

Carbone Lorraine

2004 Results

16 March 2005

CARBONE LORRAINE

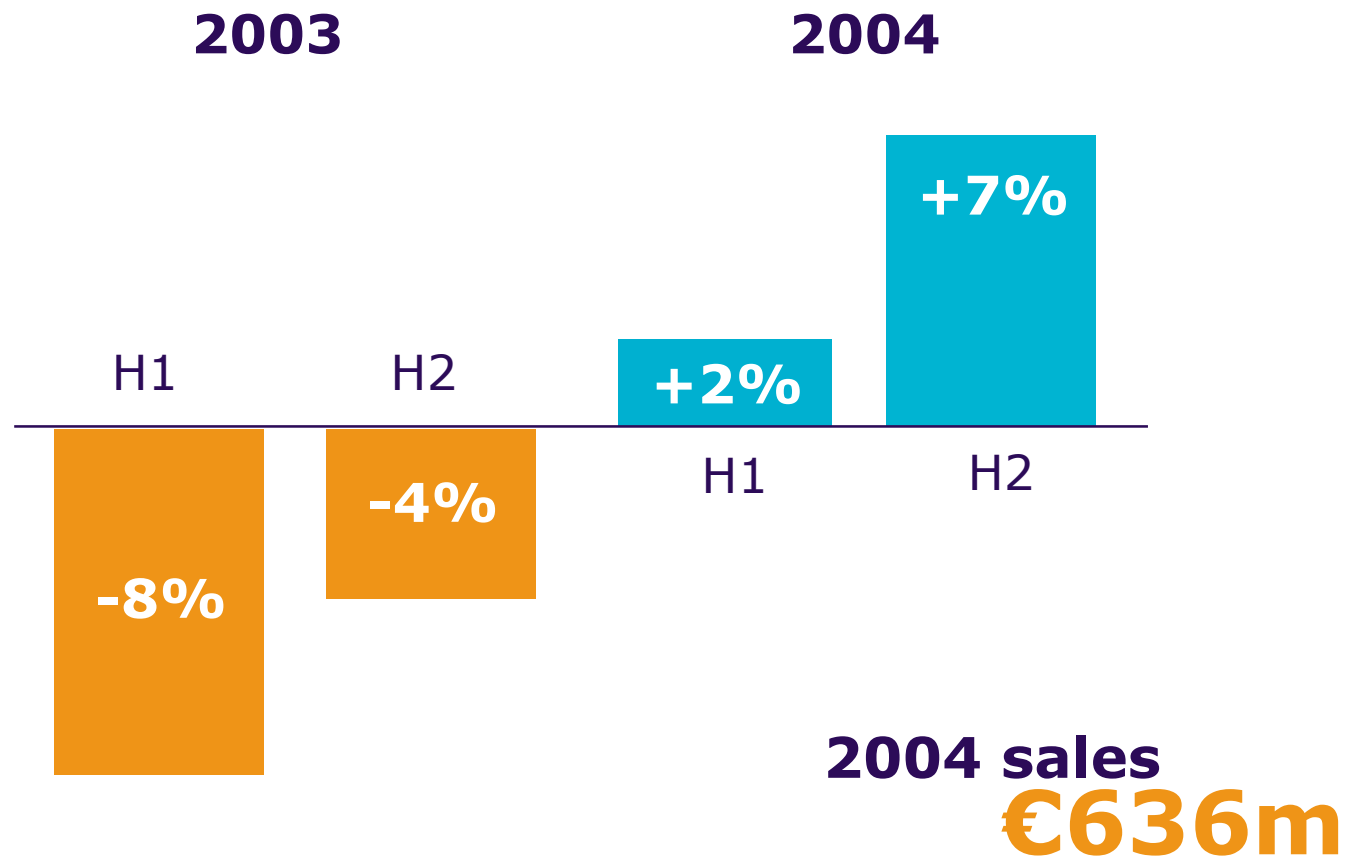
Dedicated Innovation, Dedicated Partner





- **2004:
a successful year,
targets exceeded**
- Fresh growth ambitions

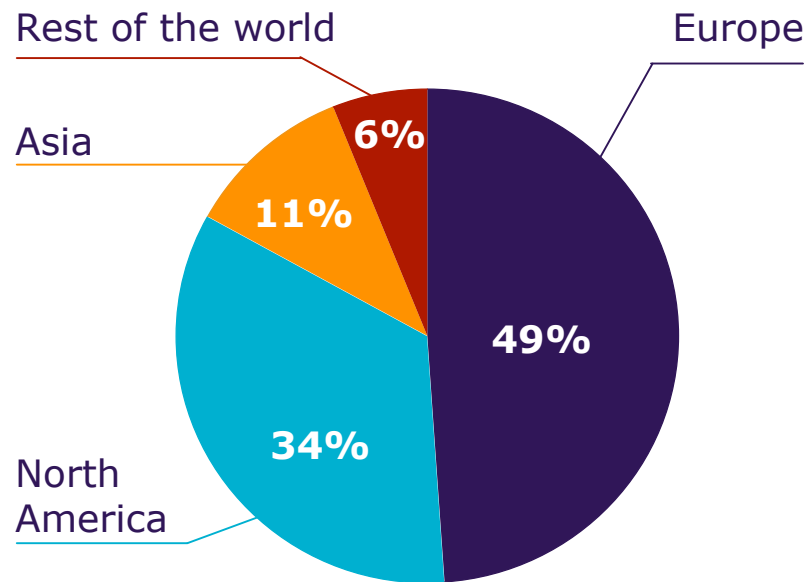
Growth gained momentum



N.B. % change on a like-for-like basis

2004 sales growth: +4%

Breakdown of 2004 sales



Change compared with 2003: +4%

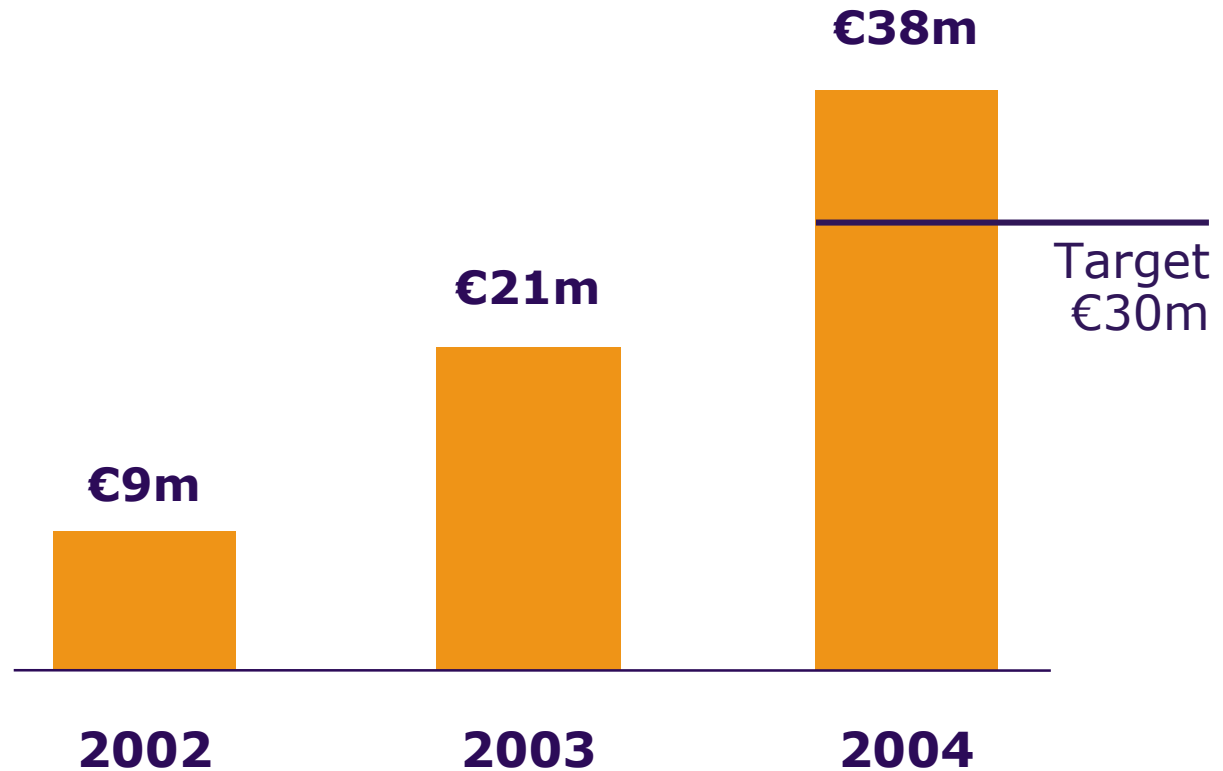
Europe	+3%
North America	+7%
Asia*	-4%
Rest of the world	+16%

