

2008 BUSINESS REVIEW





World N°1
in graphite
anticorrosion
equipment

World N°1
in fuses for power
semiconductors

World N°1
in brushes and
brush-holders for
electrical rotating
machines

7,500
employees at
year-end 2008

World N°2
in high
temperature
applications of
isostatic graphite

World N°2
in industrial fuses

+10%
of organic
growth in 2008

(continuing operations)

+15%
of organic
growth in Asia

(continuing operations)

The Carbone Lorraine group is now organized into **two business lines** in which it holds leadership positions.

The **Advanced Materials and Technologies** line markets products and solutions made using graphite and other high-performance materials that can cope with extremely demanding industrial conditions, such as high-temperature applications and anticorrosion equipment.

The **Electrical Components and Technologies** line markets a complete range of brushes and brush-holders that are critical for the operation of electrical rotating machines, slip-ring assemblies and signal transmission systems for wind turbines, as well as innovative solutions helping to enhance the performance and safety of electrical installations, including low- and medium-voltage fuses, coolers for power semiconductors, and current collectors for mass transit systems.

Positioned in **highly buoyant markets**, such as **energy, electronics** and **fine chemicals/pharmaceuticals**, Carbone Lorraine is rapidly transforming itself into a genuine **growth company**.

Over the years, it has established itself as an international group committed to developing its existing activities and to moving into new markets. Thanks to a determined policy of organic growth and selective acquisitions, the Group has bolstered its **global positions** in each of its businesses, while considerably expanding its product range and its geographical presence.

Over 85% of its sales now come from outside France, and the Group is enjoying particularly brisk growth in **Asia**.

2008: Growth and leadership

“The refocusing of our business portfolio is further enhancing our resilience.”



Claude Coccozza,
Chairman and Chief
Executive Officer

Our performance during 2008 was very satisfactory indeed. We achieved our growth objectives, we made significant progress in all our markets, and we completed our strategic refocusing drive. In spite of the adverse conditions prevailing in the final few months of the year, our results continued to improve, and we posted strong operating margins in our two key business lines, namely Electrical Components and Technologies and Advanced Materials and Technologies.

The growth drivers on which we have predicated our development again proved their efficacy. Thanks to the successful start-up of our Chongqing graphite block production facility and two further strategic acquisitions, Xianda and Mingrong, the proportion of our sales generated in Asia increased to 20%. To keep the momentum going, we are making substantial investments to increase our capacities in South Korea and India.

Sustainable development and, in particular, a focus on renewable energies and energy efficiency, which provide invaluable markets for our technologies and our products, represents another major growth driver for Carbone Lorraine. During 2008, 50% of our sales growth was driven by wind and solar energy! This focus on growing markets went hand in hand with our withdrawal from two

EXECUTIVE COMMITTEE



Claude Coccozza
Chairman and Chief
Executive Officer



Ernest Totino
Chief Operating Officer



Bernard Leduc
Group Vice President,
Human Resources and
Quality and Continuous
Improvement



Jean-Claude Suquet
Group Vice President,
Finance and
Administration



Luc Themelin
Group Vice President,
High-temperature
Applications and
Equipment Goods

non-core businesses, namely sintered brakes, a unit sold in March 2008, and automobile brushes, an activity likely to be sold in early 2009 following the agreement reached in the first few weeks of this year. This refocusing of our business portfolio will further enhance our resilience in an unfavorable economic environment, which will certainly be an advantage during 2009.

The Group's expansion strategy was also bolstered through the friendly acquisition of major shareholdings in its capital by AXA Private Equity and Sofina, which intend to remain shareholders for the long term. This represents a mark of confidence greatly appreciated by the Group's management.

All the strategic initiatives listed above are part of our Expansion 2011 plan, which was unveiled last fall and will create substantial value for our customers and our shareholders. This plan has set ambitious sales and margin improvement targets.

Ernest Totino, who was appointed as the Group's Chief Operating Officer this year, actively helped to draw up this initiative and will also oversee its implementation.

As far as I am concerned, I will relinquish my responsibilities at the close of the forthcoming Annual General Meeting. The Board has decided to make an amendment to the Articles of Association to accompany this transition. The Annual General Meeting will thus be asked to convert Carbone Lorraine into a company with a Supervisory Board and

"I am extremely confident in the Group's ability to make rapid progress along the path to profitable growth."

Management Board. If the Annual General Meeting were to approve this change, Hervé Couffin, Director and Chairman of the Audit and Accounts Committee, would be named as Chairman of the Supervisory Board and Ernest Totino as Chairman of the Management Board. He can count on the full support of all our teams and I am highly confident in the Group's ability to make rapid progress along the path to profitable growth.

