



ACTIVITY REPORT

07

LINK SOLUTIONS FOR INDUSTRY

lisi

## HISTORY

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#### 1777

Frédéric JAPY sets up a watch movement factory in Beaucourt, near Montbéliard. Some years later MIGEON & DOMINE is founded in Morvillars in the Belfort region, later to become VIELLARD MIGEON & Compagnie (VMC).

#### 1806

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

#### 1899

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

#### 1968

These three family-run businesses merge to form a company called GFD<sup>(1)</sup>, thus becoming France's foremost manufacturer of standard and automotive threaded fasteners. The three founding families are today part of CID (Compagnie Industrielle de Delle), owning a controlling stake in the LISI group.

#### 1977

GFD acquires BLANC AERO, which specializes in aerospace fasteners and in packaging components for fragrances and cosmetics. This new group is named GFI.

#### 1989

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

#### 1990 / 2000

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

#### 2002

To better reflect its businesses areas, GFI Industries became LISI, which stands for Link Solutions for Industry. The three divisions each adopt this name and add their respective main business areas: LISI AEROSPACE, LISI AUTOMOTIVE and LISI COSMETICS.

The strategy of focusing on Core Business continues:

- Sale of non-strategic business lines (GFD, Ars Industries and the production unit at Aillewilliers);
- Acquisition of the Californian company MONADNOCK (LISI AEROSPACE).

#### 2004

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

#### 2005

Acquisition of KNIPPING in Germany (LISI AUTOMOTIVE).

Opening of a new factory in Canada (LISI AEROSPACE).

Disposal of Gradel (LISI AUTOMOTIVE).

#### 2007

Sale of European distribution firm EUROFAST to ANIXTER France (LISI AEROSPACE).

LISI AUTOMOTIVE sells its Monistrol plant in the Haute-Loire (France).

Creation of the LISI MEDICAL subdivision, following acquisition of:

- HUGUENY (Lyon), specializing in spinal implants;
- JEROPA (Escondido-USA), specializing in dental implants;
- SEIGNOL and INTERMED APPLICATION (Neyron – France) and LIXUS (Tangiers – Morocco), specializing in subcontracting of dental and orthopaedic implants.

(1) GFD: Générale de Forgeage et Décolletage



**€816m**  
SALES REVENUE

**+13.3%**  
ORGANIC  
GROWTH

**6,512**  
STAFF

LISI is a world leader in fasteners and assembly components aimed principally at the aerospace, automotive, and fragrance and cosmetics industries; it has also recently branched out into the medical industry.

From its origins in family businesses founded in the late 18<sup>th</sup> century in Belfort-Montbéliard (East side of France), where its registered offices are still based. LISI now has an industrial presence in a dozen countries throughout the world.

LISI is a tier 1 supplier to manufacturers such as AIRBUS, BOEING, BMW, MERCEDES, FORD, GM, PSA, RENAULT and the VW group, and to all component and engine manufacturers in these sectors. LISI stands out from the competition by consistently supplying its international customer base with the innovative, technology-intensive products and services they need.

In 2007, LISI's annual sales revenue reached €816m, with a workforce of 6,512 people, of which 49% are based outside of France.

LISI was floated on the stock market in 1989 and by December 31, 2007 its market capitalization value had reached €700m.



## LETTER FROM THE MANAGEMENT



**// We are confident that all of our teams  
can rise to meet tomorrow's challenges  
successfully //** Gilles KOHLER and Emmanuel VIELLARD

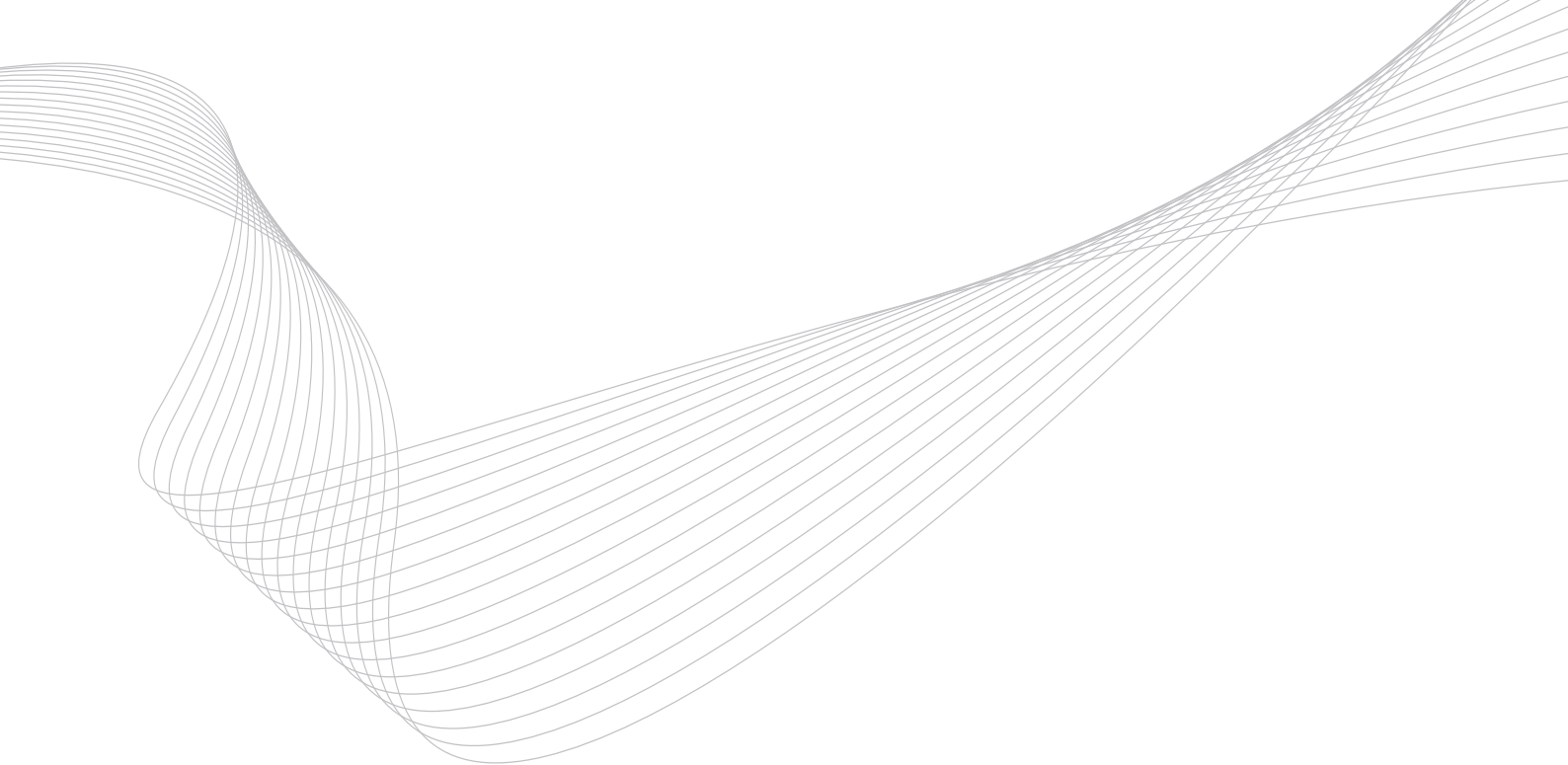


### EVERY DIVISION HAS CONTRIBUTED TO STRONG GROWTH

Adverse conditions in 2007 meant that progress was far from plain sailing. There was the fall in the value of the dollar, which cost the group over 2%; there was the AIRBUS "Power8" restructuring plan which dramatically cut LISI AEROSPACE sales across Europe; and finally there was the LISI AUTOMOTIVE industrial reorganization plan, which led to the closure of production in Canada and the sale of the Monistrol plant in December, all of which made considerable demands on our resources throughout the year.

On the other hand, there have also been powerful "trade winds" helping us along: US aerospace sales remained strong and steady with growth of over 30% (as expressed in dollars) throughout the year; a significant increase in European automotive production saw a corresponding steady quarterly rise in sales at LISI AUTOMOTIVE; finally, fabulous launches at LISI COSMETICS' major clients have bolstered the Fragrances and Cosmetics packaging market.

In conclusion, the positive aspects outweighed the negative, particularly in the last quarter of 2007 in which AIRBUS' industrial revival played no small part. Indeed, the group's performance far exceeded expected growth rates: annual sales revenue reached €816m, representing a 10.3% increase on 2006, which was largely due to an exceptional organic growth rate of +13.3%.



Each of our three divisions had its own part to play in this performance: LISI AEROSPACE's sales revenue for 2007 came in at €356m, an increase of 12.8% on 2006; LISI AUTOMOTIVE reached €407m (+6.4%) and LISI COSMETICS €55m, representing an annual increase of 24%.

### LEADING TO RECORD RESULTS FOR 2007

These excellent results have apparently broken some of our own records:

- The first consolidated EBIT to exceed €100m, representing 12.3% of the operating margin (EBIT on sales revenue).
- A net income of €67.6m, or 8.3% of sales.
- A Free Cash Flow of €55.8m, taking its consolidated gearing to 13%, compared with 30% at the end of 2006, which represents substantial future external growth potential for the group.

### MEDICAL IMPLANTS: THE GATEWAY TO NEW GROWTH AREAS

LISI MEDICAL was founded in 2007, its acquisition of three specialist medical companies opening up a new area of development. It comprises HUGUENY and SEIGNOL, based near Lyon, France, and JEROPA near San Diego in southern California.

As manufacturers of fasteners, components and orthopaedic implants (surgical instruments), these three businesses in fact have close links with the aeronautical sector, with which they share the highest processing and quality standards, skill in manufacturing and management of small-scale, high-tech processes and the processing of high-resistance materials such as titanium.

LISI MEDICAL is therefore ideally placed to offer groups that develop medical solutions a complete range of implant manufacturing services. The group's ability to deal with prestigious clients in an environment which is incredibly demanding both in terms of quality and lead-time gives it a strong position in the market place. The division's sales revenue is set to exceed €25m in 2008.

### THE FUTURE LOOKS BRIGHT

The LISI group is entering the financial year 2008 confidently, confirming that its development plan for 2010, which aims to reach sales revenue of €1bn through acquisitions as well as internal growth, is off to a good start.

To support this plan, the financial year 2008 is set to be a record year in terms of industrial investments. The main projects for 2008 will principally involve:

- an increase in the aerospace division's capabilities;
- the strengthening of our automotive division's industrial presence in growth areas such as the Czech Republic and China;
- the construction of the site at Nogent-Le-Phaye for LISI COSMETICS.

Finally, 2008 will see the launch of the initiative to implement ISO 14001 certification standards at all group sites by 2010. In line with the high quality and performance levels we have achieved, it is our manifest ambition to run a business which is resolutely committed to ensuring the safety of all our staff and of their environment for the benefit of all.

Against the background of a challenging economic climate which cannot be ignored, the LISI group has the assets required to compete in all the global markets in which it is a player and to thereby satisfy the demands of its prestigious clients.

## BOARD OF DIRECTORS

**Gilles KOHLER**  
Chairman

**Emmanuel VIELLARD**  
Deputy Chairman

**Eric ANDRE**  
Director

**Roland BURRUS**  
Director

**Pascal LEBARD**  
Director

**Christian PEUGEOT**  
Director

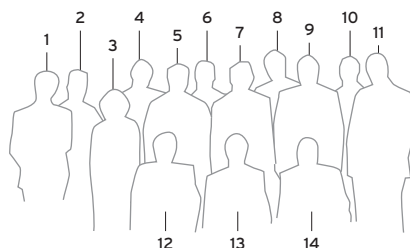
**Jean-Philippe KOHLER**  
Permanent Representative of CIKO  
to the LSI Board of Directors  
Director

**Thierry PEUGEOT**  
Permanent Representative of CID  
to the LSI Board of Directors  
Director

**Christophe VIELLARD**  
Permanent Representative of VMC  
to the LSI Board of Directors  
Director



## EXECUTIVE COMMITTEE



LSI

**Gilles KOHLER** (13)  
Chairman and Chief Executive Officer  
of LSI  
Chairman of LSI AUTOMOTIVE.

**Emmanuel VIELLARD** (5)  
Deputy Chief Executive Officer of LSI  
Chairman of LSI AEROSPACE.

**Jean-Philippe KOHLER** (8)  
Vice President in charge  
of LSI internal auditing.





**LSI  
AEROSPACE**

**Jean-Louis COLDERS** (7)  
Chief Executive Officer of  
LSI AEROSPACE and LSI MEDICAL.

**Isabelle CARRERE** (3)  
Deputy Chief Executive Officer and  
Chief Financial Officer of  
LSI AEROSPACE .

**Christian DARVILLE** (6)  
Chief Executive Officer of HI-SHEAR  
and MONADNOCK .

**François-Xavier DU CLEUZIQU** (1)  
Vice President of Sales and Marketing  
of LSI AEROSPACE.

**LSI  
AUTOMOTIVE**

**Georges LAMMOGLIA** (14)  
Chief Executive Officer of  
LSI AUTOMOTIVE.

**Yves DREYER** (2)  
General Manager Industrial and  
Purchasing of LSI AUTOMOTIVE.

**Daniel PITSCHMANN** (9)  
Chief Executive Officer, Business Group  
Germany of LSI AUTOMOTIVE.

**Laurent SANCHEZ** (4)  
Chief Executive Officer, Business Group  
France of LSI AUTOMOTIVE.

**Burkhard STUMPF** (10)  
Chief Executive Officer, Business Group  
Global Tier 1 of LSI AUTOMOTIVE.

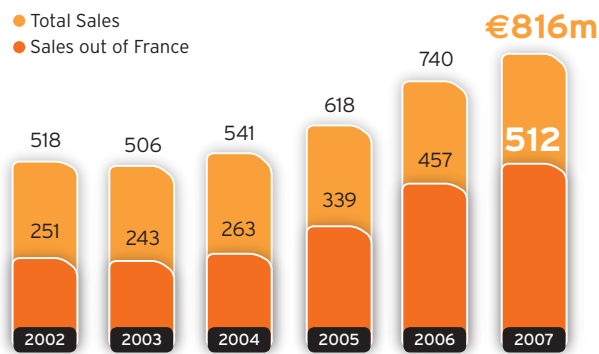
**LSI  
COSMETICS**

**Michel GUIGNARD** (12)  
Chairman and Chief Executive Officer  
of LSI COSMETICS.

**Eric DESPRES** (11)  
Vice President Finance and  
Administration of LSI COSMETICS .

## KEY FIGURES

- Total Sales
- Sales out of France

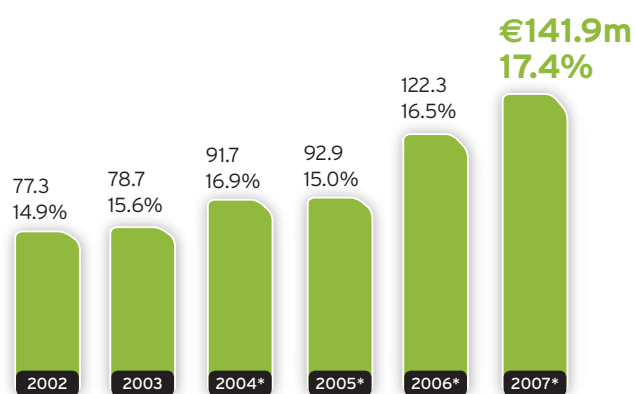


CONSOLIDATED SALES IN €M

In 2007, the LISI Group achieved consolidated sales revenues of €816m, an increase of 13.3%. Foreign business activity increased significantly, representing 63% of total revenues at the end of 2007.

