

LISI'S FINANCIAL PERFORMANCE IN 2018 REFLECTS LOWER RESULTS AND INCREASE IN FREE CASH FLOW AMIDST VOLATILE MARKETS

- Sales reached € 1,645.1 million, stable compared to 2017 (0.1%);
- Current operating income was down by almost 21%;
- Free Cash Flow* was largely positive at € 57.3 million, up from 2017 in a context of strong level of investments since several years
- Taking into account encouraging end of year 2018 and assuming stability of its main markets, the Group aims in 2019 to return to a positive organic growth, to exceed its financial performance of 2018 thanks to the management measures already taken and to keep generating a largely positive Free Cash Flow.

The LISI Board of Directors met under the chairmanship of Mr. Gilles Kohler and reviewed the audited financial statements for the period ended December 31, 2018. These will be submitted for approval to the Shareholders' General Meeting on April 26, 2019.

<i>12 months ending December 31,</i>		<i>2018</i>	<i>2017</i>	<i>Changes</i>
Key elements of the income statement				
Sales	€m	1,645.1	1,643.4	+0.1%
EBITDA	€m	225.4	256.2	- 12.0%
EBITDA margin	%	13.7	15.6	- 1.9 pt
EBIT	€m	135.6	171.4	- 20.9%
Operating margin	%	8.2	10.4	- 2.2 pts
Earnings attributable to holders of company equity	€m	92.1	108.0	- 14.7%
Net earnings per share	€	1.73	2.04	- 17.9%
Key elements of the cash flow statements				
Operating cash flow	€m	194.9	203.8	- €8.9m
Net industrial CAPEX	€m	- 131.3	- 140.1	- €8.8m
Free Cash Flow*	€m	57.3	46.3	+ €11.0m
Key elements of the financial structure				
Net debt	€m	339.3	300.2	+ €39.1m
Ratio of net debt to equity		36.0%	33.4%	+ 2.6 pts

* In this press release, Free Cash Flow refers to cash flow minus net industrial CAPEX and changes in WCR. "Organic" means on a constant scope and exchange rate basis.

Revenues reached €1,645.1 million, up €1.7 million (+0.1%)

The analysis of sales takes into account the following elements:

- a scope effect of + €70.0m corresponding to:
 - + €61.2 million incremental contribution from the US company Termax, consolidated since November 1, 2017;
 - + €10.3 million from the integration into LISI AUTOMOTIVE of the US company Hi-Vol as of November 1, 2018;
 - - €1.5 million reflecting the sale of Précimétal Fonderie de Précision (Belgium) on February 2, 2017;
- an unfavorable currency effect of - €21.2 million.

As a result, at constant scope and exchange rates, sales decreased by - €47.1 million, i.e. -2.6% compared to 2017.

Reported sales by quarter (€ million)

	Q1		Q2		Q3		Q4		Total	
	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018
LISI AEROSPACE	277.5	235.6	258.3	230.1	222.6	221.4	242.4	246.9	1 000.9	934.0
LISI AUTOMOTIVE	128.9	153.9	123.7	152.1	116.2	131.1	137.3	144.0	506.0	581.1
LISI MEDICAL	37.9	30.2	35.6	33.6	31.1	34.0	32.5	32.9	137.0	130.7
LISI Consolidé	444.3	419.5	417.4	415.6	369.7	386.3	412.0	423.7	1,643.4	1,645.1

Fourth quarter analysis

Compared with the same period last year, sales for the fourth quarter of 2018 decreased by -2.3% at constant scope and exchange rates. This drop can be attributed to the sharp decline in activity in the LISI AUTOMOTIVE division, while the LISI AEROSPACE division continued its recovery and ended the year at the same level as in 2017. The consolidation of Hi-Vol as of November 1, 2018 brings additional sales of €10.3 million.

The currency effect turned positive again in the fourth quarter, at + €5.6 million.