No one can accurately predict at present the depth or duration of the economic downturn triggered by the financial crisis. That said, companies that have positioned themselves in segments poised for growth over the long term are bound to post an above-average performance. And this certainly applies to Carbone Lorraine. ■

Expansion 2011

Ernest Totino, the Group's Chief Operating Officer, actively supported the launch of this new expansion plan and is now overseeing its implementation.



Can you remind us of the background to this strategic plan?

Ernest Totino: First of all, I would like to underline just how exciting it is for me to lead such an ambitious and critical plan for the Group. Carbone Lorraine is a group undergoing a radical transformation that is now refocusing on the expanding renewable energies and energy efficiency markets. We have several key strengths in these markets: a dedicated offering both in Advanced Materials and Technologies and in Electrical Components and Technologies, long-term partnerships with market-leading customers and production capacities geared to our needs. This point is crucial, since our new Chongqing plant in China represents an invaluable asset that will help to support the strong growth expected in the solar energy segment by providing high-quality graphite.

What are the plan's objectives?

E. T.: We are targeting sales of € 1.1 billion and a return on capital employed before tax of 18% through a combination of organic growth and acquisitions. By 2012, Carbone Lorraine's profile will have changed significantly, since 30% of its sales will derive from energy markets and 30% from Asia.



"Its human capital is what makes Carbone Lorraine so rich and so strong."

What financial resources will you need to achieve these objectives?

E. T.: Implementation of this plan will entail a total of € 420 million in investment, of which € 220 million will be devoted to Capex and € 200 million to acquisition-led growth opportunities. More than ever before, we are striving to ensure that our cash is managed in an extremely rigorous manner. But going beyond these financial aspects, our investment will be in people, since this plan represents a full-fledged corporate project involving and mobilizing all our teams. To a large extent, we have opted for a project-based approach, in particular for innovation-related aspects, because this plan depends on our ability not only to respond to demand from the markets, but also to anticipate it in advance. Its human capital is what makes Carbone Lorraine so rich and so strong, and this is why I am confident in the success of our Expansion 2011 plan.

Can economic trends disrupt your plan?

E. T.: Our objective is for 2011 and beyond. In the meanwhile, there will certainly be some cyclical fluctuations, but that does not alter our goals and our development potential in any way. At most, it may prompt us to postpone certain investments and put back certain objectives. ■



Ernest Totino was named Chief Operating Officer of the Carbone Lorraine group on July 1, 2008

He holds a PhD in chemistry and began his career with the Carbone Lorraine group as an engineer. He rapidly gained responsibility for the Research and Development department at the Pagny-sur-Moselle plant, before taking over as plant director in 1997. In 2000, he was put in charge of the Anticorrosion equipment division on a global level, and then in 2005 he joined the Group's Executive Committee.

His talents as a developer and industrialist, as well as his extensive knowledge of Carbone Lorraine, represent major benefits that will help to accelerate the pace of the Group's expansion.

Human resources drive performance

International expansion, new markets and innovation are some of the key reasons why Carbone Lorraine has made its human resources policy a core component of its expansion strategy.

+400%
increase in the headcount in China during 2008.

To support its Expansion 2011 plan, Carbone Lorraine has launched several initiatives to develop the Group's human capital.

Projects launched in 2008

"Management of senior employees and Group culture"

Four work groups were set up to:

- analyze the divisions' age pyramid;
- define the core competencies of managers and notably seniors;
- formalize the process for passing on expertise;
- enhance the Group's corporate culture and disseminate its values.

This program, which aims to develop Carbone Lorraine's human capital to support its expansion, will lead to concrete accomplishments starting from 2009.

"Diversity"

Action plans to increase the proportion of women and international candidates in high-ranking positions at the Group have been prepared and are currently being rolled out.

A long-term strategy

To facilitate the forward planning of human resources, the key business segments and competencies for the future have been identified for each division. At the same time, the Group has embarked on a fundamental review of the issues of cultural diversity, gender balance, management of senior employees, the integration of new employees and internal mobility for all the Group's facilities. In the field of safety, 160 managers have received training in "safety leadership", which means adopting an exemplary approach, rewarding those who abide by safety guidelines, enhancing communication and introducing educational initiatives.

Lastly, the development of internal communication tools was continued. ■

➔ **Workforce in China grows fourfold in just one year**

Between the beginning and the end of 2008, Carbone Lorraine's workforce in China grew from 350 to 1,400 as a result of two acquisitions, requesting now a great deal of work to deploy the Group human resources systems at the new units. In Asia, the Group intends to pursue a HR strategy that is just as structured and rigorous as it is in the rest of the world in areas such as safety, individual targets, annual reviews, compensation and benefits policy, recruitment and internal communication.



