LISI IN 2011
FINANCIAL REPORT

LINK SOLUTIONS FOR INDUSTRY lisi

LISI

TABLE OF CONTENTS

GENERAL COMPANY INFORMATION

.1 PERSON RESPONSIBLE FOR THE ANNUAL REPORT AND AUDITORS

1.1 Name and title of the person responsible for the annual report

Mr. Emmanuel VIELLARD
Deputy Chairman

1.2 Statement by the person responsible for the annual report

"I certify, after taking all reasonable measures to that end, that the information contained in this annual report is, to my knowledge, consistent with reality, and includes no omissions likely to alter its meaning or interpretation.
I certify, to my knowledge, that the financial statements are prepared in accordance with applicable accounting standards and present a true picture of the assets, the financial condition and the results of the company and the entities included in its consolidation scope, and that the management report contained in Chapters 2-3-4-5-6 presents a true picture of the evolution of business, the earnings and the financial position of the company and the entities included in its consolidation scope, as well as a description of the main risks and uncertainties they face. I received from auditors, Ernst and Young and Exco Cap Audit, a letter of completion of work, stating that they have verified the information regarding the financial situation and the statements contained in this annual report and have read the entire document. I have secured from the auditors, Ernst and Young and Exco Cap Audit, a letter of completion of work, stating that they have verified the financial information and the financial statements given in this annual report, and that they have read the entire document."

Paris, 12 April, 2012
Emmanuel Viellard
Deputy Chairman

1.3 Statutory auditors

Regular auditors:

- **EXCO CAP AUDIT represented by Pierre Burnel**

2 rue Jules Emile Zingg – BP 9
25409 EXINCOURT Cedex
Mandate given April 13, 1993, due to expire during the Ordinary General Meeting ruling on the financial statements for the period ending December 31, 2016.

- **Cabinet ERNST & YOUNG et Autres represented by Henri-Pierre NAVAS**

Tour First
1, Place des Saisons
TSA 14444
92037 PARIS LA DEFENSE CEDEX
Mandate given April 27, 2011, due to expire during the Ordinary General Meeting ruling on the financial statements for the period ending December 31, 2016.

Substitute statutory auditors:

- **Mr. Philippe AUCHET**

2 rue Jules Emile Zingg – BP 9
25409 EXINCOURT Cedex
Mandate given April 27, 2011, due to expire during the Ordinary General Meeting ruling on the financial statements for the period ending December 31, 2016.

- **Cabinet AUDITEX**

Tour First
1, Place des Saisons
TSA 14444
92037 PARIS LA DEFENSE CEDEX
Mandate given April 27, 2011, due to expire during the Ordinary General Meeting ruling on the financial statements for the period ending December 31, 2016

.2 INFORMATION POLICY

2.1 Person responsible for the financial information

Mr. Emmanuel Viellard

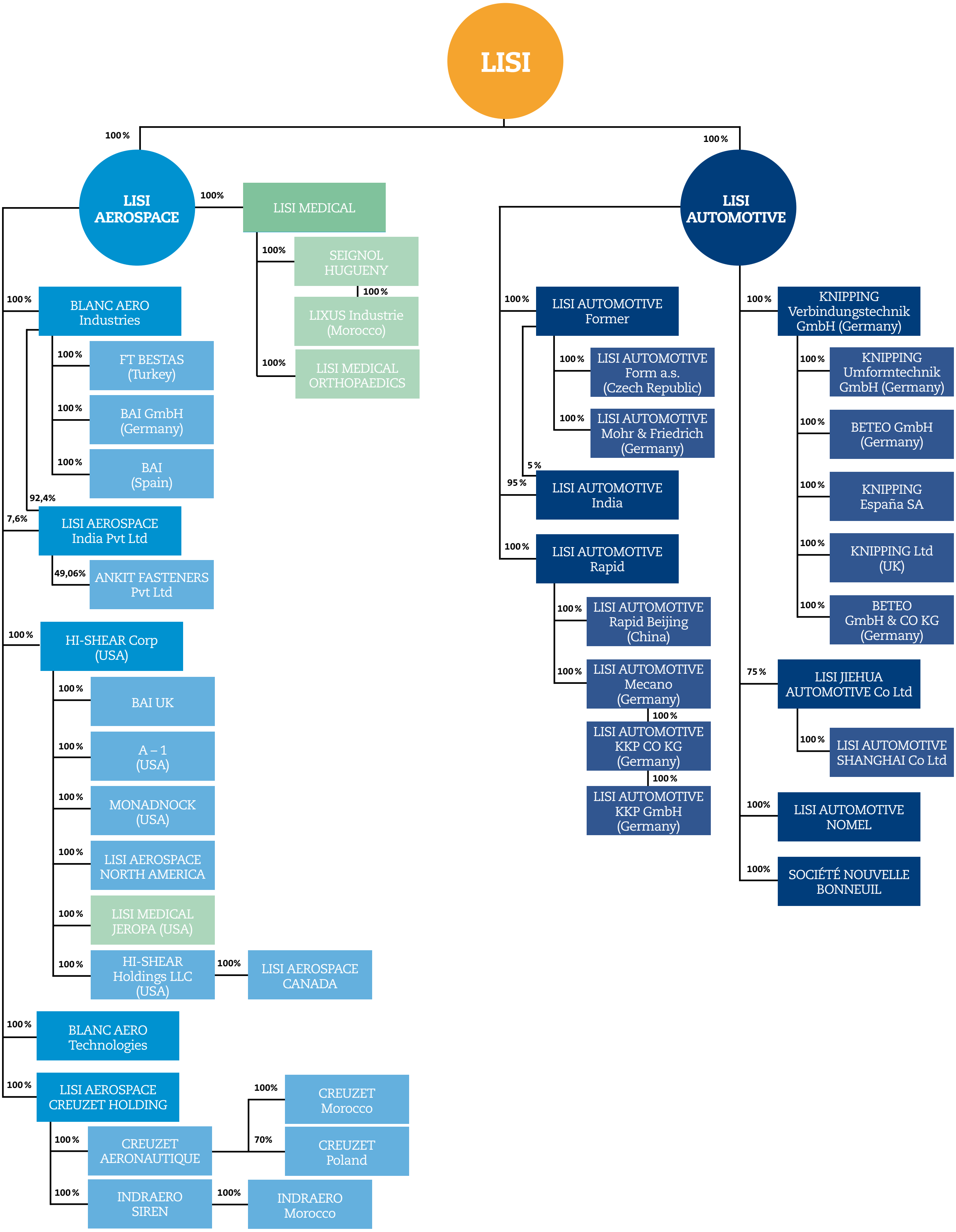
LISI
Le Millenium
18 rue Albert Camus
BP 431
90008 BELFORT Cedex
Tel: + 33 (0)3 84 57 00 77 / Fax: + 33 (0)3 84 57 02 00
Website: www.lisi-group.com
Email: emmanuel.viellard@lisi-group.com

2.2 Documentation

– Annual report in French and English (hard copy version and CD)
– Press release

All documents are made available to the shareholders. A copy of these may be requested from the company's registered offices (at the above address) or found on the company website. For eleven years now, the Group has made its institutional site available to the public in French and English. Annual reports and quarterly updates, as well as all regulatory information are available to download from the website.

.3 LEGAL ORGANIZATION CHART



.4 FUNCTIONAL ORGANIZATION CHART

LISI

LISI AEROSPACE

Fasteners

– Europe

Airframe
- Rugby (UK)
- Saint-Ouen-l'Aumône
- Vignoux-sur-Barengeon
- Bangalore (India)

Engines & Critical
- Saint-Brieuc
- Izmir (Turkey)
- Villefranche-de-Rouergue

– USA

Airframe
- Paramount (USA)
- Torrance (USA)

Engines & Critical
- Dorval (Canada)

– Speciality Fasteners
- City of Industry (USA)

Structural Components

– Engineered Components
- Marmande
- Poland
- Casablanca Creuzet (Morocco)

– Aerostructure & Aircraft equipment
- Argenton sur Creuse
- Colomiers
- Casablanca Indraero (Morocco)

LISI MEDICAL

Europe
- Neyron
- Tanger (Morocco)

USA
- Escondido (USA)

Orthopaedic
- Herouville

LISI AUTOMOTIVE

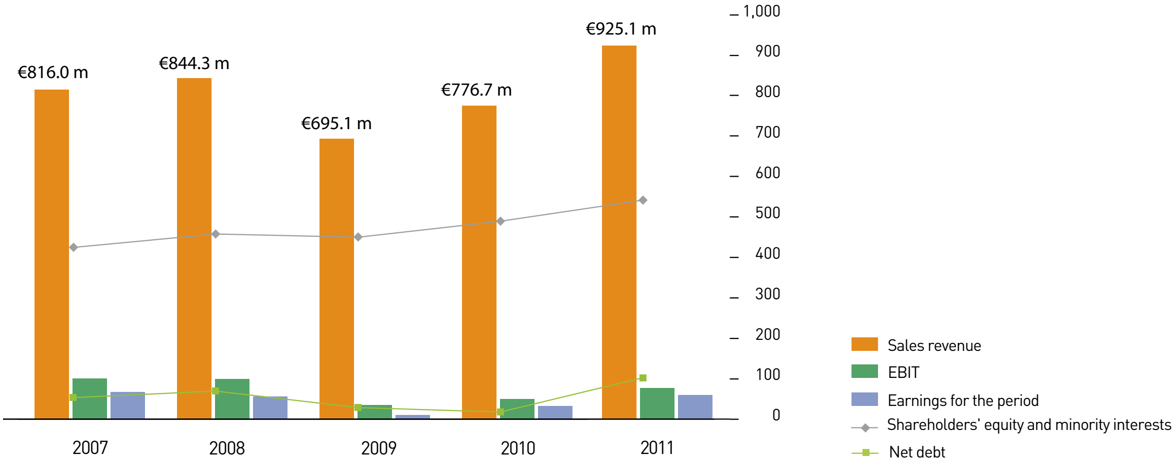
Threaded Fasteners
- Delle
- Dasle
- La Ferté Fresnel
- Saint-Florent
- Thiant
- Fuenlabrada (Spain)
- Gummersbach (Germany)
- Herscheid (Germany)
- Kierspe (Germany)
- Vöhrenbach (Germany)

Clipped Solutions
- Puiseux
- Heidelberg (Germany)
- Mellrichstadt (Germany)
- Beijing (China)

Safety Mechanical Components
- Cejc (Czech Republic)
- Melisey
- Shanghai (China)

.5 KEY FIGURES

In €m	2011	2010	2009	2008	2007
Sales revenue	925.1	776.7	695.1	844.3	816.0
EBIT	76.6	49.5	34.2	98.9	100.1
Profit for the period	58.2	32.9	9.4	56.2	67.6
Minority shareholders' equity	542.5	490.3	450.6	458.6	425.3
Net debt	102.6	17.5	28.5	69.4	53.3

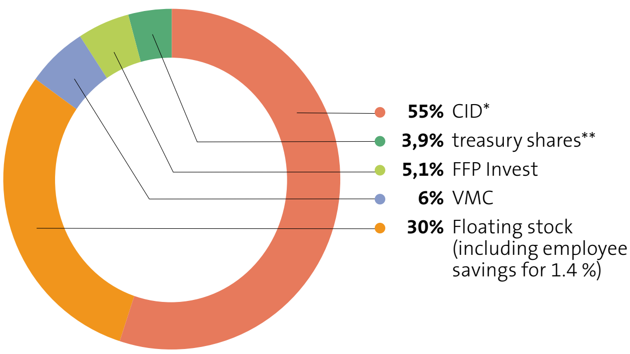


.6 ISSUER INFORMATION

6.1 Breakdown of capital

LISI share datasheet

ISIN Code: FR 0000050353
Reuters: GFII.PA Code Bloomberg: FII.FP Compartment: B Eurolist
Stock marketplace: Euronext Paris
Number of shares: 10,786,494
Market capitalization as at December 31, 2011: €547 million
Indices: CAC® Small, CAC® Mid & Small,
CAC®-All tradable and CAC®-All Shares



* Including direct and indirect interests:
VMC: 21.28 %
FFP Invest: 18,99 %
CIKO: 16,74 %
** Reserved for performance share schemes.

Liquidity of the share:

Float capital turnover rate: 39 %

Average number of shares traded per day in 2011: 5,557

Month	Closing price	High	Low	Session average	Transaction volumes	Shares traded during the month [1]
2009	**€**	**€**	**€**	**€**	**In €'000**	
January	25.78	29.91	22.61	26.26	3,556	136,223
February	26.48	26.87	21.16	24.02	3,416	135,400
March	23.40	26.10	19.81	22.96	1,316	56,590
April	29.00	29.00	22.70	25.85	2,600	99,291
May	31.80	31.80	26.00	28.90	2,146	71,099
June	30.80	33.50	29.50	31.50	1,564	48,950
July	34.00	34.00	29.15	31.58	2,029	65,596
August	38.20	38.20	31.80	35.00	1,731	48,884
September	37.40	39.00	34.20	36.60	3,036	82,744
October	31.00	38.75	31.00	34.88	3,921	107,449
November	33.49	34.80	30.15	32.48	2,170	64,666
December	34.30	34.30	31.61	32.96	2,923	89,650
2010						
January	38.80	40.00	34.31	37.16	3,041	80,625
February	36.50	39.10	34.13	36.62	1,897	52,303
March	42.15	44.35	36.50	40.43	3,547	88,903
April	46.50	50.00	41.50	45.75	4,331	93,581
May	40.21	48.20	37.01	42.61	3,519	83,674
June	42.40	44.45	39.50	41.98	5,501	133,133
July	45.30	45.46	39.50	42.48	2,524	59,835
August	43.80	45.90	43.00	44.45	1,062	23,889
September	49.81	49.90	43.54	46.72	3,647	76,251
October	50.47	52.40	48.60	50.50	4,456	87,935
November	49.90	52.30	49.42	50.86	1,787	35,509
December	50.29	52.80	49.64	51.22	2,571	49,560
2011						
January	55.00	60.80	50.08	55.44	8,874	155,881
February	59.92	60.30	55.00	57.65	7,751	134,192
March	60.53	65.50	55.70	60.60	9,879	161,298
April	65.55	65.99	58.02	62.01	3,594	56,894
May	63.00	66.15	62.00	64.08	2,743	43,192
June	64.75	64.75	60.55	62.65	5,665	90,230
July	68.50	69.99	61.00	65.50	7,945	123,141
August	56.00	70.18	52.62	61.40	9,837	170,847
September	51.20	56.05	47.00	51.53	7,005	138,027
October	58.40	59.72	48.50	54.11	6,703	123,637
November	52.01	58.00	48.50	53.25	7,280	137,172
December	50.75	53.99	46.21	50.10	4,688	93,661
2012						
January	59.00	60.70	49.41	55.06	5,256	95,817
February	62.50	62.50	58.70	60.60	8,460	139,454

(1) Excl. non-system.

Market-making contract

The market-making contract complies with the AFEI ethics charter and is performed by:

ODDO FINANCE CORPORATE
Mr. Eric BIGOTTEAU
Email: ebigotteau@oddo.fr
Tel: +33 (0)1 40 17 52 89

6.2 History

1777

Frédéric JAPY sets up a watch movement factory in Beaucourt, near Montbéliard.

1796

MIGEON & DOMINE is founded in Morvillars in the Belfort region, later to become VIELLARD MIGEON et Compagnie (VMC).

1806

JAPY Frères and VIELLARD & MIGEON decide to join forces to launch the industrial manufacture of forged wood screws in France.

1899

The Société Industrielle de Delle is founded by the DUBAIL-KOHLER family in the town of Delle, Belfort. The company quickly begins to specialize in the manufacture of machine-turned screws.

1968

These three family-run businesses (KOHLER, JAPY and VIELLARD) merge to form a company called GFD [1], thus becoming France's foremost manufacturer of standard and automotive nuts and bolts. The three founding families are today part of CID (Compagnie Industrielle de Delle), owning a controlling stake in the LISI group.

1977

GFD acquires BLANC AERO, which specializes in aerospace parts and in packaging components for the Perfumery sector. This new group is named GFI.

1989

GFI is floated on the Paris Stock Exchange's over-the-counter market and becomes GFI Industries.

1990 / 2000

Throughout the 1990s, GFI Industries continues to strengthen its positions in its three sectors by acquiring over 15 companies throughout Europe and the US.

(1) Générale de Forgeage et Décolletage.

2002

To better delineate its specialist areas, GFI Industries became LISI, LInk Solutions for Industry, with each of the three divisions taking this name plus the name of its main business sector: LISI AEROSPACE, LISI AUTOMOTIVE and LISI COSMETICS.

The strategy of focusing on Core Business continues:

– Disposal of the non-strategic lines of business (GFD, Ars Industries and the production unit at Aillevillers),
– Acquisition of California's MONADNOCK (LISI AEROSPACE).

2004

Acquisition of FORM a.s in the Czech Republic (LISI AUTOMOTIVE).

2005

Acquisition of KNIPPING in Germany (LISI AUTOMOTIVE).

Opening of a factory in Canada (LISI AEROSPACE).

Disposal of Gradel (LISI AUTOMOTIVE).

2007

Sale of Eurofast, a distribution company, to ANIXTER France (LISI AEROSPACE).

LISI AUTOMOTIVE sells its Monistrol-sur-Loire to the PRECITURN Group.

Creation of the LISI MEDICAL division as a result of the acquisitions of

– HUGUENY (Lyon), specializing in spinal implants,
– JEROPA (Escondido-USA), specializing in dental implants,
– SEIGNOL and INTERMED Application (Neyron–France) and LIXUS (Tanger- Morocco), specializing in subcontracting the manufacture of dental and orthopedic implants.

2008

LISI AUTOMOTIVE increases its presence in China and India with the creation of a second manufacturing plant in Shanghai dedicated to making threaded fasteners for the automotive industry.

2009

On April 1, 2009, the Group sold KNIPPING subsidiary SDU, which specialized in distributing technical products to mines and industry in Germany and Poland.

2010

The Group returned to external growth with two major acquisitions :

– Acquisition by LISI AUTOMOTIVE of two French sites from the American Group, Acument Global Technologies, specializing in the manufacture of fasteners for the automotive industry.
– Purchase by LISI MEDICAL of a site producing hip replacements from the American Group, Stryker Corporation, a leading global provider of medical technologies. The agreement is accompanied by a five-year supply contract.

2011

The Group continued the movement to strengthen and build its position in strategic markets started in 2010. The year 2011 was marked by the following transactions:

– LISI COSMETICS was deconsolidated on January 1st 2011 following the sale completed as at April 6, 2011. For the record, the division generated a turnover of € 52.8m in 2010.
– The Creuzet Group was purchased and consolidated as of July 1st, 2011. It contributed €58.9m to the sales revenue over a six-month period.

6.3 Company name – head office and applicable law

Company name and head office

LISI S.A. – Le Millenium – 18 rue Albert Camus – 90008 BELFORT Cedex

Legal form of the issuer and applicable legislation

"Société Anonyme" (public limited company) governed by French legislation.

Place and number of registration

– R.C.S. : BELFORT 536 820 269
– Code NAF : 7010 Z

6.4 Incorporation and term - Articles of Association

Incorporation and term

The company was set up on July 5, 1968. Its term expires on July 4, 2067, excepting early dissolution or renewal.

Purpose

According to article 2 of the by-laws, the company's purpose is:

– The acquisition of equity interests in all types of companies, including commercial, manufacturing, financial, securities and property development companies ;
– The manufacture, purchase and sale of all items, especially those relating to screws, nuts and bolts, forging, lathing and machine tooling and building ;
– Where necessary, all transactions relating to the machine industry and sale of related products ;
– The direct or indirect participation in all transactions or business matters that could have an impact on said business purpose or which could help further the interests of the corporation, by any means, including the creation of new companies, subscription contribution, the purchase of shares and rights, etc... ;
– and more generally, all commercial, securities and real estate transactions, be they directly or indirectly related to the business purpose or likely to facilitate its expansion or growth.

Financial Year

The company's accounting period begins on January 1 and ends on December 31 of each year.

Specific statutory clauses

Article 17 – Distribution of earnings

– Out of the distributable profit, all amounts the Shareholders' General Meeting shall decide to carry forward to the next year or allocate to the creation of extraordinary, contingency, or other funds, with or without a special allocation, shall be withdrawn first. The remainder is distributed between the shareholders, in proportion to the share capital held.

– Each shareholder may be granted the option of receiving payment in cash or in shares under the terms provided for by law, for all or part of the dividend or the advance on the dividend distributed.

Article 15-1 to 15-5 – Shareholders' General Meetings

– Shareholder meetings are held and deliberate in accordance with the applicable legal provisions.They meet at the head office or at any other location specified in the meeting notice.

– The Shareholders' Meeting is composed of all the shareholders, regardless of the number of shares they own, provided that the shares are fully paid-up. The right to attend in person or to be represented by proxy is subject:
  1. For registered shareholders, to the registration of their shares in a pure or administered personal account at least 5 days before the date of the Meeting;
  2. For holders of bearer shares, if any exist, to the submission within the same period of time, of a certificate established by the authorized proxy acknowledging the unavailability of the shares registered in the account until the date of the Meeting.
  However, the Board of Directors may, as a general rule, reduce or waive this time period.

– The Meetings are chaired by the Chairman of the Board of Directors or, in his absence, by the oldest Deputy Chairman, or in the absence of a Deputy Chairman, by the most senior director present at the Meeting. Failing this, the Meeting may elect its own Chairman.

– Barring any legal or regulatory measures to the contrary, each member of the Shareholders' Meeting is entitled to as many share votes as he owns or represents, both in his own name and as a proxy, without limitation. However, certain shares have double the voting rights of other shares in view of the proportion of share capital they represent, namely :
  1. All fully paid-up shares registered in the name of the same shareholder for at least four (4) years ;
  2. All shares allocated free of charge to shareholders as part of a capital increase carried out through the incorporation of reserves, profits or issue premiums, up to the number of existing shares for which they are entitled to such double voting rights.

Double-voting rights cease to apply once the shares change hands. However, the aforementioned time period is not interrupted and double voting rights still apply in the event that transfers occur as a result of inheritance, liquidation of community property between spouses or donations inter vivos to a partner or family relation who is entitled to inheritance rights.

– In the event that shareholders vote by proxy, only those proxy votes that have arrived at the company at least 3 days prior to the date of the Shareholders' Meeting will be counted.

Moreover, the attendance of a shareholder at the Annual General Meeting shall consequently render null and void the postal vote and/or the form of proxy which said shareholder may have, where appropriate, sent to the company; the shareholder's presence shall override any other form of participation which he may have previously chosen. If the shareholder is not present at the meeting, his power of attorney is only taken into consideration with respect to the votes cast in his proxy voting form, if one has been submitted.

Article 9 – Disclosure Requirements

– Shares are freely tradable in the absence of any legal or regulatory provisions to the contrary.

– Shares are delivered by transfer from one account to another according to the terms and conditions set forth by regulations.

– The company's shares are indivisible.

– If a specific quantity of existing shares is required for a shareholder to exercise rights, or if existing shares are exchanged or issued which grant the right to a new share in return for the redemption of several existing shares, any odd-lot shares or shares that fall short of the minimum number required will not provide shareholders with rights vis-à-vis the company, as it is up to the shareholders to gather the required number of shares and, if possible, to buy or sell the required number of shares.

– Without prejudice to the provisions covered in article 356-1 of law no. 66-537 of July 24, 1966, any person who owns or acquires at least 3% of share capital either directly or indirectly, as set forth under the provisions of said article 356-1, must report the total number of shares that he owns by recorded delivery with confirmation of receipt to the company's registered office within 15 days of this 3% threshold being exceeded.

Shareholders are also required to inform the company within the same time period should their stake dip below the aforementioned thresholds.

In the event that beneficial share ownership is not reported in accordance with the aforementioned procedures, the shares that exceed the reporting threshold shall be deprived of voting rights for all Shareholders' Meetings held within a period of up to 3 months after the date the declaration of beneficial ownership is finally made in accordance with the proper procedures, by one or more shareholders who jointly own at least 5% of share capital, as recorded in the minutes of the Shareholders' General Meeting.

6.5 Consultation of corporate documents

The corporate documents pertaining to LISI S.A.(by-laws, Shareholders' General Meeting reports, Auditors' reports and all documents available to shareholders) can be viewed upon request at the corporation's head office at the following address: Société LISI S.A., Le Millenium, 18 rue Albert Camus, B.P. 431, 90008 BELFORT Cedex.

FINANCIAL SITUATION

.1 OVERVIEW OF THE MAIN ACTIVITIES

1.1 LISI AEROSPACE

€407.6m
SALES REVENUE

4,677
STAFF

€25.0m
INVESTMENTS

Activity

Fasteners and assembly and structure components for aerospace

Flagship products

Airframe
Structural fasteners mainly from titanium

(Hi-Lite®, Hi-Lok® – LGP®, Pull-In®, Pull-stem™, Taper-Lok).

Engine
Engine fasteners (high-temperature steels, cobalt or nickel based alloys, high strength superalloys), inserts and studs.

Special parts
Specialty non-structural fasteners (clip nuts, quarter turns, spacers, etc.), bolts, assembly equipment.

Racing
Fasteners and components for motor racing. Other upscale automotive fasteners.

Structural components
Sheet metal or formed parts and composite structural parts, complex assembled subsets, integrated into the cell or the aircraft engine: blades, leading edges, beams, ferrules, air in take lips, helicopter floor, APU exhaust, etc.

Indoor equipment for aircraft and helicopter unloaders.

Customers

Airbus ;
Boeing ;
Bombardier ;
Dassault ;
CFAN ;
EADS ;
Embraer ;
Eurocopter ;
Finmeccanica ;
GEAE ;
Pratt & Whitney ;
Rolls Royce ;
Safran ;
Spirit ;
Formula 1 teams
and Nascar for Racing.

Competitors

Alcoa Fastening Systems ;
Precision Castpart Corp ;
ACB ;
Figeac Aero ;
Potez ;
Lauak ;
Slicom ;
PFW ;
On Board ;
Breeze Eastern ;
Manoir Aerospace ;
Macsterlite ;
Klune ;
Mettis ;
TECT ;
Doncaster ;
Alu Menzinken ;
MIFA ;
Forge Ital ;
Dembiermont ;
Karlton-PCC ;
First Rikson.

1.2 LISI AUTOMOTIVE

€446.3m
SALES REVENUE

3,312
STAFF

€35.6m
INVESTMENTS

Activity

Fasteners and assembly components for the automotive industry

Flagship products

Threaded fasteners
Fasteners for power train; wheel screws and nuts; fasteners for interior assemblies and engine components; screws for sheet metal; self-tapping screws; screws for soft materials; PRESSFIX® screw and force-fitting nuts and assembly equipment.

Clip solutions
Fasteners for panels; fasteners for tubes and mono or bi-material beams; clip-on screws and nuts; snap-on nuts with tapped drums; rivets and pins; blanking plugs and cable grommets; axis fasteners and multifunctional metalloplastic subsets.

Mechanical safety components
Torsion bars; guide rods; brake hoses; parking brake system; seat mechanism pinions and linkage; engine and gearbox components; steering components.

Customers

BMW ;
Daimler ;
Ford ;
Opel ;
PSA ;
Renault-Nissan ;
VW-Audi ;
Autoliv ;
Bosch ;
Faurecia ;
JCI ;
Magna ;
TI automotive ;
ThyssenKrupp;
TRW ;
Visteon ;
ZF ;
BSH ;
Franke ;
Schneider.

Competitors

Agrati ;
A. Raymond ;
Fontana ;
ITW ;
Kamax ;
Nedschroef ;
SFS ;
TRW Fasteners.

1.3 LISI MEDICAL

€74.0m
SALES REVENUE

508
STAFF

€4.2m
INVESTMENTS

Activity

Medical implant and auxiliary parts sub-contractor

Flagship products

LISI MEDICAL SEIGNOL – HUGUENY
Orthopaedic (foot, hand, shoulder), trauma, spinal, maxillofacial and dental implants and instruments.

LISI MEDICAL JEROPA
Dental and spine implants and ancillaries.

LISI MEDICAL ORTHOPAEDICS
Reconstruction orthopaedic implants (hip, knee, shoulder), trauma implants and related ancillaries.

Competitors

Marle ;
Paragon ;
Orchid ;
Accelent ;
Greatbatch ;
Symmetry ;
Ohst ;
Teleflex ;
In'tech ;
HTM ;
La precision.

.2 GROUP ACTIVITY FOR THE FINANCIAL YEAR, AND OUTLOOK FOR THE COMING YEAR

2.1 LISI Consolidated

The LISI Group achieved record high consolidated sales of €925.1m in fiscal 2011, up 19.1% over the previous year.
This increase reflects the following changes:

- The dynamism of the aerospace division in Europe, of which LISI AEROSPACE has benefited (€407.6m, +44.7%);
- The acquisition of the Creuzet group consisting of Creuzet Aéronautique and Indraero Siren, which brought in €58.9 million;
- The solid performance of LISI AUTOMOTIVE (€446.3m, +11.2%);
- The contribution of LISI MEDICAL (€74.0m) particularly due to its "Orthopaedics" branch, which more than compensated up for the disposal of LISI COSMETICS, which was sold in April 2011 (€52.8m in 2010).

At constant scope and exchange rates, organic growth was 13.8%, compared to 3.5% in 2010. It gradually slowed down during the year, before being boosted by external growth with the integration of the Creuzet group; this acquisition alone accounted for approximately 12% of instantaneous growth in the second half of the year.

12 months ended December 31,		2011	2010	Change
Key elements of the income statement				
Sales revenue	€m	925.1	776.7	+ 19.1 %
EBITDA	€m	122.1	95.7	+ 27.6 %
EBITDA margin	%	13.2	12.3	+ 0.9 pts
EBIT	€m	76.6	49.5	+ 54.9 %
Current operating margin	%	8.3	6.4	+ 1.9 pts
Income for the period attributable to holders of the company's shareholders' equity	€m	58.2	32.9	+ 76.8 %
Earnings per share	€	5.61	3.19	+ 75.9 %
Main elements of cash flows				
Operating cash flow	€m	95.3	79.5	+ 19.9 %
Net CAPEX	€m	- 64.9	- 50.6	+ 28.2 %
Operating free cash flow (FCF)	€m	6.4	54.8	- 88.3 %
Main elements of the financial situation				
Net debt	€m	102.6	17.5	n.a.
Ratio of net debt to equity		18.9 %	3.6 %	+ 15.3 pts

The respective divisions' contributions are as follows:

	LISI AEROSPACE	LISI AUTOMOTIVE	LISI MEDICAL	LISI Consolidated
Q1	16.3%	28.4%	297.0%	23.7%
Q2	16.7%	10.2%	246.4%	11.5%
Q3	69.9%	9.1%	51.3%	25.4%
Q4	77.5%	-1.4%	-22.7%	16.8%
2011	**44.7%**	**11.2%**	**73.3%**	**19.1%**

The Group's activities are now more evenly balanced: LISI AEROSPACE accounts for 44% of consolidated sales, LISI AUTOMOTIVE for 48% and LISI MEDICAL for 8%.

(In €m)	LISI AEROSPACE		LISI AUTOMOTIVE		LISI MEDICAL		LISI Consolidated	
Q4	€126.9m	52%	€102.3m	41%	€16.3m	7%	€245.0m	100%
Fiscal 2011	€407.6m	44%	€446.3m	48%	€74.0m	8%	€925.1m	100%

The Group has for several years conducted a strategy to gain market share with its main customers by meeting their highest standards for reliability and innovation. During fiscal 2011, it strengthened its relationship with its top customers: indeed, the first 5 of them represent 38% of the total (32% in 2010) and about 80% of sales are achieved with the 57th customer (the 90th in 2010).

Highlights for fiscal 2011

The Group continued its policy of strengthening and building its positions in its strategic markets initiated in 2010 with a fundamental redefinition of its scope of activity and an ambitious capital expenditure program.
In fifteen months, it has renewed more than a quarter of its business portfolio:

- industrial integration into LISI AUTOMOTIVE of the two sites purchased from Acument (relocation of the Bonneuil-sur-Marne production facility to Puiseux and capital expenditures at the La Ferté Fresnel site),
- the contribution of the plant acquired from the Stryker, which was consolidated as of September 1, 2010, and represents two-thirds of the LISI MEDICAL division,
- the deconsolidation of LISI COSMETICS as of January 1, 2011, following the disposal completed April 6, 2011. For the record, the division generated sales of €52.8m in 2010,
- the takeover of the Creuzet group, which was consolidated as of July 1, 2011 and contributed €58.9 million two the sales revenue over six months.

2011 marks a new stage in the ambitious investment program launched in 2010: a total of €64.9m was paid out. This was mainly dedicated to improving production and logistics facilities, to productivity and to new products. Among these:

- the operational opening of the Delle II site (Territory of Belfort) for LISI AUTOMOTIVE, enabling it to optimize the logistics of both the Delle and Dasle (Doubs) sites,
- work to extend the Marmande (Lot-et-Garonne) site for LISI AEROSPACE Creuzet in order to locate there the new products A350, B787 and Leap 56[1],
- the start of the complete rehabilitation of the Grandvillars site (Territory of Belfort) in order to extend the material preparation plant of LISI AUTOMOTIVE, including for the German sites.

2011 financial results

LISI AEROSPACE Fasteners was the main contributor to the improvement in the results, after a substantial decline in 2010, along with LISI MEDICAL, to a lesser extent. LISI AUTOMOTIVE reported a slight downturn despite an increase in activity (up €45m). All of the management indicators have therefore improved, despite the disposal of LISI COSMETICS.

EBITDA reached €122.1m, corresponding to 13.2% of sales and an increase of 27.6%. The improvement in the EBIT is particularly marked with €76.6m (up 54.9%), due to reversals of provisions (+€2.3m in 2011 against -€0.4m in 2010), despite the increase in depreciation (€47.7m against €45.8m in 2010). Strengthened by LISI AEROSPACE's significant contribution compared to the low point of 2010, the operating margin rose by 1.9 points in comparison to 2010.

The non-recurring costs in 2011 mainly consist of the capital gain from the disposal of LISI COSMETICS of +€9.8m, and a provision associated with the possible disposal of assets in Germany of - €1.6m. Financial expenses rose to -€1.9m due to additional debt associated with the acquisition of the Creuzet group (Net debt of €102.6m, resulting in interest costs of €4.2m) and exchange gains on working capital (€1.5m).

Tax costs rose sharply, as a result, among other things, of an increase in corporate tax in France representing €1.6m, and CVAE (tax on companies' added value)[2] for -€4,7m (-€3,4m in 2010). The average apparent rate was 27.8% compared to 30.9% in 2010. Consequently, net earnings reached the historically high level of €58.2m compared to €32.9m in 2010, corresponding to an increase of 76.8%.

Net earnings per share in 2011 were €5.61 (€3.19 in 2010 and €0.92 in 2009); excluding non-recurring items associated with the disposal of LISI COSMETICS, earnings would be €4.66.

After returning to dividend growth in 2010, the Group will propose for approval at the shareholders' General Meeting to set the dividend at €1.30 per share for the financial year 2011, corresponding to an increase of 23.8% compared to last year.

The financial structure remains solid after the acquisition of Creuzet and the major investment program

Up nearly 20% to €95.3 million, cash flow is slightly over 10% of sales revenue (10.3%). The Group has been able to fund both its program of industrial equipment and structuring investments to the tune of €64.9 million, and the increase in working capital for €24.0 million (against a decline of -€25.9 million in 2010). The WCR was €243m on December 31, 2011, or 25% of sales, compared to €173m in 2010 (21% of sales). Measures taken in relation to organization and productivity, and the implementation of improved logistics were not enough to compensate for the impact of very strong growth in the LISI AEROSPACE Division and the sudden slowdown of activity at LISI AUTOMOTIVE at the end of the year.

Many structuring investment projects were launched in 2011 across all divisions.

LISI AUTOMOTIVE well spent €35.6 million on these, most of which focused on:

- the operational opening of the Delle II site (Territory of Belfort) which represents an amount of €5.3m,
- the hardware plan for €11.9m,
- the layout of the Puiseux site (Val d'Oise) to accommodate the activities of Bonneuil-sur-Marne (Val de Marne) for €5 million.

(1) LEAP 56™ is the technological acquisition program by CFM International, a 50/50 company held by Snecma (SAFRAN Group) and General Electric (USA).
(2) French business tax on added value.

LISI AEROSPACE benefited from €25.0 million in capital expenditures in 2011. Examples include:
- the development of future programs such as the A350 or the Leap 56 for €3.5m in Marmande (Lot-et-Garonne), €8.4m in Saint-Ouen-l'Aumône (Seine-et-Oise) and Villefranche-de-Rouergue (Aveyron)
- the preparation of the escalation of the production rates in the United States for an amount of €4.7 million.

LISI MEDICAL's capital expenditures were focused on the Caen site for a total of €2.9 million.

After taking all of these elements into account, the Free Cash Flow remained positive, rising to €6.4m (+€54.8m in 2010).

The acquisition of the Creuzet group, for a net amount of €68.1m, was financed by the proceeds of the disposal of LISI COSMETICS and €75m using the medium term credit lines available to LISI.

At €102.6m, net debt remains below 20% of equity capital (18.9%). This represents 0.84 of the EBITDA, substantially below the prudential ratios required by the banks. Furthermore, available cash flow has virtually remained stable, at €68m on December 31, 2011, compared to €73m on December 31, 2010.

The capital employed increased from €561m to €707m, taking into account the consolidation excess allocated to acquisitions. The return on capital employed before tax improved to 13.3% compared to 10% in 2010.

Social and societal information (Art. R 225-105)

During 2011, the LISI Group subsidiaries complied with their regulatory obligations by implementing labor agreements or appropriate action plans: seniors, hardship, psychosocial risks, gender equality, profit sharing bonus.

Determined to eliminate as quickly as possible accidents at work whatever their nature, the LISI Group implements a very strict monitoring of accident frequency and severity, on a monthly and per site basis. To mobilize the Group around this issue, incentive contracts were revised to establish performance criteria relating to accidents, namely the TF0 and TF1:
- the TF0 represents the number of workplace accidents involving work stoppage involving a LISI employee, per million hours worked,
- the TF1 represents the number of workplace accidents with or without work stoppage involving a LISI employee, per million hours worked.

These indicators improved dramatically in 2011: the TF0 stood at 9.1 and the TF1 at 17.4. These constitute the best results achieved since 2005, when these statistics were first consolidated for the entire Group.

Finally, complementary remuneration tools have enabled some employees, depending on the social or taxation opportunities available, to benefit from supplementary pension schemes, company savings plans, the performance share allocation scheme and the profit-sharing bonus. The LISI Group paid nearly €3.0 million to its employees as part of these complementary remuneration tools in 2011. In addition, bonuses paid or allocated in 2011 under profit-sharing and participation agreements amounted to over €9.5 million.

Head count by division

The number of registered employees increased substantially over the year with the entry of 1,411 employees from the Creuzet group, but also with the integration of 267 people recruited by the LISI AEROSPACE Fasteners sub-division. The sale of LISI COSMETICS has led to a rundown of 417 people. The temporary employees are mainly used by LISI AEROSPACE.

Head count at year end

	2011	2010	Difference N/N-1	
LISI AEROSPACE	4,677	2,988	1,689	57%
LISI MEDICAL	508	483	25	5%
LISI AUTOMOTIVE	3,312	3,200	112	4%
LISI COSMETICS		417	-417	-100%
Holding company	15	13	2	15%
Group total	**8,512**	**7,101**	**1,411**	**20%**
Temporary staff engaged	627	425	202	48%

Environmental information (Art. R 225-105)

For several years, LISI has adopted a responsible attitude vis-à-vis the environment. This vision has naturally led to the ambition to obtain ISO 14001 certification of all of the Group's production facilities. In late 2011, excluding sites recently acquired such as Creuzet - Indraero in Poland and Morocco, all of the LISI Group's sites were certified to that international environmental standard.
Moreover, at the LISI Group level, environmental indicators are monitored semi-annually to assess the impact of the production facilities on the environment.

