

Half-year sales to June 2001

In the first half of 2001, Carbone Lorraine turned over sales worth 423 M€. In comparison, sales for the first half of 2000, which included a 43 M€ contribution from the magnets for computers activity sold last October, were 444 M€. The evolution of the sales figure may thus be broken down as follows:

. effect of changes of structure	:	-8%
. exchange rate parities	:	+2%
. organic growth	:	+2%

Although activity levels during the second quarter were generally less well sustained compared with the first, a positive organic growth of 2% in sales was achieved for this six-month period. This level of performance was made possible by the diversity of our geographical and industrial outlets. The growth in Europe, Asia and South America compensated for the slow down in the North American economy; in the same way, good performance in brushes for industrial motors and in the Advanced Materials & Technologies division counterbalanced the effects of the fall in automobile production in North America.

Analysis by geographical zone

	1st semester 2001 published sales (M€)	Organic growth (%)
Europe	213	+ 6%
North America	170	- 8%
Asia	23	+ 23%
Rest of the world	17	+ 45%
Total	423	+ 2%

In **Europe**, our sales figure reached 213 M€ for the half-year, up by 6% on a like-for-like basis. Activity levels continued at their high levels in France and in Great Britain, but shrank back in Germany and in southern Europe.

In **North America**, sales for the half-year fell by 8% to 170 M€. The drop in activity levels, mainly related to the automobile sector during the first quarter, spread to the industrial fuses markets, although fortunately to a lesser extent. The dip in sales was aggravated by inventory

reduction initiatives taken by automobile manufacturers and by the distributors of electrical equipment. It appears that these measures have now been completed.

In **Asia**, our sales grew strongly throughout the half-year both in Japan and in Korea. The final figure reached was 23 M€, an increase of 23%.

In the **Rest of the world**, very healthy levels of activity were recorded in Brazil and in South Africa for all our markets. Sales reached 17 M€, an increase of 45%.

Analysis by activity

	1st semester 2001 published sales (M€)	Organic growth (%)
Electrical Applications	100	0%
Electrical Protection	120	-1%
Permanent Magnets	68	-11%
Advanced Materials and Technologies	135	+15%
Total	423	+2%

In the **Electrical Applications** division, sales of brushes and brush-holders for industrial motors were very good across all geographical zones with the exception of North America, where sales were maintained at last year's levels. Sales to the automobile sector dropped sharply in North America (- 17%). However, our sales performance matched the fall in automobile construction. The overall result of this contrasting situation is a stabilization of the sales figure for Electrical Applications at 100 M€.

The key event during this period was the acquisition of AVO at the end of May, a transaction which has integrated a high-quality team with the aim of developing brush-holders assemblies for small electric motors. This should have a positive impact on sales starting from the second half of the year.

The **Electrical Protection** division has managed to offset the fall in the low-voltage market (- 4%) by achieving significant sales of high-power circuit breakers. The drop in activity was felt particularly in North America (- 7%) due to the inventory reduction measures taken by distributors. These inventory adjustments now appear to have been completed. Sales in Europe rose slightly, and grew sharply in Japan, due primarily to sales of circuit breakers. Overall, sales slipped back by 1% to 120M€.

The agreement signed with the grouping of distributors Affiliated Distributors will have its first significant effects on sales during the second half of the year. However, the reduced levels of capital expenditures should prevent a strong recovery in growth in Europe and North America.

The sales of **Magnets** (68 M€) fell by 11%, on a like-for-like basis. They were particularly hampered by the drop in North

American automobile production, the impact of which has been amplified by the difficulties experienced by our main local customer. The efforts made to win new customers have been pursued successfully. The corresponding sales increased by 13%. European sales, which account for 55% of the division's sales, were up slightly. They will now take full advantage of the growth in sales of flux packages, for which investments are currently being finalized. The Korean market, after having registered a slow down during the first quarter, is now recovering. In Brazil, our sales improved significantly.

As anticipated, sales in the **Advanced Materials and Technologies** division progressed very well during the half-year. They leapt up 15% to 135 M€. We have reached high sales levels (up 16%) in all our High-Temperatures segments, with a settling of the demand from the electronics markets during the second quarter. We once again achieved strong growth in the Braking activity (up 7% despite an unfavorable comparison with last year, since there were no deliveries for the Korean high-speed train this year). We also had a high rate of growth in anti-corrosion equipment (up 14%), generated both by graphite exchangers and by exchangers made from noble metals.

In **conclusion**, the diversity of our outlets has enabled us to limit the effects of the North American economic slow down. Our aggressive approach to sales and the launch of new products also explain how we have generated an organic growth of 2% during the half-year, a remarkable achievement in view of the overall economic situation which prevailed during this period. Excluding the automobile market in North America, the Group's dynamism has been particularly well illustrated by the overall growth, superior to 5%.

Agenda

Half-year results : September 18, 2001

3rd quarter sales : November 6, 2001

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