






Carbone Lorraine

2009 Interim report

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General overview of the Group

Chairman of the management board's message

Dear shareholder,

The economic environment was very difficult in the first half of 2009.

North America and Europe gradually fell into recession, and the late-2008 financial crisis triggered an unprecedented downturn in the manufacturing sector.

Markets contracted sharply, directly affecting a large proportion of our businesses. Our sales of general-purpose fuses, brushes for industrial motors and graphite equipment for traditional industries were down in Europe and North America.

As a result, we are making major adjustments. These include reducing costs, capital expenditure and our working capital requirement. Our efforts in these areas have enabled us to limit the decline in our operating margin at a time of falling volumes, and will help to drive rapid earnings growth when activity recovers.

In the last few years, however, we have refocused on buoyant new markets, primarily renewable energies (wind and solar), but also urban transport and energy efficiency. All of these businesses are seeing strong momentum arising from clients' growing focus on sustainable development. This new market position made us more resilient to the depressed manufacturing environment in the first half of 2009.

We have also diversified geographically. Asia now accounts for 21% of sales. Although Asia is also in recession, Carbone Lorraine's first-half sales saw growth in this region.

Clearly, the current recession is a particularly severe one, and will leave lasting damage. It will cause permanent

changes in behavior, and will give rise to a new economy, more focused on sustainable development and energy efficiency. This is a major challenge, but one that creates real opportunities for Carbone Lorraine.

We stepped up our efforts to reposition our businesses in the first half of 2009.

We completed the disposal of our automotive brush business. We have now fully withdrawn from the auto sector. We also continued to build positions in Asia, setting up new facilities and extending existing ones in India, China and South Korea.

Our business plan is focusing on new markets and new regions. It also features a raft of projects that will make the most of our operational excellence and innovation capacities and develop our talented staff, which are crucial for sustained success.

Despite today's problems, we are therefore continuing to prepare for the future.

We will take advantage of the trend towards sustainable development, with around half of our business coming from solar and wind energy, clean transport and energy efficiency. I am fully committed to this development and, with the trust of all our staff and shareholders, I am determined to carry through this transformation of our group.

Ernest Totino
Chairman of the
Management Board



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Business overview

→ Advanced Materials and Technologies

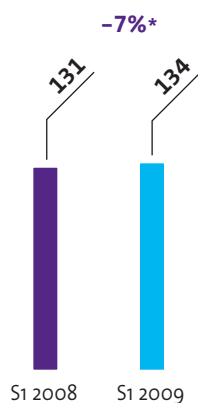
The **Advanced Materials and Technologies** division posted first-half 2009 sales of €134 million, down 7% like-for-like compared with the year-earlier period. Unadjusted sales were up 3%. The difference was partly due to the integration of Calcarb and Xianda, offset to some extent by the disposal of the brakes business at the end of the first quarter of 2008.

Sales of graphite equipment were badly affected by the contraction in traditional industrial markets in Europe and North America. However, they were supported by buoyant demand for polysilicon from the photovoltaic industry, and for the fine chemicals industry, with some large deliveries taking place in Asia.

EBITDA totaled €28.3m, equal to 21.1% of sales versus 23% in the year-earlier period. The division's success in limiting the decline in EBITDA margin to 2 points shows impressive resilience.

Operating income before non-recurring items was €17.6 million, equal to 13% of sales. This represents a margin decrease of around 4 points. The decline was larger than that seen in the EBITDA margin because of higher depreciation, arising from investments aimed at maximizing growth in the solar energy market, which consumes large amounts of graphite equipment.

Sales (€ m)



EBITDA	23%	21.1%
Operating Margin Before Non-Recurring Items	17.4%	13%

→ Electrical Components and Technologies

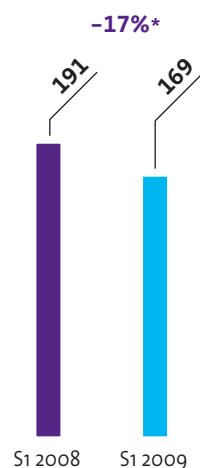
The **Electrical Components and Technologies** division posted first-half 2009 sales of €169 million, down 17% like-for-like compared with the year-earlier period. Unadjusted sales fell by 12%, with the difference relating mainly to the integration of R-Theta and Areva's medium-voltage fuses business.

First-half sales were affected by the manufacturing recession in Europe and North America. Sales fell across all traditional markets, including electricity supply components and electrical protection equipment. The decline was made worse by large-scale inventory reductions at the main electrical equipment distributors. The wind turbine market remained buoyant in Asia and North America.

EBITDA margin remained high at 13.6%. This represents a year-on-year decline of 3 points, caused by the sharp fall in sales volumes.

Operating income before non-recurring items was €17.9 million. This was equal to 10.6% of sales, down 3 points compared with the first half of 2008.

Sales (€ m)



EBITDA	16.6%	13.6%
Operating Margin Before Non-Recurring Items	13.6%	10.6%

* Like-for-like

Results

→ Consolidated sales

Sales totaled €303 million in the first half of 2009, down 6%. On a like-for-like basis - i.e. excluding positive exchange-rate effects, the impact of acquiring Calcarb, Xianda, R-Theta and Areva's medium-voltage fuse business and the sale of the brakes business in late March 2008 - sales were down 13%.

First-half sales were badly affected by falling demand in traditional industrial markets in Europe and North America. The weak operating environment had a particularly adverse impact on industrial brushes, general-purpose fuses and graphite equipment for the process and electronics industries. Sales to renewable energy customers continued to see very strong growth. With our unique and innovative product range, we are capturing ongoing rapid growth in these markets, in which we have strengthened our leadership. The chemicals and pharmaceuticals markets remained firm.

Sales (€ m)



* Like-for-like

→ EBITDA and operating income

EBITDA totaled €44.7 million, equal to 14.7% of sales versus 16.9% in the year-earlier period. The decline in margin was successfully limited to just under 2 points thanks to the rapid implementation of cost cuts in response to the global recession. These measures supplement the restructuring efforts we made in recent years, which were intended to make us more resilient to tough operating conditions.

Operating income before non-recurring items was €28.9 million, equal to 9.5% of sales, down from 13.2% in the year-earlier period. The decline was due to depreciation arising from recent heavy investment aimed at underpinning our growth in renewable energies and Asia.

IFRS operating income was €27.6 million after €1.3 million of non-recurring charges. In the first half of 2008, IFRS operating income was €55.2 million, including a gain of €14 million on the disposal of the brakes business.

→ Net income

Finance costs totaled €5.7 million, slightly less than in the year-earlier period because of lower interest rates.

The tax rate was 28% (2008: 29%).

Net income was €13.8 million, as opposed to €33.6 million (including a net disposal gain of €10 million) in the first half of 2008.

→ Debt

Cash generated by continuing operating activities during the first six months of 2009, before the change in the working capital requirement and tax, came to €44.1 million, compared with €54.1 million in the equivalent period of 2008.

The working capital requirement fell by €14.9 million, of which €13.5 million related to the introduction of factoring in France, leading to faster collection of trade receivables. Inventories fell by €10.8 million. The decline in trade receivables excluding factoring was offset by drastic cost-reduction measures, leading to a fall in trade payables.

Net capital expenditure in continuing operations totaled €27 million, up from €22 million in the first half of 2008. The first-half 2009 figure includes expenditure on orders placed in 2008. We have become more selective with regard to capex in 2009, in response to changes in the economic environment.

To maintain progress in today's tough conditions, we took steps to strengthen our financial position. We therefore increased our

capital by €22.3 million by using the equity facility arranged in late 2008 (see Note 12 to the financial statements).

At end-June 2009, net debt totaled €276.4 million, down from €305.9 million at end-2008. The net debt/EBITDA ratio was 3.06x versus 2.73x at end-2008. The net debt-to-equity ratio moved down from 94% at end-2008 to 77% at end-June.

Outlook

Our sales fell in the first half of 2009 because of the global recession. The businesses that suffered most were those most exposed to investment and industrial production in developed countries. However, the new markets on which we are focusing – i.e. solar, wind, urban transport, energy efficiency – were resilient. Our strong position in Asia also gave us continuing exposure to buoyant markets.

The recession has not jeopardised the strategy formulated in the Expansion 2011 plan, which we presented in September 2008, but will delay attainment of the goals we set. The plan is based on strong growth drivers arising from our aggressive repositioning in the last few years. These drivers remain in place,

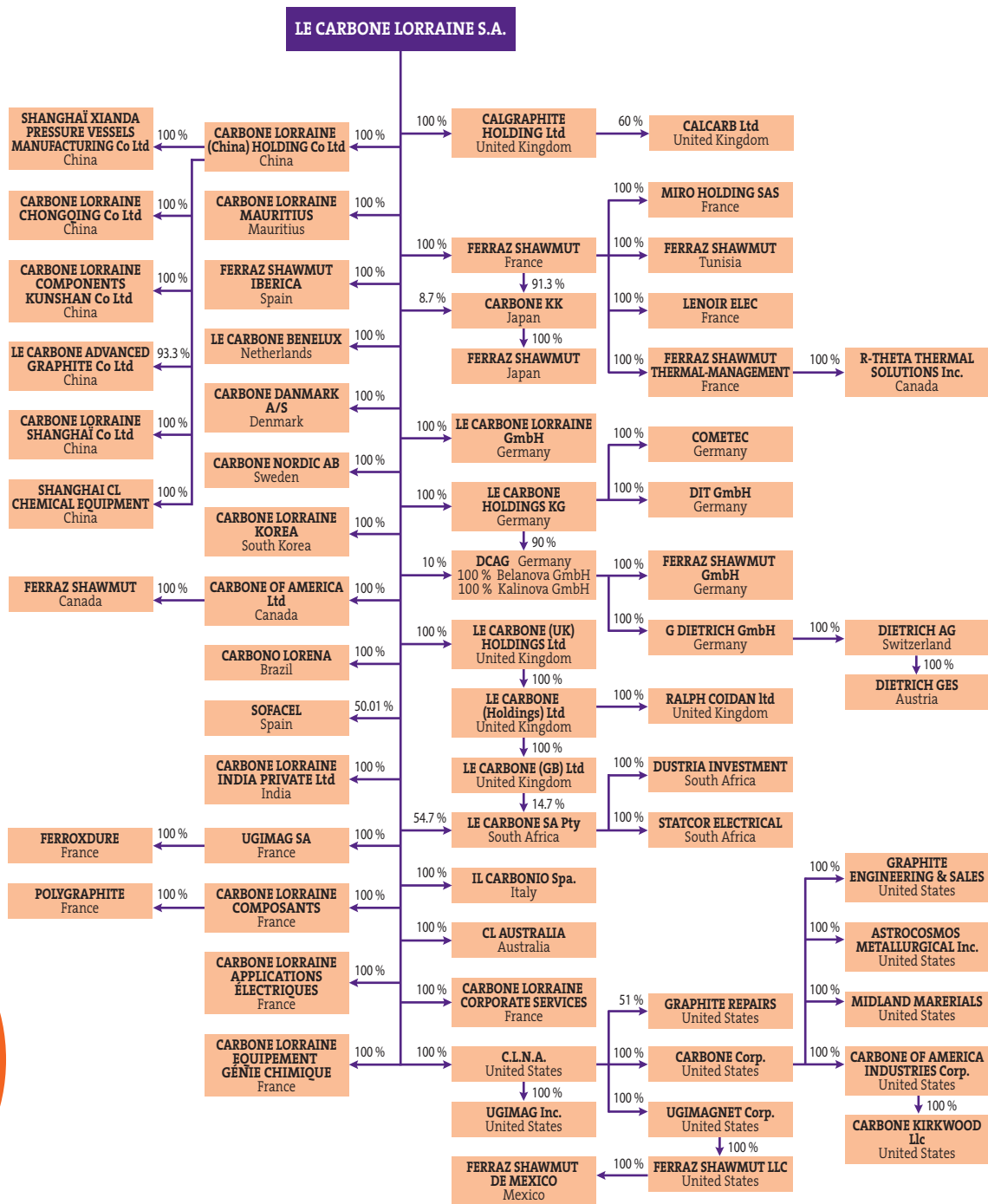
and our medium-term outlook is bright as a result. However, it is currently impossible to forecast the resulting growth. Even leading economists are struggling to forecast when and how the recession will end.

Although some leading indicators are pointing toward an upturn, we are unlikely to see a recovery in the second half of 2009. As a result, we are planning to maintain efforts to cut costs, limit capital expenditure and achieve a structural reduction in the working capital requirement. The purpose of these initiatives is to increase our resilience to today's weak economic conditions, while strengthening our positions so that we can take greater advantage of the recovery when it happens.



