LINK SOLUTIONS FOR INDUSTRY

HALF-YEARLY RESULTS

30th June, 2011

lisi LINK SOLUTIONS FOR INDUSTRY

MANAGEMENT REPORT

LISI GROUP FURTHER IMPROVES ITS RESULTS DURING H1 2011

ACQUISITION of CREUZET AERONAUTIQUE and INDRAERO

- Sales revenue up +17.3% at €447.1m
  - The strongest half-yearly organic growth since 2007: +14.9%
  - Significant improvement in the performance results of LISI AEROSPACE
  - Activity still sustained at LISI AUTOMOTIVE
  - LISI MEDICAL driven by the successful integration of LISI MEDICAL Orthopaedics
- Operating profitability further improved
  - Current operating margin at 9.6%, close to Group standards
- Net profit significantly up at €38.2m after €10.6m of capital gains on the disposal of LISI COSMETICS
- Satisfactory Free Cash Flow for a growth period: €10m, positive throughout the divisions
- Net financial position positive at €10m, to be compared with net debt of €17.5m at December 31, 2010
- Acquisitions of Creuzet Aéronautique and Indraero-Siren confirmed on July 22, 2011

Belfort, July 27, 2011 - LISI announces today its half-yearly results for the period ended June 30, 2011, submitted to the Board of Directors of July 26, 2011.

6-month period ended June 30,		**2011**	2010	Change
Main summarized income statement elements				
Sales revenue	€m	447.1	381.1	+17.3%
EBITDA	€m	62.2	43.9	+41.8%
EBIT	€m	42.8	19.2	+122.3%
Current operating margin	%	9.6%	5.1%	+4.5 pts
Income for the period attributable to holders of the company's shareholders' equity	€m	38.2	12.0	x 3.2
Diluted earnings per share	€	3.69	1.16	x 3.2
Main summarized cash flow statement elements				
Operating cash flow	€m	48.0	36.2	+€11.8m
Net industrial investments	€m	29.5	21.8	+€7.7m
Free Cash Flow (1)	€m	10.0	30.4	-€20.4m
Main elements of the financial situation				
Net debt	€m	-10.0	1.1	NA
Net indebtedness ratio on equity	%	-2%	0.2%	NA

(1) Free Cash Flow: operating cash flow minus net industrial CAPEX and changes in working capital requirements.

THE RISE IN SALES REVENUE REFLECTS THE RECOVERY OF LISI AEROSPACE IN EUROPE, AS WELL AS THE RELATIVE STRENGTH OF THE AUTOMOTIVE MARKETS

In €m

Sales revenue	2011	2010	2011 / 2010	2008	2011 / 2008
Q1	224.4	181.4	+23.7%	226.1	-0.8%
Q2	222.7	199.7	+11.5%	223.6	-0.4%
6-month period ended June 30,	**447.1**	**381.1**	**+17.3%**	**449.7**	**-0.6%**

After a difficult year 2009 and the inflection of 2010, 2011 enables the Group to return to its historic activity levels of 2008 with a recomposed business scope. It should be noted that in the past 12 months the Group integrated two automotive sites and one medical site, and sold its LISI COSMETICS division. On a constant exchange rate and like-for-like basis, organic growth stands at +14.9%, versus +4.1% for the first quarter of the previous year. Such a progression pace had been unseen since 2007 when, as a reminder, organic growth stood at +11.3% for the first half-year and +13.3% for the entire year.

LISI AEROSPACE's business activity in the United States remains significantly below its normative level. Growth is due to the extremely strong recovery of LISI AEROSPACE Europe (+37% for H1, of which +46.2% for Q2) thanks to Airbus, the relative strength of LISI AUTOMOTIVE's markets under the impulse of Germany and, lastly, the optimized operation of the new LISI MEDICAL Orthopaedics plant.

TO FACE ROBUST MARKET CONDITIONS, PRODUCTION HAS BEEN STRONGLY SUSTAINED

To continue serving its customers under good logistic conditions, the Group has increased its production by +21% to €462.8m (for sales revenue up +17.3% to €447.1 M€), i.e. an additional €15.7m. Despite this increase in production, inventories remain under control at 94 days of sales revenue as at June 30, 2011 versus 98 days at June 30, 2010, that is working capital equal to 21% of sales compared to 24% over these two periods.

