2001 Half-Year Report

GROUPE CARBONE LORRAINE

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Message from the Chairman

Dear shareholder,

Since my presentation of year 2000 financial results last March, economic conditions have deteriorated significantly in North America. Additionally, there is increasing concern regarding the future of the European economy.

Despite this unfavorable operating environment, your Group managed to achieve positive sales growth and maintain high profit margins over the first half of 2001, excluding acquisitions and foreign exchange variations. This resistance to adverse economic conditions confirms the validity of Carbone Lorraine's model for growth. This model is based on: offering innovative solutions to customers; constantly improving our cost position; the diversity of our industrial and geographic markets; winning significant market share; and our management methods which strongly focus on continuous improvement.

I would particularly like to emphasize that not only can the Group weather poor economic conditions, but it can also return to impressive profit levels as soon as the recovery arrives. Our initiatives already in place, together with those implemented during this last half-year in the industrial and commercial fields, should enable us to grow more rapidly both in terms of size and profits than our competitors. This ability to bounce back fully justifies the choice that you made when you became a shareholder in Carbone Lorraine. I would like to thank you for the strong confidence you have shown in the Group.

Claude Cocozza > Chairman and CEO

About electric motors

For the first half of 2001, Carbone Lorraine sales were 423 M€, a rise of 2% excluding acquisitions and foreign exchange variations. Although activity levels during the second quarter were generally less well sustained compared with the first, positive organic growth in sales was achieved for this six-month period.

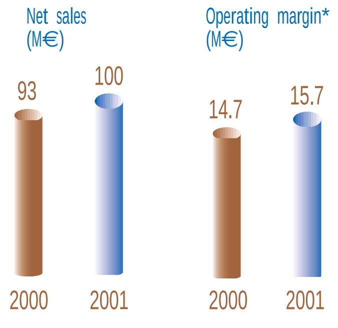
This performance was largely made possible by the diversity of our geographical and industrial markets. Growth in Europe, Asia and South America compensated for the slow-down in the North American economy. In the same way, strong performance in industrial motor brushes and in the Advanced Materials & Technologies division counterbalanced the fall in automobile production in North America. Our greater than 5% organic growth (excluding the North American automobile sector), in addition to the development in the financial results for the first half of the year, illustrates just how well the Group is able to resist unfavorable economic conditions.

Our new improvement initiatives implemented during the half-year will allow a rapid resurgence in results as soon as the economic situation improves.

■ Electrical Applications

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 comparable to last year's levels. We have made the most of the good economic environment in Europe and Brazil where we have won market share.
On the other hand, sales of brushes to the automobile sector dropped sharply in North America. This decrease matched the drop in production levels for the three main American manufacturers (-16%), and was much greater than the actual drop in automobile sales (- 9 %) as a result of inventory reduction actions.
The overall result of this contrasting situation was a stabilization of sales in the Electrical Applications division at 100 M€, excluding acquisitions and foreign exchange variations.
Operating margin (15.7%) was essentially unchanged compared with the first six months of 2000. This was a satisfactory achievement in view of the very negative effects on profits resulting from decreased North American automotive production. This not only reduced the sales of existing products, but also slowed the introduction of new products. The Group more than compensated for these effects by productivity gains, which enhanced economy-of-scale effects in brushes for industrial applications.
A notable event during the six-month period was the acquisition of AVO at the end of April. This has led to the integration of a high-quality team dedicated to the development of brush-brush holder assemblies for small electric motors. This acquisition will have a positive impact on sales and operating income starting in the second half of this year.

