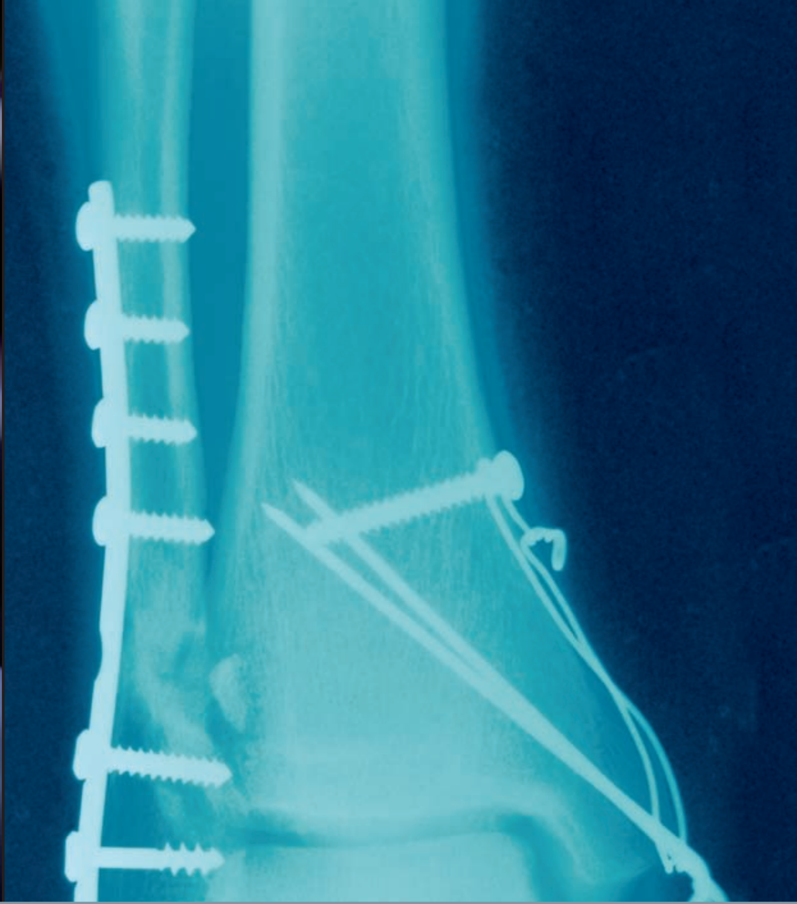


lisi LINK SOLUTIONS FOR INDUSTRY

FINANCIAL REPORT 09

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

Summary

1 General information regarding the company 5

1. Name and title of the person responsible for the annual report and statutory auditors	6
2. Information policy	6
3. Organizational chart	7
4. Key figures	8
5. Information about the issuer	8

2 Financial situation 13

1. Overview of the main activities	14
2. Group activity for the financial year, and outlook for the coming year	16

3 Consolidated financial statements 23

1. Financial statements	24
2. Notes	28

4 Financial statements 57

1. Company activity for the financial year, and outlook for the coming year	58
2. Financial statements	60
3. Appendices to financial statements	64
4. LISI S.A. financial results for the previous 5 financial years	70

5 Risk factors 71

1. Environment	72
2. Health safety	72
3. Risk management	73
4. Information on issuer risks	73
5. Insurance policy	75

6 Information regarding the Company and corporate governance 77

1. Company information	78
2. Corporate governance	82

7 Documents specific to the Ordinary General Meeting 93

1. Report by the Chairman of the Board of Directors	94
2. Auditors' report by the Chairman of the Board of Directors regarding internal control	97
3. Auditors' special report	98
4. Auditors' report on the consolidated financial statements	99
5. Auditors' general report	100
6. Draft resolutions	101

1 General information regarding the company

1 Name and title of the person responsible for the annual report and statutory auditors 6

1.1	Name and title of the person responsible for the annual report	6
1.2	Statement by the person responsible for the annual report	6
1.3	Statutory auditors	6

2 Information policy 6

2.1	Person responsible for the financial information	6
2.2	Documentation	6

3 Organizational chart 7

4 Key figures 8

5 Information about the issuer 8

5.1	Breakdown of capital	8
5.2	History	10
5.3	Company name – Registered Office and Legislation	10
5.4	Incorporation and term /Articles of Association	11
5.5	Consultation of corporate documents	12

1 - Name and title of the person responsible for the annual report and statutory auditors

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

Mr. Emmanuel Viellard
Deputy Chairman

1.2 Statement by the person responsible for the annual report

"I hereby certify, after taking all reasonable action for that purpose, that the information provided in this document is, as far as I know, accurate. There are no omissions that would significantly alter its scope.
I certify that, to the best of my knowledge, the accounts have been drawn up in accordance with the relevant accounting standards and give a true and fair view of the assets, liabilities, financial position and profit or loss of the companies included therein taken as a whole, and the annual report in chapters 2-3-4-5-6 gives a true and fair view of the development of business, the profit or loss of the companies included therein taken as a whole together with a description of the principal risks and uncertainties that it faces.
I have secured from our auditors, SALUSTRO REYDEL (a member of KPMG International) and EXCO CAP AUDIT, a completion letter stating that they have verified the information regarding the financial situation and the financial statements provided in the annual report, and that they have read the entire annual report".

Paris, April 15th, 2010

Emmanuel Viellard
Deputy Chairman

1.3 Statutory auditors

Regular auditors:
• EXCO CAP AUDIT represented by Pierre BURNEL
2 rue Jules Emile Zingg – BP 9
25409 EXINCOURT Cedex
Appointed April 13, 1993. Mandate to expire during the Ordinary General Meeting ruling on the statements for financial year ending December 31, 2010.

• SALUSTRO REYDEL, a member of KPMG International represented by Laurent GENIN
1 cours Valmy
92923 PARIS LA DEFENSE Cedex
Appointed March 4, 1999. Mandate to expire during the Ordinary General Meeting ruling on the statements for financial year ending December 31, 2010.

Alternate auditors:
• Mr. Jean-François Calame
2 rue Jules Emile Zingg – BP 9
25409 EXINCOURT Cedex
Appointed April 13, 1993. Mandate to expire during the Ordinary General Meeting ruling on the statements for financial year ending December 31, 2010.

• Mr. Jean-Claude Reydel
1 cours Valmy
92923 PARIS LA DEFENSE Cedex
Appointed March 4, 1999. Mandate to expire during the Ordinary General Meeting ruling on the statements for financial year ending December 31, 2010.

2. Information policy

2.1 Person responsible for the financial information

Mr. Emmanuel Viellard

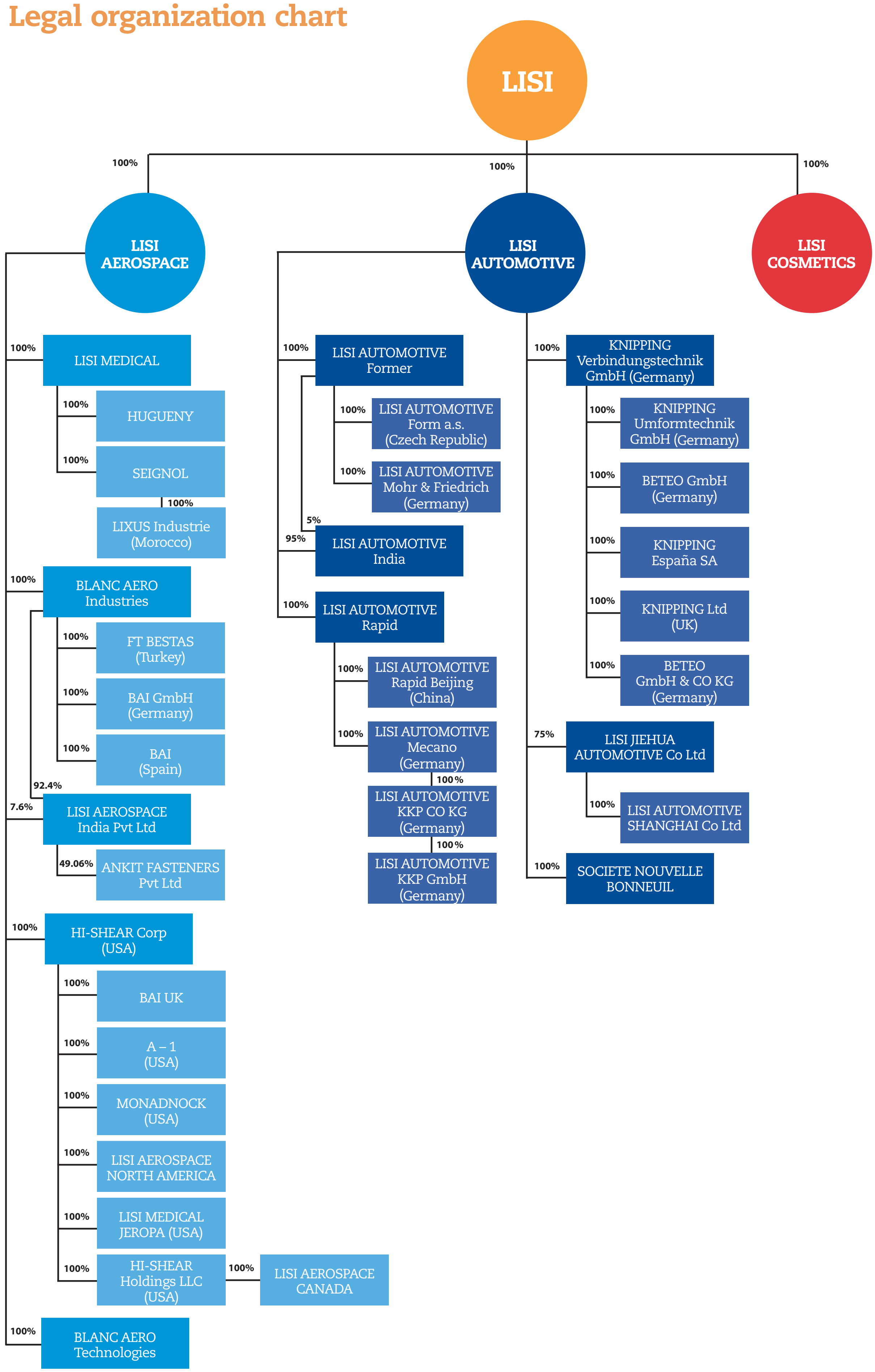
LISI
Le Millenium
18 rue Albert Camus
BP 431
90008 BELFORT Cedex
Tel: + 33 (0)3 84 57 00 77 / Fax: + 33 (0)3 84 57 02 00
Website: www.lisi-group.com
Email: emmanuel.viellard@lisi-group.com

2.2 Documentation

• Annual document in French and English (paper version and CD)
• Press Release

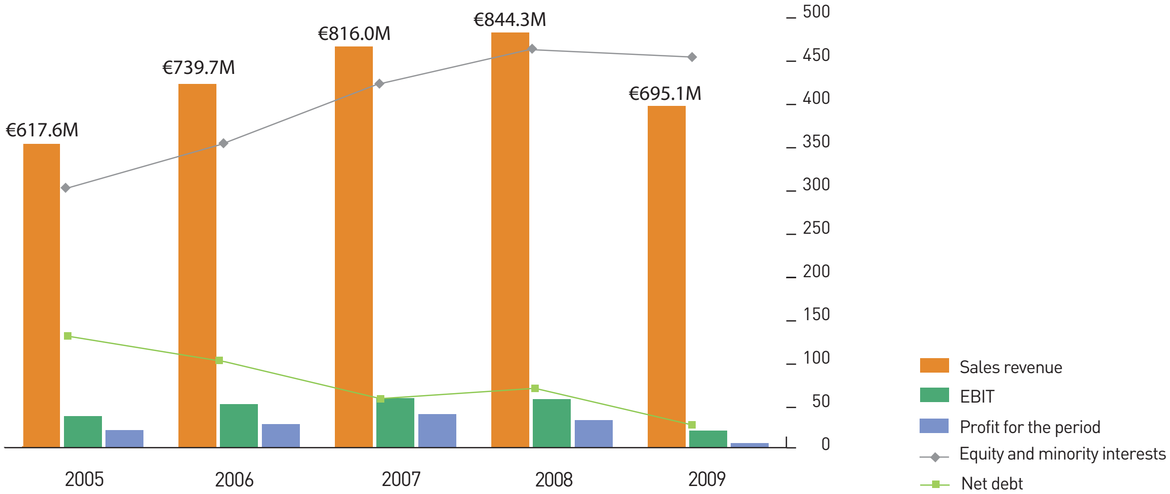
All documents are made available to the shareholders. A copy of these may be requested from the company's registered offices (at the above address) or found on the company website. The Group's company website has been publicly available for the last nine years, in both French and English. Annual reports and quarterly updates, as well as all regulatory information are available to download from the website.

3 - Legal organization chart



4 - Key figures

(in million euros)	2009	2008	2007	2006	2005
Sales revenue	695.1	844.3	816.0	739.7	617.6
EBIT	34.2	98.9	100.1	88.6	63.8
Profit for the period	9.4	56.2	67.6	48.0	35.6
Equity and minority interests	450.6	458.6	425.3	357.0	310.3
Net debt	28.5	69.4	53.3	105.6	136.4

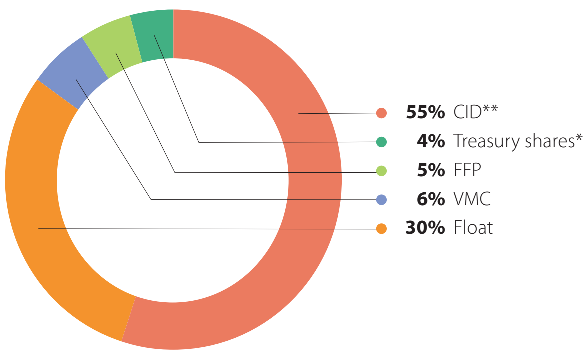


5 - Information about the issuer

5.1 Breakdown of capital

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, 2009: €369M
Indices: CAC Mid 100, SBF 250 and Next 150



* Reserved for the performance share and stock option programs.
** Direct and indirect holdings:
VMC: 21.25%
FFP: 18.98%
CIKO: 16.75%

Liquidity of the share:

Float capital turnover rate: 28%

Average number of shares traded per day in 2009: 4,000

Months	Closing price	Highest price	Lowest price	Session average	Transaction volume	No of shares traded during month*
2007	in euros	in euros	in euros	in euros	In thousand euros	
January	64.50	67.50	61.20	64.35	25,735	393,405
February	67.00	69.10	64.20	66.65	18,253	254,327
March	67.60	68.27	62.00	65.14	12,400	185,293
April	77.20	78.30	67.65	72.98	16,732	231,674
May	80.40	82.00	76.00	79.00	14,588	184,460
June	83.99	92.00	77.25	84.63	32,510	332,655
July	87.90	90.99	81.90	86.45	22,667	244,290
August	85.50	87.49	74.23	80.86	31,250	357,857
September	82.00	86.00	78.00	82.00	11,334	138,110
October	81.40	83.50	78.06	80.78	20,248	235,315
November	67.67	81.85	66.54	74.20	21,801	284,647
December	65.00	71.40	63.20	67.30	21,661	317,018
2008						
January	58.67	65.81	49.45	57.63	24,832	445,000
February	60.57	62.50	55.00	58.75	19,492	327,915
March	65.14	67.85	60.50	64.18	12,615	191,137
April	69.30	69.85	64.12	66.99	19,750	293,850
May	68.00	71.90	61.04	66.47	49,970	402,735
June	57.18	69.87	55.01	62.44	31,912	512,824
July	57.63	59.63	51.24	55.44	13,688	220,753
August	55.00	57.63	52.38	55.01	6,065	101,276
September	47.60	56.00	44.00	50.00	17,991	360,169
October	34.79	48.49	26.01	37.25	24,056	639,747
November	29.00	37.75	27.20	32.48	11,046	312,830
December	24.50	28.99	24.06	26.53	3,721	141,218
2009						
January	25.78	29.91	22.61	26.26	3,556	136,223
February	26.48	26.87	21.16	24.02	3,416	135,400
March	23.40	26.10	19.81	22.96	1,316	56,590
April	29.00	29.00	22.70	25.85	2,600	99,291
May	31.80	31.80	26.00	28.90	2,146	71,099
June	30.80	33.50	29.50	31.50	1,564	48,950
July	34.00	34.00	29.15	31.58	2,029	65,596
August	38.20	38.20	31.80	35.00	1,731	48,884
September	37.40	39.00	34.20	36.60	3,036	82,744
October	31.00	38.75	31.00	34.88	3,921	107,449
November	33.49	34.80	30.15	32.48	2,170	64,666
December	34.30	34.30	31.61	32.96	2,923	89,650
2010						
January	38.80	40.00	34.31	37.16	3,041	80,625
February	36.50	39.10	34.13	36.62	1,897	52,303

(1) Excl. non-system.

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

5.2 History

1777

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

1806

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

1899

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

1968

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

1977

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

1989

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

1990 / 2000

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

2002

To better delineate its specialist areas, GFI Industries became LISI, (**LInk Solutions for Industry**), with 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

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

2005

Acquisition of KNIPPING in Germany (LISI AUTOMOTIVE).
Opening of a factory in Canada (LISI AEROSPACE).
Sale of Gradel (LISI AUTOMOTIVE).

2007

Sale of European distribution firm EUROFAST to ANIXTER France (LISI AEROSPACE).
LISI AUTOMOTIVE sells its Monistrol plant in the Haute-Loire to the PRECITURN group.

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 orthopaedic implants.

2008

LISI AUTOMOTIVE is increasing its presence in China and India with the creation of a second manufacturing plant in Shanghai dedicated to making threaded fasteners.

2009

On April 1st, 2009, the Group sold KNIPPING subsidiary SDU, which specialized in distributing technical products to mines and industry in Germany and Poland.
The Group has also been actively engaged in acquisitions, with the announcement of two external growth projects:
The takeover of two French sites for the American group Acument Global Technologies, which specialize in automotive fastener manufacturing.
The buyout of a hip prosthesis manufacturing site from the American STRYKER group; Stryker Corporation is one of the largest suppliers of medical technologies in the world. The deal also includes a 5-year supply contract.
Announced during December 2009, the completion of these two deals was dependent upon meeting certain conditions which had not yet been fulfilled by the end of the financial year.

5.3 Company name – Registered Office and Legislation

Company name and head office
LISI S.A. – Le Millenium – 18 rue Albert Camus – 90008 BELFORT Cedex

Legal form of the issuer and applicable legislation
"Société Anonyme" (public limited company) governed by French legislation.

Place and number of registration
- R.C.S.: BELFORT 536 820 269
- NAF Code: 7010 Z

[1] GFD: Générale de Forgeage et Décolletage.

5.4 Incorporation and term /Articles of Association

Incorporation and term

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

Purpose

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

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

Financial Year

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

Specific statutory clauses

Article 17 – Distribution of earnings

- Out of the distributable profit, all amounts the Shareholders' General Meeting shall decide to carry forward to the next year or allocate to the creation of extraordinary, contingency, or other funds, with or without a special allocation, shall be withdrawn first. The remainder is distributed between the shareholders, in proportion to the share capital held.
- Each shareholder may be granted the option of receiving payment in cash or in shares under the terms provided for by law, for all or part of the dividend or the advance on the dividend distributed.

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

- Shareholder meetings are held and deliberate in accordance with the applicable legal provisions. They meet at the head office or at any other location specified in the meeting notice.
- The shareholders' meeting is composed of all the shareholders, regardless of the number of shares they own, provided that the shares are fully paid-up. The right to attend in person or to be represented by proxy is subject:

1 For registered shareholders, to the registration of their shares in a pure or administered personal account at least 5 days before the date of the Meeting;

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

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

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

- Barring any legal or regulatory measures to the contrary, each member of the Shareholders' Meeting is entitled to as many share votes as he owns or represents, both in his own name and as a proxy, without limitation. However, certain shares have double the voting rights of other shares in view of the proportion of share capital they represent, namely:

1. All fully paid-up shares registered in the name of the same shareholder for at least four (4) years;

2. All shares allocated free of charge to shareholders as part of a capital increase carried out through the incorporation of reserves, profits or issue premiums, up to the number of existing shares for which they are entitled to such double voting rights.

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

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

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

Article 9 – Statement of beneficial ownership

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

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

- The company's shares are indivisible.

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

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

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

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

5.5 Consultation of corporate documents

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

2 Financial situation

1 Overview of the main activities 14

1.1	LISI AEROSPACE	14
1.2	LISI MEDICAL	14
1.3	LISI AUTOMOTIVE	15
1.4	LISI COSMETICS	15

2 Group activity for the financial year, and outlook for the coming year 16

2.1	LISI Consolidated	16
2.2	LISI AEROSPACE	18
2.3	LISI AUTOMOTIVE	20
2.4	LISI COSMETICS	21

1 - Overview of the main activities

1.1 LISI AEROSPACE

€330.8M
ANNUAL SALES REVENUE

3,101
STAFF

€24.5M
INVESTMENTS

Activity

Fasteners and assembly components for the aerospace

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.), bolts, assembly equipment.

Racing

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

Customers

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

Competitors

Alcoa Fastening Systems;
Precision Castpart Corp.;
McKechnie.

1.2 LISI MEDICAL

€18.7M
ANNUAL SALES REVENUE

232
STAFF

€1.8M
INVESTMENTS

Activity

World class contractor for the medical device industry

Key products

LISI MEDICAL HUGUENY

Spinal and orthopaedic implants.

LISI MEDICAL JEROPA

Dental and spinal implants.

LISI MEDICAL SEIGNOL

Surgical implants (hand, foot, dental, maxillofacial) and ancillary manufacture (surgical instruments).

Competitors

Accelent;
Greatbatch;
Symmetry.

1.3 LISI AUTOMOTIVE

€310.4M
ANNUAL SALES REVENUE

2,821
STAFF

€20.4M
INVESTMENTS

Activity

Automotive fasteners and assembly components

Key products

Threaded fasteners

Engine fasteners; wheel screws and nuts; fasteners for interior assemblies and engine components; screws for sheet metal; self-tapping screws; screws for plastics; PRESSFIX® screw and force-fitting nuts and assembly equipment; clamp washers; engineered washers.

Clip fasteners

Fasteners for panels; fasteners for tubes and mono- and bi-material wires screws and snap-on nuts with tapped drums; rivets and pins; multifunctional metal/plastic subassemblies.

Components

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

Customers

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

Competitors

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

1.4 LISI COSMETICS

€36.1M
ANNUAL SALES REVENUE

429
STAFF

€2.1M
INVESTMENTS

Activity

Assembly and packaging components for fragrances and cosmetics

Key products

212 Men and 212 Men Sexy by Carolina Herrera (PUIG)
ARMANI'S Idole
CHANEL'S Allure Homme Sport
CHANEL'S Coco Mademoiselle
CHANEL'S N°5
DIOR'S J'Adore (LVMH)
Gucci's Flora
ARMANI'S Acqua di Gio (L'OREAL)
VAN CLEEF & ARPELS'S Oriens
Narciso RODRIGUEZ' Narciso for her (SHISEIDO)

Customers

CHANEL;
PUIG;
LVMH;
SHISEIDO;
L'ORÉAL;
PROCTER & GAMBLE;
CLARINS;
HERMES PARFUMS;
INTERPARFUMS.

Competitors

Alcan Packaging;
Ileos;
Qualipac;
Rexam Beauty;
Seidel;
Texen.

2 - Group activity for the financial year, and outlook for the coming year

2.1 LISI Consolidated

Year ended December 31,		2009	2008	Change
Main income statement elements				
Sales revenue	€M	695.1	844.3	- 17.7%
EBITDA	€M	87.8	141.0	- 37.8%
EBITDA margin	%	12.6	16.7	- 4.1 pts
EBIT	€M	34.2	98.9	- 65.4%
Current operating margin	%	4.9	11.7	- 6.8 pts
Earnings attributable as company shareholders' equity	€M	9.4	56.2	- 83.2%
Diluted earnings per share	€	0.92	5.28	- 82.6%
Main cash flow statement elements				
Operating cash flow	€M	76.7	105.4	- 27.2%
Net CAPEX	€M	- 49.0	- 65.2	- 24.8%
Operating free cash flow	€M	51.3	9.7	x 5
Main elements of the financial situation				
Net financial debt	€M	28.5	69.4	- 59%
Net indebtedness ratio on equity		6.3%	15.1%	- 8.8 pts

Sharp drop in sales revenue follows general downturn in the automotive and then the aerospace industry

Consolidated sales revenue for the 2009 financial year stands at €695.1M as opposed to €844.3M in 2008. More or less constant over the whole of the year, this fall by -17.7% nonetheless results from highly contrasting evolutions: while the first half-year was characterized by a brutal fall in the automotive industry and the remarkable resistance of the aerospace sector, the trends were reversed in the second part of the year. Indeed, aeronautics suffered true turbulence, while the automobile sector picked up considerably at the end of the period.

	LISI Consolidated	of which LISI AEROSPACE	of which LISI AUTOMOTIVE
Q1	-19.0%	+ 1.3%	- 37.5%
Q2	- 18.8%	- 2.7%	- 30.1%
Q3	- 18.6%	- 20.0%	- 15.5%
Q4	- 13.8%	- 35.0%	+ 19.3%
2009	**- 17.7%**	**- 14.5%**	**- 19.5%**

On a constant exchange rate and like-for-like basis, the variation in sales revenue stands at no more than -16.1% (- 8.8% on the fourth quarter, as the effect of the fall of the dollar against the euro was above all substantial at the end of the year).

The respective divisions' contributions are as follows:

(In €m)	LISI AEROSPACE*		LISI AUTOMOTIVE		LISI COSMETICS		LISI Consolidated	
Q4	71.2	43%	85.3	51%	9.5	6%	**165.8**	**100%**
Year 2009	349.5	50%	310.4	45%	36.1	5%	**695.1**	**100%**

* of which €18.7M contributed by LISI MEDICAL, being 2.7% of Group total.

During 2009, the Group strengthened its ties with its major customers who are increasingly favoring supplier partners who can work globally with them.

LISI's five largest customers are Airbus, PSA, Renault, TRW and Boeing. Their top 13 customers represent 50% of consolidated sales; 80% of sales is achieved with their 70th largest customer.

Highlights of the period

- On April 1st, 2009, the Group sold SDU, (contributing €19.8M to sales) a KNIPPING subsidiary that specialized in distributing technical products to mines and industry in Germany and Poland. No significant changes to the company structure were made during the period.

- In the first half, the Group recorded a €12M goodwill depreciation provision for the RAPID group in the LISI AUTOMOTIVE division.

- The Group has also been actively engaged in acquisitions, with the announcement of two external growth projects:
  - The takeover of two French sites for the American group Acument Global Technologies, which specialize in automotive fastener manufacturing.
  - The buyout of a hip prosthesis manufacturing site from the American STRYKER group; Stryker Corporation is one of the largest suppliers of medical technologies in the world. The deal also includes a 5-year supply contract.

Announced during December 2009, the completion of these two deals was dependent upon meeting certain conditions which had not yet been fulfilled by the end of the financial year.

Financial Results 2009: priority given to cash, goal largely achieved

Under the effect of the fall in sales, the absorption of fixed costs weighed on the earnings, despite the corrective measures that the Group quickly put in place. This effect was amplified by a change in production (-22.9%) that was more pronounced than that in sales (-17.7%) so as to encourage cash generation.

The effectiveness of variable cost adjustments to cover the fall in production should also be noted, as the following demonstrate:

- The payroll bill has been lowered, with the workforce reduced to 6,596 people (a reduction of 472 people), as well as through recourse to temporary adjustment measures such as unemployment, representing over 600,000 hours (equivalent of 342 Full-Time Employees).
- Other variable costs were proportionally adjusted to more than compensate for the fall in production.

On the other hand, the stasis of certain fixed costs and certain occasional non-recurring costs such as redundancy costs (€4.1M) had an impact on EBITDA, which after record levels in 2008 dropped by 37.8% to €87.8M (12.6% of sales).

EBIT was €34.2M, down 65.4% on 2008. The 6.8-point decline in operating margin, at 4.9% of sales, reflects the rise in depreciations (+5.6%) after several years of significant investments, along with the increase in operating provisions. These provisions were mainly allocated to inventories in order to cover the risk of slower production sales revenue. Net provisions for the financial year amounted to €10M, i.e. 1.4% of sales revenue.

At €9.4M, the net earnings for the period are down €46.8M and include the following items:

- €12.0M of non-current expenses recorded during the first half of the year and related, in particular, to goodwill amortization for €56M (before amortization), allocated to RAPID's business,
- financial losses, of which -€4.2M of financing expenses, against -€9.3M in 2008,
- €7.8M of taxes: The taxation rate for the period stands at €27M of the apparent earnings, to be compared to 36.1% in 2008. (excluding goodwill amortization) to be compared to 36.1% in 2008.

In terms of profit and loss for the period, the second half performance (+€14.2M) palliated the first half's losses (-€4.8M), in spite of a significant drop in activity in the aerospace division.

As of December 31, 2009, the Group had almost entirely cleared its debts

The net financial debt came under the threshold of €30M, at €28.5M at December 31, 2009. The net financial debt on equity ratio was brought down to 6.3% against 15.1% in 2008. The drop by nearly €41M takes into account the distribution of €12.3M of dividends for 2008 and benefited from the generation of €51.3M of free cash flow. This reflects the satisfactory level of the cash flow (€76.7M, 11% of sales) and the strong decrease in working capital to €172.5M (€200.7M in 2008), that is 86 days of sales, despite the significant level of expenditures (€49M, that is 7.1% of sales revenue).

