

ACTIVITY REPORT

# Key figures

## EBIT

€98.2m

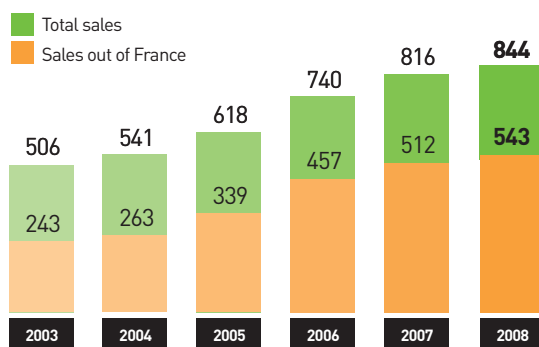
11.6% / SALES

## NET PROFIT

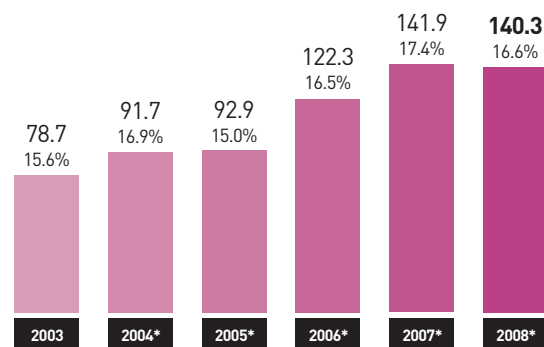
€56.2m

6.7% / SALES

### CONSOLIDATED SALES IN €M

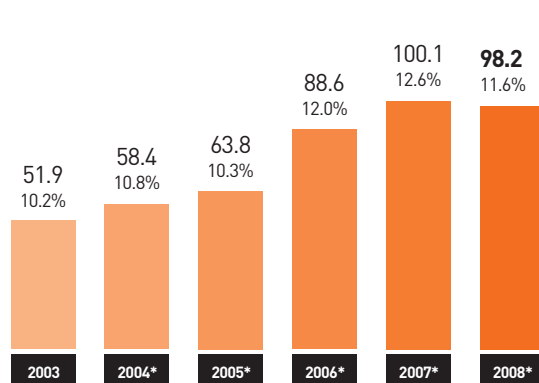


### EBITDA IN €M AND % / SALES



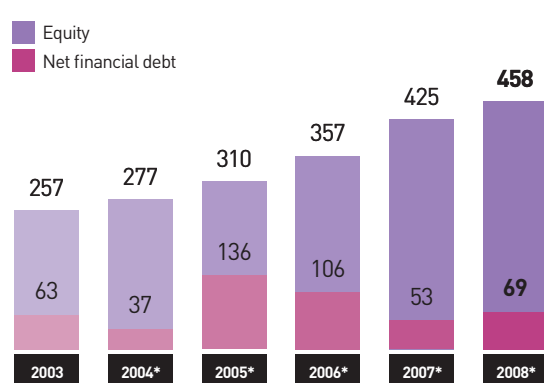
\*IFRS Standards

### EBIT IN €M AND IN % / SALES



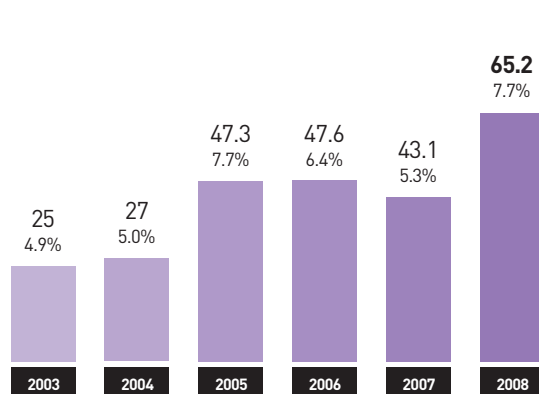
\*IFRS Standards

### EQUITY CAPITAL AND NET FINANCIAL DEBT IN €M

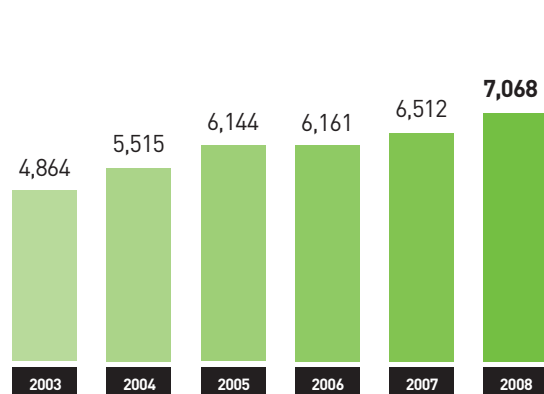


\*IFRS Standards

### NET CAPITAL EXPENDITURE IN €M AND IN % / SALES



### WORKFORCE (REGISTERED)



NET FINANCIAL DEBT

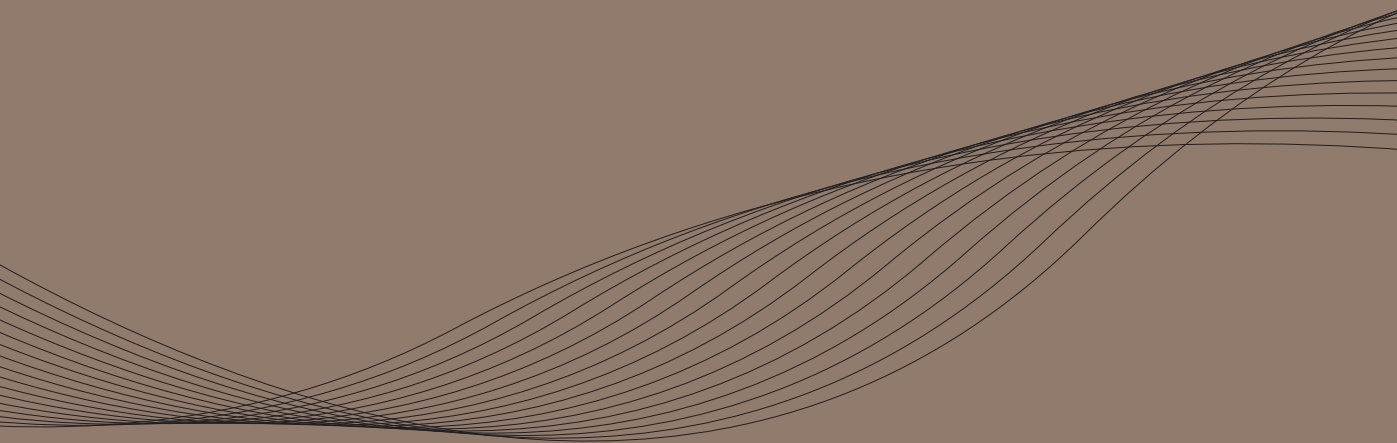
€69.4m

11.6% / SALES

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FINANCIAL REPORT 2008





## SUMMARY

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€844m

2008 TURNOVER

+4.5%

ANNUAL GROWTH

# Profile

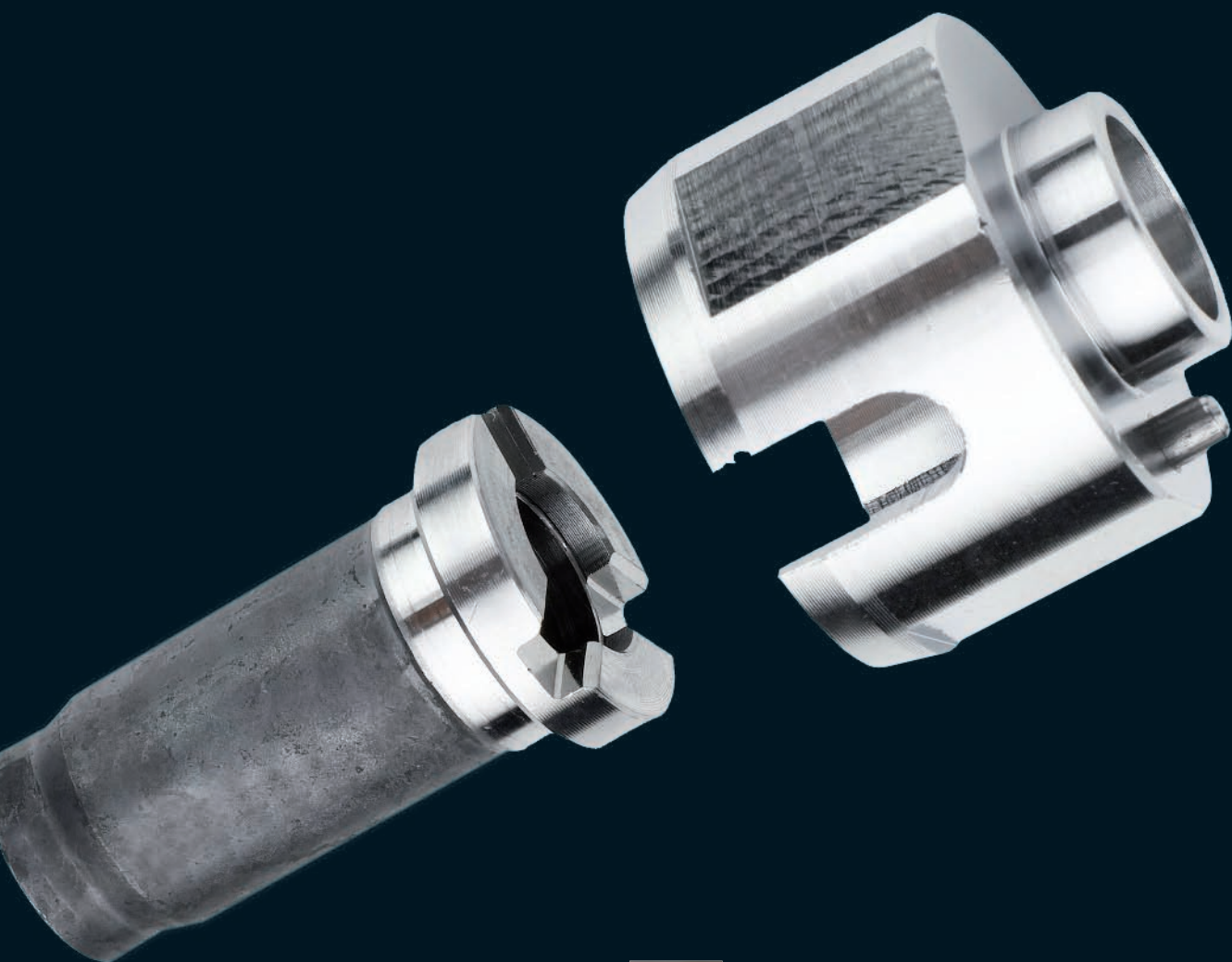
- **Manufacturer of assembly fasteners and components for the aerospace, automotive, perfume and cosmetics industries, the LISI Group has a strong industrial and international culture. When it comes to innovative challenges, its strength lies in its flexibility and its ambitious growth policy, based on both acquisition and internal growth. LISI has multiple industrial investments and every single one of its employees takes the health and safety and environmental responsibilities for these sites very seriously. The LISI Group is a major competitive force in the global markets in which it operates, and is thus well-positioned to respond to the demands of even its largest customers.**

# Link

## Link not just a trade!

A brand which covers a wealth of related activities, LISI is first and foremost associated with its original trade of screw and fastener manufacturing, founded in the 18<sup>th</sup> century. Initially based largely in France, it quickly expanded to European and then international level. LISI effectively exploits the group's cross-industrial synergies, linking commercial aircraft with dental implants and cars with perfume packaging components. These links are strengthened by LISI's business ethics, based on people power and action.





# Link

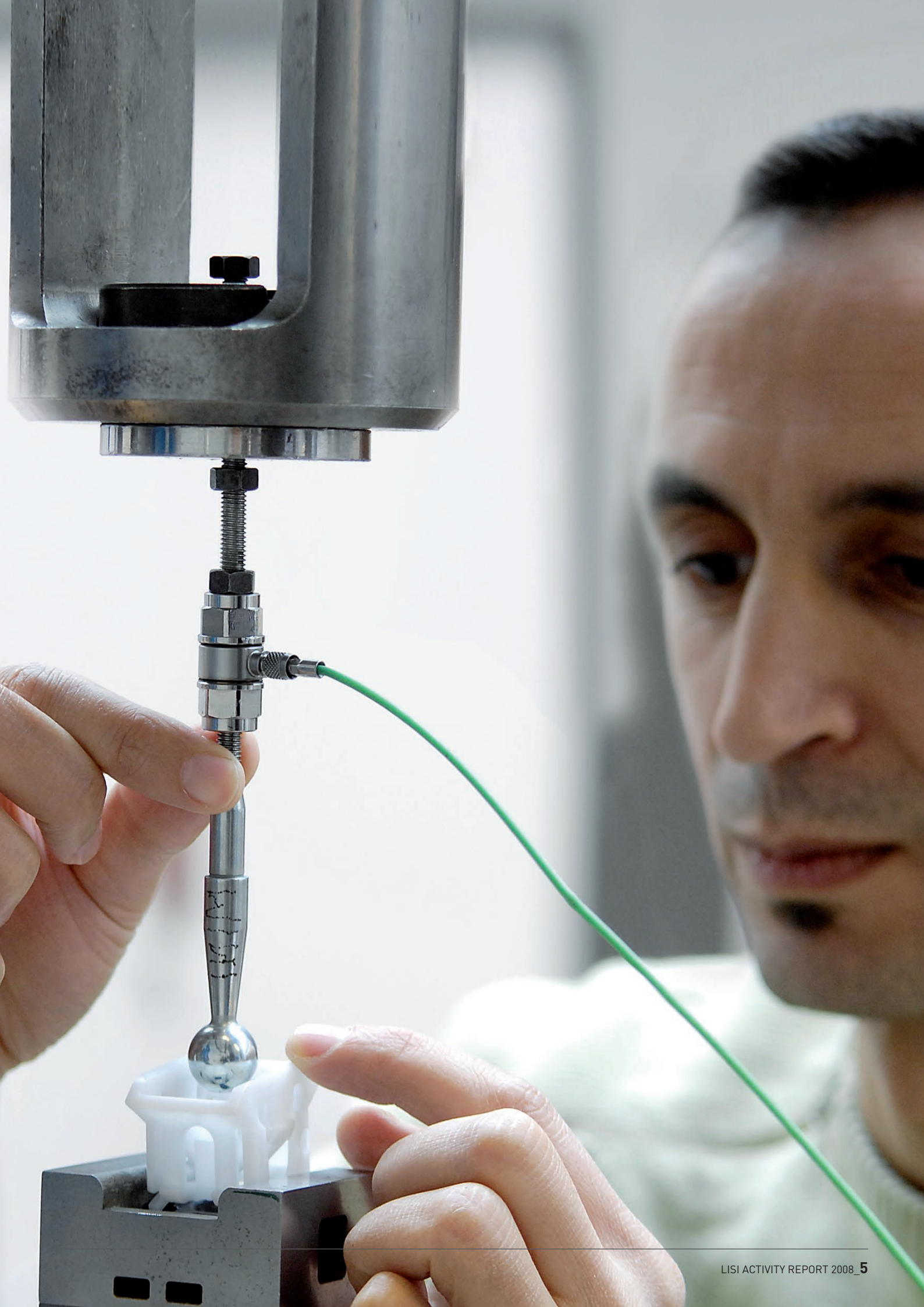
# Strategy

## Knowledge-sharing

The fact that co-development is encouraged within high-tech activities is the best indicator of the complexities inherent in these processes: no single model, system or process can come up with a complete answer. Each product brief is by its nature multifunctional, involving unexpected risks and challenging existing areas of knowledge. Teams are empowered to work innovatively, getting actively involved in research, methodology and testing processes, bolstered by the weight of their diversified and collective experience, so they can effectively meet the challenges which production processes present.

