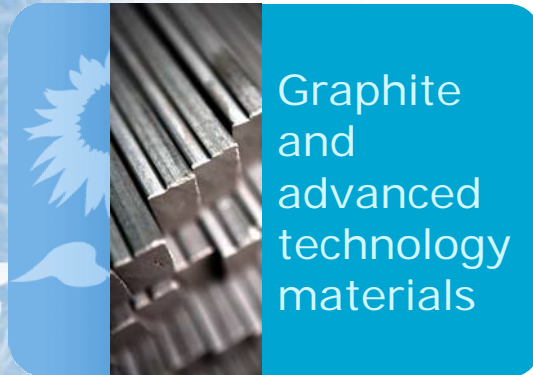




Full-year 2006 results

Dedicated Innovation, Dedicated Partner

Two fields of expertise



Three divisions



Our ambition: transform our Group into a growth company

...through four "drivers"





2006 brisk growth, strong increase in earnings

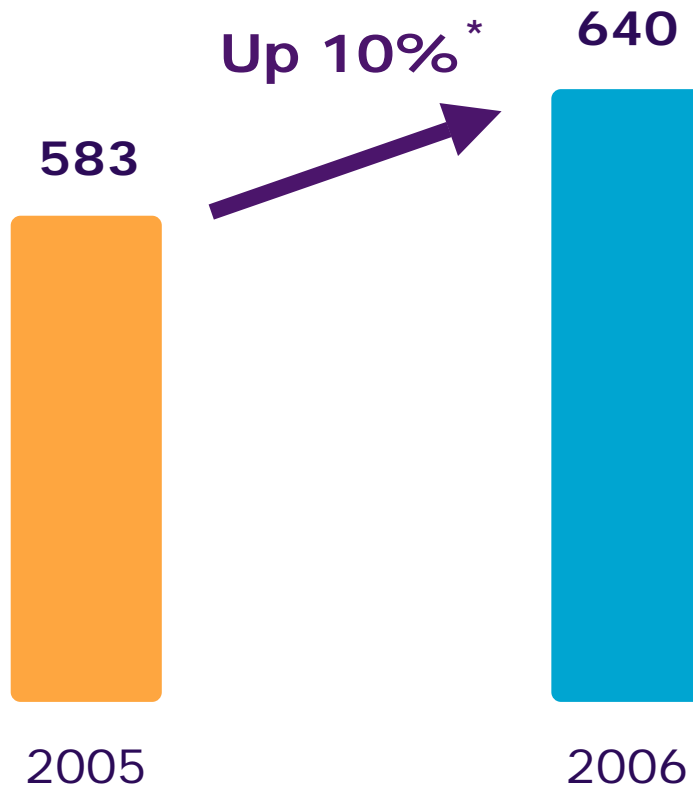
Sales: up 10% (*)
Operating income: up 14%
Net debt/equity: 0.50



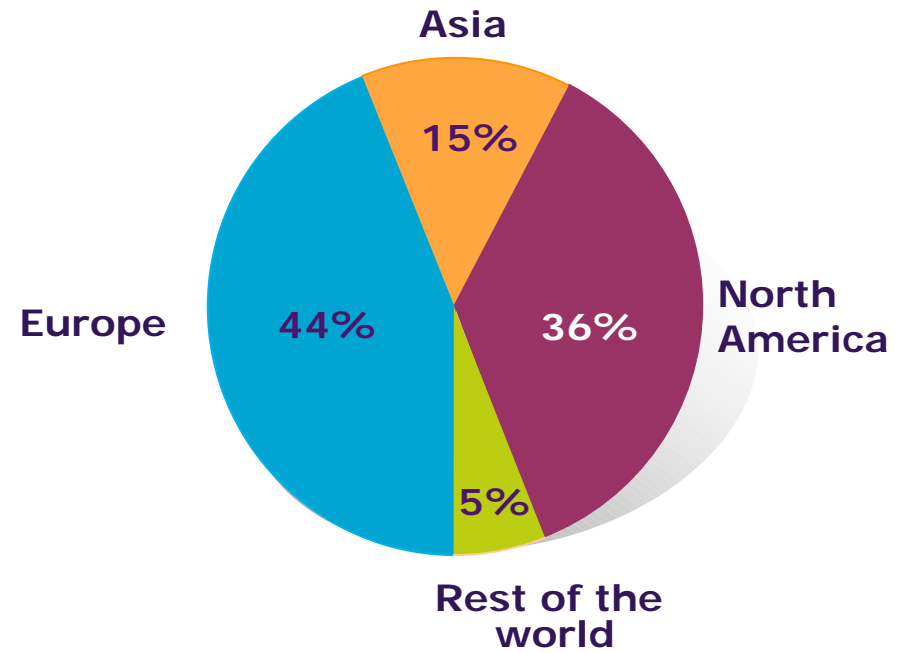
(*) At constant exchange rates

[IFRS]

