

lisi

LINK SOLUTIONS FOR INDUSTRY

ANNUAL REPORT 09



## SUMMARY

P.02 > LETTER FROM THE MANAGEMENT

P.04 > BOARD OF DIRECTORS

P.06 > 2009 KEY FIGURES

P.08 > INTERNATIONAL

P.10 > HISTORY

P.12 > HUMAN RESOURCES

P.16 > HEALTH SAFETY ENVIRONMENT

P.20 > RESEARCH AND DEVELOPMENT



## 2009 Group activity

P.28 > LISI AEROSPACE

P.36 > LISI AUTOMOTIVE

P.42 > LISI MEDICAL

P.46 > LISI COSMETICS

P.52 > STOCK MARKET DATA

P.55 > ORGANIZATIONAL CHART

P.56 > FINANCIAL SUMMARY

# LISI, manufacturer of fasteners and assembly components

LISI is a world leader in the manufacture of fasteners and assembly components. Born in the 18<sup>th</sup> century with the merger of several family businesses in the region of Belfort-Montbéliard (France), where the group is still headquartered, LISI is present in a dozen countries on four continents.

Its components and fastening systems are used in the aerospace, automotive, cosmetics and medical sectors. LISI designs and delivers parts, components and high-tech devices for the largest international companies, all leaders in their sectors, such as Airbus, Boeing, BMW, Mercedes, PSA, Renault and the VW Group.

**€695.1M**

annual sales revenue

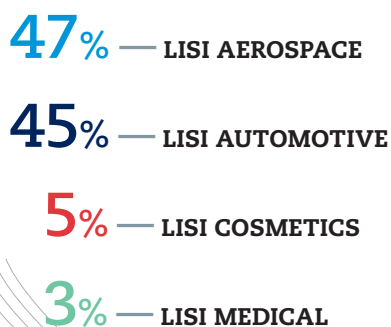
**6,596**

staff

**€49.0M**

investments

## 1 core business, 4 divisions



---

# Letter from the management

2

---

## Stay the course

“ Our executive priority will remain focused on cash flow management ”

### — 2009: Cyclical contrasts between divisions of the LISI Group

The effects of the economic crisis that has affected the principal business sectors of the LISI Group in the last months of 2008 continued throughout the 2009 fiscal year. Their amplitudes and rates of change were nevertheless independent of each other.

The retreat in air traffic volumes starting in mid-2008 went on through autumn 2009. Both Airbus and Boeing, thanks to their healthy order sheets, decided to maintain a high level of deliveries throughout the year; conversely, the entire aerospace supply chain considerably slowed its business activities in order to reduce vast inventories based on previous forecasts that were decidedly more optimistic.

These two opposing tendencies added up in the LISI AEROSPACE division to a pair of divergent trends: nearly stable business levels throughout the first two

quarters, followed by a significant 28% slide in sales in the third and fourth.

In the automotive sector, as a result of weak orders and a very short logistical chain, was also impacted right away in the autumn of 2008 by the global crisis, and immediately slowed productions to extremely low levels.

LISI AUTOMOTIVE therefore saw its sales drop off right from the start of the year with a 38% decrease in the 1<sup>st</sup> quarter of 2009, an unprecedented steep drop; later, as a result of «breakneck liquidity and stimulus measures» progressively instituted by the developed economies, the bottom line actually rebounded, achieving a growth rate of nearly 20% by the final quarter.

In the area of Fragrances and Cosmetics, business was dramatically weaker throughout the year, under the double weight of excess inventory and product launch postponements.





**Gilles KOHLER**  
Chief Executive Officer  
of LSI

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

### — 2009: Management strategy totally focused on cash flow management

In these “extreme” conditions, we have strenuously applied a management strategy based on cash flow, as demonstrated by the decisions taken at the end of 2008: deep cuts in charges of every kind, implementation of measures for partial lay-offs and production control, huge decreases in inventory and postponing all non-strategic or capacity investments. Despite these measures, financial results for the LSI Group took a profound hit, as shown by the principal account data:

- **Sales figures of €695M, a decrease of 17.7% compared to 2008** however with just a 13.8% decrease by the end of the final fiscal quarter.
- **A consolidated EBIT of €34M or a 4.9% operating margin** for respective values of €99M and 11.7% in 2008.
- **A net result of €9M** after posting €12M for goodwill impairment.

Nevertheless, the LSI Group attained its priority objective and ends up stronger on the bottom line in 2009 thanks to a **positive Free Cash Flow of over €51M** that allows a significant reduction in financial debts for the group, which can post a gearing below 10%, the lowest in the last ten years.

### — Objectives for 2010: continuation and accentuation of strategies followed in 2009

For the principal LSI business sectors, the prognosis for the 2010 fiscal year looks similar to the preceding year: slower aerospace business and a more erratic road ahead in the automotive sector. As a result, the short-term goals of the group will remain exactly the same as those in 2009, namely, a constant aim to adapt to cyclical trends – both downward and upward – with the focus on cash flow management.

On the longer term horizon, the group's growth strategy remains intact: the announcements in late 2009 of projected acquisitions in the automotive and medical sectors demonstrate this, as does the launch of prototypes for new fasteners tailored for the assembly of new composite panels for the Airbus A350.

Though not in the public eye, the world of fasteners and assembly components remains in constant evolution: strategically, technologically, technically and industrially. Thus in a world market estimated to be worth some €50 billion, all sectors combined, the LSI Group continues to show great growth potential. Now more than ever, the group's managers are committed to a return to growth and profitability, as expected by both our employees and shareholders.

4



## 4

## LISI

**Gilles KOHLER** (1)  
Chairman and Chief Executive Officer  
of LISI  
Chairman of LISI AUTOMOTIVE

**Jean-Philippe KOHLER** (3)  
Vice President in charge of LISI  
internal auditing

**Emmanuel VIELLARD (2)**  
Deputy Chief Executive Officer of LISI  
Chairman of LISI AEROSPACE

## LISI AEROSPACE

**Jean-Louis COLDERS (4)**  
Chief Executive Officer of LISI AEROSPACE  
and LISI MEDICAL

**Christian DARVILLE** (15)  
Chief Executive Officer of HI-SHEAR  
and MONADNOCK

**François-Xavier DU CLEUZIOU (7)**  
Vice President of Sales and Marketing  
of LISI AEROSPACE

**Jean-François MICHELETTI** (13)  
Group Finance Director of LISI AEROSPACE

**Emmanuel NEILDEZ (5)**  
Vice President – European Operations  
of LISI AEROSPACE



## BOARD OF DIRECTORS

**Gilles KOHLER**

*Chairman*

**Emmanuel VIELLARD**

*Deputy Chairman*

**Eric ANDRE**

*Director*

**Patrick DAHER**

*Director*

**Pascal LEBARD**

*Director*

**Lise NOBRE**

*Director*

**Christian PEUGEOT**

*Director*

**Jean-Philippe KOHLER**

*Permanent Representative  
of CIKO to the LISI Board of Directors  
Director*

**Thierry PEUGEOT**

*Permanent Representative of CID  
to the LISI Board of Directors  
Director*

**Christophe VIELLARD**

*Permanent Representative of VMC  
to the LISI Board of Directors  
Director*

### LISI AUTOMOTIVE

**Patrick FAVRE (10)**

*Chief Executive Officer of LISI AUTOMOTIVE*

**Laurent SANCHEZ (6)**

*Chief Executive Officer, Business Group  
of LISI AUTOMOTIVE*

**Marc STEUER (9)**

*Chief Executive Officer, Business Group  
Global Tier One of LISI AUTOMOTIVE*

**Lothar VEESER (11)**

*Chief Executive Officer, Business Group  
Deutschland of LISI AUTOMOTIVE*

**Yves DREYER (12)**

*General Manager Industrial and Purchasing  
of LISI AUTOMOTIVE*

**Patrick WEISSE (8)**

*Vice President Finance and  
Administration of LISI AUTOMOTIVE*

### LISI COSMETICS

**Michel GUIGNARD (16)**

*Chairman and Chief Executive Officer  
of LISI COSMETICS*

**Eric DESPRES (14)**

*Vice President Finance and  
Administration of LISI COSMETICS*



# value creation

6

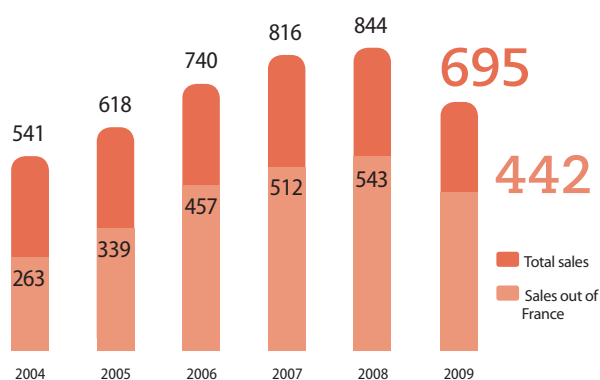




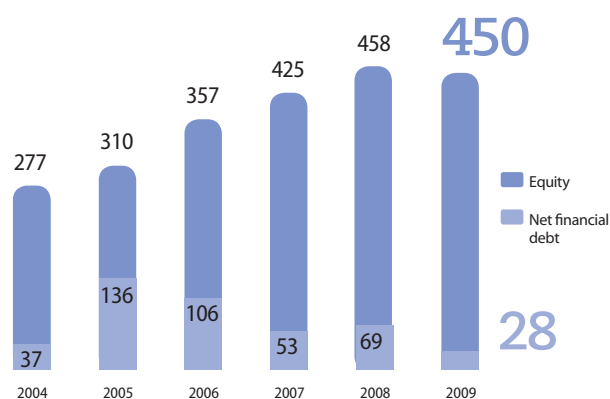
# 2009 key figures

7

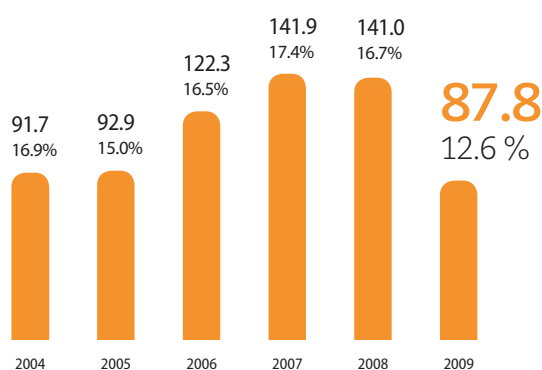
## CONSOLIDATED SALES IN €M



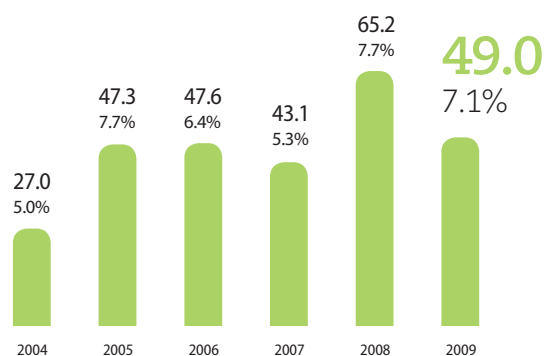
## EQUITY CAPITAL AND NET FINANCIAL DEBT IN €



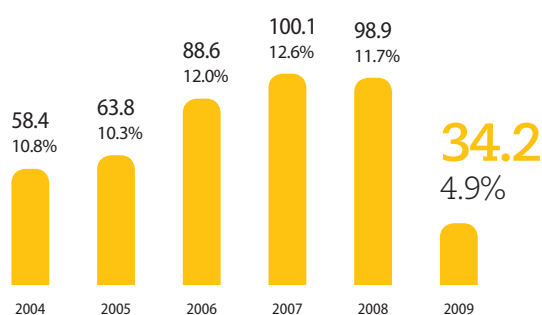
## EBITDA IN €M AND IN % OF SALES



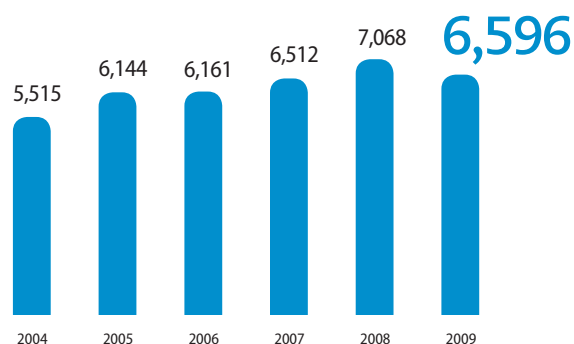
## NET CAPITAL EXPENDITURE IN €M AND IN % OF SALES