Divisional analysis

The LISI AEROSPACE division's sales reached €934.0 million in 2018 (-6.7% compared to 2017). The dollar effect remained unfavorable for the year even though it turned positive again in the second half of the year. All of the division's activities saw a sequential improvement in sales, with a fourth quarter up +1.9% compared to 2017. The Fasteners business in Europe continued to suffer from the adjustments in the supply chain of its main European aircraft manufacturer customer, but seems to have reached a low point in the second half of the year. The Fasteners business in the United States rebounded sharply during the year (Q4: +16.0%) driven by recent market share gains at Boeing and renewed growth in the business aviation, regional aviation, helicopters and defense market segments. The "Structural Components" business continues to enjoy good business momentum throughout the year (Q4: +6.2%), thanks in particular to the ongoing ramp-up of new programs, including the LEAP engine. At constant scope and exchange rates, the LISI AEROSPACE division posted a fourth quarter at the same level as that of 2017, thus making it possible to start 2019 on a better trend than that of 2018.

LISI AUTOMOTIVE division sales rose by 14.8% to €581.1 million. This increase is the result of the division's continued international expansion (Termax consolidated since November 1, 2017 and Hi-Vol

since November 1, 2018) and the marked ramp-up in new products in the "Clipped Solutions" and "Safety Mechanical Components" segments. This good performance was, however, impacted by the entry into force from September 1st of a new procedure for the approval of vehicles (Worldwide harmonized Light vehicles Test Procedures - WLTP-Euro 6), which is more stringent in terms of pollutant emissions. Several manufacturers have had to stop or delay the sale of certain models that no longer meet the new standards, until their engines could be adapted. The decline in the Chinese market in the second half also weighed on the division's sales. At constant scope and exchange rates, revenue grew by +0.9%, reflecting new market share gains in an environment where the production of LISI AUTOMOTIVE's main customers worldwide is -2.6% lower than that of the previous year. However, this slight increase in sales is the result of two six-month periods characterized by extreme volatility: a very active first half at +6.8% which led to the use of overtime and temporary work and a second half with a sharp slowdown (-4.9%) that was even more pronounced in the fourth quarter (-6.8%).

The LISI MEDICAL division has benefited from the gradual contribution from contract wins for new products in the field of minimally invasive surgery and orthopedics. Notwithstanding growth seen between the first and second half, sales for the year are still down -4.6%, affected by deferred orders from its main customer at the end of the year.

Current operating income fell by almost 21%

It was not until the end of the year that the adjustment measures designed to adapt the cost structure to the large variations in activity only began to produce any effect, initially in the "Europe Fasteners" segment of the Aerospace division, and then in the Automotive division. EBITDA decreased by 12.0% to € 225.4 million (or 13.7% of sales), which is explained by:

- the gap between the increase in payroll on a full-year basis and the adjustment measures taken at the end of the year in the face of declining activity in the "Europe Fasteners" segment of the Aerospace division, and even more markedly in the Automotive division. The payroll to sales ratio increased by 1.2 points;
- the increase in the cost of raw materials in the Automotive division, which weighs in at € 3.5 million.

Depreciation rose by € 8.9 million due to the significant capital expenditures programs of the recent years. Provision reversals recorded to offset operating expenses rose by € 3.8 million.

Current operating income (EBIT) decreased by € 35.8 million (-20.9%) to € 135.6 million. At 8.2%, the operating margin was down 2.2 points.

The strongly positive impact of the financial result (+ €5.3 millions), compared to 2017 (- €21.6 million), is explained by the following main factors:

- the revaluation of debts and receivables mainly denominated in US dollars (+ €12.7 million vs. - €32.4 million in 2017),
- the negative impact of the fair value of currency hedging instruments (+ €4.1 million vs. + €13.9 million in 2017),
- financial expenses, corresponding to the cost of the long-term net debt, amounted to - €5.9 million (stable compared to 2017), i.e. an average fixed rate of 2.0%. Gains on current cash investments amounted to + €3.2 million versus + €2.8 million in 2017). Net financial expenses therefore accounts for less than 1% of net financial debt.

Non-current expenses weighed on net income for - €10.3 million (- €3.7 million in 2017) and mainly relate to the Group's cautious approach to the decline in the fair value in use of certain assets.

The tax expense, calculated on the basis of the corporate income tax as a percentage of net income before taxes, reflects an effective average tax rate of 25.9%, down compared to 2017 (26.8%).