The 2007 financial year is the company's fourth consecutive year of strong growth, which has meant the group has increased its sales revenues by over 60% between 2004 and 2007, giving an average annual growth rate of around 15%.

EBITDA  
x2  
IN 5 YEARS



EBITDA IN €M AND % / SALES

\* IFRS Standards



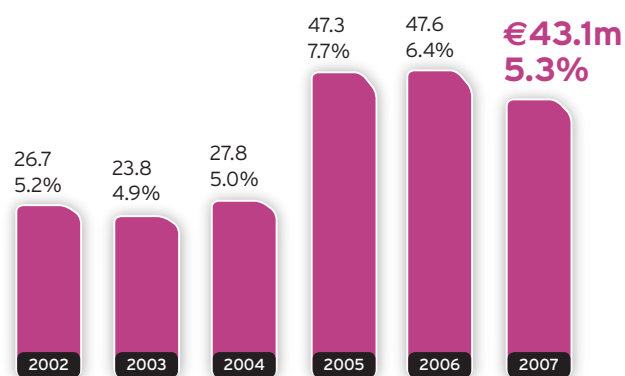
EBIT  
**€100.1m**  
12.3% OF SALES

NET INCOME  
**€67.6m**  
INCREASE OF 41%

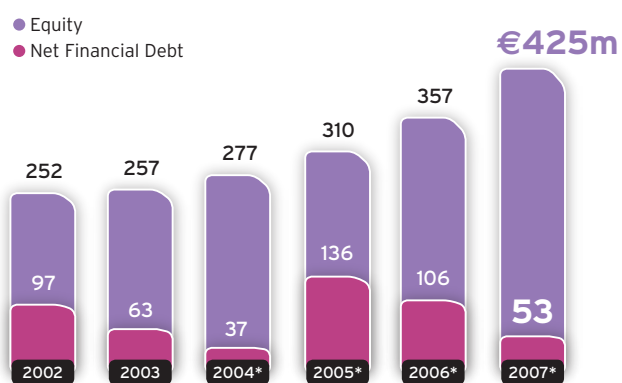
NET FINANCIAL DEBT  
**€53.3m**  
DIVIDED BY 2



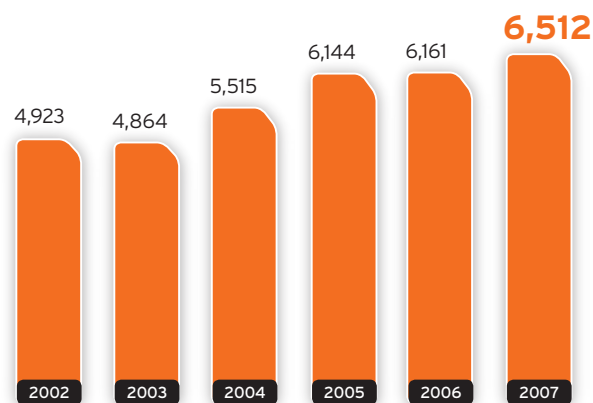
EBIT IN €M AND % / SALES



NET CAPITAL EXPENDITURE IN €M AND % / SALES

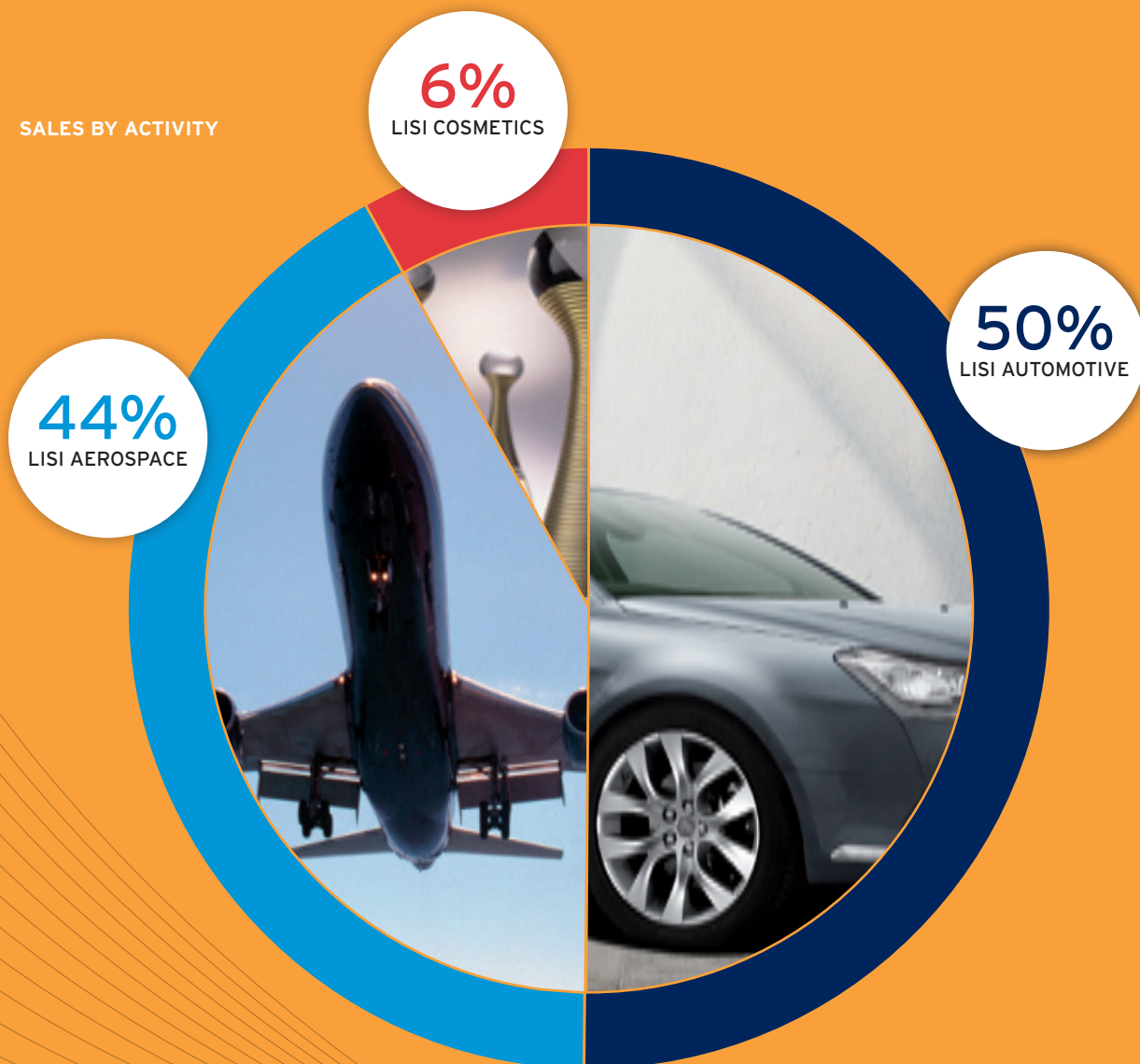


EQUITY CAPITAL AND NET FINANCIAL DEBT IN €M



WORKFORCE (REGISTERED)

SALES BY ACTIVITY



1 BUSINESS  
4 SECTORS  
OF ACTIVITY

## LISI AEROSPACE

AEROSPACE FASTENERS  
AND ASSEMBLY  
COMPONENTS

**N°3** IN THE WORLD

**10** SITES

**2,905**  
EMPLOYEES

**€355.7<sup>M</sup>**  
OF SALES

**€18.1<sup>M</sup>**  
CAPEX

## LISI MEDICAL

WORLD CLASS CONTRACTOR  
FOR THE MEDICAL  
DEVICE INDUSTRY

**4** SITES

**230**  
EMPLOYEES

**€25<sup>M</sup>**  
ANNUAL SALES

## LISI AUTOMOTIVE

AUTOMOTIVE FASTENERS  
AND ASSEMBLY  
COMPONENTS

**N°4** IN THE WORLD

**15** SITES

**2,953**  
EMPLOYEES

**€407.1<sup>M</sup>**  
OF SALES

**€20.4<sup>M</sup>**  
CAPEX

## LISI COSMETICS

ASSEMBLY AND PACKAGING  
COMPONENTS FOR  
FRAGRANCES AND  
COSMETICS

**TOP 10**  
IN THE WORLD

**3** SITES

**490**  
EMPLOYEES

**€54.8<sup>M</sup>**  
OF SALES

**€4.4<sup>M</sup>**  
CAPEX



## WORLDWIDE LOCATIONS

**10** COUNTRIES  
IN PRODUCTION

### COUNTRIES IN PRODUCTION

- France
- Germany
- USA
- UK
- Canada
- Czech Republic
- Morocco
- Turkey
- China
- Spain

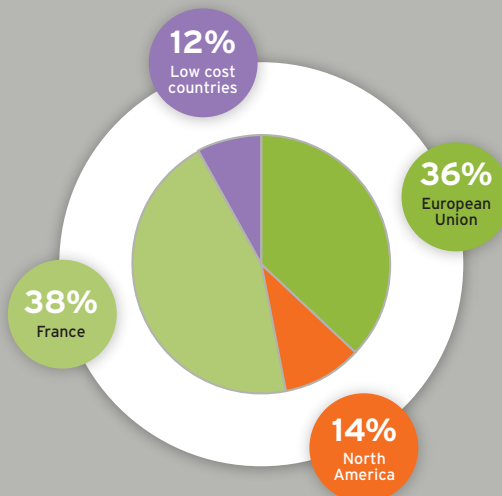
**12** COUNTRIES  
IN SALES  
REPRESENTATION

### COUNTRIES IN SALES REPRESENTATION

- France
- Germany
- USA
- UK
- Canada
- Czech Republic
- Morocco
- Turkey
- China
- Spain
- India
- Poland

- Production
- Commercial

### SALES BY GEOGRAPHICAL AREA



#### LISI AEROSPACE 10 PLANTS - 4 IN FRANCE

##### France

- Saint-Ouen-l'Aumône
- Saint-Brieuc
- Villefranche-de-Rouergue
- Vignoux-sur-Barangeon

##### Outside France

- Dorval (Canada)
- Rugby (UK)
- Izmir (Turkey)
- Paramount (USA)
- Torrance (USA)
- City of Industry (USA)

- Blagnac
- Hambourg (Germany)
- Shanghai (China)

#### LISI AUTOMOTIVE 15 PLANTS - 6 IN FRANCE

##### France

- Delle
- Dasle
- Melisey
- Thiant
- Saint-Florent-sur-Cher
- Puiseux

##### Outside France

- Vöhrenbach (Germany)
- Mellrichstadt (Germany)
- Heidelberg (Germany)
- Kierspe (Germany)
- Herscheid (Germany)
- Gummersbach (Germany)
- Fuenlabrada (Spain)
- Beijing (China)
- Brno (Czech Republic)
- Dabrowa Gornicza (Poland)
- Solihull (UK)
- Ahmedabad (India)

#### LISI COSMETICS 3 PLANTS IN FRANCE

Saint-Saturnin-du-Limet  
Aurillac  
Nogent-le-Phaye

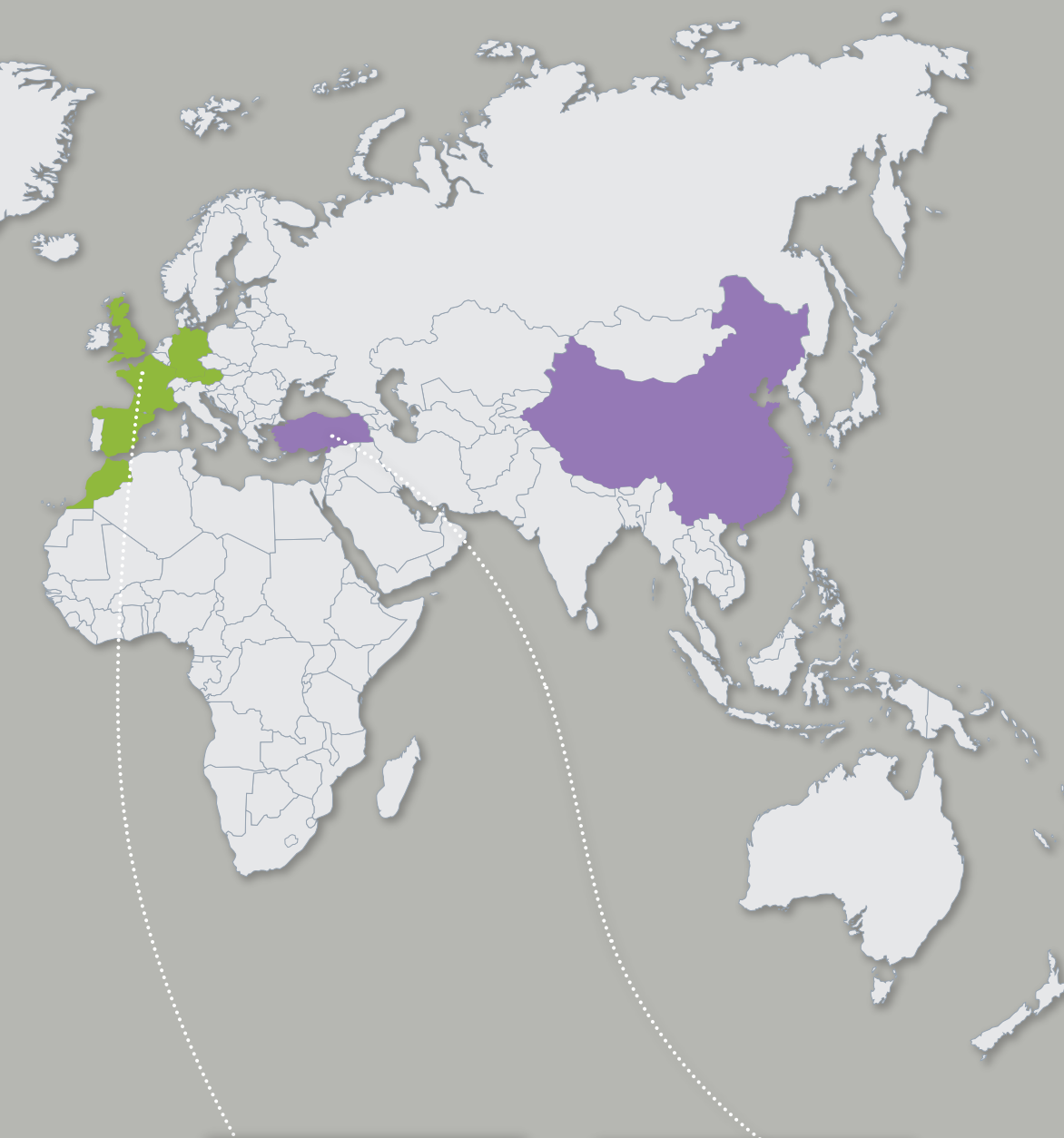
#### LISI MEDICAL 4 PLANTS - 2 IN FRANCE

##### France

Fleurieux-sur-l'Arbresle  
Neyron

##### Outside France

Escondido (USA)  
Tanger (Morocco)



## NORTH AMERICA

**5 PLANTS**  
4 in California  
1 in Canada

## EUROPE

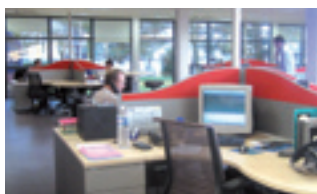
**24 PLANTS**  
15 in France  
6 in Germany  
1 in UK  
1 in Czech Republic  
1 in Spain

## ASIA

**2 PLANTS**  
1 in Turkey  
1 in China

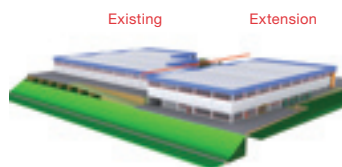
## AFRICA

**1 PLANT**  
1 Morocco



### LISI AEROSPACE EXPANSION OF THE SAINT-OUEN L'AUMÔNE STUDY CENTRE

As of 2007, the LISI AEROSPACE Study Centre has benefited from an additional 800m<sup>2</sup> of floor space, attached to our factory at Saint-Ouen-l'Aumône. In addition to offices designed to improve team working, it includes a prototyping unit, testing and simulation facilities, as well as a training room. There has also been particular focus on improving communication for collaborative projects amongst remote teams both within the group and with customers.



