

BUSINESS REVIEW 2004

CARBONE LORRAINE

Dedicated Innovation, Dedicated Partner



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A new visual identity

In keeping with its entrepreneurial spirit and tradition of innovation, Carbone Lorraine is embarking on an ambitious new challenge. The Group is introducing a new corporate image. It is adopting a new logo that captures the essence of our philosophy and our vision, which make our company an attractive, dynamic and resolutely forward-looking enterprise.

Its colors (purple, electric blue and orange) represents the Group's technological prowess. The flame embodies

its momentum, impetus and drive. The typeface expresses Carbone Lorraine's corporate and international status.

This new banner reflects what sets the Group apart and its core values.

Innovation Growth

Rigorous Pro-active

Robust Forward-looking

No. 1 world leader

Graphite anti-corrosion equipment
Brushes and brush-holders for electric motors

No. 2 worldwide

High-temperature applications of isostatic graphite
Industrial fuses

No. 3 worldwide

Magnets for electric motors

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PROFILE

Dedicated Innovation Dedicated Partner

Expertise in advanced technology materials

Carbone Lorraine was one of the very first companies to develop the industrial applications of carbon and graphite more than a century ago. The Group now excels in the use of graphite and other advanced technology materials in highly demanding industrial environments and for critical electrical functions. It has put its ability to innovate at the service of its customers around the world and is developing applications that help harness new solutions.

Innovation in highly demanding environments

Carbone Lorraine develops and manufactures both components and complete systems. Its business activities are split evenly between original equipment and product replacement markets and are organized into two main product lines:

- the Advanced Materials and Technologies segment offers applications primarily based on graphite and carbon that deliver highly advanced technical solutions to customers for highly demanding environments. High-temperature manufacturing processes, chemistry in corrosive fluids and gas environments and high-energy braking are the challenges taken up by Carbone Lorraine;
- the Electrical Components segment offers brushes and brush-holders for electric motors, industrial fuses and equipment protecting against voltage and current surges, as well as magnets.

Products and services for global leaders

Carbone Lorraine sells products protected by technological and service-related (ultra-rapid repairs, etc.) barriers to entry. Its customers usually buy solutions rather than actual products. Carbone Lorraine's customers include high-profile companies operating in the aerospace, automobile, electronics, electrical equipment, chemicals, rail and processing industries. In addition, Carbone Lorraine has an extensive network of local workshops which cover most geographical regions; they meet the maintenance needs of all kinds of industrial plants.

Carbone Lorraine ranks as world leader or number two worldwide in all its core businesses.

2004, a stepping stone to the future

Over the past three years, we have reorganized our business processes, streamlined our cost base and restructured our plants. Our manufacturing facilities are now primed for a new period of expansion.

Through firmly focusing on our markets and our customers' needs, we have initiated a strategic program to step up the pace of our growth. Every aspect has been considered, from harvesting new ideas to putting them into practice, as well as earmarking sufficient human and financial resources.

In 2004, we have both satisfactorily completed the savings plan we set in motion in 2001, and stepped up our efforts to achieve profitable growth fueled by our capital increase

Restructuring programs nearing completion

For the past three years, a large part of our energies has been devoted to the major overhaul of our manufacturing organization. Thanks to the commitment shown by our entire workforce, we have completed a series of measures to redeploy our activities at plants that are most efficient and best able to meet the needs of our customers right around the world.

As a result, the Magnets division reached breakeven point again at operating level from the end of June 2004, ahead of schedule. We restructured or halted its uncompetitive production lines in France and so we are now able to look for partners to secure the division's future in favourable conditions.

These large-scale reorganizations enabled the Group to post an operating margin of 8.3% in 2004 – well on the way towards our minimum target of 10%. We expect to reach our minimum margin objective in 2005 unless economic conditions slow down, which seems unlikely at present.

But we have set our sights much higher in the longer term: because we have lowered our fixed costs, the pace of our earnings growth should accelerate on the back of higher volumes driven by the economic upswing and by our expansion plans. At the top of the cycle, we are aiming to deliver an operating margin higher than 15%.



Resources to grow faster

Our financial strategy gives us the resources we need to realize our goals. Following the success of our capital increase in October, we can now implement our expansion plans, which should generate €150 million in additional sales within five years.

To a great extent, these plans are oriented towards three avenues of organic growth, i.e. product and process innovation, geographical expansion, particularly in Asia, and brand labeling. We may also make some selective acquisitions in our core business to round out our geographical positions and our technology portfolio.

