



Reinforcement of selective expansion strategy Capital increase plan

Paris, September 16, 2009

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During the last months, Carbone Lorraine continued to selectively pursue its growth initiatives **by strengthening its positions in its expanding markets:**

- It acquired 60% of Calcarb, a world leader in the manufacture of rigid carbon felts, used to a great extent in the solar segment.
- It extended its graphite machine shops in Germany for solar products and tantalum heat exchanger manufacturing facilities for the pharmaceuticals sector.
- It extended the Xianda plant it recently acquired in China to strengthen the Group's position in metal and reactive metal equipment and to prepare it for future expansion into the nuclear segment.
- It opened a new plant in Shanghai specializing in fuses, coolers and high-power switches to keep pace with the growth in rail transportation and mass transit systems, as well as in wind energy.
- It set up a regional platform in Morocco primarily serving the phosphoric acid industry.
- It acquired two small companies with great potential, namely **2C Cellier**, which will help the Group achieve rapid development in the nuclear market, and **Lumpp**, which provides a valuable addition to the product range dedicated to the chemicals and pharmaceuticals industries.

In the medium term, Carbone Lorraine aims to bolster its positioning in markets related to sustainable development, such as alternative energies, energy efficiency and rail transportation. In 2008, these markets accounted for around one-third of the Group's sales. The objective is for these markets to contribute more than **50%** of the Group's sales, with **25%** deriving from alternative energies. Asia is expected to remain a region generating strong growth for the Group. The objective is for the region to contribute **30%** of the Group's sales.

Recent capital expenditures and acquisitions have been predominantly debt-financed. If the Group wants to continue pursuing growth initiatives, it will need to reduce this debt level.

Carbone Lorraine thus plans to carry out a **capital increase of around €60 million**. This issue, subject to AMF's approval on the Prospectus, is aimed primarily at existing shareholders who will enjoy preferential subscription rights. It is expected to be led by HSBC and Société Générale. The PACEO equity line will be put on standby.

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The Group's two principal shareholders, namely AXA Private Equity and Sofina, are expected to commit to taking up their full allocations, thereby demonstrating their support for the Group's strategy.

With a stronger balance sheet, Carbone Lorraine will be able to pursue its expansion strategy and reap the full benefit of the economic recovery as soon as it materializes.

Following the disposal of the brushes for automobile auxiliary motors business in April, Carbone Lorraine now boasts **two robust business segments**, namely Advanced Materials and Technologies, underpinned by advanced materials expertise, and Electrical Components and Technologies, which draws on the Group's know-how in energy efficiency and the safety of electrical installations.

As stated in our **press release of August 31, 2009**, the Group's earnings held up well during the first half despite the very downbeat conditions thanks to the restructuring carried out in recent years and the adjustments made since the beginning of the crisis.

The substantial downturn in traditional markets sparked a tangible top-line contraction, with like-for-like sales falling 6% during the first quarter and 20% during the second compared with the year-earlier period. During the third quarter, the sales contraction compared with the previous year is likely to be on a similar scale to that seen in the second quarter.

In spite of the unprecedented economic crisis, the **new expanding markets** into which Carbone Lorraine has moved forward—alternative energies, energy efficiency, rail transportation and Asia—enjoyed positive trends, vindicating the relevance of the strategy pursued by the Group.

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About Carbone Lorraine

World leader of graphite solutions and electrical components, Carbone Lorraine specializes in the implementing of high technology materials in demanding industrial environments and in the development of systems, which are fundamental to the smooth operation of the motor and the protection of electrical equipment. With over 85% of its sales carried out internationally, the Group holds leadership positions in all of its occupations.

Advanced Materials and Technologies:

- N°1 worldwide in anti-corrosion equipment in graphite
- N°2 worldwide in high temperature applications of isostatic graphite

Electrical Components and Technologies:

Electrical Applications:

- N°1 worldwide in brushes for electrical motors

Electrical Protection:

- N°1 worldwide in fuses for powerful semi-conductors
- N°2 worldwide in industrial fuses

*The Group is listed at Euronext Paris, Compartiment B and is a part of the following indices
CAC Mid100, SBF120 et Next 150.*

*Find Carbone Lorraine on Bloomberg: **CRL FP** and on Reuters: **CBLP.PA***



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