### LISI AEROSPACE EXPANSION OF THE PLANT IN IZMIR, TURKEY

This factory, built in 2005, is to be developed by LISI AEROSPACE so as to double its size and increase its capacity to accommodate up to 500 people. This expansion will transform Izmir into a major factory for the aerospace division, ranking alongside Torrance in the USA, Saint-Ouen-l'Aumône and Villefranche-de-Rouergue in France, and Rugby in the UK.

# ROUND-UP OF 2007 EVENTS

## LISI AEROSPACE

## LISI AUTOMOTIVE

### > SKYLINE 2010: LISI AEROSPACE SUPPORTS ITS CLIENTS' GROWTH PLANS

Implemented in 2007, the Skyline 2010 plan is a business project which aims to structure LISI AEROSPACE in line with its projected market growth by 2010. This strategy, based around a number of key themes, aims to increase to the company's market share, increase capacity, modernise industrial processes, redefine our product portfolio, adapt our business structure and safeguard our profitability.

The Skyline 2010 plan also anticipates a 40% increase in production capacity between 2006 and 2009. The plan was presented at the Le Bourget International Air Show in June 2007.

### > CLIENT RECOGNITION

The group is engaged in an ambitious qualification program at the Canadian Dorval site (qualifications obtained in December) and the European sites, including Izmir. This program is planned to run throughout 2008.



### > A NEW, DISTINCTLY CUSTOMER-FOCUSED ORGANIZATION

Changes to LISI AUTOMOTIVE's capacity, resulting from the acquisition of KNIPPING in 2005, have led us to implement a new, market-oriented structure. Four Business Groups have therefore now been created, each responsible for its own revenue:

- Business Group France, with 5 factories;
- Business Group Deutschland with 7 factories;
- Business Group Global Tier One with 2 factories;
- Business Group Asia with 1 factory.

This organization, bringing together commercial forces, development, technology and production in one unit, has allowed LISI AUTOMOTIVE to respond more effectively to the demands of the market place and to increase sales.

### > CREATION OF A NEW DIVISION, LISI MEDICAL

Whilst 2006 was devoted to understanding the market structure and its players and to drawing up a strategic plan, 2007 saw this new division's inauguration under the aegis of LISI AEROSPACE.

This new division comprises the companies acquired throughout 2007, namely:

- HUGUENY based in Lyon, France in January;
- JEROPA in San Diego, USA, in April;
- the SEIGNOL group (Lyon, France, and in Morocco) in December.





## > LISI AUTOMOTIVE STEPS UP A GEAR IN BRAKING SYSTEMS

LISI AUTOMOTIVE has been a partner to various automotive equipment manufacturers specializing in braking systems for some years now, and has positioned itself on the market for the new family of electric handbrake systems in line with production strategy for security components. LISI AUTOMOTIVE is now manufacturing an electric handbrake system for a large international automotive equipment manufacturer which is mounted on all the major European manufacturers' recent platforms.

## > LISI AUTOMOTIVE GOES FROM STRENGTH TO STRENGTH IN GERMANY

The two main aims in acquiring KNIPPING were to enhance LISI AUTOMOTIVE's services to its German customers and to provide support for other group factories in Germany.

This objective was achieved in 2007: with 6 factories and 1 distribution centre, BusinessGroupDeutschland consolidated the group's automotive industry position in this strategic area.

LISI AUTOMOTIVE is clearly seen as an innovative supplier by German car manufacturers, as evidenced by the visits it received from 160 developers and purchasers during the technical session held at the BMW research centre in November 2007.



## LISI COSMETICS



## > A YEAR OF STRONG COMMERCIAL GROWTH

LISI COSMETICS ended the financial year with sales revenue up by 25% as a result of sales of some products reaching best-seller status in less than six months, such as DIESEL's "Fuel for Life - Him" (L'OREAL), already the number one best-selling new fragrance in Duty Free. Other factors affecting the outcome of this financial year include the enduring popularity of the leading product line PUIG "212 MEN" and successful ongoing relationships with our major customers such as CHANEL, LVMH and SHISEIDO who have continued to demonstrate their confidence in us for major launches or repackaging exercises such as that for DIOR's J'Adore. Deals with two new customers "INTER PARFUMS" and "ORIFLAME" as well as the Groupe YSL BEAUTE / BRI decision to recognise LISI COSMETICS as a strategic supplier augur well for 2008.

## > INCREASING INDUSTRIAL CAPACITY

New metal plating and varnishing equipment for plastic items have boosted our industrial capabilities. By improving the performance and reliability of our systems we can now process up to 10,000 parts per hour. These in-line processes are quality controlled and are housed in dedicated units.

## > "VERY HIGH OUTPUT" INTEGRATION

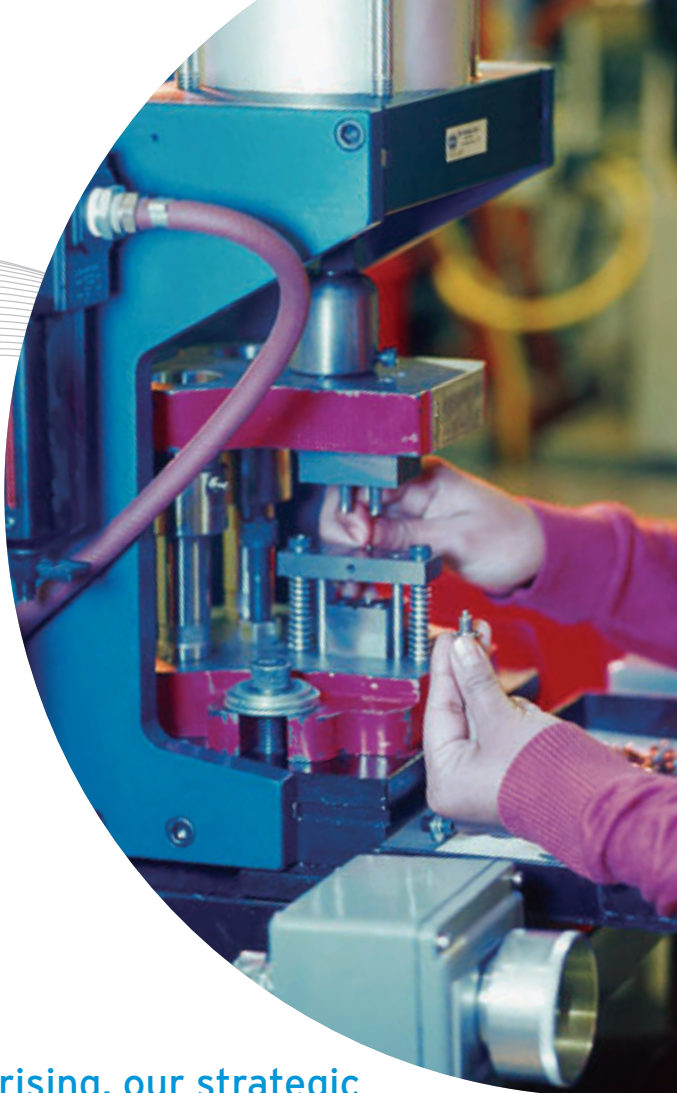


Our manufacturing sites are now integrating "very high output" systems, using automated equipment, ultrasound welding machines and assembly machines. All of these systems are fitted with automatic quality control mechanisms which means we can guarantee our customers "zero defects" for several variables.



“ The market is rising, our strategic positioning is sound, but what sets LISI AEROSPACE apart and makes it a success is the quality, long-term commitment and loyalty of its workforce ”

**Jean-Louis COLDERS** - Chief Executive Officer of LISI AEROSPACE



## KEY FIGURES

€**355,7** m  
ANNUAL SALES REVENUE

**2,905**  
STAFF

€**18.1** m  
CAPEX

## KEY PRODUCTS

### Airframe

Structural fasteners, principally in titanium (Hi-Lite, Hi-Lok – LGP, Pull-In, Pull-stem, Taper-Lok).



### Engine

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



### Specialty fasteners

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



### Racing

Fasteners and components for motor sports. Other high quality automotive fasteners.



## CUSTOMERS

AIRBUS,  
BOEING,  
BOMBARDIER,  
DASSAULT,  
EMBRAER,  
GEAE,  
EUROCOPTER,  
PRATT & WHITNEY,  
ROLLS ROYCE,  
SNECMA,  
Formula 1 and Nascar  
teams for the Racing  
division.

## COMPETITORS

ALCOA FASTENING  
SYSTEM,  
PRECISION  
CASTPART Corp.,  
MELROSE Plc.



# LISI AEROSPACE

AEROSPACE FASTENERS  
AND ASSEMBLY  
COMPONENTS

## > CUSTOMER ORDERS REACH A NEW HIGH

High numbers of customer orders are continuing to be placed for the third consecutive year, with companies such as BOEING setting new records. The order books for the two main aircraft manufacturers remain consolidated and represent 7 years' production at current levels. Production levels have been revised upwards in order to keep up with demand.

- AIRBUS, a major LISI AEROSPACE customer, ended the year with 1,341 net orders (790 in 2006), putting them just behind BOEING. The A380 and A350 programs have been particularly busy, totaling 33 and 290 orders respectively in 2007. Since its launch the A380 has generated a total of 189 orders, whilst the A350 has generated 320. The European manufacturer remains in the lead in terms of deliveries, with 453 items sold (434 in 2006). 2007 saw the delivery of the first A380 to Singapore Airlines, and the resumption of the industrial A380 program. On the development front, A350 studies are underway and a technology demonstrator is being created.

The operational strand of the Power 8 restructuring plan means that AIRBUS has had to rationalize its purchasing and reduce its stock levels. This has led to an appreciable downturn in demand for fasteners along the whole of the supply chain.

- For the third year running, BOEING has beaten its own record on civil aviation orders, reconfirming its market leadership. With 1,413 net orders, it is outstripping AIRBUS; this follows the commercial success of its B787 and the B737 program. Deliveries have taken a very sharp upturn with 441 airplanes delivered (398 in 2006).

The B787 Dreamliner is the fastest-selling airliner in the history of aviation, with a total of 817 orders since its launch in 2004 (of which 369 were made in 2007). BOEING announced delays to the B787 program, due to supply chain management problems within its new, largely outsourced industrial manufacturing system; a shortage of aircraft fasteners was also widely cited as a reason for the delays.

In fact, demand is reaching an all-time high in North America. Its maiden flight is however set for the second half of 2008.



- EMBRAER delivered 169 units in 2007 (an increase of 30% compared with 2006). The aircraft manufacturer made 146 firm orders (and 216 provisional) in part to fulfil orders for the ERJ 170/190 family. It has 476 orders on its books, representing 3.5 years of deliveries at 2007 production rates. EMBRAER thus clearly confirms its status as a world leader in the regional aviation sector.
- After hitting a sticky patch in 2006, BOMBARDIER has seen a return to commercial form with 140 orders, mainly for its CRJ 900 and CRJ 1000 Series,
- Business aviation has also remained buoyant; in 2007, DASSAULT delivered its first F7X and saw the maiden flight of its new F2000DX.

#### ► LISI AEROSPACE SUPPORTS ITS CLIENTS' GROWTH PLANS: SKYLINE 2010

- In 2007, LISI AEROSPACE did some serious groundwork redefining its medium-term strategy. This fruit of this intensive work is the Skyline 2010 plan, a business project which aims to structure LISI AEROSPACE so it can respond to projected market growth by 2010. This strategy, based around a number of key themes, aims to increase the company's market share, increase capacity, modernize industrial processes, redefine our product portfolio, adapt our business structure and safeguard our profitability.
- Within the scope of Skyline 2010, LISI AEROSPACE has made adjustments to the structure of the company (the sale of EUROFAST, the specialist distribution subsidiary, to the ANIXTER group, and has strengthened its commercial positions, notable amongst which are ALENIA, AIRBUS, BOMBARDIER, EMBRAER and BOEING.
- For the third year running, considerable investments have been made in order to increase production capacity and update industrial systems:
  - Increasing the capacity of the Canadian Dorval site (extending product range, obtaining BOEING qualification and extending into the adjacent building).
  - In the UK, the site at Rugby is expanding into an adjoining building in order to increase capacity and improve its industrial processes.



Copyright : Embraer.



Copyright : Dassault Aviation - P. Bowen.

- In the US:

- the Torrance site has reorganized its site and processes in order to keep up with demand;
- at City of Industry an ambitious automation program has increased capacity;

- In France, the Saint-Ouen-l'Aumône factory expansion is now finished, and a nut-manufacturing facility has been developed.

- In Turkey, a new expansion phase is underway; it is due for completion in summer 2008.