* +20% excl. Brakes & anticorrosion equipment

2004 sales
€636m

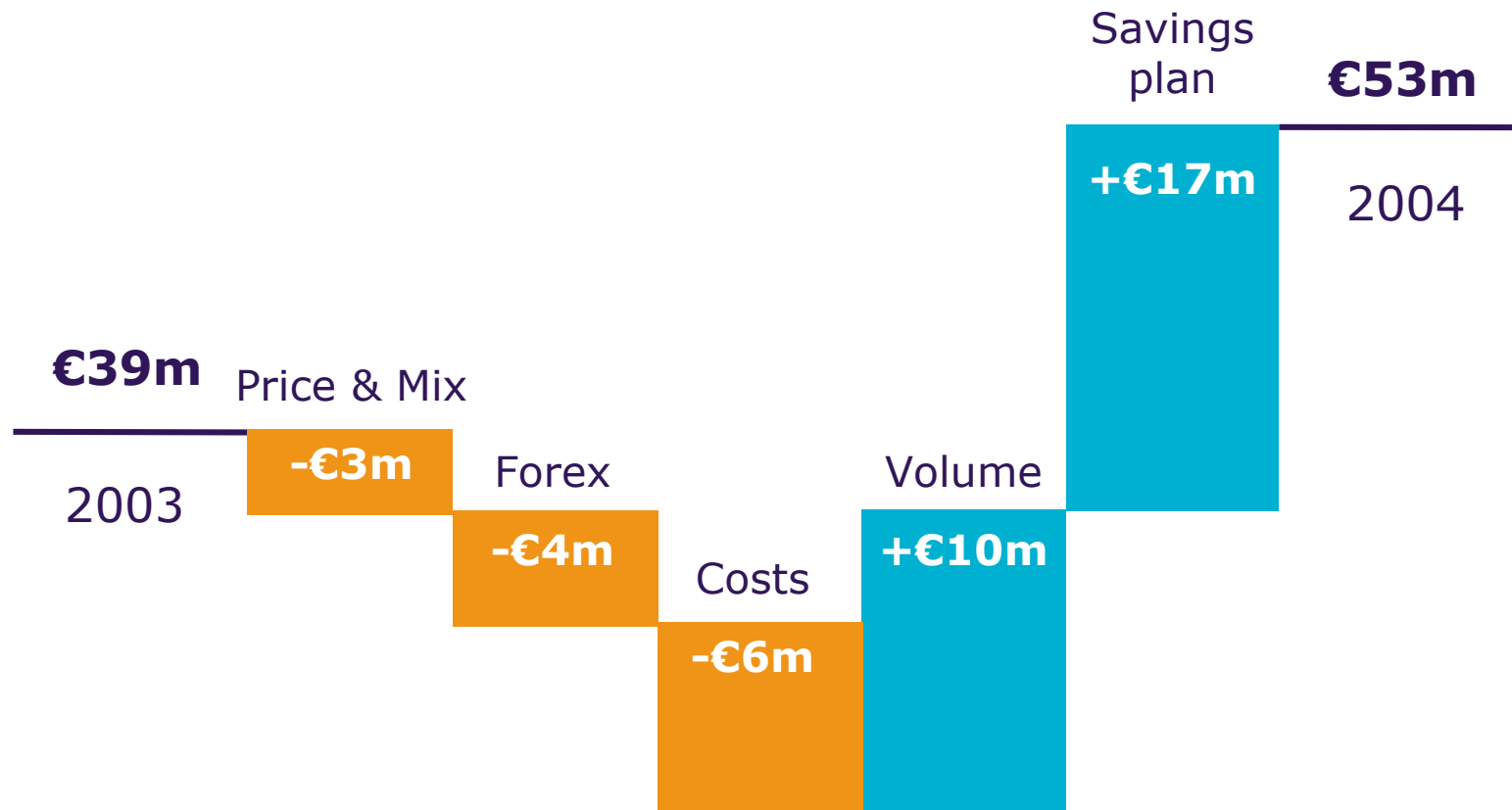
N.B. % change on a like-for-like basis

Savings plan executed successfully



Total annual savings
€38m

Operating income up 34%

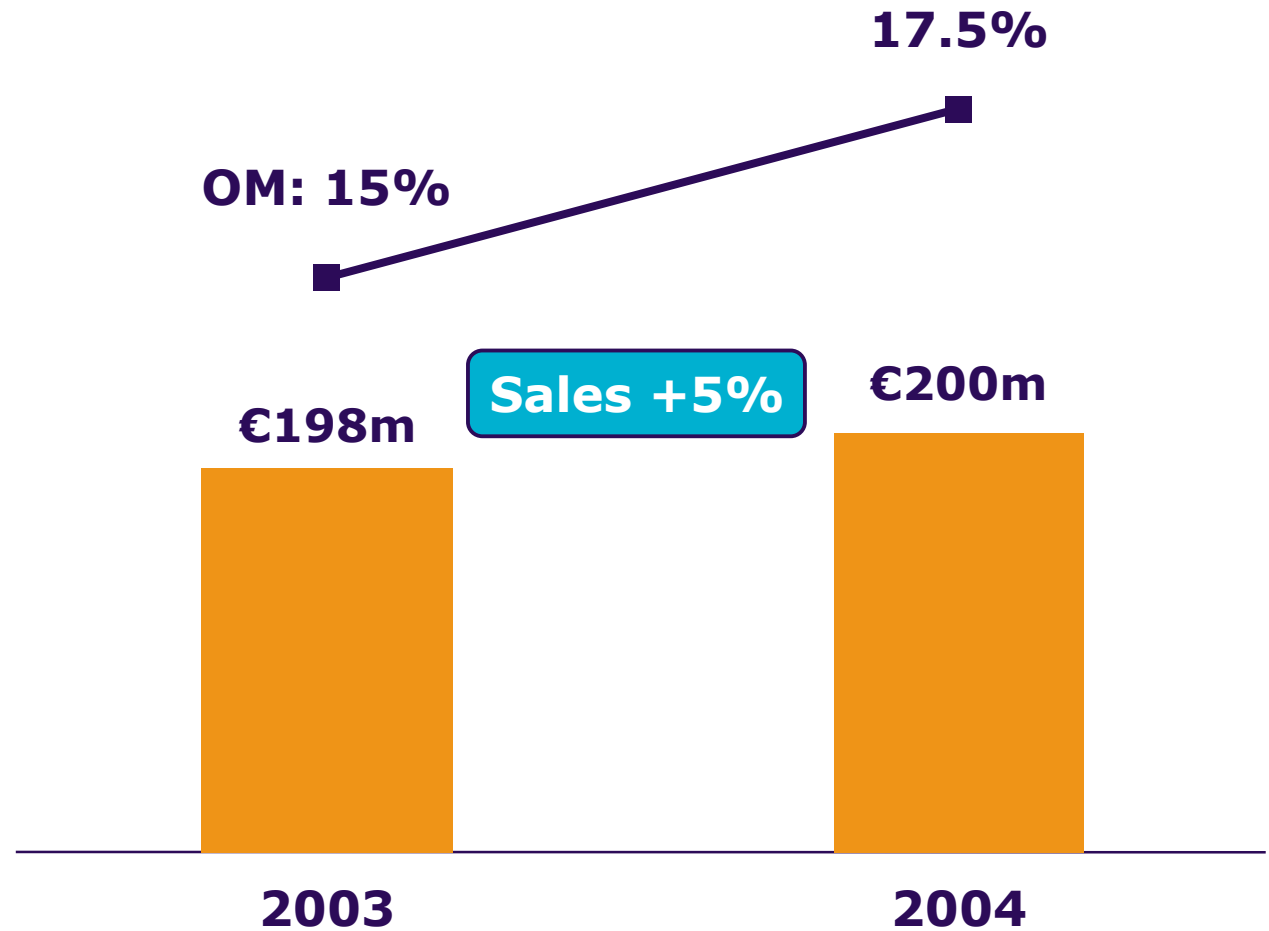


2004 Operating margin
8.3%

Advanced Materials and Technologies



Excellent performance

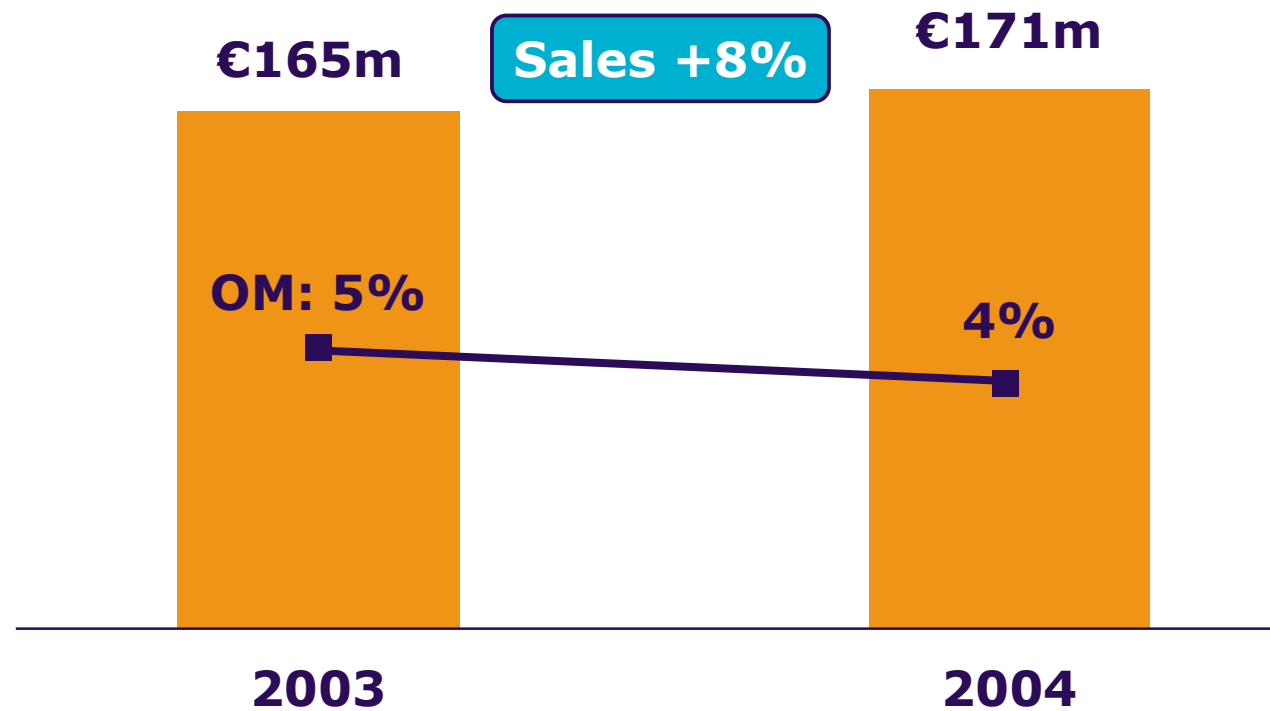


N.B. % change on a like-for-like basis

Electrical Components



**Electrical protection:
strong business growth**

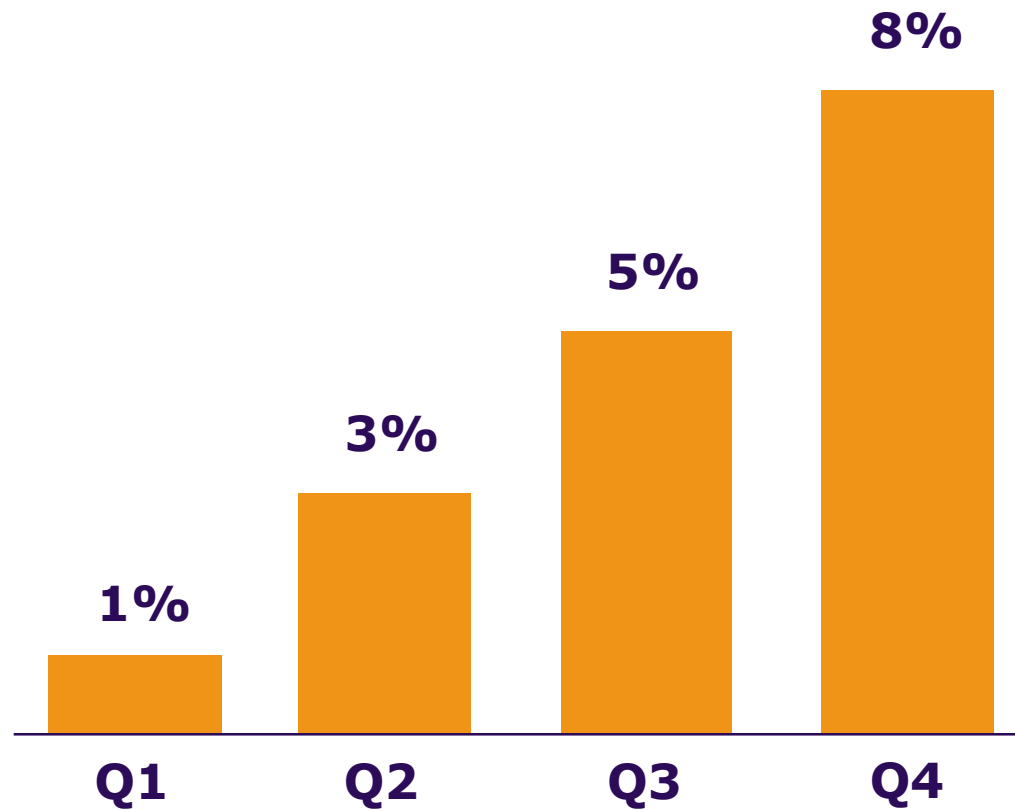


N.B. % change on a like-for-like basis

Electrical Components

