

2003 RESULTS

- **STRONG RESILIENCE AT OPERATING LEVEL**
- **NET LOSS ATTRIBUTABLE TO NON-RECURRING CHARGES**
- **MAJOR REDUCTION IN DEBT**
- **NEW PERIOD OF MARGIN IMPROVEMENT STARTING IN 2004**

Carbone Lorraine's Board of Directors met on March 16, 2004 to approve the accounts for fiscal 2003.

Commenting on the Group's results for fiscal 2003, Claude Coccozza, Carbone Lorraine's Chairman and Chief Executive Officer said:

"In persistently depressed business conditions, Carbone Lorraine delivered further proof of its strong resilience at operating level during 2003. Its net loss was attributable entirely to provisions covering the fine meted out by the European Commission and to an impairment charge related to the Magnets division. As a result of these decisions, we have now put these two issues behind us.

2004 will mark the beginning of a new period of earnings growth for Carbone Lorraine. We forecast improvement in the Group's margins this year, even if business conditions remain the same. And if the economic recovery does occur, our earnings growth will be even stronger."

Condensed income statement

(€ m)	2002	2003
Sales	721	629
Operating income	59.6	39.3
Operating margin (%)	8.3%	6.2%
Net income before non-recurring items (Group share)	32.2	22.3
Net non recurring items	(36.9)	(54.8)
Net income/(loss) (Group share)	(10.8)	(38.2)

Consolidated sales: €629 million

Primarily as a result of a volume contraction, 2003 sales showed a decline of 7% on a like-for-like basis compared with the previous year. Excluding Magnets and Anti-corrosion equipment, which benefited from special conditions in 2002, the decline in sales came to just 3%.

Operating income: €39 million

Carbone Lorraine's operating income held up well in spite of the volume contraction owing to the successful implementation of the savings plan. The plan produced a complementary contribution of €12 million to the operating income on top of the €9 million already saved in 2002, a total figure higher than expected.

As a result, the **operating margin** contracted by just two percentage points to 6.2% even though sales fell by 7 points.

Net non-recurring items: €55 million

Non-recurring items were high and showed a net charge of €55 million, but these charges will enable the Group to start 2004 with a clean slate and in good shape. The principal non-recurring items were as follows:

- a provision for anti-trust litigation of €25 million covering the full amount of the European Commission's fine, which the Group is vigorously contesting;
- an impairment loss of €17 million recognized on the Magnets division;
- €19 million in restructuring charges related to implementation of the savings plan;
- €7 million in capital gains on asset disposals.

Net loss: €38 million

Net income before non-recurring items came to €2 million. Owing to the heavy non-recurring charges, the Group posted a net loss of €38 million.

Dividend

To avoid drawing on reserves, the Board of Directors will not propose payment of a dividend to the General Meeting of the Shareholders in respect of 2003. The Group intends to resume dividend payments from next year.

Net debt: down 23%

Strong cash generation coupled with currency fluctuations contributed to the 23% reduction in net debt to €183 million at December 31, 2003 from €236 million at year-end 2002.

Outlook

A new period of earnings growth is set to start for the Group in 2004, even if economic conditions remain on a par with those prevailing last year. This earnings growth will be driven by the full benefits of the savings plan that has been implemented since 2002.

The pace of earnings growth will be even stronger if the first signs of an economic recovery turn into a full-fledged upswing.

Diary dates for H1 2004

Shareholders' presentation in Lille
Q1 2004 sales
Annual General Meeting
Shareholders' presentation in Toulouse

Thursday April 8, 2004
Wednesday May 12, 2004
Thursday May 13, 2004
Wednesday June 2, 2004

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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 isostatic 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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