



## Resilient first-half performance Operating margin before non-recurring items: 9.5%

Paris, August 31, 2009

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Carbone Lorraine's Supervisory Board met on August 28, 2009 and examined the 2009 first-half financial statements.

Ernest Totino, Chairman of the Management Board, made the following comments on the Group's first-half results:

*"The economic environment was very tough in the first half of 2009, and this affected our traditional markets. However, our new markets remained buoyant. This was particularly the case for renewable energies, which now account for 14% of our sales.*

*We have made major adjustments, reducing costs, adopting a more selective approach to investment and cutting our working capital requirement. These changes limited the decline in operating margin, and will lead to stronger earnings growth when activity picks up."*

### Simplified income statement

| <i>in millions of euros</i>   | <b>H1 2009</b>              | <b>H1 2008</b>              |
|---|-----------------------------|-----------------------------|
| <b>Sales</b>  | <b>303.1</b>                | <b>321.8</b>                |
| <b>EBITDA</b><br><i>% of sales</i>                                      | <b>44.7</b><br><i>14.7%</i> | <b>54.4</b><br><i>16.9%</i> |
| <b>Operating income before non-recurring items</b><br><i>% of sales</i> | <b>28.9</b><br><i>9.5%</i>  | <b>42.6</b><br><i>13.2%</i> |
| <b>Net income</b>   | <b>13.8</b>                 | <b>33.6</b>                 |

**Consolidated sales** totaled €303 million. This represents a decrease of 6%, or 13% like-for-like (at constant scope and exchange rates).

**EBITDA** came to €44.7 million, equal to 14.7% of sales as opposed to 16.9% in the first half of 2008. The decline in EBITDA margin was limited to just over 2 points through very rapid cost reductions. In addition to restructuring efforts in the last few years, this cost-cutting has made the Group more resilient to the current tough operating environment.

**Operating income before non-recurring items** was €28.9 million, equal to 9.5% of sales. Operating income was dragged down by depreciation charges on the Group's recent large-scale investments, which have been aimed at supporting development in the renewable energies market and in Asia.

**IFRS operating income** was €27.6 million, after €1.3 million of non-recurring charges.

**Net income** was €13.8 million. This compares with €33.6 million in the year-earlier period, which included a €10 million net capital gain from the disposal of the brakes business.

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### **Advanced Materials and Technologies**

Advanced Materials and Technologies posted interim 2009 sales of €134 million, down 7% like-for-like compared with the year-earlier period. The decline in sales was limited by buoyant demand for polysilicon in the photovoltaic industry, and by demand from the fine chemicals industry, which resulted in some major orders in Asia. Unadjusted sales rose by 3% due to exchange-rate effects and the acquisitions of Calcarb in the UK and Xianda in China.

**EBITDA** totaled €28.3 million, equal to 21% of sales.

**Operating income before non-recurring items** was €17.6 million, equal to 13% of sales. This represents a year-on-year margin decline of around 4 points. The decline was partly due to higher depreciation, arising from recent investments aimed at taking full advantage of growth in the solar energy market, which is a large buyer of graphite equipment.

### **Electrical Systems and Components**

Electrical Systems and Components generated sales of €169 million in the first half, down 12% or 17% like-for-like. Sales fell in all traditional markets, such as electricity supply components and electrical protection equipment. The decline in these markets was made worse by inventory reductions carried out by the leading electrical equipment distributors. The wind turbine market remained strong in Asia and North America.

**EBITDA** came in at €22.9 million, giving EBITDA margin of 13.6%.

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

### **Financing and debt**

**Cash from operating activities** totaled €45.9 million, up from €6.6 million in the year-earlier period. The figure includes €13.5 million from the introduction of factoring program, which has resulted in faster collection of accounts receivable.

**Cash flow from investments** totaled €29 million. Given the weak economic situation, the Group has taken a more selective approach to investment since the start of the year.

In order to pursue development despite the tough operating environment, the Group sought to **strengthen its financial position**. A €22.3 million capital increase was therefore carried out by using the PACEO equity facility set up in late 2008.

At end-of June 2009, **net debt** was €276 million, down from €306 million at end-2008.

The net debt/EBITDA ratio was 3.06x versus 2.73x at end-2008. The net debt-to-equity ratio was 76%, down from 93% at end-2008.

### **Dividend**

In July, a 0,62 euro per share dividend has been paid. The option proposed for a payment in new shares has been preferred by shareholders representing 73% of the capital of the company. Consequently, 355,484 new shares have been issued.

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## Outlook

Despite the global recession, the strategy set out in the "**Expansion 2011**" plan, presented in 2008, remains valid. However, the plan's targets will now take longer to achieve. The powerful growth drivers on which the plan is based still exist, ensuring a **very bright** medium-term **outlook** for Carbone Lorraine.

Although some initial signs of an economic upturn have appeared, they are unlikely to have much of an impact in the second half of 2009. As a result, the Group intends **to continue efforts** to cut costs, limit investment and achieve structural reductions in the working capital requirement. The aim of these initiatives is to make Carbone Lorraine even more resilient to the current economic environment, while strengthening positions so that the Group derives greater benefit from the upturn when it arrives.

