

Financial Information

Strong Growth in First-Half 2004 Results

Sales: +18%

Operating Income: +30%

Net Income Before Goodwill Amortization: +23%

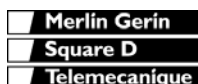
- **Strong organic growth in sales: +8.6%**
- **Significant contribution from acquisitions**
- **Clear improvement in operating margin: +1.1pt**
- **High free cash flow⁽ⁱ⁾ thanks to disciplined control over capital employed**
- **2004 outlook revised upwards**

Rueil Malmaison – July 29, 2004 – The Board of Directors, chaired by Henri Lachmann, met on July 28, 2004 to examine the first half financial statements ended June 30, 2004.

(€ millions)	First-Half 2004	First-Half 2003	Change
Sales	4,984	4,236	+18%
Gross margin (in % of sales)	42.7%	41.9%	+0.8 pt
Operating income	571	440	+30%
Operating margin (in % of sales)	11.5%	10.4%	+1.1 pt
Net income before goodwill amortization	330	269	+23%
Net income after goodwill amortization	226	190	+19%
Operating cash flow	543	458	+19%

“Schneider Electric enjoyed record sales growth in the first-half,” commented Mr. Lachmann, Chairman and Chief Executive Officer of Schneider Electric, “led by a rebound in business in mature countries, which was amplified by our growth initiatives, by a remarkable performance in all emerging countries and by the contribution from our acquisitions. Combined with the sustained implementation of our productivity plans, this growth has driven a sharp improvement in earnings. Thanks to its excellent fundamentals, Schneider Electric has strong capacity to grow and create wealth for its shareholders.”

(i) Free cash flow = operating cash flow - net capital expenditure +/- change in working capital



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I. SHARP REBOUND IN BUSINESS IN NORTH AMERICA AND WESTERN EUROPE REMARKABLE PERFORMANCE IN EMERGING COUNTRIES

Schneider Electric's **sales** for the **first-half of 2004** amounted to **€4,984 million**, a record increase of **+17.7%** over first-half 2003 at current structure and exchange rates.

Acquisitions – MGE UPS Systems, TAC and Clipsal – contributed a significant €556 million to first-half 2004 sales (+13.1%). Unfavorable currency effects remained strong at €171 million (-4.0%).

At constant structure and exchange rates, half-year sales were up a strong **+8.6%** in first-half 2004, led by a recovery in business in mature countries and a remarkable growth in emerging countries.

Sales change by Operating Division was as follows:

(€ millions)	Sales 1 st Half 2004	% change 1 st Half constant	Sales 2 nd Quarter 2004	% change 2 nd Quarter constant
Europe	2,448	+5.2%	1,257	+6.7%
North America	1,021	+6.4%	546	+7.5%
Asia – Pacific	791	+20.4%	429	+20.2%
Rest of the World	306	+19.8%	161	+21.4%
Growth Platforms	418	-	219	-
Total	4,984	+8.6%	2,612	+10.1%

In the **second-quarter 2004**, sales amounted to **€2,612 million**, a **+10.1%** gain at constant structure and exchange rates, that partially reflected low prior-year comparatives.

Growth is gathering momentum in Europe, thanks to an emerging recovery in demand and the impact of the growth initiatives, notably in the Ultra Terminal and Services businesses. Sales were up by around +5% in France, Spain and the United Kingdom. They rose more quickly in Italy as a result of market share gains. Growth remained strong in Eastern Europe, at nearly +20%.

Sales are still trending upwards in North America. As business recovers, growth is being driven by initiatives designed to gain market share, in particular in large metro areas and on small electrical projects.

Sales growth remained strong in the Asia-Pacific and Rest of the World divisions, with expansion exceeding +20% in almost every area. Schneider Electric amply outperformed its markets thanks to the effectiveness of its business model, the quality of its offering and the strength of its local operations.

Sales by the Growth Platforms division, formed by the acquisitions of TAC in building automation and MGE UPS Systems in secured power, rose by around +12% like-for-like, demonstrating the strong potential of these businesses.



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II. STRONG GROWTH IN OPERATING INCOME LED BY A CLEAR IMPROVEMENT IN OPERATING MARGIN

Operating income surged **+30%** to **€571 million** in **first-half 2004**, despite still significant unfavorable currency effects which had a **€51 million** impact. Acquisitions added **€64 million**, with margins in line with the Group's.

Excluding the effects of changes in perimeter and exchange rates, operating income grew a high **+27%**, as the benefits of a strong **+9%** organic growth were amplified by a clear **1.1-point** improvement in **operating margin**.