2011 Indicators	LISI AEROSPACE		LISI AUTOMOTIVE		LISI MEDICAL		Groupe LISI		Change
	2011	2010	2011	2010	2011	2010	2011	2010	
Water consumption in m³ / €k production	0.37	0.44	0.29	0.38	0.35	0.24	0.32	0.40	- 19%
Energy consumption in MWh / €k production	0.20	0.25	0.36	0.40	0.08	0.06	0.29	0.33	- 14%
Hazadous products consumption in Kg / €k production	0.24	0.28	0.09	0.11	0.00	0.21	0.15	0.18	- 16%
Waste production in Kg / €k production	9.9	12.6	31.2	42.1	1.4	5.1	23.5	28.4	- 17%

Data on a like-for-like basis: excluding La Ferté Fresnel – Dreux - Caen.

The fair use of resources is part of the actions put in place that have reduced the environmental footprint in terms of water consumption (-19% between 2010 and 2011), as well as energy consumption (-14% between 2010 and 2011).

On this last point, the carbon footprint resulting directly from energy consumption increased by 6% between 2010 and 2011, with an increase of 700 tons of CO_2[3]. However, in proportion to activity levels, and all sites taken together, the production of CO_2 per €k of production improved by 17%, confirming the improved control of energy consumption.

Moreover, the LISI Group monitors the groundwater quality of its oldest, most risky sites in terms of pollution. In this area, the LISI Group observes strict compliance with local regulations. Thus, some industrial areas require regular monitoring of underground water quality.

To prevent any chronic pollution and in accordance with applicable regulations, the production sites dump their hazardous products on appropriate retentions and seek, to the extent possible, to replace them with other, less harmful products.

The reduction of the use of natural resources has already been subjected to specific actions taken by the sites in the past years. What matters now is to maintain the good performance level. For the coming years, the LISI Group intends to make the waste issue a priority to always reduce the impact of production facilities on the environment. For this reason, a new indicator was introduced in 2011 - the share of separated waste - while keeping the indicator for monitoring waste generation relative to production.

OUTLOOK

Acceleration in the LISI AEROSPACE Division, progress in the LISI AUTOMOTIVE and LISI MEDICAL Divisions.

After a crisis year in 2010 for the Aerospace Division, and the outstanding recovery of the Automotive Division, performances in 2011 have fully validated the Group's ambitious growth policy in terms of capital expenditure, innovation and gaining market share.

These performances were achieved in a mixed economic environment: it has been very positive for the aerospace market, which has fully recovered in Europe, but a little more uncertain for the medical and automotive markets. While remaining solid, the latter has slowed down in a volatile context: with too much activity at the beginning of the financial year, followed by a sudden contraction towards the end of the year. Despite objectives generally being reached, the consolidated operating margin is still not at the normative level that the Group considers to be 10%.

The LISI Group has thus completed another step towards its objective of a two-figure consolidated operating margin, while at the same time maintaining a substantially positive Free Cash Flow.

All of the divisions will be called upon to contribute:
– The LISI AEROSPACE Division has the potential for significant growth, mainly in the United States. The requirements of the large 2012 - 2022 contract obtained from Boeing, the start of the B787 and an increase in production rates should result in a larger contribution from the American platform. The Creuzet group's contribution over twelve months should also be significant, given that Indraero Siren should improve its performance.
– Several problems related to the LISI AUTOMOTIVE Division's activity should be eliminated, notably in Germany, and it should benefit from investments and organizational initiatives (LAPS) undertaken in 2011. The potential for the operating margin to recover remains intact, so long as the volatility of demand from LISI AUTOMOTIVE's large customers does not disrupt the complex production line.
– The performances of the LISI MEDICAL Division's two "Fasteners" sites (in Lyon and Escondido in the United States) should see a significant improvement compared to 2011, while the "Orthopaedics" plant (in Caen) should develop a substantial volume of new products. 2012 will therefore be a key year in the consolidation of the LISI MEDICAL division.

(3) The calculation was based on data available at the ADEME, on the scope of energy efficiency alone.

The Group has covered all of its financial repayments for 2012 and 2013 with cash, overdraft facilities or medium term credit lines.

Supported by its experience and financial solidity, the LISI Group is pursuing its policy of targeted, profitable growth. Management and investment initiatives, aimed at completing numerous projects currently in progress and strengthening the Group's industrial excellence will be maintained.

The Group feels that the current outlook is generally positive and does not anticipate any downturns in its markets; as a result, the Group should achieve, for the first time in its history, sales in excess of €1 billion in 2012.

2.2 LISI AEROSPACE

Economic environment

Further growth in global air traffic

Despite serious events occurred in 2011, such as the earthquake in Japan or political events in Arab countries, passenger traffic continued to grow, achieving a + 6% increase after a growth of 7% in 2010. Premium traffic, in other words business and first class passenger traffic, which is key to the profitability of airlines, also gained 6% in 2011 against 9% in 2010. Only freight has had a difficult year with zero growth after a year of very strong rebound in 2010 (+21%). The main reason for this stagnation of freight is the slowdown of world trade which allows the choice of slower but less expensive means of transport.

Market assessment

An eventful year

Commercial aircraft

In a highly competitive environment where airlines are always looking to lower their operating costs, aircraft manufacturers are concentrating their efforts on reducing fuel consumption.

Single aisle aircraft

In that respect, Airbus's A320 and Boeing's B737 Max, less energy-consuming, served as actual order catalysts in 2011.

At the end of 2010, the CFM consortium, which manufactures the engine that bears its name, and the Chinese manufacturer AVIC announced an agreement to equip the first Chinese single-aisle, the C919, which is slated to be ready for commissioning in 2017. The chosen engine is the Leap-X, which will offer a consumption 15% lower than current models.

The reaction of the two major manufacturers, Airbus and Boeing, was not long in coming: Airbus responded first by launching the A320 NEO, which will be equipped with this engine, as well as Pratt & Whitney's engine, the GTF, which offers the same performance levels. Shortly after, Boeing launched the renewal of its single-aisle range with the B737 Max which will be equipped with the Leap 56.

Both models had an immediate success with 1,226 firm orders for the A320 NEO in 2011 and 150 firm orders and over 1,000 commitments for the Boeing B737 Max during that year. Consequently, Embraer has renounced to set up its single-aisle project. Bombardier had already launched its own, the CSeries, and intends to continue its development for commissioning in 2014.

In this single aisle segment, Airbus has stepped up deliveries, raising its monthly rate from 36 to 38 last August, which allowed it to improve its level of deliveries of single aisle aircraft with 421 planes delivered against 401 in 2010 (+20). The European manufacturer plans to move to a rate of 40 aircraft in February 2012 and 42 in October. Boeing, which delivered 372 aircraft in 2011 against 376 in 2010, announced that it would switch from a monthly pace of 31.5 today to 35 early 2012.

Long-haul

Boeing has reached a record level of 200 net orders made this year for the B777. As for the Airbus A330, it displays 83 net orders and is announcing the delivery of 87 planes against 73 for the B777 and 20 for the B767.

New models

As far as new programs are concerned, a large portion of the expected future growth will stem from the Airbus A350 and Boeing B787. They are carefully scrutinized by all stakeholders in the sector. The year 2011 was eventful:

– Boeing has made the first delivery of 787, its composite plane. With four years delay, the Japanese company ANA finally received its first copy. The user experience and the initial feedback are very positive. In total, Boeing delivered three in 2011 against 10 to 15 expected, but it expects to deliver 63 in 2012 and up to 10 per month in 2013. To ensure this ramp-up, it opened a second assembly line in Charleston, South Carolina.
– The A350 Airbus program, also composite, also encountered some difficulties in early 2011. These have forced the manufacturer to delay by six months the delivery of the first copy, now scheduled for late 2013.

Jumbo jets

The engine failure on a Qantas A380 at the very end of 2010 could have affected deliveries of the aircraft in 2011, but this has not happened. Airbus even exceeded its goal by delivering 26 aircraft against 24 expected and 18 in 2010. The B747-8, the new version of Boeing's "best seller", experienced more difficulties during its commissioning. However, the U.S. manufacturer successfully delivered the first copy of the freighter version in October. Boeing thus delivered nine large aircraft in 3 months, which is an achievement in itself. The U.S. manufacturer also secured certification of the "passenger" version in December and should thus be able to ensure a first delivery in the first quarter of 2012.

Compared business performance of Airbus and Boeing

For the ninth consecutive year, Airbus is ahead of Boeing in terms of deliveries, and for the fourth consecutive year, in terms of net orders.

With 1,419 net orders recorded in 2011, Airbus has indeed beaten its record of 1,341 net orders from 2007. Boeing is lagging behind, but should have benefit from the Max 737 effect in 2012 and hopes to overtake Airbus that same year.

Given the expected production rates, the order books of these two major customers of LISI AEROSPACE represent between 5 and 8 years of production depending on the model.

Highlights and operational news

Organizational changes
The year was indeed marked by the enormous effort involved in integrating the Creuzet group to form the pole the "Structural components" arm. Meanwhile, the medical division took its independence.

For the "Fasteners" arm, LISI AEROSPACE deployed in 2011 a new production organization at its European plants. Gradually, standalone production units, themselves comprised of standalone production groups, have emerged in the workshops. These changes were intended to empower the operatives in the field, improve internal communication and reduce quality flaws. The autonomy and versatility of the teams which this scheme has developed, have improved responsiveness, team spirit at the workshops, and increased significantly the productivity of the plants. The deployment of these methods will be continued in 2012 throughout the workshops.

Aerospace approvals for the Saint-Brieuc
The plant in Saint-Brieuc, formerly focused on the Racing markets, has strengthened its presence in the aerospace markets not only with major customers such as Pratt & Whitney and Rolls Royce, but also by conducting outsourcing operations for other LISI Group plants. These results confirm the site's diversification in this sector and strengthen the activities for the coming years.

Quality strengthened and stabilized
The efforts undertaken in the past several years have thus improved significantly the performance levels across all of the Group's plants.

Deployment of the Lean and Six Sigma projects continued with a host of training sessions. In this context, "Green Belt" certification of twenty-two people who contribute to improving the performance of their respective entities, enhances the visibility and concrete nature of the industrial excellence initiative undertaken by the Group.

This approach, known as LISIXSIGMA, which integrates the components of the LISI Group's "LEAP" method, will continue in 2012 with the aim to boost the cross-functional projects and to share industrial and administrative best practices. All employees are encouraged to participate in these activities; there again, new training sessions tailored for each individual's level will be initiated in 2012 and will affect the entire organization. The "Structural components" arm is gradually becoming integrated into the group initiative.

Improvement of HSE performance
European plants have almost halved their number of accidents with work stoppage, from 36 in 2010 to 17 in 2011. The Rugby plant remains at the forefront in this field: no accident took place there for over three years. Thus the European TF0, which represents the number of accidents with work stoppage involving a LISI AEROSPACE employee per million hours worked, fell to 5.50 in December, below the 2010 rate. The TF1, which counts the number of accidents with and without work stoppage on the same basis, meanwhile dropped to 12.9. The North American plants have maintained or even improved their excellent performance with a TF0 of 2.22 and a TF1 of 6.22. Overall, the TF0 is below 4.0; the goal of bringing the TF1 below 10 was achieved with 9.7 in December 2011.

Comments on earnings

In € million	2011	2010**	Change
Sales revenue	407.6	281.6	+44.8%
EBIT	49.7	19.0	+161.7%
Operating cash flow	57.0	29.9	+90.9%
Net CAPEX	-25.0	-17.7	+41.9%
Registered employees at period end	4,677	2,988	+56.5%
Full time equivalent head count*	4,141	3,104	+33.4%

* Including temporary employees
**figures do not include the data from LISI MEDICAL.

LISI AEROSPACE's sales revenue reached €408m, up 44.8% and covered the companies Creuzet Aéronautique and Indraero Siren for the last six months of the period. Production stood at €422m, compared to €281m in 2010. The Creuzet arm, specializing in structural components and technical assemblies, contributed nearly €59 million to that revenue and €60 million to production. The growth pace of the Fasteners arm is very strong in Europe under the leadership of Airbus.

Within the scope of the Creuzet group, one should distinguish the components segment, which is fast-growing (+13%), and that of aerostructures element assembly (+7%). The operations acquired from the Creuzet group therefore reach their quantitative goals, which are to meet the ramp-up and the development of new products for customers. The A350, B787 and Leap 56 programs are very important issues for future developments.

As far as fasteners are concerned, demand from Airbus directly represents over 30% of the activity. During the year, the LISI AEROSPACE division won a major contract with Boeing: spanning 2012-2022, it should result in a significant gain in market share for the Group. Other segments, particularly those or regional and business aircraft, remain sluggish, showing no real signs of recovery.

The EBIT displays a very substantial increase (+162%). The near doubling in operating margin to 12.2% compared to 2010, reflects the following changes:

- a strong volume effect, whose improvement is more marked in Europe (€27m) than in the United States (+$11.5m),
- the favorable impact of new lined products (STL®, Ti Nuts, sleeved...) and the rise in production rates. The recovery of orders in Europe has generated nearly €10 million of business in terms of repair bonuses, which represents a strong growth compared to 2010. The contribution margin also increased significantly, thanks to the proper use of installed capacity and the maintenance of trained personnel during the slowdown period. The cost of materials and other production costs have not changed. Therefore, much of the improvement in the overall operating margin is due to productivity gains and to better coverage of fixed costs.
- In addition, the proper operation of sites in terms of productivity and quality has also contributed to this performance.

The Fasteners arm cash flow stood at €52.4m. After €21m of capital expenditures and a €9m increase in working capital, the Free Cash Flow of this arm was definitely positive, at €22.5m. The working capital amounts to 135 days of sales, up 4 days, while inventories represent 130 days of sales.

Investments undertaken by LISI AEROSPACE amounted to €34.4 million, including:

- for the "Fasteners" line of business: the surface treatment line in Torrance ($10.3m), the development of new products in Saint-Ouen-l'Aumône, Villefranche-de-Rouergue and Canada;
- for the "Structural components" line of business: the extension of the building (6,000 m2) in Marmande.

OUTLOOK

LISI AEROSPACE operates in an economic environment that is both mixed and buoyant: while the uncertainties regarding the situation in Europe are likely to urge caution, the developing countries should continue to drive the global growth upward.

Despite a moderate increase in activity, the U.S. still displays a significant growth potential, primarily at Boeing because of the industrial rise of the B787, and at those distributors that have put a final stop to their destocking programs.

Other markets such as regional aircraft and business jets are not expected to recover in the short term.

For new programs, LISI AEROSPACE Fasteners expects no real resumption of the B787 program at this stage, while the A350 represents a significant volume to be delivered in the first half of fiscal 2012. The rise for the current year should be mainly driven by production rate increases. The book to bill ratio is at about 1.07 and orders increased by over €100 million compared to 2010 for the entire division.

The continued growth of sales in 2012 seems therefore assured with the current level of order intake and the visibility the aviation industry seems to offer. In this perspective, LISI AEROSPACE has planned some significant capital expenditures.

A further increase in operating margin is determined by the ability to manage in parallel the progressive end of the constitution of the A350 assembly line, the production of the parts necessary for production ramp-up of older aircraft (A320, A330 and A380) and the ramp up of the Torrance plant (United States) to serve the needs of the large Boeing contract awarded to LISI AEROSPACE and of its new B787 aircraft.

Overall, the North American arm of LISI AEROSPACE is a reservoir of growth and significant increase in profitability as of fiscal 2012.

2.3 LISI AUTOMOTIVE

Economic environment and market assessment

Unexpected resistance of European markets, strong recovery in the USA, continued growth in China

While measures to support the automotive industry ("cash for clunkers") ended in 2010, sales of new vehicles in Europe fared better than expected in early 2011 (-1.4% / 2010). The German market developed strongly throughout the year and finished 2011 with growth of nearly 9% compared to 2010. The French market has limited its decline to 2.1%; markets of Southern Europe were marked by a sharp decline (- 10.9% in Italy, - 17.7% in Spain).

German premium brands are gaining market share against the general brands , which are more exposed to the slowdown in sales of small vehicles. VW has the highest lead with a 7.8% increase in sales in Europe, followed closely by BMW, up 7.7%.

The U.S. market confirmed the recovery that began in 2010, with a surge of nearly 10% of vehicle sales. The Chinese market has remained buoyant, despite the cessation of government incentives to buy smaller displacement vehicles (+5%).

European production driven by exports to China and the United States; LISI AUTOMOTIVE driven by exports to South America and China

Despite the decline in new car sales in Europe, European production of the main customers of LISI AUTOMOTIVE gained 5% in 2011 compared to 2010.

Major players of this growth, the German manufacturers have won market share in Europe, and increased their penetration in both China and the United States.

Volkswagen and BMW have seen their European production grow 14% each in 2011. French manufacturers have not been as successful, but nevertheless limited the decline in their production (-3% for PSA, -2% for Renault SA), despite a sharp decline in domestic sales.

Besides, LISI AUTOMOTIVE's "Fasteners" line of business also benefited from the exports of manufacturers of these critical components to their non-European assembly plants (especially in South America, Russia, and China).

Rise in raw material prices and overheating in Germany

The rise in raw materials costs was strongly felt as of March 2011 with a magnitude certainly lower than in 2008, but nevertheless significant. For the wire alloys used by the "Threaded fasteners" Business Group and the "Mechanical safety components" Business Group, the increase was around 15%. It was more moderate for plastics and flat steel.

The general overheating of the automotive industry, especially in Germany, generated shortages among heat treatment and surface treatment subcontractors.

Highlights and operational news

A year marked by the kickoff and the completion of many structural projects

LISI AUTOMOTIVE adopted a new organization in April 2011. It aligns the "Business Groups" by strategic activity, whereas they were previously organized by geographic area. Thus, three business groups were created:
- "Threaded fasteners" Business Group;
- "Clip fasteners" Business Group;
- "Mechanical safety components" Business Group.

Major structural projects were kicked off:
- Delle II logistics center (Territory of Belfort): creation of a Delle-Dasle-Delle II cluster of industrial skills and construction of a logistics hub (Delle II site) integrating the downstream operations of the Delle and Dasle sites.
- Closure of the Bonneuil-sur-Marne plastic clips site (acquired from Acument in 2010) and transfer of its activities and of some of his staff to Puiseux (creation of Puiseux II and comprehensive redevelopment of the Puiseux plastic injection unit).
- Redevelopment of the Grandvillars site: This project consists of upgrading the Forges site in its entirety (expected completion late 2013) and integrating a new hydrogen annealing furnace, making it the 3rd wire drawing production site in Europe. This support plant will serve all of the "Threaded fasteners" Business Group's European plants as early as 2012.

Efforts granted and ongoing projects have enabled LISI AUTOMOTIVE to enjoy the gratitude of several of its customers:
- award of the status of leading provider to PSA and strategic supplier to Daimler,
- approval of all the French factories by German manufacturers and GM in China.

Comments on earnings

In € million	2011	2010	Change
Sales revenue	446.3	401.3	+11.2%
EBIT	23.5	25.1	-6.1%
Operating cash flow	28.7	42.9	-33.2%
Net CAPEX	-35.6	-29.6	+20.5%
Registered employees at period end	3,312	3,200	+3.5%
Full time equivalent head count*	3,406	3,171	+7.4%

* Including temporary employees.

The year 2011 was marked by the resilience of markets, albeit with a significant destocking at the end of the year among French manufacturers. In this context, LISI AUTOMOTIVE's growth outpaced the market. Order taking for new products was one of the very positive aspects of fiscal 2011 and amounted to €45.2 million on an annualized basis. Sales reached a record high of €446.3 million, up +11.2% and +8.1% on a like-for-like basis compared to 2010. This performance is to be compared with the 1.4% decline in registrations in Europe and 4.9% increase in the production of LISI AUTOMOTIVE's clients.

Restating the effect of a rise in raw materials prices of about 3%, LISI AUTOMOTIVE, thanks to its growth in excess of 8%, has gained market share among German manufacturers and worldwide parts suppliers. Order-taking for new products was also significant in Beijing (24%) and Shanghai (+60%), where the Group has been present since 2008, which augurs well for future growth.

Qualitative indicators such as logistics are also well oriented with respect to all of LISI AUTOMOTIVE's commitments in terms of timeframes and quality, while activity undergoes significant variations. The significant deterioration of operating conditions at year end has affected the level of annual EBITDA, which stood at 8.8% (12.4% in 2010) and operating margin (EBIT) which fell to 5.3 % (6.2% in 2010), below the LISI AUTOMOTIVE standard. The contribution margin was a victim of the rise in the prices of subcontracting, transport, and other external costs, as well as the inflation in raw materials costs (-2.4% impact on margin). Fixed costs were better controlled.

By type of costs, activity-related consumption totaled 42.6% of production (39.4% in 2010), tools underwent a rise due to the development of new products in almost all the sites. Moreover, it was necessary to resort to subcontracting to overcome a number of malfunctions: failure of heat treatment furnaces, heavy maintenance, discontinuation of the surface treatment in Delle, overactivity.

Productivity was affected by the aforementioned exceptional restructuring operations, as well as by overheating in Germany (-€3.5 million impact on EBIT for the Kierspe site) and the sharp decline in demand at year end.

The €20 million increase in payroll compared to 2010 for a production of +€52 million caused the productivity ratio to drop to 126%.

Cash flow amounted to €28.7 million, or 6.4% of sales, compared to €42.9 million in 2010. This sharp decline was due to the release of provisions recorded for the Bonneuil-sur-Marne site and the perturbations induced on the Puiseux site, which amounted to -€7.3 million.

Capital expenditures were significant, with €29.6 million of commitments and the accounting of €35.6 million. Among the major projects, it is important to note the implementation of the hardware plan (presses, rolling machines and heat treatment), the increased capacity in Germany (press), the development of new products, and the extension of Chinese units.

Inventories increased by +€10.1 million mainly in finished products (+€8.1 million), reflecting the sharp slowdown of the last two months of the year. The need for working capital was therefore reduced from 76 days to 68 days, but the variation is negative at -€6.8 million. Accordingly, the Free Cash Flow for the year was negative at -€11.5 million in 2011, while it had been definitely positive in 2010 (+€27.3 million).

OUTLOOK

The prospects for 2012 show no sign of collapse of automobile markets for LISI AUTOMOTIVE's clients. However, the signals received at the beginning of the period are difficult to interpret, which reflects a general lack of visibility regarding the forecasts that manufacturers could give LISI AUTOMOTIVE to help it establish its budget assumptions.

The performance recovery of LISI AUTOMOTIVE will depend essentially on the attitude of the main plant in Germany, the effect of the consolidation of the Bonneuil-sur-Marne and Puiseux sites, and the initial gains from the hardware plan. All measures have been taken for these three areas for improvement to deliver their full effect quickly. Finally, LISI AUTOMOTIVE must take advantage of its favorable competitive positions to impose even more strongly to its major customers the necessary price levels.

The significant capital expenditures incurred, as well as the LAPS (LISI AUTOMOTIVE Production System) program which is currently being deployed at all sites, will allow further progress and improve the consistency of the sites, in order to find a level of operating margin in line with the LISI Group's strategy.

2.4 LISI MEDICAL

Economic environment

Contrasted market growth depending on segments

In 2011, the global market for bone surgery grew by about 4% to $22.4 billion.

This increase is however variable and there are considerable differences from one segment to another. The "reconstruction" market is the most mature and displays a steady increase 1 to 2% per year in value. Assimilated today to elective surgery, the "dental" segment is stagnating because it is strongly related to the erosion of purchasing power in times of crisis in Western countries.

The growth in value of the "spine" segment was less significant than in previous years, due to strong pressure on prices following the policy of health spending cuts in these same Western countries. This market is less mature than the other, rather premium, ones, where one can observe some form of technological standardization.

As for the extremities and traumatology segment, it confirms its dynamism: its growth, at 7%, is mainly due to the reliability of implants (survival rate or improvement of the implantology performances), made possible thanks to the technical improvements offered by a large number of players and now available to most people.

Markets of North America, Europe and Japan currently amount for almost 80% of the total market value, while they represent less than 20% of the world population.

These proportions give a measure of the considerable growth potential of the world market of orthopedics: it should remain one of the fastest growing within the medical devices market, driven by the undeniably positive effects of demographics related to the steady increase of the aging population (over 60). The development of therapeutic solutions with the marketing of more reliable devices that accept a higher level of stress, now allows a widening of the potential target population: the 40 to 60 year-olds. Although the growth of the world population slowed slightly with a forecast rate of 1.1% growth up until 2015, that of the 60+ year olds should be 3.2%, while that of the 40 to 60 year olds should be 1.75%.

These opportunities outside of the three major markets (U.S., Europe and Japan) should generate a high level of activity over the next decade. For their part, the developing countries improve their standard of living and begin to access health treatments and bone surgery.

Until today, the industrial resources for bone implants are concentrated on developed areas where the health environment has reached its technological maturity.

Pressure on prices due to restrictions in health spending, regulatory constraints, the evolution of social policies, combined with the concentration of commercial players (hospitals and suppliers of implants) and technological developments are forcing implant distributors to profoundly rethink their business model.

Market assessment

LISI MEDICAL's positioning as a subcontractor is thereby strengthened.

In this very complex and competitive environment, the players will try to improve their profitability by optimizing their internal resources and outsourcing certain activities such as R&D, logistics, the sales network and, of course, manufacturing.

LISI MEDICAL customers are seeking reliable partners that can adapt quickly to new trends and technologies and can anticipate their evolving needs.

The market for orthopaedic outsourcing remains buoyant and dynamic (estimated at 7% for 2011), driven by outsourcing and the expansion of the end market.

LISI MEDICAL's customers tend to optimize their production costs through the selection of key suppliers that can integrate and control the entire production line.

A majority of players ask their subcontractors to intervene earlier in the lifecycle of the product, offering related services such as co-development, prototyping and porting of regulatory responsibility (EC marking, 510K, etc.).

Highlights and operational news

Differentiation strategy maintained

LISI MEDICAL's ambition is to continue to stand out from competitors by developing new technologies and expanding its offering. The division has established itself as a global entity that integrates the entire production line, from raw material to packaged and sterilized finished products.

LISI MEDICAL covers the entire market with a high added value premium offer and an economically viable solution for generic products targeted at emerging markets (through its Moroccan facility).

By improving its services, its industrial organization and its quality level, LISI MEDICAL strengthens its partnerships with key market players. The latter, which have to conform to increasingly stringent requirements from multiple markets, are looking for partners that can guarantee compliance with these standards.

LISI MEDICAL's ability to master these requirements will also benefit the many very dynamic partners of medium-sized medical companies.

Setting up of a LISI MEDICAL communication initiative

In this perspective, LISI MEDICAL strengthened its external communications in 2011: participation in several trade fairs in Europe, (Sofcot, Efort, Eurospine, AAOS, etc.), publications in the professional media.

Creation of a "projects and sales" structure to expand the "reconstruction" segment

Strengthening the sales and project management team on LISI MEDICAL Orthopaedics' site in Caen, will ensure the continuity of the relationship with the Stryker group, while developing a new customer base.

The objective is to expand the product range to all segments of reconstructive surgery: reconstruction of knees, shoulders and implant instruments.

Sustained investment policy for LISI MEDICAL Orthopaedics

In 2011, the Caen site made significant capital expenditures to the tune of 5.3% of annual sales to develop the "Reconstruction" line of business.

These capital expenditures have helped to internalize processes that were previously outsourced. LISI MEDICAL Orthopaedics has invested in latest generation machining centers that guarantee the technological progression of the various standalone production units (or manufacturing islets). Productivity gains are also expected to maintain the site's competitiveness with the automation of certain manufacturing stages (shaping and polishing for instance). The mastery of processes was also strengthened through the acquisition of image-based control means; the machine capacity for packaging in a controlled environment has also been increased.

Development of lean manufacturing techniques within LISI MEDICAL Fasteners Europe

On its Neyron site, LISI MEDICAL has increased its efforts in terms of industrial organization by initiating several Kaizen projects. In a process of continuous improvement and to support the industrialization of products, a "Methods" department was created.

Various "lean manufacturing" tools were deployed on the site, such as 5S, SMED (Single Minute Exchange of Die), resulting in an organization based on manufacturing islets.

In 2011, the targets in terms of reduction of the internal manufacturing lead times, reduction of work in progress and increase in the versatility of employees, were achieved in the four islets that are operational today.

In 2012, this industrial strategy will create additional islets including in particular the creation of a dedicated unit for implantable plastics to meet the spine market's requirements.

LISI MEDICAL settles in a new building in Tangier (Morocco)
On the 5,000 m² of this new site in the Tangier Free Zone, LISI MEDICAL acquires the necessary infrastructure to support its growth and offer its customers a competitive offering for emerging markets.

This building will also host a manufacturing workshop for LISI AEROSPACE which uses the same technology.

This unique project in the LISI Group opens the way for new synergies between divisions.

Optimization and diversification of LISI MEDICAL Fasteners US
The year 2011 marks the recovery of the North American site whose market share increased sharply with the major players in the industry. Meanwhile the product portfolio has been diversified to limit exposure to fluctuations in the dental market.

Different Kaizen sites (5S SMED) continued and significant efforts were undertaken to improve the flexibility of the production means, the versatility and multiple skills of the teams.

Comments on earnings

In € million	2011	2010**	Change
Sales revenue	74.0	42.7	+73.3%
EBIT	5.5	2.1	+157.7%
Operating cash flow	5.5	5.0	+10.0%
Net CAPEX	-4.2	-2.6	+61.9%
Registered employees at period end	508	483	+5.2%
Full time equivalent head count*	596	338	+76.3%

* Including temporary employees
** LISI MEDICAL Orthopaedics consolidated over four months.

LISI MEDICAL published for the first time in 2011 its results as a division of the LISI Group in its own right. The year 2010 is not comparable as it only included four months of LISI MEDICAL Orthopaedics business activity.

The 16.8% decline of sales revenue on a like-for-like and constant exchange rate basis is due to the cyclical adjustment that continued throughout fiscal 2011. At €74.0m, the sales revenue incorporating 12 months of LISI MEDICAL Orthopaedics activities, ranks the division among the world's leading medical implant outsourcers.

The division's contribution is in line with the Group's average operating profit. However, it is affected by the underperformance of LISI MEDICAL Fasteners (Neyron) and an accounting adjustment related to inventory valuation for €1.8m.

Industrial CAPEX were significant at €4.2 million and mainly focused on LISI MEDICAL Orthopaedics: they concerned in particular the launch of new products and the integration of processes that were previously outsourced. Cash flow and good management of working capital enable to achieve a positive gross operating surplus ("Free Cash Flow") (€4.1m).

OUTLOOK

The market potential and attractiveness of LISI MEDICAL are significant in the demanding market of implant subcontracting. LISI MEDICAL also intends to seize the opportunities created by regulatory changes to impose its strategic differentiation to its customers.

The integration strategy of LISI MEDICAL Orthopaedics should help it win new business and expand its customer base. The division's improved performance is a goal shared by the teams across all sites.

CONSOLIDATED FINANCIAL STATEMENTS

.1 FINANCIAL STATEMENTS

1.1 Income statement

(In €'000)	Notes	31/12/2011	31/12/2010
Pre-tax sales	2.6.1	**925,095**	**776,689**
Changes in stock, finished products and production in progress		25,668	3,699
Total production		950,763	780,388
Other revenues *		14,457	15,395
Total operating revenues		**965,221**	**795,783**
Consumption	2.6.2	(275,698)	(214,169)
Other purchases and external charges	2.6.3	(187,797)	(160,810)
Value added		**501,726**	**420,803**
Taxes and duties **		(7,687)	(6,459)
Personnel expenses (including temporary employees)		(371,952)	(318,679)
EBITDA		**122,087**	**95,665**
Depreciation		(47,718)	(45,798)
Net provisions		2,274	(399)
EBIT		**76,643**	**49,467**
Non-recurring operating expenses	2.6.6	(2,931)	(1,600)
Non-recurring operating revenues	2.6.6	10,645	526
Operating profit		**84,356**	**48,393**
Financing expenses and revenue on cash	2.6.7	**(4,401)**	**(2,517)**
Revenue on cash	2.6.7	*658*	*430*
Financing expenses	2.6.7	*(5,059)*	*(2,947)*
Other interest revenue and expenses	2.6.7	**1,588**	**1,592**
Other financial items	2.6.7	*9,942*	*13,135*
Other interest expenses	2.6.7	*(8,354)*	*(11,543)*
Taxes of which CVAE (Tax on Companies' Added Value)**	2.6.8	(24,270)	(14,704)
Profit (loss) from assets held for sale		805	
Profit (loss) for the period		**58,078**	**32,764**
attributable as company shareholders' equity		58,225	32,924
Interest not granting control over the company		(147)	(161)
Earnings per share (in €):	2.6.9	**5.61**	**3.19**
Diluted earnings per share (in €):	2.6.9	**5.61**	**3.19**

* In order to provide readers of the financial statements with better information and in accordance with international standards, in the 2011 financial statements the Company has continued the classification of revenues related to CIR (Research Tax Credit) as "Other Revenues".

** As at December 31, 2011, in accordance with the CNC (National Accounting Committee) notice of January 14, 2010, the amount of CVAE (Tax on Companies' Added Value) was classified as "Corporate Taxes" (on profits) in the sum of €4.7m.

Statement of overall earnings

(In €'000)	31/12/2011	31/12/2010
Profit (loss) for the period	58,078	32,764
Other elements of overall earnings		
Exchange rate spreads resulting from foreign business	4,008	12,324
Tax charge on other portions of global income		
Other portions of global earnings, after taxes	4,008	12,324
Total overall income for the period	62,086	45,088
attributable as company shareholders' equity	62,275	45,194
Interest not granting control over the company	(189)	(106)

1.2 Statement of financial situation

Assets

(In €'000)	Notes	31/12/2011	31/12/2010
LONG-TERM ASSETS			
Goodwill	2.5.1.1	182,611	152,287
Other intangible assets	2.5.1.1	15,382	17,054
Tangible assets	2.5.1.2	326,872	278,815
Long-term financial assets	2.5.1.4	5,642	5,394
Deferred tax assets	2.5.7	23,596	16,146
Other long-term financial assets	2.5.1.5	24	63
Total long-term assets		**554,127**	**469,759**
SHORT-TERM ASSETS			
Inventories	2.5.2.1	238,879	177,096
Taxes – Claim on the state		915	1,198
Trade and other receivables	2.5.2.2	158,847	126,721
Other short-term financial assets	2.5.2.3	51,883	58,619
Cash and cash equivalents	2.5.2.4	45,675	22,261
Total short-term assets		496,199	385,896
TOTAL ASSETS		**1,050,326**	**855,654**

Total equity and liabilities

(In €'000)	Notes	31/12/2011	31/12/2010
SHAREHOLDERS' EQUITY			
Capital stock	2.5.3.1	21,573	21,573
Additional paid-in capital	2.5.3.2	70,803	70,803
Treasury shares		(15,461)	(15,028)
Consolidated reserves		401,231	379,651
Conversion reserves		1,658	(2,392)
Other income and expenses recorded directly as shareholders' equity		3,025	1,933
Profit (loss) for the period		58,225	32,924
Total shareholders' equity - Group's share	2.5.3	**541,054**	**489,463**
Minority interests		1,458	858
Total shareholders' equity		**542,512**	**490,320**
LONG-TERM LIABILITIES			
Long-term provisions	2.5.4.1	48,177	39,023
Long-term borrowings	2.5.6.1	136,408	72,647
Other long-term liabilities	2.5.5	5,725	5,830
Deferred tax liabilities	2.5.7	38,387	34,859
Total long-term liabilities		**228,697**	**152,359**
SHORT-TERM LIABILITIES			
Short-term provisions	2.5.4.1	14,737	15,232
Short-term borrowings*	2.5.6.1	63,788	25,709
Trade and other accounts payable		194,711	162,440
Taxes due		5,882	9,594
Total short-term liabilities		**279,117**	**212,975**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**1,050,326**	**855,654**
** of which banking facilities*		*29,565*	*7,923*

1.3 Cash flow movement table

(In €'000)	31/12/2011	31/12/2010
OPERATING ACTIVITIES		
Net earnings	**58,078**	**32,764**
Elimination of net charges not affecting cash flows:		
– Depreciation and non-recurrent financial provisions	47,665	43,823
– Changes in deferred taxes	(241)	(694)
– Income on disposals, provisions for liabilities and others	(8,700)	5,249
Gross cash flow margin	**96,801**	**81,142**
Net changes in provisions provided by or used for current operations	(1,503)	(1,669)
Operating cash flow	**95,299**	**79,474**
Income tax expense (revenue)	24,511	15,279
Elimination of net borrowing costs	4,009	2,525
Effect of changes in inventory on cash	(33,562)	(9,870)
Effect of changes in accounts receivable and accounts payable	13,203	23,954
Net cash provided by or used for operations before tax	**103,459**	**111,367**
Taxes paid	(28,138)	(3,453)
Cash provided by or used for operations (A)	**75,321**	**107,914**
INVESTMENT ACTIVITIES		
Acquisition of consolidated companies	(100,000)	(42,026)
Cash acquired	5,569	1,502
Acquisition of tangible and intangible assets	(65,182)	(51,974)
Acquisition of financial assets	(0)	
Change in granted loans and advances	(150)	476
Investment subsidies received		
Dividends received		2
Total cash used for investment activities	**(159,764)**	**(92,016)**
Disposed cash	(6,476)	
Disposal of consolidated companies	31,920	
Disposal of tangible and intangible assets	277	1,359
Disposal of financial assets	22	5
Total cash from disposals	**25,742**	**1,364**
Cash provided by or used for investment activities (B)	**(134,021)**	**(90,653)**
FINANCING ACTIVITIES		
Capital increase		1,404
Net disposal (acquisition) of treasury shares		
Dividends paid to shareholders of the Group	(10,913)	(7,216)
Dividends paid to minority interests of consolidated companies		
Total cash from equity operations	**(10,913)**	**(5,812)**
Issue of long-term loans	87,914	10,912
Issue of short-term loans	229	79
Repayment of long-term loans	(2,062)	(3,436)
Repayment of short-term loans	(18,520)	(20,576)
Net interest expense paid	(4,052)	(2,593)
Total cash from operations on loans and other financial liabilities	**63,509**	**(15,614)**
Cash provided by or used for financing activities (C)	**52,596**	**(21,426)**
Effect of change in foreign exchange rates (D)	122	4,686
Effect of adjustments in treasury shares (D)	1,018	1,434
Changes in net cash (A+B+C+D)	**(4,964)**	**1,954**
Cash at January 1st (E)	72,957	71,003
Cash at year end (A+B+C+D+E)	67,993	72,957
Other short-term financial assets	51,883	58,619
Cash and cash equivalents	45,675	22,261
Short-term banking facilities	(29,565)	(7,923)
Closing cash position	**67,993**	**72,957**

Acquisitions of consolidated companies relate to the acquisition of the companies CREUZET AERONAUTIQUE and INDRAERO SIREN and their subsidiaries.
Disposals of consolidated companies resulted from the sale of LISI COSMETICS.

The long-term loan issues relate mainly to loans taken out to finance the acquisition of the CREUZET AERONAUTIQUE Group.
The underlying constituent of “Other current financial assets” may have maturities greater than three months but their availability can be achieved at any time and they do not pose a risk at the change in value.

