ANNUAL REPORT





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DESIGN AND MANUFACTURE OF ASSEMBLY COMPONENTS



Born in the 18th century with the merger of several family businesses in the region of Belfort-Montbéliard, where the Group is still headquartered, LISI is present in a dozen countries on four continents.

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









1 GROUP 3 sectors of activity



LISI AUTOMOTIVE AUTOMOTIVE FASTENERS AND ASSEMBLY COMPONENTS No.6 worldwide

€446.3m SALES REVENUE €35.6m INVESTMENTS 3,312 EMPLOYEES

19 SITES IN 5 COUNTRIES



LISI AEROSPACE

FASTENERS, ASSEMBLY AND STRUCTURAL COMPONENTS FOR THE AEROSPACE

No.3 worldwide €407.6 m sales revenue €25.0 m investments 4,677 employees 16 sites in 8 countries

LISI MEDICAL

MEDICAL IMPLANT AND AUXILIARY PARTS SUB-CONTRACTOR

 $\begin{array}{l} {\color{black}{\bullet} 74}_{\text{M}} \text{ sales revenue} \\ {\color{black}{\bullet} 4.2}_{\text{M}} \text{ investments} \\ {\color{black}{508} \text{ employees}} \\ {\color{black}{4} \text{ sites in 3 countries}} \end{array}$





3 FAMILIES OF PRODUCTS





DIVESTITURE of **LISI COSMETICS**

The LISI Group has accelerated its focus on its traditional business by finalizing in April 2011, the sale of LISI COSMETICS to the Pochet group. Exclusive negotiations had been under way since February. The divested line of business specialized in the design and manufacture of assembly components and complex plastic and metal packaging for the fragrance and cosmetics industry. LISI COSMETICS, which employs 490 employees in three French sites, in 2010 generated sales revenue of \leq 52.8 million (7% of the LISI Group's total sales) working with major brands in the industry, including the most prestigious luxury brands. The Pochet group has chosen to integrate the company into its plastics subsidiary Qualipac.



SUCCESSFUL CONSOLIDATION OF CREUZET AERONAUTIQUE



The acquisition of Creuzet Aéronautique and Indraero-Siren, completed on July 1, 2011, is the largest external growth transaction ever conducted by LISI. It reinforces the Group's positions in the aviation sector by providing it with a critical size and enhanced visibility among its major aircraft and engine manufacturer customers, while allowing it to consolidate its expertise. Both companies enjoy a very high level of expertise in the design of complex parts. Founded in 1934, Creuzet ($2010: \in 60$ million sales revenue, 700 employees) manufactures mechanical components with high added value for the fuselages and engines of commercial aircraft, as well as leading edges for reactor blades. Indraero-Siren ($2010: \in 50$ million sales revenue, 700 employees), founded in 1949, produces fuselage parts for commercial aircraft and helicopters.

8 MESSAGE FROM THE MANAGEMENT

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

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

2011 ASTRATEGIC YEAR



After the acquisition of ACUMENT's clipped automotive fasteners, followed by that of STRYKER's site for the production of orthopaedic implants, both completed in 2010, strategic operations were pursued intensely in 2011, with the disposal of our Fragrance & Cosmetics division in April, followed by the acquisition of aerospace group CREUZET-INDRAERO in July.

The deconsolidation of LISI COSMETICS, the first of these transactions, has enabled our company to refocus entirely on its core business as a manufacturer of fasteners and mechanical components. The acquisition of CREUZET-INDRAERO, one of the world's leading manufacturers of structural components, is a major event for the Group. It strengthens significantly its aerospace arm, placing LISI among the leading "Materials" suppliers of customers such as AIRBUS or SAFRAN.

If we add up the sales of those companies that were acquired or sold, the Group regenerated nearly one quarter of its sales revenue in slightly more than twelve months. As such, 2011 will be remembered as one of the major years for the transformation of LISI's strategic profile in the past two decades. LISI AEROSPACE, with its two "Business Units" – Fasteners and Structural Components – thus becomes the largest division of the LISI Group, with nearly 48% of the consolidated sales on a full-year basis, ahead of Automotive (45%) and Medical (7%).

OPERATING RESULTS ORIENTED UPWARDS

The acquisition of CREUZET-INDRAERO, which took several months to prepare, took place under the best circumstances, and was completed at the exact moment when the aerospace market began to pick up, at least in Europe. Propelled to a market revitalized by the Airbus A350, LISI AEROSPACE has thus returned to strong organic growth and very satisfactory profitability levels. On the contrary, LISI AUTOMOTIVE and LISI MEDICAL, faced with operational difficulties in some of their units, have not achieved the expected performance targets despite the growth of their businesses.

Despite these contrasts, which are clearly identified and measured, the Group saw its sales increase by 19% in 2011, with record sales of €925 million. EBIT, at €77 million, indicates an operating margin of 2011 WILL BE REMEMBERED AS A YEAR OF MAJOR TRANSFORMATION OF THE STRATEGIC PROFILE OF LISI IN THE PAST TWO DECADES"

8.3%, to be compared with the performance results of 2010, which ended with EBIT of €49 million and operating margin of 6.4%.

The strong growth of business has weighted on the balance sheet items of the Group. In 2011, the increase in inventories and investments stood at more than ≤ 62 million, or 6.7% of sales. Nevertheless, the Group's free cash flow remained positive at ≤ 8 million and net debt amounts to ≤ 103 million, or a gearing of 19%.

With improved performance, the Group is in a position this year to offer its shareholder a dividend of €1.30 per share, up 24% compared to 2010.

PRESERVING PROFITABLE, SUSTAINABLE GROWTH IN 2012

In 2012, the Group's consolidated sales will progress mechanically because of the consolidation of the full-year sales of LISI AEROSPACE CREUZET and the expected level of business. The latter will benefit from the strong demand for aerospace fasteners, backed by the development of Airbus's A350, and the highly anticipated industrial start of Boeing's B787. In the automotive sector, as in the medical industry, the Group's efforts will focus on improving the operational management of 2011, an initiative necessary for restoring profitability.

Also this year, each of our divisions will rely on the Group's HSE* schemes, Lean for improvement, Excellence for optimizing quality, and Research & Development to assure our customers that we will meet their requirements fully. We will also strive to enhance the integration of the companies acquired in the past two years, with the aim to standardize and disseminate best practices recognized throughout the Group.

Thus, despite a global economy slowed down by the issue of sovereign debt, particularly in Europe, the LISI Group remains focused on increasing its business activity in 2012, and on its growth plans in the medium and long-term.

We are therefore confident in our Group's ability to pursue sustainable, profitable growth. And finally, we are also convinced that we can satisfy altogether our shareholders, our customers, and our staff.



LISI

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

Jean-Philippe KOHLER (3) Vice-President in charge of LISI internal auditing and of the HR coordination

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

Yves DREYER (12) Industrial and Purchasing Manager of LISI

LISI AEROSPACE

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

Jean-François MICHELETTI (13) Vice-President Finance and Administration of LISI AEROSPACE

Christian DARVILLE (15) Vice-President US Operations of LISI AEROSPACE Chief Executive Officer of HI-SHEAR and MONADNOCK

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

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

LISI AUTOMOTIVE

Patrick FAVRE (10) Chief Executive Officer of LISI AUTOMOTIVE

François LIOTARD (14)

Chief Executive Officer – Industry and Strategy of LISI AUTOMOTIVE

Lothar VEESER (11) Chief Executive Officer, Business Group Deutschland of LISI AUTOMOTIVE

Laurent SANCHEZ (6)

Chief Executive Officer, Business Group France of LISI AUTOMOTIVE

Patrick WEISSE (8) Vice-President Finance and Administration of LISI AUTOMOTIVE

Marc STEUER (9) Chief Executive Officer, Business Group Global Tier One and Asia of LISI AUTOMOTIVE



LISI MEDICAL

Emmanuel VIELLARD (2) Chairman of LISI MEDICAL



Lise NOBRE

KEY FIGURES

PERFORMANCE INDICATORS









8,512 WORKFORCE



14 INTERNATIONAL

EUROPE 28 PLANTS

- 18 in France
- 1 in United Kingdom

NORTH AMERICA **5 PLANTS**

4 in California 1 in Canada

AFRICA **3 PLANTS** 3 in Morocco

WORLDWIDE LOCATIONS

SALES REPRESENTATION COUNTRIES

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

PRODUCTION COUNTRIES

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

SUPPORT ACTIVITIES

CREUZET **AÉRONAUTIQUE SITE**

INDRAERO-SIREN SITE

- ▲ Saint-Brieuc
 - ▲ Villefranche-de-Rouergue

▲ Saint-Ouen-l'Aumône

LISI AEROSPACE

Vignoux-sur-Barangeon

16 PLANTS

FRANCE

7 IN FRANCE

- ▲ Marmande
- Argenton-sur-Creuse
- Colomiers

OUT OF FRANCE

- ▲ Dorval (Canada)
- ▲ Rugby (UK)
- ▲ Izmir (Turkey)
- Paramount (USA)
- ▲ Torrance (USA)
- City of Industry (USA)
- ▲ Bangalore (India)
- Casablanca (Morocco)
- ▲ Sedziszow (Poland)



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

LISI AUTOMOTIVE

19 PLANTS 9 IN FRANCE

FRANCE

- ▲ Delle
- 🔺 Dasle
- ▲ La Ferté-Fresnel
- Melisey
- Puiseux
- ▲ Saint-Florent-sur-Cher
- 🔺 Thiant
- Grandvillars
- Lure

OUT OF FRANCE

- ▲ Cejc (Czech Republic)
- 🔺 Fuenlabrada (Spain)

- ▲ Gummersbach (Germany)
- ▲ Heidelberg (Germany)
- ▲ Herscheid (Germany)
- ▲ Kierspe (Germany)
- Mellrichstadt (Germany)
- 🔺 Beijing (China)
- ▲ Shanghai (China)
- ▲ Vöhrenbach (Germany)
- Ahmedabad (India)
- Solihull (UK)

LISI MEDICAL 4 plants 2 in france

FRANCE

Neyron Caen

OUT OF FRANCE Escondido (USA) Tanger (Morocco)



1777>2011 HISTORICAL EUROPEAN ROOTS

The history of LISI is a concentrate of French industrial history, parallel to that of the Forgemasters of the North and East of the country. Through the merger of several family businesses set up in the seventeenth century in the area of Montbéliard, LISI concentrates more than two hundred years of adaptation to a changing world and ambitious growth. Franche-Comté (Esat side of France) are today an all-encompassing business, that holds key positions on four continents in the most complex assembly professions. It is also a changing company, renewing more than a quarter of its business portfolio through the sale and acquisition transactions completed in 2011, through which LISI puts itself in a position to face the future in the best conditions.