Owing to the decline in working capital, the capital used by the Group dropped by €565.8M in 2008, at €515.8M in 2009, despite the decline in assignments of receivables, from €47.1M to €30.7M.

In the midst of an economically challenging period, the Group maintained its structuring investments, thereby confirming its confidence in the development of its various activities. In that context, the most significant projects were: the deployment of ERPs in the aerospace (€1.6M) and automotive (€1.6M) divisions, productivity initiatives (€2.2M at LISI AEROSPACE, €4.5M at LISI AUTOMOTIVE), the commissioning of new sites, such as the extension of the LISI AEROSPACE site in Turkey, the construction of new buildings for LISI AUTOMOTIVE Form a.s in the Czech Republic and the new plastic injection hall at Nogent-Le-Phaye for LISI COSMETICS.

The outlook in brief

In comparison with 2008, the Group's markets experienced considerable turbulence: the automotive sector saw an upturn, but prospects are still far from clear. While the production forecasts of the Group's customers for the first quarter are rather encouraging, the planned cancellation of the "prime à la casse" is a harbinger of a 7 to 10% decline of the European market for the entire year. The only certitude is that LISI AUTOMOTIVE sales will not be affected by the reduction in stocks which took place in the first half of last year. The division managed to restart production in satisfactory conditions in 2009, and will implement a schedule of improvement initiatives (Kanban on high-volume production lines) and production methods (Lean manufacturing). Some advanced indicators, such as raw materials prices, show signs that reflect the current rise in demand.

The adjustment of the manufacturing pace of commercial airliners which was strongly felt by LISI AEROSPACE as of the 1st half of 2009, will be maintained over most of 2010. This decline was particularly significant in those procurement chain segments where it is difficult to know what the inventory levels are. Mainly in the U.S., the orders taken (-50% in 2009) are still at their lowest for aerostructure parts manufacturers and distributors. In Europe, the demand (-30% in 2009) is gradually adjusting to a more resistant level. The possible recovery, which in the best case scenario will not take place before the end of 2010, depends on the recovery of the air traffic, the financial health of airlines, and the progress of new programs (A380, B787 and A350).

LISI MEDICAL is pursuing its commercial and industrial reorganization, while preparing for the possible consolidation of the acquisition under way.

Lastly, LISI COSMETICS, whose business activity has declined sharply since 2008, could well be the first to recover thanks to the announced end of the destocking carried out by its customers and the recent launch of a few large projects.

In a harsh ongoing economic climate, the Group will be extending the four main aims of its plan for the financial year 2010:

- Preserve the cash situation,
- Protect the current operating margin,
- Continue with internal improvement works,
- Take part in market consolidation.

2.2 LISI AEROSPACE

Activity summary

In €m	2009	2008	Changes
Sales revenue	349.5	408.9	-14.5%
EBIT	47.6	84.3	-43.6%
Operating cash flow	61.8	71.5	-13.5%
Net CAPEX	26.3	38.4	-31.4%
Registered employees at period end*	3,333	3,565	-6.5%
Full time equivalent head count**	3,510	3,782	-7.2%

* Including LISI MEDICAL.
** Including temporary employees.

Sales dropped during the second half of the year, after 5 years of two-digit growth

The external forces which have had a significant impact on our market can be summarized as follows:

- A sharp drop in commercial aircraft orders by over 100 places, after several very buoyant years post-2004. In total, the number of orders (before cancellations) is limited to 413 units, which break down as follows: 271 with Airbus and 142 with Boeing.

- Manufacturing continues at a good pace, enabling the delivery of 979 units, 498 of which were for Airbus, making a new record.

- A solidly stable order book of 3,488 aircraft at Airbus (6 years of production) and 3,362 aircraft at Boeing (7 years of production).

- A significant delay in the two flagship projects, for the A380 and the B787 and also the A350, which is still at development stage.

- Order books were down by a dramatic 30% in comparison with 2008 for regional aircraft which has led to manufacturers hugely reducing their stocks.

- A reduction in stocks right across the sub-contracting sector, and over-ordering by distributors up to the first half of 2010.

Tough aerospace climate, despite appearances

In 2009, the aerospace industry suffered from the unprecedented downturn in international travel (down 3.5%) despite good results over the last few months and capacity down -3.2% [1] For freight, the fall in traffic is even more remarkable: down 10.1% [1].

The fleet of old aircraft stock is therefore falling consistently: it totals 2,709 aircraft, representing 12% of the international fleet, which nevertheless continues to increase. Consequently the situation of the aerospace companies masks very different realities: certain large established companies are experiencing a continuing fall in traffic, while large budget and Chinese companies are breaking new records every month.

In this deteriorating situation, sales revenue for LISI's AEROSPACE division followed a major fall in deliveries from June onwards, principally in the US, finally reaching €349.5M, i.e. down 14.5% For the LISI AEROSPACE division alone (excluding Racing and Medical), it was down 12.3%, with a net fall in the US of 19.6%.

The final quarter saw the same slowdown rate as the third quarter: down 35% for the division, and 35.1% for the aerospace sector alone, with the US showing a drop of 49.3%. This breakdown is accounted for by the fact of the order book drying up in the short term under the influence of cancellations, postponements and a lack of orders being placed. Forecast stock built up between 2005-2008 needs to be balanced before returning to normal demand levels, given that the rate of fastenings orders is generally below current delivery rates.

The slowdown therefore carried through to the second half, at a rate of 27.4%; analysis by sales sector shows that aerospace sub-contractors and distributors saw their sales plummet by 32% and 35% respectively during the second half, while the two major manufacturers (Boeing and Airbus) made respective downward adjustments to their requirements of -27% and -8%. Overall, 77% of the monthly downturn was due to aerostructure parts manufacturers and distributors.

Medical industry undergoing a period of adjustment, despite sector's relative resilience in Europe

The medical industry has not been unaffected by the crisis, and in particular in areas of well-being care such as dental care. In addition to this market trend, the manufacturing field needs to adjust stock levels and redistribute certain volumes of internal subcontracting.

Consequently activity in the US has sharply declined, while Europe showed itself to be more resilient. LISI MEDICAL has therefore seen its sales drop by 22%, to almost €19M, compared with €24M in 2008.

Niche "Racing" activity dwindles

Under the strain of the financial crisis, teams involved in the various motor sports competitions (Formula 1, endurance, NASCAR, IRL, etc) have seen their budgets drastically cut, if not axed completely (BMW, Toyota, etc). The market for very high technologies such as Blanc Aéro Technologies in Europe or its US subsidiary A1 has therefore rapidly dried up.

The sales revenue for this segment has plummeted to €12M, as compared with €21M in 2008 (a drop of 41%), and this comes in spite of a rapid conversion of two manufacturing sites for aerospace activity.

Adapting to market conditions

In this very fragile environment, the division continues to make progress in meeting its customers' requirements: efforts to structure global processes and cross-divisional functions, implementation of a central ERP system, industrial capacity analysis and group quality system analysis, and, finally, unprecedented initiatives for new product development (in particular for the future A350 Airbus). LISI AEROSPACE has reaped rewards for its hard work in the form of several customer awards, from companies such as Embraer, MTU, UTC (Gold Award) and Boeing (Gold rating award for its Dorval plant) and through renewed contracts.

On the operations side, variable costs are being adjusted, with a deep cuts being made to the budgets for overtime, temporary workers and certain additional teams. Staff totals have been adjusted by almost 1,000 full-time equivalents (FTE) [2]. Between December 2008 (4,200 FTE) and December 2009 (3,200 FTE), representing a payroll cut of almost 25%. These measures mostly affected manufacturing staff (70% of the total) with reductions relating to additional hours for 264 FTE, short-time working for 92 FTE and the almost complete elimination of temporary workers for 319 FTE. These short-term measures have ensured that profitability is maintained in line with previous economic troughs.

Divisional EBITDA amounted to €73.6M, €28.3M of which was over the second half, representing 18.9% of sales revenue, following the period of adjustment for manufacturing.

Divisional EBIT amounted to €47.6M, i.e. 13.6% of annual sales. It should be noted that it was €33.5M (17% of sales) for the first half 2009.

It is worth stressing the significant rise in current provisions (€5.6M): this largely covers stocks of finished goods, essentially related to slower anticipated turnaround due to a sharp drop in sales, as well as the depreciation of certain raw materials stocks.

Variable costs have been satisfactorily adjusted, and anticipating a forthcoming upturn in activity, some support staff have been maintained for quality control, research and development, and for the IT teams in charge of implementing ERP.

The generation of free cash flow is very positive at €36.9M thanks to a high self-financing capacity of €61.8M and after very large ongoing investments of €26.3M (7.5% of sales) and stable working capital requirement levels. Stocks only just began to adjust in the second half with a drop of just €7.1M, against €107.9M on December 31 2009. Investments largely relate to new products developed at Saint-Ouen l'Aumône (€2.8M), IT deployment costs (€1.6M), the latest installations at the new Izmir plant in Turkey (€2.2M), the construction of a new LISI MEDICAL factory in Neyron (€1.5M) as well as various investments in equipment to improve productivity and production quality.

Outlook

The downward trend which started in the second half is set to continue well into 2010 until certain stocks are balanced. The slowdown in activity is likely to ease gradually before settling at a new low, particularly in the US.

1 Source: IATA.
2 FTE: Full-time equivalent.

The dramatic fall in orders is particularly striking in the US where they are down 50%, as compared with a drop of 30% in Europe. Aerospace sector indicators affecting LISI AEROSPACE products which may signal an upturn are the resurgence of air traffic, the financial health of airline companies who have to take delivery of new aircraft and advances in the latest programmers (A380, B787 and A350). The running-down of stocks at aerostructure parts manufacturers will also provide a more solid basis for European and American activity.

LISI AEROSPACE will incorporate the small Racing division into the aerospace sector with gradual conversion towards mechanical parts for engine builders and parts manufacturers.

Finally, LISI MEDICAL is undertaking a two-pronged business initiative of commercial revitalization and industrial restructuring in the first half of 2010.

The division will simultaneously be incorporating manufacturing activity at the Stryker Corporation's Caen-Hérouville site as part of its current acquisition deal.

2.3 LISI AUTOMOTIVE

Activity summary

In €m	2009	2008	Changes
Sales revenue	310.4	385.8	-19.5%
EBIT	-15.5	14.4	
Operating cash flow	9.0	29.2	-69.3%
Net CAPEX	20.4	21.1	-3.0%
Registered employees at period end	2,821	3,033	-7.0%
Full time equivalent head count*	2,533	3,043	-16.8%

* Including temporary employees.

Sales figures up, but remain below 2007 levels

Vehicle registrations in Europe[1] were down 1.6% in 2009 to 14.5M units, despite the end of year recovery (October: +11.2%, November +26.6% and December +16.0%) [2]. Compared with the market in 2007 however, these figures show a 9.5% attrition rate.

This financial year shows a new pattern, related to vehicle registration changes, with the first quarter down 17%, the second quarter down around 5%, then a spectacular third quarter recovery of 4%, rising to an 18% rise in the last quarter of 2009, thanks to government incentive schemes. All European countries followed this pattern, with the exception of two areas: Eastern Europe was down 27% and Spain down 18%.

The true indicator of activity remains production in wider Europe, which adjusted to 15.3M units: a fall of 18%, the relative variable magnitude of which amplifies the registrations cycle. For instance, production was up 34% in December, while for February 2009 it was down 41%.

From the customer point of view, the two French manufacturers PSA and Renault-Dacia posted solid performances with limited falls in production, down 5.2% and 2.6% respectively; meanwhile the Volkswagen group showed a 12.2% downward adjustment, with performances at BMW (-10.9%), Daimler (-19.8%) and even Ford Europe (-14.3%) following a similar downward trend. Over the year, LISI AUTOMOTIVE's portfolio customers reduced their own production by an average of 13.2%, following a 5.1% reduction in 2008.

LISI AUTOMOTIVE considers the pattern for the last few months (October-November 2009) is still down 15% compared with the period for the second half 2007. However, the market is showing a few signs of recovery, but at a structurally low level in Europe. Only emerging nations such as China and Brazil are helping boost manufacturers' results to more encouraging levels. Volkswagen thus hit a record 6.3M units sold worldwide (up 1.1%) [4] thanks to a 38% increase [3] in China Renault sold over 2M private vehicles (a 0.7% increase) [3] and PSA 3.2M units [3] representing a fall of 2.2% [3]

The major international manufacturers are following a similar trend

Certain active and passive safety systems or comfort systems, as well as certain solutions such as electric handbrake systems, are starting to be installed as internationally-recognized systems and are used in almost all vehicles produced throughout the world. LISI AUTOMOTIVE's customers in this sector expect impeccable service and products on very high volume production runs. Nevertheless, throughout the economic crisis LISI AUTOMOTIVE has seen similar changes in manufacturers and parts manufacturers who are accordingly adjusting their delivery requests in real time.

1 Light vehicles in EU27 + EFTA.
2 Source ACEA.
3 Source JD Power, December 2009.
4 Source Usine Nouvelle.

China an attractive zone for investment

The Volkswagen Group has benefited from the burgeoning Chinese market, which for the first time is its biggest market ahead of Germany, with 1.4M units sold in China. The area is attracting manufacturers from all around the world. Vehicle registration statistics (10.3M units in 2009) show that in 2009 China became the world's biggest single market. LISI AUTOMOTIVE is responding to demands for the localization of certain products in China, thanks to two production sites based in Shanghai and Beijing.

LISI AUTOMOTIVE sales revenue mirrors European production

The last quarter of 2009 saw divisional sales pick up considerably, with a 19% increase boosting the total for the financial year 2009 to €310.4M, €75M down on 2008, of which a loss of €19.8M was attributable to the disposal of SDU[1]. The Germany Business Group suffered the most (-21% excl. SDU[1]) from the very late recovery of BMW and Daimler, as well as from Volkswagen's drastic stock decrease. Business Group France was down 11%, and the major parts manufacturers down 19%. On the other hand, activity in China shows 60% growth to over €12M.

New product developments slowed down, although the division saw a slight rise in research towards the end of the period. Annual sales revenue generated from new products represents 9.5% of 2009 sales, as compared with an average of over 12% for the last three financial years.

A sharp correction to production

Following customer trends, the division has adjusted production significantly to €284.7M, i.e. by 28.5% (down 30.2% excl. SDU[1]). This adjustment was made possible through heavy recourse to short-time working during the first half and cuts to recruitment (excl. SDU[1]) by 133 individuals. For the second half, divisional results were positive with EBITDA at 10.2% and EBIT at 2.1%. Nevertheless, due to the incomplete absorption of fixed costs, these performances did not make up for losses in the first half: over the financial year as a whole, EBIT negative at -€15.5M. However, it is worth noting that stocks are down by 20 days, and logistical indicators remain excellent with service levels at 97%.

1 Disposed of on April 1st, 2009.

Analysis of fixed costs and variable costs over the financial year show that the adjustment to variable costs (including production costs) has been very well managed: they are down 30.2%, while production was down 28.5%. On the other hand, fixed costs could only be adjusted by 5%.
The workforce, as measured in Full-Time Equivalents (FTE) went from 3,443 to 2,533 which brought the payroll bill down considerably for the first half of 2009 (down €13.5M) while there were second half savings of €1.1M compared with H2 2008 for a roughly equivalent sales revenue.

With a positive Free Cash Flow of €15.8M the main financial aim of generating cash flow was achieved. This takes into account a stock reduction of €33.7M and increased investments of €20.4M (6.6% of sales). Of note were the construction of a new factory in the Czech Republic (€3.6M), the deployment of ERP Lawson M3 (€1.6M) and ongoing updates to production processes represent a quarter of the €20.4M invested in 2009.

Outlook

The division managed to reinvigorate production in the second half, to yield the same sales as for the second half of 2008. Compared with the first half of 2009, it soared by 12% in the second half of the year, without affecting service to customers.

Despite the spectacular short-term recovery of the European market, the current revival still looks rather fragile, with the looming impact of the scheduled end to the car-scrappage scheme and environmental constraints limiting engine power. Prospects for the first quarter of 2010 seem thus far to be generally encouraging, but the European market is likely to gradually fall by 7% to 10% in comparison with the 2009 average.

Having proven itself to be responsive in the face of extremely challenging market conditions, LISI AUTOMOTIVE intends to continue pursuing its productivity initiatives and optimize its organizational structure in an environment which is likely to remain volatile.

On the other hand, the stock reduction exercise seen in 2009 should not need to be repeated and thus should not impact LISI AUTOMOTIVE sales for 2010.

Over the longer term, development in Asia, which only represented 4% of divisional sales in 2009, is set to continue at a more rapid pace, driving growth for the financial years ahead.

2.4 LISI COSMETICS

Activity summary

In €m	2009	2008	Changes
Sales revenue	36.1	51.0	-29.3%
EBIT	-3.2	1.5	
Operating cash flow	-0.6	3.9	
Net CAPEX	2.1	5.7	-62.5%
Registered employees at period end	429	457	-6.1%
Full time equivalent head count*	397	491	-19.2%

* Including temporary employees.

Tough market conditions for upstream players

As the luxury fragrance and cosmetics market statistics are only available several months after year end, it is impossible to compare LISI COSMETICS' performance with that of its market in 2009.

Nevertheless, distributors are seeing a late rally for the market, with Christmas sales palliating the year's overall decline (supermarket sales figures showed the health and beauty sector to be down 1.4%, in France). Luxury brand distribution has seen a marked downturn in spite of numerous marketing campaigns [1].

Although indicators suggest a less drastic fall within the market, two aggravating factors affected LISI COSMETICS in 2009:

- the cancellation or delay of new product launches, particularly within the luxury perfume market,
- strong decline in inventories throughout the distribution chain.

Sharp drop in LISI COSMETICS' sales

LISI COSMETICS' annual sales revenue totaled €36.1M, as compared with €51M in 2008, i.e. a fall of 29.3%. Thanks to a more favorable basis for comparison, the final quarter was down by only 18.7%. New business studies hit a new low, with only 117 new projects being researched compared with 178 in 2008, and almost 300 in a so-called normal year's activity.

In 2009, only the launch of Armani's Idole (L'Oréal) helped support the sales revenue level at the Nogent-le-Phaye plant. All other projects have been deferred or cancelled.

Activity below break-even point

The division has taken tough measures to lower its break-even point. The Full-Time Equivalent (FTE) workforce was adjusted to 397 workers, representing a 19% reduction compared with 2008, and a 27% reduction on 2007. The payroll bill was reduced by 16% through recourse to unemployment (50,000 hours) and training (5,280 hours). Despite these efforts the payroll bill absorbed 97% of added value.

Consequently, EBITDA was €452K into the red, despite a reasonable adjustment of other variable costs.

Following stable amortizations in comparison with 2008, the EBIT was €3.2M into the red in 2009, as compared with the positive figure of €1.5M in 2008.

Of the three manufacturing sites, only Nogent-le-Phaye, which benefited from the launch of Armani's Idole, managed to limit its drop in activity to -7.7%, although this level was still insufficient to limit divisional losses.

Having pursued an ambitious investments programmed over the last three financial years, which brought the 3 divisional factories up to an excellent technological and organizational level, investments were limited to €2.1M in 2009. Depreciations reached €2.8M, representing 7.7% of sales (as compared with €2.6M and 5% in 2008).

The adjustment to WCR was made in line with the downturn in activity, with a satisfactory adaptation of stock levels (-€0.9M) and customer accounts (-€2.0M). The WCR therefore remains negative at -€2.3M. Having taken into account a withdrawal for €2.1M for investments, Free Cash Flow is stable in comparison with last year at -€2M.

Outlook

LISI COSMETICS, which was the first Group division to be hit by the economic crisis from the second half of 2008, is at the start of 2010 seeing brighter prospects, with several of the launches which were initially planned for 2009 having just been confirmed. Amongst those new products which will feed 2010 sales, LISI COSMETICS is to work on the launch of Van Cleef's & Arpels "Oriens" (Interparfums) as well as creating packaging for forthcoming Chanel, Paco Rabanne, Carolina Herrera and Armani perfumes, as well as for several Procter & Gamble lines.

All sites should benefit from this upturn, the Saint-Saturnin-du-Limet site in particular, which specializes in metals.

This resurgence of activity coincides with the end of stock reductions and the confirmation of restock orders which means that it is possible to foresee stability being restored from the start of 2010.

1 Source Cosmétique Hebdo.

3 Consolidated financial statements

1 Financial statements 24

1.1	Consolidated income statement – overall earnings	24
1.2	Statement of financial situation	25
1.3	Statement of cash flow	26
1.4	Statement of equity	27

2 Notes to company accounts 28

2.1	Group activity and key highlights of the year	28
2.2	Accounting rules and methods	28
2.3	Consolidation scope	34
2.4	Financial risk management	36
2.5	Detail of balance sheet items	38
2.6	Detail of main income statement items	48
2.7	Additional information	51
2.8	Exchange rates of currencies used by foreign subsidiaries	56
2.9	Important events occurring after year-end	56

1 - Financial statements

1.1 Income statement

In thousand euros	Notes	12/31/2009	12/31/2008
Pre-tax sales	2.6.1	**695,071**	**844,254**
Changes in stock, finished products and outstanding		(26,427)	22,377
Total production		668,644	866,631
Other revenues*		7,428	6,184
Total operating revenues*		**676,072**	**872,815**
Consumption	2.6.2	(171,505)	(253,493)
Other purchases and external charges	2.6.3	(127,823)	(157,467)
Value added		**376,743**	**461,854**
Taxes and duties		(10,260)	(11,261)
Personnel expenses (Including temporary employees)	2.6.4	(278,705)	(309,557)
EBITDA*		**87,779**	**141,036**
Depreciation		(43,577)	(41,249)
Net provisions		(10,013)	(877)
EBIT*		**34,188**	**98,910**
Non-recurring operating expenses	2.6.6	(12,473)	(5,171)
Non-recurring operating revenues	2.6.6	500	855
Operating profit*		**22,214**	**94,594**
Financing expenses and revenue on cash	2.6.7	**(4,197)**	**(8,885)**
Revenue on cash	2.6.7	*326*	*1,397*
Financing expenses	2.6.7	*(4,524)*	*(10,282)*
Other interest revenue and expenses	2.6.7	**(1,080)**	**2,847**
Other financial items	2.6.7	*4,433*	*6,009*
Other interest expenses	2.6.7	*(5,513)*	*(3,162)*
Taxes*	2.6.8.1	(7,800)	(32,445)
Profit for the period		**9,137**	**56,111**
attributable as company shareholders' equity		9,422	56,229
Minority interests		(285)	(118)
Earnings per share (in €)	2.6.9	**0.92**	**5.40**
Diluted earnings per share (in €)	2.6.9	**0.92**	**5.28**

* In an effort to provide better information to readers of accounts and to conform with international standards, the company has adopted for its 2009 financial statements a new classification of products related to RTC (Research Tax Credits) different to those in preceding periods. Thus, the Group has reclassified in its December 31, 2009 financial statements the RTC previously listed in "Taxes" now listed under "Other products". At December 31, 2009, the RTC rose to €1.7M compared to €0.7M at December 31, 2008. In order to allow the figures from one period to remain comparable to those of the other, the figures listed in the columns in 2008 have been reclassified as a function of the options retained for 2009. These reclassifications have been identified by an * in the financial statements and have no effect on the earnings of the period, which remain unchanged compared to the two previous periods.

STATEMENT OF OVERALL EARNINGS

In thousand euros	12/31/2009	12/31/2008
Profit for the period	**9,137**	**56,111**
Other elements of overall earnings		
Exchange rate spreads resulting from foreign business	(2 271)	161
Tax charge on other portions of global income	-	-
Other portions of global earnings, after taxes	**(2,271)**	**161**
Total overall income for the period	**6,866**	**56,272**
attributable as company shareholders' equity	7,165	56,318
Minority interests	(299)	(46)

1.2 Statement of financial situation

ASSETS

In thousand euros	Notes	12/31/2009	12/31/2008
LONG-TERM ASSETS			
Goodwill	2.5.1.1	124,316	139,068
Other intangible assets	2.5.1.1	13,060	15,715
Tangible assets	2.5.1.2	258,362	255,984
Long-term financial assets	2.5.1.4	5,472	4,558
Deferred tax assets	2.5.7	6,901	14,462
Other long-term financial assets	2.5.1.5	100	141
Total long-term assets		**408,211**	**429,928**
SHORT-TERM ASSETS			
Inventories	2.5.2.1	147,473	201,187
Taxes – Claim on the state		5,219	5,718
Trade and other receivables	2.5.2.2	103,531	126,939
Other short-term financial assets	2.5.2.3	63,916	30,222
Cash and cash equivalents	2.5.2.4	20,582	25,665
Total short-term assets		**340,721**	**389,730**
TOTAL ASSETS		**748,933**	**819,660**

TOTAL EQUITY AND LIABILITIES

In thousand euros	Notes	12/31/2009	12/31/2008
SHAREHOLDERS' EQUITY			
Capital stock		21,508	21,508
Share premium	2.5.3.2	69,853	69,853
Treasury shares		(16,264)	(17,090)
Consolidated reserves		378,745	336,938
Conversion reserves		(14,662)	(12,406)
Other income and expenses recorded directly as shareholders' equity		2,159	2,752
Profit (loss) for the period		9,422	56,229
Total shareholders' equity - Group's share	2.5.3	**450,764**	**457,786**
Minority interests		(125)	780
Total shareholders' equity		**450,639**	**458,567**
LONG-TERM LIABILITIES			
Long-term provisions	2.5.4.1	28,463	30,386
Long-term borrowings	2.5.6.1	76,528	84,399
Other long-term liabilities	2.5.5	1,545	3,096
Deferred tax liabilities	2.5.7	28,934	33,567
Total long-term liabilities		**135,470**	**151,449**
SHORT-TERM LIABILITIES			
Short-term provisions	2.5.4.1	8,069	8,205
Short-term borrowings*	2.5.6.1	36,432	40,887
Trade and other accounts payable		116,515	156,224
Taxes due		1,807	4,328
Total short-term liabilities		**162,823**	**209,643**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**748,933**	**819,660**
*of which banking facilities		13,495	13,983

1.3 Statement of consolidated cash flow

In thousand euros	12/31/2009	12/31/2008
OPERATING ACTIVITIES		
Net earnings	**9,137**	**56,111**
Elimination of net charges not affecting cash flows:		
- Depreciation and non-recurrent financial provisions	55,447	41,765
- Changes in deferred taxes	2,882	1,025
- Income on disposals, provisions for liabilities and others	1,604	5,006
Gross cash flow	**69,070**	**103,907**
Net changes in provisions provided by or used for current operations	7,642	1,474
Operating cash flow	**76,712**	**105,381**
Income tax expense (revenue)	4,918	31,420
Elimination of net borrowing costs	4,111	9,188
Effect of changes in inventory on cash	41,600	(28,954)
Effect of changes in accounts receivable and accounts payable	(15,773)	(1,213)
Net cash provided by or used for operations before tax	**111,568**	**115,823**
Taxes paid	(7,175)	(31,751)
Cash provided by or used for operations (A)	**104,390**	**84,070**
INVESTMENT ACTIVITIES		
Acquisition of consolidated companies	(1,451)	(2,198)
Cash acquired	21	1,057
Acquisition of tangible and intangible assets	(49,465)	(65,671)
Acquisition of financial assets	(474)	
Change in granted loans and advances	(946)	634
Investment subsidies received		
Dividends received	4	1
Total cash used for investment activities	**(52,312)**	**(66,177)**
Disposed cash	2,800	
Disposal of consolidated companies	1,500	
Transfer of tangible and intangible assets	456	511
Disposal of financial assets	2	
Total cash from disposals	**4,758**	**511**
Cash provided by or used for investment activities (B)	**(47,554)**	**(65,665)**
FINANCING ACTIVITIES		
Capital increase		18
Net disposal (acquisition) of treasury shares		
Dividends paid to shareholders of the Group	(12,313)	(15,793)
Dividends paid to minority interests of consolidated companies		
Total cash from equity operations	**(12,313)**	**(15,776)**
Issue of long-term loans	16,401	27,066
Issue of short-term loans	1,161	580
Repayment of long-term loans	(4,315)	(14,423)
Repayment of short-term loans	(23,206)	(20,517)
Net interest expense paid	(4,664)	(9,959)
Total cash from operations on loans and other financial liabilities	**(14,622)**	**(17,254)**
Cash provided by or used for financing activities (C)	**(26,935)**	**(33,029)**
Effect of change in foreign exchange rates (D)	(1,628)	134
Effect of adjustments in treasury shares (D)	826	(9,241)
Changes in net cash (A+B+C+D)	**29,099**	**(23,732)**
Cash at January 1st (E)	41,904	65,635
Cash at year end (A+B+C+D+E)	71,003	41,904
Short-term investments	63,916	30,222
Cash and cash equivalents	20,582	25,665
Short-term banking facilities	(13,495)	(13,983)
Closing cash position	**71,003**	**41,904**

1.4 Statement of total equity

In thousand euros	Capital stock (Note 2.5.3.1)	Capital-linked premiums (Note 2.5.3.2)	Treasury shares	Consolidated reserves	Conversion reserves	Other income and expenses recorded directly as shareholders' equity	Profit for the period, group share	Group's share of shareholders' equity	Minority interests	Total shareholders' equity
Shareholders' equity at January 1, 2008	**21,508**	**68,353**	**(7,814)**	**285,179**	**(12,495)**	**3,042**	**67,553**	**425,326**		**425,326**
Results of exercise N (a)							56,229	56,229	(118)	56,111
Conversion increases (b)					89			89	72	161
Payments in shares (c)		1,500						1,500		1,500
Capital increase										
Operations on own shares (d)			(9,276)			(290)		(9,566)		(9,566)
Appropriation of N-1 earnings				67,553			(67,553)			
Change in methods										
Change in scope									827	827
Dividends distributed				(15,793)				(15,793)		(15,793)
Reclassification										
Others (e)										
Shareholders' equity at December 31, 2008	**21,508**	**69,853**	**(17,090)**	**336,938**	**(12,406)**	**2,752**	**56,229**	**457,786**	**780**	**458,567**
including total products and charges posted for the period (a) + (b) + (c) + (d) + (e)		***1,500***			***89***	***(290)***	***56,229***	***57,528***		
Results of exercise N (a)							9,422	9,422	(285)	9,137
Conversion increases (b)					(2,257)			(2,257)	(14)	(2,271)
Payments in shares (c)				(2,109)				(2,109)		(2,109)
Capital increase										
Operations in treasury stocks (d)			826			(593)		234		234
Appropriation of N-1 earnings				56,229			(56,229)			
Change in methods										
Change in scope									(606)	(606)
Dividends distributed				(12,313)				(12,313)		(12,313)
Reclassification										
Others (e)										
Shareholders' equity at December 31, 2009	**21,508**	**69,853**	**(16,264)**	**378,745**	**(14,662)**	**2,159**	**9,422**	**450,764**	**(125)**	**450,639**
including total products and charges posted for the period (a) + (b) + (c) + (d) + (e)				***(2,109)***	***(2,257)***	***(593)***	***9,422***	***4,464***		

2 - Notes

2.1 Group activity and key highlights of the year

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

The consolidated accounts of the Group for the fiscal year ending December 31, 2009 include the Company, its subsidiaries and affiliates (which are together referred to as "the Group").