➔ **Amiens redeployment plan sets the standard**

During a visit to Carbone Lorraine's Amiens site (France) on December 4, 2008, Laurent Wauquiez, French secretary of state for employment, praised the successful implementation of the training, adaptation and redeployment plan. The plan was designed to enable more than 150 employees to change jobs in connection with the transfer of the automobile brush business to Frankfurt, while ensuring that competencies will be passed on.





Ambitions and prospects in Asia

By deriving 20% of its sales from Asia (including the contributions made by Xianda and Mingrong), the Group met in 2008 a target that it had originally scheduled to reach in 2011.

30%
of sales in Asia
by 2012.

Spurred on by the development of Carbone Lorraine's manufacturing and sales presence in the region, this performance has prompted the Group to raise its goals even further, and it now aims to derive 30% of its sales from Asia by 2012.

China

All the Group's business activities are now present in China. Carbone Lorraine is particularly well-placed to meet the growing needs arising notably from the development of the wind and solar segments. The Group has some tremendous strengths, particularly for the Chinese photovoltaic industry, as the new Chongqing plant producing graphite blocks is now operational. It stands out on account of its ability to manufacture graphite blocks with a very large diameter. In electrical protection, Carbone Lorraine has developed a range of products geared to the Chinese market, one of the fastest-growing in terms of electricity generation and distribution. Our close relationship with our Chinese customers was enhanced during 2008 through the acquisition of a majority shareholding in Zhejiang Mingrong Electrical Protection, making the Group the leader in the Chinese industrial fuses market.

China, which is already enjoying extremely brisk growth in the fine chemicals segment, is currently investing heavily in this area. To participate in these developments, Carbone Lorraine has bolstered its positions thanks to the acquisition of Xandia.

Japan

In electrical protection, technical excellence and product reliability have made Carbone Lorraine a leading player, and it has long been recognized as such by the major Japanese equipment makers, giving it a leadership position in industrial fuses in the local market. In anticorrosion equipment, Carbone Lorraine markets a broad range of high-performance products. Thanks to the joint venture set up in 2005 with Nippon Carbon, Carbone Lorraine is now the leader in the Japanese market for graphite anticorrosion equipment.

India

First established over 30 years ago, Carbone Lorraine's presence expanded from 1995 onwards, with acquisitions of brush production companies, later supplemented by industrial ventures in high temperatures, fuses and anticorrosion equipment. At present, sub-



stantial investments are being channeled into supporting future projects in wind and solar energy, electronics and fine chemicals. India represents a country with growth potential equivalent to that of China, albeit with a time lag of a few years. The Group has firmly resolved to seize the opportunities arising there.

South Korea

US group MEMC, which ranks among the world leaders in the manufacture of polysilicon for the semiconductor and solar industries, gave Carbone Lorraine Korea its best supplier award. Fueled by the electronics and solar energy markets, which have benefited from massive investment in the country, local consumption of graphite equipment has grown very steeply. To take full advantage of this trend, Carbone Lorraine doubled the machining capacity of its South Korean unit during 2008. ■

➤ Xandia, the new string in Carbone Lorraine's bow in China

In April 2008, Carbone Lorraine acquired full ownership of Xianda, a Chinese company manufacturing advanced technology steel and stainless steel equipment (see photo below: 7 m long steel heat exchanger) for the chemicals and pharmaceuticals markets. Located in the outskirts of Shanghai, where it has a workforce of 500 employees and a 67,000 m² production facility, Xianda posted 2008 sales of over \$ 20 million. This acquisition has enabled Carbone Lorraine to boost its production capacity significantly, add new products to its offering and move into new markets, while giving the entire Group access to attractively priced supplies of steel and stainless steel products.





Energy, a source of growth

Given the crucial importance of environmental issues, greater energy demand and higher oil and gas extraction costs, the ramp-up in renewable energies and energy efficiency systems represents a strong and irreversible trend.

30%
of sales in
the energy
market by 2012.

This backdrop has fostered an acceleration in Carbone Lorraine's development focused on expansion in these markets.

Achieve world leadership in solar graphite

The silicon for solar panels industry, which is a large consumer of isostatic graphite, will be one of the sectors enjoying very strong growth over the next few years, opening up exceptionally good expansion opportunities for Carbone Lorraine. The assumptions adopted by the Group point to demand for 26,000 tonnes of solar graphite in 2012, which would require global isostatic graphite capacity to double for this demand to be met. Keen to harness its strengths—its recognized expertise, a unique product range and global presence—and to become the world leader in solar graphite, the Group has set itself the target of achieving annual sales of €160 million in the solar market by 2012, up from around €25 million in 2008. To this end, Carbone Lorraine continues to adapt its graphite production, machining and purification capacity to demand through organic and acquisition-led growth.