# Solutions







# Value added

## Quest of balance

Meeting manufacturing challenges has long been synonymous with satisfying volume, standards and organizational demands. Consistently achieving excellence on a daily basis is an ongoing challenge, under the pressure of increasingly strong commitments to quality control, social and environmental responsibility, health and safety standards and customer service. There are energy and environmental compliance issues to be managed across 4 continents. In addition to simulations and prototyping, teamwork and education are the main drivers of ongoing progress. In defining internal and external changes we ensure that we share a common industrial vision and can thus continue to optimize manufacturing conditions throughout the coming century.

# Indus





try



# Letter from the management team



**Gilles KOHLER**  
Chairman and Chief Executive Officer of LISI  
Chairman of LISI AUTOMOTIVE.

**Emmanuel VIELLARD**  
Deputy Chief Executive Officer of LISI  
Chairman of LISI AEROSPACE.

## → 2008: a year of contrasts

Whilst adverse conditions meant that 2007 was far from plain sailing, the start of 2008 saw some favourable trade winds helping our aerospace and automotive divisions steer a steady course. In working to our development plans, by the end of the first half we had attained and even exceeded the main growth, returns and cash objectives which we had set for ourselves

The automotive industry crisis struck in the last quarter of 2008 with sudden and unexpected violence, brutally arresting its hitherto upward spiral, and producing highly contrasting outcomes, as evidenced by this year's figures.

**€844m annual turnover, a 3.5% increase on 2007**, whilst the last quarter showed a 7.4% drop, a result of collapsing automotive customer sales, whilst our aerospace division showed continued growth with a record turnover of over €408m.

**Consolidated EBIT of €98m, with an 11.6% operating margin**, down 2% on 2008, with improved performances for LISI AEROSPACE and a very slightly negative performance for LISI AUTOMOTIVE in the second half.

**A net profit of €56m** representing almost 7% of turnover but a **Free Cash Flow of less than €10m**, penalized by an uncontrollable increase in our stocks at the end of the year.



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## → Strong cyclical contrasts between divisions

Throughout 2008, **LISI AEROSPACE** thus saw growth in double figures, boosted by its US subsidiaries HI SHEAR and MONADNOCK. Excellent handling of its costs and returns on productivity resulted in an exceptional operating margin of over 20%, continuing a three-year upward trend. Finally, 2008 saw greater expenditure on investments necessary to keep pace with the growth of the new AIRBUS and BOEING markets.

After a first half in which a 3% sales increase helped it attain its 7% EBIT target, **LISI AUTOMOTIVE** saw its turnover fall in the second half taking it to a total of €385m, and then its subsequent profits collapsed, with an annual operating margin equating to 3.6%. However, despite an increase in stocks linked to repeated automotive manufacturing stoppages, Free Cash Flow before assignment of divisional debts remained positive.

In contrast with 2007 when it boasted a 25% increase in turnover, **LISI COSMETICS'** performance was down for the first quarter of 2008, and remained so throughout the year, closing with a year-end figure of €51m, down 7% on 2007. Despite this drop in performance, the division managed to maintain a positive EBIT figure of 2.5%.

Following the acquisition of SEIGNOL in late 2007, the new **LISI MEDICAL** division achieved a turnover of €24m, in line with expectations, and an operating margin consistent with the group average, including improvements to facilities built to accommodate future developments.

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## → Key areas for development in 2009: convictions and opportunities

Uncertainties over the duration of automotive industry upturn and the possible aerospace sector downturn have indubitably affected LISI's share value, which for the first time has under-performed market indices. The 62% drop over a 12-month period was clearly 2008's most disappointing performance. Ensuring our share price regains its value is one of our main objectives for the coming year.

To this end, four key areas for development have been identified:

**Cash flow management:** invested capital in all Group divisions is to be strictly controlled and with the specific aim of reducing stock levels across all divisions.

**Protecting the operating margin,** by adapting the relevant structures within each country whilst avoiding impeding any potential resurgence which may occur.

**Pursuing areas for development,** such as supporting those innovative policies at LISI AEROSPACE which have ensured it is well-positioned for new AIRBUS and BOEING components, rolling out best practices across all LISI AUTOMOTIVE divisions and increasing the power of the new LISI COSMETICS factory at Nogent-le-Phaye.

**Ensuring market consolidation,** based on the possible opportunities which may occur during cyclical troughs and as made possible by the group's solid financial status, as measured by its 15% gearing ratio as of 31 December 2008.

2009 is set to be a tempestuous time for all, whether employees, shareholders, suppliers or customers.

The group's management teams are, more than ever, aware of their responsibilities to all: their unfailing motivation and personal commitment in implementing these key areas for development shall be the catalyst for renewed growth within the group.

# Board of directors

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## → Executive Committee

**Jean-Philippe KOHLER**  
Vice President in charge of LSI internal auditing

**Gilles KOHLER**  
Chairman and Chief Executive Officer of LSI  
Chairman of LSI AUTOMOTIVE

**Emmanuel VIELLARD**  
Deputy Chief Executive Officer of LSI  
Chairman of LSI AEROSPACE



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## → The Board of Directors

**Gilles KOHLER**  
Chairman

**Emmanuel VIELLARD**  
Deputy Chairman

**Eric ANDRE**  
Director

**Roland BURRUS**  
Director

**Patrick DAHER**  
Director

**Pascal LEBARD**  
Director

**Lise NOBRE**  
Director

**Christian PEUGEOT**  
Director

**Jean-Philippe KOHLER**  
Permanent Representative  
of CIO 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

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## → LISI AEROSPACE

**Christian DARVILLE**  
Vice President US Operations

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

**Emmanuel NEILDEZ**  
Vice President – European Operations of  
LISI AEROSPACE

**Jean-François MICHELETTI**  
Group Finance Director of  
LISI AEROSPACE

**François-Xavier DU CLEUZIQU**  
Vice President of Sales and Marketing  
of LISI AEROSPACE



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## → LISI AUTOMOTIVE

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

**Yves DREYER**  
General Manager Industrial and Purchasing  
of LISI AUTOMOTIVE

**Laurent SANCHEZ**  
Chief Executive Officer, Business Group  
of LISI AUTOMOTIVE

**Daniel PITSCHMANN**  
Chief Executive Officer, Business Group Germany  
of LISI AUTOMOTIVE

**Patrick FAVRE**  
Chief Executive Officer of LISI AUTOMOTIVE

**Patrick WEISSE**  
Vice President Finance and Administration  
of LISI AUTOMOTIVE



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## → LISI COSMETICS

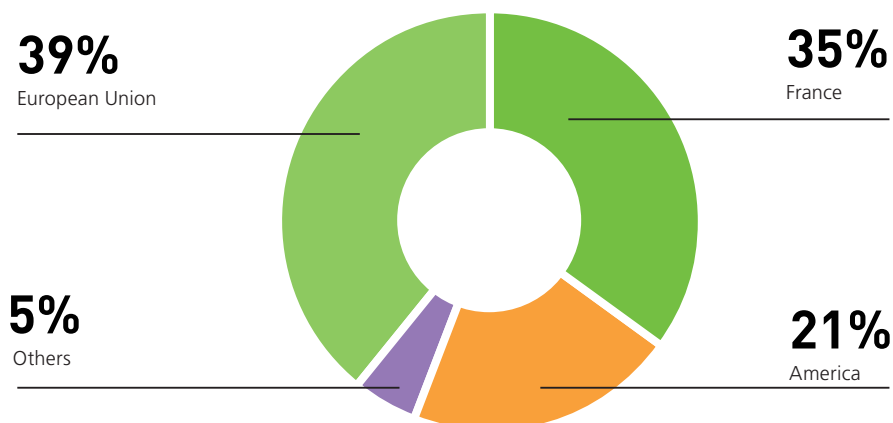
**Michel GUIGNARD**  
Chairman and Chief Executive Officer  
of LISI COSMETICS

**Eric DESPRES**  
Vice President Finance and Administration  
of LISI COSMETICS



# Worldwide locations

## → 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)

- Hambourg (Germany)
- Blagnac

### 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)
- Shanghai (China)
- Brno (Czech Republic)

- Dabrowa Gornicza (Poland)
- Solihull (UK)
- Ahmedabad (India)

### LISI COSMETICS

3 PLANTS IN FRANCE

#### France

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

### LISI MEDICAL

4 PLANTS  
2 IN FRANCE

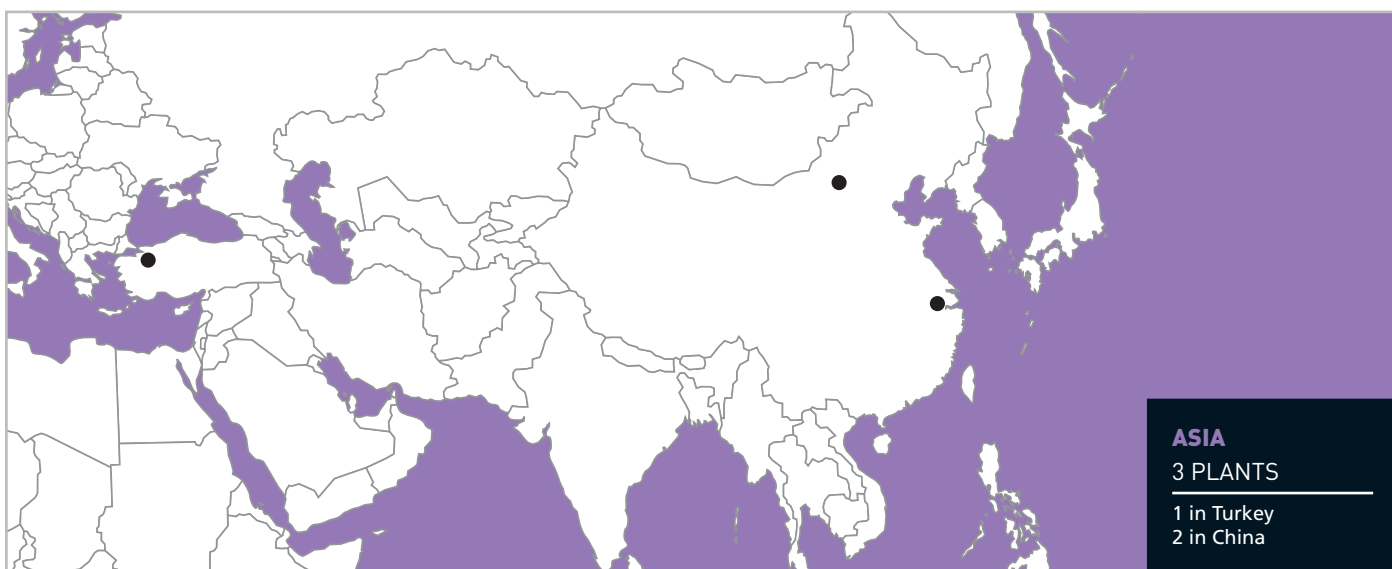
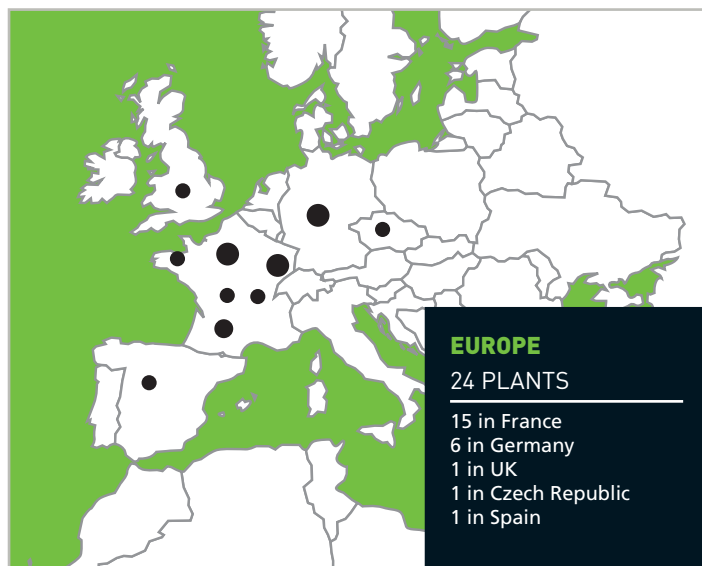
#### France

- Fleurioux-sur-l'Arbresle
- Neyron

#### Outside France

- Escondido (USA)
- Tangiers (Morocco)

- Production
- Commercial



#### SALES REPRESENTATION

##### 12 COUNTRIES

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

#### PRODUCTION

##### 10 COUNTRIES

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

## LISI AEROSPACE



### → Pursuit of the Skyline 2010 plan

LISI AEROSPACE has been pursuing its Skyline 2010 business plan, as unveiled at Le Bourget International Air Show in 2007. The aim of this plan is to structure the company to ensure it keeps pace with the projected medium-term growth of its market.

Work is being done to ensure that industrial procedures are up-to-date and up-to-speed; major works have been undertaken at five sites:

- expansion of the site at Izmir, Turkey;
- expansion of the site at Rugby, UK;
- complete reorganization of the industrial complex at de Saint-Ouen l'Aumône, France;
- a second extension of the plant in Dorval, Canada;
- creation of a new industrial unit at Torrance, USA.

To offer its staff and customers first-class infrastructures, sites at Torrance (USA) and Saint-Ouen l'Aumône (France) have begun external and internal building renovations, modernizing reception areas and offices in line with the group's architectural scheme.

### → Record growth in north America

North American sites achieved record performances in 2008, with annual turnover up over 30% on 2007.

