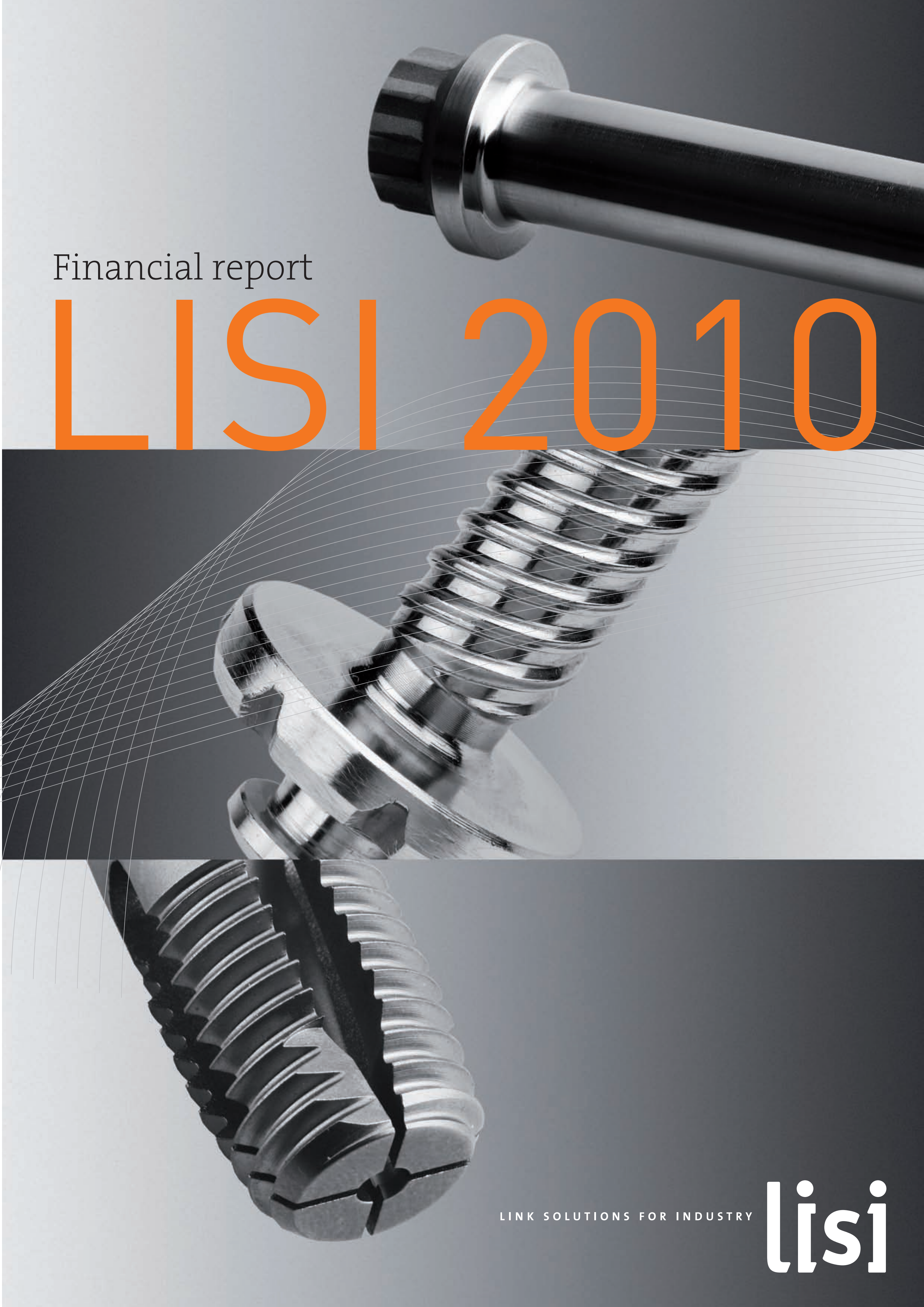
Financial report

LISI 2010



LINK SOLUTIONS FOR INDUSTRY

lisi

Table of Contents

1 General information regarding the company

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

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

Mr. Emmanuel Viellard
Deputy Chairman

1.2 Statement by the person responsible for the annual report

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

Paris, April 19, 2011.

Emmanuel Viellard
Deputy Chairman

1.3 Statutory auditors

Regular auditors:

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

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

Alternate auditors:

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

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

2 - Information policy

2.1 Person responsible for the financial information

Mr. Emmanuel Viellard

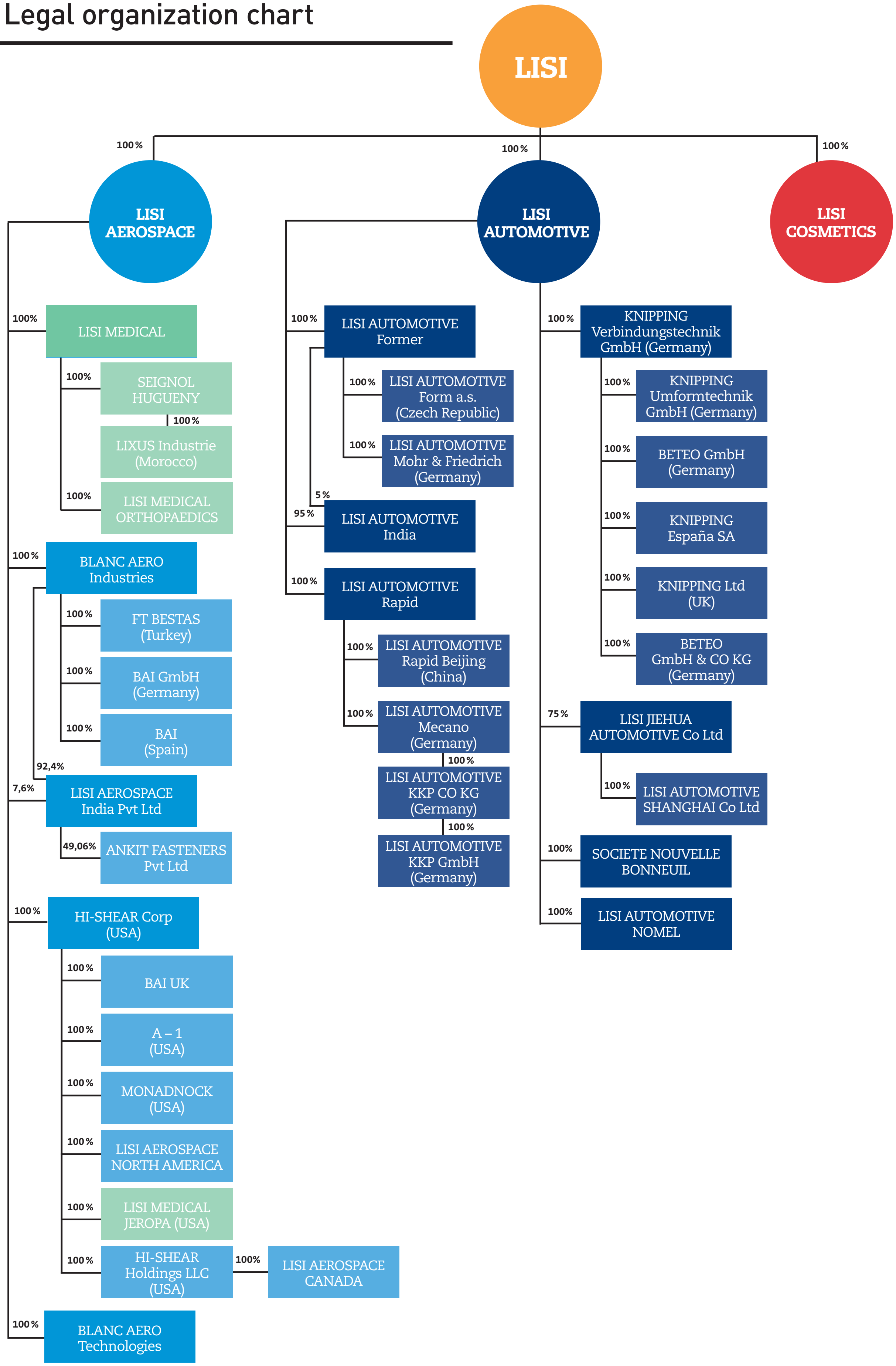
LISI
Le Millenium
18 rue Albert Camus
BP 431
90008 BELFORT Cedex
Tel: : + 33 (0)3 84 57 00 77 / Fax: + 33 (0)3 84 57 02 00
Website: www.lisi-group.com
Email: emmanuel.viellard@lisi-group.com

2.2 Documentation

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

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

3 - Legal organization chart



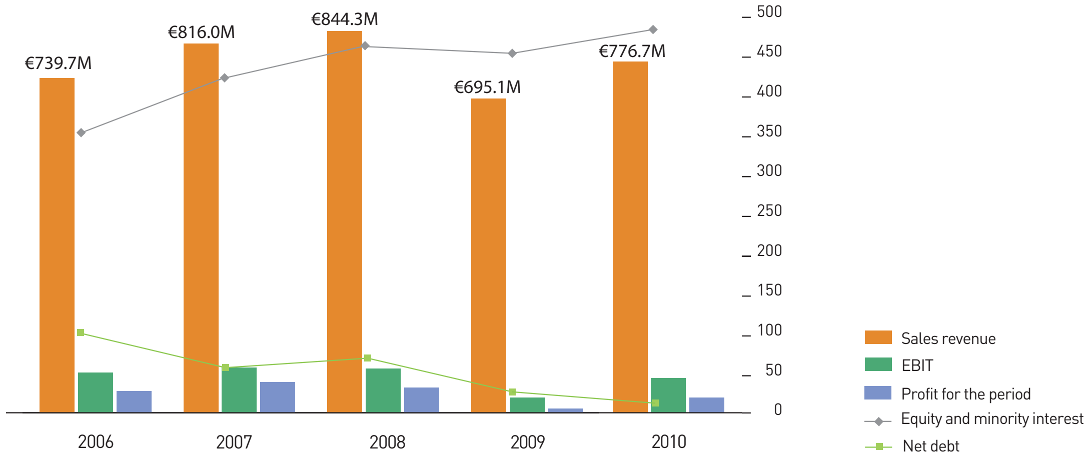
4 - Functional organization chart

LISI

- **LISI AEROSPACE**
  - Airframe Europe
    - Bangalore (India)
    - Rugby (UK)
    - Saint-Ouen-l'Aumône
    - Vignoux-sur-Barengeon
  - Airframe US
    - City of Industry (USA)
    - Paramount (USA)
    - Torrance (USA)
  - Airfraime Engines & Critical Europe
    - Izmir (Turkey)
    - Saint-Brieuc
    - Villefranche-de-Rouergue
  - Airfraime Engines & Critical North America
    - Dorval (Canada)
- **LISI MEDICAL**
  - Europe
    - Neyron
    - Tanger (Morocco)
  - USA
    - Escondido
  - Orthopaedic
    - Herrouville
- **LISI AUTOMOTIVE**
  - France
    - Bonneuil-sur-Marne
    - Delle
    - Dasle
    - La Ferté Fresnel
    - Puiseux
    - Saint-Florent
    - Thiant
  - Germany
    - Fuenlabrada (Spain)
    - Gummersbach
    - Heidelberg
    - Herscheid
    - Kierspe
    - Mellrichstadt
    - Vöhrenbach
  - Global Tier 1
    - Cjec (Czech Republic)
    - Melisey
  - Asia
    - Beijing (China)
    - Shanghai (China)
- **LISI COSMETICS**
  - Metal
    - Saint-Saturnin
  - Plastic
    - Aurillac
    - Nogent-le-Phaye

5 - Key figures

In €m	2010	2009	2008	2007	2006
Sales revenue	776.7	695.1	844.3	816.0	739.7
EBIT	49.5	34.2	98.9	100.1	88.6
Profit (loss) for the period	32.9	9.4	56.2	67.6	48.0
Shareholders' and minority interests' equity	490.3	450.6	458.6	425.3	357.0
Net debt	17.5	28.5	69.4	53.3	105.6

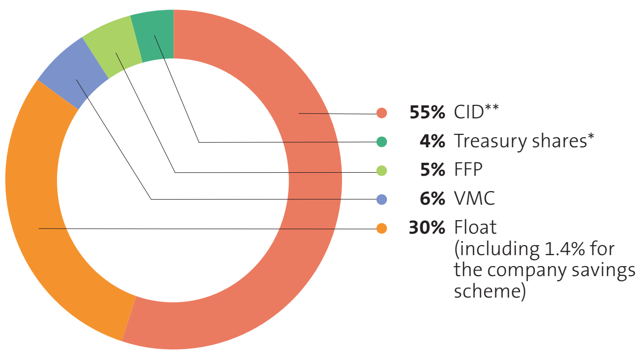


6 - Information about the issuer

6.1 Breakdown of share capital

LISI share datasheet

ISIN code: FR 0000050353
Reuters: GFII.PA
Bloomberg: FII.FP
Compartment: B Eurolist
Stock marketplace: Euronext Paris
Number of shares: 10,786,494
Market capitalization at December 31, 2010: €542m
Indices: CAC® Small, CAC® Mid & Small,
CAC®-All tradable and CAC®-All Shares



* Reserved for the performance share and stock option programs.
** Including direct and indirect holdings:
VMC: 21.20%
FFP: 18.94%
CIKO: 16.78%

Liquidity of the share:

Float capital turnover rate: 24%

Average number of shares traded per day in 2010: 3,353

Month	Closing price	Highest price	Lowest price	Session average	Transaction volume	No of shares traded during month [1]
2008	**€**	**€**	**€**	**€**	**In €'000**	
January	58.67	65.81	49.45	57.63	24,832	445,000
February	60.57	62.50	55.00	58.75	19,492	327,915
March	65.14	67.85	60.50	64.18	12,615	191,137
April	69.30	69.85	64.12	66.99	19,750	293,850
May	68.00	71.90	61.04	66.47	49,970	402,735
June	57.18	69.87	55.01	62.44	31,912	512,824
July	57.63	59.63	51.24	55.44	13,688	220,753
August	55.00	57.63	52.38	55.01	6,065	101,276
September	47.60	56.00	44.00	50.00	17,991	360,169
October	34.79	48.49	26.01	37.25	24,056	639,747
November	29.00	37.75	27.20	32.48	11,046	312,830
December	24.50	28.99	24.06	26.53	3,721	141,218
2009						
January	25.78	29.91	22.61	26.26	3,556	136,223
February	26.48	26.87	21.16	24.02	3,416	135,400
March	23.40	26.10	19.81	22.96	1,316	56,590
April	29.00	29.00	22.70	25.85	2,600	99,291
May	31.80	31.80	26.00	28.90	2,146	71,099
June	30.80	33.50	29.50	31.50	1,564	48,950
July	34.00	34.00	29.15	31.58	2,029	65,596
August	38.20	38.20	31.80	35.00	1,731	48,884
September	37.40	39.00	34.20	36.60	3,036	82,744
October	31.00	38.75	31.00	34.88	3,921	107,449
November	33.49	34.80	30.15	32.48	2,170	64,666
December	34.30	34.30	31.61	32.96	2,923	89,650
2010						
January	38.80	40.00	34.31	37.16	3,041	80,625
February	36.50	39.10	34.13	36.62	1,897	52,303
March	42.15	44.35	36.50	40.43	3,547	88,903
April	46.50	50.00	41.50	45.75	4,331	93,581
May	40.21	48.20	37.01	42.61	3,519	83,674
June	42.40	44.45	39.50	41.98	5,501	133,133
July	45.30	45.46	39.50	42.48	2,524	59,835
August	43.80	45.90	43.00	44.45	1,062	23,889
September	49.81	49.90	43.54	46.72	3,647	76,251
October	50.47	52.40	48.60	50.50	4,456	87,935
November	49.90	52.30	49.42	50.86	1,787	35,509
December	50.29	52.80	49.64	51.22	2,571	49,560
2011						
January	55.00	60.80	50.08	55.44	8,874	155,881
February	59.92	60.30	55.00	57.65	7,751	134,192

(1) Excl. non-system.

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

6.2 History

1777

Frédéric JAPY sets up a watch movement factory in Beaucourt, near Montbéliard.

1796

MIGEON & DOMINE is founded in Morvillars in the Belfort region, later to become VIELLARD MIGEON et 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, Territoire de Belfort. The company quickly begins to specialize in the manufacture of machine-turned screws.

1968

These three family-run businesses (KOHLER, JAPY and VIELLARD) merge to form a company called GFD [1], thus becoming France's foremost manufacturer of standard and automotive nuts and bolts. The three founding families are still today the shareholders of CID (Compagnie Industrielle de Delle), owning a controlling stake of 55% in the LISI Group.

1977

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

1989

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

1990 / 2000

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

2002

To better delineate its specialist areas, GFI Industries became LISI, (LInk Solutions for Industry), with each of the three divisions taking this name plus the name of its main business sector: LISI AEROSPACE, LISI AUTOMOTIVE and LISI COSMETICS.
The strategy of focusing on Core Business continues:

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

2004

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 Aerospace 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), specializing in dental implants,
- SEIGNOL and INTERMED Application (Neyron – France) and LIXUS (Tangiers – Morocco), specializing in subcontracting of dental and orthopaedic implants.

2008

LISI AUTOMOTIVE increases its presence in China and India with the creation of a second manufacturing plant in Shanghai dedicated to making threaded fasteners for the automotive industry.

2009

On April 1, 2009, the Group sold KNIPPING subsidiary SDU (25 €M turnover), which specialized in distributing technical products to mines and industry in Germany and Poland.

2010

The Group returned to external growth with two major acquisitions:

- Acquisition by LISI AUTOMOTIVE of two French sites from the American Group, Acument Global Technologies, specializing in the manufacture of fasteners for the automotive industry.
- Purchase by LISI MEDICAL of a site producing hip replacements from the American Group, Stryker Corporation, a leading global provider of medical technologies. The agreement is accompanied by a five-year supply contract.

(1) Générale de Forgeage et Décolletage

6.3 Company name – Registered Office and Legislation

Company name and head office

LISI S.A .– Le Millenium – 18 rue Albert Camus – 90008 BELFORT Cedex

Legal form of the issuer and applicable legislation

"Société Anonyme" (public limited company) governed by French legislation.

Place and number of registration

• R.C.S.: BELFORT 536 820 269
• Code NAF : 7010 Z

6.4 Incorporation and term - Articles of Association

Incorporation and term

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

Purpose

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

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

Financial Year

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

Specific statutory clauses

Article 17 – Distribution of earnings

• Out of the distributable profit, all amounts the Shareholders' General Meeting shall decide to carry forward to the next year or allocate to the creation of extraordinary, contingency, or other funds, with or without a special allocation, shall be withdrawn first. The remainder is distributed between the shareholders, in proportion to the share capital held.

• Each shareholder may be granted the option of receiving payment in cash or in shares under the terms provided for by law, for all or part of the dividend or the advance on the dividend distributed.

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

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

• The Shareholders' Meeting is composed of all the shareholders, regardless of the number of shares they own, provided that the shares are fully paid-up. The right to attend in person or to be represented by proxy is subject:

1. For registered shareholders, to the registration of their shares in a pure or administered personal account at least 5 days before the date of the Meeting;
2. For holders of bearer shares, if any exist, to the submission within the same period of time, of a certificate established by the authorized proxy acknowledging the unavailability of the shares registered in the account until the date of the Meeting.

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

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

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

1. All fully paid-up shares registered in the name of the same shareholder for at least four (4) years;
2. All shares allocated free of charge to shareholders as part of a capital increase carried out through the incorporation of reserves, profits or issue premiums, up to the number of existing shares for which they are entitled to such double voting rights.

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

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

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

Article 9 – Disclosure Requirements

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

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

- The company's shares are indivisible.

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

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

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

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

6.5 Consultation of corporate documents

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

2 Financial situation

1 - Overview of the main activities

1.1 LISI AEROSPACE

€281.0M
SALES REVENUE

2,988
STAFF

€17.6M
INVESTMENTS

Activity

Fasteners and assembly components for the aerospace

Key products

Airframe

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

Engine

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

Special parts

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

Racing

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

Customers

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

Competitors

Alcoa Fastening Systems ;
Precision Castpart Corp.

1.2 LISI MEDICAL

€42.7M*
SALES REVENUE

483
STAFF

€2.6M
INVESTMENTS

Activity

Medical implant and ancillary parts sub-contractor

Key products

LISI MEDICAL SEIGNOL - HUGUENY

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

LISI MEDICAL JEROPA

Dental and spinal implants.

LISI MEDICAL ORTHOPAEDICS

Reconstructive implants (hip, knee, elbow joints) and related auxiliary parts.

Competitors

Accelent ;
Greatbatch ;
Marle ;
Symmetry.

* including 4 months of LISI MEDICAL Orthopaedics.

1.3 LISI AUTOMOTIVE

€401.3M*
SALES REVENUE

3,200
STAFF

€29.6M
INVESTMENTS

Activity

Automotive fasteners and assembly components

Key products

Threaded fasteners

Screws, nuts and washers for: engines and engine housings, chassis, suspension, vehicle interiors and electrical connections.

Clip solutions

Metal and plastics for: pipes and cables, interior and exterior trim, body in white and multipurpose subassemblies for the automotive and manufacturing industry.

Mechanical safety components

For: seatbelts, seat mechanisms, disc brakes, airbags, engines and gearboxes.

Customers

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

Competitors

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

* including 9 months of the 2 Acument plants of Bonneuil and La Ferté Fresnel.

1.4 LISI COSMETICS

€52.8M
SALES REVENUE

417
STAFF

€1.5M
INVESTMENTS

Activity

Assembly and packaging components for fragrances and cosmetics.

Key products

Carolina HERRERA's 212 Men and 212 VIP (PUIG)
Paco Rabanne's Lady Million (PUIG)
ARMANI'S Acqua di Gio (L'OREAL)
CHANEL's Bleu
CHANEL's Coco Mademoiselle
CHANEL's N°5
DIOR'S J'Adore (LVMH)
VAN CLEEF & ARPELS' Oriens (INTER PARFUMS)
Narciso RODRIGUEZ' Narciso for her (SHISEIDO)

Customers

Chanel ;
Puig ;
LVMH ;
Shiseido ;
L'Oréal ;
Procter & Gamble ;
Clarins ;
Hermès Parfums.

Competitors

Albéa ;
Ileos ;
Qualipac ;
Rexam Beauty ;
Seidel ;
Texen.

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

2.1 LISI Consolidated

Year ended December 31,		2010	2009	Change
Main income statement elements				
Sales revenue	€m	776.7	695.1	+ 11.7%
EBITDA	€m	95.7	87.8	+ 9.0%
EBITDA margin	%	12.3	12.6	- 0.3 pts
EBIT	€m	49.5	34.2	+ 44.7%
Current operating margin	%	6.4	4.9	+ 1.5 pts
Earnings attributable to holders of company equity	€m	32.9	9.4	x 3.5
Diluted earnings per share	€	3.19	0.92	x 4
Main cash flow statement elements				
Operating cash flow	€m	79.5	76.7	+ 3.6%
Net industrial investments	€m	- 50.6	- 49.0	+ 3.3%
Operating free cash flow (FCF)	€m	54.8	51.3	+ 6.9%
Main financial structure elements				
Net debt	€m	17.5	28.5	- 38.6%
Net indebtedness ratio on equity		3.6%	6.3%	- 2.7 pts

Sales revenue was bolstered by a good performance in the automotive division, improving market conditions within the aerospace sector towards the end of the period and significant changes in consolidation scope.

The increase of 11.7% in consolidated sales revenues to € 776.7m for the 2010 financial year represents a clear recovery from the crisis year of 2009. This takes into account a 3.5% organic growth rate and the acquisition of 2 automotive sites from the Acument Group and a medical site from the Stryker Group. This trend gained traction throughout the year as the gradual recovery in Aerospace business took effect, while the Automotive Division maintained its good business levels. The Group also benefited from excellent performance in both Medical and Fragrance & Cosmetics.

	LISI AEROSPACE*	LISI AUTOMOTIVE	LISI COSMETICS	LISI Consolidated
Q1	- 27.2%	+ 37.8%	+ 10.8%	- 0.9%
Q2	- 17.8%	+ 37.6%	+ 65.3%	+ 10.0%
Q3	- 2.1%	+ 22.1%	+ 70.6%	+ 12.9%
Q4	+ 29.8%	+ 21.6%	+ 46.8%	+ 26.6%
2010	**- 7.4%**	**+ 29.3%**	**+ 46.3%**	**+ 11.7%**

* the figures for the LISI AEROSPACE Division also include those of the LISI MEDICAL Division

Therefore, LISI AUTOMOTIVE accounted for the majority of Group sales, with 52% of consolidated sales revenue, LISI AEROSPACE's contribution falling to 42% of the total and that for LISI COSMETICS being 7%. Business in the implants field more than doubled in 2010 to €42.7m (as compared with €18.7m in 2009), which was 5% of the total.

The respective divisions' contributions are as follows:

(In €m)	LISI AEROSPACE*		LISI AUTOMOTIVE		LISI COSMETICS		LISI Consolidated	
Q4	€92.4m	44%	€103.8m	49%	€13.9m	7%	€209.8m	100%
Financial 2010	€323.7m	42%	€401.3m	52%	€52.8m	7%	€776.7m	100%

* the figures for the LISI AEROSPACE Division also include those of the LISI MEDICAL Division.

The LISI Group continues to pursue its strategy of strengthening relations with major customers, thereby following the existing trend towards concentration within its major markets. The Group's top 5 customers represent 32% of the total and around 80% of sales revenue comes from its 90th customer.

Highlights of the period

- External growth projects announced in 2009 were finalized in 2010 with the integration of:
  - 2 Acument Group sites on April 1, 2010, generating €34.6m of sales revenue over 9 months for the LISI AUTOMOTIVE division.
  - 1 Stryker Group site on September 1, 2010 which boosted LISI MEDICAL's sales revenue by €21.2m (counted as part of the LISI AEROSPACE division).

- The continuation of an ambitious investment program. Maintained at almost €50m per annum during the two years of economic crisis, it was primarily aimed at improving manufacturing conditions and new projects:
  - The concentration of LISI AUTOMOTIVE manufacturing sites continues apace with the closure of the tooling plant at Grandvillars (Territoire de Belfort) (to be set up in Lure (Haute-Saône)) and the gradual move of the Bonneuil (ex Acument) site to Puiseux (Val-d'Oise).
  - With local municipal support, the materials preparation site at Grandvillars (Belfort) will be completely renovated in order to accommodate the significant increases in capacity as well as the headquarters of LISI AUTOMOTIVE in the 3rd quarter of 2012.

2010 Financial Results: significant improvement in all management indicators and considerable surplus operating cash flow

Under the impact of increased sales, the absorption of fixed costs automatically improved the overall results, notwithstanding a sharp drop in the contribution from LISI AEROSPACE. EBIT was up 44.7% at €49.5m. The operating margin was also up 1.5 points as compared with 2009, with a marked improvement in the second half-year, 7.6%, as compared with 5.6% for the comparative period in the 2009 financial year. This favorable trend is explained by LISI AUTOMOTIVE's strong performance and the progress posted by LISI AEROSPACE from the low point reached in the first half. Notable were increased depreciation costs of €45.8m, as compared with €43.6m in 2009, which were more than compensated for by the drop in operating provisions (inventory, customers, etc).

Following very limited non-current charges (-€1.1m in 2010, compared with -€12.0m in 2009) and moderate net financial charges (-€0.9m in 2010, compared with -€5.3m in 2009) as a result of the Group's complete clearance of debts, net income was 3.5 times higher than that for 2009 at €32.9m, i.e. 4.2% of sales revenue, compared with 1.4% the previous year.

Earnings per share in 2010 reached €3.19 per share, as compared with €0.92 in 2009.

The second half therefore showed rising net income at 5.3% of sales revenue, compared with 3.2% in the first half.

The Group completed its debt clearance on December 31, 2010 while catching up with external growth

Cash flow in 2010 kept at 10.2% of sales revenues, at €79.5m (€76.7m in 2009). Rationalization of requirements for working capital continued, again in 2010 releasing €25.9m in resources, which was 9.7% more than in 2009. Working capital requirements as at December 31, 2010 represented €173m, which was 22% of the 2010 sales revenues as against €172m in 2009, which was 25% of sales revenues.