- In 2007, there has been particular focus on new product development, and on licensing policy. These developments or licenses allow the group to position itself on products which respond to new requirements dictated by the use of composite, weight restrictions and environmental standards. Significant qualification work has been carried out in all factories, particularly in Canada where all our objectives have been met, particularly for BOEING.

- There has been significant recruitment activity in 2007: this year we gained an additional 361 staff. The biggest changes were made in the US, Canada and Turkey.

- LISI AEROSPACE has continued to work on internal training procedures by developing appropriate factory apprenticeship policies. Profit-sharing schemes and social welfare schemes have been added to existing terms and conditions in some countries or plants where such provisions are lacking.

- LISI AEROSPACE aims to give all its workers a good quality, safe working environment and to control the environmental and professional hazards associated with its activities and products. Investments in this area continue apace, and the aim is to ensure that all sites not only conform to a set of standards but also that they are attractive places to work. We are now putting considerable effort into ensuring that all of our factories to gain ISO 140001 and OHSAS 18001 certification by 2010.

- With regard to our IT system, we are moving towards a centralized, secure architecture (Central Data warehouse), which involves migrating all business functions onto the Lawson M3 ERP system (formerly MOVEX).

In 2008, based on manufacturing forecasts, we are expecting another year of growth following the efforts made since 2006 towards increasing capacity, and backed by the Skyline 2010 plan.

We are also expecting further news on wider development, based on BOEING qualifications in Europe, and development of the B787 and A350 programs.





## ► EUROPE:

### PRODUCTION PLANTS ADAPT IN WAKE OF POWER 8

This year, all European plants saw a net downturn in demand from AIRBUS, as a result of the implementation of the Power 8 restructuring plan.

Our factories were able to adapt to this change, whilst preparing for the upturn announced by AIRBUS in the last quarter.

European factories are actively working towards attaining BOEING qualifications in order to position themselves for the B787 program, and to further improve industrial flexibility at group level. Increasing capacity and improving workflow management also remain key areas of concern.

The Motors and Critical Parts BU, whilst its development has been affected by the fall in the value of the dollar, has seen sustained trading activity, namely:

- a logistical overhaul at Villefranche-de-Rouergue;
- the pursuit of investments in Turkey;
- SNECMA-SAFRAN scooped the Suppliers' Awards' Grand Prize;
- sustained work in the areas of Health, Safety and Environment;
- BOEING qualifications.

In Europe, as a result of these efforts, trading remained stable throughout the year.





#### > NORTH AMERICA:

##### **ACCELERATED GROWTH IN THE US - OBJECTIVES MET IN CANADA**

The US Airframe BU has had to deal with high demand from BOEING, as a result of the B787 program's commercial success, as well as the increased power of both EMBRAER and ALLENIA contracts. For the third year running, the BU achieved very impressive two-figure growth rates.

Against this background of highly pressured operations, the Torrance site made progress in the following areas:

- increased overall production capacity;
- continuous improvement;
- new and innovative production shift timetables;
- recruitment of 157 staff, and training schemes;
- incentive schemes for new professional groups;
- renovation work on units and buildings.

Further efforts will continue to be made towards reducing delays and improving service levels.

The Specialty BU also saw two-figure growth, which helped cover the cost of investments and getting automation projects off the ground. Particular effort was made in the area of new products.

For the Dorval Engines and Critical BU, 2007 marked a definite turning point, with:

- attainment of the recent qualifications as outlined in the business plan;
- maintaining annual sales revenue objectives;
- achieving targets for profit margins in the last quarter;
- achieving recent major investments.

#### > RACING BU:

##### **ADAPTING TO THE EUROPEAN MARKET - GROWTH IN THE US**

In Europe, constraints imposed by FIA regulation (engines frozen by 2010, one engine to last four Grands Prix) have reduced development opportunities. Our teams have worked to renegotiate their business contracts with their major partners, gained market shares and adapted production potential within the framework of a draft management plan for jobs and careers.

In the US, trading was sustained by the Nascar and Top Series markets; growth was sustained due to a privileged relationship with a major Nascar player.



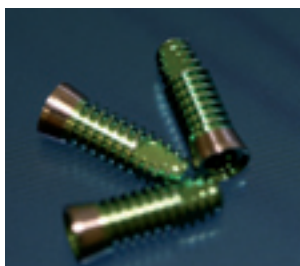
#### **KEY PRODUCT**

Hi-Lite (TM) titanium structural fasteners are used on all worldwide civil aerospace programs. There are number of versions available (material, geometry, surface coatings) to cover a variety of usage conditions whether on metallic or composite structures (Hi-Shear development).

# LISI MEDICAL

WORLD CLASS CONTRACTOR  
FOR THE MEDICAL  
DEVICE INDUSTRY

**///** The LISI Group is taking  
a fresh approach to this rapidly-changing  
industrial sector **///** **Yves BONICEL** - General Manager  
of LISI MEDICAL



## KEY PRODUCTS

### HUGUENY

Spinal and orthopaedic  
implants.



### JEROPA

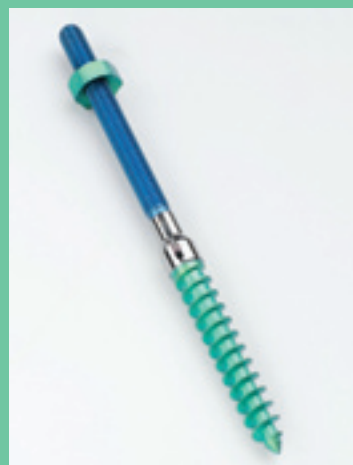
Dental and spinal  
implants.



### SEIGNOL & INTERMED Application

Surgical implants  
(hand, foot, maxilla-facial,  
dental) and ancillary manufacture  
(surgical instruments).





#### KEY PRODUCT

A titanium fastener, sub-assembly of an implant device used in spinal surgery

### ► THE BIRTH OF LISI MEDICAL: “MANUFACTURING EXCELLENCE FOR LIFE TECHNOLOGIES”

While 2006 was devoted to understanding the market structure and its players and to drawing up a strategic start-up plan, 2007 saw this new division's inauguration under the aegis of LISI AEROSPACE. This experience has established some fundamental market drivers:

- a dynamic market, with high growth levels, in some cases into double figures, fuelled by demographically-based phenomena: greater life expectancy, specific obesity-related diseases in some western nations, demands for comfort in accordance with countries' socio-economic development;
- prime manufacturers (orthopaedic companies) looking for viable sub-contracting solutions, whether at international level or specialists without their own production facilities;
- a demanding industry in terms of standards (e.g. EN13485, Directive 93/42 EEC concerning medical devices, FDA Good Manufacturing Practices, etc);
- operating conditions similar to those of LISI AEROSPACE: a wide variety of products, common raw materials, high standards required, tight delivery deadlines, opportunities for co-development and prototyping.

Strengthened by good performances by acquired companies (HUGUENY, France; JEROPA, USA; SEIGNOL/INTERMED/LIXUS, France & Morocco;) and by recruitments made throughout the year, LISI MEDICAL starts 2008 on a good footing:

- a management team composed of professionals from the orthopaedic sector;
- 230 staff who are experienced in the industry and the corresponding production technologies;
- a faithful, repeat client base, making up a balanced initial portfolio (80% of the division's sales revenue comes from 10 customers);
- 4 industrial sites, (two in France, one in the US and one in Morocco), which means we can offer a complete range of services: from raw materials to packaged product, prior to sterilization;
- recognized expertise in implants and ancillaries in various sectors: teeth, spine, shoulder, hips, feet and hands.

LISI MEDICAL's three main objectives for 2008 were:

- to enhance its image and bring its operations in line with its mission of “Manufacturing Excellence for Life Technologies”;
- to consolidate its management and teams, and to show that it can keep pace with the market;
- to pursue development and strengthen this new division.



Thanks to our intensive research and development work, LISI AUTOMOTIVE is able to offer increasingly innovative solutions

**Georges LAMMOGLIA** - Chief Executive Officer of LISI AUTOMOTIVE

## KEY FIGURES

€ **407.1**<sub>m</sub>  
ANNUAL SALES REVENUE

**2,953**  
STAFF

€ **20.4**<sub>m</sub>  
CAPEX

## KEY PRODUCTS

### Threaded fasteners

Engine fasteners, wheel screws and nuts, safety screws and nuts, ball joints, cab interior and engine dress-up fasteners, screws for sheet metal and plastics, PRESSFIX® nuts and assembly equipment, clamp washers.

### Clip fasteners

Panel fasteners, fasteners for tubes and wiring, plugs, multi-functional metal and plastic sub-assemblies.

### Components

Safety components: torsion bars, guide rods, brake hoses, spacers, ball in ramp, special hollowed components and rods.



## CUSTOMERS

- BMW, DAIMLER, FORD, GENERAL MOTORS, PSA, RENAULT-NISSAN, VW-AUDI.
- AUTOLIV, BOSCH, FAURECIA, JTEKT, TI, TRW.
- FRANKE, LOOK, SCHNEIDER.

## COMPETITORS

- ACUMENT GLOBAL TECHNOLOGIES (FORMERLY TEXTRON),
- A. RAYMOND,
- ITW,
- KAMAX,
- NEDSCHROEF,
- NIFCO,
- SFS,
- TRW.



# LISI AUTOMOTIVE

AUTOMOTIVE FASTENERS  
AND ASSEMBLY  
COMPONENTS

## > THE INTERNATIONAL AUTOMOTIVE MARKET IN 2007: SIGNIFICANT VARIATIONS IN THE MARKETS

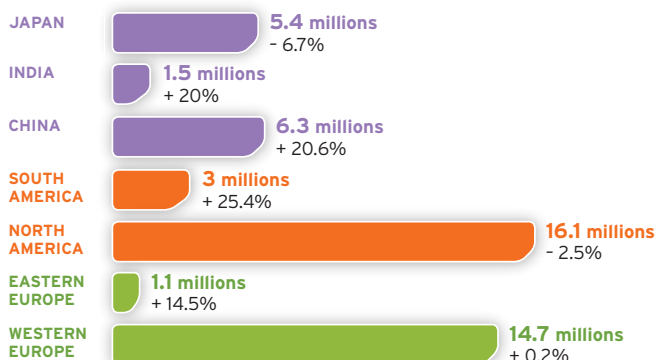
In 2007, the disparities between the established markets (USA, Japan, Western Europe) and the emerging markets (South America, China, India and Eastern Europe) became increasingly evident. Vehicle production increased by +4.6% in 2007 to 67.7m units\*.

There was a +0.2% increase in new vehicle registrations in Western Europe, despite a 9.2% drop in Germany, its main market. Italy (+7.1%), France (+3.2%) and the UK (+2.5%) fared somewhat better. With a 20.6% increase in new registrations of private vehicles, China has overtaken Japan and has thus become the world's second-largest car market after the US.

Main news from our car manufacturer customers:

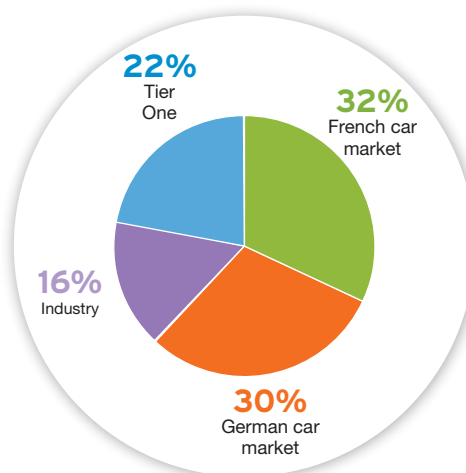
- Despite a turbulent domestic market, BMW has recorded increased sales of its premium vehicles (Mini, 3 Series and X5);
- CITROËN has performed well at +2.9%, undoubtedly boosted by the new C4 Picasso;
- RENAULT was back on form by the end of the year, with launches of the new Twingo and Laguna cars.

## NEW PRIVATE VEHICLE REGISTRATIONS BY REGION IN 2007 (in millions of vehicles and %/2006)



\* Source: CSM Auto

## BREAKDOWN OF 2007 SALES BY MARKET



## LISI AUTOMOTIVE SALES BY BUSINESS GROUP

Business Group France	39.0 %	5 factories <sup>(1)</sup>
Business Group Deutschland	39.5 %	7 factories
Business Group Global Tier One	20.4 %	2 factories <sup>(2)</sup>
Business Group Asia	1.1 %	1 factory <sup>(3)</sup>

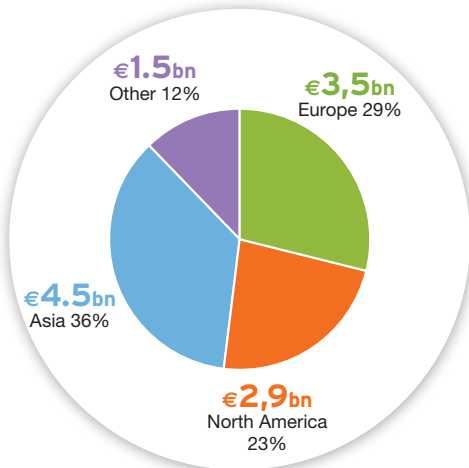
(1) Excl. Monistrol (2) Excl. Mississauga (3) Factory in Beijing

## > LISI AUTOMOTIVE SALES: PERFORMANCES OUTPACE THOSE ON THE EUROPEAN MARKET

LISI AUTOMOTIVE's business is mainly influenced by international manufacturers VW, PSA, Renault, BMW and DAIMLER as well as by GM and FORD in Europe. In 2007, LISI AUTOMOTIVE recorded 6.4% organic growth and announced sales of €407.1m, which outpaced European new vehicle registrations at the major car manufacturers.

The acquisition of KNIPPING in 2005, in line with the strategy of European client portfolio readjustment, revitalized LISI AUTOMOTIVE in Europe's largest car market, Germany. Business Group Deutschland is now the largest division within LISI AUTOMOTIVE.

## BREAKDOWN OF GLOBAL AUTOMOTIVE FASTENER MARKETS



### > THE FASTENERS MARKET

The world market for automotive fasteners is estimated to be worth around €12.4bn. .

With European automotive sales of around €325m, and a market share of 9.3%, LISI AUTOMOTIVE is very much up there with the front runners, in which the market's 'top 10', hold around an 80% market share in automotive fasteners. At an international level, the market is much more fragmented with no one player holding more than a 5% share of the international market.

### > PRODUCT STRATEGY

#### A wide product range for the best solutions

Customers want us to provide assembly solutions which include the price of the delivered component, assembly costs and product functionality costs. Inclusion of these parameters allows LISI AUTOMOTIVE to offer a considerable reduction on the cost of the product alone, which in general only represents 20% of the overall cost. Drawing on its mastery of four major technologies, LISI AUTOMOTIVE is developing, for example, components which allow a reduction in fitting time on assembly lines.