## EBIT IN €M AND IN % OF SALES



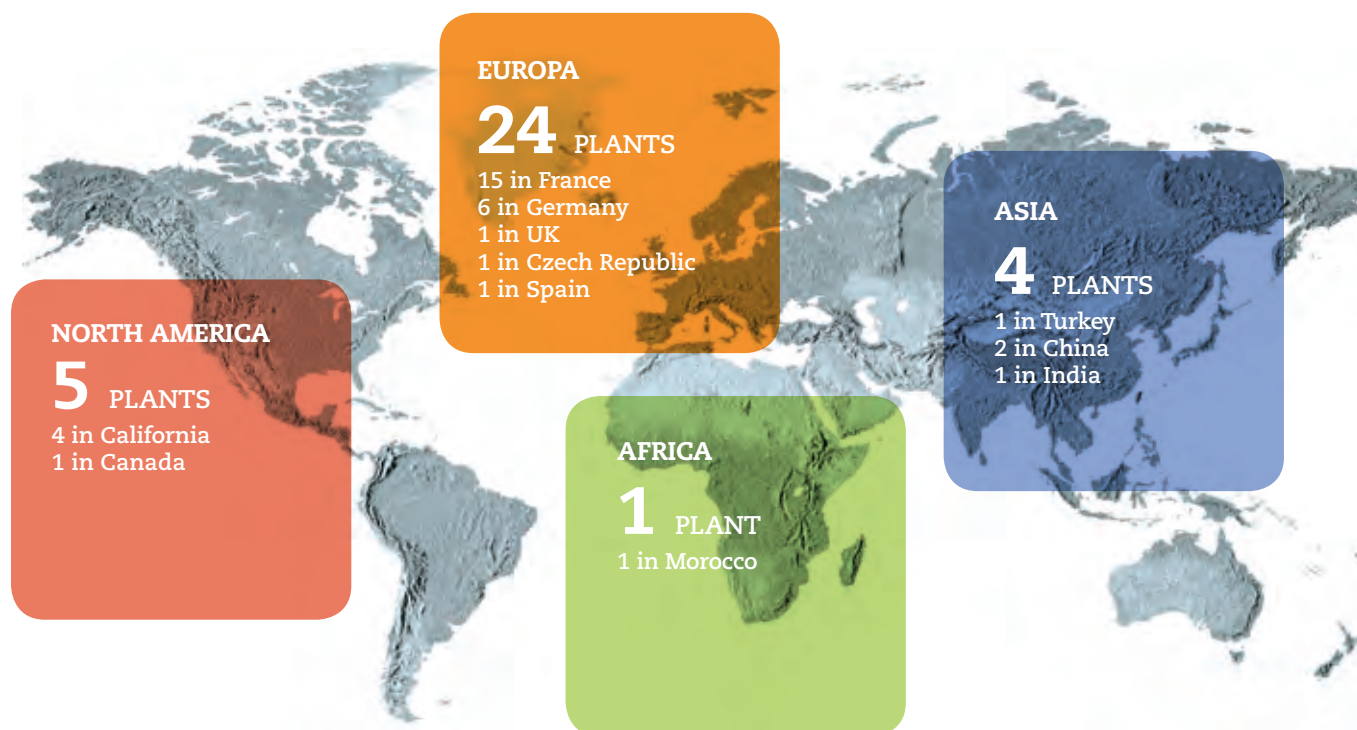
## WORKFORCE (registered)



A close-up photograph of a hand wearing a white glove, holding a roll of bright pink ribbon. The background is a dark, out-of-focus field of numerous pink circles, creating a bokeh effect. The word "growth" is overlaid in a large, bold, orange font.

growth

# Established in buoyant markets



9

## LISI AEROSPACE

11 PLANTS  
4 IN FRANCE

### FRANCE

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

### OUTSIDE FRANCE

- ▲ Bangalore (India)
- ▲ City of Industry (USA)
- ▲ Dorval (Canada)
- ▲ Izmir (Turkey)
- ▲ Paramount (USA)
- ▲ Rugby (UK)
- ▲ Torrance (USA)
- Blagnac
- Hambourg (Germany)
- Shanghai (China)

## LISI AUTOMOTIVE

16 PLANTS  
6 IN FRANCE

### FRANCE

- ▲ Dasle
- ▲ Delle
- ▲ Melisey
- ▲ Puisieux
- ▲ Thiant
- ▲ Saint-Florent-sur-Cher

### OUTSIDE FRANCE

- ▲ Cjec (Czech Republic)
- ▲ Fuenlabrada (Spain)
- ▲ Gummersbach (Germany)
- ▲ Heidelberg (Germany)
- ▲ Herscheid (Germany)
- ▲ Kierspe (Germany)
- ▲ Vöhrenbach (Germany)
- ▲ Mellrichstadt (Germany)
- ▲ Beijing (China)
- ▲ Shanghai (China)
- Ahmedabad (India)
- Solihull (UK)

## LISI COSMETICS

3 PLANTS IN FRANCE

### FRANCE

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

## LISI MEDICAL

4 PLANTS  
2 IN FRANCE

### FRANCE

- ▲ Fleurieux-sur-l'Arbresle
- ▲ Neyron

### OUTSIDE FRANCE

- ▲ Escondido (USA)
- ▲ Tanger (Morocco)

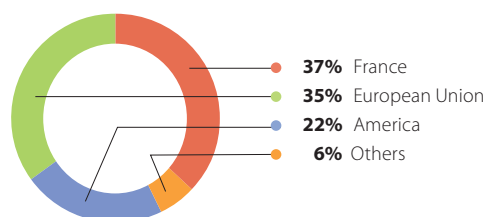
## SALES REPRESENTATION COUNTRIES

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

## PRODUCTION COUNTRIES

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

## SALES BY GEOGRAPHICAL AREA







— LSI's history is in a way the industrial history of France, parallel to that of the iron-masters of the North and East of the country. For over two hundred years the group has concentrated on adapting to developments in the world and to patient, solid growth. The old fasteners factory in Belfort is today a global business, with key positions on four continents in the fasteners and assembly components businesses. Solid roots for writing the future.



### — 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<sup>1</sup>**, 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 LSI 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.

<sup>(1)</sup> GFD: Générale de Forgeage et Découpage

# for the long haul

lisi AUTOMOTIVE

11

## — 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 1<sup>st</sup> April 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.





# adapting to change

12





# Retaining our key competencies



— To different degrees and in different ways, all the group's fields were affected by the recession in 2009. Considerable adaptation efforts were undertaken to adjust production levels. This cyclical slowdown has led the divisions of the group to make use of partial lay-offs at certain sites and to strengthen all training facilities. This strategy has allowed us to remain ready for a rebound while conserving our key strengths internally.

€2.2M

The 2009 training budget  
has been multiplied by 2

136,000

hours of training  
were allotted in 2009

## — Adapting capacity to the realities of the market

The whole automotive field, and even more seriously the heavy industry market, were faced with an unprecedented recession during the first two quarters. Less heavily and later in the year, LISI AEROSPACE saw the effects of the same cycle. These two divisions rapidly had to implement corrective measures by adjusting their consumption and their payroll. They turned to partial lay-offs, quite widely in the cosmetic and automotive areas, and in a more selective manner, also at LISI AEROSPACE.

In total the number of temporary workers was down by a factor of 4 compared to 2008. The decrease in staffing numbers at LISI was thereby limited to 500 persons.

## — Limiting revenue loss

In total, 600,000 hours were made redundant in 2009, the equivalent of 340 persons on average over 12 months. In France, a partial Long-term Assistance Accord signed by every HR Director allowed us to limit loss of revenue by permanent employees (the layoff hours were

indemnified at 75% instead of the 60% normally seen outside of the accord).

All sites of LISI AUTOMOTIVE were required to lay-off, on average, 1 week out of 2 for the first 4 months of the year. Adaptation measures were rapidly put into place: Temporary positions were reduced and negotiations were made with social partners to allow employees to take a number of vacation days early. The other training programs within LISI UNIVERSITY, begun in 2008, were reinforced: Professional areas included forgers, thermal treatment operators, and the management field, for specialists.

## — Significant efforts in training

Training measures were undertaken to preserve internal competencies and to encourage re-training requests. The training budget, which reached €2.2 million, was twice as high as in 2008. A catalogue of training courses given in the context of the Individual Training Funds were made available to personnel so that every employee could devote any time freed-up by the slow-down to develop



## Measures in support of employment stability at LISI AUTOMOTIVE

Within an international context favoring outsourcing standard products and in which only complex parts high in value-added are developed in France, it was necessary to modernize our core business in terms of practical and technical expertise. In this view, training for the positions in the fields of cold forging and thermal treatment were offered to all relevant employees at LISI AUTOMOTIVE.

In total, 18 employees obtained their certificate: 12 in Delle, Mélissey, Saint Florent and Thiant for cold forging training, and 4 at Delle and 2 at Puiseux for thermal treatment.

his or her professional qualifications and knowledge. In total, some 32,000 ITF training hours were awarded and 136,000 hours of training were given over 12 months. At LISI AUTOMOTIVE, The government "EDEC" plan (Engagement de Développement de l'Emploi et des Compétences) 100% financed by the ADEFIM, the region and the FSE, allotting a budget of €1.2M, alone permitted 33,000 hours of training at French institutions. Finally, at the end of 2009, accords concerning employment measures for Seniors, work-equity between men and women, and measures relating to professional job-training and maintaining

employment for the handicapped, were signed with our social partners in all divisions of the group.

### — Managerial reinforcement

Throughout the transition, LISI AEROSPACE strengthened its management competencies at the 1<sup>st</sup> level, with the aim of managing re-organization and adaptation: 38 people took a personalized training course, in the form of 9 days divided into 3 modules according to specific themes (management, HR law, safety, conflict resolution, etc.). The objective was to provide participants with methods and concrete tools that

are directly applicable in the field. Besides these real results, these courses allowed the exchange of a number of best practices and the building of internal networks.

The team at LISI AUTOMOTIVE was also able to increase and strengthen its management team with new personnel. Coming from large equipment companies in the sector, they bring new eyes to complement the know-how and experience of the existing team.

## Breakdown of employees per division

Registered at year end	2009	2008	Difference
LISI AEROSPACE	3,101	3,309	- 6%
LISI MEDICAL	232	256	- 9%
LISI AUTOMOTIVE	2,821	3,033	- 7%
LISI COSMETICS	429	457	- 6%
Holding compagny	13	13	-
<b>Total</b>	<b>6,596</b>	<b>7,068</b>	<b>- 7%</b>
Temporary staff engaged	100	351	- 72%

## Breakdown of employees per category

Registered at year end	2009	2008	Difference
Workers and Workshop Technicians	4,430	4,748	- 7%
Employees and Technicians	839	918	- 9%
Supervisors	665	730	- 9%
Management	662	672	- 1%
<b>Total</b>	<b>6,596</b>	<b>7,068</b>	<b>- 7%</b>



### LISI AEROSPACE's quality rewarded

The performance of LISI AEROSPACE has notably improved in recent months, to our customers' satisfaction, some of whom have shown important signs of recognition. LISI AEROSPACE in fact received in 2009 four awards of which the group is particularly proud:

- EMBRAER: "Supplier of the Year",
- MTU "Supplier Quality Award",
- BOEING "Gold Rating" for the Dorval plant,
- UTC "Gold Supplier" for the second year running.

The LISI AEROSPACE factory at Villefranche-de-Rouergue was awarded a prize (the "Supplier Quality Award") by MTU, in recognition of the high levels of quality achieved. No quality complaints at all have been received for any delivery since the beginning of 2008.





# making a commitment

16



# Reducing the environmental impact of our operations

17

— 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.

# 75%

of waste produced  
by LISI was recycled

# +29%

This is the increase in the  
number of hours devoted to  
Environmental Health & Safety  
(EHS) Training given within the  
group in a year.

## — Aiming high

With a clearly-demonstrated desire to attain a level of excellence in the Environment, Health and Safety area, the LISI Group has announced 3 ambitious goals:

- To ensure that the rate of lost-time occupational accidents is down to less than 10 by the end of 2009,
- To ensure ISO 14001 certification for all group factories before the end of 2010,
- To ensure all entities follow the EHS 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.

## — Reducing work-related accidents

At the end of 2009, the LISI Group in fact showed a frequency rate of 11.9, a 20% decrease compared to 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)
- the TF1, the work accident frequency including both with and without loss of work,
- the accident severity rate (TG0)

Throughout 2009, these indicators, TF0, TF1 and TG0, whose downward trend started in 2008, continued to improve in 2009, attaining 11.9 for the TF0 (a reduction of 20%), 22 for the TF1 (a reduction of 20%), and 0.33 for the TG0 (a reduction of 18%).



## Water

2009

Water consumption	373,197 m <sup>3</sup>
Water consumption coming from a distribution utility	238,808 m <sup>3</sup>
Water consumption coming directly from the natural environment	134,389 m <sup>3</sup>



## Energy

2009

Electricity consumption	137,895 MWh
Natural gas consumption	96,647 MWh
LPG consumption (Liquefied Petroleum Gas)	4,265 MWh
Domestic fuel consumption	802 m <sup>3</sup>

18

# 14

**This is the number of ISO 14001 certified sites in the Group in 2009**

(environmental management).

The rest of our units should be certified by the end of 2010.

### — 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 EHS 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.

### — Standardizing practices and define indicators

Implementing the directives and instructions within the Group EHS 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 EHS Manual, certain sites have

implemented a crisis management procedure which has been successfully tested under real-life conditions. These simulations allow the attainment of the reflex reactions necessary in the case of an unforeseen accident, and which could have potential consequences for employees, the environment, and production...

The LISI Group has also planned to implement and follow certain selected indicators in order to more precisely measure the environmental impact and safety of our 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.

### — Risk management: 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 itemized risks at the level of each individual unit (production or distribution sites) the group classifies risks at a consolidated level within a matrix showing occurrence probability and severity rate. Each risk identified is subject to an action plan which is periodically updated. A link is automatically made to proactive initiatives for hazard prevention, insurance or accounting services.





## Waste

2009

Quantity of waste generated	16,763 T
Quantity of waste recycled (Material or energy-related uses)	12,637 T
Quantity of ultimate waste (non recycled)	4,126 T

### — 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. Our insurers revisit a number of sites each year, looking both at damage to assets and environmental risks, and then present their recommendations which enhance our action plan. Since 2002, all major sites have been audited. This ongoing improvement initiative is improving our prevention policy and enables us to optimize our insurance premiums.

### — 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 program is coordinated by the head company of the LISI Group in the areas of EHS, internal controls and cash flow management.



## The environmental roadmap

Throughout 2009, the LISI Group continued in its mission to set up an HSE Management system. In this way, LISI confirms its ambition to certify all production sites to the ISO 14001 standard by the end of the 2010 fiscal year.

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.

Finally, in 2010, the LISI Group hopes to consolidate its environmental indicators in order to be able to implement ambitious, quantified objectives to reduce its environmental footprint starting in 2011.



# Encouraging and supporting our capacity to innovate

21

— Research and development are right at the heart of the group's business activities. Our unique ability to create innovative and lasting link assembly solutions of outstanding quality is what cements our relationship with our clients. One of the pillars of our competitive advantage, inventiveness is also one of the engines of our growth. This also means a desire shared by our teams to overcome ever more complex technical challenges.

