

CARBONE LORRAINE

Dedicated Innovation, Dedicated Partner



Strong increase in sales and earnings during 2006

Paris, March 20th, 2007

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Carbone Lorraine's Board of Directors met on March 19th, 2007 to approve the accounts for fiscal 2006.

Commenting on the full-year results, Claude Coccozza, Groupe Carbone Lorraine's Chairman and Chief Executive Officer, said:

"The strong top-line increase achieved during 2006 shows that Carbone Lorraine's transformation into a growth company has got off to a good start. This growth is the result of efforts made in pursuit of the Group's four strategic priorities: expansion in Asia, markets linked to energy efficiency, innovation and selective acquisitions. As a result, the Group's earnings posted a steep increase. Our net income moved up 55% to €34.9 million in fiscal 2006."

Condensed income statement (IFRS)

| <i>In millions of euros</i> | 2005 | 2006 |
|--|-------------|-------------|
| Sales | 583 | 640 |
| Operating income | 53.5 | 61.0 |
| Operating margin (%) | 9.2 % | 9.5% |
| Net income from continuing operations | 35.3 | 40.3 |
| Net income from assets held for sale / discontinued operations | (12.8) | (5.4) |
| Net income (attributable to equity holders of the parent) | 22.5 | 34.9 |

Consolidated sales: €640 million (up 10%)

During fiscal 2006, Carbone Lorraine posted strong growth in its sales to €640 million, representing increases of 10% on a reported basis, 10% at constant exchange rates and 7% on a like-for-like basis. Sales posted growth across all the Group's main geographical regions, with increases of 7% in Europe, 5% in North America and 15% in Asia.

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Operating income: €61 million (9.5% of sales)

Operating income advanced by 14% to €61 million. The operating margin stood at 9.5% of sales.

Firmly positioned in fast-expanding markets, the **Advanced Materials and Technologies** segment continued to enjoy high volumes, especially in electronics and renewable energies. Its operating income grew by 15%.

In **Electrical Applications**, the success of the new products for windmills helped to offset the drop in sales to automobile markets. The €1 million decline in operating income includes the negative impact of €2 million caused by the initial charges arising from the closure of the North American plant producing brushes for automobile auxiliary motors. This closure will be completed by year-end 2007 and will lead to a significant improvement in divisional margins.

Business was very brisk across all the **Electrical Protection** division's geographical regions, with both semiconductor and general-purpose fuses performing well. This growth, as well as the successful start-up of the new Modulostar® range and the successful launch of new products, contributed to a 56% increase in operating income.

Net income: €34.9 million

Net income from continuing operations advanced by 14% to €40.3 million.

Net income attributable to equity holders of the parent includes a net loss from assets held for sale/discontinued operations of €(5.4) million resulting from all the remaining charges linked to the shutdown of the Evreux (France) plant.

Net income attributable to equity holders of the parent advanced by 55% to €34.9 million.

Dividend: €0.85

At the forthcoming AGM, the Board of Directors is set to propose payment of a dividend of €0.85 per share, representing an increase of 21% compared with last year.

Net debt

The Group's net debt increased very modestly, and the net debt/equity ratio held firm at 50% compared with 51% at year-end 2005. This performance was also very pleasing given that, as forecast, 2006 was a year of heavy investment (€49 million) devoted to expansion plans –namely the graphite blocks plant currently under completion in China- and acquisitions.

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Outlook

Carbone Lorraine's strategic positioning is also set to pay off during 2007. Assuming business conditions remain as they are, the Group expects to post a strong growth. This growth should help to offset the impact on our financial performance of costs arising from the start-up of the graphite plant in China and the shutdown of the US brush plant, paving the way for a further increase in earnings.

This positive trend is likely to continue and gain momentum from 2008 onwards thanks to the benefits of our major expansion plans, which are currently being finalized, and the numerous development initiatives taken across all our businesses.

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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***



Visit our website at www.carbonelorraine.com

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