■ Electrical Applications

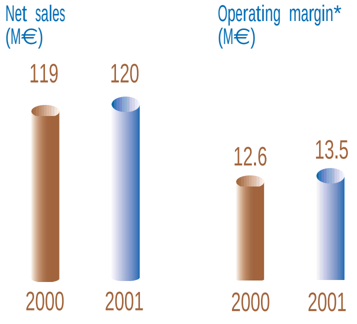


*before apportionment of corporate charges

Electrical Protection

The Electrical Protection division was largely able to overcome decreased sales of low-voltage fuses by achieving significant sales of high-power switches.
The 4% dip in low-voltage sales activity was particularly noticeable in North America as a result of inventory adjustments made by distributors. These inventory levels now appear to have stabilized.
Sales in Europe rose slightly during the half-year, while strong growth was achieved in Japan, due primarily to high-power switches.
In total, excluding acquisitions and foreign exchange variations, sales for the Electrical Protection division slipped by 1% over the six-month period to 120 M€.
Operating margin reached 11.2% thanks to strong management of production costs in North America. Acting quickly, we reversed a planned workforce buildup to match customer inventory and investment reductions.
Our reaction to the changing economic climate clearly went further than tight management of our North American workforce. We made further productivity gains in Europe, continued to introduce new products such as the "SmartSpot" fuse, and developed numerous product enhancements resulting from the synergies generated by the Shawmut acquisition.
The agreement signed at the end of 2000 with the American electrical equipment distributor group Affiliated Distributors is another good example of the synergies generated by the merger of Ferraz and Shawmut. Significant effects on sales will start to be seen in the second half of the year as a result of this agreement.
The slow down in investment spending on electrical equipment noted earlier this year will probably preclude a strong recovery within Europe and North America during the second half of the year. The positive points mentioned previously infer that Electrical Protection division sales and profits will bounce back strongly as soon as the economic situation improves.

Electrical Protection

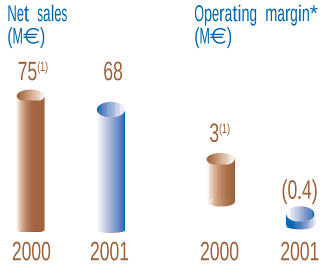


*before apportionment of corporate charges

Permanent Magnets

Sales of Permanent Magnets fell by 11% to 68 M€ during the first half of the year, excluding acquisitions and foreign exchange variations. Largely caused by the 16% drop in North American automotive production, the impact for Carbone Lorraine was further amplified by the difficulties experienced by our primary local customer. In contrast, we made strong progress in winning new customers in this zone. New customer sales have increased by 12% since the start of the year.
Magnet sales in Europe, which account for 55% of the division's sales, were up slightly.
We will now take full advantage of the growth in sales of inductors (i.e. magnet assemblies inside motor casings) supported by our recently completed automated production lines.
In Asia, sales of magnets slipped during the half-year due to the poor performance of the Korean market during the first months of the year. The second quarter showed an improving situation. The picture was brighter in Brazil, with sales progressing strongly throughout the six-month period.
Despite the considerable impact of decreased automotive production in North America, the division nonetheless managed to maintain its operating margin at a stable level, helped in part by cutting our North American workforce by 20% during this first half of the year.

Permanent Magnets



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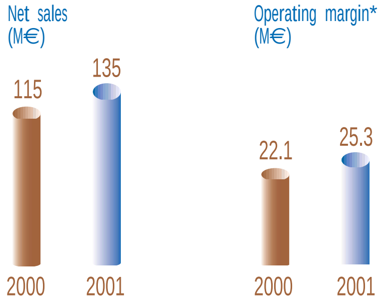
About graphite

■ Advanced Materials & Technologies



*before apportionment of corporate charges

■ Advanced Materials & Technologies

Finally, as we anticipated, sales in the Advanced Materials and Technologies division increased strongly by 15% to 135 M€, excluding acquisitions and foreign exchange variations.

Sales for High-Temperature applications increased by 14% during the six-month period despite decreased demand from electronics markets during the second quarter.

We once again achieved strong growth in Braking activity (up 7% despite an unfavorable comparison with last year, since there were no deliveries for the Korean high-speed train this year). The good progress was shared by all the sectors involved : aeronautical, rail and motorbike. If deliveries for the Korean TGV in 2000 are excluded, organic growth reached almost 35%. This strong growth should continue since we are penetrating new segments and are winning market share in existing sectors thanks to the superior technical performance of our brakes.