# 24

**inventions were registered**

and 16 patents were filed in 2009  
(7 by LISI AEROSPACE and 9 patents  
by LISI AUTOMOTIVE)

**The electronic closing and locking systems of the Sleeve Taper Hi Lite™ (STL) were designed to withstand lightning strikes.**

Their development alone required the involvement of:

- 1/3 of our R&D staff,
- 3 factories, to develop and industrialize the product,
- our tooling plant for the implementation of the innovative installation system.

Over a thousand prototypes were tested in the first stages of development.

## — Very robust R&D activities in aerospace

In contrast with production, the activities of our Research & Development teams were very strong in 2009 and, despite economic woes in the economy, the re-organization and growth of R&D at LISI AEROSPACE continued. In 2009 our clients selected several new products, making the crucial final steps from the research stage to the development, industrialization and qualification stages. These new products today employ more of our resources than just the R&D teams alone, and already constitute major pillars of the group's business.

Our R&D teams taken as a whole filed 7 patent applications and 24 invention registrations in 2009. This inventive capability, always driven by the needs expressed by our clients, allows us to anticipate the great technical challenges of the coming years. The management of projects, the implementation of new technologies and the holding of planning

sessions are crucial advantages for our clients in the development of new devices. The experience attained by LISI AEROSPACE is a major asset to ensure the risk management and protection of their most ambitious projects.

## — The STL system, a major development

Designed for the assembly of composite structures subject to risk lightning strikes, the STL (Sleeve Taper Hi-Lite™) is the ideal locking fastener for critical applications requiring a high mechanical strength and a reliable and ergonomic installation. This concept presented and tested in 2008 by LISI AEROSPACE utilized the majority of our development resources in 2009. This product is now in the testing phase for our largest client, Airbus, and will again involve a major portion of our resources in 2010 in order to ensure the support necessary for the implementation of this product in a major program like the A350XWB.



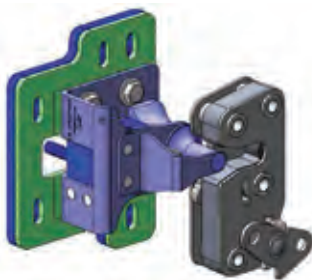


# 1/3

**of R&D resources of LISI AEROSPACE**  
were involved in the creation of the  
STL (Sleeve Taper Hi-Lite™ system)

## — A door lock system for the Eurocopter EC175

Numerous specific developments in hook fasteners, locking bolts, push buttons and pressure locks within the existing product lines mobilized all the expertise and inventiveness of our teams. In 2009, the R&D team at LISI AEROSPACE developed a range of innovative door-lock mechanisms for helicopters; we now proudly equip the EC175 Eurocopter. The bearing specifications, which constituted an ever-present technical challenge, exceeded requirements for mechanical strength and reliability, along with the new advantages of responsive locks and electronic position sensors.



**Our new line of helicopter door locks**  
now equips the Eurocopter EC175

## — Anticipating needs for new components in the vehicles of the future

At LISI AUTOMOTIVE, our ambition is to innovate constantly, to develop our markets and contribute to growth through a strategy of unique differentiation. Thanks to our research efforts, new innovations are allowing LISI AUTOMOTIVE to adapt its offerings and satisfy clients while remaining competitive in the face of structural changes in an evolving world automotive marketplace. In 2009 the innovation projects reinforced three strategic directions in our work:

### 1. Anticipating needs for future link solutions for the automotive industry

New vehicle architectures, new engines and drive train systems, success at meeting environmental requirements (lowering CO2, Euro6, etc.) allow us to respond to new challenges in link solutions and composites for vehicle prototypes being developed by our largest clients. In this sense, LISI AUTOMOTIVE is actively participating in the development of new engine technologies, hybrid and electric motors, and the evolution of thermal engines. Recent LISI AUTOMOTIVE successes:

- Cooperative functional environmental studies of batteries for hybrid- electric cars for the vehicle platform of the future.
- The development of link solutions for Lithium-Ion batteries.
- The development of a range of mechanical components for variable compression engines.



## 2. Analysis of the frontiers of manufacturing processes

The Analysis of the cutting edge of manufacturing processes (forging, cutting, assembly...) is the second major area of innovative R&D at LISI AUTOMOTIVE. We continually strive to offer our clients solutions that are optimal in cost and quality. LISI AUTOMOTIVE developed and proposed the following to its clients in 2009:

- A range of cold-forged stainless steel for exhaust lines as a substitute for the bar-turning procedure;
- cold-forged steel engine components as substitutes for mechanical working procedures.

## 3. Analysis of the chain of value of fastener creation

(including costs of assembly, disassembly, deconstruction and supply) for the automotive industry and general industry.

### — The culture of innovation in everyday life

The design of products meeting the immediate requirements of clients is also a source of innovation. Thus 9 patents were filed in 2009 by LISI AUTOMOTIVE. They essentially involve fastening components developed by study groups within our Business groups.

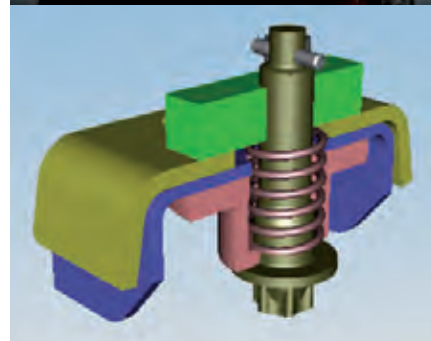
### — Materials and processing: Priority technologies for research

Several studies are underway in the field of materials and processing, in particular on surface coatings.

Improvements to the raw materials used in cold forging were also made in 2009. The research focused on the definition of measurable characteristics representative of transformation aptitude of the strands. Among new projects, we can highlight a first approach to the bainitic steel dipping of massive slabs, such as screws or mechanical components. This particular metallurgy, already applied to clips, confers improved mechanical characteristics to steel with reduced risks of deformation and weakening.

It also promised good industrial potential, with reduced energy consumption and the possibility of implementing certain thermal treatments.

Research work will be intensified in 2010 in this area, with shorter term industrial objectives.

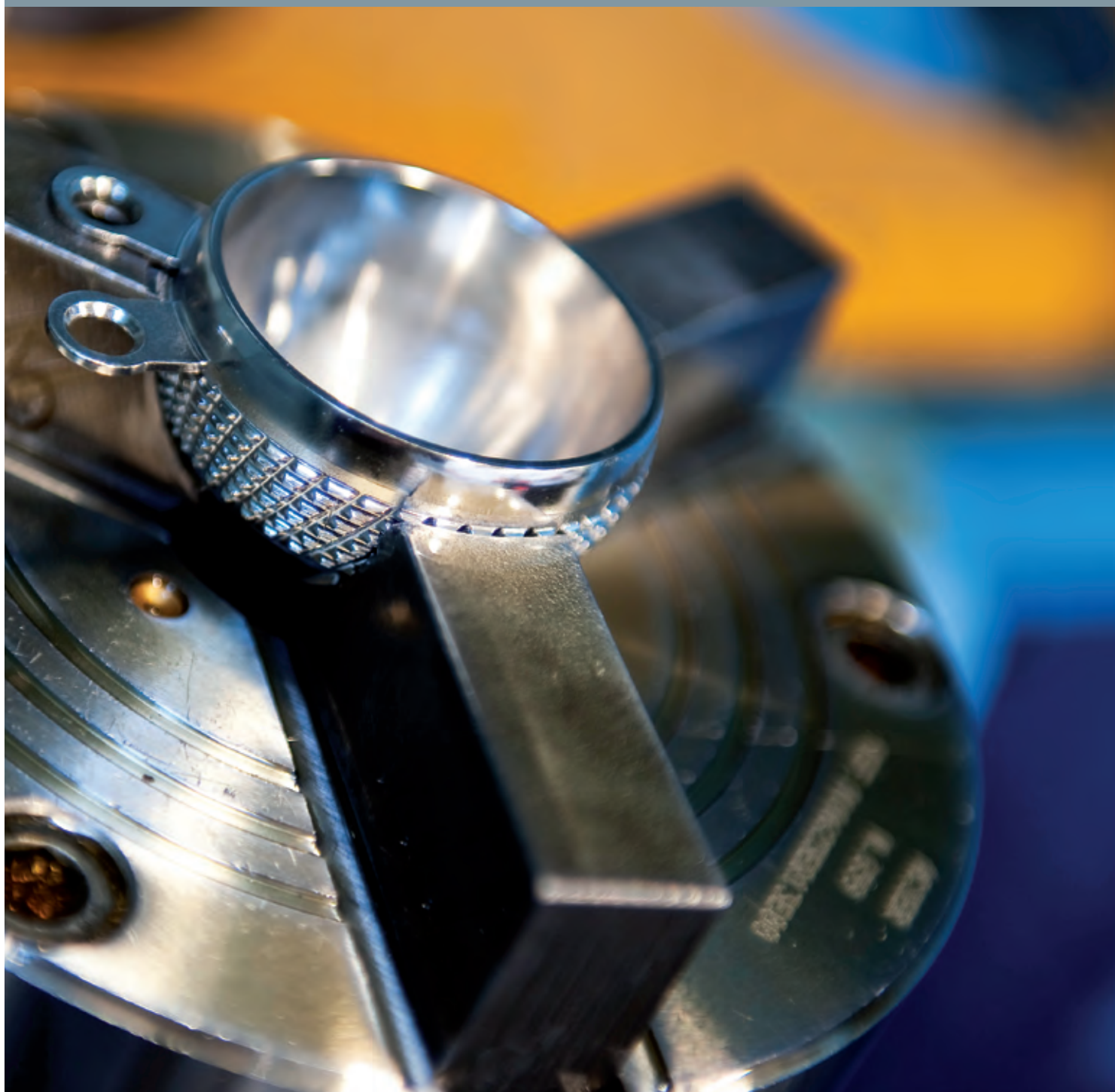


### Electric vehicles, a major evolution in automotive technology.

LISI AUTOMOTIVE is working very closely with manufacturers and research institutions for the global analysis of specific link systems for electric vehicle platforms.

# 2009

24





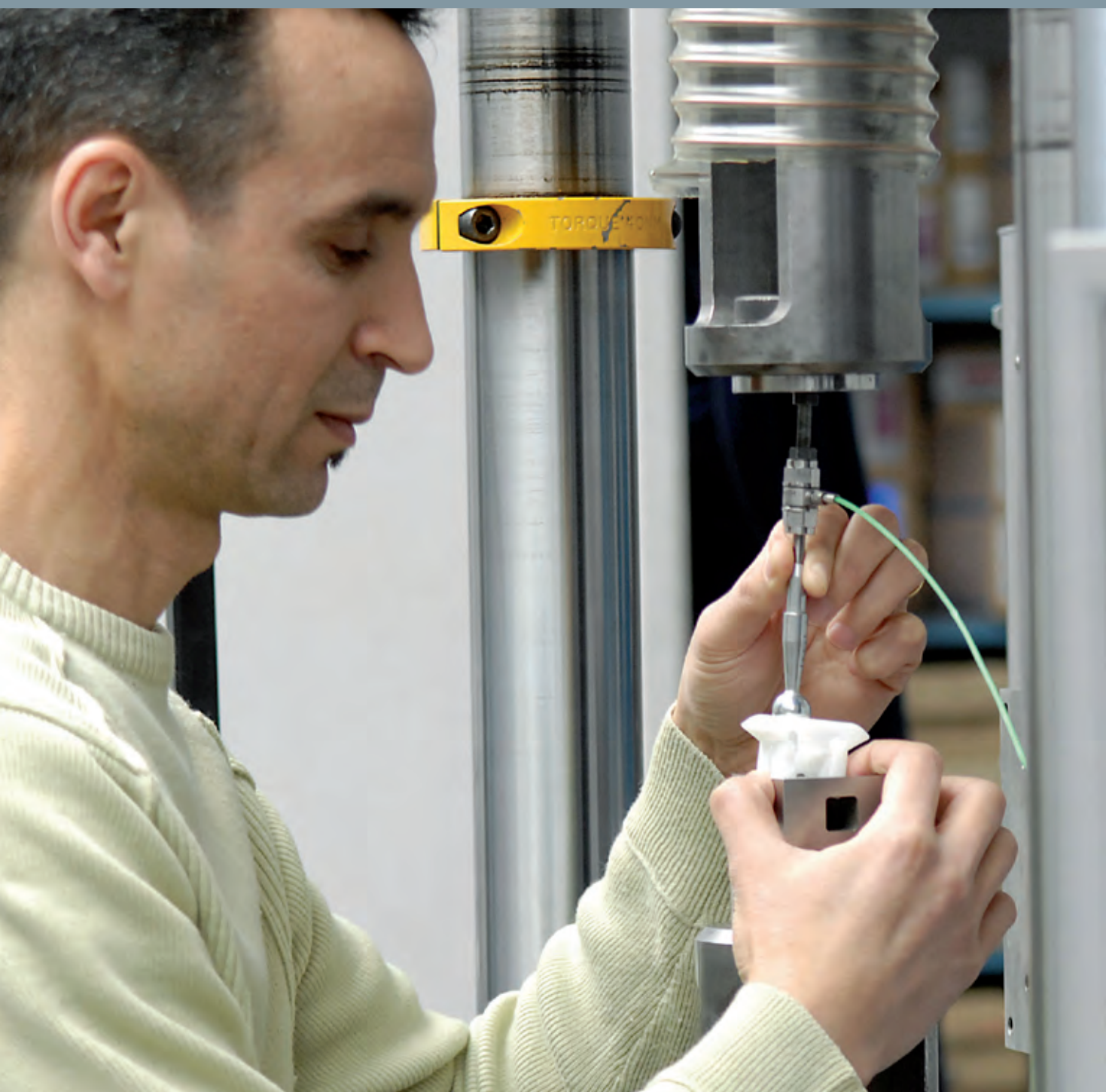
# Group activity

P.28 > LISI AEROSPACE

P.36 > LISI AUTOMOTIVE

P.42 > LISI MEDICAL

P.46 > LISI COSMETICS





Copyright: PSA PEUGEOT CITROËN

# 1 business, 4 sectors of activity

**lisi** AEROSPACE

**AEROSPACE FASTENERS AND ASSEMBLY COMPONENTS**

**n°3**  
IN THE WORLD  
**11** PLANTS

**3,101 STAFF**  
**€330.8M ANNUAL SALES REVENUE**  
**€24.5M OF INVESTMENTS**

## KEY PRODUCTS

### Airframe

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

### Engine

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

### Specialty fasteners

Specialty, non-structural fasteners (clip nuts, quarter turns, spacers, etc.), 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 System,  
Precision Castpart Corp.,  
McKnechie.

