HALF-YEAR REPORT 99

GROUPE
CARBONE LORRAINE

CONTENTS

MESSAGE FROM THE CHAIRMAN

Dear Shareholder,

The acquisition of Gould Shawmut, completed on August 31st 1999, is an important stage in the industrial strategy that we have pursued over the last five years. The overall aim of this strategy is to make CARBONE LORRAINE a key international market leader in its main fields of activity.

Such a market position has already been firmly established in brushes for electric motors achieved as a result of being a leading technological innovator and reinforced through a series of recent small selective acquisitions. Our position in Magnets for automobiles is developing rapidly following two acquisitions made in 1998 and one in Korea at the start of the year. The acquisition of Gould Shawmut, and the resulting, very promising, synergies with CARBONE LORRAINE, promotes us to the second ranking Group in the world in industrial fuses, and will give us the same key market leading position in this, the third sector of our Electrical Components product line.

These various operations, whose synergies are gradually making their effects felt, have now given our Group a solid earning power, resilient to the economic environment. An excellent illustration of this has been the Group's good performance during the first half of the year under conditions that were much more difficult that the previous year. With an operating margin of over 10% and a high level of cash generation, the CARBONE LORRAINE Group continues to apply its profitable growth strategy, creating value for its shareholders.

Encouraged more than ever by our operationnal results and by the prospects that they guarantee, we will resolutely continue with our improvement processes and pursue our policy of growth, so that we can continue to justify the trust you have placed in us.

Claude COCOZZA
Chairman and CEO

International market leading positions in its activities

 # 1 worldwide in brushes for electric motors

 # 3 worldwide in magnets for automobiles

 # 2 worldwide in industrial fuses

 # 1 worldwide in thermal corrosion resistant applications

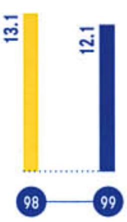
OVERVIEW OF ACTIVITIES

ELECTRICAL COMPONENTS

Electrical Applications

Turnover
in million Euros

Operating income
in million Euros



Excluding acquisitions and foreign exchange variations, sales were down slightly by 0.7% during the first six months of 1999. The published sales figure showed a larger fall, 3.3%, due to the effect of unfavorable foreign exchange rates, particularly in relation to the Brazilian real.

The sales of brushes for industrial and traction motors were unchanged compared with the first six months of 1998. Sales from one country to another varied, with satisfactory performance in Italy and in England, whereas sales decreased in France, Brazil and North America due to a poor industrial environment.

Sales of brushes to the automobile industry rose significantly in North America, particularly thanks to the sales of integrated brush and brush-holder assemblies. This helped to compensate for the decline in Europe resulting from the relocation of equipment manufacturers in the fields of household appliances and portable tools. The upswing in sales in the USA provides confirmation of the success of the overall offering strategy of integrated assemblies for the major automobile equipment manufacturers and of the measures taken at Farmville to address the technical problems encountered at the end of 1997.

In spite of this adverse environment, the operating margin stayed at a very good level, with an overall figure of 14.4% compared with 15.1% for the first half of 1998. The action plans currently being implemented (productivity and the development of integrated assemblies) will enhance the effects of any rebound in activity. The first signs of such an upturn appear to be close for industrial brushes. For automobile brushes, sales in North America should stabilize at high levels and there may be a slight recovery in Germany; only in household appliances and portable tools are sales expected to remain at low levels.

Historically, the field of Electrical Applications has formed the core of the Group's activity, and indeed CARBONE LORRAINE already holds market-leading positions. The Group intends to further strengthen its key leadership position through acquiring smaller competitors in the field of industrial brushes and through the success of its overall offering strategy and the development of sub-assemblies. These initiatives will make the Group the first-choice international partner for its customers in the automobile sector, and should be reflected by enhanced profits.

Permanent Magnets

Turnover
in million Euros

Operating income
in million Euros

The 14% increase in published sales resulted from the consolidation during the second half of 1998 of the Magnets activity of Philips. One of the main features of the first half of 1999 was the much more aggressive competition in terms of price. The Group's resolve not to concede to short-term, irrational price reductions led to drops in sales volume for Magnets for automobiles, a consequence of which was a 6% decrease in sales, excluding acquisitions and foreign exchange variations.