1.4 Statement of shareholders’ equity

(In €’000)	Capital stock	Capital-linked premiums (note 7.3)	Treasury shares	Consolidated reserves	Conversion reserves	Other income and expenses recorded directly as shareholders’ equity	Profit for the period, group share	Group’s share of shareholders’ equity	Minority interests	Total shareholders’ equity
Shareholders’ equity at January 1, 2010	**21,508**	**69,853**	**(16,264)**	**378,745**	**(14,662)**	**2,159**	**9,422**	**450,764**	**(125)**	**450,639**
Profit (loss) for the period N (a)							32,924	32,924	(161)	32,763
Translation differential (b)					12,270			12,270	54	12,324
Payments in shares (c)				789		232		1,021		1,021
Capital increase	65	950						1,015	389	1,404
Restatements of treasury shares (d)			1,236			627		1,864		1,864
Appropriation of N-1 earnings				9,422			(9,422)			
Various *						(1,086)		(1,086)		(1,086)
Change in scope										
Dividends distributed				(7,216)				(7,216)		(7,216)
Reclassification			(174)	(527)				(701)	701	
Impact of deferred tax liabilities relative to CVAE (Tax on Companies’ Added Value) (e)**				(1,391)				(1,391)		(1,391)
Shareholders’ equity at December 31, 2010	**21,573**	**70,803**	**(15,202)**	**379,825**	**(2,392)**	**1,933**	**32,924**	**489,463**	**858**	**490,320**
including total revenues and expenses posted for the period (a) + (b) + (c) + (d) + (e)				789	12,270	859	32,924	46,843		
Profit (loss) for the period N (a)							58,225	58,225	(147)	58,078
Translation differential (b)					4,050			4,050	(42)	4,008
Payments in shares (c)						979		979		979
Capital increase										
Restatements of treasury shares (d)			(259)			113		(146)		(146)
Appropriation of N-1 earnings				32,924			(32,924)			
Change in methods ***				(1,428)				(1,428)		(1,428)
Change in scope ****									789	789
Dividends distributed				(10,913)				(10,913)		(10,913)
Restatements of financial instruments (f) *****				1,277				1,277		1,277
Various (e)				(454)				(454)		(454)
Shareholders’ equity at December 31, 2011	**21,573**	**70,803**	**(15,461)**	**401,231**	**1,658**	**3,025**	**58,225**	**541,054**	**1,458**	**542,512**
including total revenues and expenses posted for the period (a) + (b) + (c) + (d) + (e)					**4,050**	**1,092**	**58,225**	**63,367**		

* This impact largely matches the calculation of the provisions for long-service medals of €1,706k.
** Impact of carried forward deferred tax Liabilities as determined by the accounting treatment of CVAE (Tax on Companies’ Added Value) on corporate tax in 2010.
*** This impact of €-1,428k corresponds to the change in method of stock valuation in the LISI AUTOMOTIVE.
**** This impact of €789k concerns the minority interests of LISI AEROSPACE CREUZET POLSKA 70% owned by CREUZET AERONAUTICS, acquired in 2011.
***** This impact of €1,277k corresponds to the valuation of foreign currency hedging instruments.

.2 NOTES

2.1 Group activity and key highlights of the year

The company LISI S.A. (hereinafter "the Company"), is a limited-liability corporation in French law, listed on the Paris stock exchange, whose head office is at the following address: "Le Millenium, 18 rue Albert Camus, BP 431, 90008 BELFORT cedex".

The Group's consolidated accounts for the fiscal year ended December 31, 2011 include the Company, its subsidiaries and affiliates (which are together referred to as "the Group").

The LISI Group's main business activity is the manufacturing of multifunctional fasteners and assembly components for three business sectors: aerospace, automotive, and medical. Through its subsidiary LISI MEDICAL, the LISI Group has also been present since 2007 in the outsourcing of medical implants targeted at groups that develop medical solutions. As of January 1, 2011, that division represented a segment per se in the sense of IFRS 8.

The highlights of the financial year are as follows:
Sale of 100% of the shares and voting rights of LISI COSMETICS to the POCHET group through its subsidiary Qualipac. The latter had achieved a turnover of €52.8m in 2010.

Acquisition of 100% of the shares of Creuzet Aéronautique and Indraero Siren and their respective subsidiaries Creuzet Polska, Creuzet Morocco and Indraéro Morocco:
– On July 22, 2011, the LISI Group confirmed its strategy of becoming an aerospace equipment manufacturer specializing in assembly components. The acquisition of both companies was conducted through LISI AEROSPACE CREUZET, a wholly-owned subsidiary of LISI AEROSPACE. With about 1,500 people, these companies generated a turnover of €107 million in 2010.

2.2 Rules and accounting methods

The financial statements for year ending December 31, 2011 were approved by the Board of Directors on February 15, 2012 and will be submitted to the mixed General Meeting on April 26, 2012.

2.2.1 Background to the preparation of the consolidated financial statements for the 2011 financial year

In accordance with EU regulation 1606/2002 dated July 19, 2002, the LISI Group's consolidated financial statements have been prepared in line with IAS/IFRS international accounting standards as adopted by the European Union on December 2011.

2.2.2 Basis for the preparation of the financial statements

Financial statements are given in thousands of euros, except where otherwise indicated.

They are prepared on the basis of historical costs, with the exception of the following assets and liabilities which have been evaluated at their fair value: financial derivatives, financial instruments held for trading purposes or classified as held for sale, liabilities from cash-settled share-based payment transactions.

Non-current assets held for sale are evaluated at the lower of their book value and the fair value less costs of disposal.

According to IFRS standards, certain accounting options involve taking positions based on judgment of assumptions that have an impact on the amounts of assets or liabilities, income or expenses, particularly regarding the following elements:
– durations of depreciation of fixed assets(notes 2.2.7.2 et 2.2.8.4),
– evaluations retained for impairment tests (note 2.2.8.5),
– evaluation of pension provisions and obligations (notes 2.2.14 and 2.2.15.1),
– valuation of financial assets at fair market value (notes 2.2.6, 2.2.8.6, 2.2.11 and 2.2.12),
– valuation of payments in equities (note 2.2.15.2),
– recognition of deferred tax assets (note 2.2.19.5).

These judgments and assumptions take into account the specific risks of the sectors concerned by LISI's activities, as well as general risks related to the economic context. The current period being characterized by greater volatility, the visibility is limited. Consequently, the forecasts used as a basis for such judgment and assumptions may differ from actual future achievements.

Management continuously reviews its estimates and assessments based upon past experience and on factors considered reasonable that form the basis of its assessment for the book values of assets and liabilities. The impact of changes to accounting estimates is recognized during the period of change only where it affects this period or during the period of change and successive periods if these are also impacted by the change.

The decisions made by the management regarding IFRS standards having a significant impact on the financial statements and estimates presenting a major risk of variation over subsequent periods mainly concern provisions (notes 2.2.14 and 2.5.4), deferred tax assets (note 2.5.7) and impairment tests on assets (notes 2.2.8.5 and 2.5.1.1). Calculations for staff retirement provision and valuation tests are based on valuation assumptions, the sensitivity of which can affect costs recognized as provisions in the accounts. These assumptions are broken down by division on the basis of information drawn from independent experts (actuaries, etc.).

Accounting treatment of the CVAE (Tax on Companies' Added Value)

Following the release of the National Accounting Council of January 14, 2010, the Group decided to qualify the CVAE (contribution of the Added Value of Businesses) as income tax that would fall within the scope of IAS 12. This decision is based on an opinion of the IFRIC issued in 2006 stating that the term "taxable profit" implies a notion of net rather than gross amount without it being necessarily identical to the accounting result. Moreover, this choice ensures consistency with the accounting treatment applied to similar taxes in other foreign countries.

Correlatively, the deferred tax was recorded as at January 1, 2010, for a net amount of €1.4m taken on the shareholders' equity of the Group. This stock deferred tax is included as the depreciation of fixed assets included in the calculation is recorded to the accounts. As at December 31, 2011 the balance of net deferred tax concerned stood at €0.8 million.

Treatment of the research tax credit

Revenues related to the research tax credit are classified in the income statement under "other products".

2.2.3 Consolidation principles

A subsidiary is an entity controlled by its parent company. Control exists when the Group is able to direct the financial and operating policies of the entity (either directly or indirectly) in order to obtain benefits from its activities. The list of consolidated companies is provided in Note 2.3.3. As at December 31, 2011, ANKIT Fasteners is consolidated via the proportional integration method. All the other companies are included in the consolidation scope in accordance with the full consolidation method.

2.2.4 Transactions excluded from the consolidated financial statements

Balance sheet balances, unrealized profits and losses, and income and costs arising from intra-group transactions have been excluded in preparing the consolidated financial statements.
Unrealized losses have been excluded in the same way as unrealized profits, on condition that they do not represent a loss of value.

2.2.5 Conversion methods for items in foreign currency

2.2.5.1 Transaction in foreign currency

Transactions in foreign currencies are recorded in the books in the operating currency at the rate of exchange at date of transaction. At year-end, assets and liabilities recorded in foreign currencies are converted into the operating currency at the rate of exchange at year-end. Exchange rate differences arising from conversions are recognized in income or expenses, with the exception of differences from foreign currency loans that are a hedge on a net investment in a foreign entity, which are recognized in the conversion reserve as a distinct element of shareholders' equity. They appear on the income statement upon the exit of that business.

2.2.5.2 Translating financial statements of consolidated subsidiaries and joint ventures

The financial statements of subsidiaries and affiliates whose operating currency is not the euro have been converted at rates in effect at the close of the period reported for the balance sheet and at the mean rate of exchange for the earnings and cash flow statements. Exchange rate differences arising from conversions appear in the conversion reserve, as a distinct element of shareholders' equity.

2.2.6 Financial instruments

2.2.6.1 Non-derivative financial instruments

Non-derivative financial instruments include investments in equity instruments and debt securities, trade and other receivables, cash and cash equivalents, loans and debts, and trade and other payables. Non-derivative financial instruments are recognized in the accounts as indicated in the specific notes below: 2.2.8.6, 2.2.10, 2.2.11, 2.2.12, 2.2.16 and 2.2.17.

2.2.6.2 Financial derivatives

The Group makes very seldom use of derivatives to hedge its exposure to currency risks, and more occasionally, interest rate and raw material price fluctuation risks that result from its operating, financial and investment activities. In accordance with its cash management policy, LISI S.A. neither holds nor issues derivatives for trading purposes.

However, derivatives that do not meet the hedge criteria are valued and recorded at fair value by earnings. The profit or loss arising from the re-evaluation at fair value is immediately posted to the income statement.

When a derivative is designated as a hedge for cash flow variations of a recognized asset or liability, or of a highly probable, expected transaction, the effective share of change in fair value of the derivative is recognized directly in shareholders' equity. Accumulated, associated profits or losses are taken out of shareholders' equity and included in the income statement of the period(s) during which the covered transaction affects the profit or loss.

2.2.7 Intangible assets

2.2.7.1 Goodwill

In line with IFRS 3, business combinations are recognized in the accounts using the acquisition method. This method requires that at the first consolidation of any entity over which the Group has direct or indirect control, the assets and liabilities acquired (and any potential liabilities assumed) should be recognized at their acquisition-date fair value. At this point, goodwill is valued at cost, which equates to the difference between the cost of the business combination and LISI's stake in the fair value of the assets and identifiable liabilities.

For acquisitions prior to January 1, 2004, goodwill remains at its presumed cost, *i.e.* the net amount recognized in the accounts under the previous accounting framework, less depreciation.

For acquisitions after this date, goodwill is valued at cost, minus the cumulative loss in value. It is allocated to cash-generating units or groups of cash-generating units and is not amortized; instead, it is subject to an impairment test at least once a year following the method described in paragraph 2.2.8.5.
If the goodwill is negative, it is recognized directly as a profit in the income statement.

2.2.7.2 Research and Development

Research costs incurred in order to develop scientific knowledge and understanding, or to learn new techniques, are recognized as an expense when they are incurred.

Under the IFRS framework, development costs (*i.e.*, costs incurred by applying the results of research to a plan or model in order to develop new or substantially improved products and processes) are recorded as fixed assets if the Group can demonstrate that future economic benefits are probable. The LISI Group's development costs primarily relate mainly to products which are being developed through very close collaboration with clients, rather than to improvements in processes.

Due to the nature of the LISI Group's research and development costs, most such costs do not meet the criteria for capitalization as intangible fixed assets; they are therefore recorded as expenses. The Group carries out regular assessments of major projects in order to identify any costs which could be capitalized.

2.2.7.3 Other intangible assets

Concessions, trademarks and software programs are recognized at historic cost and are subject to a depreciation plan. Intangible fixed assets acquired through a business combination are recognized at their acquisition-date fair value. Intangible fixed assets with finite useful lives are subject to depreciation over this period, while intangible fixed assets with indefinite useful lives are subject to an impairment test for every new balance sheet.
Subsequent expenditure relating to an intangible fixed asset is only capitalized if it increases the future economic benefits that are attributable to the specific asset in question. Other expenditure is recognized as an expense when incurred.

Depreciation is recognized as an expense using the straight-line method over the estimated useful life of the intangible fixed assets, unless the useful life cannot be estimated.

Standard estimated useful lives are as follows:
Trademarks: 10 – 20 years
Software programs: 1 – 5 years

2.2.8 Tangible assets

2.2.8.1 Assets owned by the LISI Group

Tangible fixed assets are recorded at diminished cost with accumulated depreciations and impairments. The cost of an asset produced by the Group for itself includes the costs of raw materials, direct manpower, and an estimate, if applicable, of costs related to the removal and dismantling of the asset and the repair of the site at which it is located, along with an appropriate share of the general production costs.

When the components of tangible fixed assets have different useful lives, they are recorded as separate tangible fixed assets, as per the components method.

2.2.8.2 Assets funded through finance leases

Leases which transfer virtually all the risks and benefits relating to the ownership of an asset to the Group are classed as finance leases. Assets funded through finance leases are recognized in the assets side of the balance sheet at the fair value of the goods leased, or the present value of the minimum lease payments if this is lower. These assets are depreciated over the same period as goods of the same type which are owned outright. The corresponding debt is entered on the liabilities side of the balance sheet.

2.2.8.3 Subsequent expenditure

When calculating the book value of a tangible fixed asset, the Group recognizes the cost of replacing a component of this tangible fixed asset at the time when the cost is incurred, if it is likely that future economic benefits associated with this asset will flow to the Group and the cost can be reliably estimated. All ongoing servicing and maintenance costs are recognized as an expense when they are incurred.

2.2.8.4 Depreciation

Depreciation is recognized as an expense using the straight-line method over the estimated useful life for each component of a tangible fixed asset.

Land is not depreciated.

Estimated useful lives are as follows:
- buildings: 20 – 40 years
- plant and machinery: 10 – 15 years
- fixtures and fittings: 5 – 15 years
- transport equipment: 5 years
- equipment and tools: 10 years
- office equipment: 5 years
- office furniture: 10 years
- IT hardware: 3 years

2.2.8.5 Impairment of assets

Goodwill and intangible fixed assets of indefinite life-span are submitted to a depreciation test at each annual close (see note 2.2.7.2) and each time events or market-changing modifications indicate a risk of impairment. Other intangible assets fixed and tangible fixed assets are also subject to such a test at any time when there is a risk of loss of value.

The method used involves comparing the recoverable value of each of the Group's cash-generating units with the net book value of the corresponding assets (including the goodwill).

The recoverable value is calculated for each asset individually, unless the asset under consideration does not generate cash inflows independently of the cash inflows generated by other assets or groups of assets. In some cases, the recoverable value is calculated for a group of assets.

Recoverable value is defined as: whichever is the higher out of the realizable value (less the costs of disposal) and the value in use. The latter is calculated by discounting future cash flows, using predicted cash flows which are consistent with the most recent budget and business plan approved by the Executive Committee and presented to the Board of Directors. The discount rate applied reflects the market's current assessment of the time value of money and the risks specific to the asset or the group of assets.

The realizable value is defined as the sum which could be obtained by selling the asset or group of assets in conditions of normal competition where all parties are fully informed and consenting, less the costs of disposal. These figures are calculated from market values (comparison with similar listed companies, value of recent deals and stock prices) or failing that, from discounted future cash flows.

If the recoverable value is lower than the net book value for the asset or group of assets tested, the discrepancy is recognized as a loss of value. In the case of a group of assets, it should preferably be classified as a reduction in goodwill.

Losses of value recognized under Goodwill are irreversible.

For the definition of Cash-Generating Units, the Group has retained the strategic combination for Business Units (B.U.) corresponding to the strategic segmenting and the reporting structure of the LISI Group.

The LISI AEROSPACE division is split into 7 CGUs:
- Europe B.U.,
- USA B.U,
- Specialty Fasteners B.U.,
- Engines and critical parts Europe B.U.,
- Engines and critical parts North America B.U.,
- Aerostructure and Aircraft equipment B.U.,
- Engineered components B.U.

The LISI AUTOMOTIVE division is split into 3 CGUs:
- Threaded fasteners B.U.,
- Mechanical components B.U.,
- Clipped solutions B.U.

The LISI MEDICAL division is composed of a single CGU.

2.2.8.6 Long-term financial assets

This item is mainly comprised of capitalization contracts. It also includes non-consolidated holdings. These are investments in unlisted companies, for which fair value cannot be reliably estimated. As a last resort, the Group values financial assets at their historic cost less any potential loss of value, when no reliable fair value estimate is possible through an evaluation technique, in the absence of an active market.

2.2.9 Inventories

Stock is valued at whichever is the lower out of cost and net realizable value.

The cost of materials and merchandise is calculated from their acquisition cost plus the costs incurred to bring them to their current location in their current condition. Finished products and work in progress are valued at actual production cost over the period, including an appropriate portion of general costs based on normal production capacity.

The net realizable value equates to the estimated sales price in the normal course of business, less the estimated cost of completion and estimated costs necessary to make the sale.

Inventories are impaired when their net realization value is less than their cost of production, when they are damaged, obsolete, as well as each time there is a risk that they might not be disposed of under normal conditions, or when there is a risk that they will be disposed of over a period that is longer than what is generally accepted.

2.2.10 Trade and other receivables

Trade receivables, loans and advances are recorded to the balance sheet at their initial value. In the event of risk of non-recovery, impairment is fixed on a case-by-case basis using the probable collection flows; this risk takes the age of the transaction into consideration.

2.2.11 Other short-term financial assets

Other short-term financial assets include marketable securities and deposit certificates held by the Group. At each year-end, these financial assets are recognized at fair value and offset against the income statement.

2.2.12 Cash and cash equivalents

Cash and cash equivalents include current bank accounts, cash in hand and on-call deposits. Adjustments of value are recognized in the income statement.

2.2.13 Share capital

2.2.13.1 Treasury shares

The Group implements a policy of buying back its own shares, in accordance with authorizations provided by the Shareholders' General Meeting to the Board of Directors. The main purposes of the share buyback program are:
- to increase the activity of the stock on the market by an Investment Services Provider via a liquidity contract in accordance with the AFEI professional code of ethics recognized by the AMF (the French stock markets authority),
- to grant stock options or free shares to employees and corporate officers of the company and/or its consolidated Group,

– to keep and use shares as consideration or payment for potential future acquisitions,
– to cancel shares purchased, subject to the approval of the Shareholders' Extraordinary Meeting to be called at a later date.

Repurchased shares are classified as treasury shares and deducted from shareholders' equity.

2.2.13.2 Remunerations in shares (stocks options and conditional award of so-called performance shares)

Refer to note 2.2.15 "Personnel benefits".

2.2.14 Provisions

A provision is recognized on the balance sheet if the Group has a current, legal commitment or an implicit one arising from a past event and for which it is probable that there will need to be an outflow of resources that represent economic advantages in order to eliminate the commitment. They are measured at the estimated payment amount. If the effect of capitalizing provisions is not significant, capitalization is not carried out.

2.2.14.1 Long-term provisions

Long-term provisions are provisions not directly related to the operating cycle, whose due date is generally within more than one year. They also comprise provisions for environmental risks and provisions for retirement.

2.2.14.2 Short-term provisions

Short-term provisions cover the provisions directly related to the operating cycle of each division, regardless of their estimated due dates. Provisions for legal disputes concern mainly disputes with customers, subcontractors, and suppliers. Provisions for other current risks are mainly comprised of provisions for late penalties, provisions for layoffs, and other operating risks.

2.2.15 Personnel benefits

2.2.15.1 Personnel commitments

In accordance with the laws and practices of each country in which the Group operates, it offers its employees and former employees, subject to certain conditions of service, the payment of pensions or compensation on retirement. Such benefits can be paid as part of defined contributions plans or defined benefits plans.

Contributions in defined contributions plans are recognized as expenses for the period in which they are incurred.

In respect of defined benefits plans, the Group's commitments to its staff are determined by independent actuaries using the Projected Unit Credit Method in accordance with IAS 19. This method takes into account in particular the probability of keeping staff within the Group until retirement age, future remuneration developments and a discount rate.

Such plans can be financed by investments in various instruments, such as insurance policies, shares or bonds, to the exclusion of debt instruments or shareholders' equity issued by the Group.

The requirements of IFRIC 14 do not fall within the scope of adjustments to be applied by the Group.

Actuarial profits and losses are posted to the income statement in accordance with the "corridor" method: the amount recognized in expenses (income) for the period is equal to the deferred, actuarial losses (profits) on the balance sheet that exceed 10% of the value of the commitment or the fair value of the plan's assets, if it is higher, divided by the average, remaining length of service of current employees.
The excess or shortfall of the fair value of the assets *vis-à-vis* the discounted value of the commitments is recognized as an asset or liability to the balance sheet, following deduction of deferred actuarial differences to the balance sheet as well as the cost of past services that have not yet been recognized. However, excess assets are only recognized on the balance sheet if they represent a future economic advantage for the Group.

The LISI Group has no plan opened relating to defined-contribution schemes.

2.2.15.2 Share-based payments

The Group has implemented plans for the share-purchase options and a plan for awarding shares as a bonus conditional on performance, for certain employees and directors, whose objective is to create additional incentive to improve the performance of the Group. As part of this scheme, certain employees and managers of foreign subsidiaries will benefit from these same advantages, but will receive their remuneration in the form of a bonus payment.

The award of share purchase options and the award of shares based on performance do represent a benefit available to such associates, and thus constitute a supplement to their remuneration. The options granted are recognized as personnel expenses based on the fair value of the shares or equity derivatives assigned, on the date of implementation of these plans throughout the vesting period of these options.

In the case of plans for share-purchase options and bonus shares based on performance, these benefits correspond to the fair market value of the instruments awarded, and are valued using a binomial model.
As regards bonus commitments, these are recorded as social liabilities at their fair value at year-end.

This remuneration paid in LISI shares or stock options is recognized:
– over a period of 4 years from award date, in accordance with the regulation governing stock option plans;
– over a period of 2 years from the date of award, in accordance with the regulations governing performance stock schemes.

A share purchase plan (Group Savings Plan) is also available for Group employees, in which they may purchase LISI shares within the framework of a capital increase reserved for employees or as part of a share buyback program. Shares acquired by employees within the framework of these programs are subject to certain sale and transfer restrictions. In the case of capital increases reserved for employees as part of the Group Savings Plan, the benefit offered to employees is the discount on the subscription price, being the difference between the subscription price of the shares and the share price at the award date (with a maximum of 20% in accordance with French law). This expense is recognized in its entirety at subscription date in the case of the Group Savings Plan.

2.2.16 Debts

Interest-bearing loans are initially recognized at their fair value less costs attributable to the transaction. They are then measured at depreciated cost; the difference between the cost and the repayment value is recognized in the income statement for the period of the loans, in accordance with the effective rate of interest method.

2.2.17 Trade and other accounts payable

Trade and other accounts payable are valued at fair value at first recognition, and then at depreciated cost. When the maturity of such financial assets is short, the sums obtained from applying this method are very close to the nominal value of the payables, which is then the value employed.

2.2.18 Definition of the concepts "current" and "non current" in the balance sheet

Assets and liabilities whose maturity is less than the operating cycle, which is generally 12 months, are classified as current assets and liabilities. If maturity is later than this, they are classified as non-current assets and liabilities.

2.2.19 Overview of the income statement

The Group has opted to continue showing the following totals, which are not strictly accounting ones, and whose definitions are as follows:

- Current Gross Operating Profit (EBITDA) includes added value, administrative and sales expenses, costs of pensions including contributions to provisions for pension commitments and the cost of remuneration in shares. It does not include other contributions and write-offs from depreciation and provisions.
- Current Operating Profit (EBIT) includes Current Gross Operating Profit (EBITDA) as well as other contributions and write-offs to depreciation and provisions.
- Operating Profit includes EBIT, other non-recurring operating income and expenses. These non-recurring items are strictly defined as income and expenses resulting from events or transactions that are clearly distinct from the company's ordinary activities, and that are not expected to reoccur on a regular basis, owing to:
  - their unusual nature and
  - their random occurrence, such as expenses or compensation received for losses, costs resulting from shutdowns, restructurings, or site relocations, goodwill amortization, and capital gains and losses on the sale of non-operating, tangible and intangible assets.

2.2.19.1 Sale of goods and provision of services

Income from the sale of goods is recognized in the income statement when the significant risks and advantages inherent in ownership of the goods have been transferred to the buyer.

Sales revenues are shown after deduction of discounts. Sums from royalties, patent fees and use of trademarks are posted to sales revenues.

2.2.19.2 Payments for operating lease contracts

Payments for operating leases are recognized as expenses on a straight-line basis over the period of the lease.

2.2.19.3 Payments for finance lease contracts

The minimum payments for finance leases, as described in paragraph 2.2.8.2, are broken down into financial charges and debt repayment. The financial charge is applied for each period covered by the lease so as to have a constant, periodic interest rate to apply to the declining balance.

2.2.19.4 Cost of finance and other financial charges and income

The cost of finance includes:

- interest charges on loans calculated using the effective interest rate method;
- interest charges included in payments made for a finance lease and calculated using the effective interest rate method,
- interest income generated from short-term investments;
- variations in fair value of financial instruments;
- income from dividends of non-consolidated companies is recognized in the income statement when the Group becomes entitled to receive payments, *i.e.*, in the case of quoted securities, on the coupon date.

Other financial income and expenses mainly include exchange profits and losses.

2.2.19.5 Income tax

Corporate income tax (debit or credit) includes the tax to pay (the tax credit) in respect of each financial year and the amount of deferred taxation to pay (credit). The tax is recognized as income, except if it relates to items that are directly recognized as equity; in which case it is recognized as equity.

Deferred taxation is calculated using the variable carry forward method for all timing differences at year-end between taxable and accounting values of assets and liabilities on the consolidated balance sheet. Fiscally non-deductible goodwill does not give rise to a declaration of deferred tax.

Deferred tax assets are only recognized if their recovery is probable. Deferred tax debits and credits are measured at the tax rates that will be applicable when the timing differences are settled.

The examination of the recoverability of brought forward losses is subject to particular scrutiny and shall only be recoverable if the subsidiary in question or its consolidation scope makes profits in the near future.

Regarding French companies, pursuant to the removal of the professional tax and its replacement by the CET and CVAE as of 2010, the Group has decided to consider the CVAE in the context of the IAS 12 standard. This decision will thus lead to the posting of this tax as "Taxes" in the income statement.

2.2.19.6 Earnings per share

Net earnings per share (before dilution) are calculated on the ratio between the net profit for the period and the weighted number of shares in circulation during the period, after deduction of shares held by the Group (treasury shares). Net diluted earnings per share are calculated by including financial instruments that provide deferred access to the Group's capital (stock options, share warrants).

Treasury shares are deducted from the weighted average number of shares in circulation, which acts as a basis on which to calculate the net earnings per share (before and after dilution).

2.2.20 Cash flow statement

The Group has opted to present its consolidated cash flow statement in accordance with the IFRS model.

2.2.21 Segment information

The LISI Group presents its segment information in accordance with the criteria defined by IFRS 8.
A segment is a distinct component of the Group that is involved either in the supply of related products or services (business segment), being the supply of products or services in a particular economic context (geographical area) and that is exposed to different risks and profitability than other segments.

The Group's activities in 2011 are spread over three business segments, in which the three divisions operate:
– The LISI AEROSPACE Division, which brings together all activities in the aerospace market,
– The LISI AUTOMOTIVE division brings together all activities in the automotive market,
– The LISI MEDICAL division which, since 2011, has been representing a segment per se, brings together the activities for the medical market.

Other activities mainly include the activities of the Group's main company.

2.3 Consolidation perimeter

2.3.1 Changes in the consolidation scope in the financial year 2011

The major scope changes are the following:

Acquisitions in the LISI AEROSPACE division

Companies	Type of change	Date of transaction	Date of 1st consolidation
CREUZET AERONAUTIQUE	Acquisition of 100% of equity interests	07/22/2011	07/01/2011
INDRAERO SIREN	Acquisition of 100% of equity interests	07/22/2011	07/01/2011

Disposal of LISI COSMETICS

Company	Type of change	Date of transaction	Date of deconsolidation
LISI COSMETICS	Disposal of 100% of equity interests	04/06/2011	01/01/2011

2.3.2 Impact on Group indicators of changes in scope that occurred in 2011

Newly-consolidated company	CREUZET AERONAUTIQUE	% impact on the Group's indicators
Sales revenue H2 2011	€35.1m	3.79
EBIT H2 2011	€2.8m	3.68
Newly-consolidated company	**INDRAERO SIREN**	**% impact on the Group's indicators**
Sales revenue H2 2011	€27.1m	2.93
EBIT H 2 2011	€-0.3m	- 0.45
Exiting company	**LISI COSMETICS**	**% impact on the Group's indicators**
Sales revenues 2010	€52.8m	5.71
EBIT 2010	€3.8m	5

Changes in scope are included in the thresholds recommended by the supervision authorities. We have not established any proforma statements.

2.3.3 Consolidation scope at year end

Companies	Head Office	Country	% of control	% interests
Holding company				
LISI S.A.	Belfort (90)	France	Parent company	
LISI AEROSPACE				
LISI AEROSPACE	Paris 12e (75)	France	100.00	100.00
BLANC AERO INDUSTRIES (BAI)	Paris 12e (75)	France	100.00	100.00
BAI Gmbh	Hamburg	Germany	100.00	100.00
FT BESTAS	Izmir	Turkey	100.00	100.00
BLANC AERO TECHNOLOGIES (BAT)	Paris 12e (75)	France	100.00	100.00
BAI Spain	Madrid	Spain	100.00	100.00
HI-SHEAR CORPORATION (HSC)	Torrance (California)	USA	100.00	100.00
MONADNOCK	City of Industry (California)	USA	100.00	100.00
BAI UK	Rugby	UK	100.00	100.00
A1	Paramount (California)	USA	100.00	100.00
LISI AEROSPACE NORTH AMERICA	Torrance (California)	USA	100.00	100.00
HI-SHEAR Holdings LLC	Torrance (California)	USA	100.00	100.00
LISI AEROSPACE Canada	Dorval	Canada	100.00	100.00
LISI AEROSPACE India Pvt Ltd	Bangalore	India	100.00	100.00
ANKIT Fasteners Pvt Ltd	Bangalore	India	49.06	49.06
LISI AEROSPACE CREUZET	Paris 12e (75)	France	100.00	100.00
CREUZET AERONAUTIQUE	Marmande (47)	France	100.00	100.00
INDRAERO SIREN	Argenton/Creuse (36)	France	100.00	100.00
CREUZET Morocco	Casablanca	Morocco	100.00	100.00
INDRAERO Morocco	Casablanca	Morocco	100.00	100.00
CREUZET Poland	Sedziszow Malopolski	Poland	70.00	70.00
LISI AUTOMOTIVE				
LISI AUTOMOTIVE	Delle (90)	France	100.00	100.00
SOCIETE NOUVELLE BONNEUIL	Delle (90)	France	100.00	100.00
LISI AUTOMOTIVE Nomel	La Ferté Fresnel (61)	France	100.00	100.00
Lisi Automotive FORMER	Delle (90)	France	100.00	100.00
LISI AUTOMOTIVE Mohr und Friedrich	Vöhrenbach	Germany	100.00	100.00
LISI Automotive Rapid	Puiseux Pontoise (95)	France	100.00	100.00
LISI AUTOMOTIVE Mecano	Heidelberg	Germany	100.00	100.00
LISI AUTOMOTIVE KKP GmbH	Mellrichstadt	Germany	100.00	100.00
LISI AUTOMOTIVE KKP GmbH & CO KG	Mellrichstadt	Germany	100.00	100.00
LISI AUTOMOTIVE Beijing	Beijing	China	100.00	100.00
LISI AUTOMOTIVE Form a.s	Brno	Czech Republic	100.00	100.00
LISI AUTOMOTIVE India	Ahmedabad	India	100.00	100.00
LISI JIEHUA AUTOMOTIVE Co. Ltd	Hong Kong	Hong Kong	100.00	75.00
LISI AUTOMOTIVE SHANGHAI Co. Ltd	Shanghai	China	100.00	75.00
Knipping Verbindungstechnik GmbH	Kierspe	Germany	100.00	100.00
KNIPPING Umformtechnik GmbH	Herscheid	Germany	100.00	100.00
BETEO GmbH	Gummersbach	Germany	100.00	100.00
BETEO GmbH & CO KG	Gummersbach	Germany	100.00	100.00
KNIPPING Espana S.A.	Madrid	Spain	100.00	100.00
KNIPPING Ltd	Solihull	UK	100.00	100.00

Companies	Head Office	Country	% of control	% interests
LISI MEDICAL Division				
LISI MEDICAL JEROPA INC.	Escondido (California)	USA	100.00	100.00
LISI MEDICAL	Neyron (01)	France	100.00	100.00
SEIGNOL / HUGUENY	Neyron (01)	France	100.00	100.00
LIXUS Industrie	Tangiers	Morocco	100.00	100.00
LISI MEDICAL Orthopaedics	Hérouville Saint-Clair (14)	France	100.00	100.00

The following company was deconsolidated:
As at January 1, 2011: LISI COSMETICS following its sale to the Pochet Group on April 6, 2011.

The following companies were newly-consolidated:

July 1, 2011: CREUZET AERONAUTIQUE
INDRAERO SIREN
CREUZET Morocco
INDRAERO Morocco
CREUZET Poland, pursuant to the acquisition of the CREUZET AERONAUTIQUE arm on July 22, 2011.

May 2, 2011: Creation of LISI AEROSPACE CREUZET

2.3.4 Acquisitions of subsidiaries

In line with the revised IFRS 3 standard on business combinations, the LISI Group has 12 months from the date of acquisition to determine a definitive acquisition price and to definitively calculate goodwill. Accordingly, the amounts recognized at December 31, 2011 as part of the acquisition of the CREUZET AERONAUTIQUE arm will likely be reviewed at subsequent year ends. The determination of goodwill achieved during 2010 through the acquisition of LISI AUTOMOTIVE Nomel and Société Nouvelle Bonneuil (ACUMENT Group companies) and the acquisition of LISI MEDICAL Orthopaedics have not been subject to discount in 2011.

CREUZET AERONAUTIQUE and INDRAERO SIREN

- on July 22, 2011, LISI AEROSPACE CREUZET acquired 100% of the capital of CREUZET AERONAUTIQUE and INDRAERO SIREN for an amount of €100 million (excluding acquisition costs and ancillary costs);
- these companies, wholly-owned by LISI AEROSPACE CREUZET, are consolidated using the full consolidation method.

The impact of these acquisitions on the Group's consolidated balance sheet breaks down as follows:

(In €'000)	Fair value recognized on the acquisition date	Notes
Fixed assets	47,840	2.5.1
Other net short-term assets and liabilities	9,152	
Net inventories	34,122	2.5.2.1
Net debt	(17,924)	
Taxes and provisions	(14,403)	
Cash and cash equivalents	5,489	
Total net position of the newly-consolidated companies	64,275	
% of the value of the assets taken over	100.00%	
Minority interests	(792)	
Share of net worth acquired by LISI AEROSPACE CREUZET	63,483	
Acquisition price	100,000	
Goodwill	36,517	

The amounts allocated to each class of assets, liabilities and contingent liabilities for the acquired entity can not be reconciled on the basis of consolidated financial statements prior to the acquisition, the transferor group failing to produce a consolidated set of accounts.

As some companies do not follow a repository in accordance with IFRS and require adjustments difficult to make retroactively, the contribution to revenues and earnings at January 1, 2011 can not be reflected in this document.

2.4 Financial risk management

The Group is exposed to the following risks arising from the use of financial instruments:
- credit risk,
- liquidity risk,
- market risk,
- currency risk.

This note provides information on the Group's exposure to each of the risks listed above, its objectives, policies, measurement and risk management procedures, as well as its capital management. Quantitative information is provided in other parts of the consolidated financial statements.

The aim of the Group's risk management policy is to identify and analyze risks which the Group faces, to define the limits within which risks must be confined and the controls to be implemented, to manage risk and to ensure compliance with the prescribed limits.

Cash flow management is centrally administered by the Financial Department of the LISI Group. Cash flows are managed through a convention on cash pooling with the objective of maximum liquidity without risk. Current investments are monetary mutual funds, structured investments and remunerated deposits.

Credit risk

Credit risk is the Group's risk of financial loss in the event that a customer or other party in a financial instrument fails to meet their contractual obligations. This risk derives mainly from trade receivables and securities held for sale.

Trade and other receivables

Group exposure to credit risk is mainly influenced by individual customer profiles. The Group has a policy of monitoring trade receivables, allowing it to constantly control its third party risk exposure. The Group believes that the credit risk of write-off of past due receivables is minimal.

Securities risk

LISI S.A's share portfolio is not a speculative, rather of investments and holdings, and accordingly no particular share represents a risk. As at December 31, 2011, the Group's balance sheet displays cash and cash equivalents for €45.7m. The cash equivalents are made of marketable securities represented by monetary mutual funds, invested in very short maturity securities and representing no risk in capital, in accordance with the Group's cash management policy. In accordance with accounting rules, these instruments are valued at their market price at year-end.

In accordance with IAS 32, own shares are recognized upon their acquisition. Their value is deducted from equity and changes in value are not recorded. When own shares are acquired or disposed of, the shareholders' equity is adjusted by the amount of the fair value of the securities bought or sold. The acquisition of 105,304 own shares and the disposal of 147,376 own shares in 2011 result in a €0.3m reduction of shareholders' equity over the period.

Liquidity risk

Beyond maximizing the operating cash flows intended to fund its expansion and the payment of dividends to shareholders, the LISI Group insists upon maintaining very broad access to liquidity to face its commitments and expenditure requirements. As at December 31, 2011, the LISI Group enjoyed several bank facilities confirmed for the medium term and unused bank facilities for a total of €35m. Including the net cash flow of €68m and the non-utilized short account at €54m, the LISI Group has €157m at December 31, 2011. At year end, the Group believes its liquidity risk is low insofar as it has cash of €68.0m against €73m as at December 31, 2010. The ratio of net debt to equity is 19% at December 31, 2011 against 3.6% at December 31, 2010, as indicated below. This increase resulted primarily from the new €75m loan taken out in connection with the purchase of the CREUZET AERONAUTIQUE arm on July 22, 2011.

At 19% at December 31, 2011, the net debt on equity ratio is far below 120%, a limit that would be likely, according to certain bank covenants, to lead to the early repayment of past drawdowns.

(In €'000)	2011	2010
Other short-term financial assets	51,882	58,619
Cash and cash equivalents	45,675	22,261
Cash available [A]	**97,557**	**80,880**
Short-term banking facilities [B]	29,565	7,923
Net cash [A – B]	**67,992**	**72,957**
Medium term loans > 1 year	149,552	81,632
Other financial creditors	21,079	8,801
Debt [C]	**170,631**	**90,433**
Net debt [D = C + A – B]	**102,638**	**17,475**
Group equity [E]	**541,054**	**489,463**
Debt ratio (expressed as %) [D / E]	**19.0%**	**3.6%**

N.B.: Reminder 2009 debt ratio as a %: 6.3%.