**lisi** AUTOMOTIVE

**AUTOMOTIVE FASTENERS AND ASSEMBLY COMPONENTS**

**n°4**  
IN THE WORLD  
**16** PLANTS

**2,821 STAFF**  
**€310.4M ANNUAL SALES REVENUE**  
**€20.4M OF INVESTMENTS**

## 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.



## lisi MEDICAL

WORLD CLASS CONTRACTOR FOR THE MEDICAL  
DEVICE INDUSTRY

**4** PLANTS

232 STAFF

€18.7M ANNUAL SALES REVENUE

€1.8M OF INVESTMENTS

### KEY PRODUCTS

#### HUGUENY

Spinal and  
orthopaedic implants.

#### JEROPA

Dental and spinal  
implants.

#### SEIGNOL

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

### COMPETITORS

Accellent,  
Greatbatch,  
Symmetry.

## lisi COSMETICS

ASSEMBLY AND PACKAGING COMPONENTS  
FOR FRAGRANCES AND COSMETICS

**TOP 10**  
IN THE WORLD  
**3** PLANTS

429 STAFF

€36.1M ANNUAL SALES REVENUE

€2.1M OF INVESTMENTS

### 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 (LOREAL),  
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.



# LISI AEROSPACE

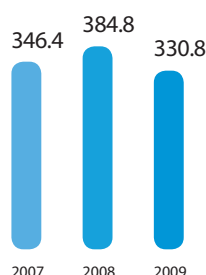
AEROSPACE FASTENERS  
AND ASSEMBLY COMPONENTS



## Environment & prospects

# A year of contrasts

Sales revenue in €M



### A SEVERE DROP IN THE VOLUME OF SALES IN 2009

The LISI AEROSPACE group saw sales volumes decrease by nearly 14% from €384.8M in 2008 to €330.8M with a substantial impact from clients destocking. Massive adjustments by North American distributors, with many orders being postponed, added to the weakness in business and regional aviation, and negatively compensated for Airbus and Boeing's resistance.

Record production, but order taking in free fall. These two contrasting elements characterize the aerospace market in 2009. A period of intense pressure suddenly slackened off at the end of the second half of 2009, generating a lack of predictability for the various players in the market and a substantial decrease in activity in the group's factories during the second half of the year.

The North American market severely contracted (of the order of 50% in terms of order taking) as a result of the substantial impact of destocking by our clients and mainly distributors, leading to numerous postponements and cancellations of orders. Distribution being less present, this decline was less marked in the European market (of the order of 25% in terms of order taking).

An acceptable level of activity was maintained in Europe due to the development of new products and the work associated with the qualification of European sites by Boeing. In conclusion, direct activity with Airbus and Boeing has remained stable while other markets have collapsed.

### Very early corrective measures

This decrease in activity resulted in a contraction in sales of nearly 14%, i.e. to a level comparable to that of 2006-2007. From the start of the year, even though production remained at a healthy level, LISI AEROSPACE anticipated a decrease and undertook adjustment and cash flow preservation measures. Projects in development have nevertheless been preserved (R&D, IT, setting up of operations in India etc.) so as not to hinder recovery.





# Adapting our production program and preparing for recovery

30



The sudden severe decrease in activity has obliged LISI AEROSPACE to take measures to reduce its workforce and to introduce periods of short-time working. However, the division has continued its international growth and reinforced current projects with large clients in the aerospace sector.

## **US Operations: a sharp decline in activity for all of the first half of the year**

The nature of the American market, which consists mainly of distributors, had a considerable impact on the group's level of orders with major destocking effects in the first half of the year, and signs of recovery in the summer which were confirmed in the fourth quarter. Our order book shrank by about 60% over this period, demonstrating the market's volatility, and requiring extreme rigor and responsiveness in order to adjust production capacities. Our "Engines & Critical Parts" Business Unit in Dorval in Canada continued its growth of nearly 20% and diversified its activities due to the expansion of its product range. This manufacturing site was also one of the rare sites to continue recruitment in order to maintain its activity.

## **Maiden flight of the Boeing B787 Dreamliner**

The American group delivered 481 planes in 2009 and took 263 new orders compared to 630 in 2008 and 1,381 in

2007. The order book was maintained at a total of 3,375 planes.

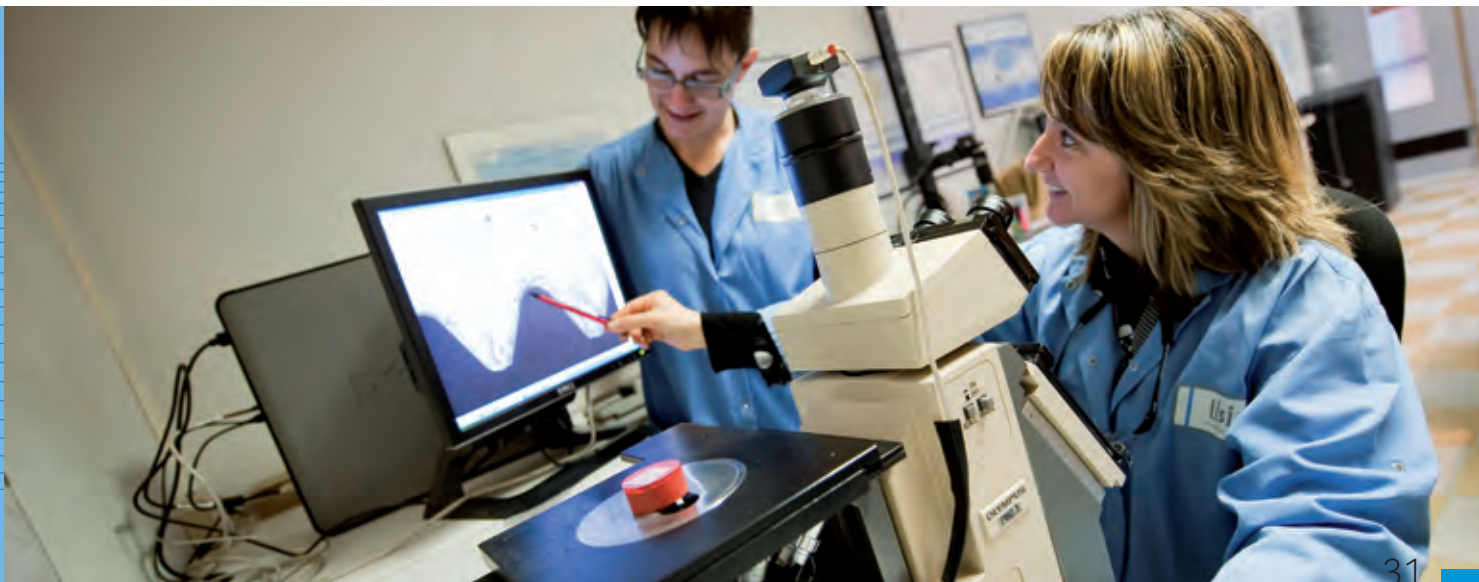
The first flight of the B787 Dreamliner, on December 15, 2009, and its continued development provided reassurance regarding the North American market and demand from the American aircraft manufacturer. The Dreamliner program ended the year with orders for 851 planes, 24 of which were new orders in 2009. Like Airbus, Boeing managed its order book cautiously, maintaining production of B737s at 31 planes a month.

The order book for the Canadian manufacturer Bombardier stood at US\$18.1 billion at the end of October 2009, down by 23% compared to January 2009. However, future orders are on the way to stabilizing.

## **Embraer's growth slows**

The Brazilian manufacturer delivered 244 planes in 2009 compared to 204 in 2008 and 169 in 2007, thereby maintaining growth at a rate of 20% for the past two years. However, it has orders for 265 planes





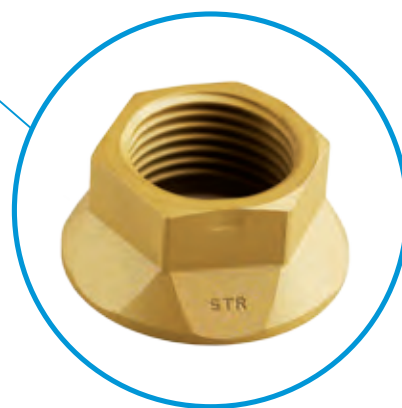
31

## 2009 INNOVATIONS

### Qualifications and initial production deliveries of Starlite optimized titanium nuts®

— Studies carried out in recent years on titanium technology have enabled us to bring this product to maturity, in particular in relation to control of the braking and robustness of installation. These major technical advances resulted in the selection, industrialization and qualification of an initial version of titanium nuts for the A350XWB. Production deliveries took place in early 2010 for the assembly of the first planes at Airbus. This family of nuts is fully compatible with composite structures and the latest environmental requirements.

A mass/optimum performance compromise

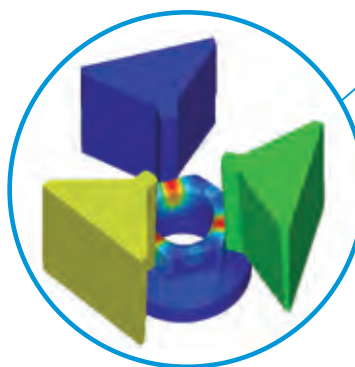


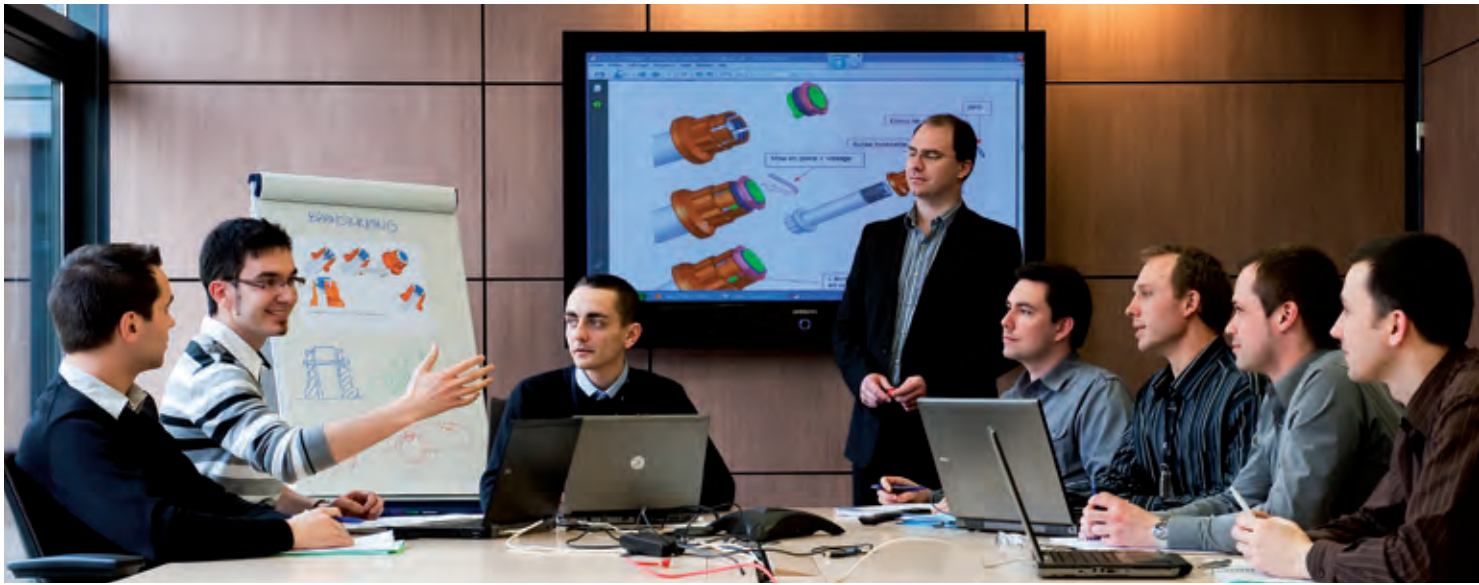
### Progress in digital process simulation

— This success has been possible due to the implementation of new techniques such as digital simulation, which is used to optimize technical aspects (mechanical strength, mass, manufacturing) and to reduce development and industrialization costs and times.



Digital simulation braking process optimized





## HIGHLIGHTS

### OPENING OF A SITE IN INDIA

In a difficult economic climate, the LISI AEROSPACE group continued to develop its presence in Asian markets with the start of a joint venture in India in collaboration with the Patel family group. The site began activity over the summer and production has increased in accordance with the business plan. This new collaboration has been very well received by the internal market and the international market numerous products that were previously imported are now manufactured on site for Indian clients and qualifications are in progress for various international clients.



corresponding to approximately US\$16.6 billion, representing a significant decrease (38%) compared to the end of 2008, when it had 426 planes on order. The group launched a new executive jet, the Legacy 650, last October and began deliveries of Phenom 300s in the last quarter of 2009. The executive plane segment accounted for 47% of its deliveries, confirming the group's growth and diversification in this segment.

### Good resistance and profitability maintained in Europe

The decrease in activity was less severe in Europe, and it was only in the second half of the year that the slowdown became clearly apparent. Development works for the A350, and the balance of business from 2008 enabled an initial amortization of the decrease in growth; a cautious human resources policy with temporary and fixed term contracts, initiated in 2008, enabled appropriate adjustment. Efforts undertaken in the context of the Boeing qualification process for our European factories were successful, even if some challenges remain. Close collaboration with Airbus enabled the successful selection of LISI AEROSPACE for the supply of parts for the A350 program.

