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PRESENTATION

Amit Bhalla

Well, good morning, and welcome to the first half 2017 results of Schneider Electric. Very glad that you could join us here in Paris, and I know that there's a lot of people on the phone line. To present the results today, we have our Chairman and CEO, Jean-Pascal Tricoire; and our Deputy CEO and CFO, Emmanuel Babeau. The call is slotted for 90 minutes, but you might have noticed, we have 2 press releases today. So we will attempt to -- we can possibly go slightly over if required. Just before we begin, I have to draw your attention to the disclaimer on Page 2. The conference call may include forward-looking statements. Statements are of course subject to company's current expectations and assumptions and are therefore subject to certain risks and uncertainties. So with that, I'd like to hand over to Jean-Pascal.

Jean-Pascal Tricoire - *Schneider Electric S.E. - Chairman and CEO*

Thank you, Amit. Well, good morning to all of you. Great pleasure to be with you this morning. To comment a set of results that I would say are more than robust, excellent start of H1 for Schneider. And I'm going to be with Emmanuel this morning. And Philippe Delorme, who is the head of our low voltage building division to comment on our strategy on what we are keeping on executing, things that you know but it's worth remembering or reminding them, then speak about of finance, financial results with Emmanuel. With Philippe, we're on the revising up of the target for the end of the year. Then, will Philippe will go through the acquisition of Asco, which is a news of the day that falls today as the day of the announcement of our results.

So I'm going to move to Slide 4. To make a synthesis of H1, we continue 24 months of a strong momentum of profit growth, which is our target, our priority target at Schneider. This is sustained by a strong growth, the strong focus on profit, which are signs by the acid test of the quality of the results earnings on cash. So growth at 4% on the 3 business that we want to grow, reported growth at 3.7% organic growth at 2.7% and the growth of this 3 core business that we want to grow at the moment, which are not on the selectivity of 4%, mainly building, IT, Industry, being low-voltage, secure power on industry automation. What we see is in H1 is an acceleration of the top line that leads us to revise up our target of growth for the end of the year. And we'll comment on that later.

Combined with that, we have sustained profit momentum, which is not new to this H1. We reached 14.1% of EBITA margin. The EBITA margin is growing 8%. In percentage growing, 60 bps on H1, and we saw 24 months of very regular profit improvement by period, 40 bps every period. So that's, I would say, a very consistent progress that we deliver here. And finally, earnings on cash, while net growing up 18%, free cash flow growing up 15%.

Now if we comment on the priorities that we reviewed with you during Capital Day last year and regularly at every quarterly. In terms of growth, we have 4 priorities. The first one is really to accelerate the model of cross-selling that we have at Schneider. Our sales model is completely integrated. As you know, we report by technology, but we integrate them at the level of the customer and that's cranking up on delivering. More products as we develop solution. We then modularize them and industrialize them and push them to our network of partners that's putting some pressure on the top line, but that's creating more momentum on our products, which is the fundamental DNA of Schneider. We keep growing in services and software, 4% again, and we keep pushing on digitalization on the push of EcoStruxure with significant wins in the sales of machine, power and data center. So 4 priorities of growth.

In terms of margin, 4 priorities there again. System margin improvement up 1 point for the whole of the systems of Schneider, but a remarkable progress of Infrastructure. You know that Infrastructure, we report it independently because it's a place of the long-lasting integration of Areva, Telvent, Schneider medium voltage and Electroshield Samara, which has been submitted to a number of crisis over the past years. We keep now regularly to improve the profitability of this business, plus 1.5 point's of profitability improvement on the old division, sustained mostly by our progress in what we call systems which are projects on equipment. I'm going to explain now that we are going to launch a project to go to the next phase of improvement of this profitability.

So the first priority that we have on margin is better systems. Keep improving what we do on system. Second one is pricing. You know that we have submitted to a negative pressure due to raw material, and we cover, outside of China that we manage independently on this side provided they maintain their margin, we cover 90% in H1 of the raw material increase by pricing, so achievement at the level of our expectation. Third point, industrial productivity. And there again, thanks to the integration of the model of Schneider. You know that you are -- we are one of the few companies in our industry that has its all supply chain integrated on 1 roof. That supply chain, by the way, received in H1 the ranking of being the 17th best supply chain in the world by Gartner. That a very significant recognition in terms of professionalism. Anyway, we delivered, in H1, the best industrial productivity ever. And finally, fourth priority, cost. Always grinding our cost. SFC to revenue ratio going down 40 bps. I tell you that the effort of cost, on cost, is much higher because at the same time, as we decrease the total cost, we keep investing in digitalization and in services and on EcoStruxure. And this is due again to the model that we have of integrating our sales force, integrating the supply chain, integrating the back office, which is delivering mutualization and globalization gains.

In terms of capital allocation, 4 priorities again, just to be symmetrical, dividend paid in H1 representing 40 -- 54% of the adjusted net income. New share buyback plus disposal of DTN that will be realized over the next 24 months starting June 1. Continued to focus on the core with the disposal of DTN, and the announcement this morning of an acquisition which is core of the core (inaudible) for the margin corresponding to the criterias of the acquisition that we have told you for many, many years. The acquisition of Asco which makes us the world leader in the field of power source management.

Okay, I'm going to, as a detail of our priorities of growth. The first one is leverage cross-selling. It's something that we've explained to you multiple times. And first, I'm going to start by a little bit of (inaudible) because when I meet you I realize that sometimes, we are confusing, we, Schneider, are confusing in the way we express what we do. We have 4 business. And that business have 2 roles. They have to develop technologies that are serving all the markets of Schneider, and what we report on this names of the business are technologies. So IT is central power on what we report in this name of IT are central power technologies, building low voltage global and what we report on the building is low-voltage technologies. Infrastructure medium voltage and Industry Industrial Automation. Second responsibility of those business is to lead the charge of the whole solution of all the business on Centerpoint markets. And we gave few years ago the dominant name of our business to the end market. I think as we report by technologies in the future, we're going to move to the reporting by the name of the technology, because otherwise, it creates confusion, okay? So you're going to hear me speaking more and more about central power, about low-voltage, medium voltage on industry automation. We're going to drag that together over the next reporting, always associating the 2 names, but be prepared that we're going to report in function of the thing that we count and that we report.

The thing that's really important to understand with Schneider is that our -- we've built our company to the end markets but with design the growth model that to be based on cross-selling. So we have 4 technologies; again, central power, low-voltage, medium voltage that's combined together into a power energy management chain. And then, we've got one business which is Industrial Automation that combine with energy management into complete efficiency solutions. And when you look at our main markets, when we speak about buildings, which is a first-line of this table, and I think it's the first time we share those figures with you. But I really wanted to do it because going in regular meetings with you, I don't think that it is understood enough. So the business, the technology leading the charge in building is a business of Philippe, here in the room, so it's low-voltage. But when we sell 1 of low-voltage, we sell 25% to -- 20% to 30% of other products into the same package. And we do it normally with integrators and distributors that buy the whole package. And cross-selling in this sales is most of the time done by our distributors or our integrators.

In data centers or networks, the key activity or the Centerpoint activity is IT but it brings 25% of other business of Schneider, namely low voltage and medium voltage, and those business today, and I'll come back on that because data center is a great, great market of Schneider is growing double-digit, which means low application is growing mid-single-digit, okay? And when you focus, in this business, you've got 2 parts. You've got the products for distributed IT, and you've got the data center part of the business. When you focus on data center, it's almost 50-50. 50% IT technology, central power technology and 50% low voltage or medium voltage.

