensys bringing a lot to Schneider and to the first half on a good -- very good work on operational execution and on expansion of margins.

So let's go through the segments.

Revenue is growing at current or as published by 3.2%. If we exclude the ForEx impact, which once again is very negative in the first half, a growth of 8.6%. If we speak in organic terms, the growth -- organic growth of 0.6% really impacted by the negative trend on the infrastructure especially infrastructure in Europe, but if we exclude the impact of infrastructure, the Group has been growing by 2.7% in H1 so quite robust growth if we exclude the impact of infrastructure.

Speaking about the margins, quite pleased with the work done on margin, the gross margin as reported, improving by 70 basis points. In organic terms, plus 90 basis points. On the adjusted EBITA before FX growing by 80 basis points and if you remember, this is the top part of the bracket that we have given in our guidance at the beginning of the year. We said that after or before FX, improvement of 40 to 80 basis point of adjusted EBITA and at the end of the first half, we are just at the top part of the bracket given in our guidance.

I would like to insist on thing here. If you take the past 12 months, we have been impacted by more than EUR400m in terms of FX negative. So the teams have done a very good job in catching up, in compensating, on making sure that we would still deliver improvements in organic terms and before FX significant improvement, mainly supported by productivity, I have to say, on the big work done on the supply chain, on the efficiency of our organization.

Now, going into the net, we have a net income, we call underlying, that means if we exclude the specific costs linked to Invensys acquisition and integration in the first half, growing by plus 4%. But if we dream, and it is never good to dream, but it is almost summer so let's allow that for a few seconds, that there was no ForEx impact, then the net would have been growing by 20% at constant FX and that is part of the operational improvement and part of the arrival on Invensys aboard of the company.

And finally, while the Invensys integration is well in line with the plan, I would say above expectation with orders growing organically of the first half by 3%, on an adjusted EBITA, at the level of Invensys are growing by 4%. 3.9% to be precise, which means that the margin on the first half of Invensys is rilutive (sic) to the company which was one of the questions which was often asked to us when we describe this acquisition but already through the synergies that we realized already, the work that was done by Invensys team on their own operations, a margin which increases by 3.9% and we expect an EPS accretion in 2014 of high single digit due to this acquisition.

Now, I move on to more details so again revenues up 2.7% organically in H1 if we exclude the negative impact of infrastructure. Infrastructure was minus 7%, we are going to speak again about that. The main impact is due to Europe and to a certain extent, to some utilities in new economies, utilities that were impacted by foreign currencies which stalled some of the projects but the core of the issue in infrastructure, no surprise, is coming from utilities in Europe.

But if we take the rest of our portfolio, very pleased to see the early cycle business buildings and partners really consistently or constantly regrowing on industry having quite strong dynamics in -- which started in H2 2013 which are confirmed in H1 2014 and where we see the dynamics of this business really strengthening.

Now, I go to the next slide, once again, our engines for growth are working fully, new economies are growing 5% above mature economies. This has been -- this is done with Russia which I remind you is the number four country of the Company, which has been negative in H1, so the rest is more buoyant and the services growing 8% above the average of the Group. So we keep investing in field services, particularly in maintenance services and this has had a positive impact on the -- on our growth.

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Now going business by business. Building & partners, quite a lot of new launches of products in H1. You see on the left side, what we call smart panels, so it is an industrialized offer which enables to connect every electrical panel of Schneider to the Internet and go on dashboard that you see on the right side of the screen, just launched, very promising. For very marginal costs, our customers can get access to their connected objects in electrical panels.

And a lot of products also launched in the field of mid-building, mid-sized building automation enabling there again to connect mid-sized buildings to the cloud and enabling our customers to connect their facility to their maintenance services through digital tools.

Now, the organic growth was 3.5%. The places where we had the best growth was China driven by successful mid-market offers on commercial initiatives on the geographical coverage. We had also good growth in the US if you focus on low voltage, what we call the core of the core of our partner business, it has been mid-single digit growth. The growth has been -- we've been experiencing decreases on the other side on the pure building control business in the US so the compounded is low single-digit growth but we are very pleased with what we do in the core in the Square D business.

And then Western Europe is stabilizing, which is good news with different dynamics in the North of Europe and in the South of Europe, though Spain for instance, has been regrowing lately.

As we go into industry, one thing to mention here in partner, if I may, is the scope which is corresponding to the integration of Delixi, which is our joint venture in China for the main market, and corresponding also to the integration of some controls of Invensys.

Now going into industry, industry is having a strong and robust organic growth. The drivers of this growth are products and you see some launches that we have done in the first half in drives, medium-voltage drives, new very innovative products with wireless products for production chains, for manufacturing, some -- adding to our matching structure also which is really working well, and more edition of our StruxureWare software for the supervision of our systems for several segments.

But very good dynamics in OEM in Europe, in the US and in Japan, and in China, and on the very strong service growth. Mixed bag of things in end-user segments, mining is still down, but we are doing rather well in the other segments. Of course, here, massive impact on scope which is coming from Invensys.

Infrastructure, so that has been the very, very weak business for the first part of the year mostly, utility issues in Western Europe. We are quite impacted by our German activity, they are an [early vendor] we are paying the price for this transition in the utility market. We have very good dynamics in North America, though our Q2 was negative in North America because of the very high basis of comparison coming from last year.

We have improving trends in China, mixed pictures in the rest of the world, some regions are up, Middle East for instance, some regions have been suffering from projects we took last year from base of comparison. Clearly, here, we are working on accelerating the rationalization of lineups of products and working on our footprint especially in Europe.

Quite a lot of new launches; Premset which is a very revolutionary type of breaker, very high performance in mission critical applications, more e-house from projects of e-house coming. And we are seeing this business orders kind of stabilizing and now picking up. So we are working on our costs, we are working on the rationalization and we are getting more aggressive on getting more success on our projects.

And now, I move to the IT business. So IT business has been -- Emmanuel will speak about that, doing a remarkable work on adjusting cost to the sales. The big problem in IT has been in the first half, Russia. We have a strong position in Russia and that has been massive destocking due to the economic situation in Russia. And the second one has been the US where H1 revenues kept declining but for the first time in some quarters, we saw orders growing back and we saw the market of the core of our market which are mid-sized data centers for the IT business where we report what we do in racks, UPS and cooling, regrowing. So we are optimist for the end of year and the beginning of the next year, in the US.