The cash table for all financial liabilities is as follows:

Financial liabilities recorded on balance sheet (In €'000)	At 12/31/2011 Net value value	Breakdown of contractual flows not discounted on due date: Within less than one year	Between 1 and 5 years	Over 5 years	Total
Long-term borrowings	136,408		128,214	8,194	136,408
Other long-term financial liabilities (excl. PCA)	4,237		4,091	146	4,237
Short-term borrowings	63,788	63,788			63,788
Trade and other accounts payable	194,711	194,711			194,711
Total financial liabilities	**399,144**	**258,499**	**132,305**	**8,340**	**399,144**

Financial liabilities recorded on balance sheet (In €'000)	At 12/31/2010 Net value value	Breakdown of contractual flows not discounted on due date: Within less than one year	Between 1 and 5 years	Over 5 years	Total
Long-term borrowings	72,647		70,100	2,547	72,647
Other long-term financial liabilities (excl. PCA)	1,022		997	25	1,022
Short-term borrowings	25,709	25,709			25,709
Trade and other accounts payable	162,440	162,440			162,440
Total financial liabilities	**261,818**	**188,149**	**71,097**	**2,572**	**261,818**

Market risk

Market risk is the risk of variation in market prices, such as interest rates, affecting the Group result or the value of financial instruments held. Managing market risk involves controlling market risk and maintaining it within acceptable limits, whilst optimizing the profitability:risk ratio.

The Group buys and sells derivatives and supports financial liabilities in order to manage market risk.

Hedging and market transactions on interest rates, exchange rates or securities using futures instruments are recorded in accordance with the provisions of CRBF rules nos. 88-02 and 90-15. Commitments relating to these transactions are posted to off-balance sheet accounts for the nominal value of the contracts. As at December 31, 2011, the sum of these commitments represented the volume of transactions that remained unsettled at year-end.

The accounting principles applied vary according to the nature of the instruments and the operator's initial intentions.

The commitments are detailed in paragraph 2.7.4.1 of this annual report.

Interest rate risk

Group exposure to interest rate fluctuations involves the following risk: the Group mainly has variable rate liabilities, for which the initially-agreed maturity period was greater than 1 year. These liabilities are exposed to a cash flow fluctuation risk due to fluctuations in interest rates. Within the framework of its policy to reduce its exposure to interest rate fluctuations, the Group partly converts its fixed-interest liabilities into financial instruments such as interest rate swaps and interest rate options (the features of these instruments are described in note 2.7.4 "Commitments"). These hedging positions are negotiated by private contracts with banks. The Group took out such hedging positions in 2011 to the tune of €24.5m in order to profit from the observed decrease in rates. Therefore, as at December 31, 2011, its hedging position stood at €49.8m. The hedging rate at December 31, 2011 stood at 36%. Market risks related to interest rate fluctuations are handled in a centralized manner by the Group's financial department.

Interest rate instruments outstanding at December 31, 2011 are not considered by the Group to be hedging instruments and are recorded at fair value to the income statement.

As at December 31 of each year, the Group's net variable rate position breaks down as follows:

(In €'000)	2011	2010
Loans – variable rates	138,446	71,841
Short-term banking facilities	29,565	7,923
Other current and non-current financial assets	(24,472)	(38,605)
Cash and cash equivalents	(45,675)	(22,261)
Net position prior to management	**97,864**	**18,897**
Interest rate swap	51,500	27,000
Hedging	**51,500**	**27,000**
Net position after management	**46,364**	**(8,103)**

The approach taken consisted in taking into account as a calculation basis for the sensitivity to rates the net, lending and borrowing positions.

As at December 31, 2011, the impact of the non hedged portion of 100 basis points of variable rate change stood at +/- €0.5 million.

Commodities price fluctuation risk

The Group is also exposed to fluctuations in the price of commodities such as titanium, nickel and steel. The price effect on raw materials in 2011 is oriented upward on the two main divisions: on LISI AEROSPACE, the increase varies from 3% to 10% depending on the type of alloys; on LISI AUTOMOTIVE, the increase is more uniform and comes out on average to nearly 10% (increase of more than €90 per ton of wire between December 2010 and December 2011). In order to prevent the risk of tension on the markets for its principal raw materials, the Group has signed supplier agreements with its major business partners within the aerospace division. In that context of sharp rise, the LISI AUTOMOTIVE Division was able to maintain the implementation of procurement contracts during the quarter, thereby guaranteeing firm prices for steel without resorting to hedging instruments, and strove to propagate the rises to the selling prices.

Sensitivity to changes in commodity prices affects the main indicator of operating profitability as follows:

– for LISI AEROSPACE, a 1% rise in raw materials results in EBIT losing nearly 0.2 point,
– for LISI AUTOMOTIVE, the same rise results in EBIT losing 0.3 point,
– in total across the LISI Group, the impact in terms of sensitivity to a 1% increase of raw materials results in a 0.2 point drop of EBIT.

No hedging is available on the commodity futures market.

Currency risk

The main incoming cash flows in foreign currencies, outside the euro zone (US and Canadian dollar, Sterling, Turkish pound and yuan) are offset by outgoing cash flows (in particular for the purchase of raw materials). The exposure to currency risks mainly concerns selling and purchasing volumes on dollars. An analysis of flows over financial 2011 shows a net sale/purchase balance of nearly USD22 million, and an impact of approximately €1m, upwards or downwards, on the EBIT related to a 5% fluctuation in the USD/euro exchange rate.

Due to its worldwide presence (USA, Canada, UK, Turkey, etc.), and its lines of business, the LISI Group is exposed to currency fluctuations.

In order to cover its exposure to currency risk, LISI has decided to hedge its main currencies.

LISI thus hedged its net requirements in pounds sterling, Turkish lira and Canadian dollar for the years 2012 and 2013, and his well as its net surplus in dollars for 2012.

The hedging was ensured by the use of optional instruments, that enable the Group to improve its visibility on profitability by neutralizing the changes in currency exchange rates.

2.5 Detail of balance sheet items

2.5.1 Non-current assets

2.5.1.1 Intangible assets

a) Goodwill

(In €'000)	Survaleur
Gross goodwill at December 31, 2010	**152,287**
Impairment at December 31, 2010	
Net goodwill at December 31, 2010	**152,287**
Increase	36,517
Decrease	(7,302)
Changes in foreign exchange rates	1,109
Gross goodwill at December 31, 2011	**182,611**
Impairment at December 31, 2011	
Net goodwill at December 31, 2011	**182,611**

The €36,517k increase relates to the acquisition of CREUZET AERONAUTIQUE and INDRAERO SIREN. The decrease results from the divestiture of LISI COSMETICS. Changes in currency exchange rate only concern LISI AEROSPACE and result from translation differentials on the dollar.

As at December 31, 2011, the net value of goodwill broke down as follows:

	LISI AEROSPACE						
In €m	Europe B.U.	Europe Engines and critical parts B.U.	USA B.U.	Europe Engines and critical parts B.U.	Specialty fasteners B.U.	Structural Components B.U.	Total
Net goodwill	**0.9**	**3.0**	**20.4**		**7.6**	**36.5**	**68.4**
Intangible fixed assets with an undetermined useful life	None	None	None	None	None	None	
Result of the impairment test	NA – no sign of impairment	NA – no sign of impairment	No impairment	NA – no sign of impairment	NA – no sign of impairment	No impairment	
Key assumptions							
Cash flow within one year			Forecasts			Forecasts	
Cash flow within four years			Year strategic plan			Year strategic plan	
Discount rate after tax			7.50%			7.50%	
Growth rate of flows not covered by the assumptions and strategic			2.50%			2.50%	

	LISI AUTOMOTIVE			
In €m	B.U Fixations vissées	B.U Composants mécaniques	B.U Solutions clippées	Total
Net goodwill	**22.4**	**1.3**	**43.7**	**67.4**
Intangible fixed assets with an undetermined useful life	None	None	None	
Trademarks	None	None	5.3	5.3
Result of the impairment test	No impairment	NA – no sign of impairment	No impairment	
Key assumptions				
Cash flow within one year	Forecasts		Forecasts	
Cash flow within four years	Year strategic plan		Year strategic plan	
Discount rate after tax	8.50%		8.50%	
Growth rate of flows not covered by the assumptions and strategic	2.50%		2.50%	

In €m	LISI MEDICAL
Net goodwill	**46.8**
Intangible fixed assets with an undetermined useful life	None
Result of the impairment test	No impairment
Key assumptions	
Cash flow within one year	Forecasts
Cash flow within four years	Year strategic plan
Discount rate after tax	7.50%
Growth rate of flows not covered by the assumptions and strategic	2.50%

The impairment tests relative to financial 2011 were materialized upon the closing of accounts: they have not resulted in the recording of an impairment. These tests, in accordance with Note 2.2.8.5, were conducted for each CGU on the basis of:

- the values in use determined on the basis of future cash flows resulting from the budget construction and the four-year strategic plans approved by the Board of Directors,
- a growth rate of 2.50% to extrapolate the cash flow projections, and taking into account benchmark elements implemented within certain references, particularly in the automotive industry,
- an after-tax discount rate of 8.50% on the CGUs of LISI AUTOMOTIVE and LISI COSMETICS and 7.50% on the CGUs of LISI AEROSPACE and LISI MEDICAL, thus reflecting the appreciation of the specific risks to which these activities are exposed.

The Management bases its projections on budget assumptions for the first year, and on data from the four-year strategic plan reviewed by the Board of Directors each year; the key assumptions relate in particular to the evolution of sales based on the order book and the master contracts signed by the Group, if applicable, the operating profit rate, the renewal capex rate, and the determination of factors that may affect the working capital. The assumptions are in particular established on the basis of observations made during previous activity cycles in the various lines of business, as well as in external market surveys and the observation of the sensitivity of the contractual data for the environment of each division. It is specified that these assumptions are the best estimate possible of the market situation at the time they were prepared, and that they take into consideration the degradation of markets for 2011 to 2015.

Sensitivity tests for the assumptions retained were undertaken and related to the major indicators factoring into these value tests: discount rates, elements contributing to cash flows (variation in working capital and investments). These sensitivity tests showed that the limit between the value in use and the net asset is attained for the variation in these calculation parameters:

LISI AUTOMOTIVE

B.U. Threaded fasteners:

Discount rate: + 2.6%

Decrease in cash flows: - 32%

Infinite growth rate: NA

B.U. Clipped Solutions:

Discount rate: + 0.5%

Decrease in cash flows: - 8%

Infinite growth rate: - 0.6%

LISI MEDICAL

B.U. Medical:

Discount rate: + 1.1%

Decrease in cash flows: - 20%

Infinite growth rate: - 1.5%

b) Other intangible assets

(In €'000)	Concessions, patents and similar copyrights*	Other intangible assets	TOTAL
Gross values at December 31, 2010	**34,481**	**11,548**	**46,029**
Acquisitions	2,176	879	3,055
Disposals	(245)	(2,151)	(2,396)
Scope changes	1,624	3,024	4,648
Exchange rate spreads	22	22	44
Gross values at December 31, 2011	**38,058**	**13,322**	**51,380**
Depreciation at December 31, 2010	**24,855**	**4,120**	**28,975**
Depreciation allowance	4,420	2,560	6,980
Depreciation reversals	(305)	(2,873)	(3,178)
Scope changes	1,537	1,670	3,207
Exchange rate spreads	1	13	14
Depreciation at December 31, 2011	**30,508**	**5,490**	**35,998**
Net values at December 31, 2011	**7,550**	**7,832**	**15,382**

* Including the Rapid brand.

The RAPID brand was valued when the company was acquired in August 2000 at its fair value of €8.3m, based on an independent valuation. Since 2003, it has been decided to amortize it over a period of 15 years, given the commercial usage period envisaged to date.

Most of the increases in “Other intangible assets” result from the consolidation of the companies that belong to the CREUZET AERONAUTIQUE arm.

2.5.1.2 Tangible assets

a) Tangible assets held in full (including evaluation spreads)

(In €'000)	Land	Buildings	Technical facilities, equipment and tools	Other tangible assets	Current assets	TOTAL
Gross values at December 31, 2010	**13,739**	**105,616**	**515,033**	**68,052**	**22,313**	**724,753**
Acquisitions	671	15,729	48,555	8,013	(6,383)	66,585
Disposals	(60)	(445)	(3,895)	(2,871)	(118)	(7,389)
Scope changes	899	615	35,347	987	3,099	40,947
Exchange rate spreads	(1)	48	2,214	129	179	2,569
Gross values at December 31, 2011	**15,248**	**121,562**	**597,253**	**74,311**	**19,091**	**827,464**
Depreciation at December 31, 2010	**6**	**43,699**	**365,946**	**41,393**	**43**	**451,087**
Depreciation allowance	7	4,326	32,765	5,351		42,449
Depreciation reversals	(5)	(373)	(3,635)	(2,445)	(43)	(6,501)
Scope changes	439	3,688	23,037	1,314	12	28,490
Exchange rate spreads		(36)	1,589	151		1,704
Depreciation at December 31, 2011	**447**	**51,303**	**419,702**	**45,765**	**12**	**517,228**
Net values at December 31, 2011	**14,801**	**70,259**	**177,552**	**28,546**	**19,079**	**310,237**

The increase in tangible assets results primarily from changes in consolidation scope and acquisitions in the period. The changes in scope combine the consolidation of the CREUZET arm for €88.1m and the deconsolidation of LISI COSMETICS for €-47.2m. Most acquisitions were achieved by the LISI AUTOMOTIVE division for €37.2m and the LISI AEROSPACE division for €25.6m (including the CREUZET arm for €3.9m over the first 6 months of the year).

b) Tangible assets held under a finance lease contract

(In €'000)	Land	Buildings	Technical facilities, equipment and tools	Other tangible assets	Current assets	TOTAL
Gross values at December 31, 2010		**5,513**	**13,312**			**18,825**
Acquisitions						
Disposals						
Scope changes		5,055	5,274			10,329
Exchange rate spreads		22	14			35
Gross values at December 31, 2011		**10,590**	**18,600**			**29,190**
Depreciation at December 31, 2010		**3,278**	**10,397**			**13,675**
Depreciation allowance		129	820			949
Depreciation reversals						
Scope changes		(956)	(1,107)			(2,063)
Exchange rate spreads		1	(8)			(7)
Depreciation at December 31, 2011		**2,452**	**10,102**			**12,554**
Net values at December 31, 2011		**8,138**	**8,498**			**16,636**

Given their immaterial nature, the minimum future payments relative to rents and their current value are not broken down by maturity.

c) Operating lease agreements

The main assets required for operations that do not belong to the Group or its subsidiaries are industrial buildings and office space (head office). Other operating lease agreements mainly relate to office automation equipment.

No significant commercial leases have been signed with company executives or with companies belonging to executives or their families. The total annual expense is approximately €5.7m.

2.5.1.3 Investments

Financial assets and liabilities recorded on the balance sheet are broken down into the following accounting categories and classes of financial instruments:

Financial assets and liabilities recorded on balance sheet (In €'000)	At 12/31/2011		Breakdown by instrument category				
	Net value value	Fair value	Fair value via earnings	Assets available for sale	Loans and receivables	Debt at depreciated cost	Instruments derivatives
Long-term financial assets	5,642	5,642			5,642		
Other long-term financial assets	24	24	24				
Trade and other receivables	158,847	158,847			158,847		
Short-term investments	51,882	51,882	50,605				1,277
Cash and cash equivalents	45,675	45,675	45,675				
Total financial assets	**262,070**	**262,070**	**96,304**		**164,489**		**1,277**
Long-term borrowings	136,408	136,408	1,062			135 346	
Other long-term financial liabilities (excl. PCA)	4,237	4,237				4,237	
Short-term borrowings	63,788	63,788				63,788	
Trade and other accounts payable	194,711	194,711				194,711	
Total financial liabilities	**399,144**	**399,144**	**1,062**			**398,837**	

Financial assets and liabilities recorded on balance sheet (In €'000)	At 12/31/2010		Breakdown by instrument category				
	Net value value	Fair value	Fair value via earnings	Assets available for sale	Loans and receivables	Debt at depreciated cost	Instruments derivatives
Long-term financial assets	5,394	5,394			5,394		
Other long-term financial assets	63	63	63				
Trade and other receivables	126,721	126,721			126,721		
Short-term investments	58,619	58,619	58,619				
Cash and cash equivalents	22,261	22,261	22,261				
Total financial assets	**213,058**	**213,058**	**80,943**		**132,115**		
Long-term borrowings	72,647	72,647	307			72,340	
Other long-term financial liabilities (excl. PCA)	1,022	1,022				1,022	
Short-term borrowings	25,709	25,709				25,709	
Trade and other accounts payable	162,440	162,440				162,440	
Total financial liabilities	**261,818**	**261,818**	**307**			**261,511**	

The IFRS 7 standard requires the hierarchical ordering of the different valuation techniques used for each of the financial instruments. The categories are defined as follows:

Level 1: Direct reference to published prices of a market asset,
Level 2: Valuation technique based on measurable data,
Level 3: Valuation technique based on non-observable data.

Classification of fair value by hierarchical level:

	December 31, 2011		
(In €'000)	Level 1	Level 2	Level 3
Long-term financial assets	5,642	–	–
Other long-term financial assets	24	–	–
Trade and other receivables	158,847	–	–
Short-term investments	51,882	–	–
Cash and cash equivalents	45,675	–	–

2.5.1.4 Long-term financial assets

(In €'000)	Non-consolidated equity interests	Other long-term investments	Loans granted	Other financial assets	TOTAL
Gross values at December 31, 2010	**28**	**4,563**		**811**	**5,402**
Acquisitions				579	579
Disposals	(21)	(295)		(234)	(550)
Scope changes	(8)			113	106
Exchange rate spreads		124			124
Gross values at December 31, 2011	**(0)**	**4,393**		**1,269**	**5,661**
Impairment at December 31, 2010		**8**			**8**
Provisions for impairment of assets					
Reversals of impairment provisions					
Scope changes				11	11
Impairment at December 31, 2011		**8**		**11**	**19**
Net values at December 31, 2011	**(0)**	**4,385**		**1,258**	**5,642**

2.5.1.5 Other long-term financial assets

(In €'000)	2011	2010
Other debtors	24	63
Total other long-term financial assets	**24**	**63**

2.5.2 Current assets

2.5.2.1 Inventories

(In €'000)	Raw materials	Tools and other procurements	Work in progress	Finished and intermediary products	Goods	TOTAL
Gross value at December 31, 2010	**37,973**	**8,439**	**78,061**	**73,250**	**15,179**	**212,903**
Scope changes	10,889	302	19,539	2,768		33,498
– of which increases	*11,877*	*1,799*	*22,115*	*4,230*		*40,021*
– of which reductions	*(988)*	*(1,496)*	*(2,576)*	*(1,462)*		*(6,523)*
Exchange rate spreads	237	29	664	960	129	2,019
Changes in inventory	5,102	2,032	7,267	16,162	784	31,348
Reclassifications	1,431	(45)	267	(1,660)	7	0
Gross value at December 31, 2011	**55,632**	**10,757**	**105,798**	**91,480**	**16,100**	**279,769**
Impairment at December 31, 2010	**8,969**	**400**	**5,437**	**20,385**	**614**	**35,807**
Scope changes	909	487	4,010	230		5,635
– of which increases	*916*	*549*	*4,085*	*350*		*5,900*
– of which reductions	*(7)*	*(62)*	*(76)*	*(120)*		*(265)*
Reserve allowance for impairment	1,483	321	2,874	6,254	302	11,235
Provision reversal for impairment	(2,270)	(185)	(3,616)	(5,664)	(402)	(12,137)
Exchange rate spreads	35	(0)	132	178	4	350
Reclassifications	600	(6)	(147)	(560)	114	0
Impairment at December 31, 2011	**9,727**	**1,017**	**8,690**	**20,823**	**633**	**40,890**
Net book value at December 31, 2011	**45,905**	**9,740**	**97,109**	**70,657**	**15,467**	**238,879**

Increases in inventories stood at €66.9m over the period, that is a progression of 31.4%. They are impacted by the effect of new consolidations into the LISI AEROSPACE division (€40m for gross inventories and €34.1m for net inventories).

2.5.2.2 Trade and other receivables

(In €'000)	2011	2010
Gross debtors and apportioned accounts	134,300	98,794
Depreciation of trade and other apportioned accounts	(3,795)	(3,582)
Net debtors and apportioned accounts	**130,505**	**95,212**
State – Other taxes and duties	16,454	10,950
Social charges & employees	394	609
Accounts payable - advances, debtors	1,387	1,161
Deferred charges	3,343	2,958
Other	6,765	15,831
Other receivables	**28,342**	**31,509**
Total trade and other receivables	**158,847**	**126,721**

The increase in outstanding accounts receivable is the result of the high level of activity in the AEROSPACE arm, knowing that the sale of receivables, which as at December 31, 2011, amounted to €44.8m versus €43.1m as at December 31, 2010, is deducted from that item. These disposals took the form of factoring with conventional subrogation, but without recourse. There are two contracts for the assignment of receivables, one signed for an indefinite period, the other for a period of one year, automatically renewable. These contracts provide for the opportunity to transfer receivables up to an amount of €87m. The amount of disposals carried out exclusively in France brings the average payment term down to 60 days.
The newly-consolidated companies contribute to the increase in accounts payable by €28.2m.
Overdue receivables not covered by provisions mainly concern major customers with which the Group has annual or pluriannual business agreements. On the basis of historic observations, the company considers the risk of non-collection margin, with non-hedged overdue receivables being mainly within less than one year; the share within more than one year being totally immaterial.

The position of State-Other taxes and duties, up as at December 31, 2011, reflects the impact of flows of deductible VAT before winding up.
The "Other" item, down compared to 2010 (€-9.1m) includes the balance of funds to receive from partners in the context of reorganization transactions.
Accounts receivable and other debtors are within less than one year.

2.5.2.3 Other short-term financial assets

This item consists mainly of investment securities held by the Group and in particular monetary SICAV instruments, for a total of €22.4m, and negotiable security deposits of €27.4m. The latter are recorded at their fair value, and value adjustments are recorded into the income statement. These positions are not exposed, the main backing instruments guaranteeing the capital.

2.5.2.4 Cash and cash equivalents

The cash available as at December 31, 2011 stood at €45.7m. It was mainly comprised of current bank accounts in euros and currencies.

The impact of the change in working capital on cash is as follows:

(In €'000)	2011	2010
Effect of the change in inventories	(33,562)	(9,870)
Effect of the change in cash flow imbalances of customers and other debtors	8,149	(5,030)
Effect of the change in cash flow imbalances of suppliers and other creditors	5,053	28,984
Effect of the change in cash flow imbalances for taxes	(3,627)	11,826
Change in working capital requirements	**(23,986)**	**25,910**

2.5.3 Shareholders' equity

The Group's shareholders' equity stands at €541.1m at December 31, 2011, against €489.5m at December 31, 2010, being an increase of €51.6m. This change takes into account the following main factors:

- €+58.2 m of income for the period attributable to holders of the company's shareholders' equity,
- €-10.9 million of dividends paid in May 2011,
- €+0.8 million relative to treasury shares and payments in shares,
- €-1,4 million related to a change in the method used for assessing inventories at the LISI AUTOMOTIVE division,
- €+1.3 million of valuation of the hedging instruments,
- €-0.5 m of miscellaneous restatements,
- €+4.1 m of translation adjustment linked to variations in closing rates, particularly regarding the depreciation of the dollar.

2.5.3.1 Capital stock

Capital stock at year-end stands at €21,572,988, broken down into 10,786,494 issued shares with a face value of €2. No change has been recorded compared to December 31, 2010.

2.5.3.2 Capital-related premiums

Additional paid-in capital is broken down as follows:

Particulars of capital-linked premiums (In €'000)	2011	2010
Additional paid-in capital	53,062	53,062
Contribution premiums	15,030	15,030
Merger premiums	2,711	2,711
Total	**70,803**	**70,803**

2.5.3.3 Capital management

The Group's policy consists in maintaining robust capital so as to preserve the confidence of shareholders and investors, support growth and withstand periods of recession. The Board of Directors is particularly attentive to capital returns and the dividends paid to shareholders.

Instruments which provide access to the company's capital relate to the benefits conferred on managers and employees under certain conditions, as set out in notes 2.6.9 and 2.7.2.

2.5.3.4 Dividends

The amount of (unrecognized) dividends for the 2011 financial year submitted to the Shareholders' General Meeting on April 26, 2012 for approval breaks down as follows:

Amount in €m	2011	2010
Total net dividend	14.0	10.9

This estimate is based on dividend-bearing shares as of the date of the Board meeting held February 15, 2012, or 10,786,494 shares.
The amount of (unrecognized) dividends for the 2011 financial year submitted to the Shareholders' General Meeting on April 26, 2012 for approval breaks down as follows:

Dividend per share in €	2011	2010
Dividend per share	1.30	1.05

2.5.4 Provisions

2.5.4.1 Changes in provisions break down as follows:

(In €'000)	At January 1, 2010	Provisions (net of reversals)	At December 31, 2010	Provisions	Reversals (amounts used)	Reversals (non used amounts)	Reclassifications	Entry into/ exit from consolidation scope	Translation differential	At December 31, 2011
Pensions and retirement	14,775	2,544	17,319	3,203	(1,279)		214	1,868	157	21,483
Long-service medals		3,044	3,044	211	(60)		26	199		3,420
Environment-related risks	7,682	107	8,554	2,675	(1,384)	(250)		1,115	107	10,817
Disputes and other risks	1,852	1,612	3,464	699	(634)	(378)	60	2,384	(1)	5,594
Guarantees to clients	3,022	523	3,599	1,004				1,257	10	5,870
Restructuring		1,200	1,200			(1,200)				
Industrial reorganization		1,000	1,000		(350)	(500)				150
For taxes	29	814	843							843
Sub-total long-term provisions	**27,360**	**10,844**	**39,023**	**7,792**	**(3,707)**	**(2,328)**	**300**	**7,423**	**273**	**48,177**
For loss on contract								600		600
Industrial reorganization	2,219	1,660	3,879		(914)	(561)	(1,082)		2	1,325
Restructuring		1,931	1,931	1,622	(1,931)			600		2,222
Environment-related risks		351	351	37	(109)			54		333
Long-service medals		26	26				(26)			
Disputes	1,301	(332)	974	97		(970)		60		161
For taxes	26	455	481		(6)	(225)		6		256
Other risks	2,125	5,105	7,590	6,693	(5,793)	(930)	1,082	1,204	(6)	9,840
Sub-total short-term provisions	**5,671**	**9,196**	**15,232**	**8,449**	**(8,753)**	**(2,686)**	**(26)**	**1,924**	**(4)**	**14,737**
Grand Total	**33,031**	**20,040**	**54,255**	**16,241**	**(12,460)**	**(5,014)**	**274**	**9,347**	**269**	**62,914**
Of which as current operating profit				*13,619*	*(12,216)*	*(4,451)*				
Of which as non-current operating profit				*2,622*	*(244)*	*(563)*				

The main provisions are in respect of:

– Pensions and retirement:

Legally-imposed obligations in respect of staff salaries, pension payments or retirement indemnities. Taken into account were assumptions regarding the level of the discount rate, the turnover, and the mortality tables. Some of these commitments are backed with external funds.

– Environment:

Recognition of liabilities links to requirements to uphold environmental standards in the various countries in which the company operates and more specifically with regard to soil pollution on industrial sites. The cost of monitoring and compliance in concert with local authorities makes up a large part of these provisions. No return is expected for this liability category.

– Disputes and other risks:

This covers litigation or disputes with partners and service providers. Risk assessment has been calculated based on the estimated cost of the outcome of any dispute or possible transactions. Assessment of expected returns cannot be calculated as of yet.

– Industrial reorganization:

This covers industrial reorganization based on assessments of the cost of closing or redeploying certain sites or entities. The assessment of the sums recognized takes account of specific local regulatory stipulations.

– Other risks:

Liabilities recognized under this category take into account risks based on various reports (industrial, regulatory, corporate, etc.) and concern both of the Group's main divisions.

This section covers the risks and expenses clearly specified as to their purpose whose maturity remains likely and which will cause an outflow of resources without consideration. The most significant amounts reflect the unfavorable application for the Group of contractual terms, the impact of the streamlining of production structures and litigations with third party partners.

2.5.4.2 Personnel commitments

In accordance with the laws and practices of each country in which the Group operates, it offers its employees and former employees, subject to certain conditions of service, the payment of pensions or compensation on retirement. Such benefits can be paid as part of defined contributio≤n plans or defined benefit plans.

The geographic breakdown of the Group's commitments to staff as at December 31, 2011 for defined benefit plans and the main assumptions employed in their assessment are as follows:

(In €'000)	Euro zone	USA	UK
Actuarial debt	21,460	10,478	14,870
Discount rate	4.27%	4.00%	4.70%
Inflation – Wage increase	3.00%	N/A	3.65%

Long-term rates of return expected for the funds have been determined taking into account the asset allocation and the rates of return expected for each component. The rates of return thus employed are equal to 6% for American insurance plans and 5.49% for British ones.

As at December 31, 2011, the allocation of hedging assets was approximately 57% in shares and 43% in bonds.

The table below details the changes, during financial 2011, of the actuarial debt, and the market value of the hedging assets (in €'000):

Changes in actuarial debt	2011	2010
Actuarial debt at year start	**41,164**	**33,118**
Cost of services rendered during the year	779	643
Cost of accretion	1,983	1,938
Contributions paid by employees		
Benefits paid	(939)	(1,008)
Discounts		
Wind-ups		
Scheme changes		624
Change in consolidation scope	61	2,435
Translation differential	1,526	195
Actuarial losses (gains)	2,235	3,220
Actuarial debt at year end	**46,809**	**41,164**

Change in market value of hedging assets	2011	2010
Opening value	**19,863**	**16,820**
Contributions paid by the Group	355	338
Contributions paid by employees		
Benefits withheld from fund	(273)	(217)
Wind-ups		
Expected yield from assets	1,185	1,144
Translation differential	(101)	886
Actuarial gains (losses)	(980)	892
Value at year end	**20,049**	**19,863**

The following table shows the reconciliation of amounts recognized in the Group's consolidated financial statements and the above sums (in €k):

(In €'000)	2011	2010
Non funded actuarial debt	**(26,760)**	**(21,301)**
Deferred actuarial losses (gains) recorded to the balance sheet	5,226	3,975
Costs of past services not yet recognized		
Liabilities recognized at year end	**(21,534)**	**(17,326)**

The expense recognized in the operating income statement by the Group for 2011 for defined benefits plans came to €2.5m and breaks down as follows:

(In €'000)	2011	2010
Cost of services rendered during the year	779	643
Cost of accretion	1,983	1,938
Expected yield from assets	(787)	(1,144)
Actuarial differences recognized during the year	445	(74)
Cost of past services		
Depreciation of transition assets		
Limitation of assets	7	
Reductions / Wind-ups		(42)
Change in consolidation scope	90	
Recognized expense (revenue)	**2,517**	**1,320**

Three foreign affiliates of the AEROSPACE division are concerned by the management of hedging assets. Actual performance of these assets is variable and ranges between 2% and 5%.

2.5.5 Other long-term liabilities

(In €'000)	2011	2010
Deposits and sureties received	146	25
Other long-term liabilities	23	
Employee profit-sharing for the year	4,068	997
Deferred income	1,488	4,808
Total other long-term liabilities	**5,725**	**5,830**

2.5.6 Financial debt and financial risk management

The breakdown by accounting category and instrument class for financial liabilities is given in notes 2.5.1.3.

2.5.6.1 Debt

a) Breakdown by nature

(In €'000)	2011	2010
Non-current share		
Mid-term loans	119,864	66,354
Debt related to lease agreements	12,379	459
Employee profit-sharing (frozen on a current account)	4,166	5,833
Sub-total non-current debt	**136,408**	**72,647**
Current share		
Banking facilities for operations [B]	29,565	7,923
Mid-term loans	29,689	15,277
Debt related to lease agreements	2,534	970
Employee profit-sharing (frozen on a current account)	2,001	1,538
Sub-total current debt	**63,788**	**25,709**
Total debt	**200,196**	**98,356**

The increase in debt is primarily due to new borrowings taken out during the year in the context of the acquisition of CREUZET AERONAUTIQUE and INDRAERO SIREN for an amount of €75m and an increase in bank overdrafts.

b) Breakdown by maturity date

(In €'000)	2011	2010
Borrowings		
below one year	29,689	15,277
between two and five years	117,042	63,808
over five years	2,822	2,547
Sub-total borrowings	**149,552**	**81,632**
Other financial creditors		
below one year	34,099	10,431
between two and five years	11,173	6,292
over five years	5,372	
Other debt sub-total	**50,642**	**16,723**
Borrowings and debt	**200,196**	**98,356**

c) Breakdown by currency

All figures relating to borrowings and debts with credit establishments are given in euros. The Group's bank debts therefore do not expose it to any foreign exchange risk.

d) Breakdown by interest rate category

The table below summarizes loans from credit institutions to the Group as it studies the principal amounts incurred at fixed and variable rates.

Entities	Nature of the loan	Fixed rate	Variable rate	Total amount or not in €m	Capital remaining due at 31/12/2011 in €m	Maturity date	Items exist currency hedging or in currency
LISI S.A.	Syndicated loan [1] "A"		Euribor over the drawing period + margin	35.0	10.0	2013	
	Conventional loan		Euribor 3 months + margin	10.0	10.0	2013	Covered by a swap
	Conventional loan		Euribor 3 months + margin	10.0	10.0	2013	
	Conventional loan		Euribor 3 months + margin	10.0	10.0	2014	Covered by a swap
	Conventional loan [8]		Euribor 3 months + margin	20.0	19.0	2016	Covered by a swap
	Conventional loan [9]		Euribor 3 months + margin	20.0	19.0	2016	Covered by a swap
	Conventional loan [5]		Euribor 3 months + margin	10.0	9.5	2016	Covered by a swap
	Conventional loan [6]		Euribor 3 months + margin	25.0	25.0	2016	Covered by a swap
	Conventional loan [7]		Euribor 3 months + margin	10.0	9.5	2016	Covered by a swap
INDRAERO SIREN	Conventional loan	3.80%		0.4	0.3	2013	
CREUZET AERONAUTIQUE	Conventional loan	3.80%		1.7	1.1	2012	
LISI AUTOMOTIVE Former	Conventional loan		Euribor 3 months + margin	7.0	6.0	2017	Intention letter by LISI S.A.
LISI AUTOMOTIVE Form as	Conventional loan		Pribor + margin	4.7	3.5	2014	Intention letter by LISI AUTOMOTIVE
LISI AUTOMOTIVE	Conventional loan [2]		Euribor 6 months + margin	4.0	0.6	2012	Intention letter by LISI S.A.
	Conventional loan [3]		Euribor 3 months + margin	4.0	0.4	2012	Intention letter by LISI S.A.
	Conventional loan [4]		Euribor 3 months + margin	4.0	0.8	2012	Intention letter by LISI S.A.
	Conventional loan		Euribor 3 months + margin	4.0	0.8	2012	Intention letter by LISI S.A.
KNIPPING Espana S.A.	Conventional loan		Euribor 3 months + margin	6.5	3.8	2020	
LISI AUTOMOTIVE Shanghai	Conventional loan	4.86%		0.6	0.6	2012	
KNIPPING Verbindungstechnik GmbH	Conventional loan	1.50%		1.1	0.3	2017	Intention letter by LISI AUTOMOTIVE
	Conventional loan		Euribor 3 months + margin	3.0	0.6	2012	Intention letter by LISI AUTOMOTIVE
			Total	**191.0**	**140.7**		

2.5.6.2 Related covenants

The Group has no bank facilities based on its credit rating. The contracts entered into include conventional clauses regarding the financial health of the Group or its subsidiaries. The definition and levels of ratios, also called "financial covenants", are set by prospective mutual agreement with the credit institutions. Compliance with these ratios is assessed once a year only, at year end. Failure to comply with these ratios entitles the credit institutions to impose early repayment (total or partial) of the facilities granted.

For the reader's information, the financial "covenants" related to each loan are described below:

[1] LISI S.A. syndicated loan

Availability of this loan as a revolving credit that can be drawn down in euros or dollars for a sum equivalent to €35 million ("A" commitment), and a revolving credit that can be drawn down in euros or dollars for a sum equivalent to €35m ("B" commitment, as yet not drawn down). The total for commitment "A" will be automatically reduced on a straight line basis, in accordance with the depreciation table for August 7 of 2007 to 2013. LISI will not be able to draw again on all or part of the "A" commitment, which will have been repaid. For this commitment, a draw down right of €35m was requested and the remaining capital due on December 31, 2011 was €10m.

With regard to the "B" commitment, any repaid advance may be the subject of a new draw down as per the conditions stipulated in the agreement, as the rights for this loan expire on August 7, 2013 at the latest.

– Method used to calculate the margin for commitments "A" and "B": Euribor or Libor + margin

Early redemption:

– Gearing ratio > than 1.20,
– Leverage ratio > than 3.5 (Net debt / EBITDA).

[2] LISI AUTOMOTIVE conventional loan

– Method used to calculate the margin according to gearing:
  1. < 0.25: 0.25% per annum.
  2. >= 0.25 and < 0.40: 0.30% per annum,
  3. >= 0.40 and < 0.80: 0.375% per annum,
  4. >= 0.80 and < 1.00: 0.475% per annum,
  5. >= 1.00 and < 1.20: 0.60% per annum.

Early redemption:

– Net debt / Shareholders' equity > 1.20,
– Net debt > than 3.5 years of EBITDA.

[3] LISI AUTOMOTIVE conventional loan
– Method used to calculate the margin according to gearing:
 1. < 0.25: 0.25% per annum.
 2. >= 0.25 and < 0.40: 0.30% per annum,
 3. >= 0.40 and < 0.80: 0.375% per annum,
 4. >= 0.80 and < 1.00: 0.475% per annum,
 5. >= 1.00 and < 1.20: 0.60% per annum.

Early redemption:
– Net debt / Shareholders' equity > 1.20,
– Net debt > than 3.5 years of EBITDA.

[4] LISI AUTOMOTIVE conventional loan
– Method used to calculate the margin according to gearing:
 1. <= 0.50: 0.40% per annum,
 2. > 0.50 and < 0.75: 0.45% per annum,
 3. >= 0.75: 0.50% per annum.

Early redemption:
– Consolidated net debt / Consolidated shareholders' equity > 1.20,
– Net consolidated financial debt/ consolidated cash flow > 3.5 years.

[5] LISI S.A. conventional loan
Early redemption:
– Gearing ratio > than 1,
– Leverage ratio > than 3 (Net debt / EBITDA).

[6] LISI S.A. conventional loan
Early redemption:
– Gearing ratio > than 1.2
– Leverage ratio > than 3.5 (Net debt / EBITDA)

[7] LISI S.A. conventional loan
Early redemption:
– Gearing ratio > than 1.2
– Leverage ratio > than 3.5 (Net debt / EBITDA)

[8] LISI S.A. conventional loan
Early redemption:
– Gearing ratio > than 1
– Leverage ratio > than 3 (Net debt / EBITDA)

[9] LISI S.A. conventional loan
Early redemption:
– Gearing ratio > than 1.2
– Leverage ratio > than 3.5 (Net debt / EBITDA).

2.5.6.3 Actual sureties

In €m	Capital remaining due as at December 31, 2011
Guarantees and deposits	2.6
Mortgages and pledged assets	–
Total	**2.6**

The guarantees and deposits granted by the Group to cover loans taken out from credit institutions are mainly comprised of:

Letters of intention delivered by the Group to banks for €26.8m as part of:
– The acquisition of the KNIPPING Group by LISI AUTOMOTIVE for €18.9m in 2005; the capital outstanding at December 31, 2011 being €2.6m.