In Industry and Infrastructure, you got a double synergy, which is we sell medium voltage and low-voltage together into integrated packages, right. And those combining into solution of efficiency, when you do a machine, you don't do just the automation, you do the automation and powering the machine. When you do plant, that's a key differentiator of Schneider. But by the way, most of our competitors are doing that, too. We sell, on one side, automation, and we combine it with powering the plant. So that is a combined efficiency solution. So 50-50 between low voltage and medium voltage. And then 50-50 between medium voltage, low-voltage on automation.

And the place where probably lesser, where we have lesser synergies across the portfolio are the other utilities, which is mostly medium voltage. But what you have to understand is that the key factor of growth, I would say, the overwhelming factor of growth at Schneider on productivity is at cross-selling. And when you go to a Schneider country, it's all our sales forces are speaking by customers on the integrating, all the technologies that we report any way independently. That integration is happening in 2 formats. One can be for large system on solution by projects. And you've got here the example of Smart City in India, mixing our software and automation systems, together with the power systems. Data center, which is very classical and traditional cross-selling case at Schneider. Here, you have the data center in South Africa. On the subway application in China, which is a place where we succeed particularly well, mixing automation and power. So projects represent roughly 40% of Schneider turnover and that the first place for crosscutting in the first form of cross-selling. But 60% of the turnover at Schneider is happenings with network of integrator, and those integrator need the full offer to supply their customers, mix in power, energy management and automation. And you see here new products that we are launching in H1 that are going to directly to distributors and integrators of all sort, supported by integrated digital tools that don't know any border between our technologies. We support all of our technologies for same customer. And that generate a 4% organic growth that we've had in H1.

Point 2 is more services and software. I won't more detail on that one. This is something that we've talked a lot. I would say one thing which is probably a signature of H1 is more digitalization of our services. You will see that there is a decrease of margin in IT in H1 linked to the launch of an IT2 because of course for IT, which is serving the purpose of serving better the data center. That's one of the reasons. And we keep developing in software. There is some pressure on software business due to the transition to a subscription model, but we keep growing those 2 engines of growth for the future.

Third point, it's about digitization. So more EcoStruxure. We've got the number of assets we have under management, on the centralized cloud of Schneider is -- the number of assets is already significant growing mid-teens. We -- what is interesting is that the volume of information transiting is doubling one half to the next to this first half of the year. And we keep growing the community of system integrators on developers which are working on those platforms.

Plenty of new breaks of our EcoStruxure architecture, which says that today, this represents EcoStruxure sales represents 45% of the sales of Schneider. Every product that we developed today has a place on the connection into EcoStruxure. And EcoStruxure is made of 6 vertical architectures that combined together to serve the customer's need. So you've got a few examples here. And I would like to mention that customers are not really interested by technologies. They are interested by the value that the convergence of energy automation on software provide, and you've got here, 4 examples where this technology really mix in connectivity, edge control, analytics, computing capability on the cloud, brings significant value of efficiency and reliability to the customer. And what you see also is that every time, this combines different technologies of Schneider.

This being said, what we see is that we are gaining a lot of traction in some very key segments of our business. I want to mention here, Wiring Devices & Final Distribution, I'll come back to that. But we are signed in already several years on mid-single-digit growth on that very significant size business. Energy and sustainability services whereby we help customers to manage their demand and source the right supply of energy. It's purely digital, so about connectivity, analytics and specialist bureau. EcoStruxure machine, which is machine automation. Really a great success of Schneider, very significant part of our Industry Automation business. EcoStruxure grid, which is a smart grid, where we are scoring number of wins. And cloud and service providers segments which is the most sophisticated part of the data segments where we grow double-digit.

Moving on to the business performance highlights, and I'll deep dive more on each of the business. So what you see, we are growing in 3 of our 4 business. In Infrastructure, we are still in the period of selectivity. While -- I would say in Infrastructure, I'm going to grow deeper into it, selectivity on orders is finishing now. So when you look at the underlying trend, we are already positive, excluding selectivity, sales are already positive. But we consider that at the end of the year, the effect of selectivity will be over. Then, [which] also very nice, very appreciable improvements of profitability in most of the business. The exception here being central power. And I explained that we're investing today in our digital tool for servicing and monitoring data centers. Plus this business is always impacted by some projects of data centers, which are weighing quarter-to-quarter or making a difference between the difference of profitability from 1 quarter to the other 1. We had also 1 exceptional destocking in Japan this first half.

So now I'm going to zoom on low-voltage. So this is our biggest business. Biggest but growing well, very well, 4%. If you add to the Delixi, which we don't consolidate for mostly accounting reasons that we manage, Delixi is our mid-end brand in China that would make a growth of 5%, so very strong growth. And the team did a great job because at the same time, they keep improving the profitability of this business. 4 regions grow. Again, an exceptional for the fourth or mid single-digit growth for Final Distribution on Wiring Devices. We are really accelerating in EcoStruxure power on building. Double-digit growth of low-voltage in data centers, so our data center presence is a strong accelerator and I'll on that one, and we should but it's news of the night. We should have this year at the acquisition of Asco that confirm our position of world leader in power sources management.

Priorities, more partners, more products, more connectivity. And of course, this is the place of the highest or most secured intensity in terms of pricing to cover the cost on the ForEx. Secure Power. So that's one of the flagship technologies of Schneider. We are here growing by 2%, and I'm going to be a bit more detailed about that. Decrease of margin on the first half are the reasons I was mentioning, launch of our EcoStruxure IT, base of comparison on projects and destocking in Japan, (inaudible) as a road map.

So new economies are up 7% which is great. Product business. So we have 2 large business here. The product business is serving the applications of distributed IT on residential power. For what we did in UPS for IT, we derived technologies to secure rooms; on buildings into emerging countries with the appropriateness. So those are the electronic batteries that compensate when you have a power outage. So that product business is growing 2% around the low single-digit, 2% because of the increase of residential power, it's computing on the nice development or the strong development of medium offers in emerging countries. The second part of the business are data centers, which are mixing central power and low voltage and medium voltage technologies, while our sales in data center are growing mid-single-digit in H1. So IT, low single-digit, (inaudible) sales in (inaudible) up double-digit. Services keep performing strongly there and margin, we spoke about it. So what we want the priorities for the second part of the year is improved margin, working on cost, working on mix, working on pricing, keep maximizing the presence of Schneider to data centers and expand the other application of Central Power into non-IT application namely residential and mission-critical application like hospital or like process automation, where you need to secure your edge computing on your local electronics.

I want to make a quick zoom about data center. Our data center has been, for the past 10 years, very attractive market for Schneider, and it keeps being so. So we grew mid-single-digit. What is important to understand is that in data centers, we sell EUR 1.4 billion of IT. We drove to the permanent increase and development of our presence in low-voltage, and medium voltage, so we sell EUR 800 million in that space. On our market share, due to that, in low-voltage and medium voltage and data center, it's much higher than on the rest of the market. So it is a strategic objective for us to keep developing on that segment, knowing that the technology evolution makes it more intense in low voltage and medium voltage as we go forward that in IT, but you absolutely need the IT infrastructure to be relevant in that segment.