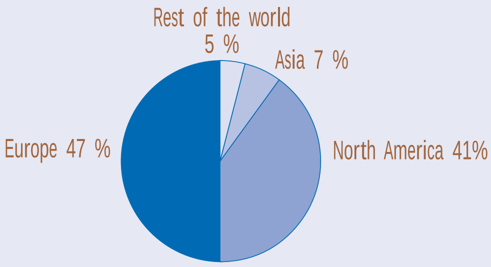
We also maintained growth at a high rate in anti-corrosion equipment (+ 14%). Fueled by both graphite and noble metal exchangers our performance exceeded the market average in this sector. We have outperformed our competition with higher performing, but more expensive products.

Future developments in this sector will be closely dependent on the levels of capital expenditure in the pharmaceutical and chemistry industries. However, in the near/mid-term, replacement of more traditional equipment with our high-performance equipment will continue to act in our favor and will boost our sales compared with those of our competitors.

We maintained operating margin for the Advanced Materials & Technologies division at the high level of 18.7%.

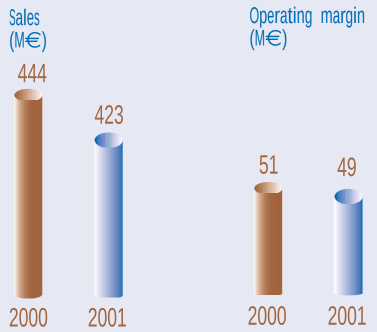
Results

■ Geographical breakdown of net sales

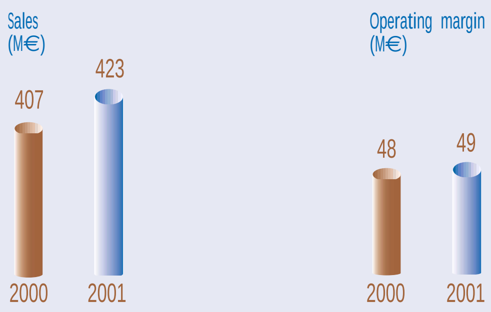


On a Group level, we maintained operating margin at 11.6% of sales. In absolute value, it fell by 4% due to disposal of the magnets for computer applications activity last October. Based on the 2001 consolidated structure, operating income increased by 3%, despite the less favorable economic context.

■ Consolidated sales and operating margin

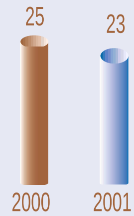


■ Consolidated sales and operating margin based on a comparable structure

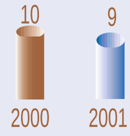


The stronger American dollar, when applied to the conversion of the dollar component of our debt into euros, explains the increase in financial expenses. Excluding the impact of exchange adjustments, financial expenses fell by 1.8 M€ as a consequence of a lower average debt and the drop in interest rates. Disposal of magnets for computer applications and the impact of exchange rates on financial expenses explains the fall in the net current income.

■ Group share of net current income (M€)



■ Net cash from current operations (M€)



During the half-year, the Group generated net cash from current operations of 8.6 M€, before financing acquisitions. The debt equity ratio was 1.02 at the end of June 2001 compared with 0.96 at the end of December 2000. The increase was due mainly to the impact of the weaker dollar on the conversion into euros of the dollar component of our debt, whereas shareholder equity was reduced by the dividend paid to shareholders.