Consolidated financial statements

Scope of consolidation at June 30, 2009



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List of consolidated companies

	Consolidation method FC: Full consolidation	% of voting rights held by the Group	% of the share capital held by the Group
1. Le Carbone Lorraine SA (France)	FC	100	100
2. Carbone Lorraine Applications Électriques (France)	FC	100	100
3. Carbone Lorraine Composants (France)	FC	100	100
4. Carbone Lorraine Équipements Génie Chimique (France)	FC	100	100
5. Carbone Lorraine Corporate Services (France)	FC	100	100
6. Ferraz Shawmut SAS (France)	FC	100	100
- Ferraz Shawmut Thermal Management	FC	100	100
7. MIRO Holding SAS (France)	FC	100	100
8. Lenoir Élec (France)	FC	100	100
9. Ugimag SA (France)	FC	100	100
10. Ferroxdure (France)	FC	100	100
11. Polygraphite (France)	FC	100	100
12. Carbone Lorraine Holdings KG (Germany)	FC	100	100
- Deutsche Carbone AG	FC	100	100
- Belanova-Kalbach GmbH	FC	100	100
- Kalinova-Kalbach GmbH	FC	100	100
- Cometec	FC	100	100
- DIT GmbH	FC	100	100
13. Ferraz Shawmut GmbH (Germany)	FC	100	100
14. G. Dietrich GmbH (Germany)	FC	100	100
15. Dietrich AG (Switzerland)	FC	100	100
16. Dietrich Ges. (Austria)	FC	100	100
17. Le Carbone Lorraine GmbH (Germany)	FC	100	100
18. Sofacel (Spain)	FC	50	50
19. Ferraz Shawmut Iberica	FC	100	100
20. Le Carbone Holdings (UK) Ltd	FC	100	100
- Le Carbone (GB) Ltd	FC	100	100
- Le Carbone (Holdings) Ltd	FC	100	100
- Ralph Coïdan Ltd	FC	100	100
21. Calgraphite Holding Ltd (GB)	FC	100	100
- Calcarb Ltd	FC	60	60
22. Il Carbonio Spa. (Italy)	FC	100	100
23. Le Carbone Benelux (Netherlands)	FC	100	100
24. Carbone Nordic AB (Sweden)	FC	100	100
- Carbone Danmark A/S	FC	100	100
25. Carbone of America (LCL) Ltd (Canada)	FC	100	100
26. R Theta Thermal Solutions Inc (Canada)	FC	100	100
27. Ferraz Shawmut Canada	FC	100	100

	Consolidation method FC: Full consolidation	% of voting rights held by the Group	% of the share capital held by the Group
28. Carbone Lorraine North America (USA)	FC	100	100
- Graphite Repairs	FC	51	51
- Carbone Corp.	FC	100	100
- Ugimagnet Corp.	FC	100	100
- Carbone of America Industries Corp.	FC	100	100
29. Carbone Kirkwood Llc (USA)	FC	100	100
30. Astrocosmos Metallurgical Inc. (USA)	FC	100	100
31. Midland Materials (USA)	FC	100	100
32. Graphite Engineering and Sales (USA)	FC	100	100
33. Ferraz Shawmut LLC (USA)	FC	100	100
- Ferraz Shawmut de Mexico (Mexico)	FC	100	100
34. Ugimag Inc. (USA)	FC	100	100
35. Le Carbone Lorraine Australia	FC	100	100
36. Le Carbone KK (Japan)	FC	100	100
37. Ferraz Shawmut Japan	FC	100	100
38. Carbone Lorraine Korea	FC	100	100
39. Carbone Lorraine India Private Limited	FC	100	100
40. Carbone Lorraine Mauritius (Mauritius)	FC	100	100
41. Carbone Lorraine (China) Holding Co. Ltd (China)	FC	100	100
42. Carbone Lorraine Shanghai Co Ltd (China)	FC	100	100
43. Carbone Lorraine Chongqing Co Ltd (China)	FC	100	100
44. Carbone Lorraine Components Kunshan Co Ltd (China)	FC	100	100
45. Le Carbone Advanced Graphite (Kunshan) Co Ltd (China)	FC	93	93
46. Shanghai Carbone Lorraine Chemical Equipment Cy Ltd (China)	FC	95	95
47. Shanghai Xianda Pressure Vessels Manufacturing Co. Ltd (China)	FC	100	100
48. Le Carbone PTY Ltd (South Africa)	FC	69	69
- Statcor Electrical	FC	69	69
- Dustria Investment	FC	69	69
49. Carbone Lorena (Brazil)	FC	100	100
50. Ferraz Shawmut Tunisie (Tunisia)	FC	100	100

The fiscal year of all these companies is the same as the calendar year.

Changes in the scope of consolidation over the past three years

The principal changes that affected the consolidated financial statements in 2007, 2008 and 2009 are presented below:

■ 2007:

- Ferraz Shawmut France acquired a majority shareholding in Lenoir Élec in January 2007.
- CL India and CL Madras joined the scope of consolidation with effect from January 1, 2007.
- Chinese companies CL Chongqing, Le Carbone Advanced Graphite and CL Components Kunshan, as well as the holding company that owns these companies, CL Mauritius, joined the scope of consolidation during the second half of 2007 with retrospective effect from January 1, 2007.
- Ferraz Shawmut LLC acquired General Electric's medium-voltage fuse business in December 2007.

■ 2008:

- German company DIT GmbH, acquired by Le Carbone Holding KG in 2007, entered the scope of consolidation on January 1, 2008.
- Ferraz Shawmut Tunisie entered the scope of consolidation on January 1, 2008.
- Chinese company Carbone Lorraine Shanghai Co. Ltd was consolidated for the first time from January 1, 2008.
- Chinese company Shanghai Xianda Pressure Vessels Manufacturing Co Ltd as well as its holding company CL (China) Holding Co. Ltd, were consolidated for the first time on April 1, 2008.
- The rail and motorcycle braking sub-division (part of the AMT division) was deconsolidated from April 1, 2008 following its disposal to Faiveley.
- Miro Holding SAS was consolidated for the first time on June 1, 2008. Since July 2008, this company has owned a 51% stake in Zhejiang Mingrong Electrical Protection via unconsolidated Hong Kong-based company Fuses and Switchgear Ltd.
- Canadian company R-Theta Thermal Solutions Inc., which was acquired by Ferraz Shawmut Thermal Management during fiscal 2008, was consolidated for the first time on August 1, 2008.

- Ferraz Shawmut SAS acquired the medium-voltage fuse manufacturing operations of Areva's Montpellier plant in September 2008.

■ First-half 2009:

- UK company Calcarb Limited, in which the Group acquired a 60% stake in December 2008, was consolidated from January 1, 2009.

Given the non-material nature of these changes in scope, the preparation of proforma financial statements was not justified.

➔ Disposal of the automobile and household electrical appliance brush division

■ At December 31, 2008:

Given the firm offer received by the Group in January 2009 for its business producing brushes and brush-holders for automobiles and household electrical appliances (part of its Electrical Applications division), the Group's 2008 financial statements were presented in accordance with IFRS 5 (see note 5).

At December 31, 2008, the balance sheet, income statement and statement of cash flows show held-for-sale and discontinued assets and liabilities on a separate line-item.

■ 2009:

The disposal was completed on May 1, 2009.

The Group's 2009 interim financial statements take into account the disposal of this business (see note 5).

The income statement and statement of cash flows show adjusted figures for the first half of 2008 for comparison purposes.

Summary consolidated income statement

<i>In millions of euros</i>	Notes	First half 2009	First half 2008 adjusted
CONTINUING OPERATIONS			
Consolidated sales	18	303.1	321.8
Cost of sales		(211.5)	(211.7)
Gross income		91.6	110.1
Selling and marketing costs		(31.4)	(32.4)
Administrative and research costs		(29.9)	(33.0)
Other operating costs		(1.4)	(2.1)
Operating income before non-recurring items		28.9	42.6
Non-recurring expense	17	(1.3)	(1.4)
Non-recurring income		0.0	14.0
Operating income	18/20	27.6	55.2
Finance costs		(5.7)	(6.0)
Finance costs, net		(5.7)	(6.0)
Income before tax		21.9	49.2
Current and deferred income tax	22	(6.2)	(14.4)
Net income from continuing operations		15.7	34.8
ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS			
Net income from assets held for sale and discontinued operations	5	(1.9)	(1.2)
NET INCOME		13.8	33.6
Net income attributable to:			
- Carbone Lorraine shareholders		13.3	33.1
- Minority interests		0.5	0.5
NET INCOME		13.8	33.6
Earnings per share	23		
Basic earnings per share (€)		0.86	2.33
Diluted earnings per share (€)		0.82	2.26
Net income per share from continuing operations	23		
Basic earnings per share (€)		0.98	2.41
Diluted earnings per share (€)		0.94	2.34

Summary comprehensive income statement

NET INCOME FOR THE PERIOD		13.8	33.6
Change in fair value of hedging instruments	21	3.0	1.2
Change in balance-sheet items arising from period-end exchange rates		(2.9)	(15.1)
Income tax recognized in shareholders' equity	21	(1.0)	(0.4)
INCOME AND EXPENSES DIRECTLY TAKEN TO EQUITY		(0.9)	(14.3)
TOTAL INCOME AND EXPENSES RECOGNIZED FOR THE PERIOD		12.9	19.3
Attributable to:			
- Carbone Lorraine shareholders		12.3	18.9
- Minority interests		0.6	0.4
TOTAL INCOME AND EXPENSES RECOGNIZED FOR THE PERIOD		12.9	19.3

Consolidated balance sheet

ASSETS

<i>In millions of euros</i>	Note	June 30, 2009	Dec. 31, 2008
NON-CURRENT ASSETS			
Intangible assets			
- Goodwill	6	215.0	181.2
- Other intangible assets		17.0	8.2
Property, plant and equipment			
- Land		31.9	30.9
- Buildings		49.9	39.2
- Plant, equipment and other assets	8	142.3	135.8
- Assets in progress		41.1	29.1
Non-current financial assets			
- Investments	9	20.2	69.1
- Non-current derivatives		0.0	2.8
- Other financial assets	3/15	29.3	23.8
Non-current tax assets			
- Deferred tax assets	22	21.3	10.3
- Non-current tax assets			
TOTAL NON-CURRENT ASSETS		568.0	530.4
CURRENT ASSETS			
- Inventories	10	156.8	165.9
- Trade receivables	11	90.9	121.0
- Other receivables		17.2	29.1
- Other current assets		10.4	9.5
- Current tax assets		6.0	10.4
- Current financial assets	15	3.7	0.5
- Current derivatives	3	1.1	2.0
- Trading financial assets	15	7.4	3.2
- Cash and cash equivalents	15	56.7	46.8
- Assets held for sale and discontinued operations	5	1.8	24.1
TOTAL CURRENT ASSETS		352.0	412.5
TOTAL ASSETS		920.0	942.9

LIABILITIES AND EQUITY

<i>In millions of euros</i>	Note	June 30, 2009	Dec. 31, 2008
EQUITY			
- Share capital	12	31.0	28.6
- Premiums and retained earnings		359.7	313.4
- Net income for the period		13.3	29.1
- Cumulative translation adjustments		(52.9)	(49.9)
EQUITY ATTRIBUTABLE TO CARBONE LORRAINE'S SHAREHOLDERS		351.1	321.2
- Minority interests		8.4	4.0
EQUITY		359.5	325.2
NON-CURRENT LIABILITIES			
- Non-current provisions	13	43.1	43.2
- Employee benefits	14	35.7	34.9
- Deferred tax liabilities	22	9.2	6.1
- Borrowings	15	278.5	297.6
- Non-current derivatives	3	0.4	0.5
TOTAL NON-CURRENT LIABILITIES		366.9	382.3
CURRENT LIABILITIES			
- Trade payables		48.1	72.0
- Other payables		49.9	64.3
- Current provisions	13	2.7	3.0
- Current tax liabilities		3.6	4.4
- Other liabilities including dividends		20.9	14.0
- Other current financial liabilities	15	28.4	39.2
- Current derivatives		0.0	3.9
- Current advances	15	1.9	1.3
- Bank overdrafts	15	35.4	18.3
- Liabilities related to assets held for sale and discontinued operations	5	2.7	15.0
TOTAL CURRENT LIABILITIES		193.6	235.4
TOTAL LIABILITIES AND EQUITY		920.0	942.9

Statement of changes in equity

<i>In millions of euros</i>	Attributable to Carbone Lorraine's shareholders				Total	Minority interests	Equity
	Share capital	Premiums and retained earnings	Net income for the period	Cumulative translation adjustment			
EQUITY AT DECEMBER 31, 2007	28.6	309.3	15.4	(50.4)	302.9	4.1	307.0
Prior period net income		15.4	(15.4)				
Net income for the period			33.1		33.1	0.5	33.6
Change in fair value of hedging derivatives, after tax		0.8			0.8		0.8
Translation adjustments				(15.0)	(15.0)	(0.1)	(15.1)
COMPREHENSIVE INCOME FOR THE PERIOD		0.8	33.1	(15.0)	18.9	0.4	19.3
Dividends paid		(12.1)			(12.1)	(0.7)	(12.8)
Treasury shares		0.5			0.5		0.5
Other items		0.4			0.4		0.4
EQUITY AT JUNE 30, 2008	28.6	314.3	33.1	(65.4)	310.6	3.8	314.4
EQUITY AT DECEMBER 31, 2008	28.6	313.4	29.1	(49.9)	321.2	4.0	325.2
Prior period net income		29.1	(29.1)				
Net income for the period			13.3		13.3	0.5	13.8
Change in fair value of hedging derivatives, after tax		2.0			2.0		2.0
Translation adjustments				(3.0)	(3.0)	0.1	(2.9)
COMPREHENSIVE INCOME FOR THE PERIOD		2.0	13.3	(3.0)	12.3	0.6	12.9
Dividends not yet paid		(8.9)			(8.9)	(0.1)	(9.0)
Issue of new shares	2.4	20.7			23.1		23.1
Other items		3.4			3.4	3.9	7.3
EQUITY AT JUNE 30, 2009	31.0	359.7	13.3	(52.9)	351.1	8.4	359.5

Consolidated statement of cash flows

<i>In millions of euros</i>	First half 2009	First half 2008 adjusted
OPERATING ACTIVITIES		
Income before tax	21.9	49.2
Depreciation and amortization	16.1	11.9
Impairment losses		
Additions to/(write-backs from) provisions	(0.7)	(1.1)
Finance costs, net	5.7	6.0
Capital gains/(losses) on asset disposals	(0.1)	0.0
Other movements	1.2	(11.9)
Cash generated by operating activities before change in the WCR	44.1	54.1
Change in the working capital requirement	14.9	(34.7)
Income tax paid	(3.3)	(7.8)
Net cash generated by continuing operations	55.7	11.6
Cash generated by discontinued operations	(9.8)	(5.0)
Net cash generated by operating activities	45.9	6.6
Investing activities		
Increase in intangible assets	(0.2)	(0.2)
Increase in property, plant and equipment	(26.8)	(21.8)
Increase in financial assets	(1.2)	
Impact of changes in the scope of consolidation	1.9	25.8
Other changes in cash generated/(used) by investing activities	(4.3)	(3.0)
Cash generated/(used) by continuing investing activities	(30.6)	0.8
Cash generated/(used) by discontinued investing activities	2.7	(1.3)
Cash generated/(used) by investing activities	(27.9)	(0.5)
Cash generated/(used) by operating and investing activities	18.0	6.1
Financing activities		
Proceeds from issue of new shares and other increases in equity	25.5	0.3
Net dividends paid to shareholders and minority interests	(0.1)	(12.8)
Interest payments	(5.2)	(6.4)
Change in debt (Note 15)	(20.7)	33.7
Cash generated/(used) by financing activities	(0.5)	14.8
Change in cash	17.5	20.9
Cash at beginning of period (Note 15)	50.1	26.4
Cash at end of period (Note 15)	64.1	45.0
Impact of changes in the scope of consolidation	(0.7)	0.3
Impact of currency fluctuations	4.2	2.0
CHANGE IN CASH	17.5	20.9



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NOTE 1 Statement of conformity

In accordance with EC regulation no. 1606/2002 of July 19, 2002, which applies to the consolidated financial statements of European companies listed on a regulated market, the consolidated financial statements of Carbone Lorraine and its subsidiaries (hereinafter "the Group") have been prepared in accordance with IFRS (International Financial Reporting Standards), because the Group is listed in a European Union member state.

Mandatory standards and interpretations at January 1, 2009 and their impact are set out in Note 2. New standards and interpretations that are not yet being applied are set out in Note 2.W.

The options adopted by the Group are stated in the following chapters.