## Appendices: consolidated financial statements

### Income statement

| <i>(in millions of euros)</i>                      | <i>H1 2009</i> | <i>H1 2008</i> |
|--|----------------|----------------|
| <b>Sales</b>                                       | <b>303.1</b>   | <b>321.8</b>   |
| <b>EBITDA*</b>                                     | <b>44.7</b>    | <b>54.4</b>    |
| <i>% of sales</i>                                  | <i>14.7%</i>   | <i>16.9%</i>   |
| <b>Operating income before non-recurring items</b> | <b>28.9</b>    | <b>42.6</b>    |
| <i>% of sales</i>                                  | <i>9.5%</i>    | <i>13.2%</i>   |
| Non-recurring income and expenses                  | -1.3           | 12.6           |
| <b>Operating income</b>                            | <b>27.6</b>    | <b>55.2</b>    |
| Finance costs, net                                 | (5.7)          | (6.0)          |
| Current and deferred tax                           | (6.2)          | (14.4)         |
| <b>Net income from continuing operations</b>       | <b>15.7</b>    | <b>34.8</b>    |
| Net income from divested operations                | -1.9           | -1.2           |
| <b>Net income</b>                                  | <b>13.8</b>    | <b>33.6</b>    |

\* Operating income before non-recurring items + depreciation and amortization

### Segment performance

| <i>In millions of euros</i>                        | <b>Advanced Materials and Technologies</b> |              | <b>Electrical Systems and Components</b> |              |
|--|--|--------------|--|--------------|
|  | H1 09                                      | H1 08        | H1 09                                    | H1 08        |
| <b>Sales</b>                                       | <b>134</b>                                 | <b>131</b>   | <b>169</b>                               | <b>191</b>   |
| <b>EBITDA*</b>                                     | <b>28.3</b>                                | <b>30.2</b>  | <b>22.9</b>                              | <b>31.7</b>  |
| <i>% of sales</i>                                  | <i>21.1%</i>                               | <i>23.0%</i> | <i>13.6%</i>                             | <i>16.6%</i> |
| <b>Operating income before non-recurring items</b> | <b>17.6</b>                                | <b>22.7</b>  | <b>17.9</b>                              | <b>27.5</b>  |
| <i>% of sales</i>                                  | <i>13.0%</i>                               | <i>17.4%</i> | <i>10.6%</i>                             | <i>14.4%</i> |

\* Operating income before non-recurring items and holding-company costs + depreciation and amortization

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## Financing

(in millions of euros)

|  | H1 2009     | H1 2008     |
|--|-------------|-------------|
| <b>Operating activities</b>            |             |             |
| <b>Cash flow</b>                       | <b>44.1</b> | <b>54.1</b> |
| Change in WCR                          | 14.9        | (34.7)      |
| Tax                                    | (3.3)       | (7.8)       |
| Cash flow from discontinued activities | (9.8)       | (5.0)       |
| <b>Operating cash flow</b>             | <b>45.9</b> | <b>6.6</b>  |

## Investing activities

|                                   |               |              |
|-----------------------------------|---------------|--------------|
| Capital expenditure               | (28.9)        | (26.3)       |
| Change in scope                   | 1.9           | 25.8         |
| <b>Cash flow from investments</b> | <b>(27.9)</b> | <b>(0.5)</b> |

|  |             |            |
|--|-------------|------------|
| <b>Cash flow before financing activities</b> | <b>18.0</b> | <b>6.1</b> |
|--|-------------|------------|

## Simplified balance sheet

(in millions of euros)

|                                    | 30/06/2009 | 31/12/2008 |
|------------------------------------|------------|------------|
| <b>Assets</b>                      |            |            |
| Non-current assets                 | 568        | 530        |
| Inventory and accounts receivables | 265        | 316        |
| Other assets                       | 19         | 46         |
| <b>Total</b>                       | <b>852</b> | <b>892</b> |

|   |            |            |
|---|------------|------------|
| <b>Liabilities and equity</b>                 |            |            |
| Shareholders' equity                          | 359        | 325        |
| Provisions                                    | 46         | 46         |
| Employee benefits                             | 36         | 35         |
| Accounts payable and other operating payables | 98         | 136        |
| Other liabilities                             | 37         | 44         |
| Net debt                                      | 276        | 306        |
| <b>Total</b>                                  | <b>852</b> | <b>892</b> |

|  |             |      |
|--|-------------|------|
| <b>Net debt / Shareholders' equity</b> | <b>0.76</b> | 0.93 |
| <b>Net debt / EBITDA*</b>              | <b>3.06</b> | 2.73 |

\* 2009 EBITDA calculated as 2x first-half EBITDA

The interim financial report is available online at the Carbone Lorraine and AMF websites.

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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 Premier Marché de la Bourse de Paris 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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### Analyst and Investor Contact

**Sébastien Desarbres**  
**VP Investor Relations**  
**Carbone Lorraine**

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

### Press Contact

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

Tel.: +33 (0)1 57 32 86 46  
[vilizara.lazarova@consultants.publicis.fr](mailto:vilizara.lazarova@consultants.publicis.fr)

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