Industry Automation, very, very strong half in this space. I'd like to remind you that we are a full liner in automation that we are strong in discrete automation, but we're also strong in continuous process. Continuous process is under pressure on some industry like oil & gas. So the combined performance at 5.7% of growth with an improvement of the margin is really great, knowing that discrete automation is a growing faster than process automation, continuous process, but continuous process is a growing also. So we are growing in all 4 regions with a strong growth in China. We are performing extremely well with machine manufacturers with EcoStruxure machine, growing double-digit. Process Automation is now back in the positive after years impacted by oil & gas. And software, we spoke about it, are up. What we want to do here is to keep pushing products with the distribution network, keep pushing machines, keep pushing EcoStruxure plant, software. One point of attention is that we start to have some tensions in the supply chain due to electronic components that could impact EBITDA growth rate in the second part of the year.

Medium voltage, which is infrastructure. Very proud of what we are doing here. We are now steadily reaching double-digit margin over the last 12 months if you combine H1 this year and H2 last year. Organic growth is negative if you integrate selectivity. Excluding selectivity, we are back to growth. Again, at the end of the year, we should have stopped the selectivity. 1.5 points of progress of EBITA margin in H1.

Well, here, what we see, that services, orders are growing high single-digit. System margin is improving strongly and actually are the source of most of the division margin improvement. We have good results in EcoStruxure grid. Once again, our Advanced Distribution Management System, our ADMS has been recognized by Gartner as the best ADMS in the world. And we have a good traction with numerous wins in many countries, namely U.S., Italy, India and other emerging countries. We pruned out DTN, which was very different activity in this sole refocusing the portfolio on the core. And I'm going to detail a bit more in the next slide the priorities. So this is slide that we shared with you already several times. But when we look at infrastructure today at medium voltage, if I want to speak the language of technology, you have 2 parts. You have EUR 2.5 billion business, which is today fairing at good margins for the group and which is very synergistic with low voltage and with the rest of the company. Point one, the products that we sell in bundle with low-voltage products to low-voltage partners, and we have, by far, the largest network of partners around the world. Second, services that we always deliver with the common team between medium voltage and low-voltage around the world, that's one of the fastest growing business, and the most profitable business we have at Schneider over the past years. And finally, EcoStruxure Grid, which is a smart grid and which we have been developing very satisfactorily and it's typically another automation business.

Then, the second part of the business, which are what we call systems, which are projects and equipments, is very legitimate, but it's fairing at mid-single-digit at Schneider. It's focus on projects and equipment. It is a place where all the selectivity happened in the past years. So more than EUR 400 million, which are -- which will have happened over 2 years. What we have done already a lot to bring the profitability up in the past years, we are going to launch a project in the next coming months to specialize that business, so that, that business can have shorter (inaudible) decision, be more agile, be more efficient. Very often those projects are international like specification can be in Houston, the contractor can be in Europe, the application can be in Asia, so that those circuits are shortened and the teams can operate with more agility. So that will enable, not only the teams to be more efficient, but we have a more precise review of the performance of this part of their business with all options being possible.

I'll finish that presentation by a very short review of our Planet & Society barometer. I won't speak very much because we are ahead of our objective here at Schneider. It's very committed to corporate social responsibility. It's actually at the core of our strategy. We are beating all of our objectives here. This being said, and that was a pretty extensive presentation, I hand over to Emmanuel for the financials.

Emmanuel Babeau - *Schneider Electric S.E. - Deputy CEO - Finance and Legal Affairs*

Thank you, Jean-Pascal. Good morning, everyone. Very happy with you to comment this very strong set of results obviously. And we're going to go with a bit more color on the full P&L starting obviously with sales, which amounted to almost EUR 12.2 billion. It's a progression of plus 3.7%. And the first element that I would like to comment obviously is the ForEx, which has been positive for the first half, plus 1.4%. Positive impact from the ForEx for the top line was our initial expectation for the year. We've seen that almost EUR 200 million positive in the first part of the year, and that was mainly thanks to the U.S. dollar versus the euro. Well, we've seen a very strong evolution of most of the currency depreciating versus the euro since the month of April. And today now, when we look at the impact for the full year, based on the current rate, we now expect a negative impact around minus EUR 250 million coming from the evolution of the currency for the top line. Of course, a lot of volatility and we need to keep monitoring that in the coming months. And the scope, very little impact. It's only 1 month of DTN. And then still impact of selling last year, Telvent Transportation.

Now moving to the organic growth, plus 2.7%. We've seen that without infrastructure, the group has been growing at plus 4.1% organically with a particular nice performance coming from the new economy at plus 6%. But in fact, it has been growth across the board for all our 4 regions and it's great to see all engine powering on during this first half. Best performer, of course, has been Asia Pacific, plus 6%. That first, of course, is the success of China growing double-digit during the first half. A very strong construction market, great industry automation market as well. A lot of investment in many sectors and China really investing for -- going to the next step for their industry in terms of automation bringing more technology, more quality to what they do, and we expect this positive trend to continue for our industry in the coming quarters. But China was not the only growth story in H1 in Asia Pac. India was also growing. We've seen good performance in Indonesia, Malaysia, Vietnam. The only negative for Asia Pacific during the first half has been around Australia, Japan, Jean-Pascal talked about destocking and South Korea.

North America growing at plus 2%. Good to see the U.S. clearly going well on the few markets. Persistence of good condition in construction, resi and non-resi. We've also seen, and that was the good news of the first half, industry for us back to growth and a pretty nice growth. We're around 5% growth for Industry Automation in the U.S. in the first half. Really the only difficult market, coming back to selectivity and infrastructure and reduced order intake in the past, has been this medium voltage activity where we certainly expect improvement in the coming quarter, but H1 was tough for us for infrastructure in the U.S.

Rest of the world, plus 2%. And here, it's, I would say, a contrasted picture. So markets actually growing very well as been the case, for instance, of Russia, Africa, globally, doing well. Even in a market which is not [delivering], so we think very good performance from the team. Turkey delivering good results as well. Difficult places being still many countries in the Gulf, starting of course with Saudi Arabia. And I would say globally, South America, even if Brazil is closer to stability now.

Western Europe, plus 1%. So Western Europe is growing. And of course, impacted by the selectivity on medium voltage, on the infrastructure. Outside infrastructure growing 2%, 3%. We've seen growth in the U.K. where the difficulty of the Brexit are not showing up today. It doesn't mean that it could not be coming in the coming quarters. We've seen growth as well in Italy, in Spain, in Germany, globally construction, industry automation growing well across the countries. France only close to stability with some destocking among some of our customers, so we do expect France to be the place where things should clearly accelerate in the second part of the year.

Now let's move to the analysis of our gross margin, and it's good to see that we continue to, despite the raw material negative headwind, to improve our gross margin rate, 20 bps in published number, 30 bps organically because we have 10 bps negative coming from the ForEx. And Jean-Pascal started to comment about that. And of course, on price action, we can say that we are not yet where we want to be and where we're going to be which is to more than offset the global raw mat inflation by price increase. But I would say, we have a good start to the compensation for the first half. Here, you see the minus 0.8% impact on the margin. But please, keep in mind that you have the full (inaudible) impact, minus EUR 120 million here when you have just the price increase on transactional. So some of the price increase took place on our system business. And you have seen that we have improved the margin on the system, but it's not reflected there.

