

CARBONE LORRAINE: HALF-YEAR RESULTS

Operating income up 20% The Group agrees with the principle of a capital increase

Carbone Lorraine's Board of Directors met on September 13, 2004 and approved the Group's financial statements for the first six months of 2004.

Commenting on these results, CEO Claude Coccozza said: *"During the first half of 2004, we entered a new era of growth in our earnings. Thanks to the successful implementation of our savings plan, we have managed to raise our operating income by 20%. As a result, we are in a position to reiterate our operating margin target of 8% for 2004 in spite of the higher cost of raw materials.*

Carbone Lorraine is now in good shape for expansion, which will be fuelled by all the projects we have prepared over the past three years. It will also benefit from the economic recovery now underway and spreading to Carbone Lorraine's markets, chiefly those linked to equipment goods.

To finance these growth projects, the Board of Directors has entrusted me with the task of launching a capital increase, after obtaining the necessary approbations. It will allow us to speed up the Group's development and to deliver a genuine boost to the pace of our expansion."

In €m	First-half 2004	First-half 2003
Sales	318	322
Operating income	24	20
Operating margin (%)	7.6%	6.3%
Net income, Group share	6.5	3.0

Sales: €318 million

Sales rose by 2% on a like-for-like basis compared with the year-earlier period in spite of the unfavorable base of comparison. Performance in the first six months of 2003 was boosted by substantial deliveries of anti-corrosion equipment, particularly in Asia, whereas the equivalent deliveries in 2004 will take place in the second half. Excluding the Magnets division, where the business contraction was attributable to their redeployment plan, all the other divisions posted higher sales.

Operating income: €24 million

Our operating performance improved owing to the benefits of our savings plan, plus the impact of sales growth. As a result, the Group's operating income advanced by 20% to €24 million from €20 million in 2003, with the operating margin moving up 1.3 points from 6.3% to 7.6%.

Net income, Group share: €6.5 million

Net financial expense was almost stable. The reduction in our borrowing costs offset the increase in net debt deriving primarily from the use of the provisions for restructuring set aside in 2003.

Net non-recurring items, which came to €4.5 million, were attributable to a great extent to additional restructuring charges linked to the savings plan.

Net income, Group share after goodwill amortization, more than doubled to €6.5 million from €3 million in 2003.

Outlook

2004 marks a turning point for Carbone Lorraine: the recovery is now showing up at all the Group's activities in North America, while its European operations also seem to be picking up steam. Not mentioning the unfavorable base of comparison, growth remains brisk in Asia. Our savings plan is set to achieve annual savings by year-end 2004 in excess of the €30 million target we announced three years ago. Lastly, we are preparing to launch a set of projects that aim to deliver a substantial boost to the Group's pace of growth.

Capital increase

The Board of Directors has agreed with the principle of a capital increase worth about €60 million to finance the investment required to implement its expansion plans rapidly and entrusted its Chairman with the task of obtaining the necessary approbations and defining its terms and launch date. BNP Paribas, our principal shareholder with a stake of 21% in the share capital, has stated its support for this expansion plan and said that it intends to take up its allocation of the capital increase.

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Reminder:

Carbone Lorraine is an industrial group specializing in electrical components (brushes for electric motors, magnets and industrial fuses) and advanced materials and technologies. Well-established world-wide, the Group holds world-class positions in all its main markets:

- *Electrical Applications*
- *Permanent Magnets*
- *Electrical Protection*
- *Advanced Materials & Technologies*
- *World # 1 in brushes for electric motors*
- *World # 3 in magnets for automobiles*
- *World # 2 in industrial fuses*
- *World # 1 in thermal anti-corrosion equipment*
- *World # 2 in high-temperature applications of isostatic graphite*

The Group is listed on the Premier Marché of the Paris Stock Exchange and is a constituent of the SBF 120 and Next 150 indices.

Download our half-year report as of end-June 2004 at our website www.carbonelorraine.com

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