This drop in sales volume affected strongly the Evreux factory, bought from Philips, and prompted us to react immediately by implementing a radical industrial and commercial action plan. The aims of this plan are to speed up the cost reduction program, to bring this site up to Group standards for management methods and to recover satisfactory volume by the start of the year 2000.

Sales in Magnets for automobiles should be slightly better in Europe and should remain at healthy levels in North America during the second half of the year. From then on they will benefit from the commercial actions mentioned above and from continued penetration of the market for electrical motors in automobiles.

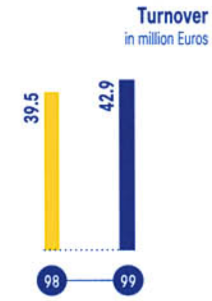
Sales of Magnets for computers continued to perform well in Asia, despite very strong price pressures. This achievement was even more satisfactory in view of the effect on margins of the radical action plans designed to reduce costs.

Generally-speaking, the drop in operating income of Magnets activity was caused by the pressure on prices and by the drop in volumes which resulted from the deliberate efforts to resist further price reductions. Operating income should stabilize during the second half of the year to then continue to grow towards the targeted levels, i.e. about 7 to 8% in 2001 (taking into consideration the development of assemblies for the automobile sector).

Following the take-over of ITT Automotive and Philips's ferrite magnet activities, the Group continued and completed its strategy of globalization in the Magnets for automobiles market by acquiring the ferrite Magnets activities of Tongkook (Korea) at the start of 1999. Carbone Lorraine is now the only international player to have plants in Europe, North and South America and Asia. It intends to become, as it has in brushes, the first-choice international partner for its principal customers in the automobile market. This ambitious project will extend over 3 to 5 years, with positive effects on the results starting from 2000/2001 generated by the synergies expected from acquisitions, and then supported by the gradual rise in the sales of integrated assemblies.

NB: For administrative reasons, Tongkook's activities have not been consolidated into the accounts for the first six months of 1999. For information, however, the sales and operating income for this facility are progressing well.

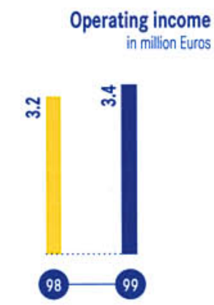
Electrical Protection



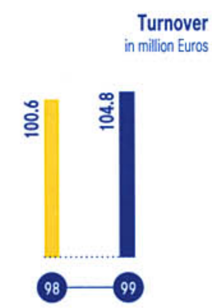
The Electrical Protection activities achieved growth (excluding acquisitions and foreign exchange variations) of 3.3% for the first six months. The upswing in activity in Electrical Protection started during the first quarter (+2% compared with the first quarter of 1998) and was confirmed during the second quarter (+5% compared with the second quarter of 1998). The higher value of published sales (+8.5%) is the consequence of the acquisition of Berg in December 1998.

Organic growth was based mainly on significant increases in sales in Japan and on the start-up of sales of cooling devices in Europe. The environment was poor generally for all other products, but is improving during the second half of the year. In spite of this, the operating margin was good, at 8% of sales, unchanged on 1998.

Illustrating once again its vocation to set up key leadership positions in its markets, in August the Group acquired Gould Shawmut, one of the major players in the industrial fuses sector. Building on its established reputation as the leading technological player in the most sophisticated segment of the industrial fuses market (protecting power semi-conductors), the Group will now apply the same innovation-led policy to become a key leading player across the entire industrial fuses market.The Group has now become n° 2 in the world in this field, and will almost triple its sales, on a yearly basis, to a total of 223 millions Euros. The complementary nature of the product lines, the geographical coverage of the two entities and their ability to innovate should all contribute to a growth in sales. This growth and the large-scale synergies expected have enabled us to increase the operating margin forecast from the 10% formely envisaged in 2000, to 13% in 2003.



