

*Carbone Lorraine*

> 2003 ANNUAL RESULTS

 > SUMMARY

**1 Strong resilience  
at operating level**

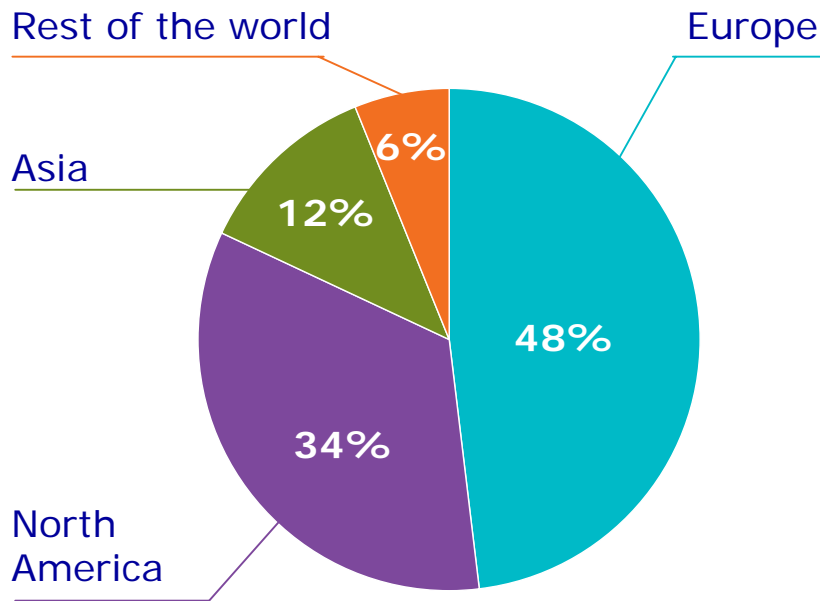
**2 Healthy fundamentals**

**3 New period of earnings  
growth**



## Geographical sales analysis of sales

**Breakdown of 2003 sales**



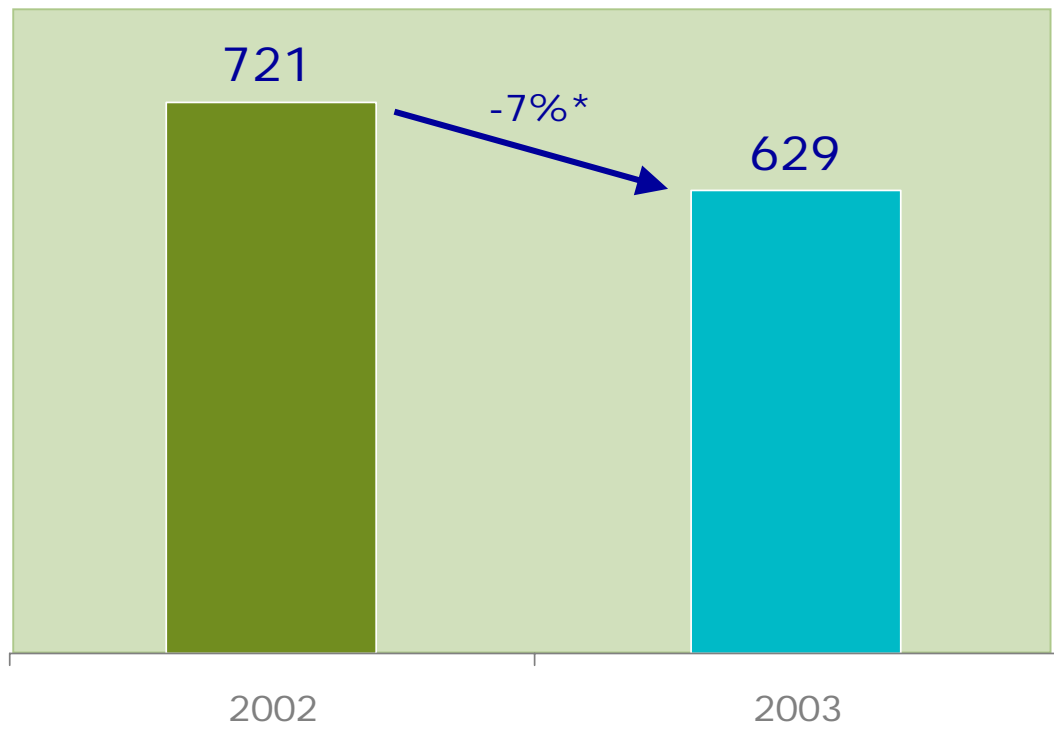
**\*change compared with 2002: -7%**

Europe	-13%
North America	-7%
Asia	+24%
