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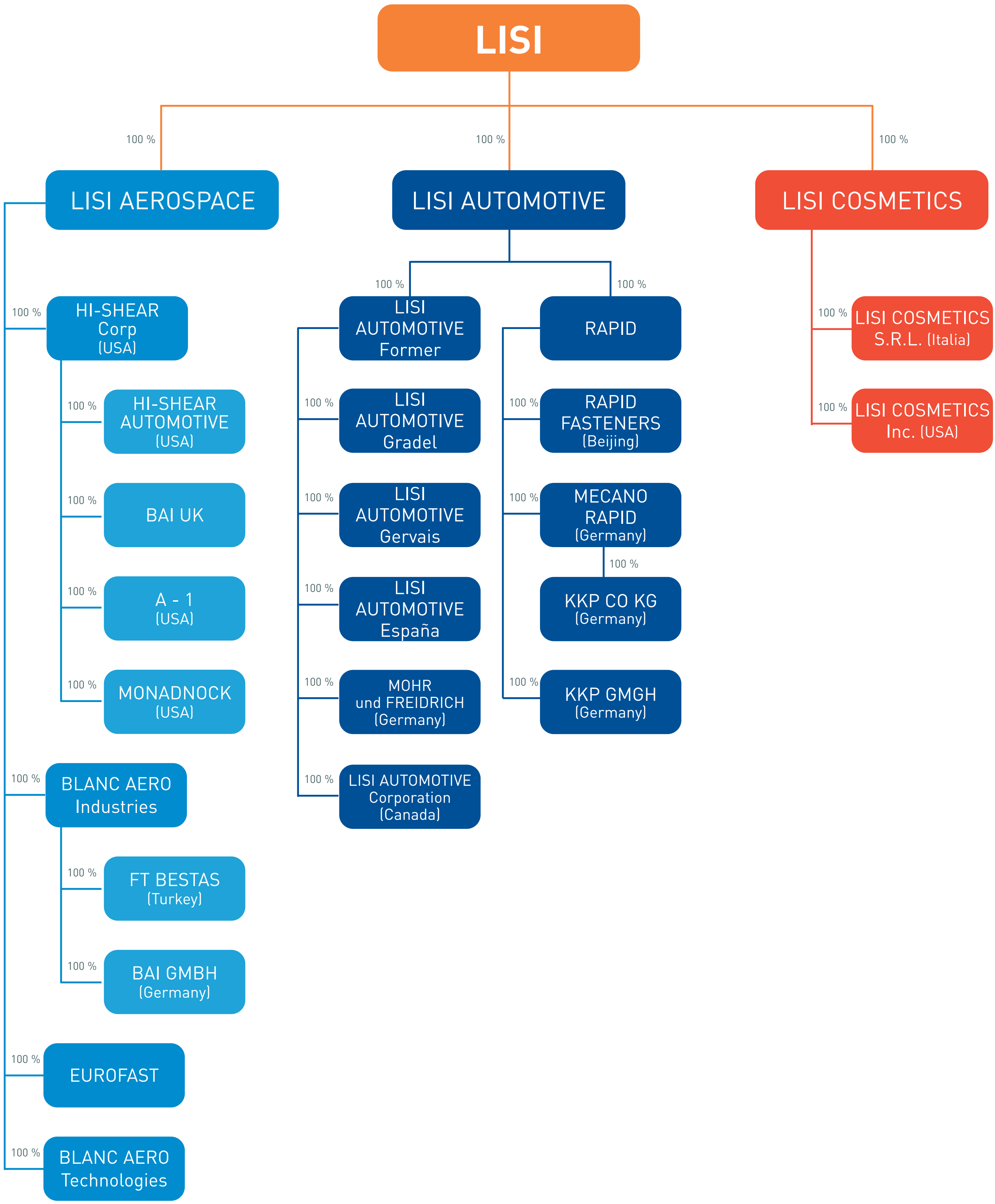
ORGANIZATIONAL CHART



Management report on the consolidated financial statements on 31/12/2003

(in million euros)	2003	2002	2001
Revenues	506.00	517.66	559.61
of which foreign	243.51	250.73	261.81
EBITDA	78.70	77.32	86.79
EBIT	51.86	47.04	61.58
Net profit before goodwill amortization	29.57	23.66	34.26
Net profit after goodwill amortization	21.00	12.38	26.15
Number of employees at year end	**4,864**	**4,923**	**5,086**
Net operating cash flow	60.32	70.58	94.47
Capital expenditures	25.16	29.25	37.14
Net financial investments	**0.57**	**12.83**	**-6.35**
Equity and minority interests	256.74	252.20	258.82
Net debt	**63.11**	**97.20**	**125.97**
Return on capital employed (ROCE)	15.3%	12.8%	15.1%
Return on equity (ROE)	8.3%	4.9%	10.4%

OVERALL ACTIVITY GAINED +1.1% ON A CONSTANT DOLLAR BASIS

Taking into account the disposal of ARS Industries and the sale of Aillevillers in 2002, the revenue of which was virtually compensated for by the incorporation of MONADNOCK, the 2003 consolidation perimeter is essentially comparable to the 2002 perimeter. The year's most significant factor will have been the dollar effect.

Thus, LISI Group's consolidated revenue for fiscal 2003 stands at €506 million, down –2.3% compared with the previous year, but up +1.1% on a constant dollar basis. It also displays a two-speed growth in revenue (on a constant dollar basis): a good 1st half-year, with a +2.3% rise (+1.8% for Q1 and +2.7% for Q2), and a stable 2nd half-year at –0.3% (–1.5% for Q3 and +0.9% for Q4).

The proportion of revenue generated abroad, under the effect of the dollar decline, remains stable at 48.1% of the total.

Quarterly variations in turnover are summarised in the table below:

	2003	2002	Changes On a new perimeter basis	Changes On a constant rate dollar
Q1	136.2	138.6	-1.7%	+1.8%
Q2	132.4	133.3	-0.7%	+2.7%
Q3	115.4	120.4	-4.2%	-1.5%
Q4	122.0	125.4	-2.7%	+0.9%
TOTAL	**506.0**	**517.7**	**- 2.3%**	**+ 1.1%**

The slowdown in sales was mainly felt during the summer of 2003, as a result of measures taken to adapt stock levels to our large automotive customers.

INITIATIVES LAUNCHED IN 2003 TO BOOST GROWTH ARE BEGINNING TO BEAR FRUIT: A CLEAR IMPROVEMENT IN *EBITDA* AND *EBIT*

The deployment of a group-wide plan dubbed ACE (Amélioration Continue vers l'Excellence or Continuous Improvement Toward Excellence) may have generated certain costs, but it also served to highlight areas in which savings could be made in our production units. The plan's positive impact on performance only began to be felt at the end of the year, and should come into full effect in 2004.
2003 marked the steady improvement in the rate of added value (operations to re-integrate subcontracted activities, optimisation of industrial facilities), which was up 1.9 points, while the payroll grew by 1.1 points. As a consequence, the EBITDA rose by €1.4 million to 15.6% of turnover, compared with 14.9% the previous year.

As a result of stricter investment policies and of the end, in 2002, of major programs to boost capacity through new facilities, the level of depreciation in terms of absolute value was down slightly to €26.4 million in 2003, compared with €26.7 million in 2002.

The setting up of an effective customer risk management system in 2003 made it possible to control the level of provisions for customer debts, as well as the drop in the value of stocks. The consolidated annual EBIT was up to 10.2% in 2003, compared with 9.1% in 2002, thus confirming the figures for the first half of 2003.

THE SPECTACULAR RECOVERY OF NET INCOME

In 2003, the clear drop in Net Financial Debt, combined with the reduction in interest rates enabled a considerable increase in financial income of €4 million.

This extraordinary income takes into account the impact of the fire at the polishing workshop of LISI COSMETICS's Saint-Saturnin-du-Limet plant, which left net profits at €2.0 million, as well as certain exceptional costs relating to new environmental regulations, which amounted to €0.6 million, and lastly, the eventual consequences of open litigation, which resulted in costs of €2.5 million. Thus, exceptional income for 2003 amounted to a loss of €3 million compared with a loss of €5.4 million in 2002.

In 2003, the various measures taken, in addition to the exceptional depreciation experienced in 2002, allowed goodwill amortization to return to an almost normal level of – €8.6 million.

If we take these elements into account, net income stood at €21 million, a +69.4% increase compared with 2002.

EXCELLENT LEVELS OF AVAILABLE CASH FLOW MAINTAINED...

The group's operating cash flow, which stood at €58.8 million or 11.6% of turnover, confirmed its ability to generate cash. Indeed, thanks to net investment of €24.9 million (compared with €25.9 million in 2002) and well-managed WCR (Working Capital Requirements), which were down €1.5 million*, Free Cash Flow stood at €35 million, or 7.0% of turnover.

...ENABLING FURTHER IMPROVEMENTS IN THE BALANCE SHEET STRUCTURE

After dividend payments of more than €5.9 million, Net Financial Debt (NFD) fell by €34.1 million (compared with a drop of de €28.8 million in 2002) bringing the NFD / EBITDA ratio back down to 0.8, compared with 1.25 in 2002. Incidentally, LISI COSMETICS received additional insurance payments of €2.5 million in 2004.

The group therefore reduced net debt by €122 million between 2000 and the end of 2003,

Despite a negative dollar effect on equity capital of €10 million, a significant increase was recorded from €252.2 million in 2002 to €256.7 million this year.

Gearing returned to a more favourable 24.6% at the end of 2003, compared with 38.5% in 2002.

2004 OUTLOOK

In 2003, the group demonstrated its ability to improve its margins and to consolidate its financial position. As of 2004, it should demonstrate its capacity for organic and external growth, while pursuing its quest for performance excellence.

* of which €2.6 million are the result of the disposal of accounts receivable.

LISI AEROSPACE management report on 31/12/2003

LISI AEROSPACE KEY CONSOLIDATED FINANCIAL HIGHLIGHTS

(in million euros)	Revenues	Full-time employees*	EBIT	Cash flow	Capital expenditure	Net financial debt
2003	180.68	1,900	24.21	25.71	6.04	-1.92
2002	180.22	1,969	15.47	23.74	7.69	19.04
2003/2002	+0.3%	-3.5%	+56.5%	+8.3%	-21.5%	N.A
2001	200.80	2,002	29.08	26.50	13.13	25.65

* including temporary personnel

GRADUAL IMPROVEMENT OF THE SECTOR

After a bleak start to the 2003 financial year, what with the war in Iraq and the SARS epidemic in Asia, the sector's gradual improvement is back on track. Initial figures for 2003 are actually better than expected: Boeing delivered 281 planes in 2003 (compared with an expected figure of 275), while Airbus delivered 305 planes over the period.
There was equally positive news for manufacturers of regional aircraft, with increased production rates announced both at Bombardier (CRJ 700 program) and Embraer (ERJ 170 and 190 program).
In Europe, the progress of the A380 program has been the main driver of demand; this allowed the "Airframe Europe" BU to record growth of +7.7%.
In the US, military orders made only a minimal contribution to growth, with a drop in sales in euros of -5.5% despite a rise of +15.0% in dollars thanks to the positive impact of Monadnock. The engine business remained stable, despite the fact that the market was down -2%.
The Racing activity recorded slight negative growth on a like-for-like basis, as a result of profound changes in the rules of the different US championships. This specific phenomenon shouldn't only affect 2003 results.

LOADS DISTRIBUTED MORE EVENLY BETWEEN THE PRODUCTION SITES

In the USA, the Torrance plant benefited from more sustained demand in the second half-year, after receiving qualification by Airbus. Production in dollars was down just 6%. The Monadnock site was completely transformed in order to bring it into compliance with the group's standards, which didn't prevent it from fully meeting its objectives in terms of sales volume.
Hi-Shear's most active customers in the USA were Bombardier, Embraer and the European plants ($ 3.6 million over the period, essentially from parts subcontracting for Airbus), in addition to the entire distribution business during the end of the period.
Sales of products for military applications were estimated at $3.5 million in the USA in 2003.

In Europe, all aspects of the "Airframe" BU's activities were highly satisfactory. Most of the investment in capacity and site expansion was made in 2002. 2003 saw a 16% increase in production, allowing the division to cater for greatly increased demand from Airbus (+ 44%) without harming logistics indicators.
The "Engine and Criticals" BU had not yet benefited from the effects of these increased volumes. Production remained stable while sales in euros were slightly down.
Racing adapted its production capacities to suit demand: down in the USA and up in Europe, without affecting performance.

A NET INCREASE IN PROFITABILITY

Thanks to the more even distribution of production loads, which led to a greater contribution from the USA at the end of the period, in addition to the progress made at all sites and to the impressive performance of the Racing segment, the division's results are back to historic levels. EBIT stands at 13.4% of turnover, a rise of more than 56% compared with 2002, which was the worst year on record.
Operating cash flow was up only slightly at 14.2%, compared with 13.2% in the previous year, but the constant monitoring of this figure and of working capital requirements has made it possible to easily cover the €6 million of investments made and to contribute fully to the group's debt reduction.

2004 OUTLOOK

The start of the 2004 financial year has been boosted by the 10% increase in orders (in euros) obtained by the European division, whose activities revolve mainly around Airbus's requirements. The improving health of the order book in the US at the end of 2003 means we can expect levels of production to far exceed the break-even point.
The start of the Formula 1 season in Europe and the identification of new market segments in the US should lead to a strong first quarter for this niche market.
The weak dollar remains a concern, although the group obviously remains unaffected on the whole by short-term fluctuations in the dollar and in sterling.

LISI AUTOMOTIVE management report on 31/12/2003

LISI AUTOMOTIVE KEY CONSOLIDATED FINANCIAL HIGHLIGHTS

(in million euros)	Revenues	Full-time employees*	EBIT	Cash flow	Capital expenditure	Net financial debt
Fiscal 2003	278.80	2,542	25.97	29.00	13.93	22.92
Fiscal 2002	283.23	2,530	29.67	33.24	18.35	30.31
2003/2002	-1.6%	+0.5%	-12.5%	-12.8%	-24.1%	-24.4 %
Fiscal 2001	287.35	2,654	28.24	30.09	21.10	23.90

* including temporary personnel

A SLIGHT DROP IN SALES

The fortunes of LISI AUTOMOTIVE varied greatly over the course of 2003, reflecting a European market that was slightly down on the previous year. Turnover for the 1st half-year was similar to the 2002 figure, but a subsequent drop in production on the part of most of the division's customers translated into a drop in sales of around 4% in the 2nd half of 2003, in line with the drop in car production mentioned above. The destocking policies of carmakers and equipment manufacturers led to a sudden drop in activity during the summer months.
On a cumulative basis, LISI AUTOMOTIVE's 2003 turnover stood at €278.8 million, down 1.6% compared with 2002.
LISI AUTOMOTIVE's commercial activities are centralized and organized into four sales divisions. The turnover of the French Car Manufacturers Division rose. That of the German Car Manufacturers Division and the Industry Division remained on a par with 2002, while sales of the World Equipment Manufacturers Division were down 3%. This drop was mainly due to the rapid destocking mentioned above, combined with considerable price reductions offered to certain customers in order to maintain volumes.

REDUCED PROFITABILITY

In this difficult economic climate, figures for the 2003 financial year are down on those recorded in 2002, despite significant progress by certain BU's. At this point, we should highlight the fact that the ACE improvement plan had very little impact on the year since the cost of deploying the plan was cancelled out by the savings generated.
EBITDA for LISI AUTOMOTIVE stood at €41.1 million in 2003 compared with €44.7 million in 2002, while the operating margin (EBIT) fell from 10.5% of turnover in 2002 to 9.2% in 2003. Operating cash flow reached €29.0 million, or 10.4% of turnover. With capital expenditure down to €13.9 million (compared with €18.3 million in 2002), the automotive division contributed significantly to the group's net debt reduction.
The drop in EBIT is entirely down to the "Mechanical Components" BU, which works primarily with equipment manufacturers. Sales figures for the latter fell drastically at a time when additional production facilities had been set up in Canada, causing costs and depreciation to rise by €1.5 million from 2002. This plant will operate at full capacity as of mid-2004. The other BU's: "Threaded Fasteners" and "Metal and Plastic Clip Fasteners" achieved more positive results than in 2002, thanks to the quality, logistics and 5S initiatives deployed in 2003. These will be replaced in 2004 by the effects of the ACE plan.

