LINK SOLUTIONS FOR INDUSTRY

The LISI Group posts an 18.8% drop in sales revenues in the first nine months of the 2009 financial year

QUARTERLY REPORT

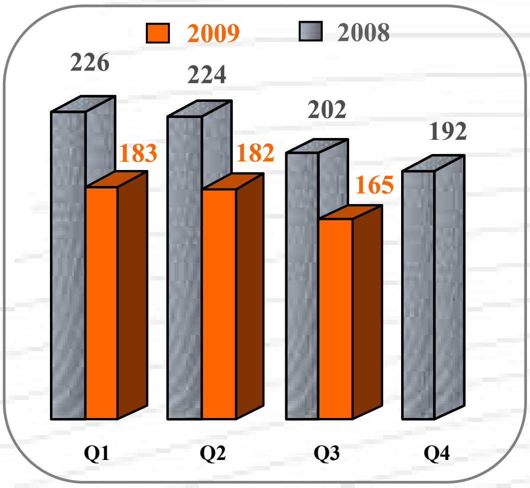
Sales revenues were € 529.3M for the first nine months of the 2009 financial year, which was a drop of 18.8%. During the last quarter, the Automotive Division has taken over from the Aerospace Division in stabilizing the Group's business activity.

In €M			**Change**	
	2009	**2008**	**2009/2008**	**2009/2008 on a like-for-like and constant exchange rate basis**
Q1	183.1	226.1	- 19.0 %	- 21.2 %
Q2	181.6	223.6	- 18.8 %	- 17.9 %
Q3	164.6	202.2	- 18.6 %	- 15.1 %
9 months ended September 30	**529.3**	**651.9**	**- 18.8 %**	**- 18.2 %**

Q3 HIGHLIGHTS

Quarterly Consolidated sales

In million euros



LISI AEROSPACE

- Sharp drop in sales in Q3, especially in the American aerospace markets
- Further reduction in the order book
- No sign yet of recovery for LISI MEDICAL, despite an improvement in the order book

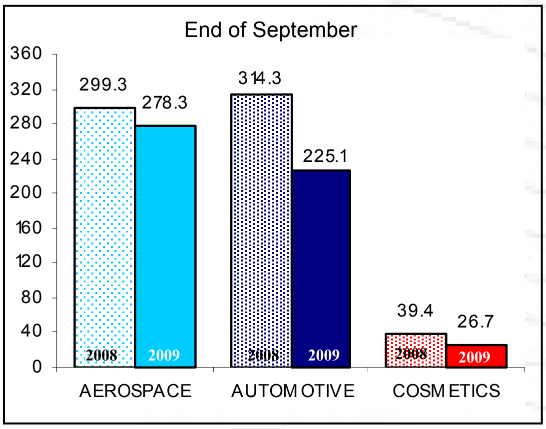
LISI AUTOMOTIVE

- Effectiveness of support measures for the automobile industry ("cash for clunkers")
- Inventory levels at lowest among Group customers
- Business down about 8% on previous year third quarter

LISI COSMETICS

- Market conditions still weak

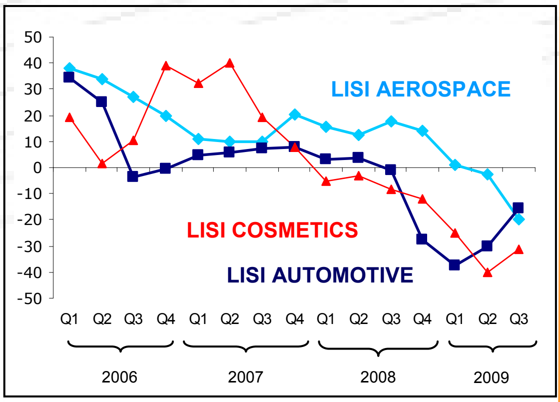
Sales in million euros



1 Source: IATA 09/30/09. Air traffic is often expressed in Revenues per Passenger Mile (RPM), which is the sum of miles flown by passengers in a year.