Industrial investments represented €50.6m, i.e. 6.5% of sales revenue in 2010 compared with €49.0m or 7.1% in 2009. The most significant projects were as follows:

- For LISI AUTOMOTIVE: The purchase of the Puiseux site (Val-d'Oise), the building of the Delle II logistics site, renovation and expansion of the plant in the Czech Republic, increased capacity in Germany and China and the successful deployment of the Movex ERP.
- For LISI AEROSPACE: Investments allocated for the development of new A350 components in Saint-Ouen l'Aumône (Val-d'Oise) the deployment of the new screws division in Torrance (USA) and the new LISI MEDICAL plant at Neyron (Ain) in France.

As a result the Group had a very high Free Cash Flow of almost €55m for the second consecutive year: at €54.8m, it represented 7.1% of sales revenues, above the Group average, which is around 5%.
In this way the Group brought its net borrowings under the €20m mark for the first time, while making €42.0m of strategic financial investments: the acquisition of the two LISI AUTOMOTIVE sites and the LISI MEDICAL site, which represent total annualized sales revenues of over €90m and goodwill of only €25.2m.

At €17.5m as at December 31, 2010, net borrowings did not represent more than 3.6% of shareholders' equity, as against 6.3% in 2009.

Total capital employed by the Group therefore rose from €515.8m to €561.2m including the above-mentioned increase in goodwill. The return on capital employed was 10%, as compared with 6.8% at the end of 2009.

The Group therefore justifies its ambitious industrial and financial investment policy in an environment which, in spite of a gradual upturn in activity, remains tough.

Overview: gradual overall improvement

The upsets encountered since the second half of 2008 and throughout the last two years have slowly diminished. During this period, the

Group, on account of its organization and positioning, benefited from the counter-cyclical nature of the automotive and aerospace markets, which reduced the drop in sales. If a question mark remains as to developments in the USA, a gradual normalization is expected in 2011.

The automotive market has already recovered and should maintain a similar level to last year. JD Power predicts a stable European market (down 2%), ensuring gentle growth at LISI AUTOMOTIVE's clients in terms of production. These factors should benefit from a certain dynamism within the American markets which could see a rise of up to 10% and the Chinese markets whose predicted growth is set anywhere between 0 and 10%, as for all the other emerging markets (Russia, India, Brazil). LISI AUTOMOTIVE ought to also benefit from the increased impact of its new products. The current economic fragility, however, requires remaining vigilant, especially in light of the expected rise in raw material prices.

The outlook for the aerospace market remains mixed, with continuing uncertainty in the USA and a definite rebound in Europe. The overall level of orders placed with LISI AEROSPACE for the last few months of 2010 was generally above 1.0 but only for Europe, leading to speculation that 2011 marks the start of a sustained resurgence in this area in the wake of Airbus. On the other hand, US growth is not set to really take off until the relaunch of the B787 program and once distributors' inventory hits lower levels.

The medical segment will from January 1, 2011 become an operating segment in the meaning of the IAS 14 accounting standard, following the incorporation of LISI MEDICAL Orthopaedics. The combined contribution should exceed the €70m of sales revenues for the coming financial year.

Finally, on February 8, 2011, the Group announced that it had granted the POCHET Group exclusive negotiation rights for the disposal of LISI COSMETICS. This activity will therefore be accounted for as an asset held for sale, in accordance with financial standard IFRS 5, as of January 1, 2011.

The 2011 financial year will still be one of transition while the Group awaits the full recovery of the global aerospace market. Nevertheless, the Group confirms its growth ambitions in each of its businesses and its wish to get back to the profitability levels prior to the 2008/2010 crisis.

With this in view, the management and investment efforts will be kept up.

2.2 LISI AEROSPACE

Activity summary

In €m	2010	2009	Changes
Sales revenue	323.7	349.5	- 7.4%
EBIT	21.1	47.6	- 55.6%
Operating cash flow	34.8	61.8	- 43.7%
Net industrial investments	- 20.2	- 26.3	- 23.2%
Registered employees at period end*	3,471	3,333	+ 4.1%
Full time equivalent head count**	3,441	3,510	- 2.0%

* including LISI MEDICAL
** Including temporary employees

Stabilizing sales in aerospace during second half, positive impact of the acquisition of LISI MEDICAL Orthopaedics

The 7.4% drop in sales revenue to €323.7m in comparison with 2009 is largely down to the aerospace sector alone, whose sales revenue fell by 15.1% to €281m; this trend was not entirely rectified by LISI MEDICAL's growth to €42.7m (of which €21.2m came from LISI MEDICAL Orthopaedics alone) as compared with €18.7m in 2009.

Analysis of this trend shows in the aerospace division alone there were the beginnings of a recovery within the division by the end of the year: after a sharp drop in the first half of -24.5%, of which -29.2% in the US, the second half stabilized, down just -2.2%, with the last quarter showing a 6.5% increase. On the other hand with stable scope and exchange rates, total sales revenue fell by 16.2%. Exchange rate effects over the period made a positive impact of 5% in the analysis of falling US sales revenue, i.e. down -15.4% in euros and -20.1% in dollars. In Europe, sales fell by a similar margin, down -14.8% with an upturn in the final quarter of +5.4%, heralding the first rise in two years.

It was only towards the end of the financial year 2010 that there was an upturn in LISI AEROSPACE product orders from the major manufacturers.

Boosted by net increases in international air traffic (+8.2% for 2010 as a whole, after its historic collapse in 2009), airlines regained some room for financial maneuver with accrued profits of around USD15 billion[1].

1 Source : IATA

Commercial aircraft orders were therefore up, with 530 aircraft for Boeing (net of cancellations) and 574 for Airbus. Delivery schedules eased off slightly at Boeing with 462 aircraft (compared with 481 in 2009) and were up at Airbus with 510 aircraft (compared with 498 in 2009), the latter figure marking a record high.

On the other hand, certain issues continue to hamper the market:
- A380 schedules are running below target, with 18 aircraft in 2010, compared with a planned 20, and 24 scheduled for 2011).
- The B787 program is still pending approval with a concomitant delay which has stopped the entire supply chain in its tracks.
- Regional aircraft schedules remain slow;
- American fastener distributors are still experiencing falling stock levels.

Signs of an upturn in the aerospace market at year-end in Europe only

For all products in the sector upstream of the assembly process, demand only picked up towards the end of the period, and only in Europe, while LISI AEROSPACE is yet to see any signs of an upturn in the US.

Orders in Europe were showing a book-to-bill ratio of above 1 for the fifth month running, much of which was significantly impacted by new products for the A350. Uncertainly still reigns in the US, with a stable book-to-bill ratio of 1 in Q4, although posting only 0.8 for the financial year 2010 as a whole.

The order book showed a net upturn in Europe with a subsequent rise at Airbus, although this trend was not felt in the US until the end of the period at Boeing. Certain aircraft manufacturers were still experiencing a significant downturn. The impact of this on orders was that those destined for Airbus were down -1%, those for Boeing -22% while those for regional aircraft manufacturers were down by as much as -30%.

The medical segment benefited from the rising market and from the acquisition of the Stryker Group's Hérouville Saint-Clair plant (Calvados) which is now home to LISI MEDICAL Orthopaedics. This specialist hip-replacement prosthesis manufacturing unit was off to a flying start with the setting up of inventory with Stryker, a major customer at this stage. The existing structure of LISI MEDICAL, which is active in the dental, spinal and maxillary-facial segments, saw its sales revenue rise 13.3% over the financial year.

Awaiting the return of the bull…

The division saw no alteration to its fixed costs (-4.5%) at the height of the drop in activity which, in manufacturing terms, fell by -7.3%. Variable costs, which should automatically have fallen, also show no obvious signs of adjustment under the inflationary pressures on wages, sub-contracting and commodities. With regard to wages, the division has maintained overcapacity potential in order to handle the predicted upturn.

1 Source : IATA

In order to maintain its skills and knowledge base and to be able to offer customers the best possible service, LISI AEROSPACE recorded a -€32.4m fall in variable cost margins, of which €10.6m are due to the drop in manufacturing volumes and -21.8% to available overcapacity.

Current operating profit went from €47.6m (13.6% of sales revenue) in 2009, to €21.1m (6.5% of sales revenue). The fall in production volumes alone, at €55m, made a €27.9m impact on the fall in current operating profit. A breakdown of contributions by geographical area shows that Europe accounted for the greater part of income, completed by the Medical segment while the US merely broke even.

Cash flow of €34.8m allowed for the financing of investments of up to €20.2m, distributed as follows:
- €10.6m was spent on the European platform for developing new products for the A350;
- €6.9m in the US for the setting up of a performance nuts production unit;
- €2.7m for the LISI MEDICAL division, mainly for the new plant in Neyron, Ain.

WCR variation was down €3.0m due largely to an increase in inventory (€1.5m) in anticipation of the upturn and certain advance manufacturing supplies (+€1.7m on commodities).

Free cash flow generation remained largely positive at €11.6m in 2010 (compared with €36.9m in 2009).

Outlook

The weakness in the American market is set to continue as per the last quarter of 2010 right throughout 2011 while awaiting an upturn in the B787 program, improved schedules at Boeing planned to begin in August 2011 and early 2012 as well as the end of depletion with the suppliers.

In Europe on the other hand, things are looking brighter, as business is set to pick up from the start of the financial year 2011 with the scheduled delivery of a significant volume of components for the A350.

In 2011 the LISI MEDICAL segment will be an entirely separate division in accordance with accounting standard IAS 14, with a projected sales revenue of around €70m.

2.3 LISI AUTOMOTIVE

Activity summary

In €m	2010	2009	Changes
Sales revenue	401.3	310.4	+ 29.3%
EBIT	25.1	- 15.5	
Operating cash flow	42.9	9.0	
Net industrial investments	- 29.6	- 20.4	+ 44.6%
Registered employees at period end	3,200	2,821	+ 13.4%
Full time equivalent head count*	3,171	2,533	+ 25.2%

* Including temporary employees

LISI AUTOMOTIVE's strong 29.3% growth in sales revenue took totals to €401.3m, close to the 2007 record (€407.1m), and is down to two factors:

- changes in consolidation scope as of April 1, 2010 with the inclusion of the two newly-acquired Acument Group sites. These two factories contributed up to €34.6m, i.e. 8% of growth;
- the right level of divisional customer production. Business activity showed similar growth rates of +49.7% in China, +25.8% in Germany, +18.2% including international parts manufacturers, and +16.9% in France.

With stable scope and exchange rates, sales were up 21.2% on the year, whereas for 2009 they fell almost 15% in comparison with 2008. Contrary to market forecasts, the financial year 2010 showed evidence of a solid performance throughout, with growth actually up +9% in the final quarter with stable scope and currency rates.

A good overall performance for all the markets

Outside of Western Europe, the markets are looking bullish with a new record year for China, which saw sales of 18.1m vehicles. European vehicle registrations for the 27 EU member states+ EFTA are down -4.9% compared with the -9% forecast at the start of the year, largely due to a 23.4% drop in the German market. Falling sales were palliated by the residual effect of car scrappage schemes, particularly in France (-2.2%). On the other hand the division estimates that customer manufacturing was up 10.6% (sustained by the substantial upturn in German manufacturing (export) and French manufacturing (increased European market share). The Group therefore notes that its business activity levels are linked less to European vehicle registrations, and more to its customers' global manufacturing.

Manufacturing customers are showing a clear trend towards developing their manufacturing bases in areas with strong market growth such as Russia, China and South America. Similarly, the highest-ranking parts manufacturers, who account for more than 25% of LISI AUTOMOTIVE's sales revenue, are strengthening their positions following manufacturers going into these areas.

In terms of business development, orders taken for new products in 2010 were fairly high at 13.4% (annualized sales revenue for new products/sales revenue 2010). Such developments were especially prevalent amongst German manufacturers, international parts manufacturers and in China.

A true reversal of management indicators

After the very tricky financial year 2009, the 2010 upturn was remarkable, with over €40m variance of the current operating profit level, reflecting the following major trends:

- a significant volume effect (+€25.2m);
- increased production (+€7m);
- increased productivity (+€11m).

They have largely compensated for the negative effect of absorbing costs of up to €-5.5m in order not to pass on to customers the cost of inflation in commodities prices seen from the second quarter of 2010 onwards, just after sales prices started falling to catch up with purchase costs in 2009.

Revenue from new sites at Ferté-Fresnel (Orne) and, to a lesser extent, Bonneuil-sur-Marne (Val-de-Marne) brought in an additional €1.6m, almost entirely offset by heavy maintenance works on a heat treatment furnace (-€1.1m). The remainder is attributable to the improved provisions and depreciation balance.

An analysis of fixed and variable costs shows that the adjustment of the variable cost margin exceeded 40%. There was also a focus on managing fixed costs, which only increased by +5% on a like-for-like basis for a production increase of +32.8%. The financial year therefore reaped the benefits of 2009's reduced costs, without however attaining the operating revenue levels seen in 2007.

Exceptional cash flow generation

At almost €43m (as compared with €9m in 2009), operating cash flow reached 10.7% of sales revenue. Working capital requirements were down by €13.9m, despite the managed increased in inventory (€7.3m) of which €4m was attributable to commodities. As of December 31, 2010, inventory represented 66 days of sales revenue as compared with 68 in 2009, despite the inclusion of acquisitions and increased business activity. This management performance was made possible

1 EFTA: European Fair Trade; Source: European Automobile Manufacturers' Association

due to the ACE productivity initiative, the Lean Manufacturing system and production streamlining.

Recorded investments in 2010 reached €29.6m (€20.4m in 2009), including:

- the acquisition of the Puiseux (Val-d'Oise) site building for around €5m;
- the construction of the Delle II logistics infrastructure for €2.4m;
- the development of new products for parts manufacturers for €3.6m;
- the extension of capacity in Germany for €5.1m and in China for €1.6m;
- the continued Movex ERP deployment exercise for €4.2m.

Having taken into account all of these elements, free cash flow reached a record high of €27.3m and return on capital employed was up on 2009.

Staffing levels increased by 13.4% to 3,200 workers (2,821 in 2009), i.e. 3,171 full-time equivalents (including temporary employment agency staff), whereas in 2009, after resorting to short-time working, the division adjusted its staffing levels to 2,533. Flexibility therefore reached 25.2% over 12 months.

Outlook

JD Power predicts that with the end of the vehicle scrappage scheme, the European market in 2011 (27 member states + EFTA) will be slightly down, but with a level of uncertainty that remains high. Conversely, the US markets will bounce back (up by as much as 10% according to the same sources). The Brazilian (+11%), Indian (+15%) and Russian (+17%) markets should also sustain demand. The overall situation should therefore ensure that LISI AUTOMOTIVE customers maintain comparable or higher performances to those in 2010.

2.4 LISI COSMETICS

Activity summary

In €m	2010	2009	Changes
Sales revenue	52.8	36.1	+ 46.3%
EBIT	3.9	- 3.2	
Operating cash flow	5.9	- 0.6	
Net industrial investments	- 1.5	- 2.1	- 29.4%
Registered employees at period end	417	429	- 2.8%
Full time equivalent head count*	465	397	+ 17.1%

* Including temporary employees

Strong market recovery

According to Bain & Cie, the luxury or exclusive cosmetics market grew by over 10% in 2010. The cosmetics segments remained the most dynamic, but perfumes also saw perceptible growth. Final market recovery, boosted by industry-wide restocking, generated high demand for packaging.

This demand sprang largely from the great classics and from the few significant launches during the year, while new products linked to secondary names or brands were less in evidence.

This has led to a number of new products released at a rate of around 12 per month, focused on major projects which ultimately represent over 20% of annual sales revenue.

The order book continued to grow throughout the year, and in December exceeded €40m compared with €20m in December 2009. Sales revenue for the financial year 2010 practically doubled, culminating at €52.8m (€36.1m in 2009).

Constantly improving management indicators throughout the year

After 2 rather tricky months at the start of the period, the division demonstrated remarkable responsiveness, accelerating throughout the financial year. The operating margin for the second half was 9.5% compared with 5% for the first half.

This was a consequence of the efforts made in previous years to improve operating conditions and to modernize and streamline automation at the three manufacturing sites of Aurillac (Cantal), Nogent-le-Phaye (Eure-et-Loir) and Saint-Saturnin-du-Limet (Mayenne) which ensured they could meet the challenge of rising sales revenues by +46.3% and manufacturing revenues by +50%.

Productivity was a key factor in this successful turnaround as staffing levels only increased by 17.1% (including temporary employment agency staff). Under overtime pressures, payroll was up 24.5%.

Negative operating income in 2009 (-€3.2m) was therefore completely offset in 2010 (+€3.9m).

Outlook

The overall prospect remains very bright, with very high activity levels expected for 2011.

On February 8, 2011, the LISI Group announced that it had granted the POCHET Group exclusive negotiation rights for the disposal of LISI COSMETICS. This activity will therefore be accounted for as an asset held for sale, in accordance with financial standard IFRS 5, as of January 1, 2011.

3 Consolidated financial statements

1 - Financial statements

1.1 Income statement

In €'000	Notes	12/31/2010	12/31/2009
Pre-tax sales	2.6.1	**776,689**	**695,071**
Changes in stock, finished products and production in progress		3,699	(26,427)
Total production		780,388	668,644
Other revenues *		15,395	7,428
Total operating revenues		**795,783**	**676,072**
Consumption	2.6.2	(214,169)	(171,505)
Other purchases and external charges	2.6.3	(160,810)	(127,823)
Value added		**420,803**	**376,743**
Taxes and duties **		(6,459)	(10,260)
Payroll expenses (including temporary employees)	2.6.4	(318,679)	(278,705)
EBITDA		**95,665**	**87,779**
Depreciation		(45,798)	(43,577)
Net provisions		(399)	(10,013)
EBIT		**49,467**	**34,188**
Non-recurring operating expenses	2.6.6	(1,600)	(12,473)
Non-recurring operating revenues	2.6.6	526	500
Operating profit		**48,393**	**22,214**
Financing expenses and revenue on cash	2.6.7	**(2,517)**	**(4,197)**
Revenue on cash	2.6.7	*430*	*326*
Financing expenses	2.6.7	*(2,947)*	*(4,524)*
Other interest revenue and expenses	2.6.7	**1,592**	**(1,080)**
Other financial items	2.6.7	*13,135*	*4,433*
Other interest expenses	2.6.7	*(11,543)*	*(5,513)*
Taxes **	2.6.8.1	(14,704)	(7,800)
Profit (loss) for the period		**32,764**	**9,137**
Attributable to company equity holders		32,924	9,422
Minority interests		(161)	(285)
Earnings per share (in €)	2.6.9	**3.19**	**0.92**
Diluted earnings per share (in €)	2.6.9	**3.19**	**0.92**

* In order to provide readers of the financial statements with better information and in accordance with international standards, in the 2010 financial statements the Company has continued the classification of revenues related to CIR (Research Tax Credit) as "Other Revenues".

** The line item "Taxes and duties" in 2010 includes CET (Temporary Extraordinary Tax), whereas in 2009 it included the entire professional tax. As at December 31, 2010, in accordance with the CNC (National Accounting Committee) notice of January 14, 2010, the amount of CVAE (Tax on Companies' Added Value) was classified as "Corporate Taxes" (on profits) in the sum of €3.4m.

STATEMENT OF OVERALL EARNINGS

In €'000	12/31/2010	12/31/2009
Profit (loss) for the period	**32,764**	**9,137**
Other elements of overall earnings		
Exchange rate spreads resulting from foreign business	12,324	(2,271)
Tax burden on other portions of total income	-	-
Other portions of total earnings, after taxes	**12,324**	**(2,271)**
Total overall income for the period	**45,088**	**6,866**
Attributable to company equity holders	45,194	7,165
Minority interests	(106)	(299)

1.2 LISI Group financial situation

ASSETS

In €'000	Notes	12/31/2010	12/31/2009
LONG-TERM ASSETS			
Goodwill	2.5.1.1	152,287	124,316
Other intangible assets	2.5.1.1	17,054	13,060
Tangible assets	2.5.1.2	278,815	258,362
Long-term financial assets	2.5.1.4	5,394	5,472
Deferred tax assets	2.5.7	16,146	6,901
Other long-term financial assets	2.5.1.5	63	100
Total long-term assets		**469,759**	**408,211**
SHORT-TERM ASSETS			
Inventories	2.5.2.1	177,096	147,473
Taxes – Claim on the state		1,198	5,219
Trade and other receivables	2.5.2.2	126,721	103,531
Other short-term financial assets	2.5.2.3	58,619	63,916
Cash and cash equivalents	2.5.2.4	22,261	20,582
Total short-term assets		**385,896**	**340,721**
TOTAL ASSETS		**855,654**	**748,933**

TOTAL EQUITY AND LIABILITIES

In €'000	Notes	12/31/2010	12/31/2009
SHAREHOLDERS' EQUITY			
Capital stock		21,573	21,508
Additional paid-in capital	2.5.3.2	70,803	69,853
Treasury shares		(15,028)	(16,264)
Consolidated reserves		379,651	378,745
Conversion reserves		(2,392)	(14,662)
Other income and expenses recorded directly as shareholders' equity		1,933	2,159
Profit (loss) for the period		32,924	9,422
Total shareholders' equity - Group's share	2.5.3	**489,463**	**450,764**
Minority interests		858	(125)
Total shareholders' equity		**490,320**	**450,639**
LONG-TERM LIABILITIES			
Long-term provisions	2.5.4.1	39,023	28,463
Long-term borrowings	2.5.6.1	72,647	76,528
Other long-term liabilities	2.5.5	5,830	1,545
Deferred tax liabilities	2.5.7	34,859	28,934
Total long-term liabilities		**152,359**	**135,470**
SHORT-TERM LIABILITIES			
Short-term provisions	2.5.4.1	15,232	8,069
Short-term borrowings*	2.5.6.1	25,709	36,432
Trade and other accounts payable		162,440	116,515
Taxes due		9,594	1,807
Total short-term liabilities		**212,975**	**162,823**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**855,654**	**748,933**
* of which banking facilities		7,923	13,495

1.3 LISI Group cash flow table

In €'000	12/31/2010	12/31/2009
OPERATING ACTIVITIES		
Net earnings	**32,764**	**9,137**
Elimination of net charges not affecting cash flows:		
- Depreciation and non-recurrent financial provisions	43,823	55,447
- Changes in deferred taxes	(694)	2,882
- Income on disposals, provisions for liabilities and others	5,249	1,604
Gross cash flow margin	**81,142**	**69,070**
Net changes in provisions provided by or used for current operations	(1,669)	7,642
Operating cash flow	**79,474**	**76,712**
Elimination of the income tax expense (revenue)	15,279	4,918
Elimination of net borrowing costs	2,525	4,111
Effect of changes in inventory on cash	(9,870)	41,600
Effect of changes in accounts receivable and accounts payable	23,959	(15,773)
Net cash provided by or used for operations before tax	**111,367**	**111,568**
Taxes paid	(3,453)	(7,175)
Cash provided by or used for operations (A)	**107,914**	**104,390**
INVESTMENT ACTIVITIES		
Acquisition of consolidated companies	(42,022)	(1,451)
Cash acquired	1,502	21
Acquisition of tangible and intangible assets	(51,974)	(49,465)
Acquisition of financial assets		(474)
Change in granted loans and advances	476	(946)
Investment subsidies received		
Dividends received	2	4
Total cash used for investment activities	**(92,016)**	**(52,312)**
Disposed cash		2,800
Disposal of consolidated companies		1,500
Disposal of tangible and intangible assets	1,359	456
Disposal of financial assets	5	2
Total cash from disposals	**1,364**	**4,758**
Cash provided by or used for investment activities (B)	**(90,653)**	**(47,554)**
FINANCING ACTIVITIES		
Capital increase	1,404	
Net disposal (acquisition) of treasury shares		
Dividends paid to shareholders of the Group	(7,216)	(12,313)
Dividends paid to minority interests of consolidated companies		
Total cash from equity operations	**(5,812)**	**(12,313)**
Issue of long-term loans	10,912	16,401
Issue of short-term loans	79	1,161
Repayment of long-term loans	(3,436)	(4,315)
Repayment of short-term loans	(20,576)	(23,206)
Net interest expense paid	(2,593)	(4,664)
Total cash from operations on loans and other financial liabilities	**(15,614)**	**(14,622)**
Cash provided by or used for financing activities (C)	**(21,426)**	**(26,935)**
Effect of change in foreign exchange rates (D)	4,686	(1,628)
Effect of adjustments in treasury shares (D)	1,434	826
Changes in net cash (A+B+C+D)	**1,954**	**29,099**
Cash at January 1st (E)	71,003	41,904
Cash at year end (A+B+C+D+E)	72,957	71,003
Short-term investments	58,619	63,916
Cash and cash equivalents	22,261	20,582
Short-term banking facilities	(7,923)	(13,495)
Closing cash position	**72,957**	**71,003**

1.4 LISI Group shareholders' equity

In €'000	Capital stock (Note 2.5.3.1)	Capital-linked premiums (Note 2.5.3.2)	Treasury shares	Consolidated reserves	Conversion reserves	Other income and expenses recorded directly as shareholders' equity	Profit for the period, group share	Group's share of shareholders' equity	Minority interests	Total shareholders' equity
Shareholders' equity at January 1, 2009	**21,508**	**69,853**	**(17,090)**	**336,938**	**(12,406)**	**2,752**	**56,229**	**457,786**	**780**	**458,567**
Profit (loss) for the period N (a)							9,422	9,422	(285)	9,137
Translation differential (b)					(2,257)			(2,257)	(14)	(2,271)
Payments in shares (c)				(2,109)				(2,109)		(2,109)
Restatements of treasury shares (d)			826			(593)		234		234
Appropriation of N-1 earnings				56,229			(56,229)			
Change in scope									(606)	(606)
Dividends distributed				(12,313)				(12,313)		(12,313)
Reclassification										
Various (e)										
Shareholders' equity at December 31, 2009	**21,508**	**69,853**	**(16,264)**	**378,745**	**(14,662)**	**2,159**	**9,422**	**450,764**	**(125)**	**450,639**
of which total revenue and expenses recorded for the financial period (a) + (b) + (c) + (d) + (e)				**(2,109)**	**(2,257)**	**(593)**	**9,422**	**4,464**		
Profit (loss) for the period N (a)							32,924	32,924	(161)	32,763
Translation differential (b)					12,270			12,270	54	12,324
Payments in shares (c)				789		232		1,021		1,021
Capital increase	65	950						1,015	389	1,404
Restatements of treasury shares (d)			1,236			627		1,864		1,864
Appropriation of N-1 earnings				9,422			(9,422)			
Various *						(1,086)		(1,086)		(1,086)
Change in scope										
Dividends distributed				(7,216)				(7,216)		(7,216)
Reclassification			(174)	(527)				(701)	701	
Impact of deferred tax liabilities relative to CVAE (Tax on Companies' Added Value) (e) **				(1,391)				(1,391)		(1,391)
Shareholders' equity at December 31, 2010	**21,573**	**70,803**	**(15,202)**	**379,825**	**(2,392)**	**1,933**	**32,924**	**489,463**	**858**	**490,320**
of which total revenue and expenses recorded for the financial period (a) + (b) + (c) + (d) + (e)				**789**	**12,270**	**859**	**32,924**	**46,843**		

* This impact largely matches the calculation of the provisions for long-service medals of €1,706k.
** Impact of carried forward deferred tax liabilities as determined by the accounting treatment of CVAE (Tax on Companies' Added Value) on corporate tax in 2010.

2 - Notes to the company accounts

2.1 Group activity and key highlights of the year

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

The Group's consolidated accounts for the fiscal year ended December 31, 2010 include the Company, its subsidiaries and affiliates (which are together referred to as "the Group").

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

The highlights of the financial year are as follows:
As part of a memorandum of understanding with the ACUMENT Group dated March 23, 2010, approved by the Commercial Court of Créteil:
- LISI AUTOMOTIVE acquired 100% of the shares in SAS ACUMENT La Ferté Fresnel based in La Ferté Fresnel (61). In 2009, the company posted sales revenue of €34m; in 2010, the company's name was changed into LISI AUTOMOTIVE Nomel.
- Société Nouvelle Bonneuil acquired the goodwill, the fixed assets, and the inventory of ACUMENT Créteil, in 2009 that company posted sales revenue of €8m.