This said, Carbone Lorraine's aspirations are not confined to delivering a "one-time" increase in sales. We also intend to accelerate the pace of its growth to 4-5% p.a. over the long term.

The full impact of our savings plan is set to show up in 2005, with our expansion projects picking up from 2006 and driving further growth in our earnings.

To reflect these new aspirations, we have redesigned our visual identity and our logo. They symbolize the growth dynamics of our Group. This tremendous drive to accelerate our profitable growth marks the beginning of an exciting period for Carbone Lorraine's management and employees. Rest assured that we will all do our very best to ensure that our shareholders benefit through our share price performance and the payment of dividends.

Claude Coccozza,
Chairman and Chief Executive Officer

Results laying the foundations for the future

Carbone Lorraine moved back onto a growth trajectory in 2004.

Sales totaled €636 million, up 4% like-for-like (i.e. at comparable structure and exchange rates) and up 1% compared with 2003.

Business was very brisk in the US, with sales advancing 7% like-for-like. The ramp-up in the Group's presence in Asia continues to bode well for the future. The recovery in Europe was rather sluggish.

Stronger earnings power

In line with our guidance, the Group posted an operating margin of over 8% in spite of higher raw materials and energy costs.

At year-end 2004, the savings unlocked by our savings plan exceeded the annual target of €30 million that we set three years ago. The Advanced Materials and Technologies and Electrical Applications divisions kept their margins up at a high level, while the Magnets division broke even at operating level. The Electrical Protection division completed its restructuring during early 2005.

As forecast, the non-recurring charges, which blighted results during previous years, were much lower in 2004. As a result, Carbone Lorraine posted net income of €15 million.

Financial dynamics geared towards growth

Carbone Lorraine has endowed itself with the resources to realize its ambitions. With a debt-to-equity ratio of 50% at year-end 2004, its financial situation is now in tune with its growth targets.

In 2003, the Group diversified its sources of financing by raising \$85 million through a private placement with US institutional investors.

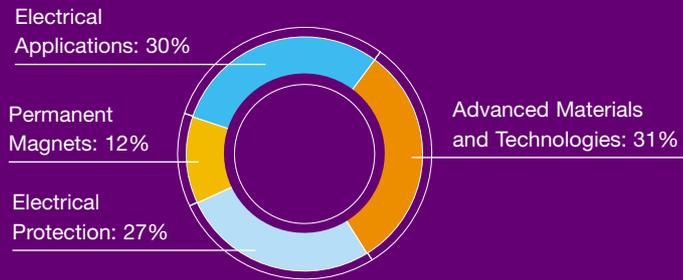
In October 2004, it raised a further €63 million through a capital increase that proved highly popular among shareholders and with investors, as shown by the evolution of the share price, which posted increased after the transaction was completed.

Lastly, taking advantage of attractive market conditions, Carbone Lorraine refinanced its multi-currency credit line one year ahead of schedule with a syndicate of 10 international banks in December. The size of the deal, which was initially expected to be for \$200 million, was a great success and was in the end increased to \$220 million.

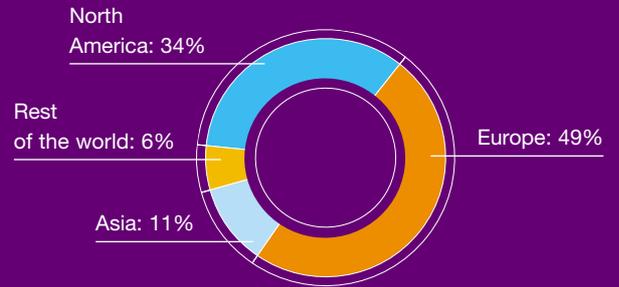
Carbone Lorraine now has solid finances. With the cash generated by its business activities going forward, it has all the leeway it needs to pursue organic growth and acquisitions, should opportunities arise.