So when we look at our performance on price for the transactional, when we look outside China, 90% already of the negative raw material inflation has been composited. We certainly want to continue to improve and do more in the second half, but it shows the direction has been relatively rapid to this inflationary situation.

China is a different story. I think that we made news during that, here beyond the raw mat negative, we would also continue to face some pressure on price. I mean, you've seen the performance of China. And I can tell you that during this H1, the team has done a great job in maintaining the margin, so that means that we've been able to absorb this negative raw mat and price impact. For the second part of the year, we expect raw mat impact to be still relatively intense, around EUR 100 million negative. So not exactly at the same level as in H1, but nevertheless still quite negative.

Of course, the big boost and the great news of this H1 has been the productivity, more than EUR 200 million. I think it's probably, as you said, Jean-Pascal for the first half, a kind of record high or at least for the last 5 to 6 years. And where does it show? It shows that we are very good in implementing productivity through procurements, through optimizing our manufacturing footprint. So we're designing our product to produce the same technology at lower cost. But in addition to that, it showed that when we start to have some tailwind on the top line, we also generate mechanical productivities through better absorption of fixed cost and that what has been helping in the number of H1.

So for the rest, frankly, not much to signal. Maybe one good news, the mix is almost neutral. So that showed indeed, this very huge headwind that we have on mix is over. The labor inflation is at the level expected with an increase on the R&D impact on the P&L. So this is not a margin which is being implemented by reducing the R&D effort. And I've been talking FX. The scope is almost neutral.

I've been talking about productivity, so I won't go back on that one. I would spend a little bit of time on SFC. Because of course you know, I'm talking to you guys. I very often asked the question, what if you have some acceleration of the top line? Are you going to stay disciplined on cost? And the answer is yes, very much so. And I think we showed that in this H1 number, and we have a 40 bps reduction of the SFC and sales ratio during H1. And at the same time, of course, we are taking all the conclusion of this improving environment and top line and the effort that we need to make on utilization. So that means that we've been absolutely relentlessly working on our program for SFC saving, almost EUR 100 million of gross saving generated in H1. I can tell you we work 360 degrees on the global function like finance, and we work on the real estate. For instance, we work on optimizing the structure at the level of our operation. But I can tell you, everybody is working on generating simplification, efficiency, mutualization, and that has been delivering in the first half, which we intend to continue.

At the same time, more capacity to grow. We want to make sure that we seize all the growth opportunity, and we are selectively investing in making sure that we capture this growth. And of course, we are all living this digital moment. We don't want to miss it. And that means that we need to invest in R&D. We need to develop our capacity for EcoStruxure, and we've been doing that during the first half. We've been also investing for the digital customer experience, which is part of the global digitization effort.

All right. So that drives a gross profit of a bit more than EUR 4.7 billion at more than 4%. The SFC are, despite ForEx, still a bit below the EUR 3 billion. And we have an adjusted EBITA of EUR 1,780,000,000, it's up plus 7.3% organically. Same ForEx, same scope. We are up plus 7%. Remember, we have this 3-year objective growing to 4.7% organically on the adjusted EBITA, where we are actually in the high end of this range for the first half. And that is translating into a margin of 14.1% versus 13.5%. It's up plus 60 bps. The last year number had been restated on the deconsolidation of the solar business, so that's why versus a 13.3% that we published last year, we have 20 bps more.

If I continue below the adjusted EBITA, a number of good news. Other income and expenses. Here, it's mainly the gain on DTN. So when we've been selling DTN, we've been generating some capital gain. In front of that, you have a few cost around acquisition and disposal and a few one-off costs. Restructuring are going to be in line with last year, so we're going to be around EUR 300 million and we're going to be absolutely in line with our envelope of EUR 900 million over 3 years.

Amortization and depreciation, that keep decreasing because some of that was linked to acquisition that has been made more than 10 years ago now. So you should see this amount progressively reducing. That gives an EBIT of EUR 1,572,000,000, up nicely plus 15%. Another good news, the financial cost are significantly improving. It's EUR 184 million. It's a EUR 60 million improvement versus last year. We have 2 drivers for that. The first one is that we keep financing the group with cheaper condition, and that is showing a pretty nicely in the H1, EUR 20 million less of finance cost. And we have a lot of ForEx negative impact last year that of course were one-off and did not repeat.

Income tax, the EUR 361 million negative. This is a 26% average tax rate for the group. We are in the low end of the bracket that we initially gave for the year, which was 26% to 28%. So we are hopeful to be able to finish the year in this low end of the bracket. Discontinued operations, that's the solar business that we have been deconsolidating. And for the vast majority of this amount, an impairment of the goodwill of the acquisition that we are made, I think in 2008, of the (inaudible) business on solar.

Last line, one comment. It's pretty small, EUR 7 million but I want to make it, because this improvement here of EUR 25 million, that's largely coming from the Delixi performance. Jean-Pascal mentioned that. We're growing more than 20% the top line. We are growing the profit significantly, so that is generally now a net positive between the part corresponding to the minority shareholder and the profit that we are generating from the company that we consolidates through the equity method. Altogether, I believe that delivered net income group share of EUR 958 million. That's up plus 18%.

Cash flow, very solid. I would say in line with the growth and the performance. This year, we're obviously to see with top line resuming a significant growth, to have that absorbed through working capital growth. That has not been the case, notably, with good management of the payable. That's really the main element of the cash flow, was the control of capital expenditure. Below the EUR 500 million of free cash flow, dividend is of course what we've been paying. The acquisition net here is the net of the net cash impact of DTN less a few acquisition. The biggest one being the Luminous acquisition which was close to EUR 150 million, but we have a couple of things on software and low-voltage business as well in terms of impact on the cash flow.

Nothing to mention in the net capital increase. And the last line, the net minus EUR 59 million. It's a mix of payment to pension, FX and payment of dividend corresponding to minorities in our companies. That gives a decrease of the debt on increased debt of EUR 123 million. But after paying the dividend, and we are below the EUR 5 billion. Therefore, retaining of course a very strong balance sheet at the end of H1. That's it for the detail on the financial number. And Jean-Pascal, back to you for our guidance for the year.

Jean-Pascal Tricoire - *Schneider Electric S.E. - Chairman and CEO*

So consequential to that great start of 2017, we revised up our targets. We see an environment that will be positive at the first part of the year. We'll keep executing on the priorities that we have been explaining since the launch of Schneider is on. So the one that we have been through today. So we realize up in the following manner. We see an organic revenue growth between 3% to 4% for the group outside Infrastructure. Remind you that the previous guidance was 1% to 3%. On Infrastructure, the priority remains margin improvement. So we see a selectivity that will impact by minus 4% the revenue for the year. But outside of that selectivity, we see the business coming back to grow low single digit organic as exemplified in H1. We now target the upper end of our beginning of the year guidance, 20 bps to 50 bps. And you have to integrate that the ForEx will hit us which was not forecasted at the beginning of the year, by 10 bps to 20 bps for the full year and that impact will be mostly in H2. So that's to realize up the target which is a sign of the confidence in achieving the results for the year 2017.

Amit Bhalla

Thank you, Jean-Pascal. I think we'll spend maybe 15 minutes or so to discuss of course the acquisition this morning of Asco Power Technologies. So I'd like to invite up Philippe Delorme, the head of our Buildings low-voltage business.