Sales (€m)



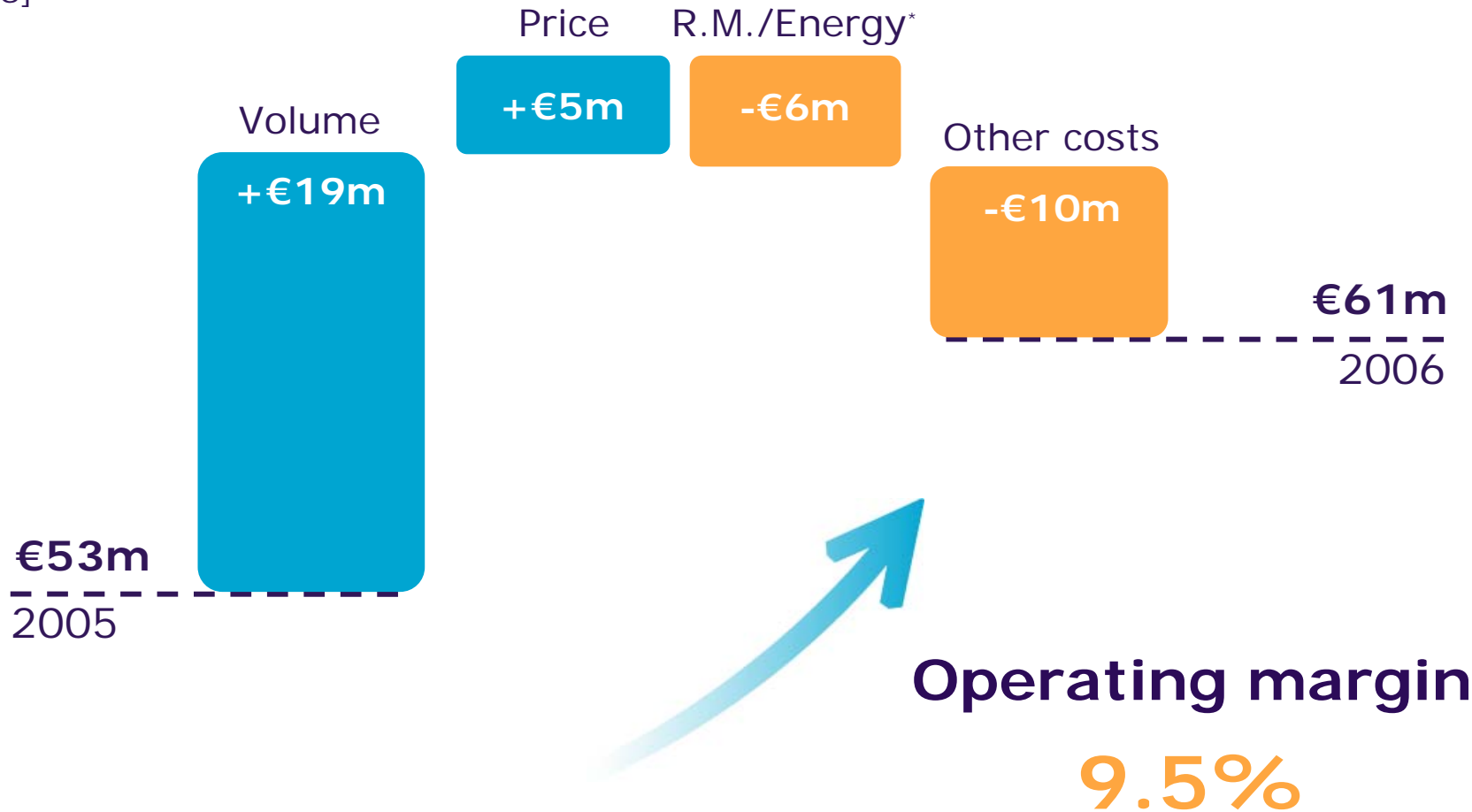
**Geographical analysis
2006 sales**



* Change at constant exchange rates/continuing operations

Operating income up 14%

[IFRS]