We see good projects and good dynamics in China in telecom, banking, internet business and we grew well in Western Europe which was expected but clearly, I think we took market share there because it doesn't seem to be the case of some of our peers.

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Quite a lot of new products also launched here, modularized data centers with capacity to assemble the power blocks, cooling blocks and rack blocks, so that we can sell to our customers in a very fast manner, we can equip them very fast so that they can deploy their projects. New products in software, new systems in software, new cooling systems on the UPS. So that is about the picture business by business.

Now if we move on, one of the highlights of this first half was clearly gross margin on productivity. So you know that two years ago, we globalized our supply chain under one management and we have been working on establishing a stronger and more efficient relationship with our suppliers. We have been working also on the efficiency of our manufacturing with more lean manufacturing. We have been working also on the efficiency of the supervision of those factories.

And this is paying off. Clearly, we didn't have fantastic volumes in the first half and we are delivering a productivity of EUR177m to be compared to what we are doing in 2012 with I would say similar dynamics of volume EUR120m. So we are really cranking up on our productivity and we confirm the objective of three years of EUR1b to EUR1.1b of productivity.

One thing, I repeat, I mean in the past 12 months, we have been facing a negative impact of -- due to ForEx of EUR400m and plus. On this productivity, on the effort that we have done in making the Company more efficient has really helped us to kind of mitigate the negative impact of this on our margin.

Going to the other highlight of this first half, it's really the integration of Invensys. Remember why we do Invensys, why we welcome Invensys on board, to reinforce ourselves in automation, to integrate more complete solutions for electro-intensive segments, to supply to our customers a very performing portfolio of software for operational efficiency. Well, in -- and this is under the architectural supervision of Emmanuel.

Emmanuel is making sure that all the pieces of Invensys are integrated at the right pace, and while the initiative driving 90% of the cost synergies are completed so now we are starting to get them on board. We have fully integrated Invensys in Schneider and over 90% of the key talents have been retained and have a position in our company. We are now rolling out operations to maximize the revenue synergies. Our business model was -- our business plan was integrating most of those revenue synergies from 2016 on. So everything we get today is a supplementary benefit.

Adjusted EBITA margin is accretive for the group in H1. So Invensys is a plus to the margin of the Group. And we confirm EUR70m of cost savings by the end of 2014, I remind you that the old cost saving is EUR140m so then the rest will come in the next coming two years.

The good news is that though we had forecasted for nothing in the first year, we start to have revenue synergies. So two examples here, and I can't make names but on a Refinery that Invensys had won for the DCS system we had immediately a first refusal on the energy package, and that's significant value that's in the magnitude of EUR30m. Another example which is a reverse of a major F&B customer of Schneider in Australia that immediately adopted Wonderware as their SCADA on their MES system.

So that is coming up, and that's really giving more credibility to our teams to assemble full solutions. Of course, those projects have a time for maturation. On these, for instance, there are two projects, the second one will be partially -- very partially invoiced this year, and the one -- the former one, it will be a 2015 benefit not a 2014 benefit.

We grew 0.6% organically ourselves in H1, we grew our gross margin by 2.6% organically. We grew also our investment. The investment is applied to three places, R&D, where we have important programs particularly at the level of common platforms on software, geographical coverage that we keep to push in new economies, not only in new economies, there are some places where also in mature economies we want to regain some capillarity. And we, of course, invest in services and I remind you that you need to invest 18 months ahead in the curve if you want to get the revenue.

What we have done is at 40% of that investment has been funded by savings that we have done on the rest of the operations, but we still are investing though the economy is not really brilliant at the moment because we believe it's a sound and good investment for the future.

Now, some words about the Planet & Society Barometer which is a sustainable development part of our equation, the actions that we are doing. We are ahead of our targets with respect to the Connect plan and well positioned -- well, actually, we have already reached the end of the year

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target. Remind you in two words, the pillars on environmental which we called planet, bottom of the pyramid which we called profit, and our people, the security of our people and the well being of our people. In all of these, we are above our targets and we've got some very significant recognitions recently, being ranked by Newsweek as one of the top 10 green companies in the world which came on top of the recognition in Davos has been one of the top companies in terms of sustainability in the world.

Okay. This being said, I will hand the mic to Emmanuel for the financial presentation.

Emmanuel Babeau - *Schneider Electric - CFO*

Thank you, Jean-Pascal. Good morning, everyone. I'm very pleased to be with you to comment this H1 results and I'm going to dig to more detail regarding this set of numbers. I'm on page 21, and I'm now commenting the growth of our sales. So globally, our sales amounted to EUR11,700m. It's up plus 3.2% and as you know and as Jean-Pascal very clearly described, we've been hit hard again by the very negative ForEx impact costing 5.4 points of growth.

If I wanted to see one good news at the point in time is that there is on the current parity, most of this negative headwind is behind us and for the second part of the year, after a negative EUR570m on the top line, we only expect, if I may say, between EUR100m and EUR200m negative for H2. And when I look at the impact the level of the adjusted EBITA, after a negative of minus EUR162m for the first half, we are expecting a negative impact between minus 20 and minus 40 for the second half.

So at that stage, we have swallowed most of this negative impact on the ForEx, and we have seen currency from the emerging countries for most of them stabilizing against the euro over the past few months and the dollar has been showing some early sign of renewed strength against the euro but certainly to be confirmed in the coming months.

I don't come back on the scope impact which Jean-Pascal has described and of course, the Invensys deal is the biggest one.

Now, a few comment on the organic growth by region. Once again, Asia Pacific has been the best performer, plus 4% and certainly, China within Asia Pacific has been by far the best performer. We are still talking about a kind of high single-digit growth for China globally for H1, and so quite a remarkable achievement for our growth in China.

India and Japan have been growing as well. Certainly for India, H1 was still a moderate growth but following the election and clarification of the political landscape in this country, I guess we can expect for the coming quarters, some acceleration of the growth. In Asia Pacific, really one area which has been more negative for us, everything in Southeast Asia around Indonesia, Thailand, has been tougher for political uncertainty and political trouble that you have in mind.