THE LEVERS of **GROWTH**

18 | 24 | 28 |

INNOVATION, THE DRIVER OF STRATEGY

HUMAN BEINGS AT THE HEART OF THE ENTREPRENEURIAL ORGANIZATION

17

RESPONSIBILITY, OUR PRIME CONCERN

INNOVATION, THE DRIVER OF STRATEGY

The LISI Group operates in markets where technology is a major competitive issue.

Research teams at LISI innovate tirelessly to meet the markets' challenges. Designed to optimize assembly operations at the Group's customers and improve their performance, the solutions implemented must also integrate the new environmental requirements without ever compromising on what constitutes the essence of LISI's approach: *i.e.* the quality of its products and the added value which its solutions represent.

While the LISI Group's expertise remains focused on the manufacture and assembly of complex fastening systems, it also lies in its ability to devise, design and implement effective and innovative solutions to meet the specifications the company's customers worldwide. If the development and design of future fasteners involve both improved materials performance and optimization of processing steps, the ramp-up phases of new product families at the Group's customers require special attention and significant human investment. During these decisive milestones, LISI's teams question and constantly review their procedures in order to improve and simplify the implementation of fasteners. Optimizing the management of workflows and assembly timeframes, LISI's solutions generate savings on its customers' assembly line. Once you realize that the fasteners sector is the largest single cost heading within industrial assembly activities, you get a better idea of how crucial this research is.

LISI AEROSPACE

ACCOMPANYING THE A350 ASSEMBLY LINES

The increased demand from LISI AEROSPACE customers for new product families developed over the past three years generated strong R&D support requirements in 2011, especially the assembly of the first Airbus A350 started. The division's teams were in charge of the serial production of its new fastener systems, while supporting their implementation on the assembly lines of aircraft manufacturers. For the A350, these assignments were for pre-assembly stages, with CCTF temporary fasteners, and final assembly with STARLITE™ titanium nuts, the STL™ system for the assembly of wings, the new HI-LITE™ fasteners, and finally the laying and control tools associated with such fasteners. € 18.9M R&D EXPENDITURES IN 2011

+2.7%

ANTICIPATE future challenges



19

Dell

ENHANCE THE CONVERGENCE BETWEEN PRODUCTS AND PROCESSES

HT.

lisi

20 RESEARCH AND DEVELOPMENT

The work conducted in 2011 by LISI AEROSPACE has led to 11 inventions and permitted the filing of 62 patents



The development of composite materials, sensitive to delamination at the edge of the hole, have indeed led to rethink the temporary fastening systems to reduce the contact pressures and further control the docking efforts. This thinking gave birth to the new CCTF series of temporary fasteners with four concentric clips, which specifically addresses the needs of LISI AEROSPACE's customers, including for the smallest diameters (3.2 mm). In situ validation of how these very small mechanisms operate has been a complex challenge. A second family of temporary fasteners, the CAL system, designed for the quick, ergonomic assembly of drilling templates, also mobilized teams at the Vignoux-sur-Barangeon plant in 2011 for the development and commissioning on the A380 and A350 programs.

LISI AEROSPACE PREPARES FOR THE FUTURE

Two collaborative research projects, namely NexGED and PERCEVAL, were established in 2011 with the help of French public agencies and in partnership with other companies, customers or research organizations. The objective of these projects involving the European plants of Villefranchede-Rouergue and Vignoux-sur-Barangeon, is to anticipate the upstream requirements of the engine and aircraft applications that will be commissioned by 2015-2020.



THE NEW STL® FASTENING SYSTEM, FOR CRITICAL APPLICATIONS

Similarly, LISI AEROSPACE teams were particularly busy supporting the introduction of the new STL® fastening system on the A350 assembly lines. Designed for the assembly of composite structures subjected to lightning, the STL® (SLEEVE TAPER HI-LITE[™]) was designed for the most critical applications, where excellent mechanical strength is combined with a reliable, ergonomic installation procedure. The start of serial production greatly mobilized the factories of Saint-Ouen-l'Aumône, Blanc Aero Technologies and Vignoux-sur-Barangeon for the installation and control tools. The joint work of the research and development, production and on-site support teams, was required to manage the assembly of the first wing components for Airbus, alongside partners involved in the production of wings. The activity on this family of products will remain intense over part of 2012 to prepare the production during the ramp-up and work on optimizing the ranges.

IMPROVING THE GROUP'S HISTORIC PRODUCT FAMILIES

The other area that supports the R&D efforts at LISI AEROSPACE relates to improving the division's historic product families, which need to be adapted to the new market challenges.

NEW PRESSURE LOCKS FOR A350 ENGINE PYLONS

The pressure locks are security features that allow opening a door to prevent damage due to overpressure in a closed compartment (pylons, fairings, engine compartments). The requirements are more and more precise, both in terms of triggering thresholds and the efforts applied to the locks and the entire door. The kinematics and technology choices had to be reconsidered to provide a reliable solution. The choice of a dual-spring and an innovative cam trigger allowed our engineering office in Vignoux-sur-Barangeon to specifically address the requirements identified by Airbus to the pressure doors on Airbus A350 pylons.



The answers to the assembly constraints of new composite structures, the requirements of reliability and the shorter assembly time required by the division's customers have led to the launch of two major projects at LISI AEROSPACE. These projects have a global reach and have helped to change the great historic families of HI-LOK[™]/ HI-LITE[™] and PULL-IN[™]/PULL-STEM[™] products. These projects, which have involved input from most of the sites, have strengthened the Group's innovation dynamics and increased the internal skills in terms of structuring and management of multisite R&D projects.

The first results of this re-engineering process were achieved in 2011. The HI-LOK™ and HI-LITE™ systems have been fully redesigned to fit composite assemblies. The integration of the ASTER™ system, the use of HI-KOTE™ NC chromate-free coatings and the addition of new combinations of surface treatment have kept the reference level of these products, adapting them to hybrid and composite structures. The development of chromate-free treatment also reduces the environmental impact.

OPTIMIZING THE INSTALLATION TIME OF HIGH INTERFERENCE FASTENERS

The range of high interference fasteners PULL-IN[™] and PULL-STEM[™] fasteners has also been renewed and improved as part of this research program. These fasteners are needed to ensure the structural integrity of assemblies subject to fatigue in the metallic or strongly loaded hybrid junction areas. In their capacity as reference products for this type of application, the PULL-IN™/PULL-STEM™ systems should progress in terms of ergonomics, optimization of the installation time and reduction of their environmental impact to maintain their competitive edge. The new generation of PULL-IN[™] fasteners was designed with a shorter thread to reduce the weight and installation time on the assembly lines of the Airbus A350. A new application of the PULL-STEM[™] high interference fasteners in Inconel has also been developed with Boeing by LISI AEROSPACE's Canadian plant for the B787. Finally, a swivel version completes the range to meet the assembly requirements on slopes for our customers Embraer and COMAC.

2 RESEARCH AND DEVELOPMENT

LISI AUTOMOTIVE

WEIGHT GAINS AND ENVIRONMENTAL OPTIMIZATION IN THE AUTOMOTIVE INDUSTRY

Weight gains are also a continuing challenge for the automotive sector. The use of composite materials imposed as part of the downsizing strategies initiated by major international manufacturers has forced LISI AUTOMOTIVE to change several of its product families. The use of thermoplastic composites made from fiberglass or carbon fiber, including long runs, involves quite a number of technological challenges for the division. LISI AUTOMOTIVE, the preferred partner of several research programs, both public and private, in France and Germany, has made significant advances on these topics. The application to screws of austempering of steels, which can significantly reduce the weight of the products, has been analyzed in detail. A pilot induction hardening facility was set up in 2011. The results of internal studies on the behavior of heat resistant steels, used in the hot parts of engines (exhaust, turbo), have also attracted the interest of customers, thereby offering commercial potential.

PRODUCING BETTER WHILE LIMITING THE ENVIRONMENTAL IMPACT

Work was undertaken more specifically in 2011 to improve the environmental impact of products manufactured by LISI AUTOMOTIVE. For surface treatment operations, the fifteen months of research conducted in the context of

UNIQUE EXPERTISE FOR UNIQUE PARTS

Engines and equipment developed by LISI AEROSPACE's major customers sometimes required special customized parts, used on a unique or restricted number basis. These parts, based on highly specifications, are generally associated with critical functions (engine mounts, disc or engine blade assemblies, wheels and landing gears, helicopter rotor blade axes, etc.) and require highly specialized skills in terms of materials, surface treatments, manufacturing processes, control and quality monitoring. The team of engineers from the site of Villefranche-de-Rouergue has developed in 2011 a fuse screw for the landing gear door of the A350, supplied by Corse Composite Aéronautique (CCA). These screws must not only withstand the forces during the normal phases of opening and closing of the doors, but also break to allow the exit of the landing gear when the release system is inoperative. The development of such parts is also part of our teams' daily activity; it relies on the experience and know-how accumulated in particular by our European sites.

the IZAC project by a team of PhD students at the Université de Franche-Comté were used to develop an alternative to zinc-nickel, with highly encouraging results. The restrictions announced by REACH in 2011 on the use of nickel, chromium and cobalt salts, have confirmed the benefits of this strategic program initiated in 2006. More generally, LISI AUTOMOTIVE has noted with satisfaction that the work conducted internally on improving the environmental impact of its production, advanced rapidly. It is now possible to consider the removal of certain preparation operations carried out before the surface treatment of parts. The results are very positive, both environmentally and economically, and are already included in investment projects, whose costs they reduce.



3D PRINTING TO ACCELERATE PRODUCTION

Constantly looking for new manufacturing methods, the division is highly interested in quick production technologies on metal powder, similar to the Additive Layer Manufacturing (ALM) process, which uses the laser electronic beam. These studies highlight the benefits of 3D printing techniques, used in rapid prototyping, compared to conventional processes like casting or forging. This research has not only shown that these methods improve the properties of the parts manufactured using these techniques, but they also reduce the production time considerably. An interesting solution for those customers who want very short manufacturing lead times, parts validations that are very close to mass production, as well as single implants used for specific pathologies.