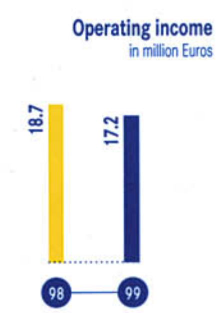
ADVANCED MATERIALS AND TECHNOLOGIES



Although sales fell by 3% during the first six months of 1999 excluding acquisitions and foreign exchange variations (compared with a very high level of activity for the first six months of 1998), we nonetheless have two good reasons to feel satisfied. Firstly, following the 7% drop in sales during the first quarter compared with the same period last year, activity picked up sharply during the second quarter. Secondly, operating incomes remained at very high levels, much greater than those of our principal competitors.

Published sales increased by 4.2% once the following acquisitions had been taken into consideration: Cometec, the Cerberite division of Johnson Radley (integrated during the first six months of 1999), Midland Materials, Vitre-Cell and the assets of Metaullics (integrated during the second six months of 1998).

The sales of Chemical Engineering Equipment increased well in North America and Asia thanks to the penetration of new markets and the exceptional billing of major projects. The penetration of new markets (due to our technologically-innovative products) and the on-going costs reductions made it possible both to improve margins and to resist the low levels of investment in the chemical industry, a direct consequence of the crisis in Asia and the global consolidation in this industry.



In High Temperature Applications there was a significant drop in sales in North America and Europe due to a depressed economic situation in the semi-conductor industry, but the margins resisted remarkably well, thanks to the measures taken to adapt the sites concerned. Apparently a recovery is beginning. This will be confirmed by the current upswing in the semi-conductors industry, and whose first effects will possibly start to be felt towards the end of 1999.

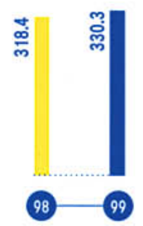
The Braking activity, currently in the development stage, continued to show good profitability despite a temporary dip in sales during the first six months of this year. Sales do, however, appear to be picking up in the second half of the year.

Overall, despite a crisis in the semi-conductor and chemistry sectors, the operating margin achieved by Advanced Materials and Technologies was 16.4%, an excellent figure for the first half of 1999.

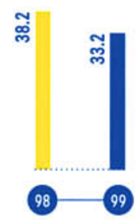
NB: the operating margins for the activities are given before the allocation of administrative expenses.

RESULTS AND OUTLOOK

Consolidated sales
in million Euros



Consolidated operating income
in million Euros



Consolidated sales rose by 3.8% during the first six months of 1999 to 330 million Euros. This increase in activity benefited from the acquisitions made during the second half of 1998 (Magnets activity of Philips, Midland Materials, Vitre-Cell, assets of Metaullics, Berg) and those integrated during the first six months of 1999 (Cometec and the Cerberite division of Johnson Radley). In total, the effect of acquisitions increased the sales figure by 28 millions Euros for the first six months of 1999.

Excluding acquisitions and foreign exchange variations, sales decreased by 2.4% compared with the same period last year. More detailed analysis shows that the trends in activity levels are favorable, increasing by 3% between the first and second quarter of 1999. The recovery in activity should be confirmed between now an the end of the year.

Despite the low levels of sales in Magnets for automobiles in Europe, and in an economic environment in crisis for the High Temperature Applications and Chemical Engineering Equipment businesses, the operating income reached 33 million Euros, i.e. 10% of sales.

The return on capital employed (ROCE) reached 14.8% compared with 19.6% during the first six months of the previous year. The drop in ROCE is related mainly to the active policy of external growth, which has, initially, significantly increased the level of capital employed (+15%) whereas the effects of the expected synergies will become apparent over the next two or three years.

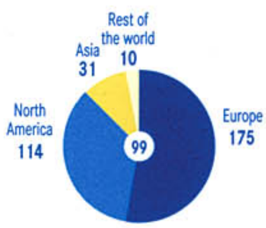
The increase in net financial expenses was also due to the financing of external growth operations. The net current income tax rate was 32.4%.

In total, the Group share of net current income was 19 million Euros as of 30 June 1999, compared with 22 million Euros for the first six months of 1998.

The Group confirmed, during the six-month period, its ability to generate the cash required for financing : the current cash flow before the financing of acquisitions was 10.6 million Euros compared with 4.8 million Euros at the end of June 1998.

