

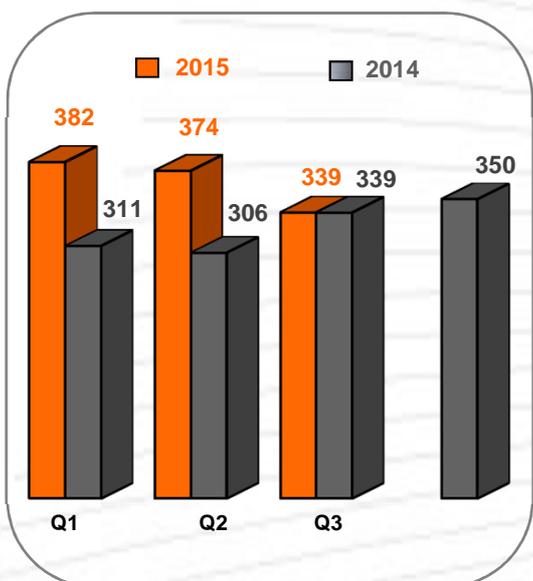
**LISI Group reports 14.5% revenue growth to €1,095.1 million in the first nine months of 2015 compared to the previous year**

# FINANCIAL INFORMATION

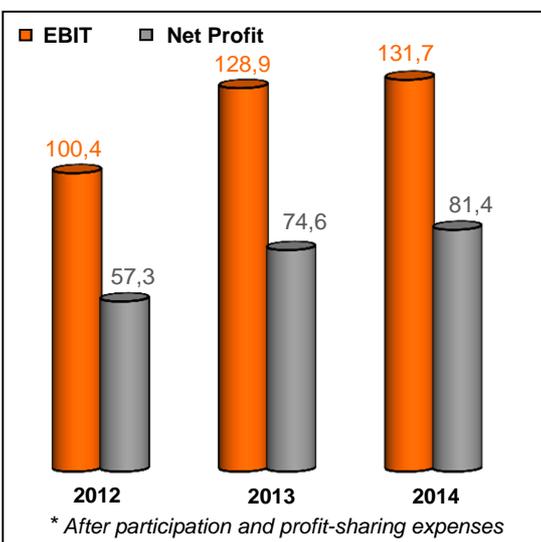


## Quarterly Consolidated sales

In €m



## EBIT\* & Net Profit in €M



- The Group benefits from the consolidation of Manoir Aerospace and a favorable dollar effect
- The stability of business in Q3 mainly reflects a pause in the aerospace division at all-time high levels in a structurally buoyant market and a slowdown in the automotive industry, attributable to the Chinese market
- LISI confirms its progression target in value terms for its 2015 earnings

In €m	Change			
	2015	2014	2015/2014	2015 / 2014 on a like for like basis
Q1	381,6	311,3	+ 22,6 %	+ 4,7 %
Q2	374,2	305,6	+ 22,4 %	+ 4,2 %
Q3	339,3	339,2	+ 0,0 %	- 3,1 %
<b>Cumulative, as of September 30</b>	<b>1 095,1</b>	<b>956,2</b>	<b>+ 14,5 %</b>	<b>+ 1,8 %</b>

The difference between reported sales and sales revenue on a like-for-like basis can be explained by:

### In Q3:

- A positive currency impact of €10.5 million (mainly USD) amounting to 3.1% of Group sales,
- The share of consolidated sales generated outside France represented 67% of the total, or €227.6 million for the quarter, an increase in exports of around 6% compared to 2014.

### On a cumulative basis:

- A positive impact of the consolidation of the Manoir Aerospace Group since July 2014 for €88 million, or 8% of Group sales and 12.7% of LISI AEROSPACE sales,
- A positive currency impact of €34.0 million for the Group, amounting to 3.1% of sales.

The share of consolidated sales generated outside France amounted to 65% of the total, €711.3 million for the first nine months, corresponding to an increase in exports of around 13.2% compared to 2014.

## COMMENTS BY LINE OF BUSINESS

### LISI AEROSPACE (63 % of total consolidated revenue)

- Organic growth pursued, driven by a highly favorable dollar effect
- Market outlook remains robust

In €m	Change			
	2015	2014	2015/2014	2015 / 2014 on a like for like basis
Q1	240,4	175,1	+ 37,3 %	+ 6,2 %
Q2	236,9	172,7	+ 37,2 %	+ 5,8 %
Q3	216,5	215,7	+ 0,3 %	- 4,1 %
<b>Cumulative, as of September 30</b>	<b>693,8</b>	<b>563,6</b>	<b>+ 23,1 %</b>	<b>+ 2,1 %</b>



At €216.5 million, sales in Q3 2015 were stable compared with the same period of the previous year (€215.7 million). The progression of the "Fasteners" segment (+ 9.8%) is supported by the appreciation of the dollar, while the "Structural components" segment (- 13.9%) suffers from a comparison basis that included in 2014 much of the June sales revenues of Manoir Aerospace, whose acquisition became effective on that date but was not consolidated in H1 2014. Restated with the latter figure, the "Structural components" segment would display an increase of approximately 3%, comparable to the "Fasteners" segment (+ 3.4% on a constant dollar basis). The currency effect on sales for this segment is estimated at +€6.2 million.