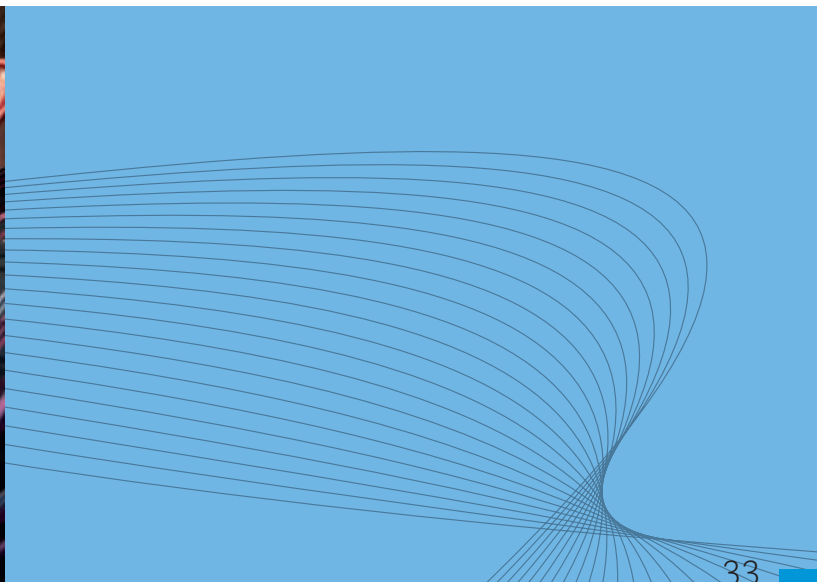
### New production record for Airbus

With 498 planes delivered in 2009, Airbus has set a new production record, up 3% compared to 2008, corresponding to 15 more planes delivered in the year, 10 of which were A380s. However, the taking of new orders has continued to stabilize with 310 new orders, compared to 777 in 2008 and 1,341 in 2007. The order book closed with a total of 3,488 planes with a value of US\$437.1 billion Airbus continues to move ahead of Boeing at an international level with 54% of the market in planes with more than 100 seats. In the military sector, Airbus Military was created and the first flight of the A400M took place in early December, although negotiations are still in progress regarding its funding by the program's government-clients.

Moreover, Airbus announced that it had exceeded its objectives with €2 billion of recurrent savings through its Power 8 program, and envisages further savings of the order of €650 million by 2012 with its Power 8 + program.

Careful management of the order book and numerous reallocations of planes enabled a production of the order of 34 A320s a month to be maintained throughout 2009.





## 2009 INNOVATIONS

### The Sleeve Taper Hi-Lite™ selected for the A350 program

— After a sustained effort of several years, LISI AEROSPACE has been selected by Airbus to supply the Sleeve Taper Hi-Lite™ system developed for the A350 program. These fastener systems have been designed to resist being struck by lightning. The teams at the Research & Development Center and the Saint-Ouen l'Aumône factory devoted considerable energy in order to carry out trials and approvals within the A350's schedule.

#### Systems designed to withstand lightning

- on average an airliner is struck by lightning once a year,
- voltages can reach one million volts and exceed 200,000 amps in a lightning strike,

The fasteners have to enable the discharge of lightning currents through the aircraft structure and prevent any sparking on the rear surface (which could be a fuel tank).



### LISI AEROSPACE at the Le Mans 24 hours cycle race

From August 22 to 23, 2009, 21 cyclists competed in the first 24 hours of Le Mans cycle race wearing LISI AEROSPACE colors. This top level race took place in a lively friendly atmosphere in magnificent sunshine on a perfect course. Team D'Phi's Sarthois came in first ahead of the team led by racing car driver Stéphane Sarrazin. Our cyclists, from Saint-Brieuc, Saint-Ouen-l'Aumône and Villefranche-de-Rouergue, performed well throughout the race. Geneviève Faburel cycled to victory in the "solo-women's" category. LISI AEROSPACE's first four-person team came 21<sup>st</sup> in the overall classification and 8<sup>th</sup> in its category, covering 916 km. The division's other teams came 79<sup>th</sup>, 112<sup>th</sup>, 128<sup>th</sup> and 213<sup>th</sup>.





## HIGHLIGHTS

### INFORMATION SYSTEMS SERVING OPERATIONS

The deployment of the new ERP, Lawson M3, has enabled the LISI AEROSPACE group to opt for an integrated solution for sites and to continue to benefit from the best functionalities of currently available information systems. All American sites will be able to switch to these solutions during 2010.

Once this stage has been completed, LISI AEROSPACE will be equipped with an ERP that covers all business functions and shares the same client and product databases.

### Selective investment projects

The unstable environment in 2009 pushed LISI AEROSPACE to streamline its investment choices, considerably reducing budgets in order to focus solely on projects involving new products or the improvement of industrial resources. Some long-term projects necessary for the group's future have been maintained (Nut Center of Excellence, ERP, heavy maintenance).

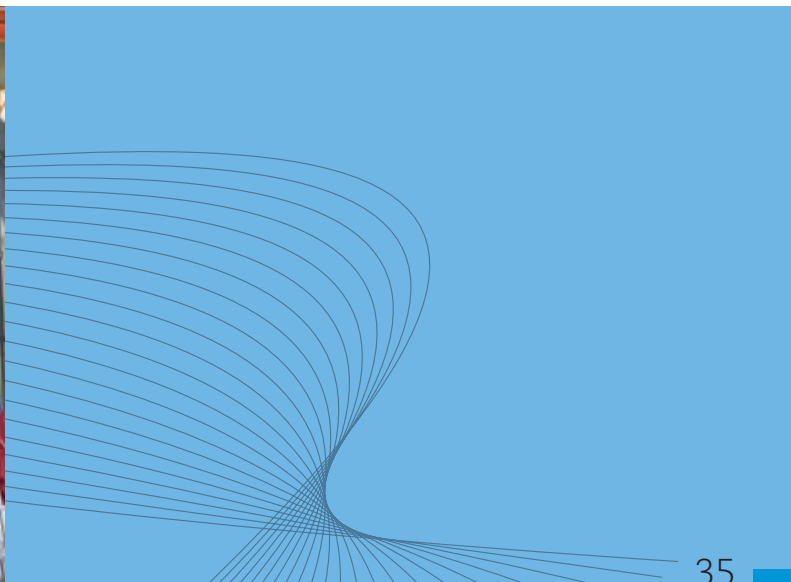
### Moderate optimism for 2010

LISI AEROSPACE started 2010 configured and adjusted for a level of activity coherent with the second half of 2009. While the market remains difficult to predict, various advance indicators, such as international growth, the evolution in air traffic and the stock markets, suggest a recovery in the world's economy. Manufacturers' order books remain well filled and our two large end clients have optimized their management to protect their activity and their supply chain. Having reduced stock levels, component manufacturers have begun to place orders reconstitute them.

### Racing: formula one undergoes restructuring

The racing car world is experiencing profound restructuring and no longer has the same impact on the sales of normal cars. Stricter regulations limiting budgets and innovation have obliged Honda, BMW and Toyota to leave the Formula 1 circuits. Consequently, our activity has halved and we have acknowledged this strategic development evolution: production capacity has been adjusted and a redeployment plan in aerospace has been undertaken. Taking into account these fundamental changes in the Racing markets, the Saint-Brieuc (Blanc Aéro technologies) and Paramount (A1) units have been integrated into LISI AEROSPACE Europe and LISI AEROSPACE US respectively.





Finally, new programs such as the A380 and the B787 have completed decisive stages: maturity and increased production for one, and a maiden flight for the other, not forgetting the very promising A350. In conclusion, LISI AEROSPACE remains confident on the outlook for recovery, and considers that the low point in the cycle has been reached. The division will take a cautious, pragmatic, responsive approach to adapting to market realities in order to be ready for a recovery in the second half of 2010 or in 2011.



## HIGHLIGHTS

### ONGOING IMPROVEMENT: LEAN 6 SIGMA TRAINING SCHEMES

LISI AEROSPACE's principle of continuous improvement is one of the division's major objectives regarding the optimization of industrial processes and procedures that are in place. All LISI AEROSPACE sites have initiated Green Belt and Black Belt training to identify local project directors for the deployment of these techniques.

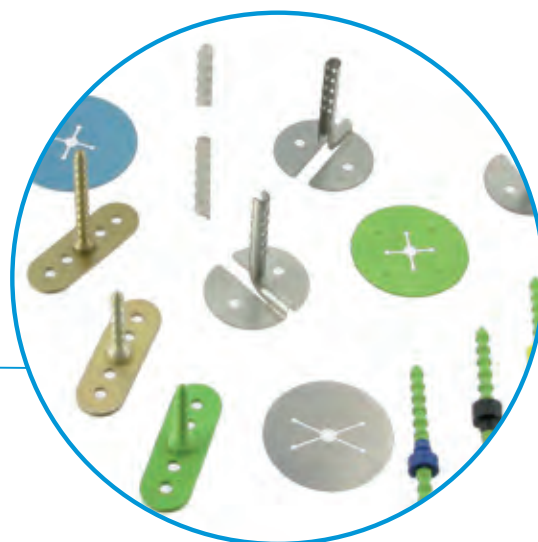
## 2009 INNOVATIONS

### Our fuselage insulation fastening systems selected by Boeing

— Launched last year, this innovative range of products enables the latest «fire» regulations for the fastening of insulation to aircraft fuselages to be met. LISI AEROSPACE products were selected by Boeing and the industrialization, qualification and production delivery phases have been successfully completed.

#### Mass savings

The stamped metal versions of these fuselage insulation mat fastening systems enable significant mass savings compared to other solutions on the market.



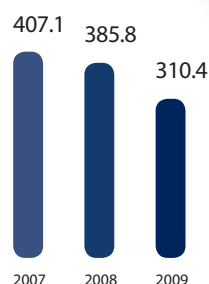


# LISI AUTOMOTIVE

AUTOMOTIVE FASTENERS  
AND ASSEMBLY COMPONENTS



#### Sales revenue in €M



% sales revenue	2009	2008
BG France (5 plants)	45%	41%
BG Deutschland (7 plants)	37%	43%
BG Global Tier 1 (2 plants)	15%	15%
BG Asia (2 plants)	4%	2%

#### SALES BY BUSINESS GROUP

The geographical distribution of our activities enabled the group to resist the substantial contraction of the market during 2009. The decrease in our volume of business in Germany – where there were very large destocking operations and the crisis had a particularly severe impact – reflects the air pocket that hit Europe in the first half of the year. However, in Asia, our two sites in China benefited greatly from the dynamism of the local market, in which sales jumped by nearly 50% as a result of tax incentives.

## Environment & prospects

# The automobile sector remains in crisis

The international automobile market shrank by 6% in 2009. This is an historic decrease. However, the situation varies considerably in different regions of the world. In particular, incentives introduced by European governments enabled the decline in sales to be halted in this zone in the second half of the year. Overall, this market has decreased by 1.6%. In the United States, the contraction has been much more significant, reaching 22%. The Russian market saw a collapse of 52%. Some zones, like China, saw strong growth in sales, which limited the global impact of the crisis.

### Our choices have been justified by the economic environment

LISI AUTOMOTIVE has clearly demonstrated its capacity to adapt and react in such a climate. Corrective measures were implemented very quickly. Furthermore, the current economic environment justifies the group's past decisions. In an international automobile fastener market estimated at €12 billion, LISI AUTOMOTIVE chose not to be present in all markets and not produce all types of fastener. LISI AUTOTMOTIVE's target market is thus around €4 billion.

LISI AUTOMOTIVE wishes to further strengthen its position in the segments where it is present and in segments meeting requirements created by recent developments in vehicles. The group will continue its growth strategy in a market undergoing profound structural changes, by strengthening its efforts to innovate for its clients.



## Benefitting from a changing landscape



Copyright: PSA PEUGEOT CITROËN

The financial crisis, the emergence of new players and the growing impact of environmental factors has had a profound impact on the international automobile market. In this very unsettled environment, LISI AUTOMOTIVE has focused its efforts on managing cash assets and improving its quality standards.

### HIGHLIGHTS

#### DISPOSAL OF SDU IN GERMANY

LISI AUTOMOTIVE has refocused on its markets, disposing of the German SDU (Schrauben und Draht Union GmbH & Co KG) activity, specialized in the distribution of technical products for mines and industry in Germany and Poland, in April 2009, which had come from the acquisition of the KNIPPING group. At the same time, LISI AUTOMOTIVE remains on the lookout for external growth opportunities in its strategic markets.

#### Contrasting situations in different markets

Despite its historic contraction, the automobile market's situation remains highly contrasted. In wider Europe, the entire automobile industry – and more seriously the heavy goods vehicle and industrial market – had to face an unprecedented recession during the first half of the year. Benefiting from the incentives introduced by the various European governments, the recession in the automobile sector was stopped in the second half of the year, but it remains in crisis, and is far from sales levels in 2007. Overall, the European market has decreased by 1.6%. In this exceptional environment, LISI AUTOMOTIVE has demonstrated its capacity to adapt, by quickly adjusting its consumption and its payroll through a substantial recourse to short-time working and the intensive implementation of staff training programs. In 2010, LISI AUTOMOTIVE is prepared for the knock-on effects of government aid, which are hard to anticipate and will require a high level of adaptability.

#### LISI AUTOMOTIVE has benefited from the dynamic Chinese market

In China, the market jumped by nearly 50% largely due to tax incentives for the purchase of vehicles with a capacity below 1.6 liters. This high potential zone has become the largest international market. LISI AUTOMOTIVE's two sites in Beijing and Shanghai have fully benefited from this environment. Their sales revenues have shown higher than market growth. We have been successful with the launch of numerous new products on the local market, and the renewal of many applications on new vehicles (SAIC, Brilliance, FAW). At an industrial level, these sites have undertaken technological advances, such as bi-material injection at Beijing and automation of roll bending, tapping and grading at Shanghai. An ambitious industrial program will be launched in 2010 in the field of cold heading on the Shanghai site.