Staying for a second in the other new economy, rest of the world plus 2%. We have been growing in most of these new economy outside Asia Pacific, Middle East, South America, Central Europe, Africa, and they all have been globally positive, certainly Middle East and South America have been the best performer.

Russia has been negative but even in Russia, it has been a contrasted picture. So everything has not been negative, far from that. On the contrary, two businesses have been positive, buildings & partner and industry in Russia. It has been much tougher for IT and Jean-Pascal described it with massive destocking in our distributors. And it has been, I would say, a mixed picture regarding our infrastructure business but our acquired -- recently acquired Electroshield Samara business has been doing well on order intake which is at this stage, rather positive for the second part of the year.

Now moving to the negative regions, first of all, North America, minus 1%. US has been marginally positive but certainly we've been more significantly negative in Canada and above all, in Mexico with a very difficult landscape for the construction in this country which has been impacting us very hard.

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And if I look at the US, Jean-Pascal, described the situation where some of the businesses did perform well and we have been growing, as Jean-Pascal said, in building & partner, we have been growing in industry. Regarding infrastructure, the underlying trend is very positive, order intake is very good, we have been negative because of very high comps last year and on IT, we are seeing globally, order intake positive on the first half, which is probably boding well for the end of the year and for the beginning of next year.

Western Europe, minus 3%, so one could be disappointed as we were expecting to get to a more steady position in Western Europe. It is certainly still better than what we have seen in 2013. And you have to note that without the very strong decrease that we have experienced in the infrastructure business in Western Europe, Western Europe would have been positive. And so globally, outside infrastructure, we are resuming growth in Western Europe, and we are getting to around stability as we said, in building & partner. We have seen, for instance, Germany, we have seen the Nordics going well, we have even seen Spain showing some positive number in that respect. France was much more difficult on building & partner.

We have seen industry automation growing in Western Europe, and we have seen also the IT business well oriented with very nice growth on this first half. So that is for the description of the situation during -- among our various regions.

And I'm now moving to certainly, one of our strongest achievement during this first half which has been the gross margin improvement during the first half.

We have been moving from 37.4% of gross margin for the first half of 2013 to 38.1% so it's a net gain of 70 basis points. And when we look into the detail, we have faced of course here again significant headwind coming from the ForEx with a negative 60 basis points but we benefited from a positive scope, the plus 40 basis points that you have here, and it is the nice contribution coming from Invensys, Invensys is coming with an accretive impact on the gross margin rate of the group.

And at the level of the organic growth, so same perimeter, same currency, we managed to generate a growth of 90 basis points. So a remarkable growth of almost 1 point and when you enter into the detail of the growth, you have the productivity, Jean-Pascal mentioned that, plus 1.5 points, but we also managed to be positive on the net price and RMI, raw material inflation, we have a little bit more than EUR50m positive on the raw material inflation and we have a negative price impact of EUR25m. And beyond this minus EUR25m on price, we have a mixed situation with some price increase on the countries which have been impacted by the significant depreciation of their currency. And you have some markets notably the US, China to a certain extent, where we are have tactically been using price to grow or defend our market share.

Last element, mix & others, it's a negative 80 bps, we have a much reduced negative mix impact on this first half compared to last year and of course, we are still negative in terms of geographies, we have some negative trend on the term of -- in terms of mix on product. But the fact that the two businesses growing are building & partner and industry is of course a more positive for the mix evolution.

Now, moving to the other element and to get to the adjusted EBITA, just on the gross profit coming back to the number -- the absolute number EUR4,457m. It is nicely up in reported plus 5.2% and it's an organic change of plus 2.6% and when we look at the evolution of our SFC, our SG&A, they have reached a little bit less than EUR3b. They are up organically plus 2.5%. So we have been investing, Jean-Pascal mentioned that, we have been compensating some of this investment by savings and all together, we managed to keep the evolution of the SFC organically more or less in line with what we are doing at the level of the gross profit.

That leads to an adjusted EBITA of EUR1,504m, and it's up organically 2.8% and we have improved organically the adjusted EBITA margin by 30 basis points.

Now, looking at the adjusted EBITA margin evolution and how we stand versus the guidance for the year. We thought it was important to really enter into the various elements of the guidance and the various elements of the performance.

First of all, I wanted to start with the H1 2013 reported so that was before the change in scope on CST which is now accounted for discontinued operation and the full consolidation of Delixi, 100%. So we were at 13.4%. With the change in scope, we get to 2013 restated of 13.3%. Now if we were to build a pro forma of H1 2013, taking into account the Invensys result, we would get to 12.9%. And we gave the guidance at the beginning of the year on that basis of 2013 pro forma including Invensys.

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And now, when we look at the component of the evolution of this adjusted EBITA margin, you see that globally, period on period, we are stable despite the tremendous headwind due to the ForEx of 80 basis points so that means that we have been organically generating an 80 basis point improvement. And if I was to split the component of this 80 basis point improvement, you have the 30 basis point organic improvement I described on the legacy Schneider business and you have 50 basis point improvement which is coming from the improvement on the margin of Invensys. So these are the elements of the evolution of the margin.

Now, looking by business at the trend on margin, if I start with building & partner, we have achieved an adjusted EBITA margin of 17.6%. It is down 0.6 points and this is only really the ForEx which is playing negatively, otherwise, we would have been positive.

Moving to industry, we are down 1.2 point at 18.2%, but here it is impact of Invensys. Invensys is accretive at the Group level but it has a dilutive impact at the level of the industry margin which nevertheless, stays at the very eye level, this 18.2%. Without this dilutive impact of Invensys, the legacy margin of industry would have been slightly up.

Infrastructure, that is where we are really experiencing the big decrease, minus 1.7 point. Here, no mystery, this is a negative evolution of the sales, significant negative volume which means less capacity to absorb fixed cost and that is generating the decrease at the level of the infrastructure margin.

And last but not the least, the IT margin which is pretty stable despite the minus 2% evolution of the sales. And that is a very good job here which is done in order to manage the cost and to stay at the eye level on this business.

Now, if I go until the bottom of our P&L, of course, restarting with the adjusted EBITA and I just want to note for a second that without the negative ForEx evolution, the adjusted EBITA would have been growing year on year by plus 10.8%, a very good evolution. The line other income and expenses, minus EUR57m, this is mainly the cost of acquisition and integration of Invensys for almost EUR40m.