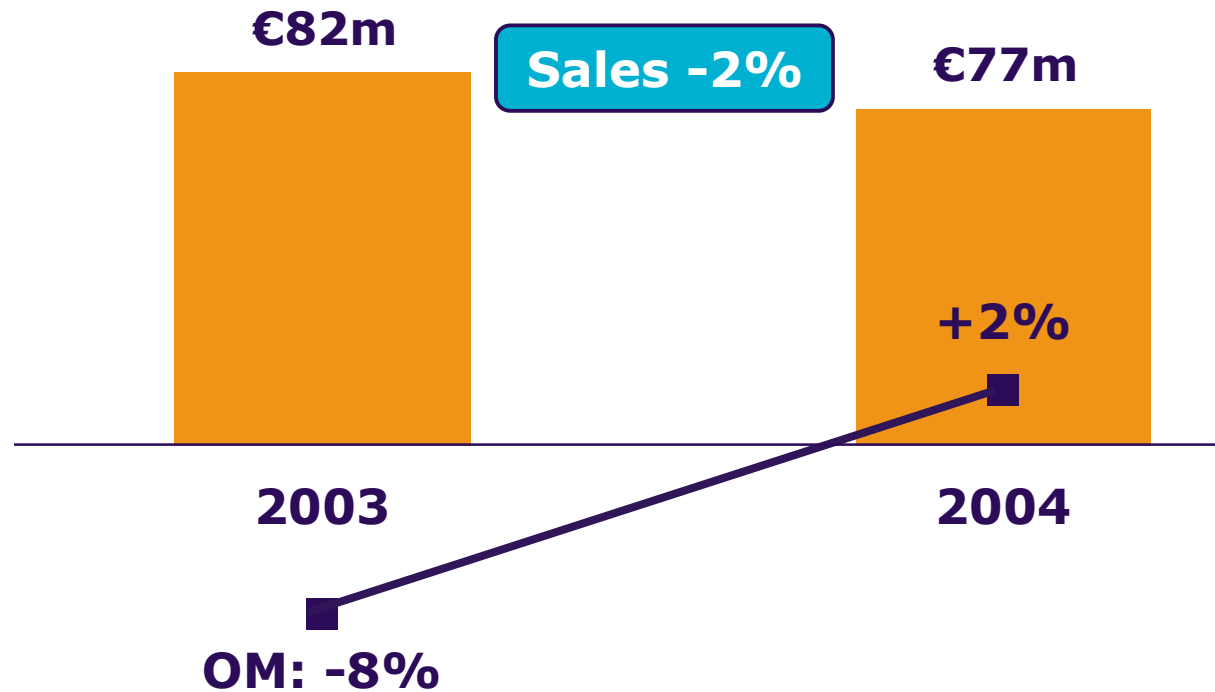


Electrical protection: recovery of operating margin



Magnets

Back to positive territory



N.B. % change on a like-for-like basis

Net income of €15m

€m (French GAAP)	2004	2003
Sales	636.0	629.4
Operating income	52.6	39.3
. Net financial income/(expense)	(11.3)	(10.8)
. Income tax and minority interests	(11.1)	(6.2)
. Net non-recurring items after tax	(9.9)	(54.8)
. Goodwill amortization	(5.1)	(5.8)
Net income, Group share	15.2	(38.2)

Dividend
50%
of net income

Cash flow statement

€m (French GAAP)

	2004	2003
Cash flow from operations	58.9	56.2
. Change in the WCR and other items	(13.8)	26.9