## 2009 INNOVATIONS

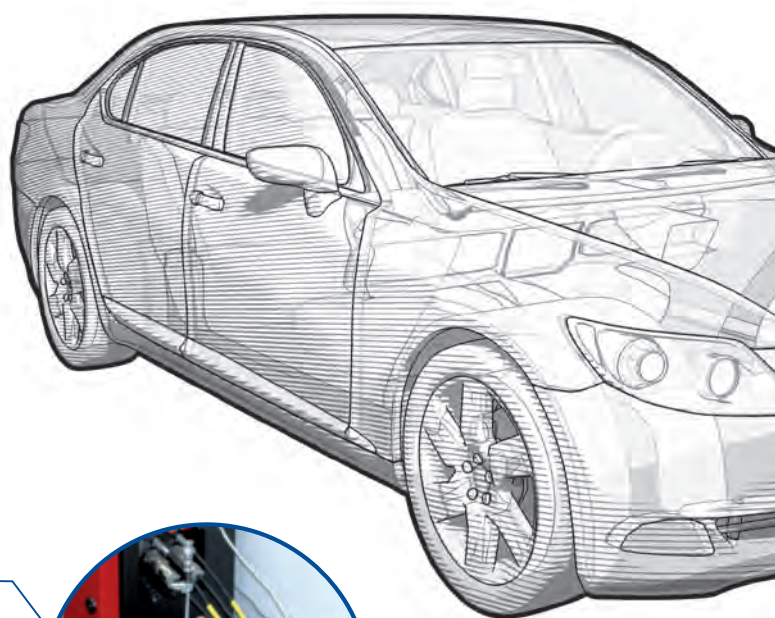
### Properties of clip products developed

— The development of the clip products family now enables the assembly of multi-thickness panels without damage to the support and without assembly tools.



### Bainitic treatment of screws

— An initial approach shows obvious value in this special type of metallurgy. Bainitic treatment in a salt bath enhances steel's mechanical characteristics with a reduced risk of distortion and weakening. It also has interesting industrial possibilities, with lower energy consumption and line application of certain thermal treatments. The possible developments are promising.



### Mechanical improvement of electric parking brakes

— LISI AUTOMOTIVE contributed to the improvement of electric parking brake screw jacks by improving the resistance to fatigue of their components. A research program has been initiated to increase the overall mechanical yield of the systems currently offered.







## HIGHLIGHTS

### A NEW PLANT IN THE CZECH REPUBLIC

LISI AUTOMOTIVE Form a.s.'s activities are spread over three sites in the Czech Republic: Cjec, Brno and Koryjany. LISI AUTOMOTIVE Form a.s. has acquired an international dimension and reputation. Guide rods for disc brakes and axes for seat mechanisms are the main products that are manufactured. They are distributed in Central and Eastern Europe, in North and South America, and in China. In order to manage its development, LISI AUTOMOTIVE has taken the decision to invest in the construction of a new 4,400 m<sup>2</sup> factory, adjoining the factory in Cjec, rationalizing all of its production in the Czech Republic on a single site. Production is planned to start in April 2010.



### A changing landscape

The financial, economic and social crises combined with new environmental regulations have had a dramatic impact on the status quo in the automobile market, both in terms of product mix and the organization of our clients, competitors and suppliers. Specialists have particularly suffered, to the benefit of non-specialists. There have also been deep structural changes. China has taken the lead as the largest international market. Acquisitions, mergers and alliances are on the increase among historic manufacturers, while the new Chinese players are building up their new-found expertise. Some of the big component manufacturers in the industry are in difficulty.

### Remarkable cash management

In this extremely difficult environment, LISI AUTOMOTIVE's teams have focused their efforts on cash management, reducing stock levels by 32% – corresponding to a value of €30M – and drastically adapting all spending items, without compromising strategic investments. These measures have enabled a remarkable improvement in the Free Cash Flow of nearly €20M compared to December 2008.

### Constant improvement in quality

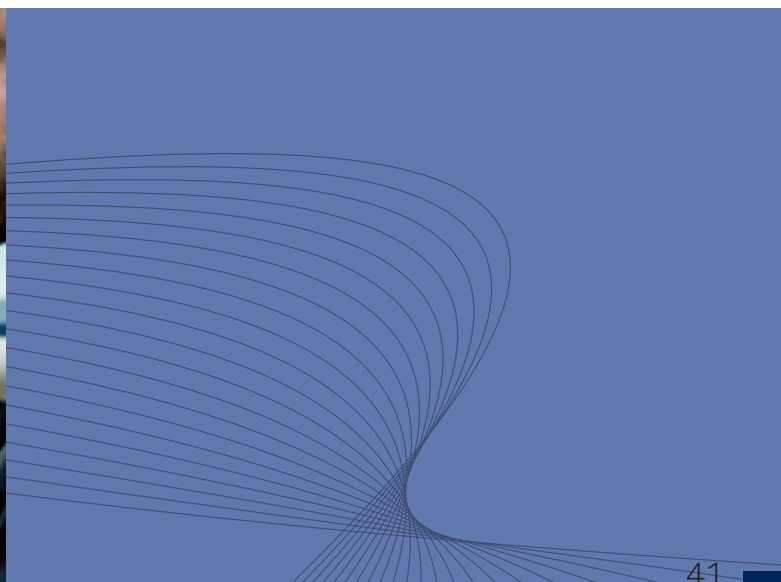
LISI AUTOMOTIVE continues to significantly improve its performance in terms of quality. In 2009 we reduced client

complaints by 25%, the level of parts per million by 40% and our non-quality costs by 15%. Furthermore, we renewed our ISO/TS 16949 automobile quality certification, which now covers all of LISI AUTOMOTIVE's sites in the world. This «corporate» certification enables LISI AUTOMOTIVE to guarantee clients the same quality of service whatever the origin of the delivered products.

### A stronger industrial tool

Despite the crisis, LISI AUTOMOTIVE has maintained its choices in terms of industrial investments. In the Czech Republic, a new 4,000 m<sup>2</sup> building, added to the industrial site in Cjec, will accommodate the activities of the Brno and Koryjany sites in 2010, equipping LISI AUTOMOTIVE with a high performance industrial complex to serve component manufacturers present in the region.

In France, LISI AUTOMOTIVE reinforced control of its industrial processes through the integration of value added technologies. In this context, LISI AUTOMOTIVE has invested in an additional heat treatment oven for its Delle site with a capacity of 600 kg/h, thereby substantially reducing the need to use subcontractors. This acquisition comes as part of the site's Lean Manufacturing project. The oven produced its first test parts in January 2010 with a view to production starting in February 2010.

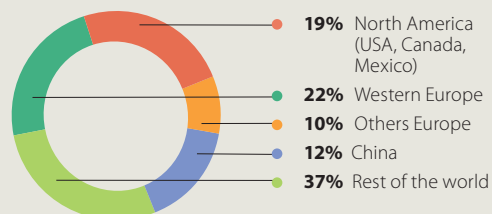


### A new specialization for Saint-Florent-sur-Cher

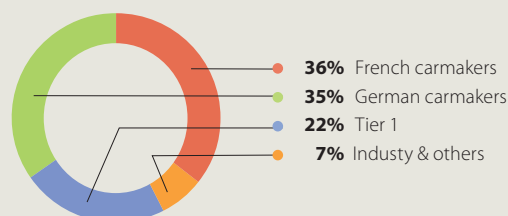
Still in the context of this process control strategy, the Saint-Florent-sur-Cher site has been equipped with new technology and a new specialization. This new installation enables surface treatments in lamellar zinc (paint), which are currently sub-contracted. A new building with an area of 2,000 m<sup>2</sup> was constructed in 2009, to accommodate this new equipment, which was delivered in May 2009. After assembly, adjustment and approval stages, production will be organized in three teams from February 2010 to gradually reach 4,500 T/year. This project is the fruit of an exchange of experience followed by close collaboration between LISI AUTOMOTIVE's German sites that have this technology and the Saint-Florent-sur-Cher site.



#### WORLDWIDE MARKET OF AUTOMOTIVE FASTENERS



#### SALES BY MARKET





# LISI MEDICAL

WORLD CLASS CONTRACTOR  
FOR THE MEDICAL DEVICE INDUSTRY

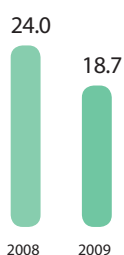




## Environment & prospects

# A very wait-and-see market

Sales revenue in €M



### A YEAR OF CONSOLIDATION

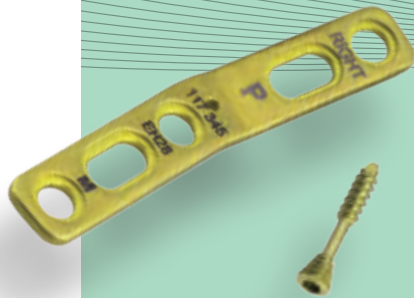
The deterioration in the economic climate, which resulted in massive destocking operations and the return of part of production to our clients, impacted on our subcontracting activities. The decrease in our sales revenue corresponds to the decline experienced by the market in 2009.

While the fundamental demographics remain sound and confirm an outlook of significant growth in the medical devices market, activity in the sector took a wait-and-see attitude throughout 2009. The general slowdown in the economy, destocking operations and a return of part of production to our clients, for whom we operate as subcontractors, have severely impacted on the market. The subcontracting sector registered a decline of 25% in 2009 compared to the previous year, which automatically affected our sales revenue.

### A new regulatory environment

In addition, there was a tightening of the regulatory environment in the orthopaedic components sector. All operators in the market were quickly obliged to adapt to the new regulations. The levels of technological management and quality requirements demanded of subcontractors have been considerably increased, necessitating substantial efforts, both in industrial and technological terms.

LISI MEDICAL has nevertheless continued to refine its experience curve and strengthen its production capacities. The purchase in hand of Stryker Benoist-Girard, the site of the American Stryker Corporation in Basse Normandie is part of this approach. It should enable us to acquire a higher level of expertise and increase our production capacity in new specialized growth areas.



# Strengthen our experience curve, develop our production capacity

44



Despite a difficult economic environment, marked by a sharp decline in the volume of activity, LISI MEDICAL maintained its strategy of acquiring industrial skills in the medical devices sector and developing its production capacities. This strategy should enable us to benefit from the recovery.

## A slowdown in client projects

While continuing to strengthen our position as a subcontractor in the medical devices sector, we have had to adapt to the wait-and-see nature of the markets as we initiate the internal changes necessary for the construction of our future. In terms of activity, order givers have experienced reduced growth and many of them have slowed down projects to launch new products; some so called comfort specialties, such as dental surgery, have even shown negative growth.

## Adapting to new market conditions in the European zone

In general terms, LISI MEDICAL has adjusted to new market conditions by reducing production capacity, without, nonetheless, diminishing its capacity to recover. Substantial investments have been carried out at the Neyron and Fleurieux-sur-l'Arbresle sites. However, the project to extend the factory in Tangier has been delayed a year in view of current market

conditions. These three sites work in close collaboration with a technical-sales force that has been expanded over the course of the year: the new marketing and sales department has been equipped with a project team to accompany LISI MEDICAL's clients in the most upstream phases of bringing new products to market.

## A low level of activity in the United States

Our Escondido unit in California was the most affected by the economic crisis due to its specialization in dental products. In a difficult environment, the site had to adjust to a particularly low level of activity. Despite these unfavorable conditions, the team was able to improve its organization. The ISO 13485 certification audit was successfully completed in June, and the deployment of production cells by product families was set up in appropriate conditions.

## HIGHLIGHTS

### IMPROVEMENT OF NEYRON'S INFRASTRUCTURE

The infrastructure of the Neyron site was improved and its organization was simplified in 2009. The site has been enlarged and completely redeveloped. The merger of the Seignol and Intermed Application entities was completed on June 30, 2009 and the completion of the installation of the clean room was approved.





45

### **A significant external growth operation**

LISI MEDICAL should be changing its size and increasing its technical potential in 2010. The LISI Group has announced exclusive negotiations with the Stryker Corporation with a view to acquiring the manufacturing activity at the Stryker Benoist Girard site, located in Hérouville Saint-Clair, in France. The second part of these negotiations concerns the manufacture and supply of orthopaedic components to Stryker molded over a period of five years. The transaction could be completed before the end of the first half of 2010.

### **A market with great potential**

With this strategic operation, which should enable us to enter a market with great potential, LISI MEDICAL will not only be able to improve its production

capacities, but also to become a supplier to an international leader in medical technology. The proposed contract with Stryker presents other major benefits for LISI MEDICAL. It will give us unique access to the world of molded components in the reconstructive surgery sector and will enable us to significantly increase our market share in the United States, the largest market for this segment.

### **Outlook for 2010**

In a context of gradual recovery, which remains to be confirmed, LISI MEDICAL's objectives will be to meet the requirements of clients in the sector, to continue its transformation in order to comply with new regulatory requirements, while at the same time maintaining growth, integrating the Caen unit into the group, and restoring post-crisis economic ratios to a satisfactory level.

### **HIGHLIGHTS**

#### **ISO 13485 QUALIFICATION FOR FLEURIEUX-SUR-L'ARBRESLE**

Quality and approval processes have been emphasized at the Fleuries-sur-l'Arbresle site. ISO 13485 certification was obtained in appropriate conditions. Good operational management and the capacity to approve processes have been acknowledged several times by our auditor clients.

#### **ACQUISITION OF STRYKER BENOIST-GIRARD IN PROGRESS**

The Benoist-Girard site is in the process of being acquired and employs about 250 people. This site, which is based in Hérouville Saint-Clair and has been fully owned by the Stryker Corporation since 1998, produces a wide variety of orthopaedic implants and instruments. This acquisition would allow LISI MEDICAL to strengthen its position as a world-class contracting company specialized in the manufacturing of implants and ancillaries. The purchase includes a contract to supply Stryker, a world leader in medical technology.