2004 OUTLOOK

The European car industry is expected to recover slightly in 2004, despite the fact that order books for the 1st quarter of 2004 are no fuller than in Q1 2003. According to many analysts, 2004 should mark the end of the recession that has affected the European market since the 2nd quarter of 2000 and the North American market since the 3rd quarter of 2000. Half of the decline of the European market between 1999 and 2003 was caused by the German market, which lost 600,000 units over this period, a drop of 16%.
The possible increase in sales in 2004 may favour the European markets, in which LISI AUTOMOTIVE has a considerable presence: Germany (between 3 and 5%), France (0 to 2%) and Spain (-1 to +5%), compensated by a slowdown in the British and Italian markets (0 to -3% and - 1 to -2% respectively).
Even based on more cautious sales forecasts, LISI AUTOMOTIVE expects an improvement in its financial performance. In addition, efforts have been focused on searching for new sources of organic and external growth.

LISI COSMETICS management report on 31/12/2003

LISI COSMETICS KEY CONSOLIDATED FINANCIAL HIGHLIGHTS

(in million euros)	Revenues	Full-time employees*	EBIT	Cash flow	Capital expenditure	Net financial debt
2003	51.16	693	0.40	3.43	4.05	5.04
2002	50.72	647	(0.52)	0.23	2.90	3.81
2003/2002	+0.9%	+7.1%	N.A	N.A	+39.7%	+32.3%
2001	63.41	718	0.93	2.00	2.10	4.28

* including temporary personnel

NO MAJOR LAUNCHES PLANNED

The reduction in the number of new products launched, which was announced in the third quarter, was confirmed at the end of the year. The lack of statistics on the impact of the Christmas period prevents us from having precise figures for sales of current products or an exact idea of the success of our customers' new products. However, fairly sustained activity has been observed at Chanel, L'Oréal (Attraction, Sensi) and even Yves Saint-Laurent (Rive Gauche).

After extremely encouraging first and second quarters (+1.7% and +14.4% respectively), sales in the third quarter (-0.8%) and especially the fourth quarter (-11.4%) fell dramatically. Overall in 2003, LISI COSMETICS sales grew +0,9% to €51.2 million, which, considering the fire at the metal plant in Saint-Saturnin-du-Limet, is an encouraging performance.

A RETURN TO PROFITS DESPITE AN UNPREDICTABLE MARKET

Despite a difficult context at the beginning of the year, as a result of the fire in one of the polishing workshops in the Saint-Saturnin-du-Limet plant, EBIT came to €0.4 million compared with – €0.5 million in 2002, thanks to the 29% increase in EBITDA to €2.7 million (5.3% of turnover).

This fire was covered by the group's insurance policy and resulted in significant compensation payments, for which the following accounting process was used:

- Additional operating costs of €2.4 million were identified and added to those revenue losses that, according to our analyses, did not have a significant impact on EBIT;
- However, regarding exceptional income, an amount of €2.0 million was identified corresponding to the difference between the net book value of the fixed assets and the cost of replacing them.

THE RECOVERY OF QUALITY AND PRODUCTIVITY INDICATORS

This upturn in results was also a consequence of the considerable improvement of basic indicators at the end of the period, both in terms of quality (reject rate, time spent on sorting tasks and overall cost of non-quality) and productivity (Overall Equipment Efficiency of production equipment, use of new flexible assembly lines).

AN AMBITIOUS INDUSTRIAL PLAN

In addition to replacing the €2.4 million worth of polishing machines destroyed in the plant fire, LISI COSMETICS set out an ambitious industrial plan, with investments of €4.2 million over 2003. This plan was mainly self-financed, thanks to the operating cash flow of €3.4 million, with additional funds being provided by the insurance payments received at the beginning of January 2004.

2004 OUTLOOK

Since the LUXPACK trade fair, LISI COSMETICS has seen its number of new product projects and launches grow. While some of these projects appear to be significant, even if they came to fruition they would only have a limited impact on 2004.

The fundamental changes initiated over the course of 2003 should enable the division to further improve its results.

Consolidated income statement

(in thousand euros)	Notes	2003	2002	2001
Net revenues	4	**505,997**	**517,661**	**559,612**
Changes in inventory, finished and in process goods		2,295	1,496	10,475
Total production		508,292	519,157	570,087
Other revenues		6,378	4,001	5,579
Total operating revenues		514,670	523,158	575,666
Cost of materials		(123,431)	(130,776)	(150,410)
Other purchases and external expenses		(103,824)	(108,097)	(121,546)
Other management costs				
Value added before temporary employees		**287,415**	**284,285**	**303,710**
Taxes and duties		(9,893)	(9,305)	(9,730)
Temporary employee expense		(13,697)	(12,657)	(17,737)
Salaries and benefits		(182,323)	(183,242)	(187,665)
Profit sharing		(2,804)	(1,758)	(1,785)
EBITDA		**78,698**	**77,323**	**86,794**
Depreciation		(26,425)	(26,686)	(24,757)
Reserve allocations		(10,548)	(11,085)	(7,783)
Reversal of reserves		10,136	7,483	7,330
EBIT	4	**51,861**	**47,035**	**61,584**
Net financial income (loss)	9	(4,886)	(8,891)	(9,554)
Pre-tax income from ordinary operations		**46,975**	**38,144**	**52,030**
Extraordinary income		9,265	16,105	20,292
Extraordinary expenses		(12,272)	(21,582)	(22,855)
Net ordinary loss	10	(3,007)	(5,477)	(2,563)
Income tax	11	(14,396)	(9,003)	(15,206)
Income of consolidated companies		**29,572**	**23,664**	**34,261**
Equity-affiliated companies		-	-	-
Profit before goodwill amortization		**29,572**	**23,664**	**34,261**
Goodwill amortization allowance		(8,571)	(11,289)	(8,114)
Net profit		**21,001**	**12,375**	**26,147**
- Of which Group's share including the result of equity-affiliated companies		21,001	12,375	26,147
- Of which minority interests				
Income per share (in euros):				
Profit (after tax)		3.3	3.0	3.7
Group's share of net profit		2.1	1.3	2.6

Consolidated balance sheet

Assets

(in thousand euros)	Notes	2003	2002	2001
Fixed assets				
Goodwill	4	141,838	150,730	147,069
Intangible fixed assets	4	17,449	16,733	16,132
Tangible fixed assets	4	385,181	375,031	367,946
Financial assets	4	3,899	4,028	5,505
Depreciation and amortization	4	(281,133)	(256,896)	(231,873)
Total net fixed assets		**267,234**	**289,626**	**304,779**
Current assets				
Raw materials and other supplies		24,018	27,487	30,367
Work in process		36,484	37,126	43,828
Finished goods		65,706	64,599	58,279
Inventory depreciation		(22,982)	(26,026)	(21,312)
Net inventory		**103,226**	**103,186**	**111,162**
Prepayments		28	23	145
Accounts receivable		79,225	82,378	99,549
Other receivables		13,665	15,814	11,793
Provisions for doubtful receivables		(3,026)	(3,397)	(2,826)
Deferred taxes		8,280	7,946	7,566
Marketable securities	5	24,688	19,371	13,014
Cash		12,428	17,572	36,054
Provision for write-down of marketable securities			(737)	
Total current assets		**238,514**	**242,156**	**276,456**
Accruals and prepaid expenses	6	4,070	4,364	4,012
TOTAL ASSETS		**509,818**	**536,146**	**585,247**

Liabilities

(in thousand euros)	Notes	2003	2002	2001
Equity				
Capital stock		19,734	19,734	19,734
Additional paid-in capital		27,134	27,134	27,134
Foreign exchange translation adjustments		(6,674)	3,332	15,544
Retained earnings		195,545	189,625	170,260
Group's share of net income		21,001	12,375	26,147
Total equity		**256,740**	**252,200**	**258,818**
Minority interests				
Provisions for risks and contingencies	7	**52,237**	**48,376**	**48,951**
Liabilities				
Long-term debt	8	100,229	133,407	175,039
Prepayments received		1,585	657	479
Accounts payable		50,638	54,560	58,560
Tax and social security liabilities		43,233	38,574	31,976
Secured loans on fixed assets and related		1,688	2,265	4,392
Other liabilities		3,426	5,777	6,931
Total debt		**200,799**	**235,240**	**277,377**
Deferred income and other accruals	6	42	330	101
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		**509,818**	**536,146**	**585,247**

Consolidated cash flow statement

(in thousand euros)	Notes	2003	2002	2001
Operating activities				
Operating cash flow	12	58,847	57,515	59,955
Effect of changes in inventory		(1,706)	1,418	(11,169)
Effects of changes in accounts receivable		3,181		
and accounts payable			11,643	45,688
Cash provided by or used for operations (A)		**60,322**	**70,576**	**94,474**
Investment activities				
Cash used to acquire tangible and intangible fixed assets		(25,158)	(29,252)	(39,112)
Cash received from disposals of tangible and intangible fixed assets		1,286	2,560	388
Cash used to acquire financial assets		(1,059)	(18,701)	(4,551)
Cash received from the disposal of financial assets		483	5,868	10,896
Net cash used for acquisitions and disposals of subsidiaries (1)		(30)	230	(3,487)
Cash provided by or used for investing activities (B)		**(24,478)**	**(39,295)**	**(35,866)**
Financing activities				
Cash received from shareholders as part of a capital increase				1,454
Dividends paid to shareholders of the parent company		(5,947)	(5,903)	(5,844)
Dividends paid to the minority shareholders of consolidated companies (1)				
Cash received from new loans		2,730	18,694	16,333
Cash used to pay off loans		(27,780)	(29,865)	(40,639)
Cash received from profit-sharing		1,661	1,940	
Repayment of profit-sharing		(2,600)	(3,898)	
Miscellaneous		120	106	53
Cash provided by or used for financing activities (C)		**(31,816)**	**(18,926)**	**(28,643)**
Effect of change in foreign exchange rates (D) (1)		(971)	(3,785)	199
Changes in net cash (A+B+C+D)		**3,057**	**8,570**	**30,164**
Including cash variations		910	(12,863)	9,525
Including current bank facilities variations		2,147	21,433	20,639
Cash at year start (E)		19,666	11,096	(19,068)
Cash at year end (A+B+C+D+E)		22,723	19,666	11,096

(1) This item is specific to the consolidated cash flow statement

Two-year changes in equity and minority interests

(in thousand euros)		Total	Group equity	Minority interests
As of 01.01.2002		**258,819**	**258,818**	**0**
Profit for the period		12,375	12,375	
Dividends paid		(5,903)	(5,903)	
Foreign exchange translation adjustments		(12,212)	(12,212)	
Capital increase		0	0	
Effect of change in accounting methods (B)		(897)	(897)	
Change in perimeter		0	0	
Other changes		18	18	
As of 31.12.2002		**252,200**	**252,200**	**0**
Profit for the period		21,001	21,001	
Dividends paid		(5,947)	(5,947)	
Foreign exchange translation adjustments (A)		(10,006)	(10,006)	
Capital increase		0	0	
Effect of change in accounting methods		0	0	
Change in perimeter		0	0	
Other changes		(508)	(508)	
As of 31.12.2003		**256,740**	**256,740**	**0**
Foreign exchange translation adjustments	01.01.02		15,544	
	Change		(12,212)	
	31.12.02		3,332	
	Change		(10,006)	
		31.12.03	(6,674)	

(A) including companies in dollars for (€9,158 million)

(B) Group harmonization of inventory depreciation allowance

Appendix to the consolidated financial statements

(in thousands of euros unless otherwise stated)

1. Company business and key highlights of the year

The LISI group's main business is the manufacture of multi-purpose fasteners and assembly components for three sectors: aerospace, automotive and packaging.

The key events of the year were as follows:

- A fire at a polishing workshop in the Cosmetics division's Saint–Saturnin-du-Limet plant in January 2003,
- Liquidation of BAI Aerospace Components in March 2003.

2. Accounting principles

In drawing up its consolidated financial statements, the LISI group applies the accounting principles defined by rule no. 99-02 of the Accounting Regulations Board (CRC) of 29th April 1999.

IAS STANDARDS

In accordance with European Regulation no. 1606/2002, introduced on 11th September 2002, LISI, a company listed on the Second Marché of the Paris Stock Exchange, will be obliged to present its consolidated annual financial statements according to IFRS standards (International Financial Reporting Standards) as of 1st January 2005.

For two years now, the group has been running an operation that will allow it to converge with IFRS standards. It currently applies the following standards in accordance with regulation no. 99-02 of the CRC:

- IAS 1 on the presentation of financial statements,
- IAS 2 on inventories,
- IAS14 on sector information, (by segment of activities)
- IAS 16 on tangible fixed assets,
- IAS 20 on government subsidies,
- IAS 21 on variations in foreign exchange rates,
- IAS 37 on provisions, contingent liabilities and contingent assets.

In the second half of 2003, a project team was assembled, consisting of operational and functional representatives from the Group's three divisions. The objective assigned to this team is to create the conditions required for the application of IFRS standards as of the beginning of 2004, while meeting the legal obligations relating to French publishing standards until the end of the 2004 fiscal year.

The project is divided into two phases:

- the first stage encompasses diagnostics, training and setting out the terms under which IFRS standards will be applied; this will take place over the course of 2003.
- the second stage will involve evaluating impact and deploying the standards throughout the Group's companies. This will take place in 2004.

At this stage of the project, the main divergences identified between the principles currently followed by the Group and those it will adopt in 2004 are as follows:

- Those that have an impact on the income statement: straight-line amortization of goodwill, which should be eliminated, stock options, and possibly the registration of certain financial instruments.
- Those that have an impact on the balance sheet: the registration of assets and liabilities relating to pension commitments in the USA, the United Kingdom and Germany, as well as all assets and liabilities that have an impact on the calculation of taxes.

CONSOLIDATION

Subsidiaries controlled exclusively by the parent company are consolidated in accordance with the full consolidation method. A list of consolidated companies is provided in note 3. The group does not contain any companies consolidated under proportionate method nor equity method.

All the companies in the consolidation perimeter had a 12-month financial year closing as of 31st December 2003.

COMPARABILITY OF STATEMENTS

Changes in the consolidation perimeter:

The liquidation of BAI Aerospace Components (a Chinese company that was still being set up) in March 2003 did not have a significant impact on the statements.

Specific operations:

- The operations undertaken to dispose of accounts receivable allowed net debt to be reduced by €45.6 million as on 31st December 2003, compared with €43.1 million as of 31 December 2002. These disposals are carried out in the form of receivables factoring with conventional subrogation, but without recourse.
- As far as presentation is concerned, it had been decided that, as of 1st January 2002, royalties cashed by the USA Aerospace Division would be posted as turnover rather than other income. This restatement amounted to €0.7 million for the fiscal year 2003 and had no impact on earnings.

DISCRETIONARY METHODS

The LISI group applied the following discretionary methods:

- Pension provisions: pensions and related allowances that have been committed to are subject to actuarial valuation. The actuarial valuation method selected by the Group is the projected unit credit method, which is recognized by American accounting standards (FAS 87), International accounting standards (IAS 19) and by recommendation no. 2003 – R.001 of the French National Accounting Board. Actuarial differences are amortized over the average residual duration for which employees have been working for the group.
- Capitalization of leasing contracts.
- Foreign currency exchange differences on assets and liabilities are booked against the income statement.

However, the company does not apply the accounting principle that allows underwriting fees to be expensed either up front or over the term of the loan.

GOODWILL

Differences on first fiscal year of consolidation represent the difference between the acquisition price of a consolidated company's shares and the share of the company's restated net equity that has been acquired. As far as is possible, these differences are suitably allocated.

Assets allocated to tangible and intangible assets (patents) are depreciated over the same period as comparable assets.

Assets allocated to brands are not depreciated. If necessary, a provision for amortization is set up.

Residual assets, or goodwill, are depreciated using the straight-line method over a period that depends on the business conditions of each company, without ever exceeding 20 years.

Expenses relating to the acquisition of companies are now incorporated into the acquisition price and included in the goodwill calculation.

In addition, when circumstances or facts indicate that a drop in value may have occurred, a impairment test is carried out. Depreciation has occurred when a differential can be observed between the fair value of the fixed asset, based on the current cash flow figure, and its market price. Thus, in 2003, a provision of €1.5 million was set up for goodwill arising from the acquisition of LISI AUTOMOTIVE Gradel and Gervais-Le-Pont.