* Raw material/Energy - Net of purchasing productivity initiatives

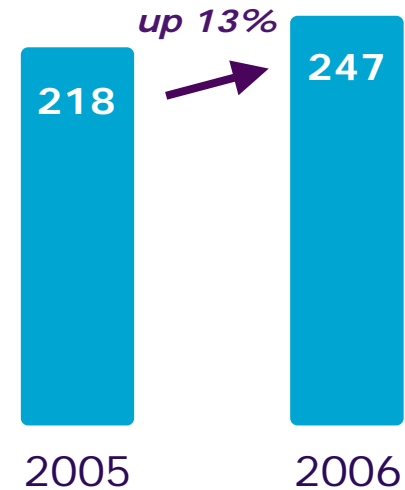
N.B. continuing operations



Operating margin

18% → 18%

Sales (€m)



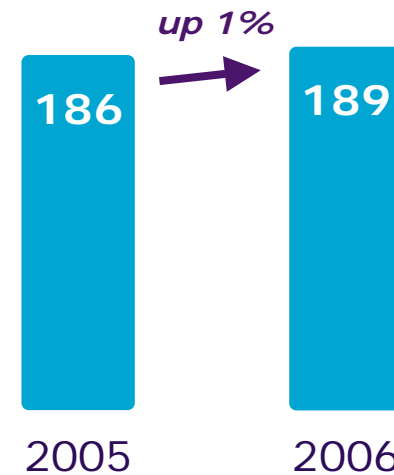
- ▶ Positioned to serve fast-growing industries
- ▶ GES integrated successfully
- ▶ Strong demand in anticorrosion segment



Operating margin

7% → 6%

Sales (€m)



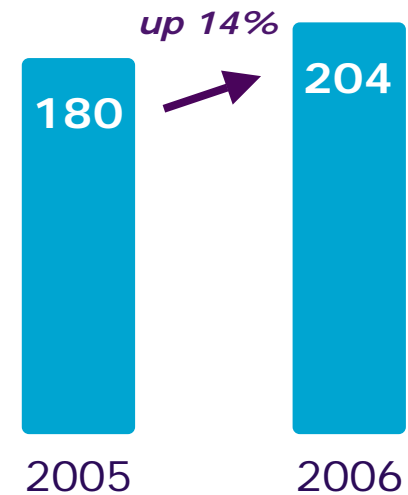
- ▶ Strong demand for wind energy equipment
- ▶ Growth in sales of metallic products
- ▶ Transfer of US production to India and France



Operating margin

7% → 9%

Sales (€m)



- ▶ Strong growth across all the Group's regions
- ▶ Successful start-up of Modulostar®
- ▶ Success of "non-fuse" products

Net income up 55%

[IFRS]

(€m)

2006

2005

Sales	640	583
Operating income before non-recurring items Non-recurring income and expense	66.2 (5.1)	59.2 (5.7)
Operating income Finance costs, net Current and deferred income tax	61,0 (93.7) (11.0)	53.5 (7.1) (11.1)
Net income from continuing operations	40.3	35.3
Net income from assets held for sale/disc. op.	(5.4)	(12.8)
Net income	34.9	22.5

Statement of cash flows

[IFRS]

(€m)

2006

2005

Operating activities

Cash flow from operations
Change in the WCR
Tax

80.3
(12.0)
(8.9)

69.8
(8.3)
(8.7)

Cash generated/(used) by operating activities

59.4

52.8

Investing activities

Net increase in PP&E and intangible assets
Increase in financial assets
Disposals of non-current assets

(32.5)
(17.1)
0.6

(24.5)
(29.6)
3.0

Cash generated/(used) by investing activities

(49.0)

(51.1)