At the end of June 1999, the net Group borrowing was 74% of shareholder equity compared with 64% at the end of December 1998.

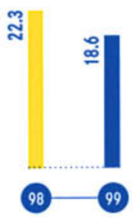
Breakdown of sales by production area
in million Euros
at 06. 30.99



ROCE (return on capital employed)

12.31.98	06.30.99
17.0%	**14.8%**

Net current income
Group share
in million Euros



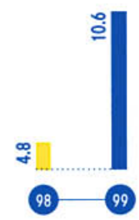
Outlook for the second six months

For the Electrical Components product line, a recovery should be seen in industrial brushes in North America and in the protection of industrial power semi-conductors; moreover, the development of cooling devices for the same semi-conductors should continue at a sustained pace. Finally, the commercial and industrial initiatives focused on Magnets for automobiles in Europe should start to have a positive effect before the end of the year.

The Advanced Materials and Technologies product line should benefit, in terms of the High Temperature Applications activity, from the penetration of new markets and from an improved environment in the semi-conductors market. Good levels of activity are also expected in Braking applications.

Generally, Group performance should improve during the second six months, with increased sales and profits.

Current cash flow
(before the financing of acquisitions)
in million Euros



Debt equity ratio
(Net debt/Shareholders' equity)

At 12.31.98	At 06.30.99
0.64	**0.74**

FIRST HALF-YEAR CONSOLIDATED

CONSOLIDATED BALANCE SHEET

in million Euros	99 June, 30	98 December, 31	98 June, 30
ASSETS			
Fixed assets			
Intangible assets			
Goodwill	139.1	125.2	101.8
Other intangible assets	17.2	15.5	6.9
Tangible assets			
Land	5.9	6.0	5.5
Buildings	38.3	46.2	37.6
Plants, equipment and other tangible assets	85.7	77.2	76.8
Capital expenditures in progress	16.2	11.4	17.4
Financial assets			
Investments	25.5	22.2	16.2
Other financial assets	9.4	8.6	7.9
Total fixed assets	**337.3**	**312.3**	**270.1**
Current assets			
Inventories	115.7	113.7	110.4
Trade accounts and related receivables	139.0	123.1	127.8
Other receivables	29.9	26.6	26.6
Short-term advances	7.7	6.8	10.0
Marketable securities	0.1	0.1	0.4
Cash at bank and in hand	29.5	26.3	40.3
Total current assets	**321.9**	**296.6**	**315.5**
Total assets	**659.2**	**608.9**	**585.6**

in million Euros	99 June, 30	98 December, 31	98 June, 30
LIABILITIES AND SHAREHOLDERS' EQUITY			
Shareholders' equity			
Share capital	21.8	16.4	16.4
Premiums, reserves and retained earnings	222.3	187.9	187.9
Net profit (Group share)	5.4	46.3	32.5
Cumulative translation adjustement (Group share)	0.3	(8.1)	(0.4)
Total shareholders' equity	**249.8**	**242.5**	**236.4**
Minority interests	**5.9**	**6.3**	**5.9**
Total and minority interests	**255.7**	**248.8**	**242.3**
Long-term provisions	36.3	26.5	29.8
Liabilities			
Long-term debt	151.9	104.9	93.1
Trade accounts and related payables	58.2	59.5	52.8
Other payables	57.3	54.1	56.4
Current portion of long-term provisions	8.8	7.8	5.3
Other debt	11.8	19.2	21.7
Current portion of long-term debt	11.8	8.8	27.3
Short-term loans	1.6	-	-
Bank overdrafts	65.8	79.3	56.9
Total liabilities and provisions	**403.5**	**360.1**	**343.3**
Total liabilities and shareholders' equity	**659.2**	**608.9**	**585.6**