The LISI Group's main business activity is the manufacturing of multifunctional fasteners and assembly components for three business sectors: aerospace, automotive and select perfumery. Through its subsidiary LISI MEDICAL, the LISI Group has also been present since 2007 in the outsourcing of medical implants targeted at groups that develop medical solutions.

The highlights of the financial year are as follows:
- The company KNIPPING Verbindungstechnik GmbH sold, on April 1st, 2009, 100% of its shares of the SDU company (Schrauben und Draht Union GmbH). This company in 2008 made sales of €26M in the distribution of technical products designed for mining and industry in Germany and Poland.

- Acquisition by LISI AEROSPACE India, a company created in the first semester of 2009, of 49% of the ANKIT Fasteners company located in Bangalore (India).

2.2 Accounting rules and methods

The financial statements for year ending December 31, 2009 were approved by the Board of Directors on February 17, 2010 and will be submitted to the Ordinary General Meeting on April 28, 2010.

2.2.1 Background to the preparation of the consolidated financial statements for the 2009 financial year

In accordance with EU regulation 1606/2002 dated July 19, 2002, the LISI Group's consolidated financial statements have been prepared in line with IAS/IFRS international accounting standards as adopted by the European Union on December 31, 2009.

The new IFRS standards and interpretations applicable from January 1st, 2009 were applied for the 2009 year, namely:
- Revised IAS 1: This standard has been applied but has little effect on the Group given the weak showing in other elements of overall earnings;
- IAS 23: This standard is applied prospectively as of 01/01/2009,
- IFRS 8: The interpretation of this standard brings no significant change to the sector reporting of the Group.

2.2.2 Basis of preparation of financial statements

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

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

Non-current assets held for sale are evaluated at the lower of their book value and the fair value less costs of disposal.
According to IFRS, certain accounting options require taking a position based upon either a judgment or assumptions that will have an impact on assets and liabilities, income and expenses, especially in respect of the following:

- durations of depreciation of fixed assets (notes 2.2.7.2 et 2.2.8.4),
- evaluations retained for impairment tests (note 2.2.8.5),
- evaluation of pension provisions and obligations (notes 2.2.14 and 2.2.15.1),
- valuation of financial assets at fair market value (notes 2.2.6, 2.2.8.6, 2.2.11 and 2.2.12),
- valuation of payments in equities (note 2.2.15.2),
- recognition of active deferred taxes (note 2.2.19.5).

These judgments and assumptions take into account the specific risks in LISI's business sectors as well as general business risks. The current period has seen high volatility that has limited visibility. Accordingly, the forecasts upon which these judgments and assumptions were made might vary from the actual situation in the future.

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

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

2.2.3 Consolidation guidelines

A subsidiary is an entity controlled by its parent company. Control exists when the Group is able to direct the financial and operating policies of the entity (either directly or indirectly) in order to obtain benefits from its activities. The list of consolidated companies is provided in Note 2.3.3. At December 31, 2009, the ANKIT Fasteners company is consolidated via the proportional integration method. All companies are included in the consolidation scope.

2.2.4 Transactions eliminated from the consolidated financial statements

Balance sheet balances, unrealized profits and losses, and income and costs arising from intra-group transactions have been excluded in preparing the consolidated financial statements.

Unrealized losses have been excluded in the same way as unrealized profits, on condition that they do not represent a loss of value.

2.2.5 Methods of conversion for currency assets

2.2.5.1 Transaction in foreign currency

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

2.2.5.2 Conversion of financial statements of affiliates and consolidated affiliates

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

2.2.6 Financial instruments

2.2.6.1 Non-derivative financial instruments

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

2.2.6.2 Financial derivatives

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

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

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

When a derivative financial instrument is utilized to cover economically a risk exposure to exchange rates on a monetary asset or liability, the covering accounting is not applied and the profits or losses on the coverage instrument are recorded in the earnings account.

2.2.7 Intangible assets

2.2.7.1 Goodwill

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

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

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

If the goodwill is negative, it is recognized directly as a profit in the income statement.

2.2.7.2 Other intangible assets

Concessions, trademarks and software programs are recognized at cost and are subject to a depreciation plan. Intangible fixed assets acquired through a business combination are recognized at their acquisition-date fair value. Intangible fixed assets with finite useful lives are subject to depreciation over this period, while intangible fixed assets with indefinite useful lives are subject to an impairment test at each annual close.

Subsequent expenditure relating to an intangible fixed asset is only capitalized if it increases the future economic benefits that are attributable to the specific asset in question. Other expenditure is recognized as an expense when incurred.

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

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

2.2.7.3 Research and Development

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

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

Due to the nature of the Group's research and development costs, most such costs do not meet the criteria for capitalization. The Group carries out regular assessments of major projects in order to identify any costs which could be capitalized. In 2009, only one project in the LISI AEROSPACE division met the activation criteria.

2.2.8 Tangible assets

2.2.8.1 Assets belonging to the Group

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

When various items of property, plant and equipment have different useful lives, they are recognized separately.

2.2.8.2 Assets funded through finance-leases

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

2.2.8.3 Ongoing costs

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

2.2.8.4 Depreciation

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

Land is not depreciated.

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

2.2.8.5 Impairment of assets

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

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

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

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

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

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

Losses of value recognized under Goodwill are irreversible.

The Group has defined its cash generating units (CGU) in line with the strategic organization of the Business Units (B.U).

The LISI AUTOMOTIVE division includes five CGUs:
- Threaded fasteners B.U,
- Mechanical components B.U,

- Clipped fasteners B.U,
- International operations B.U,
- Knipping B.U.

The LISI AEROSPACE division is split into 5 CGUs:
- Europe B.U,
- USA B.U,
- Engines and critical parts B.U,
- Specialty Fasteners B.U,
- Medical B.U.

The LISI Group, until December 31, 2008, considered as just one B.U. the Racing unit, composed of the two entities, BAT (France) and A1 (USA). The business of the two units will be further oriented towards aerospace. Therefore, these two units will be merged in 2010, within the B.U. Engines and parts, critical for BAT and the USA B.U. for A1.

The LISI COSMETICS division is composed of a single CGU.

2.2.8.6 Long-term financial assets

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

2.2.9 Inventories

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

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

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

Stock is subject to depreciation when its net realizable value is lower than production costs; if it is damaged or obsolete; and in any situation where it is at risk of remaining unsold under normal conditions.

2.2.10 Trade and other receivables

Trade receivables, loans and advances are recognized in the balance sheet at depreciated cost at the effective rate of interest. In the event of risk of non-recovery, depreciation is fixed on a case-by-case basis using the probable collection flows. This risk takes into account the time elapsed since the transaction.

2.2.11 Other short-term financial assets

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

2.2.12 Cash and cash equivalents

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

2.2.13 Share capital

2.2.13.1 Treasury shares

The Group implements a policy of buying back its own shares, in accordance with authorizations provided by the Shareholders' General Meeting to the Board of Directors. The main purposes of the share buyback program are:
- to increase the activity of the stock on the market by an Investment Services Provider via a liquidity contract in accordance with the professional code of ethics recognized by the AMF (the French stock market authority),
- to grant stock options or free shares to employees and corporate officers of the company and/or its consolidated group,
- to keep and use shares as consideration or payment for potential future acquisitions;
- to cancel shares purchased, subject to the approval of the Shareholders' Extraordinary Meeting to be called at a later date.

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

2.2.13.2 Payments in shares (Stocks options and conditional free attributions of shares considered performance bonuses)

Refer to note 2.2.15 "Personnel benefits".

2.2.14 Provisions

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

2.2.14.1 Long-term provisions

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

2.2.14.2 Short-term provisions

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

2.2.15 Employee benefits

2.2.15.1 Commitments to personnel

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

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

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

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

Actuarial profits and losses are posted to the income statement in accordance with the "corridor" method: the amount recognized in expenses (income) for the period is equal to the deferred, actuarial losses (profits) on the balance sheet that exceeds 10% of the value of the commitment or the fair value of the plan's assets, if it is higher, divided by the average, remaining length of service of current employees.

The excess or shortfall of the fair value of the assets vis-à-vis the discounted value of the commitments is recognized as an asset or liability to the balance sheet, following deduction of deferred actuarial differences to the balance sheet as well as the cost of past services that have not yet been recognized. However, excess assets are only recognized on the balance sheet if they represent a future economic advantage for the Group.

At December 31, 2009 there no longer existed within the LISI Group an open plan in respect of defined benefits plans, these having generally been replaced by defined contributions plans.

2.2.15.2 Share-based payments

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

The awarding of share purchase options and the awarding of shares based on performance do represent a benefit available to such associates, and thus constitute a supplement to their remuneration. They are recognized as a staff expense based on the fair value of allocated shares or stock options, on the date on which these plans are implemented.

In the case of plans for share-purchase options and bonus shares based on performance, these benefits correspond to the fair market value of the instruments awarded, and are valued using a binomial model.

As regards bonus commitments, these are recorded as social liabilities at their fair value at year-end.

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

In respect of transactions settled by delivery of equity instruments, the Group has selected the option in IFRS 2, whereby it only recognizes plans prior to November 7, 2002 and whose rights are not vested until January 1st, 2004.

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

2.2.16 Financial debt

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

2.2.17 Trade and other accounts payable

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

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

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

2.2.19 Overview of the income statement

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

• Current Gross Operating Profit (EBITDA) includes added value, administrative and sales expenses, costs of pensions including contributions to provisions for pension commitments and the cost of remuneration in shares. It does not include other contributions and write-offs from depreciation and provisions.

• Current Operating Profit (EBIT) includes Current Gross Operating Profit (EBITDA) as well as other contributions and write-offs to depreciation and provisions.

• Operating Profit includes EBIT, other non-recurring operating income and expenses. Non-recurring items are defined as income and expenses resulting from events or transactions that are clearly distinct from the company's ordinary activities and that are not expected to reoccur on a regular basis, owing to:
  - their unusual nature and
  - their random occurrence, such as expenses or compensation received for losses, costs resulting from shutdowns, restructurings, or site relocations, goodwill amortization, and capital gains and losses on the sale of non-recurring, tangible and intangible assets.

2.2.19.1 Sales of goods and services

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

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

2.2.19.2 Payments for simple lease contracts

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

2.2.19.3 Payments for finance lease contracts

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

2.2.19.4 Cost of financing and other charges and financial income

The cost of finance includes:

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

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

2.2.19.5 Income tax

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

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

Deferred tax assets are not reported unless their recuperation is likely. Deferred tax debits and credits are measured at the tax rates that will be applicable when the timing differences are settled.
The examination of the recoverability of brought forward losses is subject to particular scrutiny and shall only be recoverable if the subsidiary in question or its scope of consolidation makes profits in the future.

Regarding the French companies, following the reduction of the professional tax and its replacement by the CET and CVAE starting in 2010, the Group is currently evaluating the incidences of the new taxes on its balance sheets, but may elect to consider the CVAE within the IAS 12 standard. This decision will thus lead to the posting of this tax on the "taxes on capital gains" line of the consolidated statement of results for 2010.
The deferred tax assets to post from the close of accounts for 2009, relative to the accounting for the CVAE in taxes on gains for 2010, has been the subject of an evaluation. Given the less significant nature of the estimated amount (around €2.1M), the Group did not post deferred taxes for this item in its 2009 statement.

2.2.19.6 Earnings per share

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

2.2.20 Cash flow statement

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

2.2.21 Business segments

A segment is a distinct component of the Group that is involved either in the supply of related products or services (business segment), being the supply of products or services in a particular economic context (geographical area) and that is exposed to different risks and profitability than other segments.

The Group's activities in 2009 are spread over three business segments, in which the four divisions operate:

- The LISI AEROSPACE Division, which brings together all activities in the aerospace market,
- The LISI AUTOMOTIVE Division, which brings together all activities in the automotive market,
- The LISI COSMETICS Division, which brings together perfume and cosmetics activities.
- The LISI MEDICAL division alone represents just 3% of the consolidated sales total for the Group. It does not yet represent a significant line of business. It has therefore been decided to display it with the LISI AEROSPACE Division.

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

2.3 Consolidation scope

2.3.1 Scope changes occurring during the 2009 fiscal year

The major perimeter scope is the following:

Acquisition in the LISI AEROSPACE division

Company	Type of change	Date of operation	Date of initial consolidation
LISI AEROSPACE India	Subscription of 100% of the capital upon the company's inception	04/01/2009	04/01/2009
ANKIT Fasteners	Entry into group at 49% of its stock (proportional integration method)	04/01/2009	04/01/2009

Disposals in the LISI AUTOMOTIVE division

Company	Type of change	Date of operation	Date of deconsolidation
Schrauben und Draht Union GmbH (SDU)	Sale of 100%	04/01/2009	03/31/2009
SDV Technica Sp. Zoo, 100% subsidiary of SDU	Sale of 100%	04/01/2009	03/31/2009

2.3.2 Impact on Group indicators of changes in scope that occurred in 2009

Deconsolidated companies	Schrauben und Draht Union GmbH and SDV Technica Sp. Zoo	Impact as a % on the Group indicators
Sales revenue	€6.7M	1.0%
EBIT	€0.3M	0.9%
Newly-consolidated company	**ANKIT Fasteners**	**Impact as a % on the Group indicators**
Sales revenue	€0.6M	0.1%
EBIT	€0.1M	0.3%

The change in scope remains within the limits recommended by control authorities, and therefore did not require any proforma financial statements.

2.3.3 Consolidation scope at year end

Company	Registered Office	Country	% of control	% interests
Holding company				
LISI S.A.	Belfort (90)	France	Parent company	
LISI AEROSPACE Division				
LISI AEROSPACE	Paris 12e (75)	France	100.00	100.00
BLANC AERO INDUSTRIES (BAI)	Paris 12e (75)	France	100.00	100.00
BAI GmbH	Hamburg	Germany	100.00	100.00
FT BESTAS	Izmir	Turkey	100.00	100.00
BLANC AERO TECHNOLOGIES (BAT)	Paris 12e (75)	France	100.00	100.00
BAI Spain	Madrid	Spain	100.00	100.00
HI-SHEAR CORPORATION (HSC)	Torrance (California)	USA	100.00	100.00
MONADNOCK	City of Industry (California)	USA	100.00	100.00
BAI UK	Rugby	UK	100.00	100.00
A1	Paramount (California)	USA	100.00	100.00
LISI AEROSPACE NORTH AMERICA	Torrance (California)	USA	100.00	100.00
HI-SHEAR Holdings LLC	Torrance (California)	USA	100.00	100.00
LISI AEROSPACE Canada	Dorval	Canada	100.00	100.00
HUGUENY	Lyon (69)	France	100.00	100.00
LISI MEDICAL JEROPA INC.	Escondido (California)	USA	100.00	100.00
LISI MEDICAL	Neyron (01)	France	100.00	100.00
SEIGNOL	Neyron (01)	France	100.00	100.00
LIXUS Industrie	Tanger	Morocco	100.00	100.00
LISI AEROSPACE India Pvt Ltd	Bangalore	India	100.00	100.00
ANKIT Fasteners Pvt Ltd	Bangalore	India	49.06	49.06
LISI AUTOMOTIVE Division				
LISI AUTOMOTIVE	Delle (90)	France	100.00	100.00
SOCIETE NOUVELLE BONNEUIL	Delle (90)	France	100.00	100.00
LISI AUTOMOTIVE Former	Delle (90)	France	100.00	100.00
LISI AUTOMOTIVE Mohr und Friedrich	Vöhrenbach	Germany	100.00	100.00
LISI AUTOMOTIVE Rapid	Puiseux Pontoise (95)	France	100.00	100.00
LISI AUTOMOTIVE Mecano	Heidelberg	Germany	100.00	100.00
LISI AUTOMOTIVE KKP GmbH	Mellrichstadt	Germany	100.00	100.00
LISI AUTOMOTIVE KKP GmbH & CO KG	Mellrichstadt	Germany	100.00	100.00
LISI AUTOMOTIVE Beijing	Beijing	China	100.00	100.00
LISI AUTOMOTIVE Form a.s	Brno	Czech Republic	100.00	100.00
LISI AUTOMOTIVE India	Ahmedabad	India	100.00	100.00
LISI JIEHUA AUTOMOTIVE Co. Ltd	Hong Kong	Hong Kong	100.00	75.00
LISI AUTOMOTIVE SHANGHAI Co. Ltd	Shanghai	China	100.00	75.00
Knipping Verbindungstechnik GmbH	Kierspe	Germany	100.00	100.00
KNIPPING Umformtechnik GmbH	Herscheid	Germany	100.00	100.00
BETEO GmbH	Gummersbach	Germany	100.00	100.00
BETEO GmbH & CO KG	Gummersbach	Germany	100.00	100.00
KNIPPING Espana S.A	Madrid	Spain	100.00	100.00
KNIPPING Ltd	Solihull	UK	100.00	100.00
LISI COSMETICS Division				
LISI COSMETICS	Paris 12e (75)	France	100.00	100.00

Leaving the consolidation scope were the following companies:
At January 1st, 2009: Takeover of LISI AUTOMOTIVE Corp. by LISI AEROSPACE Canada
Takeover of INTERMED Application by SEIGNOL
At April 1st, 2009: Transfer of Schrauben und Draht Union GmbH, SDU GmbH & CO KG, SDV Technica Sp. Zoo

Entering the consolidation scope are the following companies:
At April 1st, 2009: LISI AEROSPACE India Pvt Ltd
ANKIT Fasteners Pvt Ltd
At December 31st, 2009: LISI AEROSPACE NORTH AMERICA
SOCIETE NOUVELLE BONNEUIL

2.4 Financial risk management

The Group is exposed to the following risks arising from the use of financial instruments:

- credit risk,
- liquidity risk,
- market risk,
- currency risk.

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

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

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

Credit risk

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

Trade and other receivables

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

Equity price risk

LISI S.A's share portfolio is not a speculative, rather of investments and holdings, and accordingly no particular share represents a risk. At December 31, 2009, the Group's balance sheet displays cash and cash equivalents for €20.6M. The cash equivalents are made of marketable securities represented by monetary mutual funds, invested in very short maturity securities and representing no risk in capital, in accordance with the Group's cash management policy. In accordance with accounting rules, these instruments are valued at their market price at year-end.

In accordance with IAS 32, own shares are recognized upon their acquisition. Their value is deducted from equity and changes in value are not recorded. When own shares are acquired or disposed of, the shareholders' equity is adjusted by the amount of the fair value of the securities bought or sold. The acquisition of 71,268 own shares and the disposal of 80,559 own shares in 2009 result in a €0.8M reduction of shareholders' equity over the period.

Liquidity risk

Beyond maximizing the operating cash flows intended to fund its expansion and the payment of dividends to shareholders, the LISI Group insists upon maintaining very broad access to liquidity to face its commitments and expenditure requirements. At December 31, 2009, the LISI Group enjoyed several bank facilities confirmed for the medium term and unused bank facilities for a total of €75M. Including the net cash flow of €71M and the non-utilized short account at €57M, the LISI Group has €203M at December 31, 2009. At year-end, the Group considered its liquidity risk to be limited, as it had €71.0M of cash at hand, against €41.9M at December 31, 2008, and a net debt ratio on equity of 6.3%, against 15.1% at December 31, 2008, as shown below.

At 6.3% at December 31, 2009, the net debt on equity ratio is far below 120%, the limit that would be likely, according to certain bank covenants, to lead to the early repayment of past drawdowns.

In thousand euros	2009	2008
Other short-term financial assets	63,916	30,222
Cash and cash equivalents	20,582	25,665
Cash available [A]	**84,498**	**55,887**
Short-term banking facilities [B]	13,495	13,983
Net cash [A - B]	**71,003**	**41,904**
Mid-term loans between 1 and 5 years	88,672	99,181
Other financial creditors	10,793	12,123
Financial debt [C]	**99,464**	**111,304**
Net financial debt [D = C + B - A]	**28,462**	**69,400**
Group equity [E]	**450,764**	**457,786**
Debt ratio (expressed as %) [D / E]	**6.3%**	**15.1%**

The cash table for all financial liabilities is as follows:

Financial liabilities recorded on balance sheet In thousand euros	At 12/31/2009	Breakdown of contractual flows not discounted on due date			
	Net value	Within less than one year	Between 1 and 5 years	Over 5 years	Total
Long-term borrowings	76,528		72,676	3,852	76,528
Other long-term financial liabilities (excl. PCA)	1,087		1,054	33	1,087
Short-term borrowings	36,432	36,432			36,432
Trade and other accounts payable	116,515	116,515			116,515
Total financial liabilities	**230,562**	**152,947**	**73,730**	**3,885**	**230,562**

Financial liabilities recorded on balance sheet In thousand euros	At 12/31/2008	Breakdown of contractual flows not discounted on due date			
	Net value	Within less than one year	Between 1 and 5 years	Over 5 years	Total
Long-term borrowings	84,399		78,813	5,586	84,399
Other long-term financial liabilities (excl. PCA)	1,954		1,916	38	1,954
Short-term borrowings	40,888	40,888			40,888
Trade and other accounts payable	156,238	156,238			156,238
Total financial liabilities	**283,479**	**197,126**	**80,729**	**5,624**	**283,479**

Market risk

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

Hedging and market operations on interest rates, exchange rates or securities using futures instruments are recorded in accordance with the provisions of CRBF rules nos. 88-02 and 90-15. Commitments relating to these operations are posted to off-balance sheet accounts for the nominal value of the contracts. On December 31, 2009, the sum of these commitments represented the volume of operations that remained unsettled at year-end.

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

Interest rate risk

Group exposure to interest rate fluctuations involves the following risk: the Group mainly has variable rate liabilities, for which the initially-agreed maturity period was greater than 1 year. These liabilities are exposed to a cash flow fluctuation risk due to fluctuations in interest rates. Within the framework of its overall policy, the Group partially converts its fixed-interest liabilities into financial instruments such as interest rate swaps and interest rate options (the features of these instruments are described in note 2.7.4 "Commitments"). These hedging positions are negotiated by private contracts with banks. The Group took out such hedging positions in 2009 to the tune of €20 M in order to profit from the observed decrease in rates. Market risks related to interest rate fluctuations are handled in a centralized manner by the Group's financial department.

Interest rate instruments outstanding at December 31, 2009 are not considered by the Group to be hedging instruments and are recorded at fair value to the income statement.

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

In thousand euros	2009	2008
Loans – variable rates	78,726	87,355
Short-term banking facilities	13,495	13,983
Other financial assets: current and non-current	(53,974)	(24,362)
Cash and cash equivalents	(20,582)	(25,665)
Net position prior to management	**17,665**	**51,311**
Interest rate swap	20,000	762
Hedging	20,000	762
Net position after management	**(2,335)**	**50,549**

The approach taken consisted in taking into account as a calculation basis for the sensitivity to rates the net, lending and borrowing positions.
Given its net position at December 31, 2009, the calculation of the impact of one basis point's variation on the variable rates was not implemented.

Commodities price fluctuation risk

The Group is also exposed to fluctuations in the price of commodities such as titanium, nickel and steel. The price of these materials can fluctuate considerably. In order to prevent the risk of tension on the markets for its principal raw materials, the Group has signed supplier agreements with its major business partners within the LISI AEROSPACE division.

Currency risk

The main currency cash flows outside the euro zone are compensated for by outward cash flows (particularly for raw materials). The Group is primarily exposed with respect to the following currencies: US dollar, Canadian dollar, Sterling pound, Turkish pound, and Chinese yuan.

2.5 Details of balance sheet items

2.5.1 Long-term assets

2.5.1.1 Intangible assets

a) Goodwill

In thousand euros	Goodwill
Gross goodwill at December 31, 2008	**139,068**
Impairment at December 31, 2008	**-**
Increase	274
Decrease	(1,853)
Changes in foreign exchange rates	**(1,173)**
Gross goodwill at December 31, 2009	**136,316**
Impairment at December 31, 2009	**(12,000)**
Net goodwill at December 31, 2009	**124,316**

The increase by €274 K is linked to the acquisition of Ankit Fasteners by the LISI AEROSPACE division. The €1,853K decrease is associated with the sale of SDU. Changes in currency exchange rate only concern the LISI AEROSPACE Division and result from translation differentials on the dollar.

As at December 31, 2009, the net value of goodwill broke down as follows:

	LISI AEROSPACE Division					
In thousand euros	Europe B.U.	USA B.U.	Engines and critical parts B.U.	Special products B.U.	Medical B.U.	Total
Net goodwill	0.9	18.3	3.0	6.9	21.1	50.2
Intangible fixed assets with an undetermined useful life	None	None	None	None	None	None
Result of the impairment test	NA	No impairment	NA	No impairment	No impairment	No impairment
Key assumptions						
Cash flow within one year		Budget		Budget	Budget	Budget
Cash flow within four years		4-year strategic plan		4-year strategic plan	4-year strategic plan	4-year strategic plan
Discount rate after tax		7.50%		7.50%	7.50%	7.50%
Growth rate of flows not covered by the Budget's and strategic assumptions		2.50%		2.50%	2.50%	2.50%

	LISI AUTOMOTIVE Division					
In thousand euros	Threaded fasteners B.U.	Mechanical components B.U	Clipped fasteners B.U.	International operations B.U.	Knipping B.U.	Total
Net goodwill	1.1	None	43.7	1.3	20.8	66.8
Intangible fixed assets with an undetermined useful life	None	None	None	None	None	None
Trademarks	None	None	6.0	None	None	6.0
Result of the impairment test	NA	NA	€12M impairment at June 30, 2009	NA	No impairment	€12M impairment at June 30, 2009
Key assumptions						
Cash flow within one year			Budget		Budget	Budget
Cash flow within four years			4-year strategic plan		4-year strategic plan	4-year strategic plan
Discount rate after tax			8.50%		8.50%	8.50%
Growth rate of flows not covered by the Budget's and strategic assumptions			2.50%		2.50%	2.50%

In thousand euros	COSMETICS Division
	Cosmetics B.U.
Net goodwill	7.3
Intangible fixed assets with an undetermined useful life	None
Result of the impairment test	No impairment
Key assumptions	
Cash flow within one year	Forecasts
Cash flow within four years	4-year strategic plan
Discount rate after tax	8.00%
Growth rate of flows	2.50%

The impairment tests for accounting at December 31, 2009 did not lead to the posting of losses of value in complementary goodwill with respect to June 30, 2009. These tests, in accordance with note 2.2.8.5, were conducted for each CGU on the basis of:

- the values in use determined on the basis of future cash flows resulting from the budget construction and the four-year strategic plans approved by the Board of Directors,
- a growth rate of 2.50% to extrapolate the cash flow projections,
- a discount rate of 8.50% on the CGUs of LISI AUTOMOTIVE, 8.00% for LISI COSMETICS and 7.50% for the CGUs of LISI AEROSPACE, thus reflecting an appreciation of risks specific to these businesses.

The Management bases its projections on budget assumptions for the first year, and on data from the four-year strategic plan reviewed by the Board of Directors each year; the key assumptions relate in particular to the evolution of sales based on the order book and the master contracts signed by the Group, if applicable, the operating profit rate, the renewal capex rate, and the determination of factors that may affect the working capital. The assumptions are in particular established on the basis of observations made during previous activity cycles in the various lines of business, as well as in external market surveys and the observation of the sensitivity of the contractual data for the environment of each division. It is specified that these assumptions are the best estimate possible of the market situation at the time they were prepared, and that they take into consideration the degradation of markets for 2010 and 2011.