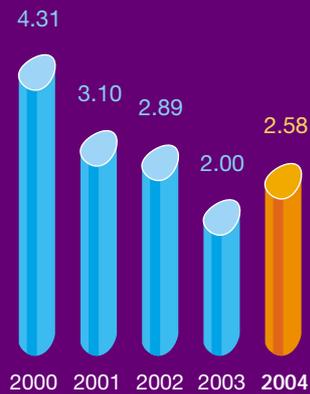
Business segment analysis of 2004 sales



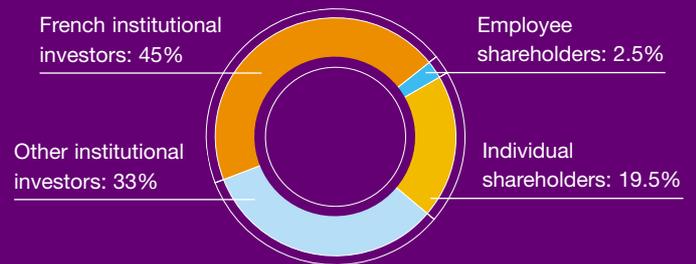
Geographical analysis of 2004 sales



Net income per share before non-recurring items, Group share (in euros)



Ownership of the Group's capital

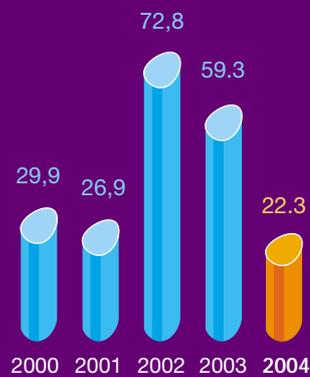


ROCE



Cash flow generated by operating and investing activities*

(in millions of euros)



Debt-to-equity ratio

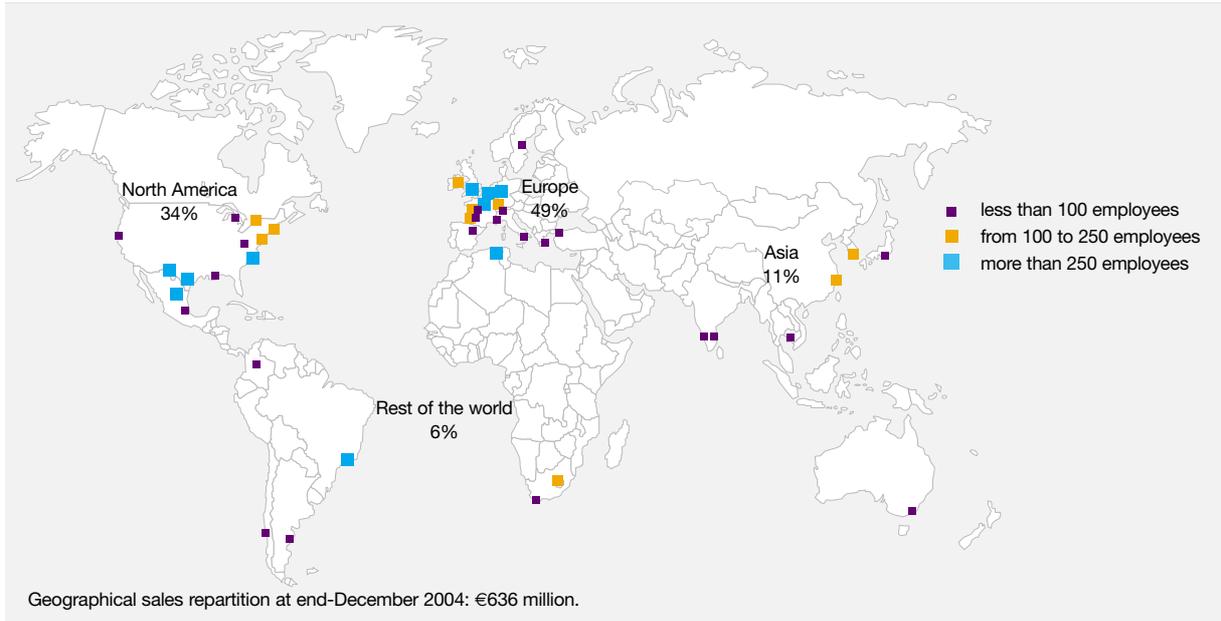


* Before restructuring costs

BUSINESS REVIEW

Geared up for growth

Carbone Lorraine has chosen a worldwide industrial and marketing organization geared to trends in its markets and customer base, enabling it to improve its competitiveness and win new market positions.



Advanced Materials and Technologies

Graphite shows extraordinary properties: it can withstand temperatures of up to three thousand Celsius degrees and most corrosive agents. It conducts heat and electricity, boasts self-lubricating properties and may be purified to a very great extent. Carbone Lorraine genuinely excels in the industrial applications of this material.