The interim consolidated financial statements for the six months ended June 30, 2009 have been prepared in accordance with IAS 34 "Interim financial reporting". They do not contain all information required in the full annual financial statements, and must be read in conjunction with the Group's financial

statements for the year ended December 31, 2008, available at www.carbonelorraine.com.

The summary consolidated interim financial statements at June 30, 2009 have been prepared using the recognition and measurement principles stated in the IFRSs issued by IASB and adopted in the European Union at the same date. They have also been prepared in line with the presentation and financial reporting rules applicable to annual financial statements, as defined in the General Regulation of the Autorité des Marchés Financiers (AMF, the French market regulator).

The summary interim consolidated financial statements at June 30, 2009 include for comparative purposes figures for the periods ended June 30, 2008 and December 31, 2008 adjusted using the same rules.

The accounting principles described in Note 2 et seq have been applied to prepare comparative information and the summary interim consolidated financial statements for the six months ended June 30, 2009.

NOTE 2 Accounting policies and principles of consolidation

Except for the changes described below, the accounting policies and principles of consolidation applicable to the Group's summary consolidated financial statements for the six months ended June 30, 2009 are identical to those applied by the Group at December 31, 2008 for the year ended the same date.

CHANGES IN ACCOUNTING POLICIES AND PRINCIPLES OF CONSOLIDATION

Presentation of financial statements

The Group applies IAS 1 (revised 2007) "Presentation of financial statements", which became applicable from January 1, 2009. The revision introduces the notion of comprehensive income, which takes into account changes in equity during the period other than those resulting from transactions with shareholders. The Group has chosen to present comprehensive income in two statements, i.e. an income statement and a separate statement covering income and other items of comprehensive income. Comparative data have been adjusted to ensure compliance with IAS 1 (revised). This change of accounting policy is merely presentational, and has no impact on income.

Identification and presentation of operating segments

The Group identifies and presents operating segments based on information reported internally to the Management Board, which is the Group's main operational decision-making body.

This change in accounting policy results from the application of IFRS 8 "Operating segments". Comparative segment data have been adjusted in accordance with the transitional IFRS 8 rules. This change in accounting policy only affects the presentation of the financial statements and the content of the notes, and has no impact on income.

An operating segment is a unit of the Group that carries out activities in relation to which it is likely to derive revenues or bear expenses, including revenues and expenses related to transactions with other Group units. The Management Board regularly examines each segment's operating income in order to make decisions about the allocation of resources to it, and to assess its performance. Separate financial information is available for each segment. Unallocated items mainly include holding-company expenses.

IAS 23 (revised) requires borrowing costs directly attributable to the acquisition, construction or production of certain assets to be capitalized, and prevents borrowing costs from being expensed. These costs are considered as part of the asset acquisition cost. The Group already recognized directly attributable borrowing costs in the cost of the relevant assets. As a result, IAS 23 (revised) will have no impact on the Group's financial statements.

The amendments to IFRS 2 "Share-based payment - vesting conditions and cancellations" clarify the definition of vesting conditions, introduce the notion of conditions other than vesting conditions, require these other conditions to be reflected at fair

value on the grant date, and specify the accounting treatment of other conditions and cancellations. These amendments do not affect the Group, given the grant conditions of existing plans.

IFRIC 14 (IAS 19 “Employee benefits” – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction) clarifies the date on which repayments or reductions of future contributions to a defined-benefit plan are regarded as available, and gives details on the impact of a minimum funding requirement (MFR) on these assets. IFRIC 14 also deals with the issue of when a MFR may generate a liability. IFRIC 14 does not have any effect on the Group’s interim financial statements.

A - Basis of consolidation

The consolidated financial statements include those of the parent company and of all those companies in which the Group holds a controlling interest. Control is defined as the power to govern the financial and operating policies of a business so as to obtain benefits from its activities. Subsidiaries over which the Group directly or indirectly exerts exclusive control are fully consolidated.

The results of subsidiaries acquired or disposed of during the period are included in the consolidated income statement from the acquisition date or up to the loss of control respectively.

All associate undertakings over which the Group exerts significant influence, which is presumed to exist when the Group holds at least 20% of voting rights, are accounted for under the equity method. Subsidiaries’ financial statements have been adjusted where necessary to ensure consistency with the policies used by all Group entities within the scope of consolidation.

All intra-group transactions and balances have been eliminated.

The consolidated financial statements have been prepared in euros.

Seasonal variations affecting the Group’s activities are limited. Both sales and purchases of supplies take place steadily throughout the year.

B - Presentation of the financial statements

The Carbone Lorraine group prepares its financial statements in line with the accounting principles laid down in IAS 1 (revised) “Presentation of financial statements”.

B1 Comprehensive income statement

Given customary practice and the nature of its business activities, the Group has opted to present its income statement using the functional expense format, in which costs are classified according to their function under cost of sales, selling, administrative activities, and research and development.

The Group presents comprehensive income in two statements, i.e. an income statement and a separate statement covering income and other items of comprehensive income.

B2 Balance sheet

Assets and liabilities arising during the business cycle and those with a maturity of less than 12 months at the balance sheet date are classified as current. Other assets and liabilities are classified as non-current.

B3 Consolidated statement of cash flows

The Group prepares the consolidated statement of cash flows using the indirect method and as stipulated in IAS 7.

The indirect method consists of determining cash flows from operating activities whose net income or loss is adjusted for the effects of non-cash transactions and items arising from investing or financing activities.

B4 Operations, assets and liabilities held for sale

In accordance with IFRS 5, assets and liabilities that are immediately available for sale in their current state and the sale of which is highly probable are shown on the balance sheet under assets and liabilities held for sale. Where a group of assets is held for sale in a single transaction and where this group represents a distinct component of the entity (a significant and distinct business line or geographical region for which there is a single, coordinated plan to sell it, or a subsidiary acquired solely with a view to selling it), the group of assets and corresponding liabilities is considered as a whole. The disposal must take place in the year following this presentation of the asset or group of assets.

The non-current assets or group of non-current assets held for sale are stated at the lower of their carrying amount and fair value net of disposal costs. Non-current assets appearing on the balance sheet as held for sale are no longer depreciated once they are presented as such.

The income of disposal groups is shown by separating it from the income of continuing operations, and their cash flows are presented on separate lines of the statement of cash flows.

C - Foreign currency translation

The financial statements of the Group’s foreign subsidiaries are prepared in their functional currency.

The balance sheets of companies whose functional currency is not the euro are translated into euros at the closing rate, except for equity, which is translated at the historic exchange rate. Income statement items are translated at the average exchange rate for the period. The average rate is the approximate exchange rate on the transaction date in the absence of material fluctuations.

Except for cash, which is translated at the period-end rate, items on the statement of cash flows are translated at the average rate except when the average rate is not appropriate.

Translation differences arising on balance sheet items are recorded separately in equity under cumulative translation adjustments. They comprise:

- the impact of changes in exchange rates on balance sheet items;
- the difference between net income calculated at the average exchange rate and net income calculated at the period-end rate.

Goodwill and fair value adjustments deriving from the acquisition of subsidiaries whose functional currency is not the euro are treated as the relevant subsidiary's assets and liabilities. They are therefore stated in the subsidiary's functional currency and translated at the period-end rate.

D - Foreign currency assets and liabilities

Foreign currency transactions are recognized and measured in accordance with IAS 21 "Effects of changes in foreign exchange rates".

Transactions denominated in currencies other than the euro are recorded at the exchange rate on the transaction date. At the end of the period, monetary assets and liabilities denominated in foreign currencies are translated at the period-end rate. Any gains and losses arising from currency translation are taken to operating income for the period under foreign exchange gains and losses.

Translation gains and losses on financial instruments denominated in foreign currencies representing a hedge of a net investment in a foreign operation are recorded in equity under cumulative translation adjustments.

E - Hedging

Hedging transactions are recognized and measured in line with the principles laid down in IAS 32 and 39.

E1 Currency and commodity hedges

A currency derivative is eligible for hedge accounting where the hedging relationship was documented at the outset and its effectiveness has been demonstrated throughout its life.

A hedge is a way of protecting against fluctuations in the value of assets, liabilities and irrevocable commitments. A hedge also helps to protect against adverse fluctuations in cash flows (sales generated by the assets of the business, for instance).

Derivative instruments are stated at their fair value. Changes in the fair value of these instruments are accounted for as follows:

- Changes in the fair value of instruments eligible as future cash flow hedges are accounted for directly in equity in respect of

the effective portion of the hedge (intrinsic value). Changes in the fair value of these instruments are then recognized in operating income (under "cost of sales" for commodity hedges and under "other operating costs" for currency hedges) and offset changes in the value of assets, liabilities and firm commitments hedged, as they occur. The time value of hedges is recorded under "other costs and additions to provisions" in operating income.

- Changes in the fair value of instruments not eligible as cash flow hedges are taken directly to income.

E2 Interest rate hedging

Interest rate derivatives are stated at fair value on the balance sheet. Changes in the fair value of these instruments are accounted for as follows:

- the ineffective portion of the derivative instrument is taken to income under the cost of debt;
- the effective portion of the derivative instrument is recognized as follows:
 - in equity for a derivative accounted for as a cash flow hedge (e.g. a swap turning a debt carrying a floating interest rate into a fixed-rate liability),
 - in income (cost of debt) for a derivative accounted for as a fair value hedge (e.g. a swap turning a fixed interest rate into a floating interest rate). This accounting treatment is offset by changes in the fair value of the hedged debt.

F - Intangible assets

The applicable standards are IAS 38 "Intangible assets", IAS 36 "Impairment of assets" and IFRS 3 "Business combinations".

In accordance with IAS 38 "Intangible assets", only items in respect of which future economic benefits are likely to flow to the Group and the cost of which may be reliably determined are accounted for as intangible assets.

The Group's intangible assets comprise primarily goodwill.

Other intangible assets (customer relationships, technology) with a finite life are accounted for at cost less accumulated amortization and impairment. Amortization is calculated on a straight-line basis over the estimated useful life of the relevant intangible asset.

F1 Goodwill

In accordance with IFRS 3, the subsidiary's assets, liabilities and contingent liabilities are stated at fair value at the acquisition date following a business combination. Minority interests are stated at their share of the fair value of assets, liabilities and contingent liabilities recognized. The difference between the acquisition cost of the subsidiary and the Group's share of its net assets stated at fair value is accounted for under goodwill.

Goodwill is allocated individually to the Group's cash generating units (CGUs). The Group had the following four CGUs at December 31, 2008:

- Electrical Applications;
- Electrical Protection;
- High-Temperature Applications;
- Anticorrosion Equipment.

In accordance with IFRS 3 "Business combinations", goodwill is not amortized. It undergoes an impairment test when evidence of impairment in the value of assets appears, and at least once every year.

In accordance with IAS 36, the Group tests for impairment by:

- preparing cash flow projections after normalized tax based on the Strategic Plan of the relevant CGU;
- determining a value in use using a method comparable to any business valuation by discounting cash flows at the unit's weighted average cost of capital (WACC);
- comparing this value in use with the carrying amount of the relevant assets to determine whether or not an impairment loss needs to be recognized.

Value in use is determined based on free cash flow projections discounted over a period of five years, and a terminal value. The discount rate used for these calculations is the weighted average cost of capital for each of the cash generating units (see Note 7).

The assumptions made for sales growth and terminal values are reasonable and consistent with the market data available for each of the operating activities.

Goodwill impairment losses are irreversible.

F2 Patents and licenses

Patents and licenses are amortized on a straight-line basis over the period for which they are protected by law.

Software is amortized on a straight line basis over its probable service life, which may not exceed five years.

F3 Development costs

Under IAS 38 "Intangible assets", development costs are capitalized where:

- the entity has the intent and the financial and technical ability to see the development project through to completion;
- it is probable that the expected future economic benefits deriving from development costs will flow to the entity;
- the cost of the asset can be measured reliably;
- and the manner in which the intangible asset will generate probable future economic benefits.

Research and development costs that do not meet the above criteria are recognized as expenses in the period in which they

are incurred. Capitalized development costs meeting the criteria laid down in the new accounting standards are recognized as an asset on the balance sheet. They are amortized on a straight line basis over their useful life, which does not generally exceed three years.

G - Property, plant and equipment

In accordance with IAS 16 "Property, plant and equipment", only items whose cost may be determined reliably and in respect of which future economic benefits are likely to flow to the Group are accounted for as property, plant and equipment.

Property, plant and equipment is stated at historical cost less accumulated depreciation and any impairment losses, except for land, which was revalued at the IFRS transition date.

Borrowing costs directly attributable to the acquisition, construction and production of qualifying assets are included in the cost of the asset.

Depreciation is calculated according to the rate of consumption of the expected economic benefits per item based on acquisition cost, less, where appropriate, residual value.

The various components of an item of property, plant and equipment are recognized separately where their useful life and thus their depreciation period are materially different.

The Group applies the straight-line method of depreciation according to the expected service life of the item.

The periods used are as follows:

- buildings: 20-50 years;
- fixtures and fittings: 10-15 years;
- plant and equipment: 3-10 years;
- vehicles: 3-5 years.

These depreciation periods, along with residual values, are reviewed and adjusted at each period-end. These changes are applied prospectively.

Investment grants are recognized at the outset as a deduction from the gross value of the non-current asset.

H - Leases

Under IAS 17, a lease is classified as a finance lease if it transfers to the lessee substantially all the risks and rewards incidental to ownership of an asset.

Where the criteria laid down in the standard are not met, the costs resulting from leases are charged to income for the period and the lease is considered as an operating lease.

Non-current assets used under a finance lease give rise to the recognition on the balance sheet of both an item of property, plant and equipment and an obligation to make future lease payments. A finance lease is recognized in an amount equal to

the fair value of the leased asset, or the present value of minimum payments if lower. At the inception of the lease, the asset and the liability for the future lease payments are recognized in the balance sheet at the same amounts.

Lease payments are broken down into a finance charge and the repayment of the outstanding debt. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

The capitalized asset is depreciated over the useful life adopted by the Group for non-current assets of the same type. If there is no reasonable certainty that the lessee will obtain ownership by the end of the lease term, the asset is fully depreciated over the shorter of the lease term or its useful life.

In addition, a portion of the capital amount of the debt is repaid in accordance with the debt repayment schedule contained in the finance lease agreement.

I - Impairment of property, plant and equipment and intangible assets

In accordance with IAS 36 "Impairment of assets", when events or changes in the market environment indicate a risk of impairment, the Group's intangible assets and property, plant and equipment undergo a detailed review to determine whether their carrying amount is below their recoverable amount. This amount is defined as the higher of fair value less costs to sell and value in use.

Should the recoverable amount of assets fall below their carrying amount, an impairment loss is recognized in respect of the difference between these two amounts. Impairment losses recognized on property, plant and equipment and intangible assets (except for goodwill) with a defined useful life may be reversed subsequently if the recoverable amount becomes higher than the carrying amount again (without exceeding the impairment loss initially recognized).