This growth was largely driven by demand from BOEING and its B787 programme; the Torrance site in California was its main beneficiary, breaking the \$200m (US) turnover barrier, with 1,200 employees (full-time equivalent).

The Canadian site also benefited hugely from having achieved client qualifications the previous year, and from its modern production facilities which are now completely integrated. It has strengthened its commercial positions and now employs 130 staff (full-time equivalent) after only three years' operations.



### → Grand opening of a new research and development centre

In 2008, LISI AEROSPACE opened its new Research and Development Centre at Saint-Ouen l'Aumône, France. The centre has been expanded, and equipped with dedicated production facilities and a laboratory with cutting-edge equipment and instruments. With this infrastructure, LISI AEROSPACE now has all the necessary technology to develop the new products and installation tools required to keep pace with aerospace manufacturing technology, the use of new materials and changes to environmental compliance standards.

### → Qualifications & new products

Important qualification and research and development work has been underway throughout 2008:

- BOEING qualifications: extending the range in the USA, Canadian site qualification, European site qualification,
- developing new products for the A350 program,
- developing new coatings compliant with current environmental requirements,
- acquiring new product licenses,
- developing a range of locks and expansion pins.



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## LISI MEDICAL

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### → Creation of the Horizon 2012 plan

Having analyzed the market and its strategic position within it, LISI MEDICAL defined and laid the first foundations for a business project entitled "Horizon 2012".

The aim of this restructuring plan is to keep pace with market growth and anticipate client demand, in terms of:

- capacity and technology
- international standards and quality
- logistics

The initial phases of this project involve:

- gearing up the division's manufacturing sites
- drawing up development plans for each market segment
- making significant investments in various sites across France, Morocco and the USA.

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### → Creation of project teams

The process of uniting the 4 LISI MEDICAL sites around common values and a shared vision has begun with the creation and implementation of a projects team, which will offer customer support throughout the whole product launch phase, from expression of initial interest right through to first bulk order deliveries.

This experienced team should be instrumental in the success of LISI MEDICAL's development and in ensuring excellent ongoing customer-partner relations.

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### → A structure for international excellence

LISI MEDICAL needs to have total confidence in the quality of its products and its ability to meet customer expectations.

In an increasingly stringent regulatory environment, LISI MEDICAL must be able to guarantee both operational as well as systemic excellence.

The organization of quality assurance has been reviewed in order to accompany divisional development and to structure processes appropriately within an organization wishing to maintain excellence within the specialist medical field. The two crucial issues are:

- supporting and strengthening quality assurance teams at all sites ;
- implementing a central quality assurance team with supreme divisional authority.

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### → Redevelopment of the Fleury-sur-l'Arbresle site

The Fleury-sur-l'Arbresle site, which specializes in spinal implants, has seen the company changing and improving capacity so it can keep up with increasing customer demand and continue to offer a quality service at all stages of production, including such critical stages as cleaning.



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## LISI AUTOMOTIVE

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### → A second manufacturing site in China

As part of its strategy of supporting its international customers, LISI AUTOMOTIVE now has two factories in China. LISI AUTOMOTIVE Beijing specializes in clip fasteners and LISI AUTOMOTIVE Shanghai manufactures cold-forged products. This company is a subsidiary of the joint venture founded by LISI AUTOMOTIVE SAS (75%) and YANKANG (25%) in late 2007, employing 110 staff and with an annual sales revenue of €3m.

This latest acquisition now makes LISI AUTOMOTIVE a major fasteners company in the Chinese automotive market.



## LISI AUTOMOTIVE



Copyright : PSA

### → Falling demand in the automotive market

The financial crisis which began in mid-2007 took about a year to make a serious dent in automotive activity within Europe and throughout the rest of the world. 2008 was definitely a year of contrasts. In the first half, international demand from manufacturers affected the capacities of component suppliers such as LISI AUTOMOTIVE, whilst in the second half, particularly towards the end of the year, there was an unprecedented fall in vehicle registrations within Europe with figures down 14.2% for the second half and -19% for the last quarter. In 2008, within the space of a few short months, there was an unexpectedly brutal transition within the division from a capacity overload situation, with overtime being worked, to one in which workers were being laid off and temporary shutdowns instituted.

### → Update of LISI AUTOMOTIVE IT systems

2008 saw the completion of two large-scale IT projects. Our Computer-Aided Design stations have been updated and linked to a new technical data management tool with the UGS NX-Teamcenter system. The process of replacing our business management system with LAWSON's MOVEX software is also now complete. Several years' work have gone into rolling out these systems in the various countries in which LISI AUTOMOTIVE operates. The second phase of the MOVEX project begins in 2009, with the deployment of the Finance, Purchasing and Production modules to ensure complete system integration.

## LISI COSMETICS

### → Re-affirmation of company position within an increasingly competitive market

- Stronger presence of LISI COSMETICS in the strategic field of beauty, key projects being CHANEL, LVMH, SHISEIDO and YSL BEAUTE.
- Consolidation of customer relations, with the renewal of contracts for items such as Armani's Acqua di Gio (L'ORÉAL), one of the world's best-selling fragrances.
- Work with customers such as Inter-Parfums and Oriflame in 2007 was reaffirmed through new orders for 2008.
- Finally, after the Aurillac site in 2005, the Saint-Saturnin factory was approved for use as a strategic aluminium supplier by Procter & Gamble. This agreement was confirmed with the placing of an initial order.

### → Continuous improvement of manufacturing performance

Improved quality control of all LISI COSMETICS' processes by putting in place bespoke automatic quality checking systems for each production system:

- statistical controls for the metal plating and varnishing production line processes;
- camera-controlled verification of different parameters, e.g. ensuring logos are correctly positioned during the assembly process;
- "default" controls, e.g. ultrasound joint welding checking, and ensuring all components are present before final assembly;
- implementation of measurement and monitoring methods for the anodisation process parameters (temperature, flow, conductivity, concentration, etc);

A new plasma installation completes the high-speed varnishing line at Aurillac: its now common name designates the industrial process which guarantees the cleanliness and quality of manufactured components. This

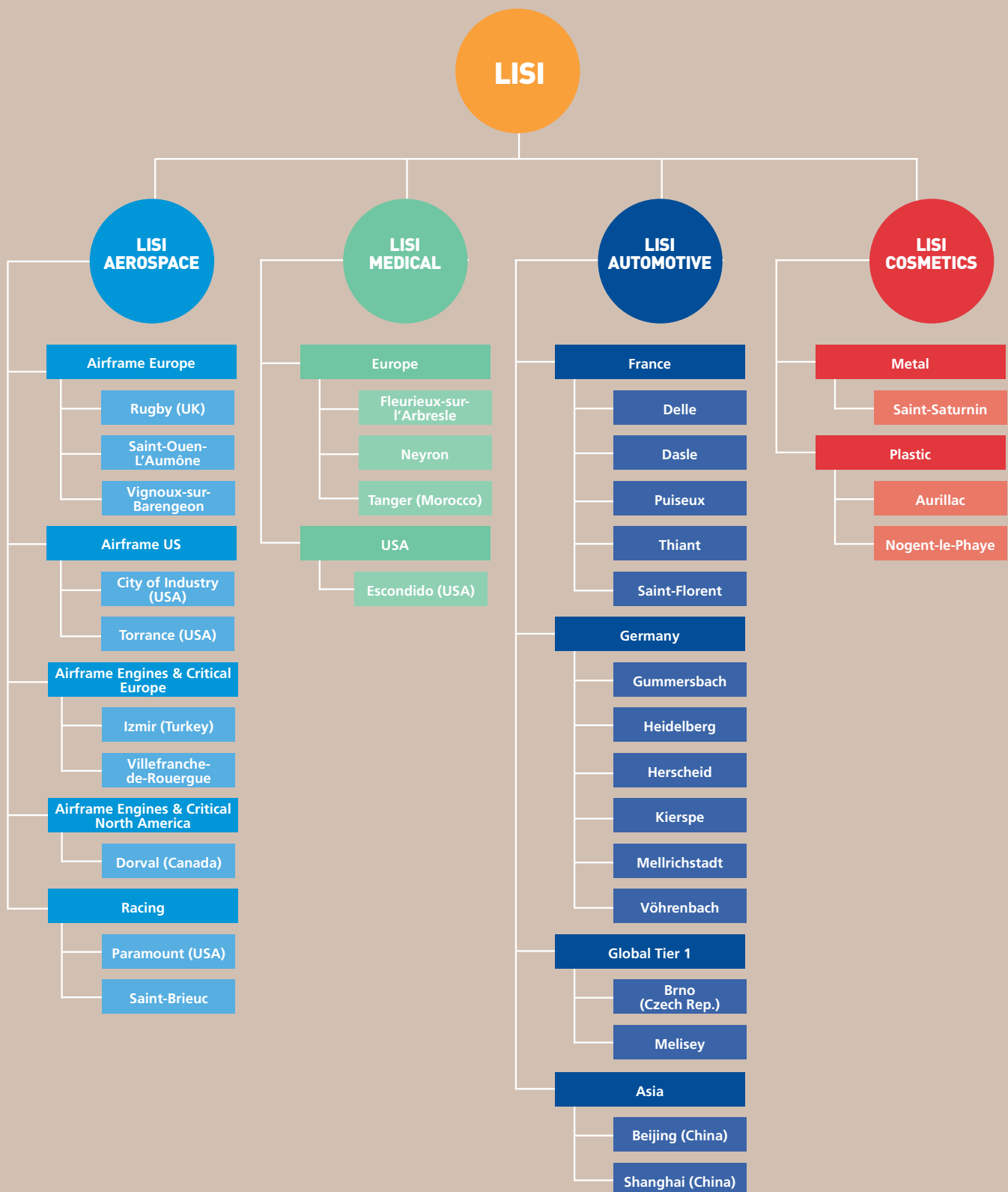


non-polluting technology is fully compliant with the high environmental protection standards which the LISI Group has set for itself.

Building works at the Nogent-le-Phaye factory ended at the close of the financial year. The reinstallation of injection-moulding equipment and assembly robots should give productivity a noticeable boost and optimize manufacturing processes.



# Organizational chart



# 4 sectors



## LISI AEROSPACE

**N° 3 IN THE WORLD**  
**10 SITES**  
**3,309 EMPLOYEES**  
**€384.8m OF SALES**  
**CAPEX: €35.4m**

## LISI MEDICAL

**4 SITES**  
**256 EMPLOYEES**  
**€24.0m OF SALES**  
**CAPEX: €3m**

# of activity

## LISI AUTOMOTIVE

**N° 4 IN THE WORLD**  
**15 SITES**  
**3,033 EMPLOYEES**  
**€385.8m OF SALES**  
**CAPEX: €21.1m**

## LISI COSMETICS

**TOP 10 IN THE WORLD**  
**3 SITES**  
**457 EMPLOYEES**  
**€51.0m OF SALES**  
**CAPEX: €5.7m**



# LISI AEROSPACE

Aerospace fasteners and assembly components

€384.8m

ANNUAL SALES REVENUE

3,309

STAFF

€35.4m

OF INVESTMENTS

## 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.

## CLIENTS

Airbus,  
Boeing,  
Bombardier,  
Dassault,  
Embraer,  
Eurocopter,  
GEAE,  
Pratt & Whitney,  
Rolls Royce,  
Snecma,  
Formula 1 and Nascar  
teams for the Racing  
division

## COMPETITORS

Alcoa Fastening System,  
Precision Castpart Corp.,  
Melrose Plc.



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## Manufacturers maintain an impressive performance throughout 2008 despite unfavorable conditions

Although down on 2007, aircraft orders continued to come in at a fair rate in 2008 (1,439 aircraft for over 100 places ordered) considering the unfavorable market conditions. The two main aircraft manufacturers' order books remained steady at over 6,000 aircraft and still represent 6 years' production at current levels.

However, production rates are frozen at their current level and are certain to dip in 2009 and 2010.

**AIRBUS**, LSI AEROSPACE's biggest customer, ended the year with 777 orders (compared with 1,341 in 2007), thereby considerably outstripping its main competitor, Boeing. 61% of orders were for single-aisle aircraft and 21% for the A350 which enjoyed a very successful year. Since its launch, a total of 483 orders have been placed for the A350.

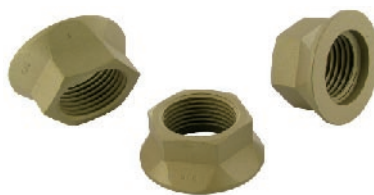
In 2008, 9 A350 orders were placed, bringing the total number ordered since its launch to 185.

**BOEING's** annual orders totaled 662, less than half as many as in 2007, when they placed 1,413 net orders, and putting them just shy of 1,000 aircraft over the last 3 years. The 737 family accounted for 73% of the year's orders. 93 orders were made for the Dreamliner 787 program this year, bringing the total number ordered since its launch to 911. Deliveries were severely affected by the 57-day strike.

**EMBRAER** delivered 204 aircraft in 2008 (up 20% on 2007's 169 deliveries), including the two first Phenom 100 jets. The ERJ family accounted for 80% of the year's orders. The Brazilian aircraft manufacturer took 112 orders (compared with 146 in 2007).



### > New lighter weight and improved performances: new titanium nuts



The ongoing process of innovation springs from the evolving need for such qualities as increased resistance, lighter weight, ease of installation and compliance with environmental standards. There has been research into both alternative design and specific manufacturing technologies in areas such as machining, stamping, brake system deformation and surface treatments. Validation of this work, combined with an innovative touch, have enabled LSI AEROSPACE to create a new family of titanium nuts, entitled STARLITE™: the optimum response to customer demand for new generation aircraft. This initiative puts the group well ahead of the competition in this field.

Its order book is now up to 426 craft (down 10% on 2007), almost all from the ERJ 170/190 family. It is predicted that 2009 order levels will be down by 10%.

**BOMBARDIER** delivered 353 aircraft in 2008, for a total 378 net orders, achieving a good order/delivery balance. Predictions for activity over the coming year tend to foresee a downward trend, particularly for business aircraft.



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### Turnover doubled in 4 years

- Turnover exceeds €400m
- Growth in line with Skyline 2010 plan.

Much of 2008 was devoted to carrying out the Skyline 2010 business plan. In doing so, LISI AEROSPACE this year broke the symbolic €400m turnover barrier, meaning it has doubled within 4 years.

This growth accompanies our work supporting our customers' development plans and the strengthening of our financial position with several of them. Moreover, for the fourth year running, we made considerable investments in order to increase production capacity and update our industrial processes.

- A new expansion project has been completed at the site in Turkey, resulting in a doubling of its manufacturing capacity. This expansion went operational in the summer of 2008.
- In Canada, the Dorval site expansion and capacity improvement project has continued apace, with the acquisition of new lines, the pursuit of qualification programs and an expansion of its client portfolio.
- The Rugby site in the UK has expanded into the adjoining building, thereby increasing its capacity and improving its industrial processes.
- In France, the relocation to the second building at the Saint-Ouen-l'Aumône site is now complete, and also involved renovations to the exterior of the building and the updating of its offices.
- In the US, a new industrial unit has been unveiled at the Torrance site.