Cash flow before financing activities

10.4

1.7

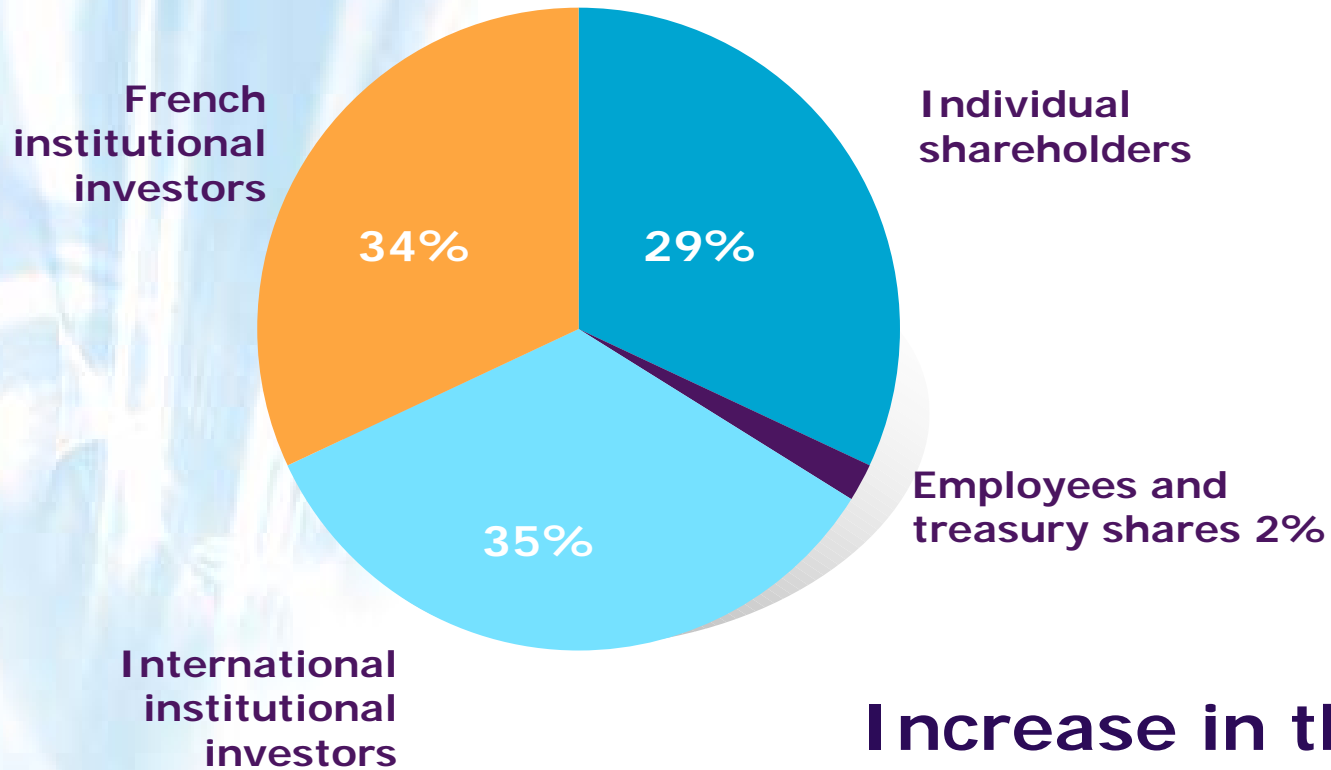
[IFRS]

(€m)

2006

2005

Non-current assets	385	374
Working capital requirement	150	142
Deferred tax	23	23
Assets held for sale/disc. operations	-6	4
Total assets	552	543
Total equity	308	295
Provisions	46	49
Employee benefits	42	47
Financial instruments	2	2
Net debt	154	150
Total equity and liabilities	552	543
Net debt/equity	0.50	0.51
Net debt/EBITDA	1.74	1.84



Increase in the share price during 2006

10%

Dividend

0.85 €

- ▶ **Upbeat positioning**
- ▶ **Brisk growth in sales**
- ▶ **Fresh increase in operating income**
- ▶ **Further investments in growth**

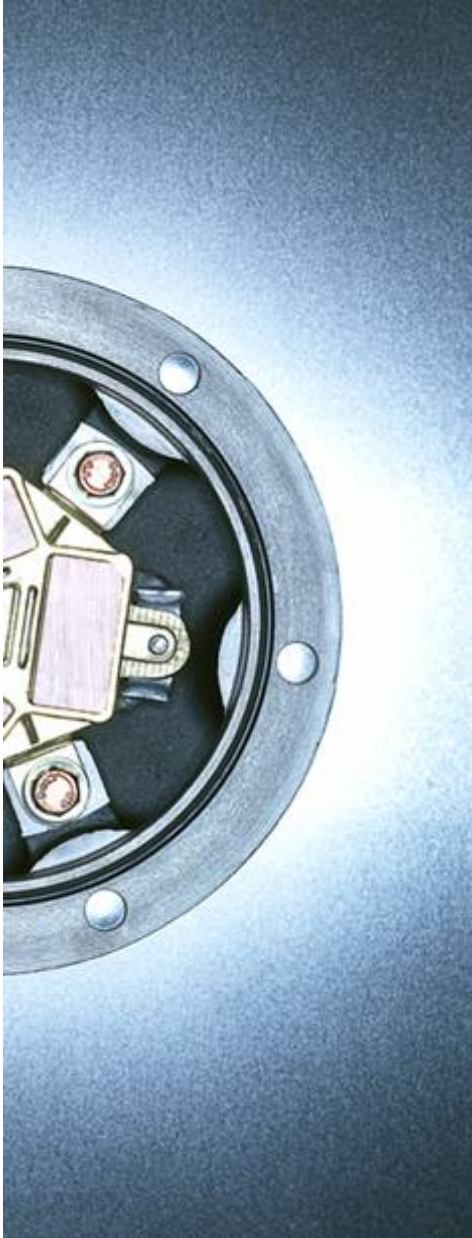
Our objective: to transform our Group into a growth company