Then the restructuring cost, EUR71m is a little bit above H1 last year and for the year to date, given what we see notably for the infrastructure business, we believe that more adjustment will be needed and we anticipate restructuring cost for the full year that could be around EUR200m.

Then you have amortization and impairment of purchase accounting intangible, we are getting to EUR127m negative and the increase here is coming of course from the integration of Invensys with minus EUR22m impact.

Net financial expense, EUR201m negative. It's a significant improvement versus last year and here of course, it is quite remarkable because we have higher debt following the acquisition of Invensys but as expected and as we shared with you, we did manage to decrease the cost of the debt, we did manage to issue new debt at a cheaper cost to better manage the cash portion versus the debt portion and that means that the average cost of the debt has been decreasing.

If I just look at the cost -- the average interest rate on the gross debt, we have been moving down from 4.4% last year to 3.7% this year. And so the good decrease of the cost of the debt which is translated into the net financial expense with also a decrease of the negative impact coming from the ForEx.

Income tax, I mean the income tax charge is EUR241m but here again, good news, we are confirming all that Invensys was expected to bring to us. We were saying that Invensys was to increase significantly -- or was to decrease, sorry, significantly, the average tax rate of the Group. That is going to be the case in 2014 and we expect that to continue certainly at least in the first three years.

We expect for 2014, the impact of Invensys to be a decrease of 4 points of the average tax rate of the Group. We think that the average tax rate of the Group should have been around 27% for 2014 and we expect the average tax rate of the Group to be around 23% thanks to Invensys and that is what is reflected here during this first half.

Discontinued operations, that is what has been classified in discontinued operation, the CST business notably but also the appliance business for the few months that the appliance business from Invensys has spent in our portfolio.

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Then, equity investment which is the profit made by company where we have a minority stake, mainly our Japanese JV here and the minority interest corresponding to Delixi and other companies where we have minority shareholder of minus EUR62m.

In total, the net income Group share is reaching EUR821m, almost flat versus the previous year. But we think that it's relevant this year to really look at the notion of underlying net income because you are going to have all the one-off costs of acquisition and integration of Invensys, you are going to have a number of element linked to disposal of asset whether appliance, CST, very likely in the rest of the year. So we want to eliminate the other income and expenses impact and also the gain on or loss on disposal. And if you do this retreatment, then you are getting to an increase of this underlying net income excluding this one-off of 4% and without ForEx, it would have been a 20% increase.

Moving now to the operating cash flow. It is EUR1,083m operating cash flow for this first half, it is up plus 4% versus the first half of 2013. Now, when we look at the elements leading to the free cash flow, there is one element here which is a significant increase which is capital expenditure for two reasons basically. The first one is that last year, we had a disposal for a few tens of millions of buildings in France, which of course, has not been reproduced this year. And the second thing is really a phasing issue between H1 and H2.

All together, the scheme of CapEx at the Group level has not changed, and we expect for the full year a net CapEx which would be around 3% of our sales.

Change in trade working capital, a little bit higher than last year but it is mainly at the level of payable because we have been quite stable versus last year regarding inventories and receivable. A change in non-trade working capital, nothing much to comment so that lead us to a free cash flow before all the acquisition costs and restructuring costs that we have been paying on Invensys of EUR203m compared to EUR321m last year.

Then we have been paying the dividend. Then you have the net impact of the acquisition. It is a EUR2.2b here which is really what we have been paying on Invensys less of course what we have been paying in shares newly issued so you find the amount here. It is a little bit below the EUR2,257m because we have been doing some minor acquisition which decrease a little bit the amount.

Then capital increase which are stock option and other performance share impact, and in the other element, you have several impact regarding the ForEx and dividend paid to third party.

All together we have increased our debt by EUR3.2b during this first half, and that leads to a net debt at the end of June of EUR6.5b.

Now I want to finish this presentation on detail number sharing a bit more detail on the impact of Invensys. Jean-Pascal has described it already. Strategic intent more than confirms integration done within the team.

Now when we look at the number Invensys has been impacted, of course, as well, by a negative ForEx impact but without ForEx impact organically order intake are up 3%. When we look at revenue we are flat, solid growth on software. On system we still have the decrease of the importance of the Chinese nuclear projects, so this is of course impacting.

But we have quite remarkably increased the adjusted EBITA amount from EUR95m for the first half of 2013 to EUR122m. And here you have really two drivers behind this improvement; the first one the level of synergy. We've said that in the first half of the year we have already generated EUR30m of synergies.

And the other thing is improvement of margin with positive mix coming notably from software, field devices also going well, so this has been helping. In the meantime we also have started to accelerate investment, notably behind software and system to prepare the growth for the future.

So when we look at all these achievements it's, of course, a very good performance for Invensys in the H1. Invensys is accretive on the adjusted EBITA margin. And at the level of the EPS accretion it's 15% on this first half and of course we are comfortable to confirm that we are targeting high single-digit EPS accretion because of Invensys and that's very good news.

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And beyond the 2014 numbers we are confirming all our targets in terms of global tax benefits, the EUR500m, the synergy on top line and certainly on the cost savings the EUR140m. And we expect to have 50% of this positive impact playing in 2014, around 75% in 2015 and the full impact by 2016.

Jean-Pascal, I hand over to you for the conclusion and outlook.

Jean-Pascal Tricoire - *Schneider Electric - President and CEO*

Right, well, just basically to say that we confirm the target that we had expressed to you at the beginning of the year. So if we look at what we just explained, we see an improvement of our early cycle business. We see a high level of industrial productivity which we find is developing very positively and of course, a strong contribution from Invensys. All of this drives margin expansion.

With the stabilization, what we see also is stabilization of Western Europe outside utility markets. We see improvements in North America, especially with the good order book in infrastructure in IT, which is very positive.

We see also more resilience in new economies and more clarification in some of them past some elections particularly. So we are expecting some acceleration in the second half with continued growth in our early cycle business, and a sequential improvement in IT and infrastructure.