Philippe Delorme - *Schneider Electric S.E. - Executive Vice-President of Building & IT*

Good morning. So very happy to be with you this morning. So again, I'm going to comment the acquisition of Asco. So to make the long story very short. The acquisition of Asco is a typical bolt-on acquisition in our core business. So the company, we know pretty well because it's to the customer of Schneider. And it's actually a business, we also know pretty well because though we were using a lot of Asco technology, North America, we have the pleasure to have that business in China and the specific team and specific grain. And that's we've been looking at Asco for quite some time. And we are very pleased to be closing that acquisition as we speak as we've been concluding that discussion yesterday evening.

So Asco, maybe to tell you a bit. So Asco is a leader in North America by transfer switch. And transfer switch is something pretty simple. In many critical application, take the data center or take hospital, you need to make sure that you always have power on. So you will have your connection to the grid of course, but you will have some backup power, could be in most of the case, Gensets, and you need a piece of technology to connect or to switch (inaudible) from the grid when the grid has a problem to that sources of energy, which are most Genset and coordinate the different Gensets together. That's what Asco is doing. And to make the long story very short, Asco is today, the leader in North America in this technology and is operating in other places in the world. But you see that the biggest part of the business of Asco is in North America, so some business in Asia, some business in EMEA, but biggest biggest share in North America. Mostly in places where power is critical. So health care, data center, actually some financial institutions. Some of your companies might be customers of Asco. And hopefully, very happy customers of Asco. So the figures are pretty self-explanatory, EUR 468 million. So that makes a category, bolt-on acquisitions. And indeed, very profitable, as a very strong specialist business. 23% EBITDA margin, which is a very good achievement.

And Asco has been in that business for a very long time. So it's been created in 1888 in Baltimore, but really moving into the transfer switch business in 1925. So this team is really dedicated on doing well transfer switch. First, in North America and a few other places. And of course, there's upside for Schneider to further expand that business in other geography.

So alongside with transfer switch, a collection of other products because when you switch sources, then you need to coordinate the different Gensets. That's what we call power control system. You need to test those installation, especially in the case of hospital and you need load banks, monitoring surge. Associated with that, and that's very good, they need a lot of services. There are service teams attached to it, which by the way, needs an additional of a few products, higher (inaudible) typically, actually, to monitor Gensets. So it's a full, let's say, set of capabilities. Again, very strong position in North America.

And I would say alongside with it, the piece of technology we have, a very strong brand, Asco. And very strong sales team. A team of specialist that works with end users that works with partners and that works with design offices because again, that business is a specialist business, which in the core low-voltage, which is actually why the profitability is a good, because there's really a lot of specialties associated to the technology, the brand and the go-to-market. So a very solid and resilient business.

So what does it bring to Schneider? Few things and these are very simple. I'll elaborate a little bit with our position worldwide, but it positions Schneider as a global market leader in power switch management which again is really critical in critical application. It evens our capability in North American in the field of energy management, so really the core business of Schneider. Very strong complementarity with what we have in low-voltage. Again, in segments like health care, financial services, data centers, so places where, today, we see market growth. So it's really a key piece of technology that we complement our EcoStruxure power set of technology, which is the backbone of Schneider Electric.

So market positioning. Again, I told you Asco is today the leader in North America. You know that our business, our low-voltage business is very strongly associated with standouts. So in North America, the market is ruled by newer standouts, where we have China ruled by CCC standouts and then Europe, and let's say international ruled by IEC. So Asco brings a leadership position in North America. We, Schneider, are actually a leader in China. And Asco has some, let's say, positions that actually will be enhanced by the capabilities and especially the go-to-market we have in China. And Europe and international, we have positions, I would say, we have a joint position, but this is a place of expansion, and this is clearly a place of synergies. So the sum of the 2 major global leader, with further market share expansion, especially in Europe and international.

So to give you an example or maybe before giving you an example. So last time, we met in London, we've been probably detailed about EcoStruxure. Jean-Pascal was talking about different field of expertise within the different domain of expertise in EcoStructure. The biggest EcoStruxure we have is around power, which is again the backbone, medium voltage, low-voltage application. And really, we see the the transfer switch or the power source management as being a very strong complement to our capability in EcoStruxure power really in the field of power availability. So it allows our customers to have better power availability and then connected to the whole suite of technology of Schneider Electric with 2 components, Automatic Transfer Switch. Again, something that will switch us off from the grid to a Genset, if you make it really simple. And by the way, doing this is really complicated. So it's -- this is why these guys have been doing that for 100 years. And associated to that, you need power control system, which actually will coordinate the different Gensets together. So these are the 2 essential piece of technology, with again would happen in places where part is critical, health care, financial institution and data centers.

So in data centers, so Schneider has very strong capabilities. Jean-Pascal was talking about it. He's creating a very strong growth, especially in low and medium voltage and associated with Secure Power. So you see ATS and PCS, we like acronym, automatic transfer switch power control system. That is, let's say -- or that was probably the last line that we wanted to complement the full, full lineup of, let's say, perfect technology for data center application. So this is should reinforce us further in the field of data center where we see a very strong market traction. And actually, we see down the road further reasons to hope that, that business would grow. We are talking about data center, but let's say, every place where power is critical. These offers are actually also very interesting in the context of new energy landscape. We know renewable developing pretty fast. That means that transferring sources from different sources whether renewable Genset and the grid will happen more and more. And the Automatic Transfer Switch will be the key component to drive those applications. And for many of these customers, power is so critical that you want to switch application to be really reliable and done by specialists. This is what Asco is bringing us, alongside with the other capabilities we used to have in Schneider Electric. So good market trend, great technology and a great combination to make it a great business going forward. Emmanuel, you want to comment on the financials?

Emmanuel Babeau - *Schneider Electric S.E. - Deputy CEO - Finance and Legal Affairs*

Of course, Philippe. So a few financial consideration around this transaction. First of all, the price. $1,250,000,000, a bit north of the EUR 1 billion. It's an all-cash transaction. When we look at the acquisition multiple, we see an 11.7x the EBITDA for the last year, 2016, being paid. It's a very nicely profitable business. We have an EBITDA margin of 23%. And therefore, that will nicely enhance the profitability of the whole Schneider group when it will be integrated. One element which is not there but it's kind of sweetener. And of course, it will be included in these numbers is that we will have tax shield of a few tens of million dollars as well with this acquisition that we've been reporting here.

And of course, based on what everything Philippe has been saying, we do intend to generate a lot of synergies. Traditional cost synergies, but lot of revenue synergies that Philippe had alluded to. We target to generate up to EUR 40 million of synergy, close to 2/3 in 3 years, and then the rest after 2 years in what correspond to cost of course will come faster. What correspond to top line will take a bit more time. But at the end of the day, that means that we're going to finish with an enhanced profitability, enhanced growth for the business, and we think it going to be very nicely contribute to an already great performance of the low-voltage business. We meet the group (inaudible) in terms of finance so it's going to be of course EPS accretive when we look at the adjusted EPS so not without the PPA impact and the one-off for integration. And regarding the work here, we're going to beat the work of the group beyond year 3. We will see for the closing, but we expect closing around the end of 2017. That's it really for financial consideration around this transaction.

Jean-Pascal Tricoire - *Schneider Electric S.E. - Chairman and CEO*

So that concludes the presentation. We are now ready to take questions.