INTANGIBLE ASSETS

Business equity, concessions, patents and software were entered at their purchase price and depreciated according to a depreciation plan.

Generally speaking, the depreciation schedules are as follows:

- business equity	10 years	straight-line
- concessions and patents	10 years	straight-line
- software	1 year	straight-line

Start-up costs are either posted as expenses for the year or posted on the asset side of the balance sheet and depreciated over twelve months.

BRAND DEPRECIATION

The value assigned to brands is monitored on an annual basis according to several methods.

The notoriety of the RAPID brand, which is entered on the balance sheet at €8,399 ,941 had to be re-evaluated in view of the strategy employed by the automotive division, which is set to dilute the value of the brand in the long-term. It was decided that this brand should be depreciated gradually over a 15-year period. As a result, a provision of €209,999 was entered in the 2003 financial statements.

TANGIBLE FIXED ASSETS

Tangible fixed assets were valued at their cost of acquisition or production, except in the case of assets legally marked to market and which are now immaterial.

Fixed asset depreciation is determined on the basis of expected useful life.

Generally speaking, the depreciation schedules are as follows:

- buildings	20 years	straight-line
- fixtures	10 years	straight-line
- vehicles	5 years	straight-line
- tools and machinery	10 years	straight-line
- office equipment	5 years	straight-line
- office furnishings	10 years	straight-line
- computing equipment	3 years	straight-line

An additional provision is set up should equipment become obsolete or if expected useful life is reduced.

The initial value of leased fixed assets held by consolidated companies is posted under the relevant balance sheet entries. These are depreciated over the same period as comparable goods purchased outright. However, the corresponding debt is entered under liabilities on the balance sheet.

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(in thousands of euros unless otherwise stated)

Only lease obligations valued at more than €150,000 may be restated.

EQUITY INTERESTS

Non-consolidated equity interests are valued upon incorporation into the group at their acquisition or contribution value. If this value is greater than the usage value, a provision for depreciation is set up to make up the difference. The usage value is determined based on the portion of equity capital represented by the shares. If necessary, this can be rectified in order to take into account the value of these companies to the group, as well as their development and profit earning potential.

CONVERSION OF ITEMS IN FOREIGN CURRENCIES

a) The financial statements of foreign subsidiaries are converted:

- at the closing rate in the case of balance sheet entries, with the exception of equity capital, which is converted at the historic rate,
- at the average rate for the financial year in the case of items in the income statement.

Currency exchange differences resulting from the application of these rates are entered under equity capital as "Currency exchange differences".

b) Transactions carried out in foreign currency (non-local currency) are recorded at the rate of exchange in force on the day they take place. Exchange rate profits and losses, which result from the conversion of assets and liabilities in foreign currencies at the closing rate, are entered in the income statement. This does not apply to those profits and losses that result from permanent financing operations between companies within the group. These are entered under equity capital as "Currency exchange differences".

INVENTORIES

Goods and materials are valued at their acquisition cost using the weighted average purchase cost method or the most recent purchase price.

The valuation of raw material inventories does not take into account storage costs for raw materials and goods.

Finished and work in process products are valued at their production cost. If significant income is generated from the sale of goods by one of the group's companies to another, the proportion of the value that corresponds to products that have not been sold on by the purchasing company by 31st December is written off. Depending on the inventory turnover policy used, a provision for depreciation is set up by combining prospective methods with statistics on article turnover and the net market price of distribution.

ACCOUNTS RECEIVABLES

Receivables are valued at their nominal value. Because these are customer receivables, the depreciation of these receivables is determined depending on the risk of non-recovery that is inherent to each of the businesses, as well as past performance with regard to debt recovery.

MARKETABLE SECURITIES

Marketable securities are valued at their historic cost. These may be depreciated if their purchase or market value is less than their book value.

DEFERRED TAXES

Deferred taxes are calculated based on the temporary timing differences between valuations carried out for tax purposes and those used for assets and liabilities on the consolidated balance sheet, with the exception of goodwill. Deferred tax assets (including tax loss carryforwards) are posted when it is probable that they will be used in the future. In addition, deferred taxes on temporary valuation differences were still present in 2003, as a result of the application of regulation 99-02 of the CRC.

The variable deferral method was used at a rate that included exceptional contributions, i.e. 35.46% for French companies.

LISI is the parent company of a group that is consolidated for tax purposes. In 2003 the group included the following eleven companies: LISI AEROSPACE, Blanc Aero Industries, Blanc Aero Technologies, Eurofast, LISI AUTOMOTIVE Former, LISI AUTOMOTIVE Gradel, LISI AUTOMOTIVE Gervais, LISI AUTOMOTIVE Rapid, LISI AUTOMOTIVE, LISI COSMETICS and LISI.

INVESTMENT SUBSIDIES

In accordance with generally accepted international accounting principles, subsidies were entered as deferred income as of 1st January 2001. These continue to be entered as income over the useful life of the asset in a systematic and rational manner.

PROVISIONS FOR RISKS AND CONTINGENCIES

Pursuant to CRC regulation 2000.06, which came into force on 1st January 2002, provisions for risks and contingencies are set up from the moment the risk becomes certain or probable, and as long as it can be estimated with sufficient reliability.

PENSION RESERVES AND RELATED COMMITMENTS

Pension commitments and related allowances

	31st December 2003	31st December 2002
Commitments to employees	26,998	23,102
Debts posted to the balance sheet	12,647	12,217
Fair value of assets	11,196	9,244

• France

In France, commitments provide for retirement compensation as defined in the French Labour Code. These commitments are calculated based on the following rule:

Present value factor	5%
Salary increase rate	3%

• Great Britain

In Britain, commitments provide for a supplementary pension scheme. These commitments are calculated using the prospective method, taking into account the end-of-career salary and based on the following rule:

Present value factor	5.4%
Salary increase rate	4.8%
Inflation rate	2.8%

• United States

In the United States, commitments provide for pre-defined pension plans. To date, only one pension asset is eligible. The commitments are calculated using the prospective method, taking into account the end-of-career salary and based on the following rule:

Present value factor	7.5%
Assets yield rate	7.5%

• Germany

In Germany, commitments are calculated using the prospective method, taking into account the end-of-career salary and based on the following rule:

Present value factor	5.25%
Salary increase rate	2.5%
Inflation rate	1.75%

DISCOUNTING OF RECEIVABLES

These are calculated according to certain rules, the aim of which is to determine probable losses in a normal case scenario. For smaller receivables, provisions are set up in full, whereas all large debts are evaluated on a one-off basis taking into account the information gathered for each specific case.

ACCOUNTING OF RESEARCH AND DEVELOPMENT COSTS

Research and development costs are posted as costs for the fiscal year during which they were incurred.

TRESEARY STOCKS AND STOCK OPTIONS

Own shares held by the company, which are earmarked from the outset either for price adjustment operations or for the stock options plan offered to certain employees of the company or its subsidiaries, are entered on the asset side of the balance sheet under "Marketable securities". If the purchase price offered through one of the plans or the share price at the close of the year is less than the average cost price of the company's shares, a provision is entered which takes this difference into account.

Four stock options plans were active on 31st December 2003. These are comprised of current shares issued in the form of purchase options. A stock options plan for 97,500 shares was posted in December 1999, a stock options plan for 34,700 shares was posted in March 2001, a stock options plan for 39,500 shares was posted in December 2001 and the final plan for 163,000 shares was posted in June 2003.

Within the scope of the three stock options plans that were active on 31st December 2002, purchase option contracts for "call" shares, the characteristics of which are identical to those of the share purchase option plans, were agreed in August 2002 in order to cover the stock options exercised. The purchase option contract for "call" shares relating to the stock options plan of December 1999 was unwound in December 2003 without affecting the income statement.

Financial expenses relating to bonuses paid were spread over the period during which the "call" purchase options were exercised.

SALES

The turnover indicated is after the deduction of discounts granted to customers.

NET INCOME PER SHARE

The net income per share was determined from the number of shares in circulation on 31st December 2003. No dilutive instruments were issued by the group.

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(in thousands of euros unless otherwise stated)

3. Consolidation perimeter All companies were consolidated using the full-consolidation method.

	Head office	Siren number	2003 % control	2003 % interests	2002 % control	2002 % interests
LISI	**Paris 12e (75)**	**536,820,269**				
LISI AEROSPACE	Paris 12e (75)	320,152,333	99,99	99,99	99,99	99,99
BLANC AERO Industries (BAI)	Paris 12e (75)	395,001,852	100.00	99.99	100.00	99.99
BAI GMBH	Hamburg	Germany	100.00	100.00	100.00	100.00
BAI Aerospace Components (A)	Beijing	China			100.00	100.00
FT BESTAS	Izmir	Turkey	100.00	100.00	100.00	100.00
BLANC AERO Technologies (BAT)	Paris 12e (75)	301,393,161	100.00	99.88	100.00	99.88
EUROFAST	Paris 12e (75)	395,002,017	99.99	99.98	99.99	99.98
HI-SHEAR CORPORATION (HSC)	Torrance (California)	United States	100.00	100.00	100.00	100.00
HI-SHEAR AUTOMOTIVE CORPORATION	Torrance (California)	United States	100.00	100.00	100.00	100.00
MONADNOCK	City of Industry (California)	United States	100.00	100.00	100.00	100.00
BAI UK	Rugby	Great Britain	100.00	100.00	100.00	100.00
A 1	Paramount (California)	United States	100.00	100.00	100.00	100.00
LISI AUTOMOTIVE	Belfort (90)	433,709,953	100.00	100.00	100.00	100.00
LISI AUTOMOTIVE Former (B)	Delle (90)	322,624,701	99.99	100.00	99.99	100.00
LISI AUTOMOTIVE Espana (B)	Rivas-Vaciamadrid	Spain	100.00	100.00	100.00	100.00
MOHR UND FRIEDRICH	Vöhrenbach	Germany	100.00	100.00	100.00	100.00
LISI AUTOMOTIVE Gradel (B)	Scionzier (74)	606,420,107	100.00	100.00	100.00	100.00
LISI AUTOMOTIVE Gervais-Le-Pont (B)	Marnaz (74)	606,320,364	100.00	100.00	100.00	100.00
LISI AUTOMOTIVE CORPORATION	Mississauga L4W2T7 (Ontario)	Canada	100.00	100.00	100.00	100.00
LISI AUTOMOTIVE Rapid (B)	Puiseux-Pontoise (95)	582,041,471	100.00	100.00	100.00	100.00
MECANO	Heidelberg	Germany	100.00	100.00	100.00	100.00
KKP GMBH	Mellrichstadt	Germany	100.00	100.00	100.00	100.00
KKP CO KG	Mellrichstadt	Germany	100.00	100.00	100.00	100.00
RAPID Fasteners	Beijing	China	100.00	100.00	100.00	100.00
LISI COSMETICS	Paris 12e (75)	413,764,218	100.00	100.00	100.00	100.00
LISI COSMETICS Inc.	Stamford (Connecticut)	United States	100.00	100.00	100.00	100.00
LISI COSMETICS Italia	Andezeno (Turin)	Italy	100.00	100.00	100.00	100.00

(A) This company was wound up in 2003,

(B) In 2003, the following companies changed corporate identity : FORMER, FORMER Espagne, GRADEL, GERVAIS-LE-PONT and RAPID. They became respectively LISI AUTOMOTIVE Former, LISI AUTOMOTIVE Espana, LISI AUTOMOTIVE Gradel, LISI AUTOMOTIVE Gervais-Le-Pont and LISI AUTOMOTIVE Rapid.

4. Sector information: goodwill

	31/12/02	Increase	Decrease	Other movements	31/12/03
AEROSPACE	53,928			-8,891	45,037
AUTOMOTIVE	82,073				82,073
COSMETICS	14,729				14,729
OTHER ACTIVITIES					
GROSS AMOUNT	**150,730**			**-8,891**	**141,838**
AEROSPACE	12,791	2,342	-2,164		12,968
AUTOMOTIVE	14,904	5,534			20,438
COSMETICS	6,732	695			7,427
OTHER ACTIVITIES					
TOTAL DEPRECIATION	**34,427**	**8,570**	**-2,164**		**40,833**
AEROSPACE	41,137	-2,342	2,164	-8,891	32,068
AUTOMOTIVE	67,169	-5,534			61,635
COSMETICS	7,997	-695			7,302
OTHER ACTIVITIES					
NET GOODWILL	**116,303**	**-8,570**	**2,164**	**-8,891**	**101,005**

Appendix to the consolidated financial statements

(in thousands of euros unless otherwise stated)

4. Sector information: intangible fixed assets

		31/12/02	Increase	Decrease	Other movements	31/12/03
AEROSPACE	Concessions and patents	3,493	128	-6	-70	3,545
	Business equity	41				41
	Other intangible fixed assets			1		1
	S/T AEROSPACE	**3,534**	**128**	**-5**	**-70**	**3,588**
AUTOMOTIVE	Concessions and patents (A)	2,447	547	-4	52	3,042
	Business equity (A)	8,495				8,495
	Other intangible fixed assets	1,675	72		-22	1,725
	S/T AUTOMOTIVE	**12,617**	**619**	**-4**	**30**	**13,261**
COSMETICS	Concessions and patents	192	9			201
	Business equity	322				322
	Other intangible fixed assets	5				5
	S/T COSMETICS	**519**	**9**			**527**
OTHER ACTIVITIES	Concessions and patents	63	11			74
	Business equity					
	Other intangible fixed assets					
	S/T OTHER ACTIVITIES	**63**	**11**			**74**
GROSS AMOUNT		**16,733**	**766**	**-9**	**-40**	**17,449**
AEROSPACE	Concessions and patents	1,877	581	-5	-59	2,394
	Business equity	41				41
	Other intangible fixed assets	-47				-47
	S/T AEROSPACE	**1,871**	**581**	**-5**	**-59**	**2,389**
AUTOMOTIVE	Concessions and patents (A)	2,223	394	-4		2,613
	Business equity (A)	109				109
	Other intangible fixed assets	1,450	148			1,598
	S/T AUTOMOTIVE	**3,782**	**542**	**-4**		**4,320**
COSMETICS	Concessions and patents	177	16			193
	Business equity	155	23			178
	Other intangible fixed assets	5				5
	S/T COSMETICS	**337**	**39**			**376**
OTHER ACTIVITIES	Concessions and patents	63	6			69
	Business equity					
	Other intangible fixed assets					
	S/T OTHER ACTIVITIES	**63**	**6**			**69**
TOTAL DEPRECIATION		**6,053**	**1,168**	**-9**	**-59**	**7,154**
AEROSPACE	Concessions and patents	1,616	-453	-1	-11	1,151
	Business equity					
	Other intangible fixed assets	47		1		48
	S/T AEROSPACE	**1,663**	**-453**		**-11**	**1,199**
AUTOMOTIVE	Concessions and patents	224	153		52	429
	Business equity	8,386				8,386
	Other intangible fixed assets	225	-76		-22	127
	S/T AUTOMOTIVE	**8,835**	**77**		**30**	**8,942**
COSMETICS	Concessions and patents	15	-7			8
	Business equity	167	-23			144
	Other intangible fixed assets					
	S/T COSMETICS	**182**	**-30**			**152**
OTHER ACTIVITIES	Concessions and patents		5			5
	Business equity					
	Other intangible fixed assets					
	S/T OTHER ACTIVITIES		**5**			**5**
NET INTANGIBLE FIXED ASSETS		**10,680**	**-401**		**19**	**10,295**