2.5.7 Deferred taxes

(In €'000)	2011	2010
Deferred tax assets	23,596	16,146
Deferred tax liabilities	(38,387)	(34,859)
Net deferred taxes	**(14,791)**	**(18,713)**

Non-recognized deferred tax assets:
The Company does not recognize its deferred tax assets whenever it has no sufficient assurance that it will recover carried forward deficits and tax credits. Deferred tax assets are only recognized if their recovery is probable. Loss carrybacks not recognized in the balance sheet at December 31, 2011, would generate deferred tax assets for €7.1m.

Deferred tax assets by due date (in €'000)

– 1 year	1 to 5 years	+ 5 years	Total
11,689	6,567	5,340	23,596

2.6 Detail of main income statement items

2.6.1 Sales revenue

The breakdown of sales revenues by business segment and country is shown in note 2.7.1, "Segment information".

2.6.2 Consumption

(In €'000)	LISI AEROSPACE	LISI AUTOMOTIVE	LISI MEDICAL	Other	TOTAL 2011	TOTAL 2010
Consumption of goods	5,459	19,656	5,179	(1,497)	28,797	27,742
Consumption of raw materials	67,894	102,040	11,423	(141)	181,216	131,697
Tools	24,046	16,373	2,329	(16)	42,733	33,726
Other purchases	6,885	14,739	1,313	16	22,952	21,004
Total consumption	**104,283**	**152,808**	**20,245**	**(1,637)**	**275,698**	**214,169**

The "Consumption" accounting item rose by 28.7% over financial 2011. All items in that section follow the same progression, except for consumed goods.
Depending on the division, the progression level varies: it is significant in the LISI AEROSPACE division, as a result of the recovery of business in 2011 and the volumes contributed by newly-consolidated companies; it is slightly up in the LISI AUTOMOTIVE segment.

2.6.3 Other purchases and external charges

(In €'000)	LISI AEROSPACE	LISI AUTOMOTIVE	LISI MEDICAL	Other	TOTAL 2011	TOTAL 2010
Subcontracting	15,580	41,619	6,160	(21)	63,338	49,536
Maintenance	11,304	17,967	1,969	213	31,452	27,788
Transport	4,568	12,527	425		17,520	13,768
Energy	6,457	15,144	784	8	22,392	19,884
Other purchases and external costs	29,792	21,638	6,100	(4,435)	53,095	49,835
Total other purchases and external costs	**67,700**	**108,895**	**15,438**	**(4,236)**	**187,797**	**160,810**

The increase of external expenses relates mainly the LISI AUTOMOTIVE arm due to a very significant increase of the outsourcing items related to production problems at a site undergoing restructuring. The volume effect also conditions a very significant increase in the maintenance items (frozen in the past two years), shippings on sales and subcontracting.

It is important to note that this upward movement of the main items should be compared with the impact of newly-consolidated companies on the LISI AEROSPACE division.

2.6.4 Payroll expenses

(In €'000)	LISI AEROSPACE	LISI AUTOMOTIVE	LISI MEDICAL	Other	TOTAL 2011	TOTAL 2010
Temporary employees	12,437	8,621	2,898		23,956	14,737
Salaries and incentives	116,124	108,325	18,788	2,157	245,394	216,123
Layoff pay	535	969	369		1,873	1,702
Social contributions and taxes on salaries	45,424	41,508	8,155	1,041	96,127	84,305
Employee profit-sharing	2,753	926	216		3,895	997
Pensions and long-service medals	200	348	159		707	815
Total payroll expenses	**177,472**	**160,696**	**30,586**	**3,198**	**371,952**	**318,679**

The high level of activity in the LISI AEROSPACE division in Europe and the impact of newly-consolidated companies are the main reason for this increase of almost 16.7% of payroll expenses.

2.6.5 Research and development expenses

The LISI Group's mission is to carry out intensive research and development activities, both in developing new products and in using new materials. This research and development activity is carried out at various levels: either as part of a co-operative venture between research and design departments within our own divisions and those of our customers, or to develop or improve certain components or industrial processes. These are mainly comprised of personnel expenses dedicated to R&D services. Staff dedicated to R&D represent in 2011 some 2% of the Group's employees.

The expenses incurred for the last three financial years are shown in the table below:

In €m	2011	2010	2009
R&D expenses	18.9	18.4	16.5
% of sales revenue	2.0%	2.4%	2.4%
Activated projects	0.7	1.0	0.8

2.6.6 Non-recurring operating expenses and revenues

Non-recurring operating expenses and revenues break down as follows:

(In €'000)	2011	2010
Non-recurring operating expenses		
Restructuring costs		(22)
Industrial reorganization costs	(309)	(771)
Reserve allowance for industrial reorganizations	(1,000)	(807)
Reserve allowance for restructurings	(1,622)	
Total	**(2,931)**	**(1,600)**
Non-recurring operating revenues		
Gains from the disposal of LISI COSMETICS	9,838	
Reversals of restructuring provisions		26
Industrial reorganization plan provision reversals	807	500
Total	**10,645**	**526**
Non-recurring revenue and expenses from operations	**7,714**	**(1,074)**

The rules for the presentation and definition non-recurring charges and products remain unchanged compared to December 31, 2010.

To the Company's knowledge, there are no other litigations, arbitrations or non-recurrent facts that have, or have had, a significant impact on the financial situation, earnings, business or assets of the LISI Group.

2.6.7 Non-operating profit

(In €'000)	2011	2010
Financing expenses and revenue on cash		
Financing expenses and revenue on cash	658	430
Effect of changes to fair value of of financial instruments	(472)	(307)
Financing expenses	(4,587)	(2,640)
Sub-total income from cash and cash equivalents	**(4,401)**	**(2,517)**
Other interest revenue and expenses		
Foreign exchange gains	9,936	13,135
Foreign exchange losses	(8,354)	(11,236)
Other	6	(307)
Financial income and expenses	**1,588**	**1,592**
Non-operating profit	**(2,814)**	**(925)**

The deterioration in the financial result, at €-1.9m between December 31, 2010 and December 31, 2011, results from the combined effect of higher financing costs (increased net debt and interest rates), the impact of exchange differences being stable.

2.6.8 Income tax

2.6.8.1 Income tax breakdown

Breakdown (In €'000)	Profit (loss) before tax	Tax	Income from assets held for sale	Profit (loss) after tax
Income from ordinary operations	76,102	(21,248)		54,854
Non-recurring operating expenses and revenues	9,336	187		9,523
Employee profit-sharing	(3,895)	1,391		(2,504)
Tax credits		74		74
CVAE (Tax on Companies' Added Value)		(4,675)		(4,675)
Income from assets held for sale for LISI COSMETICS			805	805
Profit (loss) for the period	**81,543**	**(24,270)** [A]	**805**	**58,078**

(A) of which taxes due: €-19,983k
of which deferred taxes: €+241k
of which tax credits: €+147k
of which CVAE (Tax on Companies' Added Value): €-4,675k

2.6.8.2 Proof of Tax

(In €'000)	
Theoretic rate (on the basis of the French rate)	36.10%
Theoretic tax (on the basis of the French rate)	26,697
Total theoretic tax	**26,697**
Tax exemption of foreign companies	(313)
DTA not activated	682
Tax credits of French subsidiaries	–
Tax credit	(147)
Tax rate differentials on overseas subsidiaries	(724)
Use of tax losses from prior years	(769)
Deferred taxes recorded for the period	(2,429)
Tax consolidation bonuses	(1,243)
Non deductible dividends	395
Change in inventory valuation method	(807)
Gains from the disposal of LISI COSMETICS	(1,381)
Other	(365)
Recognized taxation	**19,596**
Apparent rate	29.71%

2.6.8.3 Tax rates applied by LISI Group companies

	2011	2010
Germany	30.00%	30.00%
UK	28.00%	28.00%
Canada	34.12%	34.12%
Spain	30.00%	30.00%
USA	40.00%	40.00%
France	36.10%	34.43%
Czech Republic	19.00%	19.00%
China	25.00%	25.00%

2.6.9 Earnings per share

Earnings per share calculations are shown in paragraph 2.2.19.6. The tables below indicate the reconciliation between the non diluted and the diluted earnings per share.

2011 (In €'000)	Profit (loss) for the period	Number of shares	Net earnings per shares in €
Total stocks		10,786,494	
Treasury shares		(399,840)	
Basic earnings per share	**58,225**	**10,386,654**	**5.61**
Diluted earnings per share	**58,225**	**10,386,654**	**5.61**

2010 (In €'000)	Profit (loss) for the period	Number of shares	Net earnings per shares in €
Total stocks		10,775,616	
Treasury shares		(446,743)	
Basic earnings per share	**32,925**	**10,328,873**	**3.19**
Diluted earnings per share	**32,925**	**10,328,873**	**3.19**

2.7 Additional information

2.7.1 Segment information

The Group's business is broken down between three markets that include the following 3 operational sectors (divisions):
- the LISI AEROSPACE division which includes business in the aerospace market,
- the LISI AUTOMOTIVE division, which brings together all activities in the automotive market,
- the LISI MEDICAL division, which includes business in the medical market.

The "others" heading mainly consists of the holding company LISI S.A. and disposals.

2.7.1.1 By line of business

(In €'000)	LISI AEROSPACE	LISI AUTOMOTIVE	LISI MEDICAL	LISI COSMETICS	Other	TOTAL
12/31/2011						
Income component						
Sales revenue by business sector	407,606	446,348	74,033		(2,893)	925,095
EBITDA	73,950	39,415	8,376		346	122,087
Depreciation allowance and provisions	24,213	15,879	2,914		2,438	45,444
EBIT	49,737	23,536	5,460		(2,090)	76,643
Operating profit	49,737	21,914	5,960		6,746	84,357
Profit (loss) for the period	34,364	10,230	1,745	805	10,933	58,078
Balance sheet component						
Working capital requirement	153,698	63,254	22,433		3,757	243,143
Net fixed assets	231,841	232,011	66,469		187	530,508
Acquisitions of fixed assets	25,200	35,712	4,174		97	65,182
12/31/2010						
Income component						
Sales revenue by business sector	281,572	401,283	42,715	52,834	(1,715)	776,689
EBITDA	33,014	49,635	6,959	6,383	(325)	95,665
Depreciation allowance and provisions	14,007	24,567	4,839	2,527	257	46,197
EBIT	19,007	25,068	2,119	3,856	(583)	49,467
Operating profit	19,507	25,068	541	3,860	(583)	48,393
Profit (loss) for the period	17,017	18,115	(927)	3,231	(4,671)	32,764
Balance sheet component						
Working capital requirement	94,125	66,029	25,199	(3,422)	(9,164)	172,767
Net fixed assets	139,576	219,227	65,672	28,755	321	453,549
Acquisitions of fixed assets	17,728	29,928	2,593	1,613	113	51,974

2.7.1.2 Breakdown by business sector and by country

(In €'000)	LISI AEROSPACE	LISI AUTOMOTIVE	LISI MEDICAL	LISI COSMETICS	Other	TOTAL
12/31/2011						
Income component						
Revenue by destination area						
European Union	258,919	392,096	61,172		(2,884)	709,303
Of which France	*132,415*	*176,098*	*10,273*		*(3,188)*	*315,598*
Americas	130,960	19,241	11,297			161,498
Other countries	17,719	35,011	1,564			54,294
Total	**407,598**	**446,348**	**74,033**		**(2,884)**	**925,095**
Balance sheet component						
Net fixed assets by destination area						
European Union	133,338	227,678	53,626		706	415,348
Of which France	*124,482*	*138,575*	*53,626*		*706*	*317,389*
North American continent	69,001		11,622			80,623
Africa	13,629		1,224			14,853
Asia	15,351	4,332				19,683
Total	**231,319**	**232,010**	**66,472**		**706**	**530,507**
Flows provided by or used for acquisition of fixed assets by destination area						
European Union	17,999	34,510	3,293		97	55,899
Of which France	*15,785*	*24,364*	*3,293*		*97*	*43,539*
North American continent	4,697		400			5,097
Africa	85		481			566
Asia	2,418	1,202				3,620
Total	**25,199**	**35,712**	**4,174**		**97**	**65,182**
12/31/2010						
Income component						
Revenue by destination area						
European Union	151,060	348,753	33,171	52,048	(1,167)	583,865
Of which France	*80,526*	*162,240*	*12,919*	*41,369*	*(1,440)*	*295,614*
Americas	124,644	19,005	7,708	786		152,143
Other countries	5,656	33,525	1,500			40,681
Total	**281,360**	**401,283**	**42,379**	**52,834**	**(1,167)**	**776,689**
Balance sheet component						
Net fixed assets by destination area						
European Union	55,577	215,692	53,734	28,755	321	354,079
Of which France	*48,677*	*128,544*	*53,734*	*28,755*	*321*	*260,031*
North American continent	69,564		11,232			80,796
Africa	706					706
Asia	14,435	3,535				17,970
Total	**140,282**	**219,227**	**64,966**	**28,755**	**321**	**453,550**
Flows provided by or used for acquisition of fixed assets by destination area						
European Union	9,322	28,341	2,254	1,613	113	41,643
Of which France	*8,610*	*21,155*	*2,254*	*1,613*	*113*	*33,745*
North American continent	6,901		192			7,093
Africa	147					147
Asia	1,504	1,587				3,091
Total	**17,874**	**29,928**	**2,446**	**1,613**	**113**	**51,974**

2.7.2 Share-based payments

2.7.2.1 Share purchase options

Stock options are awarded to directors and certain employees of the Group. In accordance with IFRS 2, "Share-Based Payment", these instruments result in the provision of shareholders' equity instruments and are measured at grant date. The Group uses the binomial method to measure them.

2.7.2.2 Award of performance shares

Acting on the recommendation of the Compensation Committee, LISI's Board of Directors decided, on July 28, 2009, to allocate performance shares to members of the Executive Committee and to members of the principle Management Committees for the three LISI Group divisions, subject to their meeting certain performance targets: the achievement of these two criteria at the end of 2010, namely EBIT and Free Cash Flow, resulted in the completion of 50% of that plan in 2011. The final cost was allocated to the divisions.

Acting on the recommendation of the Compensation Committee, LISI's Board of Directors decided, on June 28, 2010, to allocate performance shares to members of the Executive Committee and to members of the main Management Committees for the three LISI Group divisions, subject to their meeting certain performance targets. The same went in 2011, insofar as the Board of Directors of October 26, 2011 renewed the opening of a new plan under similar conditions.

The fair value of these benefits has been calculated by independent actuaries and is recognized in the income statement on a straight-line basis throughout the entitlement acquisition period.

The fair value of the benefits thus granted is recognized in 2011 in Personnel expenses for €0.8m for the employees of the French companies, against shareholders' equity, and for €0.8m for the employees of foreign companies, against Social liabilities. This cost was not allocated to divisions, and remains an expense at the LISI S.A. level until the definitive realization of the plan.

2.7.3 Related-party information / Remuneration of members of management bodies

2.7.3.1 Related-party information

Related parties include the parent company, company managers, directors and board members. There is no other jointly-owned entity or entity recognized by equity method, or joint shareholder, or business under joint control or significant influence with which the LISI Group may have carried out transactions worthy of investigation. The only relationship of the Group with its parent company (CID) is through the capital holding. On the other hand, LISI S.A. provides support to its subsidiaries in the fields of accounting, finance, strategy and law.

2.7.3.2 Remuneration of managers and Directors

(In €'000)	Expenses for the period 2011	Expenses for the period 2010	Liabilities at 12/31/2011
Gross short-term benefits (salaries, bonuses, etc.)	759	720	
Post-employment benefits (IFC)	229	197	229
Other long-term benefits			
Termination benefits			
Equity compensation benefits	43	33	43
Total compensation	**1,030**	**951**	**271**

The main directors will receive remuneration in the form of short-term benefits, post-employment benefits and share-based payments. With regard to this category, in 2009 and 2010 both directors of LISI S.A. received performance shares in accordance with the same terms and conditions as other members of the divisional Executive Committees; Two additional conditions are also imposed in their case, namely, to acquire 200 shares at the end of the acquisition period and to keep a nominative portion of equity (200 shares) until the end of their function as mandated chief executives of the mother company.

2.7.4 Commitments

The Group draws up annually a detailed list of all contractual commitments, financial and commercial commitments, and contingent liabilities to which LISI S.A. and/or its subsidiaries are party or exposed. This list is regularly updated by the departments concerned and reviewed by Group Management. In order to ensure that the information on this list is complete, accurate and consistent, special control procedures have been implemented, including in particular:

- The regular examination of the minutes of Shareholders' General Meetings, Board Meetings, associated Committees that deal with contractual commitments, disputes and authorizations for the purchase or disposal of assets;
- Review of sureties and guarantees as well as loan agreements and any other banking commitments, in conjunction with the banks and financial institutions;
- Review, together with both internal and external legal counsels, of dispute and legal proceedings before the courts, environmental questions, and the measurement of liabilities that might arise;
- Examination of tax inspectors' reports and reassessment notices from previous financial years;

- Examination, together with those in charge of risk management, insurance brokers and agents of the insurance companies with which the Group has taken out its insurance policies to cover risks in respect of contingent liabilities;
- Examination of transactions with related parties in respect of guarantees or other commitments given or received;
- In general, review of all contracts and contractual commitments.

2.7.4.1 Commitments given in the context of ordinary operations

In addition to the actual sureties stated in the note to this document (cf. note 2.5.6.3), and the operating leases whose annual charges are presented in note 2.5.1.2, commitments provided as part of current activities are as follows:

In €'000	2011
Miscellaneous guarantees	458
Training entitlements	3,411
Balance of investment orders	28,643
Commitments made	**32,512**
Rate swap	51,500
Foreign exchange hedging	86,928
Reciprocal commitments	**138,428**

Reciprocal commitments:

Reciprocal commitments are interest rate swaps to hedge variable rate loans (cf. note 2.5.6.1. Financial Debt) taken out to fund external growth. As at December 31, 2011, the features of the swap contracts were as follows:

Notional at 12/31/2011	Value In €'000	Departure date	Maturity date	Payer rate	Payee rate	Net present value in €'000
LISI S.A.	10,000	02/06/2009	02/06/2014	2.7800%	Euribor 3 months	(386)
LISI S.A.	10,000	04/08/2009	10/08/2013	2.4900%	Euribor 3 months	(281)
LISI S.A.	15,000	09/30/2011	09/30/2016	2.0730%	Euribor 3 months	(302)
LISI S.A.	4,750	09/30/2011	09/30/2016	1.5900%	Euribor 3 months	(43)
LISI S.A.	4,750	12/30/2011	12/30/2016	1.3925%	Euribor 3 months	(20)
LISI AUTOMOTIVE Former	7,000	12/31/2010	12/29/2017	1.7450%	Euribor 3 months	(70)
					Total	**(1,102)**

2.7.4.2 Commitments received as part of acquisitions of companies

LISI AUTOMOTIVE:

- In the context of the takeover of the sites of Acument La Ferté Fresnel, LISI AUTOMOTIVE was awarded by TEXTRON a guarantee to cover environmental risks likely to threaten a site with no industrial activity to date.
- As a liabilities hedging instrument, LISI AUTOMOTIVE enjoys a hedging instrument for any unrealized liabilities discovered over a two-year period as of the acquisition date.

2.7.4.3 Guarantees given as part of the divestiture of LISI COSMETICS

As part of the divestiture of LISI COSMETICS, a commitment for compensation was granted in favor of the buyer concerning any reassessments from the tax or environmental authorities during a period of two years with effect from the date of divestiture, subject to a deductible of €500k, to exceeding a minimum threshold of €35k and to an upper limit of €6m.

2.7.4.4 Other commitments

Subscription by LISI S.A in 2006 of a medium-term loan contract for €35m unused as at December 31, 2011.

2.8 Exchange rates of currencies used by foreign subsidiaries

		2011		2010	
		Year end rate	Average rate	Year end rate	Average rate
US dollar	USD	1.2939	1.4000	1.3362	1.3207
Sterling	GBP	0.8353	0.8713	0.8608	0.8560
Yuan	CNY	8.1588	9.0301	8.8220	8.9277
Canadian dollar	CAD	1.3215	1.3805	1.3322	1.3660
Zloty	PLN	4.4580	4.1380	3.9750	4.0049
Czech crown	CZK	25.7870	24.5996	25.0610	25.2631
Moroccan Dirham	MAD	11.1351	11.2780	11.1747	11.1501
Indian rupee	INR	68.7130	65.5584	59.7580	60.2581
Hong Kong Dollar	HKD	10.0510	10.8960	10.3856	10.2611

2.9 Post-year end events: Information on trends

No events occurred after year end.

COMPANY FINANCIAL STATEMENTS

.1 COMPANY ACTIVITY FOR THE FINANCIAL YEAR, AND OUTLOOK FOR THE COMING YEAR

The key role of LISI S.A., the parent company of the LISI Group, is to oversee projects of general interest and co-ordinate company activity. More specifically, LISI manages the following services for its subsidiaries:

- strategic validation, external growth procedure, action plans, resource allocation;
- outlining strategy in an annual budget plan;
- financial control and internal audit;
- financial and fiscal consolidation;
- financial optimization, centralized cash management for the Group, management of investments and financial liabilities, hedging of foreign currencies and interest rates,
- co-ordination of: insurance; purchasing; quality; research and development; health, safety and environment; human resources and investments.

Earnings at December 31, 2011

The remarks below relate to the income statement for 2011.

- **In 2011, operating income amounted to €10.0m, compared with €6.3m in 2010 and was broken down as follows:**
  - **The sales revenues** of LISI S.A. amounted to €6.2m compared with €5.9m in 2010, an increase of 4.7%. They are essentially made up of services invoiced to the subsidiaries of LISI S.A. in respect of assistance, control and coordination of activities. In 2011, these invoices impacted on the subsidiaries, LISI S.A.'s operating costs increased by 10%.
  - The other operating income amounted to €3.8m in 2011, compared with €0.4m in 2010. This increase was essentially due to the impact of the release of a provision related to plans for the award of shares based on performance for €+2.8m and on the release of a provision for environmental risks of €+0.1m.

- **Operating expenses** amounted to €8.4m in 2011, identical to the level in 2010.

- **The operating result** therefore grew from €-2.1m in 2010 to €+1.6m in 2011.

- **The financial result** is positive, at €+11.4m, as compared with €+11.8m in 2010. This result is principally made up of dividends received from LISI AEROSPACE €11.0m, interest from group current accounts for €1.7m and a release of a provision on an investment of €0.3m. In terms of expenses, interest charged on loans and group current accounts amounted to €2.7m; with the net exchange impact stabilizing at €-0.7m for 2011.

- **The non-recurring income** amounts to €4.4m and results from the divestiture of LISI COSMETICS.

- The corporate income tax comprises tax income of €+2m, including a gain from the group taxation regime of €2.6m.

- **Consequently, the net income** of the company LISI S.A. is a profit of €19.3m, compared with €7.7m in 2010, up by almost 2.5 times.

- **Shareholder's net equity** rose from €172.3m in 2010 to €180.7m at the end of 2011. It was reduced by the distribution of the dividends paid in May 2011, for an amount of €10.9m in respect of the net income for 2010.

- **The cash and cash equivalents, excluding current accounts, at year-end** amounted to €66.6m, compared with €74.0m in 2010: this balance sheet item is still of classic composition, with money market funds and investments denominated in euros and dollars, and for the most part guaranteed in capital. Net financial debt is €38.8m at year end 2011, as compared with €-12.7m at year end 2010. This change is mainly explained by the receipt of the divestiture proceeds for LISI COSMETICS, by the raising of new loans and by the increase in the current account assets due from the subsidiaries of LISI S.A.

1.1 Appropriation of earnings

We propose that last year's profits of €19,308,622 be allocated as follows:

In €	
profits for the financial year of	19,308,622
increased by retained earnings of	52,904,485
giving distributable profit of	72,213,107
which we propose be allocated as follows:	
– to the shareholders, by way of dividends, the sum of €1.30 per share, or	14,022,442
– remainder to be carried forward, for a total of	58,190,665

The dividend for each share amounts to €1.30. The value of the dividend eligible for 40% deduction, as covered by article 158-3-2° of the French General Tax Code, is €1.30.

We also note that the dividend payouts per share, in euros, were as follows:

	Face value of the share	Dividend per share
Financial year ended 12/31/08	€2.00	€1.20
Financial year ended 12/31/09	€2.00	€0.70
Financial year ended 12/31/10	€2.00	€1.05

Please note that dividends are paid out 9 months after year end, and the time limit after which dividend entitlement lapses is 5 years, effective from the date when dividends were agreed.

Outlook for 2012

Upstream dividend payments from our various subsidiaries and the maintenance of Group royalties should allow LISI S.A. to continue its policy of supporting its divisions and to ensure dividend increases for its shareholders.

Additional information

– Deductible expenses for tax purposes are made up of depreciation and hire of passenger vehicles and loan payments totaling €10,925.

– LISI S.A. has, through a market making agreement with an independent service provider, purchased 105,304 LISI shares for €6.0m and has sold 100,151 shares for a sum of €5.7m. At December 31, 2011, the number of shares held through market-making agreements was 29,180.

– Treasury stocks held on December 31, 2011 totaled 378,804 shares, including those related to the market-making contract.

.2 FINANCIAL STATEMENTS

2.1 Income statement

(In €'000)	Notes	2011	2010	2009
Pre-tax sales		**6,216**	**5,938**	**5,043**
Operating income		**9,978**	**6,302**	**6,804**
External costs		(3,158)	(2,268)	(1,406)
Taxes and duties		(233)	(210)	(199)
Personnel expenses		(3,023)	(2,752)	(1,862)
Other charges		(77)	(74)	(87)
Depreciation, provisions		(1,904)	(3,139)	(144)
Operating profit		**1,583**	**(2,141)**	**3,105**
Financial earnings				
– from equity interests	3.3.1	12,749	12,005	12,523
– interest and similar expenses				
– positive exchange differences		4,375	842	5
– from disposal of marketable securities		1,022	999	496
– reversals of provisions	3.2.5	344	2,076	3,428
Interest expenses				
– interest and similar expenses		(2,669)	(2,047)	(2,634)
– negative exchange rate differences		(3,716)	(2,054)	
– from disposal of marketable securities		(682)	(51)	(824)
– provisions allowance		(44)		
Non-operating profit		11,379	11,770	12,994
Current profit before tax		**12,962**	**9,629**	**16,099**
Extraordinary earnings				
– on capital transactions		31,927	802	
– on management transactions		730		
– reversal of provisions			34	40
Extraordinary charges				
– on capital transactions		(27,401)	(227)	
– on management transactions		(885)		
– provisions allowance		(2)	(13)	
Extraordinary earnings		**4,369**	**596**	**40**
Tax on profits	3.3.2	1,977	(2,499)	5,658
NET EARNINGS		**19,308**	**7,726**	**21,798**

2.2 Company balance sheet

Assets

(In €'000)	Notes	2011	2010	2009
Fixed assets				
Intangible fixed assets		232	198	197
Tangible fixed assets		1,268	1,309	1,849
Financial assets		139,306	171,263	174,581
Depreciation and amortization		(929)	(874)	(1,105)
Total net fixed assets	3.2.1 / 3.2.2	**139,877**	**171,896**	**175,522**
Short-term assets				
Clients and apportioned accounts	3.2.3	2,045	1,814	543
Other debtors	3.2.3	9,889	2,535	3,680
Subsidiaries' current accounts	3.2.3	149,655	40,224	41,925
Impairment of receivables				
Tax credit	3.2.3			2,497
Marketable securities	3.2.4.1	64,445	73,580	79,330
Cash	3.2.4.2	2,111	798	720
Provisions for write-down of marketable securities	3.2.5	(44)	(344)	(2,421)
Total short-term assets		**228,101**	**118,606**	**126,274**
Deferred charges		13	38	40
Deferred expenses on loan issue costs		59	96	133
Other deferred expenses				
Translation adjustment assets				
Total accruals		**72**	**134**	**173**
Total assets		**368,050**	**290,637**	**301,969**

Liabilities

(In €'000)	Notes	2011	2010	2009
Shareholders' equity				
Share capital		21,573	21,573	21,508
Issue, merger, and contribution premiums		67,296	67,296	66,346
Reserves		19,595	19,588	19,588
of which legal reserve		*2,157*	*2,151*	*2,151*
Balance carried forward		52,904	56,098	41,517
Profit (loss) for the period		19,309	7,726	21,798
Regulated provisions		60	58	79
Total equity	2.4	**180,737**	**172,339**	**170,835**
Provisions for risks and charges	3.2.6	**2,437**	**3,619**	**609**
Debt				
Sundry loans and financial debts (*)	3.2.3	124,332	47,259	52,408
Subsidiaries' current accounts	3.2.3	53,036	54,621	75,828
Taxes due		3,111	6,573	
Accounts payable	3.2.3	1,146	1,612	960
Tax and statutory payments	3.2.3	1,337	1,139	1,024
Other creditors	3.2.3	1,913	3,474	292
Total debt		**184,875**	**114,679**	**130,512**
Deferred income				13
Translation differential liabilities		1		
Total accruals		**1**		**13**
Total liabilities		**368,050**	**290,637**	**301,969**
(*) of which banking facilities		(1,948)	(1,986)	(2,108)

2.3 Cash flow movement table

(In €'000)	2011	2010	2009
Operating activities			
Operating cash flow	13,440	8,193	16,557
Effect of changes in inventory on cash			
Effect of changes in accounts receivable and accounts payable	(12,850)	12,882	(5,399)
Cash provided by or used for operations (A)	**590**	**21,075**	**11,158**
Investment operations			
Cash used to acquire tangible and intangible assets	(97)	(7)	(49)
Cash received from the disposal of tangible and intangible assets	5	797	
Cash used to acquire financial assets			
Cash received from the disposal of financial assets		5	
Net cash used for acquisitions and disposals of subsidiaries	31,920		
Cash payments and collections from loans to subsidiaries	4,616	3,313	1,299
Cash provided by or used for investing activities (B)	**36,444**	**4,108**	**1,251**
Financing operations			
Cash received from shareholders as part of a capital increase		1,015	
Dividends paid to shareholders of the parent company	(10,913)	(7,216)	(12,313)
Cash received from new loans	82,384	268	10,295
Repayment of loans	(5,273)	(5,295)	(5,812)
Cash provided by or used for financing activities (C)	**66,198**	**(11,227)**	**(7,830)**
Effect of change in foreign exchange rates (D)			
Changes in cash (A+B+C+D) *	**103,232**	**13,956**	**4,579**
Cash at January 1st (E)	57,995	44,039	39,460
Cash at December 31st (A+B+C+D+E)	161,227	57,995	44,039
Marketable securities	64,445	73,580	79,330
Cash, subsidiaries' current accounts	151,766	41,022	42,644
Banking facilities, subsidiaries' current accounts	(54,984)	(56,607)	(77,935)
Closing cash position **	**161,227**	**57,995**	**44,039**

* The overall change in cash position corresponds to the total of net cash flows generated by the various categories: operations, investment, and financing.
** The cash position is the algebraic sum of the balance sheet assets and liabilities.

2.4 Change in shareholders' equity

(In €'000)	
At 01.01.2010	**170,835**
Profit (loss) for the period	7,726
Capital increase	1,015
Dividends paid	(7,216)
Accelerated depreciation	(21)
At 12.31.2010	**172,339**
Profit (loss) for the period	19,309
Capital increase	
Dividends paid	(10,913)
Accelerated depreciation	1
At 12.31.2011	**180,737**

.3 NOTES TO THE COMPANY ACCOUNTS

LISI. S.A. is a public limited company with a Board of Directors, with capital of €21,572,988 representing 10,786,494 shares with €2 face value. It is registered at the Belfort trade registry, under no. 536 820 269. Its registered offices are based at Le Millenium, 18 rue Albert Camus, Belfort.

The final annual balance at December 31, 2011 was €368,049,353. The annual income statement showed a profit of €19,308,622.

The financial year runs over 12 (twelve) months, from January 1, 2010 to December 31, 2011.

The notes and tables below form an integral part of the company accounts.

3.1 Accounting rules and methods

The accounts for 2011 are drawn up in line with current French accounting regulations. The accounting rules and methods have been applied in line with the prudence principle and with underlying assumptions which aim to provide an accurate picture of the company:

– the continuity of operations;
– the comparability of accounting methods;
– the independence of financial years.

Items listed on the balance sheet are, depending on the item, valued at historic cost, transfer value, or net asset value.

The accounting principles on which the company accounts for 2011 were drawn up are identical to those for 2010.

The preparation of financial statements requires LISI to make estimates and speculative forecasts which are liable to impact on both its assets and liabilities as well as those of its subsidiaries and holdings.
The latter are exposed both to specific, industry-related risks as well as risks relating to the wider international environment.
In LISI S.A.'s financial statements, the estimates and forecasts involved in implementing accounting methods particularly affect equity investments, as valuations (see note b, below) are based on affiliates' forecast data.

a) Tangible fixed assets

Tangible assets are valued at their historical cost (price of purchase and related expenses), and depreciation is calculated using the straight line or diminishing balance method, in accordance with their expected useful life:

	Economic depreciation	Fiscal depreciation
Buildings	33.33 years straight line	20 years straight line
Transport equipment	5 years straight line	3 years straight line
Office equipment	5 years straight line	5 years straight line
Office furniture	10 years straight line	10 years straight line

LISI S.A. does not calculate depreciation of individual elements: its tangible assets either cannot be broken down into individual elements, or are not of a type requiring such a calculation.

b) Financial fixed assets

Participating shares and other financial fixed assets are valued at their purchase price, excluding the costs incurred in their acquisition. If these values are higher than the value in use, a provision for depreciation is recorded to account for the discrepancy.
The value in use is calculated from each line of investment, based on the profitability and performance outlook for the companies concerned; on developments in the economic sectors in which they operate; and on their positions within these sectors.
The inventory value has been brought into line with the value in use calculated for the impairment tests, which did not show any loss in value.

c) Marketable securities

Marketable securities are valued at their purchase price, excluding the costs incurred in their acquisition. They may be depreciated in line with the average price or the year-end price.

d) Treasury stock

Treasury stock is held as marketable securities. These latter are valued at their lowest acquisition price or market value (average stock market price for December) for treasury stocks purchased under price regulation or equity not allocated to staff stock option or share allocation plans. For shares allocated to plans, CNC notice no. 2008-17 applies.

e) Free shares and options

Where an outflow of resources relating to share purchase options and free share awards on the basis of performance is probable, the amount of the future expense is provisioned in proportion to the rights acquired since the allocation date. Where relevant, provisions thus provided for take into account whether or not treasury shares are allocated to share options or relevant free allocations.

The impact of the expense relating to the awards of free shares on the basis of performance is included in the payroll expenses.

f) Loans and receivables

Receivables are valued at their face value. A depreciation provision is recorded when the recoverable value is less than the book value.

g) Provisions for risks and charges

Provisions for risks and charges are recognized in line with the CRC regulation 2000-06 on liabilities, dated December 7, 2000.
This regulation stipulates that a liability is recognized when a company has an obligation to a third party and it is probable or certain that this obligation will necessitate an outflow of resources to the third party, with no equivalent or larger payment in return. The obligation must exist at the closing of accounts in order to be recognized.
Provisions are calculated with help from the Group's lawyers and consultants, based on current protocol and an assessment of the risks at the date of closing of accounts.

h) Financial instruments

Results relating to financial instruments used in hedging operations are calculated and recognized in such a way as to balance the income and expenses relating to the hedged elements.

i) Taxes on profits

LISI S.A. benefits from the tax consolidation regime enacted by the law of December 31, 1987. This regime allows the taxable results of profit-making companies to be offset by the deficits of other companies, under certain conditions.

Each company covered by the tax consolidation regime calculates and recognizes its tax payable as if it were taxed individually.

LISI S.A. recognizes the savings or additional tax burden resulting from the difference between the tax owed by the subsidiaries covered by the regime, and the tax resulting from the calculation of the joint result.

The tax consolidation agreement stipulates that tax gains generated by loss-making subsidiaries should be retained at the parent company level.

3.2 Detail of balance sheet items

3.2.1 Gross fixed assets

(In €'000)	Gross value at year start for the period	Acquisitions	Disposals / Deconsolidations	Gross value at year end for the period
Intangible fixed assets				
Concessions, patents, licenses, etc.	198	36	(2)	232
Total	**198**	**36**	**(2)**	**232**
Tangible fixed assets				
Land	216		(60)	156
Buildings	392			392
Other tangible assets	701	45	(41)	705
Tangible assets in progress		15		15
Total	**1,309**	**60**	**(101)**	**1,268**
Financial assets				
Equity interests and related receivables	171,218	10	(31,967)	139,261
– Of which LISI AUTOMOTIVE loan	*19,250*		*(4,500)*	*14,750*
– Of which LISI AUTOMOTIVE accrued interest	*126*	*10*	*(126)*	*10*
Other long-term investments	9			9
Borrowings and other debts	36	1		37
Total	**171,263**	**10**	**(31,967)**	**139,306**
Grand Total	**172,770**	**107**	**(32,070)**	**140,805**

The reduction in financial fixed assets for an amount of €-31.9m results from the divestiture of LISI COSMETICS for €27.3m and from repayments of intra-group loans for €-4.5m.

3.2.2 Depreciation and impairment

(In €'000)	Amount at year start for the period	Provisions for the period	Reversals for the period	Amount at year end for the period
Intangible fixed assets				
Concessions, patents, licenses, etc.	182	10	(2)	190
Total	**182**	**10**	**(2)**	**190**
Tangible fixed assets				
Land				
Buildings	363	3		366
Other tangible assets	321	86	(42)	365
Total	**684**	**89**	**(42)**	**731**
Financial assets				
Depreciation on equity interests				
Other financial assets	8			8
Total	**8**			**8**
Grand Total	**874**	**99**	**(44)**	**929**

3.2.3 Maturity dates for receivables and debts

Receivables

(In €'000)	Gross amount	Of less than one year	Of over one year
Trade receivables	2,045	2,045	
Other debtors	211	211	
Subsidiaries' current accounts	149,655	149,655	
Tax integration current accounts	9,678	9,678	
Total	**161,589**	**161,589**	

Debt

(In €'000)	Gross amount	Of less than one year	Of one to five years
Loans and debts from credit organizations	124,331	24,331	100,000
Sundry loans and financial debts			
Subsidiaries' current accounts	53,036	53,036	
Taxes due	3,111	3,111	
Suppliers	1,146	1,146	
Tax and statutory payments	1,337	1,337	
Tax integration current accounts	1,913	1,913	
Total	**184,875**	**84,875**	**100,000**

3.2.4 Marketable securities and cash

3.2.4.1 Marketable securities

As at December 31, 2011, marketable securities were as follows:

(In €'000)	
378,804 LISI stocks *	14,576
SICAV and deposit certificates	49,869
Giving a gross total of	**64,445**

* 378,804 shares held, thanks to the option of buying back the company's own shares up to a 10% limit, including those held under the market-making contract.

The item "Marketable securities" essentially comprises money market funds for €22.5m and guaranteed-capital investments for €27.4m.

The total net asset value of marketable securities stood at €22.5m as at December 31, 2011.

3.2.4.2 Cash

This item is solely composed of bank balances.