The impairment tests at June 30, 2009 led to the recognition and posting of a loss of value of some €12M on the goodwill of the B.U. Clipped fasteners in the LISI AUTOMOTIVE division.

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

B. U Medical:
Discount rate: 0.50%
Decrease in cash flows: 20%

LISI AUTOMOTIVE Division:
Discount rate: 0.50%
Decrease in cash flows: 10%

LISI COSMETICS Division:
Discount rate: 1.00%
Decrease in cash flows: 20%

b) Other intangible assets (including purchase price discrepancies)

In thousand euros	Concessions, patents and similar copyrights*	Other intangible fixed assets	TOTAL
Gross values at December 31, 2008	**26,887**	**9,201**	**36,088**
Acquisitions	1,339	766	2,105
Disposals	(265)		(265)
Scope changes	(793)	9	(784)
Exchange rate spreads	6	20	26
Gross values at December 31, 2009	**27,174**	**9,997**	**37,171**
Depreciation and provisions at December 31, 2008	**17,881**	**2,491**	**20,373**
Depreciation allowance	4,194	562	4,756
Depreciation reversals	(262)	(101)	(363)
Scope changes	(682)	1	(681)
Exchange rate spreads	6	20	26
Depreciation and provisions at December 31, 2009	**21,138**	**2,973**	**24,111**
Net values at December 31, 2009	**6,036**	**7,024**	**13,060**

* Including the brand Rapid

The RAPID brand was valued when the company was acquired in August 2000 at its fair value of €8,300,000, based on an independent valuation. Since 2003, it has been decided to amortize it over a period of 15 years, given the commercial usage period envisaged to date.

The movement in the "Grants, patents and similar assets" category over fiscal 2009 concerns both the ongoing deployment of the integrated software package at certain sites in France and abroad in the LISI AUTOMOTIVE division for €0.4M, and the deployment of the new version of the ERP MOVEX in the LISI AEROSPACE division at €0.8M.
The essential flow of acquisition of "other intangible assets" concerns the increased activation of R&D costs in the LISI AEROSPACE division.

2.5.1.2 Tangible assets

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

In thousand euros	Land	Buildings	Technical facilities equipment and tools	Other tangible assets	Current assets	TOTAL
Gross values at December 31, 2008	**11,935**	**90,940**	**417,717**	**60,768**	**14,821**	**596,181**
Acquisitions	18	7,349	32,900	1,811	1,015	43,092
Disposals	(57)	(1,988)	(4,056)	(1,469)	(128)	(7,698)
Scope changes	(220)	(1,781)	338	(1,828)		(3,492)
Exchange rate spreads		(44)	422	(15)	38	402
Gross values at December 31, 2009	**11,676**	**94,476**	**447,321**	**59,267**	**15,746**	**628,485**
Depreciation and provisions at December 31, 2008	**56**	**35,343**	**279,109**	**32,772**		**347,280**
Depreciation allowances and provisions		5,375	27,163	4,451		36,988
Operating reserve taken back into income and provisions	(25)	(2,036)	(3,503)	(779)		(6,343)
Scope changes		(751)	(69)	(1,110)		(1,929)
Exchange rate spreads		134	(11)	86		208
Depreciation and provisions at December 31, 2009	**31**	**38,065**	**302,689**	**35,419**		**376,205**
Net values at December 31, 2009	**11,645**	**56,410**	**144,632**	**23,847**	**15,746**	**252,281**

The increase in tangible assets arises from the investments made in the LISI AEROSPACE division for nearly €22.5M (building additions, capacity and productivity investments). The LISI AUTOMOTIVE division contributes to a rise in this item of around €19.3M (construction of a new factory, capacity investments, surface treatment lines and presses). Regarding the LISI COSMETICS division, its investments of nearly €1.2M are for the most part assigned to the surface treatment facility of the factory at Saint-Saturnin du Limet.
The consolidation scope change corresponds to the disposal of the SDU company.

b) Tangible assets held under a finance lease contract

In thousand euros	Land	Buildings	Technical facilities equipment and tools	Other tangible assets	Current assets	TOTAL
Gross values at December 31, 2008		**5,513**	**13,287**			**18,800**
Acquisitions						
Disposals						
Scope changes						
Exchange rate spreads			5			5
Gross values at December 31, 2009		**5,513**	**13,292**			**18,805**
Depreciation and provisions at December 31, 2008		**3,079**	**8,637**			**11,717**
Depreciation allowance		100	906			1,006
Depreciation reversals						
Scope changes						
Exchange rate spreads			2			2
Depreciation and provisions at December 31, 2009		**3,179**	**9,544**			**12,724**
Net values at December 31, 2009		**2,334**	**3,747**			**6,081**

c) Operating lease agreements

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

The total annual expense is approximately €4.2M.

No significant commercial leases have been signed with company executives or with companies belonging to executives or their families.

2.5.1.3 Financial assets

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

Financial assets and liabilities recorded on balance sheet In thousand euros	At 12/31/2009		Breakdown by instrument category				
	Net value	Fair value	Fair value via earnings	Assets available for sale	Loans and receivables	Debt at depreciated cost	Instruments derivatives
Long-term financial assets	5,472	5,472			5,472		
Other long-term financial assets	100	100	100				
Trade and other receivables	103,531	103,531			103,531		
Short-term investments	63,916	63,916	63,916				
Cash and cash equivalents	20,582	20,582	20,582				
Total financial assets	**193,601**	**193,601**	**84,598**		**109,003**		
Long-term borrowings	76,528	76,528	323			76,205	
Other long-term financial liabilities (excl. PCA)	1,087	1,087				1,087	
Short-term borrowings	36,432	36,432				36,432	
Trade and other accounts payable	**116,515**	**116,515**				**116,515**	
Total financial liabilities	**230,561**	**230,561**	**323**			**230,238**	

Financial assets and liabilities recorded on balance sheet In thousand euros	At 12/31/2008		Breakdown by instrument category				
	Net value	Fair value	Fair value via earnings	Assets available for sale	Loans and receivables	Debt at depreciated cost	Instruments derivatives
Long-term financial assets	4,558	4,558			4,558		
Other long-term financial assets	141	141	141				
Trade and other receivables	126,940	126,940			126,940		
Short-term investments	30,222	30,222	30,222				
Cash and cash equivalents	25,665	25,665	25,665				
Total financial assets	**187,526**	**187,526**	**56,028**		**131,498**		
Long-term borrowings	84,399	84,399				84,399	
Other long-term financial liabilities (excl. PCA)	1,954	1,954				1,954	
Short-term borrowings	**40,888**	**40,888**				**40,888**	
Trade and other accounts payable	**156,224**	**156,224**				**156,224**	
Total financial liabilities	**283,465**	**283,465**				**283,465**	

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

Level 1: Direct reference to published prices of a market asset,

Level 2: Valuation technique based on measurable data,

Level 3: Valuation technique based on non-observable data.

The Group applies levels 1 and 2 for fair market valuation of its financial instruments.

2.5.1.4 Long-term financial assets

In thousand euros	Non-consolidated equity interests	Other long-term investments	Loans granted	Other financial assets	TOTAL
Gross values at December 31, 2008	**10**	**3,989**		**567**	**4,566**
Acquisitions	6	988		110	1,104
Disposals	(2)			(135)	(137)
Scope changes				113	113
Exchange rate spreads		(165)			(165)
Gross values at December 31, 2009	**14**	**4,812**		**654**	**5,480**
Impairment at December 31, 2008		**8**			**8**
Provisions for impairment of assets					
Reversals of impairment provisions					
Impairment at December 31, 2009		**8**			**8**
Net values at December 31, 2009	**14**	**4,804**		**654**	**5,472**

Other long-term financial assets are primarily comprised of payments made for the life insurance contracts of the US companies, for €1M.

2.5.1.5 Other long-term investments

In thousand euros	2009	2008
Other debtors	100	141
Total other long-term financial assets	**100**	**141**

2.5.2 Short-term assets

2.5.2.1 Inventories

In thousand euros	Raw materials	Tools and other procurements	Work in progress	Finished and intermediary products	Goods	TOTAL
Gross values at December 31, 2008	**41,057**	**8,556**	**74,366**	**81,339**	**19,517**	**224,835**
Scope changes	156	(48)	31		(5,611)	(5,473)
- of which increases	*156*	*5*	*31*			*192*
- of which reductions		*(54)*			*(5,611)*	*(5,665)*
Exchange rate spreads	132	(7)	66	(255)	(110)	(174)
Changes in inventory	(13,754)	(1,376)	(12,542)	(13,836)	(93)	(41,600)
Reclassifications	7	(19)	56	365	(409)	
Gross values at December 31, 2009	**27,598**	**7,106**	**61,978**	**67,613**	**13,294**	**177,589**
Impairment at December 31, 2008	**4,842**	**421**	**2,510**	**15,202**	**672**	**23,647**
Scope changes				(184)	(9)	(193)
- of which increases						
- of which reductions				*(184)*	*(9)*	*(193)*
Impairment provisions	2,970	556	2,336	7,706	314	13,882
Reversals of impairment provisions	(706)	(244)	(1,572)	(4,584)	(88)	(7,195)
Exchange rate spreads	8		(13)	(22)	2	(26)
Reclassifications	226		202	(340)	(88)	
Impairment at December 31, 2009	**7,339**	**732**	**3,462**	**17,778**	**803**	**30,116**
Net values at December 31, 2009	**20,258**	**6,373**	**58,516**	**49,835**	**12,491**	**147,473**

Decreases in inventories amount to €47.2M for the period, or –21%. They were principally affected by reduction measures taken in all divisions for all categories of inventory. The largest reduction was in the LISI AUTOMOTIVE division at -€33.7M. This division's results were also impacted by the transfer of SDU (a trading company) out of the perimeter at €5.7M.

The calculation of value losses on inventories of finished products and works in progress is based on an approach that takes into account article turnover and completion times. These became longer throughout the fiscal year, so they had an unfavorable impact on the allowance amounts for slow rotation of stocks and finished products, both in the LISI AUTOMOTIVE and LISI AEROSPACE divisions.

2.5.2.2 Trade and other receivables

In thousand euros	2009	2008
Gross debtors and apportioned accounts	91,740	104,574
Depreciation of trade and other apportioned accounts	(4,506)	(3,759)
Net debtors and apportioned accounts	**87,234**	**100,815**
State - Other taxes and duties	8,049	12,376
Social charges and employees	413	634
Accounts payable - advances, debtors	1,205	1,550
Deferred charges	2,185	3,850
Other	4,446	7,715
Other receivables	**16,297**	**26,124**
Total trade and other receivables	**103,531**	**126,939**

On the one hand, the client extended credit mentioned above decreased compared to the previous year as did the impact of debt transfers which amounted at December 31, 2009 to €30.7M against €47.1M at December 31, 2008. These disposals took the form of factoring with conventional subrogation, but without recourse. The amount of disposals carried out exclusively in France brings the average payment term down to 60 days.
Overdue receivables not covered by provisions mainly concern major customers with which the Group has annual or multi-annual business agreements. On the basis of historic observations, the company considers the risk of non-collection margin, with non-hedged overdue receivables being mainly within less than one year.
Similarly, the decrease in client credit continues the pursuit of a reduction in business activity throughout fiscal 2009.
On the other hand, the position of the `State-other` taxes posting, down at December 31, 2009, is the result of significant decreases in taxes levied on the significantly reduced 2009 earnings.
Accounts receivable and other debtors are within less than one year.

2.5.2.3 Other short-term investments

The increase in this item essentially arises from the cash-oriented measures taken over the period.
This item consists mainly of investment securities held by the Group and in particular monetary SICAV instruments, for a total of €50.8M, negotiable security deposits of €11.3M and a structured investment of €2.1M. The latter are recorded at their fair value, and value adjustments are recorded into the income statement. Except for the structured investment for which provisions for up to €0.3M were recorded at December 31st, the positions are not exposed, the main backing instruments guaranteeing the capital.

2.5.2.4 Cash and cash equivalents

The cash available as at December 31, 2009 stood at €20.6M. It was mainly comprised of current bank accounts in euros and currencies.

2.5.3 Shareholders' equity

The Group's shareholder equity was €450.8M at December 31, 2009 compared to €457.8M at December 31, 2008, a decrease of €7.0M. This change takes into account the following main factors:

- +€9.4M of Group's share of net profit,
- -€12.3M of dividends paid in May 2009,
- -€1.9M relative to treasury shares and payments in shares,
- -€2.2M translation adjustment linked to variations in closing rates, particularly regarding the depreciation of the dollar.

2.5.3.1 Capital stock

Capital stock at year-end stands at €21,507,722 broken down into 10,753,861 issued shares with a face value of €2.
The number of shares outstanding was unchanged in 2009.

2.5.3.2 Additional paid-in capital

Additional paid-in capital is broken down as follows:

In thousand euros	12/31/2009	12/31/2008
Additional paid-in capital	52,112	52,112
Contribution premiums	15,030	15,030
Merger premiums	2,711	2,711
Total	**69,853**	**69,853**

2.5.3.3 Capital management

It is the Group's policy to maintain a solid capital base in order to maintain shareholder and investor confidence and to support its growth. The Board of Directors supervises capital returns and the dividend payments to shareholders.

To benefit from a market opportunity, an OBSAR was issued in 2004: there remain to date 237,324 stock warrants to convert. Other instruments which provide access to the company's capital relate to the benefits conferred on managers and employees under certain conditions, as set out in notes 2.6.9 and 2.7.2.

2.5.3.4 Dividends

The amount of (unrecognized) dividends for the 2009 financial year submitted to the Shareholders' General Meeting on April 28, 2010 for approval and the amounts per share break down as follows:

Total net dividend	2009	2008
Amount in €M	7.5	12.3

This estimate is based on dividend-bearing shares as of the date of the Board meeting held February 17, 2010, or 10,753,861 shares.

The amount of (unrecognized) dividends for the 2009 financial year submitted to the Shareholders' General Meeting on April 28, 2010 for approval and the amounts per share break down as follows:

Dividend per share	2009	2008
Dividend per share in €	0.70	1.20

2.5.4 Provisions

2.5.4.1 Changes in provisions break down as follows:

In thousand euros	At January 1, 2008	Provisions (net of reversals)	At December 31, 2008	Provisions	Reversals (amounts used)	Reversals (non used amounts)	Reclassifications	Entry into/ exit from consolidation scope	Translation differential	At December 31, 2009
Pensions and retirement	16,151	(1,084)	15,067	1,220	(926)			(692)	105	14,775
Environment-related risks	9,383	(191)	9,192	1,651	(1,958)				(150)	8,735
Disputes and other risks	3,625	(436)	3,189	715	(321)	(1,750)	26		(7)	1,852
Guarantees to clients	751	1,999	2,750	500	(17)	(148)			(11)	3,074
For taxes	792	(604)	188	5		(164)				29
Subtotal long-term provisions	**30,702**	**(316)**	**30,386**	**4,091**	**(3,222)**	**(2,062)**	**26**	**(692)**	**(63)**	**28,463**
Industrial reorganization	1,486	3,027	4,513	1,714	(3,358)	(690)			40	2,219
Disputes	891	50	941	1,190	(562)	(269)			1	1,301
Losses on foreign exchange rates										
For taxes	143	(117)	26							26
Other risks	3 609	(883)	2 726	3 677	(1 532)	(323)	(26)		2	4 524
Subtotal short-term provisions	**6,128**	**2,077**	**8,205**	**6,581**	**(5,452)**	**(1,282)**	**(26)**		**43**	**8,069**
Grand Total	**36,830**	**1,761**	**38,591**	**10,672**	**(8,674)**	**(3,344)**		**(692)**	**(20)**	**36,532**
Of which as current operating profit				*10,172*	*(5,373)*	*(2,344)*				
Of which as non-current operating profit				*500*	*(3,301)*	*(1,000)*				

The main provisions are in respect of:

- Pensions and retirement :

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

- Environment:

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

- Disputes and other risks:

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

- Industrial reorganization:

This covers industrial reorganization based on assessments of the cost of closing or redeploying certain sites or entities within the LISI AUTOMOTIVE division. The assessment of the sums recognized takes account of specific local regulatory stipulations. The €3.3M provision reversal principally concerns the impact of the disposal of SDU.

- Other risks:

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

2.5.4.2 Commitments to personnel

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

The geographic breakdown of the Group's commitments to staff as at December 31, 2009 for defined benefit plans and the main assumptions employed in their measurement are as follows:

In €	Euro zone	USA	UK
Actuarial debt	11,766,007	8,291,910	13,060,173
Discount rate	4.50%	5.50%	5.70%
Inflation - Wage increase	1% - 1.5%	NA	4.70%

Long-term rates of return expected for the funds have been determined taking into account the asset allocation and the rates of return expected for each component. The rates of return thus employed are equal to 6% for American insurance plans and 7.58% for British ones.

At December 31, 2009, the allocation of hedging assets was approximately 2/3 in shares and 1/3 in bonds.

The table below details the changes, during financial 2009, of the actuarial debt, and the market value of the hedging assets (in €K):

Changes in actuarial debt	2009	2008
Actuarial debt at year start	30,773	35,753
Cost of services rendered during the year	591	427
Cost of accretion	1,854	1,880
Contributions paid by employees		
Benefits paid	(969)	(1,377)
Discounts		
Wind-ups		
Scheme changes		
Change in consolidation scope	(814)	
Translation differential	309	(2,538)
Actuarial losses (gains)	1,375	(3,371)
Actuarial debt at year end	**33,118**	**30,773**

Change in market value of hedging assets	2009	2008
Opening value	13,680	19,729
Contributions paid by the Group	304	327
Contributions paid by employees		
Benefits withheld from fund	(216)	(191)
Wind-ups		
Expected yield from assets	977	1,297
Translation differential	486	(2,770)
Actuarial gains (losses)	1,588	(4,712)
Closing value	**16,820**	**13,680**

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

In thousand euros	2009	2008
Non funded actuarial debt	(16,298)	(17,093)
Deferred actuarial losses (gains) recorded to the balance sheet	1,523	2,026
Costs of past services not yet recognized		
Liabilities recognized at year end	**(14,775)**	**(15,067)**

The expense recognized in the operating income statement by the Group for 2009 for defined benefits plans came to €0.8M and breaks down as follows:

In thousand euros	2009	2008
Cost of services rendered during the year	591	432
Cost of accretion	1,854	1,880
Yield expected from regime assets	(977)	(1,297)
Actuarial differences recognized during the year	(6)	121
Cost of past services		
Depreciation of transition assets		(3)
Limitation of assets		
Reductions / Wind-ups		
Change in consolidation scope	(692)	
Recognized expense (revenue)	**769**	**1,135**

2.5.5 Other long-term liabilities

In thousand euros	2009	2008
Deposits and sureties received	33	38
Employee profit-sharing for the year	1,048	1,916
Deferred income	464	1,143
Total other long-term liabilities	**1,545**	**3,096**

2.5.6 Financial debt and financial risk management

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

2.5.6.1 Financial debt

a) Breakdown by nature

In thousand euros	2009	2008
Non-current share		
Mid-term loans	69,458	75,788
Debt related to lease agreements	465	1,106
Employee profit-sharing (frozen on a current account)	6,605	7,505
Subtotal non-current financial debt	**76,528**	**84,399**
Current share		
Banking facilities for operations [B]	13,495	13,983
Mid-term loans	19,214	23,393
Debt related to lease agreements	1,594	2,206
Employee profit-sharing (frozen on a current account)	2,129	1,306
Subtotal current financial debt	**36,432**	**40,887**
Total financial debt	**112,959**	**125,286**

The reduction of debt relates to the repayment of borrowings as per the contractual repayment timetables.

b) Breakdown by maturity date

In thousand euros	2009	2008
Borrowings		
below one year	19,214	23,393
between two and five years	65,606	70,202
over five years	3,852	5,586
Subtotal borrowings	**88,672**	**99,180**
Other financial creditors		
below one year	17,217	17,495
between two and five years	7,070	8,611
over five years		
Other debt subtotal	**24,287**	**26,106**
Borrowings and financial debts	**112,959**	**125,285**

c) Breakdown by currency

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

d) Breakdown by interest rate category

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

Entities	Nature of the loan	Fixed rate	Variable rate	Total amount In €M	Capital remaining due at 12/31/2009 In €M	Maturity date	Items exist currency hedging or in currency
LISI S.A	Syndicated loan [1]		Euribor over the drawing period	35.0	20.0	2013	
	Conventional loan		Euribor 3 months + margin	10.0	10.0	2013	Covered by a swap
	Conventional loan		Euribor 3 months + margin	10.0	10.0	2013	Covered by a swap
	Conventional loan		Euribor 3 months + margin	10.0	10.0	2014	
LISI COSMETICS	Conventional loan		Euribor 3 months + margin	0.7	0.3	2012	Equipment pledging
	Conventional loan		Euribor 3 months + margin	1.0	0.4	2012	Intention letter by LISI S.A
	Conventional loan		Euribor 3 months + margin	0.5	0.1	2010	Intention letter by LISI S.A
	Conventional loan		Euribor 3 months + margin	0.6	0.1	2010	Intention letter by LISI S.A
	Conventional loan	3,66%		0.7	0.3	2011	Intention letter by LISI S.A
	Conventional loan		Euribor 3 months + margin	0.8	0.3	2011	Intention letter by LISI S.A
	Conventional loan		Euribor 3 months + margin	0.7	0.3	2011	Intention letter by LISI S.A
	Conventional loan		Euribor 3 months + margin	3.5	3.0	2015	Intention letter by LISI S.A
LISI AUTOMOTIVE Former	Conventional loan		Euribor 6 months + margin	2.5	0.3	2010	
	Conventional loan		Euribor 3 months + margin	2.5	0.7	2010	
	Conventional loan		Euribor 3 months + margin	2.5	0.8	2011	
LISI AUTOMOTIVE Form as	Conventional loan		Pribor + margin	3.1	3.1	2014	
LISI AUTOMOTIVE	Conventional loan [2]		Euribor 6 months + margin	4.0	2.4	2012	Intention letter by LISI S.A
	Conventional loan [3]		Euribor 3 months + margin	4.0	2.4	2012	Intention letter by LISI S.A
	Conventional loan [4]		Euribor 3 months + margin	4.0	2.0	2012	Intention letter by LISI S.A
	Conventional loan		Euribor 3 months + margin	4.0	2.3	2012	Intention letter by LISI S.A
	Conventional loan [5]		Euribor 3 months + margin	3.0	0.5	2010	Intention letter by LISI S.A

Entities	Nature of the loan	Fixed rate	Variable rate	Total amount In €M	Capital remaining due at 12/31/2009 In €M	Maturity date	Items exist currency hedging or in currency
BETEO GmbH	Conventional loan	4,35%		1.0	0.3	2011	
	Conventional loan		Euribor 6 months + margin	0.8	0.2	2011	
KNIPPING Espana S.A	Conventional loan		Euribor 3 months + margin	6.5	4.7	2020	
KNIPPING Umformtechnik GmbH	Conventional loan	7,05%		1.1	0.2	2011	
LISI AUTOMOTIVE Beijing	Conventional loan	5,31%		0.6	0.6	2010	
LISI AUTOMOTIVE Shanghai	Conventional loan	4,86%		0.5	0.5	2010	
KNIPPING Verbindungstechnik GmbH	Conventional loan	4,15%		0.6	0.2	2010	
	Conventional loan	1,50%		1.1	0.4	2017	Intention letter by LISI AUTOMOTIVE
	Conventional loan	4,10%		1.2	0.2	2010	Intention letter by LISI AUTOMOTIVE
	Conventional loan		Euribor 3 months + margin	3.0	0.9	2010	Intention letter by LISI AUTOMOTIVE
	Conventional loan		Euribor 3 months + margin	3.0	0.6	2010	Intention letter by LISI AUTOMOTIVE
	Conventional loan		Euribor 3 months + margin	3.0	0.8	2011	Intention letter by LISI AUTOMOTIVE
	Conventional loan		Euribor 3 months + margin	3.0	0.8	2011	Intention letter by LISI AUTOMOTIVE
	Conventional loan		Euribor 3 months + margin	3.0	1.8	2012	Intention letter by LISI AUTOMOTIVE
			TOTAL	**131.5**	**81.4**		

2.5.6.2 Related covenants

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

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

[1] LISI S.A. syndicated loan.

Availability of this loan as a revolving credit that can be drawn down in euros or dollars for a sum equivalent to €35M (commitments A), and a revolving credit that can be drawn down in euros or dollars for a sum equivalent to €35M (commitments B, as yet not drawn down).

The total for commitments A will be automatically reduced on a straight line basis, in accordance with the depreciation table for August 7 of 2007 to 2013. LISI will not be able to draw again on all or part of commitments A, which will have been repaid. For this commitment, a draw down of €35M was requested and the remaining capital due on December 31, 2009 was €20M.

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

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

Covenants:

• Gearing ratio < 1.20,
• Leverage Ratio > to 3.5 (Net debt / EBITDA)

[2] LISI AUTOMOTIVE conventional loan

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

Covenants:

• Net debt / Shareholders' equity > 1.2,
• Net financial debt > 3.5 years of EBITDA

[3] LISI AUTOMOTIVE conventional loan

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

Covenants:

• Net debt / Shareholders' equity > 1.2,
• Net financial debt > 3.5 years of EBITDA

[4] LISI AUTOMOTIVE conventional loan

• Method used to calculate the margin according to gearing:
1. <= 0.50: 0.40% per annum.
2. > 0.50 and < 0.75: 0.45% per annum.
3. >= 0.75: 0.50% per annum.

Covenants:

• Consolidated net debt / Consolidated shareholders' equity > 1.20,
• Net consolidated financial debt / consolidated self-financing capacity > 3.5 years.

[5] LISI AUTOMOTIVE conventional loan

Covenants:
- Net debt / EBITDA >= 2.5,
- Net debt / Shareholders' equity >= 1.20.

2.5.6.3 Actual sureties

In thousand euros	Capital remaining due as at December 31, 2009
Guarantees and deposits	14.0
Mortgages and pledged assets	0.3
Total	**14.3**

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

1. Letters of intention delivered by the Group to banks for €26.8M as part of:
- The acquisition of the KNIPPING Group by LISI AUTOMOTIVE for €18.9M in 2005, the capital outstanding at December 31, 2009 being €9.5M,
- The acquisition of equipment by LISI COSMETICS for a total of €2.1M 2005; the capital outstanding at December 31, 2009 being €0.6M,
- The acquisition of equipment by LISI COSMETICS for a total of €2.3M in 2006; the capital outstanding at December 31, 2009 being €0.9M,
- The construction of a new plant by LISI COSMETICS for €3.5M in 2008; the capital outstanding at December 31, 2009 being €3M.

2. Pledging by LISI COSMETICS of tangible assets for their financing. The capital that remained due on December 31, 2009 amounted to €0.3M.

The summary of pledges and mortgages granted by the Group is as follows:

Type of pledge/ mortgage	Pledge start date	Pledge expiry date	Asset amounts (€'000) initially pledged (a)	Balance of pledged shares (b)	Balance of pledged equipment (c)	Total balance sheet item * (€'000) (d)	corresponding % (b) / (d) or (c) / (d)
/intangible fixed assets	–	–	–	–	–	–	–
/tangible fixed assets	2003	2012	2,150	–	300	22,854	1.30%
s/Financial assets	–	–	–	–	–	–	–
TOTAL	**–**	**–**	**2,150**	**–**	**300**	**22,854**	**1.30%**

* Total net tangible assets on the LISI COSMETICS balance sheet.

2.5.7 Deferred taxes

In thousand euros	2009	2008
Deferred tax assets	6,901	14,462
Deferred tax liabilities	(28,934)	(33,567)
Net deferred taxes	**(22,034)**	**(19,107)**

Non-recognized deferred tax assets:
The Company does not recognize its deferred tax assets whenever it has no sufficient assurance that it will recover carried forward deficits and tax credits. Deferred tax assets are only recognized if their recovery is probable. For these, the group counted €1.6M in 2009. This prudential rule applies more specifically to brought forward losses for which the Group believes recoverability depends on future profits. Loss carry-backs not recognized in the balance sheet at December 31, 2009, would generate deferred tax assets for €1M.

2.6 Detail of main income statement items

2.6.1 Sales revenue

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

2.6.2 Consumption

In thousand euros	LISI AEROSPACE	LISI AUTOMOTIVE	LISI COSMETICS	Others	TOTAL 2009	TOTAL 2008
Consumption of goods	1,719	20,751	1,775	(879)	23,366	46,300
Consumption of raw materials	47,602	50,127	3,536	(12)	101,253	146,191
Tools	18,287	10,222	2,359	(55)	30,813	41,661
Other purchases	4,510	9,266	2,282	15	16,073	19,341
Total consumption	**72,118**	**90,366**	**9,952**	**(931)**	**171,505**	**253,493**

The considerable decreases over 2009 in the main raw materials used by the divisions (steel, titanium, stainless) result principally from the favorable impact of commodities prices in 2009 and planned decreases in the level of business activity. The goods consumption ratio went down sharply after the departure of the SDU trading company in the LISI AUTOMOTIVE division.