At € 92.1 million, net income is lower than that of 2017 (€ 108.0 million), or - 14.7%.

It amounts to € 1.73 per share (€ 2.04 in 2017).

Based upon these results, the Board of Directors will ask the Shareholders' General Meeting to approve the distribution of a dividend of € 0.44 per share for the 2018 financial year.

Free Cash Flow was significantly positive at €57.3 million, higher than that of 2017 (€46.3 million).

Cash flow reached €194.9 million (+ €8.9 million, i.e. 11.8% of consolidated sales), compared to €203.8 million in 2017. In the context of a downturn in activity, the Group has been able to adapt its capital expenditure without compromising the ongoing differentiating technical initiatives launched in recent years across the divisions, as well as its innovation projects, which are driving future growth. Capital expenditures represent 8.0% of sales at €131.3 million, slightly lower than the high level of 2017 (8.5%; i.e. €140.1 million).

The sharp drop in activity in the Automotive division and the necessary inventory build-up as part of the ramp-up of the new programs in the "Structural Components" segment of the Aerospace division have led to an increase in inventories to 83 days of sales (+4 days compared to 2017). Restated for the integration of Hi-Vol, the increase was limited to € 5.7 million.

The increase in other working capital requirements can be attributed to the first time consolidation of the US company Hi-Vol. The ratio is also strongly affected by the decline in activity of the Automotive division; it is up by 3 days to 77 days of sales. The lag in tax payments had a positive impact of + € 16.1 million.

Strict discipline allowed the Group to generate positive free cash flow of €57.3 million (€46.3 million in 2017), in line with the stated objectives.

Financial structure remains healthy

The increase in net debt, which includes 100% of the acquisition of Hi-Vol (€43.4 million), was limited to €39.1 million and was €339.3 million as at December 31, 2018. It represents 36.0% of shareholders' equity (33.4% in 2017) and 1.5 x EBITDA (1.2 x in 2017).

Return on capital employed (ROCE), however, loses more than 4 points to 10.6% mainly due to the decline in EBIT (-2.8 points) and, to a lesser extent, the consolidation of Hi-Vol toward the end of the year (-0.3 point).

LISI AEROSPACE

- Decrease of - 6.7% in sales compared to 2017 with a significant change in the product mix;
- Fourth quarter of 2018 performance higher than the same period in 2017, reflecting a sharp downturn in Europe;
- Trends observed at the end of the year: recovery of demand for helicopters and business and regional aircraft confirmed, clear rebound in the United States;
- Pressure on margins in Europe caused by lower volumes and an unfavorable product mix for the full year, partly offset by the adjustment of production costs at the end of the period;
- Free Cash Flow still highly positive;
- Acquisition of a 100% stake in LISI AEROSPACE Additive Manufacturing.

	2018	2017	Change
Sales (in €m)	934.0	1,000.9	- 4.6% <i>On a constant scope and exchange rate basis</i>
Current operating profit	96.8	128.1	- 24.4%
<i>As a % of sales</i>	10.4%	12.8%	- 2.4 pts
Free Cash Flow (€m)	29.6	61.6	- €32.0m
<i>As a % of sales</i>	3.2%	6.2%	- 3.0 pts

LISI AUTOMOTIVE

- Sales growth of nearly 15% to €581.1 million, supported by the acquisitions of Termax in 2017 and Hi-Vol in 2018 in the United States;
- Market share gains in "Clipped Solutions" and " Safety Mechanical Components", accelerating international growth;
- Operating margin affected by the sharp fall in business in the second half of the year with the entry into force on September 1st of a new vehicle approval procedure (Worldwide Harmonized Light Vehicle Testing Procedures - WLTP -); negative effect of higher raw material costs;
- Annual Free Cash Flow still positive;
- Disposal of Beteo (specializing in surface treatment - Germany) on December 31, 2018 (sales of €6.9m in 2018).