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### > Expanding the range: safety latches

The LISI AEROSPACE teams have successfully developed and qualified products to order for various OEMs (Original Equipment Manufacturers) and saw their first components go into production for hook latches, overpressure safety latches, shear-pin latches and door latches.

Thanks to the acquisition of ERRIAM, which has now become wholly incorporated within our Vignoux-sur-Barangeon site, LISI AEROSPACE has expanded this product family with various door latch types in addition to range initially available within this field and has is consolidating its industrial processes to incorporate all latch types.



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# Turnover in 4 years **X2**

The company has also entered a phase of actively rolling out several corporate processes and functions within specifically-targeted areas such as industrialization and quality control, and is also undergoing a complete management system restructure (covering all key processes) entitled the LISI AEROSPACE BUSINESS SYSTEM.

Much work has gone into developing new products and the company's licensing policy. Acquisitions of patents and licenses in cutting-edge areas have been made throughout the year, particularly with the acquisition of ERRIAM, which specializes in industrial fastenings. In addition, important qualification work has been ongoing at all factories, notably in Canada and Europe as part of our collaboration with BOEING.

Finally the company bought up shares in an Indian company.

There was significant recruitment activity in 2008: over 400 new staff joined the workforce, and we now employ the equivalent of over 4,000 full-time workers.

Those areas which saw the biggest changes were the US, Turkey and the UK.

LISI AEROSPACE continued its internal training drive with the founding of a Technical Institute and with the setting up of training workshops at many of its factories. Particular emphasis has been placed on first-line management training.

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, tremendous progress has been made in 2008 in creating a centralized, secure architecture (Data Center), and in migrating all business functions onto the Lawson M3 ERP system.

This work will continue through 2009, with the migration of the US entities onto the same ERP system.

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## > **Lightning-resistant composite structures:** insulated fasteners

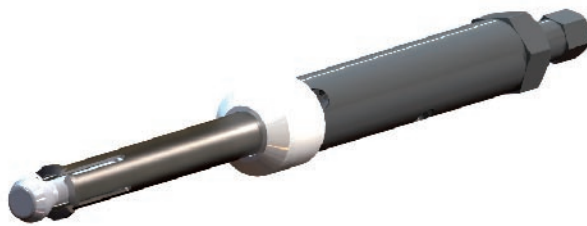
**The requirement for lightning-resistant parts, used extremely widely in new aircraft, has led LISI AEROSPACE to conduct research into innovative fasteners to guarantee effective assembly performance during a lightning strike. This work, which started in 2008, initially started with research and design briefs, moving on to the development of specific manufacturing technologies, such as stamping thin-walled dowel bushes and creating prototypes which have enabled internal and client products to be validated. The STL™ (Sleeved Taper Hi-Lite™) and the Sleeved Pull Stem™ are two new structural fasteners which offer an unparalleled solution for composite structure assembly.**





> **Pre-assembly of composite structures:** concentric collet temporary fastener

Torque values and the integrity required for composite structures have created new demand within the pre-assembly field. These demands have led to the development of an innovative new concentric collet temporary fastener, which preserves composite materials during the seam-welding stages. This product can be assembled and disassembled by a single operative.



### North America: Record Growth

#### • Canada outperforms expectations

The North American entities made a significant contribution to the growth of LISI AEROSPACE in 2008.

Following on from 2007, there was continued strong, steady demand from BOEING, prompted both directly and via its partners and distribution network. The US Airframe BU has therefore profited from the commercial success of the Dreamliner program, and the positive performance of existing programs.

For the fourth year running the Torrance site in California saw double-figure growth.

This performance was possible thanks to the sustained efforts of local teams, who worked tirelessly to:

- increase overall manufacturing capacity and optimize processes;
- create the "NUT" technology center, which is due to open in 2009;

- modernize surface-treatment equipment;
- recruit 95 staff and train new starters;
- reduce delays and improve service levels;
- carry out site renovation and improvement work.

The Specialty BU also saw two-figure growth. The site has had to deal with an explosion in demand for certain product lines. Considerable efforts have been made in areas such as investments, automation processes and Supply Chain reliability.

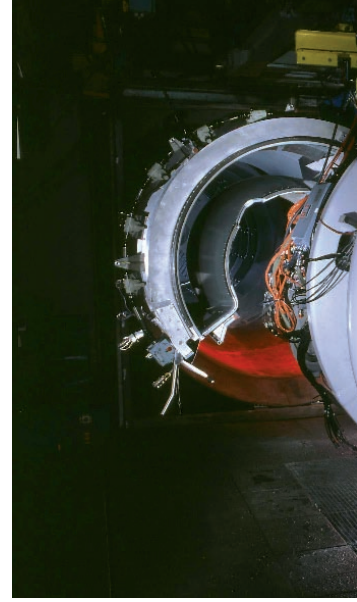
The performance of Dorval Engines and Critical BU exceeded expectations, seeing a considerable increase in turnover and profits and the strengthening of its financial positions. The site has continued to follow its capacity expansion investment plans with the acquisition of new lines, and the continued pursuit of product qualifications.

### In Europe: Stability

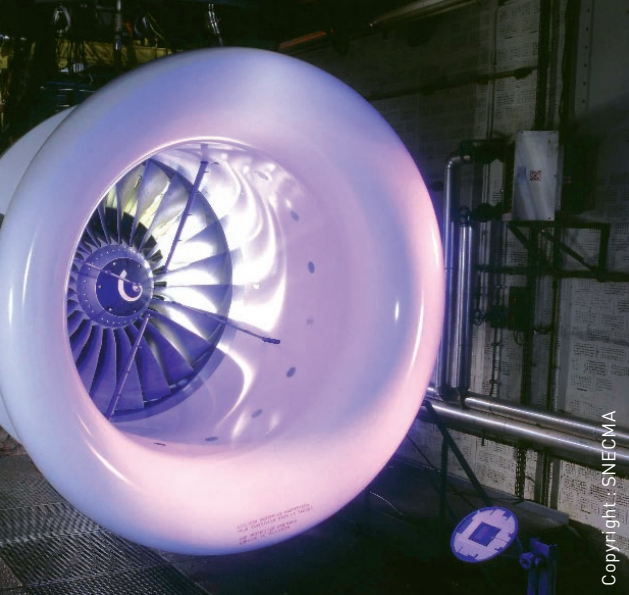
#### • BOEING qualifications • New product developments

In Europe, business activity remained relatively stable throughout the year. Airbus demand, although recovering, did not reach expected levels. European plants focused their attention on Boeing qualifications in order to be able to work on the B787 program, and on developing new products for the launch of the A350.

Much of the Engines and Critical Parts BU's resources were focused on doubling the Turkish site, optimizing the Villefranche-de-Rouergue production lines and Boeing qualifications.







The factories at Saint-Ouen l'Aumône and Rugby were especially busy with the transfer of their activities, with the completed expansion at the UK site and improvements to industrial processes. Saint-Ouen-l'Aumône has also invested considerable resources in developing new products and qualifications.

## Racing: Market adaptation a success, but more changes are on the horizon

The Racing BU has had to deal with profound changes in Europe which have shaken up the world of Formula 1 and which are aimed at significantly reducing costs (engines frozen by 2010, reduction of team budgets, withdrawal of certain teams, etc). This situation has been further aggravated by the crisis which the car industry is currently experiencing.

Market changes made in 2008 have been both successful and fruitful, but further changes are still on the horizon.

In the US, the car industry crisis, coupled with decreased spending power, have markedly reduced the NASCAR and IRL markets. The site responded by offering sub-contracting services for the aeronautical industry.

## Outlook for 2009:

- **Prudence and Pragmatism**
- **Strategy maintained but implementation adjusted**

The economic crisis is bound to make its mark on the aeronautical markets:

- air traffic is gradually slowing, the dollar remains uncertain and the per-barrel price of oil will continue to have an impact on the aviation industry's bottom line;
- orders were down by year end 2008, and predictions for 2009 suggest a noticeable decline;
- there is increasing concern over aircraft financing.

Nevertheless, the market still has some solid underpinnings:

- the main aircraft manufacturers' order books remain busy;
- the OEMs have acquired a genuine maturity which means they can manage change effectively when required;
- the aircraft development programs have been maintained.

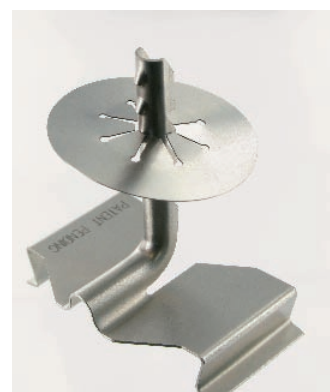
Consequently, it is highly likely that the fastenings market will see some adjustments, but the market should nevertheless bottom out at a safe level, and one which we are flexible enough to handle.

These adjustments do not affect the medium-term market potential, nor do they damage LISI AEROSPACE's strategic position; the SKYLINE 2010 business plan remains valid, but its schedule will simply be adjusted to keep in line with market developments.

## > **Thermal blanket maintenance:** a high fire resistance range

**In response to the recent safety requirements imposed by the civil aviation authorities regarding fuselage fire-resistance, a new family of products has been released. In the event of fuel tank fire, products in this range, which includes fasteners, clips and bearings, ensure that thermal blankets remain secured over the fuselage for long periods.**

**The development of these innovative products offers a range of effective solutions enabling aircraft manufacturers to respond to constraints imposed under the new directive.**



# LISI AEROSPACE and offshore racing

The same playing field: the planet





# 19.60 KNOTS

Last year Francis Joyon sailed 26,400 miles at an average speed of 19.11 knots. At 28,125 miles, Thomas Coville's course was longer, but faster: 19.60 knots.

The same performance expectations: reliability, lightness, the surpassing of limits; the same technical problems: absolute strength and durability— tensile and compression strength, resistance to wear-and-tear, corrosion and shock-, metal-composite compatibility; the same human values: high standards, perseverance, endurance, team spirit, the desire to win... so many qualities which are common to the aerospace industry, motor racing and (offshore racing).

These very qualities motivated LISI AEROSPACE to take the step in 2001 of supporting Thomas Coville in his single-handed, record-breaking ocean adventures on his vessel SODEBO.

As a technical partner, LISI AEROSPACE has created a number of critical rigging components and has worked closely on boat preparation before each major attempt.



## LISI AEROSPACE's components

- Gooseneck (mast-boom link)
- Special CHC screws (for the mast track and the mainsail track)
- Nuts
- Staysail shaft
- Small jib shaft
- Backstay shaft
- Universal shaft
- Hook shaft
- Spinnaker pole fasteners
- Port and starboard hook

## The Solo Tour du Monde 2008

Thomas Coville circumnavigated the globe in his maxi trimaran SODEBO in 59 days, 20 hours, 47 minutes and 43 seconds. Thomas is the third sailor, after Francis Joyon et Ellen MacArthur, to successfully make this non-stop round-the-world journey.

On his solo voyage aboard his challenging 32-metre vessel, and having battled extreme tiredness, Thomas Coville racked up the 4<sup>th</sup>-best outright time around the globe, putting him behind the crews of Bruno Peyron (2005), Steve Fossett (2004) and solo sailor Francis Joyon (2008). Though he did not manage to

beat Francis Joyon's performance in terms of speed, on 7<sup>th</sup> December 2008, Thomas Coville beat his own 24 hour distance record: 628.5 miles (1,164 km) covered at 26.2 knots (48.5 km/hr).

This remarkable feat, which follows the record-breaking crossing of the North Atlantic on July 15, 2008, in 5 days, 19 hours, 29 minutes and 20 seconds, had all LISI AEROSPACE sailing and competition fans on the edge of their seats, and of course the technical teams, whose professionalism and expertise stood up admirably to this ultimate test.

# LISI MEDICAL

World class contractor for the medical device industry

## At the end of 2007, LISI MEDICAL set three main objectives:

**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.

Throughout the course of 2008, LISI MEDICAL succeeded in establishing itself as a promising and reliable subcontractor within the world of medical devices,

- and now ranks 18th in the world, according to our market analyses;
- a management team composed of medical professionals;
- €24 m sales revenue,
- the equivalent of 270 full-time staff;
- 3 industrial divisions: Lyon (France), Tangiers (Morocco), Escondido (USA),
- renowned expertise in dental, spinal and hand and foot implants.

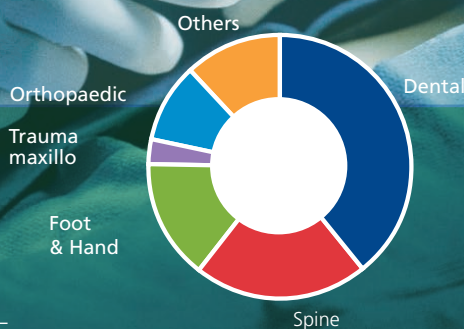
The market remains buoyant with three major trends this year:

- the pursuit of mergers and acquisitions, leading automatically to the growth of some of our clients;
- growing demand, despite the economic crisis, particularly for essential items;
- an increasingly demanding customer service and product validation environment;

€24m  
ANNUAL SALES  
REVENUE

256  
STAFF

€3m  
OF INVESTMENTS



### KEY PRODUCTS

#### HUGUENY

Spinal and orthopaedic implants.

#### JEROPA

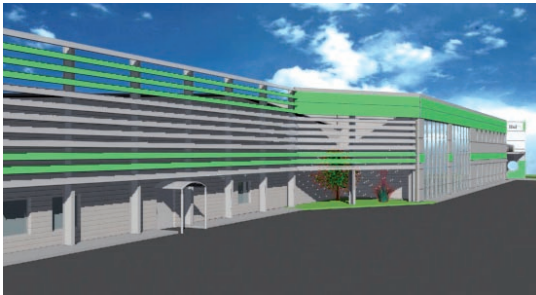
Dental and spinal implants.

#### SEIGNOL & INTERMED Application

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

> **Validation management:**  
a highly-structured approach

LISI MEDICAL has implemented a procedural validation methodology, (for installation qualification, operational qualification, performance qualification) which complies with the relevant European and US client regulations, thereby ensuring product quality and keeping down production costs.