As part of the acquisition of the STRYKER BENOIST-GIRARD plant on August 31, 2010:
- LISI MEDICAL acquired the hip prosthesis production business of STRYKER Benoist-Girard, a company based in Caen-Hérouville (14) as well as the forged orthopaedics components manufacture and supply business of STRYKER Corporation for a period of 5 years. In 2010, the company's name was changed into LISI MEDICAL Orthopaedics.

2.2 Accounting rules and methods

The financial statements for year ended December 31, 2010 were approved by the Board of Directors on February 16, 2011 and will be submitted to the Ordinary General Meeting on April 27, 2011.

2.2.1 Background to the preparation of the consolidated financial statements for the 2010 financial year

In accordance with EU regulation 1606/2002 dated July 19, 2002, the LISI Group's consolidated financial statements have been prepared in line with IAS/IFRS international accounting standards as adopted by the European Union on December 31, 2010.

2.2.2 Basis for the preparation of the financial statements

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

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

Non-current assets held for sale are evaluated at the lower of their book value and the fair value less costs of disposal.

According to IFRS standards, certain accounting options involve taking positions based on judgment of assumptions that have an impact on the amounts of assets or liabilities, income or expenses, particularly regarding the following elements:

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

These judgments and assumptions take into account the specific risks of the sectors concerned by LISI's activities, as well as general risks related to the economic context. The current period being characterized by greater volatility, the visibility is limited. Consequently, the forecasts used as a basis for such judgment and assumptions may differ from actual future achievements.

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

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

Accounting treatment of the CVAE (Tax on Companies' Added Value)
The Group has opted to recognize its CVAE as "Taxes" in the income statement. Correlatively, the deferred tax was recorded as at January 1, 2010, for a net amount of €1.4m taken on the shareholders' equity of the Group.

Treatment of the research tax credit
As of June 30, 2009, the income related to the research tax credit is restated to the income statement under "Taxes" as "Other revenues".

2.2.3 Consolidation principles

A subsidiary is an entity controlled by its parent company. Control exists when the Group is able to direct the financial and operating policies of the entity (either directly or indirectly) in order to obtain benefits from its activities. The list of consolidated companies is provided in note 2.3.3. At December 31, 2010, ANKIT Fasteners is consolidated via the proportional integration method. All the other companies are included in the consolidation scope in accordance with the full consolidation method.

2.2.4 Transactions eliminated from the consolidated financial statements

Balance sheet balances, unrealized profits and losses, and income and costs arising from intra-group transactions have been excluded in preparing the consolidated financial statements.
Unrealized losses have been excluded in the same way as unrealized profits, on condition that they do not represent a loss of value.

2.2.5 Methods of conversion for currency assets

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

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

2.2.6 Financial instruments

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

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

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

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

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

2.2.7 Intangible assets

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

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

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

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

2.2.7.2 Other intangible assets

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

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

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

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

2.2.7.3 Research and Development

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

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

Due to the nature of the LISI Group's research and development costs, most such costs do not meet the criteria for capitalization as intangible fixed assets; they are therefore recorded as expenses. The Group carries out regular assessments of major projects in order to identify any costs which could be capitalized. Since 2009, only one project carried out by LISI AEROSPACE has met the capitalization criteria.

2.2.8 Tangible assets

2.2.8.1 Assets belonging to the LISI Group

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

When the components of tangible fixed assets have different useful lives, they are recorded as separate tangible fixed assets, as per the components method.

2.2.8.2 Assets funded through finance-leases

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

2.2.8.3 Ongoing costs

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

2.2.8.4 Depreciation

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

Land is not depreciated.

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

2.2.8.5 Impairment of assets

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

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

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

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

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

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

Losses of value recognized under Goodwill are irreversible.

For the definition of Cash-Generating Units, the Group has retained the strategic combination for Business Units (B.U.) corresponding to the strategic segmenting and the reporting structure of the LISI Group.

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

The LISI Group, until December 31, 2009, considered as just one B.U. Racing comprised of two entities, namely BAT (France) and A1 (USA). The business of these two entities has been mainly refocused on aerospace. Therefore, these two units will be merged in 2010, within the B.U. Engines and critical parts for BAT and the USA B.U. for A1.

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

The COSMETICS division is composed of a single CGU.

2.2.8.6 Long-term financial assets

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

2.2.9 Inventories

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

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

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

Inventories are impaired when their net realization value is less than their cost of production, when they are damaged, obsolete, as well as each time there is a risk that they might not be disposed of under normal conditions, or when there is a risk that they will be disposed of over a period that is longer than what is generally accepted.

2.2.10 Trade and other receivables

Trade receivables, loans and advances are recorded to the balance sheet at their initial value. In the event of risk of non-recovery, impairment is fixed on a case-by-case basis using the probable collection flows; this risk takes the age of the transaction into consideration.

2.2.11 Other short-term financial assets

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

2.2.12 Cash and cash equivalents

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

2.2.13 Share capital

2.2.13.1 Treasury shares

The Group implements a policy of buying back its own shares, in accordance with authorizations provided by the Shareholders' General Meeting to the Board of Directors. The main purposes of the share buyback program are:
- to increase the activity of the stock on the market by an Investment Services Provider via a liquidity contract in accordance with the AFEI professional code of ethics recognized by the AMF (the French stock markets authority),
- to grant stock options or free shares to employees and corporate officers of the company and/or its consolidated Group,

- to keep and use shares as consideration or payment for potential future acquisitions,
- to cancel shares purchased, subject to the approval of the Shareholders' Extraordinary Meeting to be called at a later date.

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

2.2.13.2 Payments in shares (Stocks options and conditional free attributions of shares considered performance bonuses)
Refer to note 2.2.15 "Personnel benefits ».

2.2.14 Provisions

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

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

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

2.2.15 Employee benefits

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

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

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

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

Actuarial profits and losses are posted to the income statement in accordance with the "corridor" method: the amount recognized in expenses (income) for the period is equal to the deferred, actuarial losses (profits) on the balance sheet that exceed 10% of the value of the commitment or the fair value of the plan's assets, if it is higher, divided by the average, remaining length of service of current employees.
The excess or shortfall of the fair value of the assets vis-à-vis the discounted value of the commitments is recognized as an asset or liability to the balance sheet, following deduction of deferred actuarial differences to the balance sheet as well as the cost of past services that have not yet been recognized. However, excess assets are only recognized on the balance sheet if they represent a future economic advantage for the Group.

At December 31, 2010 there no longer existed within the LISI Group an open plan in respect of defined benefits plans, these having generally been replaced by defined contributions plans.

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

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

In the case of plans for share-purchase options and bonus shares based on performance, these benefits correspond to the fair market value of the instruments awarded, and are valued using a binomial model.
As regards bonus commitments, these are recorded as social liabilities at their fair value at year-end.

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

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

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

2.2.16 Debt

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

2.2.17 Trade and other accounts payable

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

2.2.18 Definition of the concepts “current” and “non current” in the balance sheet

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

2.2.19 Overview of the income statement

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

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

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

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

2.2.19.1 Sales of goods and services

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

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

2.2.19.2 Payments for simple lease contracts

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

2.2.19.3 Payments for finance lease contracts

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

2.2.19.4 Cost of financing and other charges and financial income

The cost of finance includes:

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

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

2.2.19.5 Income tax

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

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

Deferred tax assets are only recognized if their recovery is probable. Deferred tax debits and credits are measured at the tax rates that will be applicable when the timing differences are settled.

The examination of the recoverability of brought forward losses is subject to particular scrutiny and shall only be recoverable if the subsidiary in question or its fiscal integration framework makes profits in the near future.

Regarding French companies, pursuant to the removal of the professional tax and its replacement by the CET and CVAE as of 2010, the Group has decided to consider the CVAE in the context of the IAS 12 standard. This decision will thus lead to the posting of this tax as "Taxes" in the consolidated income statement for 2010.

2.2.19.6 Earnings per share

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

Treasury shares are deducted from the weighted average number of shares in circulation, which acts as a basis on which to calculate the net earnings per share (before and after dilution).

2.2.20 Cash flow statement

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

2.2.21 Business segments

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

The Group's activities in 2010 are spread over three business segments, in which the four divisions operate:

- The LISI AEROSPACE Division, which brings together all activities in the aerospace market,
- The LISI AUTOMOTIVE division brings together all activities in the automotive market,
- The LISI COSMETICS Division, which brings together perfume and cosmetics activities.
- The LISI MEDICAL division alone represents just 5% of the Group's consolidated sales total. It does not yet represent a significant line of business. It has therefore been decided to display it with the LISI AEROSPACE Division.

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

2.3 Consolidation scope

2.3.1 Scope changes occurring during the 2010 fiscal year

The major scope changes are the following:

Acquisition by LISI MEDICAL

Company	Type of change	Date of transaction	Date of 1st consolidation
LISI MEDICAL Orthopaedics	Acquisition of 100% of equity interests	08/31/2010	09/01/2010

Acquisitions by LISI AUTOMOTIVE

Companies	Type of change	Date of transaction	Date of 1st consolidation
LISI AUTOMOTIVE Nomel	Acquisition of 100% of equity interests	03/26/2010	04/01/2010
Société Nouvelle Bonneuil	Acquisition of assets	03/26/2010	04/01/2010

2.3.2 Impact on Group indicators of changes in scope that occurred in 2010

Newly-consolidated companies	LISI AUTOMOTIVE Nomel	% impact on the Group's indicators
Sales revenue	€27m	3.48%
EBIT	€3.1m	6.25%
Newly-consolidated companies	Société Nouvelle Bonneuil	% impact on the Group's indicators
Sales revenue	€7.6m	1%
EBIT	€0.8m	1.53%
Newly-consolidated companies	LISI MEDICAL Orthopaedics	% impact on the Group's indicators
Sales revenue	€21.2m	2.73%
EBIT	€3.8m	7.75%

The change in scope is broadly within the limits recommended by the control authorities. We have not established any proforma statements.

2.3.3 Consolidation scope at year end

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

The following company was deconsolidated:
As at January 1, 2010: Absorption of HUGUENY by SEIGNOL

The following companies were newly-consolidated:
As at March 26, 2010: LISI AUTOMOTIVE Nomel
As at August 31, 2010: LISI MEDICAL Orthopaedics

2.3.4 Acquisitions of subsidiaries

In line with the revised IFRS 3 standard on business combinations, the LISI Group has 12 months from the date of acquisition to determine a definitive acquisition price and to definitively calculate goodwill. Consequently, the amounts recorded on December 31, 2010 are liable to be revised at a later closing date.

2.3.4.1 LISI AUTOMOTIVE Nomel and Société Nouvelle Bonneuil

- On March 26, 2010, as part of a general memorandum of understanding:
  - LISI AUTOMOTIVE acquired 100% of the capital of LISI AUTOMOTIVE Nomel for €1.0m (excluding acquisition and auxiliary expenses);
  - Société Nouvelle Bonneuil acquired the goodwill, the inventory and the tangible fixed assets recorded as assets on the balance sheet of ACUMENT Créteil SAS for a total cost of €1.4m (excluding acquisition and auxiliary expenses).

- These companies, wholly-owned by LISI AUTOMOTIVE, are consolidated using the full consolidation method.

The impact of these acquisitions on the Group's consolidated balance sheet breaks down as follows:

In €'000	Book values on acquisition date consolidated statements
Fixed assets	3,841
Other net short-term assets and liabilities	5,297
Inventories	3,730
Net debt	(35)
Deferred taxes and provisions	(11,270)
Cash and cash equivalents	304
Total net position of the newly-consolidated companies	**1,867**
% of acquired securities and the value of the assets taken over	100.00 %
Share of net worth acquired by LISI AUTOMOTIVE	**1,867**
Acquisition price	2,400
Goodwill	**533**

LISI MEDICAL Orthopaedics

- On August 31, 2010:
  - LISI MEDICAL acquired 100% of the capital of LISI MEDICAL Orthopaedics for €41.02m (excluding acquisition and auxiliary expenses);

- This company, wholly-owned by LISI MEDICAL, is consolidated using the full consolidation method.

The impact of this acquisition on the Group's consolidated balance sheet breaks down as follows:

In €'000	Book values on acquisition date consolidated statements
Fixed assets	9,729
Other net short-term assets and liabilities	(4,506)
Net inventories	11,500
Net debt	(1,601)
Taxes and provisions	1,198
Total net position of the newly-consolidated company	**16,319**
% of the value of the assets taken over	100.00 %
Share of net worth acquired by LISI MEDICAL	**16,319**
Acquisition price	41,022
Goodwill	**24,703**

2.4 Financial risk management

The Group is exposed to the following risks arising from the use of financial instruments:
- credit risk,
- liquidity risk,
- market risk,
- currency risk.

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

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

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

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

Trade and other receivables

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

Securities risk

LISI S.A's share portfolio is not a speculative, rather of investments and holdings, and accordingly no particular share represents a risk. At December 31, 2010, the Group's balance sheet displays cash and cash equivalents for €22.3m. The cash equivalents are made of marketable securities represented by monetary mutual funds, invested in very short maturity securities and representing no risk in capital, in accordance with the Group's cash management policy. In accordance with accounting rules, these instruments are valued at their market price at year-end.

In accordance with IAS 32, own shares are recognized upon their acquisition. Their value is deducted from equity and changes in value are not recorded. When own shares are acquired or disposed of, the shareholders' equity is adjusted by the amount of the fair value of the securities bought or sold. The acquisition of 126,699 own shares and the disposal of 124,207 own shares in 2010 result in a €1.2m increase in shareholders' equity over the period.

Liquidity risk

Beyond maximizing the operating cash flows intended to fund its expansion and the payment of dividends to shareholders, the LISI Group insists upon maintaining very broad access to liquidity to face its commitments and expenditure requirements. At December 31, 2010, the LISI Group enjoyed several bank facilities confirmed for the medium term and unused bank facilities for a total of €120m. Including the net cash flow of €73m and the non-utilized short account at €64m, the LISI Group has €257m at December 31, 2010. At year-end, the Group considered its liquidity risk to be limited, as it had €73.0m of cash at hand, against €71m at December 31, 2009, and a net debt ratio on equity of 3.6%, against 6.3% at December 31, 2009, as indicated below.

At 3.6% at December 31, 2010, the net debt on equity ratio is far below 120%, a limit that would be likely, according to certain bank covenants, to lead to the early repayment of past drawdowns.

In €'000	2010	2009
Other short-term financial assets	58,619	63,916
Cash and cash equivalents	22,261	20,582
Cash available [A]	**80,880**	**84,498**
Short-term banking facilities [B]	7,923	13,495
Net cash [A - B]	**72,957**	**71,003**
Mid-term loans between 1 and 5 years	81,632	88,672
Other financial creditors	8,801	10,793
Debt [C]	**90,433**	**99,464**
Net debt [D = C + B - D]	**17,475**	**28,462**
Group equity [E]	**489,463**	**450,764**
Debt ratio (expressed as %) [D / E]	**3.6%**	**6.3%**

N. B.: Reminder 2008 debt ratio as a %: 15.1%

The cash table for all financial liabilities is as follows:

Financial liabilities recorded on balance sheet In €'000	At 12/31/2010 Net book value	Breakdown of contractual flows not discounted on due date Within less than one year	Between 1 and 5 years	Over 5 years	Total
Long-term borrowings	72,647		70,100	2,547	72,647
Other long-term financial liabilities (excl. PCA)	1,022		997	25	1,022
Short-term borrowings	25,709	25,709			25,709
Trade and other accounts payable	162,440	162,440			162,440
Total financial liabilities	**261,818**	**188,149**	**71,097**	**2,572**	**261,818**

Financial liabilities recorded on balance sheet In €'000	At 12/31/2009 Net book value	Breakdown of contractual flows not discounted on due date Within less than one year	Between 1 and 5 years	Over 5 years	Total
Long-term borrowings	76,528		72,676	3,852	76,528
Other long-term financial liabilities (excl. PCA)	1,087		1,054	33	1,087
Short-term borrowings	36,432	36,432			36,432
Trade and other accounts payable	116,515	116,515			116,515
Total financial liabilities	**230,562**	**152,947**	**73,730**	**3,885**	**230,562**

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

The Group buys and sells derivatives and supports financial liabilities in order to manage market risk.

Hedging and market transactions on interest rates, exchange rates or securities using futures instruments are recorded in accordance with the provisions of CRBF rules nos. 88-02 and 90-15. Commitments relating to these transactions are posted to off-balance sheet accounts for the nominal value of the contracts. On December 31, 2010, the sum of these commitments represented the volume of transactions that remained unsettled at year-end.

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

The commitments are detailed in paragraph 2.7.4.1 of this annual report.

Interest rate risk
Group exposure to interest rate fluctuations involves the following risk: the Group mainly has variable rate liabilities, for which the initially-agreed maturity period was greater than 1 year. These liabilities are exposed to a cash flow fluctuation risk due to fluctuations in interest rates. Within the framework of its policy to reduce its exposure to interest rate fluctuations, the Group partly converts its fixed-interest liabilities into financial instruments such as interest rate swaps and interest rate options (the features of these instruments are described in Note 2.7.4 "Commitments"). These hedging positions are negotiated by private contracts with banks. The Group took out such hedging positions in 2010 to the tune of €7m in order to profit from the observed decrease in rates. Therefore, as at December 31, 2010, its hedging position stood at €27m. Market risks related to interest rate fluctuations are handled in a centralized manner by the Group's financial department.

Interest rate instruments outstanding at December 31, 2010 are not considered by the Group to be hedging instruments and are recorded at fair value to the income statement.

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

In €'000	2010	2009
Loans – variable rates	71,841	78,726
Short-term banking facilities	7,923	13,495
Other current and non-current financial assets	(38,605)	(53,974)
Cash and cash equivalents	(22,261)	(20,582)
Net position prior to management	**18,897**	**17,665**
Interest rate swap	27,000	20,000
Hedging	27,000	20,000
Net position after management	**(8,103)**	**(2,335)**

The approach taken consisted in taking into account as a calculation basis for the sensitivity to rates the net, lending and borrowing positions.

Given its net position as at December 31, 2010, the calculation of the impact of one basis point's variation on the variable rates was not implemented.

Commodities price fluctuation risk
The Group is also exposed to fluctuations in the price of commodities such as titanium, nickel and steel. The price effect on raw materials varied in financial 2010 according to the division concerned: while it was limited in the LISI AEROSPACE Division (the increase observed on the nickel bases being offset by the drop on titanium and stainless steel), it was strong in the LISI AUTOMOTIVE Division (wire increased by over €200 per ton between December 2009 and December 2010). In order to prevent the risk of tension on the markets for its principal raw materials, the Group has signed supplier agreements with its major business partners within the LISI AEROSPACE division. In that context of sharp rise, the LISI AUTOMOTIVE Division was able to maintain the implementation of procurement contracts during the quarter, thereby guaranteeing firm prices for steel without resorting to hedging instruments, and strove to propagate the rises to the selling prices.

Currency risk
The main incoming cash flows in foreign currencies, outside the euro zone (US and Canadian dollar, Sterling, Turkish pound and yuan) are offset by outgoing cash flows (in particular for the purchase of raw materials). The exposure to currency risks mainly concerns selling and purchasing volumes on US dollars. An analysis of flows over financial 2010 shows a net sale/purchase balance of nearly USD25 million, and an impact of approximately €1.5m, upwards or downwards, on the EBIT related to a 5% fluctuation in the USD/euro exchange rate.

2.5 Detail of balance sheet items

2.5.1 Long-term assets

2.5.1.1 Intangible assets

a) Goodwill

In €'000	Goodwill
Gross goodwill at December 31, 2009	**136,316**
Impairment at December 31, 2009	**(12,000)**
Net goodwill at December 31, 2009	124,316
Increases	25,235
Reductions	
Changes in foreign exchange rates	2,736
Gross goodwill at December 31, 2010	**152,287**
Impairment at December 31, 2010	
Net goodwill at December 31, 2010	**152,287**

The increase of €25,235k relates, on the one hand, to the acquisition of LISI MEDICAL Orthopaedics for €24.7m, and on the other hand, to the acquisition of LISI AUTOMOTIVE Nomel and the acquisition of the assets of ACUMENT Créteil by Société Nouvelle Bonneuil for €0.5m. Changes in currency exchange rate only concern LISI AEROSPACE and result from translation differentials on the dollar.

As at December 31, 2010, the net value of goodwill broke down as follows:

	LISI AEROSPACE					
In €m	B.U. Airframe Europe	B.U. Airframe USA	B.U. Engines and critical parts	B.U. Special products	B.U. Medical	Total
Net goodwill	0.9	19.7	3.0	7.4	46.5	77.6
Intangible fixed assets with an undetermined useful life	None	None	None	None	None	None
Result of the impairment test as at June 30, 2010	NA	No impairment	NA	No impairment	No impairment	NA
Key assumptions						
Cash flow within one year		Forecasts		Forecasts	Forecasts	
Cash flow within four years		4-year strategic plan		4-year strategic plan	4-year strategic plan	
Discount rate after tax		7.50%		7.50%	7.50%	
Growth rate of flows not covered by the budget and strategic assumptions		2.50%		2.50%	2.50%	

	LISI AUTOMOTIVE					
In €m	B.U. Threaded fasteners	B.U. Mechanical component	B.U. Clip fasteners	B.U. International transactions	B.U Knipping	Total
Net goodwill	1.1	None	44.2	1.4	20.8	67.4
Intangible fixed assets with an undetermined useful life	None	None	None	None	None	None
Trademarks	None	None	6.0	None	None	6.0
Result of the impairment test as at June 30, 2010	NA	NA	No impairment	NA	No impairment	NA
Key assumptions						
Cash flow within one year			Forecasts		Forecasts	
Cash flow within four years			4-year strategic plan		4-year strategic plan	
Discount rate after tax			8.50%		8.50%	
Growth rate of flows not covered by the budget and strategic assumptions			2.50%		2.50%	

In €m	LISI COSMETICS B.U. Cosmetics
Goodwill	7.3
Intangible fixed assets with an undetermined useful life	None
Result of the impairment test as at June 30, 2010	No impairment
Key assumptions	
Cash flow within one year	Forecasts
Cash flow within four years	4-year strategic plan
Discount rate after tax	8.00%
Growth rate of flows not covered by the budget and strategic assumptions	2.50%

The impairment tests relative to financial 2010 were materialized upon the closing of half-yearly accounts as at June 30, 2010: They have not resulted in the recording of an impairment. These tests, in accordance with note 2.2.8.5, were conducted for each CGU on the basis of:

- the values in use determined on the basis of future cash flows resulting from the budget construction and the four-year strategic plans approved by the Board of Directors,
- a growth rate of 2.50% to extrapolate the cash flow projections, and taking into account benchmark elements implemented within certain references, particularly in the automotive industry,
- an after-tax discount rate of 8.50% on the CGUs of LISI AUTOMOTIVE, 8.00% for LISI COSMETICS and 7.50 % for the CGUs of LISI AEROSPACE, thus reflecting an appreciation of risks specific to these businesses.

The Management bases its projections on budget assumptions for the first year, and on data from the four-year strategic plan reviewed by the Board of Directors each year; the key assumptions relate in particular to the evolution of sales based on the order book and the master contracts signed by the Group, if applicable, the operating profit rate, the renewal capex rate, and the determination of factors that may affect the working capital. The assumptions are in particular established on the basis of observations made during previous activity cycles in the various lines of business, as well as in external market surveys and the observation of the sensitivity of the contractual data for the environment of each division. It is specified that these assumptions are the best estimate possible of the market situation at the time they were prepared, and that they take into consideration the degradation of markets for 2010 to 2014.

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

B.U. Medical:
Discount rate: 0.25%
Decrease in cash flows: 5%
Infinite growth rate: 0.15%

LISI AUTOMOTIVE:
Knipping B.U.:
Discount rate: 0.25%
Decrease in cash flows: 10%
Infinite growth rate: 0.15%
Clip fasteners B.U.:
Discount rate: 1.75%
Decrease in cash flows: 25%
Infinite growth rate: 2.00%

LISI COSMETICS:
Discount rate: 4%
Decrease in cash flows: 40%
Infinite growth rate: NA

b) Other intangible assets (including purchase price discrepancies)

In €'000	Concessions, patents and similar copyrights*	Other intangible fixed assets	TOTAL
Gross values at December 31, 2009	**27,174**	**9,997**	**37,171**
Acquisitions	6,376	1,344	7,720
Disposals	(174)		(174)
Scope changes	1,090	152	1,243
Exchange rate spreads	14	55	69
Gross values at December 31, 2010	**34,481**	**11,548**	**46,029**
Depreciation and provisions at December 31, 2009	**21,138**	**2,973**	**24,111**
Depreciation allowance and provisions	3,485	959	4,444
Depreciation and provisions carried exceptionally forward	(174)		(174)
Scope changes	394	152	547
Exchange rate spreads	12	34	46
Depreciation and provisions at December 31, 2010	**24,855**	**4,120**	**28,975**
Net values at December 31, 2010	**9,626**	**7,428**	**17,054**

* Including the Rapid brand.

The RAPID brand was valued when the company was acquired in August 2000 at its fair value of €8.3m, based on an independent valuation. Since 2003, it has been decided to amortize it over a period of 15 years, given the commercial usage period envisaged to date.

The progression of the item "Concessions, patents and similar rights" for the period concerns the commissioning of the MOVEX ERP at May 1, in the LISI AUTOMOTIVE Division for €5.2m.

Most of the acquisition flow of "other intangible fixed assets" concerns the activation of the R&D expenses for the "sleeves" project in the LISI AEROSPACE Division for €1m.

2.5.1.2 Tangible assets

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

In €'000	Land	Buildings	Technical facilities equipment and tools	Other tangible assets	Current assets	TOTAL
Gross values at December 31, 2009	**11,676**	**94,476**	**447,321**	**59,267**	**15,746**	**628,485**
Acquisitions	1,479	6,330	24,846	7,113	7,196	46,964
Disposals	(255)	(1,927)	(4,792)	(2,677)	(1,215)	(10,866)
Scope changes	838	6,306	41,255	3,900	167	52,466
Exchange rate spreads	2	430	6,404	450	419	7,704
Gross values at December 31, 2010	**13,739**	**105,616**	**515,033**	**68,052**	**22,313**	**724,753**
Depreciation and provisions at December 31, 2009	**31**	**38,065**	**302,689**	**35,419**		**376,205**
Depreciation allowance and provisions		3,978	32,577	4,597	43	41,196
Depreciation and provisions carried exceptionally forward	(25)	(2,418)	(4,529)	(1,855)		(8,827)
Scope changes		4,052	32,209	3,005		39,265
Exchange rate spreads		21	3,000	227		3,249
Depreciation and provisions at December 31, 2010	**6**	**43,699**	**365,946**	**41,393**	**43**	**451,087**
Net values at December 31, 2010	**13,733**	**61,917**	**149,087**	**26,660**	**22,270**	**273,665**

The increase in tangible assets results from investments in the LISI AUTOMOTIVE Division for nearly €27m, comprised mainly of €8.3m of capacity and productivity investments, the acquisition of the building on the Puiseux site for €5m, the building of the logistic infrastructure at Delle II for €2.4m and €0.5m of industrial investments in the new plant in the Czech Republic. The LISI AEROSPACE Division contributes to the increase in tangible assets for €18m, representing mainly modernization and capacity investments for €7.3m, quality and control equipment for €4.8m.
Newly-consolidated companies contribute in net value to an increase in fixed assets of €3.8m in the LISI AUTOMOTIVE Division and €9.7m in the LISI AEROSPACE Division.

b) Tangible assets held under a finance lease contract

In €'000	Land	Buildings	Technical facilities equipment and tools	Other tangible assets	Current assets	TOTAL
Gross values at December 31, 2009		**5,513**	**13,292**			**18,805**
Acquisitions						
Disposals						
Scope changes						
Exchange rate spreads			20			20
Gross values at December 31, 2010		**5,513**	**13,312**			**18,825**
Depreciation and provisions at December 31, 2009		**3,179**	**9,544**			**12,724**
Depreciation allowance and provisions		99	839			938
Depreciation and provisions carried exceptionally forward						
Scope changes						
Exchange rate spreads			13			13
Depreciation and provisions at December 31, 2010		**3,278**	**10,397**			**13,675**
Net values at December 31, 2010		**2,235**	**2,915**			**5,150**

c) Operating lease agreements

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

No significant commercial leases have been signed with company executives or with companies belonging to executives or their families. The total annual expense is approximately €5.2m.