RISING VOLUMES ALLOW FOR SUBSTANTIAL IMPROVEMENT IN RESULTS DESPITE THE RISE IN RAW MATERIALS COSTS

Consumption items rise more significantly than production (+28.7%), mainly under the effect of the rise in raw materials costs and the change in the activity mix. This inflation is particularly noticeable at LISI AUTOMOTIVE. However, the EBITDA has continued to rise strongly over the six-month period (+41.8%) to 13.9% of sales versus 11.5% last year.

After stable depreciation and the favorable effects of provisions and provision reversals, the operating profit is up +122% at €42.8m, that is 9.6% of sales.

After taking foreign exchanges losses into account for €1.1m related to the weak dollar and stable financial expenses, the net earnings benefit from the contribution of the disposal of LISI COSMETICS for €10.6m. At the end of the day, the profit for the period stands at €38.2m at June 30, 2011, that is 8.6% of sales, versus €12.0m, that is 3.2% at June 30, 2010.

THE FINANCIAL POSITION IS POSITIVE BEFORE THE ACQUISITIONS OF CREUZET AERONAUTIQUE AND INDREARO-SIREN

To anticipate the increase in demand in the Group's markets, investments are rising sharply:

- LISI AUTOMOTIVE: opening of the logistics center in Delle II (90), which serves the production sites of eastern France, as well as the establishment of the Bonneuil / Marne (94) induction site in Puiseux II (95).

- LISI AEROSPACE: expansion of the Saint-Ouen l'Aumône (95) plant for parts designed for the A350 and increase in capacity in Izmir (Turkey).

In that context of strong growth, Free Cash Flow remains positive, however, and stands at €10m.

This contribution, combined with the sale of LISI COSMETICS, enables the Group to benefit from a positive net financial position of €10 million at June 30, 2011, to be compared to net debt of €17.5 million at December 31, 2010.

LISI AEROSPACE (37% of the consolidated total)

- Good visibility of the production rates and order book
- Growth driven by Europe thanks to the A380 and A350 program
- Earnings up significantly

in €m

Sales revenue	**2011**	**2010**	**2011 / 2010**	**2008**	**2011 / 2008**
Q1	82.4	70.9	+16.3%	97.2	-15.2%
Q2	84.2	72.2	+16.7%	91.0	-7.4%
6-month period ended June 30,	**166.6**	**143.1**	**+16.5%**	**188.2**	**-11.5%**

The aerospace market confirms its good health, as evidenced by attendance records and orders placed at the Paris Air Show. The leading indicator of air traffic remains strong. Combined with high fuel prices, this leads to a real need for renewal of fleets of commercial aircraft, which is beneficial for Airbus and Boeing. However, it should be noted that other market segments such as regional aircraft, business aviation and the military are far from being as dynamic.

The cumulative total orders placed by Airbus and Boeing reached nearly 1,000 aircraft versus 500 deliveries during the six-month period. The activity level of LISI AEROSPACE rose by +37% in Europe during H1, of which +46.2% for the second quarter alone, mainly under the impulse of the expansion of the A380 programs and the establishment of the initial supply for the A350 line.

- **Strong exposure of the United States to regional aircraft and distributors puts off recovery in that country**

The increase in activity in the United States remains slow (+6% / H1 2010) without orders heralding any strong recovery in the short term. The deep restructuring under way in the distribution and production of regional aircraft manufacturers continues to weigh heavily on business activity in the United States. However, the forthcoming marketing of the B787 and the rise in production rates for early 2012 at Boeing should allow the main plant in Torrance (California) to increase its workload rapidly.

- **Favorable business context**

Both in terms of taking orders for new products (over €25 million in orders in H1 2011) and of renewal or extension of contracts, the current environment is conducive to business growth for all of LISI AEROSPACE.

- **Earnings up significantly**

The volume impact is key to the turnaround of the division's results, which also benefited from qualitative effects such as billing of "PREMIUMS" a high level of productivity of labor hired in advance, as well as reversals of provisions for slow-moving inventory (€0.7m favorable effect). These elements lead to a substantial improvement in the EBIT, which rose from €6.3 million, or 4.4% of sales in the first half of 2010, to €20.6 million or 12.4% of sales in the first half of 2011.