Its strategy of market differentiation through innovative solutions means LISI AUTOMOTIVE is changing its product range, moving its focus to high added value products rather than just commodities. The sale of the Monistrol factory at the end of 2007, which specialized in threaded fasteners, was symptomatic of the company's desire to refocus and to invest heavily in high-added value technologies, particularly at the Melisey factory, which manufactures mechanical safety components.

### Research & Development

In 2005 LISI AUTOMOTIVE set itself a target of doubling its research skills over the next five years. The aim was to offer customers new solutions and improve the division's manufacturing processes. When the Innovations department was set up in early 2007, separate from the operational Business Groups, LISI AUTOMOTIVE created for its customers a fasteners manufacturer who could provide them with the innovative products they need for the future.

### > DISTINCTION THROUGH EXCELLENCE

In an increasingly demanding automotive market, LISI AUTOMOTIVE intends to set itself apart from its competitors by leading on the quality and service it offers.

#### Quality

Despite disruptions caused by changes to surface coating specifications as a result of hexavalent chromium reduction regulations, LISI AUTOMOTIVE has improved the quality of its products and now has the lowest ever ppm (parts per million) levels in its history.

Passenger restraint



DINGO, Copyright : CITROËN  
Direction de la Communication



Front axle, rear axle,  
suspension

### Service levels

Service levels suffered from the overheating caused by increased demand in the second quarter. However an increase in production meant that by the end of the year we were back on track.

### > STAFF TRAINING AND SAFETY

#### Accidents at work

Following two years in which the number of accidents at work fell dramatically (down by 60% in 2005 and 2006) the rate in 2007 has not reached the set targets. A "Management HSE" action plan will be kicked off in 2008 to recover a positive trend in that respect.



#### KEY PRODUCT: a new handbrake adjustment systems

With 15 years' experience of this product family, LISI AUTOMOTIVE has brought its expertise to the final design phase of this project. This new handbrake adjustment system is composed of a nut, a bolt and casing. The sub-assembly is delivered to Bosch's factories, ready to be assembled into the rear braking systems of the Ford Transit and Citroën Picasso.

### LISI AUTOMOTIVE UNIVERSITY

LISI AUTOMOTIVE UNIVERSITY now brings together all aspects of training, and was founded in response to the growing number of managers and technicians.

### > 2008: A YEAR OF IMPROVING INTERNATIONAL DEVELOPMENT

2008 will see us strengthen our industrial presence in growth areas such as the Czech Republic and China, as we aim to increase our production capacity for our clients based in these areas.

### > NEW PRODUCT ORDERS FLOOD IN

Despite the manufacturers and parts manufacturing and solutions specialists transferring from one platform to another, LISI AUTOMOTIVE recorded substantial levels of new business in 2007 across all four Business Groups.

- At the start of this year, LISI AUTOMOTIVE began production of an **electric handbrake system** for a large multinational parts manufacturer. This new system, which will be mounted on all the major European manufacturers' recent platforms (FORD Mondeo, FORD Galaxy and the new RENAULT Mégane to name but a few), is shortly to become an industry standard.
- BOSCH, the other unstoppable force in braking systems, to whom we have been delivering a **handbrake adjustment system** since February 2006, has requested that a smaller version be designed for the new VOLKSWAGEN Golf platform.
- The new **Citroën C5**, launched in March 2008, is fitted with a number of LISI AUTOMOTIVE fasteners. Indeed, for 2 years now we have been responsible for research and development into **all fasteners on this new vehicle**. At the end of this project, LISI AUTOMOTIVE was recognized by the PSA as a genuine technical support provider.
- LISI AUTOMOTIVE has developed a **curtain-shield airbag clip** for BMW. It consists of a stainless steel clip, manufactured in Heidelberg (Germany), with a nut mounted on it; it is subject to a joint patent application by LISI AUTOMOTIVE and BMW. In 2007, 1.7m units were delivered to AUTOLIV in the US, who attach seven clips per airbag and then supply these to BMW USA for its X5 model. This innovative solution is now due to be rolled out to new BMW models.





**LISI COSMETICS' performances have been improved through radical changes to industrial processes which will stand us in good stead for the future**

**Michel GUIGNARD** - Chief Executive Officer of LISI COSMETICS

#### KEY FIGURES

**€54.8<sub>m</sub>**  
ANNUAL SALES REVENUE

**490**  
STAFF

**€4.4<sub>m</sub>**  
CAPEX

#### KEY PRODUCTS

- 212 Men et 212 Men Sexy de Carolina HERRERA (PUIG)
- Allure Homme Sport Cologne de CHANEL
- Allure Homme Sport de CHANEL
- J'Adore de DIOR (LVMH)
- Palazzo de FENDI (LVMH)
- Acqua di Gio d'ARMANI (L'OREAL)
- Fuel for Life de DIESEL (L'OREAL)
- Zen or de SHISEIDO
- Narciso for her de Narciso RODRIGUEZ (SHISEIDO)

#### CUSTOMERS

CHANEL,  
PUIG,  
LVMH,  
SHISEIDO,  
L'ORÉAL,  
YSL,  
PROCTER  
& GAMBLE,  
CLARINS,  
HERMES PARFUMS.

#### COMPETITORS

ALCAN  
PACKAGING,  
ILEOS,  
QUALIPAC,  
REXAM  
BEAUTY,  
SEIDEL,  
TEXEN.





# LISI COSMETICS

ASSEMBLY AND PACKAGING  
COMPONENTS FOR  
FRAGRANCES AND  
COSMETICS



## > INTEGRATED SOLUTIONS FOR THE PERFUME AND COSMETICS INDUSTRIES

The beauty market regained its sparkle in 2007, particularly in the “male beauty” sector. Sales of perfume and cosmetics in supermarkets and hypermarkets are steadily increasing. Market leaders are in rude health, with most of them showing two-figure growth. New customers in countries with emerging economies have given impetus to this rise.

## > A RETURN TO SUSTAINABLE GROWTH WITH AN EVOLVING INTERNATIONAL CUSTOMER BASE

LISI COSMETICS finished the financial year 2007 with growth of +24%. Continuing good relationships with customers such as CHANEL, SHISEIDO and PUIG have given LISI COSMETICS the opportunity to undertake a number of co-development projects. LISI COSMETICS has benefited from the runaway success of Carolina Herrera’s “212” range, for whom it manufactures the majority of its aluminium components.

Increased confidence from leading groups such as L’OREAL and LVMH, and to a lesser extent, HERMES, is also proving rewarding. Recently recognised by L’OREAL as a strategic supplier, LISI COSMETICS has been consulted on a Consumer division project. One of the driving forces behind this has been very high repeat demand for lines such as ARMANI’s “Aqua di Gio”, far exceeding 2006 levels.

New growth opportunities have opened up with the addition of «INTER PARFUMS” and “ORIFLAME” to the customer portfolio, along with YSL BEAUTE’s recognition of LISI COSMETICS’ status as a strategic supplier.

Finally, based on its good image and reputation for industry expertise in the US, LISI COSMETICS has made some valuable contacts with ESTEE LAUDER, ELIZABETH ARDEN and COTY and has now been selected as a supplier to L’OREAL USA.



## > HIGH-POTENTIAL BRANDS!

In 2007, a number of product lines were launched which have quickly become key products for consumers. LISI COSMETICS is linked with many products, including a number of fragrances for men such as CHANEL's «Allure Homme Sport Cologne», DIESEL's "Fuel for Life", ZEGNA's "ZegnaIntenso" (YSL BEAUTE), DIOR's "Fahrenheit 32", KENZO's "Tokyo", Narciso RODRIGUEZ's "Narciso for him", JEAN-PAUL GAULTIER's "Fleur du Mâle" and Issey MIYAKE's "L'Eau d'Issey pour Homme Intense".

Whilst all of these launches have been successful events, the scale of that for "Fuel for Life" cannot be understated. For this line, LISI COSMETICS pioneered a new metal spray-cap cover, featuring a screw-contoured outline with knurling around the top.

On the female fragrance side, 2007 started with a repackaging exercise for the spray-cap cover for Dior's famous "J'Adore", which resolutely remains a top 10 international seller. For LVMH, there was also the manufacture of the ultra-sophisticated spray-cap cover for FENDI's "Palazzo" which is a highly technically complex "baroque ensemble" which combines 3 elements with multiple finishings, with the moulded body of the cap cover forming an integral part of the design.

SHISEIDO gave LISI COSMETICS the opportunity to work its magic on the women's fragrance «Zen gold» by creating, through cutting technique alone and without polishing, an anodised aluminium cover, creating a brilliant gold mirrored finish. An innovative cutting system gives a flawless cut finish, which will not scratch or chip. Launched in the second quarter of 2007, "Zen gold" has made a good start in Europe, with particular success in Germany, the highest-selling market outside of Japan.

## > A WINNING INDUSTRIAL STRATEGY

In 2007 LISI COSMETICS integrated its "very high output" systems, adding higher-performing technologies for decorating, automated assembly and ultrasound welding to its production line. Part of these systems, housed in their own individual units, are dedicated to manufacturing parts for two divisions under development at LISI COSMETICS: "make-up" and "beauty care".

Changes are already underway at Nogent-le-Phaye with a general warehouse and material storage re-location and optimisation exercise before integration of a new metal plating and varnishing line in a specific, completely automated workshop commences. This year we will also be finalising overall improvements planned for the site and will be starting to build a 4500m<sup>2</sup> warehouse which is designed to accommodate automated injection moulding and assembly systems.

The Aurillac site will also be updated through design and implementation of new and increasingly versatile and efficient automated systems, which we have devised ourselves.



At Saint-Saturnin-du-Limet some adjustments have been made to optimise the installation of the newly-delivered third anodisation line, which includes creating a new area to reposition the “fume extraction installations”.

## > CUSTOMER-FOCUSSED TEAMS AND SERVICES

One of the integral parts of LISI COSMETICS’ daily work which sets it apart from the competition is the support and advice it offers its customers. LISI COSMETICS listens to its customers, so it can conduct analysis and research to find the technical solutions which best meet their needs.

LISI COSMETICS has already devised specific teaching tools for its clients on aluminium processing techniques. This training will soon be complemented by a series of highly specialised workshops on different aspects of plastic injection moulding and surface treatments.

Sources: COSMETIQUE HEBDO - COSMETIQUE MAGAZINE - FASHION DAILY NEWS - F.I.P.  
- FORMES DE LUXE - WWD BEAUTY REPORT INTERNATIONAL

### KEY PRODUCT

For SHISEIDO’s “Zen gold”, LISI COSMETICS has developed a system of aluminium cutting which removes the need for an additional polishing procedure. The manufacturing process uses a completely new method of protecting the cut pieces. This protection is only removed after the last cutting process thus ensuring the pieces remain free of all visible defects throughout the entire procedure.





## HUMAN RESOURCES



This covers developing internal mobility, improving new employee integration, supporting apprentice management and training first level management staff.

### > DEVELOPING THE GROUP AND FOSTERING TALENT

This year, the number of staff employed by the LISI group exceeded 6,500 employees (excluding temps). LISI AEROSPACE was largely responsible for this rise (361 new staff), as it continues to increase recruitment in the US (264 new staff). This now takes the percentage of the workforce based outside France to almost 50% of the total, (3,172 employees). Moreover, we now have 562 staff in low-cost production countries, i.e. almost 19% of the group's workforce which is an 8% increase.

### > LISI AEROSPACE ROLLS OUT ITS "SKYLINE 2010" PLAN

In 2007, Human Resources were busy with a huge recruitment drive in the US to help increase production levels to keep pace with customers demands at LISI AEROSPACE. To achieve this there were a number of recruitment campaigns and we attended several trade shows right across to the East Coast.

As a result of this, over 300 employment contracts were signed at the Torrance site in 2007. An internal training school for recently-hired employees, including practical experience on dedicated machines, was set up in order to get employees up to speed as quickly and efficiently as possible.

Alongside this, an additional 53 management positions were created in supervisory and support roles in IT, sales & marketing and HR.

As part of the "Skyline 2010" program, an ambitious training schemes for all staff has been rolled out. Over 2007, this represented a dedicated budget of almost €3m.

### > LISI AUTOMOTIVE AND LISI COSMETICS STAY COMPETITIVE BY ADAPTING THEIR BUSINESS TO A CHANGING MARKET

In France the Employment and Expertise Plan (GPEC) is part of a wider approach to forward planning and preparing organisations and staff for future changes. To this end, the "Careers and Jobs Commissions" have been set up. These are there to identify, with reference to company strategy for the next 4 financial years, those professions which are expanding and those diminishing, to ratify the number of positions required for the period, anticipate departures and plan adaptation and training schemes to be implemented.

Biannual discussions are now held on two pilot sites. These are devoted to the evaluation of skills, training requirements and professional development plans. Fifteen participants will be able to benefit from Individual Training Leave, Validation of Acquired Experience or Individual Training Rights.

The group is improving its incentive scheme, retention scheme and profit sharing scheme.

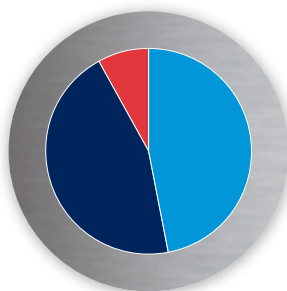
In 2007, the group generated €4.6m through incentive and profit-sharing schemes. In addition to this, last year a new Group Savings Plan was proposed. This represented €6.5m by the end of 2007. Finally the hundred or so executive officers benefited from a performance action plan as devised by the Board of Directors in June 2007.