2 Source: IATA 09/30/09. FTM measures actual freight traffic (tons / miles).

% Sales Variation per division / N-1



COMMENTS PER AREA OF ACTIVITY

LISI AEROSPACE (53% of the consolidated total)

- Sharp drop in sales in Q3, especially in the American aerospace markets
- Further reduction in the order book
- No sign yet of recovery for LISI MEDICAL, despite an improvement in the order book

In €M			Change	
	2009	**2008**	**2009/2008**	**2009/2008 on a like-for-like and constant exchange rate basis**
Q1	104.6	103.2	+ 1.3 %	- 3.5 %
Q2	95.0	97.7	- 2.7 %	- 6.2 %
Q3	78.7	98.4	- 20.0 %	- 19.7 %
9 months ended September 30	**278.3**	**299.3**	**- 7.0 %**	**- 9.7 %**

Encouraged by the latest air passenger traffic figures (RPM1 down 6.8%) and freight (FTM down 19.3%), both Airbus and Boeing recently reconfirmed their confidence in future production rates. The number of planes of more than 100 seats delivered by end September achieved a new record of 358 for Airbus and 359 for Boeing. Even if orders (net of cancellations) are sharply down by 123 and 70 planes respectively, the manufacturers' opinions are based on still solid order books. The corporate jet segment is sharply down with only 800 planes delivered by end September, as compared with 1,140 last year. The other market segments, like the regional planes, are showing no signs of stabilization.

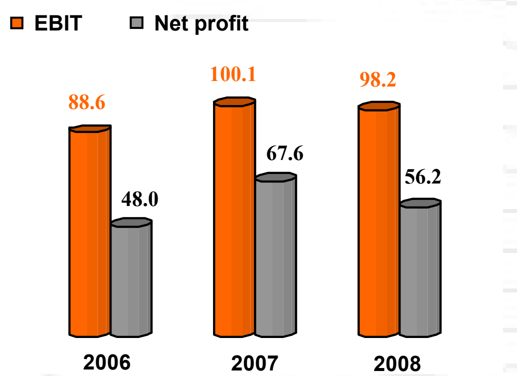
New orders are sharply down, with an orders / deliveries ratio much below 1 since the start of the financial year (about 0.75). In Q3 this ratio was 0.6. The aircraft engine manufacturers segment has slowed down in the quarter, with a 0.7 ratio. At € 210M the order book (excluding a long-term contract in Europe) is thus down about 15% as compared with June 30.

In terms of sales revenues, after the market held up well in Q1 (down 0.7%), business slumped in Q3 to down 20.0%. So while the European aeronautics sector remained positive at +1.7% for the first nine months of the year, the level of business activity was heavily handicapped by US business, the Racing division and LISI MEDICAL. Various steps such as reducing extra shifts (weekends, nights), temporary staff, stopping of overtime, reduction of full-time staff, and use of short-time working in France have all helped adjust production to a lower level than the sales revenues. These adjustments will continue until year-end to achieve a reduction in payroll of about 25% as compared with 2008. In addition, our teams are heavily committed to the development of new products such as the A350AWB project, with the target of installing original LISI solutions in this new aircraft.

The Racing business has seen a slight pick up as compared with a particularly low level in the Formula 1 segment, thanks to orders placed by the teams for the next racing season. However, since this is not letting us get beyond breakeven, a plan is in hand to switch production capacity to mechanical aeronautical parts.

The Medical segment is still impacted by the very low demand in dentistry in the USA (about –40% for the first nine months of the year as compared with the corresponding period the previous year), while in France there have been some signs of a recovery. New orders are gradually picking up, allowing the order book to overtake that of 2008. The new plant in Lyon is in the process of being set up.

EBIT* & Net Profit in €M



* After participation and profit-sharing expenses

LISI AUTOMOTIVE (43% of the consolidated total)

- Effectiveness of support measures for the automobile industry (“cash for clunkers”)
- Inventory levels at lowest among Group customers
- Business down about 10% on previous year third quarter

In €M			Change	
	2009	**2008**	**2009/2008**	**2009/2008 on a like-for-like and constant exchange rate basis**
Q1	68.6	109.7	- 37.5 %	- 37.5 %
Q2	78.0	111.6	- 30.1 %	- 25.8 %
Q3	78.5	93.0	- 15.5 %	- 7.6 %
9 months ended September 30	**225.1**	**314.3**	**- 28.4 %**	**- 24.9 %**

During Q3 the support measures for the automobile industry (“cash for clunkers”) has continued to have an effect in Western Europe (European market in Q3 –0.3%). The countries of Eastern Europe have seen their markets collapse like Russia (down 52% in September1). China is now the world’s largest market, with 1.02 million vehicles in September, up 75% in one year, while the American market is still contracting following the end of government support measures.

