

CARBONE LORRAINE

Dedicated Innovation, Dedicated Partner



OPERATING INCOME: +34%

BRIGHT OUTLOOK

Paris, March 16th, 2005

Carbone Lorraine's Board of Directors met on March 15, 2005 and approved the Group's financial statements for 2004.

"2004 was a good year. We exceeded the targets for our savings plan, which enabled us to beat our operating margin target of 8% in spite of the unfavorable cost environment. We prepared and launched some major expansion plans using the financing provided by our successful capital increase last October. The period of restructuring is now coming to an end, and its full impact will boost our 2005 results. Our expansion plans will pick up the baton and drive further improvement in our performance from 2006 onwards" said Claude Coccozza, Carbone Lorraine's Chairman and Chief Executive Officer, commenting on the Group's 2004 results.

Condensed income statement

In millions of euros	2003	2004
Sales	629	636
Operating income	39.3	52.6
Operating margin (%)	6.2%	8.3%
Net income before non-recurring items (Group share)	22.3	30.2
Net non-recurring items	(54.8)	(9.9)
Net income (Group share)	(38.2)	15.2

Consolidated sales of €636 million (up 4%)

Carbone Lorraine's 2004 sales advanced by 4% on a like-for-like basis (i.e. at comparable structure and at constant exchange rates) on the back of the economic recovery, particularly in the US, and expansion into new markets. Sales growth was especially strong in Electrical Protection and in High-Temperature Applications of graphite.

Operating income of €53 million (8.3% of sales)

The savings plan generated €17 million in additional savings during 2004. Originally launched in 2001, the plan has exceeded its initial target of €30 million, with the annual savings compared with 2001 totaling €38 million. This strong performance, together with the increase in business, helped to offset the unfavorable impact of the increase in raw materials costs, which lowered the operating margin by 0.7 points. Even so, Carbone Lorraine's operating margin still posted an increase of over two points to 8.3%.

The Advanced Materials and Technologies division's operating margin advanced by close to three points to 17.5%, while the Electrical Applications division's operating margin held up at 11% in spite of the sharp increase in copper prices. Following a poor start to the year, the Electrical Protection division posted a steady increase in its operating margin quarter after quarter as restructuring measures were implemented. It came to 4% over the full year, but hit 8% during the fourth quarter. Lastly, the Magnets division's operating margin moved into positive territory. It stood at over 2% over the full year.

PRESS RELEASE

Significant reduction in net non-recurring items

Net non-recurring costs came to €10 million. Most of the charges were attributable to the final restructuring measures still in progress in the Electrical Protection and Magnets divisions.

Net income of €15 million

Net income after goodwill amortization came to €15 million compared with a loss of €38 million in 2003.

Resumption of dividend payments with a pay-out ratio of 50%

The Board of Directors is set to propose payment of a dividend of €0.55 per share. The total dividend payment would thus amount to €7.6 million or 50% of net income.

Substantial decline in net debt

Net cash generated by operating activities allowed the financing of restructuring expenses which were particularly heavy in 2004. Meanwhile, the capital increase last October paved the way for the financing of our major expansion plans. The debt-to-equity ratio dropped from 102% at year-end 2003 to 50% at year-end 2004.

A bright outlook

Unless economic conditions suffer a significant degradation, we would expect sales growth during 2005 on a par with that recorded in 2004 and an operating income which should again increase by more than 25%.

From 2006 onwards, the new ventures currently being launched should allow to carry on with earnings growth.

The address and earnings presentation by Claude Coccozza, Carbone Lorraine's Chairman and Chief Executive Officer, and by Jean-Claude Suquet, Group Vice President, Finance and Administration, will be available online at www.carbonelorraine.com.

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Carbone Lorraine is a worldwide specialist in advanced materials for extreme environments and in mission-critical electrical components for industry. The Group holds leadership positions in its core businesses:

- Advanced Materials and Technologies:
 - World #1 in graphite anti-corrosion equipment
 - World #2 in high-temperature applications of graphite
- Electrical Components:
 - World #1 in brushes for electric motors
 - World #2 in industrial fuses

The Group is listed on the Premier Marché of the Paris Stock Exchange and is a constituent of the CAC Mid100 and Next 150 indices.

For further information, please visit our web site at www.carbonelorraine.com.

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