LISI MEDICAL STRENGTHENING THE TRACEABILITY OF MEDICAL INSTRUMENTS

Another world, other issues. The area of medical implants and ancillaries in which LISI MEDICAL operates, is constantly undergoing technological changes. The division is involved in a large number of research programs and brainstorming on these issues. For example, it is a member of the pilot group that conducts research on improving the traceability of surgical instruments coordinated by the National Research Center on RFID (CNRRFID). Such research on the applications of RFID (remote identification through radio frequency chips) aim to link users and manufacturers of ancillaries to find solutions to ensure better traceability of all instruments throughout their use on various patients and sometimes in various hospitals. In that context, LISI MEDICAL is in charge of finding ways of inserting RFID chips into the ancillaries designed and manufactured in the division, taking into account the various constraints they face throughout their use in hospitals.

These new constraints are an adventure playground on which LISI's teams are progressing apace, encouraged by the research and development efforts deployed by the Group. The resources made available to researchers are in line with the ambitions and goals of excellence that have been set. Across the automotive, aerospace and medical divisions, the LISI Group development teams are working both upstream, on materials and processing research, and downstream, on the very design and development of our fasteners solutions.



HUMAN BEINGS AT THE HEART OF THE ENTREPRENEURIAL ORGANIZATION

Attract and develop talents to prepare the future, train to raise skill levels according to each individual's abilities, protect and ensure everyone's safety or encourage efforts in matters of gender equality within the company... All of these issues are at the core of the LISI Group's approach in terms of managing its most valuable resource, namely human resources. The satisfactory results achieved by all divisions in 2011 have made it possible to accelerate recruitment, particularly at LISI AEROSPACE, and to strengthen our efforts on all fronts, particularly in terms of training.

All of the LISI Group's business relies on the mastery of complex technical skills. The quality of implementation of the fastening and assembly systems which the Group offers its major customers depends directly on the level of training and skills of those employees who contribute to the creation of the company's wealth. The growing complexity of the market's demands, and consequently of the technical responses implemented by the Group's divisions, involve maintaining constant efforts in terms of training and recruitment. This is the only way the Group can maintain its level of exigency, and compensate the natural erosion of its head count caused by retirement, as well as preserve itself actively against the shortage of skills it is faced with in some areas.

LISI AEROSPACE PREPARES THE FUTURE

Of the 1,261 new employees hired by the LISI Group in 2011 (of which 101 executives), 711 were recruited by LISI AEROSPACE, whose business has experienced strong growth, particularly in Europe. The division also took a number of measures to maintain and develop the "pool" of skills its absolutely needs to guarantee its future. **H**1,411 THIS IS THE HEAD COUNT WHICH THE LISI GROUP INTE-GRATED TO ITS TEAMS AS A RESULT OF THE ACQUISITIONS COMPLETED IN 2011

201,000

TOTAL HOURS OF INTERNAL AND EXTERNAL TRAINING INCREASED BY MORE THAN 104% IN 2011

€**2.7**м

THE TRAINING BUDGET HAS INCREASED BY 14.7% OVER ITS 2010 LEVEL (€2.4M)



26 human resources



The Paris Air Show, held from June 20 to 26, 2011. was one of the highlights of this comprehensive approach that concerns all of the division's staff, from technicians and workers to executives and supervisors. The visibility provided by this event has helped discover the company and attract talent. During these three days placed under the sign of openness, the HR teams of LISI AEROSPACE came to support the engineers and salespeople who were attending in order to facilitate exchanges and promote encounters with the public and aviation enthusiasts. After those days, 25 applications were selected. To attract and develop talent, present and future, all of LISI AEROSPACE's sites have embarked upon a deliberate policy of training and learning. In 2011, LISI AEROSPACE welcomed 80 interns (including 10 in foreign operations) and 36 apprentices: 15% of them have become employees of the Group. Learning paths have

been developed for operators, adjusters, supervisors, technicians and managers. The purpose is to identify and retain potential recruits, but also, through responsible actions promoted by the company, to contribute more generally to the training of young people and facilitate their integration into the labor market. Courses are also offered on the same model to young engineers throughout the sites of LISI AEROSPACE. 2011 saw a novelty: many of these sessions took place in several of the division's sites and in several countries, in order to further widen the trainees' scope of knowledge.

INDUCTION ASSISTANCE

Also as part of that initiative to develop talent, LISI AEROSPACE offers induction assistance. Some sites have established partnerships with public agencies and schools to train and qualify new personnel for key positions that demand specific knowledge such as the programming of digital control machines, adjustment or boilerwork, and area where the shortage of skills is significant. This year, the company university, the LISI AEROSPACE Company Knowledge Institute (LKI), supported these induction initiatives by offering technical training courses (Lean Six Sigma, negotiation, etc.) and management training paths (beginner and experienced managers) to more than 310 employees, representing nearly 15,000 hours of training.

Last part of the process: LISI AEROSPACE has developed a comprehensive integration program to retain such talent, especially among managers. This program combines mentoring (support by a sponsor), immersion in the factory, seminars and internal training modules introducing the company's fundamentals.





DEFENDING GENDER EQUALITY IN THE COMPANY

LISI is careful about the principles of equality within the company, particularly between the men and women employed by the Group. Much progress has been made in this direction. The indicators presented by LISI AUTOMOTIVE's gender equality committee show that the workforce has become significantly more feminine: the number of female employees has risen from 19% in 2001 to 24% in 2010. Women are heavily represented in the categories of technicians and managers. Nearly 20% of hires completed in 2010 are women. The analysis of earnings by coefficient also shows that women's wages (+3.5%) rose more than men's (2.99%) in 2010. Wage gaps have fallen sharply since 2009. In terms of training, finally, the indicators show that 79% of women employed as workers and 85.7% of female managers followed in-house or external training courses provided by the Group.

Over 40 new executives from around the world benefited from this course in 2011, promoting exchanges and identification with the company, its culture, challenges and objectives.

DEVELOPING TECHNICAL SKILLS AT LISI AUTOMOTIVE

For several years already, LISI AUTOMOTIVE has been developing vocational professional courses that are recognized and lead to Certificates of vocational qualification in metallurgy (*Certificats de qualification paritaire de la métallurgie* or CQPM). Professional course in cold heading (PPF), machining (PPU) and career paths in heat treatment (PPTTH) have enabled those employees who followed them to consolidate and strengthen their vocational skills. Besides, a new training course has been launched to coach and train operators on rolling: supervised by experts and technicians selected in-house, this PPR (professional course in rolling) includes nearly 400 hours of training. This training course was provided on two sites this year and adds up to the 2,500 other hours of professional courses that were completed.

Because management is key to improving performance, LISI AUTOMOTIVE has engaged since 2005 in cooperation with the AFPI, a training course targeted at its supervisors. On December 7th, the nine people from the 2011 promotion received the degree which crowns "Supervisors Performance", a 19-day training cycle that started at the beginning of the year and includes the following modules: communication and animation, practice of progress tools, management and organization, quality, safety and social relations.



MOTIVATING AND SHARING THE BENEFITS OF EFFORTS

During 2011, LISI subsidiaries entered into several progression agreements on issues considered to be priorities by the Group's Executive Committee: support for older people, arduous work, psychosocial risks, gender equality, and profitsharing bonuses. In this latter case, agreements or action plans entered into in 2011 made it possible to distribute a contribution bonus of €450,000 to all of the Group's employees, based on the contribution of each site to the overall result. The average bonus paid was €138 per person.

Moreover, the LISI Group has set itself the goal of eradicating as quickly as possible accidents at work, whatever their nature. The frequency and severity rates are followed extremely closely at the highest management level, monthly and per site. In order to monopolize all the forces that underlie this goal, the incentive agreements have been revised to include performance criteria regarding accidents at work. The bonuses allocated or paid in 2011 under the incentive and profit-sharing agreements stand at more than €8.1 million for the LISI Group in 2011, or more than 6.25% of payroll. Finally, complementary remuneration tools have enabled some employees, depending on the social or taxation opportunities available, to benefit from supplementary pension schemes, company savings plans, and the performance share allocation scheme. The employer effort granted through all of these additional remuneration tools stands in 2011 at nearly €2.45 million paid to employees of the LISI Group, or 1.9% of payroll.

While inflation in France in 2011 amounted to nearly 2.1%, annual negotiations on wages allowed to grant the Group employees a budget of general increases of 2.3%, reserved to individual increases of 0.5% and various measures representing 0.3% of payroll.

PREVENTING PSYCHOSOCIAL RISKS, A PRIORITY FOR THE GROUP

Prevention of psychosocial risks (RPS) within the company is a priority for the LISI Group, conducted in parallel with the efforts undertaken to improve employee safety. LISI AUTOMOTIVE has initiated a voluntary approach to that end, backed by a corporate agreement entered into with the social partners in January 2011. This approach, supported and supervised by the Regional Association for the Improvement of Working Conditions (Aract) provides for the definition of a method of risk assessment on three pilot sites before extending the approach to the whole Division. Nearly 60% of employees completed the questionnaire on this assessment, which has made it possible to identify the risk factors. The members of the technical committee responsible for this assessment, who were especially trained, then led a number of interviews at the sites in order to compare these assumptions to the reality of a work unit. The first results have enabled the establishment of an action plan and the drafting of a framework agreement on the prevention of psychosocial risks at the beginning of 2012.

30 Social and environmental responsibility

RESPONSIBILITY, OUR PRIME CONCERN

Social and environmental issues are today at the center of corporate life.

