

Consolidated Statement of Income

<i>(in million euros, except per-share amounts)</i>	First-half 2004	First-half 2003	Full year 2003
Sales	4 984,4	8 780,3	4 235,9
Cost of sales	(2 854,5)	(5 063,1)	(2 460,3)
Research and development expenses	(265,1)	(494,0)	(248,0)
Selling, general and administrative expenses	(1 293,3)	(2 215,8)	(1 087,4)
Operating income	571,5	1 007,4	440,2
Financial expense, net	<i>(note 13)</i> (28,2)	(53,1)	(20,9)
Income from continuing operations before tax	543,3	954,3	419,3
Exceptional items	<i>(note 14)</i> (38,1)	(163,9)	(31,4)
Income taxes	<i>(note 15)</i> (159,9)	(127,3)	(105,5)
Net income of fully consolidated companies before amortization of goodwill	345,3	663,1	282,4
Amortization of goodwill	<i>(note 3)</i> (104,0)	(190,7)	(79,3)
Group share in income/(loss) of equity investments	<i>(note 5.1)</i> (2,2)	(18,1)	(3,1)
Net income before minority interests	239,1	454,3	200,0
Minority interests	(12,8)	(21,5)	(10,3)
Net income (attributable to Schneider Electric SA)	226,3	432,8	189,7
Basic earnings per share (in euros)	1,01	1,94	0,85
Diluted earnings per share (in euros)	1,01	1,94	0,84

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

Consolidated Statement of Cash Flows

<i>(in million euros)</i>	First-half 2004	First-half 2003	Full year 2003
I - Cash flows from operating activities :			
Net income (attributable to Schneider Electric SA)	226,3	432,8	189,7
Minority interests	12,8	21,5	10,3
Group share in (income)/loss of equity investments, net of dividends received	2,2	18,1	3,1
<i>Adjustments to reconcile net income to net cash provided by operating activities:</i>			
Depreciation of property, plant and equipment	145,2	283,5	139,5
Amortization of intangible assets other than goodwill	41,3	60,2	28,5
Amortization of goodwill	104,0	190,7	79,3
Increase/(decrease) in provisions	12,2	44,6	40,7
Change in deferred taxes	9,7	(144,1)	(34,0)
Loss/(gain) on disposals of assets	(9,7)	15,4	1,2
Other	(0,6)	19,3	0,1
Net cash provided by operating activities before changes in operating assets and liabilities	543,4	942,0	458,4
(Increase)/decrease in accounts receivable	(236,5)	(14,8)	(74,8)
(Increase)/decrease in inventories and work in process	(160,3)	(5,3)	(19,3)
Increase/(decrease) in accounts payable	115,5	67,2	(175,8)
Change in other current assets and liabilities	129,7	265,1	171,4
Change in working capital requirement	(151,7)	312,2	(98,5)
Net cash provided by operating activities	Total I	391,7	1 254,2
II - Cash flows from investing activities			
Purchases of property, plant and equipment	(125,7)	(253,2)	(114,3)
Disposals of property, plant and equipment	28,7	48,3	17,2
Purchases of intangible assets	(26,3)	(61,8)	(32,3)
Disposals of intangible assets	0,1	1,3	0,4
Net cash used by investment in operating assets	(123,2)	(265,4)	(129,0)
Financial investments - net	(504,7)	(857,9)	(20,6)
Other long-term investments	(9,3)	(142,2)	(84,0)
Sub-total	(514,0)	(1 000,1)	(104,6)
Net cash used by investing activities	Total II	(637,2)	(1 265,5)
III - Cash flows from financing activities			
Issuance of long-term debt	31,0	789,8	6,7
Repayment of long-term debt	(1 211,7)	(73,1)	(132,9)
Sale/(purchase) of Company shares	(95,5)	(112,3)	(101,1)
Increase/(reduction) in other debt	(65,9)	(481,6)	(257,3)
Common stock issued	27,7	101,8	11,4
Dividends paid: Schneider Electric SA	(244,2)	(308,0)	(221,0)
Minority interests	(15,4)	(18,6)	(12,2)
Net cash used by financing activities	Total III	(1 573,9)	(706,4)
IV - Net effect of exchange rate and other changes:	Total IV	(11,6)	(54,7)
Net increase/(decrease) in cash and cash equivalents: I + II + III + IV	(1 831,0)	(168,0)	(586,6)
Cash and cash equivalents at beginning of period	2 902,4	3 070,4	3 070,4
Increase/(decrease) in cash and cash equivalents	(1 831,0)	(168,0)	(586,6)
Cash and cash equivalents at end of period	1 071,4	2 902,4	2 483,8

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

Consolidated Balance Sheet

(in million euros)