The recoverable amount of assets is usually determined based on their value in use. Value in use is defined as the expected future economic benefits from their use and from their sale. It is assessed with reference to the discounted future cash flows projected on the basis of economic assumptions and operating budgets drawn up by Carbone Lorraine's senior management.

IAS 36 defines the discount rate to be used as the pre-tax interest rate reflecting the current assessment of time value per market and the risks specific to the asset. It represents the return that investors would require if they had to choose an investment, the amount, maturity and risks of which are equivalent to those of the relevant asset or Cash-Generating Unit (CGU).

The discount rate used for impairment-test purposes takes into account the financial structure and gearing of companies in the sector, i.e. of peers and not of the business or group to which the asset or CGU belongs.

J - Financial assets and liabilities

Financial assets and liabilities are measured and recognized in line with IAS 39 "Financial instruments: Recognition and Measurement", with IAS 32 "Financial Instruments: Disclosures and Presentation" and with IFRS 7 "Financial Instruments: Disclosures".

Financial assets comprise investments available for sale, investments held to maturity, financial assets for trading, margin deposits paid, derivatives held as assets, loans, receivables, and cash and cash equivalents.

When first measured, all financial assets and liabilities not carried at fair value are measured at fair value taking into account transaction costs.

On subsequent measurements, loans and receivables are recognized at amortized cost.

Financial liabilities comprise borrowings, other financing and bank overdrafts, derivatives held as liabilities, margin deposits received in relation to derivatives and other liabilities.

Except where they are subject to a fair-value hedge (see Note E2), borrowings and other financial liabilities are stated at amortized cost using the effective interest rate (EIR). For example, lending fees are deducted from the initial amount of the debt, then added back period by period according to the calculation of the EIR, with the amounts added back being recognized in income.

Current assets include operating receivables measured at amortized cost, with impairment losses being recognized where the carrying amount exceeds the recoverable amount.

J1 Investments

Investments in unconsolidated subsidiaries are non-current financial assets classified in the "available-for-sale" category. They are stated at fair value. In the rare instances in which their fair value cannot be obtained, they are stated at cost.

Where there is objective evidence of impairment (financial difficulties, deterioration in performance without any growth prospects, local economic situation, etc.), any significant and long-term impairment losses are recognized in income.

These impairment losses are irreversible and are not written back.

The principal activity of the unconsolidated subsidiaries is the distribution of products manufactured by the Group's consolidated companies.

Subsidiaries that, considered alone and on an aggregate basis, are not material are not included in the scope of consolidation.

A company is included in the scope of consolidation when two of the following four criteria are met for two consecutive years:

Equity: the difference between net equity and the value of the securities exceeds 1% of the Group's equity in the previous year;

Debt: the amount of non-Group debt exceeds €5 million;

Sales to third parties: the entity's sales less intra-Group sales represent more than 1% of Group sales in the previous year;

Net income: net income exceeds €0.5 million.

The materiality of unconsolidated subsidiaries is reassessed at the end of each period.

J2 Other non-current financial assets

These are receivables that do not arise during the business cycle. In accordance with IAS 39, they are stated at amortized cost, with an impairment loss being recognized when the recoverable amount falls below the carrying amount.

K - Share capital

Ordinary shares are classified as equity instruments. Incidental costs directly attributable to the issue of ordinary shares or equity options are deducted from equity, net of tax.

Treasury shares are deducted from equity at their acquisition cost. Any gains or losses from the sale of these shares are recognized directly in equity and are not taken to income for the year.

L - Provisions

In accordance with IAS 37 "Provisions, contingent liabilities and contingent assets", provisions are recorded when the Group is under an obligation to a third party at the end of the fiscal year that is likely or certain to trigger an outflow of resources representing future economic benefits to the third party.

This obligation may be legal, regulatory or contractual. It may also result from Group practice or from public commitments that have created a legitimate expectation among the third parties concerned that the Group will assume certain responsibilities.

The estimated amount shown in provisions represents the outflow of resources that the Group will have to incur to extinguish its obligation. Where this amount cannot be measured reliably, no provision is recorded. In this instance, information is disclosed in the notes to the financial statements.

Contingent liabilities consist of a possible obligation arising from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity or a probable obligation for which the outflow of resources is not likely. They are disclosed in the notes to the financial statements.

With restructurings, an obligation exists where the restructuring has been announced and execution of a detailed plan has commenced prior to the balance sheet date.

Where the entity has a reliable schedule, the liabilities are discounted where discounting has a material effect.

M - Inventories

Inventories are carried at the lower of cost and their probable net realizable value.

Cost corresponds to acquisition or production cost.

The only indirect costs taken into account in the measurement of work in progress and finished goods are production-related expenses. No interest costs are capitalized.

N - Consolidated sales

Sales include sales of finished goods and related services, sales of scrap, sales of goods purchased for resale and invoiced shipping costs.

A product is recognized in sales when the entity transfers to the buyer the risks and rewards incidental to ownership.

A sale is measured at the fair value of the consideration received or receivable. Where payment is deferred, leading to a significant impact on determination of fair value, this is reflected by discounting future payments.

The amount of revenue from the sale of goods and equipment is usually recognized when there is a formal agreement with the customer stipulating that risks have been transferred, the amount of revenue can be measured reliably and it is likely that the economic benefits arising from the transaction will flow to the Group. With agreements providing for formal acceptance of the goods, equipment or services received by the customer, recognition of the revenue is normally deferred until the date of acceptance.

Income from ancillary activities is recorded under the appropriate heading of the income statement, i.e. other revenues, financial income, or as a deduction from expenses of the same type (selling, general, administrative or research).

O - EMPLOYEE BENEFITS

Under defined contribution plans, the Group is under no obligation other than to pay contributions. The corresponding charge, which reflects the payment of contributions, is expensed as incurred.

In line with IAS 19, defined benefit pension plans undergo an actuarial valuation using the projected unit credit method. This method sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation. This final obligation is then discounted to present value.

These actuarial calculations are based on various estimates:

- mortality tables;
- retirement dates;
- rate of future salary and benefit increases and employee turnover;

- expected return on plan assets;
- discount and inflation rates set for each of the relevant entities taking into account their local macro-economic environment.

Actuarial gains and losses comprise the cumulative impact of:

- experience adjustments (difference between previous actuarial assumptions and that which has actually occurred);
- changes in actuarial assumptions.

IAS 19 states that actuarial gains and losses may offset one another in the long term. As a result, it provides for the so-called corridor approach for the recognition of post-employment benefit obligations.

The Group has opted to use the following method:

- cumulative unrecognized actuarial gains and losses falling outside a corridor of plus or minus 10% of the value of the higher of the plan's assets and obligations are recognized and amortized over the expected average remaining working lives of the employees participating in the plan;
- gains and losses falling within the 10% corridor are not recognized;
- unrecognized net cumulative actuarial gains and losses include both the cumulative portion of the 10% within the corridor, as well as the portion outside the corridor, which has not been recognized at the balance sheet date. In accordance with IAS 19, they are disclosed in the notes to the financial statements.

O1 Recognition of post-employment benefit obligations

The Group's post-employment benefit obligations are accounted for as follows:

- on the face of the balance sheet

The amount recognized under liabilities in respect of defined contributions is equal to the total of:

- the present value of defined benefit obligations at the balance sheet date,
- less the fair value at the balance sheet date of plan assets used directly to pay or finance the obligations,
- plus unrecognized actuarial gains (or less unrecognized actuarial losses) that exist under the aforementioned rule,
- less as-yet-unrecognized past service costs and payments;

- on the face of the income statement

The amount expensed or recognized in income (net periodic cost of employee benefits) is the total net amount of the following items:

- current service cost incurred during the period (or rights vested during the period),
- interest cost (also called the discounting effect),

- expected return on plan assets: this expected return is determined based on market expectations at the beginning of the period for returns on plan assets over the entire duration of the corresponding liability (long term),
- actuarial gains and losses: portion recognized during the period,
- past service cost: portion recognized during the period,
- losses/(gains) on any curtailment or settlement of the plan.

O2 Recognition of unrecognized past service cost

Unrecognized past benefits are recognized in income on a pro-rata basis with the corresponding obligation.

P - Non-recurring income and expenses

Non-recurring items correspond to income and expenses not arising during the Group's day-to-day operations. This item recognizes the impact of major events that may distort operational performance, and does not include any operational and recurring expense.

Non-recurring income and expenses include the following items:

- material and extraordinary disposal gains: on property, plant and equipment, intangible assets, investments, other financial assets and other assets;
- impairment losses recognized on investments, loans, goodwill and other assets;
- certain types of provision;
- reorganization and restructuring costs.

Q - Operating income

Operating income is shown before net finance costs, taxes and minority interests.

Investment grants are shown as a deduction from costs to which the grant relates.

R - Deferred taxes

Accounting restatements or consolidation adjustments may affect the results of the consolidated companies. Temporary differences are differences between the carrying amount of an asset or liability on the balance sheet and its tax base, which give rise to the calculation of deferred taxes.

In accordance with IAS 12, the Group discloses deferred taxes on the consolidated balance sheet separately from other assets and liabilities. Deferred tax assets are recognized on the balance sheet where it is more likely than unlikely that they will be recovered in subsequent years. Deferred tax assets and liabilities are not discounted.

When assessing the Group's ability to recover these assets, the following items in particular are taken into consideration:

- projections of its future taxable income;
- its taxable income in previous years.

Deferred tax assets and liabilities are stated using the liability method for the balance sheet, i.e. using the tax rate that is expected to be applied in the fiscal year in which the asset will be realized or the liability settled, based on tax rates (and tax laws) adopted or virtually adopted at the balance sheet date, taking into account future tax rate increases or decreases.

The measurement of deferred tax assets and liabilities reflects the tax consequences arising from the manner in which the entity expects at the balance sheet date to recover or to settle the carrying amount of these assets and liabilities.

S - Segment reporting

Since January 1, 2009, the Group has identified and presented operating segments based on information reported internally to the Management Board, which is the Group's main operational decision-making body. This change in accounting policy results from the application of IFRS 8 "Operating segments". Previously, operating segments were identified and presented in accordance with IAS 14 "Segment reporting", with business segments as primary segments and geographical areas as secondary segments. These secondary segments are no longer presented. The new accounting policy applied to information in the notes relating to operating segments is described below.

IFRS 8.36 requires comparative segment data to be adjusted in accordance with the transitional IFRS 8 rules. This change in accounting policy only affects the presentation of the financial statements and the content of disclosures in the notes, and therefore has no impact on earnings per share.

An operating segment is a unit of the Group that carries out activities in relation to which it is likely to derive revenues or bear expenses, including revenues and expenses related to transactions with other Group units. The Management Board regularly examines each segment's operating income in order to make decisions about the allocation of resources to it, and to assess its performance. Separate financial information is available for each segment.

The segment results reported to the Management Board include items directly attributable to the segment and those that can reasonably be attributed to it. The unattributed items mainly include holding-company assets and expenses and tax assets and liabilities.

Segment investments correspond to the costs incurred during the period to acquire property, plant and equipment and intangible assets other than goodwill.

The Group currently has two operating segments:

Advanced Materials and Technologies: equipment made of graphite and other high-performance materials, used in extreme industrial environments;

Electrical Components and Technologies: systems and components that protect and enhance the performance of electrical equipment.

The Group's segment reporting is prepared in accordance with the accounting methods used to draw up and present the consolidated financial statements.

T - Earnings per share

Basic and diluted earnings per share are shown both for total net income and net income from continuing operations.

Basic earnings per share are calculated by dividing net income for the period attributable to holders of ordinary shares by the weighted average number of ordinary shares in issue during the period.

For the calculation of diluted earnings per share, net income attributable to holders of ordinary shares and the weighted average number of shares outstanding are adjusted for the effects of all dilutive potential ordinary shares.

U - Equity-linked benefits granted to employees

In accordance with IFRS 2 "Share-based payment", stock purchase and subscription options and offerings reserved for employees related to shares in the Group are recognized at fair value at the grant date.

The value of stock purchase and subscription options depends on the exercise price, the probability of the conditions attached to exercise of the options being met, the life of the options, the current price of the underlying shares, the anticipated volatility of the share price, expected dividends and the risk-free interest rate over the life of the option. This value is recognized in staff costs on a straight-line basis over the vesting period, with a direct equivalent entry in equity for plans settled in equity and in liabilities to employees for plans settled in cash.

V - Use of estimates

For the preparation of the consolidated financial statements, the calculation of certain figures shown in the financial statements requires that assumptions, estimates or assessments be made, particularly in relation to the calculation of provisions and impairment testing. These assumptions, estimates or assessments are prepared on the basis of the information available and the position at the balance sheet date. These estimates and assumptions are made based on past experience and various

other factors. The current backdrop of a severe downturn in the economic and financial environment has made it hard to assess the business outlook. It is conceivable that actual figures will subsequently prove to differ from the estimates and assumptions adopted.

Actual events occurring after the balance sheet date may differ from the assumptions, estimates or assessments used.

Use of management estimates in the application of the Group's accounting standards

Carbone Lorraine may make estimates and use assumptions affecting the carrying amount of assets and liabilities, income and expenses, as well as information about underlying assets and liabilities. Future results are liable to diverge significantly from these estimates.

The estimates and underlying assumptions are made based on past experience and other factors considered to be reasonable based on circumstances. They serve as the basis for the judgment exercised to determine the carrying amount of assets and liabilities, which cannot be obtained directly from other sources. Actual values may differ from estimated values.

The estimates and underlying assumptions are reviewed continuously. The effect of changes in accounting estimates is recognized during the period of the change if it affects only this period or during the period of the change and subsequent periods, if the latter are also affected by the change.

Note 5 relates to net assets held for sale and discontinued operations. The impairment in these assets has been calculated by comparing the net carrying amount of these assets and liabilities with a best estimate of their realizable value.

Notes 2-F1, 2-I and 7 concern the testing of goodwill and other non-current assets for impairment. The Group's management carried out this testing based on the most reliable expectations of future business trends at the relevant units taking discount rates into account.

Notes 13 and 14 concerning provisions and employee benefits describe the provisions set aside by Carbone Lorraine. To determine these provisions, Carbone Lorraine used the most reliable estimate of these obligations.

Note 22 concerning tax expense reflects the Group's tax position, which is based for France and Germany on the Group's best estimate of trends in its future taxable income.

All these estimates are predicated on a structured collection process for projections of future cash flows, providing for

validation by line managers, as well as on expectations for market data based on external indicators and used according to consistent and documented methods.