Support the acceleration in wind energy

In wind energy, the original-equipment market is forecast to continue expanding at an average of 10% to 15%

p.a. over the next few years, with the replacement market starting to develop. Thanks to its recognized expertise in the operation of current generators and its extensive range of solutions (signal transmission systems, slip-ring assemblies for generators, brushes, brush-holders, fuses, etc.), Carbone Lorraine is looking to expand at a more rapid pace than the market at large. The Group aims to generate sales of over €50 million from the wind energy by 2012, compared with around €25 million in 2008. Carbone Lorraine is also well-placed to take advantage of the expected boom in hydro energy and to make components for future generations of nuclear power plants. Factoring in the contribution made by conventional sources, the energy sector is expected to contribute 30% of the Group's sales by 2012.

Expertise in current quality

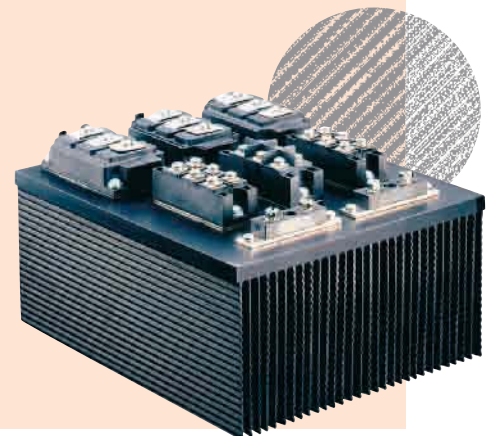
To adapt to the new global energy paradigm, the electrical and electronics industry has developed systems delivering a significant reduction in the energy lost by motors. To maintain their reliability and performance, these systems require fuses, coolers, switches and other power-isolating switches. And Ferraz Shawmut, Carbone Lorraine's electrical protection subsidiary, is a recognized worldwide specialist in these product categories. ■



➔ Positions strengthened in energy efficiency and electrical protection through the acquisition of R-Theta

In August 2008, Carbone Lorraine acquired R-Theta Thermal Solutions Inc. This Canadian company based in Toronto is a major player in air cooling (see adjacent photo) for power electronics in North America. It has recorded strong growth over the past few years, with its 2008 sales reaching \$ 12 million. This transaction made Carbone Lorraine's Electrical Protection division a world leader in

power electronics cooling systems thanks to the addition of a highly complementary product range combining high-performance air cooling with even more sophisticated water cooling technologies. The acquisition of R-Theta has also reinforced Carbone Lorraine's global technical and sales presence, notably with electrical and electronic equipment vendors.



Advanced Materials and Technologies



Carbone Lorraine landed major contracts with solar industry customers during 2008

The Group is to supply one of the leading producers of polysilicon with isostatic graphite for the manufacture of photovoltaic cells (worth around \$ 60 million over four years). Under other contracts, the Group is due to supply graphite systems to leading solar industry equipment vendors.

Sustainable and profitable growth

World leader in graphite and other high-performance material equipment designed for use in extremely demanding industrial environments, Carbone Lorraine's Advanced Materials and Technologies line benefits, among other strengths, from a nicely balanced mix of sales and of production facilities.

➔ **High-level performance in extreme temperatures.** Offering isostatic graphite-based solutions designed for very high temperatures, Carbone Lorraine serves the process industries (metal-working, glass-making), the electronics sector and the aerospace sector.

Carbone Lorraine is also a leading supplier to the photovoltaic industry, which has become a major growth driver for the Group. To strengthen its expansion in this market, Carbone Lorraine has taken control of Scottish company Calcarb, which ranks second worldwide in rigid graphite felts used as insulators in furnaces operating at very high temperatures, notably for the production of solar silicon. The same furnaces already consume large quantities of isostatic graphite manufactured by Carbone Lorraine. In addition, the division's presence in Asia represents another major strength, especially since the state-of-the-art graphite facility at Chongqing in central China is now fully operational. In these market segments, Carbone Lorraine intends to expand its sales very substantially, while maintaining its already very high level of profitability.

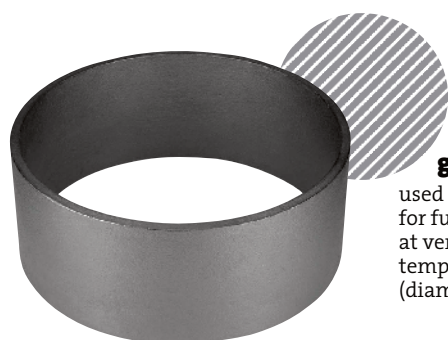
Anticorrosion: a broad product range in tune with the market.