**361**  
HIRED AT  
LISI AEROSPACE

**BREAKDOWN OF EMPLOYEES BETWEEN THE 3 DIVISIONS**  
(Registered at year end)

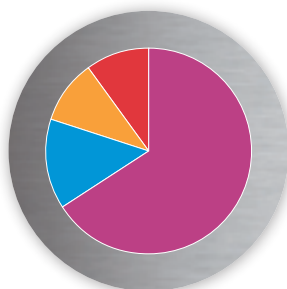
LISI AEROSPACE	47%	●
LISI AUTOMOTIVE	45%	●
LISI COSMETICS	8%	●



	2007	2006	VARIANCE N/N-1
LISI AEROSPACE	3,057	2,696	13%
LISI AUTOMOTIVE	2,953	2,980	-1%
LISI COSMETICS	490	475	3%
Holding	12	10	20%
<b>Total</b>	<b>6,512</b>	<b>6,161</b>	<b>6%</b>
Temporary staff	417	356	17%

**BREAKDOWN OF EMPLOYEES BY CATEGORY**  
(Registered at year end)

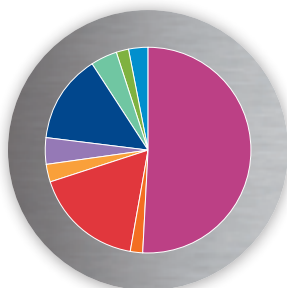
Skilled staff and technicians in workshops	66%	●
Employees and technicians	14%	●
Supervisors	10%	●
Managers	10%	●



	2007	2006	VARIANCE N/N-1
Skilled staff and technicians in workshops	4,356	4,106	6%
Employees and technicians	886	840	5%
Supervisors	651	642	1%
Managers	619	573	8%
<b>Total</b>	<b>6,512</b>	<b>6,161</b>	<b>6%</b>

**BREAKDOWN OF EMPLOYEES BY GEOGRAPHICAL AREA**  
(Registered at year end)

France	51%	●
Canada	2%	●
USA	17%	●
Spain	3%	●
Turkey	4%	●
Germany	14%	●
UK	4%	●
China	2%	●
Czech Republic	3%	●



	2007	2006	VARIANCE N/N-1
France	3,340	3,323	1%
USA	1,132	868	30%
Germany	934	903	3%
UK	268	261	3%
Turkey	235	223	5%
China	125	110	14%
Canada	102	113	-10%
Czech Republic	194	188	3%
Spain	174	172	1%
Others	8	0	
<b>Total</b>	<b>6,512</b>	<b>6,161</b>	<b>6%</b>
Out of France	3,172	2,838	11%
<b>% out of France / Total</b>	<b>49%</b>	<b>46%</b>	

# RESEARCH & DEVELOPMENT

LISI  
AEROSPACE

➤ Design of the new generation BOEING 787 and AIRBUS A350XWB aircraft represents a huge technological leap over the previous aircraft families, notably with the extensive use of carbon composite structures. These technological evolutions resulting from the race against performance also prompted by the oil barrel rising price bring with them a whole new set of technological challenges. New issues such as conductivity, lightning strike as well as strength of the whole structure assembly have prompted us to research fastener systems better adapted or optimized for these specific structures. In the same time development schedules has been compressed and production rates increased which means that far greater installation reliability as well as high level assembly ergonomics is required to the fastener system.

Within this highly pressurized environment, both engine or aircraft manufacturers require their major suppliers, including fastener suppliers, to be able to come up with innovative solutions and support them on their assembly challenges. This culture of innovation is an integral part of LISI AEROSPACE's approach to Research & Development, continuing to build on the one hand on its expertise in fastenings and assembly techniques, and on the other hand developing client-focused approach and project management culture with strong technical interfaces with customers.

These changes were in evidence in 2007 with the development of several new product families and significant increase in innovative activity. Indeed, no less than 9 patent applications and 16 invention registrations were made throughout the year.





9

PATENT  
APPLICATIONS  
IN 2007

16

INVENTION  
REGISTRATIONS  
IN 2007

#### ► DEVELOPING PRODUCT RANGE

Two new product families developments initiated in only 2006 were made available at LISI AEROSPACE in 2007.

The first family is the development of high-performance composite fasteners driven by the City of Industry site. The targeted fastener type are those traditionally used in numerous applications in aircraft interior equipment and today mainly made of aluminum or other metallic materials. Advances such as improved mechanical performances, weight reduction, material compatibility with carbon structures and deletion of health and environment hazardous coatings opens the ways for many opportunities to replace metallic components such as clips, harnesses supports, anchor nuts and quarter turn fasteners.

The second family concerns mechanical assembly products developed at the Vignoux-sur-Barangeon site during 2007, starting with development and qualification of expandable pins for CASA for which first production parts were delivered in January 2008. Latches family development also came to fruition this year with contracts signed with EMBRAER and AIRBUS to develop and supply hook latches, pressure relief latches, shear pin latches, and access door latches for EMBRAER's new Phenom 300 aircraft and AIRBUS in service programs.

The first components for Phenom 300 flight testing were delivered at the end of 2007, after the design and qualification phases were concluded in record time. The qualification phases for AIRBUS references will be carried out in 2008 as well as the first production deliveries. In addition to the pure technical activities, some considerable effort has gone into setting up the required production equipments as well as best class working methods and organization which now mean that the Vignoux-sur-Barangeon site can play an significant role in this market.

In addition, major development plans for other new product families were also drawn up and launched in 2007, which will drive the 2008 Research & Development activities. This concerns for example structural blind fasteners, which represent a major challenge not only for LISI AEROSPACE, who wishes to include these fasteners to its current product range, but also for customers. Indeed, these new systems allowing more advanced assembly automation and therefore significant costs and cycles gains on our customers final assembly lines. The development plan defined for this product line is the result of an innovation initiative within the division, as well as capitalizing on transferable skills within the group that are key to design and manufacture blind structural fasteners.

#### ► DEVELOPING NEW PRODUCTS WITHIN EXISTING FAMILIES

In the threaded fasteners family, three new titanium nuts standards with different performance levels have been created, along with a self sealing version for fuel tanks areas. Development activities on these items has been carried out by both American and European teams in response to BOEING's and AIRBUS' specific requirements. The wealth of experience which we accrue with these developments and the current optimization work on definition and manufacturing procedures mean we can offer a range of titanium nuts which meets last customer requirements in terms of mass, carbon structure compatibility and environmental responsibility.

Regarding pre-assembly product family, we have been able to develop and apply for patent on an innovative drilling template positioning system, the first parts of those products currently being tested on the A380 production lines. This new system means that considerable time savings are made during the assembly process which can now be done 'blind' in an extremely precise and ergonomic manner, as it necessitates access to only one side of the structure compared to previous systems.

## ► MATERIALS AND PROCESSES DEVELOPMENT

During 2007 much qualification work was done in the materials and process field for chromate-free Hi Kote® products. These new generation Hi Kote® 1NC and Hi Kote® 4NC products, for which qualification testing has been successfully completed with BOEING and AIRBUS, are set to replace the widely used chromated organic aluminum coatings currently on the market. They are especially developed to fulfill the fastener systems specific requirements and will be complemented with other innovative coatings currently under development at LISI AEROSPACE. Those innovative coatings are part of the expertise that give us strong basis for development of new high-performance fastening systems.

Number of new materials have also been evaluated within LISI AEROSPACE, drawing on its skills and experience in the racing car sector which is always well ahead of the pack when it comes to researching higher-performing alloys or improving manufacturing processes. Again, this work gives us strong basis and solutions for designing new products to best fit our customers' requirements.

Finally, REACH regulations have come into force in Europe. Whilst the company has a strong desire to become market leaders terms of environmental responsibility, this has also had the effect of speeding up toxic substances replacement activities whether in the manufacturing process or in surface coatings. This early replacement exercise means we can continue to develop and manufacture constantly evolving, high-performance products with no negative impact on either health or environment.



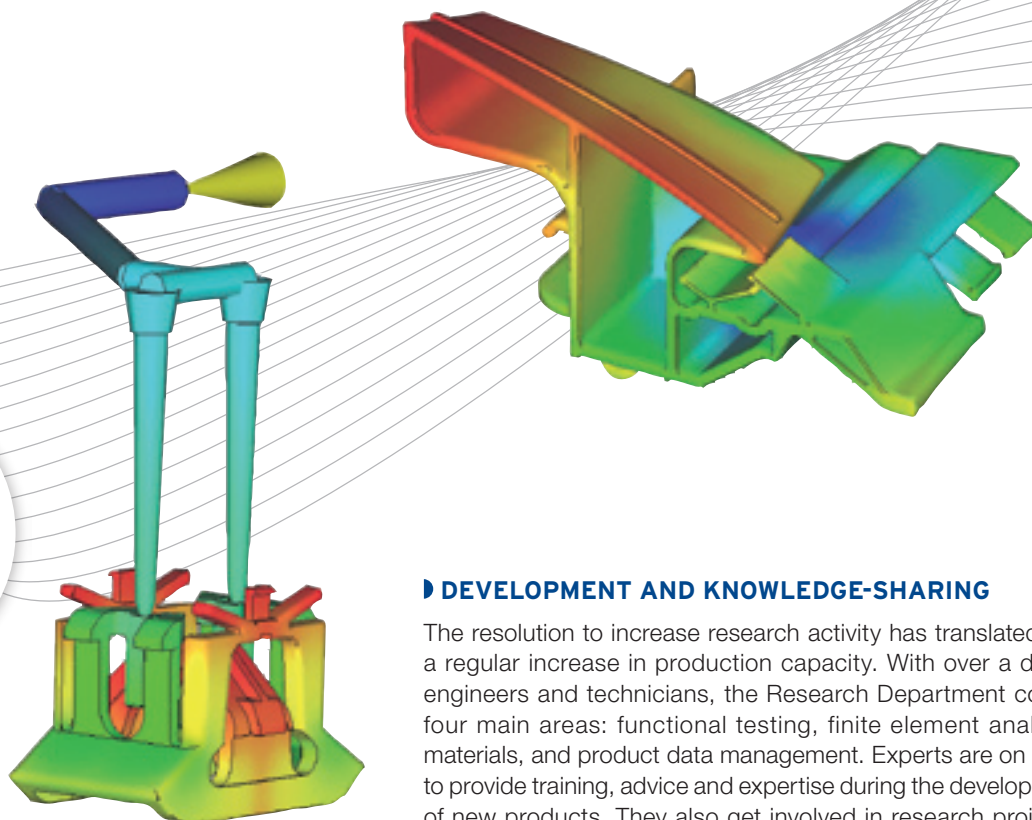
➤ Orders for new components, largely conceived at LISI AUTOMOTIVE's research and design department, remained at a steady high throughout 2007. With all three main Business Groups performing well, the new tools and new projects under development should guarantee a turnover of €35m for the year. 12 patent applications have been filed throughout the year, evidence of a hive of sales and product design team activity. Much of our new product development activity was focused on supporting our customers by supplying them with solutions best adapted to their needs. A number of outstanding safety component projects have recently got underway with specialist automotive equipment manufacturers.

Various research projects are now coming to fruition, notably with the approval of the first industrial casting of a very high-tensile steel which is now undergoing compliance testing with various potential customers. Optimization of heat treatments and digital simulation of thermal shock cracking have helped improve industrial performance.

The effective replacement of existing anti-corrosion coatings with Chromium VI (Cr6)-free coatings represents the culmination of 6 years' research and a large-scale industrial project. This change involves hundreds of different types of clips, screws and nuts with an annual volume of 30,000 tons. This replacement project was delivered on schedule, with a reduced impact on costs, thereby meeting LISI AUTOMOTIVE customers' needs.



**12**  
PATENT  
APPLICATIONS  
IN 2007



#### ► DEVELOPMENT AND KNOWLEDGE-SHARING

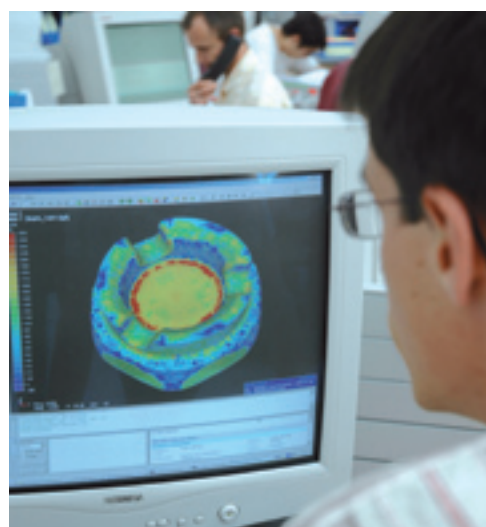
The resolution to increase research activity has translated into a regular increase in production capacity. With over a dozen engineers and technicians, the Research Department covers four main areas: functional testing, finite element analysis, materials, and product data management. Experts are on hand to provide training, advice and expertise during the development of new products. They also get involved in research projects, carried out either independently or in partnership with university or private laboratories. A Research Committee was set up in 2007; it approves research objectives and oversees research and development programs.

#### ► IMPROVING OUR SERVICES

Each Business Group (France, Germany, Global Tier 1 and Asia) has organized its sales and development teams along industrial and market lines. The main aim is to offer the best customer service, making use of proximity to the markets and an understanding of their individual requirements.

#### ► PROMOTING INNOVATION AND SUPPORTING NEW PRODUCT DEVELOPMENT

A new Innovation team has been created whose mission is to identify opportunities and emerging needs in each product sector. This team reports to the Strategy executive, in order to liaise between the group's innovation and strategy teams. In concert with the Business Groups, these experts identify new ideas as well as structuring and managing projects to ensure that innovative new products are successfully created.



## RESEARCH & DEVELOPMENT

## LISI COSMETICS



➤ At LISI COSMETICS, all our teams contribute to research and development, and every day we work innovatively to constantly find ways to improve our equipment and processes. This continuous improvement research has led, at the Aurillac site, to the integration of a “very high output” system by adding higher-performing technologies for decorating, automated assembly and ultrasound welding to its production line

At Saint-Saturnin-du-Limet we developed an “automated island” which can carry out screen printing, UV curing and etching on perfume bottle caps and related items. Depending on the size of the item, the process is carried out in batches of 5 or 8 units.

LISI COSMETICS also gets involved in technical development projects for its clients, often as a co-developer. For Shiseido’s “Zen gold”, LISI COSMETICS has developed a system of aluminium cutting which removes the need for further work either upstream or downstream on the production line.



The Diesel “Fuel for Life” spray-cap covers are produced using a new, digitally-operated moulding system. This allows the direction and number of rotations required to create the moulding and threading to be simultaneously controlled. These procedures are perfectly synchronised with the stamping press cycles.

At Aurillac, LISI COSMETICS’ in-house teams are designing new and increasingly flexible and efficient automated systems for the new ultrasound welding machine and for supplying and operating the automatic decorating processes. Quality control cameras make all automated processes more reliable.

6-axis robots which are programmed to handle particularly fragile injected items are partially equipped with “clean units”. Items produced through this «laminar flow» process offer greater levels of protection against external pollution.

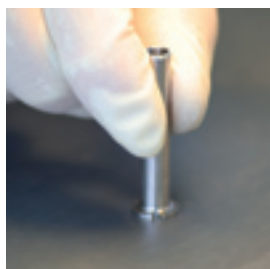
Finally, at the Nogent-le-Phaye site, the new metal plating and varnishing equipment which is being installed will bring equipment for plastic component surface treatment up to date

## RESEARCH & DEVELOPMENT

## LISI MEDICAL

➤ LISI MEDICAL aims to offer its customers a complete range of services from raw materials to the supply of white room-packaged products, with complete industrial integration.

When LISI MEDICAL was created, and its various and complementary companies acquired, the innovative drive which began in 2007 and will continue throughout 2008, is focused around 6 main themes.



### ► QUALIFICATION OF NEW PRODUCTS

Numerous prototypes have been created with different customers at different sites, whether for hip joints, spinal screws, shoulder prostheses, cervical plates, dental implants and related instruments.

### ► USING NEW MANUFACTURING TECHNOLOGIES

Alongside continuing advances in more traditional areas, significant progress has been made in high-precision deep drilling, high-speed 5-axis machining and automation.