Measuring the impact of our industrial activities is an indicator as efficient as that of our economic and financial performance. The LISI Group has been engaged for several years in the process of optimizing and improving its environmental footprint. While the potential for progress is now clearly identified, the results are real and encouraging. They are the result of an innovative and collective approach. Social and environmental responsibility is the LISI Group's prime concern. While this approach has now become global, a company's first responsibility consists in ensuring the safety and well-being of its employees. Since 2008, the LISI Group has been engaged in a proactive, constantly renewed and revisited approach, which ensures safe and healthy working conditions for all employees and all of its service providers, trainees, apprentices, temporary workers and subcontractors. From the onset. this voluntary policy was supported by clear, quantifiable objectives. LISI's commitment in terms of safety and working conditions was further strengthened in 2011 with the organization of a new HSE Forum which was, for the most part, dedicated to Workplace Safety. The work done in this area has resulted in a marked improvement in results. Between 2005 and 2011, LISI cut by half the frequency rate of Workplace Accidents involving work stoppage. For its part, the accident severity was reduced by 75% over the same period. These results are due to each employee of the LISI Group, to their commitment and their determination to improve safety conditions. In 2011, the number of Workplace Accidents with work stoppage that involved an employee (TF0) was reduced to 9.1 per million hours worked, or 15% better than in 2010, and 17.4 for the number of work accidents with and without work stoppage (TF1), 25% less than in 2010. These constitute the best results achieved since 2005, when these statistics were first consolidated for the entire Group. All three divisions contributed to the achievement of these fine results



ALL AND A

2 PROTECT PEOPLE



32 SOCIAL AND ENVIRONMENTAL RESPONSIBILITY



O.3%

DEVOTED TO "SAFETY AND ENVIRONMENT" TRAINING

ACCIDENT AT WORK: A BEHAVIORAL ANALYSIS PROGRAM LAUNCHED IN 2011

While the frequency rate of accidents has been greatly reduced, their severity has also fallen sharply. The severity rate TGO, which represents the number of days lost as a result of a workplace accident per thousand hours worked, was reduced by 75% since 2005, which reflects on the efficiency of the measures implemented for the protection of the employees. LISI is determined to stay focused and pursue actions that will maintain this trend. Every accident which occurs on one of the LISI sites is the subject of a detailed analysis, in accordance with a rigorous methodology developed by the LISI Group's Risk Committee. In addition, the General Management of the Group is informed of each workplace accident involving time off work by the Director of the location concerned, thereby confirming that Safety is everyone's business. Approximately 80% of the accidents occurring within the Group are of behavioral origin. For this reason, in 2011 LISI decided to launch a program to change safety behaviors with the assistance of an external consultant and involving the participation of all employees. This program is based around two principles: the first one deals with conscious unsafe behaviors, and directly concerns the local management. The second one, which focuses on unconscious unsafe behaviors, is reflected by training courses targeted at all employees. Since June 2011, the approach has been initiated on four pilot sites, split between

The number of accidents at work has been divided by two since 2005

the three divisions (Caen, Grandvillars, Kierspe and Saint-Brieuc). It starts by an evaluation of the Safety Culture, in order to determine the detailed support program for each site. The approach is a long-term investment, from which LISI anticipates long-term results.

IMPACT ON THE ENVIRONMENT: A LONG-TERM APPROACH

Each year, LISI monitors some environmental indicators in order to track the impact of its production plants on the environment. Between 2010 and 2011, water consumption in proportion to production fell by 19% on LISI's sites. While water has little involvement in the processes implemented by the Group (it is mainly used for parts washing and surface treatment), the improvement actions launched since 2010, mainly individual, are now bearing fruit. They were accompanied by work undertaken on the sites to detect possible problems regarding leaking pipes.

71% OF THE ENERGY CONSUMED BY LISI AUTOMOTIVE

Energy consumption, which has also been the subject of specific measures, is mainly of electrical origin. It represents 58% of the Group's consumption and concerns almost exclusively the power of machine tools. Natural gas accounts for 39% of the Group's primary consumption and concerns the heating of the buildings and heat treatment operations. This latter specificity explains the high consumption levels of LISI AUTOMOTIVE, which alone absorbs 71% of the energy needed to run the Group's factories, against 28% for LISI AEROSPACE and 1% for LISI MEDICAL.

Energy is the issue on which LISI's sites have most worked in 2011. The Group was thus able to reduce its energy consumption by 14% compared to 2010. Many actions have been implemented by individual sites to achieve this result, such as looking for air leaks, replacing oversized compressors with variable flow compressors, improving equipment maintenance, or adapting the production tools to the exact requirements. Some heat treatment furnaces have been resized within LISI AEROSPACE.

Directly related to energy consumption, the amount of greenhouse gas (GHG) emissions increased by 6% between 2010 and 2011, being the equivalent to 700 tons of CO₂. However, relative to the activity, the production of CO₂ per €'000 produced has improved by 17% all sites combined, confirming the Group's improved management of energy consumptions. REDUCTION IN THE QUANTITY OF CO₂ ISSUED FOR EACH €1K PRODUCED



34 SOCIAL AND ENVIRONMENTAL RESPONSIBILITY



94% OF WASTE SORTED

LISI works in close cooperation with customers to reduce the number of hazardous products handled at the production sites. Between 2010 and 2011, the Group reduced their amount by 19% while the consumption ratio compared to the activity (€'000 produced) decreased by 16%. Labor substitution, imposed on the European scale, is achieved in the long term by the Group's R&D teams, which accomplished significant progress in 2011, particularly on surface treatment operations. The Group's customers, involved in these actions, verify that this has no impact on the final quality of manufactured products.

Regarding the waste produced by the sites, the scope of measures was amended in 2011. Both indicators have indeed been optimized in an

attempt to make them more consistent with our activities. While the tonnage of waste produced by \notin '000 of production is still monitored annually, a new indicator was introduced to measure the percentage of sorted materials. In 2011, 94% of the waste produced by the plants was sorted. The absence of historical records prevents us from determining whether this percentage is an improvement. In 2011, 23.5 kg of waste were produced by \notin '000, or 17% less than in 2010. This aspect of things has been identified as subject to improvement. LISI would like to make it a priority goal for the coming years.

THE ENVIRONMENT, EVERYONE'S BUSINESS

All the technical actions carried out by the Group to improve the environmental impact of its activities are accompanied by plans and operational programs designed to encourage and support behavior change, which are decisive to materialize the efforts undertaken in that direction. Switching off machines which are not in production, correctly sorting waste and reporting and repairing water leaks are all actions which are not related to technical resources, but simply to responsible behavior. To move towards that goal, LISI, which strengthened the volume of HSE training of its employees, in 2011 devoted 0.30% of hours worked to safety and environmental training, *i.e.* the same percentage as in 2010. In order for everyone's behavior – even outside the company - to perpetuate the joint actions set up to reduce the impact of human activities on the environment.




- The TFO, qt 9.1 in 2011, represents the number of workplace accidents involving work stoppage, which involved a LISI employee, per million hours worked.
- The TF1, at 17.4 in 2011, represents the number of workplace accidents with or without time off work involving a LISI employee, per million hours worked.



CONSUMPTION IN MWH/€K PRODUCED



- % LESS WASTE

PRODUCTION IN KG/€K PRODUCED





CONSUMPTION IN M³/€K PRODUCED





CONSUMPTION IN KG/€K PRODUCED



LISIIN 2011

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LISI AEROSPACE benefited in 2011 from a globally buoyant environment. The year was marked by the acquisition of the Creuzet Aéronautique Group. It allowed LISI AEROSPACE to develop in the structural components market and to achieve a critical size at its major customers.



40 AEROSPACE

OUTLOOK FOR 2012 INCREASE IN AIRCRAFT DELIVERIES

+15% DELIVERIES OF 100+-SEAT AIRCRAFT SHOULD GAIN 15% IN THE WORLD IN 2012.



LISI AEROSPACE operates in an economic environment that is both mixed and buoyant: while the uncertainty about the situation today in Europe suggests caution, developing countries should support the worldwide growth. In the actual aerospace industry, the major U.S. and European programs will continue to boost the order book. Deliveries of 100+-seat aircraft should gain 15% in the world in 2012. Despite a moderate increase in activity, the U.S. still displays a significant growth potential, primarily at Boeing because of the industrial rise of the B787, and at those distributors that have put a final stop to their destocking programs. In Europe, the Airbus A350, however, will represent a significant volume of deliveries over the first half of the fiscal year 2012. Higher rates should also fuel growth throughout the year. The continued increase in LISI AEROSPACE's sales revenue therefore seems assured in 2012, especially given the current level of order intake and visibility that the aviation industry seems to offer. The continued increase in operating margin will be determined by the Group's ability to manage, in parallel, the phasing of the setting up of the A350 assembly line, the production of parts necessary for the ramp-up of older aircraft (A320, A330 and A380) and the ramp-up of the Torrance plant (USA). The latter should be able to serve the needs of the large Boeing contract awarded to LISI AEROSPACE and its new B787 aircraft. The North American arm is indeed a source of growth and significant increase in profitability this year.

LISI AEROSPACE's Major Markets Are **growing**

2011 was a particularly dynamic year for the aerospace sector.

Order levels were sustained, driven by the major programs developed by the world's leading aircraft manufacturers and increasing production rates.



Z1

LISI AEROSPACE's business activity benefited from a context that was overall buoyant in 2011. On a macroeconomic scale, passenger traffic grew by 6% over 12 months, despite the serious events that occurred in the year, whether political events that took place in the first half in Arab countries or the earthquake that hit northeastern Japan in March 2011. Premium traffic, in other words business and first class passenger traffic, which is key to the profitability of airlines, also gained 6% in 2011 (up 9% in 2010). Freight, whose growth has remained flat, suffered from the slowdown of global trade that permits to choose slower, but less expensive, means of shipping.

ENERGY SAVINGS PART OF AIRCRAFT MANUFACTURERS' AGENDAS

In the commercial aircraft segments, where the environment remains highly competitive, airlines seek to lower their operating costs. To meet this continuous constraint, manufacturers are focusing their efforts on reducing fuel consumption. The Leap-56 engine, designed by the CFM consortium and whose consumption is 15% lower than that of current models, triggered a wave of upgrades of motorizations in the single-aisle segment. The Leap-56 will thus equip the C919 single-aisle of Chinese manufacturer AVIC, which is due out in 2017, as well as the Airbus A320 NEO. The latter will also benefit from the new GTF by Pratt & Whitney, which offers the same performance levels. Pursuing the same objectives, Boeing has decided to renew its line of single-aisle aircraft with the B737 Max, which is equipped with the *Leap-56*. The A320 NEO and the B737 Max, which have now become more energyefficient, were the actual order catalysts in 2011.

THE ACQUISITION OF CREUZET AÉRONAUTIQUE ALLOWS THE GROUP TO ACQUIRE UNRIVALED EXPERTISE IN STRUCTURAL COMPONENTS

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Initiated in March 2011, the acquisition by LISI of 100% of the share capital of Creuzet Aéronautique and Indraero-Siren and of their respective subsidiaries Creuzet Polska, Creuset Morocco and Indraero Morocco, was finalized in the middle of the summer. The transaction, the largest ever conducted by the Group, allows LISI to gain a critical mass and increased visibility at most of its major aircraft manufacturer customers.

Very high-tech parts

It also allows the LISI AEROSPACE division to consolidate its expertise with the input of Creuzet's lines of business in the design and manufacture of complex structural components, such as fuselage parts, and in very high-tech mechanical components such as leading edges for engine blades. The core business of Creuzet and Indraero is based on forming metals such as titanium, steel, stainless steel or aluminum to obtain complex shapes, whose elaboration and production require great technological mastery.