W - New standards and interpretations not yet applied

New standards and amendments to standards and interpretations are not yet in force at June 30, 2009 and were not applied in the preparation of the consolidated financial statements:

- IFRS 3 (revised 2008) "Business combinations" contains the following changes, which will probably have an impact on the Group's transactions:
 - The definition of a business has been expanded, which will probably increase the number of acquisitions treated as business combinations.
 - Any consideration must be measured at fair value, with subsequent changes taken to income.
 - Acquisition fees, other than fees relating to the issue of shares or debt, are expensed as incurred.
 - Any previous interest owned in the acquired company is measured at fair value, with the gain or loss taken to income.
 - Any (minority) stake that does not provide control is measured either at fair value or the proportion represented by that stake of the fair value of the acquired company's identifiable assets and liabilities, with the choice being made on a transaction-by-transaction basis.
 - IFRS 3 (revised), application of which will be mandatory for the Group's 2010 consolidated financial statements, will be applied on a prospective basis and accordingly will not have any impact on prior periods in the Group's 2010 consolidated financial statements.
- IAS 27 (amended 2008) "Consolidated and Separate Financial Statements" states that changes in the level of the Group's ownership interests in a subsidiary, which maintain the Group's control, are accounted for as equity transactions. When the Group loses control of a subsidiary, any interest held in the former subsidiary is stated at fair value and any gain or loss is recognized in income. The amendments to IAS 27, application of which will be mandatory for the Group's 2010 consolidated financial statements, are not expected to have a material impact.

NOTE 3 Financial risk management

The Group is exposed to the following risk factors through its use of financial instruments:

- liquidity risk;
- commodity risk;
- currency risk;
- credit risk.

This note discloses information about the Group's exposure to each of the aforementioned risk factors, its objectives, its risk measurement and management policy and procedures.

Quantitative information is also provided in other sections of the consolidated financial statements.

Information on capital management is provided in Note 12.

Liquidity risk

Carbone Lorraine has €422 million of confirmed credit facilities and borrowings, with an average maturity of 3.8 years. At end-June 2009, 71% of these facilities were used.

Carbone Lorraine has four major financing agreements:

- a RMB500 million loan arranged in September 2008, of which RMB350 million has a maturity of three years and

RMB150 million has a renewable maturity of one year, syndicated with an international pool of banks, intended to finance the Carbone Lorraine group's operations in China;

- a USD350 million multi-currency loan arranged in July 2008 with a maturity of five years, syndicated with an international pool of banks. The interest rates on the syndicated loan are the interbank rate for the relevant currency when drawings are made plus a fixed credit margin;
- a €40 million bond issue comprising bonds convertible into new and/or exchangeable for existing shares through attached warrants ("OBSAAR" bonds) finalized in November 2007 and repayable in one-third installments between 2012 and 2014, giving it an average initial time to maturity of six years. The interest rate paid is 3-month Euribor plus a fixed margin. This margin is negative owing to the sale of the warrants;
- a USD85 million private bond placement negotiated in May 2003 with US investors, comprising one USD65 million tranche with a final maturity of 10 years and one USD20 million tranche with a final maturity of 12 years. The average initial time to maturity of the private placement was around eight years because it is repayable in installments. Interest is paid at a fixed rate to investors.

Breakdown of confirmed credit facilities and borrowings by maturity

In millions of euros	Draw-down			Maturities		
	Amount	Drawn down at June 30, 2009	rate at June 30, 2009	less than 1 year	between 1 and 5 years	over 5 years
Group syndicated loan	247.6	155.2	63%	0.0	247.6	0.0
Confirmed credit facilities, China	76.6	46.3	60%	40.3	36.3	0.0
US private placements	40.4	40.4	100%	6.6	31.0	2.8
OBSAARs	39.1	39.1	100%	0.0	26.1	13.0
Confirmed credit facilities, UK	8.4	8.4	100%	4.4	1.3	2.7
Other	9.9	9.9	100%	6.2	3.7	0.0
TOTAL	422.0	299.3	71%	Average time to maturity (years) = 3.8		

Interest-rate risk

The interest-rate risk management policy is approved by the Group's Executive Committee based on the proposals submitted by Carbone Lorraine's finance department and consists at present of establishing positions from time to time depending on the direction of interest rates.

After significant falls in interest rates in late 2008 and early 2009, Carbone Lorraine took steps to fix part of its interest expenses.

In May 2003, the Group arranged several interest-rate swaps covering an aggregate nominal amount of USD85 million to turn the interest payable on the US private placements into a floating rate. These swaps were sold in April 2009, converting this debt back to fixed-rate.

In June 2009, the Group put in place a swap covering an aggregate nominal amount of €39 million to turn the interest payable on OBSAARs into a fixed rate. Under this swap, the Company receives interest payable to the lenders and pays 2.815%. The starting date of the swap was June 26, 2009, and the swap has the same term and amortization profile as the OBSAARs.

On January 15, 2008, Calcarb purchased an interest-rate swap with a nominal amount of GBP4 million to turn the interest payable on part of its confirmed medium-term debt into a fixed rate. Under this swap, the Company receives interest payable to the lender and pays 5.38%. The swap has the same term and amortization profile as the debt. At June 30, 2009, the nominal amount was GBP3.6 million.

in millions of euros	Amount in euros	Interest rate received	Interest rate paid	Maturities		
				less than 1 year	between 1 and 5 years	over 5 years
Swap	39.0	3-month Euribor	2.815%	0.0	26.0	13.0
Swap	4.28	1-month GBP Libor	5.38%	0.34	1.25	2.69

In millions of euros		MTM*
Swap		
Assets		0.0
Liabilities		(0.9)

* Marked-to-market = adjusted to market value.

Commodity risk

Certain Group companies purchase raw materials or components comprising commodities, such as non-ferrous metals like copper, silver and zinc. Copper and silver are the two metals that account for a significant volume of purchases (over €10 million) for the Carbone Lorraine group. Different hedging techniques, such as index-linking of purchase prices, index-linking of selling prices and bank hedging, are applied.

The commodity price risk management policy is approved by the Group's Executive Committee based on proposals submitted by

Carbone Lorraine's finance and procurement departments and currently consists of establishing positions in commodity futures contracts or in zero-premium collars.

Around 72% of copper price exposure and 83% of silver price exposure can be covered through bank hedging.

With regard to the 2009 quantities, 80% of the hedgeable copper tonnages and 71% of hedgeable silver tonnages were actually hedged.

Impact of commodity hedging

In millions of euros	Balance-sheet impact at end-June 2009	H1 2009 income statement impact
Copper	0.1	(1.6)
Silver	0.0	0.4

Exchange-rate risk

The currency risk management policy is approved by the Group's Executive Committee based on proposals submitted by the finance department.

Based on a complete inventory of inter-company and external risks, it consists of entering into forward currency purchases with prime lending institutions.

The Group's usual business policy is to hedge currency risks as soon as orders are taken or to hedge an annual budget. The main currency risk derives from intra-Group sales transactions.

The Group's usual policy is to arrange borrowings in local currencies, except in special circumstances. Borrowings in foreign currencies arranged by the parent company match loans made in the same currencies to its subsidiaries.

For consolidation purposes, the income statement and statements of cash flows of foreign subsidiaries are translated into euros at

the average exchange rate for the relevant period, while balance sheet items are translated at the period-end rate. The impact of this currency translation may be material. The principal effect derives from the impact of fluctuations in the US dollar exchange rate on the Group's equity and debt. The Group does not specifically hedge its net foreign assets.

The Group's operating income before non-recurring items is exposed to exchange rate fluctuations principally through the translation of earnings recorded by companies whose functional currency is not the euro. The principal exposure is to the US dollar. A 10% decline in the value of the US dollar compared with the average recorded from January to June 2009 would have had a translation impact of -€1.3 million on the Group's operating income before non-recurring items.

Except in special and non-material cases, hedging is centralized by the parent company. It is carried out under strictly defined procedures. Hedges are valued as described below.

Recognition at end-June 2009 of currency transactions

MTM* (in millions of euros)		June 30, 2009
Marked-to-market value of currency hedges	Equity	1.1
	Other financial components of operating income	0.0

* Marked-to-market = adjusted to market value.

Future cash flows on currency transactions recognized at end-June 2009

Currency transactions (in millions of euros)	MTM	Expected cash flows
Assets	1.5	1.5
Liabilities	(0.4)	(0.4)

Currency hedges are adjusted as a function of the underlyings, and so there is no timing difference between their maturities.

Credit risk

The risk arising from the failure of the Group's principal customers is modest as a result of its diverse customer portfolio.

In 2003, the Group set up an insurance program with commercial credit insurer Coface covering its principal companies in the US and France against the risk of non-payment for financial or political reasons. Coverage varies between 0 and 90% of invoiced amounts from customer to customer.

The program has been extended to Germany and to the UK in the first half of 2009. It is being rolled out in China (domestic customers).

In the first half of 2009, amendments were made to the contracts covering French receivables ceded in the first half of 2009, granting rights to the factor.

NOTE 4 Business combinations**Business combinations during 2009**

In December 2008, Carbone Lorraine acquired 60% of the shares in Calcarb, a Scottish company that ranks second in the world in rigid graphite felt.

The purchase price and the goodwill arising from the deal are supported by the synergies that the acquisition will generate, and by:

- Carbone Lorraine's entry into a market adjacent to the graphite equipment market, and in which growth is being driven mainly by solar power;

- the good fit between Carbone Lorraine and Calcarb's technologies. The technology used by Calcarb will supplement the other technologies currently being developed by the Group in the insulation market, creating additional growth potential.

The fair value of the assets and liabilities arising from this acquisition is currently being measured. The initial allocation of goodwill could not be completed by the financial statements preparation date, but will be worked out by December 2009.

In millions of euros	Net assets at acquisition date	Fair value adjustments	Fair value of net assets
Non-current assets	10.8	0.4	11.2
Other assets	2.6	0.0	2.6
Non-current liabilities	(2.4)	0.0	(2.4)
Current liabilities	(6.2)	(0.1)	(6.3)
Net assets	4.8	0.3	5.1
Goodwill			42.6
TOTAL ACQUISITIONS			47.7
Including:			
Acquisition price paid in cash			47.7

Fair value adjustments concern the depreciation period of non-current assets.

NOTE 5 Automobile and household electrical appliance brush division held for sale

During January 2009, the Group received a firm offer from US investment fund MidMark Capital to purchase its automobile and household electrical appliance brush and brush-holder division concerning:

- the automobile and household electrical appliance brush business activities of:
 - CL Applications Électriques (Amiens),
 - Deutsche Carbon AG (Germany),
 - Carbono Lorena (Brazil),
 - Dietrich GmbH (Germany),
 - Carbone Kirkwood (USA),
 - Carbone of America Industries Corp. (USA).
- and the shares of the following companies:
 - AVO SA (France),
 - SCEET (Tunisia),
 - Carbone Lorraine Madras (India),
 - AVO Kunshan (China) - unconsolidated company,
 - Carbono Lorena de Mexico (Mexico) - unconsolidated company.

Accordingly, the disposal group has been presented and measured in line with IFRS 5 "Non-current assets held for sale and discontinued operations" from December 31, 2008 onwards.

Given the disposal terms envisaged:

- The cash and debt of the assets and liabilities in the disposal group have been excluded from the financial statements below. As a result, interest expenses have been excluded from the income statement.
- The French, German and North American units belong to local consolidated tax groups. No tax expense has been calculated for these companies, as their net income is assessed directly at the level of their parent company. The Brazilian and Indian companies do not have any significant amounts of income tax in their financial statements.
- Impairment losses shown on the balance sheet relate to the net assets held for sale and discontinued operations. They were calculated by comparing the net carrying amount of these assets and liabilities with their realizable value. The resulting impairment losses amounted to €17.8 million.

In accordance with IFRS 5, the assets and liabilities held for sale and discontinued operations are shown on a separate line of the Group's balance sheet.

The divestment was completed on May 1, 2009.

The financial statements of the assets held for sale and discontinued operations, including the temporarily maintained operations closely linked to the disposal and due to be discontinued, are shown below.

IFRS 5 balance sheet of operations sold or discontinued

ASSETS

<i>In millions of euros</i>	June 30, 2009	Dec. 31, 2008
- Plant, equipment and other assets	0.7	0.0
- Other financial assets	0.0	0.0
- Inventories	0.3	10.1
- Trade receivables	0.7	10.9
- Other receivables	0.1	3.1
Assets held for sale and discontinued operations	1.8	24.1

LIABILITIES

<i>In millions of euros</i>	June 30, 2009	Dec. 31, 2008
- Non-current provisions		0.3
- Employee benefits	0.4	1.9
- Trade payables	0.1	7.8
- Other payables	2.2	4.5
- Other liabilities		0.5
Liabilities related to assets held for sale and discontinued operations	2.7	15.0
Net assets in process of being sold or discontinued operations	(0.9)	9.1

IFRS 5 income statement for operations sold or discontinued

<i>In millions of euros</i>	First half 2009	First half 2008
Sales	16.4	40.2
Cost of sales	(18.4)	(35.6)
Gross income	(2.0)	4.6
Selling and marketing costs	(1.3)	(1.9)
Administrative and research costs	(2.3)	(3.1)
Other operating costs	(0.1)	(0.5)
Operating income before non-recurring items	(5.7)	(0.9)
Non-recurring income and expense	(2.3)	(0.3)
Impairment losses	(2.4)	
Operating income	(10.4)	(1.2)
Finance costs, net	0.0	0.0
Income before tax	(10.4)	(1.2)
Current and deferred income tax	8.5	0.0
Net income from assets sold and discontinued operations	(1.9)	(1.2)
Net income per share from assets sold and discontinued operations:		
- Basic earnings per share (€)	(0.12)	(0.08)
- Diluted earnings per share (€)	(0.12)	(0.08)

NOTE 6 Goodwill

A breakdown by cash-generating unit is shown in the following table:

<i>In millions of euros</i>	June 30, 2009	Dec. 31, 2008
Net value at Jan. 1	181.2	164.9
Acquisitions (Note 4)	42.6	20.8
Other movements	(8.9)	(5.6)
Translation adjustments	0.1	1.1
Net value at end of period	215.0	181.2
Gross value at end of period	215.0	181.2

The €8.9 million decrease shown under other movements related primarily to the definitive allocation of goodwill relating to Xianda, acquired in April 2008. The brand was valued at €4.0 million, technology at €2.3 million and customer relationships at €2.2 million.

A breakdown by cash-generating unit is shown in the following table:

<i>In millions of euros</i>	Dec. 31, 2008 Net value	Movements in 2009			June 30, 2009
		Acquisitions	Other movements	Translation adjustments	Net value
Anticorrosion equipment	70.9		(8.9)		62.0
High-temperature applications	23.9	42.6		0.8	67.3
Electrical applications	11.8				11.8
Electrical protection	74.6			(0.7)	73.9
TOTAL	181.2	42.6	(8.9)	0.1	215.0

NOTE 7 Asset impairment tests

Impairment tests were conducted for each of the cash-generating units when the balance sheet at December 31, 2008 was prepared.