Cumulatively, LISI AEROSPACE's sales have increased by 23% after consolidation of Manoir Aerospace over 9 months and a highly positive dollar effect (as well as that of other currencies such as the pound sterling), which can be estimated at + €30.2 million. On a constant scope basis and restated for the currency effect, sales rose by + 2.1%.

In terms of operations, one should note the finalization of the new fasteners contract with Airbus, whose terms were set up on July 1st and which confirms LISI AEROSPACE's position as leading supplier to the aircraft manufacturer. The contract covers the relationship with all the "Fasteners" sites of LISI AEROSPACE for all Airbus programs until 2020. Anticipating Airbus's requirements will result in inventory build-up towards the end of financial year 2015.

The level of global demand is stabilizing overall (book to bill<sup>1</sup> at 1.0) at a high level, with marked differences:

- Increased activity for commercial aircraft at Airbus, Boeing and Embraer,
- Sharp increase in production rates for new engine programs (Leap, GE9X, etc.)
- Downward adjustment for the A330 and all helicopter programs that primarily affect the Bar-sur-Aube facility (Structural components)
- Some customers have frozen their development programs, leading to downtime or industrialization disruptions
- Positive news regarding the Rafale program and the M88 engine, to which LISI AEROSPACE is highly exposed
- Structuring projects launched by the Division are on track with the announced roadmap, with, in particular:
  - The launch of the new Monadnock plant (United States)
  - The construction work in progress at the Villefranche de Rouergue, Saint-Ouen l'Aumône, and Parthenay sites
  - The industrialization of leading edges at Marmande is being standardized

Operations at the production sites for the "Fasteners" segment benefit from a favorable currency impact, as well as from productivity gains achieved through the implementation of the LEAP Plan (LISI Excellence Achievement Program). As far as "Structural components" are concerned, performance is more nuanced: while industrialization is improving at Marmande, delays persist at Argenton, and activity is down at Bar-sur-Aube. At Bologne, production slowed down in Q3 because of major repairs carried out during the summer to bring the plant up to the Group's standards.

**Comments on performance and outlook**

The aerospace market gives no signs of slowing down, especially regarding single-aisles and new programs (A350, B787, etc.), which confirms the division's positioning. While most of the production ramp-up has already been anticipated, the ambitious industrialization programs remain to prove successful, as they should drive significant growth in programs for the coming year.

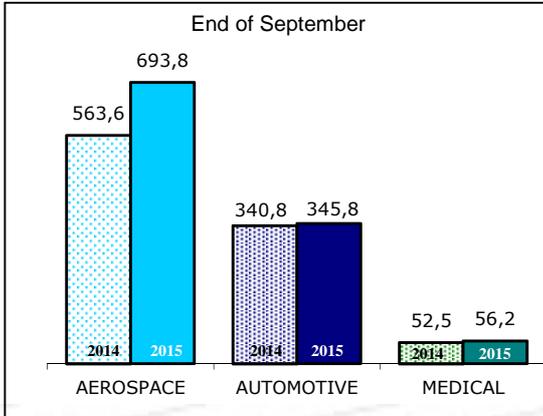
Conversely, in the shorter term, the decline of some programs will hamper the "Structural components" segment, while "Fasteners" forecast a buoyant Q4 in the US. In total, the activity expected for Q4 should be fairly stable compared to that of last year.

The quality of the division's results remains affected by persisting industrialization costs of new programs, the costs of non-quality incurred by Manoir Aerospace and the low productivity of the aerostructure business (Argenton and Casablanca sites), in the same proportions as in the second half of 2014.

<sup>1</sup> Ratio between the amount of orders and deliveries in the period

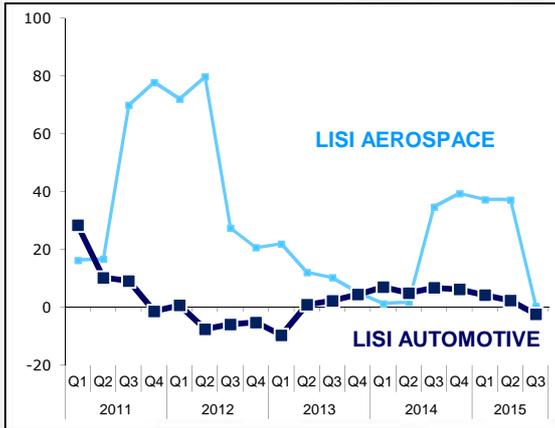


**Sales in €m**





**% Sales Variation per division / N-1**



**LISI AUTOMOTIVE (32 % of total consolidated revenue)**

- Sharp decline in order books attributable to the Chinese slowdown
- Ongoing production issues in the Threaded fasteners segment