Developing technological and commercial synergies

The two companies partly share the same knowhow as the one implemented by LISI, such as metallurgy in the broad sense, surface treatment or the heat treatment of metals. Finally, they share the same customers, which is a determining factor of business synergies. Based in Marmande, Lot-et-Garonne (France), Creuzet Aéronautique employs a workforce of 700 and generates annual sales of €60 million. Based in Argenton-sur-Creuse, Indre (France), Indraero-Siren employs a workforce of 700 and generates annual sales of €50 million. The sites of these companies were grouped into LISI AEROSPACE's Structural components arm. Since July 2011, this double acquisition has generated additional sales of €58.9 million for the Group, representing six months of business activity.

▶ Both models were actually in immediate success with 1,226 firm orders for the A320 *NEO* in 2011 (against 150 orders in 2010) and more than 1,000 commitments for Boeing's B737 *Max*. As far as Bombardier is concerned, it is continuing the development of the CSeries, whose commissioning is scheduled for 2014.

Airbus has accelerated deliveries by pushing its monthly rate from 36 to 38 aircraft last August, which allowed it to improve the level of deliveries of its single-aisle range with 421 aircraft against 401 in 2010. The European manufacturer plans to rise to a pace of 40 aircraft starting February 2012, and 42 in October. Boeing, which delivered 372 aircraft in 2011 against 376 in 2010, announced that it would switch from a monthly pace of 31.5 today to 35 early 2012.

LONG-HAULS AND JUMBOS GAINING MOMENTUM

In the long-haul market, Boeing has reached a record level of 200 net orders recorded this year for the B777. As for the Airbus A330, it displays 83 net orders and is announcing the delivery of 87 planes against 73 for the B777 and 20 for the B767. Finally, in the large aircraft market, the engine incident that took place on a Qantas A380 at the end of 2010 has not disrupted deliveries of the aircraft in 2011. The European manufacturer even exceeded its target, delivering 26 aircraft (against 24 planned) against 18 in 2010. The B747-8, the new version of Boeing's "best seller", experienced more difficulties during its commissioning. However, the U.S. manufacturer successfully delivered the first copy of the freighter version in October. Boeing thus delivered nine large aircraft in three months, which is an



The new generations of aircraft and engines, lighter and more fuelefficient, accelerate the pace of the programs at aircraft manufacturers

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achievement in itself. The U.S. manufacturer also secured certification of the "passenger" version in December and should thus be able to ensure a first delivery in the first quarter of 2012.

A YEAR CHARACTERIZED BY A HOST OF NEW MODELS

As far as new programs are concerned, Airbus' A350 and the B787 – Boeing's composite aircraft, the first deliveries of which took place in 2011 – concentrate a large portion of the market's future growth and are therefore carefully scrutinized by all industry players. Despite Boeing's delay with its flagship program, the user experience and initial feedback are extremely positive. In total, the U.S. aircraft manufacturer delivered 3 aircraft in 2011 (to Japanese company ANA) against the expected 10 to 15, and plans 63 deliveries in 2012, to reach a pace of 10 aircraft per month by 2013. A second assembly line has also opened in Charleston, South Carolina, to ensure the ramp-up. The Airbus A350 program, also designed from composite materials, encountered some difficulties in

composite materials, encountered some difficulties in early 2011, which forced the manufacturer to delay by six months the delivery of the first copy, now scheduled for late 2013.

BOEING AND AIRBUS ORDERS AMOUNT TO 8 YEARS OF PRODUCTION

For the ninth consecutive year, Airbus is ahead of Boeing in terms of deliveries across all market segments, and surpasses it in terms of net orders for the fourth consecutive year. With 1,419 net orders recorded in 2011, Airbus has indeed beaten its record 1,341 net orders in 2007. However, Boeing is expected to benefit from the B737 *Max* effect in 2012, and hopes to overtake Airbus this year. Given the expected production rates, the order books of these two major customers of LISI AEROSPACE represent between 5 and 8 years of production depending on the model.

New aerospace accreditations for the Saint-Brieuc plant

The plant in Saint-Brieuc, which historically produced high-tech parts and components for the Formula 1 market, has strengthened its presence in the aerospace markets. The site now produces shaft nuts and reactor blade locks for the group's motorist customers such as Pratt & Whitney or Rolls Royce, and conducts subcontracting operations for other LISI Group plants. The plant was awarded in 2011 the qualifications required to ensure the marketing of these products. An initial series of deliveries also took place in 2011. This new orientation confirms the diversification potential of the site and consolidates the business activity for years to come.

6.1%

CAPITAL EXPENDITURES ALLOCATED FOR THE AEROSPACE DIVISION REACHED 6.1% OF SALES IN 2011



FOCUS ON OPERATIONAL IMPROVEMENT

Nevertheless, LISI AEROSPACE maintained in 2011 its efforts in terms of operational improvement. Several ambitious programs have been deployed at the division's major sites.

> At LISI AEROSPACE, 2011 was marked by several milestones. The first one, which is of major importance, was the particularly rapid integration of the Creuzet group, acquired in July 2011, and the setup, within the group, of a Structural components arm of significant size. This acquisition had an immediate effect on the consolidation scope of the group, whose sales volumes rose mechanically by €58.9 million in the second half of 2011. Second milestone: as a result of efforts undertaken in previous years, the division has significantly improved its profitability across its business units.

> The division's sales revenue was driven by the higher rates at the Group's customers. The financial year 2011 was also marked by the resumption of the "Special Products" activities in the U.S. and Canada and by the very strong growth (+47%) of the European units of the Fasteners arm, which are at the top of their cycle. A new production organization has also been established in the Fasteners arm's factories. Gradually, standalone production units, themselves comprised of standalone production groups, have emerged in the workshops. These changes are intended to empower the teams to undertake efforts to improve operational efficiency



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and reduce quality flaws. The autonomy and versatility of the teams which this scheme has developed, have improved responsiveness, team spirit at the workshops, and increased significantly the productivity of the plants. The deployment of these methods will be continued in 2012 throughout the workshops.

QUALITY STRENGTHENED AND STABILIZED

These operational improvement initiatives are not new at LISI AEROSPACE. The efforts undertaken in the past several years have thus improved significantly the performance levels across all of the Group's plants. The deployment of the Lean initiatives and Six Sigma projects continued in 2011 through the deployment of an ambitious training program. In this context, "Green Belt" certification was awarded to twenty-two of the division's employees for their contribution

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► to improving the performance of their respective entities. These rewards enhance the visibility and materialize the industrial excellence initiative undertaken by the Group. This process, known internally as LISIXSIGMA, integrates the key components of the LISI Group's continuous improvement method, "LEAP". It will be maintained in 2012. The objectives sought will make it possible to multiply Group-wide projects and encourage the sharing of industrial and administrative best practice. All employees are encouraged to participate in these activities. There again, new training sessions tailored for each individual's level will be initiated in 2012 and will affect the entire organization.

The operational staff of the new Structural components arm will progressively join this new Group initiative.

SAFETY AT WORK: RESULTS IMPROVED SIGNIFICANTLY

LISI AEROSPACE's European plants managed in 2011 to divide by two the number of work accidents with work stoppage, bringing it down to 17 against 36 in 2010. The Rugby plant remains at the forefront in this field: no accident took place there for over three years. Thus the European TFO, which represents the number of accidents with work stoppage involving a LISI AEROSPACE employee per million hours worked, dropped back to 5.50 in December, a level below that of 2010. The TF1, which counts the number of accidents with and without work stoppage on the same basis, meanwhile dropped to 12.9. The North American plants have maintained or even improved their excellent performance with a TF0 of 2.22 and a TF1 of 6.22. Overall, the TF0 is below 4.0. The goal set – to bring the TF1 below 10 – was reached in December 2011 with a level of 9.7.

Record high utilization rate at Rugby

The Rugby site, which specializes in structural fastener systems, was chosen to supply Airbus' major programs. The site, located near Birmingham, in Britain, had to conduct a major ramp-up to ensure the deliveries for the European aircraft manufacturer's scheduled orders. Production rates were gradually increased to their maximum level and the site is now operating at its optimized pace, on a 7x7, 24x24 basis. This increased production was accompanied by the upgrading of all of the site's support functions, in order to ensure a level of operational efficiency and maximum quality.

THE FLAGSHIP 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.locks; installation tooling

Racing

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

Structural components

Sheet metal or formed parts and composite structural parts, complex assembled subsets, integrated into the cell or the aircraft engine: blades, leading edges, beams, ferrules, inlet lips, helicopter floor, APU exhaust, etc. Indoor equipment for aircraft and helicopter unloaders.

MAIN COMPETITORS

Alcoa Fastening Systems

- Alu Menzinken
- Breeze Eastern
- BTL
- Dembiermont
- Doncaster
- Figeac Aero
- First Rikson
- Forge Ital
- Klune • Lauak • Macsterlite

• Karlton-PCC

- Matsice
- MIFA
- Precision Castpart
- Corp.
 - TECT
- al
- MAIN CLIENTS
- Airbus
- Boeing
- Bombardier
- CFAN
- Dassault
- EADS
- Employee
- Embraer
- Eurocopter
- Finmeccanica
- GEAE
 Pratt 8
- Pratt & WhitneyRolls Royce
- Safran
- Spirit
- Formula 1 and Nascar
- teams for the Racing division



Illustration 3d: C. Le Guez

aircraft and helicopter unloaders

【公77

ABILISI AUTOMOTIVE benefited in 2011 from a favorable market

LIST AUTOMOTIVE benefited in 2011 from a favorable market environment and sustained activity at most of our major customers. The capital expenditures incurred will enable us to best meet the industry's growth, which remains driven by strong demand from emerging countries.



50 AUTOMOTIVE

OUTLOOK FOR 2012 80.1 MILLION VEHICLES WERE PRODUCED WORLDWIDE IN 2011

Global automotive production has returned to growth. According to the International Organization of Motor Vehicle Manufacturers (IOMVM), it even reached a record level in 2011, with 80.1 million vehicles manufactured, up more than 3% compared to 2010. Still according to IOMVM, the rebound is expected to continue in 2012 at a pace more or less identical. Unsurprisingly, 2011 placed Asia as the first producing continent, with 40.6 million vehicles assembled in 12 months. It is followed by greater Europe, including Russia, which produced 21.1 million units in 2011 against 17.8 million for the two Americas, the third largest area of global consumption. China alone remains the largest producer with a score of 18.4 million vehicles assembled in 2011, mainly by Chinese manufacturers with major European, Japanese or American allies. Europe, whose production was generally maintained, remains globally and structurally in a situation of excess capacity. Most French and German manufacturers also maintain their efforts to capture new market share in growing markets. China is ahead of the lot, with sales up nearly 15% in 2011. Although the surge is twice lower than in 2010 (+32%), demand is such that the authorities have limited to 20,000 the number of license plates assigned each month by random draw, thereby meeting only one application out of eleven. The local level of equipment – there are five cars per hundred people, ten times less than in Europe – however, suggests that growth is there to continue in the long term.