In **conclusion**, the diversity of our markets has enabled us to limit the effects of the North American economic slow-down on our growth. Our aggressive approach to sales and the launch of new products also explain how we have generated growth of 2% during the half-year, a remarkable achievement in view of the prevailing economic condition. The Group's dynamism has been particularly well illustrated by our overall growth, excluding the North American automotive market, which was more than 5%. The second quarter was certainly less buoyant, however, it appears that inventory levels in the automobile and electrical equipment sectors may have stabilized.
In this context, we have taken strong and prudent measures to adjust our costs. We have also pursued our continuous improvement initiatives, resulting in improved profitability.
We can therefore count on a rapid resurgence in sales growth as soon as the economy improves. In view of the strong measures we have taken across all our activities, we should thus achieve a significant leap forward in financial results.

Consolidated balance sheet

ASSETS	June 30, 2001 M€	Dec. 31, 2000 M€	June 30, 2000 M€
FIXED ASSETS			
Intangible assets			
> Goodwill	247.7	218.0	223.6
> Other intangible assets	23.5	23.7	19.2
Tangible assets			
> Land	13.0	12.3	14.1
> Buildings	54.1	50.8	48.8
> Plant, equipment and other tangible assets	116.5	113.5	119.4
> Capital expenditure in progress	19.6	15.6	25.0
Financial assets			
> Investments	17.0	17.6	18.9
> Other financial assets	22.7	17.2	14.7
Total fixed assets	**514.1**	**468.7**	**483.7**
CURRENT ASSETS			
> Inventories	168.5	155.5	158.3
> Trade accounts and related receivables	197.7	161.0	179.8
> Other receivables	52.4	45.9	44.1
> Short-term advances	5.0	0.8	4.2
> Marketable securities	5.6	2.9	2.0
> Cash at bank and in hand	22.7	27.3	6.9
Total current assets	**451.9**	**393.4**	**395.3**
TOTAL ASSETS	**966.0**	**862.1**	**879.0**

LIABILITIES AND SHAREHOLDERS' EQUITY	June 30, 2001 M€	Dec. 31, 2000 M€	June 30, 2000 M€
SHAREHOLDERS' EQUITY			
> Share capital	22.2	22.2	22.2
> Premiums, reserves and retained earnings	260.8	235.4	235.2
> Net Profit (Group share)	17.2	41.2	22.6
> Translation adjustment (Group share)	23.6	10.5	9.9
Total shareholders' equity	**323.8**	**309.3**	**289.9**
> Minority interests	3.6	4.3	5.9
Total and minority interests	327.4	313.6	295.8
> Long-term provisions	43.5	39.4	39.8
LIABILITIES			
> Long-term debt	303.4	287.5	269.5
> Trade accounts and related payables	91.6	76.7	80.2
> Other payables	79.0	67.7	71.8
> Current portion of long-term provisions	13.6	14.5	15.8
> Other debt	41.9	17.7	15.9
> Current portion of short-term debt	14.2	15.7	15.0
> Short-term loans	0.2	0.1	1.1
> Bank overdrafts	51.2	29.1	74.1
Total liabilities provisions	**638.6**	**548.5**	**583.2**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**966.0**	**862.1**	**879.0**

Consolidated income statement

Carbone Lorraine Group	June 30, 2001 M€	Dec. 31, 2000 M€	June 30, 2000 M€
> Net sales	422.7	876.1	444.3
> Cost of sales	(286.1)	(594.8)	(303.2)
Gross profit	**136.6**	**281.2**	**141.1**
> Operating expenses	(33.7)	(69.7)	(34.9)
> Administrative and research expenses	(32.2)	(68.1)	(34.3)
> Other operating expenses	(3.4)	(5.9)	(2.5)
Operating profit before depreciation and amortization	**67.3**	**137.5**	**69.4**
> Depreciation and amortization	(18.4)	(36.2)	(18.5)
Operating profit	**48.9**	**101.4**	**50.9**
> Financial expenses (including interest)	(15.2)	(30.1)	(13.7)
Current income	**33.7**	**71.3**	**37.2**
> Current and deferred income tax	(10.9)	(23.6)	(12.6)
> Minority interest	(0.3)	0.2	(0.1)
Group share of net current income	**22.5**	**47.9**	**24.5**
> Non-recurring items (after tax)	(2.1)	(0.6)	1.2
Net income before depreciation of goodwill	**20.4**	**47.4**	**25.7**
> Depreciation of goodwill	(3.2)	(6.2)	(3.1)
Group share of net income	**17.2**	**41.2**	**22.6**