	2018	2017	Change
Sales (in €m)	581.1	506.0	+0.9% <i>On a constant scope and exchange rate basis</i>
Current operating profit	34.0	33.3	+2.2%
<i>As a % of sales</i>	5.9%	6.6%	- 0.7 pt
Free Cash Flow (€m)	4.1	13.1	- €9.0m
<i>As a % of sales</i>	0.7%	2.6%	- 1.9 pt

LISI MEDICAL

- Sales down -4.6% from 2017;
- Numerous product developments have adverse effects on business and profitability;

	2018	2017	Change
Sales (in €m)	130.7	137.0	- 2.9% <i>On a constant scope and exchange rate basis</i>
Current operating profit	5.6	9.8	- 42.6%
<i>As a % of sales</i>	4.3%	7.1%	- 2.8 pts
Free Cash Flow (€m)	- 0.7	6.7	- €7.4m
<i>As a % of sales</i>	- 0.5%	4.9%	- 5.4 pts

OUTLOOK

In the Aerospace division, market trends are rather positive in the United States in all the segments in which the division operates. Boeing will benefit from the launch of the 777-X, for which LISI AEROSPACE has developed numerous products (fasteners for composite wings, including lightning-resistant technologies, the most advanced temporary and permanent fastening systems).

In Europe, the division does not anticipate any significant recovery as the production rate of the A350 is stabilized at a level below the expected rates. As the cost level is adjusted, the contribution of this activity should improve over the entire coming year.

The level of activity in the "Structural Components" segment should remain sustained thanks to the continued ramp-up of the LEAP engine and the entire engine sector.

The Automotive division is forecasting stable demand over the last quarter of 2018. The Chinese market is expected to remain sluggish in a global context where product mix changes continue to prevail. LISI AUTOMOTIVE will continue to develop high value added value parts. On the other hand, on the raw materials front, the situation is more stable than in 2018. The division is fully engaged in adjusting its capabilities and costs to the current level of demand and in intensifying commercial and technical synergies with US entities Termax and Hi-Vol.

The Medical division will have to address the technical challenges posed by many complex product launches. LISI MEDICAL's management team's efforts are entirely focused on the renewal of the contract with the historical client Stryker for the LISI MEDICAL Orthopedics site in the first half of 2019.

The beginning of the 2019 financial year promises to be encouraging for the aerospace division in line with the fourth quarter of 2018. Visibility remains limited, however, especially in the car industry in the second half of the year. Assuming stable key markets, the Group aims in 2019 to return to a positive organic growth, to exceed its financial performance of 2018 thanks to the management measures already taken and to keep generating a largely positive Free Cash Flow.

Contact

Emmanuel Viellard

Tel: +33 (0)3 84 57 00 77

Email: emmanuel.viellard@lisi-group.com

Website: www.lisi-group.com

The next announcements will appear after close of trading on Paris Euronext

Q1 2018 financial information: April 26, 2019
Shareholders' Combined General Meeting: April 25, 2019
H1 2019 results: July 24, 2018
Q3 2019 financial Information: October 23, 2019

The LISI share is listed on Euronext Paris, compartment A and belongs to the CAC® AERO & DEF., CAC® All Shares, CAC® Industrials indices, under ISIN code: FR 0000050353. LISI is a worldwide leading manufacturer of fasteners and assembly components for the Aerospace, Automotive, and medical implants industries.

Reuters:GFII.PA
Bloomberg:FII FP

LISI Group consolidated balance sheet

ASSETS

(in €'000)	31/12/2018	31/12/2017
LONG-TERM ASSETS		
Goodwill	347 787	321 377
Other intangible assets	26 975	30 177
Tangible assets	676 657	619 593
Long-term financial assets	8 923	9 982
Deferred tax assets	11 894	8 568
Other long-term assets	480	429
Total long-term assets	1 072 716	990 126
SHORT-TERM ASSETS		
Inventories	351 009	337 099
Taxes – Claim on the state	22 032	41 269
Trade and other receivables	263 141	261 249
Cash and cash equivalents	156 879	197 576
Total short-term assets	793 061	837 193
TOTAL ASSETS	1 865 775	1 827 319