. Capital expenditure	(22.8)	(23.8)
Net cash generated from operating and investing activities	22.3	59.3
. Savings plan	(23.7)	(17.4)
. Changes in scope of consolidation	(13.0)	(10.1)
. Capital increase and other items	64.0	(3.3)
Reduction/(increase) in debt	49.6	28.5

Condensed balance sheet

€m (French GAAP)	2004	2003
Fixed assets	315	335
Working capital requirement	157	129
Total assets	472	464
Shareholders' equity	250	180
LT & ST provisions	96	101
Net debt	126	183
Total liabilities and equity	472	464

Debt ratios

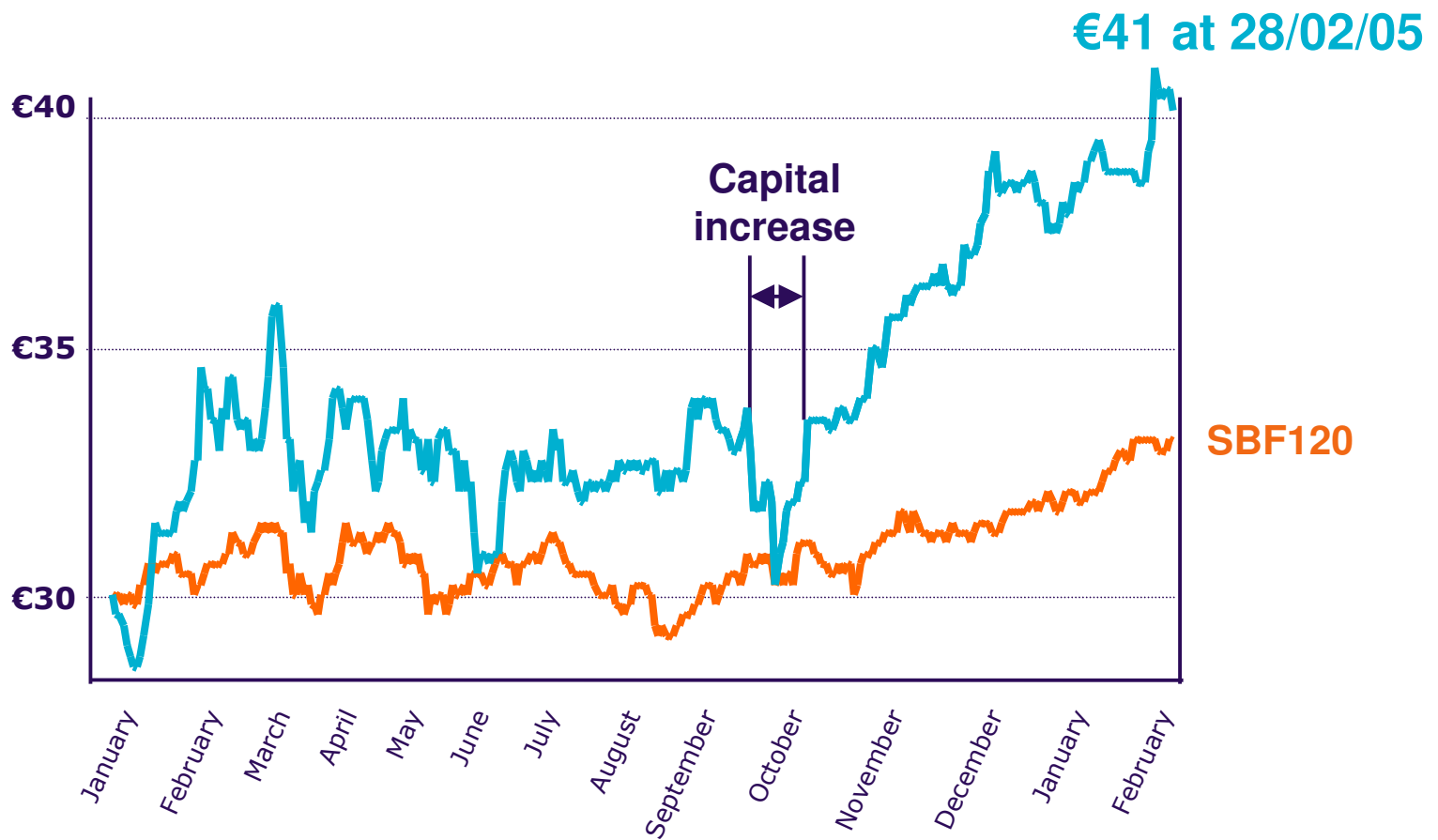
	2004	2003
Net debt (€m)	126	183
Net debt/sh. equity	0.50	1.02
Net debt/EBITDA	1.7	2.6