Under IAS 36, tests were carried out on the basis of the value in use determined using the discounted cash flow method. Following the introduction of IFRS 5, the cash flows and assets of the automobile and household electrical appliance brush disposal group were excluded from the Electrical Applications CGU.

The key assumptions used were as follows:

- five-year cash flow forecasts based on the 2008 budget and projections for the following four fiscal years;
- an after-tax discount rate of 8%;
- a perpetual growth rate of 4% for the chemical engineering equipment CGU, 2% for the electrical applications CGU and 3% for the other CGUs;

- a normalized tax rate of 34%.

The discount rate applied is an after-tax rate, since the application of a rate before tax has no impact on value in use calculations for the CGUs.

A sensitivity test was performed in the first instance by decreasing the perpetual growth rate by 1 point and in the second instance by increasing the after-tax discount rate by 1 point on the estimate used for each of the CGUs. The sensitivity tests did not cast doubt on the results obtained.

No evidence of impairment was identified. However, the deterioration in the economic environment has created a source of uncertainty affecting the preparation of the cash flow projections used and the valuations obtained.

NOTE 8 Property, plant and equipment

<i>In millions of euros</i>	Land	Buildings	Plant, equipment and other	Other	Total
Net value at Jan 1, 2008	31.8	34.0	119.4	22.0	207.2
Acquisitions	0.1	0.1	3.8	19.1	23.1
Retirements and disposals	-	-	(0.3)	-	(0.3)
Depreciation	-	(1.0)	(12.0)	-	(13.0)
Translation adjustments	(0.8)	(0.9)	(2.9)	(0.7)	(5.3)
Changes in the scope of consolidation	-	(1.6)	(1.4)	-	(3.0)
Other movements	0.1	1.0	9.4	(9.5)	1.0
Net value at June 30, 2008	31.2	31.6	116.0	30.9	209.7
Gross value at June 30, 2008	32.1	78.6	336.8	30.9	478.4
Total depreciation at June 30, 2008	(0.9)	(47.0)	(220.8)	-	(268.7)
Total impairment losses at June 30, 2008	-	-	-	-	0.0
Net value at December 31, 2008	30.9	39.2	135.8	29.1	235.0
Gross value at December 31, 2008	31.8	87.2	328.0	29.1	476.1
Total depreciation at December 31, 2008	(0.9)	(48.0)	(192.2)	-	(241.1)
Total impairment losses at December 31, 2008	-	-	-	-	0.0
Net value at Jan 1, 2009	30.9	39.2	135.8	29.1	235.0
Acquisitions	0.1	3.4	6.6	17.2	27.3
Retirements and disposals	-	-	(0.1)	-	(0.1)
Depreciation	0.1	(0.2)	(15.8)	-	(15.9)
Translation adjustments	0.2	0.3	0.7	-	1.2
Changes in the scope of consolidation	0.6	5.2	11.7	1.1	18.6
Assets held for sale and discontinued operations	-	-	(0.7)	-	(0.7)
Other movements	-	2.0	4.1	(6.3)	(0.2)
NET VALUE AT JUNE 30, 2009	31.9	49.9	142.3	41.1	265.2
GROSS VALUE AT JUNE 30, 2009	32.4	95.6	355.5	41.1	524.6
TOTAL DEPRECIATION AT JUNE 30, 2009	(0.5)	(45.7)	(213.2)		(259.4)
TOTAL IMPAIRMENT LOSSES AT JUNE 30, 2009					0.0

NOTE 9 Investments

At the end of the period, the unconsolidated shareholdings held by consolidated companies had the following gross value:

<i>In millions of euros</i>	June 30, 2009	Dec. 31, 2008
Gross value	28.8	79.3
Impairment losses	(8.6)	(10.2)
CARRYING AMOUNT	20.2	69.1

Impairment losses recognized on investments at June 30, 2009 mainly concern Turkey, Argentina, Singapore and Greece.

The main investments in unconsolidated subsidiaries and associates are as follows:

<i>In millions of euros</i>			
Company name	% held	Gross value	Net carrying amount
Fuses & Switchgear	100	13.1	13.1
Carbone Lorraine Sanayi Urünleri A.S (Turkey)	100	5.0	1.0
Carbone Lorraine Argentina SA (Argentina)	100	3.7	0.8
Fusetech (Hungary)	50	1.3	1.3
Carbone Lorraine Holding (Singapore)	100	1.1	0.1
Nortroll (Norway)	34	0.8	0.5
Carbone Lorraine Products de Mexico	100	0.7	0.7
Clisa (Mexico)	49	0.6	0.6
Carbone Lorraine Grèce	100	0.6	0.3
Ferraz Shawmut Shanghai (China)	100	0.6	0.6
Carbone-Lorraine Chile (Chile)	100	0.2	0.2
GMI Metaullics (USA)	25	0.2	0.2
Carbone Lorraine Maroc	100	0.2	0.2
Ferraz Shawmut Kunshan (China)	100	0.2	0.2
Carbone Lorraine de Columbia S.A.	80	0.1	0.1
Le Carbone Materials KK (Japan)	49	0.1	0.1
Investments in other companies		0.3	0.2
TOTAL		28.8	20.2

NOTE 10 Inventories

<i>In millions of euros</i>	June 30, 2009	Dec. 31, 2008
Raw materials and other supplies	88.5	80.5
Work in progress	44.7	50.6
Finished goods	23.6	34.8
NET CARRYING AMOUNT OF INVENTORIES	156.8	165.9

Inventories decreased by €9.1 million in the first half of 2009, with a decrease of €1.9 million attributable to changes in the scope of consolidation and a decrease of €0.3 million due to

currency effects. On a like-for-like basis, inventories fell by 6.8% or €11.3 million.

NOTE 11 Trade receivables

<i>In millions of euros</i>	June 30, 2009	Dec. 31, 2008
Gross trade receivables	94.2	124.4
Impairment losses	(3.3)	(3.4)
TRADE RECEIVABLES	90.9	121.0

Net trade receivables decreased by €30.1 million in the first half of 2009. There was an increase of €2.8 million attributable to changes in the scope of consolidation and a €0.6 million increase due to currency effects, but a decrease of €13.5 million resulting

from factoring, which reduced receivable collection times. On a like-for-like basis, trade receivables fell by 27.6% or €33.5 million.

NOTE 12 Share capital

12.1 Composition of share capital

<i>Number of shares (unless otherwise stated)</i>	Ordinary shares
Number of shares at January 1, 2009	14,297,213
Issue of new shares (<i>in millions of euros</i>)	2.4
Number of shares at June 30, 2009	15,497,213
Number of shares in issue and fully paid-up	15,497,213
Number of shares in issue and not fully paid-up	0
Par value of shares (<i>euros</i>)	2
Entity's shares held by itself or by its subsidiaries and associates	58,098

Capital management

At June 30, 2009, Carbone Lorraine's share capital amounted to €30,994,426, divided into 15,497,213 shares each with a nominal value of €2. The number of voting rights stood at 15,439,115, since shares held in treasury do not carry voting rights. There are no double voting rights.

To the best of our knowledge, ownership of the capital is as follows:

French institutional investors:	35.5%
Institutional investors from other countries:	36.5%
Individual shareholders:	27.0%
Employees:	0.7%
Treasury shares:	0.3%

During fiscal 2007, the Company issued 114,000 stock subscription warrants (BSAARs) in connection with the issue of bonds convertible into new and/or exchangeable for existing shares through attached warrants ("OBSAAR" bonds), authorized by the May 24, 2007 AGM. Since each BSAAR warrant entitles the holder to receive one new or existing share, the maximum number of shares to be issued through exercise of the warrants stands at 114,000, representing 0.71% of the capital.

In December 2008, the Group issued 2,500,000 share issuance rights (BEAs) to Société Générale under a PACEO equity line program approved by the Extraordinary General Meeting on December 12, 2008. The BEAs were subscribed by Société Générale on December 17, 2008. The rights may be exercised at Carbone Lorraine's request during a period of two years in tranches, representing a maximum number of 400,000 shares per tranche. The total number of shares that may be issued after two years may not exceed 2.5 million or 17.5% of the share capital prior to any issues made under this PACEO program. For each tranche, the issue price would be set based on the share price at the time less a discount of no more than 10%. In May and June 2009, the Company issued three tranches of 400,000 shares. The first tranche was issued at €20.35 per share, the second at €19.66 and the third at €17.62. Overall, the Company issued 1,200,000 new shares, representing 8.4% of the initial capital, for €22.3 million.

At June 30, 2009, 58,098 shares or 0.32% of the share capital was held under a liquidity agreement approved by the Autorité des Marchés Financiers and entrusted to investment services provider Exane.

At June 30, 2009 the Group's employees owned 119,914 shares, representing 0.75% of the share capital, plus 663,401 stock

options that, if exercised in full, would represent 4.18% of the current share capital. The stock option plans set up by the Group are based on a strike price determined without any discount, since exercise of the options is subject to conditions linked to the Group's future performance. Using this method, the Group ensures that the interests of its managers are aligned with those of its shareholders.

The Group has also implemented a policy of allotting bonus shares to secure the loyalty of its young managers. The allottees of the bonus shares are not the same as the beneficiaries of the stock options. Take-up of these shares is contingent upon their presence within the Group at the end of the vesting period. At June 30, 2009, a total of 116,778 bonus shares (taking cancellations into account), representing 0.73% of the current share capital, had been allotted.

In the Company's May 19, 2009 AGM, shareholders passed the fourth resolution, under which all shareholders can opt to receive their full dividend entitlement in newly issued shares in the Company. On May 19, 2009, the Management Board set the issue price for new shares at €18.38. On July 7, 2009, the Management Board noted that at the end of the option period, 10,378,929 rights

were invested in new shares, and decided to issue 355,484 new shares with par value of €2 each.

To date, the Group has not pursued stock repurchases because it uses its cash for its policy of selective acquisitions.

The Group did not alter its capital management policy in the first half of 2009.

Neither the Company nor its subsidiaries are subject to specific capital constraints under external rules.

No shares carry double voting rights.

With respect to share-based payments, plans set up after November 7, 2002 were measured in accordance with IFRS 2.

12.2 Reserves

A tax receivable of €3.2 million relating to a request for dividend withholding tax rebates has been recognized in equity. The risks related to this receivable have been transferred without recourse to a bank through the issue of contingent-payment debt securities. As a result, the related assets and liabilities have been deconsolidated.

NOTE 13 Provisions and contingent liabilities

In millions of euros	June 30, 2009		Dec. 31, 2008	
	Non-current	Current	Non-current	Current
Provision for restructuring	0.1	0.1	0.1	0.1
Provision for litigation	42.8	2.5	42.7	2.8
Other provisions	0.2	0.1	0.4	0.1
TOTAL	43.1	2.7	43.2	3.0

In millions of euros	Current and non-current	Dec. 31, 2008	Additions	Uses	Other	Cumulative translation adjustment	June 30, 2009
Provision for restructuring		0.2					0.2
Provision for litigation		45.5	(0.2)	(0.2)		0.2	45.3
Other provisions		0.5		(0.1)	(0.1)		0.3
TOTAL		46.2	(0.2)	(0.3)	(0.1)	0.2	45.8

At June 30, 2009 provisions for litigation comprised:

- the entire amount of the fine handed down to the Group by the European authorities (€42.8 million),
- civil lawsuits in the United States (€1.3 million),
- and a dispute with the US Department of Commerce (€0.9 million) with regard to export licenses.

As regards the European dispute, the ruling of the EU Court of First Instance was confirmed on appeal. In December 2008, the Group lodged an appeal with the European Court of Justice. The corresponding provision has thus been classified under non-

current provisions. To recap, as a guarantee for the appeal heard by the EU Court of First Instance, the Group made a €20 million advance in 2005 into an escrow account held by the European Commission, recognized under other non-current financial assets.

As regards the civil lawsuits in the United States, the €1.3 million provision covers lawsuits brought at the federal level by certain auto equipment manufacturers, which opted out of the federal class-action lawsuit and lodged a separate claim for damages. The Group believes that there is no legal basis for this separate legal action. This assessment was backed up by a decision made

by the US judge on August 9, 2007 dismissing the admissibility of the request relating to the worldwide cartel, thereby limiting the scope of the opt-out action lodged by customers to sales realized in the United States. This decision prompted the plaintiffs to initiate proceedings in the United Kingdom. The Group regards the arguments put forward by the opt-out plaintiffs as baseless,

and so it decided to keep the provision at the initial level under the August 2004 settlement agreement.

No other material contingent liabilities were identified at June 30, 2009.

NOTE 14 Employee benefits

The Carbone Lorraine group's principal pension plans are defined-benefit plans, including termination benefits, and are located in the US (26% of obligations), the UK (26%), France (22%) and Germany (14%).

The Group's obligations were measured at December 31, 2008 with the assistance of independent actuaries in accordance with IAS 19. Obligations, coverage assets and the charge recognized at June 30, 2009 were calculated by projecting the valuation at December 31, 2008.