CONSOLIDATED INCOME STATEMENT

in million Euros	99 June, 30	98 December, 31	98 June, 30
Net sales	330.3	627.7	318.4
Cost of sales	(228.1)	(426.0)	(212.6)
Gross profit	**102.2**	**201.7**	**105.8**
Operating expenses	(26.8)	(51.0)	(26.1)
Administrative and research expenses	(25.5)	(49.4)	(25.3)
Other operating expenses	(2.3)	(4.6)	(2.9)
Operating profit before depreciation and amortization	**47.6**	**96.7**	**51.5**
Depreciation and amortization	(14.4)	(27.4)	(13.3)
Operating profit	**33.2**	**69.3**	**38.2**
Financial expenses (including interest)	(5.4)	(8.9)	(3.2)
Current income	**27.8**	**60.4**	**35.0**
Current and deferred income tax	(9.0)	(19.7)	(12.0)
Minority interest	(0.2)	(1.0)	(0.7)
Group share of Net current income	**18.6**	**39.7**	**22.3**
Non-recurring items before income tax	(11.5)	10.0	11.8
Net income before goodwill	**7.1**	**49.7**	**34.1**
Depreciation of goodwill	(1.7)	(3.4)	(1.6)
Group share of Net income	**5.4**	**46.3**	**32.5**

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

in million Euros	99 June, 30	98 December, 31	98 June, 30
Cash flow	**33.6**	**70.9**	**35.2**
Changes in working capital	(1.8)	(7.6)	(13.2)
Other changes	(2.7)	(3.5)	(1.3)
Net cash from operations (A)	**29.1**	**59.8**	**20.7**
Investments			
Intangible assets	(10.4)	(12.3)	(6.2)
Tangible assets	(13.1)	(32.1)	(15.2)
Financial assets	(8.1)	(73.8)	(26.0)
Total investment	**(31.6)**	**(118.2)**	**(47.4)**
Proceeds on sales of fixed assets	(6.6)	38.1	40.5
Repayment of long-term loans	0.0	0.1	0.0
Investment grants			
Net cash used in investing activities (B)	**(38.2)**	**(80.0)**	**(6.9)**
Financial activities			
Increase in financial debt	107.0	36.0	11.4
Decrease in financial debt	(70.8)	(62.5)	(41.2)
Net increase (decrease) in financial debt	**36.2**	**(26.5)**	**(29.8)**
Increase in share capital	3.2	10.0	9.9
Funded retirement indemnities	0.0	(2.3)	0.0
Net dividends paid to shareholders	(10.4)	(9.1)	(8.6)
Net cash from financial activities (C)	**29.0**	**(27.9)**	**(28.5)**
Net effect of currency translations on cash (D)	**(0.3)**	**(1.4)**	**(0.3)**
Net increase (decrease) in cash (A+B+C+D)	**19.6**	**(49.5)**	**(15.0)**

SUMMARISED APPENDIX

NOTE N° 1 • Accounting policies and principles of consolidation

The consolidated financial statements of the CARBONE LORRAINE Group have been prepared in accordance with the accounting regulations as set forth in the French law of January 3, 1985.
For the half-year intermediate financial statements, the principles applied are exactly the same as those used for the annual consolidated financial statements and conform with recommendation CNC 99 R 01 dated 03/18/1999.

A – Consolidated subsidiaries

The consolidated financial statements of the Group include LE CARBONE LORRAINE and all significant subsidiaries in which the group holds a controlling interest, directly or indirectly.

B – Foreign currency translation

The financial statements of foreign subsidiaries are translated into French francs and into Euros according to the following method:

- Balance sheet items are translated according to exchange rates at 06/30/1999.
- Profit and loss statement items are translated according to average exchange rates for the six months period.
- Translation adjustements (the Group's share of which appears under shareholders' equity) include the following elements:
  - the effect of changes in foreign exchange rates on balance sheet items,
  - the difference between Net Profit calculated at the average exchange rate and Net Profit calculated at 06/30/1999.

C – Intangible assets

a) Goodwill:

Goodwill, which is the difference between the purchase price of the shares and the market value of the net underlying assets purchased, is recorded as Goodwill and amortized over a period not exceeding 40 years. The current periods used are between 5 and 40 years.

b) Start-up costs:

Start-up costs are amortized over a maximum of 5 years.

c) Patents and licenses:

Patents and licenses are amortized over the period during which they are protected by law. Software is amortized by the straight line method over probable service life, with a maximum of 5 years.