3.2.4.3 Cash and Net Financial debt

(In €'000)	2011	2010	2009
Subsidiaries' current accounts	149,655	40,224	41,925
Marketable securities	64,445	73,580	79,330
Cash	2,111	798	720
Cash available [A]	**216,211**	**114,602**	**121,975**
Subsidiaries' current accounts [B]	53,036	54,621	75,828
Banking facilities for operations [B]	1,948	1,986	2,108
Net cash [A – B]	**161,227**	**57,995**	**44,039**
Borrowings and debt	122,383	45,273	50,300
Debt [C]	**122,383**	**45,273**	**50,300**
Net debt [D = C + B – A]	**(38,844)**	**(12,722)**	**6,261**

3.2.4.4 Inventory of marketable securities

a) Shares

(In €'000)	Gross book values	Provisions	Net book values
Equity interests			
French companies	124,500		124,500
Foreign companies			
Total equity interests			**124,500**
Securities held for sale			
French companies	10	8	1
Foreign companies			
Total marketable securities	**10**	**8**	**1**

b) Marketable securities

(In €'000)	Gross book values	Provisions	Net book values
Treasury stock	14,576		14,576
SICAV and deposit certificates	49,869	44	49,825
Total marketable securities	**64,445**	**44**	**64,401**

3.2.5 Provisions for impairment of short-term assets

(In €'000)	Opening balance	Provisions for period	Reversals for period	Closing balance
Provisions for impairment	344	44	(344)	44
Total	**344**	**44**	**(344)**	**44**

3.2.6 Provisions for risks and charges

(In €'000)	Amount	Provisions for period	Reversals for period used	Closing balance
Provision for environmental risks	100	807	(100)	807
Provision for long service medals	6		(1)	5
Provisions for charges		450		450
Provision for stock options and the allocation of free shares	3,513	510	(2,848)	1,175
Total	**3,619**	**1,767**	**(2,949)**	**2,439**

The provision for environmental risks covers the handling, by LISI S.A., of the cleaning work on a plot of land following reorganization of the site.

Provisions for charges mainly cover the setting up of a project designed to reduce the number of accidents at work.

3.3 Detail of main income statement items

3.3.1 Financial income from investments

(In €'000)	Amounts
Dividends received from subsidiaries	10,993
Dividends received outside the group	–
Interest from loans to subsidiaries	1,756
Total	**12,749**

3.3.2 Breakdown of corporation tax

(In €'000)	Profit (loss) current	Profit (loss) non-recurring	Profit (loss) value
Pre-tax earnings	12,963	4,368	17,331
Income tax	(465)	(179)	(643)
Tax credits, Minimum Income Tax & miscellaneous	14		14
Tax integration taxes	2,608		2,608
Net earnings	**15,119**	**4,189**	**19,309**

The LISI Group benefits from the tax consolidation regime, which covers all its French subsidiaries. The tax consolidation agreement stipulates that tax gains should be retained at the parent company level. The overall amount of corporate income tax at December 31, 2011 is a tax income.
With effect from 2011, LISI SA, in its capacity as the tax consolidating company, bears the additional contribution of 5% applicable to companies whose sales revenues are greater than €250m. The additional tax charge in this respect for 2011 was €0.5m.

3.4 Financial commitments

Financial guarantees given
LISI S.A. has signed letters of intent with banks relating to the commitments made by some of the Group's subsidiaries. Moreover, its agreements with some partners require compliance with financial covenants.

Commitments given under the terms of the transaction for the divestiture of LISI COSMETICS
Commitment for compensation granted in favor of the buyer concerning any reassessments from the tax or environmental authorities during a period of two years with effect from the date of divestiture, subject to a deductible of €500k, to exceeding a minimum threshold of €35k and to an upper limit of €6m.

Reciprocal commitments corresponding to interest rate swaps
LISI S.A. has contracted interest rate swaps intended to hedge it against an increase in interest rates on variable rate loans. The details at December 31, 2011 are as follows:

ISSUER	Face value (in €'000)	Fixed rate	Maturity
BNP Paribas	5,000	1.59%	September 2016
BNP Paribas	4,750	1.3925%	September 2016
Société Générale	15,000	2.073%	September 2016
Société Générale	10,000	2.78%	February 2014
BECM	10,000	2.49%	October 2013

3.5 Subsidiaries and holdings

3.5.1 Elements regarding related companies and holdings

	Amount concerning ...	
(In €'000)	related companies	companies with which the company has an ownership relationship
ASSETS:		
Receivables related to equity holdings	14,760	–
Debtors and apportioned accounts	2,032	–
Cash advances to subsidiaries	149,655	–
Tax integration current account	9,678	–
LIABILITIES:		
Subsidiaries' financial assistance	53,036	–
Tax integration current account	1,913	–
Suppliers	61	–
INCOME STATEMENT:		
IT-maintenance	13	–
Reserves for equity interests	566	–
Sales revenue with subsidiaries	6,164	–
Revenues from subsidiaries' loans and current accounts	1,756	–
Revenues from equity interest	10,993	–

3.5.2 Subsidiaries and holdings (company data in €)

Companies	Share capital	Shareholders' equity and minority interests	Share of capital held (as a %)	Gross book value of securities held	Provisions on securities held	Net book value of securities held	Loans, advances granted by the company but not yet repaid	Loans, advances received by the company but not yet repaid	Guarantees and sureties given by the company	Sales revenue exclusive of tax for previous period	Net profit or net loss for previous period	Dividends cashed by the parent company in the previous period
Subsidiaries:												
LISI AUTOMOTIVE	31,690,000	113,414,730	100.00%	93,636,481		93,636,481	40,560,084			26,020,837	1,925,427	
LISI AEROSPACE	2,475,200	52,486,210	100.00%	30,863,816		30,863,816	76,822,720			164,091,819	11,313,795	10,992,997

3.6 Identity of the consolidating company

Compagnie Industrielle de Delle (CID)
Limited company with share capital of €3,189,900
Head Office: 28 Faubourg de Belfort – BP 19 – 90101 DELLE Cedex
Compagnie Industrielle de Delle held 54.96% of the capital of LISI S.A. as of December 31, 2011.

3.7 Miscellaneous information

- The company directors and executives have not been given any advances or credits.
- Remuneration of executives stood at €625,643 for the year 2011 (remuneration net of social security contributions, including the variable element and attendance fees).
- The total remuneration paid to the highest-paid individuals stood at €1,337,083.
- The workforce as of December 31, 2011 numbered 15 individuals.
- Retirement commitments have not been given, as they do not represent a significant amount.
- Commitments relating to the Individual Right to Training (the French continuing professional development scheme) represent a total amount of training time corresponding to accumulated rights of around 1,161 hours as of December 31, 2011. In most cases, training requests for this time have not been made.
- The company does not have any leasing agreements.
- The increase and relief of the future tax debt are not significant.
- Deferred expenses primarily relate to the €0.1m spreading of costs linked to a €70m subscription to a revolving loan scheme with a banking syndicate. The subscription was made in 2006 and is being amortized over five years.
- Fees entered for the financial year ending December 31, 2011 for our auditors Ernst & Young and EXCO CAP AUDIT totaled €96,400.

.4 FINANCIAL RESULTS FOR LISI S.A. OVER THE PAST FIVE YEARS (articles 133, 135 and 148 of the Decree on Commercial Companies)

Nature of indications (in €)	2007	2008	2009	2010	2011
Financial situation at year end					
Share capital	21,507,722	21,507,722	21,507,722	21,572,988	21,572,988
Number of shares issued	10,753,861	10,753,861	10,753,861	10,786,494	10,786,494
Number of convertible bonds	237,324	237,324	237,324	–	–
Total result of actual operations					
Pre-tax sales	6,989,653	5,701,221	5,042,665	5,937,895	6,215,920
Earnings before tax, depreciation and provisions	19,119,431	16,672,042	10,899,256	11,266,365	15,987,962
Income tax	1,105,085	(2,507,790)	(5,658,143)	2,498,851	(1,977,461)
Employee profit-sharing					
Profit after tax, depreciation and provisions	22,832,807	13,204,614	21,797,508	7,725,772	19,308,622
Distributed profit *	15,793,449	12,313,156	7,216,048	10,913,195	14,022,442
Result of operations per share					
Profit after tax, but before depreciation and provisions	1.68	1.78	1.54	0.81	1.67
Profit after tax, depreciation and provisions	2.12	1.23	2.03	0.72	1.79
Dividends allocated per share (net)	1.50	1.20	0.70	1.05	1.30
Personnel					
Average head count	12	13	13	13	13
Payroll	1,895,104	2,067,550	1,172,136	4,757,164	2,039,051
Benefits paid (social security, benefits, etc.)	703,516	724,561	689,460	897,505	983,773

* After deducting the dividend that would have concerned the own shares held by the company.

RISK FACTORS

The company has carried out a review of the potential risks which could have an unfavorable effect on its business, its financial situation or its results (or on its capacity to achieve its objectives) and considers that there are no significant risks other than those disclosed.

A worldwide adventure with a responsible culture

Safety and environment

The measure of environmental and social impact of industrial activities of a business is today an indicator as efficient as the economic and financial performance. For several years now, the LISI Group has been engaged in an effort to maximize this impact. Measurement tools have been implemented and room for improvement identified. Action plans have now begun and certain steps have been completed:

- almost all the sites are certified to ISO 14001,
- the TF0 frequency rate is at 9.4 and TF1 at 17.4.
  (the TF0 represents the number of workplace accidents involving work stoppage, which involved a LISI employee, per million hours worked.
  the TF1 represents the number of workplace accidents with or without work stoppage involving a LISI employee, per million hours worked).

Aiming high

As part of the clearly stated aim of achieving a level of excellence in the areas of Safety and Environment, the LISI Group has decided to extend some ambitious objectives:

- to pursue improvements in the frequency rate of workplace accidents involving work stoppage, with an objective of 5,
- to acquire ISO 14001 certification for all LISI sites,
- to optimize the environmental impact of our sites.

At the end of 2011, 95% of the LISI Group production plants had ISO 14001 certification; the uncertified sites are those which were acquired during the course of the year.

.1 ENVIRONMENT

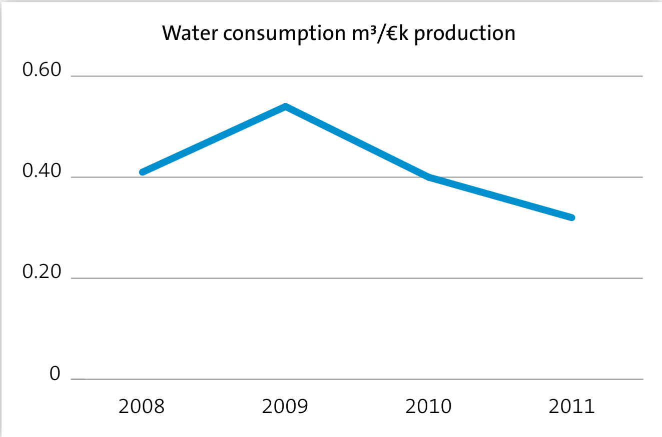
1.1 The carbon footprint of all our activities

In order to better coordinate and manage the impact of its activities on the environment, the LISI Group will establish the carbon footprint of all its manufacturing sites by the end of 2012. This will involve three main steps. The first one consists in clearly defining the deployment perimeter of this carbon footprint. The second consists in focusing on collecting data, in order to gather as much information as necessary for determining that footprint. Finally, the data must be analyzed and used to define and calculate the potential reduction in greenhouse gas emissions. Based on the results of these first three steps, LISI will then define the best ways to reduce its carbon footprint.

1.2 An environmentally responsible behavior

Each year, LISI monitors some environmental indicators in order to track the impact of its production plants on the environment.

The water consumption



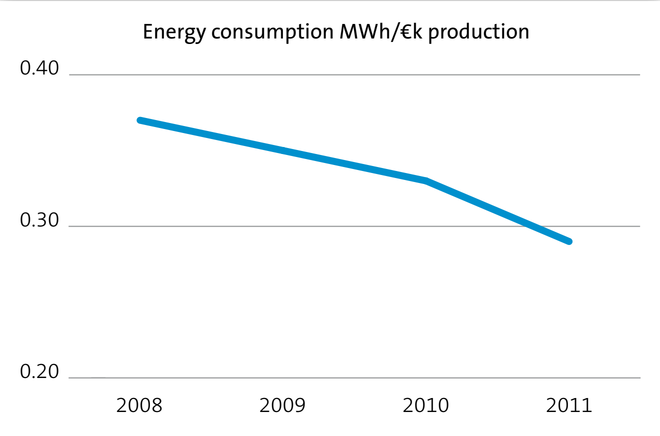
Between 2010 and 2011, water consumption in proportion to production fell by 19%. On LISI's production sites few manufacturing processes use water, mainly for washing parts and for surface treatments. Hence, these plants have carried out individual actions with a view to reducing their water consumption.

In addition, given that many LISI sites have long histories, it is essentially the search for leaks in the old networks which has allowed water consumption to be reduced drastically.

The power consumption

LISI mainly consumes electrical energy – 58% of all the energy consumed – but also uses natural gas for 39%. The AUTOMOTIVE business is the biggest energy consumer; 71% of consumption is by the LISI AUTOMOTIVE division, ahead of the LISI AEROSPACE (28%) and LISI MEDICAL (1%) divisions.

Electricity is used for the machines and natural gas is principally used for the heating of buildings and for Heat Treatment. This explains why LISI AUTOMOTIVE is at the origin of 81% of the natural gas consumed.



Energy consumption is the area to which the plants have given most attention, allowing them to reduce energy consumption by 14% between 2010 and 2011.

Many actions have been implemented individually by the plants in order to achieve this result, including:
- the elimination of air leaks;
- the replacement of oversized compressors by variable-flow compressors;
- improvements in the maintenance of the equipment;
- adaptation of production tools to precise requirements (heat treatment furnaces which are not oversized in the LISI AEROSPACE division for example).

The tonnage of Greenhouse Gases directly resulting from energy consumption increased by 6% between 2010 and 2011, or the equivalent of 700 tons of CO_2. However, in proportion to activity levels, and all sites taken together, the production of CO_2 per €k of production improved by 17%, confirming the improved control of energy consumption.

Utilization of hazardous products

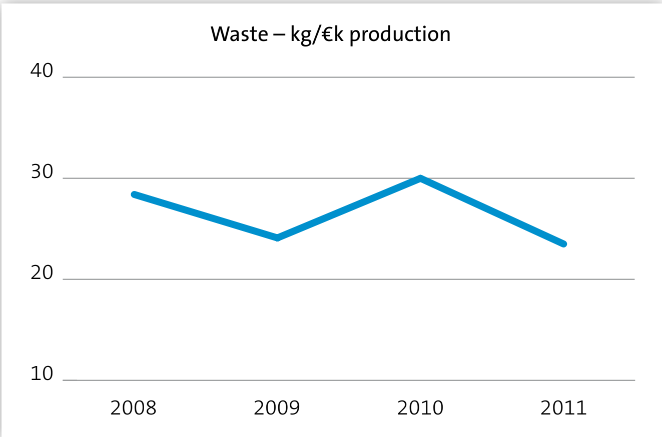
With its customers, LISI is working on reducing the number of hazardous products handled on the production sites.

Between 2010 and 2011, LISI thereby reduced the number of dangerous products used by 19% and, at the same time, the ratio of consumption to activity (€k of production) fell by 16%.

All this substitution work is being carried out over the long-term in collaboration with our customers, who confirm the absence of any impact on the final quality of the products manufactured.

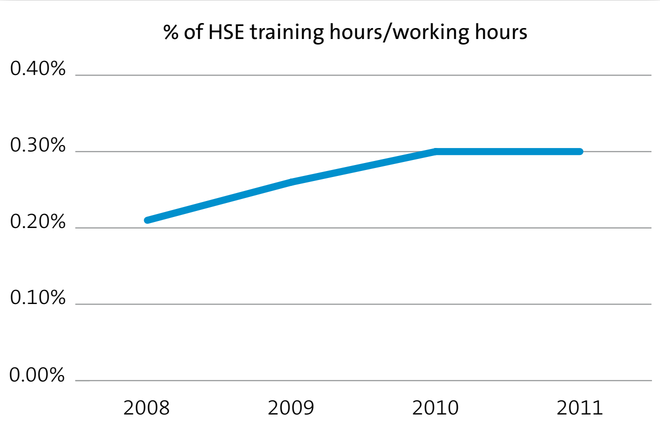
Waste

From 2011 onwards, LISI modified one of its two waste indicators in order to make it more consistent with its activities. The tonnage of waste per €k of production is still monitored every year; however a new indicator has been introduced in order to measure the percentage of waste sorted. In 2011, 94% of the waste produced by the plants was sorted. The absence of historical records prevents us from determining whether this percentage is an improvement.



In 2011, 23.5 kg of waste was produced per €k of production, or 17% less than in 2010. This is an area which has been identified as showing room for improvement, so LISI is seeking to make this subject one of its objectives in the environmental domain for future years.

Training of employees



Technical and organizational actions do not produce any results if nothing is done to change our behaviors. Hence, for safety purposes, "work on a human scale" is also a priority in the environmental area.

LISI has henceforward increased the amount of HSE training for its employees.

In fact, in 2011, LISI dedicated 0.30% of working hours to specific Safety or Environmental training, the same percentage as in 2010.

Conclusion

The behaviors of all employees should allow us to extend over the long term the company's actions to reduce its impact on the environment.

Switching off machines which are not in production, correctly sorting waste and reporting and repairing water leaks are all actions which are not related to technical resources, but simply to responsible behavior.

The efforts made by the Group in the technical areas and in training will allow it to continue the improvements initiated during the last four consecutive financial years.

.2 HEALTH AND SAFETY

2.1 Safety at work: a matter of behavior

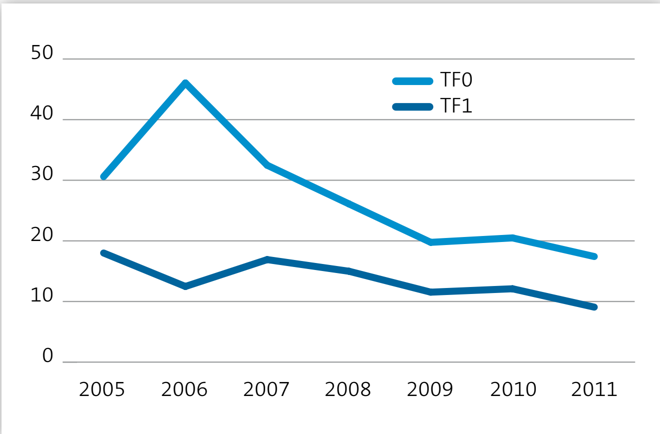
From 2008 onwards, LISI set out, in the form of objectives, its determination to look after the health of everyone working for LISI, whether employees, interns, apprentices, temporary staff or subcontractors.
LISI's commitment in terms of safety and working conditions was further strengthened in 2011 with the organization of a new HSE Forum which was, for the most part, dedicated to Workplace Safety.
The priority given to safety has led over time to an improvement in the results - between 2005 and 2011, LISI cut by half the frequency rate of Workplace Accidents involving work stoppage. For its part, the accident severity was reduced by 75% over the same period.
These results are due to each employee of the LISI Group, to their commitment and their determination to improve safety conditions.

2.2 The Safety Performance Indicators

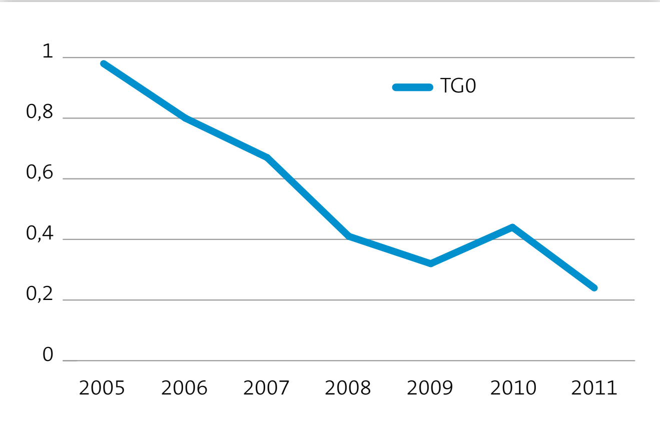
For all the Group's plants and businesses, LISI monitors indicators which allow it to evaluate the efficiency of the actions implemented in the area of Safety.
These indicators are the TF0 and the TF1.

– the TF0 represents the number of workplace accidents, involving work stoppage for a LISI employee, per million hours worked,
– the TF1 represents the number of workplace accidents, with or without work stoppage, involving a LISI employee, per million hours worked.

These indicators improved significantly in 2011, reaching 9.1 for the TF0 and 17.4 for the TF1. These constitute the best results achieved since 2005, when these statistics were first consolidated for the entire Group.
All three divisions contributed to the achievement of these fine results. In the space of one year, LISI has reduced its TF1 by 25% and its TF0 by 15%.



Since 2005, the accident frequency rate has been reduced considerably. At the same time, the severity of the accidents fell significantly. The severity rate TG0, which represents the number of days lost as a result of a workplace accident per thousand hours worked, was reduced by 75%, which reflects on the efficiency of the measures implemented for the protection of the employees.



Without the increasing involvement of the Group's employees, such an improvement would not have been possible.

2.3 Actions taken to continue our improvements

LISI is determined to maintain this improvement.
In order to do this, various actions have been undertaken with the goal of extending this favorable trend over the long term.

Every accident is an event which cannot be tolerated

Every accident which occurs on one of the LISI sites is the subject of a detailed analysis, in accordance with a rigorous methodology developed by the LISI Group's Risk Committee.
In addition, the General Management of the Group is informed of each workplace accident involving work stoppage by the Director of the site concerned, thereby confirming that Safety is everyone's business: from the General Management to the machine operators.

Our behavior has to change

Approximately 80% of the accidents occurring within the Group are of behavioral origin.
For this reason, in 2011 LISI decided to launch a program to change safety behaviors with the assistance of an external consultant and involving the participation of all employees.

This program is based around two principles:
– working on conscious anti-safety behaviors, alongside proximity management,
– working on unconscious anti-safety behaviors by completing training for all the employees.

Since June 2011, the approach has been initiated on four pilot sites, split between the three divisions (Caen, Grandvillars, Kierspe and Saint-Brieuc). It starts by an evaluation of the Safety Culture, in order to determine the detailed support program for each site.
The approach is a long-term investment, from which LISI anticipates long-term results.

.3 RISK MANAGEMENT

3.1 Following COSO guidelines

Since 2004, the Group has been mapping risks in line with COSO guidelines. More recently it has also been drawing upon the provisions of Article L-225.37 of the French Commercial Code on financial security and the recommendations of the French financial regulatory authority, the AMF. Having identified and listed risks at the level of each individual unit (production or distribution sites) the Group classifies consolidated risk within a matrix showing occurrence probability and severity rate. Each risk identified is subject to an action plan which is periodically updated. A link is automatically made to proactive initiatives for hazard prevention, insurance or accounting services.

3.2 Strengthening cooperation with our insurers

The consistency of the relationship with insurers and risk classification has helped to structure the Group's prevention approach. Thus, all of the insurers' recommendations are included in the Environmental Safety Improvement Plans and are subject to periodic monitoring by the Risk Monitoring Committee. Our insurers revisit a number of sites each year, looking both at damage to assets and environmental risks, and then present their recommendations which enhance our action plan. Since 2002, all the significant sites have been audited, except those which have recently been integrated into the Group. This ongoing improvement initiative is improving our prevention policy and enables us to optimize our insurance premiums.

3.3 Drawing up action plans

The action plans for safety / environment / prevention identified within the Group allow for a synthesis of hazard identification on the one hand, the preventive approach on the other, and finally asset preservation and control of operations within the Group. The program is coordinated by the head company of the LISI Group in the areas of HSE, internal controls and cash flow management.

.4 INFORMATION ON ISSUER RISKS

In an approach meant to analyze the general and specific risks the Group is exposed to, the following categories have been identified:
– operating risks,
– strategic risks,
– environmental risks,
– legal risks,
– IT-related risks,
– credit, liquidity, market and currency risks (see note 2.4),
– other risks.

4.1 Operating risks

4.1.1 Exposure to risk of natural disaster or industrial action

In common with any other company, the LISI Group could be disrupted by industrial strike action or natural disasters such as flooding, earthquake or even pandemic. Such events could negatively affect Group sales revenue or cause a substantial increase in expenses required to cover system maintenance or repair. However, due to the diversity of the sites, the LISI Group cannot be exposed for more than 15% of its overall business.

4.1.2 Acquisitions

In order to manage any risks related to the integration of newly-acquired companies and to ensure the transfer of Group management principles, the LISI Group's policy is to acquire a total or at least majority controlling stake in the capital of any potential acquisitions. Any acquisition or sale plans are subject to approval by the Board of Directors. All the group's acquisitions are the subject of an in-depth audit of the risk areas at the target company. The Group generally sets up mixed teams, using internal and external experts.

4.2 Strategic risks

These risks are identified as major risks likely to compromise durably the completion of the strategic plan. All identified risks which are classified in the "High risk" category of occurrence are the subject of insurance coverage (see paragraph 5.1) or of a corrective action plan and are treated as a priority by the managements of the various divisions.

4.3 Environmental risks

The LISI Group is committed to protecting the environment whilst manufacturing its products. Any negative impact resulting from its activities is minimal, and specific attention is paid to water, energy and waste management.

Its industrial and environmental policy aims to manage its major risks, which are:
– the risk of fire and its potential impact on affected sites or their environment,
– the risk of soil or water table pollution.

This risk management policy involves:
– the ongoing improvement of the fire protection of the sites, which are subject to annual monitoring and visits,
– investment in protection systems, with the installation of sprinkler systems or upgrading of existing systems,
– pollution risk prevention: the Group is implementing an appropriate prevention policy.

As part of the manufacturing sites' compliance program, and in the absence of any ongoing legal disputes, the Group has made provisions for an overall sum of €8.6m. Concrete measures are being taken to prevent soil pollution on old sites, including carrying out monitoring activities in concert with the local authorities, on the one hand, and implementing retrofitting work, on the other hand.

More specifically, a sum of €4.9m has been established which relates to the assessed cost of decontaminating the Torrance site (California – USA) which suffered TCE (solvent) pollution several years ago (before 1975). The process that is currently in progress involves pumping and filtering underground water downstream from the site. This treatment has facilitated processing over 15 metric tons of TCE in shallow pollution, and over 7 metric tons in the layers further from the surface. The estimated amount at December 31, 2011, facilitates handling of treatment in accordance with the techniques recommended by our advisors. Liaison with the authorities has led to the swift closure of the soils file and to the acceptance of measures taken with regard to the deepest waters.

As part of the Social and Environmental Responsibilities requirements, LISI AUTOMOTIVE undertakes to reduce the impact of its activities on the environment and to ensure healthy, safe working conditions for all its employees and service providers, as part of the Global Compact. Commitment No. 7 states that “businesses are encouraged to apply the precautionary approach to environmental challenges”. Commitment No. 8 plans to undertake “initiatives to promote greater environmental responsibility”. Finally, Commitment No. 9 promotes “the development and dissemination of environmentally friendly technologies”. In order to comply, LISI AUTOMOTIVE has implemented three specific measures: standardization of practices and definition of indicators, risk management organized around the COSO benchmark and implementation of action plans for environmental safety.

4.4 Legal risks

The Group is involved in a limited number of legal proceedings with third parties (not customers). All these disputes have been reviewed with our Auditors and the most significant were appreciated by the Audit Committee. The amount of provisions for legal disputes set up for that purpose stands at €0.2m. Generally speaking, all legal positions are determined and reviewed by third-party and in-house specialists.

Except for the disputes referred to above, for a period covering at least the last twelve months, no governmental, legal, or arbitration proceedings (including any proceedings of which the Group is aware, which is pending or of which it is threatened) are to be reported that may have or have recently had significant effects on the Group's financial situation or profitability.

4.5 IT-related risks

For each of its divisions, the Group has identified an IT safeguard action plan likely to be implemented in the event of a serious failure. In addition, the Group has insured risks of interruptions and malfunctions of its IT systems with a specific policy.

4.6 Other risks

4.6.1 Raw materials risks

The LISI Group is potentially exposed to changes in the costs of the raw materials (steel, alloys, plastics, aluminum, and titanium) used in the course of its business activities. Nevertheless, the Group estimates that such price increases are unlikely to impact negatively on its profit margins. Indeed, some contracts include price-revision formulae which allow prices to be varied in accordance with changes to raw material costs. Suppliers work to limited time frames based on guaranteed-price contacts. At December 31, 2011, the LISI Group uses no financial instruments to manage its future exposure to changes in the costs of such raw materials.

4.6.2 Energy-related risks

To cover its energy costs, the Group entered into a supply contract with electricity company EDF for its French sites, which is due to expire in 2013. For foreign sites, annual contracts have also been entered into, particularly in Germany and the USA.

4.6.3 Commercial risks

For the record, the Group manufactures several thousand different items using various raw materials (steels, alloys, aluminum, various plastics, titanium, etc.) and employing a range of technologies (cold and hot forming machines, forming, machining, die trimming and stamping, plastic injection, thermal processes and surface treatment). As a result, the commercial risk is spread over a considerable number of products manufactured at the 40 LISI sites around the world. The main product families are developed in collaboration with customers, and the proportion of turnover from patented products plays only a secondary role in total consolidated sales.

4.6.4 Customer-related risks

Looking at the figures for 2011, only 4 clients accounted for more than 5% of the LISI Group’s consolidated sales. Our 10 largest customers accounted for 51.5% of total sales; this list includes clients of all 3 divisions, LISI AEROSPACE, LISI AUTOMOTIVE and LISI MEDICAL. Our 38 largest customers accounted for 75% of sales.

Figures for our 3 largest customers have evolved as follows:

	2011	2010	2009
CUSTOMER A	12.0%	7.8%	8.4%
CUSTOMER B	8.3%	9.0%	10.4%
CUSTOMER C	7.1%	6.9%	6.0%

4.6.5 Product-related risks

The LISI Group is exposed to the risk of actions for liability or to enforce a guarantee by its customers regarding products sold. It is also subject to liability actions in the event of product fault leading to injury or damages. To protect itself against such risks, as described in paragraph 5 below, the LISI Group has third party liability cover for use of its products after delivery. The LISI Group’s liability is often limited to compliance with the original product specifications or customer-defined specifications; it cannot be extended to the ways in which products are used. However, it is possible that the insurance policy taken out may not be sufficient to cover every possible financial eventuality linked to such claims, particularly in the USA.

4.6.6 Supplier-related risks

As a general rule and in view of the nature of its manufacturing activities, the company does not rely exclusively on any one supplier or strategic subcontractor. The company’s main suppliers are those that provide it with raw materials.

Outsourcing is confined mainly to technical applications, primarily specific thermal treatment and finishing operations (surface treatment and assembly), since most of the Group’s activities are integrated. For 2011, the various operations outsourced by the Group’s sites represented approximately 6.8% of consolidated sales revenue.

4.6.7 Currency risks

The Group may have certain exposures to variations in currencies such as the US dollar, the Canadian dollar, the pound sterling, the Turkish pound or the Polish zloty. In order to reduce this level of risk, the LISI Group hedges the risk of variations by using the necessary instruments, such as forward sales at fixed rates for an estimated amount corresponding to its final exposure (see note on hedging in the Notes).

4.6.8 Interest rate risk

The Group has hedged a significant part of the interest rate risk on its loans by swapping variable rates for fixed rates.

.5 INSURANCE POLICY

The LISI Group has several insurance policies, which cover the following risks:

5.1 Property damage insurance

As of January 1, 2012, this policy covered own and others' installations, as well as operating losses in the event of a claim. The deductible is stated by claim and amounts to €0.1m, and this for a maximum coverage amount of €1,068m for the buildings and equipment, and €222m for merchandise.

5.2 Third-party liability insurance

It covers personal injuries and equipment and intangible losses which may occur during operations, as well as losses after delivery for an amount of €15.2m per claim and per year for the first line. The Group also has an Excess contract for which the amount is €7.6m in addition to the first line. An aeronautical insurance policy covers the specific risks for an amount of €305m per year (flight interruptions being covered for an amount of $125m per claim and per year and space products for $125m per claim and $250m per year).

5.3 Corporate officers' liability insurance

The Group has taken out a liability insurance contract for its corporate officers covering all its subsidiaries for an amount of €7.7m per year.

INFORMATION REGARDING THE COMPANY AND CORPORATE GOVERNANCE

.1 COMPANY INFORMATION

1.1 Capital stock

1.1.1 Amount of capital stock

Share capital taken up by shareholders and fully paid-up, as at December 31, 2011, amounted to €21,572,988, divided into 10,786,494 shares with a face value of €2 of the same category.

1.1.2 Changes in share capital over the past 5 years

Date of Shareholders' Meeting	Date of Board meeting	Nature of transaction	Increase (nominal increase (reduction) in capital	Increase (reduction) in capital inc. premium	Number of shares created (cancelled)	Nominal value of shares	Total number of shares after issue	Capital after transaction
Capital at 12/31/2011: €21,572,988 divided into 10,786,494 shares with €2 face value								
02/10/04	07/28/10	Capital increase by conversion of warrants	€3,616	€81,360	1,808	€2	10,786,494	€21,572,988
04/29/09	04/28/10	Capital increase reserved for employees	€61,650	€868,649	30,825	€2	10,784,686	€21,569,372
02/10/04	02/20/08*	Capital increase by conversion of warrants	€299,588	€6,740,730	149,794	€2	10,753,861	€21,507,722
02/10/04	12/21/07	Capital increase by conversion of warrants	€169,592	€3,815,820	84,796	€2	10,604,067	€21,208,134
02/10/04	08/29/07	Capital increase by conversion of warrants	€255,292	€5,744,070	127,646	€2	10,519,271	€21,038,542
02/10/04	06/27/07	Capital increase by conversion of warrants	€361,684	€8,137,890	180,842	€2	10,391,625	€20,783,250
02/10/04	02/22/07	Capital increase by conversion of warrants	€30,000	€675,000	15,000	€2	10,210,783	€20,421,566
02/10/04	12/20/06	Capital increase by conversion of warrants	€498,926	€11,225,835	249,463	€2	10,195,783	€20,391,566
02/10/04	06/23/06	Capital increase by conversion of warrants	€43,640	€981,900	21,820	€2	9,952,166	€19,892,640
02/10/04	06/23/06	Capital increase reserved for employees	€55,332	€1,122,686.58	27,666	€2	9,924,500	€19,849,000

* Conversion of warrants at end December 2007.

1.1.3 Authorized share capital not yet issued

At December 31, 2011 there are more valid delegations granted by the Shareholders' General Meeting to the Board in the area of capital increases.

1.1.4 Potential share capital

At December 31, 2011, there are no more warrants providing access to capital.

1.1.5 Dividend distribution policy for the past five years – Dividend prescription period

The distributable profit is at the disposal of the Shareholders' General Meeting, which determines its allocation.

In the past 5 years, dividends paid out per share have been as follows:

	Net dividend in €
2007	1.50
2008	1.20
2009	0.70
2010	1.05
2011 (1)	1.30

(1) Subject to the decision of the Shareholders' Ordinary General Meeting of April 26, 2012. The dividend payment date was set to May 9, 2012.

The timeframe for paying dividends is 9 months as of the year-end date. Unclaimed dividends are waived to the State after a period of 5 years beginning of the payment date.

1.2 Stock repurchase program

1.2.1 In place December 31, 2011

On April 27, 2011, the Shareholder's Ordinary Meeting authorized the company to repurchase up to 10% of its own shares in the open market for a period of 18 months, *i.e.* up until October 27, 2012.

Thus, LISI S.A. plans to launch a stock repurchase program for the following purposes, in decreasing order of importance:

– to increase the activity of the stock on the market by an Investment Services Provider via a liquidity contract in accordance with the professional code of ethics recognized by the AMF (the French stock market authority);
– to grant stock options or free shares to employees and corporate officers of the company and/or its consolidated group;
– to keep and use shares as consideration or payment for potential future acquisitions;
– to cancel shares purchased, subject to the approval of the Shareholders' Extraordinary Meeting to be called at a later date.

The following terms apply to this authorization:

– the company may not repurchase its own shares for more than €90, not including transaction fees.

The highest figure that LISI S.A. would pay if it purchased shares at the ceiling price set by the Shareholders' Meeting, *i.e.* €90, is €97,078,410.

Under the above-mentioned share repurchase program, in 2011 LISI S.A. acquired 105,304 treasury shares, *i.e.* 1%. The number of own shares held by LISI S.A. stands at 378,804.

The operations carried out by the Company on its own shares are summarized in the table below:

	Number of shares	Weighted average price in €
Shares held as at 01/01/2011	420,876	36.12
Shares acquired in 2011	105,304	57.22
Shares sold in 2011	147,376	45.13
Shares held as at 12/31/2011	378,804	38.48
Of which shares assigned to the stock options program	*349,624*	
Of which available	*29,180*	

Shares have been purchased and sold within the scope of the market-making contract with Oddo Pinatton Corporate. The market-making contract complies with the ethical charter of the AFEI.

1.2.2 New stock repurchase program

The next Shareholders' General Meeting will be offered to renew its program to repurchase LISI S.A. shares, in accordance with the new rules applicable since the entry into force of European Rules Nr.2273/2003 of December 22, 2003. LISI S.A. offers to acquire a number of shares representing up to 10% of the number of shares that make up its capital stock, except for the acquisition of shares meant to be kept and the delivery of shares against or as payment for external growth operations, if applicable, whose total number will be limited to 5% of the equity, i.e. 539,324 shares.

The duration of the stock repurchase program is set at 18 months.
The new stock repurchase program provides that the stock purchased will serve the following purposes:

– to increase the activity of the stock on the market by an Investment Services Provider via a liquidity contract in accordance with the professional code of ethics recognized by the AMF (the French stock market authority),
– to grant stock options or free shares to employees and corporate officers of the company and/or its consolidated group,
– to keep and use shares as consideration or payment for potential future acquisitions,
– to cancel shares purchased, subject to the approval of the Shareholders' Extraordinary Meeting to be called at a later date.

The maximum purchase price may not exceed €100 per share.

Should derivative products be used, LISI S.A. will ensure that the price of its shares is not made more volatile as a result.

1.3 Breakdown of share capital and voting rights

1.3.1 Breakdown of share capital and voting rights over the past 3 years

1.3.1.1 Breakdown of share capital and voting rights

Description	2011			2010			2009		
	as % of capital	as % of voting rights	as number of shares	as % of capital	as % of voting rights	as number of shares	as % of capital	as % of voting rights	as number of shares
CID	55.00	69.6	5,928,724	55.0	67.8	5,928,724	55.1	68.3	5,928,724
VMC	6.00	7.5	641,675	6.0	7.3	641,675	6.0	7.3	641,675
Other corporate officers	0.4	0.4	51,364	0.4	0.4	47,764	0.4	0.3	42,214
TOTAL CORPORATE OFFICERS	**61.4**	**77.5**	**6,621,763**	**61.4**	**75.5**	**6,618,163**	**61.5**	**75.9**	**6,612,613**
of which directors	0.20	0.19	21,540	0.17	0.15	18,540	0.13	0.09	13,990
FFP INVEST	5.1	3.1	550,000						
FFP				5.1	6.1	550,000	5.1	6.0	550,000
Treasury shares	3.5		378,804	3.9		420,876	4.4		472,610
Employees	1.4	0.9	147,500	1.4	0.9	152,570	1.2	0.8	131,395
Public	28.6	18.5	3,088,427	28.3	17.5	3,044,885	27.8	17.3	2,987,243
GRAND TOTAL	**100.0**	**100.0**	**10,786,494**	**100.0**	**100.0**	**10,786,494**	**100.0**	**100.0**	**10,753,861**

Shareholders or groups of shareholders controlling more than 3% of share capital:

- The sole activity of CID, a company based at 28 Faubourg de Belfort 90100 DELLE, is the ownership of LISI shares. At December 31, 2011, it holds: 55% of the share capital and 69.6% of the voting rights.
  CID's capital is held in almost equal proportion by three family shareholder groups through family holdings. While family links exist between shareholders, they are not directly related.
- At December 31, 2011, VMC, Route des Forges 90120 MORVILLARS, holds directly: 6.0% of the share capital and 7.5% of the voting rights. At the same date, it holds indirectly 15.28% of the capital of LISI S.A.
- At December 31, 20011, FFP, 75 avenue de la Grande Armée 75116 PARIS, holds: 5.1 % of the share capital and 3.1% of the voting rights. At the same date, it holds indirectly 13.88% of the capital of LISI S.A.