# LISI COSMETICS

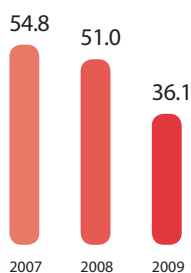
ASSEMBLY AND PACKAGING COMPONENTS  
FOR FRAGRANCES AND COSMETICS



## Environment & prospects

# A market in crisis, with depressed consumption

Sales revenue in €M



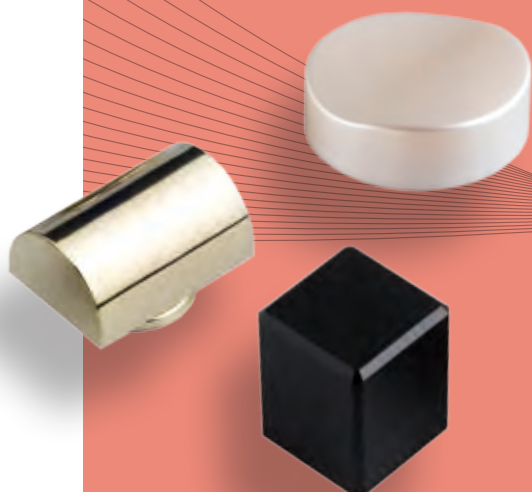
Facing a dizzying slide in sales in the cosmetics and perfumes sector, LISI COSMETICS saw its earnings contract strongly in 2009. Corrective measures were rapidly implemented to limit consumption and thereby lower the break-even point. The superb technological and organizational level of the 3 factories should allow them to profit from the rebound that began this year.

### Announcing.... the damaging effects of a crisis!

From 2009 on, the slow-down starting 4 months prior is confirmed. Due to the economic crisis and in particular the desire of perfumery clients to lower inventory throughout the supply chain, sales were strongly depressed and distribution stopped its orders. The buying and provisions services of LISI COSMETICS' major clients rapidly implemented policies of drastic reduction in inventories while all major product launches for 2009 were either cancelled or postponed. The entire sector has been affected: the inventory reduction process undertaken has paralyzed our whole industry. For several months, the stagnation of the market has been total, and sales in "travel retail" which are normally solid even in recession, were down.

### The Internet is gaining market shares

The brands, which are aiming to seize every opportunity to develop their business, deployed new on-line sales sites, like those of YSL, Shiseido and Procter & Gamble. Procter & Gamble today is doing over 30% of its business on line. E-commerce continues, for all players, to gain market share. This new channel has, in its initial stages, prevented an even steeper drop in the sector's business activities.



## Optimizing our infrastructure for a better rebound

48



LISI COSMETICS has been hit hard by the brutal slide in sales in the select perfume sector. For 2009, its sales volume has dropped more than 29%. We have reacted quickly with the necessary measures, optimizing our infrastructure in reaction to the prevailing conditions. Several projects initially planned in 2009 were confirmed at the beginning of the year, which allows us to envisage a return to equilibrium in 2010.

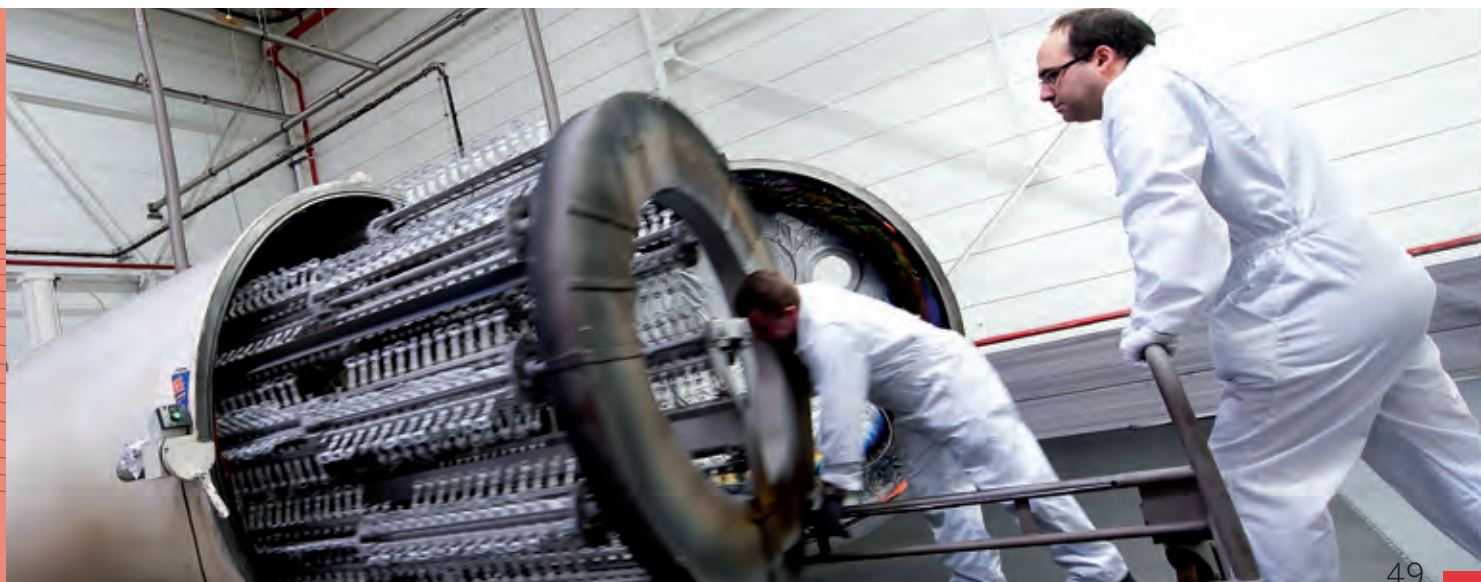
### HIGHLIGHTS

#### RENOVATION OF THE NOGENT-LE-PHAYE PLANT

The construction of a new building in accordance with the LISI Group Charter allowed us to optimize flows and improve automation. The injection, design and assembly workshops have been organized into 'islets' to improve flexibility and facilitate the coordination of line operations. A 3.2 ton mobile crane takes care of lifting and handling moulds and equipment from the maintenance platform to their installations on the press. The press area has been partially renovated. It is adapted to manufacture medium and large series with a capacity of up to 420 tons. Over 85% of assemblies are done on automated machines with 6 degrees of freedom in their robot arms.







49

### **L'Oréal is betting on more accessible products**

L'Oréal is celebrating its centennial but ended its 20-year cycle of double-digit growth. The world leader is betting on more accessible products to weather this difficult time and hopes to see an increase in its growth in emerging markets (Brazil, Russia, India, China... ). 2009 is also, for L'Oréal, the year of its consolidation with YSL Beauté. The group is reorganizing its "De Luxe Products" line by centralizing its production in France and creating a logistical platform in Spain.

### **LISI COSMETICS is sharing in the success of Dior's "J'adore"**

At LVMH, the gains in market share of Christian Dior perfumes and the sales increases for Sephora have allowed them to do reasonably well overall in a very difficult year. Dior is benefiting particularly from the performance of "J'Adore" which is in the "top 3" best selling perfumes in the world, some of whose ingredients were created by LISI COSMETICS.

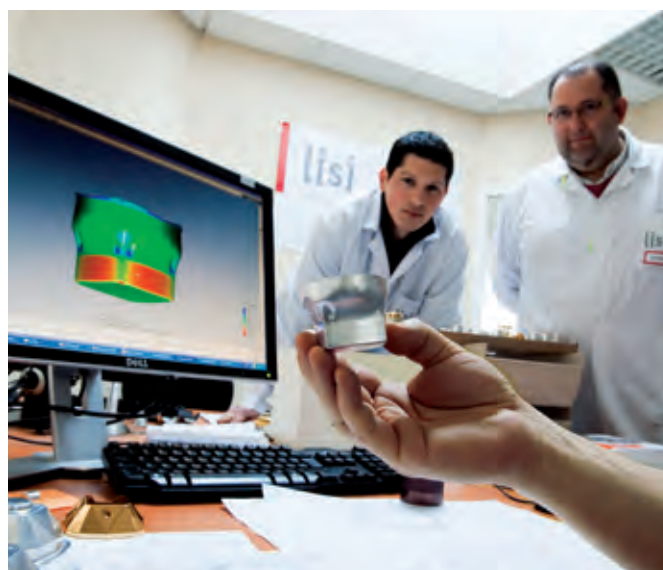
### **Signs of a rebound at year-end**

Procter & Gamble, which has not escaped the slow-down, has applied a policy of austerity, decreasing its consultations and launches, while reducing inventory and costs. LISI COSMETICS nevertheless inaugurated 2 new lines for Procter & Gamble in 2009: "Puma Urban Motion" and "Valentino Eau de parfum".

## **2009 INNOVATIONS**

### **Process simulation at Saint-Saturnin du Limet**

A new software simulation suite allows a much improved definition of tooling and stamping processes throughout LISI COSMETICS in order to greatly reduce development timelines. Designed to optimize and add value to product design, the software allows us to characterize the materials used, then to design and install the best tools possible for the stamping stage.





## HIGHLIGHTS

### A "CLEAN ROOM" AT AURILLAC

To increase production capacity at the site for care and make-up lines, the Aurillac factory has created a "Clean Room" dedicated to silkscreen printing and tampography. The site has also launched an optimization program for internal equipment, particularly in terms of design, gluing and line assembly machines. A 3<sup>rd</sup> generation assembly machine is currently under study.

After a rough start for its major lines, "212 MEN" and "212 SEXY MEN", the PUIG Group met with great success thanks to its line "1 Million" launched in 2008 by Paco RABANNE. By the end of 2009, signs of a rebound appeared and the PUIG Group confirmed our position as strategic supplier by awarding us three major projects.

### Developments under way with Van Cleef & Arpels

The collaboration with the Inter Parfums group is also continuing. After the line derived from Féérie, Inter Parfums awarded LISI COSMETICS the development of the new feminine line Van Cleef & Arpels. At Shiseido, after a steep slow-down, Elie Saab signs on with BPI for the creation and distribution of its perfumes, which should allow us to seize a number of opportunities.

However, certain lines we had put some of our hopes into did not meet with the great results expected. This is the case with the very sophisticated "B" by BOUCHERON (L'OREAL) and "Palazzo" by Fendi, launched in 2007 but whose end has been officially announced by LVMH.

### Care products, a strategic market segment for LISI COSMETICS

During a crisis, the most in-demand perfumes remain "Safe havens". CHANEL N°5, created in 1921, still occupies the coveted N°1 position worldwide.

In 2009, LISI COSMETICS created for this legendary line a new 50 ml rechargeable bottle. We are also continuing our progress in care products with CHANEL, with two significant projects in the segment that have become strategic for LISI COSMETICS.

### New standard-setters

LISI COSMETICS is equally proud to be a contributor to other standard-setting lines, including the emblematic "Acqua di Gio" by Armani, the timeless "Eau Sauvage" by Dior and also "For Her" by Narciso Rodriguez, still at the top of the sales Hit Parade on the European market. Other great lines were completed in 2009, including "Chance Eau Body Care Cream Pot" by Chanel, "Pi Néo" by Givenchy, "Fahrenheit Absolute" by Dior, "Zegna Colonia" in limited edition, "For Her Cruise Collection" by Narciso Rodriguez, the line "Aromessence" and the range of "Aroma night" pots by Decléor, "Strictly Private" by Baldessarini and "Swisso Logical for her" by Zepter.







51

## 2009 INNOVATIONS

### Double overmoldings garnish Armani's "Idole"

— L'Oréal has entrusted LISI COSMETICS with the entire "Idole" product line, which was launched in the spring of 2009. For this haute-couture bottle in "Art-Déco" style, the container itself is a veritable ornament. Two overmoldings and the development of a special galvanizing bath allow it to boast a perfect form gilded in pale gold.

### Strengthening our expertise in colorimetry

— By investing in a powerful software program for calibrating colors, LISI COSMETICS plans to strengthen and improve its expertise in colorimetry. This tool allows us to more precisely and rapidly target exact shades and colors desired by clients. The reduction of development time devoted to color-picking is so significant that, thanks to the reliability of its analyses, the exact target hue is achieved in less than 5 runs. This software tool thus allows us to fully satisfy the high quality requirements of LISI COSMETICS clients, while reducing our environmental footprint.



## HIGHLIGHTS

### CO-DEVELOPMENT ACHIEVEMENTS

LISI COSMETICS gets involved as often as possible as co-developer in the technical production of its clients' projects. The production of "Oriens" for example, the new women's perfume from Van Cleef & Arpels, required state of the art innovations in injection and assembly, as well as a novel design procedure. The development and application of 3 varnishes, green, orange et pink, onto parts made of surlyn, highlights its new precious stone effect. The insert, a metallic silver dome, brings a reflective effect and lends depth to the product as a whole.





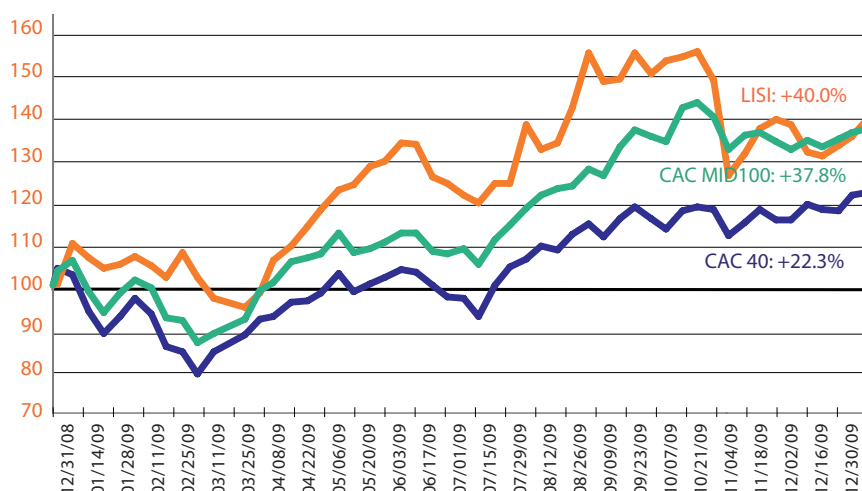
# Stock market data and financial summary

# LISI on the stock market

53

## The stock is rebounding (+40% at €34.30)

Over the year LISI followed, with greater amplitude, the upward trend of the benchmark CAC Mid 100 (+37.8%). The recovery of the stock started in March 2009, reaching a bottom on March 4, 2009 at €19.81 and a high seen on September 11, 2009 at €39.00.