2.5.1.3 Financial assets

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

Financial assets and liabilities recorded on balance sheet In €'000	At 12/31/2010		Breakdown by instrument category				
	Net book value	Fair value	Fair value via earnings	Assets held for sale	Loans and receivables	Debt at depreciated cost	Derivative instruments
Long-term financial assets	5,394	5,394			5,394		
Other long-term financial assets	63	63	63				
Trade and other receivables	126,721	126,721			126,721		
Short-term investments	58,619	58,619	58,619				
Cash and cash equivalents	22,261	22,261	22,261				
Total financial assets	**213,058**	**213,058**	**80,943**		**132,115**		
Long-term borrowings	72,647	72,647	307			72,340	
Other long-term financial liabilities (excl. PCA)	1,022	1,022				1,022	
Short-term borrowings	25,709	25,709				25,709	
Trade and other accounts payable	**162,440**	**162,440**				**162,440**	
Total financial liabilities	**261,818**	**261,818**	**307**			**261,511**	

Financial assets and liabilities recorded on balance sheet In €'000	At 31/12/2009		Breakdown by instrument category				
	Net book value	Fair value	Fair value via earnings	Assets held for sale	Loans and receivables	Debt at depreciated cost	Derivative instruments
Long-term financial assets	5,472	5,472			5,472		
Other long-term financial assets	100	100	100				
Trade and other receivables	103,531	103,531			103,531		
Short-term investments	63,916	63,916	63,916				
Cash and cash equivalents	20,582	20,582	20,582				
Total financial assets	**193,601**	**193,601**	**84,598**		**109,003**		
Long-term borrowings	76,528	76,528	323			76,205	
Other long-term financial liabilities (excl. PCA)	1,087	1,087				1,087	
Short-term borrowings	**36,432**	**36,432**				**36,432**	
Trade and other accounts payable	**116,515**	**116,515**				**116,515**	
Total financial liabilities	**230,561**	**230,561**	**323**			**230,238**	

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

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

Level 2: Valuation technique based on measurable data,

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

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

2.5.1.4 long-term financial assets

In €'000	Non-consolidated equity interests	Other long-term investments	Loans granted	Other financial assets	TOTAL
Gross values at December 31, 2009	**14**	**4,812**		**654**	**5,480**
Acquisitions				285	285
Disposals		(631)		(140)	(771)
Scope changes	**14**				14
Exchange rate spreads		382		11	393
Gross values at December 31, 2010	**28**	**4,563**		**811**	**5,402**
Impairment at December 31, 2009		**8**			**8**
Provisions for impairment of assets					
Reversals of impairment provisions					
Impairment at December 31, 2010		**8**			**8**
Net values at December 31, 2010	**28**	**4,555**		**811**	**5,394**

The increase in other financial assets results mainly from guarantee deposits paid on the rent of an industrial building in the LISI AUTOMOTIVE Division.
Other financial assets are primarily comprised of payments made in 2010 for the life insurance contracts of the US companies, for €0.6m.

2.5.1.5 Other long-term investments

In €'000	2010	2009
Other debtors	63	100
Total other long-term financial assets	**63**	**100**

2.5.2 Short-term assets

2.5.2.1 Inventories

In €'000	Raw materials	Tools and other procurements	Work in progress	Finished and intermediary products	Goods	TOTAL
Gross values at December 31, 2009	**27,598**	**7,106**	**61,978**	**67,613**	**13,294**	**177,589**
Scope changes	3,835	2,077	8,916	6,354		21,182
- of which increases	*3,835*	*2,077*	*8,916*	*6,354*		*21,182*
- of which reductions						
Exchange rate spreads	723	55	1,675	1,623	185	4,261
Inventory movements	5,817	(799)	5,493	(2,341)	1,700	9,870
Reclassifications						
Gross values at December 31, 2010	**37,973**	**8,439**	**78,061**	**73,250**	**15,179**	**212,903**
Impairment at December 31, 2009	**7,339**	**732**	**3,462**	**17,778**	**803**	**30,116**
Scope changes	240	1,236	193	1,563		3,232
- of which increases	*240*	*1,236*	*193*	*1,563*		*3,232*
- of which reductions						
Impairment provisions	2,577	367	2,771	6,266	122	12,103
Reversals of impairment provisions	(1,179)	(1,935)	(1,054)	(5,794)	(343)	(10,305)
Exchange rate spreads	133		128	369	31	661
Reclassifications	(141)		(63)	204		
Impairment at December 31, 2010	**8,969**	**400**	**5,437**	**20,385**	**614**	**35,806**
Net values at December 31, 2010	**29,004**	**8,038**	**72,624**	**52,865**	**14,566**	**177,096**

Increases in inventories stood at €35.3m over the period, that is a progression of 19.9%. They are affected by measured intended to reconstruct the inventory levels in the LISI AUTOMOTIVE Division and by the effects of newly-consolidated companies in the two main divisions (€21.2m).
The calculation of value losses on inventories of finished products and works in progress is based on an approach that takes into account article turnover and completion times. As the latter returned to normative times at year end only, they still had an unfavorable impact on the provision allowances for a slow rotation of inventories of finished products, in both divisions; the contribution of newly-consolidated companies to impairments represented nearly €3.2m of impairment provision allowances in the context of the harmonization rules for the Group's devaluation methods..

2.5.2.2 Trade and other receivables

In €'000	2010	2009
Gross debtors and apportioned accounts	98,794	91,740
Depreciation of trade and other apportioned accounts	(3,582)	(4,506)
Net debtors and apportioned accounts	**95,212**	**87,234**
State - Other taxes and duties	10,950	8,049
Social charges & employees	609	413
Accounts payable - advances, debtors	1,161	1,205
Deferred charges	2,958	2,185
Other	15,831	4,446
Other receivables	**31,509**	**16,297**
Total trade and other receivables	**126,721**	**103,531**

The progression of accounts receivable follows the business recovery, without forgetting that this figure remains affected by disposals of claims which, at December 31, 2010, stood at €43.1m against €30.7m at December 31, 2009. These disposals took the form of factoring with conventional subrogation, but without recourse. The amount of disposals carried out exclusively in France brings the average payment term down to 60 days.
Overdue receivables not covered by provisions mainly concern major customers with which the Group has annual or multiannual business agreements. On the basis of historic observations, the company considers the risk of non-collection margin, with non-hedged overdue receivables being mainly within less than one year.
The position of State-Other taxes and duties, up as at December 31, 2010, reflects the impact of flows of deductible VAT before winding up.
"Others", up sharply on 2009 (+€11.4m) includes funds to be received from partners in the context of restructuring operations, for an amount of €9.7m.
Accounts receivable and other debtors are within less than one year.

2.5.2.3 Other short-term investments

The good level of this accounting item mainly results from the pursuit of the cash-oriented measures that were taken in financial 2009.
This item consists mainly of investment securities held by the Group and in particular monetary SICAV instruments, for a total of €36.8m, negotiable security deposits of €20m and a structured investment of €1.8m. The latter are recorded at their fair value, and value adjustments are recorded into the income statement. Except for the structured investment for which provisions for up to €0.3m were recorded at December 31st, the positions are not exposed, the main backing instruments guaranteeing the capital.

2.5.2.4 Cash and cash equivalents

The cash available as at December 31, 2010 stood at €22.2m. It was mainly comprised of current bank accounts in euros and currencies.

2.5.3 Shareholders' equity

The Group's shareholders' equity stands at €489.5m at December 31, 2010, against €450.8m at December 31, 2009, up €38.7m. This change takes into account the following main factors:

- +€32.9m of income for the period attributable to holders of the company's shareholders' equity,
- +€1.0m of capital increase,
- -€7.2m of dividends paid in May 2010,
- -€1.4m for deferred tax liabilities on the treatment of the CVAE,
- + €2.9m relative to treasury shares and payments in shares,
- -€1.8m of miscellaneous restatements,
- +€12.3m of translation adjustment linked to variations in closing rates, particularly regarding the depreciation of the dollar.

2.5.3.1 Capital stock

Capital stock at year-end stands at €21,572,988, broken down into 10,786,494 issued shares with a face value of €2.
The number of outstanding shares is up 32,633 over financial 2010 pursuant to the capital increase for employees as part of the Group Savings Plan and the conversion of 1,808 BSARs.

2.5.3.2 Additional paid-in capital

Additional paid-in capital is broken down as follows:

In €'000	12/31/2010	12/31/2009
Paid-in cash	53,062	52,112
Share premiums	15,030	15,030
Merger premiums	2,711	2,711
Total	**70,803**	**69,853**

2.5.3.3 Capital management

The Group's policy consists in maintaining robust capital so as to preserve the confidence of shareholders and investors, support growth and withstand periods of recession. The Board of Directors is particularly attentive to capital returns and the dividends paid to shareholders.

To take advantage of a market opportunity, an issue of OBSARs was conducted in 2004, for which there remained 237,324 share warrants with a maturity date of May 5, 2010. Only 1,808 BSARs were converted in 2010, being a capital increase of €3,616 and a related share premium of €81,360. Other instruments which provide access to the company's capital relate to the benefits conferred on managers and employees under certain conditions, as set out in notes 2.6.9 and 2.7.2.

2.5.3.4 Dividends

The amount of (unrecognized) dividends for the 2010 financial year submitted to the Shareholders' General Meeting on April 27, 2010 for approval breaks down as follows:

Total net dividend	2010	2009
Amount in €m	11.3	7.2

This estimate is based on dividend-bearing shares as of the date of the Board meeting held February 16, 2010, or 10,786,494 shares.

The amount of (unrecognized) dividends for the 2010 financial year submitted to the Shareholders' General Meeting on April 27, 2010 for approval breaks down as follows:

Dividend per share	2010	2009
Dividend per share in €	1.05	0.70

2.5.4 Provisions

2.5.4.1 Changes in provisions break down as follows:

In €'000	At January 1, 2009	Provisions (net of reversals)	At December 31, 2009	Provisions	Reversals (amounts used)	Reversals (non used amounts)	Reclassifications	Entry into/ exit from consolidation scope	Translation differential	At December 31, 2010
Pensions and retirement	15,067	(292)	14,775	2,165	(2,251)			2,435	195	17,319
Long-service medals				2,074	(159)		(26)	1,155		3,045
Environment-related risks	9,192	(457)	8,735	230	(1,338)	(219)		806	340	8,554
Disputes and other risks	3,189	(1,337)	1,852	455	(1,039)	(511)	6	2,647	54	3,464
Guarantees to clients	2,750	324	3,074	500					23	3,597
Restructuring						(1,000)		2,200		1,200
Industrial reorganization					(1,400)			2,400		1,000
For taxes	188	(159)	29		(22)	(14)	(29)	879		843
Subtotal long-term provisions	**30,386**	**(1,921)**	**28,463**	**5,424**	**(6,209)**	**(1,744)**	**(49)**	**12,523**	**612**	**39,023**
Industrial reorganization	4,513	(2,294)	2,219	3,527	(1,820)	(459)	88	300	24	3,879
Restructuring				1,931						1,931
Environment-related risks				451						451
Long-service medals							26			26
Disputes	941	360	1,301			(332)				969
For taxes	26		26	481			(26)			481
Other risks	2,726	1,798	4,524	3,937	(2,998)	(46)	(39)	2,100	17	7,495
Subtotal short-term provisions	**8,205**	**(136)**	**8,069**	**10,327**	**(4,818)**	**(837)**	**49**	**2,400**	**41**	**15,232**
Total	**38,591**	**(2,057)**	**36,532**	**15,751**	**(11,027)**	**(2,581)**		**14,923**	**653**	**54,255**
Of which as current operating profit				*14,944*	*(11,005)*	*(2,077)*				
Of which as non-current operating profit				*807*	*(22)*	*(504)*				

The main provisions are in respect of:

- Pensions and retirement:

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

- Environment:

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

- Disputes and other risks:

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

- Industrial reorganization:

This covers industrial reorganization based on assessments of the cost of closing or redeploying certain sites or entities. The assessment of the sums recognized takes account of specific local regulatory stipulations. Provisions for industrial reorganizations mainly concern two newly-consolidated entities of LISI AUTOMOTIVE.

- Other risks:

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

2.5.4.2 Commitments to personnel

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

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

In €	Euro zone	USA	UK
Actuarial debt	11,766,007	8,291,910	13,060,173
Discount rate	4.50%	5.50%	5.70%
Inflation - Wage increase	1% - 1.50%	N/A	4.70%

Long-term rates of return expected for the funds have been determined taking into account the asset allocation and the rates of return expected for each component. The rates of return thus employed are equal to 6% for American insurance plans and 6.76% for British ones.

At December 31, 2009, the allocation of hedging assets was approximately 60% in shares and 40% in bonds.

The table below details the changes, during financial 2010, of the actuarial debt, and the market value of the hedging assets (in €K):

Changes in actuarial debt	2010	2009
Actuarial debt at year start	**33,118**	**30,773**
Cost of services rendered during the year	589	591
Cost of accretion	1,938	1, 854
Contributions paid by employees		
Benefits paid	(1,008)	(969)
Discounts		
Wind-ups		
Scheme changes	624	
Change in consolidation scope	2,435	(814)
Translation differential	195	309
Actuarial losses (gains)	3,220	1,375
Actuarial debt at year end	**41,111**	**33,118**

Change in market value of hedging assets	2010	2009
Value at year start	**16,820**	**13,680**
Contributions paid by the Group	338	304
Contributions paid by employees		
Benefits withheld from fund	(217)	(216)
Wind-ups		
Expected yield from assets	1,144	977
Translation differential	886	486
Actuarial gains (losses)	892	1,588
Value at year end	**19,863**	**16,820**

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

	2010	2009
Non funded actuarial debt	**(21,248)**	**(16,298)**
Deferred actuarial losses (gains) recorded to the balance sheet	3,929	1,523
Costs of past services not yet recognized		
Liabilities recognized at year end	**(17,319)**	**(14,775)**

The expense recognized in the operating income statement by the Group for 2010 for defined benefits plans came to €1.3 million and breaks down as follows:

In €'000	2010	2009
Cost of services rendered during the year	589	591
Cost of accretion	1,938	1,854
Expected yield from assets	(1,144)	(977)
Actuarial differences recognized during the year	(27)	(6)
Cost of past services		
Depreciation of transition assets		
Asset limitation		
Reductions / Wind-ups	(42)	
Change in consolidation scope		(692)
Recognized expense (revenue)	**1,313**	**769**

2.5.5 Other long-term liabilities

In €'000	2010	2009
Deposits and sureties received	25	33
Employee profit-sharing for the year	997	1,048
Deferred revenues	4,808	464
Total other long-term liabilities	**5,830**	**1,545**

2.5.6 Debt and financial risk management

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

2.5.6.1 Debt

a) Breakdown by nature

In €'000	2010	2009
Non-current share		
Mid-term loans	66,354	69,458
Debt related to lease agreements	459	465
Employee profit-sharing (frozen on a current account)	5,833	6,605
Subtotal non-current debt	**72,647**	**76,528**
Current share		
Operating bank facilities	7,923	13,495
Mid-term loans	15,277	19,214
Debt related to lease agreements	970	1,594
Employee profit-sharing (frozen on a current account)	1,538	2,129
Subtotal current debt	**25,709**	**36,432**
Total debt	**98,356**	**112,959**

The reduction in debt results from loan repayments that exceed the amounts of loans taken out over the period. Medium-term loans and operating bank facilities follow the same trend, thereby consolidating the reduction in financial debt by nearly 13%.

b) Breakdown by maturity date

In €'000	2010	2009
Borrowings		
below one year	15,277	19,214
between two and five years	63,808	65,606
over five years	2,547	3,852
Subtotal borrowings	**81,632**	**88,672**
Other financial creditors		
below one year	10,431	17,217
between two and five years	6,292	7,070
over five years		
Other debt subtotal	**16,723**	**24,287**
Borrowings and debt	**98,356**	**112,959**

c) Breakdown by currency

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

d) Breakdown by interest rate category

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

Contracting entities	Nature of the loan	Fixed rate	Variable rate	Total sum of credit lines	Capital remaining due at 12/31/2010 in €m	Maturity date	Loan secured in rate or in currency
LISI S.A.	Syndicated loan [1] A		Euribor over the drawing period + margin	35.0	15.0	2013	
	Conventional loan		Euribor 3 months + margin	10.0	10.0	2013	Covered by a swap
	Conventional loan		Euribor 3 months + margin	10.0	10.0	2013	
	Conventional loan		Euribor 3 months + margin	10.0	10.0	2014	Covered by a swap
LISI COSMETICS	Conventional loan		Euribor 3 months + margin	0.7	0.2	2012	Equipment pledging
	Conventional loan		Euribor 3 months + margin	1.0	0.3	2012	Intention letter by LISI S.A.
	Conventional loan	3.66%		0.7	0.2	2011	Intention letter by LISI S.A.
	Conventional loan		Euribor 3 months + margin	0.8	0.2	2011	Intention letter by LISI S.A.
	Conventional loan		Euribor 3 months + margin	0.7	0.1	2011	Intention letter by LISI S.A.
	Conventional loan		Euribor 3 months + margin	3.5	2.5	2015	Intention letter by LISI S.A.
LISI AUTOMOTIVE FORMER	Conventional loan		Euribor 3 months + margin	2.5	0.3	2011	
	Conventional loan [5]		Euribor 3 months + margin	7.0	7.0	2017	Intention letter by LISI S.A.
LISI AUTOMOTIVE Form as	Conventional loan [6]		Pribor + margin	5.9	4.2	2014	Intention letter by LISI AUTOMOTIVE
LISI AUTOMOTIVE	Conventional loan [2]		Euribor 6 months + margin	4.0	1.6	2012	Intention letter by LISI S.A.
	Conventional loan [3]		Euribor 3 months + margin	4.0	1.6	2012	Intention letter by LISI S.A.
	Conventional loan [4]		Euribor 3 months + margin	4.0	1.2	2012	Intention letter by LISI S.A.
	Conventional loan		Euribor 3 months + margin	4.0	1.5	2012	Intention letter by LISI S.A.
BETEO GmbH	Conventional loan	4.35%		1.0	0.1	2011	
	Conventional loan		Euribor 6 months + margin	0.8	0.1	2011	
KNIPPING Espana S.A.	Conventional loan		Euribor 3 months + margin	6.5	4.3	2018/2020	
KNIPPING Umformtechnik GmbH	Conventional loan	7.05%		1.1	0.1	2011	
LISI AUTOMOTIVE Shanghai	Conventional loan	4.86%		0.6	0.6	2011	
Knipping Verbindungstechnik GmbH	Conventional loan	1.50%		1.1	0.3	2017	Intention letter by LISI AUTOMOTIVE
	Conventional loan		Euribor 3 months + margin	3.0	0.2	2011	Intention letter by LISI AUTOMOTIVE
	Conventional loan		Euribor 3 months + margin	3.0	0.2	2011	Intention letter by LISI AUTOMOTIVE
	Conventional loan		Euribor 3 months + margin	3.0	1.2	2012	Intention letter by LISI AUTOMOTIVE
	Conventional loan		Euribor 3 months + margin	3.0	0.3	2011	Intention letter by LISI AUTOMOTIVE
			TOTAL	**126.9**	**73.3**		

2.5.6.2 Related covenants

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

For the reader’s information, the financial “covenants” related to each loan are described below:

[1] LISI S.A. syndicated loan.

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

The total for commitment "A" will be automatically reduced on a straight line basis, in accordance with the depreciation table for August 7 of 2007 to 2013. LISI will not be able to draw again on all or part of the "A" commitment, which will have been repaid. For this commitment, a draw down right of €35m was requested and the remaining capital due on December 31, 2010 was €15m.

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

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

Early redemption:

- Gearing ratio > than 1.20,
- Leverage ratio > than 3.5 (Net debt / EBITDA)

[2] LISI AUTOMOTIVE conventional loan

- Method used to calculate the margin according to gearing:

1. < 0.25: 0.25% per annum.
2. >= 0.25 and < 0.40: 0.30% per annum.
3. >= 0.40 and < 0.80: 0.375% per annum.
4. >= 0.80 and < 1.00: 0.475% per annum.
5. >= 1.00 and < 1.20 : 0.60% per annum.

Early redemption:
- Net debt / Shareholders' equity > 1.20,
- Net debt > than 3.5 years of EBITDA.

[3] LISI AUTOMOTIVE conventional loan
- Method used to calculate the margin according to gearing:

1. < 0.25: 0.25% per annum.
2. >= 0.25 and < 0.40: 0.30% per annum.
3. >= 0.40 and < 0.80: 0.375% per annum.
4. >= 0.80 and < 1.00: 0.475% per annum.
5. >= 1.00 and < 1.20: 0.60% per annum.

Early redemption:
- Net debt / Shareholders' equity > 1.20,
- Net debt > than 3.5 years of EBITDA.

[4] LISI AUTOMOTIVE conventional loan
- Method used to calculate the margin according to gearing:

1. <= 0.50: 0.40% per annum.
2. > 0.50 and < 0.75 : 0.45% per annum.
3. >= 0.75: 0.50% per annum.

Early redemption:
- Net debt / Shareholders' equity > 1.20,
- Net debt > 3.5 years of EBITDA.

[5] LISI AUTOMOTIVE conventional loan
Early redemption:
- Net debt / EBITDA >= 2.5,
- Net debt / Shareholders' equity >= 1.20.

[6] LISI AUTOMOTIVE Form AS Conventional loan
Early redemption:
- Net debt / EBITDA >= 4 in 2010 and 3 for the following years.

2.5.6.3 Actual sureties

In €m	Capital remaining due at December 31, 2010
Guarantees and deposits	9.3
Mortgages and pledged assets	-
Total	**9.3**

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

Letters of intention delivered by the Group to banks for €26.8m as part of:
- The acquisition of the KNIPPING Group by LISI AUTOMOTIVE for €18.9m in 2005; the capital outstanding at December 31, 2010 being €5.9m,
- The acquisition of equipment by LISI COSMETICS for a total of €2.1m in 2005; the capital outstanding at December 31, 2010 being €0.4m,
- The acquisition of equipment by LISI COSMETICS for a total of €2.3m in 2006; the capital outstanding at December 31, 2010 being €0.5m,
- The construction of a new plant by LISI COSMETICS for €3.5m in 2008; the capital outstanding at December 31, 2010 being €2.5m.

2.5.7 Deferred taxes

In €'000	2010	2009
Deferred tax assets	16,146	6,901
Deferred tax liabilities	(34,859)	(28,934)
Net deferred taxes	**(18,713)**	**(22,034)**

Non-recognized deferred tax assets:
The Company does not recognize its deferred tax assets whenever it has no sufficient assurance that it will recover carried forward deficits and tax credits. Deferred tax assets are only recognized if their recovery is probable. For these, the Group counted €1.6m in 2009. This prudential rule applies more specifically to brought forward losses for which the Group believes recoverability depends on future profits. Loss carrybacks not recognized in the balance sheet at December 31, 2010, would generate deferred tax assets for €1.1m.

2.6 Detail of main income statement items

2.6.1 Sales revenue

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

2.6.2 Consumption

In €'000	LISI AEROSPACE	LISI AUTOMOTIVE	LISI COSMETICS	Other	TOTAL 2010	TOTAL 2009
Consumption of goods	5,512	20,562	2,808	(1,140)	27,742	23,366
Consumption of raw materials	48,122	77,881	5,700	(5)	131,697	101,253
Tools	17,838	12,987	2,952	(51)	33,726	30,813
Other purchases	4,460	12,902	3,622	19	21,004	16,073
Total consumption	**75,932**	**124,332**	**15,082**	**(1,177)**	**214,169**	**171,505**

The "Consumption" accounting item rose by 24.9% over financial 2010. All items in that section follow the same progression.

Depending on the division, the progression level varies: it is significant in the LISI AUTOMOTIVE Division, as a result of the recovery, in 2010, of the activity level and the volumes contributed by the two newly-consolidated companies; it is slightly up in the LISI AEROSPACE Division, due to the impact of the newly-consolidated entity. .

2.6.3 Other purchases and external expenses

In €'000	LISI AEROSPACE	LISI AUTOMOTIVE	LISI COSMETICS	Other	TOTAL 2010	TOTAL 2009
Subcontracting	10,871	35,111	3,554		49,536	37,835
Maintenance	9,090	16,571	1,965	163	27,788	21,164
Transport	3,097	9,617	1,054		13,768	10,572
Energy	5,654	12,426	1,795	8	19,884	16,429
Total other purchases and external costs	29,517	21,725	2,350	(3,757)	49,835	41,825
Total other purchases and external costs	**58,229**	**95,449**	**10,718**	**(3,586)**	**160,810**	**127,823**

The progression of external expenses mainly concerns the LISI AUTOMOTIVE Division, due to a very sharp increase in subcontract accounting items, resulting from a rise in the production volumes and the impact of the dysfunction of a thermal treatment furnace. The volume effect also conditions a very significant increase in the maintenance items (frozen in 2009 due to the crisis), shippings on sales and subcontracting.
It is important to note that this upward movement of the main items should be compared with the impact of newly-consolidated companies on the Group's two main components.

2.6.4 Payroll expenses

In €'000	LISI AEROSPACE	LISI AUTOMOTIVE	LISI COSMETICS	Other	TOTAL 2010	TOTAL 2009
Temporary employees	6,047	6,184	2,506		14,737	6,686
Salaries and incentives	100,797	98,860	13,043	3,424	216,123	190,699
Layoff pay	821	688	193		1,702	4,073
Social contributions and taxes on salaries	41,809	35,246	5,941	1,309	84,305	76,147
Employee profit-sharing	808	189			997	1,052
Pensions and long-service medals	293	479	44		815	
Total payroll expenses	**150,574**	**141,646**	**21,727**	**4,732**	**318,679**	**278,658**

Business recovery in the LISI AUTOMOTIVE Division and the Group's desire to maintain a structure level with a view to recovery in the LISI AEROSPACE Division account for the significant increase in that item. This first explanation is confirmed by the effects of newly-consolidated entities.

2.6.5 R&D expenses

The LISI Group's mission is to carry out intensive research and development activities, both in developing new products and in using new materials. This research and development activity is carried out at various levels: either as part of a co-operative venture between research and design departments within our own divisions and those of our customers, or to develop or improve certain components or industrial processes.

These are mainly comprised of personnel expenses dedicated to R&D services. Staff dedicated to R&D represent in 2010 some 2% of the Group's employees.

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

In €m	2010	2009	2008
R&D expenses	18.4	16.5	15.5
% of sales revenue	2.4%	2.4%	1.8%
Activated projects	1.0	0.8	-

2.6.6 Non-recurring operating expenses and revenues

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

In €'000	2010	2009
Non-recurring operating expenses		
Restructuring costs	(22)	
Industrial reorganization costs	(771)	(2)
Reserve allowance for industrial reorganizations	(807)	
Earnings from the transfer of SDU (net of provision reversal)		(471)
Depreciation of B.U. goodwill Clipped fasteners		(12,000)
Total	**(1,600)**	**(12,473)**
Non-recurring operating revenues		
Reversals of restructuring provisions	26	
Industrial reorganization plan provision reversals	500	500
Total	**526**	**500**
Non-recurring revenue and expenses from operations	**(1,074)**	**(11,973)**

The rules for the presentation and definition non-recurring income and expenses remain unchanged compared to December 31, 2009.
In 2010, non-recurring expenses take into account a hedging provision for a restructuring operation in the LISI MEDICAL Division for €1.5m. The hedging of a restructuring operation in the LISI AEROSPACE Division in 2009 was subject to the repayment of €0.5m.

In 2009, the construction of the non-recurring earnings mainly results from the impairment of the B.U.'s goodwill Clipped fasteners.