Its extensive knowledge of how to use graphite, as well as its customers' constraints and needs has enabled it to broaden the range of materials it offers and to develop new applications for highly demanding industrial environments.



Heat exchanger

Technological challenges

Light-emitting diodes (LEDs), a lighting technology that may ultimately replace conventional bulbs, could not be manufactured without ultra-pure graphite. Graphite is also vital for the equipment used to produce semiconductors because it can withstand high temperatures and can be produced at a very high level of purity. Carbone Lorraine supplies almost 95% of the graphite used by the world's leading manufacturer of machines for the ionic implantation of silicon.





Hot growth prospects in high-temperature applications

The characteristics of isostatic graphite make it one of the few materials suitable for nearly every stage of the production of semiconductors, from the preparation of the monocrystal to the manufacture of microprocessors and various components. Certain components, such as LEDs, are being used for a growing number of applications, especially for traffic lights and dashboard displays, mobile phone screens and soon flat-screen televisions.

The graphites developed by Carbone Lorraine help its customers to make headway in their own markets.

In 2004, the Group scored noteworthy commercial successes in the US and in Asia, and its sales to the semiconductor industry advanced by 22%. The strengthening of the Group's positions in high-end graphite products for the manufacture of molds for electrical discharge machining (EDM) also contributed to the business expansion. To underpin growth in Asia, an isostatic tooling workshop and a flexible graphite workshop were set up close to Shanghai in China during early 2005.

Lastly, Carbone Lorraine is currently constructing an isostatic graphite block manufacturing unit in Chongqing, China. This new facility should ultimately double the Group's capacity. This new unit, which is intended to serve the Asian market, is expected to supply the tooling workshops already established in India and China. This plan represents a key pillar of Carbone Lorraine's general expansion strategy.

Pioneering new technologies in anti-corrosion equipment

To handle the circulation and the storage of highly corrosive fluids, Carbone Lorraine has developed a very extensive range of equipment using the most efficient materials for this type of application, primarily comprising chemicals, pharmaceuticals and fertilizer production. Carbone Lorraine has rounded out its range of graphite solutions with equipment made of noble metals (tantalum, titanium and zirconium), which are employed in the toughest of environments. The Group has established itself as the technology leader in these markets and is constantly building on these positions.

The Group has broadened its offering to include turnkey installations. These involve delivering a function or a system rather than a single piece of equipment, such as hydrochloric acid synthesis units and exchange or distillation columns. It designs, performs the engineering, builds and starts up the systems or installations using the expertise it has acquired in its customers' applications.

The Group's activities in this field are dependent on capital spending trends in the chemicals, fertilizer and pharmaceutical industries. Presently, the market expands mainly in Asia, where the Group is the leader thanks in particular to its unit in Shanghai, which is growing quickly. Demand in Europe and North America chiefly comprises replacement spending. During 2004, the division sales rose slightly thanks to the delivery of a tantalum reactor to General Electric in Spain at the end of the year.

Always one step ahead

Thanks to its ability to innovate and expand, Carbone Lorraine has shored up its positions by pushing back technical boundaries. Not only does it offer longer graphite tubes than any other manufacturer, it also markets components coated with PTFE (polytetrafluoroethylene products), the only fluorinated plastic product continuously able to withstand temperatures of 220°C, and Carbone Lorraine has extended its range by adding highly competitive products.

During 2004, Carbone Lorraine strengthened its leadership thanks to a technological breakthrough enabling it to produce 6m-long graphite tubes, whereas 4m tubes were the longest available on the market. By reducing the number of joints in its equipment, the Group has enhanced the reliability and life span of the heat exchangers, delivering improved safety and lower maintenance costs to its customers.

The new facility in Oxnard (California), which has set new standards for the construction of noble metals equipment, also

harbors substantial growth prospects for the Group. It scored a remarkable success in this area when it gradually replaced glass lined steel reactors at Europe's largest polycarbonate production site (namely used in the "glass" of automobile lights) with tantalum equipment.

Lastly, Carbone Lorraine recently patented a process enabling it to produce steel equipment coated with noble metals, making for much more competitive solutions than conventional processes and opening up the prospect of substantial penetration in large markets currently served by traditional, much less efficient equipment.

Pole position in high-energy braking

The materials developed by Carbone Lorraine come into their own when heat needs to be dissipated very rapidly in a confined space in accordance with highly demanding safety standards, such as brakes for an Airbus or a TGV high-speed train.