QUESTIONS AND ANSWERS

Amit Bhalla

I think we'll open it up to questions and probably, we start with a couple of questions from the room. So, Gael?

Gael de-Bray - *Deutsche Bank AG, Research Division - Head of European Capital Goods Research*

Two questions, please. The first one is on Asco. Can you elaborate a bit on the transition from electromechanical to software-driven offerings? I think that's one of the things you mentioned in this slide. So what does that mean for the business in a concrete way, in terms of opportunities and in terms of, I guess challenges as well? And then, the second question is about the Infrastructure division, and in particular, the EUR 2 billion sales business that you are currently intend to carve-out. And I guess, there's going to be the strategic review for the coming 12 months. So my question is what kind of margin improvement would you like to see for the business in 12 months time before you actually take the decision to retain or not these operations?

Jean-Pascal Tricoire - *Schneider Electric S.E. - Chairman and CEO*

Philippe.

Philippe Delorme - *Schneider Electric S.E. - Executive Vice-President of Building & IT*

So I'll start on the first one. So first of all, Asco is not a pure mechanical play. Meaning there is an electronic and software associated to it, both in the Automatic Transfer Switch and in the power control system. So that's the first piece of answer. And the Asco team has been actually working pretty hard on that. Now this is where EcoStruxure power story kicks in, because a lot of the technology brought by Schneider at the edge in terms of on-premise, power monitoring and control application and cloud application to drive power quality and these kind of things are things on which Asco was probably not fully prepared and where we see a very strong fit with what we are bringing with Schneider Electric. So I would say there is a very strong base of technology in Asco. There are still a lot of customers who want those transfer switch to be done fully electronical. And Schneider is actually accelerating the digital transition of Asco, thanks to all its capabilities. And I would say we've met the team of Asco and they are extremely excited to leverage both the go-to-market, but also the technology portfolio of Schneider Electric. So I clearly see it is a huge opportunity.

Jean-Pascal Tricoire - *Schneider Electric S.E. - Chairman and CEO*

Gael, just to add to what Philippe is saying. First, we see a future where the management of source will become critical. I mean, the old distribution was 1 source of power, maybe a security to it and then the consumption. The future clearly will be done by a multiplicity of sources to manage. You're going to have solar, batteries for storage, line of distribution, especially when you're going to emerging countries, that line can be sometimes very unreliable. You're going to have potentially generator of things. So that part of the installation, especially as people go to micro grids, decentralized generation is becoming very, very central. Second point, whatever nice is software on the electronics, as soon as you reach your certain power, you need to drive current to (inaudible) on through electromechanical. On the strong point of Schneider, it's always a combination of automation and electromechanical. And its -- it's the most immediate, because when you have the sources coming on very critical application, the short circuit currents are already (inaudible) or can be (inaudible). So it's a necessary combination. And we have been, I'll just reinforce, strong position in China, good position in Europe. I've sold ATS, my old carrier. (inaudible) combining that. And then in the U.S., where we are very strong in mission critical application, in terms of data point of -- we are playing with them but it was not enough. So that's really good. On Infrastructure, I would like to comment. First, as you understand, well, first, I'm very happy of the improvement that we realized on infrastructure because large parts of infrastructure rebound is linked to the improvement that we have here. Not easy to do because when you do selectivity, sometimes we have a discussion like it's an easy -- no, it's very difficult to manage selectivity because you have to decrease your costs. At the same time, we've done that very responsibly over the past years. We are not speaking about a carve-out. We are speaking about a project that we are going to launch that we have to discuss with all the necessary (inaudible) which has the aim -- that we want to launch, which has the aim to give more agility and efficiency to a dedicated team, okay. So that's the beginning of the project. And I'm expecting the next step of improvement to come to that kind of modification. I think we are still improving but reaching the limits of where we can produce at this stage, and we want to go to the next stage. And we'll keep you informed what we see.

Amit Bhalla

I've been told that we have a bunch of questions. So I just request that we keep it to one question per person so we can accommodate everyone. Delphine?

Delphine Brault - *Oddo Securities, Research Division - Capital Goods Analyst & Deputy Head of Research*

Can you elaborate a little bit on your Chinese activity? And how comfortable are you with the credit restriction that are currently in place and their potential impact on construction demand.

Jean-Pascal Tricoire - *Schneider Electric S.E. - Chairman and CEO*

Well, I'll probably take that one. But first point, you have to integrate that very globally, China has gone through a massive political reorientation, the new normal and then the 13th 5-year plan, with really new priorities. And that has taken some time and has driven some softness on the market. The presence of Schneider in China is not just only about construction. It's a multiform presence on all the end markets that we mentioned before.

So we have repositioned Schneider China to fit or to correspond to the priorities of the government. We are mentioning the example of subways, many subways are under construction. Those applications we were not really doing 3 years ago. And now we are doing quite a lot on that one, and those are only a few examples of the repositioning. So the economy of China, because of the size of the country, the speed of development, has been for the past 30 years going with incentive on the restrictions, that's not new news. It's not the same in all of the cities. We've seen more development in the past period into Tier 1, Tier 2. Today, we see more in Tier 3 and Tier 4, and we are exceptionally well positioned as you know, because we redeployed our forces into 250 cities across China. So we are managing that exposure to more markets with focused people for each of the application. So we had a great start in China. We remain positive about the China economy in the second part of the year.

Amit Bhalla

Maybe will open up on the phone line if there's -- take questions from the phone line.

Operator

We will now take our first question from Andreas Wili from JPMorgan.

Andreas P. Willi - *JP Morgan Chase & Co, Research Division - Head of the European Capital Goods*

My main question is on the EBITA guidance for the full year, and what you see in terms of H2 versus H1 in terms of specific drivers. Maybe that limits the improvement a bit in the second half of the year implied by your guidance compared to the very strong beginning of the year. And what have you provisioned for potential investments, change in mix, other things other than FX, that may go against you in H2 that keeps the improvement limit to 250 bps versus what you have already done in H1 and hopefully, less raw material versus price headwind in the second half?

Emmanuel Babeau - *Schneider Electric S.E. - Deputy CEO - Finance and Legal Affairs*

Hi, Andreas, happy to take that one. Well, of course, when you build, you create the guidance, you take many elements in the and you work around in many scenario. Clearly, what we are seeing is that we do intend to keep improving nicely the margin again in H2. So we're seeing not necessarily at the same space than in H1, but certainly continue to deliver performance. And we'll keep working on our priority, on productivity, controlling our costs. Having said that, there are certainly a number of dimension. I mean, you mentioned some of them, around the mix, and we are going to be the engine of the growth in H2. Around the investments, we are clearly accelerating a number of investments we want to accelerate on services, on digitization. That could have some impact. And then I think even on price, even with the changing the targets, which is to more benefit ultimately the impact of raw material. I think we are also eager to make sure that we take our first share in terms of increasing our market share, arbitrating between top line, volume opportunities and margin. And at the end of the day, what we want to deliver and what we've been delivering quite successfully in H1 is a combination of top line growth dynamism and margin improvement. We intend to continue in H2. We're going to see exactly what is the proportion of the 2, but that will be my analysis of what you expect for H2.

Andreas P. Willi - *JP Morgan Chase & Co, Research Division - Head of the European Capital Goods*

And just maybe a clarification on the Asco deal. And what's the profitability on an EBIT level or EBITA level underlying? And what has been some of the growth trends you've seen in that business recently?