Rest of the world	+1%

*\* On a like-for-like basis*



## Highly resilient operating margin



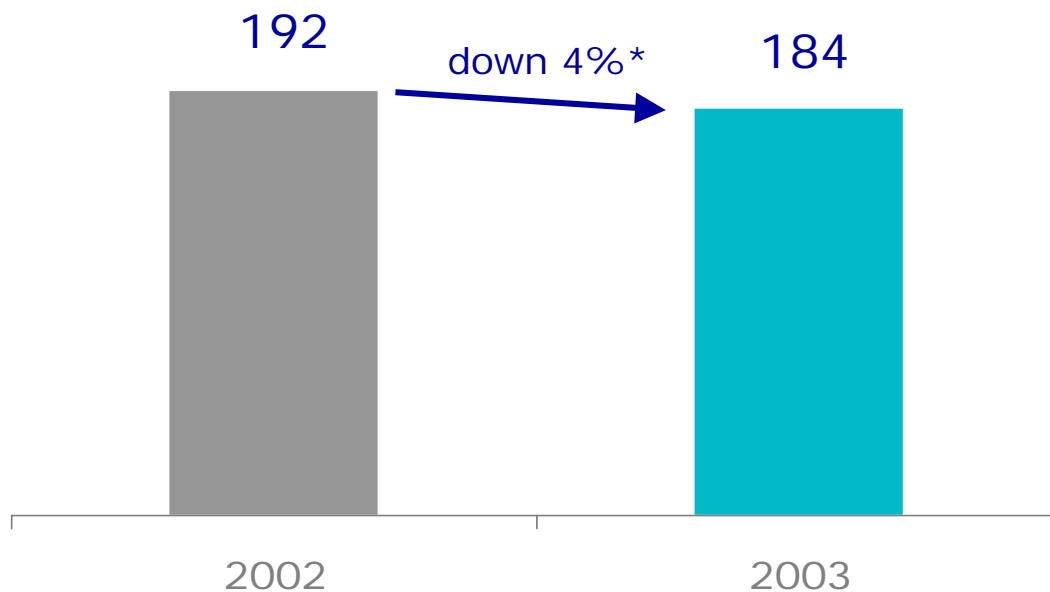
\* On a like-for-like basis

## Electrical Applications: high margins

- > 2003 : Operating margin maintained following restructuring
- > 2004 : Benefits of the joint venture with Kirkwood  
Further efficiency gains in Europe

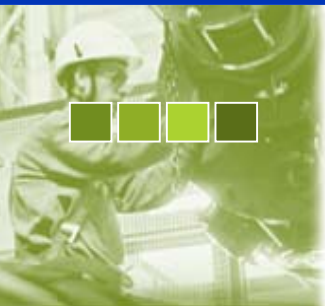


Sales  
(€ m)