Carbone Lorraine markets an extensive range of graphite- and reactive metals-based equipment used in the chemicals and pharmaceutical industries to carry, mix and store highly corrosive fluids. Since it already boasts strong positions in these markets, the Group's anticorrosion business is now targeting expanding new segments. It has thus developed CL Clad®, a technology that consists in cladding steel with thin layers of ultra-corrosion-resistant metals, such as zirconium or tantalum, thereby expanding the range of advanced technology products offered to its customers. This innovation enabled Carbone Lorraine to launch new products, such as CL Clad® plate heat exchangers.

The division also strengthened its manufacturing base in Asia, by opening up new workshops and by acquiring Xandia during 2008. ■

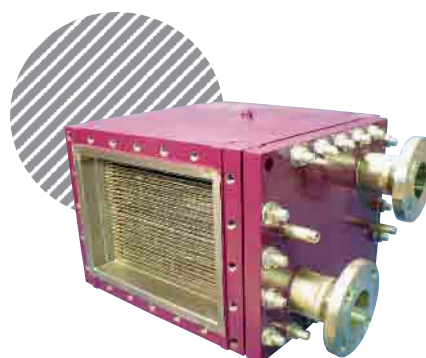
World N°1 of graphite anticorrosion equipment.

World N°2 in high-temperature applications of isostatic graphite.



Rigid graphite felts

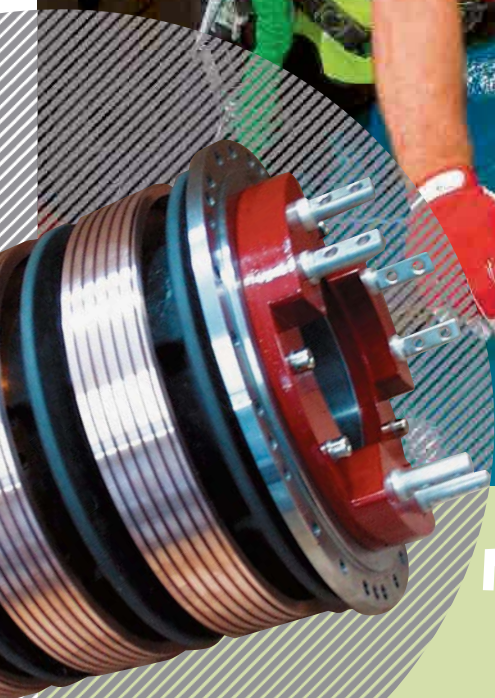
used as insulation for furnaces operating at very high temperatures (diameter: 0.60 m).



Tantalum plate heat exchanger

for the chemicals industry (breadth: 1 m).

Electrical Components and Technologies



A global player in wind electricity generation

In the wind energy sector, Carbone Lorraine markets an integrated range of products—brushes, brush-holders, slip-ring assemblies, signal transmission systems, systems protecting grid connection units—and high-performance services. The Group supports its customers around the world with the development of new wind farms, but also with services related to the maintenance and optimization of existing installations.

Expertise makes the difference

Carbone Lorraine designs, manufactures and markets innovative products and systems boosting the performance and reliability of electrical equipment.



Electrical Protection. The latest generations of “smart” drives, which significantly enhance the yields of electric motors, are becoming increasingly widespread. To operate effectively and safely, this type of equipment requires fuses, high-performance coolers and switches/power-isolating switches that can handle high levels of power. And Carbone Lorraine’s Electrical Protection division possesses recognized expertise in all these products, providing a considerable boost to its performance.

Other expanding markets include transportation, particularly rail (subways tramways, rail freight, high-speed trains, etc.), and energy. Carbone Lorraine recently extended its traditional product ranges by adding fuses and other products protecting the grid connection units of wind farms and solar energy facilities. During 2008, Carbone Lorraine completed two acquisitions in the medium-voltage segment—one in the US and the other in Europe—making the Group the world leader in medium-voltage fuses (products complying with North American, German and French norms).

Meanwhile, the joint venture set up in 2008 with Zhejiang Mingrong has made Carbone Lorraine the leader in the rapidly expanding Chinese industrial fuse market. The Group has sharpened up its positioning in the highly dynamic segment of power

electronics cooling. This business, which started up in Europe, assumed a global dimension with the acquisition of Canadian company R-Theta, the number one North American player in high-tech air cooling.

Electrical Applications. In this segment, Carbone Lorraine’s strategy consists in bolstering and developing its world leadership, while continuing to expand and solidify its network and delivering new services for customers. The division has enjoyed a real facelift thanks to developments in the wind energy segment. This business already contributes a significant part of Electrical Applications sales. Production capacity has been reinforced in Europe and in countries harboring strong growth potential. This was the case during 2008 in China, where the specialized workshop is now enjoying brisk business trends, and in India, where the workshop is due to start up in spring 2009. Further extensions, in particular from the Group’s platform in Europe (which doubled in 2007), are poised to get the go-ahead in 2009.