Analysis by geographic region shows that the "*Airframe Europe*" area has returned to a high cycle contribution, while the "Engine" segment and particularly the U.S. area still represent a potential for improved results.

Free cash flow is therefore definitely positive over the period at €5.3m.
Over the second half of the year, the pace of investment will greatly accelerate with, in particular, the launch of the new line of surface treatment in Torrance and the capacity investments in machining facilities in Europe (Izmir, Saint-Ouen l'Aumône, Tanger).

LISI AUTOMOTIVE (54 % of consolidated total)

- European registrations still resisting
- World production of LISI AUTOMOTIVE customers up by about +5%
- Organic growth of 13% driven by German manufacturers
- Non-recurring costs and rising raw materials limit the growth in operating margin
- Free Cash Flow positive, despite the doubling of investments

In €m

Sales revenue	**2011**	**2010**	**2011 / 2010**	**2008**	**2011 / 2008**
Q1	121.2	94.4	+28.4%	109.7	+10.5%
Q2	118.3	107.3	+10.2%	111.6	+6.0%
6-month period ended June 30,	**239.5**	**201.7**	**+18.7%**	**221.3**	**+8.2%**

- **The European market remains strong. The worldwide production of customers is up 5%**

The first half of 2011 saw good performance in major markets such as Germany (+10%) and France (+1%, versus +0.6% in H1 2010) allowing the entire European market to limit its decline to -1.8% due to the discontinuation of the scrapping bonus. All in all, the European market is expecting a slight decline for the 2nd half of the year.

It is therefore only thanks to export markets that LISI AUTOMOTIVE customers will be able continue to increase their production level by about +5%. German premium models are very successful in all high-growth markets (China, Brazil, Russia); JD Power expects that by 2016, these markets should account for more than the mature markets of Europe, U.S. and Japan combined. As an indication, the Volkswagen Group experienced the best six-month period in its history, with 4.09 vehicles sold around the world, that is a progression of +14.1% on the first half of 2010. BMW displays comparable progression at +19.7%.

- **LISI AUTOMOTIVE continues its progression**

At nearly €240m, LISI AUTOMOTIVE sales for the first half of 2011 are up +12.6% on a like-for-like basis. Given the integration of the Bonneuil / Marne (94) and La Ferté-Fresnel (61) sites, published activity rose by +18.7%.

All units, mainly the ones intended to serve German customers, contribute to the upward movement. The level of activity now exceeds the rated capacity of certain installed sites and generates overheating costs that add up to rising consumption, which results in particular from the rise in raw materials costs.

As examples, LISI AUTOMOTIVE was faced with difficulties related to a temporary overactivity situation on its Kierspe, Germany site, the launch costs of a number of products on the Melisey (70) site and the effects of the transfer of activity from Bonneuil/Marne (94) to Puiseux (95). Measures to solve these specific problems have been taken, but the positive results of the situation getting back under control will only arise as of Q1 2012.

However, the operating profit, thanks to the favorable impact of the acquisition of the Acument sites, continues to recover both in absolute terms (+38%) to €16.4 million, and in relative value to 6.9% of sales, versus 5.9% of sales in H1 2010 and 6.6% in H2 2010.

Free cash flow remains positive at +€3.4m despite the doubling of investments for both infrastructures (Delle II) and production equipment (Puiseux, China) for a record €20m over the six-month period.

LISI MEDICAL (9 % of consolidated total):

- Growth context in the medical market
- Successful integration of LISI MEDICAL Orthopaedics
- Significant improvement of performance results within a different consolidation scope

In €m

Sales revenue	**2011**	**2010**	**2011 / 2010**	**2008**	**2011 / 2008**
Q1	21.4	5.4	+297.0%	6.0	+253.8%
Q2	21.0	6.0	+246.4%	6.7	+214.8%
6-month period ended June 30,	**42.4**	**11.4**	**+270.2%**	**12.7**	**+233.4%**

- **Growth in the medical market**

The medical market has continued to grow in H1 2011, particularly in the orthopaedic, spine and trauma-ends segments. LISI MEDICAL customers are replenishing the stocks they reduced during the crisis. In addition, changes in regulatory requirements result in the natural consolidation of the subcontractors base, which is beneficial to LISI MEDICAL, now a significant player with the takeover of the renowned LISI MEDICAL Orthopaedics plant for orthopedic prostheses.