40.6

WITH 40.6 MILLION UNITS PRODUCED IN 2011, THE ASIAN CONTINENT IS THE FIRST CAR PRODUCER.



PRODUCTION DRIVEN BY THE EXPORT MARKETS

The business activity of LISI AUTOMOTIVE has benefited from the relative dynamism of the global automotive industry. Production in 2011 was driven by the unexpected rebound of the large European and American markets, the health of the German industry, and the continued from French and European manufacturers located in Asia, where growth remains strong.





Outstanding robustness of European markets, strong recovery in the automotive sector in the U.S., continued growth in China, etc. The combination of all these elements contributed to maintaining a favorable market environment for the activity of LISI AUTOMOTIVE. The division's sales revenue, up 8.1% on a like-forlike and constant exchange rate basis in 2011, reached €446.3 million, or 48% of the Group's overall business. The operating profit of LISI AUTOMOTIVE, down 6.1% compared to 2010, stood at €23.5 million. The increased use of outsourcing and the rising transportation and tooling costs related to the increase in commodity prices and whose impact on charged prices was delayed, weighed on EBIT. Inflation in the cost of raw materials was felt significantly as early as March 2011. Some wire alloys used for the manufacture of threaded fasteners or some mechanical safety components have risen by approximately 15%, while the increase was more moderate for plastics and flat steel. The overall level of activity, however, remained generally favorable.

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LISI AUTOMOTIVE achieved in 2011 the status of leading provider of PSA and strategic supplier to Daimler

► EUROPE RESISTS, THE U.S. MARKET REBOUNDS

In Europe, sales of new vehicles fared better than expected, even as measures to support the automotive industry - the so-called "cash for clunkers" programs - had ceased to support demand request since the end of 2010. The German market grew strongly throughout the year with growth of nearly 9% as compared to the previous year. The French market, in turn, limited its decline to 2.1%. Only the markets of Southern Europe, much harder hit by the economic crisis that affects in the euro area, were marked by a sharp decline (-10.9% in Italy, -17.7% in Spain). The U.S. market confirmed the recovery that began in 2010, with a surge of nearly 10% of vehicle sales. The Chinese market has remained buoyant (+5%), despite the cessation of government incentives for buyers of small vehicles that had been implemented by Beijing to support consumption.

STRONG SUPPORT FROM GERMAN PREMIUM BRANDS

German premium brands won some new market share in 2011 against general brands, more exposed to the slowdown in sales that hit the small car segment. Volkswagen, which shows the strongest increase among global manufacturers, has seen sales increase by 7.8% in Europe, closely followed by BMW, whose registrations are up 7.7%. Both drivers and players of this growth, the two German Majors have won market share in Europe, and increased their penetration in both China and the United States. Volkswagen and BMW have seen their European production grow 14% each in 2011. Overheating of the German industry has also generated relatively significant shortages among heat treatment and surface treatment subcontractors. For their part, French manufacturers have not been as successful, but nevertheless limited the decline in their production (-3% for PSA, -2% for Renault SA), despite a sharp decline in domestic sales.

LISI AUTOMOTIVE TOOK ADVANTAGE OF THIS FUNDAMENTAL MOVE

Despite the decline in new car sales in Europe, the production of its major customers increased locally by 5% in 2011 over 2010, driven by exports to the large Chinese and American markets. The sales of the division's products to German manufacturers experienced two-digit increases. LISI AUTOMOTIVE's "fasteners" business has particularly benefited from the efforts implemented by all manufacturers to conquer and capture the business of fast-growing emerging markets, by producing for their non-European assembly plants, especially in Russia, China and South America, where car sales are growing rapidly. In Brazil, where production is also very dynamic, the number of vehicles per 1,000 inhabitants will reach 208 in 2015 against 153 in 2000.

Efforts granted and ongoing projects have enabled LISI AUTOMOTIVE to enjoy the gratitude of several of its customers. The division indeed obtained in 2011 the status of a major supplier to PSA, an award based on



Transfer to Puiseux

Announced in 2010, the closing down of the plastic clip site of Bonneuil-sur-Marne, acquired from Acument, and the consolidation of the injection operations in Puiseux, near Cergy-Pontoise (Val-d'Oise), were conducted according to the schedule. The transfer was accompanied by the creation of a second building (Puiseux II) for the storage, sorting, assembling, packaging and shipping. It has also helped to rebalance the share of plastic injection compared to the metal production, and to streamline the metal/plastic clip cutting activity. The site, whose sales revenue increased significantly in 2011, now has a fleet of 50 injection molding machines and has a sufficient critical size for its plastic activities. It reports to the Clip Solutions Business Group and must now take advantage of the synergies achieved to develop metal/ plastic subset assembly activities for our parts suppliers and manufacturer clients.

LISI AUTOMOTIVE's ability to accompany in the long term the strategy of its clients in Europe and around the world, its financial strength, its industrial excellence, its efforts in research and innovation and, finally, its uncompromising action to ensure the safety and well-being of its employees. In early 2012, LISI AUTOMOTIVE was designed as a major provider of assembly solutions for the Peugeot 208. The division was also recognized as a strategic supplier to Daimler, and its French factories have been accredited by German manufacturers and by GM in China. In terms of product development, LISI AUTOMOTIVE developed in 2011 a new generation of safety components for parking brakes for the German parts supplier Bosch. The division has also substantially increased the volume of security components delivered to its customer TRW Automotive, whose activity has strongly benefited from the growing worldwide, particularly Asian, automobile markets in 2011. Finally, LISI AUTOMOTIVE has developed new specific security components for the assembly of airbag systems.

POSITIVE OUTLOOK FOR 2012

Despite the slowdown that hit the world's major economies, the automotive markets show no signs of collapse for LISI AUTOMOTIVE's clients. However, the signals received at the beginning of the period are difficult to interpret, which reflects a general lack of visibility regarding the forecasts that manufacturers could give LISI AUTOMOTIVE to help it establish its budget assumptions. The performance of LISI AUTOMOTIVE depends largely on the turnaround of our main German plant, the expected effect of the combination of the Bonneuil-sur-Marne and Puiseux sites, as well as the early gains of the hardware plan. All measures have been taken for these three areas for improvement to deliver their full effect quickly. Finally, LISI AUTOMOTIVE must take advantage of its favorable competitive positions to impose even more strongly to its major customers the necessary price levels.





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A NEW ORGANIZATION IN 3 BUSINESS GROUPS

LISI AUTOMOTIVE has chosen to consolidate all of its sites into three consistent, specialized industrial entities for each of its major businesses: **threaded fasteners, clip fasteners and safety components.**

The year was marked by the kickoff and the completion of many structuring projects for the LISI Group's Automotive Division. One of the most striking was completed in April 2011 with the development of a reorganization into three business groups. Yesterday grouped by geographical areas, each of these three entities focuses on a specific strategic line of business: production of threaded fasteners to the first; clip fasteners for the second and mechanical safety components for the third (seatbelts, brakes, airbags, etc.). This new organization will enable LISI AUTOMOTIVE to streamline its manufacturing capacity and to optimize the innovation efforts within the division by moving by product/process. More consistent, such combination should also improve the division's commercial efficiency, particularly in Germany, where the objective is to increase our market share, and finally to accompany and support

the Group's development in strong growth markets such as China. Throughout these business groups, the significant capital expenditures incurred, as well as the LAPS (LISI AUTOMOTIVE Production System) program which is currently being deployed at all sites, will allow further progress and improve the consistency of the sites, in order to find a level of operating margin in line with the LISI Group's strategy. These programs rely primarily on the methods of lean manufacturing. They implement organizational tools like SMED (Single Minute Exchange Die) which reduces the time for a change of series on a production line, 5S, which governs the methods for organizing the work area, as well as QRQC (Quick Response Quality Control), which accelerates corrective decision making when a quality problem is detected on a production line. All these efforts should contribute to improving the operational efficiency of all of LISI AUTOMOTIVE's sites.

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TWO NEW SUPPORT SITES IN DELLE AND GRANDVILLARS



The Delle II site, which went into action in the summer of 2011, ships daily 5 million screws and nuts produced by the Delle I and Dasle plants. The ongoing renovation of Grandvillars will deliver wire coils to all the sites of LISI AUTOMOTIVE.

Scheduled for 2010, the Delle II logistics platform has been operational since May 2011. This new support site of 8,500 square meters, located in the Territory of Belfort, handles the control, packaging, storage and shipment operations for the Delle (production of screws and special parts) and Dasle (nuts) plants located nearby. The new entity, which is an operational industrial cluster, is attached to the "Threaded fasteners" Business Group. The contribution of Delle II should make it possible to meet the requirements of the division's clients by aiding the increase in volumes of Delle and Dasle, whose performance results it will increase in terms of downstream logistic organization for the processing and shipping of orders. The load increase took place as expected. The site, which employs 93 people, manages the shipment of 350 pallets a day, the equivalent of 5 million parts.

GRANDVILLARS, 3RD EUROPEAN MANUFACTURER OF WIRE PRODUCTS

Initiated in partnership with the General Council of the Territory of Belfort, the Franche-Comté Region, the association of South Territory communes and the French State, the plan for the full modernization of the Forges site that hosts LISI's Grandvillars site, was initiated in 2011 and will continue until the end of 2013. This site, in charge of the preparation of materials, produces wire coils on which cutting, annealing, drawing and calibration operations are carried out. The renovation of the site will be conducted along with an extension and the installation of a new hydrogen annealing furnace and several drawing benches. The expenditure, which will raise the production capacity of Grandvillars to 70,000 tons (against 55,000 tons), will cause the site's drawing production to rank 3rd in Europe. This support plant will serve all of the "Threaded fasteners" Business Group's European plants as early as 2012.