ASSETS		June 30, 2004	Dec. 31, 2003	June 30, 2003
Intangible assets:				
Goodwill, net	(note 3)	3 959,0	3 512,8	3 297,5
Trademarks	(note 4)	592,9	40,4	39,8
Other intangible assets, net	(note 4)	225,2	230,3	314,6
		<u>4 777,1</u>	<u>3 783,5</u>	<u>3 651,9</u>
Property, plant and equipment - at cost, net	(note 4)	1 497,6	1 439,1	1 516,3
Investments:				
Investments accounted for by the equity method	(note 5.1)	59,7	60,5	72,0
Investments at cost	(note 5.2)	291,3	369,6	158,6
Other investments		294,9	585,4	266,9
		<u>645,9</u>	<u>1 015,5</u>	<u>497,5</u>
Other non-current assets		303,4	315,6	85,9
Total non-current assets		7 224,0	6 553,7	5 751,6
Inventories and work in process		1 392,0	1 124,1	1 155,8
Trade accounts receivable		2 223,3	1 781,3	1 849,7
Other accounts receivable and prepaid expenses		565,9	627,0	853,6
Deferred tax assets		772,2	747,2	617,8
Cash and cash equivalents	(note 9)	1 313,3	3 087,5	2 705,5
Total current assets		6 266,7	7 367,1	7 182,5
Total assets		13 490,7	13 920,8	12 934,1

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(in million euros)

LIABILITIES AND SHAREHOLDERS' EQUITY	June 30, 2004	Dec. 31, 2003	June 30, 2003
Shareholders' equity			
Capital stock	1 859,9	1 854,7	1 834,0
Retained earnings	5 704,4	5 804,0	5 585,6
Shareholders' equity (attributable to Schneider Electric SA)	7 564,3	7 658,7	7 419,6
Minority interests	61,4	74,9	73,7
Provisions for contingencies and charges			
Provisions for pensions and other post-retirement benefits	(note 7) 690,2	672,5	780,0
Other provisions for contingencies	(note 8) 159,3	156,7	168,8
Total provisions for contingencies and charges	849,5	829,2	948,8
Long-term debt			
Ordinary and convertible bonds	(note 9) 1 200,0	1 200,0	450,0
Perpetual bonds	(note 9) 94,2	113,6	131,8
Other long-term debt	(note 9) 111,7	121,7	139,2
Total long-term debt	1 405,9	1 435,3	721,0
Other long-term liabilities	92,2	40,5	
Total long-term liabilities	1 498,1	1 475,8	721,0
Current liabilities			
Customer prepayments	81,4	56,2	52,3
Trade accounts payable	1 426,8	1 176,7	1 073,1
Accrued taxes and payroll costs	893,6	663,1	705,0
Deferred tax liabilities	90,8	92,2	30,6
Other payables and accrued liabilities	632,2	641,0	564,8
Short-term debt	(note 9) 392,6	1 253,0	1 345,2
Total current liabilities	3 517,4	3 882,2	3 771,0
Total liabilities and shareholders' equity	13 490,7	13 920,8	12 934,1

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

Consolidated Statement of Changes in Shareholders' Equity and Minority Interests

(in millions of euros except shares outstanding)

	Shares outstanding (thousands)	Capital stock	Additional paid-in capital	Retained earnings	Cumulative translation adjustment	Shareholders' equity attributable to SESA	Minority interests
	(1)			(2)			
At January 1, 2003	240 812,9	1 926,5	4 895,2	875,3	87,7	7 784,7	76,2
Exercise of stock options (3)	1 958,3	15,6	50,8			66,4	
Cancellation of shares (3)	(12 000,0)	(96,0)	(394,2)	490,2		0,0	
Worldwide Employee Stock Purchase Plan (3)	1 071,0	8,6	26,8			35,4	
Appropriation to legal reserve			(192,7)	192,7		0,0	
Dividends (including précompte equalization tax)			(95,1)	(212,8)		(307,9)	(18,6)
Increase in treasury stock				(110,8)		(110,8)	
Translation adjustment					(299,1)	(299,1)	(6,7)
Tax effect on cancellation of treasury stock				54,3		54,3	
Other				2,9		2,9	2,5
2003 net income				432,8		432,8	21,5
At December 31, 2003	231 842,2	1 854,7	4 290,8	1 724,6	(211,4)	7 658,7	74,9
Exercise of stock options (3)	646,2	5,2	22,5			27,7	
Dividends (including "précompte" equalization tax)				(334,1)		(334,1)	(15,4)
Equalization tax refund				23,1		23,1	
Change in treasury stock				(95,5)		(95,5)	
Translation adjustment (3)					53,4	53,4	3,1
Revaluation adjustment				6,1		6,1	
Change in scope of consolidation and other				(1,4)		(1,4)	(14,0)
First-half 2004 net income				226,3		226,3	12,8
At June 30, 2004	232 488,4	1 859,9	4 313,3	1 549,1	(158,0)	7 564,3	61,4

(1) Before elimination of treasury stock

(2) Including €372 million worth of Schneider Electric SA shares canceled as of June 30, 2004

(3) See Note 6 - Shareholders' equity.

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