Operating margin	11.7%	down 1pt	10.9%
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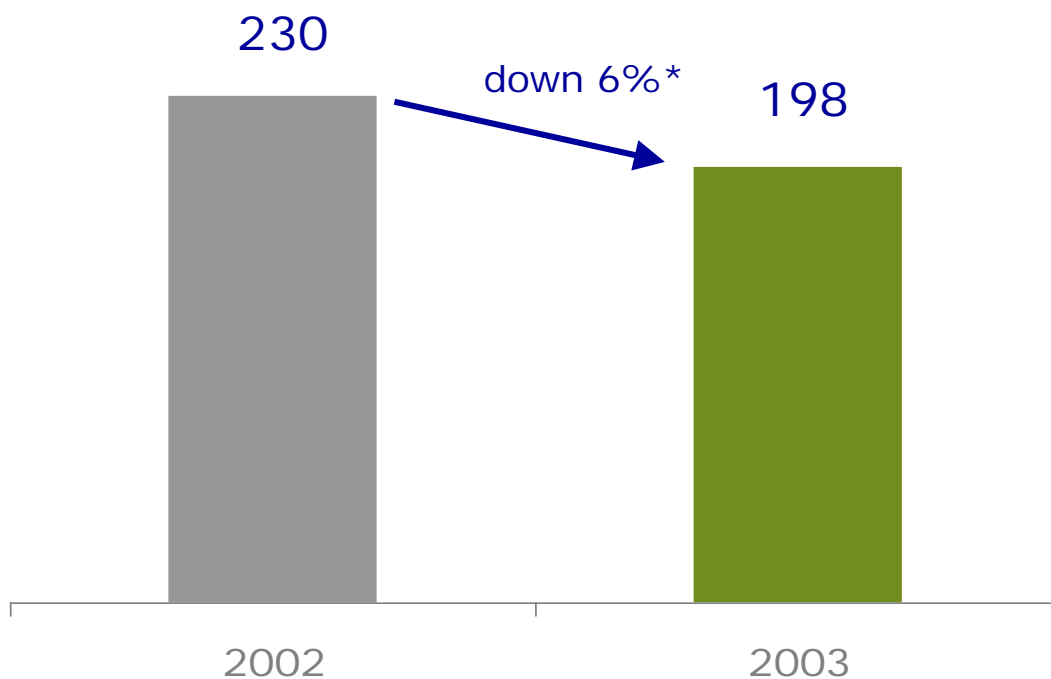
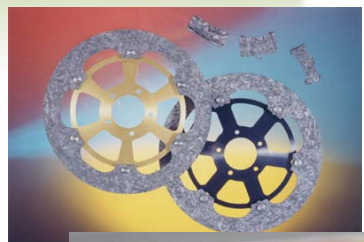
\* On a like-for-like basis



## Advanced Materials and Technologies: high margins

- > 2003 : Operations pooled in anti-corrosion equipment  
Numerous technical successes
- > 2004 : Further efficiency gains

Sales  
(€ m)



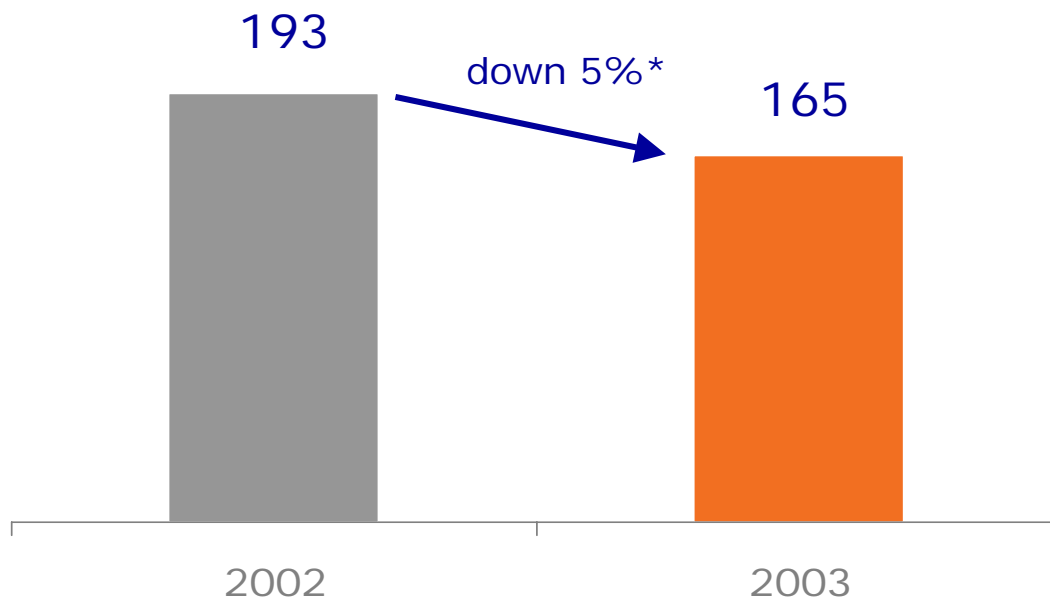
Operating margin	15.2%	<b>Stable</b>	14.8%
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\* On a like-for-like basis