TOTAL EQUITY AND LIABILITIES

(in €'000)	31/12/2018	31/12/2017
SHAREHOLDERS' EQUITY		
Share capital	21 646	21 610
Additional paid-in capital	75 329	72 584
Treasury shares	(15 175)	(14 720)
Consolidated reserves	757 720	688 882
Conversion reserves	12 339	8 419
Other income and expenses recorded directly as shareholders' equity	(6 918)	5 261
Profit (loss) for the period	92 069	107 965
Total shareholders' equity - Group's share	937 010	890 001
Minority interests	6 625	7 664
Total shareholders' equity	943 634	897 665
LONG-TERM LIABILITIES		
Long-term provisions	65 475	64 995
Non-current financial debts	337 354	317 757
Other long-term liabilities	8 452	11 605
Deferred tax liabilities	37 745	40 747
Total long-term liabilities	449 025	435 104
SHORT-TERM LIABILITIES		
Short-term provisions	13 404	15 156
Current financial debts ¹	158 831	179 973
Trade and other accounts payable	298 469	297 109
Taxes due	2 411	2 312
Total short-term liabilities	473 116	494 550
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	1 865 775	1 827 319
¹ Of which banking facilities	20 480	16 441

LISI Group consolidated income

<i>(in €'000)</i>	31/12/2018	31/12/2017
Sales	1 645 095	1 643 356
Changes in stock, finished products and production in progress	9 251	(884)
Total production	1 654 346	1 642 472
Other revenues (a)	39 641	26 661
Total operating revenues	1 693 987	1 669 133
Consumed goods	(464 424)	(443 119)
Other purchases and external expenses	(352 485)	(338 332)
Taxes and duties	(11 615)	(12 171)
Personnel costs (including temporary employees)	(640 048)	(619 333)
EBITDA	225 416	256 178
Depreciation	(99 025)	(90 132)
Net provisions	9 166	5 352
EBIT	135 558	171 398
Non-recurring operating expenses	(13 693)	(7 329)
Non-recurring operating revenues	3 427	3 649
Operating result	125 290	167 718
Financing expenses and revenue on cash	(2 503)	(2 421)
<i>Revenue from cash</i>	3 462	3 445
<i>Financing expenses</i>	(5 965)	(5 866)
Other interest revenue and expenses	7 847	(19 166)
<i>Other financial items</i>	42 635	60 852
<i>Other interest expenses</i>	(34 788)	(80 018)
Taxes (of which CVAE (Tax on Companies' Added Value))	(33 839)	(39 182)
Share of net income of companies accounted for by the equity method	0	0
Profit (loss) for the period	96 794	106 951
attributable as company shareholders' equity	92 069	107 965
Interest not granting control over the company	4 725	(1 014)
Earnings per share (in €)	1,73	2,04
Diluted earnings per share (in €)	1,72	2,02

LISI Group consolidated cash flow table

<i>(in €'000)</i>	31/12/2018	31/12/2017
Operating activities		
Net Profit (Loss)	96 794	106 951
Elim. of the income of companies accounted for by the equity method		
Elimination of net expenses not affecting cash flows:		
- Depreciation and provisions	98 634	89 819
- Changes in deferred taxes	2 333	10 335
- Income on disposals, provisions for liabilities and others	1 393	(1 932)
Gross cash flow margin	199 154	205 173
Net change in provisions on receivables and inventory	(4 303)	(1 335)
Operating cash flow	194 853	203 838
Income tax expense (revenue)	31 506	28 847
Elimination of net borrowing costs	5 767	5 686
Effect of changes in inventory on cash	(5 744)	67
Effect of changes in accounts receivable and accounts payable	(16 645)	17 973
Net cash provided by or used for operations before tax	209 735	256 411
Taxes paid	(15 434)	(64 298)
Cash provided by or used for operations (A)	194 302	192 113
Investment activities		
Acquisition of consolidated companies	(702)	(51 014)
Cash acquired	(43 384)	2 409
Acquisition of tangible and intangible fixed assets	(134 103)	(141 694)
Acquisition of financial assets		
Change in granted loans and advances	(267)	(722)
Investment subsidies received		
Dividends received		
Total cash used for investment activities	(178 455)	(191 021)
Divested cash	(267)	(5 701)
Disposal of consolidated companies	3 191	13 060
Disposal of tangible and intangible fixed assets	2 822	1 548
Disposal of financial assets		
Total cash from disposals	5 746	8 907
Cash provided by or used for investment activities (B)	(172 710)	(182 114)
Financing activities		
Capital increase	3 167	1 920
Net disposal (acquisition) of treasury shares		
Dividends paid to shareholders of the Group	(25 499)	(23 873)
Dividends paid to minority interests of consolidated companies	(1 879)	
Total cash from equity operations	(24 211)	(21 954)
Issue of long-term loans	30 653	50 913
Issue of short-term loans	102 739	126 640
Repayment of long-term loans	(6 783)	1 372
Repayment of short-term loans	(161 420)	(102 807)
Net interest expense paid	(5 766)	(5 680)
Total cash from operations on loans and other financial liabilities	(40 576)	70 439
Cash provided by or used for financing activities (C)	(64 789)	48 485
Effect of change in foreign exchange rates (D)	(1 149)	(2 976)
Effect of adjustments in treasury shares (D) *	(390)	(110)
Changes in net cash (A+B+C+D)	(44 736)	55 398
Cash at January 1st (E)	181 135	125 736
Cash at year end (A+B+C+D+E)	136 400	181 134
Cash and cash equivalents	156 879	197 575
Short-term banking facilities	(20 479)	(16 440)
Closing cash position	136 400	181 135