IFRS/French GAAP balance sheet

As of 1/1/2004

(€m)	French	IFRS Impact	IFRS
Fixed assets	128	25	153
Other non-current assets	207	0	207
Working capital requirement	129	-1	128
Total assets	464	24	488
Shareholder's equity	180	0	180
LT & ST provisions	70	5	75
Employee benefits	31	19	50
Net debt	183	0	183
Total liabilities and equity	464	24	488

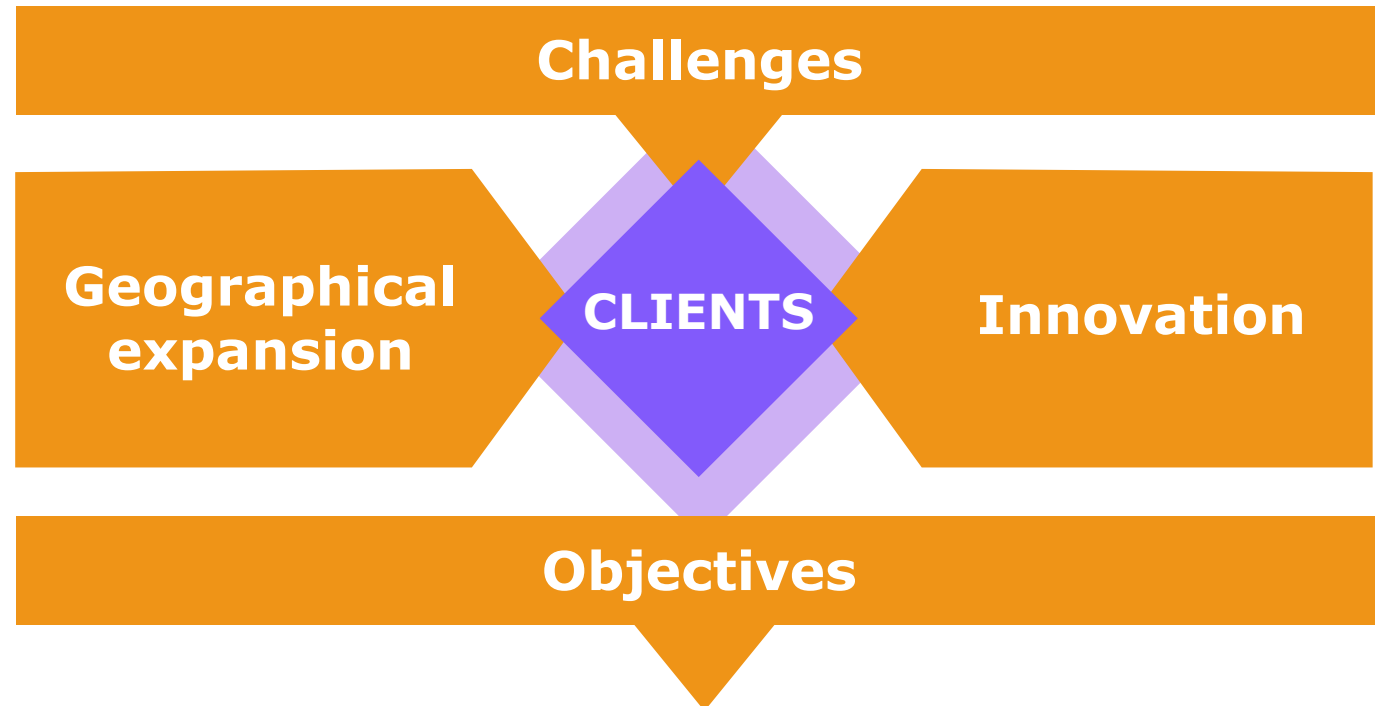
Share price rally of 39% in 2004





- 2004:
a successful year,
targets exceeded
- **Fresh growth ambitions**

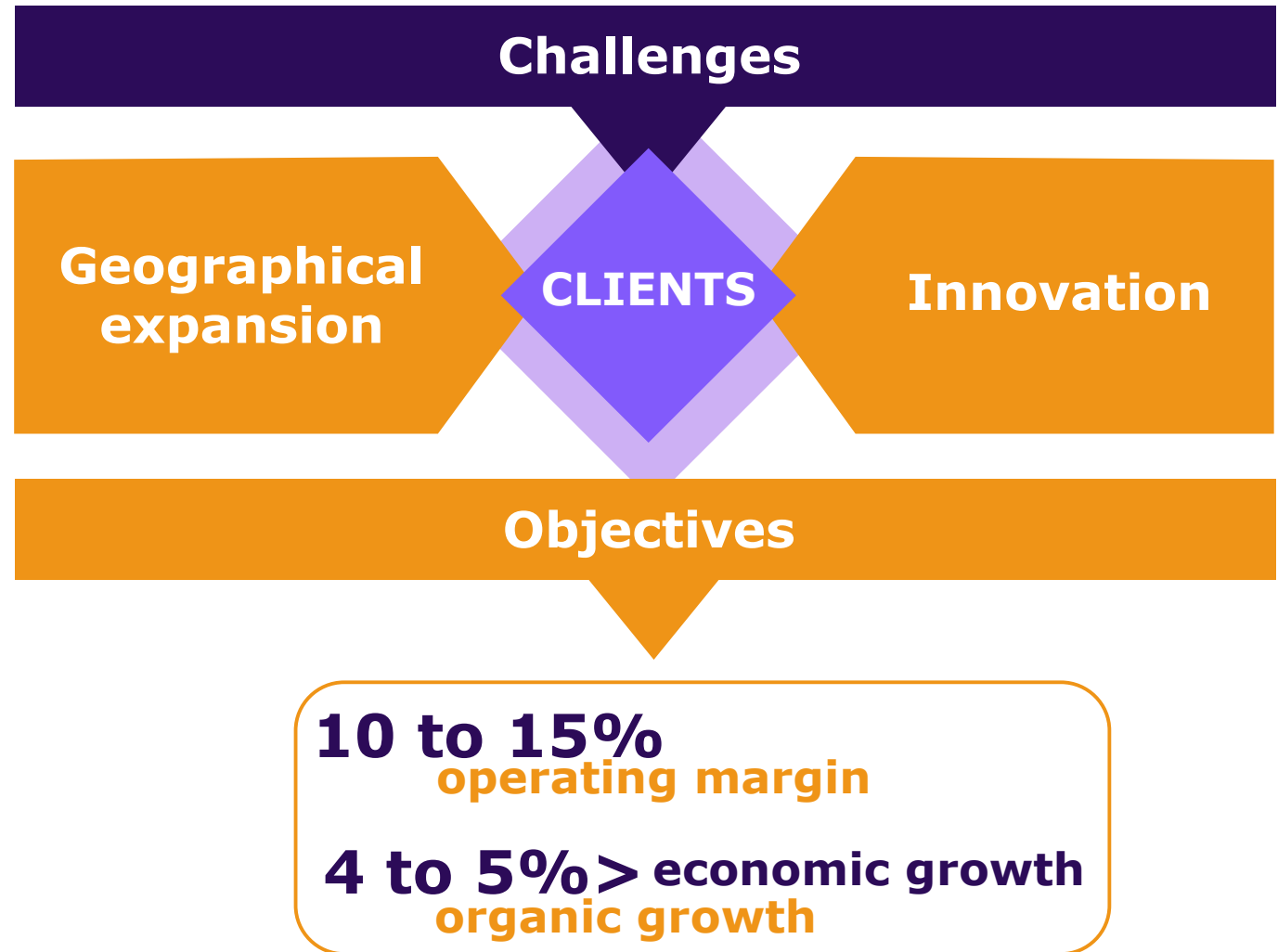
Fresh growth ambitions



10 to 15%
operating margin

4 to 5% > economic growth
organic growth

Fresh growth ambitions





Priorities: **Expand the sales base**