## Electrical Protection: radical changes underway

- > 2003 : Restructuring of production in Europe
- > 2004 : Margins set to rebound

Sales  
(€ m)



Operating margin	6.0%	down 1pt	4.7%
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\* On a like-for-like basis

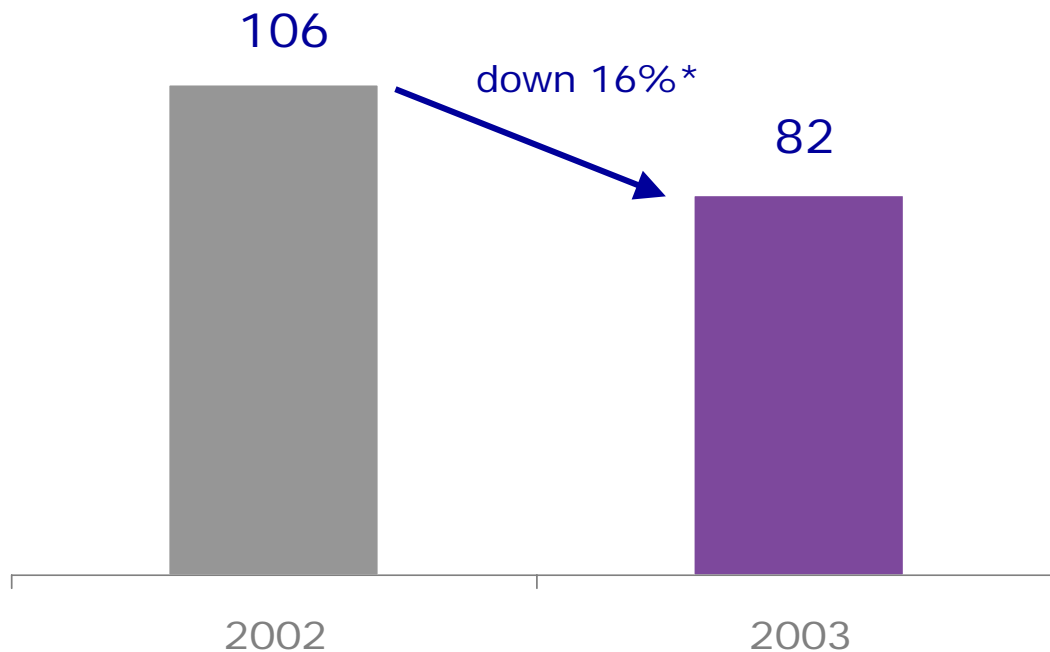




## Magnets: recovery underway

- > 2003 : Operating margin of 3% outside France  
Restructuring plan in France
- > 2004 : Return to breakeven point

Sales  
(€ m)



Operating margin	2.9%	down 11pts	-7.8%
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\* On a like-for-like basis



