GROUPE CARBONE LORRAINE

Press Release

CARBONE LORRAINE POSTED AN OPERATING MARGIN OF 6.3% AND NET INCOME OF €3 MILLION IN THE FIRST HALF OF 2003

Carbone Lorraine's Board of Directors met on September 10, 2003 to approve the Group's accounts for the first half of 2003.

Net income, Group share is in positive territory at €3 million in spite of the 8% decline in sales and close to €6 million in net non-recurring items.

(€ m)	**First half of 2003**	**First half of 2002**
Sales	322	382
Operating income	20	32
Operating margin (%)	6.3%	8.4%
Net income before non-recurring items* (Group share)	11.4	17.5
Net income (Group share)	3.0	10.3

*and before goodwill amortization

Sales: €322 million

First-half 2003 sales came to €322 million, down from €382 million in the year-earlier period, representing a decline of 8% on a like-for-like basis. Most of this decline was attributable on one hand to the Magnets division, which was boosted by special conditions last year, and on the other hand to the anti-corrosion equipment activity, which was hit by the dearth of capital spending in the chemicals and pharmaceutical sectors.

Operating income: €20 million

Our savings plan yielded a €6 million reduction in costs and helped to curb the impact of the business contraction on operating income, which came to €20 million in the first half of 2003 against €32 million in the same period last year. The operating margin contracted from 8.4% to 6.3%.

Net income before non-recurring items: €11.4 million

The drop in interest rates and the Group's debt led to a reduction in net financial expense. As a result, net income before non-recurring items, Group share came to €11.4 million, i.e. 3.5% of sales, compared with €17.5 million in the first half of 2002.

Net income, Group share: €3 million

Net non-recurring items came to €5.7 million during the first half, including mainly capital gains on asset disposals (€5 million after tax) and restructuring charges linked mainly to the savings plan (€11 million). Taking these items and goodwill amortization into account, net income, Group share came to €3 million in the first half of 2003.

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Implementation of the savings plan

Our savings plan is on track to yield the forecast savings on schedule. The transfer of German production to the Saint-Bonnet-de-Mûre facility (France) is underway, and the Group took this opportunity to fully reorganise the plant's production flow. Moreover, the programme aimed at restoring the competitiveness of the French Magnets plants should be implemented soon.

Outlook

2003 is a year of substantial changes for Group Carbone Lorraine. All the initiatives being taken as part of the savings plan, the development of the cash plan and the continued pursuit of technological and commercial progress to improve customer satisfaction are enabling the Group to bolster its competitive position.

Based on these measures, we are confident in the Group's ability to deliver a strong rise in its operating income from 2004, even with persisting economic conditions equivalent to those prevailing in 2003. This increase should be further accentuated by the economic recovery once it kicks in.

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Reminder:

Carbone Lorraine is an industrial group specialising 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 # 2 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 graphite*

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

To find out more about the Group, please visit our web site at www.carbonelorraine.com.

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