- **Capacity**
 - Semi-products
 - Coating and purifying
 - Machining

- **Selective acquisitions**
 - High temperatures
 - Anti-corrosion equipment

Electrical Components



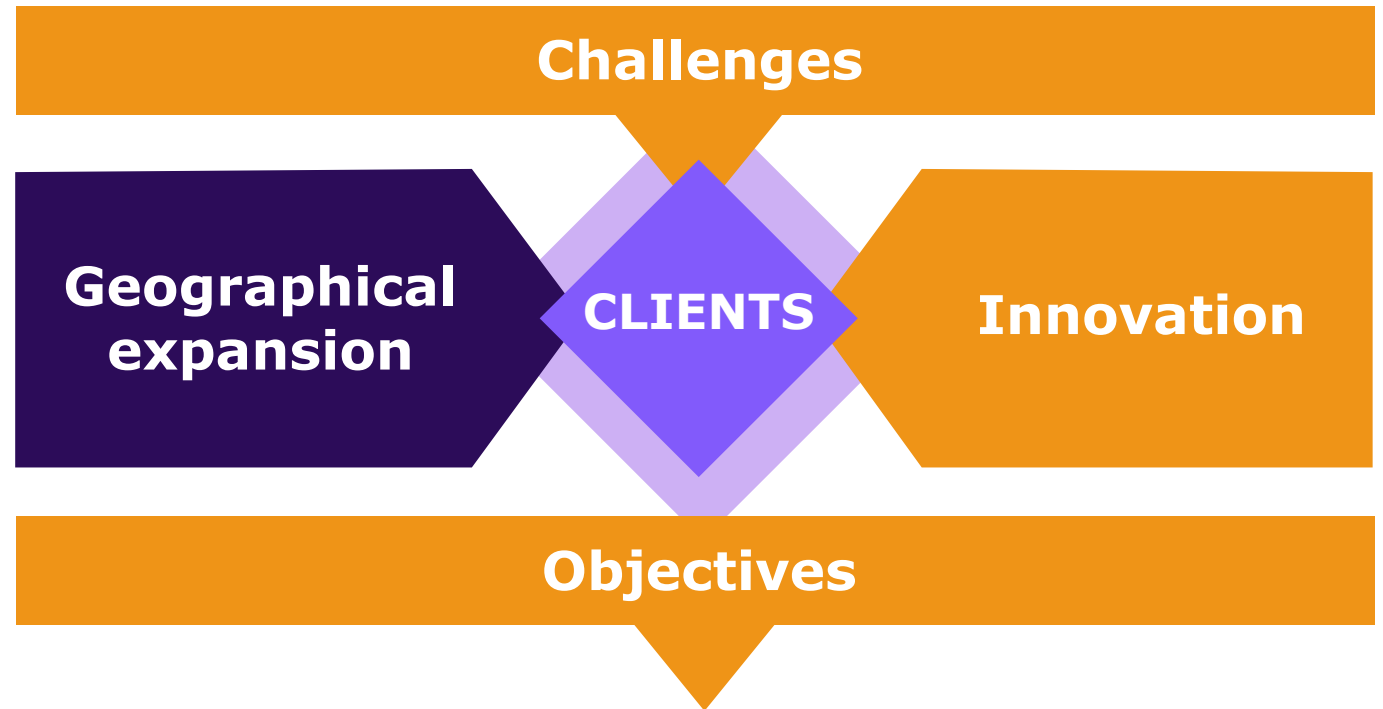
Top priority: **Deliver the expected benefits**

- Finalize restructuring in Electrical Protection in Europe and Tunisia
- Adopt the most efficient production organization in brushes for small motors

Second priority : **Expand the sales base**

- Brand labeling in industrial fuses
- Fuse-related equipment

Fresh growth ambitions

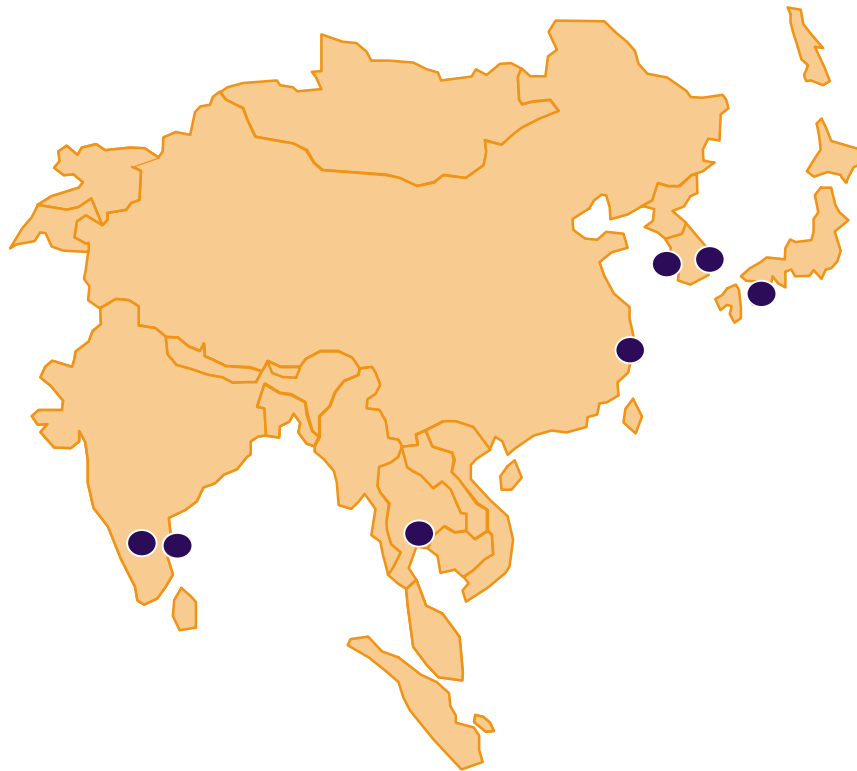


10 to 15%
operating margin

4 to 5% > economic growth
organic growth

Asia is our priority

Already...