4. Sector information: tangible fixed assets

		31/12/02	Increase	Decrease	Other movements	31/12/03
AEROSPACE	Land	686				686
	Lease (land)					
	Buildings	11,614	288	-36	1,854	13,721
	Lease (building)					
	Machinery and equipment	79,352	2,397	-458	-8,271	73,020
	Lease (machinery and equipment)					
	Other tangible fixed assets	7,342	1,453	-46	-828	7,920
	Unfinished fixed assets	1,384	1,846		-871	2,359
	S/T AEROSPACE	**100,378**	**5,984**	**-540**	**-8,116**	**97,706**
AUTOMOTIVE	Land (B)	6,171	52			6,223
	Lease (land)	198				198
	Buildings (B)	29,769	865		666	31,299
	Lease (building)	3,423				3,423
	Machinery and equipment (B)	153,839	6,256	-2,521	1,804	159,380
	Lease (machinery and equipment)	15,257	16		181	15,454
	Other tangible fixed assets	21,533	3,357	-301	149	24,738
	Unfinished fixed assets	2,822	2,132		-2,822	2,132
	S/T AUTOMOTIVE	**233,012**	**12,678**	**-2,822**	**-22**	**242,847**
COSMETICS	Land	173		-3		170
	Lease (land)					
	Buildings	7,798	69	-46		7,821
	Lease (building)	3,603				3,603
	Machinery and equipment	25,859	1,759	-2,213	556	25,961
	Lease (machinery and equipment)		998			998
	Other tangible fixed assets	1,498	64	-13	226	1,776
	Unfinished fixed assets	1,283	2,367		-785	2,863
	S/T COSMETICS	**40,214**	**5,257**	**-2,275**	**-3**	**43,193**
OTHER ACTIVITIES	Land	460				460
	Lease (land)	762				762
	Buildings					
	Lease (building)					
	Machinery and equipment					
	Lease (machinery and equipment)					
	Other tangible fixed assets	78				78
	Unfinished fixed assets	128	8			136
	S/T OTHER ACTIVITIES	**1,428**	**8**			**1,436**
GROSS AMOUNT		**375,031**	**23,927**	**-5,637**	**-8,141**	**385,181**
AEROSPACE	Land					
	Lease (land)					
	Buildings	8,050	1,765	-19	-592	9,204
	Lease (building)					
	Machinery and equipment	39,647	5,813	-405	-2,940	42,115
	Lease (machinery and equipment)					
	Other tangible fixed assets	3,024	950	-45	-350	3,579
	Unfinished fixed assets					
	S/T AEROSPACE	**50,721**	**8,528**	**-469**	**-3,882**	**54,899**
AUTOMOTIVE	Land					
	Lease (land)					
	Buildings	13,614	1,194		239	15,047
	Lease (building)	2,443	170		-239	2,374
	Machinery and equipment (B)	97,970	10,014	-2,515	-34	105,435
	Lease (machinery and equipment)	10,299	854			11,153
	Other tangible fixed assets	16,163	1,811	-272		17,702
	Unfinished fixed assets	903		-53		850
	S/T AUTOMOTIVE	**141,392**	**14,043**	**-2,840**	**-34**	**152,561**

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(in thousands of euros unless otherwise stated)

4. Sector information: tangible fixed assets

		31/12/02	Increase	Decrease	Other movement	31/12/03
COSMETICS	Land					
	Lease (land)					
	Buildings	5,275	318	-31		5,562
	Lease (building)	1,837	109			1,946
	Machinery and equipment	15,237	1,969	-1,144		16,062
	Lease (machinery and equipment)		11			11
	Other tangible fixed assets	1,171	138	-12	-2	1,295
	Unfinished fixed assets					
	S/T COSMETICS	**23,520**	**2,545**	**-1,187**	**-2**	**24,876**
OTHER ACTIVITIES	Land	53				53
	Lease (land)					
	Buildings	582	36			618
	Lease (building)					
	Machinery and equipment					
	Lease (machinery and equipment)					
	Other tangible fixed assets	81	65	-9		137
	Unfinished fixed assets					
	S/T OTHER ACTIVITIES	**716**	**101**	**-9**		**807**
TOTAL DEPRECIATION		**216,349**	**25,217**	**-4,504**	**-3,919**	**233,144**
AEROSPACE	Land	686				686
	Lease (land)					
	Buildings	3,564	-1,477	-17	2,446	4,516
	Lease (building)					
	Machinery and equipment	39,705	-3,416	-53	-5,331	30,905
	Lease (machinery and equipment)					
	Other tangible fixed assets	4,318	503	-1	-478	4,342
	Unfinished fixed assets	1,384	1,846		-871	2,359
	S/T AEROSPACE	**49,657**	**-2,544**	**-71**	**-4,234**	**42,808**
AUTOMOTIVE	Land	6,171	52			6,223
	Lease (land)	198				198
	Buildings	16,155	-329		427	16,253
	Lease (building)	980	-170		239	1,049
	Machinery and equipment	55,869	-3,758	-6	1,838	53,943
	Lease (machinery and equipment)	4,958	-838		181	4,301
	Other tangible fixed assets	5,370	1,546	-29	149	7,036
	Unfinished fixed assets	1,919	2,132	53	-2,822	1,282
	S/T AUTOMOTIVE	**91,620**	**-1,365**	**18**	**12**	**90,285**
COSMETICS	Land	173		-3		170
	Lease (land)					
	Buildings	2,523	-249	-15		2,259
	Lease (building)	1,766	-109			1,657
	Machinery and equipment	10,622	-210	-1,069	556	9,899
	Lease (machinery and equipment)		987			987
	Other tangible fixed assets	327	-74	-1	228	480
	Unfinished fixed assets	1,283	2,367		-785	2,865
	S/T COSMETICS	**16,694**	**2,712**	**-1,088**	**-1**	**18,317**
OTHER ACTIVITIES	Land	407				407
	Lease (land)	762				762
	Buildings	-582	-36			-618
	Lease (building)					
	Machinery and equipment					
	Lease (machinery and equipment)					
	Other tangible fixed assets	-3	-65	9		-59
	Unfinished fixed assets	128	8			136
	S/T OTHER ACTIVITIES	**712**	**-93**	**9**		**628**
NET TANGIBLE FIXED ASSETS		**158,682**	**-1,290**	**-1,132**	**-4,223**	**152,037**

4. Sector information: financial assets

		31/12/02	Increase	Decrease	Other movements	31/12/03
AEROSPACE	Non consolidated equity securities					
	Claims tied to equity securities					
	Other equity	10			-2	8
	Loans granted	37		-3		34
	Other financial assets	3,680	639	-6	-693	3,619
	S/T AEROSPACE	**3,727**	**639**	**-9**	**-695**	**3,661**
AUTOMOTIVE	Non consolidated equity securities					
	Claims tied to equity securities					
	Other equity	13				13
	Loans granted					
	Other financial assets	69	18	-3	-1	83
	S/T AUTOMOTIVE	**82**	**18**	**-3**	**-1**	**96**
COSMETICS	Non consolidated equity securities	17		-9		8
	Claims tied to equity securities					
	Other equity					
	Loans granted	136		-56	-12	68
	Other financial assets	30	2	-1	-1	30
	S/T COSMETICS	**183**	**2**	**-66**	**-13**	**106**
OTHER ACTIVITIES	Non consolidated equity securities					
	Claims tied to equity securities					
	Other equity	16				16
	Loans granted					
	Other financial assets	19	1			20
	S/T OTHER ACTIVITIES	**35**	**1**			**36**
GROSS AMOUNT		**4,028**	**660**	**-78**	**-709**	**3,899**
AEROSPACE	Non consolidated equity securities	10		-10		
	Claims tied to equity securities					
	Other equity					
	Loans granted					
	Other financial assets					
	S/T AEROSPACE					
AUTOMOTIVE	Non consolidated equity securities					
	Claims tied to equity securities					
	Other equity					
	Loans granted					
	Other financial assets					
	S/T AUTOMOTIVE					
COSMETICS	Non consolidated equity securities					
	Claims tied to equity securities					
	Other equity					
	Loans granted	56		-56		
	Other financial assets					
	S/T COSMETICS	66		-66		
OTHER ACTIVITIES	Non consolidated equity securities	1				1
	Claims tied to equity securities					
	Other equity					
	Loans granted					
	Other financial assets					
	S/T OTHER ACTIVITIES	**1**				**1**
TOTAL DEPRECIATION		**67**		**-66**		**1**

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(in thousands of euros unless otherwise stated)

4. Sector information: financial assets

		31/12/02	Increase	Decrease	Other movements	31/12/03
AEROSPACE	Non consolidated equity securities					
	Claims tied to equity securities					
	Other equity	10			-2	8
	Loans granted	37		-3		34
	Other immobilisations financières	3,680	639	-6	-693	3,620
	S/T AEROSPACE	**3,727**	**639**	**-9**	**-695**	**3,662**
AUTOMOTIVE	Non consolidated equity securities					
	Claims tied to equity securities					
	Other equity	13				13
	Loans granted					
	Other immobilisations financières	69	18	-3	-1	83
	S/T AUTOMOTIVE	**82**	**18**	**-3**	**-1**	**96**
COSMETICS	Non consolidated equity securities	7		1		8
	Claims tied to equity securities					
	Other equity					
	Loans granted	80			-12	68
	Other immobilisations financières	30	2	-1	-1	30
	S/T COSMETICS	**117**	**2**		**-13**	**106**
OTHER ACTIVITIES	Non consolidated equity securities	-1				-1
	Claims tied to equity securities					
	Other equity	16				16
	Loans granted					
	Other immobilisations financières	19	1			20
	S/T OTHER ACTIVITIES	**34**	**1**			**35**
NET FINANCIAL ASSETS		**3,961**	**660**	**-12**	**-709**	**3,898**

4. Actif immobilisé net par secteur d'activité - renvois

		2003	2002
(A) Of which:	Goodwill allocated to patents	152	152
	Depreciation	-132	-120
	Goodwill allocated to brands*	8,385	8,385
	Depreciation provision	-210	0
	Net	8,195	8,417

* Rapid was valued in August 2000 at fair value based on an independent appraisal. In 2003, it was subject to a depreciation provision

		2003	2002
(B) Of which:	Goodwill allocated to:		
	Land	3,837	3,837
	Buildings	4,000	4,000
	Technical facilities	2,262	2,262
	Depreciation	-3,674	-3,290
	Net	6,425	6,809

The main assets necessary for operations which are not held by LISI or its subsidiaries are the following:

- Industrial building in Puiseux (95):
  - original value €7 million,
  - 30-year commercial lease.
- Office facilities: the parent company's head office and the offices of AEROSPACE and COSMETICS (Paris 12ème).

There are no significant real-estate leases entered into with a manager or a company belonging to a manager or a member of their families.

4. Sector information: EBIT

Per line of business	2003	2002
AEROSPACE	24,211	15,472
AUTOMOTIVE	25,970	29,670
COSMETICS	405	-521
OTHER ACTIVITIES	1,277	2,414
TOTAL	**51,861**	**47,035**

4. Sector information: revenue

Per line of business		2003	2002
AEROSPACE	European Union	121,533	106,498
	North America	52,272	60,115
	South America	1,973	2,420
	Far East	2,796	5,083
	Middle East	393	527
	Eastern Europe		
	Other	1,715	5,576
	S/T AEROSPACE	**180,682**	**180,219**
AUTOMOTIVE	European Union	240,864	246,689
	North America	5,627	4,500
	South America	2,728	
	Far East		
	Middle East		
	Eastern Europe	22,335	14,900
	Other	7,247	17,144
	S/T AUTOMOTIVE	**278,801**	**283,233**
COSMETICS	European Union	49,780	49,754
	North America	1,298	407
	South America		
	Far East		
	Middle East		
	Eastern Europe		
	Other	79	555
	S/T COSMETICS	**51,157**	**50,716**
OTHER ACTIVITIES	European Union	-4,643	3,087
	North America		
	South America		
	Far East		
	Middle East		
	Eastern Europe		
	Other		406
	S/T OTHER ACTIVITIES	**-4,643**	**3,493**
TOTAL REVENUES	European Union	407,534	406,028
	North America	59,197	65,022
	South America	4,701	2,420
	Far East	2,796	5,083
	Middle East	393	527
	Eastern Europe	22,335	14,900
	Other	9,041	23,681
		505,996	**517,661**

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(in thousands of euros unless otherwise stated)

5. Marketable securities

They are entered at their acquisition price, i.e. €24,862,000, the balance of the account in the books integrating unrealized capital losses on stocks options.

When the realization or market value is less than the acquisition value reflected in the accounts, a depreciation provision is entered.

The liquidation value of these marketable securities taken into account as at 31st December 2003 came out to €26,683,000..

6. Accruals

Under assets, accruals consist mainly of prepayments received and deferred expenses

7. Changes in provisions for risks and contingencies

	As at 1st January 2002	Provisions (net of reversals)	As at 31st December 2002	Provisions	Reversals (amounts used)	Reversals (amounts not used)	Translation differences	As at 31st December 2003
Litigation	2,229	438	2,667	3,003	-1,567	-75	-19	4,009
Major repairs	381	202	583		-511	-72		
Restructuring of manufacturing operations	577	-153	424	430	-510			344
Environmental	6,450	-1,325	5,125	668	-746		-556	4,491
Guarantees to clients	1,272	338	1,610	173		-59	-152	1,572
Taxes				738				738
Pensoin plans		904	904	92	-904			92
Losses on foreign exchange rates	138	29	167	90	-3			254
other	1,979	-188	1,791	2,102	-177			3,716
Deferred taxes	20,172	2,716	22,888	1,485				24,373
Pensions and retirements	13,230	-1,013	12,217	1,252	-821			12,648
Total	**46,428**	**1,948**	**48,376**	**10,033**	**-5,239**	**-206**	**-727**	**52,237**

8. Loans and financial debt

(in thousand euros)	2003	2002
Short-term bank loans	14,366	16,539
Medium-term loans	75,010	103,731
Lease obligations	3,769	4,382
Employee profit-sharing (frozen in current accounts)	7,067	8,416
Other financial debt	16	339
Total	**100,229**	**133,407**

The term periods for the loans and financial debt are as follows:

	2003	2002
Less than 1 year	42,713	47,803
Between 1 and 5 years	55,690	80,006
More than 5 years	1,826	5,598
Total	**100,229**	**133,407**

9. Financial result

(in thousand euros)	2003	2002
Investment income	979	1,653
Foreign exchange profits (A)	920	1,023
Reversal of provisions on financial assets	1,442	51
Financial costs	-6,383	-9,066
Foreign exchange losses (B)	-1,140	-1,568
Provisions on financial assets	-704	-984
Total	**-4,886**	**-8,891**
(A) of which reversal of provisions for foreign exchange losses	189	36
(B) of which provisions for foreign exchange losses	-254	-189

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(in thousands of euros unless otherwise stated)

10. Extraordinary result

(in thousand euros)	2003	2002
Extraordinary income		
Disposals of tangible and intangible fixed assets	1,314	2,419
Disposals of financial assets	415	5,153
Reversal of severance reserves	1,024	1,952
Reversal of asset depreciation reserves	53	27
Reversal of environmental reserves	645	690
Reversal of major repair reserves	544	221
Reversal of market risks reserves	59	8
Other reserve allocations for risks and contingencies	1,510	3,905
Damages for the Saint-Saturnin-du-Limet plant fire	2,417	
Miscellaneous extraordinary revenues	1,285	1,730
Total	**9,266**	**16,105**
Extraordinary expenses		
Net book value of tangible and intangible fixed assets disposals	1,200	1,733
Net book value of financial assets disposals (A)	134	8,192
Severance payments	2,214	2,250
Reserve allocations for severance costs	423	1,393
Reserve allocations for fixed asset depreciation	257	579
Reserve allocations for environmental costs	634	777
Reserve allocations for major repairs	50	347
Reserve allocations for taxes	715	
Reserve allocations for market risks		480
Other reserve allocations for risks and contingencies	2,969	1,682
Expenses relating to the Saint-Saturnin-du-Limet plant fire	350	
Miscellaneous extraordinary expenses	3,327	4,149
Total	**12,273**	**21,582**
Extraordinary result	**(3,007)**	**(5,477)**
(A) Breakdown of financial assets disposals		
Net book value and consolidated market value of ARS Industrie shares disposed of by LISI		8,189
Net book value and consolidated market value of BAI Aerospace Components shares liquidated by BAI	123	
Other	11	3
Total	**134**	**8,192**

LISI defines extraordinary income and expenses as those that are clearly distinct from ordinary business operations and are non-recurring insofar as they are unusual in nature, infrequent.

The company knows of no other litigations, arbitrations or extraordinary facts likely to have or that have had, recently, significant impact on the financial situation, the result, the business, or the activity of the company or the Group.