Consolidated statement of cash flows

	June 30, 2001 M€	Dec. 31, 2000 M€	June 30, 2000 M€
CASH FLOW	**43.1**	**89.2**	**43.7**
> Changes in working capital	(17.5)	(11.3)	(9.7)
> Other changes	(3.2)	(7.8)	(3.0)
(A) Net cash from operations	**22.4**	**70.1**	**31.0**
INVESTMENTS			
> Intangible assets	(1.9)	(8.2)	(1.7)
> Tangible assets	(12.6)	(29.8)	(17.8)
> Financial assets	(0.2)	(2.3)	(1.8)
> Proceeds on sales of fixed assets	0.9	2.3	0.4
(B) Net cash used in investing in operation-related activities	**(13.8)**	**(38.0)**	**(20.9)**
(C) Net cash from current operations	**8.6**	**32.1**	**10.1**
> Net investments relating to the impact of changes in consolidation	(5.9)	32.3	0.0
(D) Net cash flow	**2.7**	**64.3**	**10.1**
> Increase in share capital	0.1	6.5	6.2
> Net dividends paid to shareholders	(12.8)	(10.4)	(10.3)
> Net cash in non-operation related activities	(1.5)	(9.9)	(8.0)
(E) Net change in financial debt	**(11.5)**	**50.5**	**(2.0)**

Summarized notes to consolidated financial statements

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 CRC (rule 99-02) pertaining to consolidated financial statements of commercial and public companies.
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 CNC recommendation 99 R 01 of 18/3/1999.

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 euros according to the following method:
- Balance sheet items are translated into euros at the rate in force on 30/6/2001.
- Profit and loss statement items are translated at average rates for the relevant half-year.
- Translation adjustments (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 half-year rate and Net Profit calculated at the rate in force on 30/6/2001.

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 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 over its probable service life, with a maximum of 5 years.

D – Tangible assets

Tangible assets are valued at the cost of purchase or production.
The 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 years
• Fixtures and fittings	10 to 15 years
• Machinery and equipment	3 to 10 years
• Transport equipment	3 to 5 yearsk

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 the net assets held and taking into account medium-term development prospects.

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 includes 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 statement 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 country. 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 deductions) 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 taxes are recorded under assets or liabilities as a long or short-term item on the consolidated balance sheet as applicable.

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

K – Leasing transactions

Lease transactions arranged for goods whose original value (or currency equivalent) is greater than 0.8 million euros are reprocessed for the consolidated statements. Arrangements for financing goods for a lesser value are not reprocessed, since their impact is not significant.

L – Non-recurring items

Non-recurring items correspond to the expenses and income generated that are not related to the day-to-day management of the Company. They are characterized in general by their unusual and one-off nature.

NOTE N° 2 • SHAREHOLDERS' EQUITY (Group share)

	Number of shares	Share Capital M€	Paid-in capital and retained earnings M€	Net Profit M€	Translation adjustments M€	Total M€
Shareholders' equity at Dec. 31, 1999	**10 895 464**	**21.8**	**222.7**	**16.3**	**3.3**	**264.1**
1999 Net profit			16.3	(16.3)		0.0
Dividends paid			(9.5)			(9.5)
Capital increase	214 269	0.4	6.0			6.4
2000 Net profit (Group share)				41.2		41.2
Translation adjustments					7.1	7.1
Shareholders' equity at Dec. 31, 2000	**11 109 733**	**22.2**	**235.4**	**41.2**	**10.5**	**309.3**
2000 Net profit			41.2	(41.2)		0.0
Dividends paid			(15.8)			(15.8)
Capital increase	7 500	0.0				0.0
2001 Net profit (Group share)				17.2		17.2
Translation adjustments					13.1	13.1
Shareholders' equity at June 30, 2000	**11 117 233**	**22.2**	**260.8**	**17.2**	**23.6**	**323.8**

In 2000, the capital increase resulted from:

• capital increase through exercise of stock options granted to employees with creation of 14 271 shares.