2.6.3 Other purchases and external expenses

In thousand euros	LISI AEROSPACE	LISI AUTOMOTIVE	LISI COSMETICS	Others	TOTAL 2009	TOTAL 2008
Subcontracting	10,135	24,996	2,730	(26)	37,835	51,934
Maintenance	8,598	11,288	1,187	91	21,164	25,222
Transport	3,497	6,462	612		10,572	14,473
Energy	5,956	8,998	1,466	8	16,429	17,661
Other external costs	25,645	17,180	2,112	(3,113)	41,825	48,177
Other external costs	**53,831**	**68,925**	**8,107**	**(3,039)**	**127,823**	**157,467**

The less significant reduction in this item is due to the non adjustment of certain fixed cost items, particularly in the LISI AUTOMOTIVE division.

2.6.4 Personnel expenses

In thousand euros	LISI AEROSPACE	LISI AUTOMOTIVE	LISI COSMETICS	Others	TOTAL 2009	TOTAL 2008
Temporary employees	5,201	1,450	43	(8)	6,686	16,479
Salaries and incentives	98,637	81,625	11,681	(1,244)	190,699	211,843
Layoff pay	1,639	2,003	432		4,073	1,510
Social contributions and taxes on salaries	40,450	29,658	5,297	742	76,147	77,809
Employee profit-sharing	1,052				1,052	1,916
Total payroll expenses	**146,979**	**114,736**	**17,453**	**(511)**	**278,658**	**309,557**

The reduction of payroll expenses saw minimal amplitude in all divisions. Much more accentuated in the LISI AUTOMOTIVE and LISI COSMETICS divisions, this decrease results from the implementation of payroll streamlining measures (layoff of outside personnel, use of partial LISI layoff tools, reduced work time, reductions in overtime). Regarding the LISI AEROSPACE division, an anticipated decrease in activity allowed a reduction of personnel from the 2nd half-year.

2.6.5 R&D expenses

The LISI Group's mission is to carry out intensive research and development activities, both in developing new products and in using new materials. This research and development activity is carried out at various levels: either as part of a co-operative venture between research and design departments within our own divisions and those of our customers, or to develop or improve certain components or industrial processes. These are mainly comprised of personnel expenses dedicated to R&D services. Staff dedicated to R&D represent some 3% of the Group’s employees.

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

In thousand euros	2009	2008	2007
R&D expenses	16.5	15.5	15.0
% of sales revenue	2.4%	1.8%	1.8%
Activated projects	0.8	-	-

2.6.6 Non-recurring operating expenses and revenues

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

In thousand euros	2009	2008
Non-recurring operating expenses		
Net book value of fixed assets disposals		(1,156)
Restructuring costs		(365)
Industrial reorganisation costs	(2)	(150)
Reserve allowance for industrial reorganisations		(3,500)
Earnings from SDU transfer (net from provision takeover)	(471)	
Depreciation of B.U. goodwill Clipped fasteners	**(12,000)**	
Total	**(12,473)**	**(5,171)**
Non-recurring operating revenues		
Sale price of fixed assets disposals		534
Reversals of restructuring provisions		67
Industrial reorganization plan provision reversals	500	254
Total	**500**	**855**
Non-recurring revenue and expenses from operations	**(11,973)**	**(4,316)**

The rules for the presentation and definition non-recurring charges and products remain unchanged compared to December 31, 2008.
The construction of the non-recurring earnings mainly results from the impairment of the goodwill of the B.U. Clipped fasteners.

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

2.6.7 Financial income or loss

In thousand euros	2009	2008
Financing expenses and revenue on cash		
Financing expenses and revenue on cash	326	1,397
Effect of changes to fair value of financial instruments	(323)	(125)
Financing expenses	(4,200)	(10,156)
Subtotal income from cash and cash equivalents	**(4,197)**	**(8,885)**
Other interest revenue and expenses		
Foreign exchange gains	4,094	6,009
Foreign exchange losses	(5,513)	(2,848)
Other	339	(315)
Financial income and expenses	**(1,080)**	**2,847**
Total	**(5,277)**	**(6,038)**

The effect of short term rate decreases on financing costs was favorable. However, exchange rates weighed on the financial earnings of the LISI AEROSPACE division.

2.6.8 Corporate income tax

2.6.8.1 Breakdown of the corporate income tax

Breakdown In thousand euros	Profit (loss) before tax	Tax	Profit (loss) after tax
Income from ordinary operations	29,962	(8,219)	21,744
Non-current operating income	(11,973)	43	(11,930)
Employee profit-sharing	(1,052)	353	(700)
Tax credit		23	23
Profit (loss)	**16,937**	**(7,800)** (A)	**9,137**

(A) of which tax payable: €4,918 K
of which deferred taxes: €2,882 K

2.6.8.2 Reconciliation between the actual tax burden and the theoretic calculated tax burden

In thousand euros	
Theoretical rate (based on French rate)	34.43%
Theoretical tax based on French rate	5,831
Special rules for the disposal of equity securities	
Total theoretical tax	**5,831**
Tax exemption of foreign companies	(573)
Non-capitalized loss for period	256
Goodwill	4,132
Tax credits	(1,868)
Tax rate differentials on overseas subsidiaries	282
Use of tax losses from prior periods	(764)
Other	503
Taxation recognised	**7,800**
Apparent rate	45.31%

2.6.8.3 Tax levels applicable by LISI Group companies

	2009	2008
Germany	30.00%	30.00%
UK	28.00%	28.00%
Canada	34.12%	34.12%
Spain	30.00%	30.00%
USA	40.00%	40.00%
France	34.43%	34.43%
Czech Republic	19.00%	21.00%
China	25.00%	27.00%

2.6.9 Earnings per share

Earnings per share calculations are shown in paragraph 2.2.19.6.

In 2009, diluted earnings per share does not include in its calculation the average number of shares that may have been outstanding in the event of a conversion into shares of all potentially diluting instruments (BSAR), where these BSARs are not in the money.

The tables below indicate the reconciliation between the non diluted and the diluted earnings per share.

12/31/2009 In thousand euros	Earnings for period	Number of shares	Earnings per share in €
Total stocks		10,753,861	
Treasury shares		(477,256)	
Basic earnings per share	**9,422**	**10,276,605**	**0.92**
Non-exercised warrants			
Diluted earnings per share	**9,422**	**10,276,605**	**0.92**

12/31/2008 In thousand euros	Earnings for period	Number of shares	Earnings per share in €
Total stocks		10,753,861	
Treasury shares		(348,600)	
Basic earnings per share	**56,229**	**10,405,260**	**5.40**
Non-exercised warrants		237,324	
Diluted earnings per share	**56,229**	**10,642,584**	**5.28**

2.7 Additional information

2.7.1 Segment reporting

The Group's business is broken down between three markets that include the 3 following operational sectors (divisions):

- The LISI AEROSPACE division which includes business in the aerospace market as well as medical business,
- The LISI AUTOMOTIVE division which includes business on the automotive market,
- The LISI COSMETICS division which includes business activities in perfumes and cosmetics.

The "others" heading essentially consists of the holding company and disposals.

2.7.1.1 Breakdown by business sector

In thousand euros	LISI AEROSPACE	LISI AUTOMOTIVE	LISI COSMETICS	Others	TOTAL
12/31/09					
Income component					
Sales revenue by business sector	349,471	310,376	36,110	(885)	695,071
EBITDA	73,582	10,963	(452)	3,686	87,779
Depreciation allowance and provisions	26,007	26,486	2,751	(1,654)	53,590
EBIT	47,575	(15,523)	(3,203)	5,340	34,188
Operating profit	47,575	(28,486)	(3,205)	6,329	22,215
Profit for the period	31,165	(30,362)	(3,435)	11,769	9,137
Balance sheet component					
Its working capital requirement	102,227	67,932	(2,344)	4,707	172,521
Net fixed assets	163,965	206,301	30,367	576	401,209
Acquisitions of fixed assets	27,020	20,850	2,176	(106)	49,940
12/31/08					
Income component					
Sales revenue by business sector	408,815	385,772	51,046	(1,380)	844,254
EBITDA	99,481	38,436	4,439	(1,320)	141,036
Depreciation allowance and provisions	15,167	24,054	2,906	(1)	42,126
EBIT	84,314	14,381	1,533	(1,318)	98,910
Operating profit	84,252	13,649	1,511	(4,818)	94,594
Profit for the period	55,067	3,956	877	(3,790)	56,111
Balance sheet component					
Its working capital requirement	100,769	102,789	(1,994)	(867)	200,698
Net fixed assets	156,422	225,973	31,822	1,105	415,325
Acquisitions of fixed assets	38,454	21,453	5,754	10	65,671

The reported results in the "other" category corresponds to the repayment of the expense reported in 2007 and 2008 on the performance share plan (€3.2M), to the favorable end of certain risks (€1.8M) and to the impact of tax credits recognized within the fiscal integration framework (€6M).

2.7.1.2 Breakdown by business sector and by country

In thousand euros	LISI AEROSPACE	LISI AUTOMOTIVE	LISI COSMETICS	Others	TOTAL
12/31/09					
Income component					
Revenue by destination area					
European Union	188,704	274,571	35,213	(885)	497,603
Of which France	*104,216*	*119,354*	*30,001*	*(885)*	*252,686*
America	142,047	12,078	857		154,982
Other countries	18,720	23,727	40		42,487
Total	**349,471**	**310,376**	**36,110**	**(885)**	**695,071**
Balance sheet component					
Net fixed assets by destination area					
European Union	73,315	203,805	30,367	576	308,063
Of which France	*66,707*	*118,458*	*30,367*	*576*	*216,108*
North American continent	75,431				75,431
Africa	593				593
Asia	14,626	2,497			17,123
Total	**163,965**	**206,301**	**30,367**	**576**	**401,209**
Flows provided by or used for acquisition of fixed assets by destination area					
European Union	15,850	20,645	2,176	(106)	38,565
Of which France	*13,873*	*13,360*	*2,176*		*29,409*
North American continent	8,707				8,707
Africa	41				41
Asia	2,422	205			2,627
Total	**27,020**	**20,850**	**2,176**	**(106)**	**49,940**
31/12/08					
Income component					
Revenue by destination area					
European Union	195,856	286,580	49,142	(1,380)	530,198
Of which France	*124,815*	*136,305*	*39,737*	*(1,380)*	*299,477*
America	160,437	12,104	1,549		174,090
Other countries	52,522	87,088	355		139,965
Total	**408,815**	**385,772**	**51,046**	**(1,380)**	**844,253**
Balance sheet component					
Net fixed assets by destination area					
European Union	69,876	222,838	31,822	1,106	325,642
Of which France	*64,680*	*132,860*	*31,822*	*1,106*	*230,468*
North American continent	73,269				73,269
Africa	562				562
Asia	12,715	3,135			15,850
Total	**156,422**	**225,973**	**31,822**	**1,106**	**415,325**
Flows provided by or used for acquisition of fixed assets by destination area					
European Union	22,418	20,730	5,754	10	48,912
Of which France	*19,626*	*13,020*	*5,754*	*10*	*38,410*
North American continent	10,499				10,499
Asia	5,537	723			6,260
Total	**38,454**	**21,453**	**5,754**	**10**	**65,671**

2.7.2 Share-based payments

2.7.2.1 Stock options

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

2.7.2.2 Performance-based share allocations

Acting on the recommendation of the Compensation Committee, LISI's Board of Directors decided, on June 27, 2007, to allocate performance shares to members of the Executive Committee and to members of the principle Management Committees for the three LISI Group divisions, subject to their meeting certain performance targets: the fact that these two targets were not met at the end of 2009, namely the total sales and gross earnings, led to the cancellation of this plan and caused the reversal of the effects recognized on the books for up to €3.1M.

Acting on the recommendation of the Compensation Committee, LISI's Board of Directors decided, on June 28, 2009, to allocate performance shares to members of the Executive Committee and to members of the main Management Committees for the three LISI Group divisions, subject to their meeting certain performance targets.

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

The fair value of the benefits thus granted is recognized in 2009 in Personnel expenses for €0.2M for the employees of the French companies, against shareholders' equity, and for €0.1M for the employees of foreign companies, against Social liabilities. This cost was not allocated to divisions, and remains a charge at the LISI S.A. level until the definitive realization of the plan.

2.7.2.3 Free share allocation

As a reward to several employees who have spent the majority of their working lives employed within the LISI Group, and who have actively contributed to its development, the Board of Directors, in its meeting of July 28, 2009, decided to allocate 3,300 LISI company shares, freely and without condition, to four Group employees. The plan stipulates that shares thus allocated shall be held for two years, during which period they may not be sold on.

2.7.3 Related-party information / Remuneration of managers and directors

2.7.3.1 Related-party information

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

2.7.3.2 Remuneration of managers and directors

In thousand euros	Expenses for the period		Liabilities at 12/31/2009
	2009	2008	
Gross short-term benefits (salaries, bonuses, etc.)	705	790	
Post-employment benefits (IFC)	136	147	136
Other long-term benefits			
Termination benefits			
Equity compensation benefits	8	132	8
Total compensation	**849**	**1,069**	**144**

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

2.7.4 Commitments

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

- The regular examination of the minutes of Shareholders' General Meetings, Board Meetings, associated Committees that deal with contractual commitments, disputes and authorizations for the purchase or disposal of assets;
- Review of sureties and guarantees as well as loan agreements and any other banking commitments, in conjunction with the banks and financial institutions;
- Review, together with both internal and external legal counsels, of dispute and legal proceedings before the courts, environmental questions, and the measurement of liabilities that might arise;
- Examination of tax inspectors' reports and reassessment notices from previous financial years;
- Examination, together with those in charge of risk management, insurance brokers and agents of the insurance companies with which the Group has taken out its insurance policies to cover risks in respect of contingent liabilities;
- Examination of transactions with related parties in respect of guarantees or other commitments given or received;
- In general, review of all contracts and contractual commitments.

2.7.4.1 Commitments given in the context of ordinary operations

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

In thousand euros	2009
Miscellaneous guarantees	1,086
Training entitlements	1,891
Balance of investment orders	10,723
Commitments made	**13,700**
Rate swap	20,000
Mutual commitments	**20,000**

Mutual commitments:

Reciprocal commitments are interest rate swaps to hedge variable rate loans (see note 2.5.6.1. Financial Debt) contracted as part of the financing of external growth. At December 31, 2009, the features of the swap contracts were as follows:

Notional at 12/31/2009	Value in thousand €	Date of departure	Maturity date	Payer rate	Payee rate	Net Present Value in thousand €
LISI S.A.	10 000	02/06/2009	02/06/2014	2.78%	Euribor 3 months	(198)
LISI S.A.	10 000	04/08/2009	10/08/2013	2.49%	Euribor 3 months	(126)
					Total	**(324)**

2.7.4.2 Commitments received in the context of the acquisition of companies during the period:

- HUGUENY: Representations and warranties received for social and fiscal commitments and for legal compliance, with a variable term relative to the nature of the commitments covered. The triggering threshold is €10K.
- SEIGNOL, INTERMED Application and LIXUS: Representations and warranties received for social and fiscal commitments and for legal compliance, with a variable term relative to the nature of the commitments covered. The triggering threshold is €25K with an excess of €150K and a cap of €2,184K in the event of legal liability issues relating to product quality. Generally, the guarantee cap is €1,456K.
  - Earn out: The sales contract provides for an additional payment based on the sales revenue and EBITDA for the financial year 2008. This clause was activated in 2009 and led to an additional payment of €1.0M.
  - The representations and warranties have been covered by an independent first-demand guarantee issued by the assignor's bank.

2.7.4.3 Other commitments:

Signed by LISI S.A. in 2009 there were three medium-term financing contracts for €40M non-utilized at December 31, 2009 and executable until June 30, 2010.

2.8 Exchange rates of currencies used by foreign subsidiaries

		2009		2008	
		Closing	Average	Closing	Average
Dollar	(USD)	1.4406	1.3963	1.3917	1.4726
Sterling	(GBP)	0.8881	0.8900	0.9525	0.8026
Chinese Yuan	(RMB)	9.8350	9.5370	9.4956	10.2028
Canadian dollar	(CAD)	1.5128	1.5819	1.6998	1.5656
Zloty	(PLN)	4.1045	4.3469	4.1535	3.5278
Czech crown	(CZK)	26.4730	26.4956	26.8750	25.0388
Moroccan Dirham	(MAD)	11.3329	11.2557	11.2780	11.3475
Indian rupee	(INR)	67.0400	67.3906	67.7232	64.4046
Hong Kong Dollar	(HKD)	11.1709	10.8234	10.7858	11.4154

2.9 Important events occurring after year-end: Information on trends

LISI AUTOMOTIVE has finalized the agreements with the French arm of the American Acument Global Technologies group about taking over two of its industrial sites that specialize in the manufacture of fasteners for the automotive industry.

These two plants are located in Bonneuil-sur-Marne (Val de Marne) and La Ferté Fresnel (Orne), and ought to generate sales revenues of about €40M in 2010, with a staff of about 350.

The two sites will be integrated into the LISI AUTOMOTIVE and consolidated as of March 29, 2010.

4 Company financial statements

1	Company activity for the financial year, and outlook for the coming year	58
2	Financial statements	60
2.1	Income statement	60
2.2	Company balance sheet	61
2.3	Company cash flow statement	62
2.4	Change in shareholders' equity	63
3	Appendices to financial statements	64
3.1	Accounting rules and methods	64
3.2	Detail of balance sheet items	65
3.3	Detail of main income statement items	68
3.4	Financial commitments	68
3.5	Subsidiaries and holdings	69
3.6	Identity of the consolidating company	69
3.7	Miscellaneous information	69
4	LISI S.A. financial results for the previous 5 financial years	70

1 - Company activity for the financial year, and outlook for the coming year

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

- strategic approval, external growth strategy, action plans, resource allocation;
- outlining strategy in an annual budget plan;
- financial control and internal audit;
- financial and fiscal consolidation;
- financial optimization, centralized Group accounts management and management of investments and debts;
- co-ordination of: insurance; purchasing; quality; research and development; health, safety and environment; human resources and investments.

Earnings at December 31, 2009

The remarks below relate to the income statement for 2009.

- Operating revenue of €6.8M is largely composed of services invoiced to subsidiaries of LISI S.A. in the areas of business assistance, control and co-ordination. In 2009, these invoices impacted on the subsidiaries, LISI S.A.'s operating costs increased by 10%. This figure also includes a reversal on the operating provisions for €1.5M. This figure also includes transfer of expenses at €0.3M. Sales revenue from LISI S.A. was €5M, as compared with €5.7M in 2008, i.e. a 11.5% decrease.

- Operating charges were €3.7M, down 34.8% on 2008, following a reduction in the recording of fees on external growth and personnel costs (reduction on bonuses and the impact of performance shares).

- Operating profit thus increased from €0.6M to €3.1M.

- The financial result is positive, at +€13M, as compared with +€10M in 2008. Profits, at income level, are largely made up of: LISI AEROSPACE dividends of €11.0M, interest on group current accounts of €1.5M, reversals of reserves for treasury stock of €3.1M and reversals on depreciation reserves for marketable securities of €0.4M In terms of charges, interest charged on loans and group current accounts amounted to €2.6M.

- Extraordinary earnings do not include any significant items.

- Corporation tax constituted an expense of €5.7M, linked mainly to the effects of tax integration.

- Consequently, net income for the period for LISI S.A. was €21.8M, as compared with €13.2M in 2008, representing an increase of 65%, accounted for by both an improvement in financial income and tax revenue.

- Shareholders' equity went from €161M in 2008 to €171M at end of 2009, after the distribution of €12.3M of dividend payments for 2008 paid out in May 2009.

- Cash balances at year-end amounted to some €77.6M, marketable securities being principally made up of open-ended investment trusts (in euros, GBP and USD), and investments in largely guaranteed capital products. Net financial debt is €6.3M at year end 2009, as compared with €6.4M at year end 2008.

1.1 Appropriation of earnings

We propose that last year's profits of €21,797,508 be allocated as follows:

In €	
profits for the financial year of	21,797,508
increased by the balance carried forward for a total of	41,516,975
giving distributable profit of	63,314,483
which we propose be allocated as follows:	
• as dividends to shareholders a sum of €0.70 per share, i.e	7,527,703
• remainder to be carried forward, for a total of	55,786,780

The dividend for each share amounts to €0.70. The value of the dividend eligible for 40% deduction, as covered by article 158-3-2° of the French General Tax Code, is €0.70.

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

	Nominal value of the share	Dividend per share
Financial year ended 12/31/06	€2.00	€1.30
Financial year ended 12/31/07	€2.00	€1.50
Financial year ended 12/31/08	€2.00	€1.20

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

Outlook for 2010

Increased dividends from our various subsidiaries and stable Group revenues should enable LISI S.A. to pursue its policy of supporting its subsidiaries.

Other information

- Deductible expenses for tax purposes are made up of depreciation and hire of passenger vehicles and loan payments totaling €20,153.

- LISI S.A. has, through a market making agreement with an independent service provider, purchased 71,268 LISI shares for €2.3M and has sold 72,409 shares for a sum of €3M. At December 31, 2009, the number of shares held through market-making agreements was 54,226.

- Treasury stocks held on December 31, 2009 totaled 472,610 shares, including those related to the market-making contract.

2 - Financial statements

2.1 Company income statement

In thousand euros	Notes	2009	2008	2007
Pre-tax turnover		**5,043**	**5,701**	**6,990**
Operating income		**6,804**	**6,257**	**7,314**
External costs		(1,406)	(2,059)	(2,108)
Taxes and duties		(199)	(194)	(180)
Personnel expenses		(1,862)	(2,792)	(2,838)
Other expenses		(87)	(85)	(70)
Depreciation, provisions		(144)	(545)	(173)
Operating profit		**3,105**	**582**	**1,945**
Financial earnings				
- from equity interests	3.3.1	12,523	19,490	17,137
- interest and similar expenses			5	370
- positive exchange differences		5	9	1
- from disposal of marketable securities		496	1,246	4,390
- reversals of provisions		3,428	97	5,000
Interest expenses				
- interest and similar expenses		(2,634)	(3,636)	(4,598)
- negative exchange rate differences				(157)
- from disposal of marketable securities		(824)	(1,387)	(298)
- provisions allowance			(5,849)	(106)
Financial result		12,994	9,976	21,739
Current profit before tax		**16,099**	**10,558**	**23,683**
Extraordinary earnings				
- on capital transactions				
- bonuses on bond repurchases				
- on management transactions				176
- reversals of provisions		40	192	143
Extraordinary charges				
- on capital transactions			(53)	
- on management transactions				(18)
- provisions allowance				(46)
Extraordinary earnings		**40**	**139**	**255**
Income tax	3.3.2	5,658	2,508	(1,105)
NET EARNINGS		**21,798**	**13,205**	**22,833**

2.2 Company balance sheet

Assets

In thousand euros	Notes	2009	2008	2007
Fixed assets				
Intangible fixed assets		197	183	183
Tangible fixed assets		1,849	1,801	1,844
Financial assets		174,581	175,880	166,704
Depreciation		(1,105)	(1,008)	(926)
Total net fixed assets	3.2.1 / 3.2.2	**175,522**	**176,856**	**167,805**
Short-term assets				
Clients and apportioned accounts	3.2.3	543	388	803
Other debtors	3.2.3	3,680	462	761
Subsidiaries' current accounts	3.2.3	41,925	42,624	14,665
Impairment of receivables				
Tax credit	3.2.3	2,497	5,288	3,367
Marketable securities	3.2.4.1	79,330	45,356	58,109
Cash	3.2.4.2	720	706	14,728
Provisions for write-down of marketable securities	3.2.5	(2,421)	(5,849)	(97)
Total short-term assets		**126,274**	**88,975**	**92,335**
Deferred charges		40	39	38
Deferred expenses on loan issue costs		133	170	208
Other deferred expenses				
Translation adjustment				
Total accruals		**173**	**209**	**246**
Total assets		**301,969**	**266,041**	**260,386**

Liabilities

In thousand euros	Notes	2009	2008	2007
Shareholders' equity				
Capital		21,508	21,508	21,508
Issue, merger, and contribution premiums		66,346	66,346	66,346
Retained earnings		19,588	19,588	19,479
of which legal reserve		*2,151*	*2,151*	*2,042*
Balance carried forward		41,517	40,626	34,696
Profit (loss) for the period		21,798	13,205	22,833
Controlled provisions		79	119	168
Total equity	2.4	**170,835**	**161,391**	**165,030**
Provisions for risks and charges	3.2.6	**609**	**2,525**	**1,370**
Debt				
Sundry loans and financial debts (*)	3.2.3	52,408	46,490	30,991
Subsidiaries' current accounts	3.2.3	75,828	48,552	54,473
Taxes due				
Accounts payable	3.2.3	960	1,483	3,220
Tax and statutory payments	3.2.3	1,024	1,236	1,304
Other creditors	3.2.3	292	4,362	3,998
Total debt		**130,512**	**102,124**	**93,986**
Deferred revenues		13		
Translation differential liabilities			2	
Total accruals		**13**	**2**	
Total liabilities		**301,969**	**266,041**	**260,386**
(*) of which short-term banking facilities		(2,108)	(673)	(50)

2.3 Company cash flow statement

In thousand euros	2009	2008	2007
Operating activities			
Operating cash flow	16,557	19,233	18,014
Effect of changes in inventory on cash			
Effects of changes in accounts receivable and accounts payable	(5,399)	(2,648)	971
Cash provided by or used for operations (A)	**11,158**	**16,584**	**18,985**
Investment operations			
Cash used to acquire tangible and intangible assets	(49)	(10)	(157)
Cash received from the disposal of tangible and intangible assets			1
Cash used to acquire financial assets			(1,809)
Cash received from the disposal of financial assets			
Net cash used for acquisitions and disposals of subsidiaries			
Cash payments and collections from loans to subsidiaries	1,299	(9,174)	(4,602)
Cash provided by or used for investing activities (B)	**1,251**	**(9,184)**	**(6,567)**
Financing operations			
Cash received from shareholders as part of a capital increase			25,525
Dividends paid to shareholders of the parent company	(12,313)	(15,793)	(12,979)
Cash received from new loans	10,295	20,808	932
Repayment of loans	(5,812)	(5,932)	(6,216)
Cash provided by or used for financing activities (C)	**(7,830)**	**(917)**	**7,262**
Effect of change in foreign exchange rates (D)			
Changes in cash (A+B+C+D) *	**4,579**	**6,483**	**19,681**
Cash at January 1st (E)	39,460	32,979	13,299
Cash at December 31st (A+B+C+D+E)	44,039	39,460	32,979
Marketable securities	79,330	45,356	58,109
Cash, subsidiaries' current accounts	42,644	43,330	29,393
Banking facilities, subsidiaries' current accounts	(77,935)	(49,226)	(54,523)
Closing cash position **	**44,039**	**39,460**	**32,979**

* The overall change in cash position corresponds to the total of net cash flows generated by the various categories: operations, investment, and financing.

** The cash position is the algebraic sum of the balance sheet assets and liabilities.

2.4 Company cash flow breakdown

In thousand euros	
At 01.01.2008	**165,030**
Profit (loss) for the period	13,205
Dividends paid	(15,793)
1st application of the CNC's order 2008-17	(1,001)
Accelerated depreciation	(49)
At 31.12.2008	**161,391**
Profit (loss) for the period	21,798
Dividends paid	(12,313)
Accelerated depreciation	(40)
At 31.12.2009	**170,835**

3 - Appendices to financial statements

LISI. S.A. is a public limited company with a Board of Directors, with capital of €21,507,722 representing 10,753,861 shares with €2 face value. It is registered at the Belfort trade registry, under no. 536 820 269. Its registered offices are based at Le Millenium, 18 rue Albert Camus, Belfort.

The final annual balance at December 31, 2009 was €301,969,458. The annual income statement showed a profit of €21,797,508.

The financial year runs over 12 (twelve) months, from January 1, 2009 to December 31, 2009.

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

3.1 Accounting rules and methods

The accounts for 2009 are drawn up in line with current French accounting regulations. The accounting rules and methods have been applied in line with the prudence principle and with underlying assumptions which aim to provide an accurate picture of the company:
- the continuity of operations,
- the comparability of accounting methods;
- the independence of financial years.

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

The accounting principles on which the company accounts for 2009 were drawn up are identical to those for 2008.

The preparation of financial statements requires LISI to make estimates and speculative forecasts which are liable to impact on both its assets and liabilities as well as those of its subsidiaries and holdings.

The latter are exposed both to specific, industry-related risks as well as risks relating to the wider international environment. In 2009, the situation was greatly affected by a major economic crisis, particularly in the automotive industry.

All of this makes it harder for LISI to assess estimates and hypotheses. Consequently, figures on future financial statements may vary from currently-estimated values.

In LISI S.A.'s financial statements, the estimates and forecasts involved in implementing accounting methods particularly affect equity investments, as valuations (see note b, below) are based on affiliates' forecast data.

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

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

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

b) Financial fixed assets
Participating shares and other financial fixed assets are valued at their purchase price, excluding the costs incurred in their acquisition. If these values are higher than the value in use, a provision for depreciation is recorded to account for the discrepancy.

The value in use is calculated from each line of investment, based on the profitability and performance outlook for the companies concerned; on developments in the economic sectors in which they operate; and on their positions within these sectors.

The inventory value has been brought into line with the value in use calculated for the impairment tests, which did not show any loss in value.