11. Breakdown of corporate tax

Breakdown (in €)	Result before restated taxes	Restated taxes	Net result after restated taxes
Income from ordinary operations	49,765,367	-16,861,214	32,904,153
Short-term extraordinary result	-3,030,718	677,090	-2,353,628
Long-term extraordinary result	38,091	-3,352	34,739
Profit-sharing	-2,804,340	-66,945	-2,871,285
Tax credits from previous tax profits		-88,050	-88,050
Taxes from fiscal integration		1,288,943	1,288,943
Goodwill amortization allocations (B)	-8,571,311	657,416	-7,913,895
Net profit	**35,397,089**	**-14,396,112 (A)**	**21,000,977**

(A) of which, taxes due: €13,965,722

of which, deferred taxes: €430,391

(B) pertains only to restatement of goodwill for U.S. subsidiaries

11 Bis. Reconciliation of actual tax expense with theoretical calculated tax expense (in thousand euros)

Theoretical rate	35,46%	
Theoretical tax		15,591
Foreign company tax exemption		(240)
Fiscal treatment discrepancy of deductible US GWs		(839)
Foreign subsidiary tax credit		(88)
Other differences		(28)
Real tax		14,396
Effective tax rate	**32,74%**	

12. Cash Flow

(in thousand euros)	2003	2002
Net profit	21,001	12,375
Net depreciations	35,156	38,984
Net reserves	2,995	-1,628
Changes in deffered taxes	1,614	2,699
Elimination of capital gains or losses from disposals	-401	1,469
Cash flow	60,365	53,899
Net change in operating reserves	-1,518	3,616
Net cash flow	**58,847**	**57,515**

13. Employees as at 31.12.03

	2003	2002
Managers	442	441
Supervisors	505	520
Wage-earners	3,917	3,962
Total	**4,864**	**4,923**

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14. Compensation for Board members

The members of the Board of Directors of the consolidating company did not receive any compensation from the consolidated companies.

15. Contingent liabilities

A - GIVEN IN THE CONTEXT OF ORDINARY OPERATIONS

	2003	2002
Debts linked to collateral or guarantees	9,513	10,493
Balance due on orders and investments	7,423	6,958
COMMITMENTS GIVEN	**16,936**	**17,451**
- Interest rate CAP	30,000	39,479
COMMITMENTS RECEIVED	**30,000**	**39,479**
- Interest rate SWAP	13,046	62,029
MUTUAL COMMITMENTS	**13,046**	**62,029**

Commitment given:
Commitment given in 2002 by LISI to NATEXIS within the scope of the use of derivative products used to cover the stock options plan: Sale of a PUT for 100,000 LISI shares expiring on 7/12/05, with an exercise price of €17 per share.

Commitments received:
Interest rate cap contracts have been signed with banks in order to cover the variable rate loans (see note 8 – Loans and financial debt) set up to fund external growth. On 31st December 2003, the characteristics of the interest rate cap contracts were as follows:

Cap rate	Long-gilt as of 31/12/2003	Start date	Maturity date
4.25%	10,000	10/12/2001	08/12/2004
3.85%	10,000	02/01/2003	02/01/2004
3.75%	10,000	10/12/2002	08/12/2004

Mutual commitments:
Mutual commitments relate to interest rate swaps to cover variable rate loans (see note 8 – Loans and financial debts) set up to fund external growth. On 31st December 2003, the characteristics of the interest rate swaps were as follows:

Long-gilt as of 31/12/2003	Start date	Maturity date	Lender rate
10,671	08/09/00	08/09/05	EURIBOR 3 M
2,375	08/01/03	10/01/06	LIBOR 3 M USD

B - GIVEN IN THE CONTEXT OF NON-RECURRING OPERATIONS

1. Financial guarantees given to the transferee in the context of the disposal of GFD
Primarily, the assets and liabilities guarantee given to the transferee includes the coverage of environmental losses or damage (excess of €762,000, 50% coverage of amounts paid between €762,000 and €1,524,000 and 100% coverage of amounts paid above €1,524,000, due to expire 17th July 2006).

2. Financial guarantees given to the transferee in the context of the disposal of ARS Industries
Primarily, the assets and liabilities guarantee awarded to the transferee includes the coverage of non-environmental losses or damage (minimum amount €10,000, excess of €100,000, cap of €650,000, due to expire 15th January 2006) and environmental losses or damage (excess of €100,000, 50% coverage of amounts greater than the cap, due to expire 15th October 2005).

3. Financial guarantees given to the transferee in the context of the disposal of assets of the Aillevillers plant
Because this disposal related only to a specific list of assets, this did not involve giving any sort of financial guarantee to the transferee.

C – RECEIVED IN THE CONTEXT OF NON-RECURRING OPERATIONS

1. Financial guarantees received by LISI Group in the context of the acquisition of RAPID
This guarantee integrates consideration for a fiscal or other damage (deductible €300,000, cap of €12,000,000, expiry date: fiscal prescription for all matters relative to tax regulations and June 2002 for all other matters).

2. Financial guarantees received by LISI Group in the context of the acquisition of MONADNOCK
This guarantee integrates consideration for the impoverishment of the organization in terms of a downward variance in equity (triggering threshold $200,000, cap of $2,700,000).

D. PLEDGING OF ASSETS

Pledging of 300,017 LISI AUTOMOTIVE shares, i.e. 99.99% of capital, in order to cover bank loans due for repayment in 2007. The capital that remained due on 31st December 2003 amounted to €42 million.

Collateral/ mortage types	Collateral start date	Collateral maturity date	Assets pledged (in thousand €) (a)	Total balance sheet item (in thousand €) (b)	Corresponding % (a) /(b)
On intangible fixed assets	-	-	-	-	-
On tangible fixed assets	-	-	-	-	-
On financial assets	06/2000	09/2007	83,636	140,048	59.72%
TOTAL			**83,636**	**140,048**	**59.72%**

16. RISK EXPOSURE

A - GENERAL RISK: INSURANCE

LISI Group is covered by insurance policies intended to protect it in case of a major loss. The amount covered is contractually limited to €92 million.

• **Damage insurance:** Covers own or lent facilities, as well as operating losses in the event of a loss. The deductible is applied per loss and ranges from a minimum of €154,000 to a maximum of €308,000 for certain sites, with maximum cover of €657 million for buildings and equipment and €119 million for goods. The deductible for the Saint-Saturnin-du-Limet, Nogent et Neuilly sites is €308,000 and the deductible for the Villefranche-de-Rouergue site is €500,000.

• **Liability insurance:** Covers bodily, material, and immaterial damage that may arise during the course of operations, as well as damage after delivery, up to €7.6 million per loss and per annum for the first line. The Group is also covered by an Excess policy for an amount of €7.6 million in addition to the first line. An aerospace risk policy covers specific risks up to €305 million (flight disruption is covered for up to €107 million and space products up to €125 million).

• **Managers' liability insurance:** the Group is covered by a managers' liability insurance policy for all its subsidiaries up to €7.7 million.

• **IT risk insurance:** the Group has covered all the risks tied to a malfunction or forced use of its IT system.

B. ENVIRONMENTAL RISK

As at 31st December 2003, provisions for environmental risks posted to Provisions for risks and contingencies amounted to €4.49 million, compared with €5.13 million as of 31st December 2002.

More specifically, an amount of €2.3 million 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.

Regarding the Saint-Saturnin-du-Limet site (France), LISI COSMETICS, which was involved in legal proceedings as a result of a complaint filed by local residents about the nitrate pollution of surface water, was ordered to pay a fine of €10,000.

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(in thousands of euros unless otherwise stated)

An effective treatment system has now been devised, and a sewerage station will shortly be built at the site.

Lastly, the Group operates a number of very old industrial sites for which soil surveys have been conducted in accordance with the natural plan; generally, such surveys end up in a site monitoring decision.

C. OTHER RISKS

- **Market risks (interest rates, exchange rates and securities):**

Hedging and market operations 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 operations are posted to off-balance sheet accounts for the nominal value of the contracts. As of 31st December, these commitments represented the volume of operations that remained unsettled at year-end.

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

1) Interest rate risks:

The Group uses interest rate risk management instruments, selectively for the sole purpose of covering its risk on loans. The operations conducted mainly concern interest rate swap contracts designed to cover the risk. The revenues and expenses relative to futures instruments designed to cover and manage LISI's overall interest rate risks, are posted prorata temporis to the income statement. Unrealized profits and losses are not recorded. Profits and losses achieved on coverage operations are posted to the income statement, symmetrically to the revenues and expenses incurred for the element covered.

They are posted in the same category as the revenues and expenses for that same element. Because it has taken out variable rate loans, LISI Group is exposed to a potential increase or loss in earnings because of variations in interest rates. Based on the rate that applied as of 31st December 2003, the impact of a one point change in variable rates, before any hedging operation, would amount to an increase or a reduction in earnings of around €672,000, i.e. 10.5% of total financial expenses for 2003.

Exposure to interest rate risks is monitored within the scope of a Group-wide financial assets policy. This relies upon simulation tools and the advice of specialist consultants. (see 15. Contingent Liabilities - A -).

2) Exchange rate risk:

On the one hand, the majority of the Group's flows concern non-exposed currencies, on the other hand, the majority of cash inflows outside the euro zone are offset by cash outflows (especially for raw materials) in nearly comparable amounts. As a result, the exchange rate risk is limited to the gross income of consolidated companies outside of the euro zone. The exchange rate risk arises mainly from export sales. Financial hedging instruments are used selectively, not for the purpose of speculation, to cover known or estimated revenues for up to one year. The Group is primarily exposed to the US dollar and the British pound.

3) Securities risk:

LISI's securities portfolio is not a speculative portfolio, but an investment and interests portfolio (see Table of subsidiaries and interests, appendix). Therefore, no specific action is taken to control the securities risk.

- **Cash risk:**

On the next page is a table summarizing the Group's debts in terms of fixed and variable rate debts:

Contractin entities	Nature of loan	Fixed rate	Variable rate	Total amount of each item in million euros	Capital due as at 31/12/2003 in million euros	Maturity date	Rate or currency hedging instruments ?	Condition of the collaterals used to guarantee the loans
LISI (1)	Loan from a banking consortium		Euribor 3 Months + margin	76.4	42.02	2007	Partly hedged by CAP and SWAP	Pledging of LISI AUTOMOTIVE securities
LISI COSMETICS	Conventional loan		Euribor 3 Months + margin	1.2	1.2	2008		Pledging of equipment
LISI AUTOMOTIVE Former	Conventional loan		Euribor 3 Months + margin	10.0	2.5	2005		
	Conventional loan		Euribor 3 Months + margin	1.5	0.7	2006		
	Conventional loan		Euribor 3 Months + margin	2.0	0.9	2006		
	Conventional loan		Euribor 3 Months + margin	2.5	1.7	2007		
MOHR UND FRIEDRICH	Conventional loan		Euribor 3 Months + margin	1.0	0.6	2006		
MECANO	Conventional loan	5.44%		2.9	1.6	2008		Guarantee from RAPID
		4.50%		5.1	3.2	2008		Guarantee from RAPID
KKP	Conventional loan	5.20%		0.9	0.3	2006		NONE
		4.75%		1.5	0.8	2007		NONE
LISI AEROSPACE	Conventional loan	3.60%		3.8	0.8	2004		NONE
HI-SHEAR (2)	Loan from a banking consortium		Libor 3 months USD + margin	29.6	17.6	2009	Partly hedged by a SWAP	

N. B.: only significant loans are listed in this table.

(1) LISI
- Method used to determine the interest rate: Euribor 3 months
- Method used to calculate the margin:
  - a. 1st credit tranche: fixed margin
  - b. 2nd credit tranche: variable margin based on Gearing (+ or – 0.20%)
- In the event of acceleration:
  - a. Gearing ≤ 1.2 and < 1 for a maximum of 2 consecutive years
  - b. Net financial debt < 3.5 years worth of cash flow.

(2) HI-SHEAR Corporation
- Method used to determine the interest rate: Libor USD 3 months
- Method used to calculate the margin: variable margin based on Gearing (+ or – 0.25%)
- In the event of acceleration:
  - a. Failure to comply with financial indicators: negative net worth
  - b. Occurrence of legal events: failure to meet payment dates, insolvency, reduction of capital.

• Raw materials risk:
For the most part, the Group uses very specific raw materials that are subject to price fluctuations for limited periods of time. Generally, supplies are covered at a fixed price for terms ranging between six months and three years and unlimited volume.

• Legal risk:
Given LISI's line of business, the Group is not exposed to any specific legal risk.

• Commercial risks:
The Group manufactures thousands of different parts made of numerous raw materials (steel, alloys, aluminium, diverse plastics, titanium, etc.) and uses a wide range of technologies (cold heading, hot heading, machining, stamping, injection plastic, heat treatments and surface coatings).

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(in thousands of euros unless otherwise stated)

The commercial risk is consequently spread over a wide range of products, which are manufactured at 31 LISI plants around the world. In 2001, the company's leading product, a play take-up system for rear disc brakes that ensures proper emergency brake functioning, accounted for only 1% of total consolidated revenues.

The main product families are developed jointly with clients, and the share of revenues from patented products remains secondary in the overall consolidated total.

• Customers:

Looking at the 2003 figures, only 4 customers accounted for more than 5% of LISI Group's consolidated sales. Our 10 largest customers represented 45% of total sales; all 3 divisions appear in this list: AEROSPACE, AUTOMOTIVE and COSMETICS. The top 74 accounted for 80% of revenues.

Figures for our top largest customers have evolved as follows:

	2001	2002	2003
CUSTOMER A	12.10%	13.50%	13.50%
CUSTOMER B	6.50%	7.30%	7.60%
CUSTOMER C	5.20%	4.80%	6.80%

• Suppliers:

As a general rule and given the nature of the company's production, LISI does not depend on any supplier nor any strategic exclusive subcontractor. The company's main suppliers provide raw materials.

Outsourcing involves mainly technological operations, including specific thermal treatments and coatings (surface coatings and assembly). In 2003, all the outsourcing operations undertaken by LISI sites accounted for around 7.6% of consolidated turnover.

17. Foreign subsidiaries

Year-end and average euro currency parities were as follows:

		2003		2002	
		Year-end	Average	Year-end	Average
Dollar	(USD)	1.263000	1.141800	1.048700	0.952100
Sterling Pound	(GBP)	0.704800	0.693400	0.650500	0.630200
Chinese Yuan	(RMB)	10.438700	9.453500	8.680500	8.011250
Canadian Dollar	(CAD)	1.623400	1.586500	1.655000	1.556800

Auditors' report

on the consolidated financial statements

FINANCIAL YEAR ENDING 31ST DECEMBER 2003

In carrying out the mission given to us by your Shareholders' General Meeting, we have audited the consolidated statements of LISI for the year ending 31st December 2003, as attached to this report. The financial statements were prepared by the Board of Directors. Our task is to issue an opinion on these financial statements based on our audit.

We performed our audit in accordance with generally accepted French auditing practices. These practices require due diligence to ensure with a reasonable degree of certainty that the consolidated financial statements are free from material errors and omissions. An audit involves random sampling of key elements that support the data upon which the financial statements are based. The audit also evaluates the accounting principles underlying the financial statements, significant estimates used in their preparation and the overall presentation. We believe that our audit provides a reasonable basis for the audit opinion expressed below.

We certify that the consolidated financial statements conform to French accounting principles and provide a true and fair view of the net worth, financial situation and earnings of the companies included in the consolidation scope.

In accordance with the provisions of paragraph 2 of article L.225-235 of the French Commercial Code, which has been brought into application for this financial year, and in compliance with the French professional standards that apply to accounting estimates, we have carried out the following in particular:

- With regard to goodwill and the brands, we have examined the data and the soundness of the assumptions on which estimates are based and checked any depreciation tests implemented in accordance with note 2 of the appendix.
- With regard to provisions for risks and contingencies, we have examined the methods used to determine these provisions and checked the bases for calculations, in particular those relating to external assessments carried out for pension commitments.

The assessment of these elements falls within the scope of our audit procedures, which endeavour to examine the financial statements in their totality. These elements have therefore helped us to form our unreserved opinion such as it is described in the first part of this report.

We also audited the Group data provided in the management report. We raised no objections as to their accuracy and consistency with the consolidated statements.