The rates used for the principal countries are summarized below:

2008	Discount rate	Return on plan assets	Average rate of salary increases	Inflation rate
France	5.35%	4.0%/4.25%	2.5%	2.0%
Germany	5.35%	Not applicable	2.5%	2.0%
USA	6.0%	6.75%	Not applicable	Not applicable
United Kingdom	6.0%	6.75%	3.75%	3.0%

Reconciliation between assets and liabilities recognized

<i>In millions of euros</i>	June 30, 2009	Dec. 31, 2008
Actuarial obligation	93.1	94.7
Fair value of plan assets	(44.4)	(44.2)
Unrecognized actuarial gains and losses	(11.6)	(14.1)
Unrecognized past service cost (rights not vested)	(1.4)	(1.5)
NET AMOUNT RECOGNIZED	35.7	34.9

Breakdown of the Group's obligations at June 30, 2009 by geographical area

<i>In millions of euros</i>	France	Germany	United States	United Kingdom	Rest of the world	Total at June 30, 2009
Actuarial obligation	20.1	12.6	24.3	23.9	12.2	93.1
Fair value of plan assets	(4.5)		(13.6)	(19.3)	(7.0)	(44.4)
Unrecognized actuarial gains and losses	(0.5)	0.6	(5.7)	(4.0)	(2.0)	(11.6)
Unrecognized past service cost (rights not vested)	(1.1)		(0.3)			(1.4)
NET AMOUNT RECOGNIZED	14.0	13.2	4.7	0.6	3.2	35.7

Movements in the Group's obligations

<i>In millions of euros</i>	France	Germany	United States	United Kingdom	Rest of the world	Total
December 31, 2008	19.5	12.6	29.5	20.9	12.2	94.7
Payments		(0.5)	(0.9)	(0.2)	(0.8)	(2.4)
Expense charged to income	0.9	0.4	1.5	0.7	0.7	4.2
Translation adjustment			(0.9)	2.5	0.4	2.0
Actuarial gains and losses	0.1	0.2			(0.2)	0.1
Other movements	(0.4)	(0.1)	(4.9)		(0.1)	(5.5)
JUNE 30, 2009	20.1	12.6	24.3	23.9	12.2	93.1

Change in plan assets

<i>In millions of euros</i>	France	Germany	United States	United Kingdom	Rest of the world	Total
December 31, 2008	4.5		16.7	16.7	6.3	44.2
Return on plan assets			0.4	0.6	0.2	1.2
Employer contribution	0.2	0.5			0.3	1.0
Employee contribution						0.0
Payment of benefits	(0.2)	(0.3)				(0.5)
Translation adjustment		(0.2)	(0.5)	2.0	0.2	1.5
Other movements			(3.0)			(3.0)
JUNE 30, 2009	4.5	0.0	13.6	19.3	7.0	44.4

According to actuarial estimates, the charge recognized at June 30, 2009 in respect of these plans was €3.3 million, compared with €3.4 million in 2008, and breaks down as follows:

<i>In millions of euros</i>	France	Germany	United States	United Kingdom	Rest of the world	Total at June 30, 2009	Total at June 30, 2008
Current service cost	0.4		0.9	0.1	0.4	1.8	1.7
Interest cost	0.4	0.3	0.8	0.7	0.3	2.5	2.6
Expected return on plan assets			(0.5)	(0.6)	(0.2)	(1.3)	(1.8)
Amortization of actuarial gains and losses	0.1		0.2	0.1	0.1	0.5	0.5
Other movements	(0.2)					(0.2)	0.4
TOTAL CHARGE FOR THE PERIOD	0.7	0.3	1.4	0.3	0.6	3.3	3.4

NOTE 15 Net debt

Analysis of total net debt at June 30, 2009

<i>In millions of euros</i>	June 30, 2009	Dec. 31, 2008
Borrowings	278.5	297.6
Current financial liabilities	28.4	39.2
Current advances	1.9	1.3
Bank overdrafts	35.4	18.3
Current financial assets	(3.7)	(0.5)
TOTAL GROSS DEBT	340.5	355.9
Trading financial assets	(7.4)	(3.2)
Cash and cash equivalents	(56.7)	(46.8)
Cash	(64.1)	(50.0)
TOTAL NET DEBT	276.4	305.9

Total consolidated net debt amounted to €276.4 million at June 30, 2009, compared with €305.9 million at December 31, 2008 and €214.8 million at June 30, 2008.

Reconciliation between changes in net debt shown on the balance sheet and on the statement of cash flows

<i>In millions of euros</i>	June 30, 2009	June 30, 2008 adjusted
Prior year debt (December 31)	305.9	191.8
Cash generated/(used) by recurring operating and investing activities after tax	(23.4)	13.8
Cash used by restructurings	0.2	0.3
Net cash inflows/(outflows) attributable to changes in the scope of consolidation	(1.9)	(25.8)
Non-operating cash flows*		0.0
Cash generated by the operating and investing activities of continuing operations	(25.1)	(11.7)
Cash generated by the operating and investing activities of assets held for sale and discontinued operations	7.1	5.6
Proceeds from issue of new shares and other increases in equity	(25.5)	(0.3)
Dividends paid	0.1	12.8
Interest payments	5.2	6.4
Translation adjustment and other	0.9	(4.4)
Changes in the scope of consolidation	7.8	1.3
Other movements		13.3
DEBT AT MID-YEAR-END (JUNE 30)	276.4	214.8

Financial covenants at June 30, 2009

In connection with its various confirmed borrowings, Carbone Lorraine has to comply with a number of obligations, which are customary with this type of lending arrangement. Should it fail to comply with some of these obligations, the banks or investors (for the US private placements) may oblige Carbone Lorraine to repay

the relevant borrowings ahead of schedule. Under cross-default clauses, early repayment of one significant borrowing may oblige the Group to repay other borrowings immediately.

Carbone Lorraine must comply with the following financial covenants at June 30 and December 31 each year:

Financial covenants* (consolidated financial statements)

<i>In millions of euros</i>	Net debt/ EBITDA	Net debt/ equity	EBITDA/ net interest expense
Covenant ratios			
Group syndicated loan	< 3.35	< 1.3	-
US private placement	< 3.35	< 1.3	> 3
OBSAAR bond issue	-	< 1.35	-
Syndicated loan, China		< 1.35	
Actual ratios at June 30, 2009			
Group syndicated loan	3.06	0.76	
US private placement	3.06	0.76	8.81
OBSAAR bond issue		0.78	
Syndicated loan, China		0.76	
Actual ratios at December 31, 2008			
Group syndicated loan	2.73	0.93	
US private placement	2.73	0.93	12.07
OBSAAR bond issue		0.93	
Syndicated loan, China		0.93	

* Method for calculating covenants: in line with the accounting rules, the net debt shown in the financial statements uses closing rates to calculate the euro-equivalent value of debt denominated in foreign currencies. Solely for the calculation of the net debt/EBITDA ratio, net debt has to be recalculated at the average €/USD exchange rate for the period in the event of a difference of over 5% between the average exchange rate and the closing rate. To calculate the covenants at June 30, the convention is for EBITDA or gross operating income to be deemed as EBITDA reported for the first six months of the year multiplied by two.

At June 30, 2009, there were no material borrowings or liabilities secured by assets or guaranteed by third parties.

Breakdown by currency of drawings on credit facilities and confirmed borrowings, including the current portion, at June 30, 2009

Operating receivables and payables all mature in less than one year. A breakdown of borrowings by maturity is shown below.

<i>In millions of euros</i>	Total	< 1 year	> 1 year and < 5 years	> 5 years
Borrowings in USD	113	6.6	103.6	2.8
Borrowings in EUR	107.0	-	94.0	13.0
Borrowings in GBP	33.0	26.1	4.2	2.7
Borrowings in RMB	46.3	40.3	6.0	
TOTAL	299.3	73.0	207.8	18.5
Amortization of issuance costs at the EIR*	-1.7			
Fair value of interest-rate derivatives	2.3			
TOTAL	299.9			

* Effective interest rate

Of the €207.7 million in debt due to mature in between one and five years' time, €197.8 million had a maturity of over three years at June 30, 2009.

Analysis of total net debt at June 30, 2009

<i>By currency</i>	%	<i>By interest rate</i>	%
EUR	41.8	Fixed	30.3
USD	29.6	Floating	69.7
RMB	14.5		
GBP	11.6		
Other	2.5		

<i>In millions of euros</i>	Total	o/w maturity < 5 years	o/w maturity > 5 years
Debt	344.2	325.6	18.6
Financial assets	(67.8)	(67.8)	-
Net position before hedging	276.4	257.8	18.6
Fixed-rate hedge	83.7	65.1	18.6
Net position after hedging	192.7	192.7	-

Assuming Carbone Lorraine's debt and exchange rates remain unchanged at their June 30, 2009 level and taking into account the swaps held in the portfolio, an increase of 100 basis points in floating interest rates would increase the Group's annual interest costs by around €1.9 million.

NOTE 16 Fair value

The following tables show the fair value of assets and liabilities, as well as their carrying amount on the balance sheet:

At June 30, 2009	Accounting categories						Total net value of the category on the balance sheet	Fair value of the category
	Note	Assets held at fair value through P&L	Held-to-maturity assets	Available-for-sale assets	Loans and receivables	Liabilities stated at amortized cost		
Unlisted investments	9			20.2			20.2	20.2
Other non-current financial assets and derivatives held as assets	3/15				29.3		29.3	29.3
Non-current financial assets		0.0	0.0	20.2	29.3	0.0	49.5	49.5
Trade receivables	11				90.9		90.9	90.9
Current financial assets	15				3.7		3.7	3.7
Other current assets					10.4		10.4	10.4
Trading financial assets	15			7.4			7.4	7.4
Current financial assets		0.0	0.0	7.4	14.1	0.0	21.5	21.5
Cash and cash equivalents	15	56.7					56.7	56.7
Bank borrowings	15					(278.5)	(278.5)	(278.5)
Current advances	15					(1.9)	(1.9)	(1.9)
Bank overdrafts	15					(35.4)	(35.4)	(35.4)
Current financial liabilities	15					(28.4)	(28.4)	(28.4)
Borrowings	15	0.0	0.0	0.0	0.0	(344.2)	(344.2)	(344.2)
Trade payables						(48.1)	(48.1)	(48.1)
Carrying amount per category		56.7	0.0	27.6	134.3	(392.3)	(173.7)	(173.7)

At December 31, 2008	Accounting categories						Total net value of the category on the balance sheet	Fair value of the category
	Note	Assets held at fair value through P&L	Held-to-maturity assets	Available-for-sale assets	Loans and receivables	Liabilities stated at amortized cost		
Unlisted investments	9			69.1			69.1	69.1
Other non-current financial assets and derivatives held as assets	3/15	2.8			23.8		26.6	26.6
Non-current financial assets		2.8	0.0	69.1	23.8	0.0	95.7	95.7
Trade receivables	11				121.0		121.0	121.0
Current financial assets	15				0.5		0.5	0.5
Other assets					9.5		9.5	9.5
Trading financial assets	15			3.2			3.2	3.2
Current financial assets		0.0	0.0	3.2	10.0	0.0	13.2	13.2
Cash and cash equivalents	15	46.8					46.8	46.8
Bank borrowings	15					(297.6)	(297.6)	(297.6)
Current advances	15					(1.3)	(1.3)	(1.3)
Bank overdrafts	15					(18.3)	(18.3)	(18.3)
Current financial liabilities	15					(39.2)	(39.2)	(39.2)
Borrowings		0.0	0.0	0.0	0.0	(356.4)	(356.4)	(356.4)
Trade payables						(72.0)	(72.0)	(72.0)
Carrying amount per category		49.6	0.0	72.3	154.8	(428.4)	151.7	151.7

NOTE 17 Other non-recurring income and expense

Other non-recurring income and expense break down as follows:

<i>In millions of euros</i>	First half 2009	First half 2008 adjusted
Sale of brakes business		14.0
Transfers/restructuring	(0.2)	(0.4)
EU fine and US civil lawsuits	(0.6)	(0.5)
Other items	(0.5)	(0.5)
TOTAL	(1.3)	12.6

In the first half of 2009, non-recurring income and expenses resulted in net expense of €1.3 million. The principal factors were:

- €0.6 million of costs relating to ongoing disputes with the European Community and civil lawsuits in the United States.

In the first half of 2008, non-recurring income and expenses resulted in net income of €12.6 million. The principal factors were:

- the €14 million gain realized on the disposal of the brakes business;

- €0.5 million of costs relating to the European Community procedure and to class-action lawsuits in the United States;
- €0.4 million of costs relating to the transfer of assets and other costs following the reorganization of Electrical Protection sites;
- recognition of a €0.2 million impairment loss on shares in Chinese subsidiary AVO Kunshan, which started operating in 2004.

NOTE 18 Segment reporting

Operating income

<i>In millions of euros</i>	Advanced Materials and Technologies (AMT)		Electrical Components and Technologies (ECT)		Total for continuing operations	
	First half 2009	First half 2008 adjusted	First half 2009	First half 2008 adjusted	First half 2009	First half 2008 adjusted
Sales						
Sales to third parties	134.2	130.8	168.9	191.0	303.1	321.8
Breakdown of sales	44.3%	40.6%	55.7%	59.4%	100.0%	100.0%
Segment operating income before non-recurring items	17.6	22.7	17.9	27.5	35.5	50.2
Segment operating margin before non-recurring items*	13.0%	17.4%	10.6%	14.4%	11.7%	15.6%
Segment non-recurring income and expenses	(0.5)	13.9	(0.9)	(0.7)	(1.4)	13.2
Segment operating income	17.1	36.6	17.0	26.8	34.1	63.4
Segment operating margin*	12.7%	27.9%	10.1%	14.0%	11.2%	19.7%
					Unallocated costs	(8.2)
					Operating income from continuing operations	27.6
					Operating margin from continuing operations	17.2%
					Finance costs, net	(6.0)
					Current and deferred income tax	(14.4)
					Net income from continuing operations	34.8

* Segment operating margin = Operating income/Segment sales to third parties.

Breakdown of depreciation and amortization recognized by segment

In millions of euros	First half 2009				First half 2008 adjusted			
	AMT	ECT	Corporate costs	Total	AMT	ECT	Corporate costs	Total
TOTAL	(10.7)	(5.0)	(0.1)	(15.8)	(7.5)	(4.2)	(0.2)	(11.9)

Segment assets

In millions of euros				Intra-Group transactions eliminated	June 30, 2009
	AMT	ECT	TOTAL		
Non-current assets, net (excluding investments)	335.8	190.7	526.5		526.5
Inventories, net	89.4	67.4	156.8		156.8
Trade receivables	52.8	66.1	118.9	(28.0)	90.9
Other receivables	12.4	10.5	22.9	(5.7)	17.2
TOTAL SEGMENT ASSETS	490.4	334.7	825.1	(33.7)	791.4
TOTAL UNALLOCATED ASSETS					128.6
TOTAL					920.0

Segment liabilities

In millions of euros				Intra-Group transactions eliminated	June 30, 2009
	AMT	ECT	TOTAL		
Trade payables	37.7	38.4	76.1	(28.0)	48.1
Other payables and other liabilities	47.7	28.8	76.5	(5.7)	70.8
Non-current and current provisions	4.6	41.2	45.8		45.8
Employee benefits	12.0	23.7	35.7		35.7
TOTAL SEGMENT LIABILITIES	102.0	132.1	234.1	(33.7)	200.4
TOTAL UNALLOCATED LIABILITIES					417.3
TOTAL					617.7

NOTE 19 Staff costs and headcount

Group payroll costs (including social security contributions, provisions for pension obligations and retirement indemnities) came to €99.7 million in the first half of 2009 compared with €103.8 million in the first half of 2008.

On a like-for-like basis, staff costs decreased by 10%.

Breakdown of the consolidated average headcount by geographical area*

	June 30, 2009	%	June 30, 2008 adjusted	%
France	1,441	27%	1,438	26%
Rest of Europe (+ Tunisia)	928	17%	944	17%
North America (+ Mexico)	1,678	30%	1,977	35%
Asia	1,154	21%	982	17%
Rest of the world	288	5%	285	5%
TOTAL	5,489	100%	5,626	100%

* Continuing operations

At comparable scope, the average headcount fell by 212 employees.