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

2.6.7 Financial income or loss

In €'000	2010	2009
Financing expenses and revenue on cash		
Financing expenses and revenue on cash	430	326
Effect of changes to fair value of financial instruments	(307)	(323)
Financing expenses	(2,640)	(4,200)
Subtotal income from cash and cash equivalents	**(2,517)**	**(4,197)**
Other interest revenue and expenses		
Foreign exchange gains	13,135	4,094
Foreign exchange losses	(11,236)	(5,513)
Other	(307)	339
Financial income and expenses	**1,592**	**(1,080)**
Total	**(925)**	**(5,277)**

The +€4.3m increase in financial income between December 31, 2010 and December 31, 2009 results from the combined effect of the reduction in the financing cost (significant reduction in net debt and interest rates) and the favorable impact of translation differences related to arbitration on the settlement of intragroup positions denominated in foreign currencies.

2.6.8 Corporate income tax

2.6.8.1 Breakdown of the corporate income tax

Breakdown In €'000	Profit (loss) before tax	Tax	Profit (loss) after tax
Income from ordinary operations	49,540	(11,873)	37,667
Non-recurring operating expenses and revenues	(1,074)	93	(981)
Employee profit-sharing	(997)	343	(654)
Tax credits		105	105
CVAE (Tax on companies' added value)		(3,372)	(3,372)
Profit (loss) for the period	**47,468**	**(14,704) (A)**	**32,764**

(A) of which taxes due: -€12,012k
of which deferred taxes: +€575k
of which tax credits: +€105k
of which CVAE (Tax on Companies' Added Value): -€3,372k

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

In €'000	
Theoretic rate (on the basis of the French rate)	34.43%
Theoretic tax (on the basis of the French rate)	15,182
Total theoretic tax	**15,182**
Tax exemption of foreign companies	(122)
DTA not activated	1,498
Tax credits	(128)
Tax rate differentials on overseas subsidiaries	(584)
English tax correction	(2,729)
Other	(708)
Use of tax losses from prior periods	(1,077)
Recognized taxation	**11,332**
Apparent rate	30.87%

2.6.8.3 Tax levels applicable by LISI Group companies

	2010	2009
Germany	30.00%	30.00%
UK	28.00%	28.00%
Canada	34.12%	34.12%
Spain	30.00%	30.00%
USA	40.00%	40.00%
France	34.43%	34.43%
Czech Republic	19.00%	19.00%
China	25.00%	25.00%

2.6.9 Earnings per share

Earnings per share calculations are shown in paragraph 2.2.19.6.
The tables below indicate the reconciliation between the non diluted and the diluted earnings per share.

12/31/2010 In €'000	Profit (loss) for the period	Number of shares	Net earnings per share in €
Total stocks		10,775,616	
Treasury shares		(446,743)	
Basic earnings per share	**32,925**	**10,328,873**	**3.19**
Diluted earnings per share	**32,925**	**10,328,873**	**3.19**

12/31/2009 In €'000	Profit (loss) for the period	Number of shares	Net earnings per share in €
Total stocks		10,753,861	
Treasury shares		(477,256)	
Basic earnings per share	**9,422**	**10,276,605**	**0.92**
Non-exercised warrants	-	-	-
Diluted earnings per share	**9,422**	**10,276,605**	**0.92**

2.7 Additional information

2.7.1 Segment reporting

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

- The LISI AEROSPACE division which brings together all activities in the aeronautical market as well as medical business,
- The LISI AUTOMOTIVE Division, which brings together all activities in the automotive market,
- The LISI COSMETICS Division, which brings together perfume and cosmetics activities.

The "others" heading mainly consists of the holding company LISI S.A. and disposals.

2.2.7.1.1 Breakdown by business sector

In €'000	LISI AEROSPACE	LISI AUTOMOTIVE	LISI COSMETICS	Other	TOTAL
12/31/10					
Income component					
Sales revenue by business sector	323,739	401,283	52,834	(1,167)	776,689
EBITDA	39,973	49,635	6,383	(325)	95,665
Depreciation allowance and provisions	18,847	24,567	2,527	257	46,197
EBIT	21,126	25,068	3,856	(583)	49,467
Operating profit	20,048	25,068	3,860	(584)	48,393
Profit (loss) for the period	16,090	18,115	3,231	(4,671)	32,764
Balance sheet component					
Working capital requirement	119,324	66,029	(3,422)	(9,164)	172,767
Net fixed assets	205,248	219,227	28,755	321	453,550
Acquisition of assets	20,320	29,928	1,613	113	51,974
12/31/09					
Income component					
Sales revenue by business sector	349,471	310,376	36,110	(885)	695,071
EBITDA	73,582	10,963	(452)	3,686	87,779
Depreciation allowance and provisions	26,007	26,486	2,751	(1,654)	53,590
EBIT	47,575	(15,523)	(3,203)	5,340	34,188
Operating profit	47,575	(28,486)	(3,205)	6,329	22,215
Profit (loss) for the period	31,165	(30,362)	(3,435)	11,769	9,137
Balance sheet component					
Working capital requirement	102,227	67,932	(2,344)	4,707	172,521
Net fixed assets	163,965	206,301	30,367	576	401,209
Acquisition of assets	27,020	20,850	2,176	(106)	49,940

In 2010, the result for the period for the "Other" category includes the impact of the tax burden resulting from the calculation, within the fiscal integration framework, of companies that have returned to profitability.
In 2009, reported results in the “Other” category corresponds to the repayment of the expense reported in 2007 and 2008 on the performance share plan (€3.2m), to the favorable end of certain risks (€1.8m) and to the impact of tax credits recognized within the fiscal integration framework (€6m).

2.7.1.2 Breakdown by business sector and by country

In €'000	LISI AEROSPACE	LISI AUTOMOTIVE	LISI COSMETICS	Other	TOTAL
12/31/10					
Income component					
Revenue by destination area					
European Union	184,231	348,753	52,048	(1,167)	583,865
Of which France	*93,445*	*162,240*	*41,369*	*(1,440)*	*295,614*
Americas	132,352	19,005	786		152,143
Other countries	7,156	33,525			40,681
Total	**323,739**	**401,283**	**52,834**	**(1,167)**	**776,689**
Balance sheet component					
Net fixed assets by destination area					
European Union	109,311	215,692	28,755	321	354,079
Of which France	*102,411*	*128,544*	*28,755*	*321*	*260,031*
North American continent	80,796				80,796
Africa	706				706
Asia	14,435	3,535			17,970
Total	**205,248**	**219,227**	**28,755**	**321**	**453,550**
Flows provided by or used for acquisition of fixed assets by destination area					
European Union	11,576	28,341	1,613	113	41,643
Of which France	*10,864*	*21,155*	*1,613*	*113*	*33,745*
North American continent	7,093				7,093
Africa	147				147
Asia	1,504	1,587			3,091
Total	**20,320**	**29,928**	**1,613**	**113**	**51,974**
12/31/09					
Income component					
Revenue by destination area					
European Union	188,704	274,571	35,213	(885)	497,603
Of which France	*104,216*	*119,354*	*30,001*	*(885)*	*252,686*
Americas	142,047	12,078	857		154,982
Other countries	18,720	23,727	40		42,487
Total	**349,471**	**310,376**	**36,110**	**(885)**	**695,071**
Balance sheet component					
Net fixed assets by destination area					
European Union	73,315	203,805	30,367	576	308,063
Of which France	*66,707*	*118,458*	*30,367*	*576*	*216,108*
North American continent	75,431				75,431
Africa	593				593
Asia	14,626	2,497			17,123
Total	**163,965**	**206,301**	**30,367**	**576**	**401,209**
Flows provided by or used for acquisition of fixed assets by destination area					
European Union	15,850	20,645	2,176	(106)	38,565
Of which France	*13,873*	*13,360*	*2,176*		*29,409*
North American continent	8,707				8,707
Africa	41				41
Asia	2,422	205			2,627
Total	**27,020**	**20,850**	**2,176**	**(106)**	**49,940**

2.7.2 Share-based payments

2.7.2.1 Stock options

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

2.7.2.2 Performance-based share allocations

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

Acting on the recommendation of the Compensation Committee, LISI's Board of Directors decided, on June 28, 2009, to allocate performance shares to members of the Executive Committee and to members of the main Management Committees for the three LISI Group divisions, subject to their meeting certain performance targets. The same went in 2010, insofar as the Board of Directors of July 28, 2010 renewed the opening of a new plan under similar conditions.
The fair value of these benefits has been calculated by independent actuaries and is recognized in the income statement on a straight-line basis throughout the entitlement acquisition period.

The fair value of the benefits thus granted is recognized in 2010 in Personnel expenses for €0.8m for the employees of the French companies, against shareholders' equity, and for €1.1m for the employees of foreign companies, against Social liabilities. This cost was not allocated to divisions, and remains an expense at the LISI S.A. level until the definitive realization of the plan.

2.7.3 Related-party information / Remuneration of managers and directors

2.7.3.1 Related-party information

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

2.7.3.2 Remuneration of managers and directors

In €'000	Expenses for the period 2010	Expenses for the period 2009	Liabilities at 12/31/2010
Gross short-term benefits (salaries, bonuses, etc.)	720	705	
Post-employment benefits (IFC)	197	136	197
Other long-term benefits			
Termination benefits			
Equity compensation benefits	33	8	33
Total compensation	**951**	**849**	**231**

The main directors will receive remuneration in the form of short-term benefits, post-employment benefits and share-based payments. With regard to this category, in 2009 and 2010 both directors of LISI S.A. received performance shares in accordance with the same terms and conditions as other members of the divisional Executive Committees; Two additional conditions are also imposed in their case, namely, to acquire 200 shares at the end of the acquisition period and to keep a nominative portion of equity (200 shares) until the end of their function as mandated chief executives of the mother company.

2.7.4 Commitments

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

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

2.7.4.1 Commitments given in the context of ordinary operations

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

In €'000	2010
Miscellaneous guarantees	1,133
Training entitlements	2,610
Balance of investment orders	22,103
Commitments made	**25,846**
Rate swap	27,000
Reciprocal commitments	**27,000**

Reciprocal commitments:

Reciprocal commitments are interest rate swaps to hedge variable rate loans (cf. note 2.5.6.1. Financial Debt) taken out to fund external growth. At December 31, 2010, the features of the swap contracts were as follows:

Notional at 12/31/2010	Value In €'000	Departure date	Maturity date	Payer rate	Payee rate	Net present value in €'000
LISI S.A.	10,000	02/06/2009	02/06/2014	2.78%	Euribor 3 months	(363)
LISI S.A.	10,000	04/08/2009	10/08/2013	2.49%	Euribor 3 months	(267)
LISI AUTOMOTIVE Former	7,000	12/31/2010	12/29/2017	1.745%	Euribor 3 months	-
					Total	**(630)**

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

- SEIGNOL / HUGUENY: Representations and warranties received for social and fiscal commitments and for legal compliance, with a variable term relative to the nature of the commitments covered. The triggering threshold is €10k.
- SEIGNOL, INTERMED Application and LIXUS: Representations and warranties received for social and fiscal commitments and for legal compliance, with a variable term relative to the nature of the commitments covered. The triggering threshold is €25k, with an excess of €150k and a cap of €2,184k in the event of legal liability issues relating to product quality. Generally, the guarantee cap is €1,456k.

  1.Earn out: The sales contract provided for an additional payment based on the sales revenue and EBITDA for the financial year 2008. This clause was activated in 2009 and led to an additional payment of €1.0m.

  2.The assets and liabilities guarantee is covered by an independent first-demand guarantee issued by the assignor's bank.

LISI AUTOMOTIVE

- In the context of the takeover of the sites of Acument La Ferté Fresnel, LISI AUTOMOTIVE was awarded by TEXTRON a guarantee to cover environmental risks likely to threaten a site with no industrial activity to date.
- As a liabilities hedging instrument, LISI AUTOMOTIVE enjoys a hedging instrument for any unrealized liabilities discovered over a two-year period as of the acquisition date.

2.7.4.3 Other commitments

Subscription by LISI S.A. in 2009 of three medium-term financing contracts for €40m that were not utilized as at December 31, 2010 and are executable until June 30, 2011. Subscription by LISI S.A. in 2009 of two medium-term financing contracts for €45m that were not utilized as at December 31, 2010 and are executable until June 2012.

2.8 Exchange rates of currencies used by foreign subsidiaries

		2010		2009	
		Closing	Average	Closing	Average
Dollar	(USD)	1.3362	1.3207	1.4406	1.3963
Sterling	(GBP)	0.8608	0.8560	0.8881	0.8900
Chinese Yuan	(CNY)	8.8220	8.9277	9.8350	9.5370
Canadian dollar	(CAD)	1.3322	1.3660	1.5128	1.5819
Zloty	(PLN)	3.9750	4.0049	4.1045	4.3469
Czech crown	(CZK)	25.0610	25.2631	26.4730	26.4956
Moroccan Dirham	(MAD)	11.1747	11.1501	11.3329	11.2557
Indian rupee	(INR)	59.7580	60.2581	67.0400	67.3906
Hong Kong Dollar	(HKD)	10.3856	10.2611	11.1709	10.8234

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

On February 7, 2011, the LISI Group granted the POCHET Group exclusive negotiation rights for the disposal of LISI COSMETICS.

On April 6, 2011, as per the press release of February 7th, the POCHET Group, through its subsidiary QUALIPAC, confirmed the acquisition of 100% of the shares and voting rights of LISI COSMETICS.

The strategic partnering of LISI COSMETICS with the POCHET Group will enable full advantage to be taken of the synergies within the newly formed group, thereby strengthening its position in the perfume and cosmetic markets.

Specializing in packaging products for the perfume and cosmetics industry, LISI COSMETICS achieved sales revenue of €52.8m in 2010. The division has three production facilities in Aurillac, Nogent-le-Phaye and Saint-Saturnin du Limet, with workforce of 417 people.

4 Company financial statements

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

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

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

Earnings at December 31, 2010

The remarks below relate to the income statement for 2010.

- **Operating revenue** of €9.2m is largely composed of services invoiced to subsidiaries of LISI S.A. in the areas of business assistance, control and co-ordination. In 2010, these invoices impacted on the subsidiaries, LISI S.A.'s operating costs increased by 10%. This figure also includes transfers of expenditure for an amount of €0.4m and the impact on reversal of operating provisions of the accounting treatment specific to performance share allocation plans, i.e. +€2.9m.

- LISI S.A.'s **sales revenue** is €5.9m, as compared with €5.0m in 2009, representing an increase of + 17.8%.

- **Operating costs amount** to €11.3m, as compared with €3.7m in 2009. This increase mainly results from an increase in the fees item of €0.8m (external growth and transfer), and the impact (personnel costs and allocation to operating provisions) of an accounting treatment specific to the allocation plans for performance shares assigned in 2009 and 2010, i.e. - €5.8m.

- **Operating profit** thus dropped from €3.1m to -€2.1m, this inversion simply being the consequence of the accounting treatment described above.

- **The financial result** is positive, at +€11.8m, as compared with +€13m in 2009. In terms of income, this result is mainly made up of the dividends earned by our subsidiary LISI AEROSPACE to the tune of €11.0m, group current account interest to the tune of €1m, and of a reversal of provision on self-held shares to the tune of €2.1m. In terms of charges, interest charged on loans and group current accounts amounted to €2m, with the net exchange impact stabilizing at – €1.2m for 2010.

- **Extraordinary earnings** stand at + €0.6m and arise from the transfer of operating assets for the Grandvillars site.

- Corporation tax is made up of a tax cost of - €2.5m (as compared with a tax credit of + €5.7m in 2009) following the return to profitability of the consolidated companies.

- **Consequently, LISI S.A.'s net profit** was €7.7m, as compared with €21.8m in 2009, i.e. a -65% drop.

- **Shareholders' equity** has risen from €170.8m in 2009 to €172.3m at the end of 2010; it includes a dividend distribution for an amount of €7.2m for 2009 earnings, paid in May 2010.

- **The closing cash balance** stands at €74m as compared with €77.7m in 2009: this balance sheet item is still of classic composition, with monetary SICAVs and investments denominated in euros and dollars, and for the most part guaranteed in capital. Net financial debt is €12.7m at year end 2010, as compared with €6.4m at year end 2009.

1.1 Appropriation of earnings

We propose that last year's profits of €7,725,772 be allocated as follows:

In €	
profits for the financial year of	7,725,772
increased by retained earnings of	56,098,435
giving distributable profit of	63,824,207
which we propose be allocated as follows:	
• as a legal reserve, the sum of	6,527
• to the shareholders, by way of dividends, the sum of €1.05 per share, or	11,325,819
• remainder to be carried forward, for a total of	52,491,861

The dividend for each share amounts to €1.05. The value of the dividend eligible for 40% deduction, as covered by article 158-3-2° of the French General Tax Code, is €1.05.

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

	Nominal value of the share	Dividend per share
Financial year ended 12/31/07	€2.00	€1.50
Financial year ended 12/31/08	€2.00	€1.20
Financial year ended 12/31/09	€2.00	€0.70

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

Outlook for 2011

Upstream dividend payments from our various subsidiaries and the maintenance of Group royalties should allow LISI S.A. to continue its policy of supporting its divisions and to ensure dividend increases for its shareholders.

Additional information

- Deductible expenses for tax purposes are made up of depreciation and hire of passenger vehicles and loan payments totaling €16,188.

- LISI S.A. has, through a market making agreement with an independent service provider, purchased 72,473 LISI shares for €3.1m and has sold 102,672 shares for a sum of €3.9m. At December 31, 2010, the number of shares held through market-making agreements was 24,027.

- Treasury stocks held on December 31, 2010 totaled 420,876 shares, including those related to the market-making contract.

2 - Financial statements

2.1 Income statement

In €'000	Notes	2010	2009	2008
Pre-tax sales		**5,938**	**5,043**	**5,701**
Operating income		**6,302**	**6,804**	**6,257**
External costs		(2,268)	(1,406)	(2,059)
Taxes and duties		(210)	(199)	(194)
Personnel expenses		(2,752)	(1,862)	(2,792)
Other charges		(74)	(87)	(85)
Depreciation, provisions		(3,139)	(144)	(545)
Operating profit		**(2,141)**	**3,105**	**582**
Financial earnings				
- from equity interests	3.3.1	12,005	12,523	19,490
- interest and similar expenses				5
- positive exchange differences		842	5	9
- from disposal of marketable securities		999	496	1,246
- reversals of provisions	3.2.5	2,076	3,428	97
Interest expenses				
- interest and similar expenses		(2,047)	(2,634)	(3,636)
- negative exchange rate differences		(2,054)		
- from disposal of marketable securities		(51)	(824)	(1,387)
- provisions allowance				(5,849)
Non-operating profit		11,770	12,994	9,976
Current profit before tax		**9,629**	**16,099**	**10,558**
Extraordinary earnings				
- on capital transactions		802		
- bonuses on bond repurchases				
- on management transactions				
- reversals of provisions		34	40	192
Extraordinary charges				
- on capital transactions		(227)		(53)
- on management transactions				
- provisions allowance		(13)		
Extraordinary earnings		**596**	**40**	**139**
Income tax	3.3.2	(2,499)	5,658	2,508
NET EARNINGS		**7,726**	**21,798**	**13,205**

2.2 Company balance sheet

Assets

In €'000	Notes	2010	2009	2008
Fixed assets				
Intangible fixed assets		198	197	183
Tangible fixed assets		1,309	1,849	1,801
Financial assets		171,263	174,581	175,880
Depreciation and amortization		(874)	(1,105)	(1,008)
Total net fixed assets	3.2.1 / 3.2.2	**171,896**	**175,522**	**176,856**
Short-term assets				
Clients and apportioned accounts	3.2.3	1,814	543	388
Other debtors	3.2.3	2,535	3,680	462
Subsidiaries' current accounts	3.2.3	40,224	41,925	42,624
Impairment of receivables				
Tax credit	3.2.3		2,497	5,288
Marketable securities	3.2.4.1	73,580	79,330	45,356
Cash	3.2.4.2	798	720	706
Provisions for write-down of marketable securities	3.2.5	(344)	(2,421)	(5,849)
Total short-term assets		**118,606**	**126,274**	**88,975**
Deferred charges		38	40	39
Deferred expenses on loan issue costs		96	133	170
Other deferred expenses				
Translation adjustment				
Total accruals		**134**	**173**	**209**
Total assets		**290,637**	**301,969**	**266,041**

Liabilities

In €'000	Notes	2010	2009	2008
Shareholders' equity				
Share capital		21,573	21,508	21,508
Issue, merger, and contribution premiums		67,296	66,346	66,346
Reserves		19,588	19,588	19,588
of which legal reserve		*2,151*	*2,151*	*2,151*
Balance carried forward		56,098	41,517	40,626
Profit (loss) for the period		7,726	21,798	13,205
Controlled provisions		58	79	119
Total equity	2.4	**172,339**	**170,835**	**161,391**
Provisions for risks and charges	3.2.6	**3,619**	**609**	**2,525**
Debt				
Sundry loans and financial debts (*)	3.2.3	47,259	52,408	46,490
Subsidiaries' current accounts	3.2.3	54,621	75,828	48,552
Taxes due		6,573		
Accounts payable	3.2.3	1,612	960	1,483
Tax and statutory payments	3.2.3	1,139	1,024	1,236
Other creditors	3.2.3	3,474	292	4,362
Total debt		**114,679**	**130,512**	**102,124**
Deferred income			13	
Translation differential liabilities				2
Total accruals			**13**	**2**
Total liabilities		**290,637**	**301,969**	**266,041**
(*) of which banking facilities		(1,986)	(2,108)	(673)

2.3 Cash flow movement table

In €'000	2010	2009	2008
Operating transactions			
Operating cash flow	8,193	16,557	19,233
Effect of changes in inventory on cash			
Effect of changes in accounts receivable and accounts payable	12,882	(5,399)	(2,648)
Cash provided by or used for operations (A)	**21,075**	**11,158**	**16,584**
Investment transactions			
Disbursements resulting from the acquisition of tangible and intangible assets	(7)	(49)	(10)
Income resulting from the transfer of tangible and intangible assets	797		
Disbursements resulting from the acquisition of financial assets			
Cash received from the disposal of financial assets	5		
Net cash used for acquisitions and disposals of subsidiaries			
Cash payments and collections from loans to subsidiaries	3,313	1,299	(9,174)
Cash provided by or used for investing activities (B)	**4,108**	**1,251**	**(9,184)**
Financing operations			
Cash received from shareholders as part of a capital increase	1,015		
Dividends paid to shareholders of the parent company	(7,216)	(12,313)	(15,793)
Cash received from new loans	268	10,295	20,808
Repayment of loans	(5,295)	(5,812)	(5,932)
Cash provided by or used for financing activities (C)	**(11,227)**	**(7,830)**	**(917)**
Effect of change in foreign exchange rates (D)			
Changes in cash (A+B+C+D) *	**13,956**	**4,579**	**6,483**
Cash at January 1st (E)	44,039	39,460	32,979
Cash at December 31st (A+B+C+D+E)	57,995	44,039	39,460
Marketable securities	73,580	79,330	45,356
Cash, subsidiaries' current accounts	41,022	42,644	43,330
Banking facilities, subsidiaries' current accounts	(56,607)	(77,935)	(49,226)
Closing cash position **	**57,995**	**44,039**	**39,460**

* The overall change in cash position corresponds to the total of net cash flows generated by the various categories: operations, investment, and financing.
** The cash position is the algebraic sum of the balance sheet assets and liabilities.

2.4 Change in shareholders' equity

In €'000	
At 01.01.2009	**161,391**
Profit (loss) for the period	21,798
Dividends paid	(12,313)
Accelerated depreciation	(40)
At 12.31.2009	**170,835**
Profit (loss) for the period	7,726
Capital increase	1,015
Dividends paid	(7,216)
Accelerated depreciation	(21)
At 12.31.2010	**172,339**

3 - Notes to the company accounts

LISI. S.A. is a public limited company with a Board of Directors, with capital of €21,572,988 representing 10,786,494 shares with €2 face value. It is registered at the Belfort trade registry, under no. 536 820 269. Its registered offices are based at Le Millenium, 18 rue Albert Camus, Belfort.

The final annual balance at December 31, 2010 was €290,636,511. The annual income statement showed a profit of €7,725,772.

The financial year runs over 12 (twelve) months, from January 1, 2010 to December 31, 2010.

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

3.1 Accounting rules and methods

The accounts for 2010 are drawn up in line with current French accounting regulations. The accounting rules and methods have been applied in line with the prudence principle and with underlying assumptions which aim to provide an accurate picture of the company:
- the continuity of operations;
- the comparability of accounting methods;
- the independence of financial years.

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

The accounting principles on which the company accounts for 2010 were drawn up are identical to those for 2009.

In accordance with CNC recommendation no. 2003-R of April 1, 2003 on retirement commitments, long service medals falling under the scope of rules on liabilities, have been assigned by result for the financial year 2010 to the tune of €5,837.

The preparation of financial statements requires LISI to make estimates and speculative forecasts which are liable to impact on both its assets and liabilities as well as those of its subsidiaries and holdings. The latter are exposed both to specific, industry-related risks as well as risks relating to the wider international environment.

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

a)Tangible fixed assets

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

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

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

b) Financial fixed assets

Participating shares and other financial fixed assets are valued at their purchase price, excluding the costs incurred in their acquisition. If these values are higher than the value in use, a provision for depreciation is recorded to account for the discrepancy.
The value in use is calculated from each line of investment, based on the profitability and performance outlook for the companies concerned; on developments in the economic sectors in which they operate; and on their positions within these sectors.
The inventory value has been brought into line with the value in use calculated for the impairment tests, which did not show any loss in value.

c) Marketable securities

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

d) Treasury stock

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

e) Free shares and options

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

f) Loans and receivables

Receivables are valued at their nominal value. A depreciation provision is recorded when the recoverable value is less than the book value.

g) Provisions for risks and charges
Provisions for risks and charges are recognized in line with the CRC regulation 2000-06 on liabilities, dated 7 December, 2000.
This regulation stipulates that a liability is recognized when a company has an obligation to a third party and it is probable or certain that this obligation will necessitate an outflow of resources to the third party, with no equivalent or larger payment in return. The obligation must exist at the closing of accounts in order to be recognized.
Provisions are calculated with help from the Group's lawyers and consultants, based on current protocol and an assessment of the risks at the date of closing of accounts.

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

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

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

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

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

3.2 Detail of balance sheet items

3.2.1 Gross fixed assets

In €'000	Gross value at year start	Acquisitions	Disposals / Deconsolidations	Gross value at year end
Intangible fixed assets				
Concessions, patents, licenses, etc.	197	1		198
Total	**197**	**1**		**198**
Tangible fixed assets				
Land	404		(188)	216
Buildings	747		(355)	392
Other tangible assets	698	6	(3)	701
Tangible assets in progress				
Total	**1,849**	**6**	**(546)**	**1,309**
Financial assets				
Equity interests and related receivables	174,531	126	(3,439)	171,218
- Of which LISI AUTOMOTIVE loan	*22,500*		*(3,250)*	*19,250*
- Of which LISI AUTOMOTIVE accrued interest	*189*	*126*	*(189)*	*126*
Other long-term investments	14		(5)	9
Borrowings and other debts	36			36
Total	**174,581**	**126**	**(3,444)**	**171,263**
Grand Total	**176,627**	**133**	**(3,989)**	**172,770**

3.2.2 Depreciation and impairment

In €'000	Opening balance	Provisions for period	Reversals for the period	Closing balance
Intangible fixed assets				
Concessions, patents, licenses, etc.	174	8		182
Total	**174**	**8**		**182**
Tangible fixed assets				
Land				
Buildings	676	6	(321)	361
Other tangible assets	246	78	(3)	321
Total	**922**	**84**	**(324)**	**682**
Financial assets				
Depreciation on equity interests				
Other financial assets	8			8
Total	**8**			**8**
Grand Total	**1,105**	**92**	**(324)**	**874**

3.2.3 Maturity dates for receivables and debts

Receivables In €'000	Gross amount	Of less than one year	Of over one year
Trade receivables	1,814	1,814	
Other debtors	287	287	
Subsidiaries' current accounts	40,224	40,224	
Tax integration current accounts	2,248	2,248	
Total	**44,573**	**44,573**	

Debt In €'000	Gross amount	Of less than one year	Of one to five years
Loans and debts from credit organizations	47,254	7,254	40,000
Sundry loans and financial debts	5	5	
Subsidiaries' current accounts	54,621	54,621	
Taxes due	6,574	6,574	
Suppliers	1,612	1,612	
Tax and statutory payments	1,139	1,139	
Tax integration current accounts	3,474	3,474	
Total	**114,680**	**74,680**	**40,000**

3.2.4 Marketable securities and cash

3.2.4.1 Marketable securities

At year end 2010, marketable securities were as follows:

In €'000	
420,876 LISI stocks *	15,202
SICAV and deposit certificates	58,378
Giving a gross total of	**73,580**

* 420,876 shares held, thanks to the option of buying back the company's own shares up to a 10% limit, including those held under the market-making contract.