Paris, 15th March 2004

The Auditors

Serge CLERC

RSM SALUSTRO REYDEL

Philippe DABEL

Marie GUILLEMOT

INCOME STATEMENT OF LISI S.A. Parent Company

(in thousand euros)	Notes	2003	2002	2001
Net revenues		**4,827**	**4,842**	**5,462**
Total operating revenues		**5,044**	**5,219**	**5,615**
Cost of materials		(2,023)	(1,817)	(1,479)
Taxes		(114)	(104)	(104)
Salaries and benefits		(1,464)	(1,258)	(1,054)
Other expenses		(53)	(45)	(0)
Depreciation		(67)	(92)	(78)
EBIT		**1,322**	**1,903**	**2,900**
Financial income	11			
- from equity interests		10,681	6,664	13,074
- from other marketable securities and loans		300	554	242
- from disposals of marketable securities		362	52	117
- reversal of reserves		1,187		
Financial expenses				
- interest and similar expenses		(3,527)	(4,840)	(5,662)
- from disposal of marketable securities			(269)	(19)
- reserve allocations		(450)	(738)	
Financial result		8,553	1,423	7,752
Pre-tax income on ordinary operations		**9,875**	**3,326**	**10,653**
Extraordinary income				
- from financing activities		3	5,150	8,875
- from management operations		13	4	7
- reversal of reserves		100	566	
Extraordinary expenses				
- from financing activities			(2,442)	(4,482)
- from management operations		(206)	(75)	(98)
- reversal of reserves		(766)	(100)	(292)
Extraordinary result		**(855)**	**3,103**	**4,010**
Income tax	12	979	2,273	435
NET INCOME		**9,999**	**8,702**	**15,097**

BALANCE SHEET OF LISI S.A. Parent Company

Assets

(in thousand euros)	2003	2002	2001
Fixed assets			
Intangible fixed assets	74	63	62
Tangible fixed assets	1,434	1,426	1,417
Financial assets	154,569	163,920	169,259
Depreciation	(915)	(847)	(757)
Net total fixed assets	**155,162**	**164 ,562**	**169,981**
Current assets			
Accounts receivable	108	301	134
Other receivables	3,851	4,803	3,560
Provision for doubtful receivables			
Marketable securities	12,857	11,987	13,014
Cash	433	4,223	12,162
Depreciation and provision		(737)	
Total current assets	**17,249**	**20,577**	**28,870**
Accruals and prepaid expenses	333	937	4
Total assets	**172,744**	**186,076**	**198,856**

Liabilities

(in thousand euros)	2003	2002	2001
Equity			
Capital stock	19,734	19,734	19,734
Paid-in merger capital	27,134	27,134	27,134
Retained earnings	44,915	42,159	32,964
Net income for the year	9,999	8,702	15,097
Total equity	**101,782**	**97,729**	**94,929**
Provisions for risks and contingencies	**858**	**192**	**658**
Liabilities			
Loans and financial debt	64,848	83,340	97,761
Accounts payable	1,879	911	1,151
Other debts	3,377	3,904	4,357
Total debt	**70,104**	**88,155**	**103,269**
Total liabilities	**172,744**	**186,076**	**198,856**

CASH FLOW STATEMENT OF LISI S.A. Parent Company

(in thousand euros)	2003	2002	2001
Operating activities			
Operating cash flow	10,728	5,621	11,075
Effects of changes in inventory			
Effects of changes in accounts receivable and accounts payable	2,190	(3,035)	1,448
Cash provided by or used for operations (A)	**12,918**	**2,586**	**12,523**
Investing activities			
Cash used to acquire tangible and intangible fixed assets	(19)	(13)	(126)
Cash received from disposals of tangible and intangible fixed assets			109
Cash used to acquire financial assets	0	(51)	6
Cash received from the disposal of financial assets	3	5,151	8,766
Net cash used for acquisitions and disposals of subsidiaries			
Cash received from loans to subsidiaries	9,352	5,730	
Cash provided by or used for investing activities (B)	**9,336**	**10,817**	**8,755**
Financing activities			
Cash received from shareholders as part of a capital increase			1,467
Dividends paid to shareholders of the parent company	(5,946)	(5,902)	(5,843)
Cash received from new loans			
Cash used to pay off loans	(15,340)	(9,582)	(8,483)
Cash provided by or used for financing activities (C)	**(21,286)**	**(15,484)**	**(12,859)**
Effect of change in foreign exchange rates (D)		(2,783)	
Changes in net cash (A+B+C+D)	**968**	**(4,864)**	**8,419**
Of which, change in cash	(2,184)	(9,703)	(4,079)
Of which, change in cash equivalents	3,152	4,839	12,498
Net cash at period start (E)	(10,398)	(5,534)	(13,953)
Net cash at period end (A+B+C+D+E)	(9,430)	(10,398)	(5,534)

LISI financial statements as of 31st december 2003

Company's financial results over the past five years

(articles 133, 135 and 148 of the law on commercial companies)

Indications	1999	2000	2001	2002	2003
Financial situation at period end					
Capital stock	14,946,414	14,946,414	19,733,676	19,733,676	19,733,676
Number of shares issued (A)	9,804,205	9,804,205	9,866,838	9,866,838	9,866,838
Number of convertible bonds					
Total result of actual operations					
Net revenues	4,606,970	4,946,203	5,462,214	4,842,314	4,826,638
Earnings before taxes, depreciation and reserves	5,841,451	6,300,507	15,032,618	6,793,622	9,015,772
Corporate tax	1,182,595	-351,751	-435,041	-2,273,016	-978,873
Profit-sharing	0	0	0	0	0
Earnings after taxes, depreciation and reserves	4,566,288	6,361,233	15,097,335	8,702,436	9,998,523
Distributed profit (B)	5,851,492	5,843,185	5,902,579	5,946,310	7,893,470
Result of operations per share					
Result after taxes, before depreciation and reserves	0.48	0.68	1.57	0.92	1.01
Result after taxes, depreciation and reserves	0.47	0.65	1.53	0.88	1.01
Dividends allocated per share (net)	0.61	0.61	0.62	0.62	0.80
Staff					
Average head count	7	7	8	9	9
Payroll	716,085	693,257	760,186	909,412	1,060,762
Benefits paid (social security, benefits, etc.)	109,591	262,026	293,393	348,263	403,226

(A) after dividing the par value par 5 on 29th June 1998.

(B) after deducting the dividend that would have concerned the own shares held by the company.

Other legal information on the parent company

CAPITAL STOCK: (article 6 of the by-laws)

Capital stock is set at €19,733,676 (nineteen million seven hundred and thirty-three thousand six hundred and seventy-six €). This is divided into 9,866,838 shares (nine million eight hundred and sixty-six thousand eight hundred and thirty-eight shares), each with a value of €2 (two). These are fully paid up and of the same class.

In accordance with article L 233-13 of the French Commercial Code, we inform you that:
- COMPAGNIE INDUSTRIELLE DE DELLE holds 60.1% of capital stock and 73.2% of the voting rights;
- VIELLARD MIGEON and CIE holds 6.7% of capital stock and 8.2% of the voting rights;
- FFP holds 5.0% of capital stock and 3.1% of the voting rights;
- The Group Savings Plan holds 0.9% of capital stock and 0.6% of the voting rights.

STOCK OPTIONS PLANS

Since 18th May 1995, the Shareholders' Meeting has given the Board of Directors authorization to grant share subscription or purchase options. The last authorization, given on 28th February 2001, is valid for five years and involves 500,000 shares.
Within the context of the authorization given by the Shareholders' Meeting of 28th February 2001, the Board of Directors' Meeting held on 25th June 2003 granted 163,000 share purchase options.
Other information relating to stock options plans is provided in this document's "Other legal information" section.

COMPENSATION OF COMPANY DIRECTORS

Information relating to the compensation of company directors can be found in this document's "Corporate Governance" section.

COMPANY BUSINESS AND ITS RELATIONSHIP WITH SUBSIDIARIES

LISI 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 centralise 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 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 offers its subsidiaries a certain 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 matters. The three divisions pay LISI a normal level of compensation for these services, based on their added value.

Significant intra-Group items include receivables relating to equity interests: indeed, pursuant to the contribution of Rapid and Former shares to LISI AUTOMOTIVE in 2002, together with a proportion of related debt, LISI still holds a portion of the loans arranged for the acquisition of the Rapid shares. To make up the total, a loan was arranged for LISI AUTOMOTIVE under the same terms as the corresponding bank line. The shares in Rapid have been pledged as collateral.

Aspects regarding related companies and equity interests (in thousand euros)

	Amount concerning...	
	Related companies	Companies with which the company has a relationship based on interests held
ASSETS:		
Participations		
Claims related to equity interests	14,485	
Accounts receivable	103	
Cash advances to subsidiaries	337	
Tax integration current account	3,639	
LIABILITIES:		
Subsidiaries' financial assistance	21,156	
Tax integration current account	504	
Accounts payable	392	
Other debts	36	
INCOME STATEMENT:		
Interest and similar expenses	619	
Revenues from loans to subsidiaries	658	
Revenues from equity interest	10,022	

Stock repurchase program

Stock repurchase program in progress on 31st December 2003:

On 13th May 2003, 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 13th November 2004. This program was approved by the AMF (Financial Markets Authority) on 18th April 2003, under reference n° 03-288.

LISI thus plans a stock repurchase program for the following purposes, ranked in decreasing order of importance:

1. The use of shares as consideration in acquisitions in order to reduce the acquisition cost or, more generally, to improve the transaction terms;
2. To buy shares systematically in the open market in order to support the stock price and offset countervailing trends;
3. To grant stock options to employees and managers of the company and/or its consolidated group;
4. To sell repurchased shares in the open market as opportunities arise;
5. To issue company shares in the event securities with attached rights to the company shares are exercised, either through redemption, conversion, exchange, presentation or any other means;
6. To cancel repurchased shares, subject to the approval of the Shareholders' Extraordinary Meeting called at a later date.

This authorization applies under the following terms:

- the company may only purchase its own shares at a maximum price of €40 per share, excluding transaction fees,
- the company may only sell all or part of its shares thus acquired at a price of at least €20 per share excluding transaction fees.

At the ceiling price of €40 per share established by the Shareholders' Meeting, the maximum amount that LISI would pay is €39,467,320.

In 2003, within the context of the stock repurchase plan referred to below, LISI acquired 117,501 own shares, that is 1.19% of capital stock, by virtue of the authorizations granted by the Shareholder's Ordinary Meeting of 13th May 2003.

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

	Number of shares	Average weighted price in euros
Securities held as at 01/01/2003	269,858	21.32
Securities acquired in 2003	117,501	22.47
Securities sold in 2003	51,084	27.57
Securities held as at 31/12/2003	336,275	21.74
Of which, securities allocated to the stock options plan	304,000	
Of which, available securities	32,275	

On 29th February 2004 LISI held 334,996 own shares, or 3.4% of capital stock.

Shares have been purchased and sold within the scope of the market-making contract with BNP PARIBAS EQUITIES France. The market-making contract complies with the ethical charter of the AFEI.

As a matter of interest, the table below contains information on the derivative products used by LISI Group on 31st December 2003, within the context of the coverage of stock options issued in 2002. These operations have been set up by the head of the Group's financial division, on the initiative of the Group's general management and under the authority of the Deputy Chairman. This has been done within the scope of the application of internal rules governing the restricted use of derivative products as hedging instruments and not as speculative instruments.

	Plan n°2	Plan n°3	
Operation	Call options purchase	Call options purchase	Put options purchase
Options start date	23/08/02	23/08/02	23/08/02
Options maturity date	2/03/05	7/12/05	7/12/05
Number of options	34,700	39,500	100,000
Striking price	€27.82	€18.81	€17.00
Hedging options price	€5.70/share	€8.60/share	€2.40/share
Premium paid by LISI	€197,790	€339,700	
Premium paid by NATEXIS to LISI			€240,000

New stock repurchase program

Within the scope of a new stock repurchase program, which will be detailed in a prospectus registered with the Financial Markets Authority, LISI proposes to repurchase shares representing up to 10% of capital stock.
The duration of the stock repurchase program has been set to 18 months.

The purposes of the stock repurchase program are identical to those of previous programs.

The maximum purchase price may not exceed €50 per share and the minimum sale price may not be lower than €20 per share.
Should derivative products be used, LISI will ensure that the price of its shares is not made more volatile as a result.

INCREASE IN CAPITAL RESERVED FOR EMPLOYEES

The Shareholders' Extraordinary Meeting held on 10th February 2004 authorized the Board of Directors to increase the capital reserved for LISI Group employees belonging to the "LISI in action" savings plan by a sum of €5,000,000, including the issue premium.

The subscription price of these shares will be set on the basis of the average opening price over the 20 days preceding the day the decision is made to open the subscription window, with a reduction in the price equal to 20% of this average.

By virtue of this authorization, the Board of Directors' Meeting held on 1st March 2004 decided to increase capital by €108,656 by issuing 54,328 shares with a nominal value of €2 per share. The subscription price has been set in accordance with the provisions in force and equals €27.61 per share.

GROUP SAVINGS PLAN (PEG)

A Group Savings Plan dubbed "GFI Industries en action", set up in 2001, and renamed "LISI en action" in 2003 after LISI's corporate name change (formerly GFI INDUSTRIES) is reserved for the Group's French employees. In 2001, it allowed them to take part in a capital increase for a total amount of €1.47 million. 1,019 people took part.

In 2002 and 2003, the Savings Plan was renewed in the form of a stock repurchase program. This led to voluntary payments and the participation in profit sharing and incentive schemes on the part of a number of LISI employees, as well as a contribution by the company.
On 31st December 2003, the "LISI en action" Savings Plan was entirely composed of LISI stock, held 88,000 shares and had 1,030 members.

PROFIT-SHARING

Profit-sharing agreements have been set up in each of LISI Group's legal entities. The special reserve for profit sharing in 2003 contains €2,804,000.

Profit-sharing agreements have been set up in each division. The calculation methods used are specific to each entity's respective criteria.

Chairman's report

Financial Security Law (Art. L 225-35 of the French Commercial Code)

Reminder of the FSL context and the objectives of internal controls exercised within LISI Group

In accordance with article L 225-35 of the French Commercial Code on Financial Security, the Chairman of the Board of Directors must compile a report containing details of the preparation and organization of the Board's tasks and of the internal control procedures that have been set up.

In the light of this, this report will concentrate mainly on the factual description of current procedures, as well as providing a summary of actions to be taken in 2004 and 2005.

1. PREPARATION AND ORGANIZATION OF THE BOARD OF DIRECTORS' TASKS

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 assembled 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 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 vested with the Chairman's powers temporarily 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 checks and controls it deems necessary.

1.2 Operating procedures

The Board meets upon invitation by the Chairman a minimum of 4 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.

1.3 Preparation of tasks

- Prior to each Board meeting, participants receive a file that has 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.

1.4 Decision-making process

All major decisions are submitted to Board approval, in accordance with the operating procedures described in paragraph 1.2. Major 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.

2. RESTRICTION OF THE POWERS OF THE CHIEF EXECUTIVE OFFICER

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.

Chairman's report

Financial Security Law (Art. L 225-35 of the French Commercial Code)

3. INTERNAL CONTROL PROCEDURES

3.1 General principles

- Reminder of the objectives of General Management: according to an internal memo dated 21st August 2003 (ref.: EV/VC14203), the General Management has declared its objectives in clear terms. The standards currently selected are that of the COSO, the methodology of which should enable the gradual convergence of these objectives with the reality experienced by all individuals within the Group.

- To ensure that these objectives are met, the Group has set up a prevention and detection process:
  - At Group level, through the coordinated audits of the internal auditor (at least 6 audits per year) and external auditors (during the review of internal control mechanisms which takes place at least once a year in all divisions).
  - For each division, through the deployment policy of the local auditors.

It must be noted that this prevention mechanism is not comprehensive and that a residual risk remains.

- This mechanism is based on a decentralized organization for each division. An Executive Committee is responsible for ratifying a global policy, which must then be channelled down to each individual department. The Group has set out a number of procedures, summarized in an internal Group control manual. 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 LISI Group's activities require that thorough quality control be carried out on operational processes in the following areas:
  - quality,
  - health and safety,
  - the environment,
  - personnel, pay
  - accounting, management controls, finance.

- 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.

3.2 Organizational principles and general context of internal controls

- Decision-making committees: 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.

- **Supervisory bodies:**
  - The Audit Committee familiarises itself with the general management and risk monitoring environment in the presence of the external auditors.
  - Given the size of the Group, the internal audit team includes the Group's internal controller, who may be assisted by the controllers for each division.
  - 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 functions that are judged to be critical are monitored throughout the Group. These include finance, cash flow management, consolidation, the legal secretariat, insurance cover, security policy, environmental policy, as well as human resource management.

- **Group standards:**
  - Each division has set up an ethics policy based on a common set of ethical 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 committed to a process that will eventually allow it to converge with COSO risk mapping procedures. The LISI AEROSPACE division is currently studying this methodology with the aim of extending it to the rest of the Group in 2004.