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

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

e) Free shares and options
When an outflow of resources relating to share purchase options and to free allocations is likely, the risk is provided for proportionate to the rights acquired since allocation date. Where relevant, provisions thus provided for take into account whether or not treasury shares are allocated to share options or relevant free allocations.
Depreciations, provision reversals and charges relating to free share allocations or share purchase options are covered under staff charges.

f) Loans and receivables
Receivables are valued at their nominal value. A depreciation provision is recorded when the recoverable value is less than the book value.

g) Provisions for risks and contingencies
Provisions for risks and contingencies are recognized in line with the CRC regulation 2000-06 on liabilities, dated December 7, 2000.

This regulation stipulates that a liability is recognized when a company has an obligation to a third party and it is probable or certain that this obligation will necessitate an outflow of resources to the third party, with no equivalent or larger payment in return. The obligation must exist at the closing of accounts in order to be recognized.

Provisions are calculated with help from the Group's lawyers and consultants, based on current protocol and an assessment of the risks at the date of closing of accounts.

h) Financial instruments

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

i) Income taxes

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

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

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

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

3.2 Detail of balance sheet items

3.2.1 Gross fixed assets

In thousand euros	Gross value at year start	Acquisitions	Disposals / Deconsolidations	Gross value at year end
Intangible fixed assets				
Concessions, patents, licenses, etc.	183	23	(9)	197
Total	**183**	23	(9)	**197**
Tangible fixed assets				
Land	404			404
Buildings	747			747
Other tangible assets	649	49		698
Tangible assets in progress				
Total	**1,801**	**49**		**1,849**
Financial fixed assets				
Equity interests and related receivables	175,830	189	(1,488)	174,531
- Of which LISI AUTOMOTIVE loan	*23,500*		*(1,000)*	*22,500*
- Of which LISI AUTOMOTIVE accrued interest	*488*	*189*	*(488)*	*189*
Other long-term investments	14			14
Borrowings and other debts	36			36
Total	**175,880**	**189**	**(1,488)**	**174,581**
Grand Total	**177,864**	**261**	**(1,498)**	**176,626**

3.2.2 Depreciation and impairment

In thousand euros	Opening balance	Provisions for period	Reversals for period	Closing balance
Intangible fixed assets				
Concessions, patents, licenses, etc.	161	22	(9)	174
Total	**161**	**22**	**(9)**	**174**
Tangible fixed assets				
Land				
Buildings	669	6		675
Other tangible assets	168	78		246
Total	**838**	**85**		**923**
Financial fixed assets				
Depreciation on equity interests				
Other financial fixed assets	8			8
Total	**8**			**8**
Grand Total	**1,008**	**108**	**(9)**	**1,105**

3.2.3 Maturity dates for receivables and debts

Receivables In thousand euros	Gross amount	Of less than one year	Of over one year
Trade receivables	543	543	
Other debtors	247	247	
Subsidiaries' current accounts	41,925	41,925	
Tax integration current accounts	3,433	3,433	
Tax credit	2,497	2,497	
Total	**48,645**	**48,645**	

Debt In thousand euros	Gross amount	Of less than one year	Of over one year
Loans and debts from credit organizations	52,403	7,403	45,000
Sundry loans and financial debts	5		5
Subsidiaries' current accounts	75,828	75,828	
Taxes due			
Accounts payable	960	960	
Tax and statutory payments	1,024	1,024	
Tax integration current accounts	273	273	
Other creditors	18	18	
Total	**130,512**	**85,507**	**45,005**

3.2.4 Marketable securities and cash

3.2.4.1 Marketable securities

As of December 31, 2009, the figures for marketable securities were as follows:

In thousand euros	
472,610 LISI stocks *	16,439
SICAV and deposit certificates	62,891
Giving a gross total of	**79,330**

* 472,610 shares held, thanks to the option of buying back the company's own shares up to a 10% limit. Of which 107,010 shares were assigned to stock option plans or performance share plans.

The "Marketable securities" item is primarily composed of money-market funds (accounting for €50.8M); capital guaranteed investments (€9.9M) and a structured investment (€2.2M).

On December 31st, 2007, the company held a structured investment of €3M. This was wound up in July 2008, generating a depreciation value of €0.8M. Income from this transfer was invested in a new structured investment, with a fair market value of €1.8M on December 31. The risk was anticipated and provided for in the 2009 accounts, the maturity of this investment being in July 2011.

The total net asset value of marketable securities stood at €50,8M as of December 31, 2009.

3.2.4.2 Cash

This item is solely composed of bank balances.

3.2.4.3 Cash and Net Financial debt

In thousand euros	2009	2008
Subsidiaries' current accounts	41,925	42,624
Marketable securities	79,330	45,356
Cash	720	706
Cash available [A]	**121,975**	**88,686**
Subsidiaries' current accounts [B]	75,828	48,552
Banking facilities for operations [B]	2,108	673
Net cash [A - B]	**44,039**	**39,460**
Borrowings and other financial debts	50,300	45,817
Financial debt [C]	**50,300**	**45,817**
Net financial debt [D = C + B - A]	**6,261**	**6,357**

3.2.4.4 Inventory of marketable securities

a) Shares

In thousand euros	Gross book values	Provisions	Net book values
Equity interests			
French companies	151,841		151,841
Foreign companies	–	–	–
Total equity interests	**151,841**		**151,841**
Securities held for sale			
French companies	14	8	6
Foreign companies	–	–	–
Total marketable securities	**14**	**8**	**6**

b) Bonds and equivalents

In thousand euros	Gross book values	Provisions	Net book values
French companies	–	–	–
Foreign companies	–	–	–
Total bonds and equivalents	**–**	**–**	**–**

c) Marketable securities

In thousand euros	Gross book values	Provisions	Net book values
Treasury stock	16,439	2,074	14,365
SICAV and deposit certificates	62,891	347	62,544
Total marketable securities	**79,330**	**2,421**	**76,910**

3.2.5 Provisions for impairment of short-term assets

In thousand euros	Opening balance	Provisions for financial year	Withdrawals made over financial year	Closing balance
Provisions for impairment	5,849		3,428	2,421
Total	**5,849**		**3,428**	**2,421**

Provisions for impairment of LISI treasury shares held as part of the market-making and share repurchase contracts (at the average market price of December, i.e. €32.82) for a total of €2,074K.

3.2.6 Provisions for risks and charges

In thousand euros	Opening balance	Provisions for financial year	Withdrawals made over financial year	Closing balance
Provisions for risks	1,450		(1,450)	
Provision for stock options and the allocation of free shares	1,075		(466)	609
Total	**2,525**		**(1,916)**	**609**

3.3 Detail of main income statement items

3.3.1 Financial income from investments

In thousand euros	Amounts
Dividends received from subsidiaries	10,993
Interest from loans to subsidiaries	1,530
Total	**12,523**

3.3.2 Breakdown of corporation tax

In thousand euros	Current profit	Extraordinary profit	Accounting profit
Earnings before tax	16,099	40	16,139
Corporation tax	(1,411)	(14)	(1,424)
Tax credits, IFA & miscellaneous	23		23
Tax integration taxes	7,059		7,059
Net earnings	**21,770**	**27**	**21,798**

The LISI Group benefits from the tax consolidation regime, which covers all its French subsidiaries. The tax consolidation agreement stipulates that tax gains should be retained at the parent company level. The total amount of company tax is at, December 31, 2009, tax income following the recognition of a tax credit relating to certain subsidiaries falling within the scope of consolidation.

3.4 Financial commitments

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

3.5 Subsidiaries and holdings

3.5.1 Elements relating to affiliated companies and holdings

In thousand euros	Amount concerning related companies	Amount concerning companies in which the company holds stakes
ASSETS:		
Provisions on equity shares	-	-
Receivables related to equity holdings	22,689	-
Debtors and apportioned accounts	534	-
Cash advances to subsidiaries	41,925	-
Tax integration current account	3,433	-
LIABILITIES:		
Subsidiaries' financial assistance	75,828	-
Tax integration current account	273	-
Advance payments from customers	17	-
Accounts payable	74	-
Other creditors	-	-
INCOME STATEMENT:		
Services received	-	-
IT maintenance	15	-
Reserves for equity interests	703	-
Sales revenue with subsidiaries	4,975	-
Revenues from subsidiaries' loans and current accounts	1,530	-
Revenues from equity interest	10,993	-
Reversal of provisions on equity interests	-	-

3.5.2 Subsidiaries and holdings (company data in €)

Companies	Capital stock	Shareholders' equity and minority interests	Share of capital held (as a %)	Gross book value of securities held	Provisions on securities held	Net book value of securities held	Outstanding loans granted by the company	Outstanding loans received by the company	Sum of guarantees and deposits granted by the company	Preceding year's revenue excluding tax	Preceding year's net profit or loss	Dividends received by parent company over preceding year
Subsidiaries:												
LISI AUTOMOTIVE	31,690,000	109,392,278	100,00 %	93,636,481		93,636,481	43,396,681			21,372,116	(1,414,769)	
LISI AEROSPACE	2,475,200	52,908,967	100,00 %	30,863,816		30,863,816		27,924,944		102,366,635	5,893,887	10,992,997
LISI COSMETICS	5,330,640	12,909,324	100,00 %	27,341,048		27,341,048		2,353,000		36,110,183	(3,310,468)	

3.6 Identity of the consolidating company

Compagnie Industrielle de Delle (CID)
Limited company with share capital of €3,189,900
Registered Office: 28 Faubourg de Belfort – BP 19 – 90101 Delle Cedex
Compagnie Industrielle de Delle held 55.10% of the capital of LISI S.A. as of December 31, 2009.

3.7 Miscellaneous information

- The company directors and executives have not been given any advances or credits.
- Remuneration of executives stood at €609,825 for the year 2009 (remuneration net of social security contributions, including the variable element and attendance fees).
- The total remuneration paid to the highest-paid individuals stood at €1,523,550.

- The workforce as of December 31, 2009 numbered 13 individuals.
- Retirement commitments have not been given, as they do not represent a significant amount.
- Commitments relating to the Individual Right to Training (the French continuing professional development scheme) represent a total amount of training time corresponding to accumulated rights of around 915 hours as of December 31, 2009. In most cases, training requests for this time have not been made.
- The company does not have any leasing agreements.
- The increase and relief of the future tax debt are not significant.
- Deferred expenses primarily relate to the €0.1M spreading of costs linked to a €70M subscription to a revolving loan scheme with a banking syndicate. The subscription was made in 2006 and is being amortized over five years.
- Fees entered for the financial year ending December 31, 2009 for our auditors KPMG and EXCO CAP AUDIT totaled €53, 348.

4 - Financial results for LISI S.A. over the past five years

(articles 133, 135 and 148 of the Decree on Commercial Companies)

NATURE OF INDICATIONS (in €)	2005	2006	2007	2008	2009
Financial situation at year end					
Share capital	19,793,668	20,421,566	21,507,722	21,507,722	21,507,722
Number of shares issued	9,896,834	10,210,783	10,753,861	10,753,861	10,753,861
Number of convertible bonds	1,066,685	780,402	237,324	237,324	237,324
Total result of actual operations					
Net revenues	5,648,417	6,495,402	6,989,653	5,701,221	5,042,665
Earnings before tax, depreciation and provisions	16,116,234	16,623,351	19,119,431	16,672,042	10,899,256
Income tax	(336,648)	(28,838)	1,105,085	(2,507,790)	(5,658,143)
Employee profit-sharing					
Profit after tax, depreciation and provisions	15,684,834	16,221,185	22,832,807	13,204,614	21,797,508
Distributed profit *	10,402,657	12,978,681	15,793,449	12,313,156	7,527,703
Result of operations per share					
Profit after tax, but before depreciation and provisions	1.66	1.63	1.68	1.78	1.54
Profit after tax, depreciation and provisions	1.58	1.59	2.12	1.23	2.03
Dividends allocated per share (net)	1.08	1.30	1.50	1.20	0.70
Personnel					
Average head count	9	10	12	13	13
Payroll	1,210,667	1,539,301	1,895,104	2,067,550	1,172,136
Benefits paid (social security, benefits, etc.)	526,634	611,748	703,516	724,561	689,460

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

5 Risk factors

1 Environment 72

1.1 The environmental roadmap 72
1.2 Toward reducing energy consumption 72

2 Health safety 72

2.1 Reducing accidents at work 72
2.2 Standardizing practices and defining indicators 72

3 Risk management 73

3.1 Following COSO guidelines 73
3.2 Increased cooperation with insurers 73
3.3 Drawing up action plans 73

4 Information on issuer risks 73

4.1 Operating risks 73
4.2 Strategic risks 73
4.3 Environmental risks 73
4.4 Legal risks 74
4.5 IT-related risks 74
4.6 Other risks 74

5 Insurance policy 75

Safety and environment

For several years now the LISI Group has been involved in an initiative aimed at ensuring healthy and safe working conditions for all of its employees as well as its service providers. More recently this commitment has also extended to improving initiatives to minimize the impact of the Group's activities on the environment.

Aiming high

As part of its clearly stated ambition to excel in all areas of Safety and the Environment, the LISI Group has set itself three ambitious targets:

- 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 HSE manual directives and guidelines.

By late 2009, 14 LISI Group sites had already attained ISO 14001 certification, with other sites set to be certified in 2010. While ISO 14001 certification progress continues apace, the lost-time accident at work frequency rate has leveled out at a rate which was already too high. However the LISI Group has already shown a clear improvement in comparison with last year.

1 - Environment

1.1. The environmental roadmap

Throughout 2009, the LISI Group continued in its mission to set up an HSE Management system. Consequently, LISI confirms it is still on target to attain ISO 14001 certification for all of its manufacturing sites by the end of 2010.

The regulatory compliance of its manufacturing sites is the Group's main concern. The compliance evaluation and implementation plan is being rolled out across all industrial sites.

1.2 Toward reducing energy consumption

Finally, in 2010, the LISI Group is looking to consolidate its environmental indicators in order to set itself ambitious goals and assess the reduction of its environmental impact from 2011 onwards.

2 - Health safety

2.1 Reducing accidents at work

At the end of 2009 the LISI Group had an accident frequency rate of 11.9, down 20% on 2008. Although lower than expected, these results are still encouraging.

There are three indicators which enable the monthly monitoring of the LISI Group's industrial site security levels, namely:

- the lost-time injury frequency rate (TF0),
- TF1, the lost-time injury frequency rate (TF1) and reciprocal,
- the accident severity rate (TG0).

Throughout 2009, indicators, TF0, TF1 and TG0, which had begun to fall by 2008, began to improve, reaching 11.9 for TF0 (i.e. a 20% reduction), 22 for TF1 (i.e. a 20% reduction), and finally 0.33 for TG0 (i.e. an 18% reduction).

An issue which affects us all

2010 will see us strengthen our commitment to reducing accidents at work. In our dedication to achieve this, we will include technical infrastructure improvements, taking HSE issues into account from the very first stages of production facility design, for example. However, the most important task lies in changing the culture. It is crucial that Safety, like Environment, be at the very heart of day-to-day plant management. The working method disseminated by the Risk Assessment Committee is one which can effect cultural change. The effective implementation of this methodology should be a priority at all manufacturing and production sites.

2.2 Standardizing practices and defining indicators

Implementing the directives and instructions within the Group HSE Manual at all sites should standardize the management of Health Safety and Environment problems. This document 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. It is based on the principle of continuous improvement and includes the stipulations covered by standards ISO 14001 and OHSAS 18001.

In 2009, in line with the directives set out in the HSE Manual, certain sites have implemented a crisis management procedure which has been successfully tested under real-life conditions. These simulations have allowed us to develop the necessary responses to unforeseen events, which could potentially have an impact on the external environment, employees, production, etc.

Moreover, the LISI Group wished to set and monitor certain indicators in order to more precisely measure the environmental impact and safety performance of its activities. Thus, for the second year running, this information provided by its industrial sites has been consolidated so as to assess the LISI Group's environmental impact and safety levels.

3 - Risk management

3.1 Following COSO guidelines

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

3.2 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 also look for scope for environmental improvement, they then present their recommendations which are then fed into the action plan. Since 2002, all major sites have been audited. This continuous improvement initiative is improving our prevention policy and enables us to optimize our insurance premiums. Moreover, technical advice is automatically provided in all areas of work in order to ensure EU compliance for insurers' preventative requirements.

3.3 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 whole of the initiative is run by the Group's main company in the areas of HSE, internal auditing and, shortly, accounts.

4 - Information on issuer risks

In an approach meant to analyze the general and specific risks the Group is exposed to, the following categories have been identified:

- operating risks,
- strategic risks,
- environmental risks,
- legal risks,
- IT-related risks,
- credit, liquidity, market, and currency risks (see note 2.4),
- other risks.

4.1 Operating risks

4.1.1 Exposure to risk of natural disaster or industrial action

In common with any other company, the LISI Group could be disrupted by industrial strike action or natural disasters such as flooding, earthquake or even pandemic. Such events could negatively affect Group sales revenue or cause a substantial increase in expenses required to cover system maintenance or repair.

4.1.2 Acquisitions

In order to manage any risks related to the integration of newly-acquired companies and to ensure the transferal of Group management principles, the LISI Group's policy is to acquire a controlling stake in the capital of any potential acquisitions. Any acquisition or sale plans are subject to approval by the Board of Directors.

4.2 Strategic risks

These risks are identified as major risks likely to compromise durably the completion of the strategic plan. All the risks identified that were classified in the "STRONG" occurrence category are subject to a corrective action plan and are treated in priority by the management of the various divisions.

4.3 Environmental risks

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

Its industrial and environmental policy aims to manage its major risks, which are:

- the risk of fire and its potential impact on affected sites or their environment,

- the risk of soil or water table pollution.

This risk management policy involves:

- continuous improvement of all sites' fire protection. These sites are subject to annual monitoring and inspections,

- investment in protection, with the installation of sprinkler systems or upgrading of existing systems,

- pollution risk prevention: the Group is implementing an updated prevention policy.

As part of the manufacturing sites' compliance program, and in the absence of any ongoing legal disputes, the Group has made provisions for an overall sum of €8.7M. Concrete measures are being taken to prevent soil pollution on old sites, including carrying out monitoring activities in concert with the local authorities, on the one hand, and implementing retrofitting work, on the other hand.

More specifically, a sum of €5.1M has been established which relates to the assessed cost of decontaminating the Torrance site (California – USA) which suffered TCE (solvent) pollution several years ago (before 1975). The process that is currently in progress involves pumping and filtering underground water downstream from the site. This treatment has facilitated processing over 15 metric tons of TCE in shallow pollution, and over 7 metric tons in the layers further from the surface. The estimated amount at December 31, 2009, facilitates handling of treatment in accordance with the techniques recommended by our advisors. Liaison with the authorities has led to the swift closure of the soils file and to the acceptance of measures taken with regard to the deepest waters.

4.4 Legal risks

The Group is involved in a limited number of legal proceedings with third parties (not customers). All these disputes have been reviewed with our Auditors and the most significant were appreciated by the Audit Committee. The amount of provisions for legal disputes set up for that purpose stands at €0.9M. Generally speaking, all legal positions are determined and reviewed by third-party and in-house specialists.
Except for the disputes referred to above, for a period covering at least the last twelve months, no governmental, legal, or arbitration proceedings (including any proceedings of which the Group is aware, which is pending or of which it is threatened) are to be reported that may have or have recently had significant effects on the Group's financial situation or profitability.

4.5 IT-related risks

For each of its divisions, the Group has identified an IT safeguard action plan likely to be implemented in the event of a serious failure. Furthermore, the Group has covered risks of disruption, malfunctions, or forced use of its IT systems with a specific insurance policy.

4.6 Other risks

a) Raw material risks
The LISI Group is potentially exposed to changes in the costs of the raw materials (steel, plastics, aluminum, and titanium) used in the course of its business activities. Nevertheless, the Group estimates that such price increases are unlikely to impact negatively on its profit margins. Indeed, some contracts include price-revision formulae which allow prices to be varied in accordance with changes to raw material costs. Suppliers work to limited time frames based on guaranteed-price contacts. At December 31, 2009, the LISI Group uses no financial instruments to manage its future exposure to changes in the costs of such raw materials.

b) Energy risks
To cover its energy costs, the Group entered into a supply contract with electricity company EDF for its French sites, known as the "TRTAM contract", which is due to expire in 2010. For foreign sites, annual contracts have also been entered into, particularly in Germany and the USA.

c) Commercial risks
For the record, the Group manufactures several thousand different items using various raw materials (steels, alloys, aluminum, various plastics, titanium etc), employing a range of technologies (cold and hot forming machines, machining, die trimming and stamping, plastic injection, thermal processes and surface treatment). As a result, the commercial risk is spread over a considerable number of products manufactured at the 34 LISI sites around the world. The main product families are developed in collaboration with customers, and the proportion of turnover from patented products plays only a secondary role in total consolidated sales.

d) Customer-related risks
Looking at the figures for 2009, only 3 clients accounted for more than 5% of the LISI Group's consolidated sales. Our 10 largest customers accounted for 44.7% of total sales; this list includes clients of all 3 divisions, LISI AEROSPACE, LISI AUTOMOTIVE and LISI COSMETICS. Our 48 largest customers accounted for 75% of sales.

Figures for our 3 largest customers have evolved as follows:

	2009	2008	2007
CUSTOMER A	8.4%	7.5%	8.9%
CUSTOMER B	10.4%	9.4%	9.0%
CUSTOMER C	6.0%	4.6%	5.7%

e) Product risks
The LISI Group is exposed to the risk of actions for liability or to enforce a guarantee by its customers regarding products sold. It is also subject to liability actions in the event of product fault leading to injury or damages. To protect itself from such risks, as described in paragraph 5 above, the LISI Group has third party liability cover for use of its products after delivery. LISI Group's liability is often limited with regard to the original product specifications or customer-defined specifications; it cannot be extended

to the ways in which products are used. However, it is possible that the insurance policy taken out may not be sufficient to cover every possible financial eventuality linked to such claims, particularly in the USA.

f) Supplier-related risks

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

Outsourcing is confined mainly to technical applications, primarily specific thermal treatment and finishing operations (surface treatment and assembly), since most of the Group's activities are integrated. For 2009, the various operations outsourced by the Group's sites represented approximately 5.4% of consolidated sales revenue.

5 - Insurance policy

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

a) Cover for property risks

As of January 1, 2010, this policy covered own and others' installations, as well as operating losses in the event of a claim. The deductible is applied per loss and stands at €0.1M with maximum cover of €859M for buildings and equipment and €146M for goods.

b) Civil liability insurance

This covers personal, physical and intangible damage that might occur during operations, as well as damages that occur after delivery, to the sum of €15.2M per claim and per annum in primary coverage. The Group is also covered by an Excess policy for a sum of €7.6M in addition to the first line. An aerospace policy covers special risks in the sum of €305M per annum (flight stoppages are covered up to $125M per claim and per annum, and space products up to $125M per claim and $250M per annum).

c) Directors' liability insurance policy

The Group is covered by a directors' liability insurance policy for all its subsidiaries up to €7.7M.

6 Information regarding the Company and corporate governance

1 Company information 78

1.1	Capital stock	78
1.2	Stock repurchase program	79
1.3	Breakdown of share capital and voting rights	80
1.4	Relationship between the parent company and its subsidiaries	80
1.5	Auditors' fees	82

2 Corporate governance 82

2.1	Tasks and operating procedures of the Board of Directors	82
2.2	Internal rules of the Board of Directors	83
2.3	The Compensation Committee	84
2.4	The Audit Committee	84
2.5	The Strategic Committee	84
2.6	Independent directors and directors linked to the company	85
2.7	Employees	85
2.8	Administrative bodies	87
2.9	Pay and interests of corporate officers	90

1 - Company information

1.1 Capital stock

1.1.1 Amount of capital stock

Share capital taken up by shareholders and fully paid-up, as at December 31, 2009, amounted to €21,507,722, divided into 10,753,861 shares with a face value of €2 of the same category.

1.1.2 Changes in share capital over the past 5 years

Date of Shareholders' General Meeting	Date of Board meeting	Nature of the operations	Nominal increase (reduction) in capital	Increase (reduction) in capital inc. premium	Number of shares created (cancelled)	Nominal value of shares	Total number of shares after issue	Capital after transaction
Capital at 12/31/2009: €21,507,722 divided into 10,753,861 shares with €2 face value								
02/10/04	02/20/08*	Capital increase by conversion of warrants	€299,588	€6,740,730	149,794	€2	10,753,861	€21,507,722
02/10/04	12/21/07	Capital increase by conversion of BSARs	€169,592	€3,815,820	84,796	€2	10,604,067	€21,208,134
02/10/04	08/29/07	Capital increase by conversion of BSARs	€255,292	€5,744,070	127,646	€2	10,519,271	€21,038,542
02/10/04	06/27/07	Capital increase by conversion of BSARs	€361,684	€8,137,890	180,842	€2	10,391,625	€20,783,250
02/10/04	02/22/07	Capital increase by conversion of BSARs	€30,000	€675,000	15,000	€2	10,210,783	€20,421,566
02/10/04	12/20/06	Capital increase by conversion of BSARs	€498,926	€11,225,835	249,463	€2	10,195,783	€20,391,566
02/10/04	06/23/06	Capital increase by conversion of BSARs	€43,640	€981,900	21,820	€2	9,952,166	€19,892,640
02/10/04	06/23/06	Capital increase reserved for employees	€55,332	€1,122,686.58	27,666	€2	9,924,500	€19,849,000

* Conversion of warrants at end December 2007.

1.1.3 Authorized share capital not yet issued

On April 29, 2009, the Shareholders' Extraordinary Meeting authorized the Board of Directors to issue, on one or more occasions, new cash subscriptions, reserved for Group employee members of the company occupational savings plan, for a maximum total of €2,000,000 inclusive of issue premium, within 26 months of the current Meeting.

1.1.4 Potential share capital

As part of the issue of debentures (OBSAR), each had attached a warrant for subscription to a new share (BSAR). Following the authorization granted by the Shareholders' Extraordinary Meeting of February 10th, 2004, the Board of Directors established on May 3rd, 2004, that 1,066,685 warrants (BSAR) had been issued valid for 6 months and expiring on May 5th, 2010.

At December 31st, 2009, 829,361 warrants had been converted. There thus remain 237,324 warrants to convert on the basis of one warrant per share.

1.1.5 Dividend distribution policy for the past 5 years – Dividend prescription period

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

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

	Net dividend in €
2005	1.08
2006	1.30
2007	1.50
2008	1.20
2009 (1)	0.70

(1) Subject to the decision of the Ordinary General Meeting of April 28, 2010. The date for payment of dividends has been set at May 7, 2010.

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

1.2 Stock repurchase program

1.2.1 In place December 31, 2009

On April 29, 2009, the Shareholder's Ordinary Meeting authorized the company to repurchase up to 10% of its own shares in the open market for a period of 18 months, i.e. up until October 29, 2010.

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

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

The following terms apply to this authorization:

- the company may not repurchase its own shares for more than €50, not including transaction fees.

The highest figure that LISI S.A. would pay if it purchased shares at the ceiling price set by the Shareholders' Meeting, i.e. €50, is €53,769,305.

Under the above-mentioned share repurchase program, in 2009 LISI S.A. acquired 71,268 treasury shares, i.e 0.7%. The number of own shares held by LISI S.A. stands at 472,610.

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

	Number of shares	Average weighted Prices in €
Shares held at 01/01/2009	481,901	35.82
Shares acquired in 2009	71,268	32.76
Shares disposed of in 2009	80,559	39.24
Shares held at 12/31/2009	472,610	34.78
Of which shares assigned to the stock options program	*418,384*	
Of which available	*54,226*	

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

1.2.2 New stock repurchase program

The next General Meeting will be offered to renew its program to repurchase LISI S.A. shares, in accordance with the new rules applicable since the entry into force of European Rules Nr.2273/2003 of December 22, 2003. LISI S.A. offers to acquire a number of shares representing up to 10% of the number of shares that make up its capital stock, except for the acquisition of shares meant to be kept and the delivery of shares against or as payment for external growth operations, if applicable, whose total number will be limited to 5% of the equity, i.e. 537,693 shares.

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

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

The maximum purchase price may not exceed €50 per share.

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

1.3 Breakdown of share capital and voting rights

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

1.3.1.1 Breakdown of share capital and voting rights

Descriptions	2009			2008			2007		
	as % of capital	as % of voting rights	as number of shares	as % of capital	as % of voting rights	as number of shares	as % of capital	as % of voting rights	as number of shares
CID	55.1	68.3	5,928,724	55.1	68.3	5,928,724	55.1	67.3	5,928,724
VMC	6.0	7.3	641,675	6.0	7.4	641,675	6.0	7.2	641,675
Other corporate officers	0.4	0.3	42,214	0.2	0.2	40,964	0.3	0.3	32,644
TOTAL FOR CORPORATE OFFICERS	**61.5**	**75.9**	**6,612,613**	**61.3**	**75.9**	**6,611,363**	**61.4**	**74.8**	**6,603,043**
of which directors	*0.13*	*0.09*	*13,990*	*0.14*	*0.09*	*14,740*	*0.12*	*0.08*	*12,990*
FFP	5.1	6.0	550,000	5.1	6.0	550,000	5.1	5.9	550,000
Treasury stock	4.4		472,610	4.5		481,901	2.0		215,299
Employees	1.2	0.8	131,395	1.0	0.6	107,000	0.9	0.6	101,698
Public	27.8	17.3	2,987,243	28.1	17.5	3,003,597	30.6	18.7	3,283,821
GRAND TOTAL	**100.0**	**100.0**	**10,753,861**	**100.0**	**100.0**	**10,753,861**	**100.0**	**100.0**	**10,753,861**

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

– The sole activity of CID, a company based at 28 Faubourg de Belfort 90100 Delle , is the ownership of LISI shares. At December 31, 2009, it holds: 55.1% of the share capital and 68.3% of the voting rights.