The 'Marketable securities' item is primarily composed of money-market funds (accounting for €36.2m); capital guaranteed investments (€20.0m) and a structured investment (€2.2m).

On 31 December 2007, the company held a structured investment of €3m. This was wound up in July 2008, generating a depreciation value of €0.8m. Income from this transfer was invested in a new structured investment, with a fair market value of €1.8m on December 31, 2010. The risk was anticipated and provided for in the 2010 accounts, the maturity of this investment being in July 2011.

The total net asset value of marketable securities stood at €36.2m as at December 31, 2010.

3.2.4.2 Cash

This item is solely composed of bank balances.

3.2.4.3 Cash and Net Financial debt

In €'000	2010	2009	2008
Subsidiaries' current accounts	40,224	41,925	42,624
Marketable securities	73,580	79,330	45,356
Cash	798	720	706
Cash available [A]	**114,602**	**121,975**	**88,686**
Subsidiaries' current accounts [B]	54,621	75,828	48,552
Banking facilities for operations [B]	1,986	2,108	673
Net cash [A - B]	**57,995**	**44,039**	**39,460**
Borrowings and financial debts	45,273	50,300	45,817
Financial debt [C]	**45,273**	**50,300**	**45,817**
Net financial debt [D = C + B - D]	**(12,722)**	**6,261**	**6,357**

3.2.4.4 Inventory of marketable securities

a) Shares

In €'000	Gross book values	Provisions	Net book values
Equity interests			
French companies	151,841		151,841
Foreign companies	–	–	–
Total equity interests	**151,841**		**151,841**
Securities held for sale			
French companies	10	8	1
Foreign companies	–	–	–
Total marketable securities	**10**	**8**	**1**

b) Bonds and equivalents

In €'000	Gross book values	Provisions	Net book values
French companies	–	–	–
Foreign companies	–	–	–
Total bonds and equivalents	**–**	**–**	**–**

c) Marketable securities

In €'000	Gross book values	Provisions	Net book values
Treasury stock	15,202		15,202
SICAV and deposit certificates	58,378	344	58,034
Total marketable securities	**73,580**	**344**	**73,236**

3.2.5 Provisions for impairment of short-term assets

In €'000	Opening balance	Provisions for period	Reversals for the period	Closing balance
Provisions for impairment	2,421		(2,076)	344
Total	**2,421**		**(2,076)**	**344**

3.2.6 Provisions for risks and charges

In €'000	Opening balance	Provisions for period	Reversals for the period	Closing balance
Provisions for environmental risks		100		100
Provisions for long service rewards		6		6
Provision for stock options and the allocation of free shares	609	2,904		3,513
Total	**609**	**3,009**		**3,619**

3.3 Detail of main income statement items

3.3.1 Financial income from investments

In €'000	Amounts
Dividends received from subsidiaries	10,993
Dividends received outside the group	2
Interest from loans to subsidiaries	1,010
Total	**12,005**

3.3.2 Breakdown of corporation tax

In €'000	Income from ordinary operations	Extraordinary earnings	Accounting income
Earnings before tax	9,629	596	10,225
Income tax	(743)	(205)	(948)
Tax credits, IFA* & miscellaneous	9		9
Tax integration taxes	(1,560)		(1,560)
Net earnings	**7,335**	**391**	**7,726**

The LISI Group benefits from the tax integration regime, which covers all its French subsidiaries. The tax integration agreement stipulates that tax gains should be retained at the parent company level. The overall corporation tax amount is at December 31, 2010 a tax burden following the recording, for some subsidiaries within the consolidation scope, of a positive fiscal result on which they charge their 2009 loss carried forward already used by the Group in 2009.

3.4 Financial commitments

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

* IFA: Impôt forfaitaire annuel, Minimum Income Tax

3.5 Subsidiaries and holdings

3.5.1 Elements regarding related companies and holdings

In €'000	Amount concerning ...	
	related companies	companies with which the company has an ownership relationship
ASSETS:		
Provisions on equity shares	-	-
Receivables related to equity holdings	19,376	-
Debtors and apportioned accounts	1,803	-
Cash advances to subsidiaries	40,224	-
Tax consolidation current account	2,248	-
LIABILITIES:		
Subsidiaries' financial assistance	54,621	-
Tax consolidation current account	3,474	-
Advance payments from customers	-	-
Suppliers	268	-
Other creditors	-	-
INCOME STATEMENT:		
Services received	-	-
IT maintenance	13	-
Reserves for equity interests	787	-
Sales revenue with subsidiaries	5,866	-
Revenues from subsidiaries' loans and current accounts	1,010	-
Revenues from equity interest	10,993	-
Reversal of provisions on equity interests	-	-

3.5.2 Subsidiaries and holdings (company data in €)

Company	Capital stock	Share capital and minority interests	Shares held in capital (as a %)	Gross book value of shares held	Provisions on shares held	Net book value of shares held	Outstanding loans and advances granted by the company	Outstanding loans and advances received by the company	Sum of guarantees and deposits granted by the company	Preceding year's revenue excluding tax	Preceding year's net profit or loss	Dividends received by parent company over preceding year
Subsidiaries:												
LISI AUTOMOTIVE	31,690,000	115,989,303	100.00%	93,636,481		93,636,481	23,735,887			24,884,226	2,097,025	
LISI AEROSPACE	2,475,200	52,923,277	100.00%	30,863,816		30,863,816		21,567,918		103,768,201	10,452,362	10,992,997
LISI COSMETICS	5,330,640	16,534,466	100.00%	27,341,048		27,341,048		5,671,893		52,835,468	3,304,504	

3.6 Identity of the consolidating company

Compagnie Industrielle de Delle (CID)
Limited company with share capital of €3,189,900
Head Office: 28 Faubourg de Belfort – BP 19 – 90101 DELLE Cedex
Compagnie Industrielle de Delle held 54.96% of the capital of LISI S.A. as of December 31, 2010.

3.7 Miscellaneous information

- The company directors and executives have not been given any advances or credits.
- Remuneration of executives stood at €595,497 for the year 2010 (remuneration net of social security contributions, including the variable element and attendance fees).
- The total remuneration paid to the 5 highest-paid individuals stood at €1,431,111.

- The workforce as of December 31, 2010 numbered 13 individuals.
- Retirement commitments have not been given, as they do not represent a significant amount.
- Commitments relating to the Individual Right to Training (the French continuing professional development scheme) represent a total amount of training time corresponding to accumulated rights of around 1,161 hours as of December 31, 2010. In most cases, training requests for this time have not been made.
- The company does not have any leasing agreements, except real estate (commercial lease).
- The increase and relief of the future tax debt are not significant.
- Deferred expenses primarily relate to the €0.1m spreading of costs linked to a €70m subscription to a revolving loan scheme with a banking syndicate. The subscription was made in 2006 and is being amortized over five years.
- Fees entered for the financial year ending 12/31/2010 for our auditors KPMG and EXCO CAP AUDIT totaled €52,690.

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

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

NATURE OF INDICATIONS (in €)	2006	2007	2008	2009	2010
Financial situation at year end					
Share capital	20,421,566	21,507,722	21,507,722	21,507,722	21,572,988
Number of shares issued	10,210,783	10,753,861	10,753,861	10,753,861	10,786,494
Number of convertible bonds	780,402	237,324	237,324	237,324	--
Total result of actual operations					
Pre-tax sales	6,495,402	6,989,653	5,701,221	5,042,665	5,937,895
Earnings before tax, depreciation and provisions	16,623,351	19,119,431	16,672,042	10,899,256	11,266,365
Income tax	(28,838)	1,105,085	(2,507,790)	(5,658,143)	2,498,851
Employee profit-sharing					
Profit after tax, depreciation and provisions	16,221,185	22,832,807	13,204,614	21,797,508	7,725,772
Distributed profit*	12,978,681	15,793,449	12,313,156	7,216,048	11,325,819
Result of operations per share					
Profit after tax, but before depreciation and provisions	1.63	1.68	1.78	1.54	0.81
Profit after tax, depreciation and provisions	1.59	2.12	1.23	2.03	0.72
Dividends allocated per share (net)	1.30	1.50	1.20	0.70	1.05
Personnel					
Average head count	10	12	13	13	13
Payroll	1,539,301	1,895,104	2,067,550	1,172,136	4,757,164
Benefits paid (social security, benefits, etc.)	611,748	703,516	724,561	689,460	897,505

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

5 Risk factors

A worldwide adventure, a responsible culture

Safety and environment

The measure of environmental and social impact of industrial activities of a business is today an indicator as efficient as the economic and financial performance. For several years now, the LISI Group has been engaged in an effort to maximize this impact. Measurement tools have been implemented and room for improvement identified. Action plans have now begun.

Aiming high

As part of its clearly stated ambition to excel in all areas of Safety and the Environment, the LISI Group has set itself three ambitious targets:
- To achieve an accident with sick leave frequency rate of less than 10,
- To acquire ISO 14001 certification for all LISI sites,
- To optimize the environmental impact of our sites.

At the end of 2010, 92% of the LISI Group's production units are ISO 14001 certified, while the remaining sites are already planned to be certified in 2011.

1 - Environment

1.1 The carbon footprint of our various activities

In order to better coordinate and manage the impact of its activities on the environment, the LISI Group will establish the carbon footprint of all its manufacturing sites by the end of 2012. This will involve three main steps. The first one consists in clearly defining the deployment perimeter of this carbon footprint. The second consists in focusing on collecting data, in order to gather as much information as necessary for determining that footprint. Finally, the data must be analyzed and used to define and calculate the potential reduction in greenhouse gas emissions. Based on the results of these first three steps, LISI will then define the best ways to reduce its carbon footprint.

1.2 Measuring our progress

For the third consecutive year, the LISI Group is consolidating information from its industrial sites. These data are used to quantify the environmental impact and the security level of the Group according to the indicators defined in 2008. ISO 14001 certification has helped structure and harmonize environmental efforts. Some first results have already been observed. Following operations conducted on production sites to monitor water consumption, a 3% decrease has been observed on a like-for-like basis in 2010. Meanwhile, the share of recycled waste has increased 6% over the same period. Significant work has also been carried out on identifying hazardous products stored at the production sites. In one year, their number dropped 14% throughout our plants. Finally, the number of hours of employee training in health, safety and environment (HSE) rose 4% in 2010.

These indicators have also allowed us to quantify precisely the areas and sectors where it was possible to improve our environmental performance. This applies, for example, to our electricity consumption. Directly related to the recovery of our industrial activities, this gained 6% on a like-for-like basis in 2010. Today, this measure encourages the LISI Group to quickly implement the carbon footprint measurement of all its activities to identify areas of progress and to improve the Group's performance.

2 - Health and safety

2.1 Protecting our employees and reducing accidents

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. The results obtained at the end of 2010 are not up to the Group's ambitions. In fact, accidents have been declining steadily since 2008 and seem to have reached a threshold with an accident frequency rate fluctuating between 11 and 12.

Over the next few years, the LISI Group wants to make safety a priority and to address the behavioral causes of these accidents. The approach chosen by the Group to improve the perception of risk is a process of coaching and behavioral training for all employees at the production sites. The goal is to make each employee act on his/her own safety.

All levels of the group (from management to operators) will be united around one common value: safety at work. The LISI Group's priority in terms of protection ought to be confirmed, too. Workplace accidents are no longer bearable. All our employees must work 100% safely, without exception and in any given circumstance.

3 - Risk management

3.1 Following COSO guidelines

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

3.2 Strengthening cooperation with our insurers

The consistency of the relationship with insurers and risk classification has helped to structure the Group's prevention approach. Thus, all of the insurers' 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.

3.3 Drawing up action plans

The action plans for safety / environment / prevention identified within the Group allow for a synthesis of hazard identification on the one hand, the preventive approach on the other, and finally asset preservation and control of operations within the Group. The program is coordinated by the head company of the LISI Group in the areas of HSE, internal controls and cash flow management.

4 - Information on issuer risks

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

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

4.1 Operating risks

4.1.1 Exposure to risks of natural disaster or industrial action

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

4.1.2 Acquisitions

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

4.2 Strategic risks

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

4.3 Environmental risks

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

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

- the risk of fire and its potential impact on affected sites or their environment.
- the risk of soil or water table pollution.

This risk management policy involves:

- the ongoing improvement of the fire protection of the sites, which are subject to annual monitoring and visits.
- investment in protection systems, with the installation of sprinkler systems or upgrading of existing systems.
- pollution risk prevention: the Group is implementing an appropriate prevention policy.

As part of the manufacturing sites' compliance program, and in the absence of any ongoing legal disputes, the Group has made provisions for an overall sum of €8.6m. Concrete measures are being taken to prevent soil pollution on old sites, including carrying out monitoring activities in concert with the local authorities, on the one hand, and implementing retrofitting work, on the other hand.

More specifically, a sum of €5 million has been established which relates to the assessed cost of decontaminating the Torrance site (California – USA) which suffered TCE (solvent) pollution several years ago (before 1975). The process that is currently in progress involves pumping and filtering underground water downstream from the site. This treatment has facilitated processing over 15 metric tons of TCE in shallow pollution, and over 7 metric tons in the layers further from the surface. The estimated amount at December 31, 2010, facilitates handling of treatment in accordance with the techniques recommended by our advisors. Liaison with the authorities has led to the swift closure of the soils file and to the acceptance of measures taken with regard to the deepest waters.

Under the requirements of social and environmental responsibility, LISI AUTOMOTIVE is not only committed to reducing the impact on the environment of its activities and ensuring healthy working conditions and safety for all employees but also to its suppliers in the context of the worldwide pact, Global Compact. Commitment No. 7 states that "businesses are encouraged to apply the precautionary approach to environmental challenges." Commitment No. 8 plans to undertake "initiatives to promote greater environmental responsibility". Finally, Commitment No. 9 promotes "the development and dissemination of environmentally friendly technologies." In order to comply, LISI AUTOMOTIVE has established three specific measures: standardization of practices and definition of indicators, risk management organized around the COSO benchmark and implementation of action plans for environmental safety.

4.4 Legal risks

The Group is involved in a limited number of legal proceedings with third parties (not customers). All these disputes have been reviewed with our Auditors and the most significant were appreciated by the Audit Committee. The amount of provisions for legal disputes set up for that purpose stands at €0.9 million. Generally speaking, all legal positions are determined and reviewed by third-party and in-house specialists.

Except for the disputes referred to above, for a period covering at least the last twelve months, no governmental, legal, or arbitration proceedings (including any proceedings of which the Group is aware, which is pending or of which it is threatened) are to be reported that may have or have recently had significant effects on the Group's financial situation or profitability.

4.5 IT-related risks

For each of its divisions, the Group has identified an IT safeguard action plan likely to be implemented in the event of a serious failure. In addition, the Group has insured risks of interruptions and malfunctions of its IT systems with a specific policy.

4.6 Other risks

a) Raw material risks

The LISI Group is potentially exposed to changes in the costs of the raw materials (steel, plastics, aluminum, and titanium) used in the course of its business activities. Nevertheless, the Group estimates that such price increases are unlikely to impact negatively on its profit margins. Indeed, some contracts include price-revision formulae which allow prices to be varied in accordance with changes to raw material costs. Suppliers work to limited time frames based on guaranteed-price contacts. At December 31, 2010, the LISI Group uses no financial instruments to manage its future exposure to changes in the costs of such raw materials.

b) Energy risks

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

c) Commercial risks

For the record, the Group manufactures several thousand different items using various raw materials (steels, alloys, aluminum, various plastics, titanium, etc.), employing a range of technologies (cold and hot forming machines, machining, die trimming and stamping, plastic injection, thermal processes and surface treatment). As a result, the commercial risk is spread over a considerable number of products manufactured at the 38 LISI sites around the world. The main product families are developed in collaboration with customers, and the proportion of turnover from patented products plays only a secondary role in total consolidated sales.

d) Customer-related risks

Looking at the figures for 2010, only 3 clients accounted for more than 5% of the LISI Group’s consolidated sales. Our 10 largest customers accounted for 44.4% of total sales; this list includes clients of all 3 divisions, LISI AEROSPACE, LISI AUTOMOTIVE and LISI COSMETICS. Our 59 largest customers accounted for 75% of sales.

Figures for our 3 largest customers have evolved as follows:

	2010	2009	2008
CUSTOMER A	7.8%	8.4%	7.5%
CUSTOMER B	9.0%	10.4%	9.4%
CUSTOMER C	6.9%	6.0%	4.6%

e) Product risks

The LISI Group is exposed to the risk of actions for liability or to enforce a guarantee by its customers regarding products sold. It is also subject to liability actions in the event of product fault leading to injury or damages. To protect itself against such risks, as described in paragraph 5 below, the LISI Group has third party liability cover for use of its products after delivery. The LISI Group's liability is often limited to compliance with the original product specifications or customer-defined specifications; it cannot be extended to the ways in which products are used. However, it is possible that the insurance policy taken out may not be sufficient to cover every possible financial eventuality linked to such claims, particularly in the USA.

f) Supplier-related risks

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

Outsourcing is confined mainly to technical applications, primarily specific heat treatment and plating operations (surface treatment and assembly), since most of the Group's activities are integrated. For 2010, the various operations outsourced by the Group's sites represented approximately 6.4% of consolidated sales revenue.

5 - Insurance policy

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

a) Cover for property risks

As of January 1, 2011, this policy covered own and others' installations, as well as operating losses in the event of a claim. The deductible is applied per loss and stands at €0.1m with maximum cover of €886m for buildings and equipment and €168m for goods.

b) Third party liability insurance

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

c) Directors' liability insurance policy

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

6 Information regarding the Company and corporate governance

1 - Company information

1.1 Capital stock

1.1.1 Amount of capital stock

Share capital taken up by shareholders and fully paid-up, as at December 31, 2010, amounted to €21,572,988, divided into 10,786,494 shares with a face value of €2 of the same category.

1.1.2 Changes in share capital over the past 5 years

Date of Shareholders' Meeting	Date of Board meeting	Nature of transaction	Nominal increase (reduction) in capital	Increase (reduction) in capital inc. premium	Number of shares created (cancelled)	Nominal value of shares	Total number of shares after issue	Capital after transaction
Capital at 12/31/2010: €21,572,988 divided into 10,786,494 shares with €2 face value								
02/10/04	07/28/10	Capital increase by conversion of warrants	€3,616	€81,360	1,808	€2	10,786,494	€21,572,988
04/29/09	04/28/10	Capital increase reserved for employees	€61,650	€868,649	30,825	€2	10,784,686	€21,569,372
02/10/04	02/20/08*	Capital increase by conversion of warrants	€299,588	€6,740,730	149,794	€2	10,753,861	€21,507,722
02/10/04	12/21/07	Capital increase by conversion of warrants	€169,592	€3,815,820	84,796	€2	10,604,067	€21,208,134
02/10/04	08/29/07	Capital increase by conversion of warrants	€255,292	€5,744,070	127,646	€2	10,519,271	€21,038,542
02/10/04	06/27/07	Capital increase by conversion of warrants	€361,684	€8,137,890	180,842	€2	10,391,625	€20,783,250
02/10/04	02/22/07	Capital increase by conversion of warrants	€30,000	€675,000	15,000	€2	10,210,783	€20,421,566
02/10/04	12/20/06	Capital increase by conversion of warrants	€498,926	€11,225,835	249,463	€2	10,195,783	€20,391,566
02/10/04	06/23/06	Capital increase by conversion of warrants	€43,640	€981,900	21,820	€2	9,952,166	€19,892,640
02/10/04	06/23/06	Capital increase reserved for employees	€55,332	€1,122,686.58	27,666	€2	9,924,500	€19,849,000

* Conversion of warrants at end December 2007.

1.1.3 Authorized share capital not yet issued

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

1.1.4 Potential share capital

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

At December 31, 2009, 829,361 warrants had been converted. At December 31, 2010, there are no more warrants providing access to capital.

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

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

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

	Net dividend in €
2006	1.30
2007	1.50
2008	1.20
2009	0.70
2010(1)	1.05

(1) Subject to the decision of the Ordinary General Meeting of April 27, 2011. The date for payment of dividends has been set at May 6, 2011.

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

1.2 Stock repurchase program

1.2.1 In place at December 31, 2010

On April 28, 2010, the Shareholder's Ordinary Meeting authorized the company to repurchase up to 10% of its own shares in the open market for a period of 18 months, i.e. up until October 28, 2011.

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

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

The following terms apply to this authorization:

- The company may not repurchase its own shares for more than €70, not including transaction fees.

The highest figure that LISI S.A. would pay if it purchased shares at the ceiling price set by the Shareholders' Meeting, i.e. €70, is €75,277,020.

Under the above-mentioned share repurchase program, in 2010 LISI S.A. acquired 72,473 treasury shares, i.e 0.7%. The number of own shares held by LISI S.A. stands at 420,876.

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

	Number of shares	Average weighted prices in €
Shares held at 01/01/2010	472,610	34.78
Shares acquired in 2010	72,473	42.87
Shares disposed of in 2010	124,207	34.97
Shares held at 12/31/2010	420,876	36.12
Of which shares assigned to the stock options program	*396,849*	
Of which available	*24,027*	

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

1.2.2 New stock repurchase program

The next General Meeting will be offered to renew its program to repurchase LISI S.A. shares, in accordance with the new rules applicable since the entry into force of European Rules Nr.2273/2003 of December 22, 2003. LISI S.A. offers to acquire a number of shares representing up to 10% of the number of shares that make up its capital stock, except for the acquisition of shares meant to be kept and the delivery of shares against or as payment for external growth operations, if applicable, whose total number will be limited to 5% of the equity, i.e. 539,324 shares.

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

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

The maximum purchase price may not exceed €90 per share.

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

1.3 Breakdown of share capital and voting rights

1.3.1 Breakdown of share capital and voting rights over the past 2 years

1.3.1.1 Breakdown of share capital and voting rights

Description	2010			2009			2008		
	as % of capital	as % of voting right	in number of shares	as % of capital	as % of voting right	in number of shares	as % of capital	as % of voting right	in number of shares
CID	55.0	67.8	5,928,724	55.1	68.3	5,928,724	55.1	68.3	5,928,724
VMC	6.0	7.3	641,675	6.0	7.3	641,675	6.0	7.4	641,675
Other corporate officers	0.4	0.4	47,764	0.4	0.3	42,214	0.2	0.2	40,964
TOTAL CORPORATE OFFICERS	**61.4**	**75.5**	**6,618,163**	**61.5**	**75.9**	**6,612,613**	**61.3**	**75.9**	**6,611,363**
of which directors	*0.17*	*0.15*	*18,540*	*0.13*	*0.09*	*13,990*	*0.14*	*0.09*	*14,740*
FFP	5.1	6.1	550,000	5.1	6.0	550,000	5.1	6.0	550,000
Treasury shares	3.9		420,876	4.4		472,610	4.5		481,901
Employees	1.4	0.9	152,570	1.2	0.8	131,395	1.0	0.6	107,000
Public	28.3	17.5	3,044,885	27.8	17.3	2,987,243	28.1	17.5	3,003,597
GRAND TOTAL	**100.0**	**100.0**	**10,786,494**	**100.0**	**100.0**	**10,753,861**	**100.0**	**100.0**	**10,753,861**

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

- The sole activity of CID, a company based at 28 Faubourg de Belfort 90100 DELLE, is the ownership of LISI shares. At December 31, 2010, it holds: 55 % of the share capital and 67.8% of the voting rights.

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

- At December 31, 2010, VMC, Route des Forges 90120 MORVILLARS, holds directly: 6.0% of the share capital and 7.3% of the voting rights. At the same date, it holds indirectly 15.25% of the capital of LISI S.A.
- At December 31, 2010, FFP, 75 avenue de la Grande Armée 75116 PARIS, holds directly: 5.1% of the share capital and 6.1% of the voting rights. At the same date, it holds indirectly 13.84% of the capital of LISI S.A.

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

The percentage of share capital held by staff members is not significant (1.4% of the share capital).

1.3.1.2 Shareholders' agreement - Acting in concert

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

To the best of LISI's knowledge, on the date on which this document was drafted, there exists no action in concert, as defined in articles L233-10 and L233-11 of the commercial code.

1.3.1.3 Pledging

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

1.3.1.4 Collective retention commitments

"Dutreil" agreement (article 885 I of the General Tax Code) regarding LISI S.A. securities.

A commitment to keep securities has been made for a duration of two years and one day, starting from December 17, 2010, by the Compagnie Industrielle de Delle ("CID"), Mr. Gilles Kohler, Mr. Jean-Philippe Kohler and Mr. Emmanuel Viellard, within the framework of article 885 I bis of the General Tax Code ("CGI"). This commitment involves 5,929,125 shares and 11,857,849 LISI S.A. voting rights, broken down as follows:

	Shares	% capital	Voting rights	% voting rights
CID	5,928,724	54.96%	11,857,448	67.80%
Mr. Gilles Kohler	200	0.00%	200	0.00%
Mr. Jean-Philippe Kohler	1	0.00%	1	0.00%
Mr. Emmanuel Viellard	200	0.00%	200	0.00%
Total	**5,929,125**	**54.97%**	**11,857,849**	**67.81%**

So as to be able to benefit from the tax break as regards Solidarity Tax on Wealth, the Compagnie Industrielle de Delle, Mr. Gilles Kohler, Mr. Jean-Philippe Kohler and Mr. Emmanuel Viellard have individually made a commitment to keep their shares in LISI S.A. for a period of four years, on the expiry of the two-year retention period stipulated in the collective commitment.

"Jacob" agreement (article 787 B of the General Tax Code) regarding LISI S.A. securities

A commitment to keep securities has been made starting from December 17, 2010 for a duration of two years and one day by the Compagnie Industrielle de Delle ("CID"), Mr. Gilles Kohler, Mr. Jean-Philippe Kohler and Mr. Emmanuel Viellard, within the framework of article 787 B of the General Tax Code ("CGI"). This commitment involves 5,929,125 shares and 11,857,849 LISI S.A. voting rights, broken down as follows:

	Shares	% capital	Voting rights	% voting rights
CID	5,928,724	54.96%	11,857,448	67.80%
Mr. Gilles Kohler	200	0.00%	200	0.00%
Mr. Jean-Philippe Kohler	1	0.00%	1	0.00%
Mr. Emmanuel Viellard	200	0.00%	200	0.00%
Total	**5,929,125**	**54.97%**	**11,857,849**	**67.81%**

So as to be able to benefit from the tax break as regards inheritance and gift tax, the Compagnie Industrielle de Delle, Mr. Gilles Kohler, Mr. Jean-Philippe Kohler and Mr. Emmanuel Viellard have individually made a commitment to keep their shares in LISI S.A. for a period of four years. At the end of the two-year retention period, the commitment will be tacitly renewable by periods of one year, year on year, as stipulated in the collective commitment.

On the date of this document, these commitments made under article 885 I bis and article 787 B of the General Tax Code have been kept.

It is also stipulated that CIKO's holding in CID, namely 48,108 shares out of a total 159,495, has remained unchanged since the signing of the commitments.

1.3.2 LISI S.A. shareholding

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

- French institutional investors: 137 holding 11.7% of the capital stock,
- International institutional investors: 111 holding 15.7% of the capital stock,
- French and international individual shareholders: 2,095 holding 2.6% of the capital stock.

1.3.3 LISI S.A. treasury shares.

As at December 31, 2010, LISI S.A. held 420,876 of its own shares, or 3.9% of share capital. No shares were cancelled.