...through four "drivers"





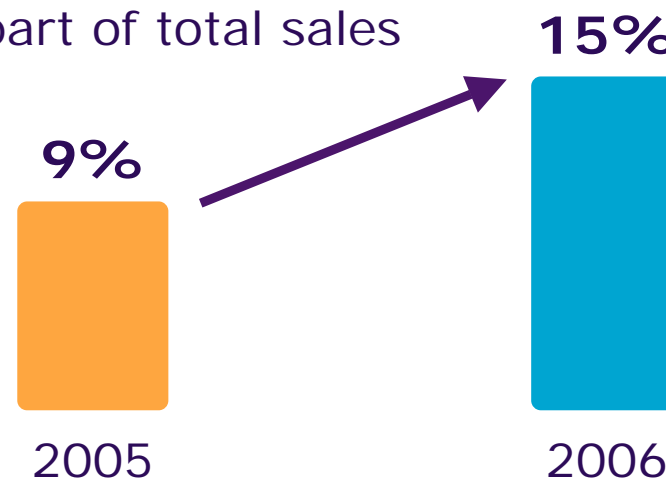
Asia

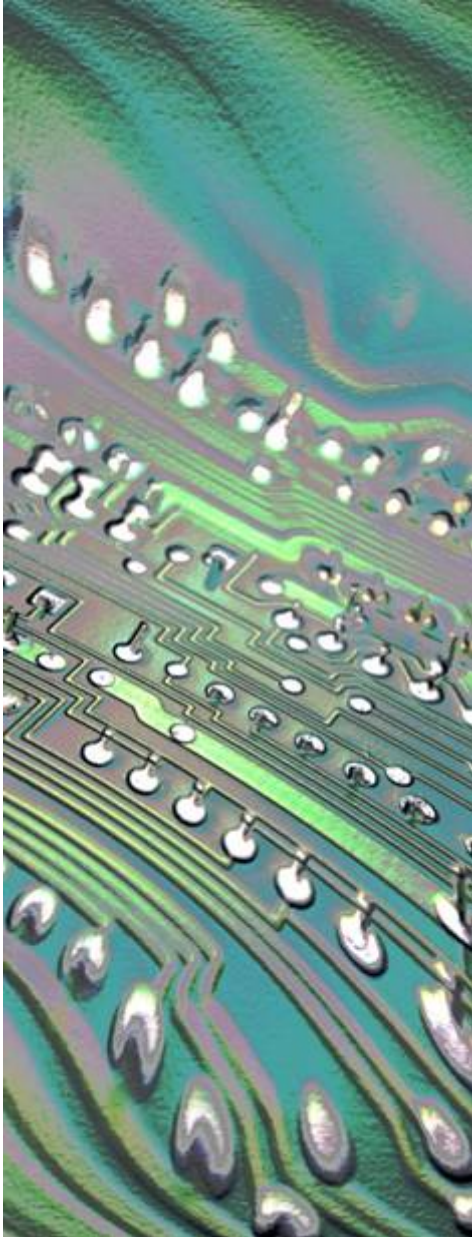


Growth outpacing that of the region at large thanks to:

- ▶ upbeat positioning in expanding industries
- ▶ continuous strengthening of our production facilities