To the company's knowledge, no other shareholders hold more than 3% of share capital or voting rights, be it directly, indirectly or jointly.

The percentage of share capital held by staff members is not significant (1.4% of the share capital).

1.3.1.2 Shareholders' agreement – Acting in concert

There are no shareholders agreements at LISI S.A., and no shareholders (other than those listed in the above chart) have represented that they have breached the threshold of between 3% and 5%, as provided for in the by-laws.

To the best of LISI's knowledge, on the date on which this document was drafted, there exists no action in concert, as defined in articles L.233-10 and L.233-11 of the Commercial Code.

1.3.1.3 Pledging

To the company's knowledge, no pure registered shares have been pledged as collateral.

1.3.1.4 Collective retention commitments

Collective retention commitments "Dutreil" agreement (article 885 I of the General Tax Code) regarding LISI S.A. securities

Under Article 885 I bis of the General Tax Code ("CGI"), a commitment to retain shares was subscribed for a period of two years and one day from December 17, 2010 by Compagnie Industrielle de Delle ("CID"), Mr. Gilles Kohler, Mr. Jean-Philippe Kohler and Mr. Emmanuel Viellard. This commitment involves 5,929,125 shares and 11,857,849 LISI S.A. voting rights, broken down as follows:

	Shares	% capital	Voting rights	% voting rights
CID	5,928,724	55.00%	11,857,448	69.60%
Mr. Gilles Kohler	200	0.00%	200	0.00%
Mr. Jean-Philippe Kohler	1	0.00%	1	0.00%
Mr. Emmanuel Viellard	200	0.00%	200	0.00%
Total	**5,929,125**	**55.00%**	**11,857,849**	**69.60%**

So as to be able to benefit from the tax break as regards Solidarity Tax on Wealth, the Compagnie Industrielle de Delle, Mr. Gilles Kohler, Mr. Jean-Philippe Kohler and Mr. Emmanuel Viellard have individually made a commitment to keep their shares in LISI S.A. for a period of four years, on the expiry of the two-year retention period stipulated in the collective commitment.

"Jacob" agreement (article 787 B of the General Tax Code) regarding LISI S.A. securities

Under Article 787 B of the General Tax Code ("CGI"), a commitment to retain shares was subscribed from December 17, 2010 for a period of two years and one day by Compagnie Industrielle de Delle ("CID"), Mr. Gilles Kohler, Mr. Jean-Philippe Kohler and Mr. Emmanuel Viellard. This commitment involves 5,929,125 shares and 11,857,849 LISI S.A. voting rights, broken down as follows:

	Shares	% capital	Voting rights	% voting rights
CID	5,928,724	55.00%	11,857,448	69.60%
Mr. Gilles Kohler	200	0.00%	200	0.00%
Mr. Jean-Philippe Kohler	1	0.00%	1	0.00%
Mr. Emmanuel Viellard	200	0.00%	200	0.00%
Total	**5,929,125**	**55.00%**	**11,857,849**	**69.60%**

So as to be able to benefit from the tax break as regards inheritance and gift tax, the Compagnie Industrielle de Delle, Mr. Gilles Kohler, Mr. Jean-Philippe Kohler and Mr. Emmanuel Viellard have individually made a commitment to keep their shares in LISI S.A. for a period of four years. At the end of the two-year retention period, the commitment will be tacitly renewable by periods of one year, year-on-year, as stipulated in the collective commitment.

On the date of this document, these commitments made under article 885 I bis and article 787 B of the General Tax Code have been kept.

It is also stated that interests held in CIKO CID, stand at 47,979 shares out of a total of 159,495 at December 31, 2011.

1.3.2 LISI S.A. shareholding

The last TPI analysis ("Identifiable bearer security") identified 2,343 shareholders on the floating capital, which accounted for approximately 32% of the total number of shares. At that date, the breakdown was as follows:
- French institutional investors: 137 holding 11.7% of the capital stock,
- International institutional investors: 111 holding 15.7% of capital,
- French and international individual shareholders: 2,095 holding 2.6% of capital.

1.3.3 LISI S.A. treasury shares

As at December 31, 2011, LISI S.A. held 378,804 of its own shares, or 3.5% of share capital. No shares were cancelled.

1.4 Relationship between the company and its subsidiaries

LISI S.A. operates as a holding and support company for its subsidiaries. It manages its portfolio of interests, the funding of its operations and those of its subsidiaries, as well as exchange rate, interest rate and liquidity risks. If necessary, it can also grant loans to its subsidiaries and centralize the group's cash flow surpluses, within the scope of a cash management agreement. These operations are charged at the market price plus a margin.

In France, LISI S.A. is the parent company of a group consolidated for fiscal purposes. In accordance with the express provisions of the Fiscal Consolidation Agreement, tax credit is retained by the parent company, and companies are not entitled to compensation should they leave the consolidation perimeter.

LISI S.A. offers its subsidiaries a number of services and skills relating to central functions, such as legal and fiscal support, financial support, management controls, procedures and audits, insurance management and assistance with human resources, health, safety, and environmental matters. The three divisions pay LISI S.A. a normal level of compensation for these services, based on the operating expenses incurred for the period, multiplied by a coefficient; these charge-backs are broken down proportionally to each division's added value.

Data with related companies are as follows:

(In €'000)	Amount concerning... related companies	Amount concerning... companies with which the company has an ownership relationship
ASSETS:		
Receivables related to equity holdings	14,760	–
Debtors and apportioned accounts	2,032	–
Cash advances to subsidiaries	149,655	–
Tax integration current account	9,678	–
LIABILITIES:		
Subsidiaries' financial assistance	53,036	–
Tax integration current account	1,913	–
Suppliers	61	–
INCOME STATEMENT:		
IT maintenance	13	–
Reserves for equity interests	566	–
Sales revenue with subsidiaries	6,164	–
Revenues from subsidiaries' loans and current accounts	1,756	–
Revenues from equity interest	10,993	–

Significant intra-group items include:

- On the assets side:
  - receivables relating to equity interests: LISI S.A. advanced, as a mid-term loan, €25m to its subsidiary LISI AUTOMOTIVE. A loan contract of €10 million which was entered into on July 15, 2005 for a period of seven years, redeemable on or after July 15, 2011 for a full refund on April 1, 2016, allowed it to partially finance the acquisition in July 2005 of the German KNIPPING. A loan contract for €5 million which was entered into on April 2, 2007 for a period of 5 years, repayable quarterly, allowed the company to finance a number of these industrial investments. The capital outstanding at December 31, 2011 being €0.3 million. A €10 million loan was taken out in April 2008 for a period of 7 years, amortizable, with 2 years' deferred repayment to face its growing working capital requirements. The capital outstanding at December 31, 2011 being €6 million,
  - cash advances to group subsidiaries as part of the Group's cash agreement,
  - the current accounts for the fiscal integration of tax receivables of the companies consolidated within the group.
- On the liabilities side:
  - cash granted to group subsidiaries within the group cash management agreement,
  - the current accounts for the fiscal integration of tax receivables of the companies integrated within the group.
- On the income statement:
  - invoices for services and management fees from LISI S.A. to its various subsidiaries,
  - dividends received by LISI S.A. during the financial year 2011.

These transactions are entered into under normal market conditions; in particular, they take into account costs that were actually incurred and are billed back.

1.5 Auditors' fees

The table below lists the fees paid to the Auditors appointed for certifying the Group's financial and consolidated statements. These fees pay for services rendered and are recorded as expenses for fiscal 2011 in the financial statement of LISI S.A. and its subsidiaries whose income statements for the period and balance sheets are fully consolidated.

The fees relative for tax services regarding the French or foreign companies, rendered by Bureau Francis Lefebvre or other consultancies, are not listed in this table:

	Ernst & Young		KPMG Audit		Exco Cap Audit		Foreign auditors		Sécafi Alpha [1]	
	Amount		Amount		Amount		Amount		Amount	
(In €'000)	N	N-1	N	N-1	N	N-1	N	N-1	N	N-1
Audit										
Auditors, certification, review of individual and consolidated financial statements										
– Holding company	76			31	20	22				
– Fully consolidated subsidiaries	512	457		157	148	96	65			
Other due diligence and services										
– Holding company									18	18
– Fully consolidated subsidiaries				50	23	3	24	30	111	79
Sub-total	**588**	**457**		**238**	**191**	**121**	**89**	**30**	**129**	**97**
Other services rendered by the networks to the fully consolidated subsidiaries										
Legal, tax, and social							127	208		
Miscellaneous services										
Sub-total							**127**	**208**		
TOTAL	**588**	**457**		**238**	**191**	**121**	**216**	**238**	**129**	**97**

(1) Group Committee.

.2 COMPANY GOVERNANCE

LISI is a *"société anonyme"* (limited company) with a Board of Directors, governed by French law, in particular the provisions of Book II of the Commercial Code, and a number of provisions of the regulatory section of the Commercial Code. The company has set up measures aiming to comply with the market recommendations regarding the corporate governance principles (refer in particular to the Board Chairman's report).
The LISI Group is a member of the AFEP MEDEF corporate governance code, whose recommendations it meets. Such membership has been confirmed by the Board of Directors.

2.1 Tasks and operating procedures of the Board of Directors

During the Meeting of March 1, 2004, the LISI Board of Directors set out the terms of a Corporate Governance Charter detailing the rules that apply to all members and participants of this Board. This is an exclusively internal document and in no way does it replace the by-laws or the provisions of commercial Law.

Tasks of the Board of Directors

LISI S.A.'s Board of Directors is a collegial body that represents all shareholders and which has a duty to act systematically in the corporate interests of the company.
In exercising its prerogatives, subject to the powers expressly assigned to the shareholder's meetings and purely within the scope of the business purpose, the Board must examine any question that may affect that correct functioning of the company and, through its deliberations, address any related issues.

As a general rule, the Board of Directors has 5 main tasks:
1. it sets out the company's strategy,
2. it appoints the directors in charge of running the company within the framework of this strategy and selects an appropriate form of organization (dissociation of the functions of the Chairman and the Chief Executive Officer or fusion of these functions),
3. it supervises the company's management,
4. it guarantees the quality of the information supplied to shareholders and the markets via the financial statements or in the event of significant transactions,
5. it checks the main acquisitions or disposals of assets presented by management, in particular compliance with the strategic plan and their valuation.

The Board of Directors carries out any controls or checks that it deems necessary.

The Board of Directors will ensure that its composition, as well as its work, is representative of LISI S.A.'s share ownership structure.

The Board may decide to create Committees, to which it can submit questions in order to obtain advice. It sets out the composition and powers of the Committees, who carry out their work under the Board's authority.

Director's code of ethics

Each director must consider himself to represent all shareholders and behave accordingly when exercising his functions.

During the Meeting of March 1, 2004, the Board of Directors of LISI S.A. deemed it unnecessary to draw distinctions between the directors, regardless of whether or not they are corporate officers, directors of a parent company, or directly or indirectly tied to the Company or its subsidiaries in an economic capacity. Indeed, the Board considers that its members are selected purely on the strength of their competence and on their active contribution to its missions.

Before accepting their functions, directors must ensure that they have familiarized themselves with the general and special obligations that relate to the position of director. LISI S.A.'s by-laws and this charter will be handed to them prior to them taking up their functions. Acceptance of the position of director implies acceptance of this charter.

All members of the Board of Directors must devote sufficient time to examining the files sent to them in order to adequately prepare for Board Meetings and for the meetings of the Committees to which they have been appointed. They may ask the Chairman for any additional information they may require in order to carry out their work.

Directors must be committed and take part in all meetings held by the Board or by the Committees to which they have been appointed. A provisional calendar of Board Meetings is set out each year end for the following year.

Directors must notify the Board of Directors of any conflicts of interest with LISI S.A., even potential ones. They must abstain from taking part in the vote for any deliberations that are affected by these conflicts.

If a member of the Board of Directors has a direct or indirect role in an operation in which LISI S.A. has interests or which he has gained knowledge of as a result of his membership of the Board, he must bring this to the attention of the Board prior to their meeting.

Operating procedures of the Board of Directors

The Board of Directors meets whenever it is in the Company's interests to do so or when a meeting is called by the Chairman, or failing this, by a Deputy Chairman he has nominated.

Notwithstanding exceptional circumstances, invitations to meetings will be sent in writing to the members of the Board less than two weeks before the date it is to be held. The documents relating to subjects to be covered in the meeting agenda will be attached to this invitation, which will allow the members of the Board to form an informed opinion on the stakes involved.

The members of the Board of Directors have the right to have themselves represented by one of their colleagues by written proxy. A member of the Board of Directors may only represent one person at any one meeting.
For the deliberations of the Board of Directors to be valid, the number of members present must be at least equal to half the total number of members.
Decisions are taken by majority vote of the members present or represented. Should the vote be split, the Chairman of the meeting shall have the casting vote.

For corporate governance to be practiced to an acceptable standard, the Board will assess its ability to fulfill the requirements of the shareholders, who have given them a mandate to run the company, by carrying out a periodic review of its composition, its organization and its operating procedures at least once a year. In particular, it will check that important issues are suitably prepared and debated.

The Board of Directors and the Shareholders' General Meeting

The Board of Directors represents all shareholders. In carrying out its missions it reports jointly to the Shareholders' General Meeting, whose principal legal responsibilities it assumes.

Operations of truly strategic importance, such as acquisitions or disposals, investment for the purposes of organic growth or significant internal restructuring, must be examined by the Board of Directors for approval.

Directors' obligations

Each member of the Board of Directors must own a minimum of one LISI share registered in his own name, for the entire duration of his mandate.

Directors, whether on their own behalf or for others, shall refrain from any transactions in respect of the shares of LISI S.A, including derivatives, if on account of their positions they are aware of information not yet made public that might influence the share's price on the stock exchange.

2.2 Internal rules of the Board of Directors

At the Board of Directors meeting held on August 30, 2006, the internal rules of the Board of Directors were adopted.

In addition to the Corporate Governance Charter referred to above, the internal rules provide:

Board meetings

If the technical facilities of the Boardroom so permit, for purposes of establishing a quorum and a majority, directors who attend a board meeting by way of videoconference and/or conference call shall be considered present in accordance with the rules.

This provision shall not apply to the following decisions: appointment or removal of the Chairman, appointment or removal of the CEO, appointment or removal of the Vice Presidents, approval of the corporate and consolidated annual financial statements and the management report.

Invitations to board meetings that are issued by either the Chairman or the Secretary of the Board can be by letter, fax, email or verbally.

2.3 The Compensation Committee

The Compensation Committee is in charge of:

– Setting out the general rules of compensation (fixed salaries and variable bonuses of all types) and checking the annual application of these rules:
  a) Members of management of LISI S.A. (the Chairman of the Board of Directors, the CEO and Vice Presidents);
  b) The CEOs of the divisions of LISI S.A.;
– Advising the LISI S.A. Chairman and Chief Executive Officer on the compensation policy for the top management of each of the Group's subsidiaries. Within the scope of this advisory role, the Compensation Committee submits all proposals to the Board relating to incentive and profit-sharing schemes for the Group's top management, in particular with regard to the parent company's stocks options policies, the corresponding terms and conditions, as well as the terms of eligibility.

It also presents its recommendations regarding the appearance fees awarded to directors and to members of the Board's Committees and the pay scale applied to these fees.

The Compensation Committee is comprised of at least 3 members and at most 5 members, the majority of whom cannot be corporate officers. Members of this Committee are Mrs. Lise Nobre, Messrs. Thierry Peugeot and Patrick Daher. The Committee is chaired by Mrs. Lise Nobre.

Members who are corporate officers do not take part in the vote when the Committee deliberates on their own compensation or on any incentive systems from which they may benefit.

The Committee meets a minimum of twice a year. Its work leads to the drafting of a written report that allows the Board to remain fully informed, thus facilitating its deliberation.

The Committee met twice in 2011. It presented its recommendations to the Board on the following points:

– The fixed compensation paid to members of LISI S.A.'s General Management and to Chief Executive Officers of the group's Divisions, as well as the calculation rules that apply to the variable portion of this compensation, known as the Objective-Related Bonus. This portion depends chiefly on meeting annual objectives on growth, revenue and net borrowing.

2.4 The Audit Committee

The main tasks of the Audit Committee are:

– to review the financial statements and to ensure that the accounting methods used to establish the company's consolidated financial and corporate statements are relevant and permanent;
– to check that the internal procedures used to gather and verify information will guarantee this. In order to do so, the Audit Committee analyzes and monitors the company's risk management procedures. It issues an opinion on the process used to check the financial statements, assesses the independence of the auditors and familiarizes itself with the auditors' comments on the financial statements;
– to take into account the Group's general risk analysis, follow up the action plans set up and their progression. As such, the internal audit reports are presented to the Audit Committee, as well as the follow-up and corrective action reports.

The Audit Committee has full authority to issue to the Board of Directors the recommendations designed to improve the Group's internal control.

The Audit Committee steers the Auditor selection procedure and submits the outcome of this selection to the Board. Once the Auditors' mandate comes to an end, the selection of new Auditors or the renewal of their mandate must be preceded by a call for tender issued by the Board and supervised by the Audit Committee. The amount paid in fees by the company and group to the consultancy and the Auditors involved is communicated to the Committee, which verifies that this amount and the proportion of the consultancy's turnover it represents are not likely to affect their independence.

The Audit Committee is comprised of at least 3 members and at most 5 members, the majority of whom cannot be corporate officers. The members of this Committee are Messrs. Eric André, Christophe Viellard and Christian Peugeot. The Committee is chaired by Mr. Eric André.

It meets prior to the Board of Directors' meetings that are held to set out the annual or half-yearly financial statements.

The Auditors are invited to take part in this preparatory meeting.

The Audit Committee's examination of the financial statements must be accompanied by a note from the Auditors highlighting the key points not only of the results, but also of the accounting methods selected, as well as a note from the company describing its exposure to risks and any significant off-balance sheet commitments.

The Committee met twice in 2011. It heard the Auditors report on the execution of their mission and was informed by the company's General Management of the internal procedures employed. Information relating to the consolidation perimeter and to the off-balance sheet risks described in the appendix to the consolidated financial statements was sent to the Audit Committee, which submitted a report on its work to the Board of Directors.

2.5 The Strategic Committee

The Strategic Committee is made up of 5 members, the majority of which cannot be corporate officers. Members of this Committee are Mrs. Lise Nobre, Messrs. Gilles Kohler, Jean-Philippe Kohler, Emmanuel Viellard and Pascal Lebard. The Committee is chaired by Mr. Gilles Kohler.

The Committee met twice in 2011.

2.6 Independent directors and directors linked to the company

As per the principles advocated by the AFEP/MEDEF code, the directors of the LISI Group SA are qualified independent directors when their status meets the following six criteria:

– not being an employee or corporate officer of the company, not being an employee or director of the parent company or of a company that it consolidates and not having held such status for the previous five years;
– not being a corporate officer of a company in which the company directly or indirectly holds a director's mandate or in which an employee designated as such or a corporate officer (current or having been so for less than five years) holds a director's mandate;
– not being a client, supplier, investment banker or financial banker significant for the company or its group, or for whom the company or its group represents a major portion of business;
– not being a close relative of a corporate officer;
– not having been a company auditor for the previous five years;
– not having been a company director for more than twelve years.

In concrete terms, holders of the role of independent director are people who are not linked directly or indirectly to the reference shareholders which are CIKO, FFP and VIELLARD MIGEON & CIE (details in paragraph 2.8.1 of this document).

2.7 Employees

2.7.1 Head count

2.7.1.1 Registered employees at period end by category

The table below shows the breakdown of Group staff by category:

	2011	2010	Difference N/N-1
Management	761	728	+ 4.5%
Supervisors	822	755	+ 8.9%
Staff and workers	6,929	5,618	+ 23.3%
Total	**8,512**	**7,101**	**+ 19.9%**

2.7.1.2 Registered employees at period end by division

The table below shows a breakdown of Group staff by business activity:

	2011	2010	Difference N/N-1
LISI AEROSPACE	4,677	2,988	+ 56.5%
LISI MEDICAL	508	483	+ 5.2%
LISI AUTOMOTIVE	3,312	3,200	+ 3.5%
LISI COSMETICS		417	
Holding company	15	13	+ 15.4%
Total	**8,512**	**7,101**	**+ 19.9%**
Temporary staff engaged	627	425	+ 47.5%

2.7.1.3 Geographic breakdown of staff

The table below shows the breakdown of staff by geographic area:

	2011	in %	2010	in %
France	4,727	56%	3,920	55%
Europe (excl. France)	1,638	19%	1,394	20%
North American continent	1,312	15%	1,246	18%
Africa	205	2%		
Asia	630	7%	541	8%
Total	**8,512**	**100%**	**7,101**	**100%**

2.7.1.4 Consolidated sales revenue

EFTAW*	Voluntary departures	Churn rate
8,156	419	5.1%

* Equivalent full-time average wage.

2.7.2 Incentive schemes, profit-sharing and stock options

2.7.2.1 Employee profit-sharing

a) Profit-sharing and incentive scheme

Profit-sharing

The funds paid out in the form of special reserves for profit-sharing during the past 3 years are as follows (in million euros):

2011	2010	2009
3.9	1.0	1.05

Incentive scheme

Most of the companies within the Group have an incentive system allowing employees to participate actively in the group's performance. The methods for calculating the sums involved depend on the criteria of each company.

b) Group Savings Plan (PEG)

In 2001, the LISI Group created a savings plan dubbed *"LISI en actions"* for its French companies. In 2001, 2004, 2006 and 2010, the plan led to employees participating in capital increases reserved for them of €1.47 million, €0.8 million, €1.18 million and €0.9 million.

For other years, the PEG was renewed in the form of a repurchase of shares.

The levels of voluntary contributions by employees, the profit-sharing and the extent of profit-sharing schemes are set by the company in accordance with a schedule.

Benefits granted to employees under the Group savings plan are recorded to the income statement and assessed in accordance with IFRS 2.

As at December 31, 2011, the "LISI en actions" plan consisted entirely of LISI shares, for a total of 146,500 shares, and had 1,442 members.

In 2011, the Group savings plan was renewed in the form of a share repurchase program.

c) Employee shareholding

The percentage of share capital held by the Group's employees stood at 1.4% as at December 2011.

2.7.2.2 Stocks options

a) Free shares granting plan

As a reward to several employees who have spent the majority of their working lives employed within the LISI Group, and who have actively contributed to its development, the Board of Directors, in its meeting of July 28, 2009, with the permission of the General Meeting of April 29, 2009, decided to allocate 3,300 LISI company shares, freely and without condition, to four Group employees. The plan stipulates that shares thus allocated shall be held for two years, during which period they may not be sold on. This allocation was repeated in 2010 under the same conditions; it involved one person for an allocation of 600 shares.

b) Performance shares plan

Plan of 2009

Acting on the recommendation of the Compensation Committee, LISI's Board of Directors decided, on July 28, 2009, with the permission of the General Meeting of April 29, 2009, to allocate performance shares to members of the Executive Committee and to members of the main Management Committees for the three LISI Group divisions, subject to their meeting all or part of certain performance targets: reaching on December 31, 2010 two criteria, namely consolidated EBIT between 5% and 12% of consolidated sales, and consolidated Free Cash Flow between 0% and 5% of consolidated sales. The maximum allocated number of shares is 73,300 shares and concerns 145 French employees. In order for the number to be equal to the number of shares originally allocated, performance indicators need to be fully respected. Where performance targets are not met, the number of shares will be reduced accordingly. The plan also stipulates that shares thus allocated shall be held for two years, during which period they may not be sold on.

As far as the corporate officers are concerned, the Board of Directors decided:

1) In order to receive at maturity all or part of the Performance Shares to which they are entitled, each of the corporate officer directors shall, at the end of the acquisition period, acquire 200 Company shares.
2) The corporate officer directors shall retain 200 of any shares which may have been allocated to them registered in their own name, and until the termination of their employment.

75 employees outside of France will benefit from bonuses based on the principles and conditions, but in the form of pay and salaries.

On February 16, 2011, the Board of Directors observed that performance targets had only been partially met; as a result only 50% of shares or bonuses will actually be allocated.

Plan of 2010

Acting on the recommendation of the Compensation Committee, LISI's Board of Directors decided, on July 28, 2010, with the permission of the General Meeting of April 29, 2009, to allocate performance shares to members of the Executive Committee and to members of the main Management Committees for the three LISI Group divisions, subject to their meeting all or part of certain performance targets: reaching on December 31, 2011 two criteria, namely consolidated EBIT in excess of 6% of consolidated sales, and consolidated sales revenue in excess of €800m. The maximum allocated number of shares is 60,900 shares and concerns 123 French employees.

In order for the number to be equal to the number of shares originally allocated, performance indicators need to be fully respected. Where performance targets are not met, the number of shares will be reduced accordingly. The plan also stipulates that shares thus allocated shall be held for two years, during which period they may not be sold on.

As far as the corporate officers are concerned, the Board of Directors decided:

1) In order to receive at maturity all or part of the Performance Shares to which they are entitled, each of the corporate officer directors shall, at the end of the acquisition period, acquire 200 Company shares.
2) The corporate officer directors shall retain 200 of any shares which may have been allocated to them registered in their own name, and until the termination of their employment.

59 employees outside of France will benefit from bonuses based on the principles and conditions, but in the form of pay and salaries.

Plan of 2011

Acting on the recommendation of the Compensation Committee, LISI's Board of Directors decided, on July 26, 2011, with the permission of the General Meeting of April 29, 2009, to allocate performance shares to members of the Executive Committee and to members of the main Management Committees for the three LISI Group divisions, subject to their meeting all or part of certain performance targets: reaching on December 31, 2012, one criterion, namely Net Asset Value of at least €975 million. If the Net Asset Value is between €700m and €975 million, the shares would be allocated in part for every €55 million. The maximum allocated number of shares is 48,150 shares and concerns 143 French employees.

The plan also stipulates that shares thus allocated shall be held for two years, during which period they may not be sold on.

As far as the corporate officers are concerned, the Board of Directors decided:

1) In order to receive at maturity all or part of the Performance Shares to which they are entitled, each of the corporate officer directors shall, at the end of the acquisition period, acquire 200 Company shares.
2) The corporate officer directors shall retain 200 of any shares which may have been allocated to them registered in their own name, and until the termination of their employment.

69 employees outside of France will benefit from bonuses based on the principles and conditions, but in the form of pay and salaries.

c) Information relating to share-purchase options and the awarding of shares based on performance on December 31, 2011

The table below shows the information relating to share-purchase options and performance-based shares outstanding as at December 31, 2011:

	Number	Average weighted exercise price of options in €
Options outstanding at year start	147,475	
Options allocated during the period	48,150	
Options cancelled during the period	(44,300)	
Options exercised during the year	(47,225)	22.78
Options that reached maturity during the period		
Options outstanding at year end	104,100	

The following table presents information about outstanding stock options by date as at December 31, 2011:

Allotment date of options	Exercise price in €	Number of options outstanding at December 31, 2011	Residual contractual term
07/28/2010	None	56,250	07/28/2014
07/28/2010	None	600	07/28/2012
07/28/2011	None	47,250	02/26/2014
Total		**104,100**	

d) Plans in place as at December 31, 2011

Date of shareholders' General Meeting / Board of Directors	Category Plan number	Number of shares assigned	Of which corporate officers	Of which members of the Management Committee	Of which 10 top employees	Residual number of beneficiaries	Exercise period	Subscription or purchase price	Options exercised at 01/01/2011	Options exercised in 2011	Options cancelled	Options remaining at 12/31/2011
Authorization of 02.28.2001												
06.25.2003	A Plan Nr. 4	163,000	10,000	47,500	12,500	0	06.26.2007 06.24.2011	€20.33	113,625	9,375	40,000	0
Authorization of 04.29.2009												
07.28.2009	G Plan Nr. 6	73,300	3,200	10,500	10,200	0	07.29.2011 07.29.2013	None	0	34,550	38,750	0
Authorization of 04.29.2009												
07.28.2009	G Plan Nr. 6 bis	3,300	0	0	3,300	0	07.29.2009 07.29.2011	None	0	3,300	0	0
Authorization of 04.29.2009												
07.28.2010	G Plan Nr. 7	60,900	2,600	8,750	8,750	114	07.28.2012 07.28.2014	None	0	0	4,650	56,250
Authorization of 04.29.2009												
07.28.2010	G Plan Nr. 7 bis	600	0	0	600	1	07.28.2010 07.28.2012	None	0	0	0	600
Authorization of 04.29.2009												
07.28.2011	G Plan Nr. 8	48,150	3,450	9,000	3,600	141	07.28.2012 07.28.2014	None	0	0	900	47,250

A = purchase
G = free

e) Options exercised in 2011

Between January 1 and December 31, 2011, 9,375 options were exercised by stock options and 37,850 shares were granted.

f) Options granted in 2010

During the financial year 2010, the Board of Directors decided on July 28, 2010, to set up a performance share allocation scheme with 60,900 shares to be allocated to 123 persons including two corporate officers.

In 2010, the top ten staff other than corporate officers received shares as follows:

	Total number of shares allocated
Total number of shares allocated during the period to the ten best paid employees who are not corporate officers of the Group, whose number of options thus granted is the highest	8,750

g) Options granted in 2011

During the financial year 2011, the Board of Directors decided on July 27, 2011, to set up a performance share allocation scheme with 48,150 shares to be allocated to 143 persons including two corporate officers.

In 2011, the top ten staff other than corporate officers received shares as follows:

	Total number of shares allocated
Total number of shares allocated during the period to the ten best paid employees who are not corporate officers of the Group, whose number of options thus granted is the highest	3,600

2.8 Administrative bodies

2.8.1 Composition of the Board of Directors and the specialized Committees

The Group's Board of Directors consists of 10 members, four of whom are independent under the criteria specified by the AFEP/MEDEF Code.

		Independent director	Date of appointment	Term of office expires
Board of Directors				
Chairman of the Board of Directors	Gilles KOHLER		1985	General Meeting 2015 [4]
Members of the Board of Directors:	Emmanuel VIELLARD		2000	General Meeting 2013 [2]
	Eric ANDRE	X	2002	General Meeting 2014 [3]
	Lise NOBRE	X	2008	General Meeting 2014 [3]
	Christian PEUGEOT		2003	General Meeting 2013 [2]
	Patrick DAHER	X	2008	General Meeting 2015 [4]
	Pascal LEBARD	X	2005	General Meeting 2017 [1]
	Compagnie Industrielle de Delle represented by Thierry Peugeot		1977	General Meeting 2013 [2]
	SAS CIKO represented by Jean-Philippe Kohler		2002	General Meeting 2015 [4]
	VIELLARD MIGEON & Cie represented by Christophe Viellard		2000	General Meeting 2015 [4]
Secretary of the Board of Directors	Maître Olivier Perret (*Fiscalité sociétés*)			
Audit Committee				
Members of the Audit Committee:	Eric ANDRE			
	Christophe VIELLARD			
	Christian PEUGEOT			
Compensation Committee				
Members of the Compensation Committee:	Lise NOBRE			
	Thierry PEUGEOT			
	Patrick DAHER			
Strategic Committee				
Members of the Strategic Committee:	Gilles KOHLER			
	Jean-Philippe KOHLER			
	Emmanuel VIELLARD			
	Pascal LEBARD			
	Lise NOBRE			

[1] Ordinary General Meeting slated to rule in 2011 on the financial statements for the period ended December 31, 2016.
[2] Ordinary General Meeting slated to rule in 2013 on the financial statements for the period ended December 31, 2012.
[3] Ordinary General Meeting slated to rule in 2014 on the financial statements for the period ended December 31, 2013.
[4] Ordinary General Meeting slated to rule in 2015 on the financial statements for the period ended December 31, 2014.

2.8.2 Information regarding the members of the Board of Directors

2.8.2.1 The members of the Board of Directors

Gilles Kohler, age 58, Chairman and CEO of LISI.

He chairs the Board of Directors and attends the Strategic Committee.

Gilles Kohler has exercised the other mandates and functions listed below:

Related to the LISI Group (in France and abroad):
- Chairman of LISI AUTOMOTIVE SAS,
- Director of HI-SHEAR Corporation (USA),
- Member of the Management Committee of LISI AUTOMOTIVE Former SAS,
- Member of the Management Committee of LISI AUTOMOTIVE Rapid SAS,
- Member of the Management Committee of LISI AUTOMOTIVE Nomel SAS,
- Member of the Management Committee of LISI AEROSPACE SAS,
- Member of the Management Committee of LISI AEROSPACE CREUZET SAS,
- Member of the Management Committee of CREUZET AERONAUTIQUE SAS,
- Member of the Management Committee of INDRAERO SIREN SAS,
- Member of the Management Committee of BLANC AERO Technologies SAS,
- Member of the Management Committee of BLANC AERO Industries SAS,
- Member of the Management Committee of LISI MEDICAL SAS,
- Member of the Management Committee of LISI MEDICAL Orthopaedics SAS.

Outside the LISI Group (in France and abroad):
- Chairman of the Board of Directors of Compagnie Industrielle de Delle.

Emmanuel Viellard, age 48, Deputy Chairman and Deputy CEO of LISI.

He attends the Board of Directors and the Strategic Committee.

Emmanuel Viellard has exercised the other mandates and functions listed below:

Related to the LISI Group (in France and abroad):
- Chairman of LISI AEROSPACE SAS,
- Chairman of LISI AEROSPACE CREUZET SAS,
- Director of HI-SHEAR Corporation (USA),
- Member of the Management Committee of LISI AUTOMOTIVE SAS,
- Member of the Management Committee of LISI AUTOMOTIVE Former SAS,
- Member of the Management Committee of LISI AUTOMOTIVE Rapid SAS,
- Member of the Management Committee of LISI AUTOMOTIVE Nomel SAS,
- Member of the Management Committee of CREUZET AERONAUTIQUE SAS,
- Member of the Management Committee of INDRAERO SIREN SAS,
- Member of the Management Committee of BLANC AERO Technologies SAS,
- Member of the Management Committee of BLANC AERO Industries SAS,
- Member of the Management Committee of LISI MEDICAL SAS,
- Member of the Management Committee of LISI MEDICAL Orthopaedics SAS.

Outside the LISI Group (in France and abroad):
- Judge at the Belfort Commercial Court and President of the chamber of sanctions,
- Chairman of Financière VIELLARD SAS,
- CEO of VIELLARD MIGEON & Cie,
- Chairman of the Board of Directors of FSH WELDING GROUP,
- Member of the Management Committee of VMC PECHE SAS,
- Director of Compagnie Industrielle de Delle,
- Director of FSH WELDING India (India)
- Chairman of RAPALA-VMC OYJ (Finland)
- Permanent representative of VMC at the Management Committee of:
  - Ets REBOUD ROCHE SAS,
  - SELECTARC Industries SAS,
  - FP SOUDAGE SAS,
  - FSH WELDING France SAS,
  - De PRUINES Industries SAS.

Eric André, age 63, Director of LISI.

He attends the Board of Directors and the Audit Committee.

Eric André has exercised the other mandates and functions listed below:

Related to the LISI Group (in France and abroad):
- None.

Outside the LISI Group (in France and abroad):
- Director of TIPIAK S.A.

Christian Peugeot, age 58, Director of LISI.

He attends the Board of Directors and the Audit Committee.

Christian Peugeot has exercised the other mandates and functions listed below:

Related to the LISI Group (in France and abroad):
- None.

Outside the LISI Group (in France and abroad):
- Vice-President and Deputy Chairman of Etablissements PEUGEOT Frères,
- Director of FFP,
- Director of Compagnie Industrielle de Delle,
- Deputy Chairman of the Football Club of Sochaux-Montbéliard,
- Permanent representative of FFP at the Board of Directors of SEB,
- Management proxy of Peugeot Média Production.
- Manager of BP GESTION,

- Manager of RP INVESTISSEMENTS,
- Manager of SC LAROCHE.

Pascal Lebard, age 49, Director of LISI.

He attends the Board of Directors and the Strategic Committee.

Pascal Lebard has exercised the other mandates and functions listed below:

Related to the LISI Group (in France and abroad):
- None.

Outside the LISI Group (in France and abroad):
- Director – CEO of SEQUANA,
- Chairman of Arjowiggins SAS,
- Chairman of Antalis International SAS,
- Chairman of DLMD SAS,
- Chairmain of Pascal Lebard Invest SAS,
- Chairman of BOCCAFIN SAS,
- Chairman of Antalis Asia Pacific Pte Ltd (Singapore),
- Chairman of AW Trading (Shanghaï) Co Ltd,
- Director of Arjowiggins HKK 1 Ltd (Hong Kong),
- Director of Arjowiggins HKK 3 Ltd (Hong Kong),
- Director of Greysac SAS,
- Director of Club Méditerranée,
- Director of Permal Group Ltd (Great Britain),
- Member of the Supervisory Board of Eurazeo PME,
- Member of the Supervisory Board of CEPI (Confederation of European Paper Industries).

Thierry Peugeot, age 54, permanent representative of Compagnie Industrielle de Delle at the Board of LISI.

He attends the Board of Directors and the Compensation Committee.

Thierry Peugeot has exercised the other mandates and functions listed below:

Related to the LISI Group (in France and abroad):
- None.

Outside the LISI Group (in France and abroad):
- Chairman of the Supervisory Board of PEUGEOT SA,
- Vice-Chairman of Ets PEUGEOT Frères and Executive Managing Director,
- Director of FFP,
- Director of Société Anonyme de Participations,
- Director of Compagnie Industrielle de Delle,
- Director of FAURECIA,
- Director of L'Air Liquide S.A.,
- Director of Immeubles et Participations de l'Est.

Jean-Philippe Kohler, age 51, Permanent representative of CIKO at the Board of LISI.

He attends the Board of Directors and the Strategic Committee.

Jean-Philippe Kohler has exercised the other mandates and functions listed below:

Related to the LISI Group (in France and abroad):
- Member of the Management Committee of LISI AUTOMOTIVE SAS,
- Member of the Management Committee of LISI AUTOMOTIVE Former SAS,
- Member of the Management Committee of LISI AUTOMOTIVE Rapid SAS,
- Member of the Management Committee of LISI AUTOMOTIVE Nomel SAS,
- Member of the Management Committee of Société Nouvelle Bonneuil SAS,
- Member of the Management Committee of LISI AEROSPACE CREUZET SAS,
- Member of the Management Committee of CREUZET AERONAUTIQUE SAS,
- Member of the Management Committee of INDRAERO SIREN SAS,
- Member of the Management Committee of LISI AEROSPACE SAS,
- Member of the Management Committee of BLANC AERO Industries SAS,
- Member of the Management Committee of BLANC AERO Technologies SAS,
- Member of the Management Committee of LISI MEDICAL SAS,
- Member of the Management Committee of LISI MEDICAL Orthopaedics SAS.

Outside the LISI Group (in France and abroad):
- CEO of Compagnie Industrielle de Delle,
- Chairman of CIKO SAS,
- Director of Société Immeubles de Franche-Comté.

Christophe Viellard, age 70, permanent representative of VIELLARD MIGEON & CIE at the Board of LISI.

He attends the Board of Directors and the Audit Committee.

Christophe Viellard has exercised the other mandates and functions listed below:

Related to the LISI Group (in France and abroad):
- None.

Outside the LISI Group (in France and abroad):
- Chairman of the Board of VIELLARD MIGEON & Cie,
- Member of the Management Committee of Financière VIELLARD SAS,
- Member of the Management Committee of Ets REBOUD ROCHE SAS,
- Member of the Management Committee of SELECTARC Industries SAS,
- Member of the Management Committee of FP SOUDAGE SAS,
- Member of the Management Committee of FSH WELDING France SAS,
- Director of Compagnie Industrielle de Delle,
- Director of RAPALA-VMC OYJ (Finland),
- Director of FSH WELDING GROUP,
- Manager of Groupement Forestier des Lomonts.