During 2004, sales in the dollar zone of the aerospace market were reduced by a negative currency translation effect. This decline was offset by further growth in all other segments, particularly for rail, motorcycle and motor racing applications.

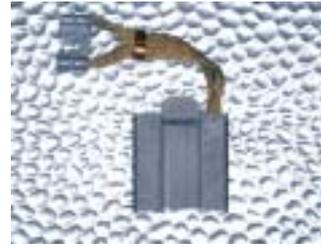
During 2004, sintered brakes for mountain bikes, a recent application, expanded very rapidly in both the original equipment and replacement markets. In the motorcycle segment, Carbone Lorraine is now focusing its efforts on developing its international distribution networks having established a strong reputation thanks to its success on racing circuits and the quality of its consumer products. Likewise, by sealing an exclusive technical partnership with the Peugeot Sport team in 2004, Carbone Lorraine has opened up new avenues of expansion now in motor car racing, which it is likely to turn into concrete gains in 2005.

The success it has achieved in high-speed train braking epitomizes the Group's technological leadership and its reputation for quality. By offering the best performance in terms of costs, product life span and services, Carbone Lorraine has become the supplier of brake linings for TGV high-speed trains in France and their KTX equivalent in South Korea. As a result of its reputation, it is now consulted on all new projects, including the Japanese Shinkansen.

Brakes for champions

Following on from TGV high-speed trains and rally cars, Carbone Lorraine's brakes have tasted success on racing circuits with Peugeot Sport.





Electrical Components

The conductivity of graphite lies behind the development of applications for direct current electric motors. Carbone Lorraine has extended its expertise to other critical electrical components, particularly industrial fuses. The Group has consolidated its positions by harnessing its ability to innovate and the performance of its manufacturing facilities.

Motoring ahead in Electrical Applications

Capitalizing on the conducting and self-lubricating properties of graphite, Carbone Lorraine has developed sliding electrical contacts. This expertise, which is used primarily in brushes for industrial and automotive electric motors, is also employed in rail traction and collection, as well as in many other industrial applications.

The brush and brush-holder market for industrial motors has reached maturity. It is now becoming primarily a service oriented business in which the ability to provide replacement products as rapidly as possible to local markets is a key success factor, hence the development of a network of local workshops throughout the world.

Aside from these replacement supplies, Carbone Lorraine is increasingly being called upon to use its expertise to diagnose motor malfunctions in the contact between brushes and the collector.

During 2004, Carbone Lorraine landed some major rail transportation contracts in North America, and its business in the region expanded by 10%.

The market for brushes and brush-holders for automobile applications is steadily expanding owing to the growing use of auxiliary motors in vehicles. Carbone Lorraine boasts highly effective logistics and marketing presence in Europe and North America.

Thanks to its three main manufacturing facilities at Amiens in France, Toronto in Canada and Farmville in Virginia, and its low-cost operations in Brazil, Tunisia, India and China, the Group is well-placed to cope with any technological advances and follow the geographical moves of its customers. Using its facilities in India and China as a platform, the group can now serve the Asian automobile, electrical appliance and electrical power tool markets. New applications are being developed using Carbone Lorraine's expertise in sliding electrical contacts in the aerospace, medical, logistics and renewable energies (wind power) segments.

Improving motorists' safety and comfort

Anything between 70 and 100 electrical motors and even more brushes may be built into a high-end vehicle. They are used in starter engines, window lifts, seat motors, wipers, rearview mirrors, antennae, sunroofs, fuel pumps, ABS, powered steering, etc.



Worldwide manufacturing logistics facilities

With its thousands of product items tailored to the various electrical standards used around the world, the Electrical Protection division caters to both equipment suppliers (OEM) and electrical products distributors. It boasts two key strengths, firstly the local expertise of its sales teams, which manage a whole host of local contacts and secondly its complete geographical coverage, which allows the Group to present itself as a single supplier to global big customers.

Electrical Protection, providing universal protection for people and assets

The division specializes in the development and manufacture of fuses and fuse-holders used to protect industrial equipment and power semiconductors. Fuses protect persons, and equipment in many cases worth several million euros. The division has a worldwide presence and markets a very extensive range of products compliant with all local standards.

During 2004, the Electrical Protection division embarked upon a highly ambitious reorganization of its manufacturing base. As a result of this streamlining program, now nearing completion, the Group boasts facilities specializing in different types of production.