Therefore, we confirm our 2014 target which is low single-digit organic growth in revenue, and an improvement of 0 -- 40 to 80 basis points of the adjusted EBITDA margin versus the 2013 pro forma level of 13.9% and excluding the currency impact but as Emmanuel was saying we estimate that most of the currency impact is behind us. The negative currency impact is today evaluated at 40 basis points with really almost all of the impact or most of the impact concentrated in H1.

I don't want to forget the fact that we have committed and we are going to start a program of share buyback to compensate the emission of shares for the world employee stock ownership plan and for the restricted shares for the leaders of the Company. And that would amount to around 6m shares in H2 2014.

That closes the presentation, formal presentation. It was a bit dense and again complicated because there have been quite a lot of movements in the first part of the year, but we are now happy to take your questions.

QUESTIONS AND ANSWERS

Anthony Song - *Schneider Electric - Head of IR*

Thank you Jean-Pascal, thank you, Emmanuel. With that, we open for Q&A. First we would like to take the questions from the people in the room, so Gael?

Gael de Bray - *Societe Generale - Analyst*

Thank you. Good morning. Gael de Bray from Soc Gen. Two questions really, the first one is on infrastructure. It seems that the tactical pricing approach is not really working at least not for now. So I guess my question is what's the action plan for that business? Is there a need to refresh the product lines? Maybe if you could comment a bit on the accelerated effort in terms of restructuring you're planning for the second half.

And the second question would be on Invensys. I guess that's a question for Emmanuel. The margin, if I look at the data you provide on page 34 it seems the margin of Invensys is 300 bps lower in H2 than in H1. At least that was the case in 2013. So is there anything specific here or is it driven by normal seasonality. Thank you.

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Emmanuel Babeau - *Schneider Electric - CFO*

Can I start with Invensys and then I -- so indeed there is a seasonality. You have to remember then the calendar Q1 was in fact the last quarter for Invensys, so traditionally they were having a first quarter January to March which was extremely strong, and that has been the case this year as well. And then of course Q2 was their first quarter with what happened in all quarter following the closing of the year, so you had a seasonality impact which was quite important, and that has been playing as well for us in H1.

Jean-Pascal Tricoire - *Schneider Electric - President and CEO*

Okay back to infrastructure, so there is -- first there is the question of market, which is principally I would say is the utilities in West Europe and also a certain number of delays which happened in new economies because of a few economic turmoils I would say which were sometimes linked to political situations, elections for instance. And there was also -- we suffered, not suffered we experienced a high base of comparison in the US due to a large project, some large projects that we had last year. So those are the three reasons.

Now what are we doing? The first thing when we speak about tactical pricing when you are in infrastructure, this business, you have a cycle on a project on a sale. So what you do now is going to pay later as well as what we see today was coming from some order that we didn't take last year, so that's the first point. So it takes some time to carry across a situation.

The second point is that we have traditionally, and that was probably more of a heritage of Areva, a pretty big business with utilities which today are declining in terms of demand. So what we are doing is repositioning our offer with more synergies with low voltage, especially on the industrial side.

And Invensys in the future will be also very beneficial to that repositioning, because it gives us a better access to oil and gas, to chemicals, to a certain number of industries which are prone to take infrastructure. So that's for the business point of view.

I have to say that today our product business, which is going through to traditional Schneider partners as well as our service business, is doing very well. It's more the project business and especially the project business in direction of the utilities which have been suffering. And it seems to me we are not exactly the only in this case in the industry.

On the cost point of view we are working, yes, we are accelerating the rationalization of our offers. And customers are more accepting that because of the specific situation. And we are working within -- with our supply chain to make sure that we rationalize also our set-up. So these are things that we are accelerating.

Gael de Bray - *Societe Generale - Analyst*

(Inaudible - microphone inaccessible).

Jean-Pascal Tricoire - *Schneider Electric - President and CEO*

It's -- what we said in the presentation it's sequentially improving but it's not yet -- it takes a bit of time in that business to change the trend, so we are not yet in -- but we see an improvement.

Anthony Song - *Schneider Electric - Head of IR*

So next, Alfred.

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Alfred Glaser - *Oddo Securities - Analyst*

Yes, thank you. Alfred Glaser from Oddo. I wanted to ask you if you could comment a bit further on the outlook in China, demand outlook for the next few months or quarters.

And also if you could give us a few more comments on pricing, what you expect for the second half of the year.

And then finally, we've seen in the first half very big productivity gains and you are guiding at substantial gains also in the second half of this year. Can we extrapolate this to 2015, 2016 supposing that you will be in the same order of magnitude of productivity gains?

Emmanuel Babeau - *Schneider Electric - CFO*

How many columns do you have in your model?

Jean-Pascal Tricoire - *Schneider Electric - President and CEO*

China, it's an interesting question. I think we have been doing well in China in H1. But anyway we have seen some slowdown from Q1 to Q2, no surprise, it was in the news. The base of comparison is becoming more demanding.

It's not a certain situation. What we are doing we are still in -- we have a very strong infrastructure in China. We have a good presence especially with mid-sized, small-sized customers, mid-sized projects. We are very [capillary], we are in 300 cities. So we are benefiting from that geographical deployment and that proximity to our customers and our distributors.

When the market is normally declining those are better places to be, because you have less large projects, you have more retrofit, you have more addings, you have more small projects popping up and that's naturally in our space.

But we expect that there will be some slowdown in China in the next two quarters. Then our feeling is that today is a very specific period in China with some important work done at the level of ethics in politics, in business which are slowing down decisions with now some stimulation given to the economy, but it's like in infrastructure, it takes time to convert into an order.

You have seen large projects restarting. You've seen some financing now re-taking place especially in the provinces. So we estimate that our best guess is that it will keep slowing down for the end of the year and hopefully we are going to be returning to a sounder growth or more established growth probably later next year. Okay, so that's for China. But I am very pleased with the way we keep deploying our plans in China. We've got strong driven teams keeping on developing partnerships alliances on (inaudible).

On pricing as Emmanuel said it's a mixed bag of situations. In some places we increase the price; it was the case particularly in all the countries struck by currency decrease. At the same time there were some places where really we have a price gap which is probably going too high. That's a few cases. China is one, in some parts of the offer we wanted to gain market share or to defend market share.

And we've felt pressure on prices in the US where some of our competitors in our core business have been extremely aggressive on price and we've reacted. Took us some time, we are protective of our margin. We've decided not to follow everywhere. But we've been really surprised of some price aggressiveness in the US. That's probably following some operations that need to be --. So that's where we are today.