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growth

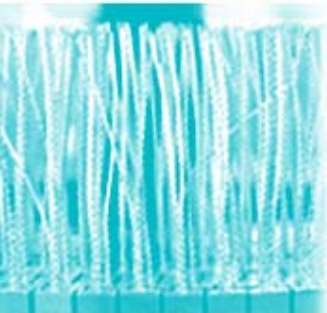


## Healthy fundamentals again



> Cost savings plan implemented successfully

> Resolution of anti-trust litigation



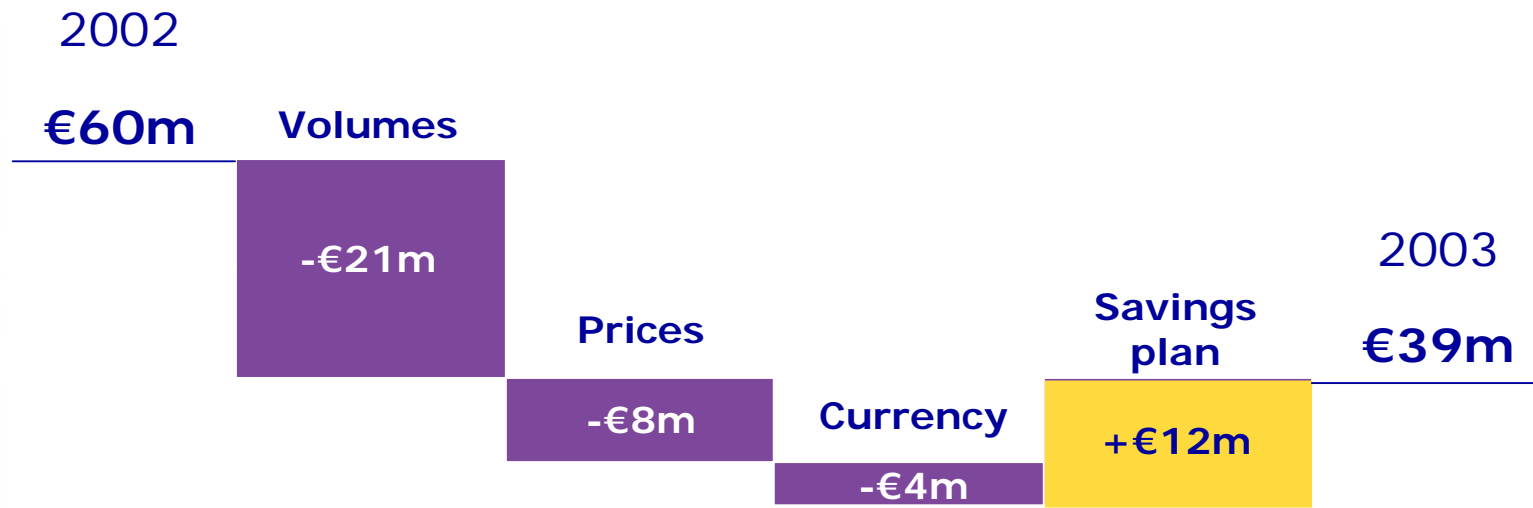
> Book value of Magnets division written down



> Further reduction in debt



## Trends in operating income



**Savings plan had a strong impact**



## Income statement

(€ m)	2003	2002
<b>Operating income</b>	39.3	59.6
. Net financial expense	(10.8)	(14.1)
<b>Current income</b>	28.5	45.5
. Income tax	(7.3)	(12.8)
. Minority interests	1.1	(0.5)
<b>Group share of net current income</b>	22.3	32.2



## Non-recurring items

€ m	2003
Provision for litigation	(25.1)
Depreciation of Magnets assets	(16.7)
Restructuring costs	(19.3)
Capital gains on asset sales	6.7



## Income statement



(€ m)	2003	2002
<b>Group share of net current income</b>	22.3	32.2
. Non-recurring items	(54.8)	(36.9)
<b>Net income before goodwill am.</b>	(32.5)	(4.7)
. Goodwill amortization	(5.7)	(6.1)
<b>Group share of net income</b>	(38.2)	(10.8)



## Cash flow statement

(€ m)	2003	2002
<b>Cash flow</b>	45.9	67.2
. Change in the WCR	31.4	19.1
. Restructuring and other items	(11.5)	(5.7)
. Capital expenditure	(23.8)	(24.4)
<b>Net cash from current operations</b>	42.0	56.2
. Asset disposals	11.1	3.5
. Acquisitions	(10.1)	(2.8)
. Charges for antitrust litigation	(7.0)	(0.4)
. Dividends and other items	(7.5)	(13.9)
<b>Reduction in debt</b>	28.5	42.6