D - Tangible assets

Tangible assets are valued at the cost of purchase or production.
Depreciation for tangible assets is calculated by the straight line method according to the projected life of the asset.
The periods used are:

• Buildings	20 to 50 yrs
• Fixtures and fittings	10 to 15 yrs
• Machinery and equipment	3 to 10 yrs
• Transport equipment	3 to 5 yrs

E – Financial assets

Long-term investments in non-consolidated subsidiaries are carried at cost. In the event of a lasting decline in value, a provision for depreciation is recorded if the book value exceeds current business value, which is determined by reference to the share of net assets held and taking into account medium-term development prospects.

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F – Inventories

Inventories are valued at cost price, which is determined by the weighted average cost method, or at market price if this is lower.

The only indirect costs taken into account in the valuation of inventories in progress and finished products are those related to production.

Provision is made for slow-moving inventories when this is economically justified.

G – Consolidated sales

Net sales include the sales of finished products and the related services, sales of scrap, sales of goods purchased for resale and invoiced shipping costs.

Income from related operations is recorded in the income stratement under the appropriate heading, other income, interest income, non-recurring income or, as a deduction from expenses, selling, general, administrative, or research expenses.

H – Research costs

Research costs are expensed as incurred.

I – Pension plans and retirement indemnities

Group commitments for pension plans and retirement indemnities are determined by applying a prospective actuarial method that takes into account the economic conditions of each contry. These arrangements are funded pension plans or provisions recorded on the balance sheet as rights are acquired by employees.

J – Deferred taxes

Accounting adjustments or restatements performed for consolidation purposes (depreciation, provisions, tax provisions) may affect the results of the consolidated companies. The temporary differences that appear between the taxable base and the consolidated profit result in the calculation of deferred taxes according to the variable carry forward method.

Deferred income tax is included in the assets or liabilities side of the consolidated balance sheet and classified as long-or short-term depending on the individual case.

No provision for withholding taxes is established for earnings for which no distribution is planned.

K – Leasing transactions

Leasing transactions arranged by the group are not reprocessed for the consolidated statements since their impact is not significant (the individual value of assets financed by leasing is less than 0.8 million Euros).

NOTE N° 2 • Shareholders' equity (Group share)

	Number of Shares	Share Capital	Paid-in capital and retained earnings	Net profit	Translation adjustments	Total
Shareholder's equity at 12/31/1997 in MF	**2,023,644**	**101.2**	**1,009.6**	**217.7**	**(2.2)**	**1,326.3**
Net Profit N-1			217.7	(217.7)		–
Dividends paid			(50.6)			(50.6)
Capital increase	667,717	6.7	59.1			65.8
Amortization of paid-in capital			(3.1)			(3.1)
Net profit (Group share)				303.9		303.9
Translation adjustments					(51.0)	(51.0)
Shareholders' equity at 12/31/1998 in MF	**10,785,937 (1)**	**107.9**	**1,232.7**	**303.9**	**(53.2)**	**1,591.3**
Shareholders' equity at 12/31/1998 in M€	**10,785,937 (1)**	**16.4**	**187.9**	**46.3**	**(8.1)**	**242.5**
Net Profit N-1			46.3	(46.3)		-
Dividends paid			(9.6)			(9.6)
Capital increase	103,402	5.4	(2.3)			3.0
Net profit (Group share)				5.4		5.4
Translation adjustments					8.4	8.4
Shareholders' equity at 06/30/1999 in M€	**10,889,339**	**21.8**	**222.3**	**5.4**	**0.3**	**249.8**

(1) The shares were divided on 19 June 1998: 5 new shares with a nominal value of FrF 10 replaced 1 old share with a nominal value of FrF 50.

In 1998, the capital increase was attributable to:
- the conversion of 128,330 bonds issued in 1993,
- the capital increase resulting from an employee share plan, with the issue of 12,997 shares.

In 1999, the increase in capital was attributable to:
- the decision taken during the General Meeting held on 5 May 1999 in its seventh resolution, to convert the nominal values of the shares issued on 12.31.1998 to 2 Euros by incorporating a part of the share premium,
- the capital increase resulting from an employee share plan, with the issue of 3,440 shares,
- the capital increase intended for the employees with the issue of 99,962 shares.