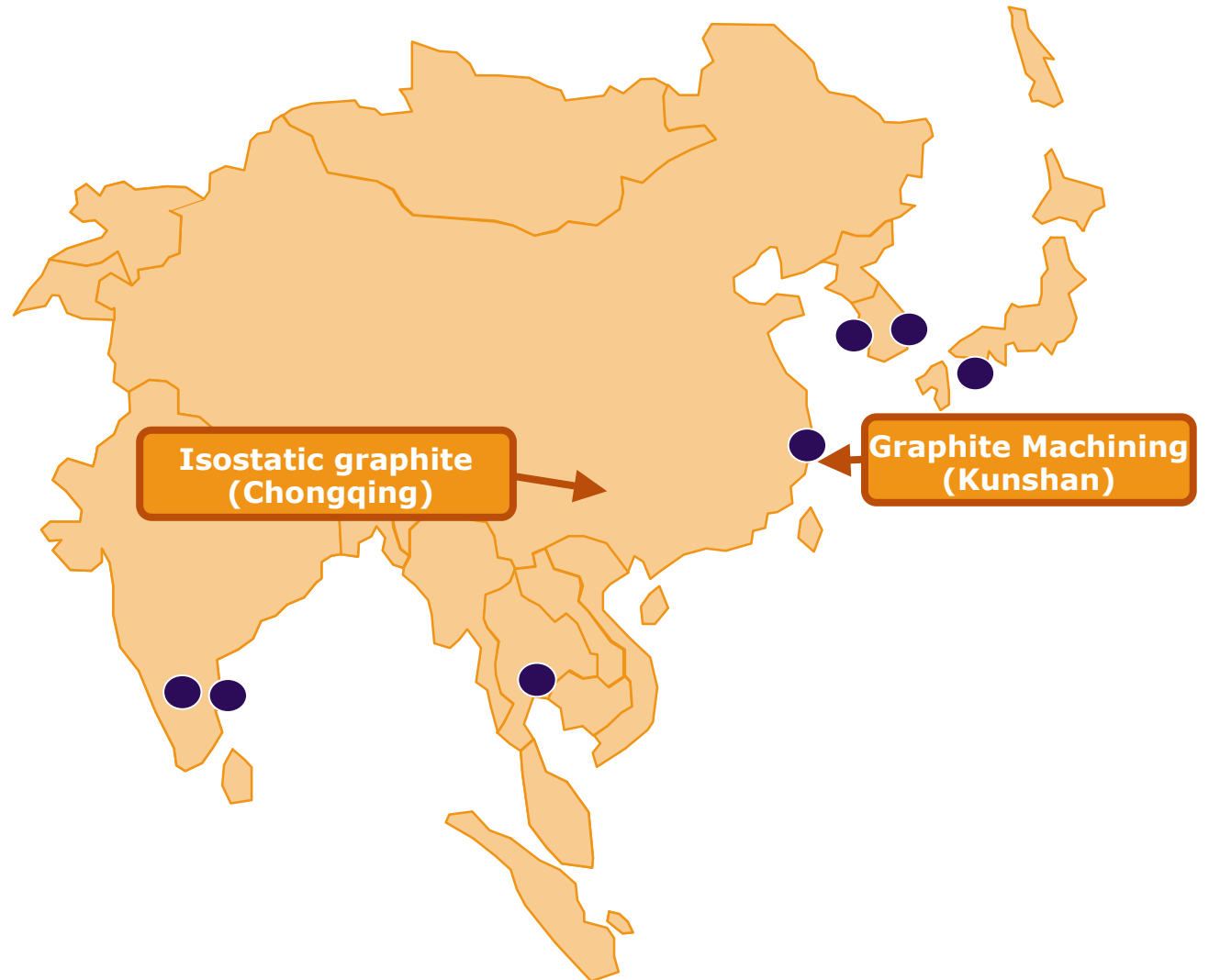


- **Leader** in anti-corrosion equipment in **China** and **Japan**
- **Leader** industrial fuses in **Japan**
- **Leader** in high temperatures in **Korea**
- **Exclusive supplier** for **Korean high-speed train brakes**
- **Leader** in brushes in **India**