In Europe, the production of fuses complying with European standards has been centralized, with sophisticated and automated production taking place at the Saint-Bonnet-de-Mûre plant close to Lyon and other lines being manufactured in Tunisia.

In North America, based on the same production model, the Group has two workshops close to Boston and Toronto handling specific products with US standards and a mass production unit in Mexico, close to the border with Texas. In Asia, the Bangalore unit in India manufactures products to UK standards for India and other English speaking countries, while the site in Japan and the new Shanghai facility, which has been set up in conjunction with a Japanese partner, serve the local markets.

This manufacturing organization allows supporting the Group's major OEM and distributor customers around the world. At the same time, it has unlocked substantial productivity gains, which are now set to drive a major improvement in its financial performance, while continuing to strengthen its presence in its core business of fuses and enriching its fuse-centered product offering.





Return to breakeven point ahead of schedule in Magnets

Magnets made of ferrite, an iron oxide and strontium-based ceramic material, keep the small electric motors turning that are widely used in vehicles, electrical appliances and power tools. Capitalizing on its expertise in electric motors and its relationship with the leading OEM, Carbone Lorraine is the world's number three supplier of magnets for automobile applications. In this segment, Carbone Lorraine has to contend with the ramp-up of South Korean and more recently Chinese players, which have put prices under heavy downward pressure.

Against this backdrop, the division has refocused its product portfolio and pooled production at its most efficient manufacturing facilities, while paying special attention to enhancing its customer service.

The restructuring of its operations enabled the division to return to breakeven point in 2004 at operating level.

Given the expansion in the market and the division's strong competitive positions, especially in flux packages, a segment in which it is the world leader, the Group is looking to find a suitable partner for the division to secure its future on the best possible footing.

Carbone Lorraine's products facilitate technological progress right across the industrial sector

- *Manufacture of certain highly sophisticated components for Airbus*
- *Kiln equipment for the production of glass fibers*
- *Continuous casting of copper-based metal alloys for the euro*
- *Protective wall for nuclear fusion reactors*
- *Flexible graphite used as an alternative to asbestos for static watertight joints*
- *Noble metal and fluorinated polymer equipment for the pharmaceutical industry*
- *Brakes for the Airbus A321, high-speed trains, the Eurostar, motorcycle and motor racing*
- *Fuses, brushes and blade brakes for the wind power current generators*
- *Brushes aboard NASA's two Mars Rovers*

CORPORATE GOVERNANCE

A major commitment to good governance

Ten years ago in 1995, Carbone Lorraine's Board of Directors embraced the principles of good corporate governance by setting up two specialized committees, namely the Audit and Accounts Committee and the Appointments and Remuneration Committee. In early 2003, the Board of Directors' new internal regulations instituted a third committee focused on the Group's strategy.

The Board of Directors

Eight directors sit on the Board, five of whom are independent. The Board met 7 times during 2004. During each meeting, the Board systematically analysed trends in the Group's sales and earnings. During 2004, it also monitored the progress of restructuring underway in the Magnets and Electrical Protection divisions and examined the organic growth plans proposed by the Group as part of its "Growth Plus" program, before giving them the go-ahead.

Internal regulations

The internal regulations lay down the role, composition and organization of the Board, as well as the decisions that it must approve. They state the role of the Board's three specialized committees and set up a code of conduct for those privy to privileged information.

Assessment of the Board's efficiency

In early 2004, the Board conducted the first review of its operations. The individual interviews held by a member of the Appointments and Remuneration Committee based on a questionnaire concluded that the Board is working in a satisfactory manner. They also highlighted several areas for improvement, on which the directors worked during 2004.

Members of the Board of Directors

Claude Cocozza,
Chairman and Chief Executive Officer
Robert Chauprade*
Jean-Paul Jacamon*
Lise Nobre

Jean-Pierre Capron*
Hervé Couffin
Jean-Claude Karpeles*
Walter Pizzaferrri*

Audit and Accounts Committee

This committee, which comprises three directors, two of whom are independent, met 6 times during 2004. In particular, the Committee approved the elections taken for the first-time adoption of IFRS and set up the rules for the competitive tender for renewing the statutory auditors. The Committee approved the program of audits at seven manufacturing facilities and of three audits verifying implementation of the action plans drawn up after previous assignments. It also examined the work of the Risks Committee.