## The stock outperformed all major benchmarks in 2009

In 2009, LISI fared better than the CAC Mid 100, the DJ Stoxx 600 (+28%) and the DJ Stoxx AERO DEFENSE (+25%). The headway over the CAC 40 (+22.3%) is even better.

Over a longer period, this performance is a contrast with the brutal correction of 2008:

	CAC 40	CAC Mid 100	LISI
Over 3 years	-30%	-24%	-47%
Over 5 years	+0.5%	+30%	-28%
Over 7 years	+34%	+125%	+94%

## Volumes down sharply

The float includes 3,633,462 shares, or 34% of all listed shares (10,753,861 shares). The number of shares changing hands in the year elapsed rose to 1,006,542, or a daily average of 4,000 shares or just 28% of the free float traded over 1 year while volumes dealt represented 121% in 2008 and 91% in 2007.

## How the stock has been promoted

The continuously listed FII.FP ticket was promoted by ODDO Corporate Finance through a sales drive equal to approximately 20% of volume. This promotion of the stock allowed more fluidity in low volume sales.

## Coverage of the stock

The stock is covered by 8 brokers that publish periodical research, which ensures a satisfactory level of coverage. The company participated in several investment conferences and road-shows in Amsterdam, Boston, Frankfurt, Geneva, London, Lyon, New York and Paris. Over fiscal 2009, the management of LISI S.A. met more than 160 investors on a total of 20 days.

CHEUVREUX

Kepler | Landsbank

EXANE

Privatbankiers  gegründet 1520  
BERENBERG BANK  
Joh. Berenberg, Gossler & Co. AG

NATIXIS

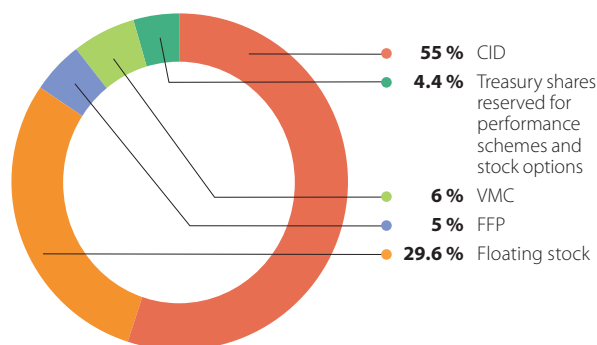
CM - CIC Securities

ODDO MIDCAP

HSBC 

# LSI on the stock market

## Breakdown of share capital



54

## Shareholder representation

The constant updating of information on our shareholders shows that the investor profile has changed little over the period with a strong cohort of investors based in Paris, London and New York including:

- Lazard Frères Gestion (F)
- Oddo Asset Management (F)
- CM CIC (F)
- Fortis Investment Management (GB)
- M&G Investment Management (GB)
- Henderson Global Investors (GB)
- Fidelity (United States)
- Pascal Advisors (CH)
- Zadig (GB)

## LSI shares data sheet

ISIN Code: FR 0000050353  
 Reuters: GFIL.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

## 2010 events

- The AGM will be held on April 28, 2010 on company premises:  
 Tour Gamma A -  
 193 rue de Bercy - 75012 PARIS.
- Dividend payments will be made on May 7, 2010.
- Sales revenue for the second quarter of 2010, as well as half-yearly accounts will be available on line via the company website ([www.lisi-group.com](http://www.lisi-group.com)), on the evening of July 28, 2010.

## Contacts

For any information or documentation:  
 LSI S.A Financial Department  
 Tel: +33 (0)3 84 57 00 77  
 Fax: +33 (0)3 84 57 02 00  
 Email: [emmanuel.viellard@lisi-group.com](mailto:emmanuel.viellard@lisi-group.com)  
 Shareholders, investors, financial analysts and financial and economic press please contact: Mr. Emmanuel Viellard – Deputy Chairman

## Documentation

- Annual report in French and English (hard copy and CD)
- Press releases

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

The company website has been available in French and English for 9 years. The annual report, as well as quarterly bulletins and all regulated information, can be downloaded from the website. Stock market prices are available and are updated daily during market opening hours.

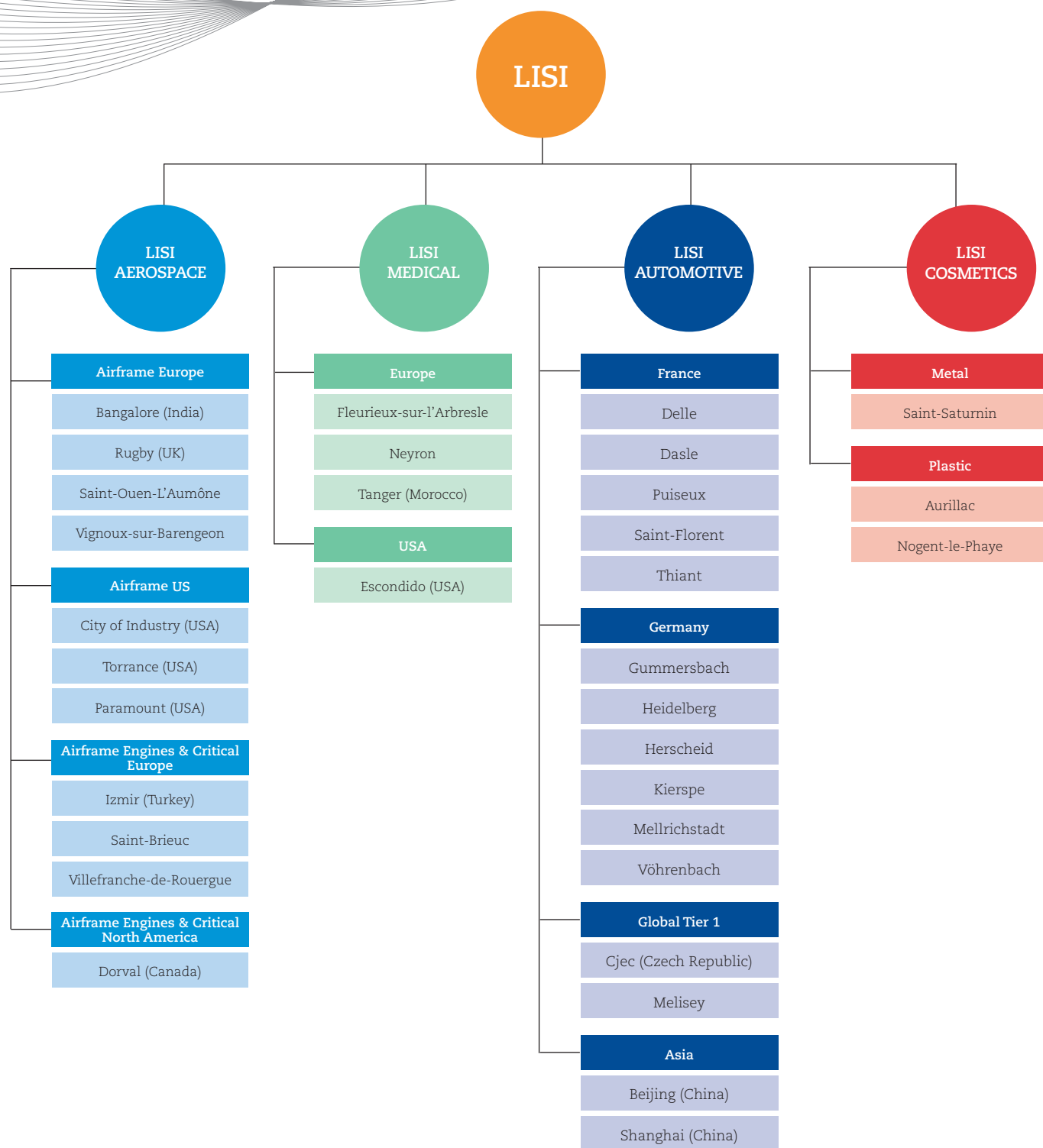
## Market Maker's Contract

The market-making contract complies with the ethical charter of the AFEI and is carried out by:  
 ODDO FINANCE CORPORATE  
 Mr. Eric Bigotteau  
 Email: [ebigotteau@oddo.fr](mailto:ebigotteau@oddo.fr)  
 Tel: +33 (0)1 40 17 52 89





# Organizational chart



# LSI Group consolidated income statement

56

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

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

57



# LSI Group consolidated balance sheet

## ASSETS

In thousand euros

12/31/2009

12/31/2008

### LONG-TERM ASSETS

Goodwill	124,316	139,068
Other intangible assets	13,060	15,715
Tangible assets	258,362	255,984
Long-term financial assets	5,472	4,558
Deferred tax assets	6,901	14,462
Other long-term financial assets	100	141
<b>Total long-term assets</b>	<b>408,211</b>	<b>429,928</b>

### SHORT-TERM ASSETS

Inventories	147,473	201,187
Taxes – Claim on the state	5,219	5,718
Trade and other receivables	103,531	126,939
Other short-term financial assets	63,916	30,222
Cash and cash equivalents	20,582	25,665
<b>Total short-term assets</b>	<b>340,721</b>	<b>389,730</b>
<b>TOTAL ASSETS</b>	<b>748,933</b>	<b>819,660</b>

## TOTAL EQUITY AND LIABILITIES

In thousand euros

12/31/2009

12/31/2008

### SHAREHOLDERS' EQUITY

Capital stock	21,508	21,508
Share premium	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
<b>Total shareholders' equity - Group's share</b>	<b>450,764</b>	<b>457,786</b>
Minority interests	(125)	780
<b>Total shareholders' equity</b>	<b>450,639</b>	<b>458,567</b>

### LONG-TERM LIABILITIES

Long-term provisions	28,463	30,386
Long-term borrowings	76,528	84,399
Other long-term liabilities	1,545	3,096
Deferred tax liabilities	28,934	33,567
<b>Total long-term liabilities</b>	<b>135,470</b>	<b>151,449</b>

### SHORT-TERM LIABILITIES

Short-term provisions	8,069	8,205
Short-term borrowings*	36,432	40,887
Trade and other accounts payable	116,515	156,224
Taxes due	1,807	4,328
<b>Total short-term liabilities</b>	<b>162,823</b>	<b>209,643</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>748,933</b>	<b>819,660</b>
*of which banking facilities	13,495	13,983

# LSI Group consolidated cash flow statement

In thousand euros

12/31/2009

12/31/2008

## OPERATING ACTIVITIES

<b>Net earnings</b>	<b>9,137</b>	<b>56,111</b>
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
<b>Gross cash flow</b>	<b>69,070</b>	<b>103,907</b>
Net changes in provisions provided by or used for current operations	7,642	1,474
<b>Operating cash flow</b>	<b>76,712</b>	<b>105,381</b>
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)
<b>Net cash provided by or used for operations before tax</b>	<b>111,568</b>	<b>115,823</b>
Taxes paid	(7,175)	(31,751)
<b>Cash provided by or used for operations (A)</b>	<b>104,390</b>	<b>84,070</b>

## 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
<b>Total cash used for investment activities</b>	<b>(52,312)</b>	<b>(66,177)</b>
Disposed cash	2,800	
Disposal of consolidated companies	1,500	
Transfer of tangible and intangible assets	456	511
Disposal of financial assets	2	
<b>Total cash from disposals</b>	<b>4,758</b>	<b>511</b>
<b>Cash provided by or used for investment activities (B)</b>	<b>(47,554)</b>	<b>(65,665)</b>

## 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		
<b>Total cash from equity operations</b>	<b>(12,313)</b>	<b>(15,776)</b>
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)
<b>Total cash from operations on loans and other financial liabilities</b>	<b>(14,622)</b>	<b>(17,254)</b>
<b>Cash provided by or used for financing activities (C)</b>	<b>(26,935)</b>	<b>(33,029)</b>
Effect of change in foreign exchange rates (D)	(1,628)	134
Effect of adjustments in treasury shares (D)	826	(9,241)
<b>Changes in net cash (A+B+C+D)</b>	<b>29,099</b>	<b>(23,732)</b>
Cash at January 1 <sup>st</sup> (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)
<b>Closing cash position</b>	<b>71,003</b>	<b>41,904</b>

# Change in LSI Group consolidated shareholders' equity

60

In thousand euros

	Capital stock	Capital-linked premiums	Treasury shares	Consolidated reserves	Conversion reserves	Other income and expenses recorded directly as shareholders' equity	Profit for the period, group share	Group's share of shareholders' equity	Minority interests	Total shareholders' equity
<b>Shareholders' equity at January 1, 2008</b>	<b>21,508</b>	<b>68,353</b>	<b>(7,814)</b>	<b>285,179</b>	<b>(12,495)</b>	<b>3,042</b>	<b>67,553</b>	<b>425,326</b>		<b>425,326</b>
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)										
<b>Shareholders' equity at December 31, 2008</b>	<b>21,508</b>	<b>69,853</b>	<b>(17,090)</b>	<b>336,938</b>	<b>(12,406)</b>	<b>2,752</b>	<b>56,229</b>	<b>457,786</b>	<b>780</b>	<b>458,567</b>
<i>including total products and charges posted for the period (a) + (b) + (c) + (d) + (e)</i>		<i>1,500</i>			<i>89</i>	<i>(290)</i>	<i>56,229</i>	<i>57,528</i>		
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)										
<b>Shareholders' equity at December 31, 2009</b>	<b>21,508</b>	<b>69,853</b>	<b>(16,264)</b>	<b>378,745</b>	<b>(14,662)</b>	<b>2,159</b>	<b>9,422</b>	<b>450,764</b>	<b>(125)</b>	<b>450,639</b>
<i>including total products and charges posted for the period (a) + (b) + (c) + (d) + (e)</i>				<i>(2,109)</i>	<i>(2,257)</i>	<i>(593)</i>	<i>9,422</i>	<i>4,464</i>		



---

# Financial report 2009

---



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](http://www.lisi-aerospace.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](http://www.lisi-medical.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](http://www.lisi-automotive.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](http://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](http://www.lisi-group.com)

**lisi** LINK SOLUTIONS FOR INDUSTRY