1.4 Relationship between the company and its subsidiaries

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

In France, LISI S.A. is the parent company of a group consolidated for fiscal purposes. In accordance with the express provisions of the Tax Consolidation Agreement, tax credit is retained by the parent company, and companies are not entitled to compensation should they leave the consolidation perimeter.
LISI S.A. offers its subsidiaries a number of services and skills relating to central functions, such as legal and fiscal support, financial support, management controls, procedures and audits, insurance management and assistance with human resources, health, safety, and environmental matters. The three divisions pay LISI S.A. a normal level of compensation for these services, based on the operating expenses incurred for the period, multiplied by a coefficient; these charge-backs are broken down proportionally to each division's added value.

Data with related companies are as follows:

In €'000	Amount concerning ...	
	related companies	companies with which the company has an ownership relationship
ASSETS:		
Provisions on equity shares	-	-
Receivables related to equity holdings	19,376	-
Debtors and apportioned accounts	1,803	-
Cash advances to subsidiaries	40,224	-
Tax consolidation current account	2,248	-
LIABILITIES:		
Subsidiaries' financial assistance	54,621	-
Tax consolidation current account	3,474	-
Advance payments from customers	-	-
Suppliers	268	-
Other creditors	-	-
INCOME STATEMENT:		
Services received	-	-
IT maintenance	13	-
Reserves for equity interests	787	-
Sales revenue with subsidiaries	5,866	-
Revenues from subsidiaries' loans and current accounts	1,010	-
Revenues from equity interest	10,993	-
Reversal of provisions on equity interests	-	-

Significant intra-group items include:

• On the assets side:

- Receivables relating to equity interests: LISI S.A. advanced, as a mid-term loan, €25m to its subsidiary LISI AUTOMOTIVE. A loan contract for €10m which was entered into on July 15, 2005 for a period of 7 years, refundable, with reimbursements deferred 2 years, allowed it to fund part of the acquisition of the German group KNIPPING in July 2005. A loan contract for €5m which was entered into on April 2, 2007 for a period of 5 years, repayable quarterly, allowed the company to finance a number of these industrial investments, the capital outstanding at December 31, 2010 being €1.3m. A €10m loan taken out in April 2008 for a period of 7 years, amortizable, with 2 years' deferred repayment to face its growing working capital requirements, the capital outstanding at December 31, 2010 being €8m.

- cash advances to group subsidiaries as part of the Group's cash agreement,

- the current accounts for the fiscal integration of tax receivables of the companies consolidated within the group.

• On the liabilities side:

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

• On the income statement:

- invoices for services and management fees from LISI S.A. to its various subsidiaries,
- dividends received by LISI S.A. during the financial year 2010.

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

1.5 Auditors' fees

The table below lists the fees paid to the Auditors appointed for certifying the Group's financial and consolidated statements. These fees pay for services rendered and are recorded as expenses for fiscal 2010 in the financial statement of LISI S.A. and its subsidiaries whose income statements for the period and balance sheets are fully consolidated.

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

	KPMG Audit		Exco Cap Audit		Foreign auditors		Sécafi Alpha[(1)]	
	Amount		Amount		Amount		Amount	
In €'000	N	N-1	N	N-1	N	N-1	N	N-1
Audit								
Auditors, certification, review of individual and consolidated financial statements								
– Holding company	31	32	22	21				
– Fully consolidated subsidiaries	157	96	96	79	457	508		
Other due diligence and services								
– Holding company				2			18	20
– Fully consolidated subsidiaries	50	47	3	2	30		79	68
Sub-Total	238	176	121	104	487	508	97	88
Other services rendered by the networks to the fully consolidated subsidiaries								
Legal, tax, and social					208	190		
Miscellaneous services								
Sub-Total					208	190		
TOTAL	**238**	**176**	**121**	**104**	**695**	**698**	**97**	**88**

(1) Group Committee.

2 - Corporate governance

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

2.1 Tasks and operating procedures of the Board of Directors

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

Tasks of the Board of Directors
LISI S.A.'s Board of Directors is a collegial body that represents all shareholders and which has a duty to act systematically in the corporate interests of the company.
In exercising its prerogatives, subject to the powers expressly assigned to the shareholder's meetings and purely within the scope of the business purpose, the Board must examine any question that may affect that correct functioning of the company and, through its deliberations, address any related issues.

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

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

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

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

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

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

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

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

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

Directors must notify the Board of Directors of any conflicts of interest with LISI S.A., even potential ones. They must abstain from taking part in the vote for any deliberations that are affected by these conflicts.

If a member of the Board of Directors has a direct or indirect role in an operation in which LISI S.A. has interests or which he has gained knowledge of as a result of his membership of the Board, he must bring this to the attention of the Board prior to their meeting.

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

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

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

For the deliberations of the Board of Directors to be valid, the number of members present must be at least equal to half the total number of members.
Decisions are taken by majority vote of the members present or represented. Should the vote be split, the Chairman of the meeting shall have the casting vote.

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

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

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

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

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

2.2 Internal rules of the Board of Directors

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

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

Board meetings:

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

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

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

2.3 The Compensation Committee

The Compensation Committee is in charge of:

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

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

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

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

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

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

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

The Committee meets a minimum of twice a year. Its work leads to the drafting of a written report that allows the Board to remain fully informed, thus facilitating its deliberation.

The Committee met twice in 2010 and all its members were present. It presented its recommendations to the Board on the following points:

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

2.4 The Audit Committee

The main tasks of the Audit Committee are:

• To review the financial statements and to ensure that the accounting methods used to establish the company's consolidated financial and corporate statements are relevant and permanent;

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

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

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

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

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

It meets prior to the Board of Directors' meetings that are held to set out the annual or half-yearly financial statements.

The Auditors are invited to take part in this preparatory meeting.

The Audit Committee's examination of the financial statements must be accompanied by a note from the Auditors highlighting the key points not only of the results, but also of the accounting methods selected, as well as a note from the company describing its exposure to risks and any significant off-balance sheet commitments.

The Committee met twice in 2010 and all its members were present. It heard the Auditors report on the execution of their mission and was informed by the company's General Management of the internal procedures employed. Information relating to the consolidation perimeter and to the off-balance sheet risks described in the appendix to the consolidated financial statements was sent to the Audit Committee, which submitted a report on its work to the Board of Directors.

2.5 The Strategic Committee

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

The Committee met once in 2010.

2.6 Independent directors and directors linked to the company

The directors of the LISI S.A. Group are considered independent directors when their status meets the following six criteria:

- not being an employee or corporate officer of the company, not being an employee or director of the parent company or of a company that it consolidates and not having held such status for the previous five years;

- not being a corporate officer of a company in which the company directly or indirectly holds a director's mandate or in which an employee designated as such or a corporate officer (current or having been so for less than five years) holds a director's mandate;

- not being a client, supplier, investment banker or financial banker: of importance for the company or its group; or for whom the company or its group represents a major share of activities;

- not being a close relative of a corporate officer;

- not having been a company auditor for the previous five years;

- not having been a company director for more than twelve years.

In concrete terms, holders of the role of independent director are people who are not linked directly or indirectly to the reference shareholders which are CIKO, FFP and VIELLARD MIGEON & CIE (details in paragraph 2.8.1 of this document).

2.7 Employees

2.7.1 Head count

2.7.1.1 Registered employees at period end by category

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

	2010	2009	Difference N/N-1
Management	728	662	+ 10.0%
Supervisors	755	665	+ 13.5%
Staff and workers	5,618	5,269	+ 6.6%
Total	**7,101**	**6,596**	**+ 7.7%**

2.7.1.2 Registered employees at period end by division

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

	2010	2009	Difference N/N-1
LISI AEROSPACE	2,988	3,101	- 3.6%
LISI AUTOMOTIVE	3,200	2,821	+ 13.4%
LISI COSMETICS	417	429	- 2.8%
LISI MEDICAL	483	232	+ 108.2%
Holding company	13	13	
Total	**7,101**	**6,596**	**+ 7.7%**
Temporary staff engaged	425	100	+ 325.0%

2.7.1.3 Geographic breakdown of staff

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

	2010	in %	2009	in %
France	3,920	55%	3,318	50%
Europe (excl. France)	1,394	20%	1,410	21%
North American continent	1,246	18%	1,359	21%
Asia	541	8%	509	8%
Total	**7,101**	**100%**	**6,596**	**100%**

2.7.1.4 consolidated sales revenue

ETPMP*	Voluntary departures	Turnover rate
7,090	210	2.96%

* Equivalent full-time average wage

2.7.2 Incentive schemes, profit-sharing and stock options

2.7.2.1 Employee profit-sharing

a) Profit-sharing and incentive scheme

Profit-sharing

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

2010	2009	2008
1.0	1.05	1.9

Incentive scheme

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

b) Group Savings Plan (PEG)

In 2001, the LISI Group created a savings plan dubbed "LISI en action" for its French companies. This plan facilitated participation in 2001, 2004, 2006 and 2010 in a capital increase reserved for employees in the sums of €1.47m, €0.8m, €1.18m, and €0.9m, respectively.

For other years, the PEG was renewed in the form of a repurchase of shares.

The levels of voluntary contributions by employees, the profit-sharing and the extent of profit-sharing schemes are set by the company in accordance with a schedule.

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

As at December 31, 2010, the "LISI en action" plan consisted entirely of LISI shares, for a total of 152,570 shares, and had 1,436 members.

c) Employee shareholding

The percentage of share capital held by the Group's employees stood at 1.4% as at December 31, 2010.

2.7.2.2 Stocks options

a) Stock option plans

Various decisions at the Shareholders' General Meeting have authorized the Board of Directors to agree to share subscription or purchase options. Only the authorization given to the General Shareholders' Meeting on April 27, 2007, for 38 months and involving 20,000 shares, remains valid at December 31, 2010.

b) Free shares granting plan

As a reward to several employees who have spent the majority of their working lives employed within the LISI Group, and who have actively contributed to its development, the Board of Directors, in its meeting of July 28, 2009, with the permission of the General Meeting of April 29, 2009, decided to allocate 3,300 LISI company shares, freely and without condition, to four Group employees. The plan stipulates that shares thus allocated shall be held for two years, during which period they may not be sold on. This allocation was repeated in 2010 under the same conditions; it involved one person for an allocation of 600 shares.

c) Performance shares plan

2009 plan:

Acting on the recommendation of the Compensation Committee, LISI's Board of Directors decided, on July 28, 2009, with the permission of the General Meeting of April 29, 2009, to allocate performance shares to members of the Executive Committee and to members of the main Management Committees for the three LISI Group divisions, subject to their meeting all or part of certain performance targets: reaching on December 31, 2010 two criteria, namely consolidated EBIT between 5% and 12% of consolidated sales, and consolidated FCF between 0% and 5% of consolidated sales. The maximum allocated number of shares is 73,300 shares and concerns 145 French employees. In order for the number to be equal to the number of shares originally allocated, performance indicators need to be fully respected. Where performance targets are not met, the number of shares will be reduced accordingly. The plan also stipulates that shares thus allocated shall be held for two years, during which period they may not be sold on.

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

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

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

On February 16, 2011, the Board of Directors observed that performance targets had only been partially met; as a result only 50% of shares or bonuses will actually be allocated.

2010 plan:

Acting on the recommendation of the Compensation Committee, LISI's Board of Directors decided, on July 28, 2010, with the permission of the General Meeting of April 29, 2009, to allocate performance shares to members of the Executive Committee and to members of the main Management Committees for the three LISI Group divisions, subject to their meeting all or part of certain performance targets: reaching on December 31, 2011 two criteria, namely consolidated EBIT in excess of 6% of consolidated sales, and consolidated sales revenue in excess of €800m. The maximum allocated number of shares is 60,900 shares and concerns 123 French employees. In order for the number to be equal to the number of shares originally allocated, performance indicators need to be fully respected. Where performance targets are not met, the number of shares will be reduced accordingly. The plan also stipulates that shares thus allocated shall be held for two years, during which period they may not be sold on.

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

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

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

d) Information relating to share-purchase options and the awarding of shares based on performance on December 31, 2010

The table below shows the information relating to share-purchase options and performance-based shares outstanding at December 31, 2010:

	Number	Average weighted exercise price of options in €*
Options outstanding at year start	**107,510**	
Options allocated during the period	61,500	
Options cancelled during the period	-	
Options exercised during the period *	(21,535)	20.33
Options that reached maturity during the period	-	
Options outstanding at year end	**147,475**	

* Average weighted price of share on the exercise date

The following table presents information about outstanding stock options by date at December 31, 2010:

Award date of options	Exercise price in €	Number of options outstanding at December 31, 2010	Of which number of exercisable options	Vesting contractual term
06/25/2003	20.33	9,375	9,375	06/24/2011
07/28/2009	None	3,300	-	07/29/2013
07/28/2009	None	73,300	-	07/29/2011
07/28/2010	None	60,900	-	07/28/2014
07/28/2010	None	600	-	07/28/2012
Total		**147,475**	**9,375**	

e) Plans in place as at December 31, 2010:

Date of Shareholders' General Meeting Board of Directors	Category Plan number	Number of shares assigned	Of which corporate officers	Of which members of the Management Committee	Of which 10 top employees	Residual number of beneficiaries	Exercise period	Subscription or purchase price	Options exercised at 01/01/2010	Options exercised in 2010	Options cancelled	Options remaining at 12/31/2010
Authorization of 02.28.2001												
06.25.2003	A Plan Nr. 4	163,000	10,000	47,500	12,500	12	06.26.2007 06.24.2011	€20.33	92,090	21,535	40,000	9,375
Authorization of 04.29.2009												
07.28.2009	G Plan Nr. 6	73,300	3,200	10,500	10,200	145	07.29.2011 07.29.2013	None	0	0	0	73,300
Authorization of 04.29.2009												
07.28.2009	G Plan Nr. 6 bis	3,300	0	0	3,300	4	07.29.2009 07.29.2011	None	0	0	0	3,300
Authorization of 04.29.2009												
07.28.2010	G Plan Nr. 7	60,900	2, 600	8,750	8,750	123	07.28.2012 07.28.2014	None	0	0	0	60,900
Authorization of 04.29.2009												
07.28.2010	G Plan Nr. 7 bis	600	0	0	600	1	07.28.2010 07.28.2012	None	0	0	0	600

A = purchase
G = free

f) Options granted in 2010

Between January 1 and December 31, 2010, 21,535 options were exercised as purchase options.

In 2010, none of the corporate officers exercised share purchase options.

In 2010, none of the ten highest-paid non-corporate officers exercised share purchase options.

g) Options granted in 2009

During the financial year 2009, the Board of Directors decided on July 28, 2009, to set up a performance share allocation scheme with 73,000 shares to be allocated to 145 persons including two corporate officers.

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

	Total number of shares allocated
Total number of shares allocated during the financial year to the top ten Group staff other than corporate officers, to whom the highest number of shares were allocated	10,200

h) Options granted in 2010

During the financial year 2010, the Board of Directors decided on July 28, 2010, to set up a performance share allocation scheme with 60,900 shares to be allocated to 123 persons including two corporate officers.

In 2010, the top ten staff other than corporate officers received shares as follows:

	Total number of shares allocated
Total number of shares allocated during the financial year to the top ten Group staff other than corporate officers, to whom the highest number of shares were allocated	8,750

2.8 Administrative bodies

2.8.1 Composition of the Board of Directors and the specialized Committees

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

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

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

.

2.8.2 Information regarding the members of the Board of Directors

2.8.2.1 The members of the Board of Directors

Gilles Kohler, age 57, Chairman and CEO of LISI.

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

Gilles Kohler has exercised the other mandates and functions listed below:
Related to the LISI Group (in France and abroad):
- Chairman of LISI AUTOMOTIVE SAS,
- Director of HI-SHEAR Corporation (USA),
- Member of the Management Committee of LISI AUTOMOTIVE Former SAS,
- Member of the Management Committee of LISI AUTOMOTIVE Rapid SAS,
- Member of the Management Committee of LISI AUTOMOTIVE Nomel SAS,
- Member of the management Committee of Société Nouvelle Bonneuil SAS,
- Member of the Management Committee of LISI COSMETICS SAS,
- Member of the Management Committee of LISI AEROSPACE SAS,
- Member of the Management Committee of BLANC AERO Technologies SAS,
- Member of the Management Committee of BLANC AERO Industries SAS,
- Member of the Management Committee of LISI MEDICAL SAS,
- Member of the Management Committee of LISI MEDICAL Orthopaedics SAS.

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

Emmanuel Viellard, age 47, Deputy Chairman and Deputy CEO of LISI.

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

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

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

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

Eric André, age 62, Director of LISI.

He attends the Board of Directors and the Audit Committee.

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

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

Outside the LISI Group (in France and abroad):
- Director of TIPIAK S.A.

Christian Peugeot, age 57, Director of LISI.

He attends the Board of Directors.

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

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

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

Pascal Lebard, age 48, Director of LISI.

He attends the Board of Directors and the Strategic Committee.

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

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

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

Thierry Peugeot, age 53, permanent representative of Compagnie Industrielle de Delle at the Board of LISI.

He attends the Board of Directors and the Compensation Committee.

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

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

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

Jean-Philippe Kohler, age 50, Permanent representative of CIKO at the Board of LISI.

He attends the Board of Directors and the Strategic Committee.

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

Related to the LISI Group (in France and abroad):
• Member of the Management Committee of LISI AUTOMOTIVE Former SAS,
• Member of the Management Committee of LISI AUTOMOTIVE Rapid SAS,
• Member of the Management Committee of LISI AUTOMOTIVE Nomel SAS,
• Member of the management Committee of Société Nouvelle Bonneuil SAS,
• Member of the Management Committee of LISI COSMETICS SAS,
• Member of the Management Committee of LISI AEROSPACE SAS,
• Member of the Management Committee of BLANC AERO Industries SAS,
• Member of the Management Committee of BLANC AERO Technologies SAS,
• Member of the Management Committee of LISI MEDICAL SAS,
• Member of the Management Committee of LISI MEDICAL Orthopaedics SAS.

Outside the LISI Group (in France and abroad):
• CEO of Compagnie Industrielle de Delle,
• Chairman of CIKO SAS,
• Director of Société Immeubles de Franche-Comté.

Christophe Viellard, age 69, permanent representative of VIELLARD MIGEON & CIE at the Board of LISI.

He attends the Board of Directors and the Audit Committee.

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

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

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

Patrick Daher, age 61, Director of LISI.

He attends the Board of Directors.

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

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

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

Lise Nobre, age 45, Director of LISI.

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

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

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

Outside the LISI Group (in France and abroad):
• Chairperson of the Supervisory Board of FTE (Germany),
• Chairperson of GLOBAL CLOSURE SYSTEMS France SAS,
• Manager of SARL Lumen Equity.

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

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

2.8.2.4 No condemnation for fraud, involvement in bankruptcy or incrimination and/or public sanction
To the Company's knowledge, in the past five years:
– no condemnation for fraud has been pronounced against any of the members of the Board of Directors,
– none of the members of the Board of Directors has been involved in a bankruptcy, receivership, or winding up, as a member of a board of directors, a management board, or a supervisory board,
– no official incrimination and/or public sanction has been pronounced by statutory or regulatory authorities against any of the members of the Board of Directors of the company.

2.9 Pay and interests of corporate officers

2.9.1 Directors' fees
The Shareholders' General Meeting, held on April 29, 2009, fixed the annual directors' fees for members of the Board of Directors at €106,250, from the start of the financial year, January 1, 2009. For 2010, directors' fees remained unchanged.

The directors' duties are compensated in the form of directors' fees at meetings of the Board of Directors and other committees of which they are members. Directors' fees for each director are €1,250 per Board and per Committee and are dependent on the beneficiaries' regular attendance. For 2010, directors' fees amounted to €73,750 and the attendance rate stood at 88%.

The table below shows the directors' fees paid in:

Board members	Directors' fees paid in 2009 by LISI S.A. (in euros)	Directors' fees paid in 2010 by LISI S.A. (in euros)
Gilles Kohler	10,000	10,000
Emmanuel Viellard	11,250	10,000
Christian Peugeot	2,500	5,000
Christophe Viellard	10,000	8,750
Jean-Philippe Kohler	6,250	7,500
Thierry Peugeot	8,750	8,750
Pascal Lebard	7,500	5,000
Eric André	11,250	7,500
Patrick Daher	7,500	5,000
Lise Nobre	8,750	6,250
Total	**83,750**	**73,750**

2.9.2 Shares held by corporate officers

In accordance with the company's by-laws, the minimum number of LISI shares that each director may hold is one share.

The table below shows the number of shares held by the corporate officers as at December 31, 2010:

Corporate officers	Number of LISI shares held directly	Number of LISI shares held indirectly
Directors		
Gilles Kohler	11,515	
Emmanuel Viellard	7,025	
Christian Peugeot	1	
Christophe Viellard (permanent representative of VMC)		641,675
Jean-Philippe Kohler (permanent representative of CIKO)	8,000	21,153
Thierry Peugeot (permanent representative of CID)	25	5,928,724
Pascal Lebard	10	
Eric André	5	
Patrick Daher	10	
Lise Nobre	20	
Total	**26,611**	**6,591,552**

2.9.3 Directors' Remuneration

	Employment contract		Additional pension scheme		Allowances or benefits due or likely to be due as a result of the termination or change in functions		Allowances relative to a non-competition clause	
Managers Corporate officers	Yes	No	Yes	No	Yes	No	Yes	No
Gilles KOHLER Function : Chairman and Chief Executive Officer Mandate start date: 1985 Date mandate expires: 2015		X		X		X		X
Emmanuel VIELLARD Function : Deputy Chairman Mandate start date: 2000 Date mandate expires: 2013		X		X		X		X

The terms for the salary of the Chairman and Chief Executive Officer and for the Vice President are approved by the Board of Directors on the advice of the Compensation Committee. The tables summarizing the compensation and options and shares allocated to each corporate officer director of LISI S.A. are as follows in €:

Gilles KOHLER Chairman and CEO of LISI S.A.	2009	2010
Compensation due for the period	382,935	394,289
Valuation of the options allocated during the period	None	None
Valuation of the performance shares allocated during the period *	54,880	65,377
Total	**437,815**	**459,666**

* Valued at the closing price on December 31, 2009, or €34.30 and on December 31, 2010 or €50,29.

Emmanuel VIELLARD Deputy Chief Executive Officer of LISI S.A.	2009	2010
Compensation due for the period	343,187	354,028
Valuation of the options allocated during the period	None	None
Valuation of the performance shares allocated during the period *	54,880	65,377
Total	**398,067**	**419,405**

* Valued at the closing price on December 31, 2009, or €34.30 and on December 31, 2010 or €50,29.

The tables summarizing the compensation of each corporate officer director of LISI S.A. are as follows in €:

Gilles KOHLER Chairman and CEO of LISI S.A.	Amounts for 2009		Amounts for 2010	
	due	paid	due	paid
Fixed compensation	281,485	279,869	281,599	286,650
Variable compensation	88,000	135,000	100,000	88,000
Exceptional compensation	None	None	None	None
Directors' fees	10,000	10,000	10,000	10,000
Benefits in kind *	3,449	3,449	2,690	2,759
Total	**382,935**	**428,318**	**394,289**	**387,409**

* Benefits in kind: company car.

Emmanuel VIELLARD Deputy Chief Executive Officer of LISI S.A.	Amounts for 2009		Amounts for 2010	
	due	paid	due	paid
Fixed compensation	250,448	247,718	251,575	255,868
Variable compensation	78,000	120,000	89,000	78,000
Exceptional compensation	None	None	None	None
Directors' fees	11,250	11,250	10,000	10,000
Benefits in kind *	3,489	3,254	3,453	3,670
Total	**343,187**	**382,222**	**354,028**	**347,538**

* Benefits in kind: company car.

LISI S.A. has not committed itself to these corporate officers to pay compensation, indemnities, or benefits, due or likely to be due as a result of such corporate officers taking on, resigning from, or changing functions.

2.9.4 Benefits in kind paid to directors

In 2010, Mr. Gilles Kohler and Mr. Emmanuel Viellard benefited from a company car.

2.9.5 Stock subscription or purchase options allocated during the period to each corporate officer director

No stock subscription or purchase options were allocated during financial 2010.

2.9.6 Share subscription or purchase options exercised during the period by each corporate officer manager

Corporate Officers	Number of shares exercised	Price in €	Date of atrribution	Plan
Gilles KOHLER	5,000	20.33	2003	Nr. 4
Emmanuel VIELLARD	2,000	20.33	2003	Nr. 4

2.9.7 Performance shares allocated to each corporate officer manager

Performance Shares granted by the General Meeting of Shareholders during the fiscal year, to each corporate officer, by the issuer and for all Group companies	Plan number and date	Number of shares awarded during the fiscal year	Valuation of shares in accordance with the method used for the consolidated financial statements (in euros)	Acquisition date	Date of availability	Performance conditions
Gilles KOHLER Function : Chairman and Chief Executive Officer	Nr. 6 Date: 07/28/2009	1,600	18,712	07/29/2011	07/30/2013	Positive net consolidated earnings, and consolidated EBIT between 5% and 12% of sales revenue, and Consolidated FCF between 0% and 5% of sales revenue
	Nr. 7 Date: 07/28/2010	1,300	25,846	07/29/2012	07/30/2014	Consolidated sales revenue beyond €800m, and consolidated EBIT beyond 6% of sales revenue
Total		**2,900**	**44,558**			
Emmanuel VIELLARD Function : Deputy Chairman	Nr. 6 Date: 07/28/2009	1,600	18,712	07/29/2011	07/30/2013	Positive net consolidated earnings, and consolidated EBIT between 5% and 12% of sales revenue, and Consolidated FCF between 0% and 5% of sales revenue
	Nr. 7 Date: 07/28/2010	1,300	25,846	07/29/2012	07/30/2014	Consolidated sales revenue beyond €800m, and consolidated EBIT beyond 6% of sales revenue
Total		**2,900**	**44,558**			

2.9.8 Performance shares that became available during the period for each corporate officer manager

No performance shares became available during financial 2010.

7 Documents specific to the Ordinary General Meeting

1 - Report by the Chairman of the Board of Directors

Financial Security Law (Art. L 225-37 of the French Commercial Code)

In accordance with the provisions of article L 225-37 of the French Commercial Code on Financial Security, and the recommendations of the French Financial Markets Authority (AMF), this report sets out the conditions governing the preparation and organization of the Board of Directors' work, limitations to the Chief Executive Officer's power, the principles and rules governing the determining of the allowances in kind granted to the corporate officers as well as internal control procedures implemented within the Group.

This report was submitted to the Board of Directors on February 16, 2011.

1.1 Preparation and organization of the Board of Directors' tasks

1.1.1 Organization

The Board meets whenever it is in the interests of the company to do so. Directors may be invited to Board meetings by the Chairman using any means available and even verbally. If the Board has not met for more than two months, directors representing at least one third of the members of the Board can request that the Chairman call a meeting on a particular agenda.

Decisions are made based on a quorum and a majority vote, as provided for by the Law; in the event that votes are split, the Chairman's vote will be the casting vote. However, a majority of three quarters of the votes of the members who are present or represented is required when decisions relating to the following issues are to be taken:

- The calculation of amortization and depreciation expenses and of provisions,
- Proposals to be made to the Shareholder's Ordinary Meeting for the allocation of profits for the financial year just ended,
- Resolutions to be submitted to a Shareholder's Extraordinary Meeting,
- The replacement of a director who has resigned or is deceased.

Copies or extracts of the deliberations of the Board of Directors are certified as valid by the Chairman of the Board of Directors, a Chief Executive Officer, a director who has been temporarily vested with the Chairman's powers or a representative authorized to this effect.
The Board of Directors sets out the company's business policies and ensures that they are followed. The Board of Directors carries out any controls or checks that it deems necessary.

1.1.2 Operating procedures

The Board meets upon invitation by the Chairman a minimum of 5 times per financial year and whenever an important decision is to be made. Each member participates in the tasks supervised by the Chairman and decisions are made on a majority vote of the members who are present or represented.

Debates are recorded in a report that is submitted for approval by the members within a month of the meeting and signed at the following meeting. The Board submits legal resolutions for approval by the Shareholders' Meeting.

1.1.3 Preparation of tasks

- Prior to each Board meeting, participants receive a file that has – as far as possible- been duly documented so that they may adequately prepare for the meeting.
- Meetings that require the approval of annual and half-yearly financial statements are accompanied by a presentation by the Audit Committee, which will have met prior to the meeting.
- Meetings on the subject of compensation are accompanied by a presentation by the Compensation Committee, which will have met prior to the meeting.
- Meetings dealing with strategic issues are accompanied by a presentation by the Strategic Committee, which will have met prior to the meeting.

