



Carbone Lorraine's Board of Directors met on August 28, 2008 and approved the financial statements for the first six months of fiscal 2008.

Commenting on the interim 2008 results, Claude Coccozza, Carbone Lorraine's Chairman and Chief Executive Officer, said:

*"Carbone Lorraine posted excellent results for the first half of 2008. Our operating income before non-recurring items climbed 11% on sales up 4% on a reported basis. On a like-for-like basis, sales grew by 10%.*

*These performances demonstrate that our shift to focus on renewable energies (photovoltaic and wind energy) and fast-expanding geographical regions (Asia and China in particular) has been a success. What's more, recent acquisitions have helped to extend Carbone Lorraine's worldwide leadership in electrical protection and energy efficiency equipment.*

*Accordingly, 2008 as a whole is likely to be another year of strong sales and earnings growth."*

#### Condensed income statement

<i>In millions of euros</i>	<b>H1 2008</b>	<b>H1 2007</b>
<b>Sales</b>	<b>362.0</b>	<b>346.7</b>
<b>Operating income before non-recurring items</b>	<b>41.7</b>	<b>37.4</b>
<i>% of sales</i>	<i>11.5%</i>	<i>10.8%</i>
<b>IFRS operating income</b>	<b>54.0</b>	<b>33.5</b>
<b>Net income attributable to equity holders of the parent</b>	<b>33.6</b>	<b>19.4</b>

#### Consolidated sales

During the first half of fiscal 2008, Carbone Lorraine posted strong growth in its **sales** to €362 million, representing increases of 4% on a reported basis, 6% excluding the braking business sold at the end of the first quarter and 10% on a like-for-like basis. Growth was brisk across all the Group's business segments and geographical regions.

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## Operating income

**Operating income before non-recurring items** moved up 11% to €41.7 million and up 14% excluding the braking business. The operating margin before non-recurring items stood at 11.5% of sales.

IFRS operating income came to €54 million after taking into account the capital gain arising on the disposal of the braking business.

All the Group's business activities recorded firm performances, with a **double-digit operating margin**.

At the **Advanced Materials and Technologies division**, the strong growth in graphite sales derived primarily from the extremely brisk demand from manufacturers of silicon for the solar industry. Sales of anticorrosion equipment for the fine chemicals and pharmaceuticals markets also made rapid headway thanks to the new technologies developed by Carbone Lorraine. The operating income before non-recurring items recorded by the Advanced Materials and Technologies division came to €22.7 million or 17.4% of sales in spite of the heavy depreciation charges related to the new graphite block production facility in China. Excluding the braking business that was sold, it grew by 6% compared with the first half of 2007.

Growth in the **Electrical Protection** division was again very strong across all its product lines and geographical regions, with a particularly large contribution made by new protection products, as well as by Asia and the Middle East. The division's operating income before non-recurring items advanced by 35% to €15.7 million. This figure represented 12.6% of the Group's sales. This performance illustrated the division's strong operating leverage following the major streamlining measures implemented in recent years.

At the **Electrical Applications** division, sales of brushes and equipment for industrial motors and wind turbine generators recorded a strong increase across all its geographical regions. The downturn in the North American automobile markets was offset by a strong increase in sales of brushes for automobile auxiliary motors in Asia. The operating income before non-recurring items recorded by the Electrical Applications division came to €10.9 million, representing 10.2% of sales. It came in just below (2%) last year's level owing to implementation of an ambitious sales and marketing plan to step up our expansion in the wind energy market even further.

## Net income

Net income advanced by 73% to €33.6 million. Excluding the capital gain arising on the disposal of the braking business, net income rose by 22%.

## Cash flow/Debt

Cash flow generated by operating activities came to €6.6 million, down from €11.8 million in the first half of 2007. This figure reflects the increase in the working capital requirement resulting from the strong growth in sales and the substantial volume of work in progress related to anticorrosion equipment scheduled for delivery in the fourth quarter.

The cash flow generated from operating activities and the disposal of the braking business helped to finance the dividend payment (€13 million) and capital expenditures (€26 million) linked to the major growth projects underway.

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The Group's net debt stood at €215 million at end-June 2008 compared with €192 million at year-end 2007. The debt-to-equity ratio stood at 68% compared with 62% at year-end 2007.

In addition, Carbone Lorraine finalized the syndication in late July of a \$350 million credit line repayable in late 2013 as a replacement for the \$220 million line due to mature in late 2009.

## Outlook

Over the past few years, Carbone Lorraine has embarked on a major transformation to make the Group more resilient and resolutely growth-oriented.

Its positioning in structurally expanding markets, such as Asia, renewable energies and energy efficiency, has significantly enhanced the Group's medium- and long-term prospects.

Barring a sharp and rapid deterioration in economic conditions, of which there are no signs at present, the growth in sales is likely to be brisk in the second half of the year and may exceed 8% on a like-for-like basis over 2008 as a whole.