- The security and environmental risks committee identifies and lists all inherent risks since 2001 and has been in charge of taking corrective action for the last two financial years.

3.3 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. The level of progress of the budget's realisation is measured monthly, at BU, division, and finally, Group level.

- 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 also falls within the scope of the strategic and budgetary mechanism. Any purchases or investments not covered by the budgetary authorizations must receive prior approval from the relevant individuals.

- The sales and contract process is reviewed by the local teams, BU's, divisions or Groups depending on the materiality level, before the actual commitment is made.

- The Cash Flow-Finance process also requires specific commitments. For example, all financial investments are carried out at Group level, with the exception of cash managed in the USA.

- The pay process is managed at operational unit level and is regularly reviewed both by the internal audit team and by external auditors.

3.4 2004 action plan

- As indicated in paragraph 3.2, the Group is involved in the development of a genuine "Risk Management" initiative in order to reinforce internal controls. The aim is to have a coordinated and uniform risk mapping and management monitoring system by the end of 2004.

- The Group also aims to reinforce its risk detection and prevention activities by improving the organization of its internal controls team. Similarly, closer collaboration with external auditors will improve the effectiveness of controls.

Gilles KOHLER
Chairman of the Board of Directors

Auditors' report on the report

by the chairman of the board of LISI relating to internal control procedures for the drafting and processing of accounting and financial information

SHAREHOLDERS' ORDINARY MEETING OF 11TH MAY 2004

In our capacity as auditors of LISI and in accordance with the provisions of the last paragraph of article L. 225-235 of the French Commercial Code, we hereby present our comments on the report drafted by the Chairman of your company's Board of Directors in compliance with the provisions of article L.225-37 of the French Commercial Code for the financial year ending 31st December 2003.

Under the authority of the board of directors, it is the management's responsibility to define and implement suitable and effective internal control procedures. In his report, the Chairman must, first and foremost, provide details of the preparation and organisation of the tasks for which the board of directors is responsible and of the internal control procedures set up within the company.

It is our job to provide you with any comments we may have on the information and declarations contained in the Chairman's report regarding the internal control procedures for the drafting and processing of accounting and financial information.

In accordance with the professional rules that apply in France, we have familiarised ourselves with the objectives and general organiztion of these internal controls, as well as the internal control procedures for the drafting and processing of accounting and financial information, such as they are presented in the Chairman's report.

Because this is the first financial year for which the provisions introduced by French Law no.2003-706 of 1st August 2003 have been applied, and in the absence of recognized practices regarding the content of the report drafted by the Chairman, this report contains no comment on the suitability or the effectiveness of the internal control procedures for the drafting and processing of accounting and financial information.

As a consequence, this limitation also applies to our due diligence and to the contents of our own report. Our task has nevertheless involved familiarising ourselves with the progressive assessment mechanism used throughout the Group's internal control procedures and with the risk map established over the course of the financial year, such as it is presented in the Chairman's report.

Notwithstanding the limitation described above, and on the basis of the work conducted, we have no comments to make on the information and declarations relating to the company's internal control procedures for the drafting and processing of accounting and financial information, such as they appear in the Chairman's report, which was drafted in accordance with the provisions of the last paragraph of article L. 225-27 of the French Commercial Code.

Paris and Montbéliard, 15th March 2004
The Auditors

RSM SALUSTRO REYDEL

Serge CLERC | Philippe DABEL | Marie GUILLEMOT

AGENDA AND PROPOSED RESOLUTIONS RELATING TO THE ORDINARY GENERAL MEETING OF 11TH MAY 2004

AGENDA

- Examination and approval of the annual financial statements for the year ending December 31, 2003;
- Discharge of duties for Directors and Auditors;
- Approval of consolidated financial statements for the year ending December 31, 2003;
- Approval of agreements covered by articles L225-38 et seq. of the French Commercial Code;
- Appropriation of profit;
- Authorization for the company to repurchase its own shares;
- Establishment of amount of directors' fees;
- Proxies;
- Miscellaneous questions.

PROPOSED RESOLUTIONS

FIRST RESOLUTION

The Shareholders' Meeting, having heard the reading of the Board of Directors' Report and Auditors' General Report, approves the annual financial statements established as of December 31, 2003, as presented, showing a profit of €9,998,523, as well as the transactions reflected in the accounts or summarized in these reports.

The Shareholders' General Meeting approves in particular the expenses made during the past year related to the transactions covered by article 39-4 of the General Tax Code for the total amount of €15,904.

Consequently, the Meeting fully and without reservation discharges the Directors and Auditors of their duties for the past year.

SECOND RESOLUTION

The General Meeting approves the consolidated financial statements, as presented and as prepared in accordance with the provisions of the articles L. 233-16 et seq. of the French Commercial Code, which show a profit of €21,000,976.

THIRD RESOLUTION

The General Meeting, having heard the reading of the special report of the Auditors on the agreements covered under article L225-38 of the French Commercial Code, duly takes note of the indications in this report.

FOURTH RESOLUTION

The General Meeting, acting on the proposal of the Board of Directors, has decided to appropriate last year's profit as follows:

the net income for the year of	€9,998,523
increased by the unappropriated profit of	€26,421,799
For a total of	**€36,420,322**

which makes up the distributable profit, which the Board of Directors proposes to distribute as follows:

to the shareholders, as dividends, €0.80 per share, for a total of payable on 14th May 2004	€7,893,470
to the unappropriated profit account, the balance of with the understanding that this amount will be increased by the amount of dividends payable on the shares owned by the company as of the ex-dividend date.	€28,526,852

In addition, the Shareholders' General Meeting acknowledges that it has been apprised that the dividend payouts per share for the last three years were as follows:

	Dividend	Tax credit	Total Dividend
Year ending 31/12/00	€ 0.61	€ 0.30	€ 0.91
Year ending 31/12/01	€ 0.62	€ 0.31	€ 0.93
Year ending 31/12/02	€ 0.62	€ 0.31	€ 0.93

FIFTH RESOLUTION

Having listened to the reading of the Board of Directors' report and familiarized itself with the elements contained in the prospectus registered with the Financial Markets Authority (AMF), the Shareholders' General Meeting:

• cancels the purchase authorization given on 13th May 2003;

• authorizes the Board of Directors, in accordance with articles L225-209 et seq. of the French Commercial Code, and within the scope of the DDOEF Law of 2nd July 1998, to proceed, by any means available, with the repurchase of its own shares, representing up to 10% of the company's capital stock, which corresponds to 986,683 shares, for the following purposes:
  - to grant stock options to employees and directors of the company and/or its consolidated Group;
  - to sell the purchased shares on the open market whenever the opportunity arises,
  - to purchase shares in the open market in order to support the stock price and offset countervailing trends;
  - to use shares as consideration in acquisitions, with a view to reducing the acquisition cost or, more generally, to improve the terms of the transaction;
  - to issue shares by redemption, conversion, exchange, presentation or by any other means available to the company, in the event that the rights attached to securities are exercised
  - to cancel shares purchased, 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, on or off the market, including through the use of derivatives traded on a regulated market or by private contract.

The company agrees to keep within the limit set at 10% of capital stock in compliance with the DDOEF Law of 2nd July 1998.

The following terms apply to this authorization:

- the company may repurchase its own shares for a maximum price of €50, not including transaction fees,
- the company may sell all or some of the shares purchased for a minimum unit price of €20, not including transaction fees.

The most LISI would pay if it purchased shares at the ceiling price set by the Shareholders' Meeting, i.e. €50, is €49,334,150.

This authorization is valid for a period of 18 months, beginning from the date of this Shareholders' meeting.

• Assigns full powers to the Board of Directors, which may choose to delegate them, 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.

SIXTH RESOLUTION

The General Shareholders' Meeting has decided to allocate directors' fees of €74,250 to the Board of Directors.

This decision, which applies to the current year, will remain valid until a decision is made to the contrary.

SEVENTH RESOLUTION

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.

Person responsible for financial information

Emmanuel VIELLARD
LISI
Espace Vauban
BP 431
90008 BELFORT Cedex
Tel.: +33 (0)3 84 57 00 77 / Fax: +33 (0)3 84 57 02 00

e-mail : emmanuel.viellard@lisi-group.com
Website: www.lisi-group.com

General information on the issuer

CORPORATE NAME

LISI

LEGAL FORM

Public Limited Company with capital of €19,733,676

HEAD OFFICE

Tour Gamma « A », 193 rue de Bercy, 75012 PARIS

COMMERCIAL AND CORPORATE REGISTER (RCS)

R.C.S. PARIS B 536 820 269 (NAF Code 741 J)

DATE FOUNDED

5th July 1968

DURATION

Duration: 99 years, expiry date: 4th July 2067

BUSINESS PURPOSE: (article 2 of the by-laws)

The company's business purpose is as follows:

- The acquisition of equity interests in all types of companies, including commercial, manufacturing, financial, securities and real estate companies;
- The manufacture, purchase and sale of all items, especially those related to screws, nuts and bolts, forged products, lathed products, machine tooling and construction;
- Where necessary, all transactions related 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 the business purpose or could help further the interests of the corporation, by any means, including the creation of new companies, subscription contribution, purchase of shares and rights, etc.;
- And generally, all commercial, securities and real estate transactions, either directly or indirectly related to the business purpose or likely to facilitate its extension or growth.

CORPORATE DOCUMENTS

The by-laws, General Meeting reports, Auditors' reports, etc... can be reviewed upon request at the corporation's head office located at the following address: Société LISI, Espace Vauban, 7 Boulevard Richelieu, B.P. n° 431, 90008 BELFORT Cedex.

COMPANY'S FISCAL YEAR: (article 16 of the by-laws)

The company's fiscal year begins January 1 and ends December 31 of each year.

APPROPRIATION OF PROFITS: (article 17 of the by-laws)

Out of the distributable profit, all amounts the 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 capital stock 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.

General information on the issuer

SHAREHOLDER MEETINGS: (article 15-1 to 15-5 of the by-laws)

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

2. The shareholders' meeting comprises all shareholders, regardless of how many shares they own, provided the shares are fully paid-up. The right to attend in person or of representation by proxy is subject:

- For registered shareholders, to the registration in a pure or administered personal account at least five days before the date of the meeting;

- For holders of bearer shares, if any exist, to the submission within the same time period, of a certificate established by the authorized proxy acknowledging the unavailability of the shares registered in the account until the date of the meeting.

Nevertheless, the Board of Directors may, as a general rule, reduce or waive this time period.

3. The meetings are presided 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. Finally, the meeting may elect its own chairman.

4. 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. Nevertheless, certain shares have double the voting rights of other shares for the same ownership interest in the capital stock, namely:

- All fully paid-up shares that have been registered in the same shareholder's name for four (4) years at least;

- All shares allocated free of charge to shareholders as part of a capital increase through incorporation of retained earnings, net income or paid-in capital, up to the number of existing shares entitled to such double voting rights.

The double-voting rights cease to exist once the shares change hands. Nevertheless, the above-mentioned time period is not interrupted by and double voting rights still apply to all transfers resulting from inheritance, liquidation of community property among married couples or donations inter vivos for the benefit of one spouse or a parent of a degree entitled to succession.

5. In the event shareholders vote by proxy, only those proxies that have arrived at the company at least three days before the date of the shareholders' meeting will be counted.

In addition, the shareholder's attendance at the general meeting shall result in the cancellation of the proxy vote and/or power of attorney that the said shareholder may have sent to the company, since his attendance takes precedence over all other means of participation 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, where applicable.

STATEMENT OF BENEFICIAL OWNERSHIP: (article 9 of the by-laws)

1. The shares are freely tradable in the absence of any opposing legal or regulatory dispositions.

2. Delivery of shares is made from account to account according to the conditions and terms set forth by regulations.

3. The company's shares are indivisible.

4. If a specific quantity of shares is needed in order for a shareholder to exercise rights, or if a new share is issued in return for the redemption of older shares that were received in exchange or allocated, any odd-lot shares that fall short of the minimum number required do not provide shareholders with any rights against the company, since it is up to the shareholders to come up with the correct number and, if possible, to buy or sell the number of shares needed.

5. Without prejudice to the measures described in article 356-1 of law no. 66-537 of 24th July 1966, any person who owns or acquires at least 3% of the capital stock 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 via registered mail with return-receipt confirmation sent to the company's registered office within 15 days after this 3% threshold is crossed.

A shareholder is also required to inform the company within the same time period if his equity interest falls below the above-mentioned threshold.

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 three 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 the capital stock, as recorded in the minutes of the Shareholders' General Meeting.

CAPITAL STOCK: (article 6 of the by-laws)

Capital stock is set at NINETEEN MILLION SEVEN HUNDRED AND THIRTY-THREE THOUSAND SIX HUNDRED AND SEVENTY-SIX EUROS (€19,733,676).

It is divided into NINE MILLION EIGHT HUNDRED AND SIXTY-SIX THOUSAND EIGHT HUNDRED AND THIRTY-EIGHT (9,866,838) with a value of TWO EUROS (€2) each, which are fully paid-up and in the same class.

AUTHORIZED CAPITAL NOT YET ISSUED

The Board of Directors' Meeting of 17th December 2003 proposed to the Extraordinary Shareholders' Meeting of 10th February 2004, a capital increase reserved for employees belonging to the "LISI en action" Group savings plan. The Meeting authorized the company to issue shares paid in cash for up to €5,000,000 (par value + premium) and to waive preferential subscription rights. The Board of Directors' Meeting of 1st March 2004 decided, within the scope of the authorization granted, to increase capital stock by €108,656.

POTENTIAL SHARE CAPITAL

There are no subscription options linked to possible capital increases or any other dilutive instruments.

SHAREHOLDERS OR GROUPS OF SHAREHOLDERS THAT HOLD MORE THAN 3% OF CAPITAL STOCK

The sole activity of CID, a company based at 28 faubourg de Belfort 90100 DELLE, is the ownership of LISI shares. On 31st December 2003, it holds 60.1% of capital stock and 73.2% of voting rights.
On 31st December 2003, VMC, a company based at Route des Forges 90120 MORVILLARS, holds 6.7% of capital stock and 8.2% of voting rights.
On 31st December 2003, FFP, a company based at 75 avenue de la Grande Armée 75116 PARIS holds 5.0% of capital stock and 3.1% of voting rights.
To the company's knowledge, no other shareholders hold more than 3% of capital stock or voting rights, be it directly, indirectly or jointly.
No shareholder has declared that they have passed the threshold of between 3% and 5% as provided for in the by-laws.
The percentage of capital stock held by personnel is not significant (less than 1% of capital stock).

SHAREHOLDERS' AGREEMENT

There is no shareholders' agreement at LISI.

PLEDGING OF LISI SHARES

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

APPROXIMATE NUMBER OF SHAREHOLDERS ON 31/12/2003

On 31st December 2003, the float represented 25% of the total number of shares distributed among around 2,500 shareholders, which are broken down as follows:
- French institutional investors: 34, representing 8.7% of capital stock,
- Foreign institutional investors: 27, representing 11.7% of capital stock,
- French and foreign individual shareholders: 2,439, representing 4.6% of capital stock.

Source: TPI 02/2004

Corporate governance

I - BOARD OF DIRECTORS

The company's running is entrusted to a Board of Directors comprising 9 members, a third of whom are independent.

The auditors and the company's lawyer are invited to take part in each Board of Directors Meeting.