NOTE N° 3 • Changes in consolidated subsidiaries

The companies consolidated in 1998 contributed additional sales of 24.9 millions of Euros and operating income worth 0.1 million of Euros compared with the 1st six months of 1998; the main acquisition was the magnets activity bought from Philips.

Cometec was consolidated on January 1st 1999 using the global integration method; the impact on the financial statements for the first six-month period was sales of 2.3 millions of Euros and operating income worth 0.2 million of Euros.

Le Carbone GB (Great Britain), already a consolidated company, acquired the assets of the Cerberite division of Johnson Radley at the beginning of the year.

These various changes are summarised in the following table:

in million Euros	98 Excluding acquisitions	98 Acquisitions	98 June, 30 Published figures	99 Excluding acquisitions for 1998	99 Acquisitions	99 June, 30 Published figures
Sales	314.1	4.3	318.4	302.2	28.1	330.3
Operating income	37.6	0.6	38.2	32.8	0.4	33.2

Only little income was generated by these acquisitions due to the poor levels of activity at the Evreux plant, bought from Philips. A commercial and industrial action plan is being implemented to enable sales for this site to recover and acceptable income to be generated.

NOTE N° 4 • Assets

in million Euros	99 June, 30	98 December, 31	98 June, 30
Net goodwill	139.1	125.2	101.8
Other intangible items	17.2	15.5	6.9
Intangible assets	**156.3**	**140.7**	**108.7**
Tangible assets	**146.1**	**140.8**	**137.3**
Financial assets	**34.9**	**30.8**	**24.1**
Total fixed assets	**337.3**	**312.3**	**270.1**

Net fixed assets increased by 25 millions of Euros during the first six months due mainly to:
- goodwill increasing by 13.9 millions of Euros, including 12.4 millions of Euros due to foreign exchange variations,
- tangible assets increasing by 5.3 millions of Euros, including 6.7 millions of Euros due to foreign exchange variations,
- financial assets increasing by 4.1 millions of Euros, (4.6) millions of Euros of which related to the transfer of shares in the Cometec company, consolidated on June 30 and +6.5 millions of Euros relating to the capital increase granted to the Korean subsidiary for the acquisition of the Magnets activity of Tongkook.

NOTE N° 5 • Long and short-term provisions

in million Euros	99 June, 30 LT	99 June, 30 ST	98 December, 31 LT	98 December, 31 ST	98 June, 30 LT	98 June, 30 ST
Provisions for deferred income taxes	4.8	1.1	3.1	0.8	3.3	0.9
Provisions for pensions and retirement indemnities	21.5	1.9	21.0	1.5	20.5	1.6
Other provisions for contingencies	9.1	5.8	1.5	5.4	5.0	2.8
Investment grants	0.9	-	0.9	-	1.0	-
Total	**36.3**	**8.8**	**26.5**	**7.7**	**29.8**	**5.3**

The provisions for pensions and retirement indemnities primarily relate to unfunded benefits for French and German subsidiaries.
Other provisions for contingencies include restructuring costs for various industrial sites.
As part of the normal running of its business, the Group is, moreover, committed to the fiscal, legislative or administrative procedures of various countries in which it conducts its activities. Although the outcome of these procedures is uncertain, based on the information available, the provisions that have been built up cover all the risks which are known and which can be evaluated at this time.

NOTE N° 6 • Net debt

The Group's consolidated net debt increased by 34 millions of Euros during the first six months of 1999, 17.7 millions of Euros of which was due to the effect of foreign exchange variations, whilst the remainder related to the financing of acquisitions.

in million Euros	99 June, 30	98 December, 31	98 June, 30
Long and medium-term debt	151.9	104.9	93.1
Current portion of long term debt (excluding accrued interest)	11.8	8.8	27.3
Short-term loans	1.6	-	-
Bank overdrafts	65.8	79.3	56.9
Total gross debt	**231.1**	**193.0**	**177.3**
Marketable securities	(0.1)	(0.1)	(0.4)
Short-term financial debt	(7.7)	(6.8)	(10.0)
Cash at bank and in hand	(29.5)	(26.3)	(40.3)
Total net debt	**193.8**	**159.8**	**126.6**