In 2008 the HORIZON 2012 plan was drawn up and the first stages implemented, with the aim of positioning LISI MEDICAL as one of the world's top 10 medical device subcontractors. This business plan is based around the following:

- a target Business Groups organization, specialized by market/region is gradually being set up;
- an emphasis on
  - strengthening quality control systems, accompanied by appropriate recruiting and obtaining or re-applying for ISO 13485 certification;
  - development, with project managers recruited to organize the various parties involved with LISI MEDICAL, customers are supported from the initial industrialization phase right through to the manufacturing of product lines;
  - product validation, thanks to the structuring of the industrialization process within our units;
- a growth in production potential, reliant upon:
  - the recruitment and training of our staff;
  - increased investment levels (around 12% of turnover) within the US and Europe alike.
  - a plan to restructure the company into autonomous production units based on a "Lean Manufacturing" approach.
  - a strategy to reintegrate several subcontracting operations (e.g. laser marking and anodization in the USA, cleaning and packaging in Europe).

- an infrastructure development plan, covering the expansion of the Neyron site (France), the relocation of the Fleurieux-sur-l'Arbresle factories (France) and the Escondido plant (USA), the creation of a new site in Tangiers (Morocco).
- an external growth plan which aims to bolster LISI MEDICAL in implant-related products in the USA and to penetrate the international reconstruction market.

In 2009, LISI MEDICAL will be working with two watchwords:

- "Manufacturing Excellence": actively listening to customers, regulatory and quality compliance, industrial efficiency, improved levels of quality, reliability and punctuality.
- "Business Development": organic growth and external growth

> **Final packaging cleaning:** the automation process



The final cleaning of medical devices is done on an automated cleaning line, installed within an ISO Class 8 controlled environment. The packaging line is in an ISO Class 7 room in which each workstation is equipped with an ISO Class 5 laminar flow hood. This new facility completes LISI MEDICAL's range of services and its launch is supported by two major clients.



# LISI AUTOMOTIVE

Automotive fasteners and assembly components

€385.8<sub>m</sub>

ANNUAL SALES REVENUE

3,033

STAFF

€21.1<sub>m</sub>

IN INVESTMENTS

## KEY PRODUCTS

### Threaded fasteners

Engine fasteners, wheel screws and nuts, safety screws and nuts, 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.

## CLIENTS

- BMW, Daimler, Ford, General Motors, PSA, Renault-Nissan, VW-Audi.
- Autoliv, Bosch, Faurecia, TI, TRW.
- Franke, Look, Schneider.

## COMPETITORS

Acument Global Technologies (ex-Texttron), A. Raymond, Agrati, Fontana, ITW, Kamax, Nedschroef, Nifco, SFS, TRW.





“From now on, the automotive industry will be discussed in terms of before and after 2008. Things will never be the same again.”

## 2008 : an annus horribilis for the automotive industry

After several years of uninterrupted growth, the international automotive industry is now in complete turmoil. 2008 saw an unprecedented fall in the number of vehicle registrations<sup>(1)</sup> (down 4.4%) and vehicle manufacture (down 3%), and consequently there was an increase in stock held at year end. Several countries even recorded a two-figure drop in sales. Thus, the financial crisis which started in the US in mid-2007 has now had a year to contaminate the international automotive industry.

2008 activity was a 2-phase process, with sustained growth throughout the first half, and a collapse in sales for the final quarter. Thus, in 2008 vehicle sales in Europe fell by 7.8%<sup>(2)</sup> and, after several years of double-figure growth, the Chinese market also started to slow down noticeably in 2008. It increased by only 7.3% with 6.76m units sold.

## Great disparities between automotive manufacturers

LISI AUTOMOTIVE's manufacturing clients had difficult and varying experiences in 2008.

The Volkswagen group showed record sales for 2008, with 6.23m vehicles sold (up 0.6% on 2007). These results confirm the influence of emerging countries such as China, Brazil and Russia, in which the Volkswagen group performed exceptionally well.

(1) Private vehicles, JD Power

(2) ACEA sources

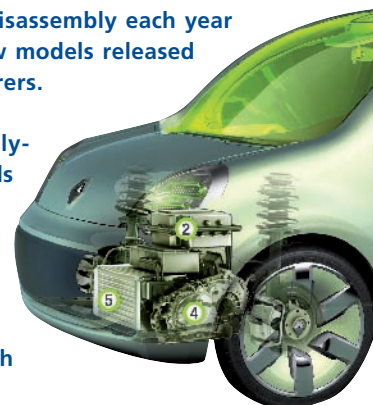
> **Innovation:** a three-pronged approach

LISI AUTOMOTIVE believes it is important to approach innovation from a developmental point of view. This key function works on three levels:

— **Incremental innovation**, or continuous improvement, with a view to optimizing existing product families, responding to customer needs and thus protecting our market share.

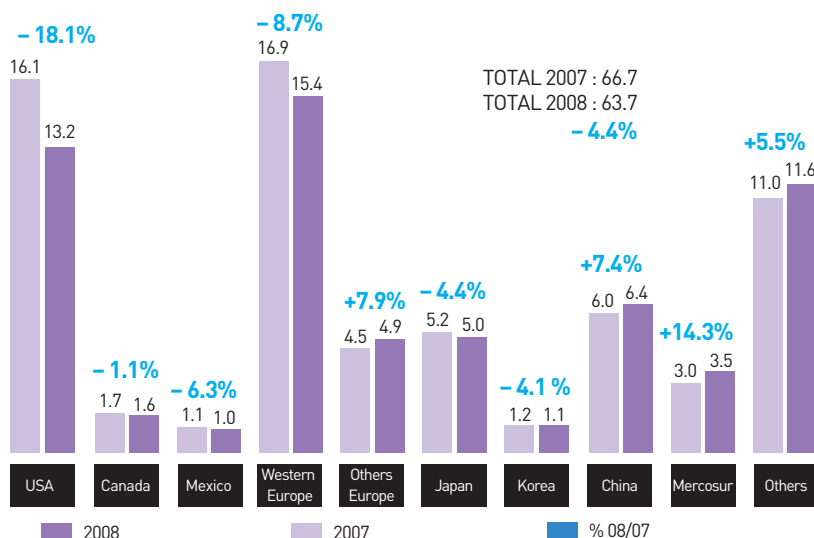
— **Comparative innovation**, a product-oriented approach enabling the company to move into market segments in which LISI has little presence, and to diversify our range while capitalizing on LISI AUTOMOTIVE's expertise. An analysis of vehicle function potential is carried out on the basis of benchmarks determined through the complete disassembly each year of six vehicles deemed representative of the new models released onto the market by European or Asian manufacturers.

— **Long-term innovation**, a technologically-oriented approach, clearly responding to the needs of tomorrow's vehicles. LISI AUTOMOTIVE can offer original fastener and component solutions for the new generation of electric and hydrogen-fuelled hybrid vehicles. Projects are currently underway in partnership with European car manufacturers, battery manufacturers and research laboratories.



Copyright : RENAULT

New private vehicle registrations by region in 2008 (in millions of vehicles)







### > Understanding machining problems: making savings

In 2008, research resulted in a better understanding of one factory's machining problems. The improvements made quickly translated into cost savings. Studies are now underway to better understand the influence of materials, tools and lubrication parameters, with the aim of extending the application of specific solutions to other product families. Faced with restrictions on the use of heavy metals, improving the machinability of forging-quality steel remains a key area of investigation and research.

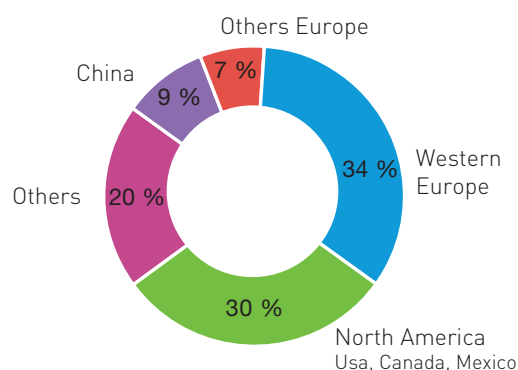
PSA and Renault, LISI AUTOMOTIVE's two main clients, recorded falling sales: down 4.9% and 4.2% respectively. PSA was particularly affected by the downturn in sales in its main market, Western Europe, with sales of 3.26m vehicles marking a 10.5% drop, whilst Renault sold only 2.38m vehicles.

German generalists Ford and GM saw their European sales fall by 7.2% and 6.5% respectively. Specialists BMW and Daimler meanwhile also saw a drop in worldwide sales (-4% and -2.3% respectively) with a very difficult environment in the United States.

In 2008, LISI AUTOMOTIVE clients saw their vehicle manufacturing fall by an average of 5.1% in Europe.

## Fasteners: a fragmented market

With the international market for automotive fasteners valued at €12.4bn, LISI AUTOMOTIVE has elected not to be active in all fastener types, nor across all markets. We calculate our target market to be worth around €4bn.



LISI AUTOMOTIVE intends to grow stronger in the segments in which it currently operates. To achieve this aim, LISI AUTOMOTIVE will continue to follow its organic growth strategy in a tough market which could be redistributed.

## LISI AUTOMOTIVE sales stand firm

In this period of economic stagnation, LISI AUTOMOTIVE sales have fallen 5.2% compared with 2008, having grown 3.3% in the 1<sup>st</sup> half. This gives a good indication of the impact the automotive crisis will have on our activity in the second half.

The extreme suddenness with which automotive manufacturers and their suppliers have had to change their manufacturing programs to deal with this drop in vehicle sales was astonishing.



# An **innovation**-based product strategy

Automotive manufacturers and their parts suppliers/manufacturers are increasingly applying the same solutions across different platforms. This standardization process allows them to reduce development costs and the price of components through economies of scale. Moreover, the financial crisis at the end of the year led to a number of vehicle projects being postponed or scrapped.

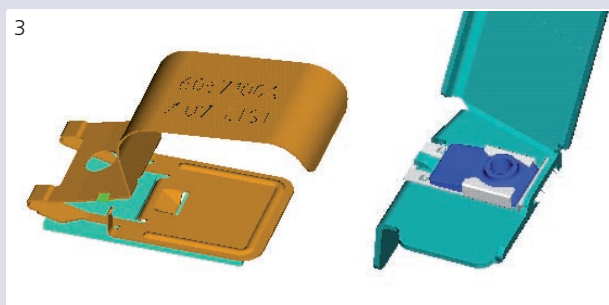
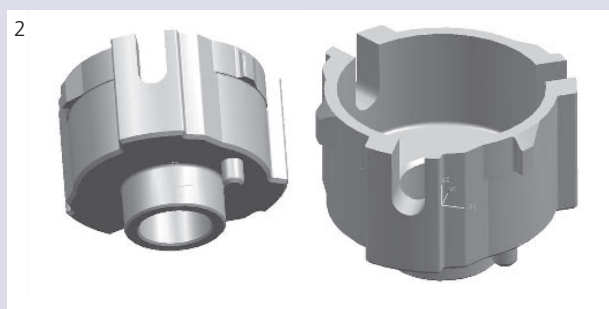
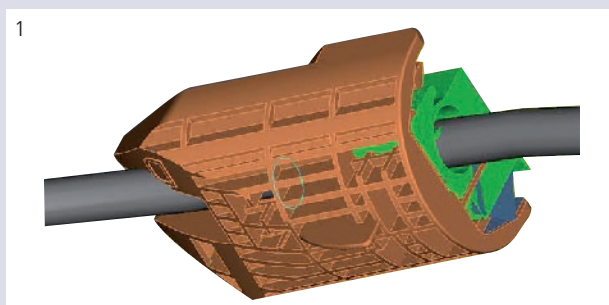
Conscious of the fact that the future is determined by product innovation and by offering customers solutions which respond to their needs, LISI AUTOMOTIVE remained unstinting in its research and development investments in 2008. LISI AUTOMOTIVE recorded an impressive level of new business. Thus, all Business Groups (BG) developed growth plans.

**1** For BG France, a large proportion of components developed in 2008 were manufactured using plastic injection moulding, relying on electrical injection moulding technology, which, thanks to more precise technology, means more high-tech products can be manufactured whilst reducing energy consumption.

**2** The Global Tier One BG strengthened its position in the vehicle security market, by launching a new parking brake system for a major brake manufacturer. LISI AUTOMOTIVE is a force to be reckoned with in this specialist market, working principally with TRW and BOSCH.

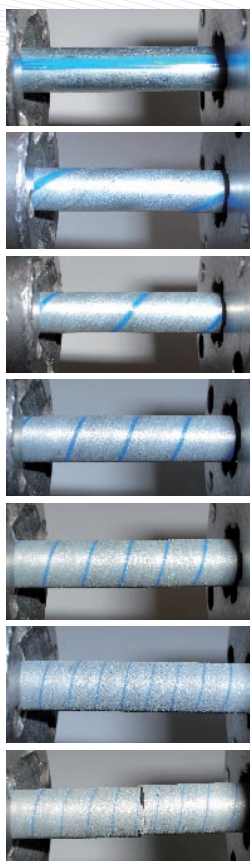
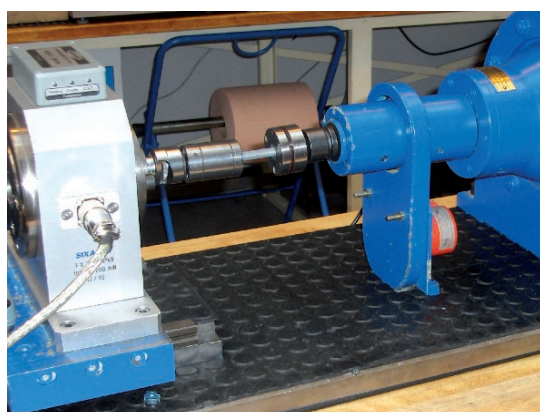
**3** BG Deutschland, highly productive in the clips and panel fasteners market, has developed a number of innovative solutions for vehicle and parts manufacturers.

**4** BG Asia has also taken on a considerable number of new projects for European automotive manufacturers in China as well as for local parts manufacturers.



## > **Test result predictions:** a simple computerized model

By examining statistics from the database of results for car seatbelt torsion rod tests, a simple computerized model was devised. This allows us to predict the functional characteristics of all products within this family, and even their dispersion. This initiative will be rolled out to other product families in order to reduce development costs.



Certain factories within the division went from overload to under-employment within the space of a just a few weeks. These huge variations are without precedent in the European automotive industry, known for its largely unvarying production pace from one year to the next. We shall therefore be amending our economic model to build greater flexibility into our production processes and variability in our fixed costs.

All Business Groups have been affected by this drop in activity, with the exception of Business Group Asia, which has benefited from the contribution of assets from LISI AUTOMOTIVE Shanghai, acquired in April 2008. Thus, our sales in China increased by 73% in 2008, despite the eventual slump in activity towards year end.