Commercially speaking, the latter company is consolidating its positions with its main customer Stryker thanks to the optimal operation of the contract executed at the time of the acquisition in 2010 and is gradually opening its capacities to other customers. The number of bids made has increased significantly throughout the period.

The Jeropa plant (San Diego - USA) continued to recover commercially, both in its dental specialty segment and in other attractive markets such as "trauma-ends" or "maxillary-facial".

Disruption of production caused by the combination of the Seignol and Hugueny sites on the Neyron (01) site, is being resolved.

- **Significant improvement of performance results within a different consolidation scope**

Additional growth that arose from the successful integration of LISI MEDICAL Orthopaedics prevents any possible comparison with previous periods. While sales have now reached €42.4m, up +270%, the old consolidation scope remains stable and reflects the difficulties encountered by the Lyon site. Production rose further, in order to face the establishment of stocks for the customer Stryker. Such activity makes it possible to cover the fixed costs and overheads and to generate encouraging operating profit of nearly 14% of sales.

OUTLOOK

The outlook for the **aerospace** market remains positive thanks to the visibility of the order book in Europe. For the full year, LISI AEROSPACE's earnings should follow the same trend as the one recorded in the first half. In the United States, the division should recover some dynamism with the initial deliveries of the B787 and B747-8 and the end of destocking of the distribution, expected for the last months of the year, only. Thus, the main plant in North America, in Torrance, California, could take over from those European plants that are already properly loaded during the first half-year, the effects becoming visible as of 2012.

The second half will also be marked by the integration of Creuzet Aéronautique and Indraero-Siren. This acquisition will provide an increase in activity by more than one third compared to the current scope of LISI AEROSPACE, without however reaching the margin level achieved by the fasteners segment.

The outlook for the **automotive** market remain robust, although the growth rate should gradually decline in the coming six months. The new organization based on three "business groups" (screwed, clipped, components), in place since April 2011, produced its first effects with more dynamic order taking for new products (more than €30m in H1 2011, that is +28%). In addition, increased capability in China will continue to expand with the installation of a heat treatment line during S2 2011. In terms of earnings, the second half will be penalized by the high level of raw material costs and will see neither the effects of absorption of the additional cost of activity, nor the resolution of the aforementioned operational problems. The level of operating margin will therefore be under stress in the second half of the year.

Regarding the **medical** division, the recording as inventories of Stryker orders has generated exceptional performance that will be difficult to renew in H2 2011. Therefore, the business and profitability levels of LISI MEDICAL Orthopaedics will not be entirely renewed in the coming months. However, there remain on the new Neyron site some significant reserves for productivity and improved performance that will be gradually exploited.

On a consolidated basis, the current growth should enable the LISI Group to exceed in 2011 the record sales revenue of €844m achieved in 2008.

Beyond the current financial year, the Group today has strong long-term growth relays, be they internal (LISI AEROSPACE USA and LISI AUTOMOTIVE in Germany) or external (integration of LISI AEROSPACE CREUZET) to continue its expansion and return to its pre-crisis performance levels.

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The next publications will appear following close of trading on Paris Euronext
Q3 2011 financial position: October 26, 2011

The LISI Group is listed on Eurolist's B compartment and belongs to the CAC® Small, CAC®Mid& Small, CAC® – All Tradable and CAC®-All Shares Indices, ISIN code: FR 0000050353.