### ► INDUSTRIAL ORGANIZATION

We are currently investigating ways to specialize our workshops along product family lines and the possibility of creating autonomous manufacturing units.

### ► COATING - MARKING

Based on an original LISI MEDICAL concept, we now have special anodization units which allow us to create components in a wide range of colours whilst still complying with the strict requirements of the medical sector.



We have also been researching ways to improve the quality and productivity of laser marking.



### ► DECONTAMINATION - PACKAGING

Construction of a clean room with ISO 7 & ISO 8 zones and ISO 5-standard laminar-flow means we will soon be able to offer packaging which can then be used in sterilization. We are currently undergoing the qualification procedure.

### ► APPROVAL MANAGEMENT

The way we manage and manufacture products is being updated to ensure we can offer customers complete, systematic, documented and referenced approval for products and the procedures involved in their manufacture.





## ENVIRONMENT

ENVIRONMENT

SAFETY

RISK  
MANAGEMENT

**7** It has been the stated aim of the LISI group, over the last few years, to attain a level of excellence in the areas of Health, Safety and the Environment by limiting our environmental impact and guaranteeing our employees and service providers safe and healthy working conditions, whilst reducing the industrial risks linked with the group's goods and services.

In drawing up its HSE charter in 2005, the LISI group undertook to implement concrete measures to manage its environmental impact and made the following commitments:

- to understand and respect regulations;
- to reduce energy consumption, waste water discharges and waste production;
- to actively promote continuous improvement.

All group divisions have since taken on these commitments and defined additional objectives by drawing up their own HSE policy.

### ► UNDERSTANDING AND COMPLYING WITH REGULATIONS

Aware of the constantly changing nature of environmental regulations, and taking into account the public authorities' concerns over the environment, the LISI Group has commissioned an audit campaign to ensure regulatory compliance in France and the US.

These audits aim to list all texts which apply to group activities and to identify the level of legislative and regulatory compliance required.

In France, the administrative standardization of LISI Group industrial sites in line with environmental protection legislation for classified facilities is an ongoing project.

The relevance of the classified activities at LISI Group industrial sites is regularly reviewed by an external agency. This agency will, where necessary, draft technical specification details to inform the competent authorities of any minor changes in activity at our sites, or will submit a request for permission to operate in the event of significant changes in activity.



## LISI: the responsible group

The LISI Group cares about the long-term impact its activities may have on the Environment; consequently, it is committed to:

- respecting current regulations;
- fighting pollution;
- improving its environmental performance.

### ► ENERGY EFFICIENCY, REDUCTION OF WASTE WATER DISCHARGE AND RECYCLING

In 2007, the LISI group continued to pursue its energy efficiency and waste water discharge reduction policy, and began research into the efficient processing of industrial waste.

There are three stages in this initiative to reduce our environmental impact:

- staff education and awareness-raising on the issues;
- identifying and prioritising the major environmental issues at each of the group's industrial sites;
- defining actions which can eliminate, if not reduce, pollution linked to these major environmental issues.

In 2007, this initiative led to concrete action, in the form of a reduction in the use of compressed air at the Delle site, a 50% reduction of aqueous waste through the installation of a sealed cooling system on the industrial equipment at the Melisey site and recycling of waste oil by re-using it in rolling machinery at the Saint-Florent-sur-Cher site.

Between 2004 and 2007, the support initiative at the materials preparation unit at the LISI AUTOMOTIVE division's Grandvillars site made the following reductions

- waste volumes reduced by 40%;
- volume of waste water discharge reduced by 53%;

- water pollutants reduced by 54%;
- natural gas consumption reduced by 37%;

all of which were achieved whilst production levels continued to increase.

In a similar continuous improvement exercise, the Saint-Saturnin-du-Limet site reduced its water consumption from 350 m<sup>3</sup>/day to 170 m<sup>3</sup>/day within 4 years. This net improvement is the fruit of systematic research into leaks, waste points or improving surface treatment processes.

### ► GAINING ISO 14001 CERTIFICATION

LISI's aim is to gain ISO 14001 certification at all group industrial facilities by 2010. To date, 9 LISI AUTOMOTIVE production sites (Grandvillars, Lure and Thiant in France, Bochum, Gummersbach, Herscheid, Kierspe and Mellrichstadt in Germany, Madrid in Spain) have already been certified.

The LISI Group's common HSE manual is currently being revised in order to comply with the environmental standard ISO 14001 requirements and OHSAS 18001 safety requirements.

The drafting of the HSE manual, defining requirements for environmental organization, and the performing of regular quality controls through internal HSE audits, are co-ordinated by the parent company.

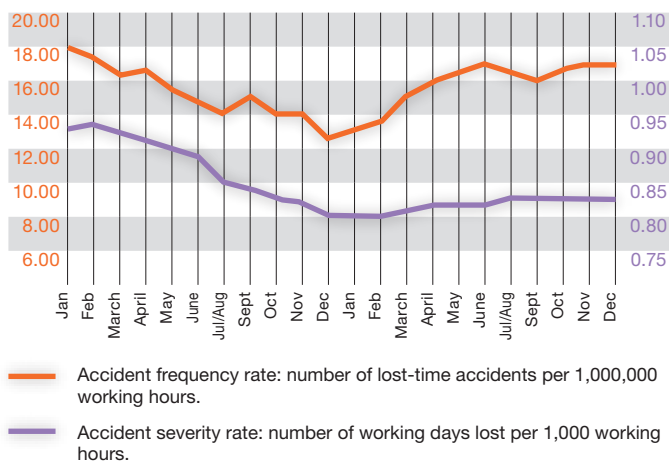
The HSE manual and internal HSE audits are tools which complement the implementation of the HSE management system which was created in line with ISO 14001 guidelines at all our industrial sites.



# SAFETY



CHANGES TO ACCIDENT FREQUENCY AND SEVERITY RATES BETWEEN JANUARY 2006 - DECEMBER 2007



The increase in the accident frequency rate and the levelling-off of the accident severity rate from January 2007 relates to the inclusion of data from KNIPPING-owned manufacturing sites in the LISI Group work accident statistics. In fact, security levels at these 5 sites is characterised by numerous low-severity accidents.

## MONITORING ACCIDENTS AT WORK

In 2008, the LISI group redefined its safety indicators: the lost time injury frequency rate, the accident frequency rate (with or without lost time) and the accident severity rate. To get a better view of the patterns and the impact of our action plans, every month there is a review of the indicators over the past 12 months.

Each accident at work, with or without lost time, is analyzed and corrective action is then taken by our entities.

These safety indicators are automatically included in the incentive scheme calculations or the relevant share of it for the workers concerned, showing how seriously the group takes safety at work.

## TOWARDS "ZERO ACCIDENTS"

The group has set a target of not exceeding more than 10 accidents at work with time loss per million working hours by the end of 2009.

The LISI Group HSE Manual will stipulate the health and safety at work standards. Internal HSE audits will be carried out to assist critical sites in identifying and managing their professional risks.

The LISI Group will also be working on a method of reducing accidents at work by helping critical sites to draw up safety protocols based on communication, analysis and resolution of malfunctions, training and a diligent approach.

The aim of this system is to help at-risk industrial sites improve their safety levels and to **significantly** and **permanently** reduce the number of accidents at work.

# RISK MANAGEMENT

## ► FOLLOWING COSO GUIDELINES

Since 2004, the group has carried out a monthly monitoring report following COSO guidelines to organize its risk mapping initiative. Having identified and listed risks at the level of each individual unit (production or distribution sites) the group classifies consolidated risk within a matrix showing occurrence probability and severity rate. Each risk identified is subject to an action plan which is periodically updated. A link is automatically made to proactive initiatives for risk prevention, insurance or accounting services.

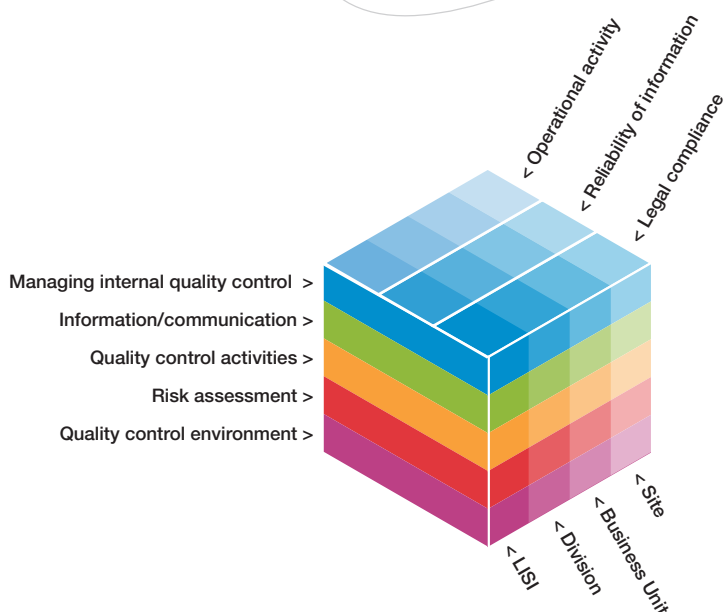
## ► INCREASED COOPERATION WITH INSURERS

This initiative has clarified the relationship with the insurers and has allowed us to organize prevention measures. Thus, all of the insurer's recommendations are included in the Environmental Safety Improvement Plans and are subject to periodic monitoring by the Risk Monitoring Committee.

The insurers revisit a dozen sites each year to assess not only damages and goods but also environmental risks; they then present their recommendations which are then fed into the action plan. Therefore there is a continuity of progress which ensures that the prevention policy is as efficient as possible, as well as ensuring that insurance premiums are optimized.

## ► DRAWING UP ACTION PLANS

Action plans draw together risk identification, preventative measures, asset protection and operational quality control within the group. The whole of the initiative is run by the company heading the LISI group in the areas of HSE, internal quality control and, shortly, accounts.



# STOCK MARKET DATA

## LISI SHARES DATA SHEET

ISIN Code: FR 0000050353  
Reuters Code: GFII.PA  
Bloomberg Code: FII.FP  
Category: B Eurolist  
Stock marketplace: Euronext Paris  
Number of shares: 10 753 861  
Market capitalization on  
31<sup>st</sup> December 2007: €699m  
Indices: CACmid 100, SBF 250 and Next 150

## SHARE LIQUIDITY

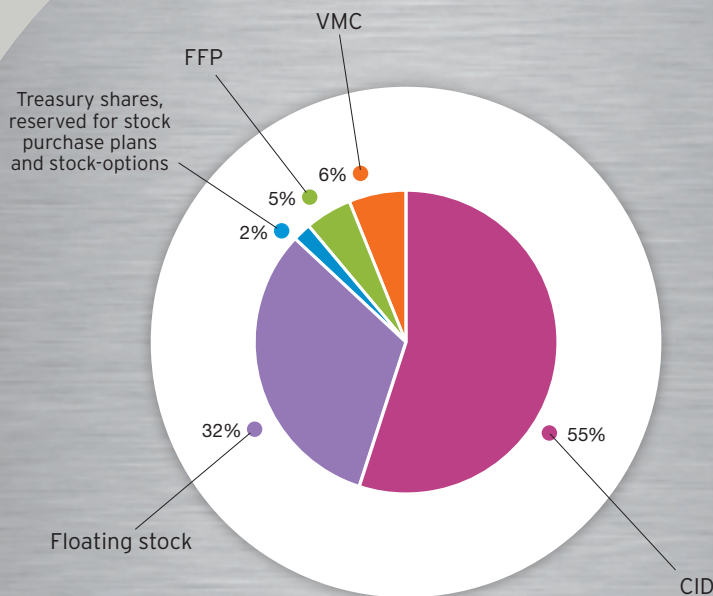
Float capital turnover rate: 103 %  
Average number of shares traded per day:  
12,400.

## CHANGES TO SHARE PRICES OVER 5 YEARS

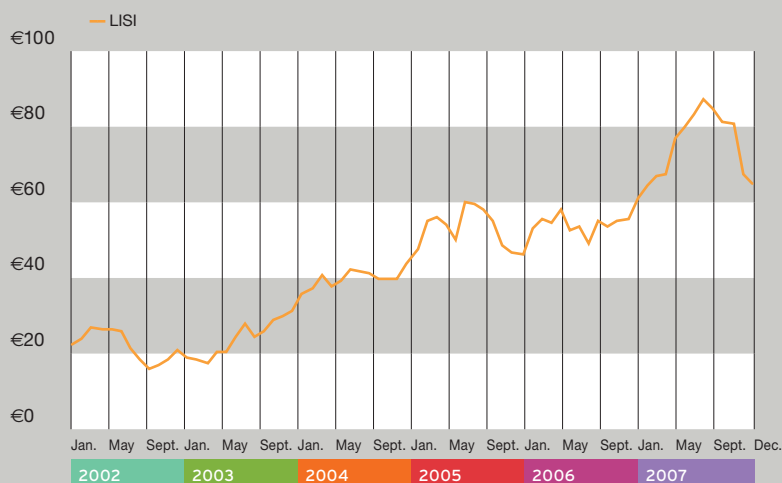
31/12/2002: €21,50  
31/12/2007: €65,00  
i.e. price has more than tripled in 5 years.

## FLOAT CAPITAL INCREASE

Float capital went from 29% in 2006 to 32% in 2007.



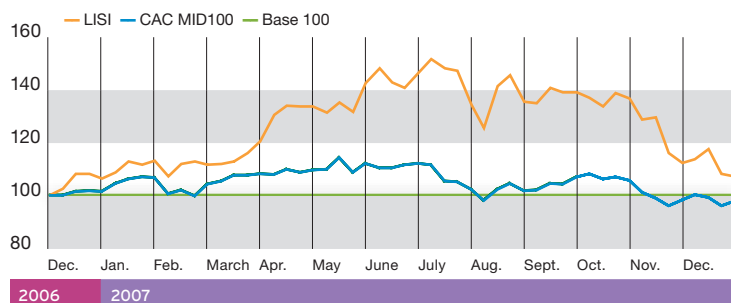
**BREAKDOWN OF SHARE CAPITAL**



## SHARE TREND REPORT

Closing price of LISI shares on 31<sup>st</sup> December 2007: €65.00  
Highest price (in session) in 2007: €92.00 on 19<sup>th</sup> June 2007  
Lowest price (in session) in 2007: €61.20 on 2<sup>nd</sup> January 2007





**+6.2%**  
LISI

**-1.9%**  
CAC  
MID 100

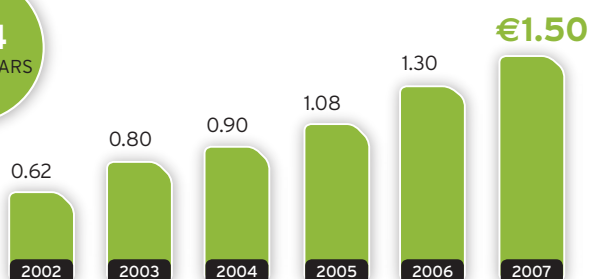
#### FINANCIAL MARKET RECOGNITION IN 2007

The CAC index only rose by 0.4% in 2007, having risen by 17.5% in 2006.

