



At its forthcoming General Meeting on December 12, 2008, Carbone Lorraine will request authorization from its shareholders to issue share subscription warrants to Société Générale in connection with a Step-up equity facility (SEF).

Amid the major financial uncertainty that dawned in September 2008, Carbone Lorraine has sought to arrange a complementary form of financing suited both to the new conditions in the capital markets and to the specific situation of Carbone Lorraine, some of whose markets are enjoying strong growth, even though the global economic environment is experiencing a slowdown.

Within the SEF, it could raise the capital it needs to meet any financing constraints while minimizing the resulting dilution for shareholders. It is therefore well-suited to financing the Expansion 2011 plan presented by Carbone Lorraine on September 17, 2008, which targets sales of €1.1 billion and a return on capital employed before tax of 18%.

The share subscription warrants issued to Société Générale, may be exercised, at Carbone Lorraine's request, over a two-year period, in tranches. Each tranche is capped at 400,000 new shares and would be staggered over time. The total number of shares that may be issued after two years will not exceed 2.5 million or 17.5% of the current share capital. For each tranche, the issue price would be set based on the then current market price when the rights are exercised minus a discount lesser or equal to 10%. This discount would enable Société Générale to subscribe and then sell the shares in spite of the possibly high volatility of the capital markets. Acting as a financial intermediary, Société Générale is committed to subscribing to new shares but does not aim to become a shareholder in the Group's capital.

All warrants exercise and timing decisions fully remain under Carbone Lorraine's control who will be under no obligation to exercise any warrants under the SEF agreement. It would be used solely in the following two circumstances:

- 1) if the improvement in market conditions made it possible to use SEF financing in the best interests of shareholders to restore the Company's financial flexibility and to seize fresh opportunities in connection with the Expansion 2011 plan.
- 2) or, conversely, if the financial crisis led to a deep economic crisis. The Company may then use SEF financing, with a very high degree of caution, to keep its financial ratios some distance away from its covenants, if this proved to be necessary in spite of the selective approach to investments and rigorous working capital requirement management currently being implemented.

An offering circular will be filed with the *Autorité des Marchés Financiers*.

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**PRESS RELEASE**

## 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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