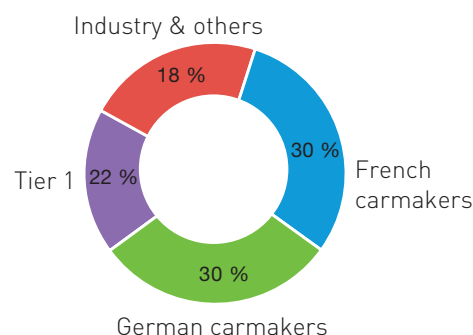
### Sales by Business Group

		% sales*
BG France	5 plants	40,6%
BG Deutschland	7 plants	43,0%
BG Global T1	2 plants	14,6%
BG Asia	2 plants	1,9%

\* based on turnover, exclusive of internal deductions

Looking at a breakdown of sales by market, two segments are conspicuously buoyant in comparison with 2007 performances: the German automotive sector and international parts manufacturers. The French automotive sector experienced a sharp drop, and the manufacturing markets fared better.

### Sales by Market



## > **New high-resistance steel:** a great cost-performance ratio



Numerous tests conducted on connecting rod bolts manufactured with the first industrial casting of a new high-resistance steel have confirmed the validity of LISI AUTOMOTIVE's choices. This new development means that this product gives a higher performance and at a price acceptable to the automotive market.

## Excellence in execution

In 2008, LISI AUTOMOTIVE once again improved on its excellence indicators, with a view to satisfying its customers and motivating its workforce.

### Quality

Our customers have installed sophisticated technological quality control systems. They are often able to pick out a single defective item from several hundred thousand. Despite this increasing demand for high standards, in 2008 LISI AUTOMOTIVE managed to reduce quality control-related problems by 22% and lower its ppm level to levels which would have been unimaginable just a few years ago.

### Safety

The "Management HSE" action plan launched in 2008 has enabled LISI AUTOMOTIVE to encourage a drive towards staff safety. Thus, the frequency rate, which measures the number of workplace accidents per million hours worked, has been reduced by 18%.

### Service

Service levels underwent a noticeable improvement in 2008, despite the overloading at the start of the year in our parts manufacturing plants. Some customers experienced a service level in excess of 99% of orders delivered on customer due date, with 100% quality levels.

### Environment

Two further factories received ISO 14001 accreditation. This takes to 11 out of 16 the number of factories now certified. By reducing the consumption of goods and energy, LISI AUTOMOTIVE has contributed to sustainable development by reducing its production costs.

All of our factories will be ISO 14001 certified by 2010.



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#### > **Surface coatings:** increased protection

**In the surface coatings field, particular attention has been paid to extending the field of application of lamellar zinc, with specific properties for nuts and clamp washers.**

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#### > **Pickling:** emergence of a large-scale project

**Problems with pickling have been observed on certain products at the final surface treatment phase. Work has been done to show the importance of chemistry in our mechanical systems. A large "surface chemistry" project is to be launched in 2009 to improve knowledge in this area.**



# LISI COSMETICS

Assembly and packaging components  
for fragrances and cosmetics

€51<sub>m</sub>

ANNUAL SALES REVENUE

457

STAFF

€5.7<sub>m</sub>

IN INVESTMENTS

## 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.



## 2008: a touch of frost nips growth

After two years of blossoming sales in the male fragrance market and two relatively exceptional years for female fragrances, the market took a downturn in 2008. In cosmetics, only the make-up sector still showed any significant growth. In distribution, vendors' sites are multiplying. The biggest perfume and cosmetics brands are increasing their online presence.



### A lethargic, complex and shifting market

Having experienced strong growth throughout 2007, LISI COSMETICS' turnover for 2008 was down 6.5% on the previous year, with the year offering few new opportunities for the company to really shine.

The year started with the announcement of L'ORÉAL's acquisition of YSL BEAUTÉ. LISI COSMETICS has cemented its relationship with L'ORÉAL, with the renewal of its "Acqua di Gio" ARMANI contract, one of the world's top five-selling fragrances, with a female version also now in development. A number of different lines have been created for YSL BEAUTÉ's various fragrance and beauty brands. These new packaging markets are, for LISI COSMETICS, the next logical step as an existing strategic plastic supplier in 2007.

Regular co-development work with groups such as CHANEL, SHISEIDO and PUIG, helps to maintain an ongoing client/supplier relationship.

With Procter & Gamble, after the Aurillac site for plastics, the Saint-Saturnin site will become a strategic aluminum supplier and will supply its first line to them. Finally, in 2008, contact was made with INTER PARFUMS and ORIFLAME.

### "Fabulous product lines but low-key launches"

Fewer product lines were launched in 2008, and priority was given to flankers or sourcing demands on existing lines. LISI COSMETICS thus recorded a drop in consultations compared with 2007.

Several confirmed successes ensured that activity was maintained across a certain number of lines. Such was the case for "Fuel for Life" for men by DIESEL (L'OREAL), for which there was particularly voracious demand in Europe. LISI COSMETICS played an important part in the production of aluminum components for this product. It is also worth noting that items with which LISI COSMETICS has been involved since its launch, such as 212 Men and 212 Sexy Men by Carolina HERRERA (PUIG), have enjoyed ongoing popularity and sustained demand.

Other successes include: The «Narciso for him» line by Narciso RODRIGUEZ (SHISEIDO) LISI COSMETICS has designed all its perfume bottle caps, winning a "Cosmétique Mag 2008" Oscar in the "Selective Male Fragrance" category. The division has also been linked with the success of CHANEL as selected by the judging panel. Firstly, for "Coco Mademoiselle" and "No.5", two of the world's top 5-selling perfumes in the "Female Fragrances" category.



### > Special cold-set resins

The injection of certain materials such as surlyn® requires particular expertise. In order to avoid all risk of shrinkage or other variations when turning items out of the mould, an automated refrigeration system has been integrated to set items more quickly.





#### > **Surface treatment:** improved adhesion

Plasma completes the varnishing process. It helps to guarantee the cleanliness and quality of manufactured items. A non-polluting technology, plasma also complies perfectly with the LISI Group's HSE standards.

### “Continuous improvement at all stages of industrial production”

#### > **Digital simulation:** saving time and money

The complex aluminum stamping phases call for numerous prototyping schedules, which are both time-consuming and costly. To speed up the development phase and reduce related costs, LISI COSMETICS has created digital simulation software. Fast and efficient, this simulation puts a whole range of technical solutions at the designer's disposal, which allow extremely precise results. The ideal stamping process can then be established and subsequently modified in real time, as the project progresses.

Secondly, the jury also selected the recently-launched “Inimitable” and “Inimitable Waterproof” for their performance.

LISI COSMETICS has risen to meet a number of incredible technical challenges with the spray cap cover for Terre d'Hermès (200ml), which attaches directly onto the glass bottle, and that for BOUCHERON's “B”, designed as an homage to world-famous pioneering jewellery designer Frédéric Boucheron, using a range of sophisticated materials and a complex series of technical processes. Another example is the metallic flower-shaped cap designed for VAN CLEEF & ARPELS' new fragrance line, Féerie and the first development project carried out with INTER PARFUMS. There were also a number of products made for PROCTER & GAMBLE this year: the “Femme de Montblanc” range, a male/female range for the Italian jeans label, REPLAY, and MEXX's “XX Nice & XX Wild”. LISI COSMETICS also produced the cap for 'Anna SUI's “Night of Fancy”, exclusively for the Asian market.

Finally, LISI COSMETICS experienced some growth in the specialist beauty sector, with its development projects for the LVMH, SHISEIDO and YSL BEAUTÉ groups. Amongst these new products, the following three were a particular success with media and consumers alike: GIVENCHY's “Le Soin Noir”, DIOR's “Elixir Capture Totale Haute Nutrition” and CARITA's “Perfect Gold” anti-ageing range.

LISI COSMETICS designs increasingly flexible and efficient automated systems, and makes considerable investments in response to customer demands. With the construction of the new factory at Nogent-Le-Phaye, the automated injection and assembly processes were finally transferred and reinstalled at the end of 2008. With the new metal-plating and varnishing line having been automated and tuned-up, the factory is now ready to optimize the production cycle.

At the Aurillac site, a 2-door access hatch entranceway has been created in order to ensure the cleanliness of the injection workshop.

The Saint-Saturnin site is also following its improvement plan with the development of “automated islands” which can carry out screen printing, UV curing and etching on spray cap covers and other items.

To improve the reliability of all these processes, LISI COSMETICS has upgraded its automated control systems, such as visual and dimensional control, water-tightness and temperature testing, component position verification during assembly, etc.





#### > Carita's "Chic click"

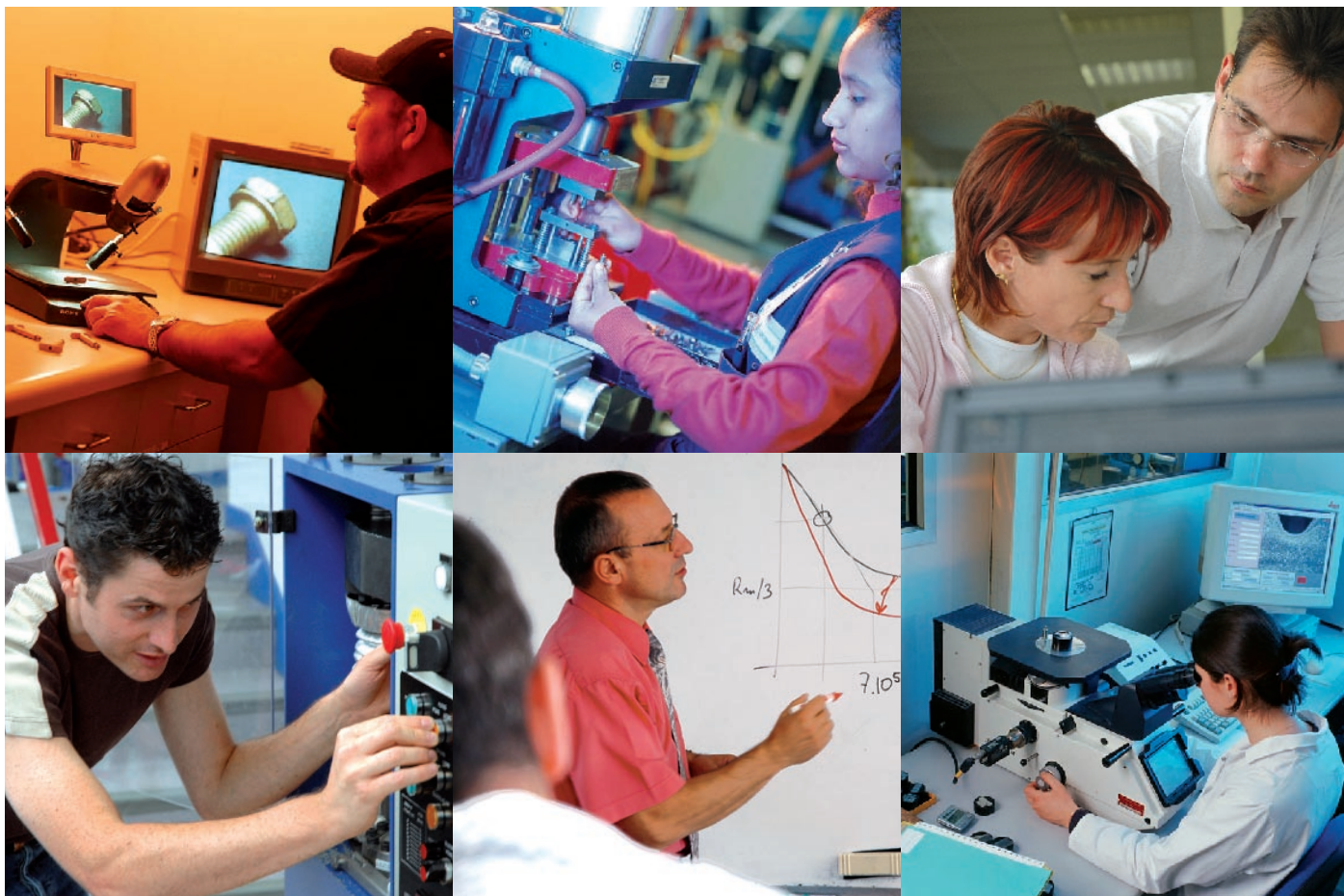
Another example of co-development which allows us to work in partnership with a client was the work we did on CARITA's "Perfect Gold" anti-ageing range. LISI COSMETICS produced both the bottle caps and collars, as well as the PMMA cases. Moreover, at our client's request, we also worked on a more unusual aspect of the packaging: the acoustic design. This research has resulted in an aural surprise for the consumer: on opening the bottle, they hear a "chic click".



#### > The Boucheron "Jeweled Cap"

When working with clients on technical projects, LISI COSMETICS is always keen to take a co-development role. With its new perfume for women, "B", BOUCHERON has created another new niche role for itself in 2008: "luxury jeweler-perfumer". To create its "jeweled cap" and remain faithful to the codes of this luxury brand, LISI COSMETICS did meticulous research into combining the best materials and the most appropriate manufacturing processes.





# Human resources

## at the heart of LSI's strategy

**1,187** EMPLOYEES RECRUITED  
IN 2008, INCLUDING **114** MANAGERS

TRAINING IN 2008 **127,000**  
HOURS AT A COST OF **€1.3m**

In 2008, LSI AUTOMOTIVE spent:

- > **1,163** hours training cold-forge workers;
- > **1,303** hours training heat-treatment furnace workers;
- > **1,260** hours training Supervisors.

Human capital is the main source of added value to the LSI group for all production-related posts which require genuine expertise and a long training period. Such jobs made up the majority of the group's 7,068 employees at the end of 2008. Managerial posts account for around 10% of the total workforce.

The group has seen its workforce grow by 9%, including workshop technicians, supervisors and managers. The three main geographic production areas are France, the USA and Germany, followed by Turkey, China, the Czech Republic, Canada, Spain and the UK, which help support major LSI customers' global needs. All of these manufacturing zones cover areas such as development, quality control, technology and often research. In most cases they specialize in a particular area, depending on the centre of excellence's main focus.

The group prioritizes local recruitment and training, in the knowledge that numerous exchanges and crossed career paths increase a sense of belonging within a long-established group.



## > Recruitment at LISI AEROSPACE

LISI AEROSPACE's management recruitment process has just been completely restructured and improved to harmonize tools and methods. This has resulted in:

- the implementation of an Employment Investment Request
- the publication of the job offer on the intranet/ jobs market.
- the selection of external recruitment partners with qualitative criteria regarding methods, tools, and especially mutually-shared business values.

There is a meticulous integration process for each newly-appointed employee, with all staff being appointed a mentor throughout the duration of their career.

## > LISI AUTOMOTIVE training

Faced with a staff shortage in one area of production, the Melisey site appointed a tripartite initiative with the local Job Centre (ANPE) and a selected temporary employment agency.

