



Strong growth during the first-half of 2006

Paris, July 26th, 2006

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2006 SECOND QUARTER TURNOVER

The text below is the re-transcription of the conference call that was held today at 5.50 pm UK time – 6.50 pm Paris time.

The Group posted another very brisk top-line performance during the second quarter, with its sales reaching €162 million. The increase came to 12% on a reported basis and 11% excluding the impact of currency fluctuations. This growth included the impact of the acquisition in late January of Graphite Engineering & Sales in the US. Sales also posted a very strong increase of 8% on a like-for-like basis.

In the remainder of this presentation all the sales growth figures will be indicated on a like-for-like basis, unless stated otherwise.

In **Europe**, sales advanced by 2% to €70 million. Growth was driven primarily by the markets for industrial fuses, electronics, aerospace and wind energy.

In **North America**, sales moved up 7% to €59 million. The driving force behind sales in the region came from the electronics, anticorrosion equipment and fuse markets.

In **Asia**, sales posted another strong increase, with a rise of 53% to €25 million over the quarter. Growth was very strong in all the businesses.

In the **rest of the world**, sales declined by 16% to €8 million owing to weaker sales in Brazil. Strong appreciation in the Brazilian currency slowed down exports of manufactured goods from the country and had a negative effect on our sales.

Analysis by business segment

Sales Figures	Q2 2006 (in €m)	Change* Q2 06/ Q2 05	H1 2006 (in €m)	Change* H1 06/ H1 05
Advanced Materials and Technologies	63	+12%	122	+12%
Electrical Applications	48	-1%	100	+2%
Electrical Protection	51	+13%	102	+14%
Group Total	162	+8%	324	+9%

**on a like-for-like basis - unaudited data*

The sales recorded by the **Advanced Materials and Technologies** division came to € 63 million, up 20% at constant exchange rates. On a like-for-like basis, i.e. without taking into account the acquisition of Graphite Engineering & Sales, growth ran at 12%.

Divisional sales were again driven by brisk business trends in the semiconductor and solar power markets, as well as by sales of graphite equipment for the manufacture of LEDs and of graphite for the manufacture of military body armor. Sales of graphite for aerospace markets also posted a strong increase.

In the braking segment, quarterly sales registered a slight contraction compared with the previous year owing to lower deliveries of brake disks for the aerospace industry.

In fine chemicals and pharmaceuticals, our anticorrosion equipment sales posted a hefty rise over the quarter, in line with our forecasts. Sales of graphite equipment and anticorrosion systems to customers in North America and China were especially strong. A very high level of new orders was also recorded during the quarter. I am delighted to inform you that we booked our first significant orders for CL Clad[®] during the second quarter. CL Clad[®] is a patented new material, the manufacturing workshop for which is currently being completed at our plant in the Lorraine region of France.

In **Electrical Applications**, quarterly sales totaled €48 million, down 1% compared with the second quarter of 2005.

The contraction in sales was attributable to sales to automobile markets and primarily to the steep production cutbacks made by the Big Three North American carmakers again during the second quarter compared with the year-earlier period. We are making adjustments to factor in the lower business volumes in North America by introducing a plan to strip out fixed costs at our Virginia plant to complement the transfer of certain production lines to Mexico already in progress.

Brushes for industrial motors posted a healthy increase in sales, although slightly weaker than in the first quarter, which was boosted by deliveries under annual rail traction programs. Sales of brushes for industrial motors advanced by 4% on the back of our performance in wind energy, aerospace and mining markets.

In **Electrical Protection**, sales rose by 13% to €51 million during the second quarter.

Business was brisk across all the division's geographical regions, including in semiconductor and general-purpose fuses.

As during the first quarter, the strong pace of business growth in Europe was fueled partly by the retrieval of market share lost in 2004 and 2005 during the restructuring of production facilities.

In North America, expansion was driven by further upbeat economic conditions, as well as by new product launches and market share gains.

The strong sales increase in Asia was driven by the rapid start-up of the new workshop that opened in China last year and by firm performance in Japan.

Sales of fuse-related products also recorded a substantial increase, including high-power switches, equipment supplying or protecting subways and tram lines and coolers for power semiconductors.

I will now comment briefly on sales trends for the **first half of the year**, which will be described in detail at the presentation of interim results on September 13.

First-half 2006 sales came to €324 million, up 14% on a reported basis. At constant exchange rates, but including the contribution made by GES, sales advanced by 11%. Lastly, on a like-for-like basis, sales growth ran at 9% during the first half.

Sales rose in all geographical areas: by 4% in Europe, 7% in North America and 42% in Asia. All the divisions posted growth on a like-for-like basis. Electrical Applications: + 2%; Advanced Materials and Technologies: +12%; Electrical Protection: +14%.

Outlook

Business trends are likely to remain firm during the second half of the year. The US economy is still in good shape, Asian markets continue to enjoy strong growth, demand for electronic equipment is brisk, and the substantial new orders recorded during the last quarter in anticorrosion equipment will translate into sales during the second six months of the year. Note, however, that these deliveries of anticorrosion equipment are likely to take place primarily during the fourth quarter.

These firm business trends will result in a further increase in our full-year sales, but at a more moderate pace during the second half than in the first because of the higher comparatives. The second half of 2005 was boosted both by very substantial deliveries of anticorrosion and braking equipment and by an increase in the production capacity of semi-finished graphite products. The next step in the process will be the start-up of our new facility in China, the first tranche of which is still due to enter service in late March 2007.

Overall, it has become evident that over the year as a whole growth will be stronger than we indicated in March. This will naturally translate into higher earnings, making 2006 another very good year for Carbone Lorraine.

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