* *Independent directors.*

Appointments and Remuneration Committee

Four directors, two of whom are independent, sit on this committee, which met three times during 2004 and discussed certain straightforward matters over the telephone and by correspondence. In particular, the Committee examined and approved the Chairman's proposed changes to the organization of the Group's management team and to the composition of the Executive Committee. It also studied ways of motivating and rewarding employees and senior managers following recent regulatory developments.

Strategy Committee

It comprises four directors, two of whom are independent. This committee met 6 times during 2004 to examine implementation of the divisions' strategies and to discuss the Group's strategy. In particular, the Committee examined the formal definition of the Group's strategy in Asia and approved the corresponding expansion plans and investments.

Executive Committee

The senior executives on the Executive Committee are responsible for running and overseeing the Group's day-to-day operations. During their monthly meetings, they analyse trends in sales, earnings and cash flow and determine the action to be taken where performance falls short of targets. The Executive Committee meets each divisional manager to conduct a detailed review of the division's business and planned developments.

Members of the Executive Committee

On January 1, 2005, the Executive Committee was strengthened by the arrival of three new members as a result of Michel Coniglio's retirement and the renewed emphasis on expansion from 2005 onwards. Luc Themelin and Ernest Totino came from the teams coached by Michel Coniglio, while Augustin Huret has spent his career in the automobile industry.

The Executive Committee has seven members.



Claude Coccozza,
*Chairman and
Chief Executive Officer*



Augustin Huret
*Group Vice President,
Electrical Applications*



Bernard Leduc,
*Group Vice President,
Human Resources*



Marc Renart,
*Group Vice President,
Electrical Protection*



Jean-Claude Suquet,
*Group Vice President,
Finance
and Administration*



Luc Themelin,
*Group Vice President,
High-temperature
Applications and Braking*



Ernest Totino
*Group Vice President,
Anti-corrosion equipment*

A long-term view of development

Sustainable development is predicated on a set of principles that are firmly anchored in the Group's corporate culture. For many years, Carbone Lorraine has pursued a socially responsible policy fostering the commitment of all its employees to the Group's mission.

The creation at the beginning of 2004 of a Risk department, which handles the global management of risks for the entire Group and reports back to the Audit and Accounts Committee of the Board of Directors, also demonstrates the Group's determination to incorporate sustainable development in its corporate governance programs.

Continuous action

The Group's human resource policy contributes on a daily basis towards improving the competitiveness of all its sites. These continuous efforts aim to develop employees' competencies through training programs geared to the changes in our business activities, to organize methods and to mobilize employees through performance target-based incentive plans.

An internal communications program focused on objectives, which are set on a site-by-site and even on an individual workshop basis, was initiated in 2004 and will gradually be deployed across the Group.

The Worldwide 5S Challenge

The 5S –sort, set in order, shine, standardize, sustain– are not just useful guiding principles, but together constitute an organizational method designed to raise the performance of teams with a view to enhancing customer satisfaction. A total of 63 teams at 37 locations around the world rose to the challenge in 2004.



The winning team is the express workshop of Carbone of America - Canada.

Industrial efficiency drive

The restructuring of the manufacturing base initiated in 2004 should be completed in 2005. In Electrical Protection, the Eggolsheim and Mannheim plants in Germany and the Barcelona plant in Spain were closed down and their activities transferred to Saint-Bonnet-de-Mûre in France and El Fahs in Tunisia. The Magnets division has reduced its workforce in France at its Evreux and Saint-Pierre-d'Allevard sites. In each and every case, support packages tailored to the local culture and circumstances were offered and negotiations initiated with employee representatives.

Assistance for the victims of the Asian disaster

Carbone Lorraine, which has a very strong presence in southern Asia, did not suffer any victims in the disaster that hit the Indian Ocean's coastlines in late 2004.

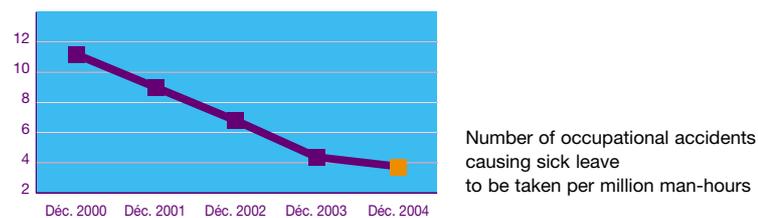
Complementing the initiatives taken locally by its subsidiaries, the Group decided to pay for one hundred houses to be rebuilt and repairs to be made to drinking water infrastructure in southern India close to its Madras production sites.