NOTE 20 Operating income

An analysis of operating income by category of income and expense is shown in the following table:

<i>In millions of euros</i>	First half 2009	First half 2008 adjusted
Product sales	264.5	292.7
Trading sales	38.6	29.1
TOTAL SALES	303.1	321.8
Other operating revenues	3.0	2.6
Cost of trading sales	(28.1)	(25.8)
Raw material costs	(57.5)	(62.9)
Costs on other operating revenues	(0.8)	(0.3)
Manufacturing costs	(50.7)	(48.7)
Salary costs	(98.4)	(100.7)
Employee incentives and profit-sharing	(1.3)	(3.1)
Other expenses	(24.6)	(27.8)
Financial components of operating income (*)	(1.1)	(1.7)
Depreciation and amortization	(15.8)	(11.9)
Additions to provisions		(0.2)
Impairment losses		0.0
Capital gain on the disposal of the brakes business		14.0
Income from sales of non-current assets	(0.2)	(0.1)
OPERATING INCOME	27.6	55.2

NOTE 21 Financial income and costs

<i>In millions of euros</i>	First half 2009	First half 2008 adjusted
Amortization of bond issuance expenses	(0.2)	(0.1)
Interest paid on debt	(5.5)	(5.1)
Short-term financial expense	(0.1)	(1.4)
Interest income from bank deposits	0.1	0.6
Finance costs, net	(5.7)	(6.0)

The net finance costs stated above include the following items resulting from assets and liabilities not measured at fair value through profit and loss:

Total interest income on financial assets	(5.8)	(6.6)
Total interest income on financial liabilities	0.1	0.6
Finance costs, net	(5.7)	(6.0)

Recognized directly in equity		
<i>In millions of euros</i>	First half 2009	First half 2008 adjusted
Change in fair value of currency hedges	0.7	0.0
Change in fair value of interest-rate hedges	0.1	(0.2)
Change in fair value of commodity hedges	2.2	1.4
Tax on changes recognized in equity	(1.0)	(0.4)
Net finance costs recognized directly in equity, net of tax	2.0	0.8

NOTE 22 Income tax

<i>In millions of euros</i>	First half 2009	First half 2008 adjusted
Current income tax	(8.5)	(8.4)
Deferred income tax	2.4	(5.8)
Withholding tax	(0.1)	(0.2)
TOTAL TAX EXPENSE	(6.2)	(14.4)

The Group has:

- one consolidated tax group in France;
- one consolidated tax group in the United States;
- two consolidated tax groups in Germany;
- and one consolidated tax group in Japan.

The Group's effective tax rate on continuing operations came to 28% in the first half of 2009 compared with 30% in fiscal 2008.

Analysis of income tax expense

<i>In millions of euros</i>	First half 2009
NET INCOME FROM CONTINUING OPERATIONS	15.7
Income tax expense/(benefit) on continuing operations	(6.2)
TOTAL INCOME TAX EXPENSE/(BENEFIT)	(6.2)
TAXABLE INCOME	21.9
Current tax rate in France	34.4%
Theoretical tax benefit/(expense) (taxable income x current income tax rate in France)	(7.5)
Difference between income tax rate in France and other jurisdictions	(0.9)
Transactions qualifying for a reduced rate of taxation	0.1
Permanent timing differences	(0.3)
Impact of limiting deferred tax assets	0.9
Other items	1.5
ACTUAL INCOME TAX BENEFIT/(EXPENSE) RECOGNIZED	(6.2)

The deferred tax assets and liabilities recognized on the balance sheet are as follows:

<i>In millions of euros</i>	June 30, 2009	Dec. 31, 2008
Deferred tax assets	21.3	10.3
Deferred tax liabilities	(9.2)	(6.1)
Net position	12.1	4.2

Deferred tax movements in the first half of 2009 were as follows:

<i>In millions of euros*</i>	Dec. 31, 2008	Net income for the year	Translation adjustment	Disposal of EMC	Other	June 30, 2009
Employee benefit obligations	7.3	0.1			(0.1)	7.3
Provisions for restructuring	0.0					0.0
Depreciation of non-current assets	(16.2)	(0.8)	0.2		0.3	(16.5)
Tax-regulated provisions	(3.3)	0.1				(3.2)
Impact of tax losses	11.6	3.1		4.2	(1.6)	17.3
Impairment losses	0.7				(0.4)	0.3
Other items	4.1	(0.1)			2.9	6.9
DEFERRED TAX ON THE BALANCE SHEET - NET POSITION	4.2	2.4	0.2	4.2	1.1	12.1

* (liability)/asset

Deferred tax assets have been recognized on the basis of their recoverability. France, Germany and the US were the main tax jurisdictions concerned.

Given the arrangements for recovering deferred taxes, the deferred tax assets arising on the tax losses posted by the Brazilian company were not recognized.

NOTE 23 Earnings per share

Basic and diluted earnings per share are presented below:

Continuing operations and assets held for sale	First half 2009	First half 2008
Numerator: Net income used to compute basic earnings per share (net income for the period).	13.3	33.1
Denominator: Weighted average number of ordinary shares used to compute basic earnings per share	15,439,115	14,246,815
Adjustment for dilutive potential ordinary shares: - unexercised options	732,801	424,595
Weighted average number of ordinary shares used to compute diluted earnings per share	16,171,916	14,671,410
Basic earnings per share (€)	0.86	2.33
Diluted earnings per share (€)	0.82	2.26

Continuing operations	First half 2009	First half 2008
Numerator: Net income used to compute basic earnings per share (net income for the period).	15.2	34.3
Denominator: Weighted average number of ordinary shares used to compute basic earnings per share	15,439,115	14,246,815
Adjustment for dilutive potential ordinary shares: - unexercised options	732,801	424,595
Weighted average number of ordinary shares used to compute diluted earnings per share	16,171,916	14,671,410
Basic earnings per share (€)	0.98	2.41
Diluted earnings per share (€)	0.94	2.34

NOTE 24 Dividends

Shareholders in the AGM approved a dividend of €0.62 per share in respect of fiscal 2008, representing an aggregate amount of €8.9 million. The option of receiving this dividend in shares was put to shareholders.

NOTE 25 Leases

1 - Finance leases

Carrying amount by asset category

None.

2 - Leases where the Group is the lessee (operating leases)

Schedule of minimum payments

<i>In millions of euros</i>	Total at June 30, 2009	< 1 year	> 1 year	o/w five years or more
Minimum payments	9.7	2.9	6.8	0.2

Minimum payments represent the amount of certain future property lease payments up until the expiration of the lease prior to any renewals. The leases do not contain any clause restricting debt or on dividend payments.

NOTE 26 Related party disclosures

Le Carbone Lorraine SA is a holding company that manages its investments in subsidiaries and affiliates and the Group's financing activities, and charges subsidiaries for services related to the intangible assets and property, plant and equipment that it owns.

Le Carbone-Lorraine SA belongs to the Carbone Lorraine group, which encompasses 96 consolidated and unconsolidated companies in 36 countries.

Transactions between the Group's consolidated companies are eliminated for consolidation purposes.

1 - Relations with unconsolidated subsidiaries and associates.

Group sales to unconsolidated subsidiaries amounted to €7.0 million in the first half of 2009, compared with €8.1 million in the first half of 2008.

In the first half of fiscal 2009, the management and administrative fees charged to unconsolidated subsidiaries by the Group (deducted from administrative costs) amounted to €0.1 million (2008: €0.1 million).

The amounts receivable by the Group from its unconsolidated subsidiaries came to €3.4 million at June 30, 2009, while amounts payable came to €0.3 million.

Advances made to unconsolidated subsidiaries by Le Carbone Lorraine SA amounted to €0 (zero) million at June 30, 2009 (2008: €0.1 million).

2 - Disclosure of compensation paid to key management personnel (Executive Committee, including the Chairman of the Management Board)

In millions of euros	First half 2009	First half 2008
Salaries, bonuses, benefits in kind and directors' fees	1.0	1.2
Top-up pension plan payments ⁽¹⁾	0.3	0.7
Other long-term employee benefits	0.0	0.0
TOTAL	1.3	1.9

(1) The members of the Executive Committee qualify for top-up pension payments. At the Board of Directors' meeting on July 25, 2007, this regime was altered as follows:

Provided that the relevant person is still employed by the Group upon retirement, the regime guarantees top-up pension income of 10-20% of the basic reference salary depending on length of service during the final three years prior to retirement plus a flat-rate of 50% of the maximum bonus. Actuarial obligations were measured at €5.0 million at June 30, 2009, compared with €5.4 million at December 31, 2008.

Members of the Executive Committee do not qualify for any other long-term employee benefits.

Should his appointment be terminated, the Chairman of the Management Board will receive a severance payment of no more than 0.5 times the total gross compensation and benefits paid to him in respect of the thirty-six month period preceding termination, subject to the attainment of performance criteria.

Furthermore, Executive Committee members (including the Chairman of the Management Board) were awarded the following share-based payments:

- stock options: 198,000 stock options were granted to the Executive Committee members (including the Chairman of the Management Board) in 2007 and 2009:

	2007 plan, tranche 1
Date of Board meeting	July 25, 2007
Total number of shares allotted	75,000
Subscription price	57.24
Start of exercise period	July 2011
Expiration date	July 2017

	2009 plan, tranche 1
Date of Board meeting	January 22, 2009
Total number of shares allotted	123,000
Subscription price	18.90
Start of exercise period	February 2013
Expiration date	February 2019

- bonus share allotments: see the table of previous allotments to the Executive Committee (including the Chairman of the Management Board) below.

	2005 plan, tranche 1
Date of Board meeting	June 30, 2005
Total number of shares allotted	15,300
Share price at allotment date	39.25
Definitive allotment date (end of the vesting period)	July 1, 2007
End of lock-up period	July 1, 2009

No bonus shares were allotted to Executive Committee members under the 2008 plan.

NOTE 27 Commitments and contingencies

A - Financial commitments and liabilities

<i>In millions of euros</i>	June 30, 2009	Dec. 31, 2008	June 30, 2008
Commitments received			
Guarantees and endorsements	0.2	0.1	0.1
Other commitments received	1.3	0.9	1.9
TOTAL	1.4	1.0	2.0
Commitments given			
Collateralized debts and commitments	0.3	0.3	0.3
Market guarantees and endorsements	18.8	16.5	13.8
Payment guarantees on acquisitions	-	-	-
Other guarantees	49.4	48.6	43.5
Other commitments given	3.1	7.3	3.8
TOTAL	71.5	72.6	61.4

The above table summarizes the Group's commitments and contingencies.

Nature

The largest item totaling €49.4 million relates to other guarantees, which include a €24.5 million guarantee (initially €43 million) given to the European Commission as a result of the fine handed down during 2003 by the European Commission relating to activities in electric motor brushes and products for electrical applications. In respect of this fine, the Group has lodged a new appeal with the European Court of Justice. This guarantee has enabled the Group to postpone payment of the fine for the duration of the appeal procedure. This line item also includes a guarantee of €16 million covering the maximum daily drawings by subsidiaries under the European cash pooling arrangements.

Maturity

Commitments and contingencies with a maturity of over 1 year amounted to €28.3 million. They include the €16 million linked to the cash pooling system, which remains in force for as long as the cash pooling agreements are in place. Market guarantees generally last for less than one year, except for a few market guarantees whose duration does not exceed three years. The €24.5 million guarantee given to the European Commission expires in December 2009. It may be extended with the consent of the guarantor banks depending on the date of the Court's ruling.

Internal control

Under the Group's internal control organization, Group companies are not authorized to enter into transactions giving rise to commitments and contingencies without obtaining the prior approval of the Group's finance department and, where appropriate, of the Management Board or the Supervisory Board. Nonetheless, certain Group companies have the option of issuing market guarantees not exceeding €150,000 with a maturity of less than two years without prior authorization in the normal course of their business activities. These guarantees are listed in the documents completed by the companies as part of the accounts consolidation procedure.

Disposal of the EMC division

The EMC disposal includes an earn-out of up to €10 million. The earn-out is subject to EMC achieving certain operating income targets.

As far as the Company is aware, no material commitments or contingencies under the accounting standards in force have been omitted.

B - Title retention clause

None.

C - Individual Right to Training

In France, employees have an individual right to training. No provisions are set aside to cover these rights because the Group does not have the requisite information to assess them reliably.

NOTE 28 Subsequent events

None.

NOTE 29 Approval of the financial statements

The Group's interim consolidated financial statements for the six months ended June 30, 2009 were approved by the Management Board at its meeting on August 28, 2009.

→ Statutory auditors' report on the 2009 interim financial statements

To the Shareholders,

In compliance with the assignment entrusted to us by your Annual General Meeting and in accordance with Article L.451-1-2 III of the French Monetary and Financial Code, we have conducted:

- the review of the accompanying condensed interim consolidated financial statements of Le Carbone Lorraine SA for the period from January 1, 2009 to June 30, 2009,
- the verification of information contained in the interim management report.

These condensed interim consolidated financial statements are the responsibility of the Management Board against the backdrop, described in Note 2-V to the financial statements ("Use of estimates" section), characterized by some degree of difficulty in assessing the future outlook, which was already present at the end of the financial year to December 31, 2008. Our role is to express an opinion on these financial statements based on our review.

→ I - Conclusion on the financial statements

We conducted our review in accordance with the professional standards applicable in France. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with professional standards applicable in France and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 – "Interim Financial Reporting" of IFRS, as adopted by the European Union.

Without qualifying the opinion expressed above, we wish to draw your attention to Note 2 presenting the changes to the presentation method following the adoption of IFRS 8 "Operating Segments" and the revised IAS 1 "Presentation of financial statements", as adopted by the European Union and application of which is mandatory from January 1, 2009.

→ II - Specific verification

We have also verified the information given in the interim management report on the condensed interim consolidated financial statements subject to our review. We have no matters to report as to its fair presentation and its consistency with the condensed interim consolidated financial statements.

Paris La Défense, August 28, 2009
KPMG Audit
Département de KPMG S.A.

Neuilly-sur-Seine, August 28, 2009
Deloitte & Associés

Catherine Porta
Partner

Joël Assayah
Partner

Alain Penanguer
Partner

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Statement of the officer

I certify that, to the best of my knowledge, these summary interim financial statements have been prepared in accordance with the relevant accounting standards and give a true and fair value of the assets and liabilities, financial position and the results of operations of the Company and of all the entities included in the consolidation, and that the attached interim business report presents a faithful picture of the major events that occurred during the six months of the interim period and their impact on the financial statements, the principal transactions between related parties, as well as a description of the principal risks and principal uncertainties concerning the remaining six months of the financial year.

Paris, October 13, 2009

Ernest Totino
Chairman of the Managing Board