## Appendix: consolidated financial statements

### Income statement

(€ m)	H1 2008	H1 2007
<b>Sales</b>	<b>362</b>	<b>347</b>
<b>EBITDA*</b>	<b>57.5</b>	<b>50.7</b>
<i>% of sales</i>	15.9%	14.6%
<b>Operating income before non-recurring items</b>	<b>41.7</b>	<b>37.4</b>
<i>% of sales</i>	11.5%	10.8%
Non-recurring items	12.3	(3.9)
<b>Operating income</b>	<b>54.0</b>	<b>33.5</b>
Finance costs, net	(6.0)	(5.1)
Current and deferred income tax	(14.4)	(9.0)
<b>Net income attributable to equity holders of the parent</b>	<b>33.6</b>	<b>19.4</b>

\*income before non-recurring items + depreciation and amortization + financial components of operating income

### Segment analysis

<i>In millions of euros</i>	Advanced Materials and Technologies (AMT)		Electrical Applications (EA)		Electrical Protection (EP)	
	H1 2008	H1 2007	H1 2008	H1 2007	H1 2008	H1 2007
<b>Sales</b>	<b>130.8</b>	<b>127.7</b>	<b>106.4</b>	<b>102.7</b>	<b>124.8</b>	<b>116.3</b>
<b>EBITDA*</b>	<b>30.8</b>	<b>28.1</b>	<b>15.5</b>	<b>15.3</b>	<b>18.6</b>	<b>14.6</b>
<i>% of sales</i>	23.6%	22.0%	14.6%	14.9%	14.9%	12.6%
<b>Operating income before non-recurring items</b>	<b>22.7</b>	<b>22.6</b>	<b>10.9</b>	<b>11.1</b>	<b>15.7</b>	<b>11.6</b>
<i>% of sales</i>	17.40%	17.70%	10.20%	10.80%	12.60%	9.90%

\*income before non-recurring items excluding corporate costs + depreciation and amortization + financial components of operating income

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**Statement of cash flows****(€ m)****H1 2008    H1 2007****Operating activities**

<b>Cash flow</b>	<b>53.7</b>	<b>46.8</b>
Change in the WCR	(39.3)	(29.7)
Tax expense	(7.8)	(5.3)
<b>Cash flow generated by operating activities</b>	<b>6.6</b>	<b>11.8</b>

**Investing activities**

Increase in PP&E and intangible assets	(26.3)	(19.6)
Financial assets/Acquisitions	-	(4.8)
Disposals of non-current assets	25.8	(0.1)
<b>Cash flow</b>	<b>-0.5</b>	<b>-24.5</b>

<b>Cash flow before financing activities</b>	<b>6.1</b>	<b>-12.7</b>
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**Balance sheet****(€ m)****H1 2008    FY 2007    H1 2007**

<b>Assets</b>	<b>823</b>	<b>771</b>	<b>771</b>
Non-current assets	413	435	420
Inventories and receivables	337	301	328
Other assets	27	6	5
Cash	46	29	18

<b>Liabilities</b>	<b>823</b>	<b>771</b>	<b>771</b>
Equity	314	307	323
Provisions	46	47	50
Employee benefits	40	41	43
Trade and other payables	131	128	134
Other liabilities	31	27	20
Borrowings	261	221	201

<b>Net debt/equity</b>	<b>0.68</b>	0.62x	0.57x
<b>Net debt/EBITDA*</b>	<b>1.87x</b>	2.07x	1.86x

\*2008 EBITDA based on 2x first-half EBITDA

The interim financial report is available from the Company's web site and from the AMF's web site.

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Paris, August 28, 2008

#### **About Carbone Lorraine**

Carbone Lorraine is a world leader in graphite solutions and electrical components. The Group specialises in the use of high-tech materials in highly demanding industrial environments and in the development of systems essential to a safe electrical motors' operation and to the protection of electrical equipment. With more than 85% of its sales achieved outside France, the Group holds leadership positions in all of its core businesses.

- |                                     |   |
|-------------------------------------|---|
| Advanced Materials and Technologies | - World number one in graphite anticorrosion equipment                    |
|                                     | - World number two in high-temperature applications of isostatic graphite |
| Electrical Applications             | - World number one in brushes for electric motors                         |
| Electrical Protection               | - World number one in fuses for power semiconductors                      |
|                                     | - World number two in industrial fuses                                    |

*The Group is listed on the Premier Marché of the Paris Stock Exchange and is a constituent of the CAC Mid100, SBF120 and Next 150 indices.  
Bloomberg ticker: **CRL FP** – Reuters ticker: **CBLP.PA***



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#### **Investor and Analyst Relations**

**Carbone Lorraine**  
**Sébastien Desarbres**

Tel.: +33 (0)1 46 91 54 49  
[dri@carbonelorraine.com](mailto:dri@carbonelorraine.com)  
[www.carbonelorraine.com](http://www.carbonelorraine.com)

#### **Press Relations**

**Publicis Consultants**  
**Vilizara Lazarova**

Tel.: +33 (0)1 44 43 74 81  
[vilizara.lazarova@consultants.publicis.fr](mailto:vilizara.lazarova@consultants.publicis.fr)

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