Emmanuel Babeau - *Schneider Electric S.E. - Deputy CEO - Finance and Legal Affairs*

So EBITA is around 20%. EBITA margin. It's if it's your question, Andreas. And it's a business that has a kind of underlying growth trajectory today, I would say low to mid-single digits and that certainly where we want to accelerate in the future.

Amit Bhalla

And I will just request, let's keep it to one question just so that -- and we'll come back once we've covered everyone.

Operator

We will now take our next question from Daniela Costa of from Goldman Sachs.

Daniela Costa - *Goldman Sachs Group Inc., Research Division - MD*

I will just like to ask about the U.S. construction and how you see the cycle there that you're seeing very good results on resi and non-resi? It's been a few years both of those things have been good as an end market, how long do you think you can it can last?

Emmanuel Babeau - *Schneider Electric S.E. - Deputy CEO - Finance and Legal Affairs*

On the cycle in the years, I think we mentioned the fact that the good news is that we see momentum continuing in the resi, quite nicely. Well, let's see if this is losing steam in the rest of the year, I don't think that we are expecting that. But I understand that some people start to say, well, this momentum on the resi won't last forever. But for the time being, we're still seeing pretty good momentum. Good news, I think as well as on the non-resi, where we've seen some improvement. So it's probably a market which is today growing, let's say, 2% to 4% and where we've seen a little bit more momentum than what maybe we've seen in 2016. And that's our view on construction.

Operator

We will now take our next question from Alasdair Leslie from Societe Generale.

Alasdair Leslie - *Societe Generale Cross Asset Research - Equity Analyst*

My question was just on reinvestments. So your EcoStruxure offering obviously appears to be developing very well and we're in a particularly intensive period of launches and commercialization. So you had a EUR 60 million increase in reinvestments in H1. I think that compares with a similar figure for the whole of 2016. So a step-up. Just wondering if you could give us a sense of the certain investment expectation for '17 in total and whether we should really expect a step-up again in '18 or will we already start to see that level off?

Emmanuel Babeau - *Schneider Electric S.E. - Deputy CEO - Finance and Legal Affairs*

I think you should expect us to be super pragmatic in where we have it's from because the margin is growing nicely that we are generating the kind of productivity in those growth savings that you have seen. That's, we think, the right thing to do to make sure that we invest on digital, on services, on, again capturing growth in market where there is clearly tailwinds. So I'm not able to say, in 2018, what it's going to be. But you should certainly expect us to continue to play on one side, productivity and our costs, being always simpler, leaner, more efficient. And I think that 2017 is the end of the road in that respect. And at the same time, we are driving this company for the long term. So we will make the necessary investments. Of course, with the road map that we want to deliver ultimately strong financial performance.

Jean-Pascal Tricoire - *Schneider Electric S.E. - Chairman and CEO*

Just want to add to that that EUR 60 million is also inclusive of an investment in services, which has been -- which is a strong growth driver of the company that goes with the deployment of people in the field, on deployment of digital tools to do it. But I think that what we have to integrate, all of us, is that anyway, in the amount that we spend in innovation, the digital part of it will grow anyway. That's a product will be more and more or system will be more and more valuable by the digital content and the digital augmentation it supplies to the people. And we see that in normal life. When you have an activity ring, I mean, that digital part is bringing some things that a normal watch was not bringing before. It's even truer for technical products as the one we do. We fix the security of installations, reliability of installations, the efficiency of installations. People expect to be long when there is an issue. So the digital content is increasing. What is extremely important when we went to digital is to have an architecture, an ecosystem, so that every product is integrating on plug and play immediately, which we have developed in EcoStruxure by the way, not in the last year. We launched EcoStruxure in 2008. So what we see today in the mix of what we are developing, for the same amount we develop the mix of what we put in connectivity, in algorithm, in analytics, in augmented reality is increasing with respect to the more traditional way of developing. And our IT is going to be true in the industry. And you're going to need a very solid architecture to be able to integrate that and neutralize all the expenses that you have to do for -- to provide infrastructure. It's not only the cloud. It's the connectivity plugs. It's the analytics and automatic integrate. Those are the design tools that are accompanying all offer. And therefore, for us, it's been impacting a lot of our organization because you can't think those things individually. You have to think them holistically. That means, that's driven multiple point of integration in our R&D. Yes, but I'll tell you, in our daily lives, it's extremely important.

Operator

We'll now take our next question from Jonathan Mounsey from Exane BNP Paribas.

Jonathan R. Mounsey - *Exane BNP Paribas, Research Division - Analyst of Capital Goods*

If we talk again about infrastructure. So you're announcing a Phase 2 for the EUR 2 billion of revenue that relates to [power] solutions. Well, first of all, you mentioned at all options are open. Clearly, you haven't decided yet whether you perhaps you might exit the business. Could I just ask what the intention of the proceeds are from any disposals you do make? And on the topic of disposals, I guess, the news today that this business is in strategic review maybe opens up the question as to whether there are any other businesses across the group that may also be right for a strategic review and possible exit. Could you comment on whether that's the case as well, please?

Emmanuel Babeau - *Schneider Electric S.E. - Deputy CEO - Finance and Legal Affairs*

Yes, Jonathan, thank you for the question. So let me clarify. We -- I mean, you are going in territory on which -- on where we were not. To be very clear, we said that we are indeed starting a strategic review, that all options are open. I think it tells what it tells, in terms of we are going to explore all scenario. But let's be clear. We have absolutely no idea of what the outcome of this review will be. And we certainly here, first and foremost, want to work on the performance, increase performance of the business, give it all the capacity to run even faster, even as the story of what has already been a first nice improvement. And that will be the purpose of the strategic review. And then in due course, of course, we'll share with you what are the consequences of our -- of the conclusion that we will have been drawing, but it's very much down the road. So you are making, I would say, hypothesis on the which is not at all today. On the exit of other businesses. I mean, we never hide the fact that we could be continuing to prune the portfolio. We did that with DTN, there could be here and there a few assets that could be potential candidate for disposal. As you know, we are not for sale. We want to make sure that we identify well what, you know, would be the asset that could leave the company, to make sure that the value for this asset outside the company is higher than it stay within the company. We are known that normally, once we have already find a buyer and at the a proper price because of course, as we are not for sale, it would only move if we have the right value for the asset. I don't think that we should expect today huge things and the kind of billions of sales. If we continue to prune the portfolio, that would be on scene of a much lower scale.

Jonathan R. Mounsey - *Exane BNP Paribas, Research Division - Analyst of Capital Goods*

Just on that question, around the cash, if you were to sell anything, I know when you sold DTN, you launched a widened share buyback program. Is that still the sort of preferred option for any cash you release for your disposal. Or it could be used possible for more...

Emmanuel Babeau - *Schneider Electric S.E. - Deputy CEO - Finance and Legal Affairs*

We have to case by case. We've been very clear. We said following DTN, we launched the share buyback. But something, we have to be in a position at the time when it happens to tell you exactly what we would do than. I think, I don't want to speculate or anticipate because that could very much depend of the situation at the time when it happens.

Operator

We will now take our next question from James Moore, Redburn.