NOTE N° 7 • Non-recurring items

in million Euros	99 June, 30	98 December, 31	98 June, 30
Investment impairment allowance	0.0	(1.4)	(1.3)
Retirement indemnity	(0.3)	(1.3)	(0.3)
Capital gain from the disposal of the Sealing activity	-	31.1	31.5
Other non-recurring items	(11.0)	(9.8)	(6.8)
Tax on non-recurring items	(0.2)	(8.6)	(11.3)
Total of net non-recurring items	**(11.5)**	**10.0**	**11.8**

In 1998, other non-recurring items consisted mainly of the cost of restructuring the various industrial sites and provisions for risks relating to sold products.

In 1999, other non-recurring items consisted mainly of restructuring costs and a provision for a possible fine related to a litigation with the US antitrust authorities.

NOTE N° 8 • Activity-based breakdown

Breakdown of total sales per activity as a %	99 June, 30	98 December, 31	98 June, 30
Electrical Components			
Electrical Applications	25.5	26.4	27.3
Electrical Protection	13.0	13.2	12.4
Permanent Magnets	29.8	29.0	27.2
Advanced Materials and Technologies	31.7	30.6	31.6
Sealing and miscellaneous (1)	-	0.8	1.5

Breakdown of operating income / sales per activity (2) as a %	99 June, 30	98 December, 31	98 June, 30
Electrical Components			
Electrical Applications	14.4	14.1	15.1
Electrical Protection	7.9	7.7	8.2
Permanent Magnets	4.3	6.5	7.4
Advanced Materials and Technologies	16.4	17.6	18.5
Sealing and miscellaneous (1)	-	-	15.6

(1) Activity disposed of at the start of 1998.

(2) Operating income before breakdown of administrative expenses. Administrative expenses accounted for 1.3% and 1.1% of sales at the end of June 1998 and the end of June 1999 respectively.

NOTE N° 9 • Significant events since 06.30.99

CARBONE LORRAINE announced in July 1999 its intention to acquire the Electrical Protection activities of the American group Gould Electronics for 143 million dollars. This transaction which had to be approved by the authorities in the various countries concerned, was completed by the end of August 1999, and the activity will be consolidated by global integration as from September 1st, 1999. This activity posted sales of 140 million dollars in 1998.

STATUTORY AUDITOR'S REPORT ON THE LIMITED EXAMINATION OF THE CONSOLIDATED HALF-YEAR FINANCIAL STATEMENTS (Period from 1 January to 30 June 1999)

We conducted a limited examination of the consolidated half-year financial statements for LE CARBONE LORRAINE, covering the period from 1 January to 30 June 1999, as attached to this report.

The Board of Directors was responsible for drafting these consolidated half-year financial statements. It is our responsibility, based on our limited examination, to express our opinion of these statements.

We conducted this examination in accordance with generally-accepted auditing standards; these standards demand that the examination be conducted conscientiously, although with less rigour than an audit, such as to ensure that the consolidated half-year financial statements do not contain any significant anomalies. An examination of this type does not include all the checks required for an audit, but is limited to applying the analytical procedures and to obtaining from the directors and all competent persons all the information that we considered necessary.

Based on our limited examination, we did not find any significant anomalies that might cast doubt on the reliability and accuracy of the consolidated half-year financial statements and the faithful representation that they provide of the results of the transactions occurring during the last six months, and of the financial situation and assets of the entity formed by the companies included in the consolidation.

We also checked the information given in the six-monthly report. We have no observations to make as to their accuracy.

Paris and Neuilly, France, 20th September 1999

The Statutory Auditors

Ernst & Young Audit
Jean COROLLER

Deloitte Touche Tohmatsu
Jean-Luc POUMAREDE

Reuters code: CBLP.PA

http://www.finance.carbonelorraine.com

CAPITAL

Number of shares at 06.30.99	10,889,339
PARIBAS:	22%
PUBLIC:	78%

GROUPE
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