The expertise acquired in wind energy has opened up development prospects in numerous areas other than those for which it was originally developed: a common form of growth for the Group! ■

World N°1
in fuses for power semiconductors.

World N°1
in brushes and brush-holders for electric rotating machines.

World N°2
in industrial fuses.



Extension of the P&H contract

The leader in its sector of activity, P&H is a North American company specializing in the design, production and marketing of enormous mineral extraction machines (a single excavator bucket often contains more material than a normal truck can carry!). Carbone Lorraine provides P&H with brushes and

brush-holders for the hundreds of motors that are incorporated in a single machine under an agreement signed in 2005. Initially spanning the US and Canada, this agreement was extended in 2008 to cover South America. Commercial benefits are expected, particularly in Chile, Peru and Brazil.



Thermal protection

A recognized expertise of the Electrical Protection division. (see adjacent photo: vacuum brazing furnace).

Suitable sources of financing



Jean-Claude Suquet, Carbone Lorraine's Group Vice-President, Finance and Administration, presents the financing tools used to support the Group's growth.

Why launching an investment program amid current conditions?

Jean-Claude Suquet: The global economy has entered a slowdown phase, but our Group stands out because it has positioned itself in certain markets that are set to continue growing over the next few years. We are therefore in a position to seize exceptional opportunities, notably in the renewable energies sector, which is poised for strong expansion in spite of the crisis. While remaining realistic and cautious—in solar energy, in particular, we are basing our development on projections that are more reasonable than those published by the leading experts—we have launched a € 420 million investment plan for the 2008-2011 period. Already during 2008, we spent € 100 million on acquisition-led growth and € 70 million on organic growth. Our investment plan is modular: its implementation can thus be stepped up or slowed down depending on predicted demand trends in our markets.



Calcarb (Scotland) and Xandia (China), two flagship acquisitions during 2008.

How is this investment plan funded?

J.-C. S.: Alongside the cash generated by our operations, we draw on two sources of financing. Firstly, thanks to the partnerships established with the banks that have supported us in our development over many years, we arranged two credit lines (including one in China) during the summer of 2008 representing a total of over \$ 420 million. Furthermore, we have a back-up equity line thanks to the PACEO program, which was approved at the December 2008 General Meeting of the shareholders.

What are the main features of the PACEO program?

J.-C. S.: It represents a source of financing geared to the current environment, which is characterized by poor visibility on the economic and financial prospects. It is an equity line not exceeding € 75 million, which Carbone Lorraine may use on several occasions, with the issuance price being defined each time based on the share price when the line is drawn on. Société Générale, which has provided Carbone Lorraine with this PACEO facility, has undertaken to purchase the shares issued at the issuance price less a discount of no more than 10% before selling them on the market. The Company is under no obligation to use this equity line, and any unused portion will expire at the end of 2010. We intend to use this facility for two purposes: either to give us the requisite financial flexibility to seize fresh opportunities under the Expansion 2011 plan or, conversely, to keep our financial ratios some distance away from the levels defined in our debt covenants if the financial crisis were to trigger a

“We hope that our loyal shareholders will be able to stay with us until the Expansion 2011 plan is completed because it will create significant value.”

deep economic crisis, just as we have recently invested to keep pace with our expanding markets. A committee of directors is responsible for making sure that the PACEO program is used in the interests of the Company and its shareholders.

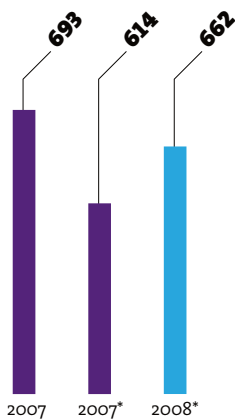
Why doesn't Carbone Lorraine's share price reflect the Group's performance and growth potential?

J.-C. S.: Even though conditions are tough for all market players and in all market segments, it is frustrating to see that Carbone Lorraine's share price has collapsed during a year in which the Group's earnings significantly increased. Our loyal shareholders have suffered unduly as a result of this share price trend, which is totally divorced from the Company's economic reality, but we hope that they will stay with us until the Expansion 2011 plan is completed because it will create significant value. ■

First-class performance

2008 saw a strong increase in sales and operating income before non-recurring items. Amid very weak economic conditions during the final quarter, the Group benefited from its positioning in rapidly expanding markets. With revitalized financing resources, the Group's financial structure remains solid.