In France, production of LISI AUTOMOTIVE customers is up sharply for successful models such as the C3 Picasso, 3008, Mégane and Clio. In Germany the premium manufacturers are continuing to suffer, while VW managed to participate fully in the “cash for clunkers” for its entry-level models (Polo up 58% and Golf up 33% up in September).

LISI AUTOMOTIVE’s sales revenues have benefited from an improvement in the market during the quarter for all sectors within the division. Thus the drop was held at –7.6%, taking into account the disposal of SDU, effective April 1, 2009. For the first nine months of 2009, production levels dropped 38.5% for sales revenues down 28.4%, which reflects a sharp reduction in inventories (-€ 26M) that continued throughout the period. Overall only a few plants are using short time working. In general the factories are now almost back to a normal level of operations. At this point staff levels are stable without having to use temporary workers for an average level of production that during the quarter has remained about 10% below the previous year. European customers are gradually replenishing their inventories while supporting their partners’ financial solidity. Activity in Asia reflects a great deal of dynamism in local markets with sales revenues up almost 50%. The new factory in the Czech Republic is under construction.

In Germany manufacturers are demonstrating some resilience, even if there is some uncertainty as to the possible extension of the “cash for clunkers” program. It should be noted that at September 30, 2009 European production was still 18% below its level at end September 2008. The Group believes that current, healthy market signs provide an accurate view up until the start of the next financial year. Only the trucks segment is still depressed at 30% below normal, without any perceptible signs of recovery at this stage.

LISI COSMETICS (4% of the consolidated total)

- Market conditions still weak

In €M			Change	
	2009	**2008**	**2009/2008**	**2009/2008 on a like-for-like and constant exchange rate basis**
Q1	10.1	13.5	- 25.2 %	- 25.2 %
Q2	8.8	14.7	- 39.9 %	- 39.9 %
Q3	7.8	11.2	- 31.3 %	- 31.3 %
9 months ended September 30	**26.7**	**39.4**	**- 32.4 %**	**- 32.4 %**

LISI COSMETICS' business remains seriously affected by the flatness of the markets, which are not letting its customers reduce inventories. Studies for new major new products are rare. However, some recovery in demand is expected in Q4 in anticipation of the end of year sales. Nevertheless, this change in trend will not allow production to rise to normal levels. The division will therefore have to make use of a significant number of closedown days during the last quarter.

However, among certain customers it has noted some initial signs of a slight increase in market demand for the best known products, while inventories are at their lowest.

OUTLOOK AND COMMENTS REGARDING THE FINANCIAL INCIDENCE OF BUSINESS ACTIVITIES

The counter-cyclical movement of the Group's two main markets has been confirmed again. The Automotive Division has shown some firmness while the aeronautic industry is going into a difficult period. This will continue during the coming months.

The Group's primary target is to be able to generate a positive Free Cash Flow this financial year. Performance since the start of the year points to achieving this.

The gross profit margin remains under pressure on account of sharp changes in demand that disturb operations and require constant adjustments to fixed costs.

The second target is to preserve the Group's strengths during these periods when adjustments have to be made to costs. In this connection the Automotive Division was able to get through the first two quarters with a reduction in production of almost 50% and pick up in the third quarter under satisfactory operating conditions. The Group will be moving in the same way to optimizing its aeronautics organization in the difficult period coming up. These steps have been planned for several months.

In parallel with these internal steps, the LISI Group has definitely decided to continue its long-term, external growth objectives in strategic segments.

CONTACT

Gilles KOHLER
Chairman and CEO
email : gilles.kohler@lisi-group.com

Emmanuel VIELLARD
Deputy CEO
email : emmanuel.viellard@lisi-group.com

☎+33 3 84 57 00 77 - Fax : +33 3 84 57 02 00

Website : www.lisi-group.com

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

- 2009 Annual sales: January 21st 2010