Safety-oriented culture

Safety has long been a top priority for the Group. The decline in the frequency of occupational accidents continued during 2004.

Fresh initiatives were implemented to instill this safety-oriented culture right around the world at all the Group's manufacturing sites and during trips by its sales teams. Steps were also taken to reduce employees' exposure to noise.

Trends in occupational accident rates



Global risk management

Carbone Lorraine has secured the resources it needs to pursue its policy of continuous improvement in terms of protecting people, its assets and the environment. The newly created Risk department continued to implement the initiatives introduced during previous years.

The Group's industrial processes do not represent a hazard liable to trigger major chemical reactions, and none of its sites have been classified under the Seveso directive. This said, all of them undergo regular audits and are constantly kept in line with the standards in force. Precise guidelines and regular training programs help to minimize the potential hazards identified.

The Group's main sites have embarked on the process of gaining ISO 14001 and OHSAS 18001 certification in line with their commitment to the environment and safety.

The Risk department also endeavors to mitigate the potential economic impact of all the risk factors identified. It analyses industrial risks to reduce their likelihood and their knock-on effects on business activities. It works in liaison with the Purchasing department to find alternatives to secure the supply chain, as well as securing the Group's information in general and access to sites and protecting its IT systems.



Strong performance in 2004

Carbone Lorraine shares posted another strong increase in 2004, notching up gains of 39% following on from a rally of 30% in 2003. The share's benchmark index, the SBF 120, advanced by 7% and 15% respectively over the same period.

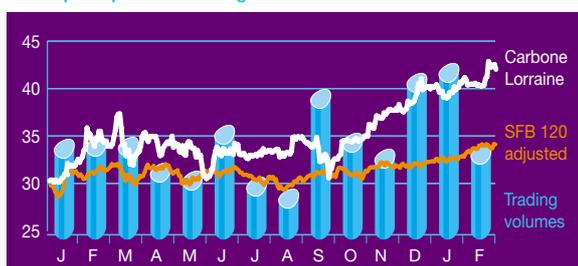
The announcement of the expansion plans, which justified the capital increase, drove up the share price, which peaked at €39.6 in December and closed for the year at €39.0.

This strong increase during the fourth quarter illustrates investors' confidence in the Group's strategy of profitable growth.

Technical details

- Listed on the Premier Marché of Euronext Paris
- NextPrime Segment
- Indices: CAC Mid100, Euronext 150
- SRI Europe index of socially responsible companies
- Eligible for deferred settlement and for inclusion in French PEA savings plans
- ISIN code: FR0000039620
- Share price on December 31, 2004: €39.00
- 2004 high: €39.60
- 2004 low: €27.10

Share price performance against SBF120 index



After the strong gains recorded in 2004 (+39%), the share price shows a 5% increase at the end of February since the beginning of the year.

Trading volumes remain high reflecting investor's interest in the share.
 2004 monthly average trading volume: 474,391
 2005 monthly average trading volume (2 months): 684,431

Focus on investor relations

Carbone Lorraine maintains a dynamic relationship with its shareholders in order to improve their understanding of the Group's strategy, business activities and financial fundamentals.

The Group's investor relations strategy is predicated on a regular program of meetings and presentations, which are geared to meeting the specific expectations and needs of different categories of shareholders. For instance, Carbone Lorraine organizes:

- presentations in Europe and North America for institutional investors;
- meetings and seminars on specific themes for investment analysts and business and financial journalists;
- information and question-and-answer sessions with individual shareholders in France, backed up by a half-yearly newsletter;
- stock market induction courses and a newsletter for employee shareholders.

www.carbonelorraine.com

The web site provides a valuable source of in-depth information about the Group's business activities. All the documents published and press releases issued by the Group are also available online.

Our team works tirelessly to keep all our shareholders and all our financial partners informed. For further information, please contact us:

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Diary dates for 2005

- **Sales figures**

2004 annual sales	January 25 th
First quarter sales	April 19 th
First half sales	July 20 th
Third quarter sales	November 2 nd
- **Results**

2004 annual results	March 16 th
2005 half year results	September 14 th
- **Institutional investors meeting**
 The whole year round in Europe and North America
- **Presentation to individual shareholders**

Bordeaux	May 17 th
Lyon	November 24 th
Nice	To be defined
- **Annual General Meeting**
 Paris May 12th
- **Technical seminar for financial analysts and journalists**
 Topic : anti-corrosion equipments - Paris June 8th

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