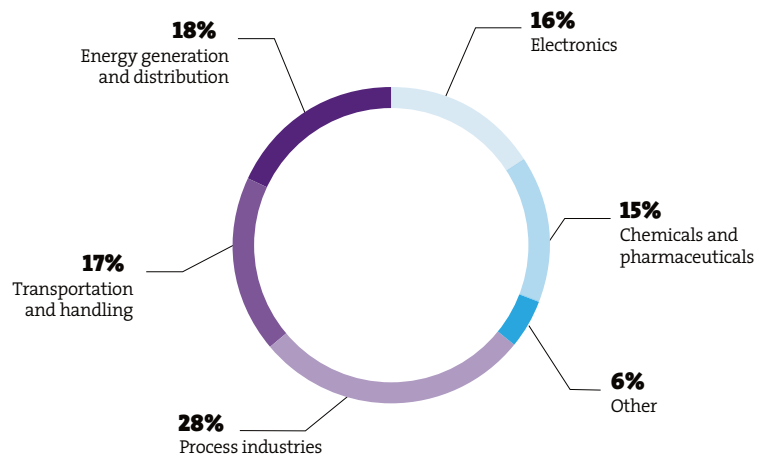
2008 sales
in millions of euros



Sales growth—on a like-for-like basis—came to 10% in 2008: 12% for the Advanced Materials and Technologies segment and 9% for the Electrical Systems and Components segment.

* IFRS 5 – Continuing operations

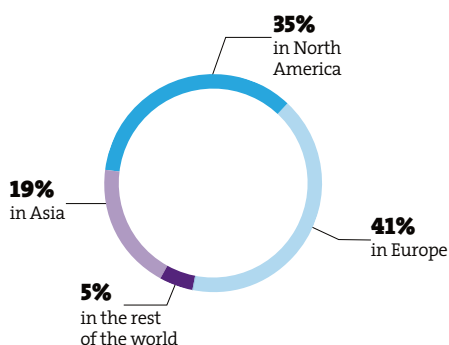
2008 sales broken down by industrial applications*



The proportion of sales deriving from energy markets increased again during 2008 to reach 18%. Renewable energies contributed close to 50% of the Group's total sales growth in 2008.

* IFRS 5 – Continuing operations

Geographical analysis of 2008 sales

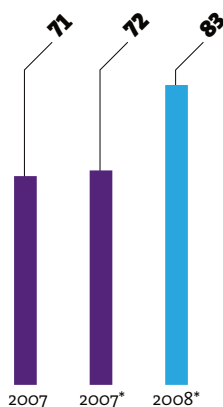


Sales growth was particularly strong in North America (13%) and Asia (12.5%). The proportion of sales derived from Asia continued to increase in 2008 owing to the ramp-up in the new graphite block production facility in China and acquisitions. Including acquisitions, which will be consolidated in 2009, the Group already achieved in 2008 its target of generating 20% of its sales in Asia.

* IFRS 5 – Continuing operations.

Operating income before non-recurring items

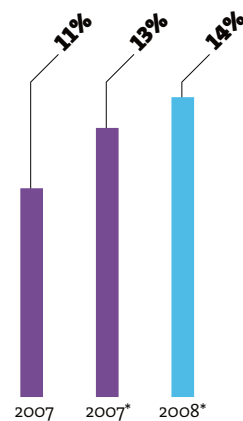
in millions of euros



Operating income before non-recurring items increased by 15% in 2008, lifting the operating margin before non-recurring items to 12.5%, close to one point higher than in the previous year.

* IFRS 5 – Continuing operations.

Return on capital employed (ROCE)**



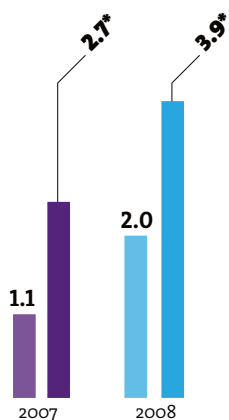
The return on capital employed made further progress in 2008 during a period of substantial capital expenditures and acquisitions.

* IFRS 5 – Continuing operations.

** Operating income (excluding capital gain related to braking division disposal)/fixed assets including goodwill + working capital requirement.

Earnings per share (€)

per share in euros

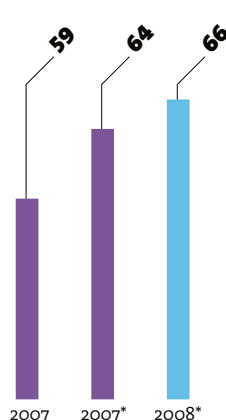


The Group's net income came to €29.8 million in 2008, lifting earnings per share to €2.0. Excluding disposed activities in 2007 and 2008, earnings per share came to €2.7 in 2007 and €3.9 in 2008, i.e. a growth of 45%.

* Continuing operations.