2004 sales
€71m

● : Existing positions

Asia is our priority



● : Existing positions

A major new project in Chongqing



Double
our future capacity

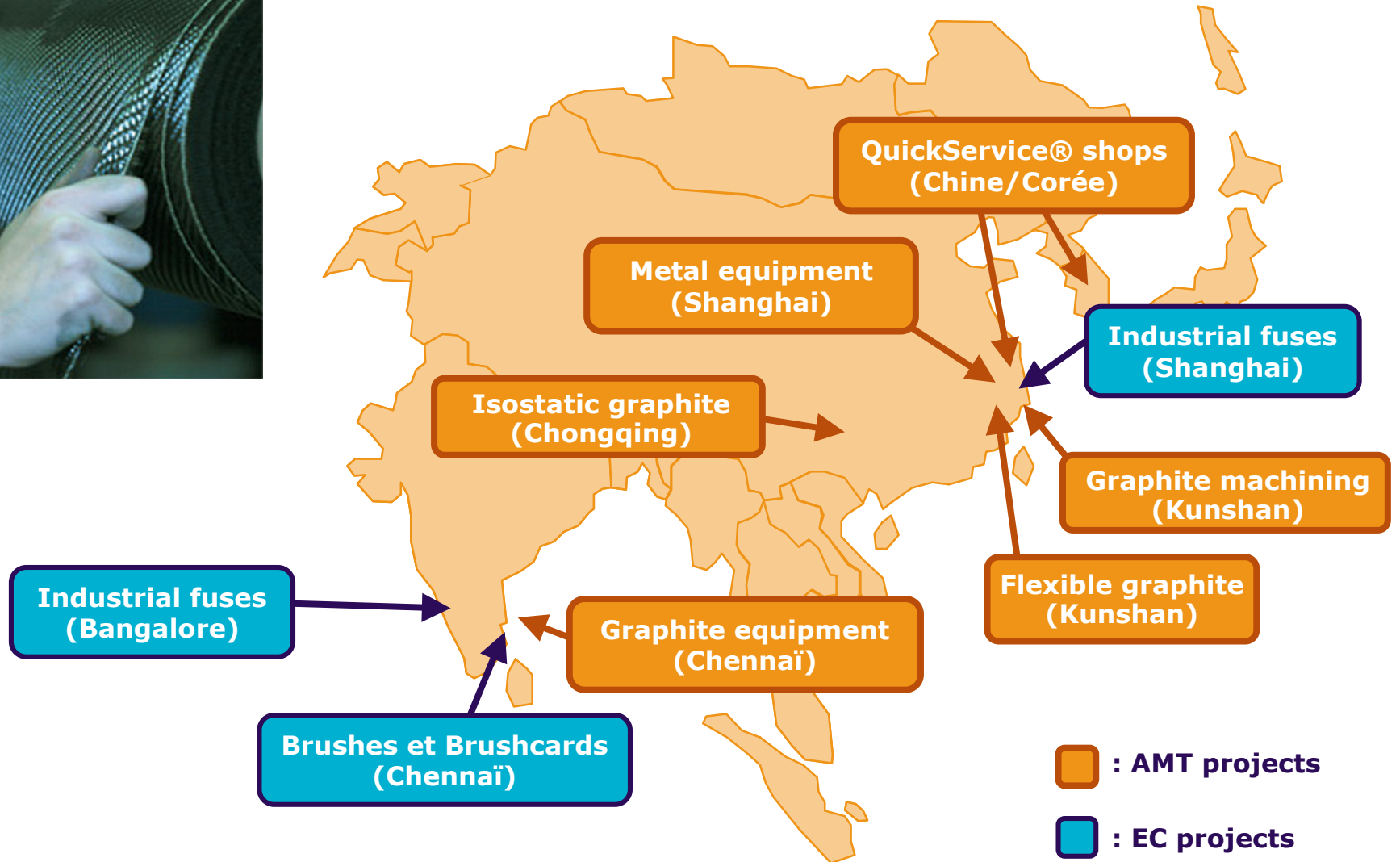
Reduce
our cost base

Grow
with the Chinese market

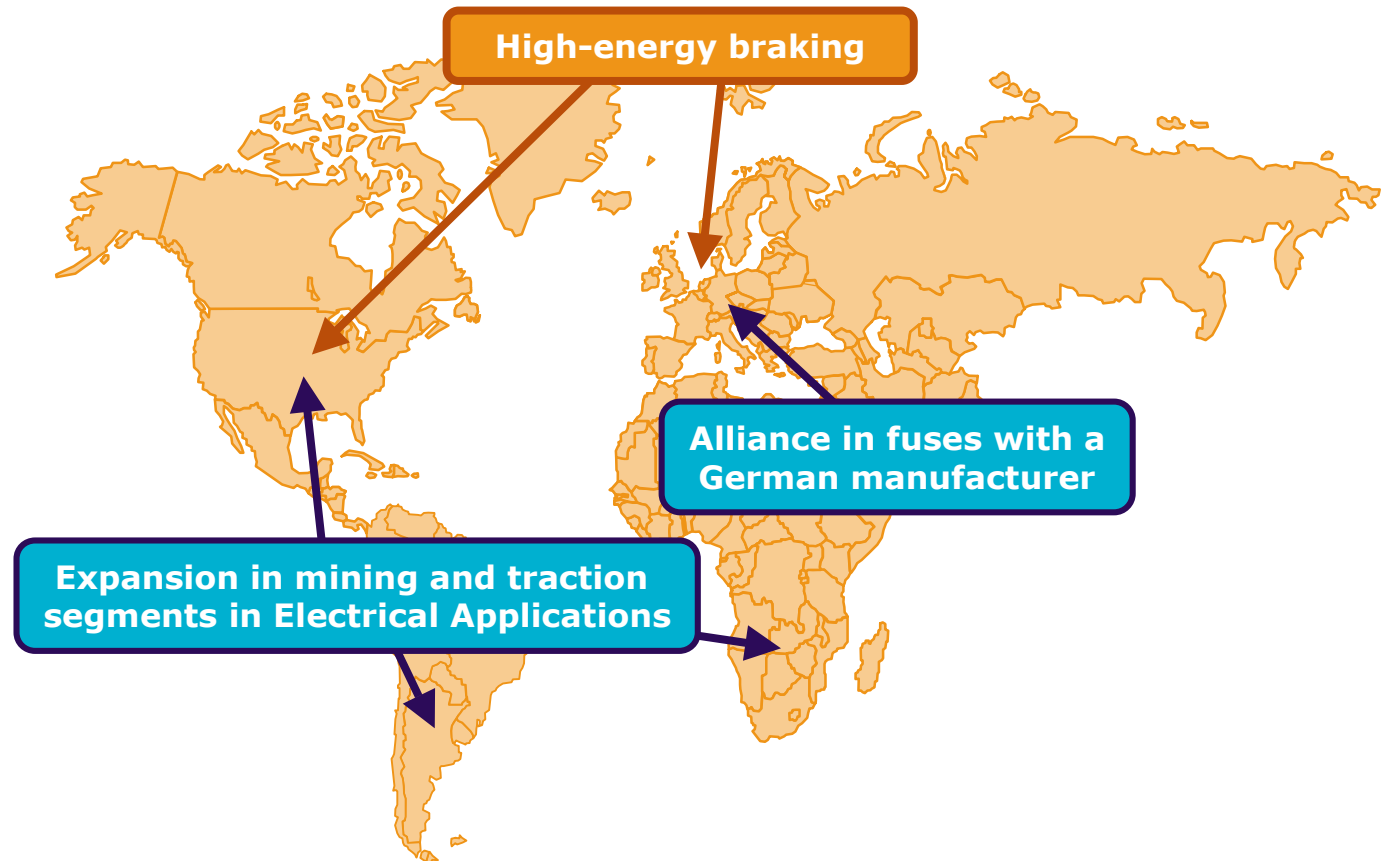
Expand
our positions
in electronics



Asia is our priority



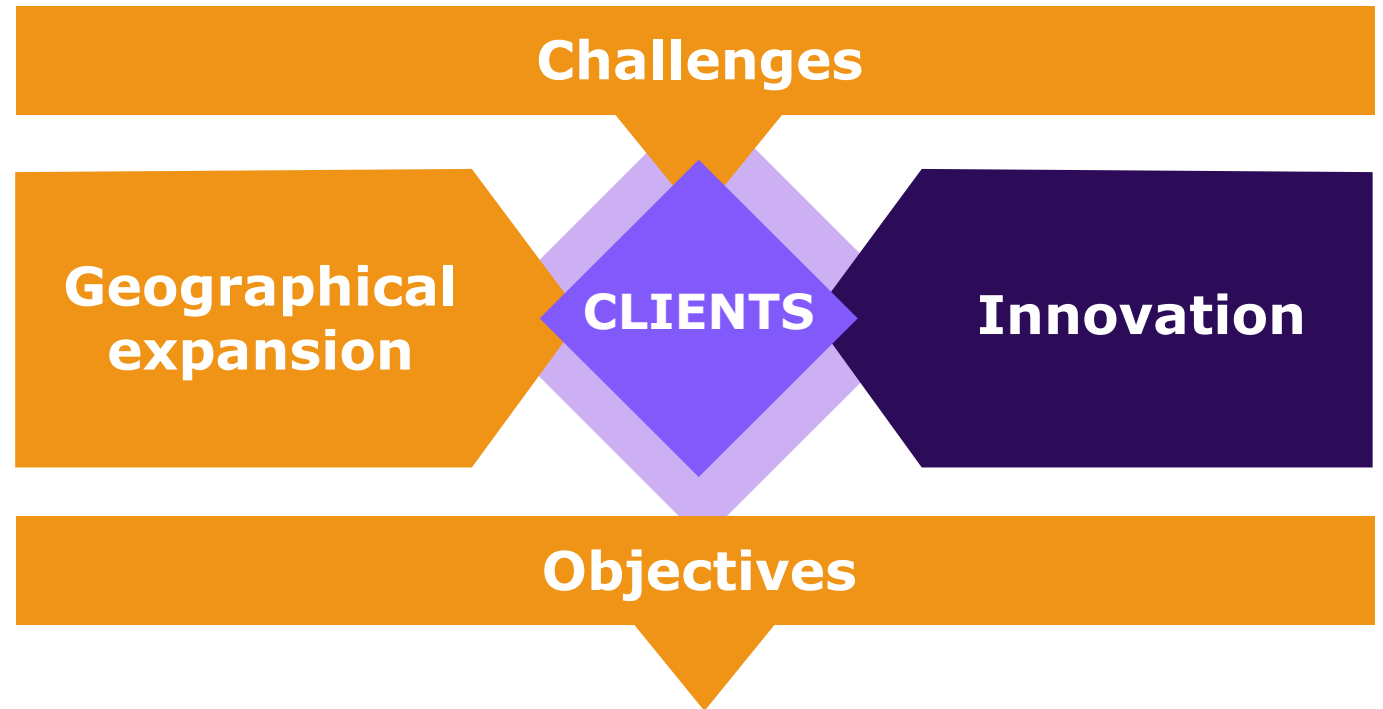
Growth projects outside Asia



Orange box : AMT projects

Blue box : EC projects

Fresh growth ambitions



10 to 15%
operating margin

4 to 5% > economic growth
organic growth

Methods to ensure our continued success

Anticipation

Orientation

Stimulation

Idea
harvesting

Selection

Resources
(human,financial)

Management

Evaluation

8 steps
towards growth

Methods to ensure our continued success

Anticipation

Orientation

Stimulation

Idea harvesting

Selection

Resources
(human,financial)

Management

Evaluation

4 Key criteria

- Identified customer need
- ROCE > 20%
- Availability of resources
- Partnerships with leading customers

↳ **20** projects

Equipment in tantalum-plated steel

Wind power

LEDs

Tubes

Cladding

Nasa

Glass

Grades

Lightning

Machining

- **Leading customers**

- General Electric
- Sanofi-Aventis

- **Identified customer needs**

- Lower maintenance costs
- Shorter shutdown times

- **Applications**

- Fine chemistry
- Pharmaceuticals

- **Markets**

- €200 – 300m



Oil-free container glass plant

Wind power

LEDs

Tubes

Cladding

Nasa

Glass

Grades

Lightning

Machining

■ **Leading customers**

- Owens Corning
- Saint Gobain

■ **Identified customer needs**

- Lower maintenance costs
- Reduce scraps

■ **Applications**

- Container glass industry

■ **Markets**

- €20 – 30m



Successful track record of innovation

Wind power

LEDs

Tubes

Cladding

Nasa

Glass

Grades

Lightning

Machining

- **Brushes, fuses and brakes for generators**
- **Light-emitting diodes**
- **6-meter long tubes**

- **Rovers on Mars**

- **Revolutionary graphite grades**
- **Lightning protection (SNCF)**
- **High-precision machining (1 μ)**

In 2005

OI set to rise by 25%

Further ahead

OM: 10 - 15%

**4 - 5% in additional
organic growth**

GEARED UP FOR GROWTH