Asia as part of total sales

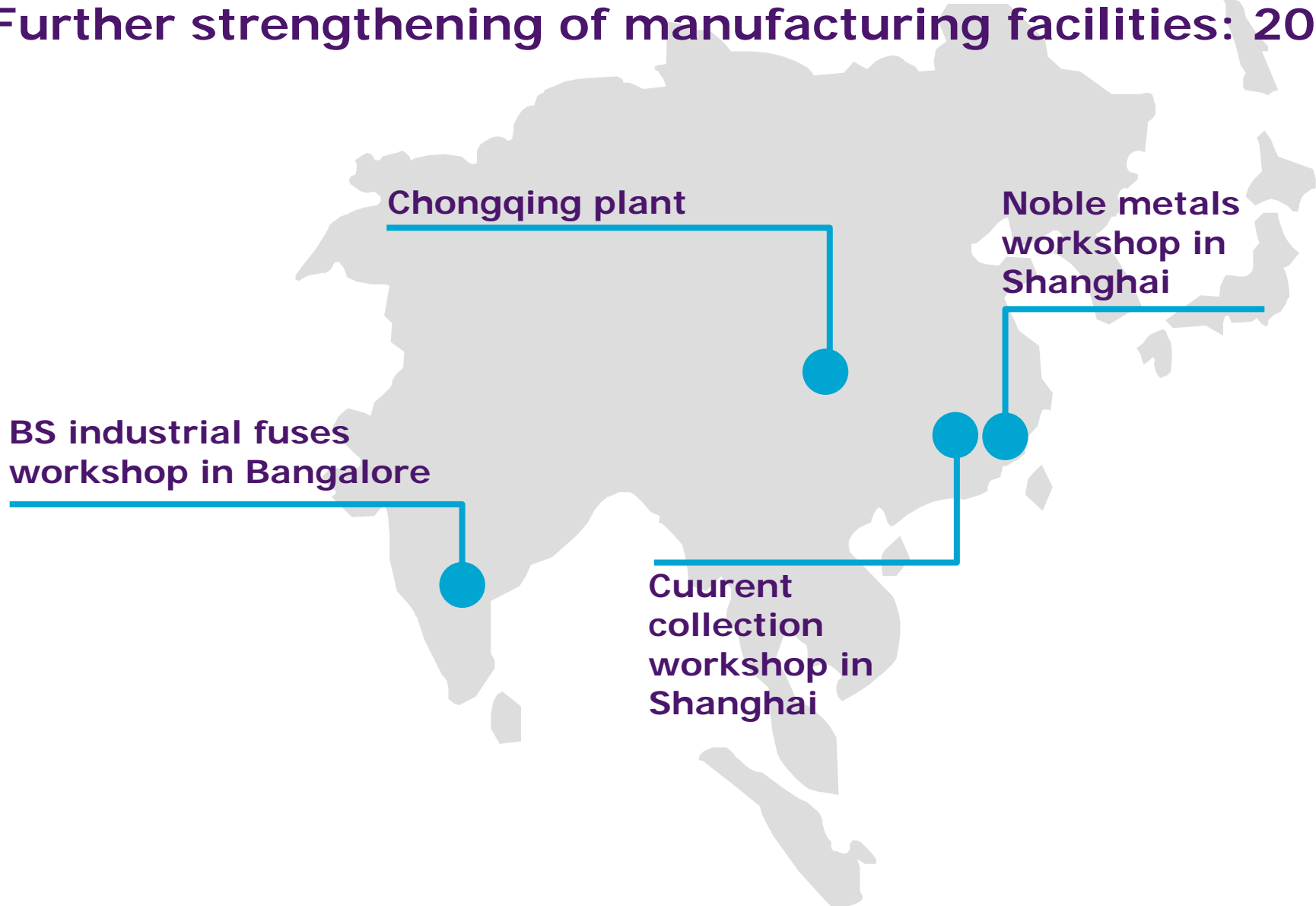




Upbeat positioning in expanding industries:

- ▶ electronics (semiconductors, LEDs)
- ▶ solar power
- ▶ fertilizers (phosphates)
- ▶ mass transit
- ▶ plastics manufacturing

Further strengthening of manufacturing facilities: 2006



Chongqing : a decisive asset



Further strengthening of manufacturing facilities: 2007

China (Shanghai)