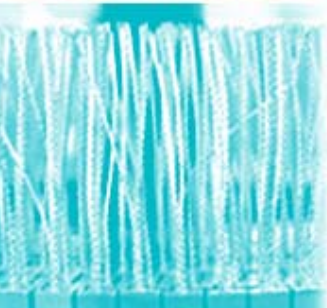


## Summary balance sheet

(€ m)

	2003	2002
<b>Net fixed assets</b>	335	406
<b>Working capital</b>	129	159
<b>Total</b>	464	565
<b>Shareholders' equity</b>	180	246
<b>Provisions</b>	101	83
<b>Net debt</b>	183	236
<b>Total</b>	464	565



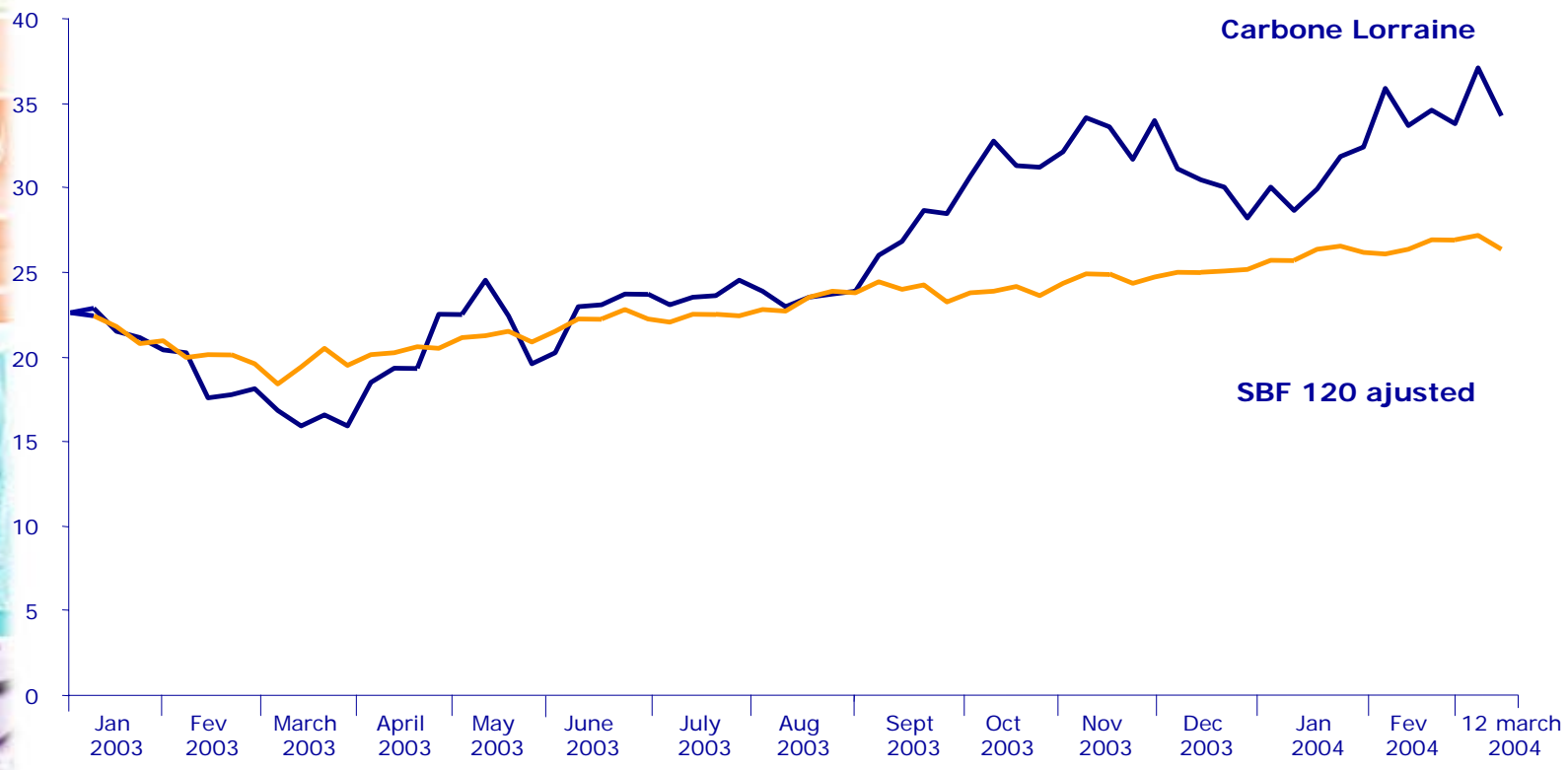


## Reduction in net debt

	2003	2002
<b>Net debt (€ m)</b>	183	236
<b>Net debt/shareholders' equity</b>	1.02	0.96
<b>Net debt/EBITDA</b>	2.6	2.5



## Share price performance relative to the SBF 120



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1 Strong resilience  
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3 **New period of earnings  
growth**