So what we see in the rest of the year as we still see are RMI which is positive but we are going to be selectively again playing -- not playing but using or investing in price when necessary to gain more volume or to defend volume. But we want to be reasonable. As we said we want to consolidate what we have at Schneider and make sure we do it on a good margin base.

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Anthony Song - *Schneider Electric - Head of IR*

All right, any other questions in the room? If not we start taking the questions from the people on the phone.

Unidentified Participant

(technical difficulty) adjusted EBITDA improvement, you're at the higher end of your target after the first half of the year. Given that growth in the second half hopefully is a little bit better is there anything going against it in terms of you maintaining the range of 40 to 80 despite the first half performance?

And then on infrastructure just to follow up obviously the utility market you highlighted that, but do you think is there also a market share issue for you in any major markets and maybe how Telvent is doing and whether longer term 12% margin is still a realistic target like it was set out when you bought Areva for that business. Thank you.

Emmanuel Babeau - *Schneider Electric - CFO*

Andreas, on your first question on the second half, the only point I want to mention is certainly that we are facing a very strong margin last year. So we -- at the end of the day the guidance is to compare year on year and we are certainly facing what was a very strong H2 last year in terms of adjusted EBITA margin so I guess it has to be taken into account.

Jean-Pascal Tricoire - *Schneider Electric - President and CEO*

Yes, and I would mention also to integrate some uncertainty in some markets. We've seen some instability in some parts of the world and we want to maintain a balance of cautiousness.

On the utility market, we are -- utility market, on the infrastructure market we don't see much of a market share issue. I think it's been really a global problem on the market. There has been some very limited number of markets where the cumulated market share of Schneider and Areva was sometimes high. And we've been kind of rebalanced by some of our customers, but that's kind of over. There was some of that at the beginning of the year, but it's -- I would say that it's over, but these are very limited markets.

So, no, I think we are facing just a difficult market today and especially at the level of the utilities in Europe and beyond Europe. And that explains the issues we have had. Maybe we could have had -- no, I don't think -- I think we are doing this thing at the right pace in terms of rationalization, in terms of optimization. And I can tell you we are working hard on it.

Where do we need to be at the target level of margin? We need a bit of volume right that's what we need. And with the base that we have, with the market access that we have, especially opened by low voltage, many of the low voltage integrators are doing also medium voltage, medium voltage panels, I am very confident that we are on a good track to reach the level of margin that we should have in this business.

Anthony Song - *Schneider Electric - Head of IR*

All right, next question.

Operator

James Moore, Redburn Partners.

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James Moore - *Redburn Partners - Analyst*

Yes, good morning, everyone. Thanks for taking the questions. I've got three if I could; two on infrastructure and one on IT. On infrastructure firstly on sales could you remind us of the rough split of the infrastructure business in terms of utilities versus industrial versus oil versus other? And really I'm trying to understand how much of the business is European utility and how much did European utility drop. Is that like 30%, 40% just to try and get a feeling for how that might move into the second half?

Secondly, on infrastructure again, on the margin this time on the second half, your first half was down 160 basis points or so year on year but in the last year the second-half margin was a lot higher than the first half. Can you help us on how we should think about the second-half margin here? Basically will the year-on-year challenges remain or will they ease as the old project issues fade out and the plants and product rationalization's benefit.

And thirdly, on the IT business, you said that US sales were down again with the ongoing medium lower voltage mix switch issues, but you also mentioned US orders were up year-on-year, which is nice. But could you say if that's a book to bill above 1 in the US in IT or is it just orders bouncing off a low base and are still contractionary.

Jean-Pascal Tricoire - *Schneider Electric - President and CEO*

Okay, well, James, on the infrastructure on the part of the business which is going to the utilities it's roughly I would say 40% of the business going to utilities. And I have to say I don't have the exact figure with me here but this is where roughly I put it. On the oil and gas part is below that of course, but it's growing and it's developing. And we expect that the Invensys operation will grow it, will capitalize but it will grow much faster in the future.

So what we are doing today we see more rebalancing of our sales outside of the utilities in the more traditional segments of Schneider. Some of them they are in the building, some of it in industrial, oil and gas. Mining has been down in the past years, we didn't speak, we spoke about utilities we didn't speak about mining, but clearly mining has been down while it used to be bigger in our portfolio of infrastructure.

Do you want to take the margin of H2?

Emmanuel Babeau - *Schneider Electric - CFO*

Well, on the margin of H2, of course, I am not going to give a guidance on what it can be. There is, James, a seasonality impact which is always playing in, which is quite important because a lot of projects are being finalized and invoiced in the second half. So we will be facing a high level of margin in H2, but this is traditional.

And for me the question will be about this sequential improvement that we expect and what is the magnitude of what we expect to be a recovery and to what extent it's going to show up in H2. But certainly H2 margin on infrastructure will be also a challenge. I am not saying to the same [mentioned] in H1 but it will be a challenge.

Jean-Pascal Tricoire - *Schneider Electric - President and CEO*

On IT and especially in the US, without being too specific, what we see is that there is a bit of base of comparison but its more so orders which are coming back into the sweeter spot for us for this IT reporting, because let's be -- rewind that a little bit. In data centers we still see very good demand for large data centers deriving in orders in medium voltage and in low voltage. And actually putting pressure in our delivery capability because there is quite a big demand, which we are absolutely in a position to serve which is great.

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But the good news is that in parallel and it had been the case in the past year, we see the demand for medium data centers coming back, especially in the space of the governmental space here and where we see orders coming back for our pure IT business. So those are -- this is the main driving force to seize the orders rebounding, but it will have an impact mostly at the end of the year which is Q4.

Anthony Song - *Schneider Electric - Head of IR*

Okay, so what's the next question?

James Moore - *Redburn Partners - Analyst*

Some new business or is it something else driving government?

Jean-Pascal Tricoire - *Schneider Electric - President and CEO*

I think that they have been down in this part of the business and its coming back. It's not only government but it's also private investors so people, co-location guys, so investment is coming back.

James Moore - *Redburn Partners - Analyst*

Thank you.

Anthony Song - *Schneider Electric - Head of IR*

Next.