- Through a "vocational platform" in the Job Centre, the simulation of required criteria defined in relation to profiles searched will thus expand the pool of potential candidates.
- Bespoke training is then devised for each selected profile, in concert with the temporary employment agency.
- The operative will then receive ongoing on-the-job training, eventually becoming completely autonomous.

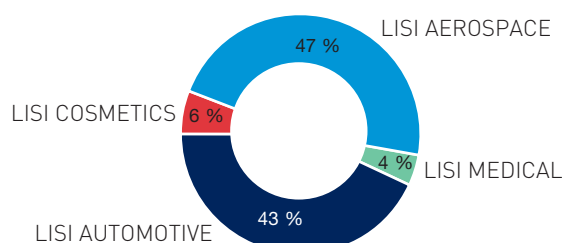
Throughout their career, practical tests and individual interviews are conducted before the workshop management staff. Achievements are marked by a diploma awarded by LISI UNIVERSITY.

LISI UNIVERSITY covers all induction processes for new employees and embarks workers on vocational training courses for internal company qualifications. LISI UNIVERSITY is both:

- a tool which connects employees to the company's culture and identity;
- a place for employee exchanges and enrichment, which is especially helpful in advancing interdepartmental projects.

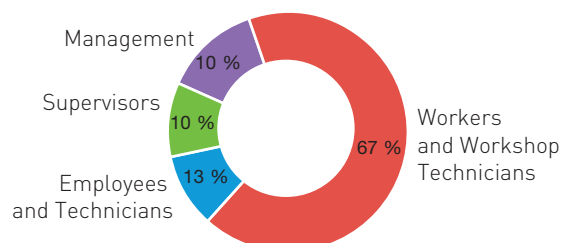
## Breakdown of employees per division (employed at year end)

	2008	2007	Difference N/N-1
LISI AEROSPACE	3,309	2,905	+14%
LISI MEDICAL	256	152	+68%
LISI AUTOMOTIVE	3,033	2,953	+3%
LISI COSMETICS	457	490	-7%
Holding company	13	12	+8%
<b>Group total</b>	<b>7,068</b>	<b>6,512</b>	<b>+9%</b>
Temporary staff engaged	351	417	-16%



## Breakdown of workers by category (employed at year-end)

	2008	2007	Difference N/N-1
Workers and Workshop Technicians	4,748	4,356	+9%
Employees and Technicians	918	886	+4%
Supervisors	730	651	+12%
Management	672	619	+9%
<b>Total</b>	<b>7,068</b>	<b>6,512</b>	<b>+9%</b>

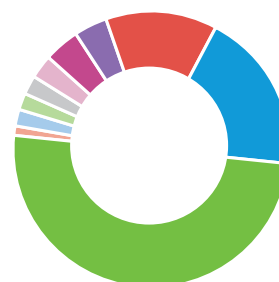


## Breakdown of staff by geographic area (employed at year-end)

	2008	2007	Difference N/N-1
France	3,486	3,340	+4%
USA	1,341	1,132	+18%
Germany	913	934	-2%
Great Britain	305	268	+14%
Turkey	303	235	+29%
China	222	125	+78%
Canada	129	102	+26%
Czech Republic	172	194	-11%
Spain	161	174	-7%
Various	36	8	
<b>Total</b>	<b>7,068</b>	<b>6,512</b>	<b>+9%</b>
Outside of France	3,582	3,172	+13%
% Outside of France / Total	51%	49%	

## Breakdown of staff by geographic area

France	50 %
USA	19 %
Germany	13 %
Great Britain	4 %
Turkey	4 %
China	3 %
Canada	2 %
Czech Republic	2 %
Spain	2 %
Others	1 %



For several years now **the LISI group has actively been working** towards achieving excellence in the areas of Health, Safety, Environment (HSE) and the prevention of all types of operational hazards. We are therefore taking steps to limit our environmental impact and guarantee employees and service-providers safe and sanitary working conditions, whilst identifying and reducing the industrial risks linked with the group's goods and services.

# Environment, security & risk management

## Our HSE objectives

- > Frequency rate below 10
- > ISO 14001 certification at all industrial sites
- > Follow all HSE Manual directives

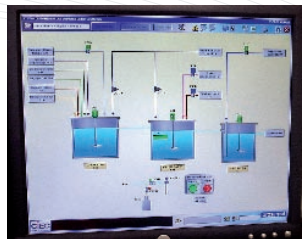






## > Eco design and sustainable development

LISI COSMETICS has a daily commitment to prioritizing eco design and sustainable development whilst respecting natural resources. New environmental challenges are pushing us to find ever-more appropriate and alternative technological solutions. This initiative is part of the permanent process of innovation which makes LISI COSMETICS an industry standard-bearer.



## The LISI Group HSE structure

In 2008 we made a number of changes to the way in which industrial, professional and environmental hazards are managed.

Throughout the course of the year, the group has established a new policy and drawn up clear directives to standardize the management of health, safety and environment issues across all its entities.

A new HSE manual which describes this organizational structure and draws together all these new directives has been presented to all group managers and circulated to all relevant staff.

The LISI group is thus promoting company-wide awareness of the fact that a commitment to environmental protection, reducing staff exposure to work-related hazards and limiting the occurrence of accidents is not just about fulfilling regulatory obligations, but above all is about taking the opportunity to improve the performance of teams and manufacturing tools and thereby ensure sustainable business activity.

Based on the principle of continuous improvement and incorporating ISO 14001 and OHSAS 18001 standard compliance, this new manual sets out the exact processes, methods and tools which need to be implemented at each production site, in order to:

- identify hazards and regulatory irregularities;
- define environmental and safety objectives;
- draw up action plans to achieve fixed objectives;
- instill a sense of responsibility and active involvement in all staff through safety and environment training schemes and by maintaining ongoing HSE communications;
- to manage the risks attached to each task, product or activity by establishing instructions which are comprehensible to all;

- to set up a human and technological organization which can deal with any emergency situation;
- following instructions and parameters illustrating improvements in the areas of health, safety and environment.

As of January 2008, LISI has been conducting internal safety and environmental audits at its manufacturing sites in order to assist them in implementing directives from the new HSE manual.

## LISI Group Objectives

Throughout 2008, the LISI group has shown a clear commitment to achieving excellent Health, Safety and Environment standards, by setting itself some ambitious goals:

- to ensure that the rate of lost-time occupational accidents is down to less than 10 by the end of 2009;
- ensure ISO 14001 certification for all group factories before the end of 2010;
- to ensure all entities follow the new HSE manual directives and guidelines.

These objectives have been presented and explained to all group managers, factory managers and HSE staff at an HSE Forum organized in September 2008. All attendees undertook to achieve these objectives by signing the new LISI group HSE charter.



### Performance indicators

The LISI Group intends to monitor environmental and safety performance indicators at all of its industrial sites so it can measure the impact of its HSE policy over time.

Precise indicators have been defined:

- water and energy consumption;
- waste volumes;
- occupational accident and illness levels;
- HSE training.

### HSE facts and figures 2008 data

#### Water:

**Water consumption:**  
**346,895 m<sup>3</sup>**

**Water consumption drawn from mains water system:**  
**209,970 m<sup>3</sup>**  
(i.e. 60 %)

**Water consumption drawn directly from the natural environment:**  
**136,925 m<sup>3</sup>**

#### Energy:

**Electricity consumption:**  
**156,417 MWh**

**Natural gas consumption:**  
**124,481 MWh**

**LPG consumption (Liquefied Petroleum Gas):**  
**2,820 MWh**

**Domestic fuel consumption:**  
**30,267 MWh**

#### Waste:

**Quantity of waste generated:**  
**24,003 tons**

**Quantity of waste recycled or used as fuel:**  
**17,790 tons**  
(i.e. 74 %)

**Quantity of waste not recycled or otherwise re-used:**  
**6,213 tons**

#### HSE Training:

**Number of hours' HSE training completed:**  
**22,060 hours**



## Environmental management

LISI's approach to environmental management covers such issues as identifying instances of regulatory non-compliance, implementing energy-reduction solutions and ISO 14001 certification at all industrial sites.

### Achieving regulatory compliance

All of LISI's French sites have been conducting regulatory compliance audits since the start of 2008.

In the first instance, these audits have allowed us to identify all the relevant regulatory texts, as well as those relating to safety at work.

The second phase of the project then consists of evaluating the extent to which our plants and organizations comply with these texts and to thence draw up compliance action plans.

### Reducing energy consumption

Our commitment to reducing energy consumption is well illustrated by the 3-year project to update the pickling line at Grandvillars.

The improvement in energy consumption observed in this modernization exercise speaks for itself.

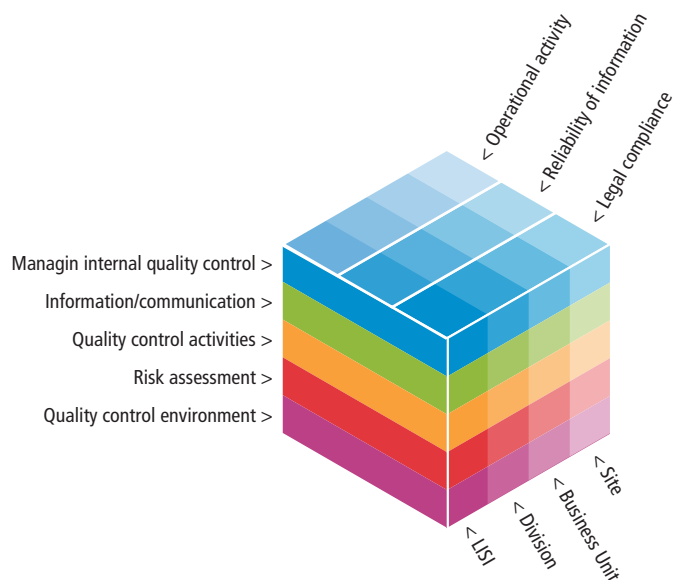
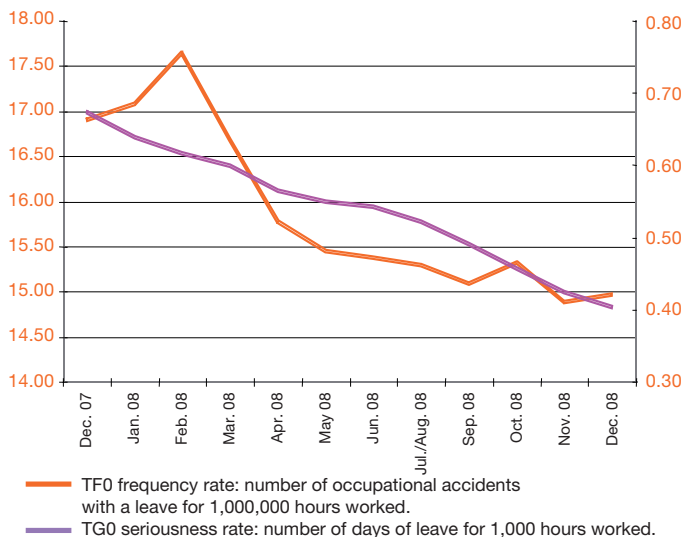
	2006	2009
Water consumption	10 m <sup>3</sup> /h	2 m <sup>3</sup> /h
Acid consumption	18 liters/ton	6 liters/ton
Waste	2,000 tons	800 tons
Natural gas costs	€440k	€370k
Production	210 tons/day	302 tons/day

### Achieving ISO 14001 Certification

To date, 11 LISI production sites have achieved ISO 14001 certification: Delle, Grandvillars, Lure and Thiant for France; Bochum, Gummersbach, Heidelberg, Herscheid and Mellrichstadt for Germany; Fuenlabrada for Spain.

Most of the group sites have drawn up a roadmap for ISO 14001 certification by the end of 2010.

## Changes in frequency and seriousness from December 2007 to December 2008



## Health and safety management

### Reducing occupational accidents

LISI is genuinely committed to improving working conditions for group employees and to reducing accidents at work.

There are two indicators which allow us to monitor industrial site safety:

- the lost-time injury frequency rate (TF0)
- the accident severity rate (TG0)

In 2008, both TF0 and TG0 indicators fell considerably, to 14.97 and 0.4 respectively.

### Cultural change

The LISI group has set itself the ambitious goal of reaching and sustainably maintaining a lost-time accident frequency rate (TF0) of less than 10 by year end of 2009.

To attain this goal, there will of course have to be infrastructure changes, as well as a change in culture to bring about a shift in ways of thinking and behaving within the workforce.

To encourage this change in culture, the LISI group is rolling out a method to assist sites in reducing the number of accidents at work.

This accident-reduction method is based around four areas for improvement: communication, training, stringency and the involvement of all staff.

Safety protocol plans have already been implemented at the group's most critical sites.

At the Saint-Ouen l'Aumône site, for example, the protocol plans have been a success: the number of accidents at work has dropped from 18 in 2007 to 5 in 2008.

## Risk management

### Following COSO guidelines

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

The group has recently completed its hazard management preparation phase, in accordance with article L 225-37 of the French Commercial Code on Financial Security, and the French financial markets authority, the AMF.

Since 2004, the group has had an Audit Committee which periodically reviews hazard control procedures.

### Increased cooperation with insurers

This initiative has clarified the relationship with the insurers and has allowed us to put preventative measures in place. 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 several sites each year to assess not only damage to property but also environmental hazards; they then present their recommendations which are then fed into the action plan. Since 2002, all major sites have been audited by the insurers. This ensures that progress continues apace and ensures that the prevention policy is as efficient as possible, whilst also ensuring that insurance premiums are optimized.

### Drawing up action plans

Health, environment and hazard prevention action plans cover risk identification, preventative measures, asset protection and operational quality control within the group. The overall initiative is run by the company heading the LISI group in the areas of HSE, internal quality control and, recently, accounts.

# Stock market data

It was a once in a lifetime experience for LISI, when, across the whole of 2008, its stock market price fell further than benchmark indices. With a fall of 62.3%, LISI share prices thereby largely underperformed the CACMID 100 (Midcaps index), which fell by 42.2%.

Over the longer-term, performances were more stable (2 years, 5 years), and consistently favorable to LISI (7 years, x3.2 for LISI versus x2.8 for the CACMID 100).