1.1.4 Decision-making process

All major decisions are subjected to the Board's ratification, in accordance with the operating procedures described in paragraph 1.2. Important decisions include: approval of financial statements, acquisitions, disposals, forecasting elements, the compensation of directors, the nomination of directors, or any other element which may have a significant influence on the financial statements.

1.2 Limitation of powers

The Chief Executive Officer and Chairman of the Board is assisted by the Deputy CEO for the day-to-day management of the group. Their power is limited by the Board of Directors' authority to rule on all decisions relating to the structure of the group, such as described in paragraph 1.1.
Present on the Board of Directors are 4 independent directors, in compliance with the Bouton report. There are also 3 specific committees in existence: the Compensation Committee and the Audit Committee, both of which are responsible for supervising the work of General Management in these 3 fields. Each committee will submit a report on their work to the Board of Directors.

1.3 Management structure

The Chairman/Chief Executive Officer and the Deputy CEO work with an Executive Committee of 14 people, drawing together divisional managers and internal control management. This Executive Committee meets every quarter for briefing meetings on the Group's latest progress in each area.

1.4 Compensation and benefits in kind

The principles and rules governing corporate officers' remuneration, which are verified annually by the Remunerations Committee, are detailed in the chapter dealing with corporate governance policy.

1.5 Internal control procedures

The LISI Group's current internal control procedures fall form part of its corporate governance policy as drawn up in accordance with the latest French Financial Markets Authority (AMF) guidelines for small- and mid-caps businesses.

1.5.1 Defining internal control procedures

The Group's current internal control procedures are designed to ensure that:

- Administrative acts or those implementing operations at all management unit levels are carried out within the scope of the guidelines and aims set out by the General Management;
- These acts comply with all relevant laws and regulations and adhere to the values enshrined by the Group's companies;
- All accounting and financial data reflect exhaustively and honestly the Group's economic situation.

To ensure that these objectives are met, the Group has set up a prevention and detection process based on the coordinated audits of the internal audit officer and external auditors (during the review of internal control mechanisms which takes place at least once a year in all divisions). This process is then also implemented in each division, through the deployment policy of the local auditors.

As with any control system, this preventative scheme is not exhaustive. Consequently, it cannot provide any absolute guarantee that all risks have been completely eliminated.

1.5.2 Description of the internal control environment

General description

The wider internal control environment is based on a decentralized organization within each division. An Executive Committee is responsible for ratifying a global policy, which must then be channeled down to each individual department.

The Group has set out a number of procedures, summarized in an internal Group control manual, which is available to all relevant Group staff via an intranet site. This manual is supplemented by a Group accounting procedures manual. In addition, the Group has deployed a uniform reporting and information system in each division using an identical procedure each time.

The specificities of the LISI Group's activities require that precise quality control be carried out on operational processes in the following areas:

- Production, stock, flow management,
- Quality,
- Health, Safety and Environmental,
- Personnel, payroll,
- Accounting, management control and cash flow,
- purchasing and investments,
- Sales.

Action is taken within the Group on a continual basis to ensure that these mechanisms are effective. This action is regularly assessed using performance tables.

Supervisory bodies

- The Group's Board of Directors is the most senior decision-making entity. The group's Executive Committee channels the information to the divisions, which are themselves organized in such a way that enables their management to carry out the Group's decisions at individual department level.
- The Audit Committee, which includes an independent administrator, is acquainted, in concert with the external auditors and the internal audit manager, with the general management and risk management environment at the time of publication of each financial statement.
- The internal audit unit comprises the Group internal audit manager assisted by an auditor. Depending on the scale and nature of the task to be performed, internal and external partners may be co-opted to round off the team.
- Coordination with the external auditors is particularly close in order to direct controls specifically towards areas that have been identified as being high-risk and to allocate sufficient time to the task.
- Certain tasks identified as critical are monitored in the Group in a cross-departmental manner: financial management, accounts management, consolidation, legal services, insurance cover, security policy, environmental policy, purchasing policy and human resources management.

Group baseline

- Each division has set up a value charter based on a common set of values.
- An internal control procedures manual is in circulation, which is supplemented by an accounting and consolidation procedures

manual. These procedures are made available to all the individuals involved and are regularly updated in electronic form via a dedicated Internet portal.

- Each division and each operational unit is responsible for ensuring that these procedures are followed and adapted to their country's specific context.
- Each manager receives notification of new levels of responsibility in the form of delegation letters.

Risk-mapping and monitoring processes

- The Group is engaged in a convergent risk-mapping process. This methodology is currently employed throughout the Group and down to the level of the basic Management Units. It is subject to a complete and systematic review once a year. The priority action plans for the main risks identified in each division are validated within the budget of the following year.
- The health, safety and environmental risks committee, set up in 2001, identifies and indexes inherent risks, then initiates the necessary corrective actions.

Main internal control procedures relating to the drafting and processing of accounting and financial information

- The Group carries out an annual review of the 4 to 5-year strategic plan that has been set out and, based on this review, defines a priority action plan. The budget for the coming financial year falls within the scope of this plan for a 12-month period. The planning process is approved first by the Executive Committee and then by the Board of Directors. Progress on preparation of the budget is assessed monthly at all levels: business units (B.U.); Group and Divisions.
- The monthly consolidation of management indicators, the income statement, the balance sheet and the funding table allow a precise measure to be obtained within a short time of year-end. This facilitates the decision-making process.
- The purchasing and investment process falls within the scope of the strategic and budgetary mechanism. Any purchasing or investment commitment that deviates from the budget authorizations must have prior approval at the appropriate level.
- The sales and contract process is reviewed specifically by the local teams, BUs, divisions or the Group depending on the materiality level, before the actual commitment is made.
- The Cash Flow-Finance process also requires specific commitments. So for instance all financial investments are managed at Group level.
- The pay process is managed at operational unit level and is regularly reviewed both by the internal audit team and by external auditors.
- The Health, Safety, and Environment (HSE) process has been subjected to the monthly review of management indicators (industrial accident rates, non-compliances, etc.) and the major resulting action plans.

2010 achievements and outlook

- The Internal Control Management Team has conducted 18 audit missions and 9 recommendation-following missions. The entire scope of the LISI sites is covered with the exception of new entities acquired in 2010.
- With the economic situation remaining difficult in 2010, some initiatives were carried out relating to specific issues such as the thresholds for the authorization of commercial offers, permanent inventory management and the monitoring of critical delays of deliveries to customers.
- The "Risk Management" initiative, whose purpose is to strengthen the Group's internal controls, is today an integral part of the process that is in use throughout all the divisions.
- Alongside the Internal Control unit, the HSE (Health, Safety and Environment) Audit unit has fully co-ordinated at Group level all HSE actions and conducted HSE audit missions at all sites. Furthermore, initiatives will be conducted jointly with Internal Control to measure the effectiveness of the Maintenance process at sites.
- Over the past two years, LISI's General Management have set up a centralized accounts management system. Its main function consists of setting up a global cash pool which manages cash flows and surpluses, and exchange rate risks.
- Finally, other inter-departmental initiatives have been pursued, such as:
  - The inclusion of performance indicator and cash flow tables in the Group's integrated management system,
  - The control of commitments to major investments,
  - More systematic application of the legal review process,
  - The implementation of a crisis management procedure.
- The Group deems that the internal control management methods are satisfactory. Internal audit tasks will therefore follow the same routine in 2011, with particular attention being paid to new entities joining the Group and to those areas identified as being at risk. Since some of these newly acquired entities were previously subject to the SOX regime, a comparative analysis will be carried out with a view to implementing the best practices identified.

Conclusion

Initiatives taken to strengthen internal control levels have led to recommendations being approved and carried out by the relevant personnel and to deadline. Subsequent follow-up procedures make it possible to ensure they are applied properly.

This constitutes a permanent progress initiative for the Group. Relying on knowledge that can always be improved and the strong involvement of those in charge of key processes, it facilitates the development and improvement of internal control over time.

Gilles Kohler
Chairman of the Board of Directors

2 - Auditors' Report, prepared in accordance with Article L.225-235 of the French Commercial Code, on the Chairman of the LISI Board's report - Financial year ended December 31, 2010

Dear Shareholders,

In our capacity as Auditors of LISI S.A. and in accordance with the provisions of article L. 225-235 of the French Commercial Code, we hereby present our report on the report drafted by the Chairman of your Company's Board of Directors in compliance with the provisions of article 225-37 of the French Commercial Code for the financial year ended December 31, 2010.

It is for the Chairman to draw up and submit for the Board of Directors' approval a report giving an account of the internal control and risk management procedures set up within the company, and giving any other information required under Article L.225-37 of the Commercial Code with particular reference to corporate governance issues.

It is for us to:

- inform you of such observations as are called for by ourselves, in respect of the information given in the Chairman's Report concerning the internal control and risk management procedures for the preparation and processing of accounting and financial information, and
- to testify that the report includes other information required under Article L.225-37 of the Commercial Code, while acknowledging that it is not our duty to verify the authenticity of this other data.

We have carried out our work in accordance with the professional standards in use in France.

Information regarding internal control and risk management procedures relating to the drawing-up and processing of accounting and financial information.

Standards governing professional practice require that due diligence procedures be carried out to assess the honesty of information regarding internal control and risk management procedures relating to the drawing up and processing of accounting and financial information contained in the Chairman's report. These careful evaluations largely consist of:

- familiarizing ourselves with the internal control and risk management procedures for the drafting and processing of the accounting and financial information behind the information presented in the Chairman's report and other existing documentation;
- familiarizing ourselves with the work on which existing information and documentation is based;
- ascertaining whether appropriate information on serious lapses in internal controls regarding the drafting and processing of accounting and financial information which we may have found within the scope of our mission are appropriately included in the Chairman's report.

Based upon this work, we have no observations to make concerning the information regarding the company's internal control and risk management procedures for the preparation and processing of accounting and financial information, as contained in the Chairman's Report, prepared in accordance with Article L.225-37 of the Commercial Code.

Additional information

We attest that the Chairman of the Board of Directors' report includes the other information required under Article L.225-37 of the Commercial Code.

Paris La Défense, April 6, 2011
Salustro Reydel
Member of KPMG International

Laurent Genin
Partner

Exincourt, April 6, 2011
Exco Cap Audit

Pierre Burnel
Partner

3 - Statutory Auditors' Special Report on regulated agreements - Financial year ended December 31, 2010

Dear Shareholders,

In our capacity as Auditors of your company, we will now present out report on regulated agreements and commitments.
It is for us to let you know, based on the information delivered to us, the essential features and conditions applicable to the agreements and commitments of which we have been informed or which we would have discovered in the context of our assignment, without having to express our opinion as to their usefulness or their justification, nor to investigate the existence of other agreements or commitments. It is your responsibility, in accordance with the provisions of article R.225-31 of the Commercial Code, to assess the advantage of establishing these agreements and commitments with a view to approving them.

Besides, it is up to us, if applicable, to provide you with the information provided for in article R. 225-31 of the Commercial Code regarding the implementation, over the period elapsed, of the agreements and commitments already approved by the General Meeting.

AGREEMENTS AND COMMITMENTS SUBJECTED TO THE GENERAL MEETING'S APPROVAL

We inform you that we have not been notified of any agreement or commitment authorized during the period elapsed to be subjected to the General Meeting's approval as per the provisions of article L.225-38 of the Commercial Code.

AGREEMENTS AND COMMITMENTS ALREADY APPROVED BY THE GENERAL MEETING

We inform you that we have not been informed of any agreement or commitment already approved by the General Meeting whose implementation would have been continued during the period elapsed.

Paris La Défense, April 6, 2011

Salustro Reydel
Member of KPMG International

Laurent Genin
Partner

Exincourt, April 6, 2011

Exco Cap Audit

Pierre Burnel
Partner

4 - Auditors' report on the consolidated financial statements - Financial year ended December 31, 2010

In carrying out the mission entrusted to us by your Shareholders' General Meeting, we hereby present you with our report for the financial year ended December 31, 2010, relating to:

- the audit of the annual statements of LISI S.A., as attached to this report;
- justifications for our assessments;
- the specific verification stipulated under law.

The consolidated financial statements were drafted by the Board of Directors. Our role is to express an opinion on these financial statements based on our audit.

Assessment of the consolidated financial statements

We have carried out our work in accordance with the professional standards in use in France; these standards require due diligence to ensure with a reasonable degree of certainty that the consolidated financial statements do not contain any significant anomalies. An audit involves verifying, through surveys or other selection methods, the items supporting the figures and information which feature in the consolidated accounts. It also involves assessing those accounting principles followed, the significant estimates made and the overall presentation of the accounts. We consider that the items we have gathered form both a sufficient and an appropriate basis for our opinion.

We certify that the consolidated financial statements for the period are, in regards to the IFRS standards as adopted by the European Union, honest and sincere, and provide a reliable picture of the assets, the financial health, and the performance of the group made up of the physical and legal entities comprised in the consolidation scope.

Justifications for our assessments

As stipulated by Article L.823-9 of the Commercial Code regarding the justification of our opinion, we would like to point out to you that:

The accounting estimates involved in preparing the financial statements to December 31, 2010 were made in the context of a situation in which economic prospects were very difficult to judge. These conditions are described in note 2.2.2 of the annex to the consolidated accounts. It is against this background of uncertainty that, in accordance with the provisions of Article L.823-9 of the Commercial Code, we bring to your attention our own assessments.

The Management of the LISI Group has had to make judgments and estimates and to formulate assumptions, which concern in particular depreciation of assets, provisions and deferred taxes, stated in notes 2.2.2, 2.2.8.5, 2.2.14 and 2.2.19.5 in the appendix. For all these estimates, we have assessed the data and assumptions on which they are founded, reviewed randomly the calculations made by the company, reviewed the available material, and verified that the notes to the annex provide appropriate information regarding the assumptions retained by the company.

At each year-end the Company regularly performs an impairment test for goodwill and assets without a defined useful life, and also measures if there is an index of loss of value of long-term assets, in accordance with the methods described in notes 2.2.7.1, 2.2.8.5 and 2.5.1.1 to the financial statements. We have reviewed the conditions under which this impairment test was conducted, as well as the cash flow forecasts and assumptions used, and have verified that the above-mentioned notes provide appropriate information.
Note 2.2.15 stipulates the methods for evaluating pensions and share-based staff benefits. These commitments have been subject to external assessments. Our work has consisted in reviewing the data used, in assessing the assumptions retained, in reviewing the calculations made, and in verifying that notes 2.2.15 and 2.5.4.2 to the Appendix to consolidated financial statements provide appropriate information.
The opinions expressed fall within the scope of our audit of the consolidated financial statements taken as a whole. Therefore, they have contributed to the forming of our opinion without reservation, as set out in the first part of this report.

Specific verification

We have also, in accordance with the professional standards applicable in France, specifically verified, as required by law, the information provided in the report on Group management.
We have no comments to make on their sincerity and consistency with the consolidated financial statements.

The Auditors

Paris La Défense, April 6, 2011
Salustro Reydel
Member of KPMG International

Laurent Genin
Partner

Exincourt, April 6, 2011
Exco Cap Audit

Pierre Burnel
Partner

5 - Auditors' General Report - Financial year ended December 31, 2010

Dear Shareholders,

In carrying out the mission entrusted to us by your Shareholders' General Meeting, we hereby present you with our report for the financial year ended December 31, 2010, relating to:
• the audit of the annual statements of LISI S.A., as attached to this report;
• justifications for our assessments;
• specific verifications and legally required information.

The annual statements were drafted by the Board of Directors. Our role is to express an opinion on these financial statements based on our audit

Assessment of the annual statements

We have carried out our work in accordance with the professional standards in use in France; these standards require due diligence to ensure with a reasonable degree of certainty that the consolidated financial statements do not contain any significant anomalies. An audit involves verifying, through surveys or other selection methods, the items supporting the figures and information which feature in the annual accounts. It also involves assessing those accounting principles followed, the significant estimates made and the overall presentation of the accounts. We consider that the items we have gathered form both a sufficient and an appropriate basis for our opinion.

We certify that the annual accounts comply with French accounting rules and principles and provide a true and fair view of the earnings derived from the company's activity during the year, as well as the financial situation and net worth of the company at the end of the financial year.

Justifications for our assessments

As stipulated by Article L.823-9 of the Commercial Code regarding the justification of our opinion, we would like to point out to you that:

Your company sets up provisions for the impairment of equity interests when their value in use appears to be less than their net book value, as described in paragraph b "Financial assets" of note 3.1. "Rules and accounting methods" of the appendix. Our work consisted in assessing the data and assumptions on which these estimates rely, reviewing the company's calculations, and examining management's approval procedures for these estimates.
As part of our assessment, we have verified the reasonable nature of such estimates.
The opinions expressed fall within the scope of our audit of the annual financial statements taken as a whole. Therefore, they have contributed to the forming of our opinion, as set out in the first part of this report.

Verifications and specific information

We have also made specific verifications as stipulated under law.

We have no comments to make on the sincerity and consistency with the annual statements, of the information given in the Board of Directors' management report, or that given in the documents addressed to shareholders relating to the group's financial situation and the annual statements.

With regard to the information supplied in application on the provisions of Article L.225-102-1 of the Commercial Code on payments and bonuses paid to corporate officers as well as on commitments approved in their favor, we have checked they are consistent with the accounts or with the data used in the drawing-up of these accounts, and, where relevant, with the items gathered by your company from companies controlling or controlled by your company. On the basis of these studies, we vouch for the precision and honesty of this information.

In accordance with French law, we have verified that the required information concerning the identities of the shareholders has been disclosed to you in the management report.

The Auditors

Paris La Défense, April 6, 2011
Salustro Reydel
Member of KPMG International

Laurent Genin
Partner

Exincourt, April 6, 2011
Exco Cap Audit

Pierre Burnel
Partner

6 - Draft resolutions

ORDINARY GENERAL MEETING OF APRIL 27, 2011

AGENDA

UNDER THE AUTHORITY OF THE ORDINARY GENERAL MEETING

- Review and approval of the annual financial statements for the period ended December 31, 2010;
- Approval of consolidated financial statements for the period ended December 31, 2010;
- Approval of the conventions covered by articles L.225-38 et seq. of the French Commercial Code;
- Discharge to the Directors and Auditors;
- Appropriation of earnings;
- Authorization for the Company to repurchase its own shares;
- Renewal of a director's mandate;
- Re-appointment of the primary and alternate auditors;
- Proxies;
- Miscellaneous questions.

DRAFT RESOLUTIONS

1st resolution – Approval of corporate financial statements

Having listened to the reading of the Board of Directors' report and the Auditors' general report, the Shareholders' General Meeting approves the annual financial statements established as at December 31, 2010, as they are presented, with profits of €7,725,772, as well as the transactions described in these financial statements that are summarized in these reports.

In particular, the Shareholders' General Meeting approves the spending carried out over the last year in relation to the transactions covered by article 39-4 of the French General Tax Code, which amounts to a total of €16,188.

2nd resolution – Approval of consolidated financial statements

Having listened to the reading of Board of Directors' report and the Auditors' general report, the Shareholders' General Meeting approves, as they are presented, the consolidated financial statements set out in accordance with article L. 233-16 et seq. of the French Commercial Code at December 31, 2010, showing profits of €32,925,459.

3rd resolution - Approval of the agreements referred to in article L.225-38 of the Commercial Code

Having listened to the reading of the Auditors' Special Report on the conventions covered by articles L225-38 of the French Commercial Code, the Shareholders' General Meeting approves the sections indicated in this report.

4th resolution - Discharge to the Directors

The Shareholders' General Meeting gives full discharge to the Directors for their work for the year 2010, and to the Auditors for their mandate.

5th resolution – Allocation of earnings

Acting on the proposal of the Board of Directors, the Shareholders' General Meeting has decided to allocate last year's profits as follows:

• profits for the financial year	€7,725,772
• increased by the balance carried forward for a total of	€56,098,435
To give a total of	€63,824,207

This represents distributable profit, which the Board of Directors proposes should be distributed as follows:

• to the legal reserve	€6,527.00
• to the shareholders, as a dividend, the sum of €1.05 per share, corresponding to the sum of payable on May 6, 2011	€11,325,818.70
• to the balance to the retained earnings account, corresponding to the sum of	€52,491,861.30

it being understood that this amount will be increased by the sum of the dividends payable on the shares owned by the Company as of the ex-dividend date.

The dividend for each share amounts to €1.05. The value of the dividend eligible for 40% deduction, as covered by article 158-3-2° of the French General Tax Code, is €1.05.

In addition, the Shareholders' General Meeting acknowledges that it has been apprised that the dividend payouts per share for the last 3 years were as follows:

Financial year ended December 31, 2007:	dividends eligible for the 40% allowance: €1.50
Financial year ended December 31, 2008:	dividends eligible for the 40% allowance: €1.20
Financial year ended December 31, 2009:	dividends eligible for the 40% allowance: €0.70

6th resolution – Share repurchase program

Having listened to the reading of the Board of Directors' report and reviewed the data contained in the program description, the Shareholders' General Meeting:

- Cancels the purchase authorization given on April 28, 2010;
- Gives its authorization, in accordance with articles L.225-209 et seq. of the French Commercial Code, to the Board of Directors, to proceed, by whatever means it deems appropriate, to the repurchase of own shares, representing up to 10% of the company's share capital, corresponding to 1,078,649 shares, except for the acquisition of shares meant to be retained and the delivery of shares to be used as consideration or payment for external growth operations whose total will be limited to 5% of the share capital or 539,324 shares;
- Decides that the acquired shares will be used as follows:
  - to increase the activity of the stock on the market by an Investment Services Provider via a liquidity contract in accordance with the professional code of ethics recognized by the AMF (the French stock market authority;
  - To grant stock options or free shares to employees and corporate officers of the company and/or its consolidated group;
  - to keep and use shares as consideration or payment for potential future acquisitions;
  - to cancel shares purchased, subject to the approval of the Shareholders' Extraordinary Meeting to be called at a later date.

Shares can be acquired or sold by any means and at any time, in accordance with the regulations in force, on or off the market, including through the use of derivatives traded on a regulated market or by private contract.

The company undertakes to remain constantly within the limits set by article L.225-209 of the Commercial Code.

The following terms apply to this authorization:

- the company may not repurchase its own shares for more than €90, not including transaction fees;

The highest figure that LISI S.A. would pay if it purchased shares at the ceiling price set by the Shareholders' Meeting, i.e. €90, is €97,078,410.

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

- Assigns full powers to the Board of Directors, which may choose to delegate them, within the limitations detailed above, to put in stock market orders, to negotiate agreements in the aim of carrying out all formalities and all declarations to all organizations, to carry out all other formalities and, as a general rule, to do all that is necessary.

7th resolution - Renewal of a Director's mandate

The General Meeting renews the appointment as Director of Mr. Pascal Lebard for a six-year term expiring at the Ordinary Annual General Meeting that will be held to approve the financial statements for the year ending December 31, 2016.

8th resolution - Reappointment of a Primary Auditor

The General Meeting reappoints the primary auditor EXCO CAP AUDIT, whose registered offices are at 2 rue Emile Zingg - 25400 Exincourt for a six-year term expiring at the Ordinary Annual General Meeting that will be held to approve the financial statements for the year ending December 31, 2016.

9th resolution - Non-reappointment of a Primary Auditor - Appointment of a new Primary Auditor

The General Meeting decides not to reappoint the primary auditor KPMG AUDIT, and decides to appoint, in replacement, for a six-year term expiring at the Ordinary Annual General Meeting that will be held to approve the financial statements for the year ending December 31, 2016:

ERNST & YOUNG et Autres
whose offices are located at 41 rue Ybry, in Neuilly sur Seine (Hauts de Seine)

10th resolution - Non-reappointment of an alternate Auditor - Appointment of a new alternate Auditor

The General Meeting decides not to reappoint the alternate auditor Mr. Jean François Calame, and decides to appoint, in replacement, for a six-year term expiring at the Ordinary Annual General Meeting that will be held to approve the financial statements for the year ending December 31, 2016:

Mr. Philippe Auchet
whose offices are at 2 rue Emile Zingg - 25400 EXINCOURT

11th resolution - Non-reappointment of an alternate Auditor - Appointment of a new alternate Auditor

The General Meeting decides not to reappoint the alternate auditor Jean Claude Reydel, and decides to appoint, in replacement, for a six-year term expiring at the Ordinary Annual General Meeting that will be held to approve the financial statements for the year ending December 31, 2016:

Auditex
whose offices are at Tour Ernst et Young – 11 Allée de l'Arche at Paris La Défense (Hauts de Seine)

12th resolution - Formalities

The Shareholders' General Meeting assigns all rights to the bearer of an original, a copy or extracts of the minutes of its deliberations for the purpose of accomplishing all formalities, as well as all legally required filings and publications.

Glossary

- **AAGR:** Average annual growth rate.
- **ACE:** Continuous improvement towards excellence.
- **AFEI:** French Association of Investment Companies.
- **AGE:** Extraordinary General Meeting.
- **AGM:** Combined General Meeting.
- **AGO:** Ordinary General Meeting.
- **AMF:** French Financial Markets Authority.
- **BFR:** Working Capital Requirement.
- **BSAR:** Redeemable share subscription warrant.
- **B.U. :** Business Units
- **CAF:** Operating cash flow.
- **Capital employed:** Shareholders' equity + Net debt.
- **CDN:** Negotiable Certificate of Deposits.
- **CIR:** Research Tax Credit.
- **CET:** Regional Economic Contribution.
- **CNC:** French Accounting Standards Board.
- **CRBF:** French Banking and Financial Regulation Committee.
- **CRC:** French Accounting Regulation Committee.
- **CVAE:** French business tax on added value, classified as an Income Tax.
- **DIF:** Personal entitlement to training.
- **EBIT:** Operating income less employees' share.
- **EBITDA:** EBIT plus depreciation and operating provisions, less reversals of operating provisions.
- **EFN:** Net debt.

- **ETPMP:** Equivalent full-time average wage.
- **FCPE:** Collective Employee Shareholder Plan.
- **FTE:** Full-time equivalent.
- **Net cash flows generated by the activity:** Cash flow from operations = CAF + change in operating working capital.
- **Free Cash Flow (FCF):** Cash flow less changes in inventories, working capital requirements and net CAPEX.
- **GEARING:** Ratio of Net Debt to the Group share of consolidated equity.
- **HSE:** Health, Safety and Environmental.
- **LSF:** Financial Security Law.
- **MV:** Capital loss.
- **OBSAR:** Bond with Redeemable Share Subscription Warrant.
- **PASE:** Safety Environment Improvement Plans.
- **PCA:** Deferred revenues.
- **PEG:** Group savings scheme.
- **PV:** Capital gains.
- **Return on capital employed (ROCE):** Ratio of EBIT to average capital employed for years N and N-1
- **Return on equity (ROE):** Ratio of net earnings to shareholders' equity.
- **RSPVLT:** Special reserve for long-term capital gains.
- **Turnover rate of floating stock:** Ratio of annual volumes traded to number of floating shares.
- **TPI:** Identifiable bearer share.
- **TRS:** Overall Equipment Effectiveness (ratio of machine hours worked to total hours available).
- **UGT:** Cash Generating Unit.
- **VMP:** Marketable security.
- **VNC:** Net Book Value.

LISI AEROSPACE
Tour Gamma « A » - 193 Rue de Bercy
F – 75582 PARIS CEDEX 12

Tel: + 33 (0)1 44 67 85 85
Fax: + 33 (0)1 43 40 88 76
Website: www.lisi-aerospace.com

LISI MEDICAL
19 Chemin de la Traille
NEYRON
F – 01701 MIRIBEL

Tel: + 33 (0)4 78 55 80 00
Fax: + 33 (0)4 72 25 81 61
Website: www.lisi-medical.com

LISI AUTOMOTIVE
28, Faubourg de Belfort – BP 19
F – 90101 DELLE CEDEX

Tel: + 33 (0)3 84 58 63 00
Fax: + 33 (0)3 84 58 63 02
Website: www.lisi-automotive.com

LISI
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

lisi LINK SOLUTIONS FOR INDUSTRY

Design, creation and realisation DESIGN MEDIA + 33 (0)1 40 55 16 66