## New period of earnings growth

 Cost savings plan successfully completed

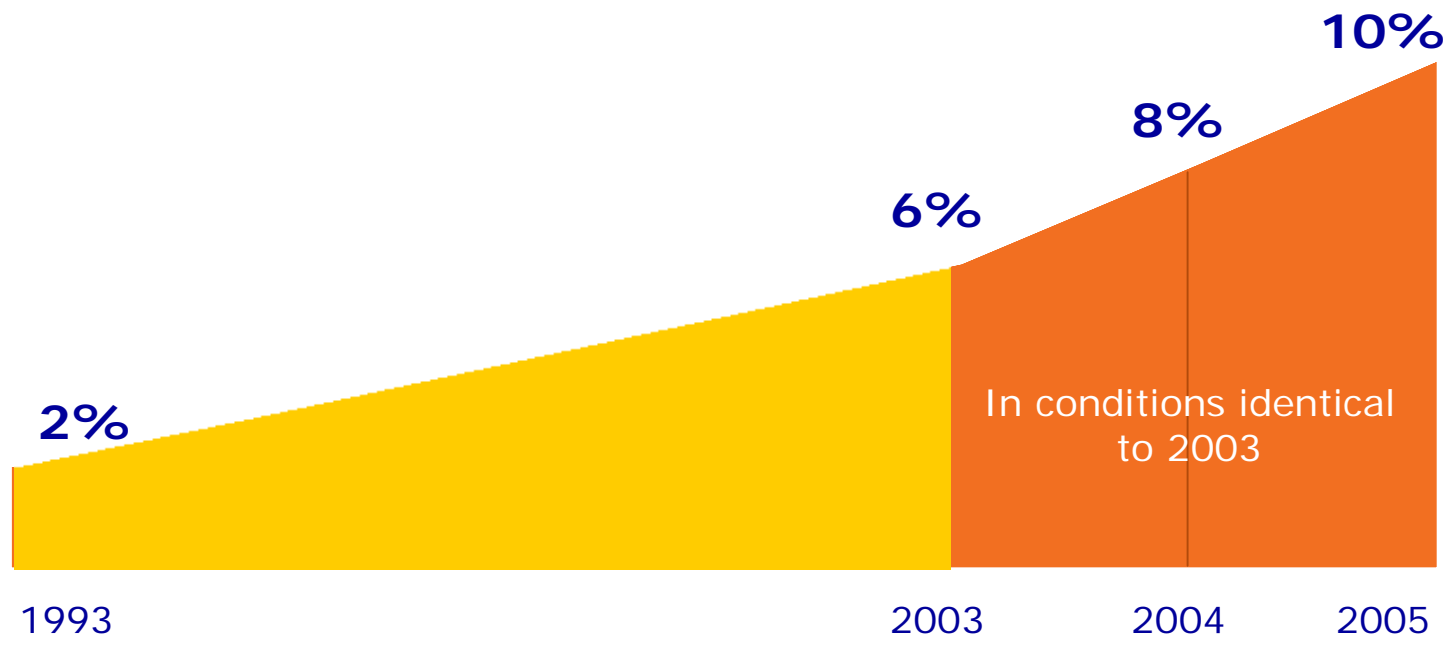
 Improved economic conditions

 Geographical expansion

 Continuous improvement and innovation



## Strong improvement in bottom-of-the cycle margins





## Cost savings plan successfully completed

### > Streamlining measures implemented between 2002 and 2003

- Seven facilities shut down
- Workshops transferred
- Production lines moved to countries with low labor costs

Target of €30m reached in 2004



## Improved economic conditions

### > Situation in early 2004

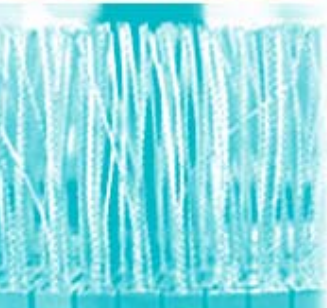
#### Recovery in North America

- Higher sales in high-temperature applications
- Higher fuse sales
- Lower sales in anti-corrosion equipment

#### Stabilization in Europe

- Stabilization/recovery in new orders
- Slowdown in the pace of the sales decline

### > 2004 likely to be stable or slightly better for Carbone Lorraine



## Geographical expansion

> **Solid platform for growth in North America and Europe**

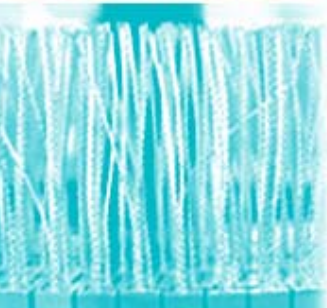
	North America	Europe