## LISI shares data sheet

ISIN Code: FR 0000050353

Reuters: GFII.PA

Bloomberg: FII.FP

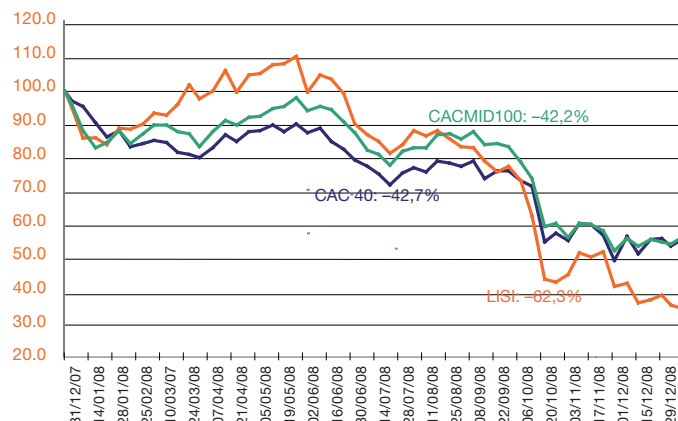
Compartment: B Eurolist

Stock marketplace: Euronext Paris

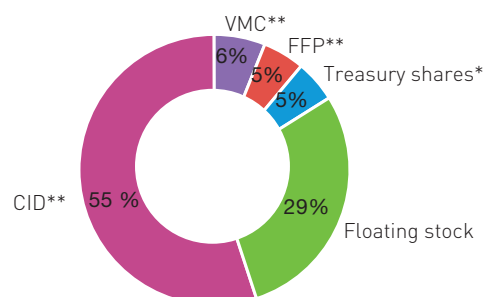
Number of shares: 10,753,861

Market capitalization at December 31, 2008: €263m

Indices: CACMID 100, SBF 250 and Next 150



## Breakdown of share capital



\* Treasury shares, reserved for stock purchase plans and stock-options

\*\* Direct and indirect holdings: VMC: 21.28%, FFP: 18.98%, CIKO: 16.75%

## An attractive dividend yield



The dividend to be proposed at the AGM on April 29, 2008 will be €1.20 per share, up 4.9% on the last quoted stock market price.

## Share liquidity

There were particularly heavy trading volumes, with a potential float capital turnover rate of 122% and ranking in the highest-valued shares in its trading category. The average share trading volume over the last three months was 17,400 shares per day.

Float capital turnover rate: 122%

Average number of shares traded per day: 17,400 shares (average volume over 3 months).

## Share trend report

The annual trend is best viewed in two phases: the year started positively, with an upward trend until June, followed by a gradual adjustment which gathered pace rapidly in October.

Closing price of LISI shares on December 31, 2008: **€24.50**

Highest price (in session) in 2008: €71.90 on May 14, 2008

Lowest price (in session) in 2008: €24.06 on December 31, 2008



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## 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 2008, 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 (27 days in 2008),
- individual meetings between the financial directors and institutional investors.

Throughout the financial year 2008, LISI S.A. management met with over 200 investors and assisted ten financial analysts with their research.

At the Soirée de la Communication Financière held on Wednesday October 14<sup>th</sup>, La Vie Financière and Les Echos, awarded LISI the Best Annual Report 2007 in its category. LISI was also named "Best IR Professional Aerospace & Defense" by Institutional Investor.

### Events 2009

The AGM will be held on April 29, 2009 on company premises: Tour Gamma A – 193 rue de Bercy – 75012 PARIS.

Dividend payments will be made on May 7, 2009.

Sales revenue for the second quarter of 2009, 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 July 28, 2009.

### Contacts

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 8 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 Maker's Contract

The market-making contract complies with the ethical charter of the AFEI and is carried out by:

ODDO FINANCE CORPORATE

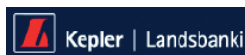
Mr. Eric BIGOTTEAU

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

Tel: +33 (0) 1 40 17 52 89

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



# History

## 1777. Watch movements

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 et Compagnie (VMC).

## 1806. Forged wood screws

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

## 1899. Machine-turned screws

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

## 1968. France's leading manufacturer

These three family-run businesses merge to form a company called GFD1, thus becoming France's foremost manufacturer of standard and automotive nuts and bolts. The three founding families are today part of CID (Compagnie Industrielle de Delle), owning a controlling stake in the LISI group.

## 1977. New group

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

## 1989. Paris Stock Exchange

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

## 1990 / 2000. Acquisitions

Throughout the 1990s, GFI Industries continues to strengthen its positions in its three sectors by acquiring over 20 companies throughout Europe and the US.

## 2002. LInk Solutions for Industry

To better identify its main business activities, GFI Industries was renamed, LISI (LInk Solutions for Industry), with each of the three divisions taking this name plus the name of its main business sector: LISI AEROSPACE, LISI AUTOMOTIVE and LISI COSMETICS.

The strategy of focusing on Core Business continues:

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

## 2004. External growth

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

## 2005. Internationalization

Acquisition of KNIPPING in Germany (LISI AUTOMOTIVE).

Opening of a factory in Canada (LISI AEROSPACE)

Sale of Gradel (LISI AUTOMOTIVE).

## 2007. Development

Creation of the LISI MEDICAL subdivision, following acquisition of:

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

## 2008. Asia

LISI AUTOMOTIVE is increasing its presence in China with the creation of a second production site in Shanghai dedicated to manufacturing threaded fasteners.

(1) GFD: Générale de Forgeage et Décolletage

# Financial summary

## LISI Group consolidated income statement

(in thousand euros)	31/12/2008	31/12/2007
<b>Pre-tax turnover</b>	<b>844,254</b>	<b>815,957</b>
Changes in stock, finished products and outstanding	22,377	14,817
Total production	866,631	830,773
Other revenues	5,451	5,907
<b>Total operating revenues</b>	<b>872,081</b>	<b>836,681</b>
Consumption	(253,493)	(242,130)
Other purchases and external charges	(157,467)	(152,173)
<b>Value added</b>	<b>461,121</b>	<b>442,378</b>
Taxes and duties	(11,261)	(10,648)
Personnel expenses (* Including temporary employees)	(309,557)	(289,793)
<b>EBITDA</b>	<b>140,302</b>	<b>141,937</b>
Depreciation	(41,249)	(38,421)
Net provisions	(877)	(3,464)
<b>EBIT</b>	<b>98,177</b>	<b>100,052</b>
Non-recurring operating expenses	(5,171)	(19,835)
Non-recurring operating revenues	855	25,258
<b>Operating profit</b>	<b>93,861</b>	<b>105,475</b>
<b>Financing expenses and revenue on cash</b>	<b>(8,885)</b>	<b>(8,174)</b>
Revenue on cash	1,397	4,899
Financing expenses	(10,282)	(13,073)
<b>Other financial income and expenses</b>	<b>2,847</b>	<b>1,060</b>
Other financial items	6,009	3,087
Other financial expenses	(3,162)	(2,027)
Taxes	(31,712)	(30,809)
<b>Profit for the period</b>	<b>56,111</b>	<b>67,553</b>
Attributable as company shareholders' equity	56,229	67,553
Minority interests	(118)	0
<b>Net income per share (in €)</b>	<b>5.40</b>	<b>6.60</b>
<b>Net diluted earnings per share (in €)</b>	<b>5.28</b>	<b>6.45</b>



# Financial summary

## LISI Group consolidated balance sheet

### ASSETS

(in thousand euros)	31/12/2008	31/12/2007
<b>NON-CURRENT ASSETS</b>		
Goodwill	139,068	136,738
Other intangible assets	15,715	15,529
Tangible assets	255,984	232,120
Non-current financial assets	4,558	4,976
Deferred tax assets	14,462	14,118
Other non-current assets	141	219
<b>Total non-current assets</b>	<b>429,928</b>	<b>403,700</b>
<b>CURRENT ASSETS</b>		
Inventories	201,187	173,345
Taxes – Claim on the state	5,718	8,517
Trade and other receivables	126,939	118,764
Financial assets	30,222	55,332
Cash and cash equivalents	25,665	62,931
<b>Total current assets</b>	<b>389,730</b>	<b>418,889</b>
<b>TOTAL ASSETS</b>	<b>819,660</b>	<b>822,589</b>
<i>of which other non-current financial assets</i>	<i>0</i>	<i>0</i>

### TOTAL EQUITY AND LIABILITIES

(in thousand euros)	31/12/2008	31/12/2007
<b>SHAREHOLDERS' EQUITY</b>		
Capital stock	21,508	21,508
Additional paid-in capital	69,853	68,353
Treasury shares	(17,090)	(7,814)
Consolidated reserves	336,938	285,179
Conversion reserves	(12,406)	(12,495)
Other income and expenses recorded directly as shareholders' equity	2,752	3,042
Profit for the period	56,229	67,553
<b>Total shareholders' equity – Group's share</b>	<b>457,786</b>	<b>425,326</b>
Minority interest	780	0
<b>Total shareholders' equity</b>	<b>458,567</b>	<b>425,326</b>
<b>NON-CURRENT LIABILITIES</b>		
Non-current provisions	30,386	30,702
Non-current borrowings	84,399	87,784
Other non-current liabilities	3,096	3,070
Differed taxes	33,567	31,836
<b>Total non-current liabilities</b>	<b>151,449</b>	<b>153,392</b>
<b>CURRENT LIABILITIES</b>		
Current provisions	8,205	6,128
Current borrowings*	40,887	83,757
Trade and other accounts payable	156,223	145,857
Tax liability	4,328	8,128
<b>Total non-current liabilities</b>	<b>209,643</b>	<b>243,870</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>819,660</b>	<b>822,589</b>
<i>* of which banking facilities</i>	<i>13,982</i>	<i>52,628</i>

## LISI GROUP CONSOLIDATED CASH FLOW TABLE

(in thousand euros)	31/12/2008	31/12/2007
<b>Operating activities</b>		
<b>Net earnings</b>	<b>56,111</b>	<b>67,553</b>
Elimination of net charges not affecting cash flows:		
– Depreciation and non-recurrent financial provisions	41,765	38,306
– Changes in deferred taxes	1,025	1,725
– Income on disposals, provisions for liabilities and others	5,006	(7,857)
<b>Gross cash flow margin</b>	<b>103,907</b>	<b>99,726</b>
Net changes in provisions provided by or used for current operations	1,474	2,901
<b>Operating cash flow</b>	<b>105,380</b>	<b>102,628</b>
Elim. of corporate income tax (debit or credit)	30,687	29,084
Elim. of net interest	9,188	10,408
Effect of changes in inventory	(28,954)	(11,801)
Effect of changes in accounts receivable and accounts payable	(1,213)	10,736
<b>Net cash provided by or used for operations before tax</b>	<b>115,089</b>	<b>141,055</b>
Taxes paid	(31,018)	(31,699)
<b>Cash provided by or used for operations (A)</b>	<b>84,070</b>	<b>109,356</b>
<b>Investment activities</b>		
Acquisition of consolidated companies	(2,198)	(32,348)
Acquired cash	1,057	1,449
Acquisition of tangible and intangible fixed assets	(65,671)	(44,112)
Acquisition of financial assets	-	(120)
Change in granted loans and advances	634	(24)
Investment subsidies received	-	-
Dividends received	1	-
<b>Total cash used for investment activities</b>	<b>(66,177)</b>	<b>(75,155)</b>
Disposed cash	-	1,315
Disposal of consolidated companies	-	20,000
Disposal of tangible and intangible fixed assets	511	971
Disposal of financial assets	-	-
<b>Total cash from disposals</b>	<b>511</b>	<b>22,286</b>
<b>Cash provided by or used for investment activities (B)</b>	<b>(65,665)</b>	<b>(52,869)</b>
<b>Financing activities</b>		
Capital increase	18	25,525
Net disposal (acquisition) of treasury shares	-	-
Dividends paid to shareholders of the Group	(15,793)	(12,979)
Dividends paid to minority interests of consolidated companies	-	-
<b>Total cash from equity operations</b>	<b>(15,776)</b>	<b>12,546</b>
Issue of long-term loans	27,066	6,476
Issue of short-term loans	580	819
Repayment of long-term loans	(14,423)	(4,574)
Repayment of short-term loans	(20,517)	(25,385)
Net interest expense paid	(9,959)	(9,866)
<b>Total cash from operations on loans and other financial liabilities</b>	<b>(17,254)</b>	<b>(32,526)</b>
<b>Cash provided by or used for financing activities (C)</b>	<b>(33,029)</b>	<b>(19,980)</b>
Effect of change in foreign exchange rates (D)	134	(2,678)
Effect of adjustments in treasury shares (D)	(9,241)	(2,335)
<b>Changes in net cash (A+B+C+D)</b>	<b>(23,732)</b>	<b>31,495</b>
Cash at January 1 <sup>st</sup> (E)	65,635	34,141
Cash at year end (A+B+C+D+E)	41,904	65,635
Other current financial assets	30,222	55,332
Cash and cash equivalents	25,665	62,931
Short-term banking facilities	(13,982)	(52,628)
<b>Closing cash position</b>	<b>41,904</b>	<b>65,635</b>

## CHANGE IN LISI GROUP CONSOLIDATED SHAREHOLDERS' EQUITY

	Capital stock	Share premiums	Treasury shares	Consolidated reserves	Conversion reserves	Other income and expenses recorded directly as shareholders' equity	Profit for the period, group share	Group's share of shareholders' equity	Minority interests	Total shareholders' equity
(in thousand euros)										
<b>Total shareholders' equity at January 1, 2007</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>
Profit for the period N (a)							67,553	67,553		67,553
Translation differential (b)					(10,170)			(10,170)		(10,170)
Payments in shares (c)		951						951		951
Capital increase	1,086	24,439						25,525		25,525
Restatements of treasury shares (d)			(2,335)			(45)		(2,380)		(2,380)
Appropriation of N-1 earnings				47,989			(47,989)			
Change in methods										
Change in scope									(224)	(224)
Dividends distributed				(12,979)				(12,979)		(12,979)
Reclassification										
Various (e)										
<b>Shareholders' equity at December 31, 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>425,326</b>
<i>of which total revenue and expenses recorded for the financial period (a) + (b) + (c) + (d) + (e)</i>		<i>951</i>			<i>(10,170)</i>	<i>(45)</i>	<i>67,553</i>	<i>58,289</i>		
Profit for the period N (a)							56,229	56,229	(118)	56,111
Translation differential (b)					89			89	72	161
Payments in shares (c)		1,500						1,500		1,500
Capital increase										
Restatements of treasury shares (d)			(9,276)	67,553		(290)		(9,566)		(9,566)
Appropriation of N-1 earnings							(67,553)			
Change in methods										
Change in scope									827	827
Dividends distributed				(15,793)				(15,793)		(15,793)
Reclassification										
Various (e)										
<b>Shareholders' equity at December 31, 2008</b>	<b>21,508</b>	<b>69,853</b>	<b>(17,090)</b>	<b>336,938</b>	<b>(12,406)</b>	<b>2,752</b>	<b>56,229</b>	<b>457,786</b>	<b>780</b>	<b>458,567</b>
<i>of which total revenue and expenses recorded for the financial period (a) + (b) + (c) + (d) + (e)</i>		<i>1,500</i>			<i>89</i>	<i>(290)</i>	<i>56,229</i>	<i>57,528</i>		





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