A) COMPOSITION

Name and first name	Title	1st year apointed/End of board term period	Titles held in other companies
KOHLER Gilles	Chairman and CEO	1985 2009 SGM	**Chairman of the Board of Directors:** • COMPAGNIE INDUSTRIELLE DE DELLE **Director:** • HI-SHEAR Corporation (USA) • HI-SHEAR Automotive (USA) • I. F. C. (Immeubles de Franche-Comté) **Permanent company representative:** • LISI AEROSPACE at the Board of Directors of BLANC AERO Industries • LISI AEROSPACE at the Board of Directors of EUROFAST **Member of the Management Committee:** • LISI AUTOMOTIVE SAS • LISI AUTOMOTIVE Former SAS • LISI AUTOMOTIVE Rapid SAS • LISI AUTOMOTIVE Gradel SAS • LISI AUTOMOTIVE Gervais-Le-Pont SAS • LISI COSMETICS SAS • LISI AEROSPACE SAS • BLANC AERO Technologies SAS
VIELLARD Emmanuel	Deputy Chairman and Deputy CEO	2000 2007 SGM	**Chairman of the Board of Directors:** • FINANCIERE VIELLARD S.A. **Chairman of the Management Committee:** • LISI AEROSPACE SAS • BLANC AERO Technologies SAS **Managing Director:** • VIELLARD MIGEON & Cie **Director:** • BLANC AERO Industries • BLANC AERO Industries (UK) • EUROFAST • COMPAGNIE INDUSTRIELLE DE DELLE • DE PRUINES INDUSTRIES • HI-SHEAR Corporation (USA) • RAPALA-VMC OYJ. (Finland) • FSH WELDING GROUP **Member of the Management Committee:** • LISI AUTOMOTIVE SAS • LISI AUTOMOTIVE Former SAS • LISI AUTOMOTIVE Rapid SAS • LISI AUTOMOTIVE Gradel SAS • LISI AUTOMOTIVE Gervais-Le-Pont SAS • LISI COSMETICS SAS **Other titles:** • Judge at the Commercial Court of Belfort

Name and first name	Title	1st year apointed/End of board term period	Titles held in other companies
PEUGEOT Christian	Director	2003 2007 SGM	**Chairman of the Board of Directors:** • LA FRANCAISE DE PARTICIPATIONS FINANCIERES **Deputy Chairman:** • Football Club Sochaux Montbéliard **Director:** • ETABLISSEMENTS PEUGEOT FRERES • SOCIETE FONCIERE FINANCIERE ET DE PARTICIPATION **Marketing and Quality Director:** • AUTOMOBILES PEUGEOT
BURRUS Roland	Director	1984 2009 SGM	**Chairman:** • SYNDICAT DES PROPRIETAIRES FORESTIERS SYLVICULTEURS DE LA HAUTE-SAONE ET DU TERRITOIRE DE BELFORT **Deputy Chairman:** • CENTRE REGIONAL DE LA PROPRIETE FORESTIERE DE FRANCHE-COMTE • I.D.F. (Institut pour le Développement Forestier) **Managing Partner:** • GROUPEMENT FORESTIER DE SAINT-ANDRE • CLARTUS • SARL LA BRUNELLIERE **Director:** • FORETS COMTOISES • FEDERATION NATIONALE DES SYNDICATS DE PROPRIETAIRES FORESTIERS SYVICULTEURS • MOUVEMENT EUROPEEN PARIS OUEST • ASSOCIATION FUTAIE IRREGULIERE • COMITE NATIONAL POUR LE DEVELOPPEMENT DU BOIS
VIELLARD Christophe Permanent representative of VMC at the board of Directors of LISI	Director	2000 2009 SGM	**Manager:** • GROUPEMENT FORESTIER DES LOMONTS **Deputy Chairman:** • FINANCIERE VIELLARD • VIELLARD MIGEON & Cie **Director:** • COMPAGNIE INDUSTRIELLE DE DELLE • EUROSAGA • F.S.H. • RAPALA VMC OYJ. (FINLAND) • SAINT-MENIN INVESTISSEMENTS • S. A. REBOUD ROCHE
KOHLER Jean-Philippe Permanent representative of S.C CIKO at the board of Directors of LISI	Director	2002 2009 SGM	**Chairman:** • LISI AUTOMOTIVE SAS **Managing Director:** • COMPAGNIE INDUSTRIELLE DE DELLE **Director** • BLANC AERO Industries • EUROFAST

Corporate governance

Name and first name	Title	1st year apointed/End of board term period	Titles held in other companies
			Member of the Management Committee: • LISI COSMETICS SAS • LISI AEROSPACE SAS **Manager:** • SC CIKO
PEUGEOT Thierry Permanent representative of CID at the board of Directors of LISI	Director	1977 2007 SGM	**Chairman of the Board of Directors:** • IMMEUBLES & PARTICIPATIONS DE L'EST **Chairman of the Supervisory Board:** • PEUGEOT SA **Director:** • COMPAGNIE INDUSTRIELLE DE DELLE • ETABLISSEMENTS PEUGEOT FRERES • LA FRANCAISE DE PARTICIPATIONS FINANCIERES • SAPAR • SOCIETE FONCIERE FINANCIERE ET DE PARTICIPATION • FAURECIA
LEBARD Pascal	Director	2002 2008 SGM	**Chairman and CEO :** • CODEM **Manager:** • EXOR **Chairman of the Supervisory Board:** • MICEL • CLUB MEDITERRANNEE
ANDRE Eric	Director	2002 2008 SGM	**Managing Director:** • CLINVEST **Director:** • R.DI GIOIA Cie

B) TASKS AND OPERATING PROCEDURES OF THE BOARD OF DIRECTORS

During the Meeting of 1st March 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 Board of Directors is a collegial body that represents all shareholders and which has a duty to act 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 4 main tasks:

- It sets out the company's strategy.
- It nominates the directors in charge of running the company within the framework of this strategy and selects an appropriate form of organisation (dissociation of the functions of the Chairman and the Chief Executive Officer or fusion of these functions).
- It supervises the company's management.
- It guarantees the quality of the information supplied to shareholders and the markets via the financial statements or in the event of significant transactions.

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

The Board of Directors will ensure that its structure, as well as its work, is representative of LISI'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 structure and powers of the Committees, who carry out their work under the Board's authority.

DIRECTORS' ETHICS POLICY
Each director must consider himself as a representative of all shareholders and behave accordingly when exercising his functions.

During the Meeting of 1st March 2004, the Board of Directors of LISI 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 become familiar with the general and special obligations that relate to the position of director. LISI's by-laws and this policy 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 for the following year.

Directors must notify the Board of Directors of any conflicts of interest with LISI, 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 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 fulfil the requirements of the shareholders, who have given them a mandate to run the company, by carrying out a periodic review of its structure, its organisation 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 tasks 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.

Corporate governance

Directors must refrain from carrying out any transactions using LISI securities, including derivative products, either personally or via an intermediary, insofar as their position allows them to have knowledge of events that have not yet been made public and which may affect the share price.

C) COMPENSATION COMMITTEE

The Compensation Committee is in charge of:

- Setting out the general rules of compensation (fixed salaries and variable bonuses of all types)
  - for the members of LISI's General Management (Chairman of the Board of Directors, Chief Executive Officer and Deputy Chief Executive Officers) ;
  - for Chief Executive Officers of LISI's different Divisions; and to check the annual application of these rules.

- Advising the President 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. The members of this Committee are Messrs. Eric ANDRE, Gilles KOHLER and Thierry PEUGEOT.

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 2003 and all its members were present. It presented its recommendations to the Board on the following points:

- the terms under which stock options are awarded to the Group's corporate officers and personnel,
- the fixed compensation paid to members of LISI's General Management and to Chief Executive Officers of the Group's Divisions, as well as the calculations that apply to the variable portion of this compensation, known as the Objective-Related Bonus. Thus, for the financial year 2004, the Bonus paid to the management of LISI Group will be linked primarily to the growth of Restated Net Assets. The remainder will be left to the discretion of the Committee and will be a function of the quality of the year's performance.

D) AUDIT COMMITTEE

The main tasks of the Audit Committee are:

- To examine 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 analyses 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 familiarises itself with the auditors' comments on the financial statements.

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. Pascal LEBARD, Christophe VIELLARD and Emmanuel VIELLARD.

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 2003 and all its members were present. 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.

II - COMPENSATION OF ADMINISTRATIVE AND SUPERVISORY BODIES

A) DIRECTORS' FEES

Directors are compensated for their work with directors' fees, which they receive for their attendance of Board of Directors' and Committee Meetings.
For the financial year 2003, these totalled €52,875 and attendance averaged 88%.

B) COMPENSATION PAID TO CORPORATE OFFICERS AND LISI SHARES OWNED ON 31ST DECEMBER 2003

Corporate officer	Title	Compensation paid by LISI (a)	Number of LISI shares held by the managers	
(in thousand euros)			Real persons	Legal entities
Gilles Kohler	Chairman and CEO	229.3	3,456	
Emmanuel Viellard	Deputy Chairman and Deputy CEO	205.4	4,835	
Christian Peugeot	Director	1.1		
Roland Burrus	Director	3.4	3,240	
Christophe Viellard	Permanent representative of VMC	6.7	280	664,675
Jean-Philippe Kohler	Permanent representative of S.C. CIKO	162.0	685	15,153
Thierry Peugeot	Permanent representative of CID	4.5		5,928,725
Pascal Lebard	Director	5.6	10	
Eric André	Director	6.7	5	
TOTAL		624.7	12,511	6,608,553

(a) The compensation paid by LISI includes total gross compensation, bonuses, benefits of all types and directors' fees paid over the course of the financial year to each corporate officer, within the scope of their employment contract or corporate mandate.

Holding companies that own shares in LISI pay no compensation to the company's corporate officers for the functions they exercise.

C) Stock Options Plans

In 1995, LISI launched plans to grant subscription or purchase options for LISI shares to the personnel of LISI or its subsidiaries and for the company's corporate officers.

Options relating to the plans in place on 31st December 2003 can be exercised four years after the date the options are granted, and this for a period of four to five years depending on the plan. The options granted are cancelled in the event of resignation or redundancy or if the period during which they can be exercised has expired.

Corporate governance

Plans in place on 31st December 2003:

General Meeting Date board of Directors	Category [a] Plan no	Number of options allocated	Of which to corporate officiers	Of which to members of the Management Committee	Of which to the 10 best-paid employees	Headcount	Exercice Period	Subscription or purchase price	Options subscribed as of 31/12/2003	Options cancelled	Options remaining as of 31/12/2003
Authorization granted on 20.05.1999											
15.12.1999	P Plan n° 1	125,000	13,000	43,500	10,500	39	16.12.2004 14.12.2007	€22.70	None	37,000	88,000
Authorization granted on 28.02.2001											
01.03.2001	P Plan n° 2	34,700		5,500	6,500	20	02.03.2005 28.02.2009	€27.82	None	10,200	24,500
Authorization granted on 28.02.2001											
06.12.2001	P Plan n° 3	39,500	10,000	34,500	10,000	11	07.12.2005 05.12.2009	€18.81	None	5,000	34,500
Authorization granted on 28.02.2001											
25.06.2003	P Plan n° 4	163,000	10,000	47,500	12,500	93	26.06.2007 24.06.2011	€20.33	None	6,000	157,000

P = purchase, S = subscription.

Options granted or exercised over the course of 2003:

In 2003, the Board of Directors' Meeting of 25th June 2003 granted 163,000 LISI share options within the scope of the authorization given by the Shareholders' General Meeting of 28th February 2001. These options can be exercised from 24th June 2007 to 25th June 2011 at a price of €20.33.

Stock purchasing options granted to each corporate officer in 2003	Stock purchasing options exercised by each corporate officer in 2003	Number of shares allocated	Number of shares taken up	Striking price	Maturity date
Gilles Kohler		5,000		€20,33	24.06.2007
Emmanuel Viellard		5,000		€20,33	24.06.2007

SHAREHOLDING STRUCTURE

A) EVOLUTION OF THE DISTRIBUTION OF LISI'S CAPITAL AND VOTING RIGHTS ON 31ST DECEMBER 2003

Description	2003			2002			2001		
	in % of capital stock	in % of voting rights	in number of shares	in % of capital stock	in % of voting rights	in number of shares	in % of capital stock	in % of voting rights	in number of shares
CID	60.1	73.2	5,928,725	60.1	72.5	5,928,725	60.1	72.2	5,928,725
VMC	6.7	8.2	664,675	6.7	8.1	664,675	6.7	8.1	664,675
Other corporate officers	0.3	0.2	27,764	0.3	0.2	25,188			
TOTAL CORPORATE OFFICERS	**67.1**	**81.6**	**6,621,164**	**67.1**	**80.8**	**6,618,588**	**66.8**	**80.3**	**6,593,400**
Of which managers	0.08	0.10	8,291	0.10	0.06	9,990			
Suez Industries							1.8	2.2	175,000
FFP	5.0	3.1	494,000	5.0	3.1	494,000			
Treasury stock	3.4		336,275	2.7		269,858	2.7		266,153
Employees	0.9	0.6	88,000	0.8	0.5	77,584	0.6	0.4	59,300
Public	23.6	14.7	2,327,399	24.4	15.6	2,406,808	28.1	17.1	2,772,985
Grand total	**100.0**	**100.0**	**9,866,838**	**100.0**	**100.0**	**9,866,838**	**100.0**	**100.0**	**9,866,838**

To the company's knowledge, no other shareholders hold more than 3% of capital stock or voting rights, be it directly, indirectly or jointly.
No shareholder has declared that they have passed the threshold of between 3% and 5% as provided for in the by-laws.

B) EVOLUTION OF CAPITAL STOCK AND ISSUE PREMIUMS

Date of Shareholders' Meeting	Date of Board of Director's Meeting	Nature of the transaction	Increase (decrease) in capital stock	Increase (decrease) in paid-in capital	Number of shares created (cancelled)	Par value of shares	Total number of shares after issue	Capital stock after transaction
Capital stock as at 31/12/2003: €19,733,676 divided into 9,866,838 shares with a face value of €2								
10/05/01	05/07/01	Conversion of capital stock into euros and increase of capital stock by incorporation of "merger premiums" account	€4,691,778.44	-	-	€2	9,866,838	€19,733,676
28/02/01	05/07/01	Capital increase reserved for employees	FRF626,330	FRF8,999,781.19	62,633	FRF10	9,866,838	FRF98,668,380
18/05/95	03/03/00	Capital increase following the exercise of stock options	FRF915,000	FRF5,772,003	91,500	FRF10	9,804,205	FRF98,042,050
18/05/95	04/03/99	Capital increase following the exercise of stock options	FRF147,500	FRF930,459.50	14,750	FRF10	9,712,705	FRF97,127,050
13/05/98	14/05/98	Division of the par value of shares	-	-	7,758,364	FRF10	9,697,955	FRF96,979,550
8/05/95	13/03/97	Capital increase following the exercise of stock options	FRF12,500	FRF78,852.50	250	FRF50	1,939, 591	FRF96,979,550

Corporate governance

C) DIVIDENDS PER SHARE

The table below summarizes the dividends paid out per share over the last five financial years:

Fiscal year	Number of compensated shares	Net dividend	Tax credit	Gross dividend
1999	9,592,610	€0.61	€0.30	€0.91
2000	9,578,992	€0.61	€0.30	€0.91
2001	9,520,289	€0.62	€0.31	€0.93
2002	9,590,822	€0.62	€0.31	€0.93
2003 [1]	9,866,838 [2]	€0.80	€0.40	€1.20

(1) Subject to the decision of the Shareholders' Ordinary General Meeting of 11th May 2004.

(2) After deduction of own shares that carry no dividend rights.

The dividend payment date is 14th May 2004.

We remind you that the time limit for the payment of dividends is 9 months from year-end, and the prescription period for unclaimed dividends is five years from the date they become payable.

Person responsible for the annual report

1. PERSON RESPONSIBLE FOR THE ANNUAL REPORT

Mr. Emmanuel VIELLARD
Deputy Chairman

2. STATEMENT OF THE PERSON RESPONSIBLE FOR THE ANNUAL REPORT

« To my knowledge, the information contained in this document is accurate. This information provides all the details required for investors to form an opinion on the net worth, the business, the financial situation, the earnings and the outlook of LISI Group. There are no omissions that would significantly alter its impact ».

Paris, April 8, 2004.

Emmanuel VIELLARD
Deputy Chairman

Auditors

	1st date appointed	Term of mandates	
REGULAR AUDITORS	Fiscal year	Fiscal year	SGM year
Serge CLERC 4B Avenue Chabaud Latour – BP 295 25205 MONTBELIARD Cedex Membre of the EXCO network	1993	2004	2005
RSM SALUSTRO REYDEL represented by Marie GUILLEMOT and Philippe DABEL 8 Avenue Delcassé 75378 PARIS Cedex 08 Member of the RSM International and RSA Partenaires network	1999	2004	2005
ALTERNATE AUDITORS	Fiscal year	Fiscal year	SGM year
Jean-François CALAME 4B Avenue Chabaud Latour - BP 295 25205 MONTBELIARD Cedex Member of the EXCO network	1993	2004	2005
Jean-Claude REYDEL 8 Avenue Delcassé 75378 PARIS Cedex 08 Member of the RSM International and RSA Partenaires network	1999	2004	2005

This manual is a free translation and has not been subjected to a AMF (Autorité des Marchés Financiers) directive.

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