In €m	Change			
	2015	2014	2015/2014	2015 / 2014 on a like for like basis
Q1	122,8	117,8	+ 4,2 %	+ 3,4 %
Q2	118,3	115,7	+ 2,3 %	+ 1,4 %
Q3	104,7	107,4	- 2,5 %	- 3,1 %
<b>Cumulative, as of September 30</b>	<b>345,8</b>	<b>340,8</b>	<b>+ 1,5 %</b>	<b>+ 0,7 %</b>

After a dynamic start to the year, the decline in the division's sales in Q3 is due to two factors:

- The rather sudden slowdown in car production for the Chinese market resulting in an adjustment of inventory throughout the supply chain, despite the market's recovery in September (+ 2.9%)
- Production levels among European customers of LISI AUTOMOTIVE are being affected by the decline in exports to Eastern Europe and emerging countries (Russia at - 30% in Q3).

Cumulatively, however, the activity continues to increase slightly.

The overall level of demand remains, however, supported by the European operations of LISI AUTOMOTIVE (market: + 9.0%), particularly the dynamism of PSA, Renault, Daimler and BMW. Order intake for new products in the "Clip Fasteners and Safety Components" segment is always dynamic and has represented over 10% of sales since the beginning of the year.

However, these good performances in Europe have been significantly curbed by lower sales to the Chinese market, both to OEMs and automotive suppliers.

The VW crisis has no visible impact on the quarter so far. Only the production in the US from this customer shows strong signs of slowdown. However, it should be noted that OEM customers have already triggered a sharp reduction in their inventory levels.

**Comments on performance and outlook**

In terms of operations, the situation remains contrasted with good operations at the "Clip Fasteners and Safety Mechanical Components" Business Groups, while the French sites of the "Threaded Fasteners" Business Group have had many difficulties adjusting their costs this quarter. The logistic situation is clearly improving with significant decrease in delays compared to the highest point in late May. Teams will now focus on streamlining the production organization, implementing the LEAP plan and increasing productivity to meet the profitability criteria required by the investments made.

The new Mexican site at Monterrey, dedicated to clip plastic parts, started operations in September with products for OEMs based in Mexico. This site is expected to gradually ramp up starting in 2016.



## LISI MEDICAL (5 % of total consolidated revenue)

- Good activity level in Q3
- Marked improvement in operational metrics

In €m	Change			
	2015	2014	2015/2014	2015 / 2014 on a like for like basis
Q1	18,6	18,6	+ 0,2 %	- 1,9 %
Q2	19,2	17,5	+ 10,1 %	+ 7,5 %
Q3	18,3	16,4	+ 11,6 %	+ 9,4 %
Cumulative, as of September 30	56,2	52,5	+ 7,0 %	+ 4,7 %

Q3 sales revenues are improving compared to previous quarters (+ 11.6%), confirming the momentum of existing products and the ramp-up of new customer programs. Cumulatively, sales growth was +7%.

The main site at Caen has developed several new products with its main customer Stryker. Operations carried out for other customers have increased by nearly 90%. The sites at Neyron (France) and Jeropa (USA) also confirm their progression. In terms of operations, productivity and non-quality costs are improving.

Overall, customers are replenishing their stocks to ensure adequate availability of their products for hospitals.

### Comments on performance and outlook

After a rather slow start to the year, the division displays reassuring fundamentals and reinforces its positioning as key supplier for its customers. The continuation of ongoing improvement actions, capital expenditures in different technologies and the industrialization of new products, are all expected to consolidate this positive trend. Towards the end of the year, it should nevertheless be noted that the order book is below the trend observed in Q3 2015, which takes into account the period of restocking by customers.

### **PROSPECTS AND COMMENTS ON THE FINANCIAL IMPACT OF THE BUSINESS**

The slowdown in the Aerospace division is merely a normal pause in the development of this activity which is fueled by robust demand. Moreover, the prospects for improvement in the United States are significant and are expected to continue their growth trajectory.

Similarly, the sharp slowdown observed at LISI AUTOMOTIVE reflects the situation in China and an adjustment in inventory levels. Any rebound in activity in 2016 will be contingent upon the evolution of these two factors.

In terms of operations and profitability, malfunctions are not offset by the gains achieved by the LEAP Plan (LISI Excellence Achievement Program) and the positive volume effect at the beginning of the year.

Consequently, the Group confirms its objectives; in this environment, the targeted increase in results value terms compared to 2014 should be of a lesser magnitude than expected in previous publications.

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