THE FLAGSHIP PRODUCTS

Threaded fasteners

Screws, nuts and washers for

- engines and engine housings
- chassis,
 suspension
- vehicle interiors
- electrical connections

Clip solutions

Metal and plastics for:

- pipes and cables
- interior and exterior trim
- body in white

 multipurpose subassemblies for the automotive and manufacturing industry

Mechanical safety components

for

- seatbelts
- seat mechanisms
 disc brakes
- disc brakes
- airbags
- engines and gearboxes

MAIN COMPETITORS

- Agrati
- A. Raymond
- Fontana
- ITW
- KamaxNedschroef
- SES
- TRW Fasteners
- INVV FASLEHEIS

MAJOR CUSTOMERS

- BMW
- Daimler
- Ford
- Opel
- PSA
- Renault-Nissan
- VW-Audi
- Autoliv
- Bosch
- Faurecia
- Johnson Controls
 Itekt
- TI automotive
- ThyssenKrupp
- TRW
- Visteon
- 7F
- BSH
- Franke





MEDICAL

LISI MEDICAL, established as a division since 2011 in the LISI Group, operates in markets that are structurally buoyant. Orthopaedic outsourcing should grow by 7% per year by 2015, supported by the aging population and driven by the outsourcing movements conducted by the industry majors.



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MEETING THE Complexity of the Healthcare markets

LISI MEDICAL continues to benefit from the outsourcing movement conducted by the industry's major distributors. The trend, favorable to LISI MEDICAL's integrated model, now comes along with greater demand in terms of service.



For the first time in 2011, LISI MEDICAL contributed independently to the Group's business activity and results as a division. A subcontractor for medical implants and instruments (ancillary) for the treatment of bone diseases, LISI MEDICAL designs, manufactures and packages machined products in titanium, cobalt chrome, stainless steel and/or very high technology injected plastic. The division's major customers specialize in the design and marketing of implants used in rebuilding joints (hips, knees, shoulders), the craniomaxillofacial area, dentistry (dental implants), the extremities (hands and feet), the spine, and in traumatic surgery in the broadest sense.

The worldwide bone surgery market within which LISI MEDICAL is developing, recorded 4% growth in 2011, at \$22.4 billion. This relative dynamism is based on three main structural factors: global population growth, lengthening of life expectancy, and the desire of people in the major, developed markets to maintain as high a quality of life for as long as possible.

CONTRASTED DEVELOPMENTS DEPENDING ON THE SEGMENTS

While this development remains positive, and probably well oriented in the long term, it nevertheless remains contrasted between segments. The reconstruction market – the most mature – grows at a consistent pace of 1 to 2% in terms of value. The segment of dental implants, by contrast, has tended to stagnate in recent years. Treated as an elective surgery, strongly linked to the erosion of the purchasing power, it is impacted by the economic slowdown affecting the major Western countries hit by the crisis.

The growth in value of the segment of products for the spine was also smaller than in previous years. Policies to cut health spending, initiated by Western countries to lower the thresholds of public spending, have led to strong pressure on prices in that segment where LISI MEDICAL is trying to strengthen its presence. But this market is less mature than the other, rather premium, ones, where one can observe some form of technological standardization. As for the extremities and traumatology segment, it confirms its dynamism: its growth, at 7% in 2011, is mainly due to the reliability of implants (survival rate or improvement of the implantology performances), made possible thanks to the technical improvements offered by a large number of players and now available to most people.

A VERY STRONG GROWTH POTENTIAL

Markets of North America, Europe and Japan currently amount for almost 80% of the total market value, while they represent less than 20% of the world population. These proportions give a measure of the considerable growth potential of the world market of orthopaedics. It should remain one of the fastest growing medical device markets, driven by structural effects related to changing demographics and the aging population in major developed countries. Although projections by 2015 show a slight decline in the growth rate of the world population (1.1% per year), it remains high for the 60+ age bracket (+3.2% per year). The evolution of therapeutic solutions and practices, the marketing of more reliable devices accepting a higher level of stress, can also expand the potential target to younger populations, whose age is between 40 and 60. An age bracket whose proportion should also increase in the demographic profile of all countries of the world.

DEVELOPMENTS FAVORABLE TO LISI MEDICAL

These structural trends should maintain the demand at a relatively high level during the next decade. Regarding the supply and the industrial organization of the market, several factors militate today in favor of the strong growth of outsourcing. Pressure on prices, regulatory and technological constraints, changes in social policies, combined with the concentration of commercial players (hospitals and providers of implants) are actually encouraging distributors to rethink their business model by outsourcing a growing share of their activity. Most of them prefer subcontractors who are able to manage both the production, but also to contribute their input to



research and development, and to handle all aspects – which are extremely complex in the healthcare sector – related to control, packaging and logistics. These developments confirm LISI MEDICAL today in its positioning as a provider of industrial, technological and logistic solutions.

Since 2010, the division has been working to refine its organization to best respond to these market changes and seize the opportunities created by regulatory changes to impose its strategic differentiation to its customers. The integration strategy of LISI MEDICAL Orthopaedics should help it win new business and expand its customer base. The division's improved performance is a goal shared by the teams across all sites.

Optimization and diversification of LISI MEDICAL Fasteners U.S.

The year 2011 was marked by the recovery of the North American site, whose market share increased sharply at major local industry players. To limit the exposure of the U.S. subsidiary to the dental market fluctuations to which it was heavily exposed up to now, the product portfolio has been diversified. Different Kaizen sites (5S SMED), initiated in 2010, continued and significant efforts were undertaken to improve the flexibility of the production means, the versatility and multiple skills of the U.S. teams.

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THE FLAGSHIP PRODUCTS

Seignol-Hugueny

 Implants and orthopaedic instruments (foot, hand, shoulder), spinal, maxillofacial and dental implants.

Jeropa

• Dental and spinal implants.

LISI MEDICAL Orthopaedics

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

MAIN COMPETITORS

- Accelent
- Greatbatch
- HTM
- In'tech
- La précision • Marle
- Ohst
- Orchid
- Paragon
 Symmerty
 Teleflex





LISI MEDICAL is now the only market player able to offer a fully integrated offer, from the raw material to the packaged and sterile implant, ready for the operating room.

A 360°, ALL-ENCOMPASSING, Consistent service offering

LISI MEDICAL is currently positioned as a partner that can provide both very specific industrial responses and a very broad range of services that enable it to master the entire production chain, from design to the delivery of implants and ancillaries directly in the hospitals. The division's teams are now involved upstream of the production lifecycle and offer related services such as co-development, prototyping and the porting of regulatory responsibility (EC marking, 510K pre-market notification for the U.S. market, etc.). LISI MEDICAL is also capable of offering, via its Moroccan site, generic solutions for emerging markets. This approach, altogether technological, industrial and commercial, is an integral part of the differentiation strategy implemented by LISI MEDICAL to maintain and strengthen its competitive edge. The division's ambition is to continue to differentiate itself by developing new technologies and expanding its offer, from raw materials to packaged, sterilized finished products.

FROM RAW MATERIALS TO THE OPERATING ROOM

The comprehensive service offer set up in Caen (LISI MEDICAL Orthopaedics) allows us to offer our customers the full management of the post-industrial treatment of implants: LISI MEDICAL supervises the double packaging in a clean room (Iso 7 and Iso 8 class) of the delivered products. LISI MEDICAL is the only implant manufacturer whose level of integration guarantees sterile delivery to the operating room. All these operations are grouped on the same site, where the division has decided to

Program for operational improvement in Neyron



LISI MEDICAL Fasteners Europe's site, based in Neyron, north of Lyon, benefited in 2011 from the establishment of a comprehensive plan to improve operational efficiency. Several "KAIZEN" sites were opened there as part of an ongoing improvement process. Various lean manufacturing tools have helped to organize production in manufacturing islets, grouped by line of business and product, thus ensuring uniform circuits from the raw material to the finishing. In 2011, the targets in terms of reduction of the internal manufacturing lead times, reduction of work in progress and increase in the versatility of employees, were achieved in the four islets that are operational today. In 2012, this industrial strategy will create four additional islets including in particular the creation of a dedicated unit for implantable plastics to meet the spine market's requirements.





maintain an ambitious investment policy. In 2011, 5.3% of LISI MEDICAL Orthopaedics' sales revenues were spent on developing the "reconstruction" activity. The objective is to broaden the range of products to all segments of reconstructive surgery (reconstruction of knees, shoulders and implant instruments). These capital expenditures have helped to internalize processes that were previously outsourced. LISI MEDICAL Orthopaedics has invested in latest generation machining centers that guarantee the technological progression of the various standalone production units (or manufacturing islets). Productivity gains are also expected to maintain the site's competitiveness with the automation of certain manufacturing stages (shaping and polishing for instance). The mastery of processes was also strengthened through the acquisition of image-based control means. The machine capacity for packaging in a controlled environment has also been increased. Efforts to expand the reconstruction segment's offer were accompanied by the creation of a "projects and sales" structure, which should allow to accelerate the division's commercial development. The team will ensure the continuity of the relationship with the Stryker group, while developing new customers. This differentiation strategy has allowed the division to strengthen its partnerships with key players in the international market where it displays a comprehensive, consistent offer.

A new building in Morocco

LISI MEDICAL acquires the necessary infrastructure to support its growth and offer its customers a competitive offering for emerging markets. The commissioning of a new 5,000 square meters site in the Tangier Free Zone, was scheduled in 2011. The building, which will also host a manufacturing workshop for LISI AEROSPACE using the same technologies, paves the way for new synergies between divisions.

MARKET DATA & FINANCIAL SUMMARY 2011

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The LISI share outperforms a deteriorating market



while the CAC 40 was down -16%, the CAC Mid 60 -21% and the Euronext 100 -14%.

While, over the entire year, the price of the LISI Group achieved good performance against the major indices, it is outstanding over a longer period. The price increased by 153% since January 2003, while the benchmark indices rose by +110% for the CACMID60 and by 9.73% for the Euronext 100.

Average intraday volatility over one year was 2.5%, compared to the Euronext 100, which reached 1.4%.

After a sluggish 2010, liquidity was restored this year with a 48% rotation of the floating stock. It has doubled compared to 2010, with a very active second half.

This increased liquidity reflects a growing interest from investors. With 5,700 shares

traded on average daily, the LISI stock displayed recovered liquidity, thereby allowing for sufficient fluidity of trade. In total, 1,459,574 shares were traded over the year 2011.