Operator

Mark Troman, Bank of America Merrill Lynch.

Mark Troman - *BofA - Analyst*

Thank you very much. Good morning, gentlemen. Jean-Pascal, I was interested in your comment about some price aggressiveness in the US. I wondered if you could give a bit more color on that. Is that over-capacity? Is it specific behavior? Which segments are you kind of seeing that in its more aggressive form? That was question number one.

And question number two, we've seen on the subject of Europe, we've seen quite a few signals that Europe is still growing but it may be slowing down in the second half. I wonder what your view is about for your specific businesses and obviously with businesses like partner with their heavier construction exposure versus the industry -- the industrial exposure in some of the other divisions. How do you see European H2? Do you expect acceleration, steady growth or would you expect the growth to moderate? Thank you.

Jean-Pascal Tricoire - *Schneider Electric - President and CEO*

Right, US price aggressiveness I don't want to comment more. I can just judge the situation that's all. And I don't know what are the materialization for that, you can ask my peers.

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On Europe it's good that you say slowing down because I didn't notice it was accelerating up that much so that's a question I know we are plenty of percentages here. But let's -- what we've seen, first the base of comparison of Europe is low with respect to where we were in 2008, many, many markets have gone down a lot, so the base in itself enables more growth.

Second point if we look at the facts, Emmanuel was saying it, that if you exclude infrastructure the market, the European sales for us are all growing in all business. That's positive also.

I didn't answer the question of James now on the decrease of utilities over the years, but I would say in most of the countries of Europe utilities for us we've seen decrease between 20% to 30% which is absolutely massive, and in some countries it has been far more in the most hurt country. So it has been a very significant decrease.

So today I would say we are positive about the slow ramp-up in Europe. I would say there is just one point probably of concern which is France, and with construction in France where we remain attentive and we are not expecting great dynamics. While the rest of the business have already been very much down and they are more re-growing from a very low base.

Anthony Song - *Schneider Electric - Head of IR*

Okay. Next question?

Operator

Simon Toennessen, Credit Suisse

Simon Toennessen - *Credit Suisse - Analyst*

Yes, good morning, gentlemen. Thanks for the questions, taking the questions. First question on China, could you give us the organic sales growth you've seen in China in the first quarter and the second quarter. And just maybe also remind us of the profitability again you have in China whether it's close to the Group or above or slightly below?

Second question on mix, maybe Emmanuel you can -- if you could give us maybe some guidance for the second half. What you are expecting in terms of mix. At the Investor Day you said it's too far out to give more guidance. H1 was a bit better than last year I believe, so maybe you can give a bit more color on that.

And then last question on Invensys, I'm not sure you're able to give us that, but could you give us also the organic sales growth you've seen in the first two quarters for Invensys just to better see how also the second quarter has trended there?

And also maybe I think there were headlines yesterday saying that Emmanuel you are moving to London to follow the integration a bit closer. Maybe you could give us maybe your rationale behind that as well. Thank you.

Jean-Pascal Tricoire - *Schneider Electric - President and CEO*

So China on growth, the growth in H1 was high single digits. And in terms of profit I said it's over time sits in line with the average of the Group with pluses, minuses are places where we invest places where we are very mature. So that's pretty much where we are here in H1. Invensys?

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Emmanuel Babeau - *Schneider Electric - CFO*

On the mix first and to try to give you some guidance. I think that you can look at the H1 number and see that this year we have this positive contribution coming from both the partner and the industry growth which is helping the mix. So I'm not going to be more precise than that, but certainly as in H1 expect for the full year the mix impact to be less negative and hopefully significantly less negative, which has been the case in H1 than in 2013.

Now regarding the Invensys growth, when we communicate after Q1 on the last 12 months we said that the organic growth of Invensys had been flat on the top line. For the first half we communicate on flat. The mix between Q1, which as I said were the last quarter and Q2 was a little bit positive in Q1 a little bit negative in Q2.

But I think that you should -- this continuation of flat organic growth as a trend and beyond this trend in fact you have this big Chinese project which continued to decline in terms of importance and in fact growth that we see elsewhere and that we see notably in software and in system which has been rebounding with good order intake.

Now in my move to London and the move to my family to London it seems to be very interesting to a lot of people, well, I think it's really business as usual I would say. We have here the clear ambition and we have shared that with you to make a success of this integration of Invensys. And we truly mean it.

We clearly believe that to have people managing the processes of integration close to where this process is happening is paramount and instrumental in the success. And we may have had in the past some discontent and some disappointment because we haven't been doing that. In London it's an important place of course for Invensys. The previous management, the previous CEO and CFO have left, so we felt the need to have people there to make sure that things were well coordinated and well developed.

Jean-Pascal Tricoire - *Schneider Electric - President and CEO*

I'd like to complement on this. We consider that Invensys is a very fundamental acquisition for Schneider like Areva was, like APC even more so was. And we've learned from those acquisitions. And we've learned that we've succeeded when we had Schneider people on the main sites of those acquisitions creating the right bridges, kicking the tires, listening to the people, explaining the plan, explaining the situation day to day.

I want to leave no chance, absolutely no chance or no risk to a possible issue on this acquisition. So I've asked three members of my Executive Committee, therefore able to make decisions, call me direct, there are many people calling me direct in our company we are not very hierarchical unfortunately. But I've asked three people directly reporting to me to integrate as we speak this summer the main sites of Invensys, so three people changing place and going on site and making sure that they are directly immersed with the people of Invensys.

I'll tell you this is now a rule of Schneider, things that we have this things that we have explained several times this multi-pillar organization which means that all of us have teams split or scattered over continents. In each team, people are not in one place but they are in our main centers. That gives us a very good flexibility to do those kind of operations. And we are going to keep moving our people according to the needs of the business.

But I am very, very keen on that. I want people on the main sites. I want people who have -- who live every day with our teams. Now Emmanuel will be very often, like I do, in Paris and hopefully in many other places in the world.

Anthony Song - *Schneider Electric - Head of IR*

Okay next question.