CID's capital is held in almost equal proportion by three family shareholder groups through family holdings. Whilst family links exist between shareholders, they are not directly related.

– At December 31, 2009, VMC, Route des Forges 90120 Morvillars, directly holds: 6.0% of the share capital and 7.3% of the voting rights. At the same date, it holds indirectly 15.28% of the capital of LISI S.A.

– At December 31, 2009, FFP, 75 avenue de la Grande Armée 75116 PARIS, directly holds: 5.1% of the share capital and 6% of the voting rights. At the same date, it holds indirectly 13.88% of the capital of LISI S.A.

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

The percentage of share capital held by staff members is not significant (1.2% of the share capital).

1.3.1.2 Shareholders' agreement - Acting in concert

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

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

1.3.1.3 Pledging

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

1.3.2 LISI S.A. shareholding.

A TPI ("Identifiable bearer share") analysis was conducted on January 31, 2008. Out of the floating stock that represented around 32% of the total shareholding, 2,343 shareholders could be identified. At that date, the breakdown was as follows:

- French institutional investors: 137 or 11.7% of share capital;
- International institutional investors: 111 or 15.7% of share capital;
- French and international individual shareholders: 2,095 or 2.6% of share capital.

1.3.3 LISI S.A. treasury shares.

As at December 31, 2009, LISI S.A. held 472,610 of its own shares, or 4.4% of share capital. No shares were cancelled.

1.4 Relationship between the company and its subsidiaries

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

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

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

Data with related companies are as follows:

In thousand euros	Amount concerning related companies	Amount concerning companies in which the company holds stakes
ASSETS:		
Provisions on equity shares	-	-
Receivables related to equity holdings	22,689	-
Debtors and apportioned accounts	534	-
Cash advances to subsidiaries	41,925	-
Tax integration current account	3,433	-
LIABILITIES:		
Subsidiaries' financial assistance	75,828	-
Tax integration current account	273	-
Advance payments from customers	17	-
Suppliers	74	-
Other creditors	-	-
INCOME STATEMENT:		
Services received	-	-
IT maintenance	15	-
Reserves for equity interests	703	-
Sales revenue with subsidiaries	4,975	-
Revenues from subsidiaries' loans and current accounts	1,530	-
Revenues from equity interest	10,993	-
Reversal of provisions on equity interests	-	-

Significant intra-group items include:

• On the assets side:
- receivables relating to equity interests: LISI S.A. advanced, as a mid-term loan, €25M to its subsidiary LISI AUTOMOTIVE. A loan contract for €10M which was entered into on July 15, 2005 for a period of 7 years, refundable, with reimbursements deferred 2 years, allowed it to fund part of the acquisition of the German group Knipping in July 2005. A loan contract for €5M which was entered into on April 2, 2007 for a period of 5 years, repayable quarterly, allowed the company to finance a number of these industrial investments. The capital outstanding at December 31, 2009 being €2.5M. A €10M loan taken out in April 2008 for a period of 7 years, amortizable, with 2 years' deferred repayment to face its growing working capital requirements,
- cash advances to group subsidiaries as part of the Group's cash agreement,
- the current accounts for the fiscal integration of tax receivables of the companies consolidated within the group.

• On the liabilities side:
- cash granted to group subsidiaries within the group cash management agreement,
- the current accounts for the fiscal integration of tax receivables of the companies integrated within the group.

• On the income statement:
- invoices for services and management fees from LISI S.A. to its various subsidiaries,
- dividends received by LISI S.A. during the financial year 2009.

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

1.5 Auditors' fees

The table below lists the fees paid to the Auditors appointed for certifying the Group's financial and consolidated statements. These fees pay for services rendered and are recorded as expenses for fiscal 2009 in the financial statement of LISI S.A. and its subsidiaries whose income statements for the period and balance sheets are fully consolidated.

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

	KPMG Audit		Exco Cap Audit		Foreign auditors		Sécafi Alpha(1)	
	Amount		Amount		Amount		Amount	
In thousand euros	N	N-1	N	N-1	N	N-1	N	N-1
Audit								
Auditors, certification, review of individual and consolidated financial statements								
– Holding company	32	33	21	18				
– Fully consolidated subsidiaries	96	98	79	100	508	627		
Other due diligence and services								
– Holding company			2				20	19
– Fully consolidated subsidiaries	47		2				68	57
Sub-Total	176	131	104	118	508	627	88	76
Other services rendered by the networks to the fully consolidated subsidiaries								
Legal, tax, and social					190	171		
Miscellaneous services								
Sub-Total					190	171		
TOTAL	**176**	**131**	**104**	**118**	**698**	**798**	**88**	**76**

(1) Group committee.

2 - Corporate governance

LISI is a "société anonyme" (limited company) with a Board of Directors, governed by French law, in particular the provisions of Book II of the Commercial Code, and a number of provisions of the regulatory section of the Commercial Code. The company has set up measures aiming to comply with the market recommendations regarding the corporate governance principles (refer in particular to the Board Chairman's report).

2.1 Tasks and operating procedures of the Board of Directors

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

Key responsibilities of the Board of Directors

LISI S.A.'s Board of Directors is a collegial body that represents all shareholders and which has a duty to act in the corporate interests of the company.

In exercising its prerogatives, subject to the powers expressly assigned to the shareholder's meetings and purely within the scope of the business purpose, the Board must examine any question that may affect that correct functioning of the company and, through its deliberations, address any related issues.

As a general rule, the Board of Directors has 5 main tasks:

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

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

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

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

Director's code of ethics
Each director must consider himself to represent all shareholders and conduct himself accordingly when exercising his functions.

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

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

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

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

Directors must notify the Board of Directors of any conflicts of interest with LISI S.A., even potential ones. They must abstain from taking part in the vote for any deliberations that are affected by these conflicts.
If a member of the Board of Directors has a direct or indirect role in an operation in which LISI S.A. has interests or which he has gained knowledge of as a result of his membership of the Board, he must bring this to the attention of the Board prior to their meeting.

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

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

The members of the Board of Directors have the right to have themselves represented by one of their colleagues by written proxy. A member of the Board of Directors may only represent one person at any one meeting.

For the deliberations of the Board of Directors to be valid, the number of members present must be at least equal to half the total number of members.

Decisions are taken by majority vote of the members present or represented. Should the vote be split, the Chairman of the meeting shall have the casting vote.

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

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

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

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

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

2.2 Internal rules of the Board of Directors

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

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

Board meetings:

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

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

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

2.3 The Compensation Committee

The Compensation Committee is in charge of:

• Setting out the general rules of compensation (fixed salaries and variable bonuses of all types) and checking the annual application of these rules:

a) Members of management of LISI S.A. (the Chairman of the Board of Directors, the CEO and Vice Presidents);

b) The CEOs of the divisions of LISI S.A.;

• Advising the LISI S.A. Chairman and Chief Executive Officer on the compensation policy for the top management of each of the Group's subsidiaries. Within the scope of this advisory role, the Compensation Committee submits all proposals to the Board relating to incentive and profit-sharing schemes for the Group's top management, in particular with regard to the parent company's stocks options policies, the corresponding terms and conditions, as well as the terms of eligibility.

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

The Compensation Committee is comprised of at least 3 members and at most 5 members, the majority of whom cannot be corporate officers. This Committee members are Mrs. Lise Nobre, Mr. Gilles Kohler and Mr. Thierry Peugeot.

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

The Committee meets a minimum of twice a year. Its work leads to the drafting of a written report that allows the Board to remain fully informed, thus facilitating its deliberation.
The Committee met twice in 2009 and all its members were present. It presented its recommendations to the Board on the following points:

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

2.4 The Audit Committee

The main tasks of the Audit Committee are:
• To examine the financial statements and to ensure that the accounting methods used to establish the company's consolidated financial and corporate statements are relevant and permanent;

• To check that the internal procedures used to gather and verify information will guarantee this. In order to do so, the Audit Committee analyzes and monitors the company's risk management procedures. It issues an opinion on the process used to check the financial statements, assesses the independence of the auditors and familiarizes itself with the auditors' comments on the financial statements.

• To take into account the Group's general risk analysis, follow up the action plans set up and their progression. As such, the internal audit reports are presented to the Audit Committee, as well as the follow-up and corrective action reports.

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

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

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

It meets prior to the Board of Directors' meetings that are held to set out the annual or half-yearly financial statements.
The Auditors are invited to take part in this preparatory meeting.
The Audit Committee's examination of the financial statements must be accompanied by a note from the Auditors highlighting the key points not only of the results, but also of the accounting methods selected, as well as a note from the company describing its exposure to risks and any significant off-balance sheet commitments.

The Committee met three times in 2009 and all its members were present. It heard the Auditors report on the execution of their mission and was informed by the company's General Management of the internal procedures employed. Information relating to the consolidation perimeter and to the off-balance sheet risks described in the appendix to the consolidated financial statements was sent to the Audit Committee, which submitted a report on its work to the Board of Directors.

2.5 The Strategic Committee

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

The Committee hadn't met in 2009.

2.6 Independent directors and directors linked to the company

Independent directors are those who have neither direct nor indirect links to the reference shareholders, namely CIKO, FFP and VIELLARD MIGEON & CIE.

2.7 Employees

2.7.1 Head count

2.7.1.1 Registered employees at period end by category

The table below shows the breakdown of Group staff by category:

	2009	2008	N/N-1 difference
Executives	662	672	–1.5%
Supervisors	665	730	–8.9%
Staff and workers	5,269	5,666	–7.0%
Total	**6,596**	**7,068**	**–6.7%**

2.7.1.2 Registered employees at period end by division

The table below shows a breakdown of Group staff by business activity:

	2009	2008	N/N-1 difference
LISI AEROSPACE	3,101	3,309	–6.3%
LISI AUTOMOTIVE	2,821	3,033	–7.0%
LISI COSMETICS	429	457	–6.1%
LISI MEDICAL	232	256	–9.4%
Holding	13	13	
Total	**6,596**	**7,068**	**–6.7%**
Temporary staff engaged	100	351	–71.5%

2.7.1.3 Geographic breakdown of staff

The table below shows the breakdown of staff by geographic area:

	2009	in %	2008	in %
France	3,318	50%	3,486	49%
Europe (excl. France)	1,410	21%	1,585	22%
North American continent	1,359	21%	1,470	21%
Asia	509	8%	527	7%
Total	**6,596**	**100%**	**7,068**	**100%**

2.7.1.4 Consolidated turnover

ETPMP*	Voluntary departures	Turnover rate
6,451	183	2.8%

* Equivalent full-time average wage.

2.7.2 Incentive schemes, profit-sharing and stock options

2.7.2.1 Employee profit-sharing

a) Profit-sharing and incentive scheme

Profit-sharing

The funds paid out in the form of special reserves for profit-sharing during the past 3 years are as follows (in million euros):

2009	2008	2007
1.05	1.9	2.5

Incentive scheme

Most of the companies within the Group have an incentive system allowing employees to participate actively in the group's performance. The methods for calculating the sums involved depend on the criteria of each company.

b) Group Savings Plan (PEG)

In 2001, the LISI Group created a savings plan dubbed "LISI en action" for its French companies. In 2001, 2004 and 2006, the plan led to employees participating in capital increases reserved for them of €1.47M, €0.8 M and €1.18M respectively.

For other years, the PEG was renewed in the form of a repurchase of shares. The levels of voluntary contributions by employees, the profit-sharing and the extent of profit-sharing schemes are set by the company in accordance with a schedule.

Benefits granted to employees under the Group savings plan are recorded to the income statement and assessed in accordance with IFRS 2.

As at December 31, 2009, the "LISI en action" plan consisted entirely of LISI shares, for a total of 131,395 shares, and had 1,378 members.

c) Employee shareholding

The percentage of share capital held by the Group's employees stood at 1.2% as at December 31, 2009.

2.7.2.2 Stocks options

a) Stock option plans

Various decisions at the Shareholders' General Meeting have authorized the Board of Directors to agree to share subscription or purchase options. Only the authorization given to the General Shareholders' Meeting on April 27, 2007, for 38 months and involving 20,000 shares, remains valid at December 31, 2009.

b) Free shares granting plan

As a reward to several employees who have spent the majority of their working lives employed within the LISI Group, and who have actively contributed to its development, the Board of Directors, in its meeting of July 28, 2009, decided to allocate 3,300 LISI company shares, freely and without condition, to four Group employees. The plan stipulates that shares thus allocated shall be held for two years, during which period they may not be sold on.

c) Performance shares plan

Acting on the recommendation of the Compensation Committee, LISI's Board of Directors decided, on July 28, 2009, to allocate performance shares to members of the Executive Committee and to members of the principle Management Committees for the three LISI Group divisions, subject to their meeting certain performance targets: reaching on December 31, 2010 two criteria, namely EBIT between 5% and 12% of turnover, and FCF between 0% and 5% of turnover. The maximum allocated number of shares is 73,300 shares and concerns 145 French employees. In order for the number to be equal to the number of shares originally allocated, performance indicators need to be fully respected. Where performance targets are not met, the number of shares will be reduced accordingly. The plan also stipulates that shares thus allocated shall be held for two years, during which period they may not be sold on.

As far as the corporate officers are concerned, the Board of Directors decided:

1) In order to receive at maturity all or part of the Performance Shares to which they are entitled, each of the corporate officer directors shall, at the end of the acquisition period, acquire 200 Company shares.
2) The corporate officer directors shall retain 200 of any shares which may have been allocated to them registered in their own name, and until the termination of their employment.

75 employees outside of France will benefit from bonuses based on the principles and conditions, but in the form of pay and salaries.

d) Information relating to share-purchase options and the awarding of shares based on performance on December 31, 2009

The table below shows the information relating to share-purchase options and performance-based shares in circulation at December 31, 2009:

	Number	Average weighted exercise price of options in €*
Options outstanding at year start	**120,260**	
Options allocated during the period	76,600	
Options cancelled during the period	(74,670)	
Options exercised during the period *	(8,150)	19.58
Options that reached maturity during the period	(7,300)	
Options outstanding at year end	**106,740**	

* Average weighted price of share on the exercise date.

The following table presents information about outstanding stock options by date at December 31, 2009:

Award date of options	Exercise price in €	Number of options outstanding at December 31, 2009	Number of exercisable options	Residual contractual term
06/25/2003	20.33	30,140	30,140	06/24/2011
07/28/2009	None	3,300	--	07/29/2013
07/28/2009	None	73,300	--	07/29/2013
Total		**106,740**	**30,140**	

e) Stock options plans in place as at December 2009:

	Category Plan number	Number of shares assigned	Of which corporate officers	Of which members of the Management Committee	Of which 10 top employees	Residual number of beneficiaries	Exercise period	Subscription or purchase price	Options exercised at 01/01/2010	Options exercised in 2010	Options cancelled	Options remaining at 12/31/2010
Authorization of 02.28.2001												
03.01.2001	A Plan Nr. 2	34,700		5,500	6,500		03.02.2005 02.28.2009	€27.82	18,440	0	16,260	0
Authorization of 02.28.2001												
12.06.2001	A Plan Nr. 3	39,500	10,000	34,500	10,000		12.07.2005 12.05.2009	€18.81	22,860	4,000	12,640	0
Authorization of 02.28.2001												
06.25.2003	A Plan Nr. 4	163,000	10,000	47,500	12,500	23	06.26.2007 06.24.2011	€20.33	87,940	4,150	40,770	30,140
Authorization of 04.27.2007												
06.27.2007	G Plan Nr. 5	68,000	8,500	16,000	10,500		03.01.2010 03.01.2012	None	0	0	68,000	0
Authorization of 04.29.2009												
07.28.2009	G Plan Nr. 6	73,300	4,400	8,000	5,400	145	07.29.2011 07.29.2013	None	0	0	0	73,300
Authorization of 04.29.2009												
07.28.2009	G Plan Nr. 6 bis	3,300	0	0	3,300	4	07.29.2009 07.29.2013	None	0	0	0	3,300

A = purchase
G = free

f) Options granted in 2009

Between January 1 and December 31, 2009, 8,150 options were exercised as purchase options.

In 2009, none of the corporate officers exercised share purchase options.
In 2009, none of the ten highest-paid non-corporate officers exercised share purchase options.

g) Options allocated in 2009

During the financial year 2009, the Board of Directors decided on July 28, 2009 to set up a performance share allocation scheme with 73,300 shares to be allocated to 145 persons including two corporate officers.

In 2009, the top ten staff other than corporate officers received shares as follows:

	Total number of shares allocated
Total number of shares allocated during the financial year to the top ten Group staff other than corporate officers, to whom the highest number of shares were allocated	5,400

2.8 Administrative bodies

2.8.1 Composition of the Board of Directors and the specialized Committees

The Group's Board of Directors is comprised of 10 members, 4 of whom are independent.

		Independent director	Date of appointment	Expiry mandate date
Board of Directors				
Chairman of the Board of Directors	Gilles Kohler		1985	GENERAL MEETING 2015 [4]
Members of the Board of Directors:	Emmanuel Viellard		2000	GENERAL MEETING 2013 [2]
	Eric André	X	2002	GENERAL MEETING 2014 [3]
	Lise Nobre	X	2008	GENERAL MEETING 2014 [3]
	Christian Peugeot		2003	GENERAL MEETING 2013 [2]
	Patrick Daher	X	2008	GENERAL MEETING 2015 [4]
	Pascal Lebard	X	2005	GENERAL MEETING 2011 [1]
	Compagnie Industrielle de Delle represented by Thierry Peugeot		1977	GENERAL MEETING 2013 [2]
	SAS CIKO represented by Jean-Philippe Kohler		2002	GENERAL MEETING 2015 [4]
	VIELLARD MIGEON & Cie represented by Christophe VIELLARD		2000	GENERAL MEETING 2015 [4]
Secretary of the Board of Directors	Maître Olivier Perret (Taxation Companies)			
Audit Committee				
Members of the Audit Committee:	Emmanuel Viellard			
	Christophe Viellard			
	Eric André			
Compensation Committee				
Members of the Compensation Committee:	Gilles Kohler			
	Thierry Peugeot			
	Lise Nobre			
Strategic Committee				
Members of the Strategic Committee:	Gilles Kohler			
	Jean-Philippe Kohler			
	Emmanuel Viellard			
	Pascal Lebard			
	Lise Nobre			

[1] Ordinary General Meeting slated to rule in 2011 on the financial statements for the period ended December 31, 2010.
[2] Ordinary General Meeting slated to rule in 2013 on the financial statements for the period ended December 31, 2012.
[3] Ordinary General Meeting slated to rule in 2014 on the financial statements for the period ended December 31, 2013.
[4] Ordinary General Meeting slated to rule in 2015 on the financial statements for the period ended December 31, 2014.

2.8.2 Information regarding the members of the Board of Directors

2.8.2.1 The members of the Board of Directors

Gilles KOHLER, age 56, Chairman and CEO of LISI.

He heads the Board of Directors, the Compensation Committee, and the Strategic Committee.

Gilles KOHLER has exercised the other mandates and functions listed below:

Related to the LISI Group (in France and abroad):
- Chairman of LISI AUTOMOTIVE SAS,
- Director of HI-SHEAR Corporation (USA),
- Member of the Management Committee of LISI AUTOMOTIVE Former SAS,
- Member of the Management Committee of LISI AUTOMOTIVE Rapid SAS,
- Member of the Management Committee of LISI COSMETICS SAS,
- Member of the Management Committee of LISI AEROSPACE SAS,
- Member of the Management Committee of BLANC AERO Technologies SAS,
- Member of the Management Committee of BLANC AERO Industries SAS,
- Member of the Management Committee of HUGUENY SAS,
- Member of the Management Committee of LISI MEDICAL SAS.

Outside the LISI Group (in France and abroad):
- Chairman of the Board of Directors of Compagnie Industrielle de Delle,

Emmanuel VIELLARD, age 46, Deputy Chairman and Deputy CEO of LISI.

He attends the Board of Directors, the Audit Committee, and the Strategic Committee.

Emmanuel VIELLARD has exercised the other mandates and functions listed below:

Related to the LISI Group (in France and abroad):
- Chairman of LISI AEROSPACE SAS,
- Director of HI-SHEAR Corporation (USA),
- Member of the Management Committee of LISI AUTOMOTIVE SAS,
- Member of the Management Committee of LISI AUTOMOTIVE Former SAS,
- Member of the Management Committee of LISI AUTOMOTIVE Rapid SAS,
- Member of the Management Committee of LISI COSMETICS SAS,
- Member of the Management Committee of BLANC AERO Technologies SAS,
- Member of the Management Committee of BLANC AERO Industries SAS,
- Member of the Management Committee of HUGUENY SAS,
- Member of the Management Committee of LISI MEDICAL SAS.

Outside the LISI Group (in France and abroad):
- Judge at the Belfort Commercial Court,
- Chairman of Financière VIELLARD SAS,
- CEO of VIELLARD MIGEON & Cie,
- Chairman of the Board of Directors of FSH WELDING GROUP,
- Member of the Management Committee of VMC PECHE SAS,
- Director of Compagnie Industrielle de Delle,
- Chairman of RAPALA-VMC OYJ (Finland).

Eric ANDRÉ, age 61, Director of LISI.

He attends the Board of Directors and the Audit Committee.

Eric ANDRÉ has exercised the other mandates and functions listed below:

Related to the LISI Group (in France and abroad):
- None.

Outside the LISI Group (in France and abroad):
- Member of the Board of Directors of NATIXIS France,
- Director of R. DI GIOIA Cie.

Christian PEUGEOT, age 56, Director of LISI.

He attends the Board of Directors.

Christian PEUGEOT has exercised the other mandates and functions listed below:

Related to the LISI Group (in France and abroad):
- None.

Outside the LISI Group (in France and abroad):
- Chairman of the Board of Directors of La Française de Participations Financières,
- Deputy Chairman of Football Club de Sochaux-Montbéliard,
- Director of Ets PEUGEOT Frères,
- Director of Société Immeubles et Participation de l'Est,
- Permanent representative of FFP at the Board of Directors of SEB,
- Director of Compagnie Industrielle de Delle,
- Communication Manager of Automobiles PEUGEOT.

Pascal LEBARD, age 47, Director of LISI.

He attends the Board of Directors and the Strategic Committee.

Pascal LEBARD has exercised the other mandates and functions listed below:

Related to the LISI Group (in France and abroad):
- None.

Outside the LISI Group (in France and abroad):
- Director – CEO, Sequana Capital,
- Chairman of DLMD SAS,
- Chairman of Pascal LEBARD INVEST SAS,
- Chairman of Fromagerie de l'Etoile SAS,
- Chairman of Greysac SAS,
- Chairman of BOCCAFIN SAS,
- Director of Club Méditerranée,
- Chairman of ARJOWIGGINS SAS,
- Chairman of ANTALIS International SAS.

Thierry PEUGEOT, age 52, permanent representative of Compagnie Industrielle de Delle at the Board of LISI.

He attends the Board of Directors and the Compensation Committee.

Thierry PEUGEOT has exercised the other mandates and functions listed below:

Related to the LISI Group (in France and abroad):
- None.

Outside the LISI Group (in France and abroad):
- Chairman of the Supervisory Board of PEUGEOT SA,
- Vice-Chairman of Ets PEUGEOT Frères and Executive Managing Director,
- Director of Société Foncière Financière et de Participation - FFP,
- Director of Société Anonyme de Participations,
- Director of Compagnie Industrielle de Delle,
- Director of Immeubles et Participations de l'Est,
- Director of FAURECIA,
- Director of Air Liquide.

Jean-Philippe KOHLER, age 49, Permanent representative of CIKO at the Board of LISI.

He attends the Board of Directors and the Strategic Committee.

Jean-Philippe KOHLER has exercised the other mandates and functions listed below:

Related to the LISI Group (in France and abroad):
- Member of the Management Committee of LISI AUTOMOTIVE Former SAS,
- Member of the Management Committee of LISI AUTOMOTIVE Rapid SAS,
- Member of the Management Committee of LISI COSMETICS SAS,
- Member of the Management Committee of LISI AEROSPACE SAS,
- Member of the Management Committee of BLANC AERO Industries SAS,
- Member of the Management Committee of BLANC AERO Technologies SAS,
- Member of the Management Committee of HUGUENY SAS,
- Member of the Management Committee of LISI MEDICAL SAS.

Outside the LISI Group (in France and abroad):
- CEO of Compagnie Industrielle de Delle,
- Chairman of CIKO SAS.

Christophe VIELLARD, age 68, permanent representative of VIELLARD MIGEON & CIE at the Board of LISI.

He attends the Board of Directors and the Audit Committee.

Christophe VIELLARD has exercised the other mandates and functions listed below:

Related to the LISI Group (in France and abroad):
- None.

Outside the LISI Group (in France and abroad):
- Chairman of the Board of VIELLARD MIGEON & Cie,
- Member of the Management Committee of Financière VIELLARD SAS,
- Member of the Management Committee of REBOUD ROCHE SAS,
- Member of the Management Committee of FSH WELDING International,
- Member of the Management Committee of SELECTARC Industries,
- Member of the Management Committee of FP SOUDAGE
- Director of Compagnie Industrielle de Delle,
- Director of RAPALA-VMC OYJ (Finland),
- Director of FSH WELDING GROUP,
- Manager of Groupement Forestier des Lomonts,
- Member of the Board of Directors of Agence Régionale de Développement de Franche-Comté.

Patrick DAHER, age 60, Director of LISI.

He attends the Board of Directors.

Patrick DAHER has exercised the other mandates and functions listed below:

Related to the LISI Group (in France and abroad):
- None.

Outside the LISI Group (in France and abroad):
- Chairman of the Board and CEO of DAHER Company,
- Chairman and CEO of SOGEMARCO-DAHER,
- Chairman of DAHER MTS,
- Director of CREDIT DU NORD,
- Director of DAHER INTERNATIONAL DEVELOPMENT,
- Chairman of the Supervisory Board of the Main Marseille Seaport.

Lise NOBRE, age 44, Director of LISI.

She heads the Board of Directors, the Compensation Committee, and the Strategic Committee.

Lise NOBRE has exercised the other mandates and functions listed below:

Related to the LISI Group (in France and abroad):
- None.

Outside the LISI Group (in France and abroad):
- Chairman of the Supervisory Board of FTE (Germany),
- Chairman of CLOBAL CLOSURE SYSTEMS France SAS.

2.8.2.2 Family ties

The only family ties between the individuals listed above are the following: Gilles KOHLER and Jean-Philippe KOHLER are brothers.

2.8.2.3 No conflicts of interests

To the Company's knowledge, there are no current or potential conflicts of interests between LISI S.A. and the members of the Board of Directors, both in terms of their personal interests and of their other obligations. The internal rules of the Board provide explicitly, if applicable, for a situation of conflict of interests: "The members of the Board of Directors have as an obligation to notify the Board of any situation of conflict of interests, be it potential, current, or future, where they are or are likely to be involved. Whenever the Board of Directors deliberates on a subject that concerns one of its members, either directly or indirectly, the said member is invited to leave, for the time of deliberations and, if applicable, of the vote, the Board meeting."

2.8.2.4 No condemnation for fraud, involvement in bankruptcy or incrimination and/or public sanction

To the Company's knowledge, in the past five years:

– no condemnation for fraud has been pronounced against any of the members of the Board of Directors.

– none of the members of the Board of Directors has been involved in a bankruptcy, receivership, or winding up, as a member of a board of directors, a management board, or a supervisory board,

– no official incrimination and/or public sanction has been pronounced by statutory or regulatory authorities against any of the members of the Board of Directors of the company.

2.9 Pay and interests of corporate officers

2.9.1 Directors' fees

The Shareholders' General Meeting, held on April 29, 2009, fixed the annual directors' fees for members of the Board of Directors at €106,250, from the start of the financial year, January 1, 2009.

The directors' duties are compensated in the form of directors' fees for attendance at meetings of the Board of Directors and other committees of which they are members. Directors' fees for each director are €1,250 per Board and per Committee and are dependent on the beneficiaries' regular attendance. For 2009, directors' fees amounted to €83,750 and the attendance rate stood at 89.3%.

The table below shows directors' fees paid to directors:

Board members	Directors' fees paid in 2008 by LISI S.A. (in euros)	Directors' fees paid in 2009 by LISI S.A. (in euros)
Gilles KOHLER	16,250	10,000
Emmanuel VIELLARD	16,250	11,250
Roland BURRUS	3,750	–
Christian PEUGEOT	7,500	2,500
Christophe VIELLARD	13,750	10,000
Jean-Philippe KOHLER	12,500	6,250
Thierry PEUGEOT	15,000	8,750
Pascal LEBARD	13,750	7,500
Eric ANDRÉ	15,000	11,250
Patrick DAHER	2,500	7,500
Lise NOBRE	8,750	8,750
Total	**125,000**	**83,750**

2.9.2 Shares held by corporate officers

In accordance with the company's by-laws, the minimum number of LISI shares that each director may hold is one share.