Cash flow**

in millions of euros



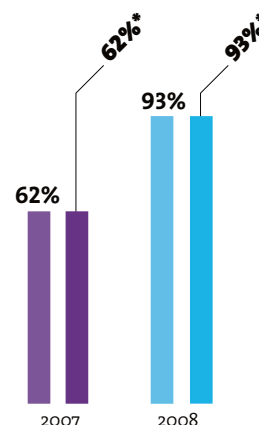
Cash generation is a top priority for the Group. The growth in sales and improvement in the operating margin during 2008 helped to generate €66 million in cash from operating activities after financing of the working capital requirement and tax.

* IFRS 5 – Continuing operations.

** After tax and the working capital requirement and before investments.

Debt-to-equity ratio

(net debt/equity)



The increase in the debt-to-equity ratio during 2008 was attributable to the continued pursuit of a dynamic policy of capital expenditures, as well as selective acquisitions representing a total of €100 million: Mingrong and Xianda in China, R-Theta in Canada and Calcarb in Europe.

* Continuing operations.

Excellence demanded

The Carbone Lorraine group has grown and expanded by consistently focusing on the quality of products and services, a rigorous approach and the quest for perfection.

20

Group sites have received ISO 14001 (environment) certification or OHSAS (safety) accreditation.

Since excellence is demanded across all the Group's business activities, the same standard is applied in its approach to environmental protection, risk control and corporate governance.

Sustainable development: an expert and committed group

Carbone Lorraine's commitment to sustainable development shows up in two ways. While the Group has increasingly positioned itself in renewable energies and energy efficiency, it has also been very active in terms of mitigating the environmental impact of its own operations. During 2008, efforts focused in particular on curbing its greenhouse gas emissions. A full carbon review was carried out at the Gennevilliers plant. Its objective is to determine areas where savings can be made and to prepare the Group's other major production facilities for implementation of this program right across the board.

Best practices in terms of processing waste and harnessing energy savings are also shared on the Group's intranet in order to implement them across the board.

Mapping risks to bring them under control

Following on from 2001 and 2005, the Group carried out its third risk mapping assessment during 2008. It covers all our risks, naturally including industrial risks, but also those related to its strategy, finances and information management. This latest risk mapping assignment, which did not reveal any major risks, led to the updating of the action plans required to bring all the Group's risks under tight control. In addition, Carbone Lorraine pre-registered all the chemical products that the Group uses, in accordance with the European REACH directive. ■

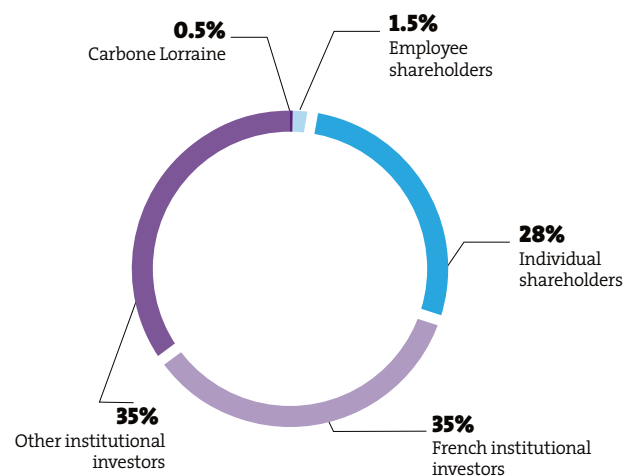


Another award for Carbone Lorraine in recognition of the quality of its governance

In 2008, Carbone Lorraine received the award for the Best corporate governance among French mid-cap companies for the second year in a row. This prize, which was given out at the Trophées Midcaps, an event organized by Ernst & Young, MiddleNext, NYSE Euronext and Oddo Midcap for the past four years, is awarded to the company with the best internal control and risk management, as well as the highest quality governance structure. The Group continues to make progress since it was also one of the first companies to confirm that it would apply the AFEP/MEDEF governance principles.



Shareholder structure at December 31st, 2008



Carbone Lorraine is awarded the 2008 Trophy for the best investor relations in the mid-cap category

This prize, which is based on the results of a survey of analysts and international investors is sponsored by MiddleNext, SFAF, CLIFF and IFA. It is awarded to the best-performing group in terms of the quality of information provided and the availability of its teams for the financial community.

→ 2009 diary dates for shareholders

Sales reports

- Fourth quarter 2008
▶ January 27th
- First quarter 2009
▶ April 28th
- Second quarter 2009
▶ July 23rd
- Third quarter 2009
▶ October 20th

Earnings reports

- Full year 2008
▶ March 18th
- Interim 2009
▶ August 31st

Meetings with institutional investors

- In Europe and North America
▶ Throughout the year

Presentations for individual shareholders

- Nancy ▶ April 30th
- Lyon ▶ November 10th
- Nice ▶ November 24th

Annual General Meeting

- Paris ▶ May 19th

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