Gross margin widened to **42.7%** in first-half 2004 from 41.9% in first-half 2003, gaining **nearly 1 point** in line with the target. Schneider Electric generated €78 million in net productivity gains during the first-half, thanks to the productivity plans implemented as part of the NEW2004 program.

The target of achieving a 5% gain in purchasing productivity was met. The Lean Manufacturing plan has been deployed at 108 production units since launch. Positive hedging effect has so far limited the impact of higher raw materials prices.

Support functions continued to be optimized during the first half. The adjustment plans of structures in France were finalized and will be fully effective in 2005. Marketing investments have been stepped up in growing countries.

The **currency effects** reduced operating margin by **-0.6 points**. At **constant exchange rates**, half-year operating margin would have reached **12.1%** or a **1.7-point improvement** compared to first-half 2003.

III. SIGNIFICANT INCREASE IN NET INCOME AND CASH FLOW

After income tax higher than in the prior-year period due to certain non-recurring items, **net income** before goodwill amortization rose **+23%** to **€330 million** in first half 2004.

Earnings per share before goodwill amortization increased a significant **+23%** to **€1.47**. After goodwill amortization, earnings per share was up **+19%** to **€1.01**.

After having bought back 1.8 million shares in first-half 2004, the Group intends to continue buying back shares and cancel them.

Schneider Electric continued to generate high **operating cash flow**: it amounted to **€543 million**, or **10.9%** of sales, in first-half 2004.

Thanks to disciplined control over capital employed, **free cash flow** increased **+16%** in first-half 2004, to **€269 million**. Despite the strong growth in business, a slight reduction in capital expenditure and a moderate increase in working capital held free cash flow stable as a percentage of sales, at **5.4%**.



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IV. OUTLOOK FOR 2004

Schneider Electric has the ability to fully leverage its markets' growth potential, thanks to:

- The deployment of growth plans targeted by market segments and distribution channels in North America and Western Europe,
- Sustained expansion and forefront positions in emerging countries,
- The gradual broadening of its positions in the residential market,
- The implementation of dedicated solutions in response to growing customer needs in the area of the environment and energy management,
- The development of value-added services enabling customers to optimize the management and performance of their installations.

As part of its aggressive growth strategy, combining innovation and differentiation, Schneider Electric continues to focus on organic growth, while assertively expanding in strategically-related high potential businesses through high quality acquisitions.

In light of the current recovery in its markets and its strong growth capacity, Schneider Electric revises its full-year outlook upwards. Based on an exchange rate of \$1.25/€, the Group anticipates for 2004:

- A growth in **sales** of more than **15%**,
- An increase in **operating income** of more than **25%**
i.e. a 1-point improvement in operating margin.

Third quarter sales for 2004 will be released on October 21, 2004.

Schneider Electric: Giving the best of the New Electric World to everyone, everywhere, at any time

Schneider Electric is the world's power and control specialist. Through its world-class brands, Merlin Gerin, Square D and Telemecanique, Schneider Electric manufactures and markets a comprehensive range of products and services for the residential, buildings, industry, and energy and infrastructure markets. Schneider Electric has 83,000 employees worldwide, operations in 130 countries and recorded sales of €8.8 billion in 2003 through 13,000 sales outlets.



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Appendix

Second-Quarter 2004 sales by Operating Division were as follows:

In million euros	Q2 2004 sales	% Change (constant) Quarter	Changes in structure	Currency effect	% Change (current) Quarter
Europe	1,257	+6.7%	-0.1%	-	+6.6%
Amérique du Nord	546	+7.5%	+0.1%	-6.6%	+1.0%
Asie – Pacifique	429	+20.2%	+21.5%	-2.6%	+39.1%
Reste du monde (i)	161	+21.4%	+5.1%	-3.5%	+23.0%
Spécialistes (ii)	219	-	-	-	-
Total	2,612	+10.1%	+13.5%	-2.6%	+21.0%

First-Half 2004 cumulated sales by Operating Division were as follows:

In million euros	H1 2004 sales	% Change (constant) Half Year	Changes in structure	Currency effect	% Change (current) Half Year
Europe	2,448	+5.2%	-0.2%	-0.7%	+4.3%
Amérique du Nord	1,021	+6.4%	+0.2%	-10.3%	-3.7%
Asie – Pacifique	791	+20.4%	+22.2%	-4.9%	+37.7%
Reste du monde	306	+19.8%	+5.2%	-5.3%	+19.7%
Spécialistes	418	-	-	-	-
Total	4,984	+8.6%	+13.1%	-4.0%	+17.7%



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