

HALF YEAR SALES TO JUNE 2002

Carbone Lorraine posted sales of €193m during the second quarter, down 10% from the level reported in the second quarter of 2001 and down 6% on a like-for-like basis. Compared with the first quarter of the year, business picked

up during the second quarter, with sales advancing by 4% on a like-for-like basis. However, this trend does not appear to carrying through into the third quarter, even adjusting for seasonal fluctuations.

Geographical sales analysis

	Q2 2002 Sales (€M)	Variation Q2 2002 / Q2 2001 in % *	Variation Q2 2002 / Q1 2002 in % *
Europe	102	- 4 %	+ 3 %
North America	73	- 9 %	+ 2 %
Asia	11	- 2 %	+ 21 %
Rest of the world	7	+ 2 %	+ 16 %
Total	193	- 6 %	+ 4 %

* On a like-for-like basis

In **Europe**, sales came to €102m during the second quarter, representing a decline of 4% on a like-for-like basis compared with Q2 2001. This was a smaller fall than the 10% posted during the previous quarter owing to a more favourable base of comparison and sequential quarterly sales growth of 3%. Notwithstanding the very poor conditions prevailing in most countries, this sequential increase in sales was achieved through the Group's strong positions with expanding automotive equipment suppliers and exceptionally high deliveries of fuses to the Italian railways.

In **North America**, Carbone Lorraine posted second-quarter sales of €73m, down 9% compared with the second quarter of last year and up 2% compared with the previous quarter. Sales showed a significant sequential

quarterly increase in the Electrical Applications and Electrical Protection markets. Conversely, sales of magnets to automotive customers started to decline as some of our customers' models reached the end of their life cycle.

In **Asia**, second-quarter sales fell back to €11m, down 2% compared with the year-earlier period. The decline was particularly significant in Japan in anti-corrosion equipment and Electrical Protection. Business was brisk in South Korea.

Sales in the **rest of the world** totalled €7m during the second quarter, representing an increase of 2% in both Brazil and South Africa in spite of a major reduction in sales of anti-corrosion equipment.

Analysis of sales by segment

	Q2 2002 Sales (€M)	Variation Q2 2002 / Q2 2001 in % *	Variation Q2 2002 / Q1 2002 in % *
Electrical Applications	52	- 3,5 %	+ 5 %
Magnets	30	- 2 %	- 1 %
Electrical Protection	51	- 9 %	+ 5 %
Advanced Materials and Technologies	60	- 8 %	+ 4 %
Total	193	- 6 %	+ 4 %

* On a like-for-like basis

Second-quarter sales totalled €52m in **Electrical Applications**. They declined by 3.5% on a like-for-like basis, but advanced by 5% compared with the first quarter.

Business trends in brushes for industrial motors were broadly stable compared with the previous quarter, as the contraction in European markets was offset by stronger sales in other regions. All European markets were weak except for rail traction sales in Germany and Italy. The improvement in sales of brushes for industrial motors outside Europe derived from a more favourable base of comparison in North America and from market share gains.

Sales of brushes for small electric motors advanced by 9% compared with the previous quarter on the back of strong growth in brush/brush-holder assemblies and a rise in sales to automotive equipment suppliers in Europe and Brazil.

Second-quarter **Magnets** sales, which came to €30m, fell by 2% on a like-for-like basis from their year-earlier level and were stable compared with the previous quarter.

This situation was the product of contrasting trends. The strong growth in flux packages in Europe, as well as the significant rise in bare magnets in South Korea and Brazil offset the steep decline in North American sales attributable to the fall in production of obsolescent models for Valeo.

Efforts to diversify the division's North American customer base are continuing. Over the first six months

of the year, these have led to an increase of 33% in sales to customers other than Valeo, our number one customer in the region, which now accounts for just 70% of Magnet sales in North America. Valeo has informed us that it aims to emerge from Chapter 11 protection by the end of the year. Talks are currently underway with a view to determining the terms of our future commercial relationship taking into account the new circumstances.

Electrical Protection sales, which came to €51m during the second quarter, were down 9% on the year-earlier period when business was still brisk.

Although they increased by 5% compared with the first quarter, we have not seen any signs of a recovery in spending on electrical equipment, either in Europe or North America. The sequential rise in fuse sales was primarily attributable to North America, where we have increased our market share, notably by steadily increasing our sales through Affiliated Distributors.

In **Advanced Materials and Technologies**, second-quarter sales (€60m) declined by 8% from their year-earlier level, which was boosted by strong sales to electronics markets.

Second-quarter sales posted a sequential quarterly increase of 4% on the back of very brisk sales in all the brakes markets and slightly higher deliveries in anti-corrosion equipment. In high-temperature applications of graphite, sales to electronics markets remained very sluggish, with no evident signs of recovery.

Conclusion

All in all, this performance was in line with our forecasts at the start of the year, since first-half sales were broadly comparable to those posted in the second half of last year.

The Group posted first-half sales totalling €382m, down 9% on a like-for-like basis compared with the first half of 2001, when business was brisk, and stable compared with the second half of last year.

The first six months also brought a weak level of new orders, which will lead to a further contraction in sales during the third quarter compared with the same period last year. The economic recovery has certainly not materialised yet.

Against this uncertain backdrop, we are focusing on our priorities, i.e. the savings plan, cash management and customer satisfaction. Our savings plan is on track. Under the plan, we aim to unlock savings worth €20m p.a. from 2004, which will provide a major boost to our profitability.

Financial Communication

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