Change in LISI Group consolidated shareholders' equity

(in €'000)	Share capital	Capital-linked premiums	Treasury shares	Consolidated reserves	Conversion reserves	Other income and expenses recorded directly as shareholders' equity	Profit for the period, group share	Group's share of shareholders' equity	Minority interests	Total shareholders' equity
Shareholders' equity as at January 1, 2017	21 610	72 584	(14 610)	659 375	27 742	(13 452)	107 008	860 258	4 964	865 222
Profit (loss) for the period N (a)							107 965	107 965	(1 014)	106 951
Translation differential (b)					(19 324)			(19 324)	73	(19 251)
Payments in shares (c)				2 075				2 075		2 075
Capital increase	0	0						0	2 000	2 000
Restatements of treasury shares (d)			(110)			156		46		46
Restatements as per IAS19 (g)						369		369		369
Appropriation of N-1 earnings				107 008			(107 008)	0		0
Change in scope				(57 244)				(57 244)	0	(57 244)
Dividends distributed				(23 872)				(23 872)	0	(23 872)
Reclassification								0		0
Restatements of financial instruments (f)						18 188		18 188	86	18 274
Various (e)				1 540				1 540	1 556	3 096
Shareholders' equity at December 31, 2017	21 610	72 584	(14 720)	688 882	8 419	5 261	107 965	890 001	7 664	897 665
<i>including total revenues and expenses posted for the period (a) + (b) + (c) + (d) + (e) + (f)</i>					(19 324)	18 713	107 965	107 355	(855)	106 500
Shareholders' equity as at January 1, 2018	21 610	72 584	(14 720)	688 882	8 419	5 261	107 965	890 001	7 664	897 665
Profit (loss) for the period N (a)							92 069	92 069	4 725	96 794
Translation differential (b)					3 920			3 920	(126)	3 794
Payments in shares (c)				614				614		614
Capital increase	36	2 745						2 781	470	3 251
Restatements of treasury shares (d)			(455)			(300)		(755)		(755)
Restatements as per IAS19 (g)						(3 079)		(3 079)		(3 079)
Appropriation of N-1 earnings				107 965			(107 965)	0		0
Change in scope				(14 796)				(14 796)	(2 527)	(17 323)
Dividends distributed				(25 499)				(25 499)	(1 879)	(27 378)
Reclassification								0		0
Restatements of financial instruments (f)						(8 800)		(8 800)	(5)	(8 805)
Various (e)				553				553	(1 698)	(1 145)
Shareholders' equity as at May 31, 2018	21 646	75 329	(15 175)	757 720	12 339	(6 918)	92 069	937 010	6 625	943 634
<i>including total revenues and expenses posted for the period (a) + (b) + (c) + (d) + (e) + (f) + (g)</i>					3 920	(12 179)	92 069	83 810	4 594	88 404