• the capital increase reserved for employees with creation of 199 998 shares.

In 2001, the capital increase resulted from:

• capital increase through exercise of stock options granted to employees with creation of 7 500 shares.

NOTE N° 3 • CHANGES IN CONSOLIDATED SUBSIDIARIES

The main changes in consolidated subsidiaries relate to:

1 – The acquisition of the AVO company on May 1st 2001, which was consolidated in accordance with the global integration method.

2 – The entry into the consolidated structure of companies as a result of giving subsidiary status to the industrial activities of LCL France, implemented on January 1st 2001, with no impact on the Group's consolidated statements.

3 – The release from the consolidated structure of certain assets and companies further to the disposal of the Rare Earths Magnets activity, carried out at the end of October 2000.

The impact of the changes in consolidated structure is given below:

	June 30, 2000 M€			June 30, 2001 M€
	Published	**Change in consolidation**	**Based on 2001 structure**	**Published**
Net sales	444.3	(37.5)	406.8	422.7
Operating profit	50.9	(3.3)	47.6	48.9

NOTE N° 4 • ASSETS

	6/2001 M€	12/2000 M€	6/2000 M€
Goodwill	247.7	218.0	223.6
Other intangible assets	23.5	23.7	19.2
Intangible assets	271.2	241.7	242.8
Tangible assets	203.2	192.3	207.3
Financial assets	39.7	34.7	33.6
Total fixed assets	**514.1**	**468.7**	**483.7**

Net fixed assets increased by 45.4 M€ in the first half of the year, made up mainly of:

- 29.7 M€ for goodwill of which 17 M€ was due to translation adjustment,
- 10.9 M€ of tangible assets, of which 8.9 M€ was due to translation adjustment,
- 5 M€ of increase in financial assets, 2.8 M€ of which related to the future part payment for the disposal of Euromag, and 2.0 M€ for long-term deferred income tax on assets.

NOTE N° 5 • LONG AND SHORT-TERM PROVISIONS

	June 2001		December 2000		June 2000	
	M€ LT	M€ CT	M€ LT	M€ CT	M€ LT	M€ CT
Provisions for deferred income tax	13.9	1.2	10.0	1.0	9.9	1.5
Provisions for pensions and retirement indemnities	25.2	9.9	24.1	2.7	23.7	2.4
Other provisions for contingencies	4.2	2.5	4.6	10.8	5.4	11.9
Investment grants	0.2	0.0	0.7	0.0	0.8	0.0
Total	**43.5**	**13.6**	**39.4**	**14.5**	**39.8**	**15.8**

The provisions for pensions and retirement indemnities relate to unfunded benefits for French and German companies.
Other provisions for contingencies includes restructuring costs for the various industrial sites.
In the normal course of its business, the Group is also engaged in administrative, regulatory or fiscal proceedings in a number of countries where it is present. The outcome of these proceedings is uncertain; on the basis of information currently available, the provisions cover all known risks which can be evaluated at this time.

NOTE N° 6 • NET CORPORATE DEBT

The Group's net corporate debt increased by 34.1 M€ in the first half of 2001, 25.1 M€ of which were attributable to translation adjustments and 3.4 M€ attributable to the changes in consolidated structure.