Reuters:GFII.PA
Bloomberg:FII FP

Membre de MiddleNext

LISI Group consolidated income statement

(In €'000)	*30/06/2011*	*30/06/2010*	*31/12/2010*
Pre-tax sales	**447 059**	**381 051**	**776 689**
Changes in stock, finished products and production in progress	15 772	1 359	3 699
Total production	462 830	382 409	780 388
Other revenues	10 767	10 067	15 395
Total operating revenues	**473 597**	**392 476**	**795 783**
Consumption	(135 859)	(103 492)	(214 169)
Other purchases and external charges	(92 772)	(84 544)	(160 810)
Value added	**244 966**	**204 440**	**420 803**
Taxes and duties	(4 332)	(3 941)	(6 459)
Personnel expenses (including temporary employees)	(178 432)	(156 643)	(318 679)
EBITDA	**62 202**	**43 856**	**95 665**
Depreciation	(23 327)	(23 557)	(45 798)
Net provisions	3 901	(1 056)	(399)
EBIT	**42 775**	**19 244**	**49 467**
Non-recurring operating expenses	(143)	(2 087)	(1 600)
Non-recurring operating revenues	9 981		526
Operating profit	**52 613**	**17 157**	**48 393**
Financing expenses and revenue on cash	**(849)**	**(1 584)**	**(2 517)**
Revenue on cash	*634*	*229*	*430*
Financing expenses	*(1 483)*	*(1 813)*	*(2 947)*
Other interest revenue and expenses	**(1 140)**	**2 742**	**1 592**
Other financial items	*2 505*	*10 252*	*13 135*
Other interest expenses	*(3 645)*	*(7 509)*	*(11 543)*
Taxes (of which CVAE (Tax on Companies' Added Value))	(13 303)	(6 392)	(14 704)
Profit (loss) from assets held for sale	805		
Profit (loss) for the period	**38 126**	**11 923**	**32 764**
attributable as company shareholders' equity	38 232	12 006	32 924
Minority interests	(106)	(83)	(161)
Earnings per share (in €):	**3,69**	**1,16**	**3,19**
Diluted earnings per share (in €):	**3,69**	**1,16**	**3,19**

(In €'000)	*30/06/2011*	*30/06/2010*	*31/12/2010*
Profit (loss) for the period	**38 126**	**11 923**	**32 764**
Other elements of overall earnings			
Exchange rate spreads resulting from foreign business	(9 874)	23 366	12 324
Restatements of financial instruments	(528)		
Tax charge on other portions of global income	-	-	-
Other portions of global earnings, after taxes	**(10 402)**	**23 366**	**12 324**
Total overall income for the period	**27 724**	**35 289**	**45 088**
attributable as company shareholders' equity	27 877	35 397	45 194
Minority interests	(153)	(108)	(106)

LISI Group consolidated balance sheet

ASSETS

(In €'000)	30/06/2011	31/12/2010	30/06/2010
LONG-TERM ASSETS			
Goodwill	142 263	152 287	130 905
Other intangible assets	15 226	17 054	16 684
Tangible assets	260 970	278 815	262 023
Long-term financial assets	5 119	5 394	6 509
Deferred tax assets	16 566	16 146	13 779
Other long-term financial assets	43	63	100
Total long-term assets	**440 187**	**469 759**	**430 001**
SHORT-TERM ASSETS			
Inventories	190 052	177 096	167 194
Taxes – Claim on the state	3	1 198	2 175
Trade and other receivables	134 646	126 721	149 279
Other short-term financial assets	73 799	58 619	86 409
Cash and cash equivalents	24 939	22 261	20 914
Total short-term assets	**423 438**	**385 896**	**425 971**
TOTAL ASSETS	**863 625**	**855 654**	**855 971**

TOTAL EQUITY AND LIABILITIES

(In €'000)	30/06/2011	31-déc	30-juin
SHAREHOLDERS' EQUITY			
Capital stock	21 573	21 573	21 573
Additional paid-in capital	70 803	70 803	70 803
Treasury shares	(14 713)	(15 028)	(16 050)
Consolidated reserves	402 221	379 651	379 792
Conversion reserves	(12 219)	(2 392)	8 729
Other income and expenses recorded directly as shareholders' equity	1 747	1 933	2 525
Profit (loss) for the period	38 232	32 924	12 006
Total shareholders' equity - Group's share	**507 643**	**489 463**	**479 377**
Minority interests	705	858	(233)
Total shareholders' equity	**508 348**	**490 320**	**479 143**
LONG-TERM LIABILITIES			
Long-term provisions	35 569	39 023	37 676
Long-term borrowings	64 701	72 647	78 931
Other long-term liabilities	4 963	5 830	5 629
Deferred tax liabilities	32 724	34 859	33 995
Total long-term liabilities	**137 956**	**152 359**	**156 231**
SHORT-TERM LIABILITIES			
Short-term provisions	11 802	15 232	15 198
Short-term borrowings*	24 080	25 709	29 491
Trade and other accounts payable	177 387	162 440	171 218
Taxes due	4 052	9 594	4 691
Total short-term liabilities	**217 320**	**212 975**	**220 597**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIE	**863 625**	**855 654**	**855 971**
** of which banking facilities*	*8 653*	*7 923*	*10 910*