Patrick Daher, age 62, Director of LISI.

He attends the Board of Directors and the Compensation Committee.

Patrick Daher has exercised the other mandates and functions listed below:

Related to the LISI Group (in France and abroad):
- None.

Outside the LISI Group (in France and abroad):
- Chairman of the Board and CEO of Compagnie DAHER,
- Chairman and CEO of SOGEMARCO-DAHER,
- Chairman of DAHER MTS,
- Director of CREDIT DU NORD,
- Director of DAHER INTERNATIONAL DEVELOPMENT,
- Chairman of the Supervisory Board of the Main Marseille Seaport.

Lise Nobre, age 46, Director of LISI.

She heads the Board of Directors, the Compensation Committee, and the Strategic Committee.

Lise Nobre has exercised the other mandates and functions listed below:

Related to the LISI Group (in France and abroad):
- None.

Outside the LISI Group (in France and abroad):
- Member of the Supervisory Board of VIRGIN STORES,
- Member of the Supervisory Board of Groupe Partouche SA,
- Manager and member of the Board of managers de GP LUX INVESTISSEMENTS SARL,
- Representative of Butler Capital Partners at the Board of Directors of ADIT,
- Manager of SARL Lumen Equity.

2.8.2.2 Family ties

The only family ties between the individuals listed above are the following:
Gilles Kohler and Jean-Philippe Kohler are brothers.

2.8.2.3 No conflicts of interests

To the Company's knowledge, there are no current or potential conflicts of interests between LISI S.A. and the members of the Board of Directors, both in terms of their personal interests and of their other obligations. The internal rules of the Board provide explicitly, if applicable, for a situation of conflict of interests: "The members of the Board of Directors have as an obligation to notify the Board of any situation of conflict of interests, be it potential, current, or future, where they are or are likely to be involved. Whenever the Board of Directors deliberates on a subject that concerns one of its members, either directly or indirectly, the said member is invited to leave, for the time of deliberations and, if applicable, of the vote, the Board meeting".

2.8.2.4 No condemnation for fraud, involvement in bankruptcy or incrimination and/or public sanction

To the Company's knowledge, in the past five years:
- no condemnation for fraud has been pronounced against any of the members of the Board of Directors,
- none of the members of the Board of Directors has been involved in a bankruptcy, receivership, or winding up, as a member of a board of directors, a management board, or a supervisory board,
- no official incrimination and/or public sanction has been pronounced by statutory or regulatory authorities against any of the members of the Board of Directors of the company.

2.9 Pay and interests of corporate officers

2.9.1 Directors' fees

The Shareholders' General Meeting, held on April 29, 2009, fixed the annual directors' fees for members of the Board of Directors at €106,250, from the start of the financial year, January 1, 2009. For 2011, directors' fees remained unchanged.

The directors' duties are compensated in the form of directors' fees at meetings of the Board of Directors and other committees of which they are members. Directors' fees for each director are €1,250 per Board and per Committee and are dependent on the beneficiaries' regular attendance. For 2011, directors' fees amounted to €76,250 and the attendance rate stood at 82%.

The table below shows the directors' fees paid in:

Board members	Directors' fees paid in 2011 by LISI S.A. (in euros)	Directors' fees paid in 2010 by LISI S.A. (in euros)
Gilles KOHLER	7,500	10,000
Emmanuel VIELLARD	7,500	10,000
Christian PEUGEOT	2,500	5,000
Christophe VIELLARD	8,750	8,750
Jean-Philippe KOHLER	7,500	7,500
Thierry PEUGEOT	7,500	8,750
Pascal LEBARD	7,500	5,000
Eric ANDRE	10,000	7,500
Patrick DAHER	7,500	5,000
Lise NOBRE	10,000	6,250
Total	**76,250**	**73,750**

2.9.2 Shares held by corporate officers

In accordance with the company's by-laws, the minimum number of LISI shares that each director may hold is one share.

The table below shows the number of shares held by the corporate officers as at December 31, 2011:

Corporate officers	Number of LISI shares held directly	Number of LISI shares held indirectly
Directors		
Gilles KOHLER	12,515	
Emmanuel VIELLARD	9,025	
Christian PEUGEOT	1	
Christophe VIELLARD (permanent representative of VMC)		641,675
Jean-Philippe KOHLER (permanent representative of CIKO)	8,600	21,153
Thierry PEUGEOT (permanent representative of CID)	25	5,928,724
Pascal LEBARD	10	
Eric ANDRE	5	
Patrick DAHER	10	
Lise NOBRE	20	
Total	**30,211**	**6,591,552**

2.9.3 Directors' Remuneration

	Employment contract		Additional pension scheme		Allowances or benefits due or likely to be due as a result of the termination or change in functions		Allowances relative to a non-competition clause	
Managers Corporate officers	Yes	No	Yes	No	Yes	No	Yes	No
Gilles KOHLER								
Function: Chairman and Chief Executive Officer		X		X		X		X
Term of office start: 1985								
Term of office end: 2015								
Emmanuel VIELLARD								
Function: Deputy Chairman		X		X		X		X
Term of office start: 2000								
Term of office end: 2013								

The terms for the salary of the Chairman and Chief Executive Officer and for the Vice President are approved by the Board of Directors on the advice of the Compensation Committee.
The tables summarizing the compensation and options and shares allocated to each corporate officer director of LISI S.A. are as follows in euros:

Gilles KOHLER Chairman and CEO of LISI S.A.	2011	2010
Compensation due for the period	407,785	394,289
Valuation of the options allocated during the period*	None	None
Valuation of the performance shares allocated during the period*	88,813	65,377
Total	**496,597**	**459,666**

* Valuation at closing price of December 31, 2010, *i.e.* €50.29 and 12/31/2011: €50.75.

Emmanuel VIELLARD Deputy Chief Executive Officer of LISI S.A.	2011	2010
Compensation due for the period	366,412	354,028
Valuation of the options allocated during the period*	None	None
Valuation of the performance shares allocated during the period*	86,275	65,377
Total	**452,687**	**419,405**

* Valuation at closing price of December 31, 2010, *i.e.* €50.29 and 12/31/2011: €50.75.

The tables summarizing the compensation of each corporate officer director of LISI S.A. are as follows in €:

Gilles KOHLER Chairman and CEO of LISI S.A.	Amounts for 2011		Amounts for 2010	
	due	paid	due	paid
Fixed compensation	287,664	286,139	281,599	286,650
Variable compensation	135,000	100,000	100,000	88,000
Exceptional compensation	None	None	None	None
Directors' fees	7,500	7,500	10,000	10,000
Benefits in kind*	2,621	2,621	2,690	2,759
Total	**432,785**	**396,260**	**394,289**	**387,409**

* Benefits in kind:company car.

Emmanuel VIELLARD Deputy Chairman and Chief Executive Officer of LISI S.A.	Amounts for 2011		Amounts for 2010	
	due	paid	due	paid
Fixed compensation	254,941	253,711	251,575	255,868
Variable compensation	125,000	89,000	89,000	78,000
Exceptional compensation	None	None	None	None
Directors' fees	7,500	7,500	10,000	10,000
Benefits in kind*	3,471	3,471	3,453	3,670
Total	**390,912**	**353,682**	**354,028**	**347,538**

* Benefits in kind:company car.

LISI S.A. has not committed itself to these corporate officers to pay compensation, indemnities, or benefits, due or likely to be due as a result of such corporate officers taking on, resigning from, or changing functions.

2.9.4 Benefits in kind granted to the managers

In 2011, Mr. Gilles Kohler and Mr. Emmanuel Viellard benefited from a company car.

2.9.5 Stock subscription or purchase options allocated during the period to each corporate officer director

No stock subscription or purchase options were allocated during financial 2011.

2.9.6 Share subscription or purchase options exercised during the period by each corporate officer manager

In 2011, the corporate officers exercised the following options:

Corporate Officer	Number of shares	Price in euros	Year awarded	Plan
Gilles KOHLER	–	–	–	–
Emmanuel VIELLARD	1,000	20.33	2003	N° 4

2.9.7 Performance shares allocated to every corporate officer manager

Performance Shares granted by the General Meeting of Shareholders during the fiscal year, to each corporate officer, by the issuer and for all Group companies	Plan number and date	Number of shares awarded during the fiscal year	Valuation of shares in accordance with the method used for the consolidated financial statements (in euros)	Acquisition date	Date of availability	Minimum performance conditions required to achieve 50% allocation
Gilles KOHLER Function: Chairman and Chief Executive Officer	No.: 7 Date: 07/28/2010	1,300	43,029	07/29/2012	07/30/2014	Plan Nr 7 Consolidated sales revenue beyond €800m, and Consolidated EBIT beyond 6% of sales revenue
	No.: 8 Date: 07/27/2011	1,750	23,301	02/26/2014	02/26/2016	
Total		**3,050**	**66,330**			
Emmanuel VIELLARD Function: Deputy Chairman and Chief executive Officer	No.: 7 Date: 07/28/2010	1,300	43,029	07/29/2012	07/30/2014	Plan Nr° 8 ANAV (adjusted net asset value) at least equal to €975m
	No.: 8 Date: 07/27/2011	1,700	22,636	02/26/2014	02/26/2016	
Total		**3,000**	**65,664**			

2.9.8 Performance shares that became available during the period for each corporate officer manager

In 2011, the following performance shares became available:

	Plan number and allocation date	Number of shares that became available during the period	Acquisition date	Availability date	Conditions
Gilles KOHLER Function: Chairman and Chief Executive Officer	N° 6 Date: 07/28/2009	800	07/29/2011	07/30/2013	200 shares will be held in registered form until the termination of the office of President and CEO
Total		**800**			
Emmanuel VIELLARD Function: Deputy Chairman and Chief executive Officer	N° 6 Date: 07/28/2009	800	07/29/2011	07/30/2013	200 shares will be held in registered form until the termination of the office of Deputy Chairman and CEO
Total		**800**			

DOCUMENTS SPECIFIC TO THE ORDINARY GENERAL MEETING

.1 REPORT BY THE CHAIRMAN OF THE BOARD OF DIRECTORS

Financial Security Law (Art. L.225-37 of the French Commercial Code)
In accordance with the provisions of article L.225-37 of the French Commercial Code on Financial Security, and the recommendations of the French financial markets authority (AMF), this report sets out the conditions governing the preparation and organization of the Board of Directors' work, limitations to the Chief Executive Officer's power, the principles and rules governing the determining of the allowances in kind granted to the corporate officers as well as internal control procedures implemented within the Group.

This report was submitted to the Board of Directors on February 15, 2012.

1.1 Preparation and organization of the tasks of the Board of Directors

1.1.1 Organization

The Board meets whenever it is in the interests of the company to do so. Directors may be invited to Board meetings by the Chairman using any means available and even verbally. If the Board has not met for more than two months, directors representing at least one third of the members of the Board can request that the Chairman call a meeting on a particular agenda.

Decisions are made based on a quorum and a majority vote, as provided for by the Law; in the event that votes are split, the Chairman's vote will be the casting vote. However, a majority of three quarters of the votes of the members who are present or represented is required when decisions relating to the following issues are to be taken:
- The calculation of amortization and depreciation expenses and of provisions,
- Proposals to be made to the Shareholder's Ordinary Meeting for the allocation of profits for the financial year just ended,
- Resolutions to be submitted to a Shareholder's Extraordinary Meeting,
- The replacement of a director who has resigned or is deceased.

Copies or extracts of the deliberations of the Board of Directors are certified as valid by the Chairman of the Board of Directors, a Chief Executive Officer, a director who has been temporarily vested with the Chairman's powers or a representative authorized to this effect. The Board of Directors sets out the company's business policies and ensures that they are followed. The Board of Directors carries out any controls or checks that it deems necessary.

1.1.2 Operating procedures

The Board meets upon invitation by the Chairman a minimum of 5 times per financial year and whenever an important decision is to be made. Each member participates in the tasks supervised by the Chairman and decisions are made on a majority vote of the members who are present or represented.

Debates are recorded in a report that is submitted for approval by the members within a month of the meeting and signed at the following meeting. The Board submits legal resolutions for approval by the Shareholders' Meeting.

1.1.3 Preparation of tasks

- Prior to each Board meeting, participants receive a file that has – as far as possible – been duly documented so that they may adequately prepare for the meeting.
- Meetings that require the approval of annual and half-yearly financial statements are accompanied by a presentation by the Audit Committee, which will have met prior to the meeting.
- Meetings on the subject of compensation are accompanied by a presentation by the Compensation Committee, which will have met prior to the meeting.
- Meetings dealing with strategic issues are accompanied by a presentation by the Strategic Committee, which will have met prior to the meeting.

1.1.4 Decision-making process

All major decisions are subjected to the Board's ratification, in accordance with the operating procedures described in paragraph 1.2. Important decisions include: approval of financial statements, acquisitions, disposals, forecasting elements, the compensation of directors, the nomination of directors, or any other element which may have a significant influence on the financial statements.

1.2 Limitation of powers

The Chief Executive Officer and Chairman of the Board is assisted by the Executive Vice President for the day-to-day management of the group. Their power is limited by the Board of Directors' authority to rule on all decisions relating to the structure of the group, such as described in paragraph 1.1.
Present on the Board of Directors are 4 independent directors, in compliance with the AFEP/MEDEF Code. There are also 3 specific committees in existence: the Compensation Committee, the Audit Committee and the Strategic Committee, both of which are responsible for supervising the work of General Management in these 3 fields. Each committee will submit a report on their work to the Board of Directors.

1.3 Management structure

The Chairman/Chief Executive Officer and the Vice President work with an Executive Committee of 14 people, drawing together divisional managers and internal control management. This Executive Committee meets every quarter for briefing meetings on the Group's latest progress in each area.

1.4 Compensation and benefits in kind

The principles and rules governing corporate officers' remuneration, which are verified annually by the Remunerations Committee, are detailed in the chapter dealing with corporate governance policy.

1.5 Internal control procedures

The LISI Group's current internal control procedures fall form part of its corporate governance policy as drawn up in accordance with the latest French financial markets authority (AMF) guidelines for small- and mid-caps businesses.

1.5.1 Definition of internal control procedures

The Group's current internal control procedures are designed to ensure that:
- Administrative acts or those implementing operations at all management unit levels are carried out within the scope of the guidelines and aims set out by the General Management;
- These acts comply with all relevant laws and regulations and adhere to the values enshrined by the Group's companies;
- All accounting and financial data reflect exhaustively and honestly the Group's economic situation.

To ensure that these objectives are met, the Group has set up a prevention and detection process based on the coordinated audits of the internal audit officer and external auditors (during the review of internal control mechanisms which takes place at least once a year in all divisions). This process is then also implemented in each division, through the deployment policy of the local auditors.

As with any control system, this preventative scheme is not exhaustive. Consequently, it cannot provide any absolute guarantee that all risks have been completely eliminated.

1.5.2 Description of the internal control environment

General description

The wider internal control environment is based on a decentralized organization within each division. An Executive Committee is responsible for ratifying a global policy, which must then be channeled down to each individual department.

The Group has set out a number of procedures, summarized in an internal Group control manual, which is available to all relevant Group staff via an intranet site. This manual is supplemented by a Group accounting procedures manual. In addition, the Group has deployed a uniform reporting and information system in each division using an identical procedure each time.

The specificities of the LISI Group's activities require that precise quality control be carried out on operational processes in the following areas:
- Production, stock, flow management,
- Quality,
- Health, Safety and Environmental,
- Personnel, payroll,
- Accounting, management control and cash flow,
- Purchasing and investments,
- Sales.

Action is taken within the Group on a continual basis to ensure that these mechanisms are effective. This action is regularly assessed using performance tables.

Supervisory bodies
- The Group's Board of Directors is the most senior decision-making entity. The group's Executive Committee channels the information to the divisions, which are themselves organized in such a way that enables their management to carry out the Group's decisions at individual department level.
- The Audit Committee, which includes an independent administrator, is acquainted, in concert with the external auditors and the internal audit manager, with the general management and risk management environment at the time of publication of each financial statement.
- The internal audit unit comprises the Group internal audit manager assisted by an auditor. Depending on the scale and nature of the task to be performed, internal and external partners may be co-opted to round off the team.
- Coordination with the external auditors is particularly close in order to direct controls specifically towards areas that have been identified as being high-risk and to allocate sufficient time to the task.
- Certain tasks identified as critical are monitored in the Group in a cross-departmental manner: financial management, accounts management, consolidation, legal services, insurance cover, security policy, environmental policy, purchasing policy and human resources management.

Group baseline
- Each division has set up a value charter based on a common set of values.
- An internal control procedures manual is in circulation, which is supplemented by an accounting and consolidation procedures manual. These procedures are made available to all the individuals involved and are regularly updated in electronic form via a dedicated Internet portal.
- Each division and each operational unit is responsible for ensuring that these procedures are followed and adapted to their country's specific context.
- Each manager receives notification of new levels of responsibility in the form of delegation letters.

Risk-mapping and monitoring processes
- The Group is engaged in a convergent risk-mapping process. This methodology is currently employed throughout the Group and down to the level of the basic Management Units. It is subject to a complete and systematic review once a year. The priority action plans for the main risks identified in each division are validated within the budget of the following year.
- The health, safety and environmental risks committee, set up in 2001, identifies and indexes inherent risks, then initiates the necessary corrective actions.

Main internal control procedures relating to the drafting and processing of accounting and financial information

– The Group carries out an annual review of the 4 to 5-year strategic plan that has been set out and, based on this review, defines a priority action plan. The budget for the coming financial year falls within the scope of this plan for a 12-month period. The planning process is approved first by the Executive Committee and then by the Board of Directors. Progress on preparation of the budget is assessed monthly at all levels: business units (B.U.); Group and Divisions.
– The monthly consolidation of management indicators, the income statement, the balance sheet and the funding table allow a precise measure to be obtained within a short time of year-end. This facilitates the decision-making process.
– The purchasing and investment process falls within the scope of the strategic and budgetary mechanism. Any purchasing or investment commitment that deviates from the budget authorizations must have prior approval at the appropriate level.
– The sales and contract process is reviewed specifically by the local teams, BUs, divisions or the Group depending on the materiality level, before the actual commitment is made.
– The Cash Flow-Finance process also requires specific commitments. So for instance all financial investments are managed at Group level.
– The pay process is managed at operational unit level and is regularly reviewed both by the internal audit team and by external auditors.
– The Health, Safety, and Environment (HSE) process has been subjected to the monthly review of management indicators (industrial accident rates, non-compliances, etc.) and the major resulting action plans.

2011 achievements and outlook

– The Internal Control Management Team has conducted 13 audit missions and 15 recommendation-following missions. The entire scope of the LISI sites is covered with the exception of new entities acquired in 2011.
– In continuing difficult circumstances in 2011, some initiatives have been conducted to address specific issues such as inventory reconciliations with the logistics centers, the insufficiently reliable ERP Reporting, or controls on incurred expenses. These will be followed up in 2012.
– The “Risk Management” initiative, whose purpose is to strengthen the Group’s internal controls, is today an integral part of the process that is in use throughout all the divisions.
– An Internal Control Baseline is being elaborated. It is based on a questionnaire containing all the processes from the Internal Control Manual: Purchases, Capital Expenditures, Sales, Inventories, Cash, and Human Resources. Specific monitoring will be conducted for any management unit whose level of internal control will not pass 80% of the established score on that questionnaire.
– Alongside the Internal Control unit, the HSE (Health, Safety and Environment) Audit unit has fully coordinated at Group level all HSE actions and conducted HSE audit missions at all sites. Furthermore, initiatives will be conducted jointly with Internal Control to measure the effectiveness of the Maintenance process at sites.
– Moreover, LISI’s General Management have set up a centralized accounts management system. Its main function consists of setting up a global cash pool which manages cash flows and surpluses, and exchange rate risks.
– Finally, other inter-departmental initiatives have been pursued, such as:
  • the inclusion of performance indicator and cash flow tables in the Group’s integrated management system,
  • the control of commitments to major investments,
  • more systematic application of the legal review process,
  • the implementation of a crisis management procedure.
– The Group deems that the internal control management methods are satisfactory. Internal audit tasks will therefore follow the same routine in 2012, with particular attention being paid to new entities joining the Group and to those areas identified as being at risk.

Conclusion

Initiatives taken to strengthen internal control levels have led to recommendations being approved and carried out by the relevant personnel and to deadline. Subsequent follow-up procedures make it possible to ensure they are applied properly.

This constitutes a permanent progress initiative for the Group. Relying on knowledge that can always be improved and the strong involvement of those in charge of key processes, it facilitates the development and improvement of internal control over time.

Gilles KOHLER
Chairman of the Board of Directors

.2 AUDITORS' REPORT, PREPARED IN ACCORDANCE WITH ARTICLE L.225-235 OF THE FRENCH COMMERCIAL CODE, ON THE CHAIRMAN OF THE LISI BOARD'S REPORT – FINANCIAL YEAR ENDED DECEMBER 31, 2011

Dear Shareholders,

In our capacity as Auditors of LISI S.A. and in accordance with the provisions of article L.225-235 of the French Commercial Code, we hereby present our report on the report drafted by the Chairman of your Company's Board of Directors in compliance with the provisions of article 225-37 of the French Commercial Code for the financial year ended December 31, 2011.

It is for the Chairman to draw up and submit for the Board of Directors' approval a report giving an account of the internal control and risk management procedures set up within the company, and giving any other information required under Article L.225-37 of the French Commercial Code with particular reference to corporate governance issues.

It is for us to:

- inform you of such observations as are called for by ourselves, in respect of the information given in the Chairman's Report concerning the internal control and risk management procedures for the preparation and processing of accounting and financial information and
- to testify that the report includes other information required under Article L.225-37 of the Commercial Code, while acknowledging that it is not our duty to verify the authenticity of this other data.

We have carried out our work in accordance with the professional standards in use in France.

Information regarding internal control and risk management procedures relating to the drawing-up and processing of accounting and financial information

Standards governing professional practice require that due diligence procedures be carried out to assess the honesty of information regarding internal control and risk management procedures relating to the drawing up and processing of accounting and financial information contained in the Chairman's report. These careful evaluations largely consist of:

- familiarizing ourselves with the internal control and risk management procedures for the drafting and processing of the accounting and financial information behind the information presented in the Chairman's report and other existing documentation;
- familiarizing ourselves with the work on which existing information and documentation is based;
- ascertaining whether appropriate information on serious lapses in internal controls regarding the drafting and processing of accounting and financial information which we may have found within the scope of our mission are appropriately included in the Chairman's report.

Based upon the work done, we have no observations to make concerning the information and declarations in respect of the company's internal control and risk management procedures for the preparation and processing of accounting and financial information, as contained in the Chairman's Report, prepared in accordance with the last paragraph of article L.225-37 of the French Commercial code.

Additional information

We attest that the Chairman of the Board of Directors' report includes the other information required under Article L.225-37 of the French Commercial Code.

Exincourt and Paris-La Défense, April 2, 2012
The Auditors

EXCO CAP AUDIT

Pierre Burnel
Partner

ERNST & YOUNG ET AUTRES

Henri-Pierre Navas
Partner

.3 AUDITORS' SPECIAL REPORT ON REGULATED CONVENTIONS AND COMMITMENTS – YEAR ENDED DECEMBER 31, 2011

To Shareholders,

In our capacity as auditors of your company, we will now present our report on regulated agreements.

It is for us to let you know, based on the information delivered to us, the essential features and conditions applicable to the agreements and commitments of which we have been informed or which we would have discovered in the context of our assignment, without having to express our opinion as to their usefulness or their justification, nor to investigate the existence of other agreements or commitments. It is for you to assess the relevance involved in the conclusion of these agreements prior to their approval, as per the provisions of Article R.225-31 of the French Commercial Code.

Besides, it is for us, if applicable, to deliver to you the information provided for in Article R.225-31 of the French Commercial Code regarding the execution, over the period elapsed, of the agreements and commitments already approved by the General Meeting.

We have implemented the due diligence measures deemed necessary for this mission as outlined by France's national audit regulatory body, the *Compagnie nationale des commissaires aux comptes*.

Agreements and commitments subjected to the General Meeting's approval

We inform you that we have not been notified of any agreement or commitment authorized during the period elapsed to be subjected to the General Meeting's approval as per the provisions of article L.225-38 of the French Commercial Code.

Agreements and commitments already approved by the General Meeting

We inform you that we have not been informed of any agreement or commitment already approved by the General Meeting whose implementation would have been continued during the period elapsed.

Exincourt and Paris-La Défense, April 2, 2012
The Auditors

EXCO CAP AUDIT

Pierre Burnel

Partner

ERNST & YOUNG ET AUTRES

Henri-Pierre Navas

Partner

.4 AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS – FINANCIAL YEAR ENDED DECEMBER 31, 2011

To Shareholders,

In compliance with the terms of our appointment by your general meeting, we hereby present our report for the year ended on December 31, 2011, on:

- the control of the consolidated accounts of the LISI company, as attached to this report;
- justifications for our assessments;
- the specific verification stipulated under law.

The consolidated financial statements have been approved by the Board of Directors. Our role is to express an opinion on these financial statements based on our audit.

I. Opinion on the consolidated statements

We have carried out our work in accordance with the professional standards in use in France; these standards require due diligence to ensure with a reasonable degree of certainty that the consolidated financial statements do not contain any significant anomalies. An audit involves verifying, through surveys or other selection methods, the items supporting the figures and information which feature in the consolidated accounts. It also involves assessing those accounting principles followed, the significant estimates made and the overall presentation of the accounts. We consider that the items we have gathered form both a sufficient and an appropriate basis for our opinion.

We certify that the consolidated financial statements for the period are, in regards to the IFRS rules as adopted by the European Union, honest and sincere, and provide a reliable picture of the assets, the financial health, and the performance of the group made up of the physical and legal entities comprised in the consolidation scope.

II. Justification of our assessments

In accordance with the requirements of article L.823-9 of the French Commercial Code relating to the justification of our assessments, we bring to your attention the following matters:
The Management of the LISI Group has had to make judgments and estimates and to formulate assumptions, which concern in particular depreciation of assets, provisions and deferred taxes, the valuation of financial instruments and deferred taxes, stated in Notes 2.2.2, 2.2.8.5, 2.2.14, 2.2.6 and 2.2.19.5 in the appendix. For all these estimates, we have assessed the data and assumptions on which they are founded, reviewed randomly the calculations made by the company, reviewed the available material, and verified that the notes to the annex provide appropriate information regarding the assumptions retained by the company.

At each year-end the Company regularly performs an impairment test for goodwill and assets without a defined useful life, and also measures if there is an index of loss of value of long-term assets, in accordance with the methods described in Notes 2.2.7.1, 2.2.8.5 and 2.5.1.1 to the financial statements. We have reviewed the conditions under which this impairment test was conducted, as well as the cash flow forecasts and assumptions used, and have verified that the above-mentioned notes provide appropriate information.

Note 2.2.15 stipulates the methods for evaluating pensions and share-based staff benefits. These commitments have been subject to external assessments. Our work has consisted in reviewing the data used, in assessing the assumptions retained, in reviewing the calculations made, and in verifying that Notes 2.2.15 and 2.5.4.2 to the Appendix to consolidated financial statements provide appropriate information.

These assessments form part of our task as Auditors of the consolidated financial statements, taken as a whole, and have therefore helped us to form our unreserved opinion, as it is described in the first part of this report.

III. Specific verification

We have also, in accordance with the professional standards applicable in France, specifically verified, as required by law, the information provided in the report on Group management, provided in the management report.
We have no comments to make on their sincerity and consistency with the consolidated financial statements.

Exincourt and Paris-La Défense, April 2, 2012
The Auditors

EXCO CAP AUDIT

Pierre Burnel
Partner

ERNST & YOUNG ET AUTRES

Henri-Pierre Navas
Partner

.5 AUDITORS' GENERAL REPORT – FINANCIAL YEAR ENDED DECEMBER 31, 2011

To Shareholders,

In compliance with the terms of our appointment by your general meeting, we hereby present our report for the year ended on December 31, 2011, on:

- the control of the annual account of the LISI company, as attached to this report;
- the justification of our assessments
- specific verifications and legally required information.

The annual accounts have been approved by the Board of Directors. Our role is to express an opinion on these financial statements based on our audit.

I. Opinion on the annual accounts

We have carried out our work in accordance with the professional standards in use in France; these standards require due diligence to ensure with a reasonable degree of certainty that the annual accounts do not contain any significant anomalies. An audit involves verifying, through surveys or other selection methods, the items supporting the figures and information which feature in the consolidated accounts. It also involves assessing those accounting principles followed, the significant estimates made and the overall presentation of the accounts. We consider that the items we have gathered form both a sufficient and an appropriate basis for our opinion.

We certify that the annual accounts comply with French accounting rules and principles and provide a true and fair view of the earnings derived from the company's activity during the year, as well as the financial situation and net worth of the company at the end of the financial year.

II. Justification of our assessments

In accordance with the requirements of article L.823-9 of the French Commercial Code relating to the justification of our assessments, we bring to your attention the following matters :
Your company sets up provisions for the impairment of equity interests when their value in use appears to be less than their net book value, as described in paragraph b "Financial fixed assets" of Note 3.1 "Accounting rules and methods" in the appendix. Our work consisted in assessing the data and assumptions on which these estimates rely, reviewing the company's calculations, and examining management's approval procedures for these estimates.

As part of our assessment, we have verified the reasonable nature of such estimates.

These assessments form part of our task as Auditors of the consolidated financial statements, taken as a whole, and have therefore helped us to form our unreserved opinion, as it is described in the first part of this report.

III. Verifications and specific information

We have also carried out verifications specifically required by law, in accordance with French professional regulations.

We have no comments to make on the sincerity and consistency with the annual statements, of the information given in the Board of Directors' management report, or that given in the documents addressed to shareholders relating to the group's financial situation and the annual statements.

With regard to the information supplied in application on the provisions of Article L.225-102-1 of the Commercial Code on payments and bonuses paid to corporate officers as well as on commitments approved in their favor, we have checked they are consistent with the accounts or with the data used in the drawing-up of these accounts, and, where relevant, with the items gathered by your company from companies controlling or controlled by your company. On the basis of our work, we vouch for the precision and honesty of this information.

In application of the law, we have made sure that all information relating to the acquisition of stakes and control and to the identity of those who hold the corresponding capital has been provided for you in the management report.

Exincourt and Paris-La Défense, April 2, 2012
The Auditors

EXCO CAP AUDIT

Pierre Burnel
Partner

ERNST & YOUNG ET AUTRES

Henri-Pierre Navas
Partner

.6 DRAFT RESOLUTIONS

Ordinary General Meeting of April 26, 2012

Agenda

Under the authority of the Ordinary General Meeting

- Review and approval of the annual financial statements for the period ended December 31, 2011;
- Approval of consolidated financial statements for the period ended December 31, 2011;
- Approval of the conventions covered by articles L.225-38 *et seq.* of the French Commercial Code;
- Discharge to the Directors and Auditors;
- Appropriation of earnings;
- Authorization for the Company to repurchase its own shares;
- Determination of directors' fees.

Under the authority of the Extraordinary General Meeting

- Allocation of free shares; Authorization for the Board to proceed to such allocation of free shares;
- Proxies;
- Miscellaneous questions.

Draft resolutions

Under the authority of the Ordinary General Meeting

1st resolution – Approval of corporate financial statements

Having listened to the reading of the Board of Directors' report and the Auditors' general report, the Shareholders' General Meeting approves the annual financial statements established as at December 31, 2011, as they are presented, with profits of €19,308,622, as well as the transactions described in these financial statements that are summarized in these reports.

In particular, the Shareholders' General Meeting approves the spending carried out over the last year in relation to the transactions covered by article 39-4 of the French General Tax Code, which amounts to a total of €10,925.

2nd resolution – Approval of consolidated financial statements

Having listened to the reading of Board of Directors' report and the Auditors' general report, the Shareholders' General Meeting approves, as they are presented, the consolidated financial statements set out in accordance with article L. 233-16 *et seq.* of the French Commercial Code, showing profits of €58,225,006.

3rd Resolution – Approval of the conventions covered by Article L.225-38 of the Commercial Code

Having listened to the reading of the Auditors' Special Report on the conventions covered by articles L.225-38 of the French Commercial Code, the Shareholders' General Meeting approves the sections indicated in this report.

4th resolution – Discharge to the Directors

The Shareholders' General Meeting gives full discharge to the Directors for their work for the year 2011, and to the Auditors for their term of office.

5th resolution – Earnings appropriation

Acting on the proposal of the Board of Directors, the Shareholders' General Meeting has decided to allocate last year's profits as follows:

– profits for the financial year of	€19,308,622
– increased by retained earnings to a total of	€52,904,485
To give a total of	**€72,213,107**

This represents distributable profit, which the Board of Directors proposes should be distributed as follows:

– as dividends to shareholders a sum of €1.30 per share, for the total of payable on May 9, 2012	€13,529,997
– the remainder to the retained earnings account, for the total of	€58,683,110

it being understood that this amount will be increased by the sum of the dividends payable on the shares owned by the Company as of the ex-dividend date.

The dividend for each share amounts to €1.30. The value of the dividend eligible for 40% deduction, as covered by article 158-3-2° of the French General Tax Code, is €1.30.

In addition, the Shareholders' General Meeting acknowledges that it has been apprised that the dividend payouts per share for the last 3 years were as follows:

Financial year ended December 31, 2008:	dividends eligible for the 40% allowance: €1.20
Financial year ended December 31, 2009:	dividends eligible for the 40% allowance: €0.70
Financial year ended December 2010:	dividends eligible for the 40% allowance: €1.05

6th resolution – Share repurchase program

Having listened to the reading of the Board of Directors' report and reviewed the data contained in the program description, the Shareholders' General Meeting:

- cancels the purchase authorization given on April 27, 2011;
- Gives its authorization, in accordance with articles L.225-209 *et seq.* of the French Commercial Code, to the Board of Directors,

to proceed, by whatever means it deems appropriate, to the repurchase of own shares, representing up to 10% of the company's share capital, corresponding to 1,078,649 shares, except for the acquisition of shares meant to be retained and the delivery of shares to be used as consideration or payment for external growth operations whose total will be limited to 5% of the share capital or 539,324 shares;

– Decides that the acquired shares will be used as follows:
  - to increase the activity of the stock on the market by an Investment Services Provider via a liquidity contract in accordance with the professional code of ethics recognized by the French market authority (AMF);
  - to grant stock options or free shares to employees and corporate officers of the company and/or its consolidated group;
  - to retain and use shares as consideration or payment for potential acquisitions;
  - to cancel purchased shares, subject to the approval of the Shareholders' Extraordinary Meeting to be called at a later date.

Shares can be acquired or sold by any means and at any time, in accordance with the regulations in force, on or off the market, including through the use of derivatives traded on a regulated market or by private contract.

The company undertakes to remain constantly within the limits set by article L.225-209 of the Commercial Code.

The following terms apply to this authorization:

– The company may not repurchase its own shares for more than €100, not including transaction fees;

The highest figure that LISI S.A. would pay if it purchased shares at the ceiling price set by the Shareholders' Meeting, *i.e.* €100, is €69,984,500.

This authorization is valid for a period of 18 months from the date of this Shareholders' meeting.

– Assigns full powers to the Board of Directors, which may choose to delegate them, within the limitations detailed above, to put in stock market orders, to negotiate agreements in the aim of carrying out all formalities and all declarations to all organizations, to carry out all other formalities and, as a general rule, to do all that is necessary.

7th resolution – Determination of directors' fees

The General Meeting determines the annual amount of attendance fees to be divided among the directors to the sum of €220,000.

This amount will remain in effect until otherwise determined by the General Meeting.

Under the authority of the Extraordinary General Meeting

8th resolution

Having reviewed the Board of Directors' report and the Auditors' special report, in accordance with articles L.225-197-1 *et seq.* of the French Commercial Code:

– authorizes the Board to proceed in one or more occasions, to the benefit of the beneficiaries belonging to the category to be determined among the employees and corporate officers of the company referred to in Article L.225-197-1, II° of the French Commercial Code, and the employees and corporate officers of related companies in accordance with the provisions of Article L.225-197-2 of the French Commercial Code, to an allocation of free shares;

– decides that the Board of Directors will determine the number of shares that may be allocated freely to each beneficiary, and the conditions and, where applicable, the criteria for allotment of such shares;

– decides that the total number of shares granted may not exceed 300,000 shares or 2.78% of the company's share capital to date, subject to any adjustments for maintaining the rights of beneficiaries, but may not exceed the overall limit of 10% stake in the company to date;

– decides that the award of these shares will become final, subject to fulfilling any conditions or criteria set by the Board, after a vesting period of at least two years, during which time the beneficiaries are not holders of the shares which have been granted and the rights resulting from this allocation will not be transferable;

– decides that in case of death of the beneficiaries during this two-year period, the heirs of deceased beneficiaries may seek to benefit from the allocation of free shares within six months of the death, the shares will be fully vested by them and will be delivered to them only after the vesting period, subject to fulfillment of any conditions of award set by the Board of Directors;

– decides that in case free shares are granted to corporate officers or employees of related companies and these companies would cease to be related to the LISI SA during this two year period, the Board of LISI SA may at its discretion maintain the allocation rights of the beneficiaries at the end of the vesting period, subject to the other conditions being fulfilled;

– decides that during this two-year period, in case of dismissal or resignation, revocation for corporate officers, beneficiaries will lose their rights to the allocation of free shares in the event of retirement or disability causing them to leave their positions within the company or related company, beneficiaries will retain the right to the allocation of free shares on the acquisition date set by the Board subject to the other allocation conditions being fulfilled;

– notes that following the vesting period defined above and subject to fulfilling any conditions or criteria set by the Board of Directors, the allocation of free shares will be achieved by means of existing shares that the company has acquired for this purpose under the provisions of Article L.225-208 of the French Commercial Code;

– decides that, upon the expiration of that two-year period, the shares will definitely vest to their beneficiaries, but will not be transferable and shall be kept by them for a minimum period of two years;

– delegates all powers to the Board, with the faculty to subdelegate them under legal conditions, to implement this authorization and in general, do whatever is necessary, particularly regarding the implementation of measures to preserve the rights of beneficiaries by making adjustments in the number of free shares based on transactions involving the capital of the Company that would occur during the vesting period, to decide whether the corporate officers

may transfer the shares thus received prior to the end of their term of office or to set the amount of shares they must hold in registered form up until the end of their term of office;
- sets to thirty-six months, as of today, the validity of this authorization.

9th resolution – Formalities

The Shareholders' General Meeting assigns all rights to the bearer of an original, a copy or extracts of the minutes of its deliberations for the purpose of accomplishing all formalities, as well as all legally required filings and publications.

LISI AEROSPACE
Immeuble Central Seine
46-50 Quai de la Rapée
CS 11233
F - 75583 PARIS Cedex 12
Tél : +33 (0)1 40 19 82 00
Fax : + 33 (0)1 40 19 82 01
Site Internet : www.lisi-aerospace.com

LISI AUTOMOTIVE
28, Faubourg de Belfort
BP 19
F - 90101 DELLE Cedex
Tél : +33 (0)3 84 58 63 00
Fax : +33 (0)3 84 58 63 02
Site Internet : www.lisi-automotive.com

LISI MEDICAL
19 Chemin de la Traille
Neyron
F - 01701 MIRIBEL
Tél : +33 (0)4 78 55 80 00
Fax : +33 (0)4 72 25 81 61
Site Internet : www.lisi-medical.com

LISI
Immeuble Central Seine
46-50 Quai de la Rapée
CS 11233
F - 75583 PARIS Cedex 12
Siège social
Le Millenium
18 rue Albert Camus
BP 431
F – 90008 BELFORT Cedex
Tél : +33 (0)3 84 57 00 77
Fax : +33 (0)3 84 57 02 00
Site Internet : www.lisi-group.com

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