The CACMID 100 on the other hand fell by 1.9% in 2007, following a 29.8% rise in 2006.

The LISI S.A. shares rose by 6.2% in 2007, after strong growth of 33% in 2006.

**x2.4**  
OVER 5 YEARS

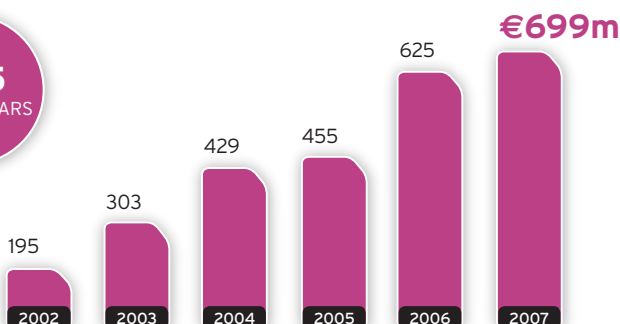


#### DIVIDENDS SHOW STRONG GROWTH (in €)

The dividend to be proposed at the AGM on 29 April 2008 will be €1.5 per share, or an increase of 15% on the last financial year. It will represent a payout ratio, taking into account the sale of Eurofast, of 28% of net income compared with an average of 27% over the last 5 years.

\* excluding tax credit for 2002-2004.

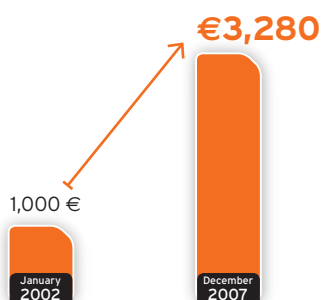
**x3.5**  
OVER 5 YEARS



#### 3.5-FOLD INCREASE IN STOCK MARKET VALUE OVER 5 YEARS (in €M)

The continued rise in share values over 5 consecutive years goes hand-in-hand with the improved equity liquidity, with over 12,400 shares being traded each day, giving a float capital turnover rate of 103%.

**+38%**  
PER ANNUM



#### RETURN ON INVESTMENT IN LISI S.A. SHARES OVER 5 YEARS (in €)

A LISI shareholder investing 1,000 euros on 1<sup>st</sup> January 2002 would have found themselves with capital of €3,280 on 31 December 2007. Their investment would have yielded an annual return of around 38% per annum.

## Institutional investors and financial analysts

### Our transparency policy

It is LISI S.A.'s policy to engage in an ongoing dialogue with institutional investors and financial analysts, regularly transmitting information to the financial community to help it understand the company's financial situation and strategy and to understand events which may affect its performance.

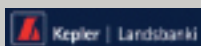
In 2007, financial communications were made as follows:

- public information meetings on the publication of half-year and annual reports;
- telephone conferences for the release of quarterly sales revenue reports, financial market road-shows in Europe, Canada and the US, which meant LISI S.A. management could meet investors from all over the world (33 days in 2007);
- individual meetings between the financial directors and institutional investors.

Throughout the financial year 2007, LISI S.A. management met with over 180 investors and assisted ten financial analysts with their research.

## Financial notes

The financial analysts monitoring LISI S.A. shares are:



## 2008 Events

The AGM will be held on 29th April 2008 on company premises: Tour Gamma A - 193 rue de Bercy - 75012 PARIS.

Dividend payments will be made on 7th May 2008.

Sales revenue for the second quarter of 2008, as well as half-yearly accounts will be available on line via the company website ([www.lisi-group.com](http://www.lisi-group.com)), on the evening of 28th July 2008.

## Contact us

For any information or documentation:

LISI S.A Financial Department

Tel: +33 (0)3 84 57 00 77

Fax: +33 (0)3 84 57 02 00

Email: [emmanuel.viellard@lisi-group.com](mailto:emmanuel.viellard@lisi-group.com)

Shareholders, investors, financial analysts and financial and economic press please contact:

Mr Emmanuel Viellard

Deputy CEO

## Documentation

Annual report in French and English (hard copy and CD)

Press releases

Website: [www.lisi-group.com](http://www.lisi-group.com)

The company website has been available in French and English for 7 years. The annual report, as well as quarterly bulletins and all regulated information, can be downloaded from the website. Stock market prices are available and are updated daily during market opening hours.

## Market-making contract

The market-making contract conforms to AFEI regulatory requirements and is made by:

ODDO FINANCE CORPORATE

Mr Hervé Ginot

Email: [hginot@oddo.fr](mailto:hginot@oddo.fr)

Tel: +33 (0)4 72 68 27 60

# FINANCIAL SUMMARY

## LISI GROUP CONSOLIDATED INCOME STATEMENT

(in thousand euros)	31/12/2007	31/12/2006
<b>SALES REVENUES EXCLUDING TAX</b>	<b>815,957</b>	<b>739,733</b>
Changes in inventory, finished and in process goods	14,817	13,781
Total production	830,773	753,513
Other revenue	5,907	6,035
<b>Total operating revenues</b>	<b>836,681</b>	<b>759,548</b>
Cost of materials	(242,130)	(214,236)
Other purchases and external expenses	(152,173)	(140,870)
<b>Added Value</b>	<b>442,378</b>	<b>404,443</b>
Taxes and duties	(10,648)	(11,886)
Personnel expenses (incl. temporary staff)	(289,793)	(270,231)
<b>EBITDA</b>	<b>141,937</b>	<b>122,326</b>
Depreciation	(38,421)	(36,729)
Net provisions	(3,464)	3,023
<b>EBIT</b>	<b>100,052</b>	<b>88,620</b>
Non-recurring operating expenses	(19,835)	(4,765)
Non-recurring operating revenues	25,258	1,935
<b>Operating profit</b>	<b>105,475</b>	<b>85,790</b>
<b>Financing expenses and revenue on cash</b>	<b>(8,174)</b>	<b>(7,672)</b>
Revenue on cash	4,899	1,890
Financing charges	(13,073)	(9,562)
<b>Other financial expenses and revenues</b>	<b>1,060</b>	<b>(1,633)</b>
Other financial revenues	3,087	1,503
Other financial expenses	(2,027)	(3,136)
Taxes	(30,808)	(28,395)
<b>Net profit</b>	<b>67,553</b>	<b>48,090</b>
Profit attributable to the Group	67,553	47,989
Minority interests	0	102
<b>Earnings per share (in €)</b>	<b>6.60</b>	<b>4.93</b>
<b>Diluted earnings per share (in €)</b>	<b>6.45</b>	<b>4.57</b>

## LISI GROUP CONSOLIDATED BALANCE SHEET

## ASSETS

(in thousand euros)	31/12/2007	31/12/2006
<b>NON-CURRENT ASSETS</b>		
Goodwill	136,738	118,034
Other intangible assets	15,529	16,070
Tangible assets	232,120	224,165
Financial assets	4,976	5,258
Deferred taxes	14,118	15,806
Other non-current assets	219	16,522
<b>Total non-current assets</b>	<b>403,700</b>	<b>395,855</b>
<b>CURRENT ASSETS</b>		
Inventories	173,345	170,578
Taxes – claim on the state	8,517	7,456
Trade and other receivables	118,764	116,443
Financial assets	55,332	22,801
Cash and cash equivalents	62,931	27,467
<b>Total current assets</b>	<b>418,889</b>	<b>344,746</b>
<b>TOTAL ASSETS</b>	<b>822,589</b>	<b>740,601</b>
* Of which other non current financial assets	0	16,289

## SHAREHOLDERS' EQUITY AND LIABILITIES

(in thousand euros)	31/12/2007	31/12/2006
<b>SHAREHOLDERS' EQUITY</b>		
Capital stock	21,508	20,422
Additional paid-in capital	68,353	42,963
Treasury shares	(7,814)	(5,479)
Consolidated reserves	285,179	250,169
Conversion reserves	(12,495)	(2,325)
Other income and expenses recorded directly as shareholders' equity	3,042	3,087
Profit for the period	67,553	47,989
<b>Total shareholders' equity – Group's share</b>	<b>425,326</b>	<b>356,826</b>
Minority interests	0	224
<b>Total shareholders' equity</b>	<b>425,326</b>	<b>357,050</b>
<b>LONG-TERM LIABILITIES</b>		
Non-current provisions	30,702	34,459
Non-current financial debt	87,784	110,811
Other long-term debt	3,070	3,237
Deferred taxes	31,836	31,077
<b>Total long-term liabilities</b>	<b>153,392</b>	<b>179,584</b>
<b>SHORT-TERM LIABILITIES</b>		
Current provisions	6,128	3,771
Current financial debt*	83,757	61,320
Trade and other payables	145,857	128,719
Tax liability	8,128	10,159
<b>Total short-term liabilities</b>	<b>243,870</b>	<b>203,968</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS EQUITY</b>	<b>822,589</b>	<b>740,601</b>
* of which banking facilities	52,628	32,417



## LISI GROUP CONSOLIDATED CASH FLOW STATEMENT

(In thousand euros)	31/12/2007	31/12/2006
<b>Operating activities</b>		
<b>Net profit</b>	<b>67,552</b>	<b>48,090</b>
Elimination of net charges not affecting cash flows		
- Depreciation and non-recurrent financial provisions	38,306	37,370
- Changes in deferred taxes	1,725	1,493
- Income on disposals and others	(7,857)	1,902
<b>Net cash flow</b>	<b>99,726</b>	<b>88,855</b>
Net changes in provisions provided by or used for current operations	2,901	(2,001)
<b>Cash flow</b>	<b>102,627</b>	<b>86,854</b>
Elim. of corporate income tax (debit or credit)	29,084	26,903
Elim. of net interest	10,408	8,961
Effect of changes in inventory	(11,801)	(22,768)
Effects of changes in accounts receivable and accounts payable	10,736	8,663
<b>Net cash provided by or used for operations before tax</b>	<b>141,055</b>	<b>108,613</b>
Taxes paid	(31,699)	(25,498)
<b>Cash provided by or used for operations (A)</b>	<b>109,356</b>	<b>83,115</b>
<b>Investment activities</b>		
Acquisition of consolidated companies	(32,348)	(165)
Acquired cash	1,449	0
Acquisition of tangible and intangible fixed assets	(44,112)	(48,067)
Acquisition of financial assets	(120)	(730)
Change in granted loans and advances	(24)	(51)
Investment subsidies received	0	0
Dividends received	0	0
<b>Total cash used for investing activities</b>	<b>(75,155)</b>	<b>(49,013)</b>
Disposed cash	1,315	0
Disposal of consolidated companies	20,000	0
Disposal of tangible and intangible fixed assets	971	459
Disposal of financial assets	0	6
<b>Total cash from disposals</b>	<b>22,286</b>	<b>466</b>
<b>Cash provided by or used for investing activities (B)</b>	<b>(52,869)</b>	<b>(48,547)</b>
<b>Financing activities</b>		
Capital increase	25,525	14,633
Net disposal (acquisition) of treasury shares	0	(274)
Dividends paid to Group shareholders	(12,979)	(10,413)
Dividends paid to minority shareholders of consolidated companies	0	(43)
<b>Total cash from equity operations</b>	<b>12,546</b>	<b>3,903</b>
Issue of long term loans	6,479	89,566
Issue of short term loans	819	14,863
Repayment of long term loans	(4,574)	(89,011)
Repayment of short term loans	(25,385)	(30,858)
Net interest paid	(9,866)	(8,243)
<b>Total cash from operations on loans and other financial liabilities</b>	<b>(32,526)</b>	<b>(23,682)</b>
<b>Cash provided by or used for financing activities (C)</b>	<b>(19,980)</b>	<b>(19,779)</b>
Effect of change in foreign exchange rates (D)	(2,678)	(1,328)
Effect of change in accounting principles (D)	(2,335)	1,186
<b>Changes in net cash (A+B+C+D)</b>	<b>31,495</b>	<b>14,646</b>
Cash at year start (E)	34,141	19,493
Cash at year end (A+B+C+D+E)	65,635	34,141
Financial assets	55,332	39,090
Cash and cash equivalents	62,931	27,468
Banking facilities	(52,628)	(32,417)
<b>Cash at year end</b>	<b>65,635</b>	<b>34,141</b>

## LISI GROUP CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(in thousand euro)	Capital stock	Share premium	Treasury shares	Consolidated reserves	Conversion reserves	Other income and expenses recorded directly as shareholder's equity	Profit for the period, group share	Total shareholders' equity – Group's share	Minority interests	Total shareholders' equity
<b>Shareholders' equity as of 1 January 2006</b>	<b>19,794</b>	<b>28, 053</b>	<b>(6,665)</b>	<b>224,959</b>	<b>5,206</b>	<b>3,256</b>	<b>35,572</b>	<b>310,175</b>	<b>166</b>	<b>310,340</b>
Annual income N							47,989	47,989	102	48,090
Currency translation adjustments					(7,531)			(7,531)		(7,531)
Share-based payments (a)		302						302		302
Capital increase	628	14,005						14,633		14,633
Readjustment of treasury shares (b)			1,186			139		1,325		1,325
Net income allocation N-1				35,572			(35,572)			
Change of methods				46				46		46
Changes in reporting entity				1				1		1
Dividends paid				(10,413)				(10,413)	(43)	(10,456)
Reclassification		603				(603)				
Various (c)				4		295		299		299
<b>Shareholders' equity as of 31 December 2006</b>	<b>20,422</b>	<b>42,963</b>	<b>(5,479)</b>	<b>250,169</b>	<b>(2,325)</b>	<b>3,087</b>	<b>47,989</b>	<b>356,826</b>	<b>224</b>	<b>357,049</b>
<i>Of which recognised total income and expenses for the period (a) + (b) + (c)</i>					(7,531)	434	47,989	40,892		
Annual income N							67,553	67,553		67,553
Currency translation adjustments					(10,170)			(10,170)		(10,170)
Share-based payments (a)		951						951		951
Capital increase	1,086	24,439						25,525		25,525
Readjustment of treasury shares (b)			(2,335)			(45)		(2,380)		(2,380)
Net income allocation N-1				47,989			(47,989)			
Change of methods										
Changes in reporting entity				0				0	(224)	(224)
Dividends paid				(12,979)				(12,979)		(12,979)
Reclassification										
<b>Various (c)</b>										
<b>Shareholders' equity as of 31 December 2007</b>	<b>21,508</b>	<b>68,353</b>	<b>(7, 814)</b>	<b>285,179</b>	<b>(12,495)</b>	<b>3,042</b>	<b>67,553</b>	<b>425,326</b>	<b>0</b>	<b>425,326</b>
<i>Of which recognised total income and expenses for the period (a) + (b) + (c)</i>					(10,170)	(45)	67,553	57,338		



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