The floating stock represents 3,089,427 shares being 28.6% of the capital, of which 378,804 shares were held by the LISI company being 3.9% of the capital. These shares are principally aimed at employee share schemes relating to the performance of the Group's main executives. Finally, the LISI stock ranks twenty-fifth in terms of the capitalization of the shares within the same quotation group (non SRD grouping 288 shares) and forty-fifth in terms of the value of exchanged capital. 50.80€ CLOSING PRICE AS AT DECEMBER 31, 2011

70€ THE HIGHEST REACHED

47€ THE LOWEST BEING

COVERAGE OF THE STOCK

The stock is covered by 9 brokers that periodically issue research notes accompanied by the corresponding opinions, thereby ensuring comprehensive, diversified information. The LISI Group participates in a large number of conferences, road shows and "one on one" interviews whether in Frankfurt, London, Lyon, New York or Paris.

LIST OF BROKERS



STOCK IDENTIFICATION SHEET

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, 2011: €547 M Indices: CAC® Small, CAC® Mid & Small, CAC®-All tradable and CAC®-All Shares

BREAKDOWN OF SHARE CAPITAL



2012 EVENTS

The AGM will be held on April 26, 2012 on company premises: Immeuble Central Seine – 46-50, Quai de la Rapée - 75012 PARIS. Dividend payments will be made on May 9, 2012. Sales revenue for the second quarter of 2012, as well as half-yearly accounts will be available on line *via* the company website (www.lisi-group.com), on the July 26, 2012. Financial information for the third quarter of 2012 will be available on line *via* the Group website on October 24, 2012 after close of market.

CONTACTS

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Shareholders, investors, financial analysts and financial and economic press please contact: Mr. Emmanuel Viellard – Deputy Chairman

Functional organization chart



Income statement

(In €'000)	31/12/2011	31/12/2010
Pre-tax sales	925,095	776,689
Changes in stock, finished products and production in progress	25,668	3,699
Total production	950,763	780,388
Other revenues*	14,457	15,395
Total operating revenues	965,221	795,783
Consumption	(275,698)	(214,169)
Other purchases and external charges	(187,797)	(160,810)
Value added	501,726	420,803
Taxes and duties**	(7,687)	(6,459)
Personnel expenses (including temporary employees)	(371,952)	(318,679)
EBITDA	122,087	95,665
Depreciation	(47,718)	(45,798)
Net provisions	2,274	(399)
EBIT	76,643	49,467
Non-recurring operating expenses	(2,931)	(1,600)
Non-recurring operating revenues	10,645	526
Operating profit	84,356	48,393
Financing expenses and revenue on cash	(4,401)	(2,517)
Revenue on cash	658	430
Financing expenses	(5,059)	(2,947)
Other interest revenue and expenses	1,588	1,592
Other financial items	9,942	13,135
Other interest expenses	(8,354)	(11,543)
Taxes of which CVAE (Tax on Companies' Added Value)**	(24,270)	(14,704)
Profit (loss) from assets held for sale	805	
Profit (loss) for the period	58,078	32,764
Attributable as company shareholders' equity	58,225	32,924
Interest not granting control over the company	(147)	(161)
Earnings per share (in €):	5.61	3.19
Diluted earnings per share (in €):	5.61	3.19

In order to provide readers of the financial statements with better information and in accordance with international standards, in the 2011 financial statements the Company has continued the classification of revenues related to CIR (Research Tax Credit) as "Other Revenues".
 ** As at December 31, 2011, 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 €4.7m.

Statement of overall earnings

(In €'000)	31/12/2011	31/12/2010
Profit (loss) for the period	58,078	32,764
Other elements of overall earnings		
Exchange rate spreads resulting from foreign business	4,008	12,324
Tax charge on other portions of global income		
Other portions of global earnings, after taxes	4,008	12,324
Total overall income for the period	62,086	45,088
Attributable as company shareholders' equity	62,275	45,194
Interest not granting control over the company	(189)	(106)

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Statement of financial situation Assets

(In €'000)	31/12/2011	31/12/2010
LONG-TERM ASSETS		
Goodwill	182,611	152,287
Other intangible assets	15,382	17,054
Tangible assets	326,872	278,815
Long-term financial assets	5,642	5,394
Deferred tax assets	23,596	16,146
Other long-term financial assets	24	63
Total long-term assets	554,127	469,759
SHORT-TERM ASSETS		
Inventories	238,879	177,096
Taxes – Claim on the state	915	1,198
Trade and other receivables	158,847	126,721
Other short-term financial assets	51,883	58,619
Cash and cash equivalents	45,675	22,261
Total short-term assets	496,199	385,896
TOTAL ASSETS	1,050,326	855,654

Total equity and liabilities

(In €'000)	31/12/2011	31/12/2010
SHAREHOLDERS' EQUITY		
Capital stock	21,573	21,573
Additional paid-in capital	70,803	70,803
Treasury shares	(15,461)	(15,028)
Consolidated reserves	401,231	379,651
Conversion reserves	1,658	(2,392)
Other income and expenses recorded directly as shareholders' equity	3,025	1,933
Profit (loss) for the period	58,225	32,924
Total shareholders' equity - Group's share	541,054	489,463
Minority interests	1,458	858
Total shareholders' equity	542,512	490,320
LONG-TERM LIABILITIES		
Long-term provisions	48,177	39,023
Long-term borrowings	136,408	72,647
Other long-term liabilities	5,725	5,830
Deferred tax liabilities	38,387	34,859
Total long-term liabilities	228,697	152,359
SHORT-TERM LIABILITIES		
Short-term provisions	14,737	15,232
Short-term borrowings*	63,788	25,709
Trade and other accounts payable	194,711	162,440
Taxes due	5,882	9,594
Total short-term liabilities	279,117	212,975
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	1,050,326	855,654
* of which banking facilities	29,565	7,923
Cash flow movement table

<u>(</u> In €'000)	31/12/2011	31/12/2010
OPERATING ACTIVITIES		
Net earnings	58,078	32,764
Elimination of net charges not affecting cash flows:		
 Depreciation and non-recurrent financial provisions 	47,665	43,823
 Changes in deferred taxes 	(241)	(694)
 Income on disposals, provisions for liabilities and others 	(8,700)	5,249
Gross cash flow margin	96,801	81,142
Net changes in provisions provided by or used for current operations	(1,503)	(1,669)
Operating cash flow	95,299	79,474
Income tax expense (revenue)	24,511	15,279
Elimination of net borrowing costs	4,009	2,525
Effect of changes in inventory on cash	(33,562)	(9,870)
Effect of changes in accounts receivable and accounts payable	13,203	23,954
Net cash provided by or used for operations before tax	103,459	111,367
Taxes paid	(28,138)	(3,453)
Cash provided by or used for operations (A)	75,321	107,914
INVESTMENT ACTIVITIES		
Acquisition of consolidated companies	(100,000)	(42,026)
Cash acquired	5,569	1,502
Acquisition of tangible and intangible assets	(65,182)	(51,974)
Acquisition of financial assets	(0)	
Change in granted loans and advances	(150)	476
Investment subsidies received		
Dividends received		2
Total cash used for investment activities	(159,764)	(92,016)
Disposed cash	(6,476)	
Disposal of consolidated companies	31,920	
Disposal of tangible and intangible assets	277	1,359
Disposal of financial assets	22	5
Total cash from disposals	25,742	1,364
Cash provided by or used for investment activities (B)	(134,021)	(90,653)
FINANCING ACTIVITIES		
Capital increase		1,404
Net disposal (acquisition) of treasury shares		
Dividends paid to shareholders of the Group	(10,913)	(7,216)
Dividends paid to minority interests of consolidated companies		
Total cash from equity operations	(10,913)	(5,812)
Issue of long-term loans	87,914	10,912
Issue of short-term loans	229	79
Repayment of long-term loans	(2,062)	(3,436)
Repayment of short-term loans	(18,520)	(20,576)
Net interest expense paid	(4,052)	(2,593)
Total cash from operations on loans and other financial liabilities	63,509	(15,614)
Cash provided by or used for financing activities (C)	52,596	(21,426)
Effect of change in foreign exchange rates (D)	122	4,686
Effect of adjustments in treasury shares (D)	1,018	1,434
Changes in net cash (A+B+C+D)	(4,964)	1,954
Cash at January 1 st (E)	72,957	71,003
Cash at year end (A+B+C+D+E)	67,993	72,957
Other short-term financial assets	51,883	58,619
Cash and cash equivalents	45,675	22,261
Short-term banking facilities	(29,565)	(7,923)
Closing cash position	67,993	72,957

Statement of shareholders'

shareholders' equity		oremiums		serves	erves	Ind expenses ly as quity	eriod, Group	f shareholder	sts	ers' equity
	apital stock	apital-linked p ote 7.3)	easury shares	onsolidated re	onversion rese	ther income a corded direct areholders' e	ofit for the pe iare	roup's share o quity	inority intere	otal sharehold
(In €'000)	<u>ن</u>	ڪ ٽ	<u>۲</u>	Ŭ	Ŭ	ତ <u>ଚ</u> - ୯	Pr Pr	<u><u></u><u></u><u></u><u></u><u></u><u></u><u></u><u></u><u></u><u></u><u></u><u></u><u></u><u></u><u></u><u></u><u></u><u></u><u></u></u>	2	<u>م</u>
Shareholders' equity at January 1, 2010	21,508	69,853	(16,264)	378,745	(14,662)	2,159	9,422	450,764	(125)	450,639
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
including total revenues and expenses posted for the period (a) + (b) + (c) + (d) + (e)				789	12,270	859	32,924	46,843		
Profit (loss) for the period N (a)							58,225	58,225	(147)	58,078
Translation differential (b)					4,050			4,050	(42)	4,008
Payments in shares (c)						979		979		979
Capital increase										
Restatements of treasury shares (d)			(259)			113		(146)		(146)
Appropriation of N-1 earnings				32,924			(32,924)			
Change in methods***				(1,428)				(1,428)		(1,428)
Change in scope****									789	789
Dividends distributed				(10,913)				(10,913)		(10,913)
Restatements of financial instruments (f)*****				1,277				1,277		1,277
Various (e)				(454)				(454)		(454)
Shareholders' equity at December 31, 2011	21,573	70,803	(15,461)	401,231	1,658	3,025	58,225	541,054	1,458	542,512

holders'

including total revenues and expenses

posted for the period (a) + (b) + (c) + (d) + (e)

4,050

1,092

58,225

63,367

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.
 *** This impact of €-1,428k corresponds to the change in method of stock valuation in the LISI AUTOMOTIVE.
 **** This impact of €789k concerns the minority interests of LISI AEROSPACE CREUZET POLSKA 70% owned by CREUZET AERONAUTICS, acquired in 2011.
 **** This impact of €1,277k corresponds to the valuation of foreign currency hedging instruments.

Financial report 2011



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