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Operator

Martin Wilkie, Deutsche Bank

Martin Wilkie - *Deutsche Bank - Analyst*

Yes, good morning. It's Martin Wilkie at Deutsche Bank. Just a couple of questions coming back to Invensys. I think you mentioned about six months ago that it would take you until the summer to review the backlog and check essentially what you'd bought in terms of previous order taking under the old Invensys. Just wondered if you could give us an update on that? Are you happy that the projects in the backlog are appropriate in terms of risk and so forth?

And the second question was just in terms of the margin in Invensys. I appreciate there is some seasonality inside that, but still very, very strong performance. You mentioned there are some revenue synergies that you have started collecting. I just wanted to check are the margins on those revenue synergies inside that Invensys number if it's a Schneider product that you end up selling or cross-selling or is that a pure Invensys number in terms of when we look at that improvement to the Invensys margin. Thank you.

Emmanuel Babeau - *Schneider Electric - CFO*

On your second question on revenue synergy there will be in the Invensys number I would say directly and therefore within industry business if they relate to Invensys technology. Now we'll make sure that everything we are going to generate in terms of sales, low, medium voltage, industrial UPS thanks to Invensys can be identified and we'll make sure that we'll build a kind of pro forma, but they will not necessarily therefore be in the industry number.

On the backlog there is really one project which here is big and with potential significance impact, which is the Chinese project. And no doubt since the beginning we know that this is a project where the highest level of risk is and we are tracking that.

It's a project that is very complex, very large in the total invoicing. I think if I remember well the global project and a large part of that has been invoiced was $600m if I remember well, so very, very significant.

And the project continued. The good news is that among the various tranches we need to deliver the first tests have been taken place positively, so some key milestones are happening. Now we have to be certainly still very cautious for what remains to be done. It's a project that will continue up until 2016, and therefore we have not finished yet.

So in terms of risk for me, the Chinese project that you all know and that has been commented at length by Invensys for me is really the big I would say point of attention in the backlog that we have found.

Anthony Song - *Schneider Electric - Head of IR*

Given we are late in the schedule so we'll take two more questions, so first.

Operator

James Stettler, Barclays.

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James Stettler - *Barclays - Analyst*

Thank you, and good morning, all. Looking at the restructuring costs of EUR200m for the full year is that really sufficient to really reposition infrastructure or should we be looking at another big hit in 2015?

In terms of the portfolio pruning is there more to come? Are you happy with the current portfolio?

And then finally, can you give us an update on what's happening to the solutions margin?

Jean-Pascal Tricoire - *Schneider Electric - President and CEO*

Your question about restructuring was related to what the global of China or --.

Emmanuel Babeau - *Schneider Electric - CFO*

I guess it's probably on infra.

Jean-Pascal Tricoire - *Schneider Electric - President and CEO*

I think we already spoke to this subject, right, that it's a continuous process. When we say restructuring, it's also modernization of our sites, concentration of our sites, efficiency of our sites, so we think that this is well dimensioned for this year. There will be probably more coming in the next coming years. We keep modernizing and adapting our tool to the reality of the business. And also to the rebalancing of the business, some parts of the business which is growing faster especially in new economies.

In terms of pruning of portfolio we've done quite some operations this year, and we'll keep looking at our portfolio. But you know that Schneider has been built bottom up from the customer needs, and therefore we are really integrated in terms of portfolio. We have four business addressing four types of customers. In all of this we deliver the same kind of values. And most of those businesses are using the same set of technologies, so we keep on looking, we keep on pruning but by nature our portfolio is very consistent and integrated.

Emmanuel Babeau - *Schneider Electric - CFO*

On the margin on solution which was your last question we'll have to wait for end of the year to see where we are. Certainly the negative evolution in infrastructure is not helping although a significant part of the decrease is coming from product so not so much penalizing solution.

And we have another positive impact which is the development of services among solutions which is helping. So we'll see where we are at the end of the year, but you should not translate I would say the negative number of infra saying, well, it has necessarily some very bad impact on margin on solution.

Anthony Song - *Schneider Electric - Head of IR*

All right, so the last question.

Operator

Olivier Esnou, Exane.

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Olivier Esnou - *Exane - Analyst*

Hello, good morning. Thank you, I'm lucky. I just wanted maybe to clarify what you expect in H2 for raw material impact. And maybe if you can come back on maybe not the philosophy but how your approaching pricing now at Schneider. It used to be that you wanted to offset raw material of the cycle.

Does that still apply? Do you still have a portfolio where you could actually increase pricing even if raw materials are down? Maybe help us understand in the context of the -- some pricing pressure and tough dynamic how you see this pricing tool evolving. Thank you.

Jean-Pascal Tricoire - *Schneider Electric - President and CEO*

Well, we have had the positive of RMI of roughly 50 in the first half which is a continuation of that kind of dynamics over the second half without being specific, so here a few tens of millions that could complement that so that would be positive on the full year.

As you know our philosophy, or our as you wanted to be philosophical but our principal is to try to have a mix price plus RMI which compensate. And the tradition has been when the RMI is increasing and putting the negative pressure on our P&L then it takes us some time to price that but we always cover with prices what we have suffered in terms of RMI. And when RMI go down, pricing is going down but slower than the easing of RMI. And it's not linear and it depends on the part of the year, it's made of thousands of lines that we aggregate together on thousands of situations.

So what we -- the way we see it today is that there are some places where we adequate our prices or we change our prices because we are submitted to a pressure. It can be RMI and FX which we saw last year. And in some markets, because of our own strategies, maybe because our positioning in price we tend to be price leaders in many situations. We have created too much of an umbrella for our competitors, so we need to become again -- or to be more aggressive or because we target this specific customer, we are tactically more aggressive.

And this is where we are today. In some countries for some customers for some situations we are playing more aggressive prices. It can be to take a customer or to react to a situation. Today, when we speak about pricing measures I said it several times, but we measure it mostly on the solution -- on the product flows because measuring price variations on solutions is almost impossible you've got too many variables. So what you see here this pricing is mostly applying to the products but no new news.

Anthony Song - *Schneider Electric - Head of IR*

So with that, we conclude our first half 2014 results conference. Thank you for attending. See you next time.

Jean-Pascal Tricoire - *Schneider Electric - President and CEO*

Thank you very much.

Emmanuel Babeau - *Schneider Electric - CFO*

Have a good break.

Jean-Pascal Tricoire - *Schneider Electric - President and CEO*

See you soon.

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