



Carbone Lorraine has embarked on the process of transforming itself into a **growth company over the past four years**. This transformation has been predicated on **four growth drivers, i.e. energy efficiency, Asia, innovation and acquisitions**. This program is now well underway, and the Group has achieved strong sales growth and a high level of profitability before non-recurring items across all its divisions for several quarters now.

Furthermore, the increase in global demand for energy, together with the threat posed by global warming, has triggered a powerful and irreversible trend towards the development of renewable energies. This trend has created **an exceptional opportunity for Carbone Lorraine**.

#### **1. Acceleration of the expansion plan in renewable energies.**

##### *1.1 Our goal: become the leader in graphite for the solar industry*

Graphite is a **key consumable** in the production of silicon, the material used to manufacture solar cells. Given the growth projections for solar cell production, the Group anticipates a **near-doubling in demand for graphite by 2012**. Carbone Lorraine has decided to help meet this demand by sharply increasing its production capacity again, with a target raised to 17,000 tonnes p.a. of isostatic graphite by year-end 2012 compared with an initial target of 10,000 tonnes p.a. in 2010. This capacity boost will take place at the Chongqing plant in China and the St Mary's facility in the United States.

These investments will be topped up by organic growth and acquisitions in the processing of graphite and other materials related to the solar industry, which will strengthen the Group's offering of high value-added equipment.

Carbone Lorraine is targeting **sales of €160 million to €180 million by 2012 in the solar segment**, compared with €12 million in 2007.

##### *1.2 Wind energy: further strong growth*

Wind energy already accounts for a very large proportion of the generating capacity installed each year in the United States and in northern Europe. Carbone Lorraine already possesses an extensive range of products including brushes, slip-ring assemblies for current collection and signal transmission systems. The Group has recorded very substantial growth in these markets for several years. It recently decided to expand its development and production capacity serving Europe and Asia.

Carbone Lorraine is targeting **sales of €50 million to €60 million by 2012 in the wind energy segment**, compared with €13 million in 2007.

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## 2. Change in the Group's business profile

The growth targeted in renewable energies should lift **the proportion of sales deriving from power generation and distribution markets to around 30% of Carbone Lorraine's sales by 2012, up from 13% in 2007.**

In addition, the Group continues to expand at a very brisk rate in Asia, notably by leveraging its new graphite block production facility in China and its major network of local workshops. This growth is set to be accelerated by synergies arising from recent acquisitions in China. Asia is expected to contribute close to **30% of sales in 2012**, compared with 17% in 2007, thereby helping to enhance the geographical sales mix.

The major proportion of sales contributed by energy markets, particularly renewable energies, and the Group's balanced sales mix across geographical regions **will help to step up the pace of its growth and boost its resilience.**

## 3. Heavy investment over the 2009-2011 period

The aforementioned developments require an increase in investment (particularly in production capacity) totaling €220 million over the 2009-2011 period, around half of which will be devoted to renewable energies.

The Group plans to pursue its policy of selective and profitable acquisitions in the Electrical Applications, Advanced Materials and Technologies and Electrical Protection segments, in addition to the three acquisitions already completed in 2008. The Group plans to invest around €200 million in these acquisitions over the 2008-2011 period, including a large proportion at the beginning of the period.

Our ambitious strategy of investment and further selective acquisitions harboring strong development prospects, notably in renewable energies, have increased our financing requirements, including the working capital requirement, to around €500 million by 2011.

The modular nature of the capacity investments will allow supply to be adapted to demand. It will also enable us to initiate the most urgent projects and to round them out gradually.

## 4. Financing

The requisite financing will be provided by the Group's cash flow and by the credit lines that the Group recently refinanced, i.e. a \$350 million syndicated loan repayable in 2013 and a RMB500 million loan (\$73 million) syndicated repayable in 2011.

To retain the flexibility required to seize new opportunities, the Group plans to finance, in the future, 15% to 20% of its expansion plan through a capital increase.

## 5. 2011 objectives revised upwards

The bright outlook in renewable energies, the lead established in Asia and the healthy performance by other divisions, such as Electrical Protection and chemicals and pharmaceuticals equipment, have enabled us to **revise upwards our objectives.**

**Assuming conditions remain as they are in 2008, the Group is now targeting 2011 sales of €1.1 billion and a pre-tax ROCE of 18%.**

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**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.

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|-------------------------------------|---|
| 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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