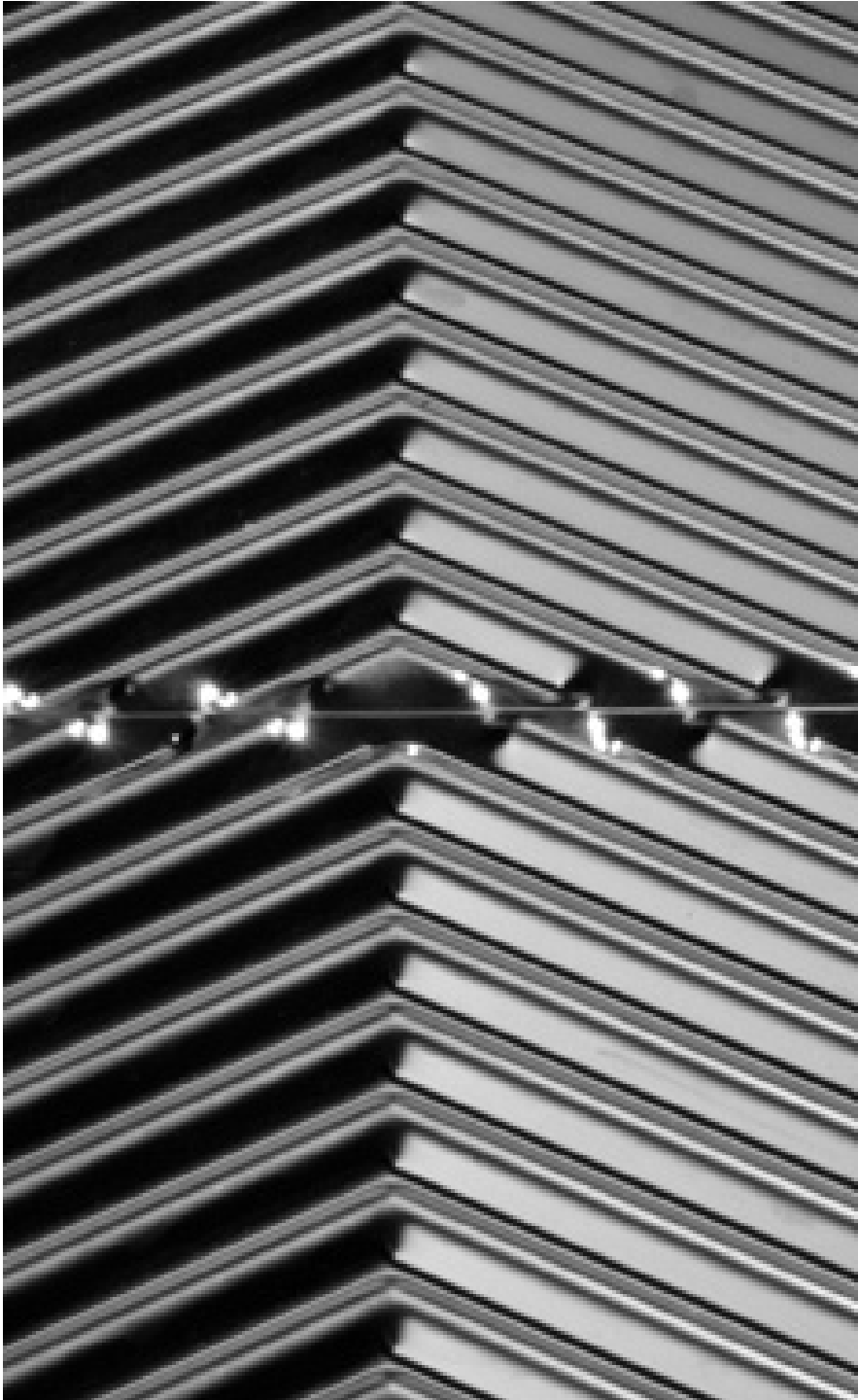
- Industrial brush and slip-ring assemblies workshop
- Extension of the fuse assembly workshop

South Korea (Ssangam)

- Extension of the High-temperatures machine shop

India (Bangalore)

- Transfer of auto brush production from Farmville (US)
- High-temperatures machine shop



Innovation

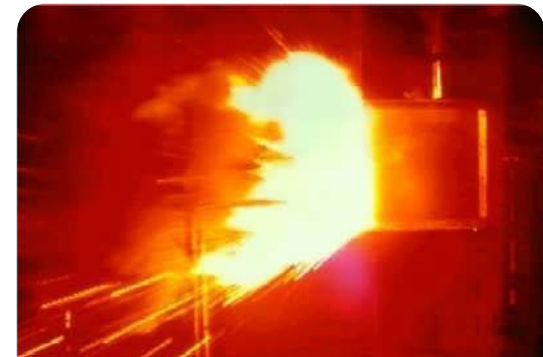


A bold approach with benefits...



in the short term
(CL Clad[®],
Modulostar[®])

in the medium
term
(BPL, Kapp)



and in the long
term
(arc flash, future
high speed trains)



▶ **CL Clad®**

- Technical success, initial orders
- 2010 sales objective: €40m

▶ **Modulostar®**

- Successful industrial and commercial start-up
- First stage in the overhaul of the Electrical Protection product ranges

▶ **Graphites for LEDs**

- New grades have been a success
- Carbone Lorraine, the world's leading supplier to the industry



- ▶ **Protection of data transfers**
 - Fuses for the protection of powerline communications (BPL)
 - 2010 sales objective: €5-10m

- ▶ **CL Clad[®] plate heat exchangers**
 - Kapp/CL Clad[®] combination
 - 2010 sales objective: €10m

- ▶ **Systems**
 - Developments in electrical protection and anticorrosion
 - 2010 sales objective: €8-10m



► Research with partners into:

- **arc flash** (extension of the applications of fuses)
- graphite equipment dedicated to solar energy (**SICLADES** project)
- brakes for the future generation of **high-speed trains**