LISI Group consolidated cash flow table

(In €'000)	*30/06/2011*	*31/12/2010*	*30/06/2010*
<u>Operating activities</u>			
Net earnings	**38 126**	**32 764**	**11 923**
Elimination of net charges not affecting cash flows:			
- Depreciation and non-recurrent financial provisions	23 282	43 823	23 927
- Changes in deferred taxes	334	(694)	(622)
- Income on disposals, provisions for liabilities and others	(13 300)	5 249	3 736
Gross cash flow margin	**48 442**	**81 142**	**38 963**
Net changes in provisions provided by or used for current operations	(469)	(1 669)	-2 760
Operating cash flow	**47 973**	**79 474**	**36 204**
Income tax expense (revenue)	12 970	15 279	7 015
Elimination of net borrowing costs	1 467	2 525	1 216
Effect of changes in inventory on cash	(21 069)	(9 870)	(7 380)
Effect of changes in accounts receivable and accounts payable	16 959	23 959	17 137
Net cash provided by or used for operations before tax	**58 300**	**111 367**	**54 191**
Taxes paid	(17 320)	(3 453)	(824)
Cash provided by or used for operations (A)	**40 979**	**107 914**	**53 365**
<u>Investment activities</u>			
Acquisition of consolidated companies		(42 022)	(1 000)
Cash acquired		1 502	304
Acquisition of tangible and intangible assets	(29 725)	(51 974)	(22 092)
Acquisition of financial assets	(5)		
Change in granted loans and advances	(307)	476	(145)
Investment subsidies received			
Dividends received		2	2
Total cash used for investment activities	**(30 037)**	**(92 016)**	**(22 930)**
Disposed cash	(6 476)		
Disposal of consolidated companies	31 920		
Transfer of tangible and intangible assets	222	1 359	292
Disposal of financial assets	22	5	5
Total cash from disposals	**25 686**	**1 364**	**296**
Cash provided by or used for investment activities (B)	**(4 351)**	**(90 653)**	**(22 634)**
<u>Financing activities</u>			
Capital increase		1 404	1 015
Net disposal (acquisition) of treasury shares			
Dividends paid to shareholders of the Group	(10 913)	(7 216)	(7 216)
Dividends paid to minority interests of consolidated companies			
Total cash from equity operations	**(10 913)**	**(5 812)**	**(6 201)**
Issue of long-term loans	918	10 912	5 785
Issue of short-term loans	143	79	101
Repayment of long-term loans	(2 125)	(3 436)	(2 869)
Repayment of short-term loans	(4 650)	(20 576)	(8 732)
Net interest expense paid	(1 259)	(2 593)	(923)
Total cash from operations on loans and other financial liabilities	**(6 973)**	**(15 614)**	**(6 639)**
Cash provided by or used for financing activities (C)	**(17 886)**	**(21 426)**	**(12 840)**
Effect of change in foreign exchange rates (D)	(1 402)	4 686	5 806
Impact of restatements (D)	(213)	1 434	1 712
Changes in net cash (A+B+C+D)	**17 127**	**1 954**	**25 409**
Cash at January 1st (E)	72 957	71 003	71 003
Cash at year end (A+B+C+D+E)	90 084	72 957	96 413
Other short-term financial assets	73 799	58 619	86 409
Cash and cash equivalents	24 939	22 261	20 914
Short-term banking facilities	(8 653)	(7 923)	(10 910)
Closing cash position	**90 084**	**72 957**	**96 413**