James Moore - *Redburn (Europe) Limited, Research Division - Partner of Capital Goods Research*

My question is on the margin issues. You mentioned it in IT and in industrial software, the IT margin, down 120 bps. You talked about digital investment mix, raw mats, one-offs. Really, my question is how much of 120 bps decline will we see continue in the second half, and how much of that stuff is one-off? And how do you see IT margins developing over 2 to 3 years? And just industrial software, can you, and anyway, quantify the drop in bps as we transition to SaaS?

Jean-Pascal Tricoire - *Schneider Electric S.E. - Chairman and CEO*

Hi, James. So 2 questions I think. One is on margin on IT and the other one is on industrial software, if I understood well. So I want to make sure that I answer properly to both. So first one on IT, I think we made clear that our ambition, our goal is to be back to positive evolution of the margin on our IT technology Secure Power in the second part of the year. So that will go through a price increase, improvement of the mix and of one-off, but that's the objective. Now it's true that the IT of the margin has not been as favorable as on other businesses over the few last period. But may I remind you that we are still entering a much higher margin than the competitor and it's still a very nice strong double-digit margin. So the name of the game for us is certainly to be in H2 with the positive margin evolution.

Jean-Pascal Tricoire - *Schneider Electric S.E. - Chairman and CEO*

Can I add to that that's while it's also the double-digit growth of low-voltage, it's also very accretive for us.

Emmanuel Babeau - *Schneider Electric S.E. - Deputy CEO - Finance and Legal Affairs*

I was getting there, Jean-Pascal. And on industrial software, actually, the margin has been improving in the first half. We are being penalized and that's going to be the case still for the next 2 years or so by moving to the new phasing in sales with the subscription in terms of flat license sales. And it's going to cost us up to 2 points of growth on a yearly basis. So that has been impacting the performance on software. The margin has been evolving quite well. Notably because we've been focusing on the software business on highly profitable part of the business in H1.

Operator

We will now have our next question from Simon Toennessen from Berenberg.

Simon Toennessen - *Berenberg, Research Division - Analyst*

Just on the productivity. I mean, obviously, given the better growth, your productivity is up as well. And you've got this EUR 1 billion target, I think, between '15 until '17. I think if I add it up correctly, you're about EUR 940 million prior to the H2. So it looks like you're comfortably overachieving this. So where do you see it from here? I mean, do you think also into next year, depending obviously on growth, you can keep kind of similar levels of productivity up here?

Emmanuel Babeau - *Schneider Electric S.E. - Deputy CEO - Finance and Legal Affairs*

Well, you're absolutely right. I think that today, looking I would say, blankly, we are probably going to finish, I don't know, EUR 1.1 billion, maybe a bit north of EUR 1.1 billion in terms of productivity. So we're going to beat our initial objective which is always good news. And we are keeping just the same vision for productivity in the future. We have a kind of self-help, very powerful work that we do on procurement, on the manufacturing footprint, on redesigning our product. And then on top of that of course, we'll get -- and we'll catch them extra wind coming from growing volume. And as we expect, as is based on (inaudible) information and environment for 2018, that should continue to be well oriented. That should indeed continue to help the productivity.

Jean-Pascal Tricoire - *Schneider Electric S.E. - Chairman and CEO*

Yes, I want to add on that because our choice of supply chain on the industrial side is very original, all right. I don't know if that has been realized enough in the company. We have all of our supply chain under 1 roof, which of course, for every kind of synergies with our suppliers is extremely fast and efficient in terms of decision. In terms of mutualization of assets which we call our manufacturing base cost, it's far more efficient than in the past when we are fragmented by a line of products and line of business. There is not much difference between a drive to control model in UPS and IT. They used the same kind of competencies. So the fact that all of this is under 1 roof breaks the kind of traditional installation that you find our --isolation that you find in other companies. And more so, it's a great sharing of competency. That means you can have the same team covering more industries, more plants, more facilities. And we showed during the time of lower volume in the past years that we are still generating very strong productivity. And when volume is coming up, it's surely helping, but it's coming from more fundamental choices that we did in terms of integration a while ago.

Emmanuel Babeau - *Schneider Electric S.E. - Deputy CEO - Finance and Legal Affairs*

We have room, maybe 1 or maybe 2, but we start to be under pressure.

Operator

We will now take our next question from William Mackie from Kepler.

William Mackie - *Kepler Cheuvreux, Research Division - Head of Capital Goods Research*

I would just like to come back to your optimism around China. Given the lack of -- typical lack of visibility due to large part of your sell-through channels and distributors, where do you see us in the kind of stocking, destocking cycle within China, and perhaps, some of the things which stand behind a confidence in your outlook for the second half?

Jean-Pascal Tricoire - *Schneider Electric S.E. - Chairman and CEO*

I would say nothing abnormal. And I remind that we are not going to just push product to distributors. We know most of the customers. We are beyond our distributors.

Operator

We will now take our next question from Markus Mittermaier from UBS -- James Stettler, excuse me, from Barclays.

James Edward Stettler - *Barclays PLC, Research Division - MD*

Following this very interesting acquisition of Asco, can you talk about other opportunities to do bolt-ons? And again, what do you still need in software? And again, these ongoing rumors about Aviva, can you maybe talk about that?

Jean-Pascal Tricoire - *Schneider Electric S.E. - Chairman and CEO*

All right, I would say would comment on acquisitions once we've done them. We've explained our strategy. You know that EcoStruxure is inclusive a software layer, but I don't have any comment specific to the names you mentioned.

Operator

We will now take our next question from Markus Mittermaier from UBS.

Markus Mittermaier - *UBS Investment Bank, Research Division - Co-Head of European Capital Goods Research for EMEA and Executive Director*

One question on the automation business, please. You mentioned that in H2, you could have an impact from the supply chain issues. Could you just elaborate a little bit where those are or could be? And whether that hampers another growth momentum in other regions, are there any limitations that you see there?

Jean-Pascal Tricoire - *Schneider Electric S.E. - Chairman and CEO*

For specific electronic components.

Markus Mittermaier - *UBS Investment Bank, Research Division - Co-Head of European Capital Goods Research for EMEA and Executive Director*

(inaudible).

Amit Bhalla

Well, I think with that, we've already covered 1 round. I think.

Emmanuel Babeau - *Schneider Electric S.E. - Deputy CEO - Finance and Legal Affairs*

No, I think it's too early to say. We of course are working to ease as much as we can. But I think that we are clearly raising the fact that we don't discuss that could have some limitation in the second half on the overall performance. I can assure that we are doing our very best to try to limit that.

Amit Bhalla

All right, I think before I give the last word to Jean-Pascal, just want to make 1 point in terms of the upcoming schedule which is there on the slide deck. So apart from us hitting the road in a few weeks, I just want to keep 2 dates which I'd like you to market in the calendars. So we have, on September 25, we will have a specific session on China. And then on October 26, together with our Q3 revenues, we're going to have Investor Digital Day in London. So we look forward to engaging. And with that, Jean-Pascal, just hand you for the final words.

Jean-Pascal Tricoire - *Schneider Electric S.E. - Chairman and CEO*

Well, thank you very much for attending this session. Again, probably nothing was completely new because we are just executing the strategy that we have explained for some time. One acquisition in the quarter as you recall, with all criteria being fulfilled. So looking forward to speak to you soon again to comment this first half. And then to keep going into H2. Thank you.

Emmanuel Babeau - *Schneider Electric S.E. - Deputy CEO - Finance and Legal Affairs*

Thank you. Have a good break. We will.