The table below shows the number of shares held by the corporate officers as of December 31, 2009:

Corporate officers	Number of LISI shares held directly	Number of LISI shares held indirectly
Directors		
Gilles KOHLER	6,515	
Emmanuel VIELLARD	7,475	
Christian PEUGEOT	1	
Christophe VIELLARD (permanent representative of VMC)		641,675
Jean-Philippe KOHLER (permanent representative of CIKO)	7,000	21,153
Thierry PEUGEOT (permanent representative of CID)	25	5,928,724
Pascal LEBARD	10	
Eric ANDRÉ	5	
Patrick DAHER	10	
Lise NOBRE	20	
Total	**21,061**	**6,591,552**

2.9.3 Directors' Compensation

The terms for the salary of the Chairman and Chief Executive Officer and for the Vice President are approved by the Board of Directors on the advice of the Compensation Committee. The tables summarizing the compensation and options and shares allocated to each corporate officer director of LISI S.A. are as follows in €:

Gilles KOHLER Chairman and CEO of LISI S.A.	2008	2009
Compensation due for the period	427,888	382,935
Valuation of the options allocated during the period	None	None
Valuation of the performance shares allocated during the period *	None	54,880
Total	**427,888**	**437,815**

Emmanuel VIELLARD Deputy Chief Executive Officer of LISI S.A.	2008	2009
Compensation due for the period	384,822	343,187
Valuation of the options allocated during the period	None	None
Valuation of the performance shares allocated during the period *	None	54,880
Total	**384,822**	**398,067**

* Valued at the closing price on December 31, 2009, or 34.30 €.

The tables summarizing the compensation of each corporate officer director of LISI S.A. are as follows in €:

Gilles KOHLER Chairman and CEO of LISI S.A.	Amounts for 2008		Amounts for 2009	
	due	paid	due	paid
Fixed compensation	278,188	273,452	281,485	279,869
Variable compensation	135,000	150,000	88,000	135,000
Exceptional compensation	None	None	None	None
Directors' fees	11,250	16,250	10,000	10,000
Benefits in kind *	3,449	3,449	3,449	3,449
Total	**427,888**	**443,152**	**382,935**	**428,318**

* Benefits in kind: Company car.

Emmanuel VIELLARD Deputy Chief Executive Officer of LISI S.A.	Amounts for 2008		Amounts for 2009	
	due	paid	due	paid
Fixed compensation	250,318	246,166	250,448	247,718
Variable compensation	120,000	135,000	78,000	120,000
Exceptional compensation	None	None	None	None
Directors' fees	11,250	16,250	11,250	11,250
Benefits in kind *	3,254	3,254	3,489	3,254
Total	**384,822**	**400,670**	**343,187**	**382,222**

* Benefits in kind: Company car.

LISI S.A. has not committed itself to these corporate officers to pay compensation, indemnities, or benefits, due or likely to be due as a result of such corporate officers taking on, resigning from, or changing functions.

2.9.4 Benefits in kind paid to directors

In 2009, Mr. Gilles KOHLER and Mr. Emmanuel VIELLARD benefited from a company car.

2.9.5 Stock subscription or purchase options allocated during the period to each corporate officer director

No stock subscription or purchase options were allocated during financial 2009.

2.9.6 Share subscription or purchase options during the period by each corporate officer manager

No share purchases or stock options were exercised during the financial year 2009.

2.9.7 Performance shares allocated to each corporate officer manager

On July 28, 2009, a performance shares scheme was set up, involving 73,300 shares and 145 staff members, of which two were corporate officers.

Corporate officers	Number of shares allocated
Gilles KOHLER	1,600
Emmanuel VIELLARD	1,600

2.9.8 Performance shares that became available during the period for each corporate officer manager

No performance shares became available during financial 2009.

7 Documents specific to the Ordinary General Meeting

1 Report by the Chairman of the Board of Directors 94

1.1	Preparation and organization of the Board of Directors' tasks	94
1.2	Limitation of powers	94
1.3	Management structure	94
1.4	Compensation and benefits in kind	95
1.5	Internal control procedures	95

2 Auditors' report by the Chairman of the Board of Directors regarding internal control 97

3 Auditors' special report 98

4 Auditors' report on the consolidated financial statements 99

5 Auditors' general report 100

6 Draft resolutions 101

1 - Report by the Chairman of the Board of Directors

Financial Security Law (Art. L.225-37 of the French Commercial Code)

In accordance with the provisions of article L.225-37 of the French Commercial Code on Financial Security, and the recommendations of the French financial markets authority (AMF), this report sets out the conditions governing the preparation and organization of the Board of Directors' work, limitations to the Chief Executive Officer's power, the principles and rules governing the determining of the allowances in kind granted to the corporate officers as well as internal control procedures implemented within the Group.

This report was submitted to the Board of Directors on February 17, 2010.

1.1 Preparation and organization of the Board of Directors' tasks

1.1.1 Organization

The Board meets whenever it is in the interests of the company to do so. Directors may be invited to Board meetings by the Chairman using any means available and even verbally. If the Board has not met for more than two months, directors representing at least one third of the members of the Board can request that the Chairman call a meeting on a particular agenda.

Decisions are made based on a quorum and a majority vote, as provided for by the Law; in the event that votes are split, the Chairman's vote will be the casting vote. However, a majority of three quarters of the votes of the members who are present or represented is required when decisions relating to the following issues are to be taken:

- The calculation of amortization and depreciation expenses and of provisions,
- Proposals to be made to the Shareholder's Ordinary Meeting for the allocation of profits for the financial year just ended,
- Resolutions to be submitted to a Shareholder's Extraordinary Meeting,
- The replacement of a director who has resigned or is deceased.

Copies or extracts of the deliberations of the Board of Directors are certified as valid by the Chairman of the Board of Directors, a Chief Executive Officer, a director who has been temporarily vested with the Chairman's powers or a representative authorized to this effect.
The Board of Directors sets out the company's business policies and ensures that they are followed. The Board of Directors carries out any controls or checks that it deems necessary.

1.1.2 Operating procedures

The Board meets upon invitation by the Chairman a minimum of 4 times per financial year and whenever an important decision is to be made. Each member participates in the tasks supervised by the Chairman and decisions are made on a majority vote of the members who are present or represented.

Debates are recorded in a report that is submitted for approval by the members within a month of the meeting and signed at the following meeting. The Board submits legal resolutions for approval by the Shareholders' Meeting.

1.1.3 Preparation of tasks

- Prior to each Board meeting, participants receive a file that has – as far as possible- been duly documented so that they may adequately prepare for the meeting.

- Meetings that require the approval of annual and half-yearly financial statements are accompanied by a presentation by the Audit Committee, which will have met prior to the meeting.

- Meetings on the subject of compensation are accompanied by a presentation by the Compensation Committee, which will have met prior to the meeting.

- Meetings dealing with strategic issues are accompanied by a presentation by the Strategic Committee, which will have met prior to the meeting.

1.1.4 Decision-making process

All major decisions are subjected to the Board's ratification, in accordance with the operating procedures described in paragraph 1.2. Important decisions include: approval of financial statements, acquisitions, disposals, forecasting elements, the compensation of directors, the nomination of directors, or any other element which may have a significant influence on the financial statements.

1.2 Limitation of powers

The Chief Executive Officer and Chairman of the Board is assisted by the Executive Vice President for the day-to-day management of the group. Their power is limited by the Board of Directors' authority to rule on all decisions relating to the structure of the group, such as described in paragraph 1.1.

Present on the Board of Directors are 4 independent directors, in compliance with the Bouton report. There are also 3 specific committees in existence: the Compensation Committee, the Audit Committee and the Strategic Committee, both of which are responsible for supervising the work of General Management in these 3 fields. Each committee will submit a report on their work to the Board of Directors

1.3 Management structure

The Chairman/Chief Executive Officer and the Vice President work with an Executive Committee of 14 people, drawing together divisional managers and internal control management. This Executive Committee meets every quarter for briefing meetings on the Group's latest progress in each area.

1.4 Compensation and benefits in kind

The principles and rules governing corporate officers' remuneration, which are verified annually by the Remunerations Committee, are detailed in the chapter dealing with corporate governance policy.

1.5 Internal control procedures

The LISI Group's current internal control procedures fall form part of its corporate governance policy as drawn up in accordance with the latest French financial markets authority (AMF) guidelines for small- and mid-caps businesses.

1.5.1 Defining internal control procedures

The Group's current internal control procedures are designed to ensure that:

- Administrative acts or those implementing operations at all management unit levels are carried out within the scope of the guidelines and aims set out by the General Management;

- These acts comply with all relevant laws and regulations and adhere to the values enshrined by the Group's companies;

- All accounting and financial data reflect exhaustively and honestly the Group's economic situation.

To ensure that these objectives are met, the Group has set up a prevention and detection process based on the coordinated audits of the internal audit officer and external auditors (during the review of internal control mechanisms which takes place at least once a year in all divisions). This process is then also implemented in each division, through the deployment policy of the local auditors.

As with any control system, this preventative scheme is not exhaustive. Consequently, it cannot provide any absolute guarantee that all risks have been completely eliminated.

1.5.2 Description of the internal control environment

General description:
The wider internal control environment is based on a decentralized organization within each division. An Executive Committee is responsible for ratifying a global policy, which must then be channeled down to each individual department.

The Group has set out a number of procedures, summarized in an internal Group control manual, which is available to all relevant Group staff via an intranet site. This manual is supplemented by a Group accounting procedures manual. In addition, the Group has deployed a uniform reporting and information system in each division using an identical procedure each time.

The specificities of the LISI Group's activities require that precise quality control be carried out on operational processes in the following areas:

- Production, stock, flow management,
- Quality,
- Health, Safety and Environmental,
- Staff and salaries,
- Accounting, management control and cash flow,
- Purchasing and investments,
- Sales.

Action is taken within the Group on a continual basis to ensure that these mechanisms are effective. This action is regularly assessed using performance tables.

Supervisory bodies:
- Decision-making committees: the Group's Board of Directors is the most senior decision-making entity. The group's Executive Committee channels the information to the divisions, which are themselves organized in such a way that enables their management to carry out the Group's decisions at individual department level.

- The Audit Committee, which includes an independent administrator, is acquainted, in concert with the external auditors and the internal audit manager, with the general management and risk management environment at the time of publication of each financial statement.

- The internal audit unit comprises the Group internal audit manager assisted by an auditor. Depending on the scale and nature of the task to be performed, internal and external partners may be co-opted to round off the team.

- Coordination with the external auditors is particularly close in order to direct controls specifically towards areas that have been identified as being high-risk and to allocate sufficient time to the task.

- Certain tasks identified as critical are monitored in the Group in a cross-departmental manner: financial management, accounts management, consolidation, legal services, insurance cover, security policy, environmental policy, purchasing policy and human resources management.

Group baseline:
- Each division has set up a value charter based on a common set of values.

- An internal control procedures manual is in circulation, which is supplemented by an accounting and consolidation procedures manual updated at the end of 2009. These procedures are made available to all the individuals involved and are regularly updated in electronic form via a dedicated Internet portal.

- Each division and each operational unit is responsible for ensuring that these procedures are followed and adapted to their country's specific context.

- Each manager receives notification of new levels of responsibility in the form of delegation letters.

Risk-mapping and monitoring processes:

- The Group is engaged in a convergent risk-mapping process. This methodology is currently employed throughout the Group and down to the level of the basic Management Units. It is subject to a complete and systematic review once a year. The priority action plans for the main risks identified in each division are validated within the budget of the following year.

- The health, safety and environmental risks committee, set up in 2001, identifies and indexes inherent risks, then initiates the necessary corrective actions.

Main internal control procedures relating to the drafting and processing of accounting and financial information

- The Group carries out an annual review of the 4 to 5-year strategic plan that has been set out and, based on this review, defines a priority action plan. The budget for the coming financial year falls within the scope of this plan for a 12-month period. The planning process is approved first by the Executive Committee and then by the Board of Directors.

Progress on preparation of the budget is assessed monthly at all levels: business units (B.U.); Group and Divisions.

- The monthly consolidation of management indicators, the income statement, the balance sheet and the funding table allow a precise measure to be obtained within a short time of year-end. This facilitates the decision-making process.

- The purchasing and investment process falls within the scope of the strategic and budgetary mechanism. Any purchasing or investment commitment that deviates from the budget authorizations must have prior approval at the appropriate level.

- The sales and contract process is reviewed specifically by the local teams, BUs, divisions or the Group depending on the materiality level, before the actual commitment is made.

- The Cash Flow-Finance process also requires specific commitments. So for instance all financial investments are managed at Group level.

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

- The Health, Safety, and Environment (HSE) process has been subjected to the monthly review of management indicators (industrial accident rates, non-compliances, etc.) and the major resulting action plans.

Completion 2009 and Outlook

- The Internal Control Management Team has conducted 17 audit missions and 11 recommendation-following missions. All of the LISI sites are currently covered by an internal audit mission which enables the complete mapping of the consolidated entity.

- Against a background of considerably reduced activity, such as that experienced in 2009, certain initiatives have been taken to tackle specific problems such as cash management, dealing with client disputes, stock management and alternative logistics.

- The “Risk Management” initiative, whose purpose is to strengthen the Group’s internal controls, is today an integral part of the process that is in use throughout all the divisions.

- Alongside the Internal Control unit, the HSE (Health, Safety and Environment) Audit unit has fully coordinated at Group level all HSE actions and conducted HSE audit missions at all sites.

- Moreover, LISI’s General Management have set up a centralized accounts management system. Its main job is to implement global cash pooling though management of cash flow and surpluses and by managing interest rate and exchange rate risks.

- Finally, other inter-departmental initiatives have been pursued, such as:

  - the inclusion of performance indicator and cash flow tables in the Group’s integrated management system,

  - the control of commitments to major investments,

  - more systematic application of the legal review process,

  - the implementation of a crisis management procedure.

- The Group deems that the internal control management methods are satisfactory. Internal audit tasks will therefore follow the same routine in 2010, with particular attention being paid to new entities joining the Group and to those areas identified as being at risk.

Conclusion

In 2009, initiatives taken to strengthen internal control levels have led to recommendations being approved and carried out by the relevant personnel and to deadline. Subsequent follow-up procedures make it possible to ensure they are applied properly.

This constitutes a permanent progress initiative for the Group. Relying on knowledge that can always be improved and the strong involvement of those in charge of key processes, it facilitates the development and improvement of internal control over time.

Gilles Kohler
Chairman of the Board of Directors

2 - Auditors' report established in accordance with Article L.225-235 of the Commercial Code, on the report of the Chairman of the Board of LISI - Financial year ended December 31, 2009

Ladies and Gentlemen,

In our capacity as Auditors of LISI S.A. and in accordance with the provisions of Article L.225-235 of the French Commercial Code, we hereby present our report on the report drafted by the Chairman of your Company's Board of Directors in compliance with the provisions of Article L.225-37 of the French Commercial Code for the financial year ended December 2009.

It is for the Chairman to draw up and submit for the Board of Directors' approval a report giving an account of the internal control and risk management procedures set up within the company, and giving any other information required under Article L.225-37 of the Commercial Code with particular reference to corporate governance issues.

It is for us to:

- inform you of such observations as are called for by ourselves, in respect of the information given in the Chairman's Report concerning the internal control and risk management procedures for the preparation and processing of accounting and financial information and
- to testify that the report includes other information required under Article L.225-37 of the Commercial Code, while acknowledging that it is not our duty to verify the authenticity of this other data.

We have carried out our work in accordance with the professional standards in use in France.

Information regarding internal control and risk management procedures relating to the drawing-up and processing of accounting and financial information

Standards governing professional practice require that due diligence procedures be carried out to assess the honesty of information regarding internal control and risk management procedures relating to the drawing up and processing of accounting and financial information contained in the Chairman's report. These careful evaluations largely consist of:

- familiarizing ourselves with the internal control and risk management procedures for the drafting and processing of the accounting and financial information behind the information presented in the Chairman's report and other existing documentation;
- familiarizing ourselves with the work on which existing information and documentation is based;
- ascertaining whether appropriate information on serious lapses in internal controls regarding the drafting and processing of accounting and financial information which we may have found within the scope of our mission are appropriately included in the Chairman's report.

Based upon the work done, we have no observations to make concerning the information and declarations in respect of the company's internal control and risk management procedures for the preparation and processing of accounting and financial information, as contained in the Chairman's Report, prepared in accordance with the last paragraph of Article L.225-37 of the Commercial Code.

Other information

We attest that the Chairman of the Board of Directors' report includes the other information required under Article L.225-37 of the Commercial Code.

Paris La Défense, March 18, 2010.

Salustro Reydel
Member of KPMG International

Laurent Genin
Partner

Exincourt, March 18, 2010.

Exco Cap Audit

Pierre Burnel
Partner

3 - Auditors' special report on regulated conventions and commitments - Year ended December 31, 2009

Ladies and Gentlemen,

In our capacity as Auditors in charge of your company's financial statements, we are required to inform you about the regulated conventions of which we have been notified. It is not part of our task to determine the existence or otherwise of these conventions.

We hereby inform you that we have not been notified of any of the conventions mentioned in Article L.225-38 of the French Commercial Code.

Paris La Défense, March 18, 2010.

Salustro Reydel
Member of KPMG International

Laurent Genin
Partner

Exincourt, March 18, 2010.

Exco Cap Audit

Pierre Burnel
Partner

4 - Auditors' report on the consolidated financial statements - Financial year ended December 31, 2009

In carrying out the mission entrusted to us by your Shareholders' General Meeting, we hereby present you with our report for the financial year ended December 31, 2009, relating to :

• the audit of the annual statements of LISI S.A., as attached to this report ;

• the justifications for our assessments ;

• the specific verification stipulated under law.

The consolidated financial statements were drafted by the Board of Directors. Our role is to express an opinion on these financial statements based on the audit we have carried out.

Assessment of the consolidated financial statements

We have carried out our work in accordance with the professional standards in use in France ; these standards require due diligence to ensure with a reasonable degree of certainty that the consolidated financial statements do not contain any significant anomalies. An audit involves verifying, through surveys or other selection methods, the items supporting the figures and information which feature in the consolidated accounts. It also involves assessing those accounting principles followed, the significant estimates made and the overall presentation of the accounts. We consider that the items we have gathered form both a sufficient and an appropriate basis for our opinion.

We certify that the consolidated financial statements for the period are, in regards to the IFRS standards as adopted by the European Union, honest and sincere, and provide a reliable picture of the assets, the financial health, and the performance of the group made up of the physical and legal entities comprised in the consolidation scope.

Justifications for our assessments

As stipulated by Article L.823-9 of the Commercial Code regarding the justification of our opinion, we would like to point out to you that.

The accounting estimates involved in preparing the financial statements to December 31, 2009 were made in the context of a situation in which economic prospects were very difficult to judge. These conditions are described in Note 2.2.2 of the annex to the consolidated accounts. It is against this background of uncertainty that, in accordance with the provisions of Article L.823-9 of the Commercial Code, we bring to your attention our own assessments.

The Management of the LISI Group has had to make judgments and estimates and to formulate assumptions, which concern in particular depreciation of assets, provisions and deferred taxes, stated in Notes 2.2.2, 2.2.8.5, 2.2.14 and 2.2.19.5 in the appendix. For all these estimates, we have assessed the data and assumptions on which they are founded, reviewed randomly the calculations made by the company, reviewed the available material, and verified that the notes to the annex provide appropriate information regarding the assumptions retained by the company.

At each year-end the Company regularly performs an impairment test for goodwill and assets without a defined useful life, and also measures if there is an index of loss of value of long-term assets, in accordance with the methods described in Notes 2.2.7.1, 2.2.8.5 and 2.5.1.1 to the financial statements. We have reviewed the conditions under which this impairment test was conducted, as well as the cash flow forecasts and assumptions used, and have verified that the above-mentioned notes provide appropriate information.
Note 2.2.15 stipulates the methods for evaluating pensions and share-based staff benefits. These commitments have been subject to external assessments. Our work has consisted in reviewing the data used, in assessing the assumptions retained, in reviewing the calculations made, and in verifying that Notes 2.2.15 and 2.5.4.2 to the Appendix to consolidated financial statements provide appropriate information.
These assessments form part of our task as Auditors of the consolidated financial statements, taken as a whole, and have therefore helped us to form our unreserved opinion, as it is described in the first part of this report.

Specific verification

We have also, in accordance with the professional standards applicable in France, specifically verified, as required by law, the information provided in the report on Group management.
We have no comments to make on their sincerity and consistency with the consolidated financial statements.

The Auditors

Paris La Défense, March 18, 2010
Salustro Reydel
Member of KPMG International

Laurent Genin
Partner

Exincourt, March 18, 2010
Exco Cap Audit

Pierre Burnel
Partner

5 - Auditors' General Report – Financial year ended December 31, 2009

Ladies and Gentlemen,

In carrying out the mission entrusted to us by your Shareholders' General Meeting, we hereby present you with our report for the financial year ended December 31, 2009, relating to:

- the audit of the annual statements of LISI S.A., as attached to this report;
- the justifications for our assessments;
- specific verifications and legally required information.

The annual statements were drafted by the Board of Directors. Our task is to issue an opinion on these financial statements based on our audit.

Assessment of the annual statements

We have carried out our work in accordance with the professional standards in use in France; these standards require due diligence to ensure with a reasonable degree of certainty that the consolidated financial statements do not contain any significant anomalies. An audit involves verifying, through surveys or other selection methods, the items supporting the figures and information which feature in the annual accounts. It also involves assessing those accounting principles followed, the significant estimates made and the overall presentation of the accounts. We consider that the items we have gathered form both a sufficient and an appropriate basis for our opinion.

We certify that, from the point of view of French accounting rules and principles, these annual financial statements are consistent and sincere, and provide a faithful representation of results from the company's operations over the financial year in question, as well as its financial situation and assets at the end of the financial year.

Justifications for our assessments

As stipulated by Article L.823-9 of the Commercial Code regarding the justification of our opinion, we would like to point out to you that:

- The accounting estimates involved in preparing the financial statements to December 31, 2009 were made in the context of a situation in which economic prospects were very difficult to judge. These conditions are described in Note 3.1 of the annex to the year statements. It is against this background of uncertainty that we bring to your attention our own assessments.

- The assessments we have made relate to the appropriateness of accounting principles applied and the reasonableness of significant estimates made, particularly with regard to equity shares and provisions for the depreciation of these shares as made by your company when their net book value is higher than their value in use, as indicated in note 3.1b of the Annex to the Annual Accounts.

- The opinions expressed fall within the scope of our audit of the annual financial statements taken as a whole. Therefore, they have contributed to the forming of our opinion, as set out in the first part of this report.

Verifications and specific information

We have also made specific verifications as stipulated under law.

We have no comments to make on the sincerity and consistency with the annual statements, of the information given in the Board of Directors' management report, or that given in the documents addressed to shareholders relating to the group's financial situation and the annual statements.

With regard to the information supplied in application on the provisions of Article L.225-102-1 of the Commercial Code on payments and bonuses paid to corporate officers as well as on commitments approved in their favor, we have checked they are consistent with the accounts or with the data used in the drawing-up of these accounts, and, where relevant, with the items gathered by your company from companies controlling or controlled by your company. On the basis of these studies, we vouch for the precision and honesty of this information.

In accordance with French law, we have verified that the required information concerning the identities of the shareholders has been disclosed to you in the management report.

The Auditors

Paris La Défense, March 18, 2010
Salustro Reydel
Member of KPMG International

Laurent Genin
Partner

Exincourt, March 18, 2010
Exco Cap Audit

Pierre Burnel
Partner

6 - Draft resolutions

ORDINARY GENERAL MEETING OF APRIL 28, 2010

AGENDA

UNDER THE AUTHORITY OF THE ORDINARY GENERAL MEETING

– Review and approval of the annual financial statements for the period ended December 31, 2009;

– Approval of consolidated financial statements for the period ended December 31, 2009 ;

– Approval of the conventions covered by articles L.225-38 et seq. of the French Commercial Code;

– Discharge to the Directors and Auditors;

– Appropriation of earnings;

– Authorization for the Company to repurchase its own shares;

– Proxies;

– Miscellaneous questions.

DRAFT RESOLUTIONS

1st resolution – Approval of corporate financial statements

Having listened to the reading of the Board of Directors' report and the Auditors' general report, the Shareholders' General Meeting approves the annual financial statements established as at December 31, 2009, as they are presented, with profits of €21,797,508, as well as the transactions described in these financial statements that are summarized in these reports.

In particular, the Shareholders' General Meeting approves the spending carried out over the last year in relation to the transactions covered by article 39-4 of the French General Tax Code, which amounts to a total of €20,153.

2nd resolution – Approval of consolidated financial statements

Having listened to the reading of Board of Directors' report and the Auditors' general report, the Shareholders' General Meeting approves, as they are presented, the consolidated financial statements set out in accordance with article L.233-16 and the following of the French Commercial Code at December 31, 2009, showing profits of €9,421,721.

3rd resolution – Approval of the conventions covered by Article L.225-38 of the Commercial Code

Having listened to the reading of the Auditors' Special Report on the conventions covered by articles L.225-38 of the French Commercial Code, the Shareholders' General Meeting approves the sections indicated in this report.

4th resolution - Discharge to the Directors

The Shareholders' General Meeting gives full discharge to the Directors for their work for the year 2009, and to the Auditors for their mandate.

5th resolution – Earnings appropriation

Acting on the proposal of the Board of Directors, the Shareholders' General Meeting has decided to allocate last year's profits as follows:

• profits for the financial year of	€21,797,508
• increased by retained earnings to a total of	€41,516,975
To give a total of	€63,314,483

This represents distributable profit, which the Board of Directors proposes should be distributed as follows:

• as dividends to shareholders
a sum of €0.70 per share,
for a sum of €7,527,702.70
payable on May 7, 2010

• the remainder to the retained earnings account,
for a sum of €55,786,780.30
it being understood that this amount will be increased by the sum of the dividends payable on the shares owned by the Company as of the ex-dividend date.

The dividend for each share amounts to €0.70. The value of the dividend eligible for 40% deduction, as covered by article 158-3-2° of the French General Tax Code, is €0.70.

In addition, the Shareholders' General Meeting acknowledges that it has been apprised that the dividend payouts per share for the last 3 years were as follows:

Financial year ended December 31, 2006:	dividends eligible for the 40% allowance: €1.30
Financial year ended December 31, 2007:	dividends eligible for the 40% allowance: €1.50
Financial year ended December 31, 2008:	dividends eligible for the 40% allowance: €1.20

6th resolution – Share repurchase program

Having listened to the reading of the Board of Directors' report and reviewed the data contained in the program description, the Shareholders' General Meeting:

• cancels the purchase authorization given on April 29, 2009;

• gives its authorization, in accordance with articles L.225-209 et seq. of the French Commercial Code, to the Board of Directors, to proceed, by whatever means it deems appropriate, to the repurchase of own shares, representing up to 10% of the company's share capital, corresponding to

1,075,386 shares, except for the acquisition of shares meant to be retained and the delivery of shares to be used as consideration or payment for external growth operations whose total will be limited to 5% of the share capital or 537,693 shares ;

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

Shares can be acquired or sold by any means and at any time, in accordance with the regulations in force, on or off the market, including through the use of derivatives traded on a regulated market or by private contract.

The company undertakes to remain constantly within the limits set by article L.225-209 of the Commercial Code.

The following terms apply to this authorization:

- the company may not repurchase its own shares for more than €50, not including transaction fees,

The highest figure that LISI S.A. would pay if it purchased shares at the ceiling price set by the Shareholders' Meeting, i.e. €50, is €53,769,305.

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

- assigns full powers to the Board of Directors, which may choose to delegate them, within the limitations detailed above, to put in stock market orders, to negotiate agreements in the aim of carrying out all formalities and all declarations to all organizations, to carry out all other formalities and, as a general rule, to do all that is necessary.

7th resolution – Formalities

The Shareholders' General Meeting assigns all rights to the bearer of an original, a copy or extracts of the minutes of its deliberations for the purpose of accomplishing all formalities, as well as all legally required filings and publications.

LISI AEROSPACE
Tour Gamma « A » - 193 Rue de Bercy
F – 75582 PARIS CEDEX 12

Tel.: + 33 (0)1 44 67 85 85
Fax: + 33 (0)1 43 40 88 76
Website: www.lisi-aerospace.com

LISI AUTOMOTIVE
28, Faubourg de Belfort – BP 19
F – 90101 DELLE CEDEX

Tel.: + 33 (0)3 84 58 63 00
Fax: + 33 (0)3 84 58 63 02
Website: www.lisi-automotive.com

LISI MEDICAL
19 Chemin de la Traille
NEYRON
F – 01701 MIRIBEL

Tel.: + 33 (0)4 78 55 80 00
Fax: + 33 (0)4 72 25 81 61
Website: www.lisi-medical.com

LISI COSMETICS
13 rue Moreau
F – 75012 PARIS

Tel.: + 33 (0)1 43 07 98 50
Fax: + 33 (0)1 43 43 65 93
Website: www.lisi-cosmetics.com

LISI
Tour Gamma « A » - 193 Rue de Bercy
F – 75582 PARIS CEDEX 12
Head Office
Le Millenium – 18 rue Albert Camus
BP 431 – 90008 BELFORT CEDEX

Tel.: + 33 (0)3 84 57 00 77
Fax: + 33 (0)3 84 57 02 00
Website: www.lisi-group.com

LINK SOLUTIONS FOR INDUSTRY