Energy efficiency



... in graphite and Electrical Protection



solar energy

wind energy

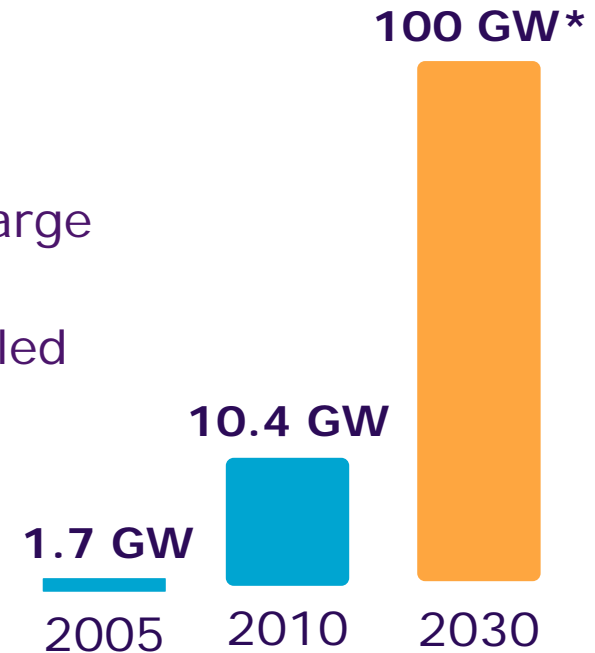


power quality



▶ **A buoyant market**

- Processes consuming large amounts of graphite
- Strong growth in installed capacity



▶ **Key strengths**

- Quality and purity of Carbone Lorraine graphites
- production capacity (US and China)
- optimized production costs
- expertise in applications

* Source: NEDO



▶ **A market enjoying strong growth**

- +25% in 2006
- Long-term trend estimated at +20-+25% p.a.*

▶ **A broad and specific range of products**

- Brushes, slip-ring assemblies, data transmission systems, fuses, brakes
- Fuses dedicated to energy storing equipment

* Source: French Renewable Energies Industry Association (SER)



Selective acquisitions



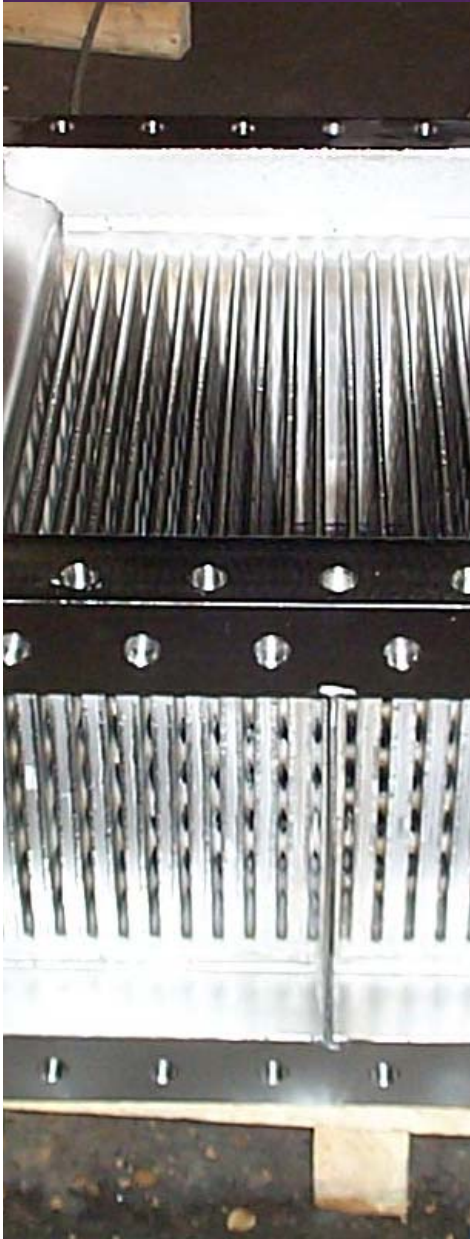
Acquisitions harbouring scope for organic growth



In
our core
business

In adjacent
markets

Acquisitions harboring scope for organic growth: 2006



▶ **GES**

- Access to adjacent markets
- Rapid integration
- Cost synergies

▶ **Kapp**

- Access to plate heat exchangers
- Synergies between Kapp's and CL Clad[®] technologies
- Expansion within the Carbone Lorraine network

▶ **Lenoir Elec**

- Access to high-power contactors
- Growth in the mass transit sector
- Expansion within the Carbone Lorraine network



Carbone Lorraine: growth today and in the future