	6/2001 M€	12/2000 M€	6/2000 M€
Long and medium-term debt	303.4	287.5	269.4
Current portion of long-term debt (excluding accrued interest)	1.1	2.0	1.0
Short-term loans	13.2	13.9	15.1
Bank overdrafts	51.2	29.1	74.1
Total gross debt	**368.9**	**332.5**	**359.6**
Marketable securities	(5.6)	(2.9)	(2.0)
Short-term advances	(5.0)	(0.8)	(4.2)
Cash at bank and in hand	(22.7)	(27.3)	(6.9)
Total net debt	**335.6**	**301.5**	**346.5**

NOTE N° 7 • NON-RECURRING ITEMS AFTER TAX

	6/2001 M€	12/2000 M€	6/2000 M€
Investment impairment allowance	(1.3)	(1.9)	0.0
Retirement indemnity	(0.5)	(1.1)	(0.5)
Provision for dispute	(0.9)	(1.2)	0.0
Net capital gains	2,6	3.5	0.0
Other non-recurring expenses and revenues	(2.0)	0.1	1.7
Non-recurring items after tax	**(2.1)**	**(0.6)**	**1.2**

• In June 2000, other non-recurring items primarily included the impact of the entry of the Korean plant into the Group's consolidated structure.

• In December 2000, the net capital gain recorded corresponded to the sale of the Rare Earths Magnets activity for computer and industrial applications.

• In June 2001, the net capital gain recorded corresponded to the sale of the Magnets activity for specialties, in addition to the outstanding balance on the sale of the Rare Earths Magnets activity for computer and industrial applications.

The other non-recurring items primarily included industrial restructuring costs (1.5 M€).

NOTE N° 8 • BREAKDOWN OF SALES AND OPERATING MARGINS

Analysis of sales broken down into activity

	6/2001 (as a %)	12/2000 (as a %)	6/2000 (as a %)
Electrical Applications	23.6	21.2	21.0
Electrical Protection	28.4	24.2	26.7
Permanent Magnets	16.0	27.4	26.4
Advanced Materials and Technologies	32.0	27.2	26.0

Breakdown of Operating income / Sales for each activity (1)

	6/2001 (as a %)	12/2000 (as a %)	6/2000 (as a %)
Electrical Applications	15.7	15.3	15.8
Electrical Protection	11.2	11.0	10.6
Permanent Magnets	- 0.6	4.3	5.9
Advanced Materials and Technologies	18.7	19.9	19.1

(1) Operating income before apportionment of corporate charges. Corporate charges accounted for 1.1% of sales at the end of June and December 2000 and 1.2% of sales at the end of June 2001.

Statutory auditors' review report

ON THE HALF-YEAR CONSOLIDATED FINANCIAL STATEMENTS

Period from 1 January to 30 June, 2001

Pursuant to article L. 232-7 of the French Companies Act (Code de commerce), we have reviewed the accompanying half year consolidated financial statements of Carbone Lorraine Group prepared in euros, covering the period from 1 January to 30 June 2001 and verified the information contained in the half year management report.

The half year consolidated financial statements are the responsibility of your Board of Directors. Our responsibility is to issue a report on these financial statements based on our review.

We conducted our review in accordance with professional standards applicable in France. Those standards require that we perform limited procedures, to obtain an assurance, which is less than obtained in an audit, as to whether the half year consolidated financial statements are free of material misstatement. We have not performed an audit as a review is limited primarily to analytical procedures and to inquiries of group management and knowledgeable personnel on information that we deemed necessary.

Based on our review, nothing has come to our attention that causes us to believe that the half year consolidated financial statements, prepared in accordance with accounting principles generally accepted in France, do not give a true and fair view of the financial position and the assets and liabilities of the Group as at 30 June 2001 and of the results of its operations for the six month period then ended.

We have also verified, in accordance with professional standards applicable in France, the information contained in the half year management report supplementing the half year consolidated financial statements submitted to our review.

We have no comment to make as to the consistency with the half year consolidated financial statements and the fairness of the information contained in the half year management report.

Paris and Neuilly, France, September 13, 2001

The Statutory Auditors

Ernst & Young Audit

G. Rabier

Deloitte Touche Tohmatsu

J.L. Poumarède A. Penanguer

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