<ul style="list-style-type: none"> <li>• Brushes for industrial motors</li> <li>• Brushcards</li> </ul>	✓	✓
<ul style="list-style-type: none"> <li>• Fuses</li> </ul>	✓	
<ul style="list-style-type: none"> <li>• Brakes</li> <li>• High-temperature app.</li> <li>• Anticorrosion equipment (metals)</li> </ul>	✓	✓



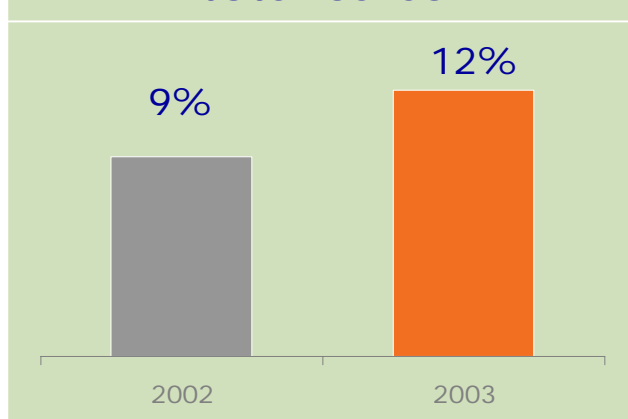


## Geographical expansion

### > Strong growth in Asia



#### % of sales in Asia/ total sales



- 25% of sales in anti-corrosion
- Strong potential in China
- Same strategy in brushcards, high-temperature applications, Electrical Protection

**Target: double percentage of sales deriving from Asia over the next five years**



## Continuous improvement and innovation

### > Current avenues of improvement

- Production flow optimization
- Optimized purchasing strategy
- Streamlining of business processes
- Reduction in overheads

**Quality and Continuous Improvement  
plan to be continued**



## Continuous improvement and innovation

New brake pads  
for Peugeot Sport



New graphites  
for electronics



New fuse-holders  
and cooling devices





# High margin targets at both the bottom and top of the cycle

